

## ON THE PODIUM, AGAIN



14/07/2015

### **Last year's top performing stocks are still looking solid**

Since the inception of the Perpetual Global Share Fund in January 2011, our stock selection in the financial and technology sectors has been an important driver of returns.

In the twelve months to 30 June 2015, the portfolio's top performing stocks were Nasdaq and eBay. In sector terms, the top performer was the financial companies.

Fortunately, the future still looks bright for the companies we hold in the technology and financial sectors - we expect further earnings growth and capital appreciation for the 2016 fiscal year.

### **Big investment opportunities within the technology sector**

Our analyst, Thomas Rice and I, have been keen observers of the growth opportunities for online businesses. We like to invest in online businesses that:

- are market leaders in the services they provide,
- have a user base that is large, growing and engaged.

This philosophy is why we invest in eBay, Google, and Zhaopin. We tend to stay away from hardware companies as they tend to be more cyclical. Guessing is not part of our investment DNA so we don't try to predict which company will come up with the next game-changing smartphone or tablet - hence we don't own Apple or Samsung.

### **Google grins as the leading search engine globally**

We had the opportunity to visit the Google headquarters last year and were impressed by what we saw. We maintained our confidence in the quality of the business and its ability to grow earnings even while it was shunned by the market.

Google's stock price traded sideways from January 2014 until June 2015, where it went up over 16% in one day (following their second quarter announcement).

Our main reasons for investing in Google:

- The business has grown its earnings by 16% p.a. over the past 5 years and we expect further strong earnings growth.
- Their investment in YouTube is starting to bear fruit. YouTube has seen a 60% increase in watch time over the past year with viewership continuing to accelerate.
- Google has taken advertising dollars away from traditional media like newspapers and is now also taking dollars away from TV.

We continue to hold our Google position, waiting for Google to eventually spin off YouTube as eBay did PayPal, and for the market to finally realise the true value of this franchise.

### **Our positions in financials are skewed towards the United States**

Financial companies like Nasdaq, Julius Baer, Deutsche Boerse, China Life and Wells Fargo have been strong performers in our portfolio for several years and we expect further gains in the current year.

We have a large position in US banks we believe will perform well when interest rates eventually rise in the US. In particular, we expect good performance from Bank of America and Wells Fargo as they have the largest deposit pools in the US and therefore the strongest leverage to rising rates as they will benefit from an expansion in their net interest margin.

### **Summary - why we like the financial and technology sectors:**

- High quality companies
- High barriers to entry
- Sticky customer bases
- Good growth dynamics

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