

THE WALL STREET TRANSCRIPT

Connecting Market Leaders with Investors

Seeking Growth in Companies on the Cutting Edge of Technology



NELS WANGENSTEEN is Co-Founder, Managing Partner and Portfolio Manager of MayTech Global Investments. Mr. Wangenstein has established an enviable record of success in global investing over more than 20 years in the business. Before co-founding MayTech in 2017, Mr. Wangenstein was a principal and portfolio manager at Integre Asset Management, where he created the Global Growth Strategy in 2008. Prior to his work at Integre, Mr. Wangenstein was a portfolio manager at Neuberger Berman's Private Asset Management Group from 1999 to 2008 and at Ingalls & Snyder from 1998 to 1999. He also served as a vice president at the Industrial Bank of Japan and was an analyst at the Bank of Montreal. Mr. Wangenstein began his career at Coopers & Lybrand. Mr. Wangenstein earned a B.A. in political science from Colgate University and an MBA from the Stern School of Business at New York University.



INGRID YIN, PH.D., Co-Founder, Managing Partner and Portfolio Manager of MayTech Global Investments. Dr. Yin has extensive global investing experience, with specific expertise in identifying investment opportunities in Asia. Prior to co-founding MayTech, Dr. Yin served as the Managing Director of China Equity Research at Oppenheimer & Co. Previously, she led China research as a senior research analyst at Brean Capital, as well as an Asian equity analyst at Wellington Management, and a global health care specialist at Sirios Capital Management and Jefferies Asset Management. Before her career in finance, Dr. Yin was a research fellow and senior research scientist at Memorial Sloan-Kettering Cancer Center. She earned her B.S. from Beijing University, an MBA from MIT Sloan School of Management and a Ph.D. in biochemistry from SUNY-Stony Brook.

SECTOR — GENERAL INVESTING

TWST: MayTech Global is a relatively new firm. Why did you decide to start this company?

Mr. Wangenstein: We launched MayTech Global in the beginning of this year, January 2017, but the strategy behind it is not new. We had been running the fund at a different firm for nine years, with much success, and we decided that now is the right time to bring it out on our own as standalone product. We're very optimistic about our ability to grow it in the current marketplace.

Dr. Yin: Another reason behind our decision to form MayTech Global is that we wanted to create a firm in which the key managers are the owners and have equity stakes. That was not the case in the previous firm. Now we are an independent portfolio-manager-owned firm.

TWST: What is the overall strategy of the firm?

Mr. Wangenstein: We believe we are in a period of unprecedented and dramatic change around the world, driven largely by advances in technology. We also see big changes in the global economy driven by the emergence of a whole new class of consumers in places like China and India, and by demographic changes like aging populations in developed markets. So the bedrock of what we're doing is our view on what's driving the global economy and what's driving the world. We want to be on the right side of these fast-moving trends, and so far we have.

TWST: Taking that one step further, what is the process you use to select stocks, given that backdrop you just described?

Mr. Wangenstein: We want to own the companies that are on the cutting edge of innovation, using technology to develop new products or services, tackling big problems or breaking new ground. In other

words, we look for companies that are able to use the new technology effectively. They don't necessarily need to be the inventors or makers of the specific technology items, but they are using technology to invent new ways of doing things. Often, these companies emerge into huge global platforms with this technology.

TWST: What about at the individual-stock level? What types of stocks are you looking for? What is most important to you when you are selecting stocks?

Mr. Wangenstein: After we have identified the big trends where we want to be and the companies within those trends, we start with the structure of the industry and try to understand the dynamics of the industry in terms of the competitive set, the relationship of the company to its suppliers and customers, and possible threats from new entrants. We take a great deal of time to understand the structure of the industry and identify the companies within it that are the best-positioned to extract the most profits. Industry structure is very important. We want to be in industries that allow profitable companies to operate.

From there, we go through some fundamental work in terms of quality of the management and the operating metrics of the company. We're really looking for companies that have optionality for growth, essentially those companies that have built operating platforms that allow their customers to plug into, other developers to plug into, even sometimes competitors to plug into. And what we find is that the best companies have been those that are able to grow on these platforms almost organically by just naturally reaching into adjacent markets.

see if they can be fixed. We like companies that have a great deal of business momentum behind them and have an established pattern of being able to execute well.

TWST: You are global investors. Where, globally speaking, are you seeing opportunities right now?

Mr. Wangenstein: We are looking for growth and particularly for growth driven by technology. We are finding this in the United States, obviously, and in Asia, China and India, which are all growth markets with big emerging populations of consumers.

TWST: You mentioned China. Investing there can be a bit controversial, given the opacity of the system. Why do you like China?

Mr. Wangenstein: We've been investing in Chinese companies for a long time, and what we have found is that the companies that we've identified, which are essentially focused on the growth of consumption by consumers inside of China, have done very well regardless of what's going on with the economy because there's a huge secular shift in consumption. Furthermore, companies like **Tencent** (HKG:0700) and other internet businesses have been one of the greatest ways to play the growth in consumption inside of China.

Dr. Yin: One point is that we don't rely on the GDP data. There's a lot of independent data. How many transactions, say, have been done by WeChat Wallet, which is a **Tencent** product. These data are published by the third-party firms,

and they are fairly accurate and up-to-date.

Mr. Wangenstein: One of our bigger thesis going back for several years was that the Chinese economy would have to restructure

Highlights

Nels Wangenstein and Ingrid Yin discuss MayTech Global Investments. The firm's strategy is based on Mr. Wangenstein and Dr. Yin's view of the world and global economy. They see fast-moving trends being driven by technological advances and demographic changes. Mr. Wangenstein and Dr. Yin look for companies that are on the cutting edge of technology and using it effectively. Their investment process involves identifying trends and the companies within them, understanding the structure of the industry and using fundamental work to find profitable companies with optionality for growth. According to Mr. Wangenstein, the firm's biggest strengths are its worldview, its long-standing commitment to the identified themes and its research process.

Companies discussed: Tencent Holdings Ltd. (HKG:0700); Facebook (NASDAQ:FB); Twitter (NYSE:TWTR); Amazon.com (NASDAQ:AMZN); Intuitive Surgical (NASDAQ:ISRG); Mastercard (NYSE:MA); Ctrip.com International Ltd. (NASDAQ:CTRP) and Priceline Group (NASDAQ:PCLN).

"We like companies that go after big opportunities. If you think about how the economy is developing because of technology, it is becoming increasingly winner-take-all. This means that the distribution of returns within an industry, such as retail, will increasingly follow a power law."

Dr. Yin: We really like companies that have solid ecosystems that will allow the company to continue to expand the services it provides, attract more customers and make the suppliers' job easy, therefore becoming more profitable for shareholders.

Mr. Wangenstein: We are growth investors, so we're looking at how fast the companies are growing, how big the market opportunities that they are addressing are and how quickly they can address that market. We're not in the business of searching for broken companies to

from being driven by infrastructure building to being driven by growth of private consumption and consumer spending. So we expected that we might see a slowdown in overall GDP but still see growth in consumer spending as the economy restructures. I think, over the last few years, investors were concerned as infrastructure spending was slowing in China, which caused a lot of problems for resource and construction businesses. But consumption is still quite strong, and especially, consumer spending online is very strong.

TWST: You mentioned Tencent as a holding. Why do you like that company?

Mr. Wangenstein: Tencent is a Hong Kong-listed company, and it has emerged as one of the world's largest social internet platforms. We have owned this company for more than 10 years, and it's a great example of the qualities we like. It started out as a communications platform, giving away its basic service for free. It was then able to add on ancillary products, such as gaming and mobile payments, charging pennies per use. Tencent's network has a huge amount of optionality and has become the broadest communication platform across China.

In 2011, the company released a mobile messaging product, called WeChat in English, which has become the predominant way the Chinese people communicate with each other. That led to more bolt-on paid services such as WeChat Wallet, which is becoming a dominant payment platform inside of China. You can turn e-commerce on. You can put a recommendation engine in it. You can put entertainment, video, gaming inside. Now Tencent has all of these different avenues for growth, in addition to advertising.

One of the advantages I think we had over other growth investors is our global perspective. WeChat was going on in Asia long before Facebook (NASDAQ:FB) and Twitter (NYSE:TWTR) were doing similar things in the U.S. We've also been able to see different monetization models from Asia.

For example, Facebook largely monetizes through advertising in its platform. Tencent, on the other hand, monetizes its platform by primarily through value-added services. We know that both of these models work, and we know that Tencent will adopt advertising monetization, and we know that Facebook will eventually start to provide more and more value-added services. It gives us a different perspective on how these companies can develop and the opportunities they have in front of them. It's been a huge home run for us.

TWST: Can you give us another name you like?

Mr. Wangenstein: The other big holding for us is Amazon (NASDAQ:AMZN). We have owned Amazon for a number of years, and our original cost basis is a tenth of where the stock is today. Many years ago, we knew Amazon was working on a cloud service platform called AWS — Amazon Web Services — which was causing Amazon's earnings to be artificially low. In our opinion, it's caused by Amazon running most of its investments through the P&L.

We believed all of the work that Amazon was putting into web infrastructure could potentially become even bigger than its online retail business. If you fast-forward to the spring of 2016, Amazon Web Services started to show up in their results. As soon as we got a whiff of that, we significantly increased the size of our position because then we were confident that as investors started to see more and more of this data, the stock would really do well.

We like companies that go after big opportunities. If you think about how the economy is developing because of technology, it is becoming increasingly winner-take-all. This means that the distribution of returns within an industry, such as retail, will increasingly follow a power law.

Amazon, for example, has become the dominant seller of a large number of very popular items while at the same time an increasingly important seller of unique items with relatively small quantities. The latter is referred to as the long tail of distribution. Previously, companies could dominate some points along the curve, but now a company like Amazon has the potential to dominate many, many points on the curve.

They can address the big tail of opportunity and long tail of opportunity. It's very much indicative of the kind of companies we like.

TWST: You also have Intuitive Surgical in the fund.

Dr. Yin: Yes, Intuitive Surgical (NASDAQ:ISRG) is a health care technology company. The company is the technology leader in making robotic systems to help with surgeries. The penetration of their instruments has taken up around the world in many different categories. It started with urology and gynecology procedures, and then people started to use it for hernia and general surgeries. Hospitals, doctors and patients are all motivated to use this machine because it makes procedures minimally invasive, so patients can get out of the hospital very quickly compared with traditional surgeries.

1-Year Daily Chart of Intuitive Surgical



Chart provided by www.BigCharts.com

You will see they are not only selling more instruments but also growing procedure volumes fast globally. We're seeing this not only in the U.S. but also in Japan, Korea, China and in Europe. We see strong growth ahead for Intuitive Surgery for many years. And this also sits on the concept of having a company with a platform, not just one product.

TWST: How many names do you have in your portfolio?

Mr. Wangenstein: We have under 30 names.

TWST: And why did you choose that number?

Mr. Wangenstein: There's nothing magical about that number per se. We are trying to identify companies that we think are going to be the best beneficiaries from our worldview, and we're not trying to mimic the broader market or create a closet index. I think, in some ways, we're fortunate because probably two of the most attractive areas in our view for growth are in information technologies and health care, both are areas of expertise for us.

Information technology attacks different markets such as finance, retail and entertainment. I spent many years investing in information technology and have seen how these technology companies have disrupted various businesses, and it gives us a way to play in different industries. And Ingrid has a strong background in health care, both academically and professionally. It goes to the fact that we see the global economy as increasingly winner-take-all, and we're really focused on identifying and owning the winners.

TWST: In terms of portfolio construction, how do you diversify?

Mr. Wangenstein: If you look at the portfolio, we look very concentrated in information technology, but as we divide up the portfolio, we're actually quite diversified across multiple sectors. Take,

for example, **Mastercard** (NYSE:MA). Despite the fact that **Mastercard** is classified as an information technology company, we actually see it as a fintech company. We own **Ctrip** (NASDAQ:CTRP), which is an online travel agent in China. We own **Priceline** (NASDAQ:PCLN), which is an online travel agent with most of its business coming out of Europe and the U.S. These are classified as information technology businesses, but they're really travel service companies. We are more diversified than it seems on the surface.

TWST: What makes you decide to sell something out of the portfolio?

Mr. Wangenstein: Well, generally, when we initiate the investment, we have a thesis about why we own the company, and if there's something going on that changes that thesis, if conditions change, if management is not executing, that's what causes us to sell.

TWST: In your opinion, what are the biggest strengths of your strategy?

Mr. Wangenstein: I think it's our worldview, our long-standing commitment to the themes that we've identified and our research process. These things give us the high conviction to take meaningful positions and hold on to them, and even add to them when others panic.

TWST: What's your outlook for the rest of this year?

Mr. Wangenstein: We're pretty optimistic. We're looking at the world, and we see the pace of change accelerating. We often tell people, "You're going to be completely surprised by what comes down the pipe in the future." This sense of surprise is because most investors do a linear extrapolation of opportunity and miss inflection points, which follow an S-shaped curve. Consequently, people tend to misvalue or

undervalue opportunity when we're at this part of the cycle or this part of the growth curve. We're very optimistic about what's going to happen over the next few years. Of course, in the short run there may be events that create volatility, but we're bullish on what we're seeing.

TWST: Tell us about your backgrounds.

Mr. Wangenstein: Ingrid has a Ph.D. in biochemistry and was a research fellow at Memorial Sloan-Kettering Cancer Center. She decided she wanted to go into business and got her MBA from M.I.T. She has been a publishing analyst in the health care and China space, where she developed strong expertise and a broad network. I have been investing in technology companies for more than 20 years since my Neuberger Berman portfolio manager days. Our investors benefit from our global expertise in different industries, and we have found that the combination is worth more than the parts.

TWST: Thank you. (LMR)

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