



Compounding Quality

Unleashing the power of quality investing

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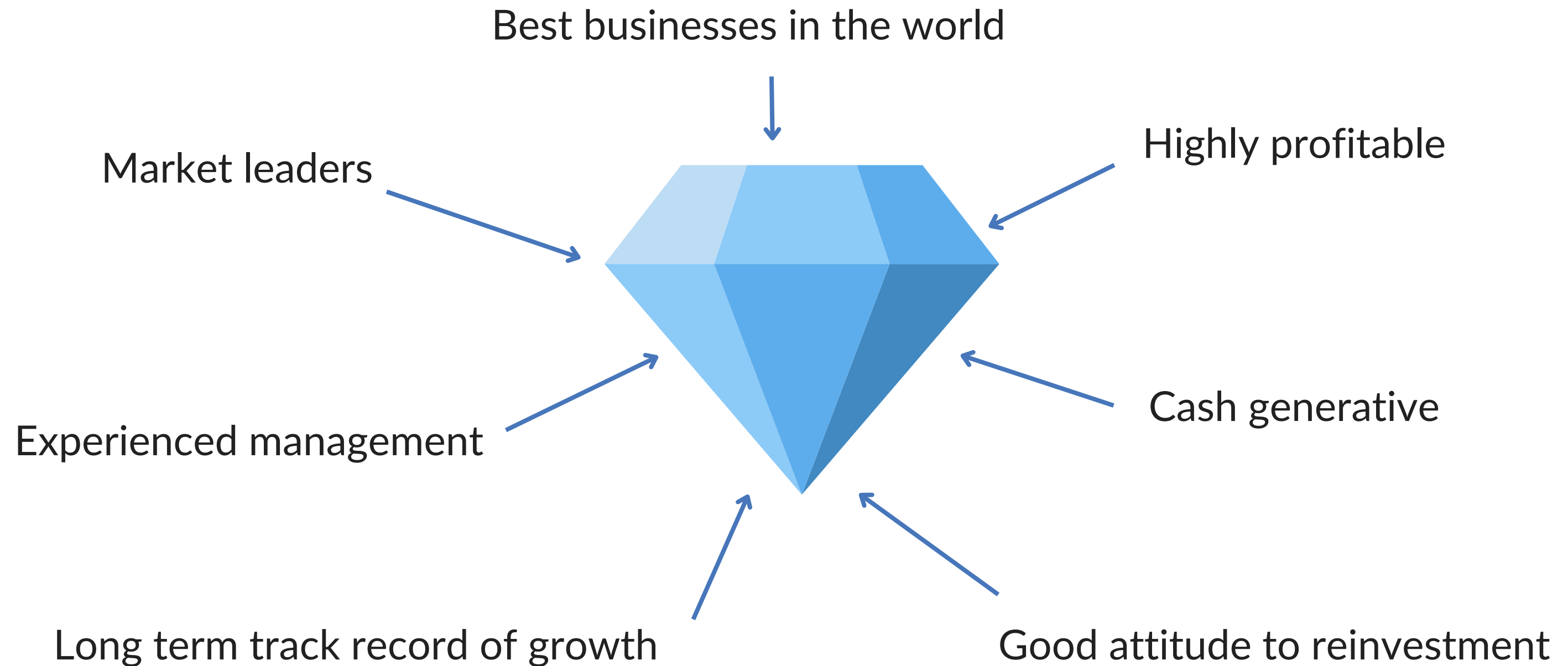
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We would like to draw your attention to the following important investment warnings:

- The value of shares and investments and the income derived from them can go down as well as up
- Investors may not get back the amount they invested
- Past performance is not a guide to future performance
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Please note that all data in this document is historic and dated when this document went to print in June 2023.

What are Quality Stocks?



Coming up in today's webinar...

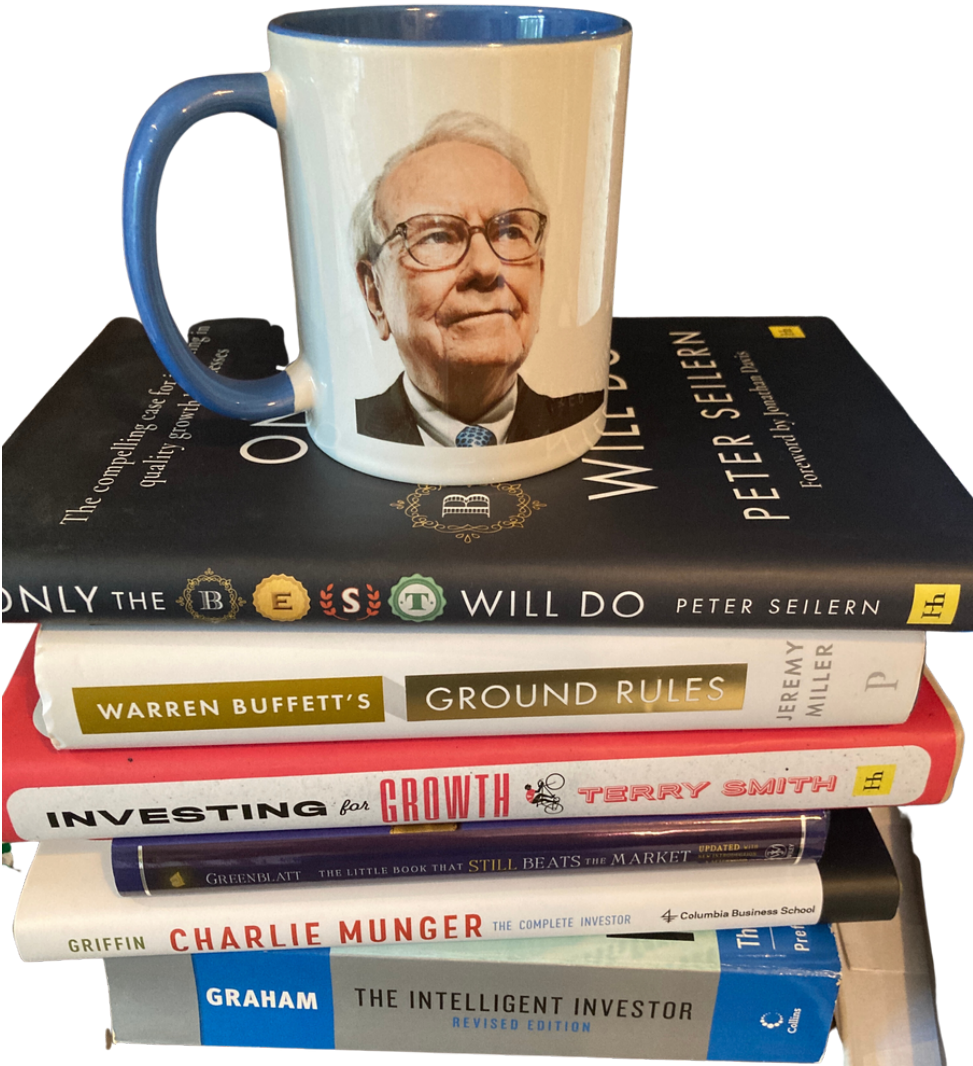
 Why the Quality factor works in troubled markets

 'Qualities' of a quality compounder

 Using screens to identify quality companies

 The right mindset for quality investing

Me and my investment mindset

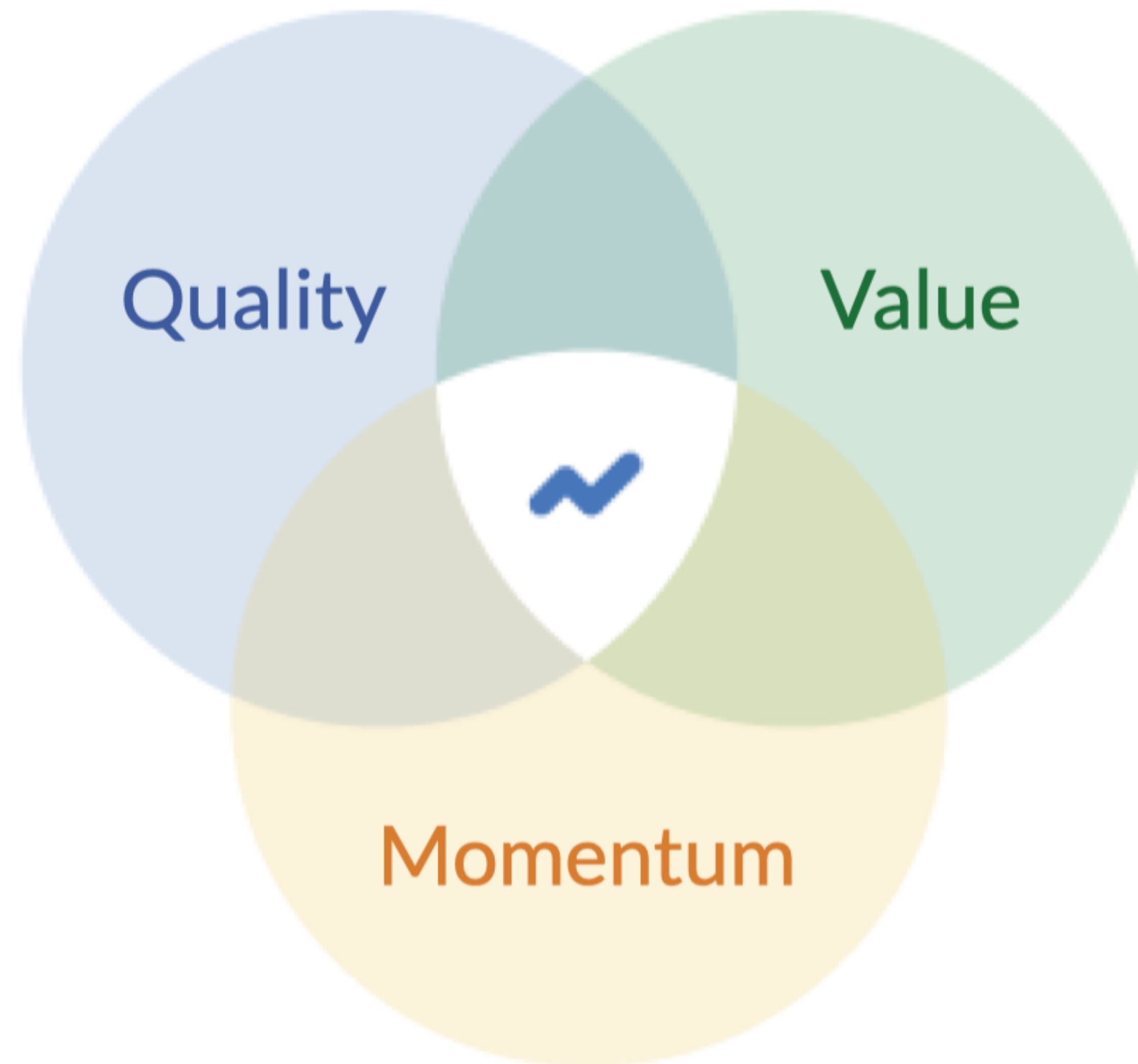


 @MeganCBoxall

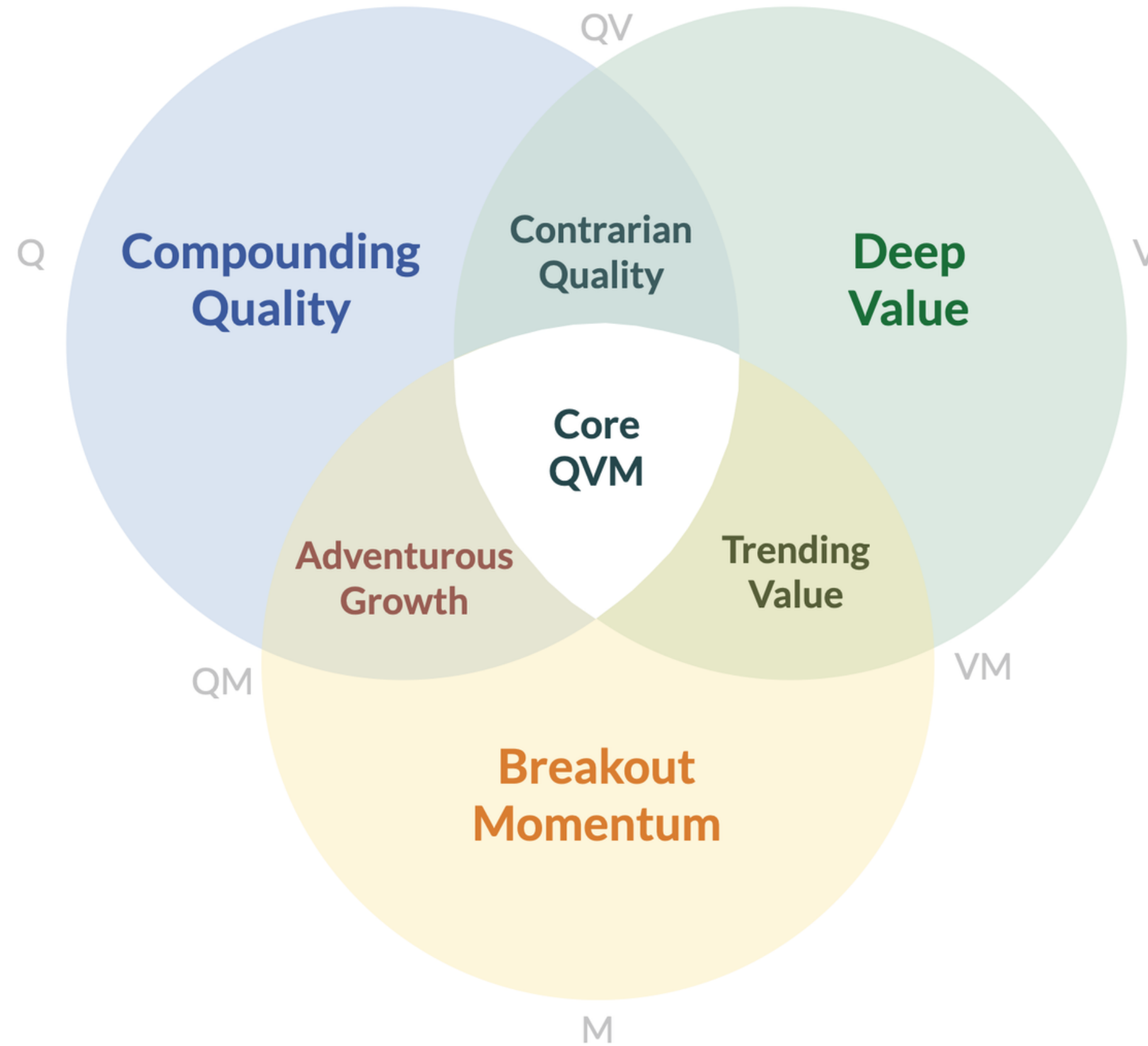
Investors' Chronicle



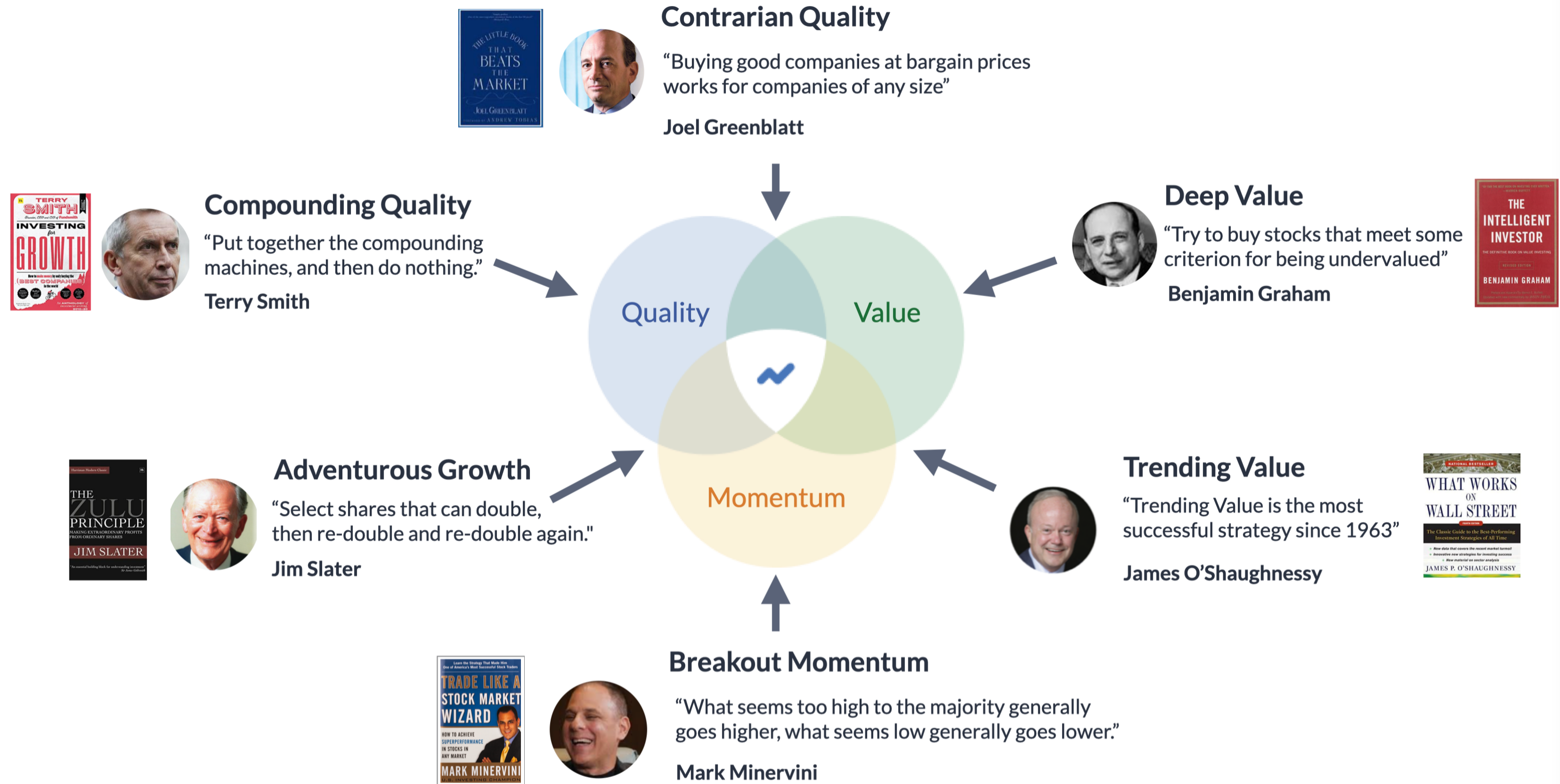
The Stockopedia Strategy Map



The Stockopedia Strategy Map



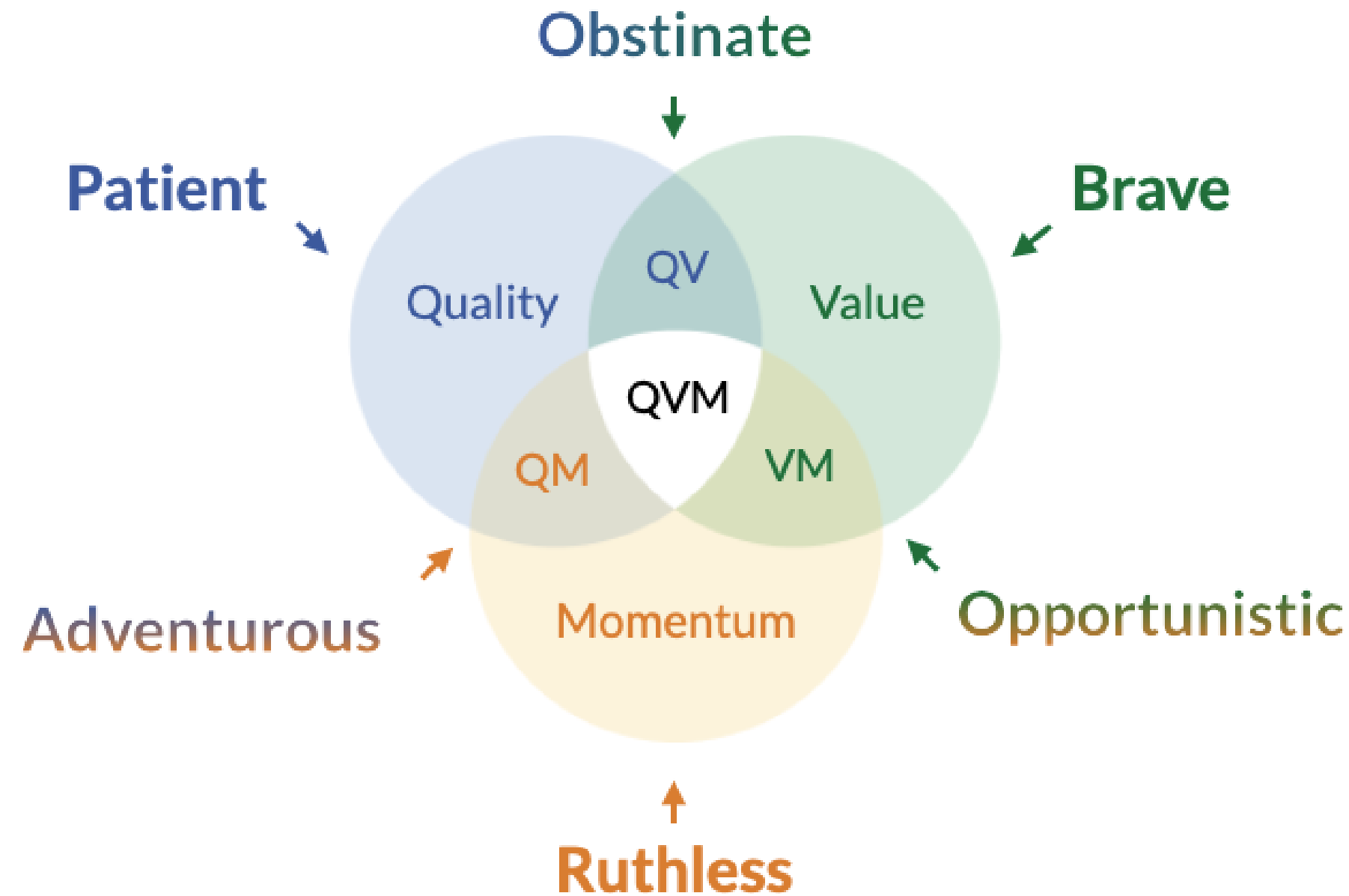
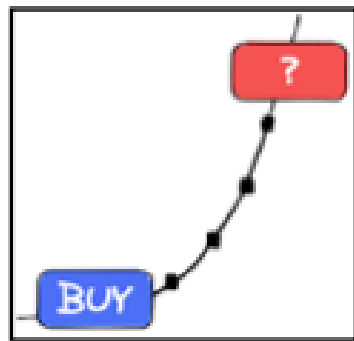
The Stockopedia Strategy Map



The Stockopedia Strategy Map

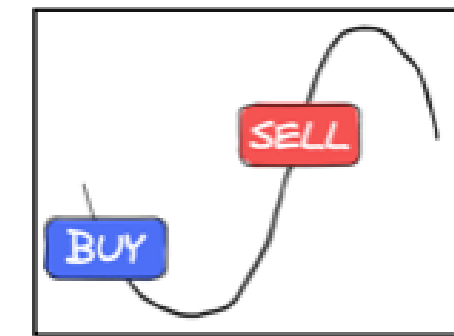
Quality stocks benefit from Compounding

1y to Forever



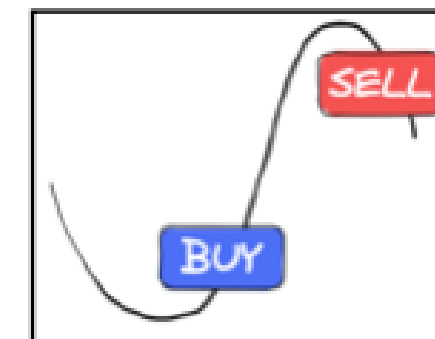
Value stocks benefit from Mean Reversion

1y to 3y



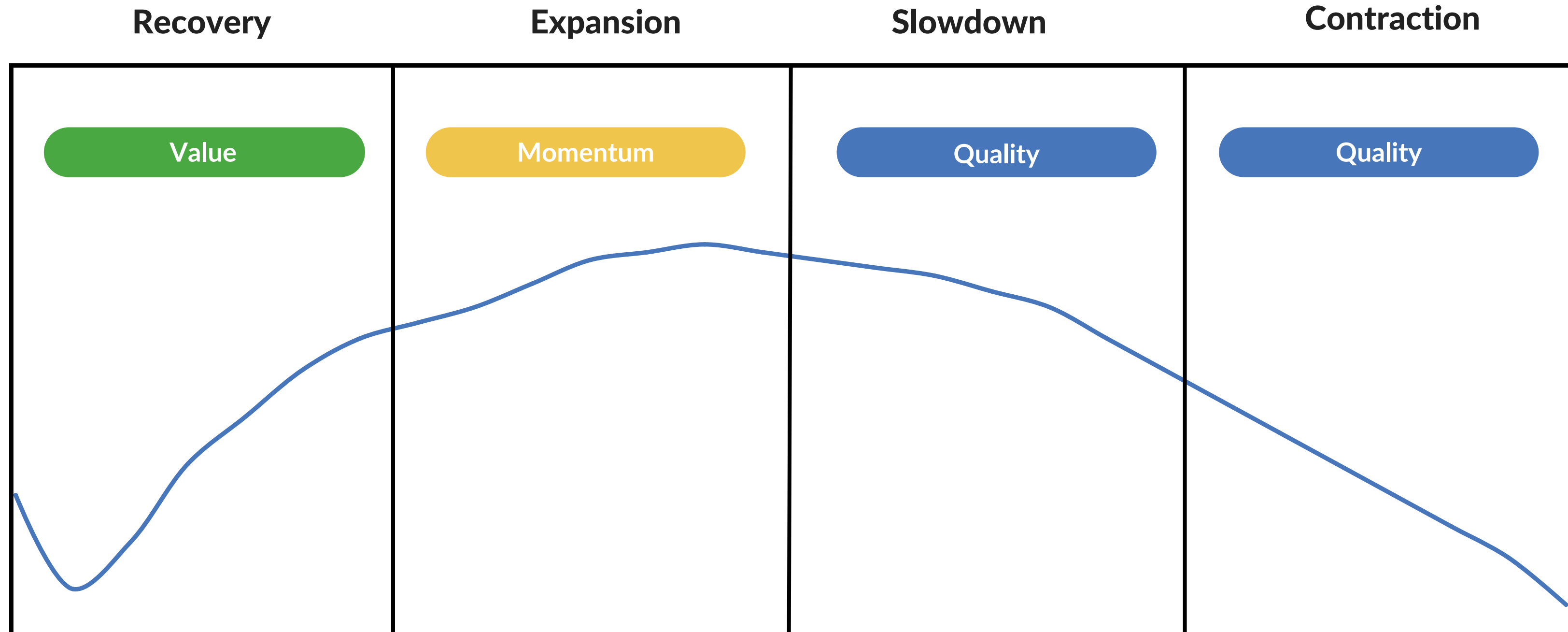
Momentum stocks benefit from Trend Continuation

3m to 1y



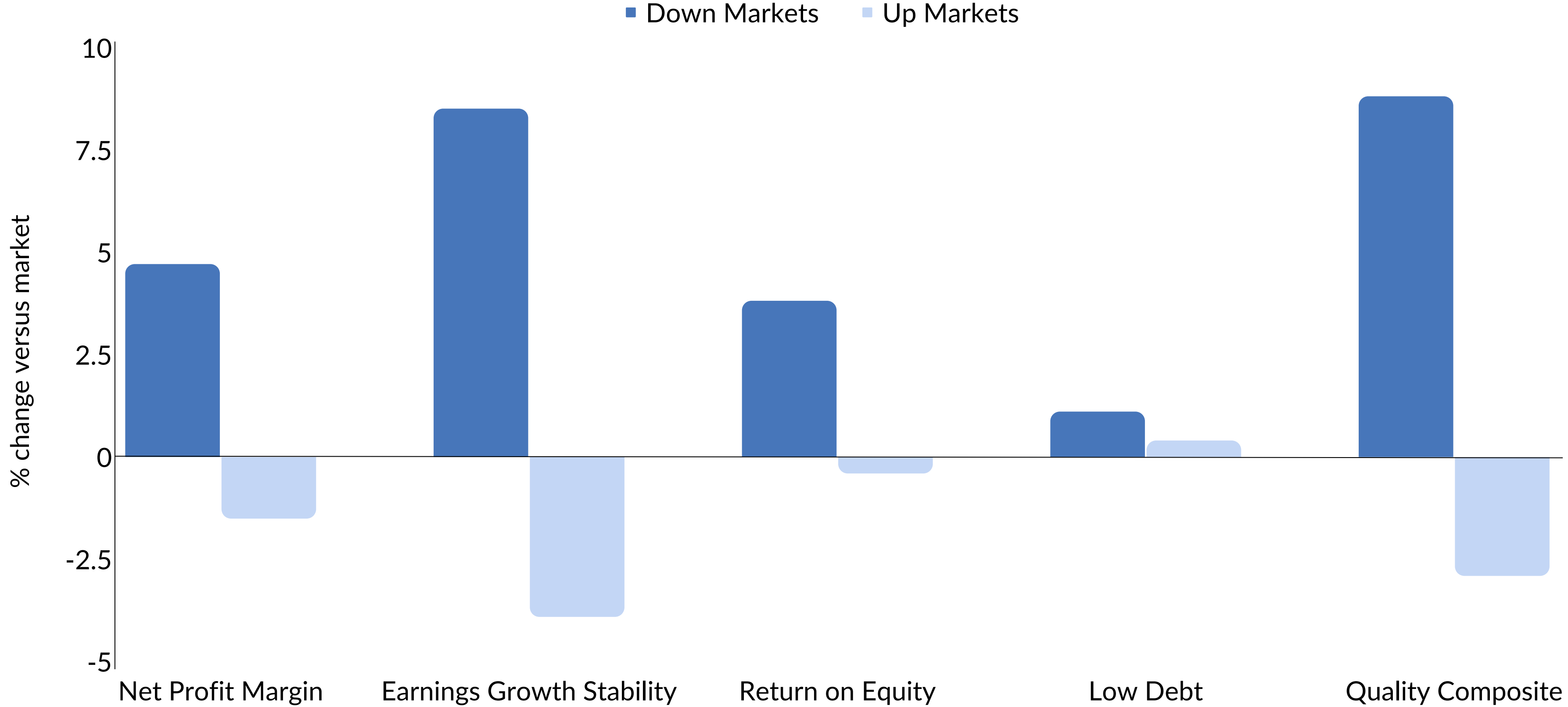
Factors in different market cycles

Quality works during slowdowns and contractions



The Quality Factor in different market cycles

Companies with quality metrics have outperformed during past periods of turbulence

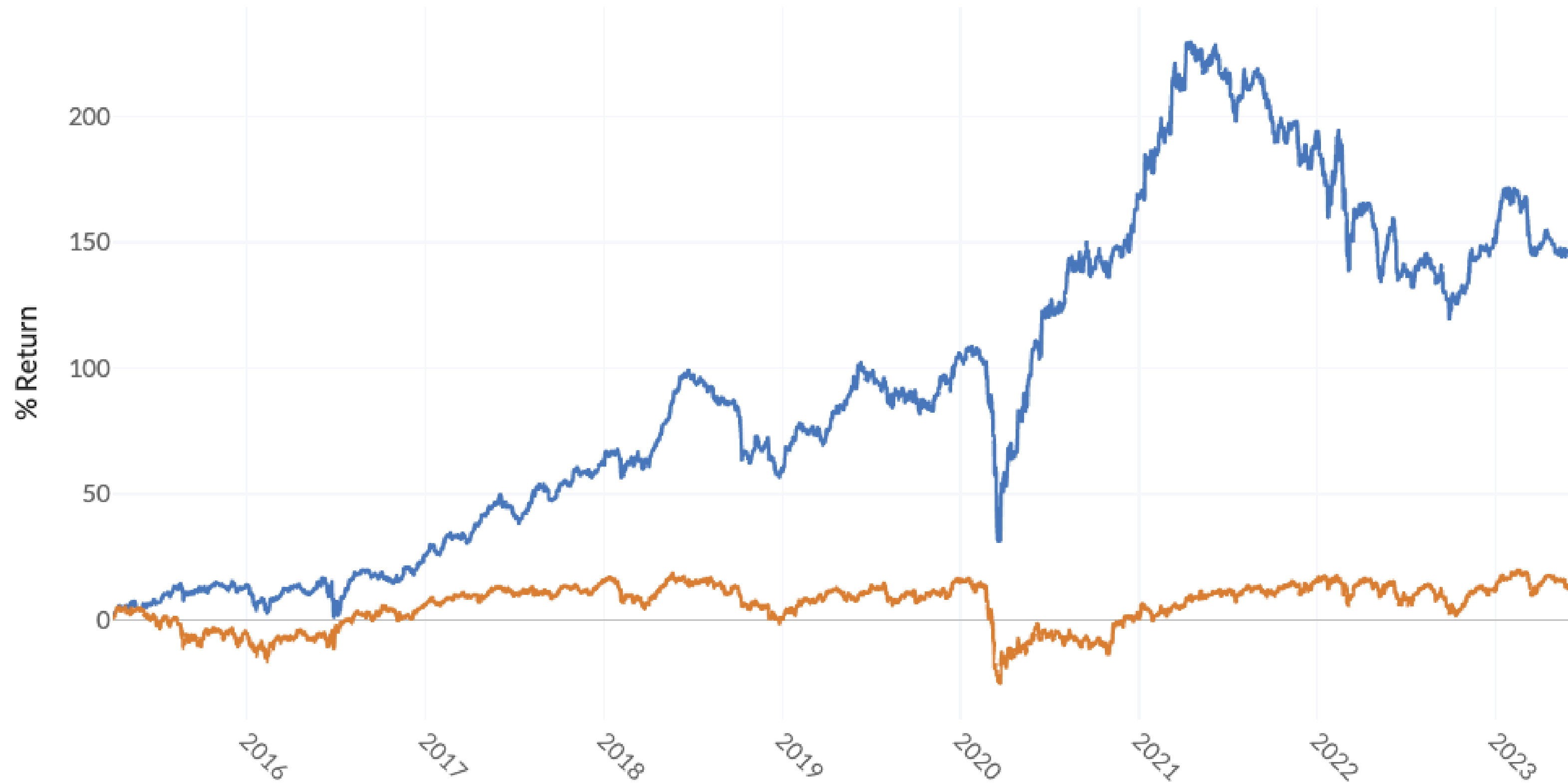


 **Defensive:** During downturns, demand for defensive products and services doesn't drop

 **Pricing Power:** Protects margins during inflationary times

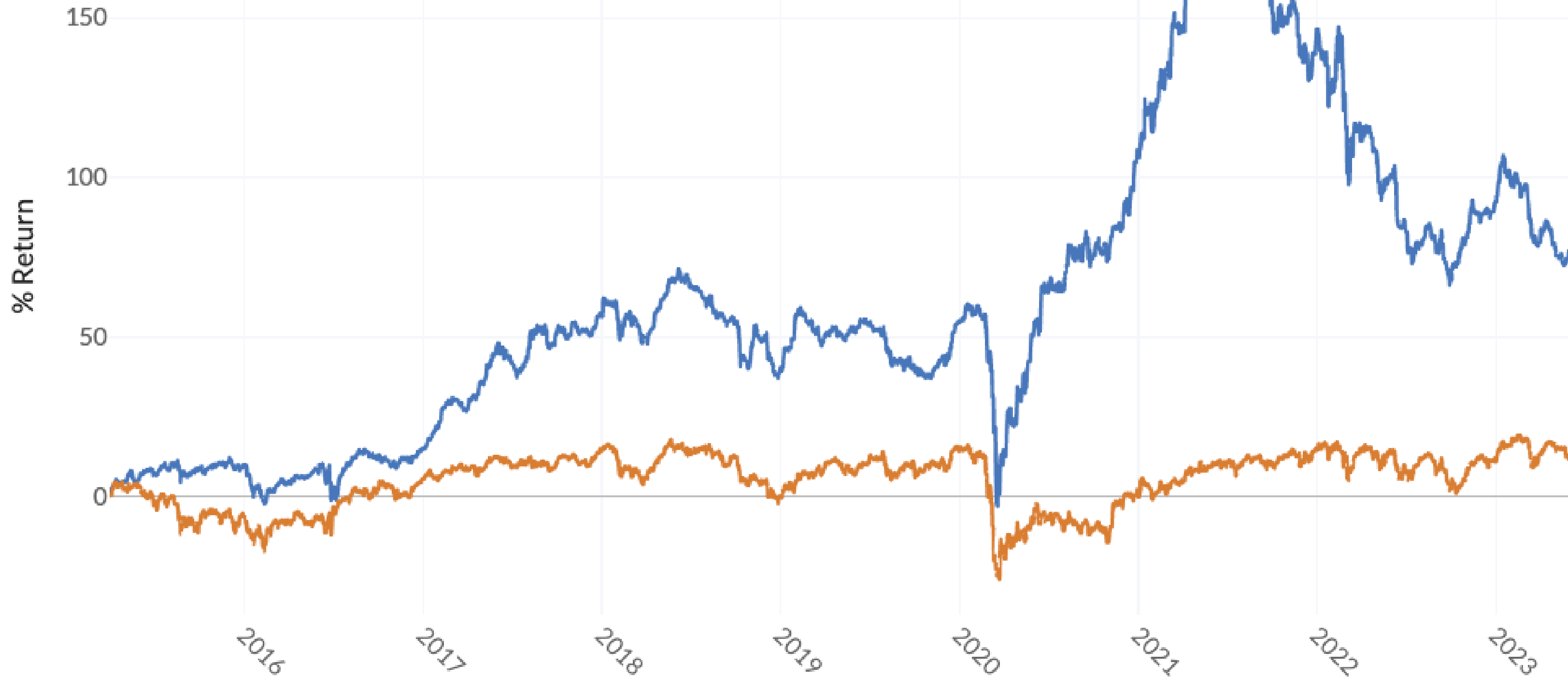
 **Low Debt:** Lower exposure to rising interest rate

High ROCE stocks have outperformed the FTSE...

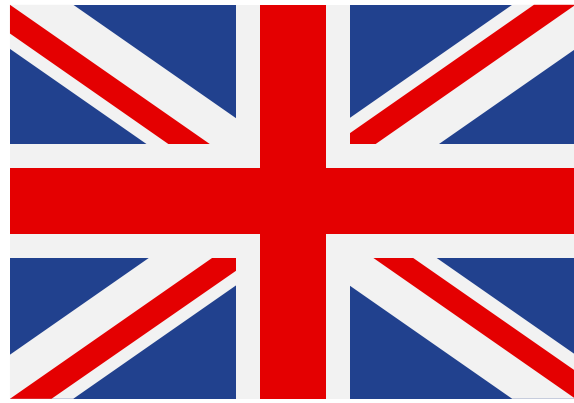


... and stocks which have both a high ROCE and low PE

Stockopedia



Quality stocks are expensive



	Top 20 ROCE Stocks Average	Market Average
Market Cap	£2.1bn	£7.5bn
ROCE	62%	7.7%
PE	18.4x	13.4x



	Top 20 ROCE Stocks Average	Market Average
Market Cap	\$162bn	\$85bn
ROCE	56%	9.8%
PE	26.3x	23.5x

 Ok with buying stocks on high valuation multiples

 Long-term investment horizon

 Comfortable with turbulence

How to identify Quality Compounders

Step 2: Deeper Financial Analysis



MC – LVMH Moët Hennessy Louis Vuitton SE

€814.90 ↑ 0.90 +0.11%

🇫🇷 Last trade – 09:31 [Full quote](#)

Financial Summary


Year End 31st Dec		2017	2018	2019	2020	2021	2022
Total Revenue	€m	42,636	46,826	53,670	44,651	64,215	79,184
Operating Profit	€m	8,113	9,877	11,273	7,972	17,155	21,001
Net Profit	€m	5,365	6,354	7,171	4,702	12,036	14,084
EPS Reported	€	10.6	12.6	14.2	9.33	23.9	28.0
EPS Normalised	€	10.9	12.8	14.4	9.98	24.0	28.4
EPS Growth	%	+32.7	+17.5	+12.6	-30.8	+141	+18.4
PE Ratio	x						28.6
PEG							1.84
Profitability							
Operating Margin	%	19.0	21.1	21.0	17.9	26.7	26.5
ROA	%		8.82	8.40	4.58	10.3	10.8
ROCE	%	14.8	17.2	15.3	9.56	17.6	20.4
ROE	%		20.7	20.8	12.7	28.5	27.6



How to identify Quality Compounders

Step 3: Non-Financial Analysis

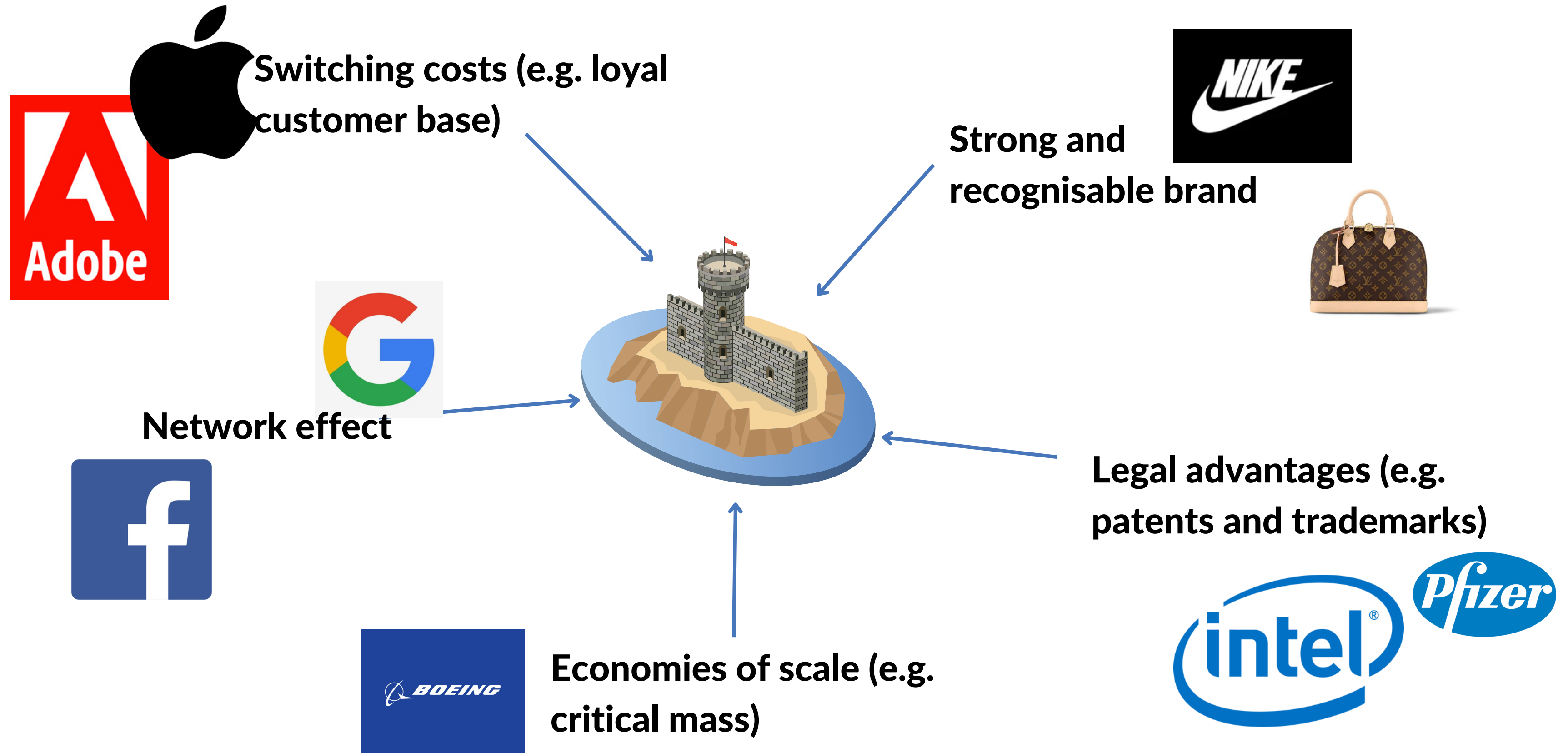
 How does the company make money?

 Management profile: Does the board and the CEO have a good track record of decision making?

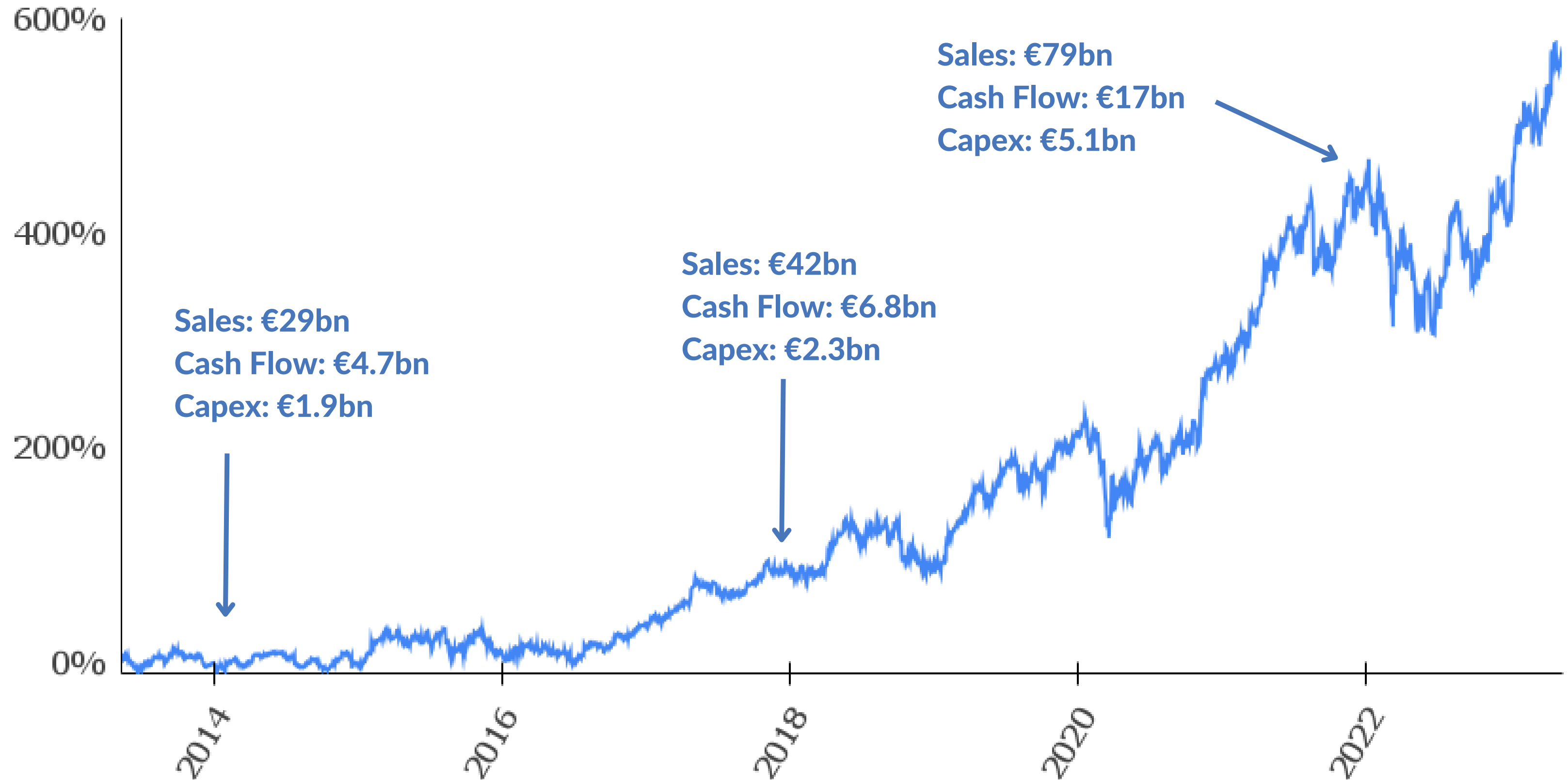
 Protective economic moat

How to identify Quality Compounders

The benefits of a protective moat



How to identify Quality Compounders



LVMH share price % increase May 2013 to May 2023



Q&A