TAKING STOCK: FROM IDEAS TO INVESTMENTS

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#NEWTON2018
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Restricted rents have significantly slowed house price growth in Germany vs other European countries.

Real house prices
Q1 1970 = 100

Source: OECD.Stat, ONS, Deutsche Wohnen H1 18 results presentation

Any reference to a specific security, country or sector should not be construed as a recommendation to buy or sell investments in those countries or sectors. Please note that portfolio holdings and positioning are subject to change without notice.

Residential property values (GBP/sqm)

- Kensington: 19,439
- Westminster: 16,246
- Islington: 9,730
- Haringey: 7,101
- Slough: 4,618
- Berlin: 3,710
- Chelmsford: 3,704
- Tonbridge & Malling: 3,507
- UK average: 2,395
- Dover: 2,310
- North Norfolk: 2,238
- Deutsche Wohnen portfolio: 2,225
- Stockport: 2,158

Real house prices
Q1 1970 = 100
Strong future population growth in Berlin to sustain housing demand.

Percentage of population residing in urban area, UN forecasts

Forecast population changes by federal state, Germany (2015-2035e)

Source: German Economic Institute, UN
Photo by Ricardo Gomez on Unsplash
Insufficient supply response despite increasing demand for housing

- Building permits take several years to grant
- Severe shortage of building capacity
- Elevated cost of construction, strict construction standards (e.g., climate change regulation) mean costs are high
- Restricted rents mean property values below replacement cost, construction in affordable segment is economically unfeasible

**Berlin immigration vs new construction since 2012**

Source: Statistik Berlin Brandenburg, November 2017
Photo by Samuel Zeller on Unsplash
We can buy a company at book value, when the market value of assets is +50% higher, and replacement cost is +83% higher.
SEMICONDUCTORS
{ The key enabler of it all }

Source: NT
Key trends:

- Automation
- A.I.
- Security
- Cyber Security
- Robotics
- Efficient Power Consumption
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SECULAR GROWTH OPPORTUNITIES
STRONG COMPETITIVE POSITION
FIRST CLASS MANAGEMENT TEAM
STRONG BALANCE SHEET WITH NET CASH
ATTRACTIVE VALUATION
ECOLAB
Market cap: $46 billion

Since 1923:
Onsite chemical solutions and services for...

CLEAN WATER
SAFE FOOD
ABUNDANT ENERGY

By 2030, it is estimated that the world will need

40% more water
35% more food
30% more energy

Core capabilities that drive the best results and lowest costs

Our Core Capabilities

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BUT... A GOOD THEMATIC FIT ALONE IS NOT ENOUGH

Themes

- Customer value proposition
- Innovative & strong moat
- Valuation framework
- High incremental returns on capital
- Growth
- Strong leadership and ESG
PAUL MARKHAM
GLOBAL EQUITY PORTFOLIO MANAGER
HEALTHCARE – THE COST CONUNDRUM
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THE FUTURE IS BRIGHT
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For professional investors only


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Any reference to a specific security, country or sector should not be construed as a recommendation to buy or sell this security, country or sector. Past or current yields are not indicative of future yields. Where an index is used as a comparative index, this strategy does not aim to replicate either the composition or the performance of the comparative index. Where representative data is used this is for illustrative purposes only.

Where Newton Funds are referenced you should read the Prospectus and the Key Investor Information Document (KIID) for each fund in which you want to invest. The Prospectus and KIID can be found at www.bnymellonim.com

Compared to more established economies, the value of investments in Emerging Markets may be subject to greater volatility due to differences in generally accepted accounting principles or from economic, political instability or less developed market practices. A fall in the global emerging markets may have a significant impact on the value of the Fund because it primarily invests in this market.

The value of overseas securities will be influenced by fluctuations in exchange rates.

Except where specifically stated, performance is a measure of Newton’s benchmark. The returns shown are net of fees. A more detailed picture of the underlying portfolio is provided in the benchmark note. The opinions expressed in this document are those of Newton and should not be construed as investment or any other advice and are subject to change. This document is for information purposes only and does not constitute an offer or solicitation to invest.

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