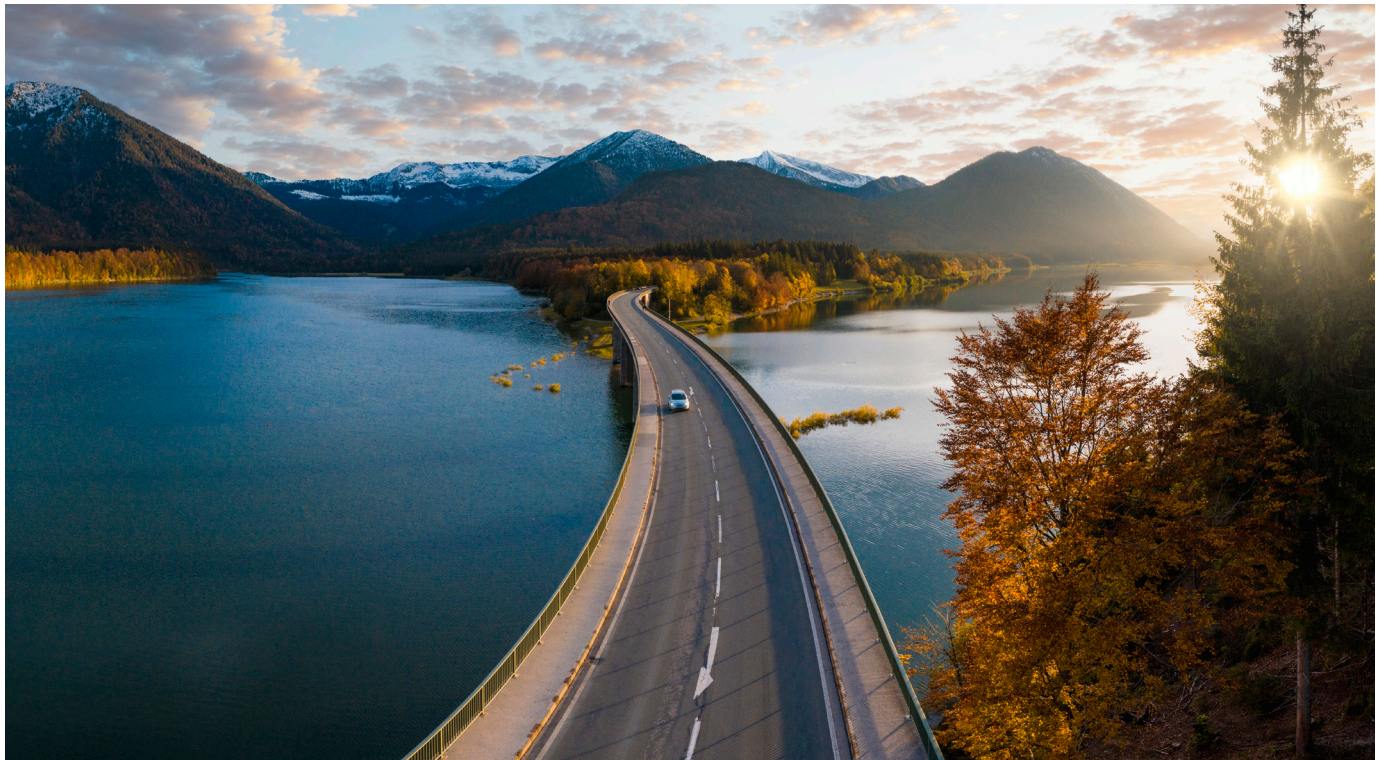


# Reflections

September 2022



The Willie Nelson classic ‘On The Road Again’ would be a suitable backing track for the Long Term Global Growth investment team in recent months. The team have been meeting management teams of holdings in various destinations across the globe. During periods of market volatility, we must remain grounded in our process, assessing the merits of companies using deep fundamental analysis. Meeting company management helps us evaluate the confidence in the upside potential of a business, the strength of their competitive advantages, and whether their cultures remain differentiated. What follows is a flavour of some of the meetings and insights we have garnered from our travels.

## Meta

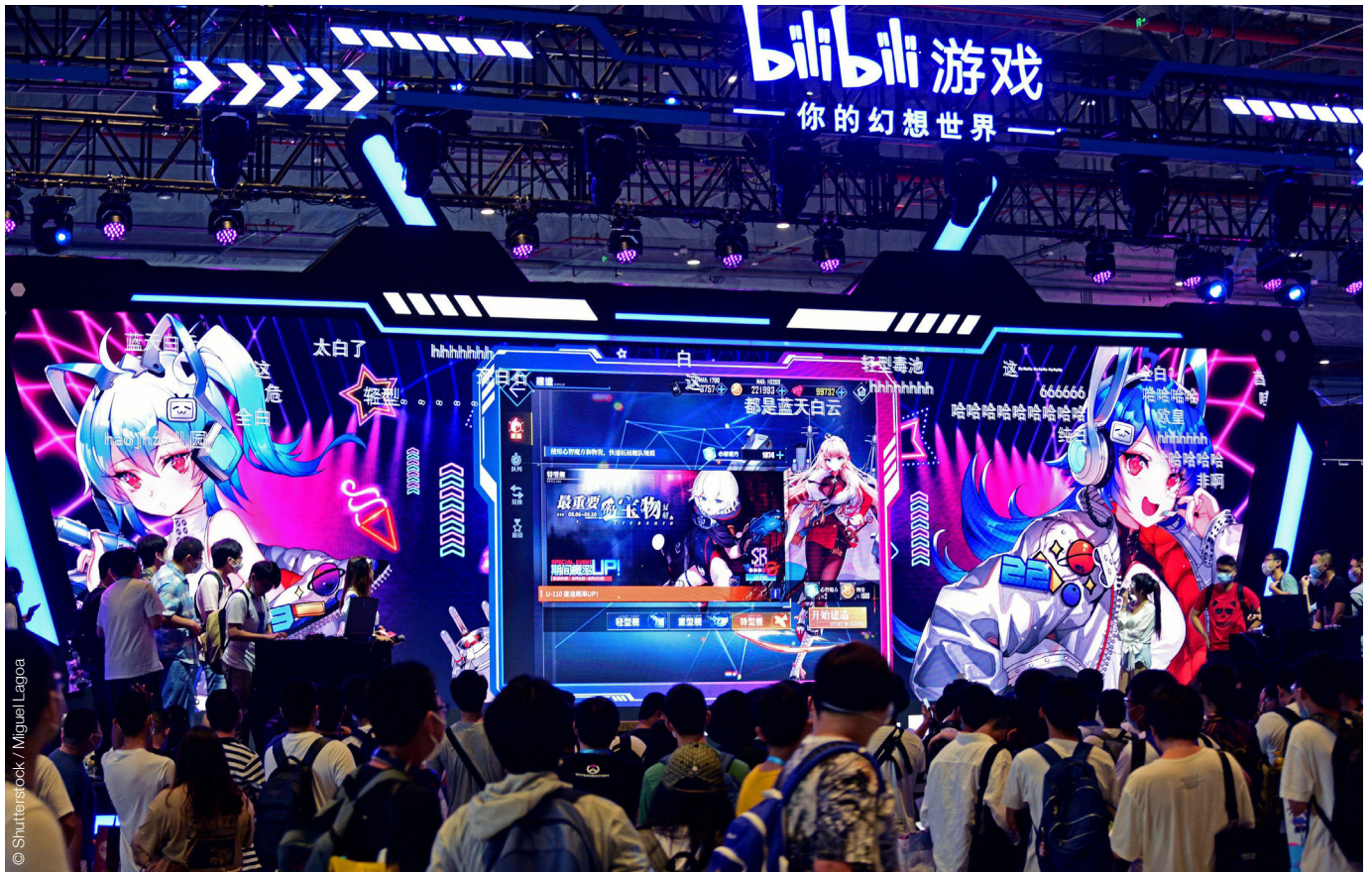
We met with Dave Wehner, standing down from his CFO role to take up his new position as Chief Strategy Officer. We were intrigued about what he sees as his priorities in his new role. He emphasised that his core focus will remain on the ‘Family of Apps’ (FOA), such as Facebook, Instagram and WhatsApp, rather than Meta’s nascent metaverse opportunity with Reality Labs. Within FOA, Meta is increasing the use of machine learning in content recommendation and moving away from their legacy social model. This is a defensive move given TikTok’s global success in garnering algorithmic insights.

Another area we explored is Meta’s advertising model. It is moving from a deterministic to a probabilistic model due to pressures around app tracking transparency. In short, instead of targeting ads using direct, user-driven information, predictions are made from anonymised aggregated data instead. Wehner was open to the challenges, admitting that persuading advertisers to the merits of the new model will likely exceed the technical difficulties as it involves Meta changing its longstanding behaviours. It was a helpful meeting, and we continue to pay close attention to the company’s competitive position.

## Affirm

We met with CEO Max Levchin in Utah, where he discussed his vision of building an Amex for the 21st century, which is open to everyone, not just the fee-paying few. He talked about how there is not an obvious comparison for Affirm – it is a bit of Discover, PayPal, Stripe and Amazon all rolled into one. He explained that Apple and PayPal are changing the payments landscape, and the battle for the consumer wallet is intensifying. Still, he is broadly comfortable and agnostic about who wins, given already established relationships with Shopify and Amazon.





We discussed the current market environment, where Levchin highlighted Affirm's healthy capital supply. A mixture of banks, insurance companies and pension funds are its key partners. He also highlighted his confidence in the business model, even at considerably higher interest rates. Still, he did admit that the marginal consumer is starting to cut back on purchasing big-ticket items. Regulation was a natural talking point, too, with a Consumer Financial Protection Bureau report on Buy Now Pay Later (BNPL) companies expected soon. Levchin remains confident that the company's total absence of late fees should see it looked on favourably. Overall, the meeting provided another insight into the merits of the business, but also highlighted that the market environment and regulatory backdrop would continue to offer challenges to Affirm.

## Bilibili

We met Bilibili's Chairman Rui Chen to get a better understanding of how the company views its social impact. Question 5 in our 10-question framework asks *'What societal considerations are most likely to prove material to the long-term growth of the company?'* as we believe they are inextricably linked to long-term returns. Chen stated Bilibili's social purpose is twofold: first to promote happiness and second to educate. The ecosystem is grounded in positivity with stringent protection of minors using tools such as anti-addiction features, real-name verification tools, setting limits for minors, and zero tolerance of negative comments and quarrelling in its chat

function.

Beyond entertainment, the company also provides educational content to users. Nearly one thousand teachers create original videos that make up almost half of all watched content on the platform. Additionally, it's important to understand Bilibili's relationship with the Chinese government. Rui explained that content platforms are under close supervision, and so it is important its social purpose is aligned with the government's. This meeting provided us with additional evidence that there is a strong overlap in values of the government and Bilibili's core values of creating happiness, education and promoting Chinese culture.

In addition to meetings with company management, we continue to search for academics or other leading thinkers that could aid us in our investment analysis. One example is a recent meeting with human rights theorist Professor Jack Donnelly in Denver. Human rights are an extremely complex topic, but we expect this relationship to help us grapple with the many nuances and tensions when conducting company analysis. We strive to seek out different perspectives and this is another example of the benefits from getting out more.

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