NEDBANK
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SINCE 1834

INVEST IN INTERNATIONAL EQUITIES

REDUCE RISK AND IMPROVE LONG-TERM RETURNS

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ADVICE | BANKING | FIDUCIARY | INSURANCE | INVESTMENT MANAGEMENT | PHILANTHROPY

see money differently

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HOW TO INVEST IN INTERNATIONAL EQUITIES WITH US

Invest in research-backed international opportunities in a way that suits you

Nedbank Private Wealth Stockbroking provides a full-service execution, advisory and managed portfolio offering across our comprehensive range of listed securities, delivered through personal relationships and/or mobile channels.

Our stock-specific advice and house view portfolios are backed by an active, valuation-driven investment process to identify opportunities. Company and market research is provided by our dedicated investment research team.

Don't miss out on the many exciting opportunities to diversify internationally

Regardless of how much you wish to invest internationally, Nedbank Private Wealth Stockbroking offers various entry points and ways to get offshore exposure.

You can use your foreign exchange allowance or Nedbank Private Wealth Stockbroking's foreign allowance (asset swap) to invest internationally.

Contact your stockbroker or portfolio manager for more detailed research notes on all our current stock picks and to subscribe to our research alerts.

SHARES UNDER COVERAGE

accenture

High performance. Delivered.

Stock code: ACN
Current price: USD 186.57
Recommendation: Hold
Recommended buying price: USD 144

Core Offering

Accenture is a leading provider of management consulting, technology services and outsourcing services. The Company is positioned at the core of its client's largest transformational programmes, providing end-to-end services for the world's biggest and most complex companies. Accenture provides services to its clients across five continents (in 39 languages) through five distinct businesses. The Company has extensive industry experience and a strong portfolio of clients, which include more than 75% of Fortune Global 500 companies. 98% of its largest 100 customers have been customers for over 10 years.

Investment thesis

Accenture is a dependable compounder, having achieved a return on invested capital above 30% over the past 10 years. The Company is well positioned to take advantage of increasing IT spend in an increasingly digital world. Accenture has high quality earnings, no debt and shareholder friendly capital return policies. Longstanding client relationships and the Company's global delivery network create high barriers to entry for smaller rivals.

Brookfield

Stock code: BAM
Current price: USD 53.39
Recommendation: Hold
Recommended buying price: USD 48

Core Offering

Brookfield Asset Management ("BAM") is a Canadian alternative asset manager, with global operations and approximately $285 billion of assets under management. The Company owns and operates real assets, with a focus on property, alternative energy, infrastructure and private equity assets. BAM raises and manages money for investors through Private Funds, Listed Partnerships and Public Securities. As the largest investor in its funds, the Company has the unique attribute of being both the investor and asset manager, therefore benefitting from both management fees and capital appreciation. BAM has historically kept its dividend payout low (the dividend yield is approximately 1.4%), choosing to put its capital to work targeting returns of between 12%-15% over the long term in a variety of asset classes across the world using a contrarian investment approach.

Investment thesis:

BAM's portfolio of diversified real assets form the backbone of local economies and should be durable over the long term in a variety of economic environments. Governments are becoming increasingly reliant on the private sector to co-invest and help fund the expansion of critical infrastructure, providing BAM with the ability to expand its portfolio of real assets. Real assets are also receiving increasing allocations from institutional funds, from which BAM earn management fees. This third-party money is long-dated with funds often being perpetual and provides BAM with a predictable income stream.

SHARES UNDER COVERAGE

Stock code: SYK
Current price: USD 215.75
Recommendation: Hold
Recommended buying price: USD 169

Stryker is a global leader in medical technology and manufactures a diverse array of specialised medical devices and equipment sold to healthcare facilities, with a specific focus on: (i) Orthopaedics; (ii) Medical and Surgical equipment; and (iii) Neurotechnology and Spine products. The Company has developed strong global market positions in several medical markets and is one of the three major players in both the global hip and global knee implant markets. Stryker has ensured it remains at the forefront of product developments through longstanding relationships with healthcare professionals, above-peer group R&D spend and acquisitions in medical technologies developed by third parties.

Investment thesis

Stryker's track record of double digit returns is built on being a brand that surgeons trust when performing major life-changing procedures. Stryker has a large runway opportunity due to rising demand for healthcare, increases in life expectancy and technological advancements resulting in improved patient outcomes. Stryker will continue to remain a brand of choice for surgeons, who are reluctant to learn and master multiple brands devices, increasing patient risk.

Cognizant

Stock code: CTSH
Current price: USD 61.39
Recommendation: Buy
Recommended buying price: USD 61

Cognizant Technology is a global provider of information technology services, specialising in consulting and outsourcing technology services. The Company partners with leading third party software providers (Adobe, SAP, Microsoft, Salesfore.com etc.) to develop tailored IT solutions for its Fortune 1000 clients. Cognizant's is one of a handful of companies with a range of capabilities to provide end-to-end solutions that enable clients to transform their enterprise for the digital era. Cognizant tailor IT services and solutions to specific industries, using an integrated global delivery model with employees based onsite and at global delivery centres in low-cost regions. Over 90% of Cognizant's revenue is from existing customers.

Investment thesis

Cognizant is well positioned to take advantage of increasing IT spend as the adoption of digital technologies has become a necessity for businesses to remain relevant and competitive. This benefits Cognizant who has: (i) existing relationships with the world's leading and most complex global companies; (ii) deep domain expertise to develop solutions; and (iii) a cash war-chest of $3 billion providing the Company with the ability to acquire any shortfalls it has in intellectual property or industry expertise.

SHARES UNDER COVERAGE

DIAGEO

Stock code: DGE
Current price: GBP 31.63
Recommendation: Hold
Recommended buying price: GBP 27

Diageo manufactures, markets and distributes alcoholic beverages globally, with a diverse portfolio of brands across alcohol categories and price points. The Company has the largest market share of the global spirits market with over 200 brands being sold to customers in 180 countries, produced from 143 production sites. The Company's brands include: Smirnoff (the world's bestselling vodka), Johnnie Walker (the world's number 1 blended Scotch whisky), Baileys (the world's leading selling liqueur) and Guinness (the world's leading stout beer). Additional investments include: (i) a 34% investment in Moet Hennessey (a subsidiary of LVMH); (ii) a 55% stake in United Spirit's (India's leading alcohol beverage company listed on the Indian Stock Exchange); and (iii) a controlling stake in Shui Jing Fang (a super-premium Chinese white spirit).

Investment thesis

Diageo's diversified portfolio of brands across alcohol categories and price points provides defensiveness in an uncertain economic environment and the unique ability to capture shifts in consumer trends. The Company's large runway opportunity is supported: by favourable demographics, rising GDP per capita leading to a shift in consumer preferences towards higher quality products and the low penetration of international spirits in Asia. Diageo's scale provides competitive advantages, which are difficult for competitors to replicate and has resulted in the Company maintaining industry-leading margins.

Alphabet Google

Stock code: GOOGL
Current price: USD 1243.00
Recommendation: Hold
Recommended buying price: USD 1055

Alphabet, the parent company of Google, is the largest search engine in the world. YouTube, the company's streaming platform is the largest online video platform in the world with more than 1.5 billion users. The majority of its revenue is made from selling advertising space on its websites like Google and YouTube, as well as on third party websites. The Company's Android mobile software is on more than two billion smartphones, which represents an 85% market share. Alphabet is the fourth largest and fastest growing cloud services provider. The company is expanding its hardware product range through its Pixel 2 smartphone and Google & Nest home devices. The Company also generates commission from the selling of apps on its Google Play Store. Alphabet has an "other bets" segment, where it develops next generation technologies such as its self-driving technology, Waymo.

Investment thesis

Alphabet is well positioned to continue being a beneficiary of the shift from offline to online advertising. YouTube will benefit in the shift from traditional media to online video consumption. Google's Android mobile software further imbeds the company in our everyday lives. The Company's Artificial Intelligence and Machine Learning leadership helps the Company improve the performance of its ad services, as well as help the Company to gain market share in the fast growing cloud services industry.

SHARES UNDER COVERAGE

Stock code: SYF
Current price: USD 33.49
Recommendation: Hold
Recommended buying price: USD 30

Synchrony Financial, a spin-off from General Electric, is the largest private label credit card provider in the US. The company makes money by charging interest and fees on the loans it issues. The largest segment provides credit card loans to the clients of its retail partners, which include Sam's Club, Amazon, Lowe's and PayPal. Synchrony also provide big ticket funding ($500-$25,000) and medical financing such as dentistry and veterinary procedures. The Company operates a closed loop network, which allows the Company to collect client data that is usually restricted, as well as bypass interchange fees for its partners. Synchrony also runs an online savings bank.

Investment thesis

Synchrony Financial benefits from the tough brick-and-mortar landscape as retailers use credit sales to grow. The Company also benefits from the growth of online sales through its key partnerships with Amazon and PayPal. Synchrony's online deposit bank provides a steady and cheaper source of funding, making up 73% of total funding.

Stock code: BABA
Current price: USD 177.12
Recommendation: Hold
Recommended buying price: USD 160

Alibaba is China's largest online and mobile commerce company. Alibaba provides a platform where merchants and buyers come together. The majority of the Company's income is generated by selling advertising space to its merchants and taking a commission from transactions. Alibaba has been growing its retail footprint by using its online consumer data to optimise the offline experience. The Company also generates revenue from its online streaming platforms, cloud services, logistics services and various other smaller segments. The company has investments in online payments (Ant Financial), social media (Weibo), ride hailing (Didi), food delivery (Koubei) and brick-and-mortar retail (Sunning).

Investment thesis

Alibaba is a key beneficiary of the growth in Chinese consumption and the migration from offline to online retail. The Company's large network of platforms allow it to collect consumer data, which it monetises by selling performance-based advertising. Its highly profitable businesses help fund strategic investments for the future, which includes cloud, digital media, international e-commerce and its logistics platform.

SHARES UNDER COVERAGE

Stock code: FDX
Current price: USD 150.77
Recommendation: Buy
Recommended buying price: USD 151

FedEx, founded in 1971, is the world's largest Express delivery Company and the second largest Ground shipping company in the US. The company's Express segment provide delivery services to more than 220 countries and counties, covering 99% of the world's GDP. The Ground segment, which uses an independent contractor model, performs deliveries in the US and Canada, utilising a drop-off and pick-up network of more than 50,000 locations. The Ground segment has gained market share for 19 consecutive years, from the more established UPS. The third segment, FedEx Freight, performs deliveries that are less than-truck-load in the US, Canada and Mexico.

Investment thesis

FedEx has built out a large global network which will take a long time and large amounts of capital to duplicate. FedEx will continue to benefit from the growth in e-commerce, where a completely new market of business-to-consumer delivery demand has been established. FedEx's high margin, lower capital Ground business will be the key beneficiary of this online movement.

Stock code: ICE
Current price: USD 93.60
Recommendation: Sell
Recommended buying price: USD 68

ICE is a leading global exchange group, with 12 exchanges and 7 clearing houses around the world. The Company has leading positions in the futures market for energy, agriculture and interest rate contracts, with many serving as benchmarks. ICE's global benchmarked futures include ICE Brent Crude, Raw Sugar, Cocoa and Canola. The Company also owns the largest cash equity exchange in the world, the NYSE. The NYSE Arca has an 83% market share in the US listed ETF market. The company monetises the data it collects by selling it on in different packages, through its own and third party platform vendors. The Company is the second largest bond index provider and also provides self-indexing services.

Investment thesis

The strong network effect in the Company's contracts allow it to have near monopolies in some of the products it trades. ICE is well positioned to benefit from the growth in passive investing with the listing of ETF's and the index data services it provides. Data driven investing (Quant and ETF), as well as regulatory requirements will continue to create a strong demand for ICE's data services.

SHARES UNDER COVERAGE

Stock code: CMCSA
Current price: USD 44.06
Recommendation: Hold
Recommended buying price: USD 38

Comcast is the largest cable video and internet service provider in the U.S. with its Xfinity brand. The Company also owns one of the largest media companies, NBC Universal. The largest business segment provides cable services to 41 states in the U.S., which include video content, broadband internet and voice calls. NBCU produces TV content such as CNBC, E! Entertainment and produces films via its Universal and DreamWorks studios. The segment also operates four Universal amusement parks. Comcast significantly increased their exposure outside the U.S. through its recent acquisition of Sky PLC, a leading pay TV provider in the UK and Europe.

Investment thesis:

The Company's largest revenue source, Pay TV distribution has declined for the first time in 2018. This is due to consumer switching to streaming services like Netflix. However, Comcast has successfully pivoted to a connectivity business which focusses on High-speed internet (1 Gbps+). Internet revenue is of a higher quality than video, as almost 60% of the revenue for video is paid to content providers, which is not the case for internet. This allows margins to expand materially, even as revenue slows down. Comcast deliver internet, using the same cables laid over many decades for video, thus requiring less incremental capex and increasing cash conversion. NBCU is platform agnostic and sell its content to the highest bidder, whether its traditional cable TV or streaming services.

Stock code: IQV
Current price: USD 144.83
Recommendation: Hold
Recommended buying price: USD 116

IQVIA was formed when the largest Contract Research Organization (CRO) merged with, the largest global provider of medical information and database services. IQVIA's Research & Development (R&D) Solutions segment provides end-to-end outsource services for medical trials. The Technology and Analytics (TAS) segment has the world's largest database of medical information, which includes 600 million patient records and other industry information that are sourced from more than 120,000 data providers around the world. The segment monetises its database by providing subscription access to the information, as well as incorporate this data into technology services like Real World Evidence, CRM, marketing and performance management applications and workflow analytics.

Investment thesis:

The merger, a first of the sort, created an unparalleled company with a leading position in the CRO industry. The merger widened the Company's moat by having an unmatched data advantage. Newly launched 'next-gen' trials have almost doubled the CRO business' win rate. The CRO industry has an attractive growth profile with the amount of medical trials, complexity as well as the need to drive efficiencies from outsourcing continues to increase. The Technology and Analytics segments database service has a retention rate of over 99% for its top 1,000 clients. IQVIA is using this data advantage to pivot from a mature database industry to a growing technology and data analytics industry. IQVIA's revenue and earnings are highly visible due to the company's large order book for R&D, as well as large subscriber base for TAS.

SHARES UNDER COVERAGE

Stock code: CI
Current price: USD 161.47
Recommendation: Buy
Recommended buying price: USD 180

Cigna is a diversified Health insurance and services company. The Company recently closed the acquisition of Express Scripts, a Pharmacy Benefit Manager (PBM). Cigna's Integrated Medical segment provide large corporates who self-insure, access to its participating network and administrative services. The segment also sells health insurance to Commercial (smaller corporates) and Government (Medicare Advantage) clients. The Health Services segment provides PBM and mail pharmacy services. PBMs pool drug prescriptions to negotiate prices with manufacturers and pharmacies in an effort to reduce medication costs. Cigna also provides, to a lesser extent insurance services internationally, as well as short- and long-term insurance.

Investment thesis

Both Cigna and Express Scripts have industry leading cash generation. The two companies will generate more cash combined, improve its service offering, add to its scale, and diversify the Company. However, headline U.S. risks from the Democrats gaining more power to change health policies has seen the market turn negative on the Commercial Insurance industry. Cigna has de-rated to levels well below what the two traded at separately before the acquisition announcement, discounting the upside post-acquisition.

Stock code: SBUX
Current price: USD 86.71
Recommendation: Sell
Recommended buying price: USD 63

Starbucks is a leading roaster, marketer and retailer of speciality coffee. The Company currently operates in 78 countries, with over 30 000 stores, serving 100 million customers a week.

Starbucks' company-operated and licensed stores are equipped with a variety of speciality and handcrafted coffee, tea and food items.

Investment thesis

Starbucks' dominant brand stands to further benefit from the growing speciality coffee industry. The Starbucks brand is one of the world's most recognised and valuable brands, which commands pricing power in its two biggest markets - the U.S and China. A strong earnings profile going forward is driven by: (i) attractive unit economics -where the average Starbucks store is paid off after 1.5 years compared to over 2 years for traditional restaurants); (ii) first mover advantage in China - where coffee consumption is growing but remains significantly lower than other regions; and (iv) shareholder friendly capital return policies.

SHARES UNDER COVERAGE

Stock code: UNA
Current price: EUR 54.01
Recommendation: Hold
Recommended buying price: EUR 46

Unilever is a leading consumer goods company, with a global footprint and a history stretching back to the 19th century. The Company operates in more than 190 countries, reaching 2.5 billion consumers every day across its 400 brands. In 2018, twelve of the Company's brands generated sales above €1 billion.

Unilever operates across three categories: Beauty and Personal Care (48% of EBIT); Home Care (14% of EBIT) and Food & Refreshment (38% of EBIT). Unilever's portfolio of brands includes: Axe, Dermalogica, Dove, Lipton, Knorr, Hellmann's, Magnum, OMO and Sunlight. Unilever has a market leading position in many Emerging Markets, which represent circa 59% of sales (of which 75% is in Asia).

Investment thesis:

Unilever is a high quality, defensive business with a diverse portfolio of brands and product categories. The Company's products are used by consumers across income brackets, making it a steady performer across economic cycles.

Unilever's broad portfolio of brands stands to benefit from favourable demographic opportunities which include increasing urbanisation, a growing middle class and increasing wealth. The Company's portfolio is weighted towards growing areas of the market such as the Beauty & Personal Care category and its significant Emerging Market exposure.

Stock code: UTX
Current price: USD 136.15
Recommendation: Buy
Recommended buying price: USD 136

United Technologies is an industrial holding company which owns a number of high-quality businesses. The Company consists of four distinct businesses: (i) Otis - the world's largest elevator and escalator company with over two million units under service globally. (ii) Carrier – a global provider of commercial and residential heating, ventilation and air-conditioning services as well as fire and security products and services. (iii) Pratt & Whitney – a leading supplier of aircraft engines and aftermarket services for commercial, military and business aircrafts. (iv) Collins Aerospace – a leading a supplier of a range of interior products, advanced technological equipment and avionics located on aircraft for the aerospace and defence industry. Each business is a leader in their respective industries and would all feature on the S&P 500 on a standalone basis.

Investment thesis:

The announced separation of the business into three independent companies is expected to unlock shareholder value as the company is currently trading at a conglomerate discount. Upon separation (or as soon as company specific information is released) will require the market to value each business on a standalone basis, which will highlight the quality of each business. This is likely to act as a catalyst for share price appreciation. The separation is expected to occur before the second half of 2020. United Technologies stand to benefit from long-term trends such as: (i) population growth; (ii) urbanisation; and (iii) a growing middle class. This will result in new aircraft being built and new buildings being used that require elevators, air conditioners and fire and security services. Multi-year backlogs of $115.5 billion and long-term service contracts on its large installed base of products provide recurring cash flows, high visibility and moderate cyclicality.

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