

# GETTING TO KNOW GLOBAL EQUITIES ANALYST, THOMAS RICE



**THOMAS RICE**

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Thomas joined Perpetual Investments in June 2014 as an Analyst for the Global equities strategy. His primary focus is on global technology stocks.

Prior to joining Perpetual, Thomas spent 11 1/2 years at PM Capital, where he was most recently Portfolio Manager of the PM Capital Australian Opportunities Fund. Prior to this role he was an analyst covering the internet, retail, and healthcare sectors both domestically and globally.

Thomas holds a Bachelor of Commerce (First Class Honours) and a Bachelor of Economics from Monash University.

## **What was it that initially drew you to this type of work and what keeps you here?**

I went into university with the idea that one day I'd like to run a big company. That changed half way through my first year when I realised the idea of owning companies was far more interesting. As I wasn't born to billionaire parents, I thought the next best option was to learn how to invest.

What keeps me here is simple: it's the most interesting job in the world!

To me there's 3 parts to investing – understand how the world works today, understand how it's changing tomorrow, and find stocks that don't correctly reflect that future reality. To do that job well you're constantly researching and learning new things, and being able to express those views through stock picks and a portfolio is immensely satisfying.

After a while it also changes how you view the world. You suddenly notice the business behind every product and service you see, and every business becomes an

economic model waiting to be deconstructed and understood. The world transforms into a global puzzle where you're constantly searching for the next opportunity. It's hard to think of anything I'd rather be doing day-to-day.

**With your focus being on global technology stocks, what do you think is especially interesting about this area and what developments can you see for the year ahead?**

Artificial intelligence has been a big theme for the last couple of years, and will continue to be a big theme in 2018. The development of machine learning algorithms means there's a whole class of problems you can solve with computers that you couldn't solve before, and I'm expecting we'll see greater real-life applications emerge in 2018. I'm particularly interested to see the applications to video data in areas like industrial automation and surveillance cameras.

I've also been looking at the music business which is fascinating right now. Did you know that US music sales grew by 17% in the first half of 2017? This is an industry that has been in structural decline for two decades but is now growing again thanks to the rise of paid streaming services (which is now over 50% of music sales). I can't think of another time I've seen an industry go through significant disruption due to a technology change only to see it start rapidly growing again due to a different technology change.

Another area of entertainment I'm excited about is the rise of esports. Esports, or competitive gaming, has been gaining traction for years but I think 2018 is the year it really steps up. This year sees the emergence of major franchising for the first time, with Activision Blizzard launching Overwatch League and Tencent launching the League of Legends Championship Series. Both have attracted hundreds of millions of dollars in investment which fuels production and marketing at a level this industry hasn't seen before. Overwatch League launched this month and is off to a flying start with 10 million viewers in its first week. Even in Australia we're seeing progress with 2 AFL teams buying into the League of Legends Oceanic Pro League (OPL), Hungry Jacks coming on as a major non-endemic sponsor of OPL, Overwatch Contenders Australia launching, and HT&E (which owns KIIS FM and other media assets) investing to start up Gfinity Australia, an esports league that kicks off in March.

Outside of this there are many interesting technology trends that I monitor that potentially impact a wide range of companies – vehicles are becoming more electrified, virtual reality & augmented reality are rapidly improving, we've seen cost reductions in solar and battery prices, satellite launch costs, and gene sequencing costs, all of which may lead to significant industry changes as they reach critical cost tipping points.

**Who has had the biggest influence on your career so far?**

I've had many people and particular moments influence the path I've taken through life, but if I had to pick one it would be my oldest brother Dien, who is ten years older than me.

I grew up on computers. When I was in Grade 6 he introduced me to a multiplayer text adventure game that ran on Monash University computers (he was doing his PhD there at the time). I loved that game – I used to go to bed early just so I could wake up at 3am to dial into Monash University modems to login and play before primary school started. At the time it was just a game, but I think it was key to developing my interests in technology, and much later it became the place I first learnt to program and became a place where I made friends with many people around the world (some who now work at companies like Facebook, Google, and Uber).

My oldest brother is also responsible for getting me interested in the stock market. I grew up in a family of academics, and if he hadn't developed his own interest in investing I wouldn't have gotten the exposure to the ASX and Warren Buffett books

that I did when I was in high school, so I'm thankful for that.

Outside of Dien, two other pivotal people have been Ted Seides and Miles Webster. Ted Seides co-founded Protégé Partners, a fund of hedge funds in New York (that famously made that \$1m bet with Buffett about how hedge funds would perform versus the market). I was lucky enough to intern with Ted in New York the year before my final year of university, and this opened my eyes to the broader world of investing and funds management. Miles Webster is who I worked most closely with at PM Capital when I started my career, and he really taught me how to put theory into practice.

### **What was your very first job?**

I had a few side businesses in high school and early university, but my first proper part-time job was doing data entry for a temporary staffing agency while at university. I remember going in for an interview and breaking the company's record for typing speed – a skill honed by learning to touch type on manual typewriters in the mountains of Indonesia in Year 7. I put this skill to work as a temp for the Victorian Election Commission helping to type in ballots from the 1999 Victorian state election.

### **What's the best piece of advice that you have received?**

“There are three types of people in the world: those who make things happen, those who watch things happen, and those who wonder what happened.”

I've always taken this to mean you should strive to be proactive in life.

### **What's something that most people don't know about you?**

I've built up a reasonable portfolio of personal investments in Australian startups – companies like [Instaclustr](#) (managed databases and analytics), [Workyard](#) (online services), [Morse Micro](#) (semiconductors), [AmazingCo](#) (online services), and [Alta VR](#) (virtual reality).

I first started investing in startups a few years ago as I thought looking at global technology stocks would help me pick startups, but in reality it's worked the other way – it's been a great way to learn about emerging technology trends at a much greater level of detail than was previously possible.

It's also been a very energising experience. Some of these Australian entrepreneurs are the most passionate and driven people you'll ever meet and that energy is infectious.

### **Do you think we will be in driverless cars by 2030?**

Yes, we've seen significant investment to date and a lot can happen in 12 years. I imagine you'll see real-world implementations well before that, starting with autonomous vehicles that work within a restricted area that's easily mapped. I think you'll also see remote driver assistance in early implementations where a human operator can take over in the 1% of areas the AI has difficulty with.

When we do have driverless cars, one of the most interesting questions is what the rise of autonomous taxis will mean for general car usage. When Uber first launched people thought of its market share in terms of what % of the taxi market they could capture. In markets like San Francisco they ended up being 4x as big as the taxi market as the lower cost of Uber X and UberPOOL increased demand. What happens to demand when you can take the driver out of an Uber (the biggest cost incurred in an Uber ride) and reduce your prices accordingly?

## **How has technology changed your day to day life?**

The advent of the smartphone has changed my day to day life in many small ways, though those changes aren't really noticeable until you look back and think about the era before smartphones.

For example, these days I take more Ubers than taxis. When I'm driving I'll use Google Maps on my phone to navigate. I visited Brisbane and Melbourne over the holidays and stayed in houses booked via Airbnb rather than hotel rooms. When I'm home I watch more YouTube and Netflix than I do Foxtel and free-to-air TV. My music is all streamed these days. I order more online than I do offline. My children (who are 5 and 7) ask our Google Home to tell them "knock knock" jokes, and their favourite thing to watch is Minecraft videos on YouTube by someone named "Stampylonghead".

What fascinates me is understanding how these technology changes impact the way people live their lives, and how they affect companies in a positive or negative way.

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