Intermede Global Equities Fund

Top Ten Holdings – December 2018

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INVESTMENT PARTNERS

Intermede Investment Partners is a fundamental, bottom-up boutique funds management business specialising in global equities and is based in London, UK.
All investment views and opinions expressed in this document have been written by Intermede Investment Partners.

Holding	Country	Sector	Portfolio Weight	Benchmark Weight
Nestle S.A.	Switzerland	Consumer Staples	4.10%	0.61%
CME Group Inc.	United States	Financials	3.94%	0.17%
Heineken NV	Netherlands	Consumer Staples	3.70%	0.06%
Housing Development Financie Corporation Limited	United States	Financials	3.66%	0.11%
Mastercard Incorporated	United States	Financials	3.45%	0.43%

Nestle S.A.

Measured by revenues, Nestlé is the largest food and beverage company in the world. Nestlé brands enjoy dominant positions in categories including Beverages (Nescafé, Nestea), Confectionary (KitKat), Petcare (Purina) and Water (Vittel, Perrier). Nestle's history of consistently stable and profitable growth has been reflected in half a century of steady dividend growth. Long-term shareholders have also benefitted from a consistent buyback program that has seen Nestlé's share count reduced by approximately 20% in the last decade. Nestlé's future growth is supported by the substantial portion of overall sales (43% in 2017) generated in faster-growing emerging markets.

CME Group Inc.

CME is the leading global derivatives exchange with near monopoly positions in many diverse, globally relevant products as a result of its integrated trading and clearing platform. This results in strong pricing power which together with secular volume drivers, such as trading electronification and futurization of derivatives, supports high revenue growth prospects. CME benefits from strong operating leverage, cost discipline and cash conversion which is fully distributed to shareholders through quarterly fixed and annual variable dividends.

Heineken NV

Heineken is the number two global brewer with 10% share (behind AB InBev with 30%). The business mix has shifted substantially over the decade with emerging markets now accounting for 60% of EBIT. Key markets include Mexico where the company is #2, Nigeria where it is #1 and Vietnam where it is the dominant premium brewer. Heineken's overall portfolio is skewed towards faster growing categories with low or no alcohol beer, craft and ciders accounting for 19% of revenues and with much of the rest of the portfolio in the premium category. EM-driven top-line growth combined with improving margins is expected to drive sustained double-digit EPS growth.

Housing Development Financie Corporation Limited

HDFC is a leading mortgage provider in India, a market with attractive long term growth prospects driven by low mortgage penetration and attractive demographic trends supported by a robust economy and social trends such as urbanisation and nuclearization of households. Industry growth prospects are further bolstered by Government measures introduced to tackle housing shortages and promote home ownership in India. The Government targets the building of 50 million homes in the next 5 years under their Housing for All scheme and is making land available for development, incentivising real estate developers and home purchasers through tax subsidies and lenders through lower capital requirements. HDFC is best positioned to benefit from these trends with significant competitive advantages gained through its unique business model, distribution capabilities and brand. HDFC further benefits from an investment in the leading private sector bank in India (HDFC Bank) together with subsidiaries operating in high growth, nascent segments such as insurance and asset management.

Mastercard Incorporated

Mastercard is a dominant card network with tailwinds from the global secular shift from cash to electronic forms of payment and manages several payment brands and an 'open loop' global payment network, which allows it to provide authorisation, clearing, and settlement of electronic payment transactions. Mastercard generates revenue by charging fees to its customers (issuers and acquirers) based on both the dollar volume of card activity and the number of transactions processed through the network. Incremental growth is driven by new digital offerings (mobile and online payments), and continued international expansion. Strong free cash flow supports significant return for shareholders through share repurchases.

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Company	Country	Sector	Portfolio Weight	Benchmark Weight
Charles Schwab Corporation	United States	Financials	3.26%	0.12%
	With client assets of over $3tn, Schwab is the leading publicly traded retail investment services firm in the US, an industry which exhibits high structural growth prospects and where Schwab is best positioned to benefit, providing clients access to a wide variety of investment opportunities at low cost with high quality service. With competitive advantages gained through scale and structurally lower operating costs and a strong management team executing a clear, long term, client centric strategy, we expect the group to continue to take market share resulting in strong underlying revenue growth. Schwab is able to deliver operating leverage through its highly scalable platform whilst continuing to invest for the long term in higher service quality and reducing the cost of investing for clients which further widens the competitive moat.			
Zoetis Inc.	United States	Health Care	3.01%	0.10%
	Zoetis is the global leader in animal health, a rapidly growing sector across both livestock and pets. Both of these submarkets have distinct long term growth drivers which make this an interesting market to participate in. The livestock market is driven by increasing industrialisation of farming, especially in emerging markets as well as growing global protein consumption. Zoetis products help to reduce disease and increase productivity as a result. The pet market benefits from multiple tailwinds; increasing pet ownership as more people choose pets as companions; pet ageing and growing chronic disease (diabetes, cancer, psoriasis) and increasing domestication of animals (to the extreme sleeping in beds with owners) driving needs for improved pet health. Unlike traditional pharmaceuticals, animal drugs tend to have significant pricing power (the opposite) and suffer minimal generic substitution. In addition animal health companies are able to piggyback off the translational research being done in humans (typically if it works in man, it can work in mammals) significantly reducing 'binary risk' as well as development costs. We expect Zoetis to benefit from rapid revenue growth for multiple years and leverage this into double digit earnings and FCF growth.			
Comcast Corporation	United States	Telecommunications	2.96%	0.38%
	Comcast is the largest operator in the US cable industry. Its networks reach 56 million homes and business locations, providing service to 22 million television, 24 million internet, and 12 million phone customers. Comcast recently acquired NBC Universal (~20% of EBITDA), which operates 28 national or regional cable networks, including USA, CNBC, E! and the NBC broadcast network. Fundamental growth drivers for Comcast will be broadband penetration and triple play growth. NBC Universal provides value creation opportunities on the content side via performance improvement and cost reduction, and also owns a film studio, two US theme parks, and a 51% stake in another theme park in Japan. The business is highly cash generative, supporting steady dividend payments and recurring share repurchases.			
Linde Plc	Ireland	Materials	2.92%	0.21%
	Linde Plc is the largest industrial gases company in the world. It combines the former Linde AG (#2) and Praxair Inc (#3) businesses, which successfully merged at the end of October 2018. The industrial gases market is attractive for several reasons, including: 1) it is highly concentrated with just 3 global players (the others being Air Liquide and Air Products) and characterised by high barriers to entry (air separation plants and hydrogen plants require significant investment and technical know-how), resulting in strong pricing and margins; 2) low input cost risk (the main input, air, is free and price escalators for electricity are contractually agreed with all on-site clients); 3) emissions legislation is driving secular growth in hydrogen production for use in making low sulphur fuels. In addition, we expect significant synergies to be generated as a result of the merger, with management expecting c.$1.2bn of cost synergies by year 3 following completion (versus combined EBITDA of $9bn in 2017). This seems highly achievable given the 8% EBITDA margin gap that already exists between the companies. CEO, Steve Angel (formerly Praxair), has a very strong track record of operational execution and this further underpins our confidence.			
Apple Inc.	United States	Technology	2.86%	1.88%
	Apple is a US listed technology company that designs, develops and sells consumer electronics (with the iPhone being the biggest single source of revenue and profitability), software and online services. While new unit sales of the latest generation of iPhones have come in below expectations, we have been impressed by the increased average selling price (ASP) achieved for iPhones, and the robust growth in Apple's services and subscription revenue (Including the App Store, iTunes, Apple Music and Apple Pay) which are becoming a more meaningful part of the business. In our view, the long term value of Apple is in its ecosystem and installed base, into which the company will be increasingly able to sell recurring, high margin services over time. Finally, valuation remains attractive for a business that generates significant free cash flow yields with strong returns on capital and a growing dividend.			