



Nucleus

W e a l t h

NUCLEUS INSIGHTS

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Introducing today's speakers



Certified Financial Planner (CFP)

Years of "making the complex, simple" for clients of:

AMP Financial Planning

Mercer Financial Advice

Akambo Private Wealth



- Responsible for Mining & Energy, Big Data

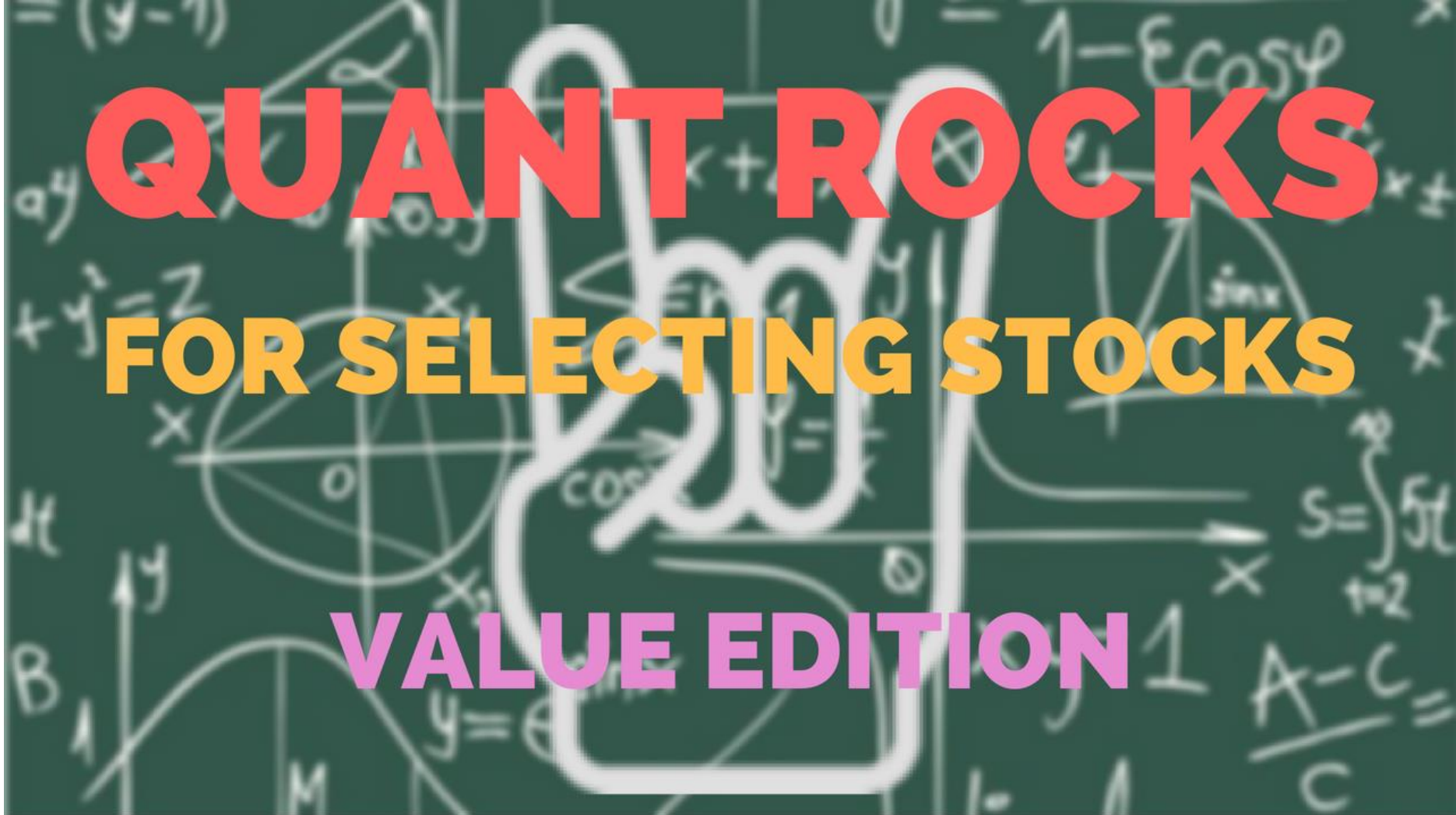


- Head of Quantitative Strategy



- Founding partner and Head of Investment Research





QUANT ROCKS FOR SELECTING STOCKS

VALUE EDITION



Nucleus Insights :
Quant Rocks – Value Edition

Agenda

1. Quant Recap
2. MSCI Value
3. Nucleus Value
4. Where Value works / doesn't work

Tim Fuller
Damien Klassen



Quant Recap:

Introduction

- Mathematical models to help generate performance
- They don't always work, but they usually do
- This is an implicit assumption about non-reversion

Tim Fuller
Damien Klassen



Quant Recap

Number 1 question

Are you selling insurance to the
rest of the market?

Tim Fuller
Damien Klassen



Quant Recap:

Implicit Assumption

- **Momentum:** no mean reversion
- **Low Vol:** no mean reversion
- **Growth:** no mean reversion
- **Value:** mean reversion
- **Quality:** no mean reversion

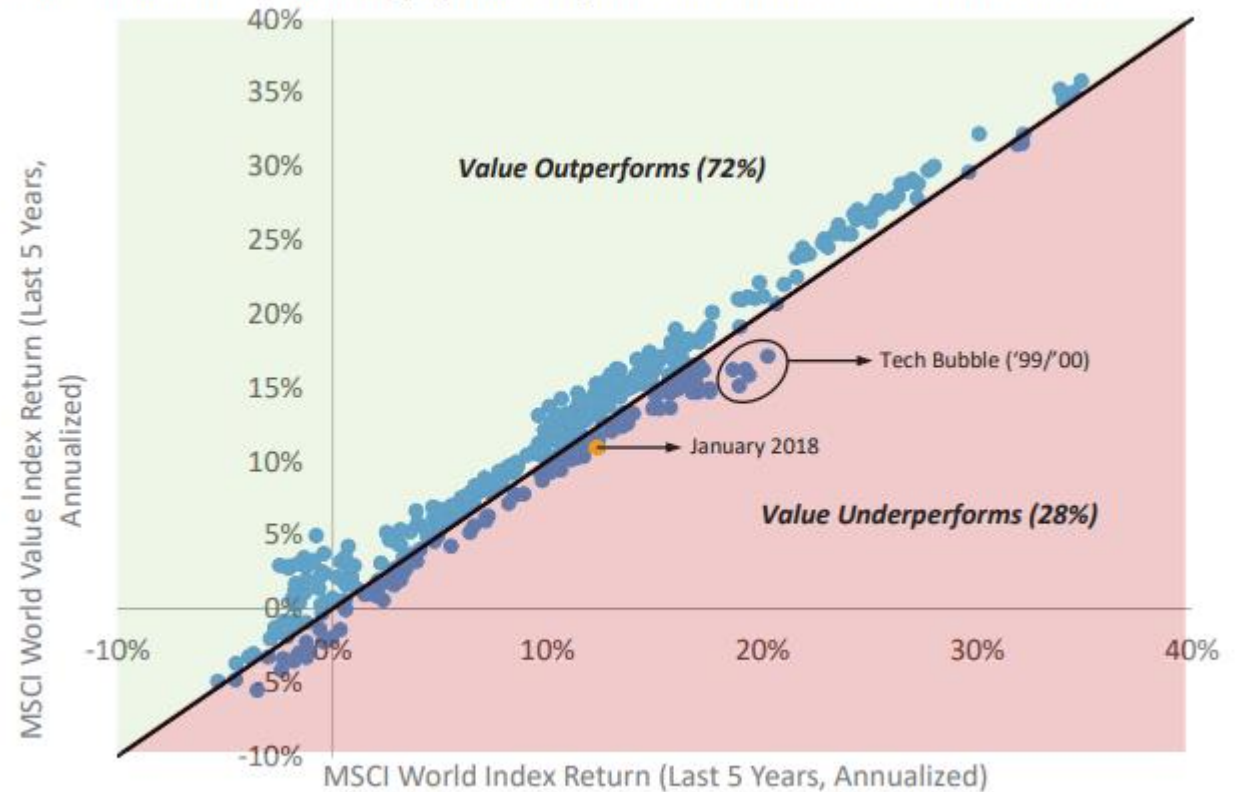
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MSCI Value: MSCI Value Index

MSCI World Value Index has outperformed MSCI World in 72% of rolling 5-year periods.

Exhibit 2. Annualized 5-year rolling performance of MSCI World Value Index vs. MSCI World Index

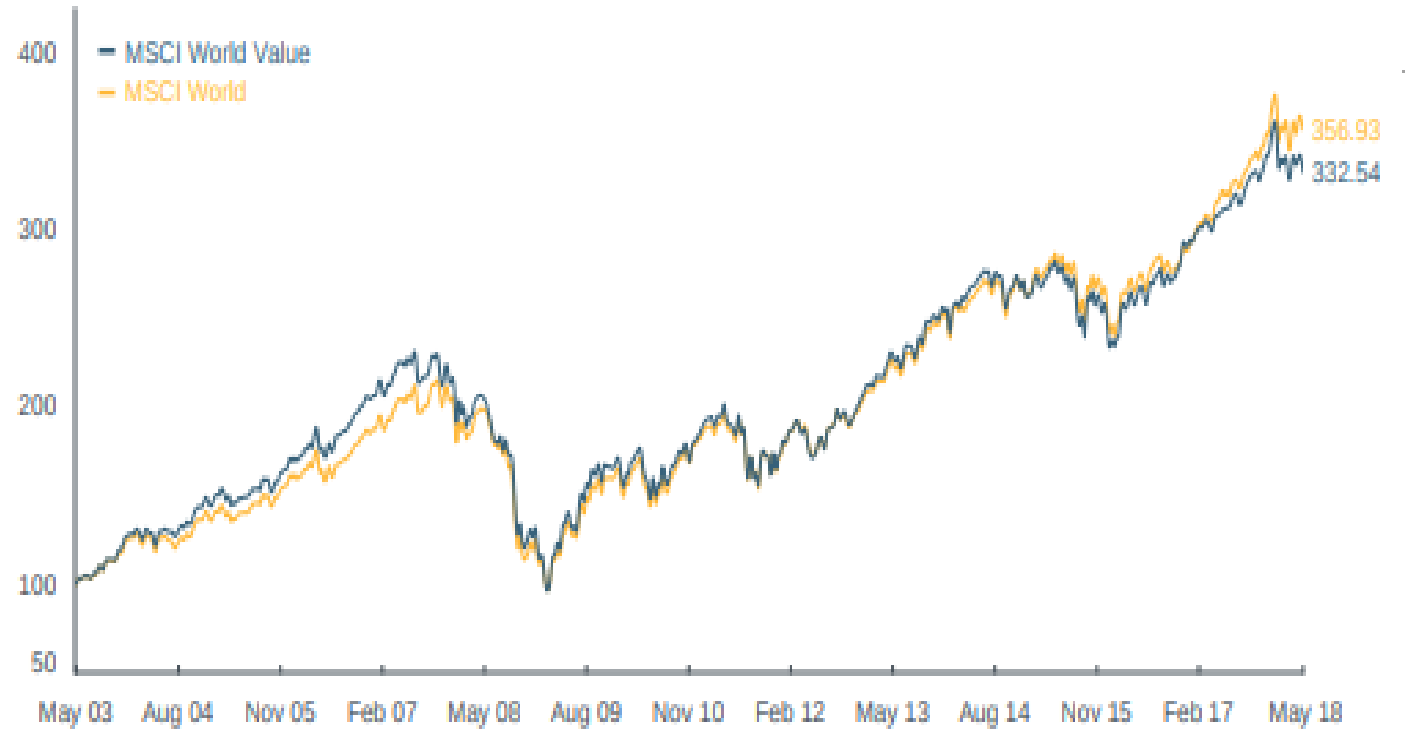


Note: 5-year cumulative returns represent the rolling compounded gross USD performance of the MSCI World Value Index and MSCI World Index, from January 1975 to January 2018. Source: MSCI, FactSet

Tim Fuller
Damien Klassen



MSCI Value: MSCI Value Index



Tim Fuller
Damien Klassen



MSCI Value:

MSCI Definition

- Classify every company as either value or growth
- Value: Book to Price, Forward Earnings to Price, Dividend Yield
- Growth: Forward EPS long term, Forward EPS short term, current growth, long term historical growth trend, long term sales per share growth trend

Tim Fuller
Damien Klassen



MSCI Value: Return on Equity

IBM ROE 2006 - 2016



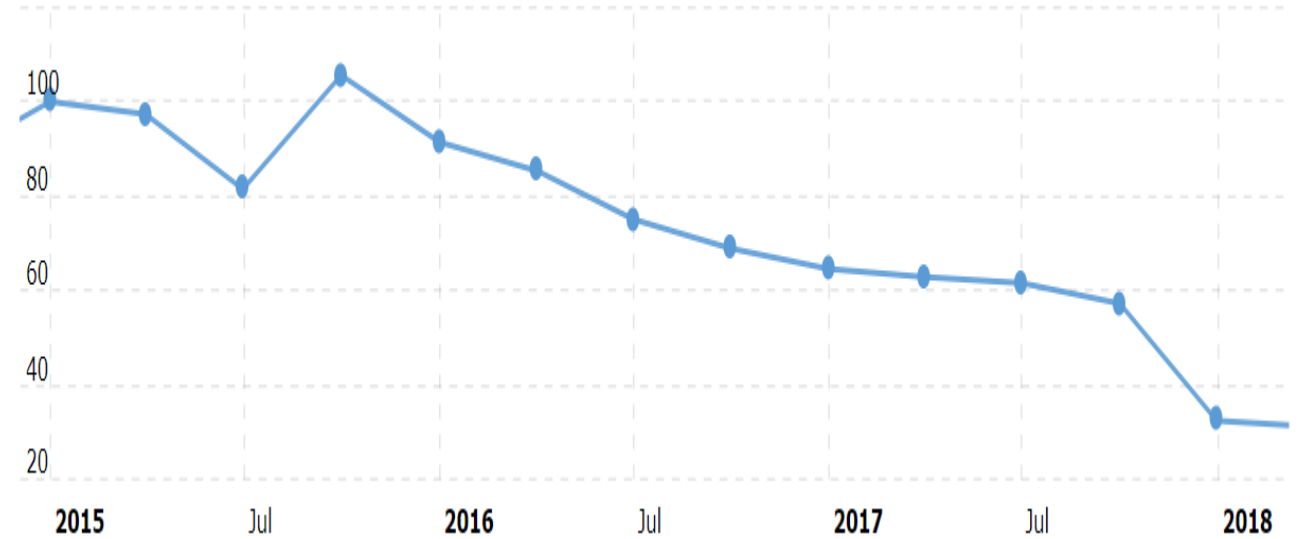
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MSCI Value:

Return on Equity

IBM ROE 2016 - 2018



Tim Fuller
Damien Klassen



MSCI Value:

Cashflow

- Reliance on Book Value
- No cashflow measures
- Different accounting standards

Tim Fuller
Damien Klassen



MSCI Growth:

Issues

- Forward long term EPS is bad measure
- Per share data should be adjusted for buybacks

Tim Fuller
Damien Klassen



MSCI Value:

Winsorising

- An excellent way to ignore erroneous data

Tim Fuller
Damien Klassen



Nucleus Value:

Definition

- Earnings
- Cashflow
- Deep Value
- Shareholder returns

Tim Fuller
Damien Klassen



Nucleus Value:

Time Frames

- Long term value: Inflation adjusted earnings / cashflow over 5-10 years – identifying cyclical industries and companies
- Current value: What are the latest accounts telling us
- Potential value: How much hinges on forecast earnings

Tim Fuller
Damien Klassen



Nucleus Value:

Universes

- Global value: comparing every company
- Industry value: comparing with companies in the same sector – are there features of the Industry that are inappropriate to compare
- Country value: comparing with companies in the same country – are there country factors at play
- Business Model value: Service companies have much lower depreciation rates than manufacturers – are there business model factors that are affecting results

Tim Fuller
Damien Klassen

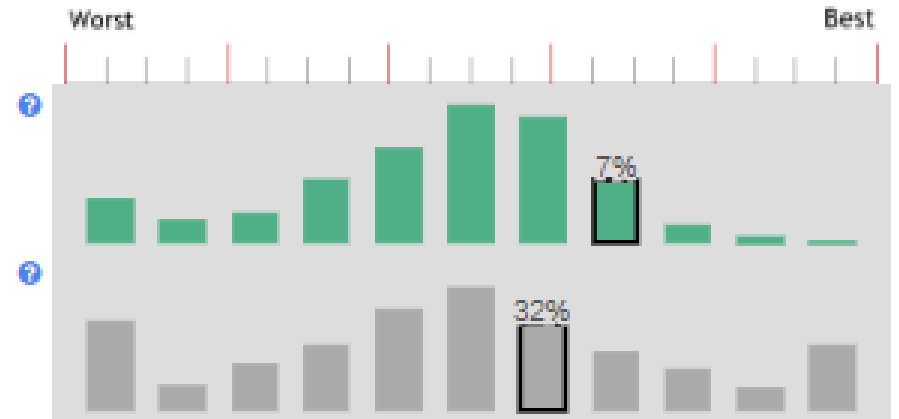


Nucleus Value:

Portal View

Quality

Value



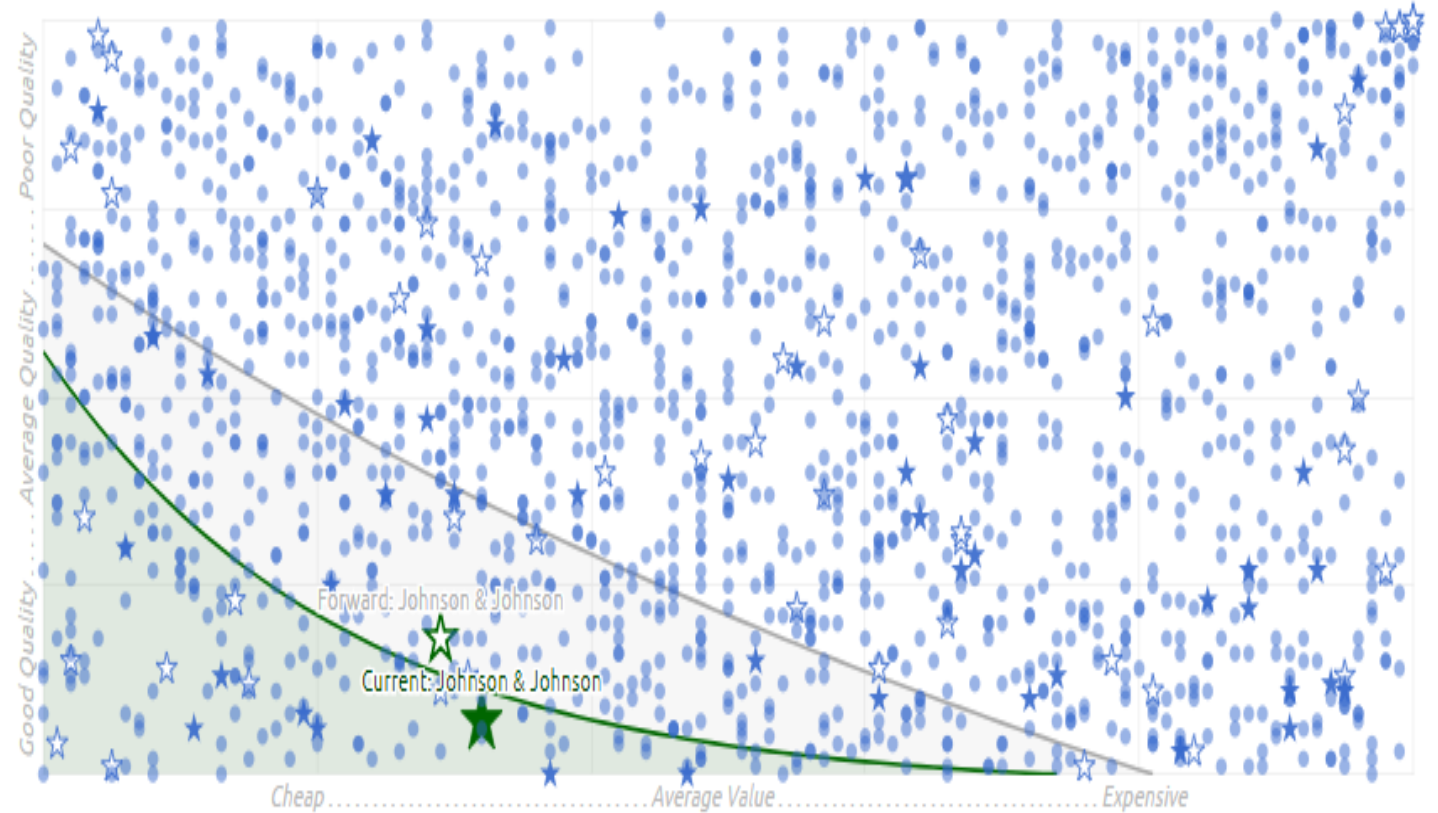
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Nucleus Value:

Portal View

Quality/Value Scattergram



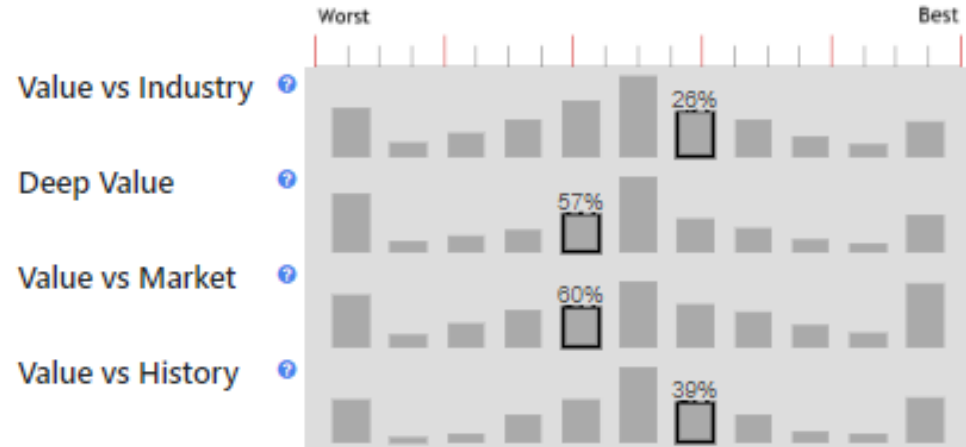
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Nucleus Value:

Portal View

Value [?]



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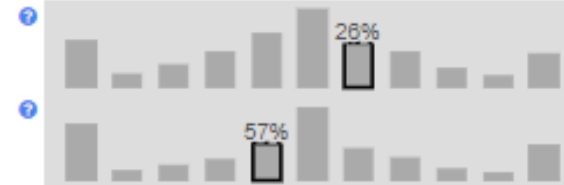


Nucleus Quality:

My View

Value

Value vs Industry



Deep Value



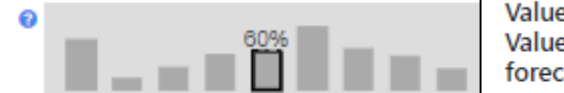
NTA Yld period: Latest vs: all stocks



Book period: Latest vs: all stocks



Value vs Market



EBIT period: NTM vs: all stocks ex banks



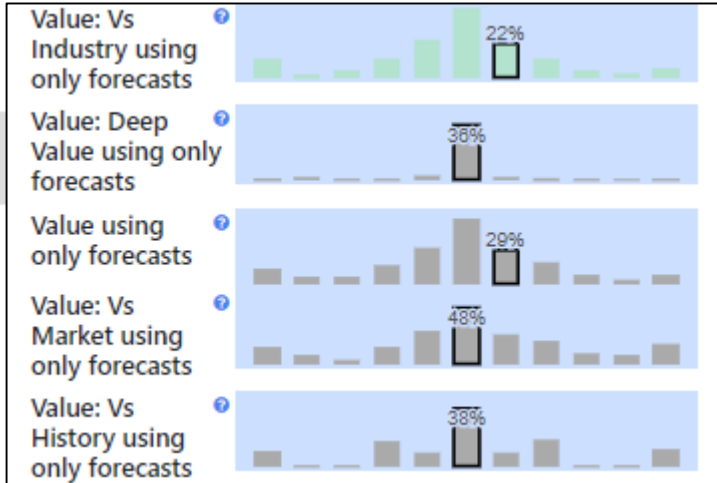
EBIT period: Latest vs: all stocks ex banks



Rep.EPS yld period: Latest vs: all stocks



FCFE period: NTM vs: all stocks ex banks



Tim Fuller
Damien Klassen



Where Quant works / doesn't:

Pitfalls

- Return disaggregation
- Overfitting
- Self serving bias
- Beware reversals

Tim Fuller
Damien Klassen



Where Quant works / doesn't:

Sectors

- Resources
- Utilities
- Financials
- Manufacturing vs Services

Tim Fuller
Damien Klassen



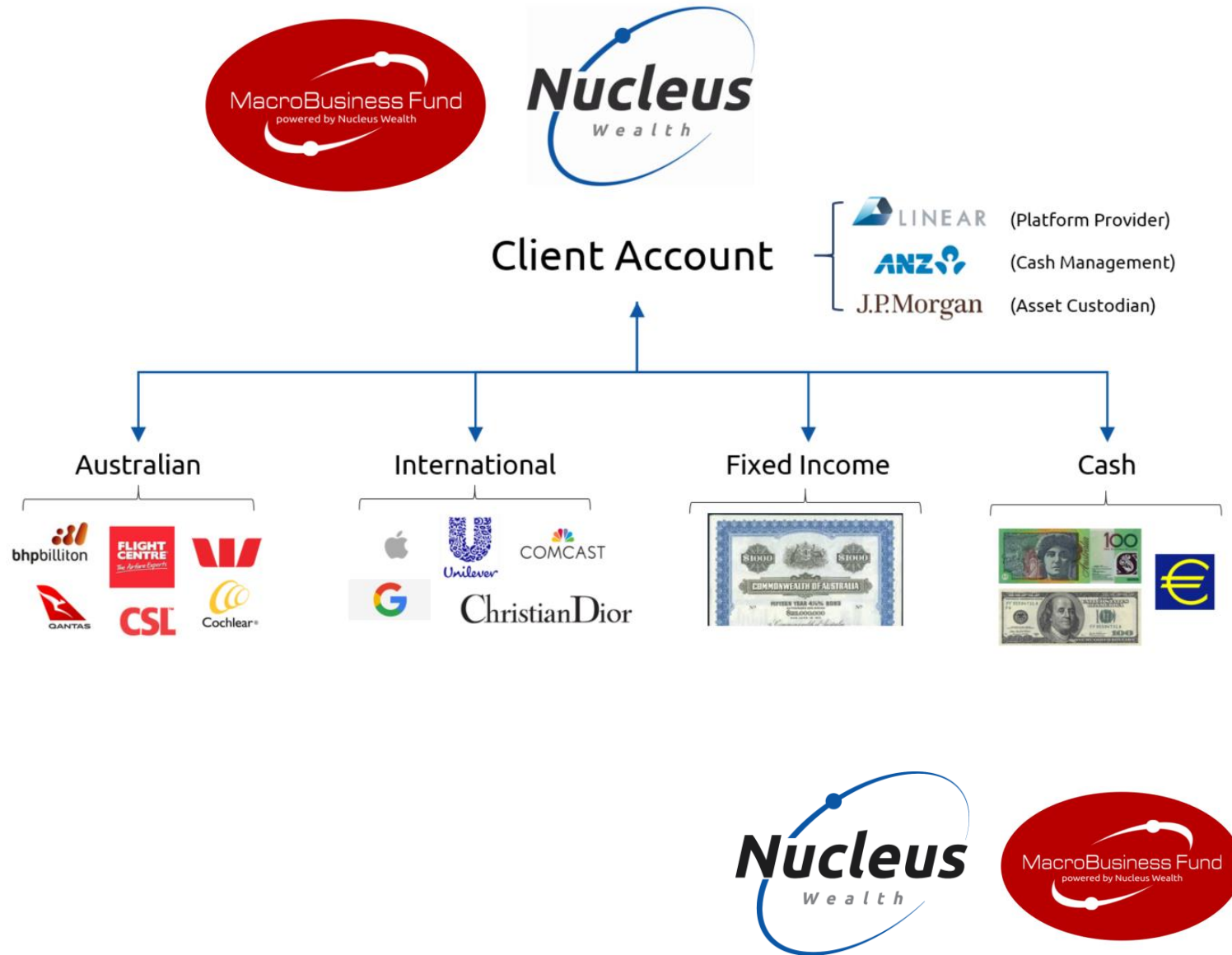
Wrap Up:

- It is a tool – not a religion
- Needs to change with accounting standards
- Don't lose sight of what you are trying to do

Tim Fuller
Damien Klassen



Investing with Nucleus Wealth



Investing with Nucleus Wealth

HEALTH



- No Fast Food
- No GMO Foods

VICES



- No Gambling
- No Alcohol
- No Pornography
- No Tobacco

ANIMAL RIGHTS



- No Animal Testing (Broad)
- No Animal Testing (High Impact)

RELIGION



- No Contraception
- Only Sharia / Islamic

CLIMATE CHANGE



- No Fossil Fuels (High Impact)
- No Fossil Fuels (Broad)
- No Fossil Fuels (CSG)
- No Nuclear
- No Loggers - OGF

WAR



- No Arms (High Impact)
- No Arms (Broad)

HUMAN RIGHTS



- No Immigration Detention
- No Jails



Investing with Nucleus Wealth

- Complete investment solution
- 19 individual ethical screens
- Experienced investment managers
- Completely transparent

- Lower fees as we get rid of the multiple layers of middle-men between you and your money
- Tax effective





portal.nucleuswealth.com

The screenshot shows the Nucleus Wealth client portal dashboard. At the top, the Nucleus Wealth logo and name are displayed in a blue header bar. Below the header, there are navigation links for "Invest With Us", "Blog", and "Client Portal". The user's account information, "John Citizen & Jill Citizen - Joint Account", and a "Take a tour" button are visible in the top right corner.

The main content area displays the "Current Balance \$258,091" in a blue bar. Below this, a "Tactical" section is expanded to show "Your Holdings Summary". This section contains four circular gauges representing different asset classes, each with a percentage value and a legend for "Underweight" (light blue) and "Overweight" (dark blue):

- Cash: 35%
- Govt. Bonds: 27%
- Australian Shares: 10%
- International Shares: 27%

Below the holdings summary, the "Your Assets Summary" section features two pie charts. The first pie chart shows the distribution of assets: Cash (green), International Shares (orange), Bonds (blue), and Total Growth (light blue). The second pie chart shows the distribution of assets: Total Defensive (green) and Total Growth (blue).

An "Additional Assets" dropdown menu is located below the pie charts. The "Portfolio Detail" section at the bottom includes tabs for "Sector Groups", "Regions", and "Defensive". A partial pie chart is visible at the very bottom of the page.

Nucleus Wealth is now on iTunes and Podcasts!

[Bit.ly/NucleusInsights](https://bit.ly/NucleusInsights)



podcastaddict





Keep your investment goals in focus.

1300 623 863

