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# Monthly Monitor

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**November 2018**

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## UBS: Survival of the Most Adaptable

“It is not the strongest of the species that survive, nor the most intelligent that survives. It is the one that is most adaptable to change”. Whilst this quote is often attributable to Darwin, it is as relevant to companies as it is to the evolution of mankind.

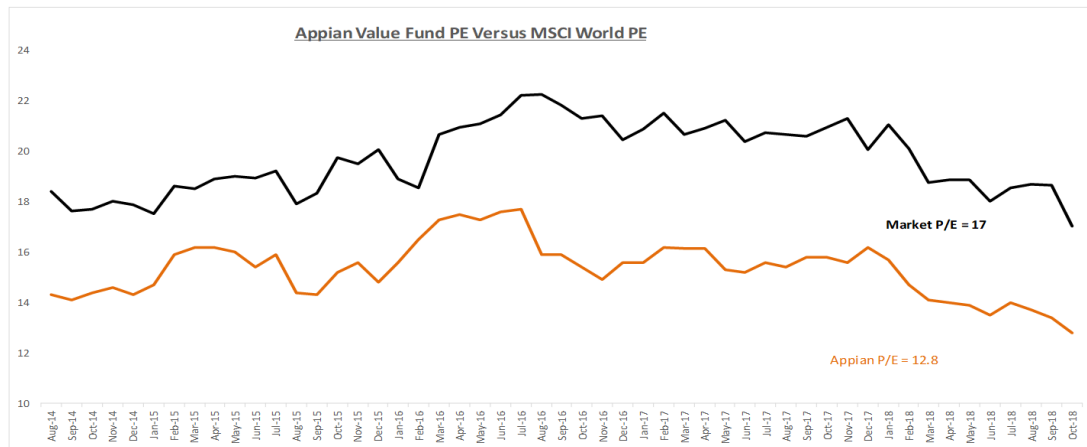
As UBS, the 150-year-old investment bank, was delivering its most recent strategy update, it was this quote that sprung to mind and one has to wonder how many strategy updates the company has produced throughout its history. It's certain that the original strategy outlined by the company in 1862 which focused on launching a branch in Winterthur, the then home of Switzerland's locomotive and cotton industries, differed dramatically to the one delivered in 2018 which focuses on cementing its position as the banker to the world's wealthiest individuals.

The jewel in the crown in the UBS business today is the Global wealth management business which generates over 60% of its profits. From its humble beginnings, UBS has emerged as the leading wealth manager for the world's richest people. As wealth creation in Asia takes off, as evident by the fact there are now more billionaires in Asia than in the US, it's not a surprise to see UBS focusing on Asia. Wealth creation in Asia is expected to grow by 15% p.a. over the next five years, far outstripping the 6% expected in the developed world. UBS has adapted to this changing world by creating the leading wealth management business in Asia with a strong Chinese footprint.

A warning signal in markets is when buzzwords emerge and the buzzword of the last few years has been “disruptors” as new companies such as Facebook and Amazon are expected to disrupt the status quo. In a market where the so-called disruptors such as Netflix and Amazon are trading on price earnings multiples of over 100 times, it's fascinating to see proven businesses, such as UBS, trading at 10 times earnings with the ability to generate

double digit earnings growth over the next few years. Only time will tell whether these new business models will prove as adaptable as UBS which has proven its ability to adapt and grow over the last 150 years.

UBS is one example of a great company held in our portfolios at attractive valuations but there are many more that lead us to believe that whilst there may be valuation problems in pockets of the market, they are not in our portfolios as the chart below highlights. Our equities today trade at 12.8 times earnings and offer a dividend yield of 3.8% on average. As important as **valuation** is, it is the **quality** of these businesses which remains strong as evident by their ability to generate a cash flow return on capital of 9%.



Source, Canaccord Quest, Bloomberg 31st Oct 2018



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## Appian Unit Fund Prices

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1 November 2018

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Appian Value Fund	<b>143.69</b>
Appian Equity Fund	<b>185.97</b>
Appian SCOF	<b>175.27</b>
Appian Liquidity Fund	<b>105.07</b>
Appian Ethical Value Fund	<b>101.26</b>
Appian Burlington Property Fund	<b>117.38</b>

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