

PINNACLE INSIGHTS LIVE 2023

FEBRUARY, 2023

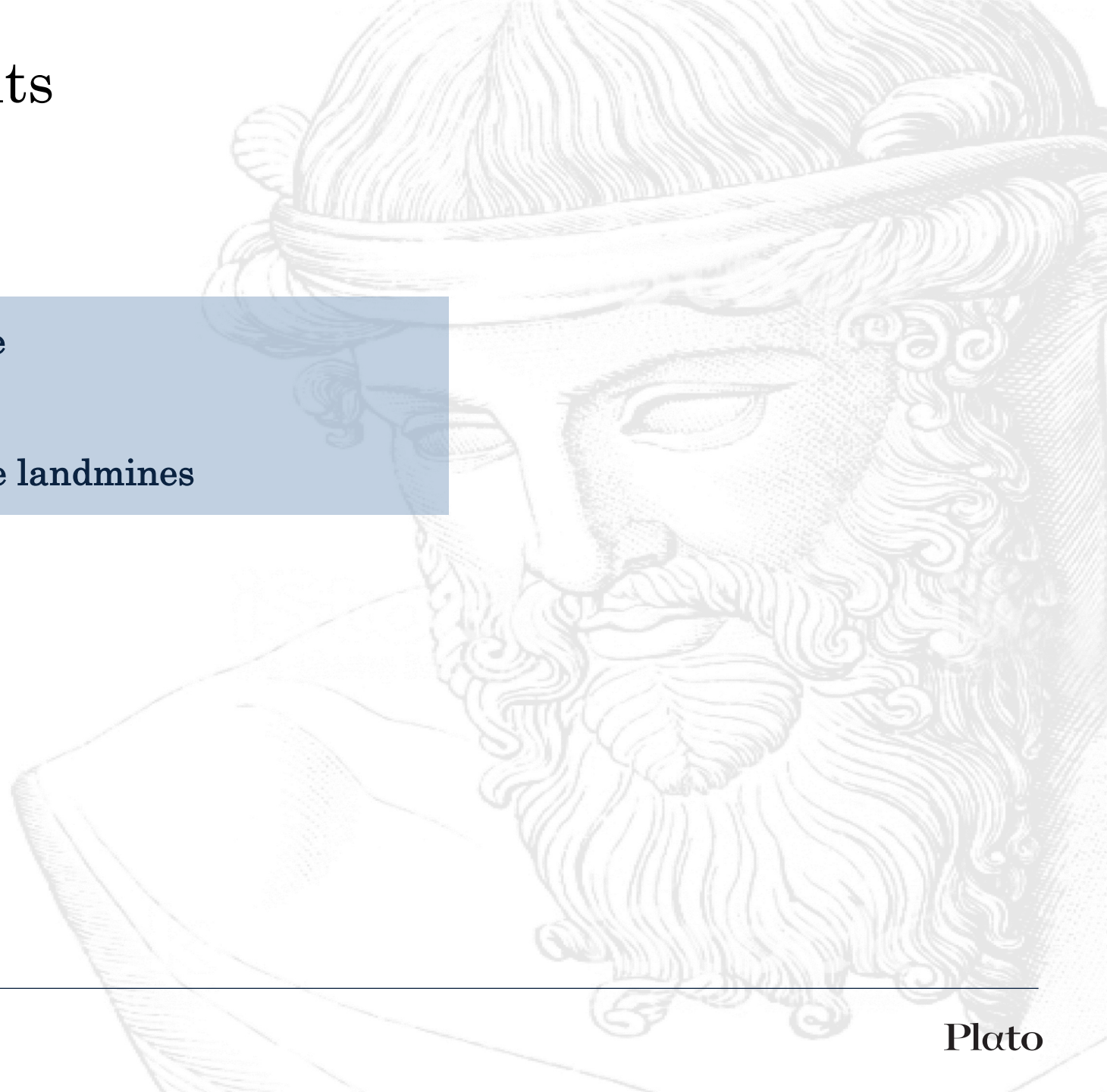
DR. DAVID ALLEN, CO-HEAD OF RESEARCH, HEAD OF LONG/SHORT



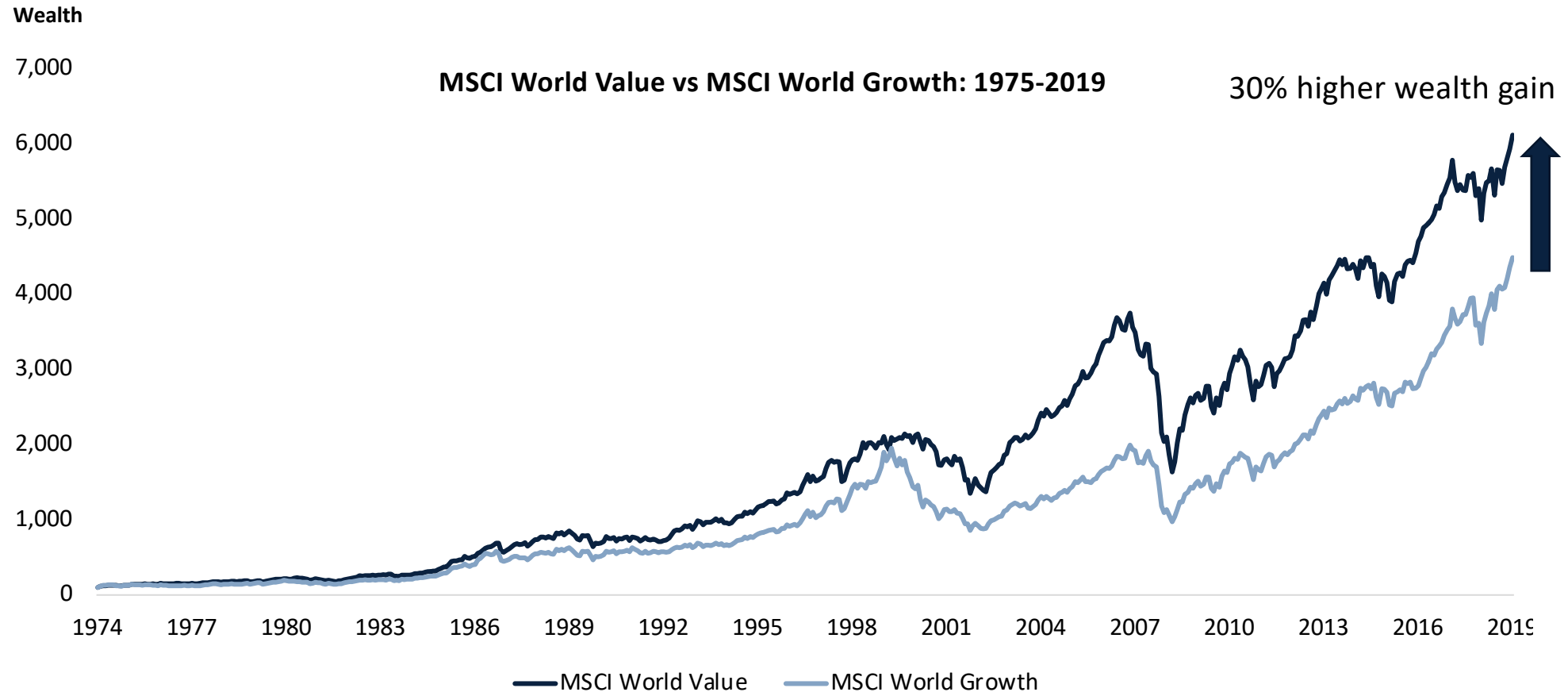
Plato
INVESTMENT MANAGEMENT

Plato style and macro insights

- I. Outlook for Growth vs. Value
- II. The Zombie horde rises
- III. Plato's Red Flags identify the landmines



Value vs Growth over the long term: 1979-2019



Source: Bloomberg, MSCI

“Over the long-term Value trounces Growth

The Pandemic years: 2020-2021



“Growth obliterates Value over the pandemic”

Why was Growth so strong?

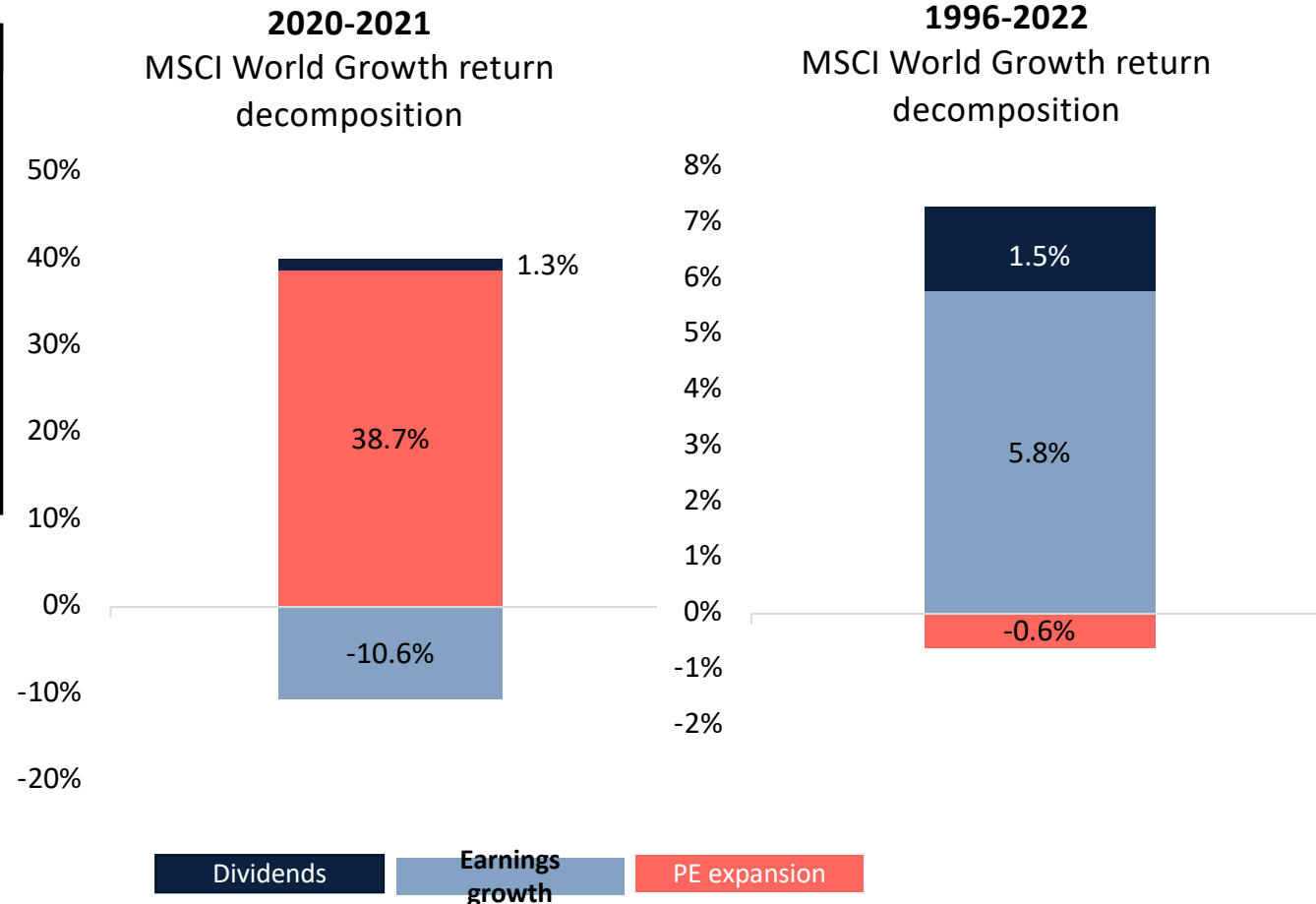
Return decomposition identity

Total return

= *earnings growth*

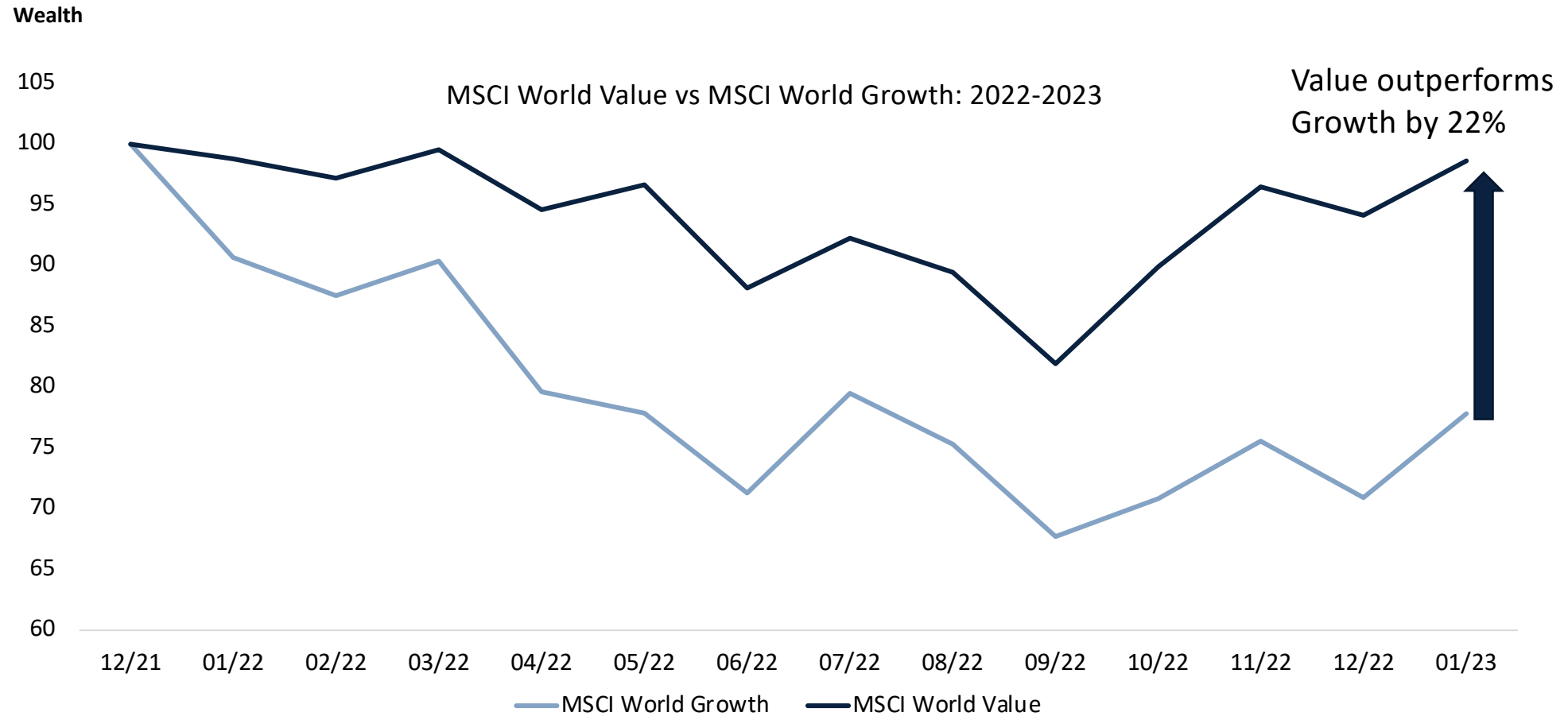
+ *price earnings expansion*

+ *dividends*



“Strong Growth performance was pure PE expansion story”

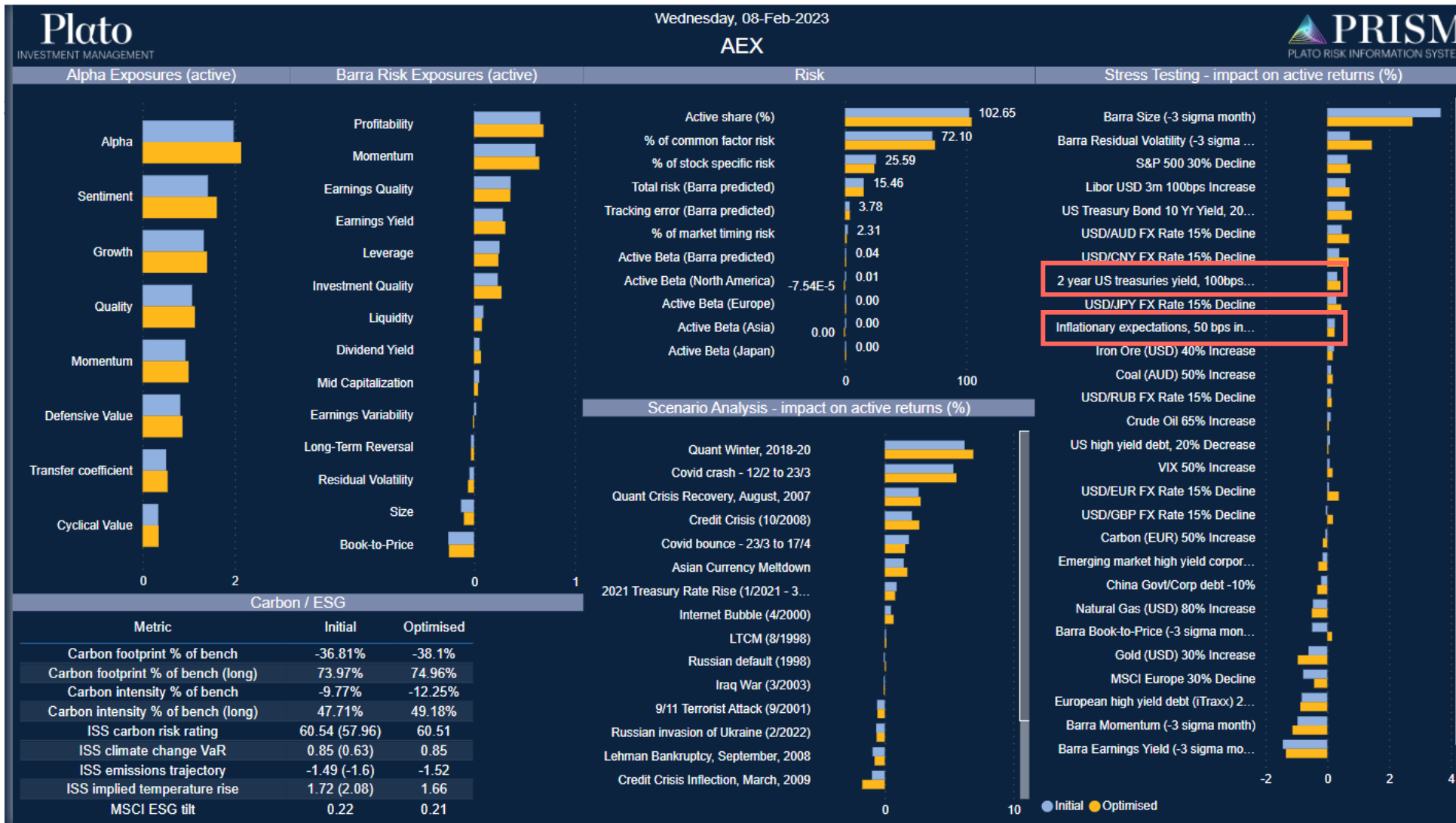
Post Covid: 2022-2023



Source: Bloomberg

“Value claws back pandemic deficit, still long way to go”

Minimise exposure to inflation/rates



Source: Plato Investment Management

The zombie horde rises

Can Zombie Firms Survive Rising Interest Rates? Harvard Business Review

'Zombie' firms collapse as inflation and rates bite, AFR



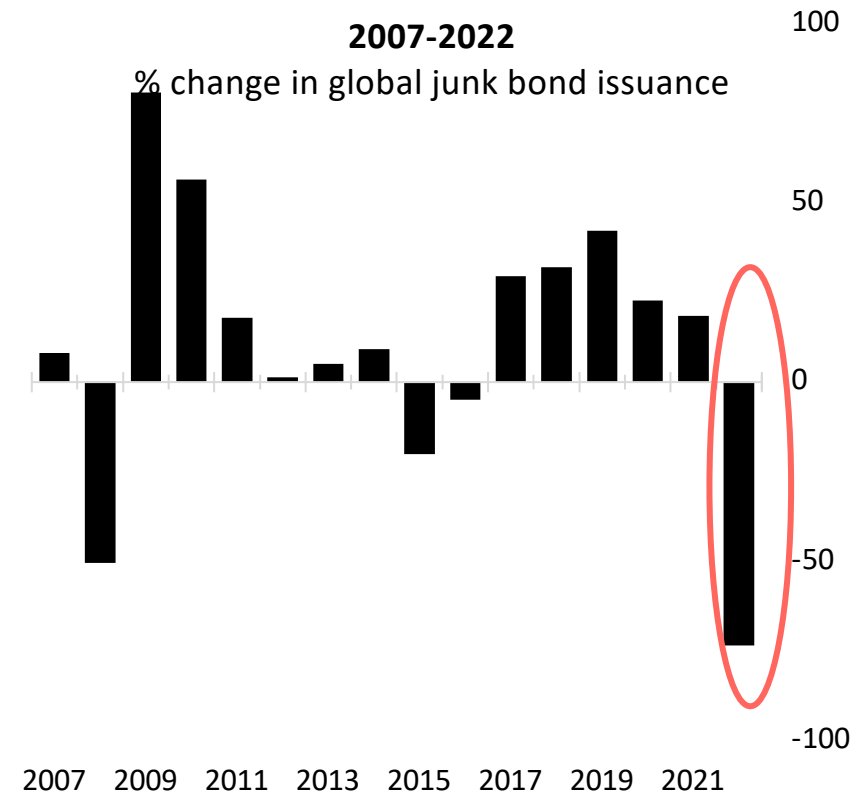
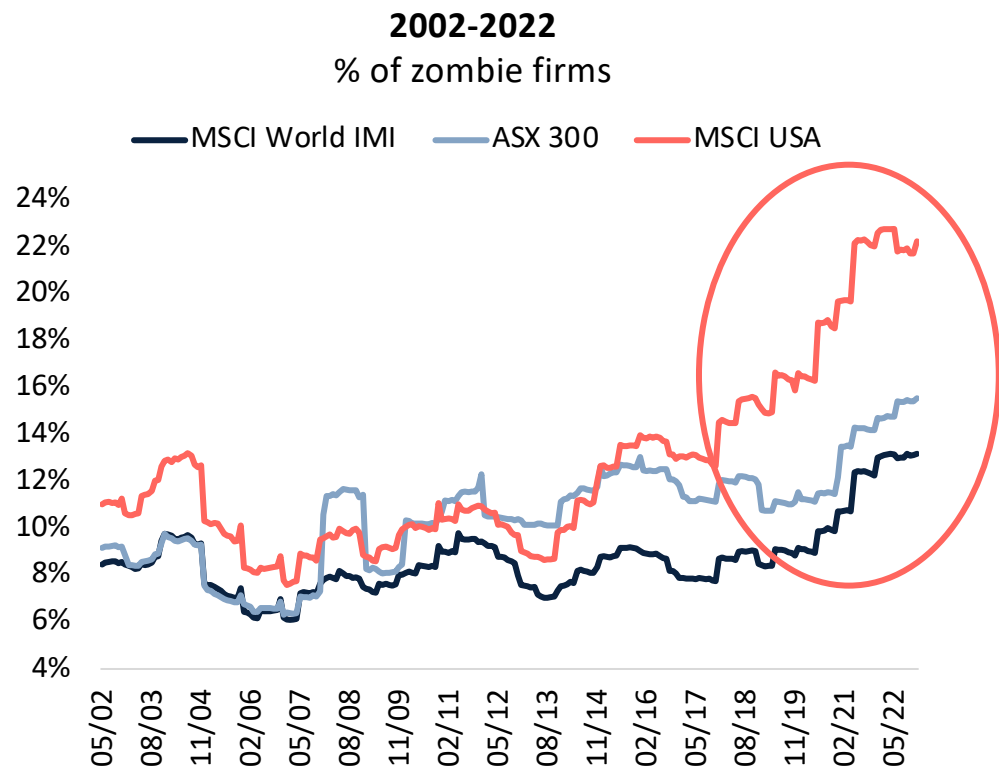
**'Zombie' reckoning: goodnight to the walking debt?
Financier Worldwide**

**The walking dead: how the rise of zombie firms
is affecting the global economy, World Finance**

The zombie horde rises

ZOMBIES DEFINED AT 3 CONSECUTIVE YEARS OF EBIT LESS THAN INTEREST EXPENSE

% of zombie firms



Source: Plato Investment Management, Bank of International Settlements definition of zombie firms with no age limit, MSCI All Cap universe, excluding financials. Bloomberg.,

“Active management more important than ever”

Zombie firms are horrible investments

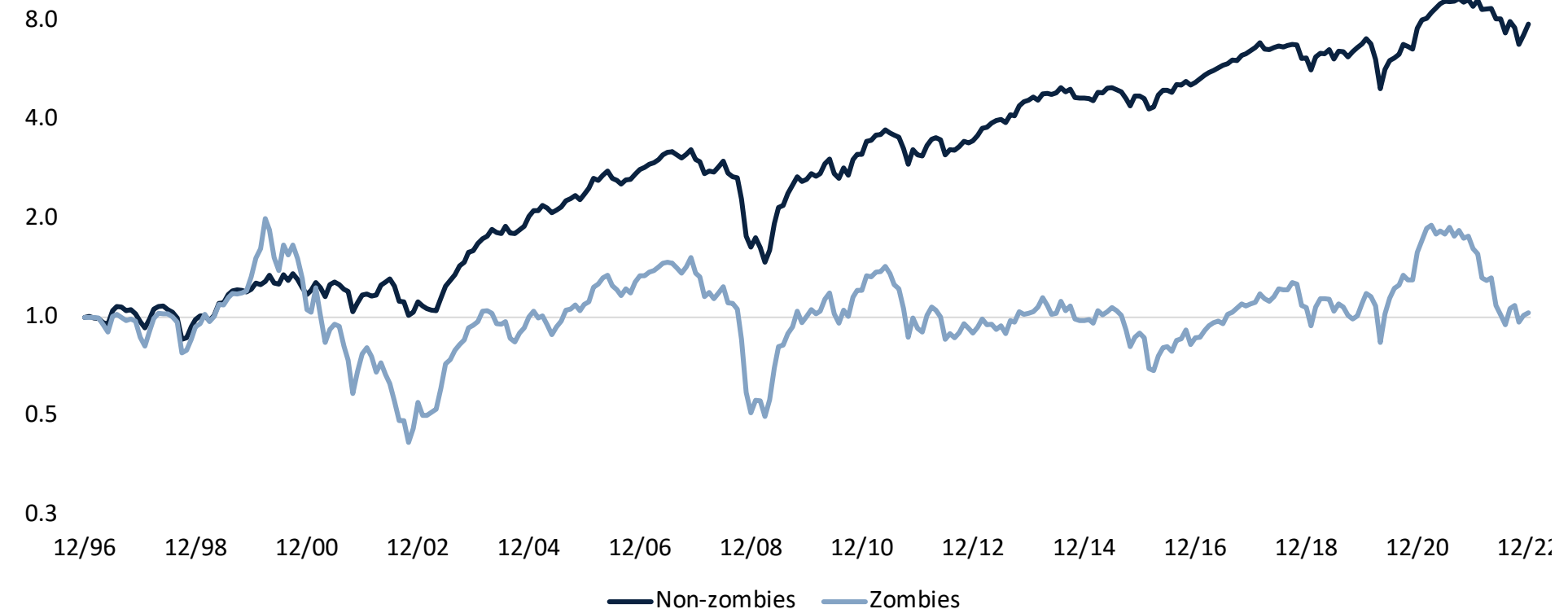
ZOMBIES DEFINED AT 3 CONSECUTIVE YEARS OF EBIT LESS THAN INTEREST EXPENSE

Cumulative wealth

16.0

1997-2022

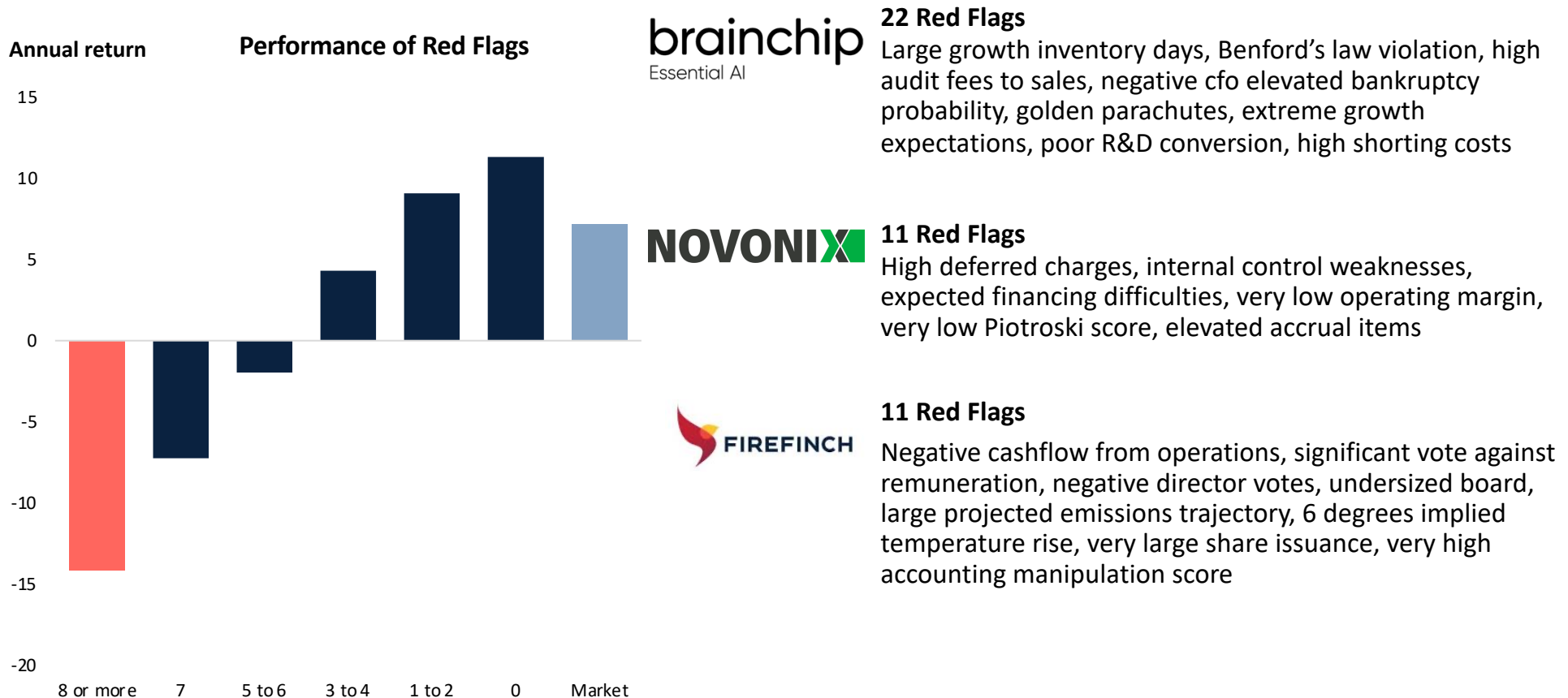
Performance of Zombies vs. Non-Zombies: MSCI IMI



“Time for some zombie hunting...”

Ideal environment for shorting: 100+ Red Flags

AVOID LANDMINES, IDENTIFY DISTRESSED COMPANIES

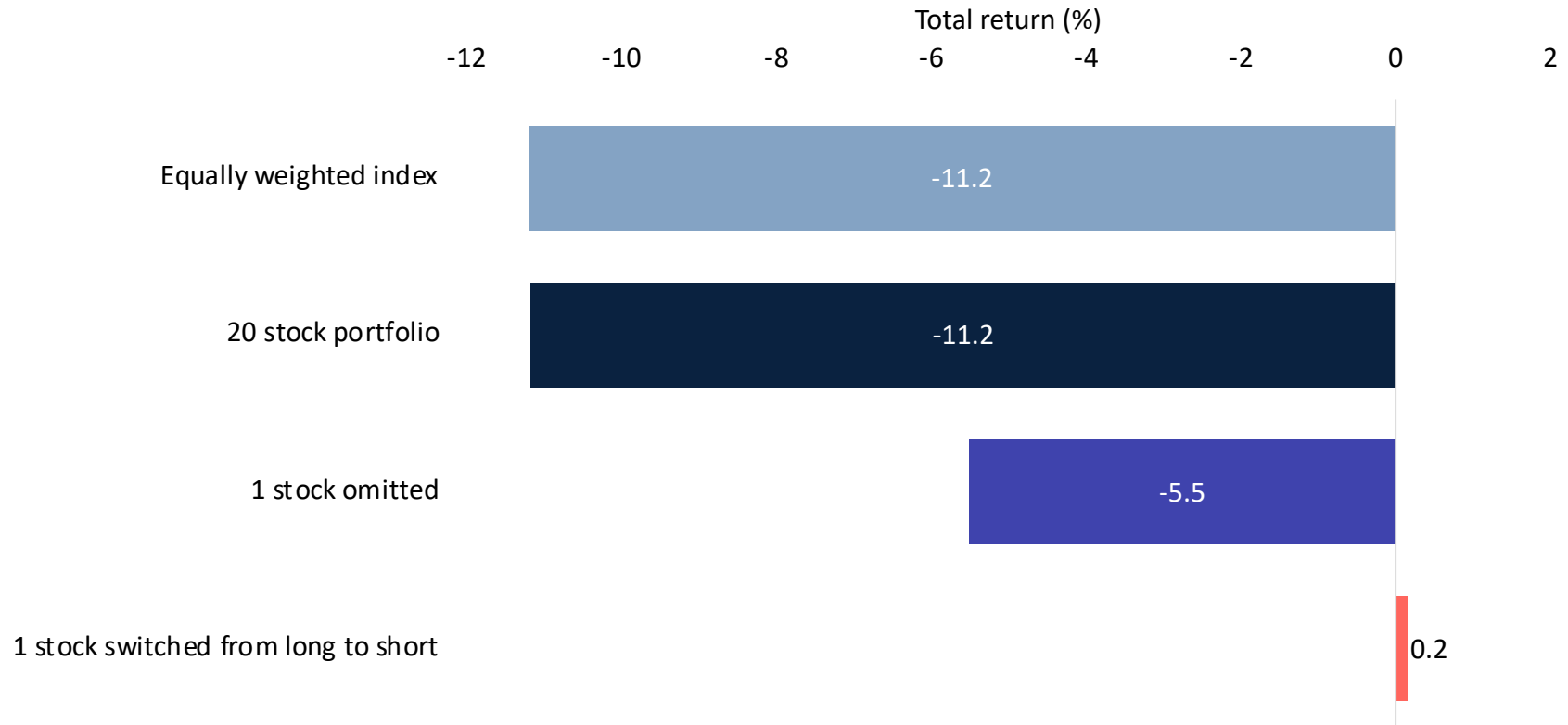


Source: Plato Investment Management. MSCI World All Cap, 1/1997-12/2022. Not all red flags are shown due to space constraints.

“6 or more red flags spell disaster”

Rule #1: Don't lose money, Rule #2: Don't forget rule 1

Performance of simulated portfolios in 2022

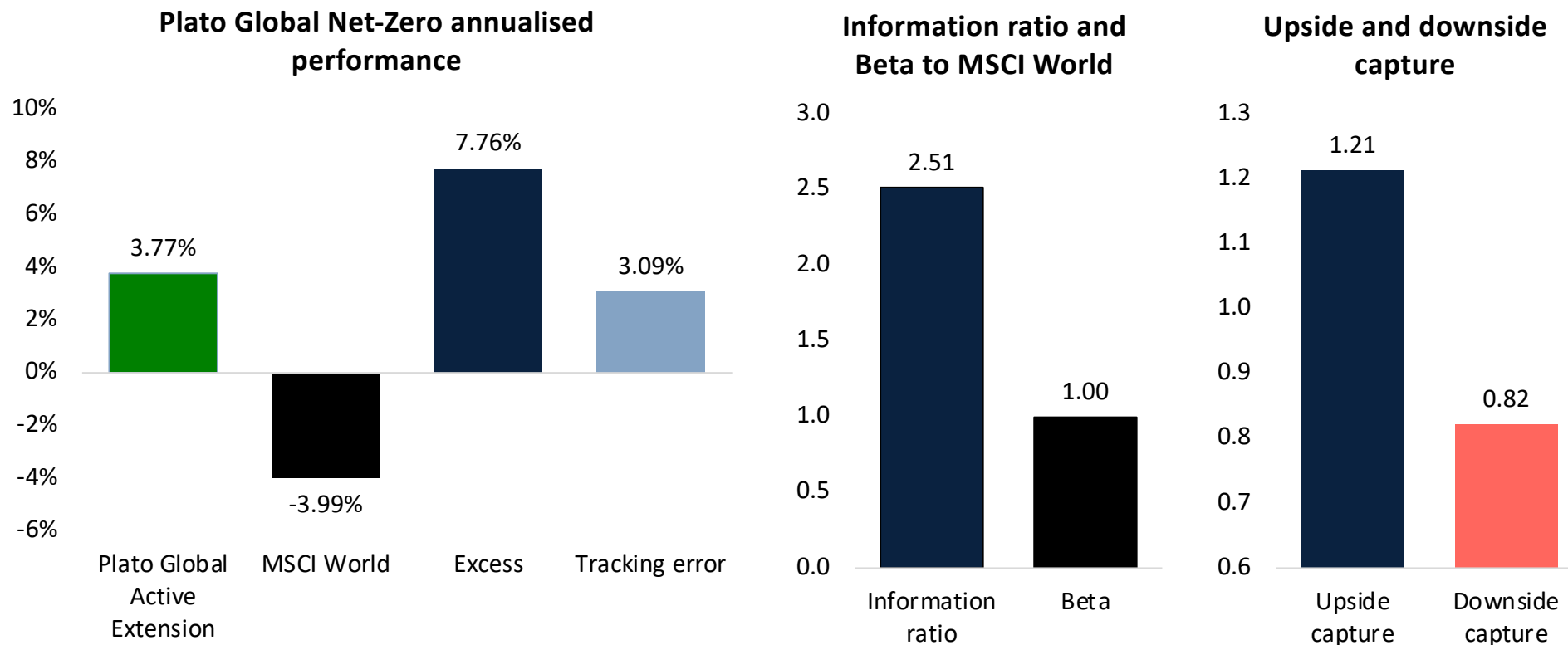


Source: Plato Investment Management, MSCI All Cap universe

“Winning by not losing”

Performance

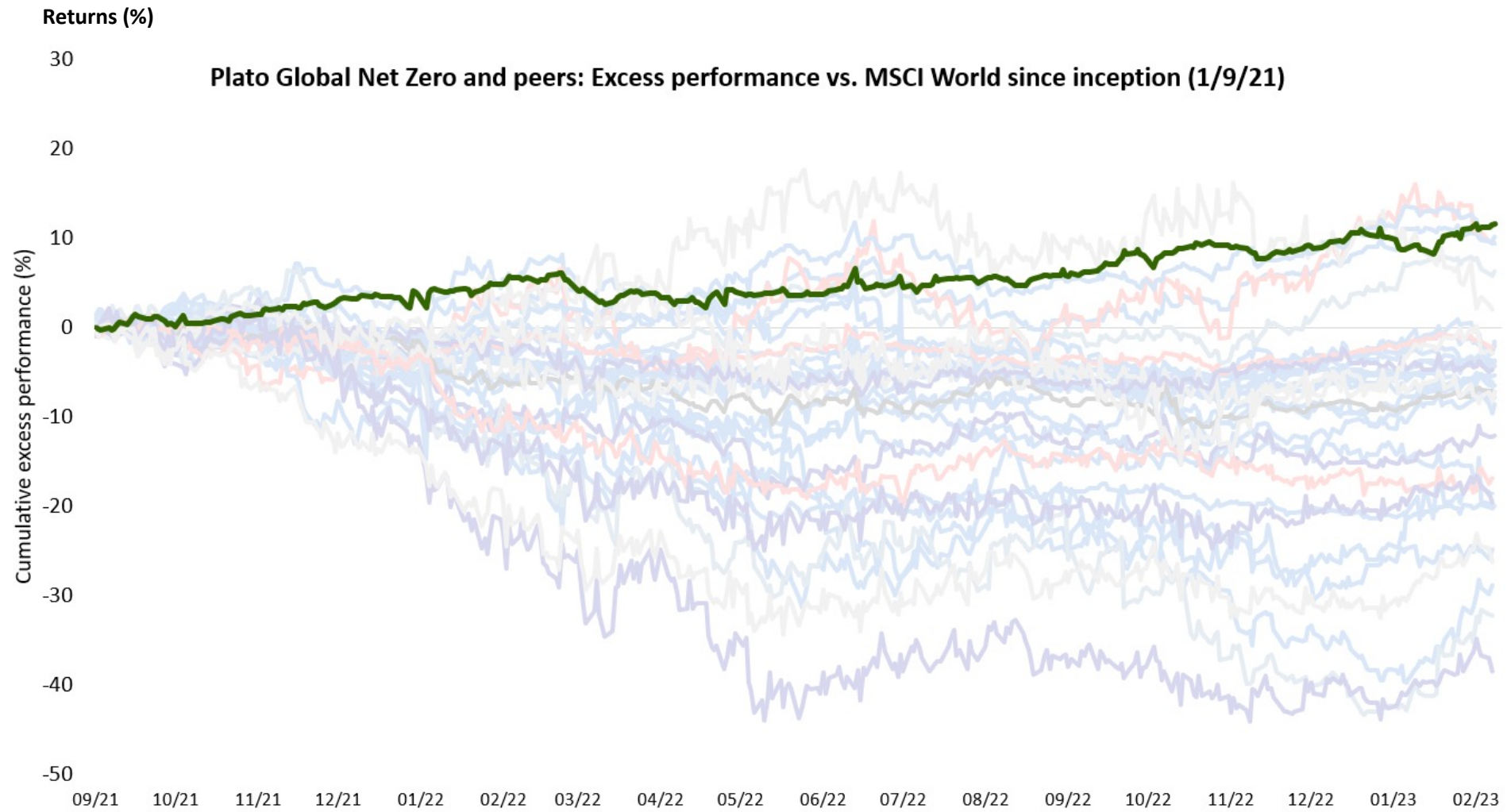
PERFORMANCE SINCE LAUNCH



Source: Plato Investment Management. A share class, Bloomberg, Januray, 2022. Past performance is not a reliable indicator of future performance.

“Strong and consistent performance since launch ”

Strong outperformance vs. peers



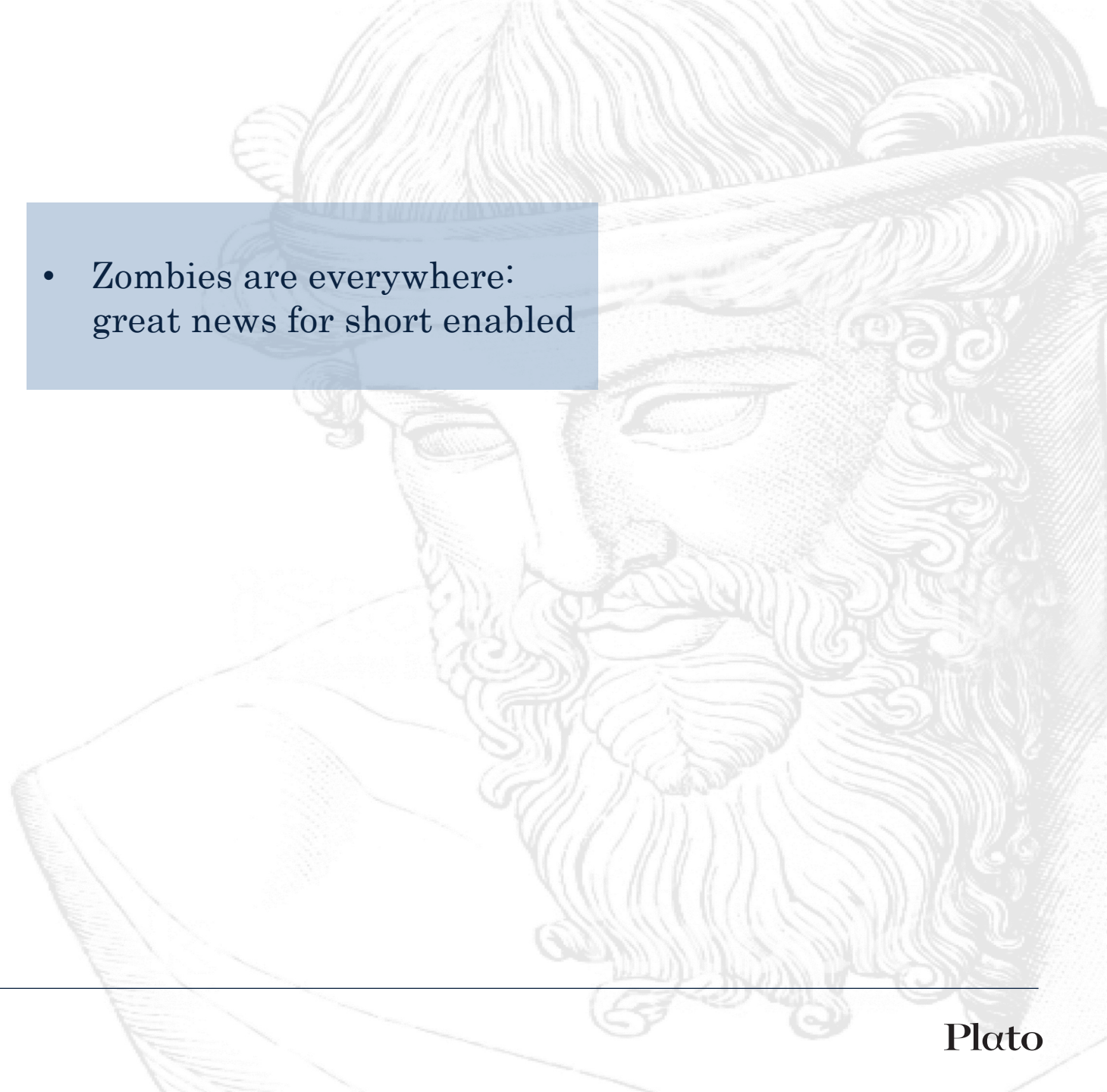
Source: Bloomberg, February, 2022. Net of A class fees. Past performance is not a reliable indicator of future performance. Period is 1/9/21 (inception) – 31/1/23

Key takeaways

- Outlook for Value is very strong

- Red Flags are driving short alpha in Plato Global Net Zero

- Zombies are everywhere: great news for short enabled



APPENDIX



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