

Between the lines

Week
40

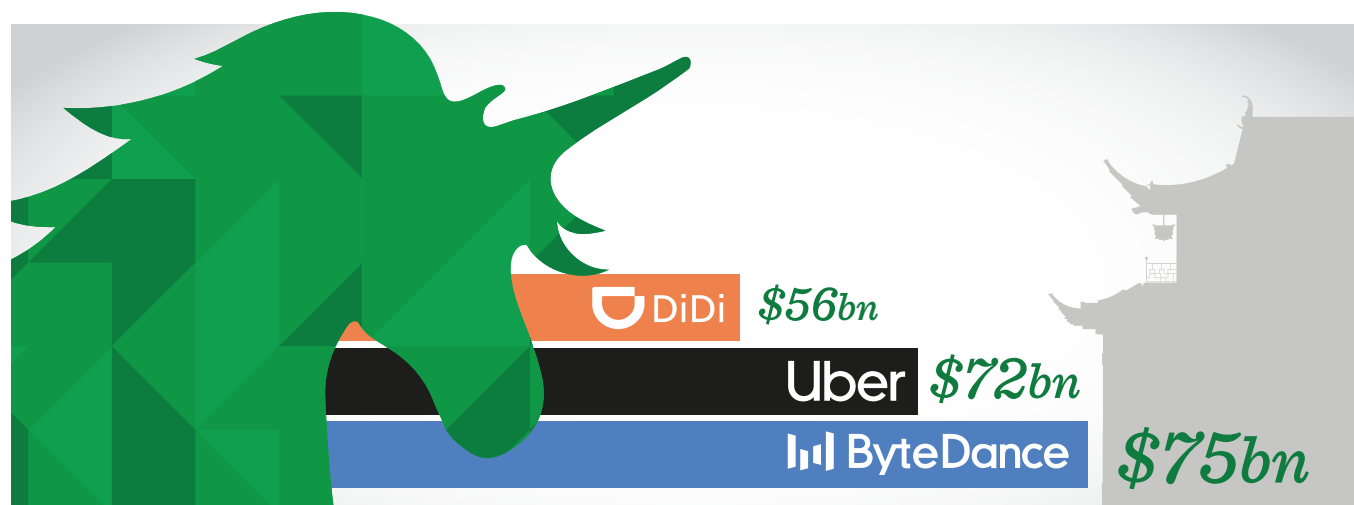
Quilter
Investors

Multi-asset investment thinking
from the Quilter Investors team.

Outstanding in its field

Chinese app developer ByteDance is set to overtake ride hailing apps Uber and Didi Chuxing as the world's largest unicorn in its latest funding round.

Will China steal top spot for the world's no.1 unicorn?



Source: www.cbinsights.com. A unicorn start-up or unicorn company is a private company with a valuation of more than \$1bn.



Credit: iStock/theosis

Royal Mail shares slump on profit warning

The UK postal service issued a surprise profit warning on 1 October, causing its share price to fall almost 25% in three days.

Royal Mail announced productivity was significantly below plan and as a result its cost savings target had lowered from £230m to £100m resulting in a new profit guidance figure of £500-550m for the year.

The trading statement, which cited 'challenging' trading conditions, caused the share price to drop from above 400p on 28 September to 361.5p by 3 October, only slightly ahead of its flotation price of 330p in 2013.

Rico Back, group chief executive, said the company remains focused on delivering growth and pursuing its strategy of targeted acquisitions.



Paying the piper

Fresh from its dramatic victory in its bidding war with Fox to acquire Sky (for £30bn), the US cable giant Comcast has completed the fourth biggest corporate debt issue in US history to fund the deal.

Philadelphia-based Comcast issued a \$27bn raft of bonds across the maturity spectrum in a deal that attracted orders of \$88bn.

As Quilter Investors credit analyst Tim Li observes, "The market is hungry for new issuance and this one hardly touched the sides. However, owning Sky will double Comcast's debt to around \$114bn. This puts it in an exclusive club; only the US telcos AT&T and Verizon carry more debt.

"Comcast needs to reduce its leverage or it will lose its single A credit rating, which will make life very hard for the company," he says.



Credit: Reuters

No stretch for Musk to settle 'Elon-gate'

In a stunning illustration of the US legal system at work, Elon Musk settled the furore over his August tweets promising to take Tesla private with a trifling \$20m personal fine and the same for his electric autos business.

Shares in Tesla rallied 17% on Monday after diving 12% on Friday when the SEC threatened Musk with criminal charges. Under the agreement, Musk forgoes being chairman for at least three years but retains his CEO role.

The SEC deal enriches Musk by an estimated \$1.7bn and brings relief to investors following reports that Musk's 'going private' tweet was a cannabis-related private joke with his Canadian pop star girlfriend, Grimes.



Aston Martin IPO swerves off the road

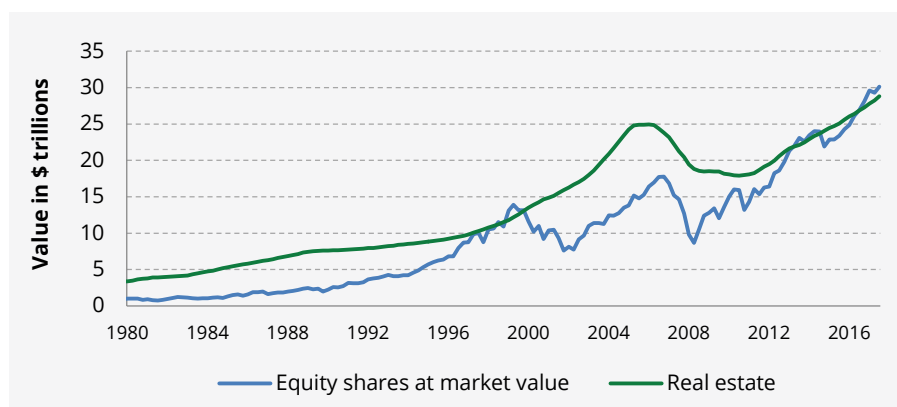
Luxury carmaker Aston Martin, famed for its connection to James Bond, made a disappointing entrance to the stock market, after it narrowed its initial valuation range

Originally targeting a share price of up to £22.50 a share to place its valuation at more than £5bn and put it on a par with rival Ferrari, the company cut its target to a maximum of £20 a share ahead of the listing. It subsequently debuted at just £19 a share, placing it on a valuation of roughly £4.3bn.

Following an initial drop in the price to a low of £17.75, the car firm's current market value is unlikely to be high enough to place it inside the FTSE 100 at the next index reshuffle in December.

Chart of the week

Rich pickings: Equity wealth overtakes property wealth in the US (despite only 10% of Americans having significant equity holdings).



Source: US Federal Reserve as at 1 April 2018.

Market data – % change in week ending 04/10/2018

Equities	% Change GBP	% Change USD
FTSE All-Share (UK)	-0.44	-1.30
MSCI AC World	0.40	-0.46
S&P 500 (US)	1.26	0.39
NASDAQ (US)	0.97	0.10
MSCI Europe ex UK	-1.11	-1.96
TOPIX (Japan)	0.23	-0.63
MSCI Asia ex Japan	-1.34	-2.19
MSCI Emerging Markets	-0.72	-1.57

Fixed Income¹

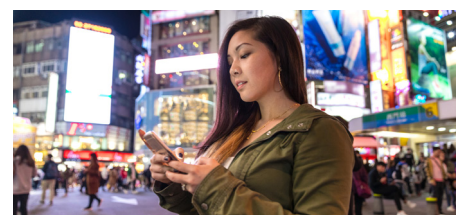
BB Global-Aggregate TR Index	-0.29	-0.26
BB Global-Agg Treasuries TR Index	-0.29	-0.27
BB Global-Agg Corporate TR Index	-0.31	-0.28
BB Global High Yield TR Index	0.07	0.10

Commodities

S&P Energy Index	6.46	5.55
S&P Precious Metals Index	2.31	1.44
S&P Industrial Metals Index	5.29	4.39
S&P Agriculture Index	2.24	1.36

Currencies²

JPM UK FX Exchange Rate Index	-0.06	-0.06
JPM US FX Exchange Rate Index	0.16	0.16
JPM Euro Area FX Exchange Rate Index	-0.82	-0.82



Love Byte

Following a recent round of fund raising, Bytedance, a little-known Chinese tech business has stolen the crown as the world's number one unicorn business from Uber with an estimated valuation of \$75bn.

The company, which has yet to make a penny in profits, is the brain child of Zhang Yiming, a Chinese software engineer who created a news aggregation app that employs artificial intelligence to direct its users to content of interest.

Unusually, Zhang's tech business hasn't received funding from Chinese giants Alibaba and Tencent and instead relies on international backers. With over 500m users of its video apps alone, potential advertising revenues are vast so long as it can stay one step ahead of China's capricious censors.

...owning Sky will double Comcast's debt...only the US telcos AT&T and Verizon carry more debt.

Tim Li, credit analyst, Quilter Investors

Index data as at COB Wednesday 3 October 2018. All sources Quilter Investors unless otherwise stated.

¹ Bloomberg Barclays index data. ² JP Morgan Real Broad Effective Exchange Rate CPI Indices.

UK: Suitable for retail investors. Rest of Europe and Singapore: For professional investors only.

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