Stenham Asset Management

Stenham Equity UCITS Fund

Webinar Presentation – October 2020

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Agenda

- Fund Overview & Performance
- Market Observations
- Digital Payments Industry – Investment Outlook
- Q&A

Fund Overview & Performance

Stenham Equity Fund

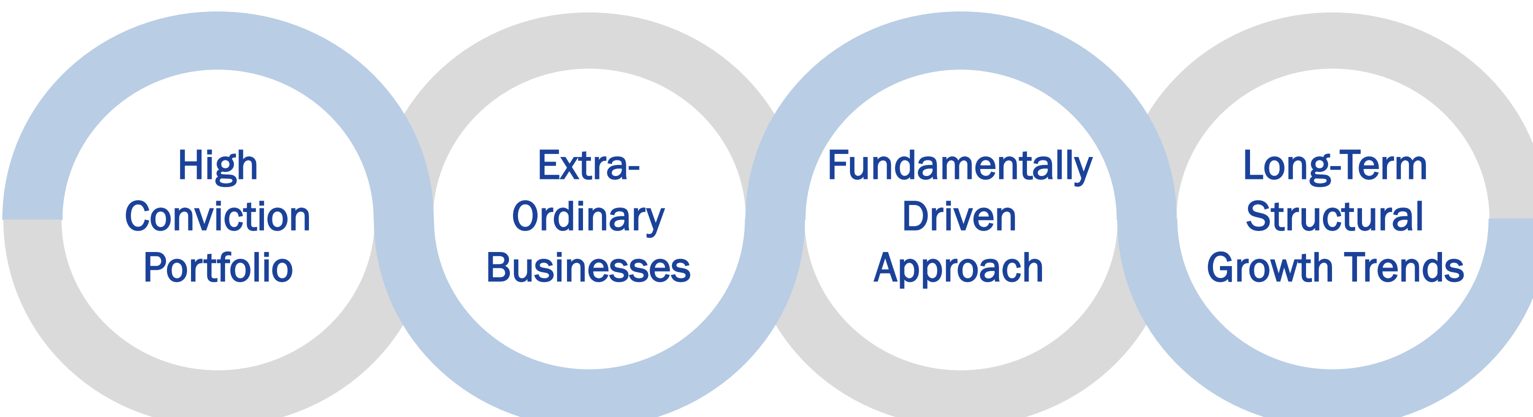
Executive summary – Investment Philosophy

» High conviction portfolio – The average global equity fund holds too many stocks, in effect an index tracker with higher fees. The Stenham Equity Fund is a **concentrated, best ideas portfolio of ± 20 companies.**

» Extra-Ordinary Businesses – our aim is to identify superior companies with structural competitive advantages and high & defensible returns on invested capital.

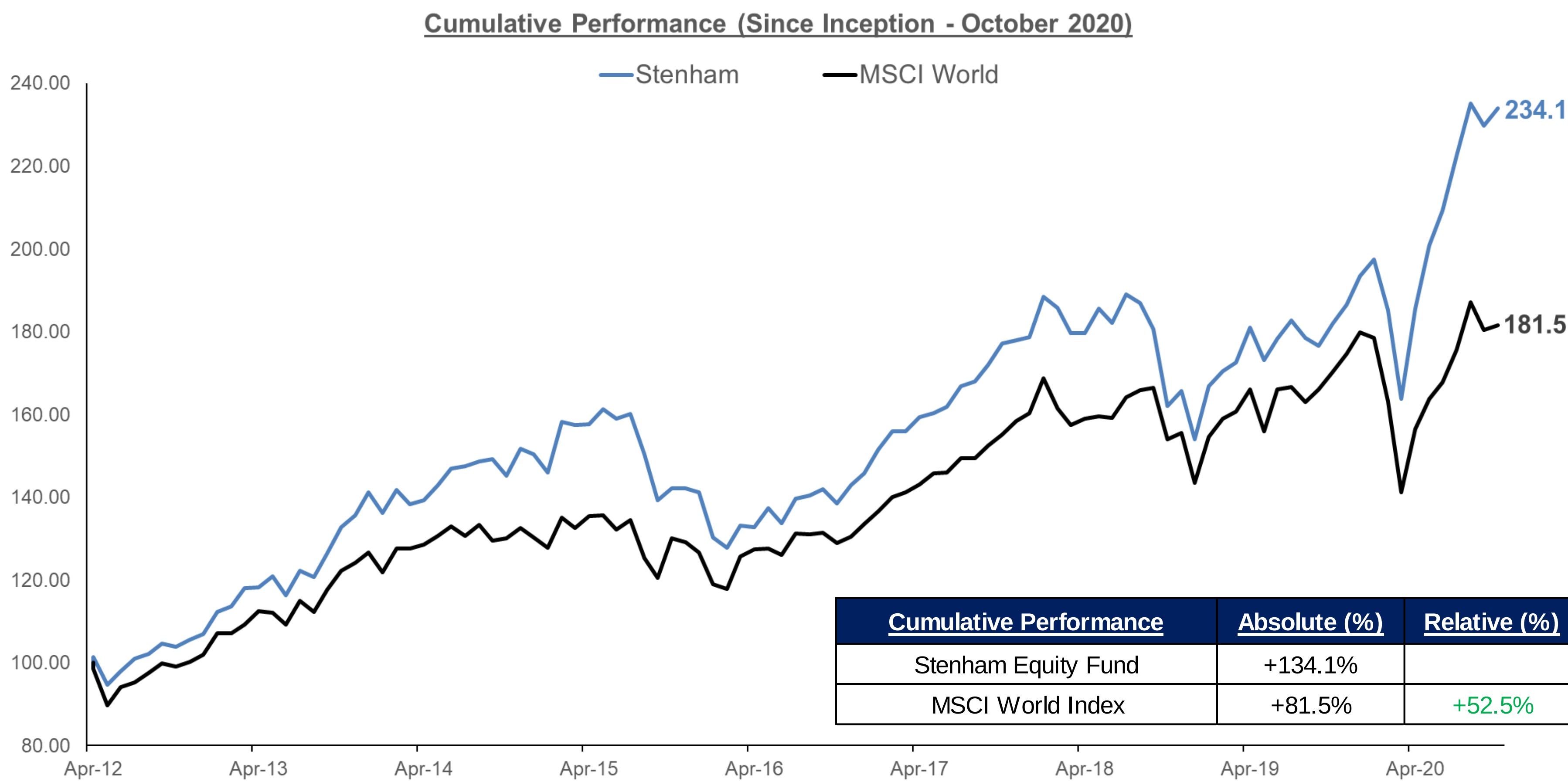
» Fundamentally Driven Approach – our focus is on the long-term drivers of equity returns i.e. free cash flow generation and not on short-term gyrations driven by sentiment i.e. multiple expansion / contraction.

» Long-term Structural Growth Trends – our objective is to be invested in attractive secular growth themes where long-term structural trends have been accelerated and should outweigh short-term periods of weaker economic activity.



Stenham Equity Fund

Outperformance Versus Global Equities Benchmark



Cumulative Performance	Absolute (%)	Relative (%)
Stenham Equity Fund	+134.1%	
MSCI World Index	+81.5%	+52.5%

Source: Stenham Asset Management & Bloomberg. Performance figures to 27th October 2020 close (net of fees USD)

Stenham Equity Fund

Outperformance During Recent Market Volatility

Performance to 27-Oct-2020	MTD (%)	YTD (%)
Stenham Equity Fund	+1.9%	+21.0%
MSCI World Index	+0.6%	+1.0%
Relative	+1.3%	+20.1%

Source: Stenham Asset Management. Performance to 27th October 2020 close (net of fees USD)

Stenham Equity Fund

Competitor Analysis – Bloomberg Peer Universe of 4,222 Equity Funds

» Top decile Year-to-date & 1-Year fund performance.

» Top quintile 3-Year & 5-Year fund performance.

Performance (%)	Percentile (%)
Year-to-date	94%
1-Year	95%
3-Year	84%
5-Year	88%

Source: Stenham Asset Management & Bloomberg. Performance figures 27th October 2020 close (net of fees USD)

Market Observations

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Views & Observations

- U.S. Election – range of outcomes

- Pandemic – where are we regarding health, the economy & longer-term impacts

- Vaccine – possible timeline

- Technology – on-going digitalization of the economy & under-estimation of growth

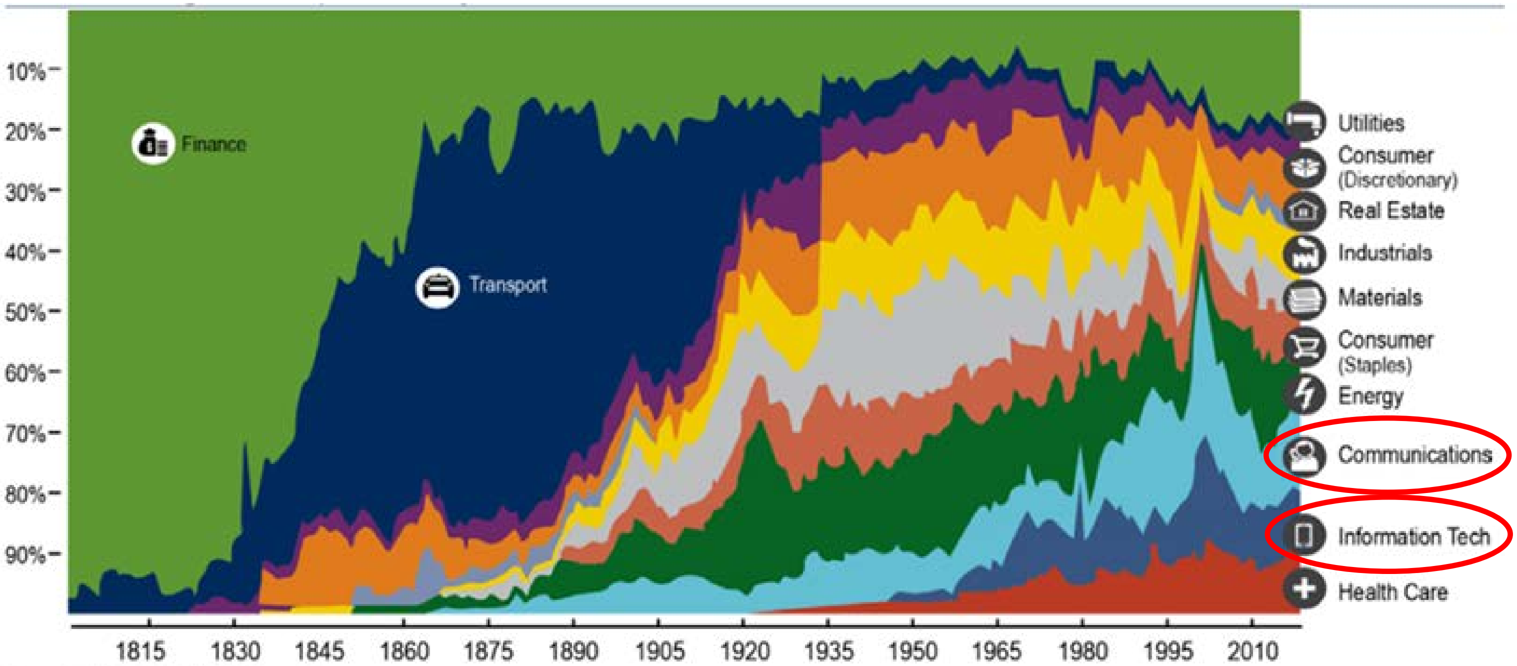
Technology is at the forefront of the market

But history shows that sector dominance isn't unique to the current market

» As the chart below shows, sector concentration is not unique to today. The sector that is driving a disproportionate amount of corporate profits and fueling economic growth has historically dominated index composition and this can last multiple decades.

» Today, Tech is driving the lion share of growth and we view this significant technological shift as arguably still being in the very early innings.

Market Index Sector Weights (1800 – Present)



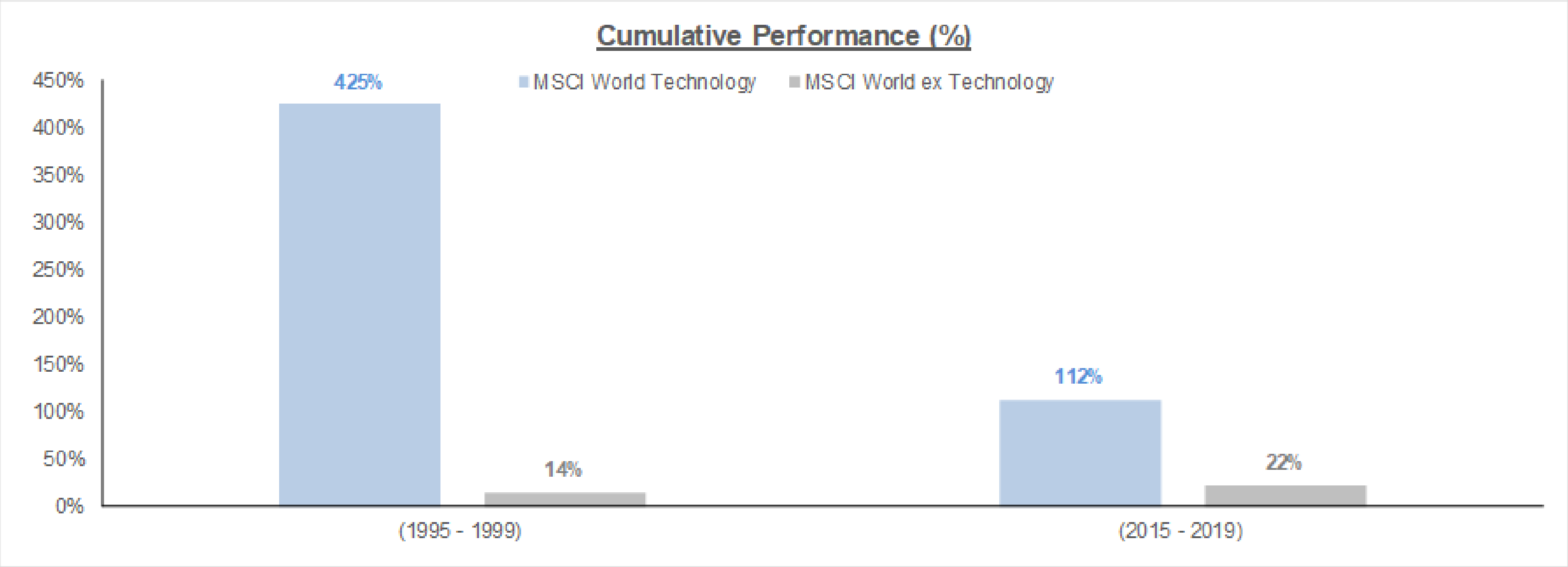
Source: Visual Capitalist, BofA Global Research

2000 vs 2020: Are we in a Bubble?

Far greater Technology sector outperformance in the lead up to 2000

» The Tech Index cumulatively appreciated 425% between 1995–1999 versus ex-Tech's 14% gain, resulting in more than a 30 fold delta in performance. This compares to a notably lower 5 fold delta in performance between 2015–2019.

MSCI World Technology Index vs MSCI World ex-Technology Index – Cumulative Performance (%)



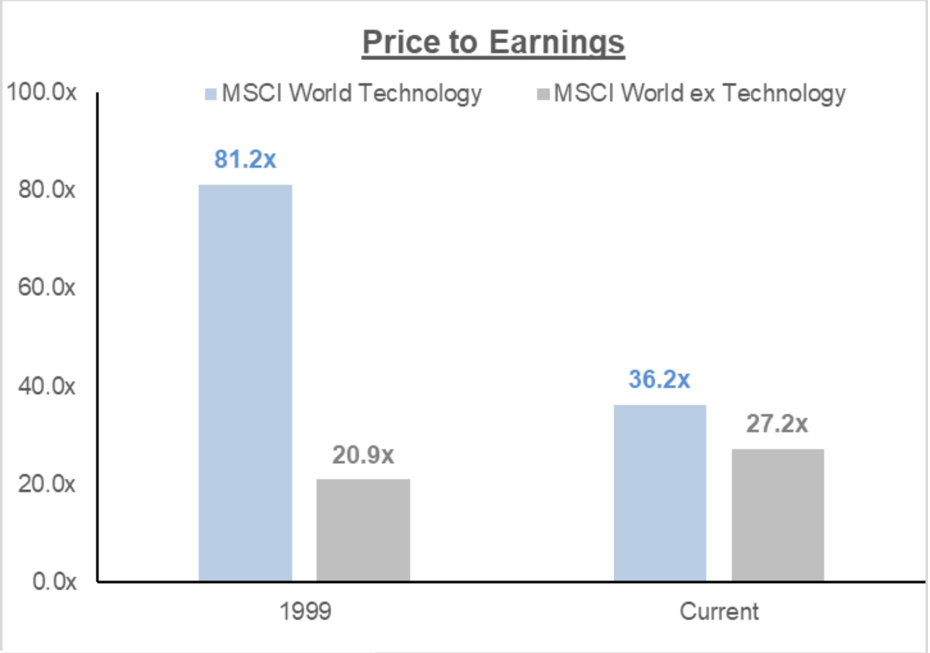
Source: Stenham, Bloomberg, MSCI.

2000 vs 2020: Are we in a Bubble?

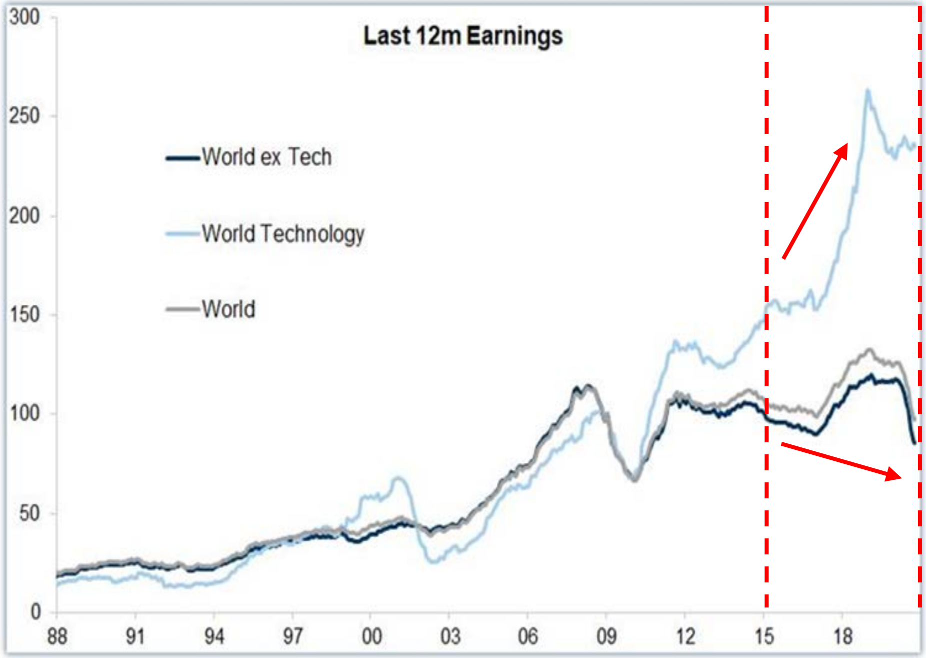
Current valuations appear significantly less extended

» In 1999, the Tech Index had a P/E multiple of 81x versus the ex-Tech Index's 21x, resulting in a 287% premium. Current valuations appear significantly less extended, with a premium of 33% against the ex-Tech Index.

MSCI World Technology Index vs MSCI World ex-Technology Index – Price to Earnings Ratio & 12M Earnings



Source: Stenham, Bloomberg, MSCI.



Source: Datastream, Worldscope, Goldman Sachs Global Investment Research

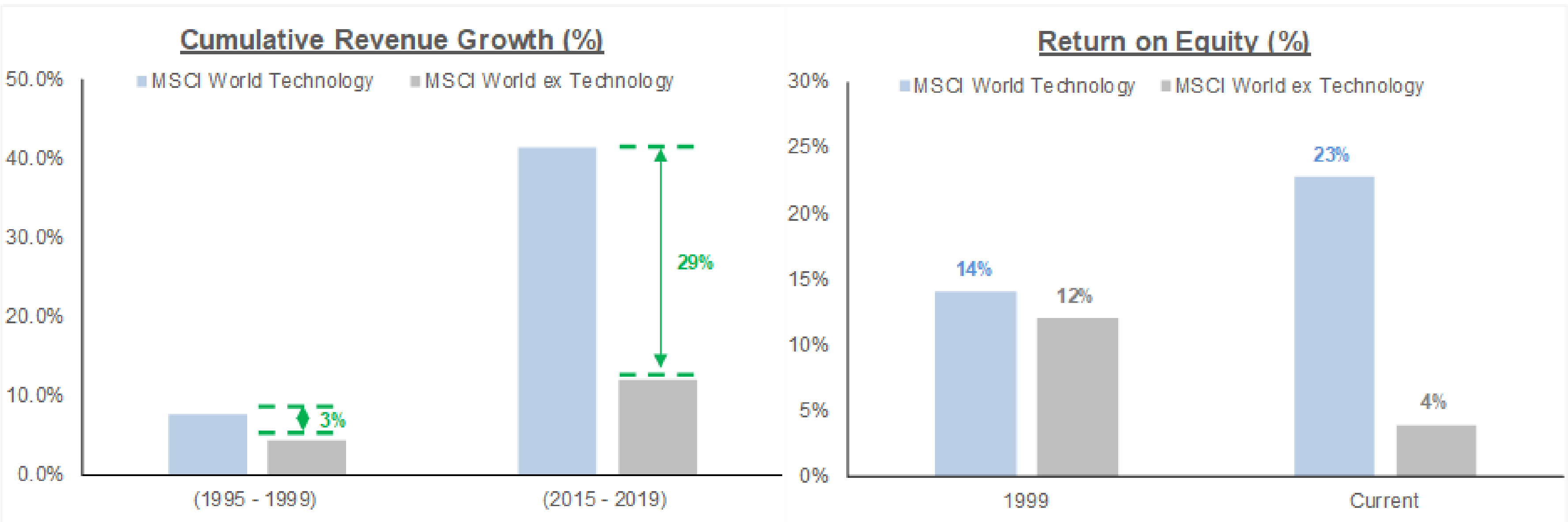
2000 vs 2020: Are we in a Bubble?

Fundamentally led outperformance for the Technology sector today

» The fundamental differences between the two environments are shown by the stark contrast in cumulative revenue growth as well as return on equity (ROE), a proxy for business quality.

» Both metrics show the extent to which the Technology sector has driven a disproportionate impact on fundamental performance in the current environment.

MSCI World Technology Index vs MSCI World ex-Technology Index – Cumulative Revenue Growth & Return on Equity (%)



Source: Stenham, Bloomberg, MSCI.

2000 vs 2020: Are we in a Bubble?

Overall Observations

- The current Tech cycle outperformance can be explained more by fundamental drivers compared to 2000. Valuations are more reasonable and generally make sense based on where discount rates are as well as implied growth rates.

- This year has seen Tech's outperformance continue to widen as a result of the pandemic which appears justified as the crisis is creating enormous value for digital first.

- In 2000, the internet everything thesis was directionally correct but the market capitalisations were taken too far. Today, however, we have the necessary internet infrastructure to facilitate this technological shift towards digitalisation.

Source: Bloomberg

Digital Payments Industry & Adyen Investment Thesis

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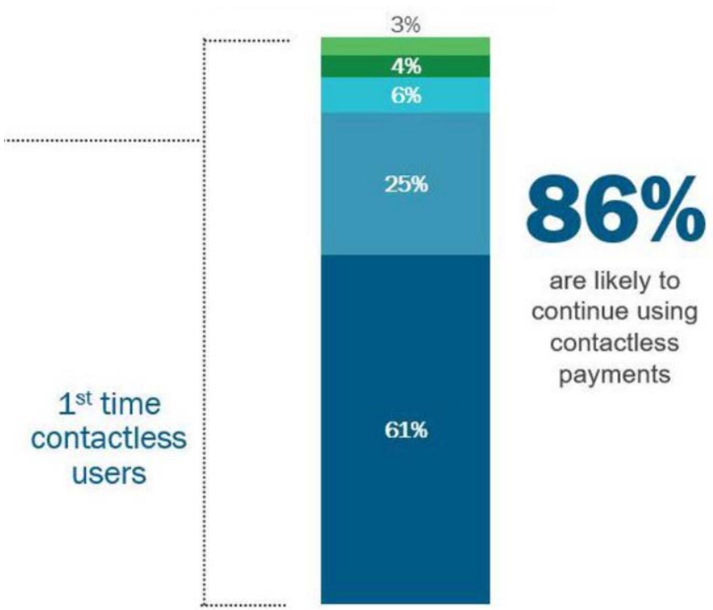
Update on Payments & Impact of the Pandemic

Contactless

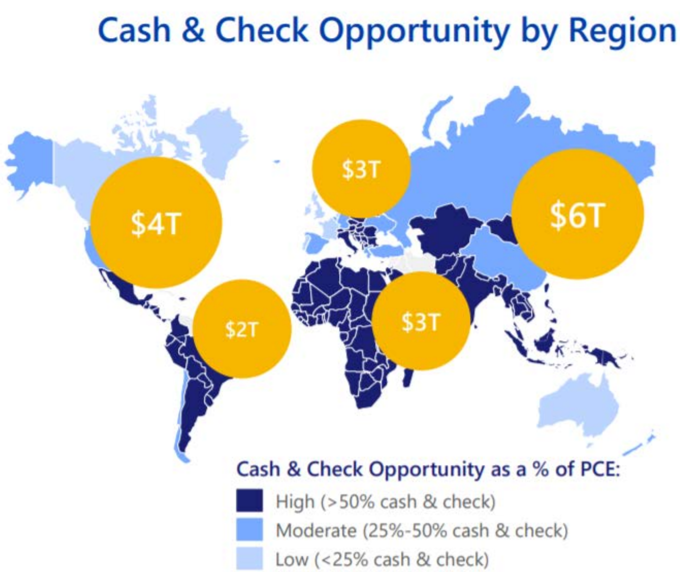
- » This pandemic has transformed contactless from a nice to have to a must have for both consumers and merchants.
- » Expedites cash displacement. 55% of all transaction <$10 are still cash.
- » Contactless drives 20% transaction lift in mature markets.

What is new?

- » In Europe, 75% of in-store payments are now contactless. +50% YoY across several countries.
- » Both sides of a transaction are now NFC equipped in the US. Adoption catching up to mature markets.
- » Once you start tapping, you don't go back.



Source: 451 Survey Data



Source: Visa CMD, 2020.

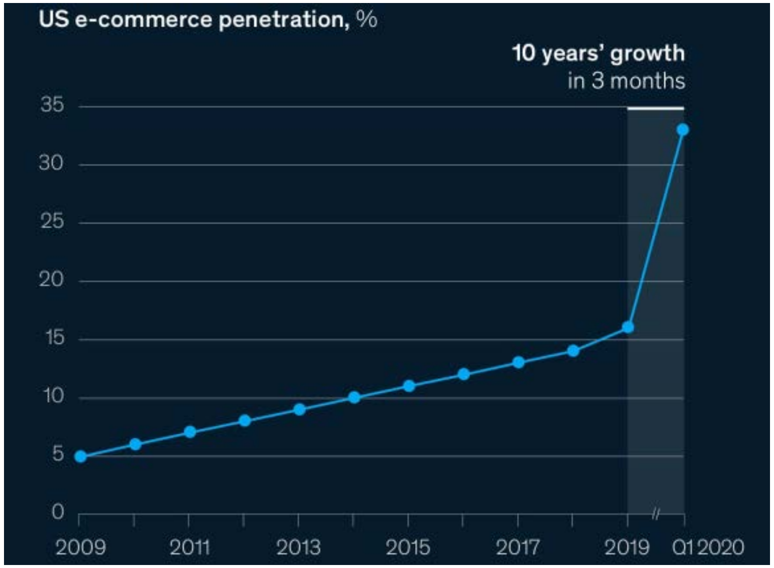
Update on Payments & Impact of the Pandemic

E-commerce

- » Cash does not compete in the online world. Visa's market share is 3 times greater vs the offline world.
- » PayPal is the largest facilitator of online commerce with a 20% global (ex-China) market share.

What is new?

- » According to Adobe, 130 days in 2020 exceeded $2 billion in daily online sales by August, with every day in May and June doing so. In 2019, only two days outside the holiday season hit that mark.
- » U.S. e-commerce penetration more than doubled in three months.
- » Recent credit card data suggests adoption is not only sticking but **accelerating.**



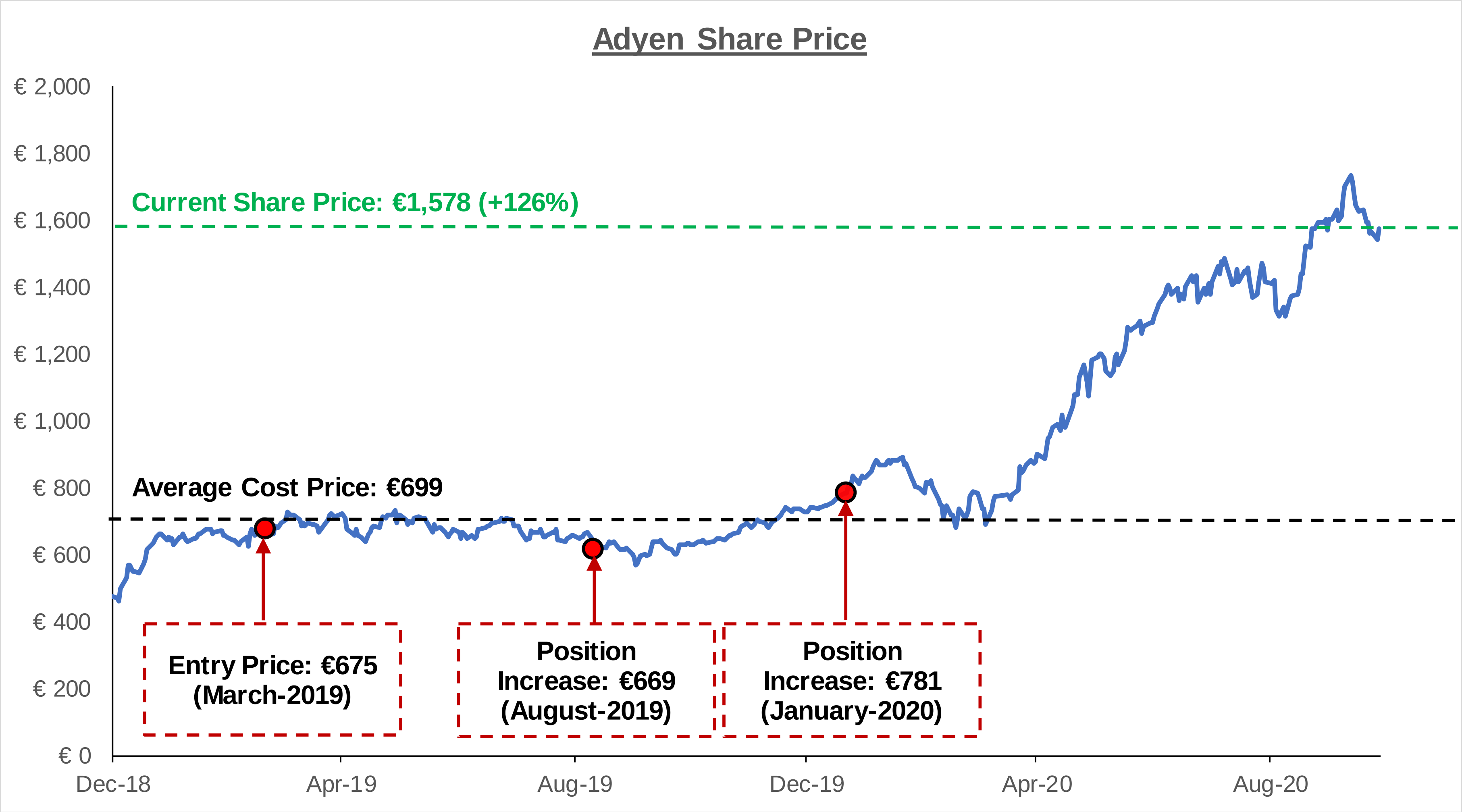
Source: Bank of America, Shawspring Research

Source: JPM Chase Card Data

Investment Thesis

adyen

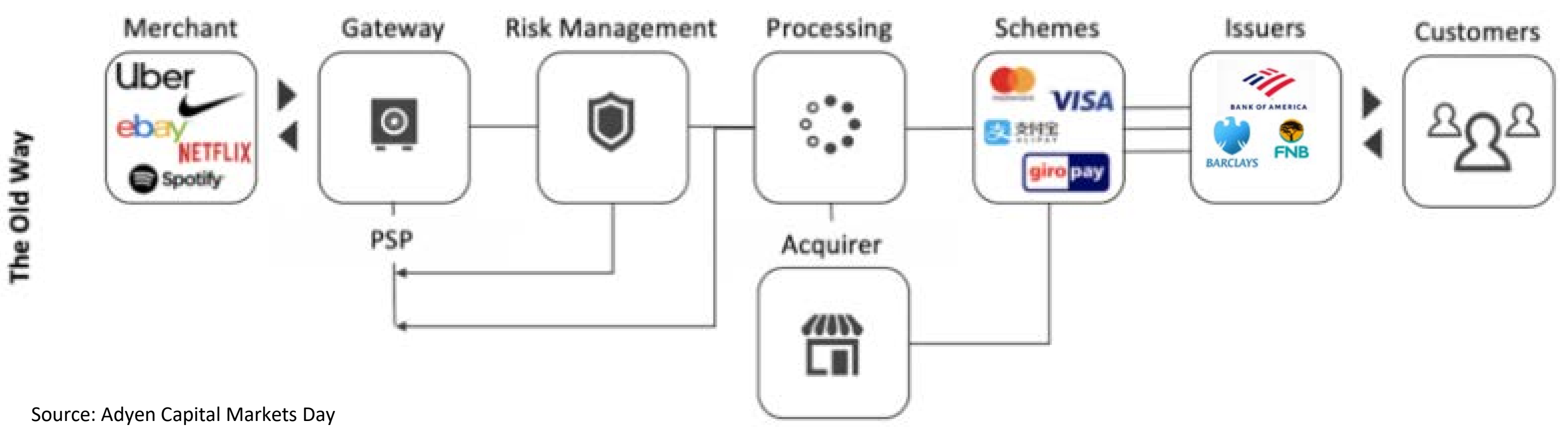
Adyen Share Price History



Source: Bloomberg, as at 27/10/2020

The Legacy Payments Stack – A lot of Problems to Solve

- The legacy payments value chain is very fragmented, with **multiple independent organizations** providing singular functions whose infrastructure was built 10 – 15 years ago for an offline world.
- Omnichannel merchants, who want to sell products around the world, would need to separately integrate with multiple local intermediaries which is costly, inefficient and has high friction at checkout => No data insights & **lower authorization rates.**



Source: Adyen Capital Markets Day

Enter Adyen – Attacking Pain Points with Simplicity

- Adyen's platform vs incumbent is what the iPhone is to the first 1973 Motorola cell phone.
- **Solving problems** – It is a single and fully integrated platform and end-to-end of the payments stack platform i.e. replaces several blocks of the value chain.
- One plug in ("land and expand") and a merchant is able to sell anywhere, accept over 200+ local payment methods and through any channel.
- This means lower cost, more transparency and **higher authorization rates**.
- **Data, Data, Data** – Having a holistic view of the payments flow data means better traceability of shopper's behavior => shopper insights across channels => better ROI on customer targeting & other ancillary data enabled products like Revenue Accelerate, Revenue Protect.

Source: Adyen Capital Markets Day

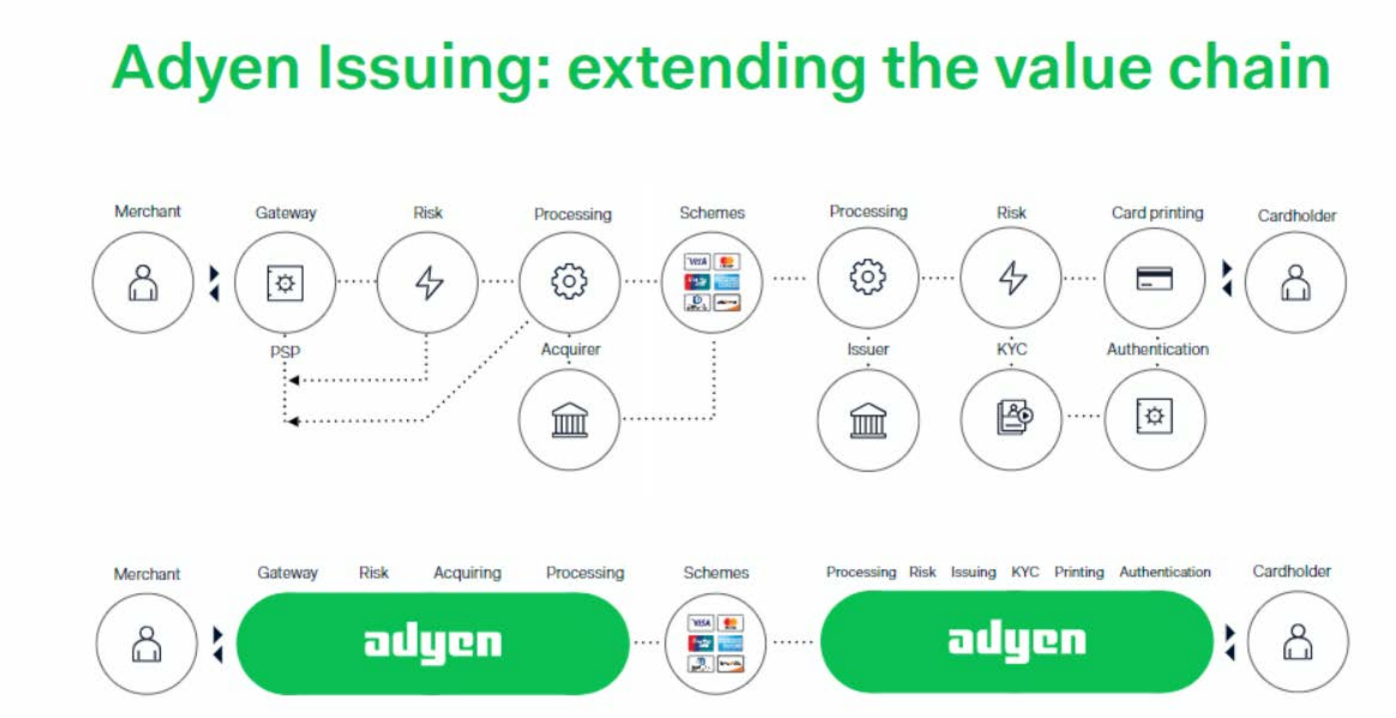
20bps take rate for acquiring a transaction

Merchant Case Studies

- “In 2012, Adyen began rolling out its POS solution, with some early success in the form of industry-leading brands boarding onto the Adyen platform, **such as a luxury retailer, which has seen its previous patchwork of providers spread across more than 30 contracts reduced to Adyen's single unified commerce platform and single contract.”**
- Spotify, which uses Adyen for most of its **international markets, saw its checkout conversion nearly double.**
- Evernote, which does 70% of its business outside the U.S., went through its global expansion early. It took three months of work to process yen using standard payment integration. Says Nancy Magee, director of commerce at Evernote, **"With Adyen we opened 30 currencies in two weeks.”**

Adyen Issuing

> *"Disruption, what does it look like for the bank?* ***Well, very simple there is no bank involved.*** *That's what it looks like"*
>
> Pieter van der Does, CEO Adyen (NOAH Conf, 2015)



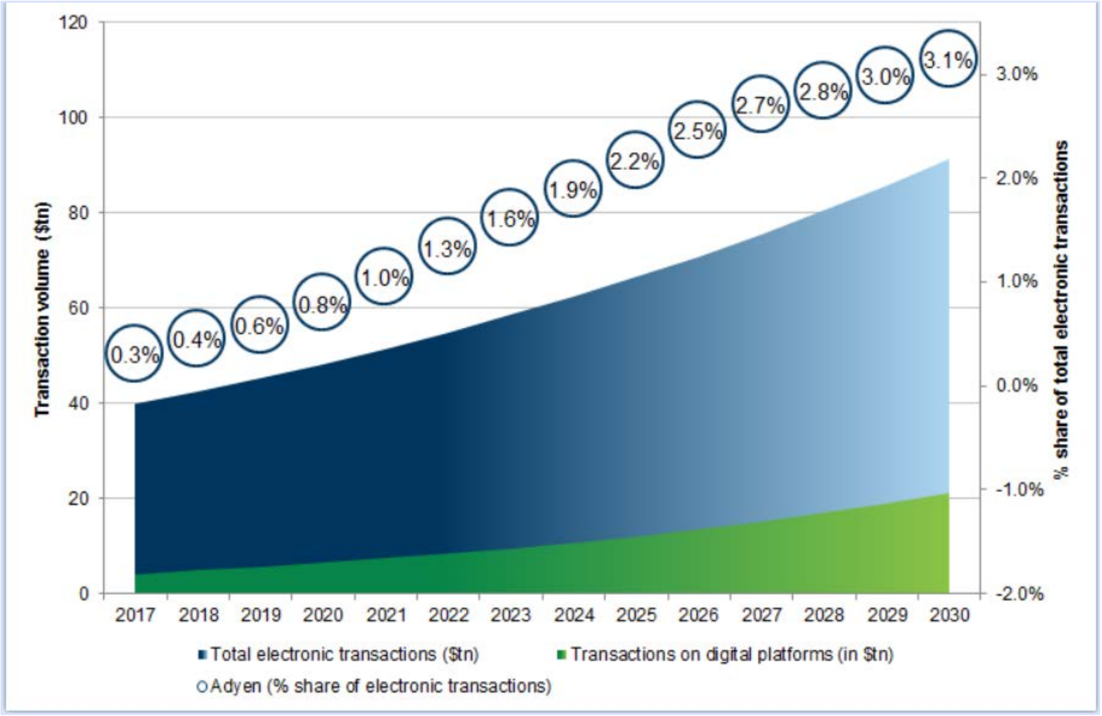
Source: Adyen Capital Markets Day

Addressable Market – 'The Pond Becomes an Ocean'

» The acquiring industry is very fragmented, with the top 10 global acquirers processing a total of 48% of total card purchase transactions.

» Adyen's addressable market is very large. The market for electronic payments was worth $43tn in 2018 or 21% of a total market (cash + electronic + cheque/other) of $207tn.

» Market for electronics payments to grow at a 7% CAGR through to 2030 to reach $91tn or 35% of the total payments market.



Source: Goldman Sachs Investment Research

Pandemic Impact – Channels are merging

» Omnichannel is not just a buzzword anymore. It is a reality for merchants in the grocery, QSR and retail verticals.

» Adyen's infrastructure & architecture was built for omnichannel commerce from the start in 2006 and stands to meaningfully benefit from this shift.

» It is our understanding that merchants are increasingly having conversations with Adyen about switching more of their wallet / volumes to their platform with some notable wins already being announced.

» Adyen's omnichannel capabilities are superior to those of next generation and incumbent payment service provider peers.

» This gives us more certainty for Adyen's future FCF growth algorithm.

*"**Adyen was the clear choice for us as we build our unified commerce capabilities** to create an even better consumer experience both online and in-store"*

Mike Hirt, CIO Columbia Sportswear Company (2020)

An Asset in Rarified Air

» **Adyen** has the growth of a high growth SaaS business *but* also the margins of a mature monopolist. We expect it to grow revenues 39% p.a. out to 2024, with 60% EBITDA margins & 95% Free Cash conversion.

» **PayPal** is growing revenues 18% p.a. with 26% EBITDA margins.

» **Square** is expected to grow revenues at 27% p.a with a 4% EBITDA margin.

» **Shopify** is expected to grow revenues at 38% p.a. with a 2% EBITDA margin.

» Very few businesses have 60% EBITDA margins. **Only two business globally have 60% margins growing almost 40%.**

		Fundamentals		Growth (3YR Fwd CAGR)		
Company Name	**PEG**	**EBITDA Margin**	**ROIC**	**SALES**	**EBITDA**	**FCF**
PayPal Holdings Inc	1.5x	26%	17%	**18%**	**19%**	**21%**
Shopify Inc	2.4x	2%	0%	**38%**	**55%**	**95%**
Square Inc	1.1x	4%	14%	**27%**	**66%**	**-**
Adyen NV	1.5x	60%	55%	**39%**	**44%**	**44%**

Source: Bloomberg, Stenham

How We Exit

Adyen Exit Scenarios

4 year growth	2024 EBITDA (m)	Exit EV/EBITDA Multiple	Implied share price in 2024	Upside/downside on 4yr view
60%	2780	40	3,662	132%
60%	2780	35	3,204	103%
60%	2780	30	2,746	74%
55%	2435	40	3,207	103%
55%	2435	35	2,806	78%
55%	2435	30	2,405	53%
50%	2122	40	2,795	77%
50%	2122	35	2,446	55%
50%	2122	30	2,096	33%
45%	1840	40	2,423	54%
45%	1840	35	2,121	34%
45%	1840	30	1,818	15%
40%	1584	40	2,086	32%
40%	1584	35	1,825	16%
40%	1584	30	1,565	-1%
35%	1355	40	1,785	13%
35%	1355	35	1,562	-1%
35%	1355	30	1,338	-15%
30%	1150	40	1,515	-4%
30%	1150	35	1,325	-16%
30%	1150	30	1,136	-28%

Source: Bloomberg, Stenham

- If the market is willing to pay over 35x EBITDA and Adyen grows >35% there is upside to the equity from here.
- The market is currently happily paying 40X EBITDA for PYPL with lower ROICs, margins and growth.
- Our base case is to exit @ 40x / 45% growth 54% upside from here.
- We argue growth may inflect higher. eBay alone will = 15% rev growth in 2021; BABA, McDonalds, Subway + crisis/e-commerce structural benefit.

Q&A

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