KALKINE MAGAZINE

DECEMBER 2020

DECODING THE NEWS, TRENDS AND STOCKS THAT RULE THE MARKET

HEALTHCARE | IRON ORE | BANKING | BITCOIN | IPO

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ABOUT KALKINE

Kalkine group is a prominent name in the subscription & media sales line of business. It is a renowned equity market research, investor relations and media house firm. Kalkine caters to the share markets of Australia, the UK, Canada, and New Zealand. The Company will soon spread its wings in the American share market and has also sets its eyes on the growing Ireland market.

Kalkine Media provides trending and live news articles about listed companies belonging to diverse sectors and market commentaries. Kalkine Media also keeps its loyal reader base well acquainted with insights on the famous 3Cs of the market- Commodities, Currency, and Cryptocurrency, along with macro and microeconomic updates, educational content, and financial definitions.

Interestingly, Kalkine Media also operates on the model of Advertiser – a Publisher firm under its B2B umbrella, providing a dedicated platform to the subscribed clients to leverage various offerings like exclusive banners, sponsored article coverages, email direct marketing campaigns (EDMs), videos and podcasts.

Periodic investor events and webinars provide a crucial platform for several listed players/ private companies to present their business vision amidst broader industrial landscape and to interact with core audience including Brokers, Fund Managers/SMSF Investor Managers, Sophisticated Investors, Senior Business Executives and Retail Investors.

A team of passionate experts who understand market nuances, come up with best possible offerings, diligently putting together comprehensive research products, making Kalkine Media a high-quality content-driven platform.

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ABOUT KALKINE

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KUNAL SAWHNEY

Founder & CEO

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Kunal Sawhney is the Founder & CEO of Kalkine Group and is a richly experienced and accomplished financial professional with a wealth of knowledge in the Australian Equities Market. His knowledge, skillset and vision provided all the perfect ingredients required to start one of the fastest growing equity market research firms across Australia. This was further supported by the aim of channelising energy and enthusiasm towards the stock market into a leading Media Research Firm.

Hina Chowdhary is Director, Equity Research at Kalkine Group with extensive experience in the area of Research and Equities Research. She has hands-on experience in developing industry breaking equity news, company specific investment themes/ ideas, and other equity research-related products.

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HEALTHCARE

After facing tremendous pressure across 2020, the healthcare industry has heaved a sigh of relief post the arrival of COVID-19 vaccine. Several nations who had been waiting with bated breath for the happy news, have now begun charting out vaccination campaign for their citizens.

After the US FDA's Emergency Use approval (EUA) of Pfizer-BioNTech's COVID-19 vaccine, America commenced the mass vaccination campaign. US health care workers became the first to participate in the vaccination program aimed to end COVID-19 pandemic.

Besides, Moderna's vaccine is also in the arms of some Americans. Moderna commenced COVID-19 vaccine rollout after the FDA approved EUA for mRNA-1273. Moderna's vaccine became the second COVID-19 vaccine to obtain the EUA. The United States plans to vaccinate high risk group people first, including elderly, people at nursing homes and medical workers.

Saudi Arabia Launches COVID-19 Vaccination Campaign

Saudi Arabia has launched its vaccination campaign after receiving two shipments of Pfizer-BioNTech's COVID-19 vaccine. Having received the shipments on 16 December 2020, Saudi Arabia became the first nation in the Middle East to obtain COVID-19 vaccine.

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Australia to kickstart COVID-19 Vaccination Program in 2021

The Australian government has secured agreements for the supply of four promising COVID-19 vaccines, given they turn out to be safe and effective. When Australia finally lays its hands on the vaccines, the initial supplies would be limited and consequently directed towards priority population groups, including healthcare, aged care, and essential workers.

Notably, the government has secured vaccines from Pfizer-BioNTech, Oxford University-AstraZeneca, Novavax and the COVAX facility.

UK Regulator Greenlights Oxford-Astrazeneca's COVID-19 Vaccine

On 30 December 2020, the UK became the first country to approve the COVID-19 vaccine of Oxford University and AstraZeneca for emergency use.

The emergency supply authorisation for COVID-19 Vaccine AstraZeneca is for the active immunisation of persons aged ≥18 years.
Moreover, the authorisation advises the administration of two doses of vaccine with an interval of between four and 12 weeks.
AstraZeneca seeks to supply millions of vaccine doses during the first quarter of 2021, as per its contract with the UK government, which has ordered a total of almost 100 million doses.
The Company is working with its international partners to continue building production capacity of up to 3 billion doses of its COVID-19 vaccine across the world in 2021 on a rolling basis, pending regulatory authorisations.
AstraZeneca is also looking for Emergency Use Listing from the WHO for an accelerated pathway to provide its vaccine in low- and middle-income nations.

Mass Vaccination in New Zealand to Commence in 2H 2021

New Zealand will commence the mass vaccination against COVID-19 in the second half of 2021. The government has said the priority will be to vaccinate people who are at the greatest risk of getting COVID-19, including border workers and essential staff.

COVID-19 vaccine is anticipated to be administered to front-line workers during the second quarter of 2021.

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On 17 December 2020, New Zealand government secured two additional vaccines from pharmaceutical companies AstraZeneca Plc and Novavax. Prime Minister Jacinda Ardern stated that ‘now every New Zealander will be able to be vaccinated.’

So far, the government has secured four COVID-19 vaccines from Pfizer/BioNTech, Janssen, University of Oxford/AstraZeneca and Novavax.

Delayed rollout for APAC Countries?

On 17 December 2020, the World Health Organization (WHO) said that countries in the Asia-Pacific region are not confident about the early-access of COVID-19 vaccine shots. Hence, the agency has advised these nations to adopt a long-term approach to the ongoing pandemic.

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New COVID-19 Strain Emerged

Just as the world celebrates the launch of new COVID-19 vaccines, alarm bells are ringing on new COVID-19 mutant which is believed to be highly contagious. The new coronavirus mutant first appeared in September 2020 and is spreading at a fast pace in the UK.

Further, the spread of this mutant has increased in mid-December. With the emergence of new coronavirus strain, non-essentials to be closed for two weeks with Tier 4 lockdown restrictions in several parts of the UK. Some experts suggest that the new strain of coronavirus is more dangerous and contagious.

After UK, the new virus strain has also been identified in some other countries including Australia, Denmark, and the Netherlands.

Outlook: Healthcare Sector

While some industries continued to bear the brunt of the ongoing COVID-19 pandemic, the healthcare sector took on a greater significance and was catapulted into the spotlight, grabbing the attention of market participants. Besides, the sector is anticipating a sustainable growth in the upcoming years.

Hospitals: Occupancy levels in the hospitals are expected to move back to pre-COVID-19 levels in the next year, as restrictions are now largely eased. Also, elective surgeries in hospitals are reverting to normal levels.

Telehealth: With the ongoing COVID-19 pandemic, telemedicine, or telehealth services have become a critical asset for the healthcare industry. The telemedicine services can offer efficient delivery of care, especially for people affected by the COVID-19 during the quarantine.

As people get increasingly accustomed to comfort and convenience in healthcare, telehealth will be consumers' first stop for care.

Diagnostics: Diagnostics market has a significant role in shaping the healthcare sector. Moving forward, diagnostics is set to witness growth as COVID-19-related tests will offer upbeat opportunities for its continuity.

The global diagnostic players are well-placed for sustainable development over the long-term period amidst increasing awareness, preventive & wellness assessments, including the higher incidence of infections/diseases.

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IRON ORE

Iron ore prices surge: Did China score an own goal with Australian coal ban?

Iron ore prices have fired up and this impeccable rally is attributed to the high demand from the Chinese steel mills and limited supply from Brazil's Vale mines.

With Brazil's largest iron ore producer Vale already announcing the revision in the production guidance, the supply disruptions may impact the entire global iron ore industry. This in turn would prove to be a major tailwind for the commodity prices. Additionally, the China-Australia trade spat has also had repercussion on few commodity prices such as coal and iron ore.

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Demand-Supply Imbalance continues to drive up Iron Ore prices

The bull run in the prices of iron ore is seen as the result of demand and supply imbalance created in the international market. The strong demand for iron ore in the Chinese market with a limited supply from one of its major feeders Brazil, is the driving force for this price upswing.

China, which imports more than 66% of worldwide seaborne iron mineral, has seen a surging interest for the iron metal as it is on path to restore and boost its economy.

Recently, Brazil's Vale notified its shareholders that the Company anticipates a decline in the year-end output, leading to a shortfall in the previous estimates. While Vale had been continuously targeting 400Mtpa, it has now reduced its target to 300-305 Mtpa for the current year and 315-335 Mtpa for the next year.

After Brazil's setback, it is Australia that is seen as the beacon of hope for the Chinese steel mill industry.

Is Coal Story likely to be repeated for Iron ore?

The China-Australia spat has spiked off trade tensions as China imposed a ban on the Australia coal imports. While the Chinese coal import ban has hit the coal miners in Australia, it has not been an advantageous move for China as well. The unseasonably low temperatures and the shortage of thermal coal has led to long power outages across the country.

In absence of the Australian coal, China now holds fewer cards on the table and will have to look for additional supply to compensate the Australian volumes. Also, the Chinese market dynamics for coal differs from that of iron ore. China secures a larger proportion of its imported coal demand from Mongolia and other partners. But when it comes to iron ore, Australia and Brazil are the largest exporters and cannot be easily replaced by alternates.

The current pandemic has once again divided the global economies into two power alliances - one led by China and the other one with prominent partners including the US, Japan, India, and Australia. As these two alliances vie for dominance, the trade conflicts may deepen. Besides, while the global economies strive to go past the pandemic obstruction, Australia may find few emerging new trade partners in India, South East Asian countries, and the European nations.

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Steel and Iron ore: The intertwined Commodities

Almost 98% of the iron ore is used for the manufacturing of steel. Steel finds significant applications in the infrastructure development, construction, automotive and equipment sectors. The stimulus push to boost infrastructure development has seen a rub-off effect on the demand for steel globally, including China.

As per the World Steel Association, the global crude steel production (for 64 countries) stood at 161.9 million tonnes in October 2020, registering a 7% increase against the corresponding period in 2019. China continued to ramp up its steel production to 92.2 Mt during October 2020, marking an increase of 12.7 against October 2019. Some of the other major steel producers including India and South Korea have begun to show signs of revival. The iron ore bull run is likely to continue until additional iron ore capacity offsets the reduced supply from the Brazilian mines. While Australia savours the opportunity, China appears to be taking a taste of its own medicine after it banned import of coal from Australian mines while Iron ore prices surged to make up for the Australia's lost revenues.

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BANKING

APRA lifts dividend cap for banks

Post the ban on dividends, banking stocks had been under focus. Recently these stocks have witnessed a scintillating run. The Australian economy expanded 3.3% in the September 2020 quarter, pulling itself out of technical recession.

In November, the vaccine news cheered up the markets, and cyclical stocks witnessed an amazing run in the early weeks of the month. This frenzy caught more fire when banks started disclosing the loan deferral data.

The number of loans in deferrals is now significantly down compared to June 2020. The second lockdown in Victoria has now subsided, and the state's economy is now catching up with the rest of the country.

In December, the Australian Bureau of Statistics released unemployment data, which showed that the unemployment rate for November was 6.8% on a seasonally adjusted basis.

The unemployment rate fell over the previous month even as the participation rate grew by a further 0.3 percentage points, returning to the historic high of 66.1 per cent last seen in January 2020. Employment gains were centred in Victoria with 74,000 people getting employed between October and November.

APRA's dividend decision reflects strengthened banking space

In December, the Australian Prudential Regulation Authority (APRA) announced that banks are no longer required to keep the dividend pay-out at half of the reported profits from 2021. The decision is expected to have widespread repercussions for the major banks.

The removal of the dividend pay-out limit also indicates that the banking industry has shored up reserves, and the regulatory capital with banks is comfortably above the required range. APRA noted that the capital levels have strengthened, the economic outlook has improved, and the majority of loans deferred earlier are back on repayments. While the authority expects

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the banks to maintain the resilience, the decision on dividend stays with the respective Boards.

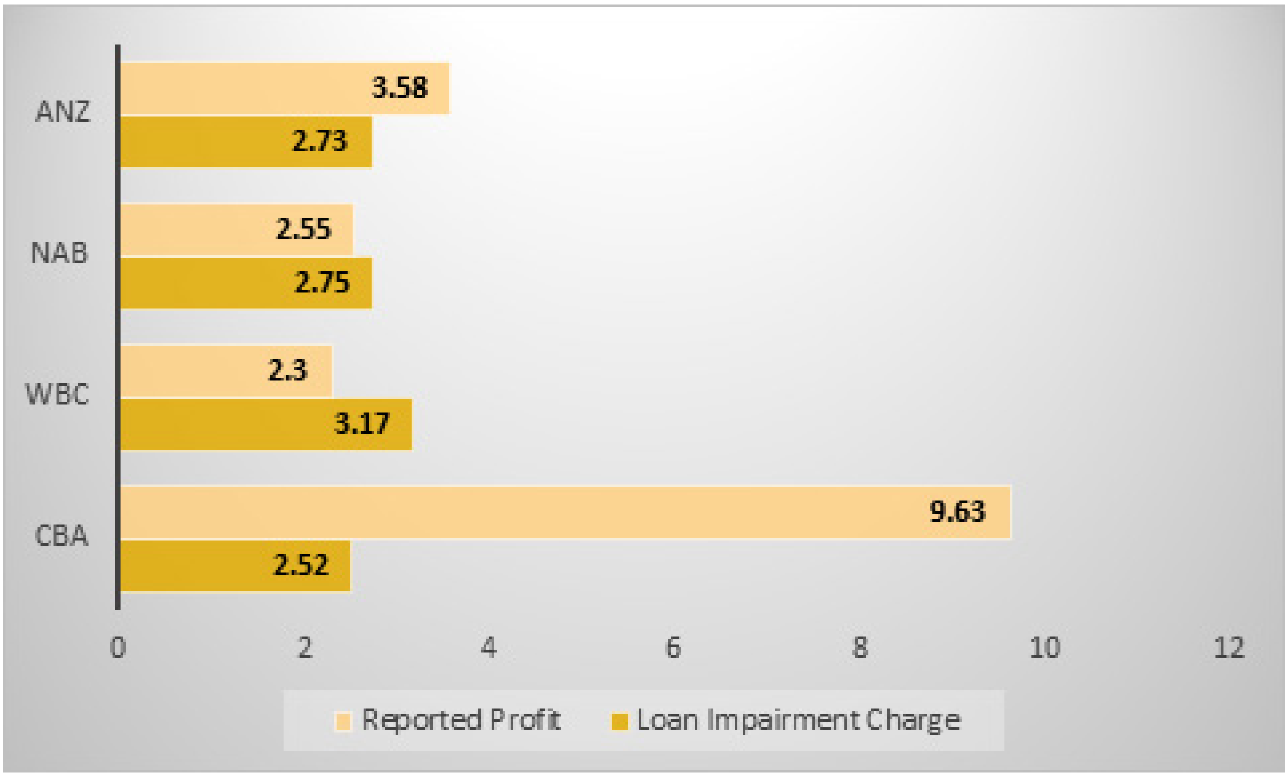
The decision on capital management of ADIs came after a series of stress tests. As for the assumptions, APRA expected a GDP fall of 15%, a 30% fall in national house prices, and over 13% rise in unemployment.

It also assumed that during such severe downturns, banks do not resort to activities like cost-cutting and capital raising. The result indicated that the all-important CET1 capital ratio of banks would fall from 11.6% to 6.6%, which is well above the minimum 4.5% requirement.

Improving Economic Outlook charting out potential revival path for banks

The Australian economy is on its way to recovery. With such a momentum, the economic assumptions that the banks take for calculating loan loss provisions could fare better than anticipated previously.

As a result, the loan loss provision could now be lower than previously incurred provisions. The loan loss provision has largely impacted the reported profits of the banks.



Source: Annual Reports 2020 (AUD billions, rounded)

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In November outlook, the Reserve Bank of Australia (RBA) estimated a GDP growth of 6% for the year ending June 2021. This represents an upgrade from 4% growth predicted earlier. Likewise, the unemployment rate was estimated at 7.5%, an upgrade from 9% in the previous estimate.

For 2021, the bank has estimated an average GDP growth of 3% compared to 2% growth in the previous forecast. The RBA would also release an updated economic outlook in February 2021.

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BITCOIN

The lightning-fast run: Bitcoin sprints to an all-time high of $34,000

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Bitcoin has been the talk of the town since the last quarter of this year. The bellwether of the crypto space has finally surpassed its much-awaited US$20,000-mark. This historic level did not seem to be enough for the crypto bulls as they pushed the price higher to US$23,700 within 24 hours of surpassing the US$20,000-mark.

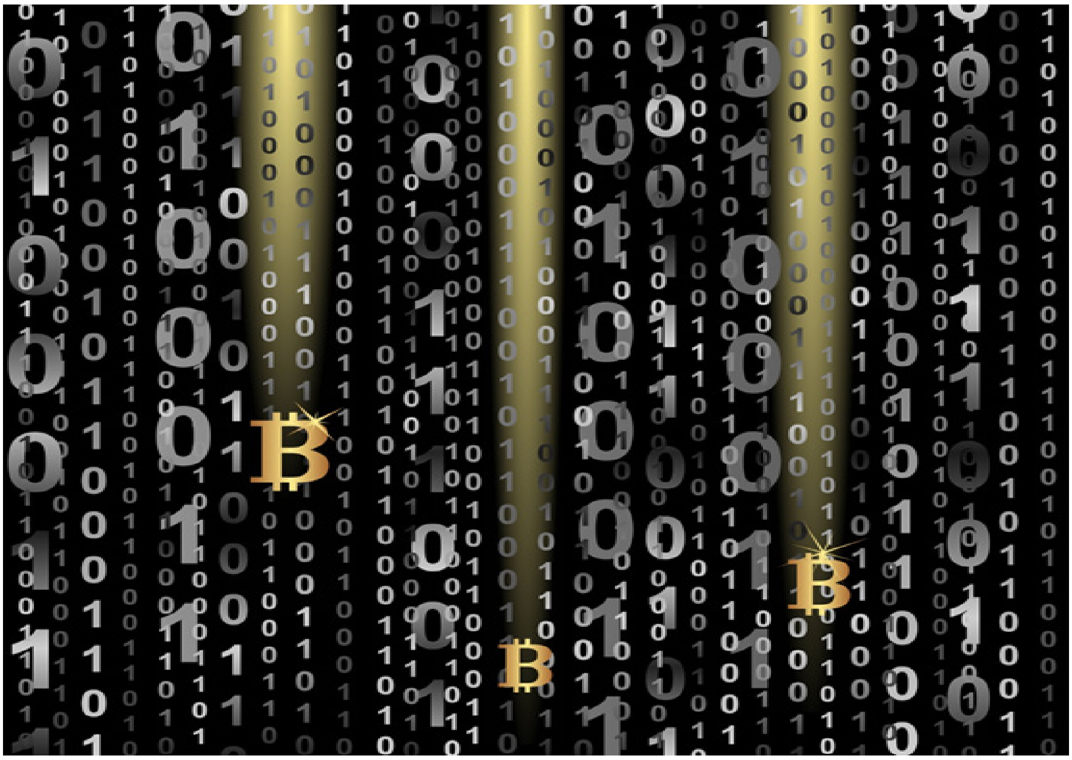
The rally, which started from US$11,000 in October 2020, had already delivered a 100% gain till 17 December 2020. This crypto-frenzy market is attracting buyers across the board, from retail investors to the astute ones. Even the institutions and big funds are not lagging in participating in the Bitcoin mania.

Spike in the Demand is taking down exchanges

The rally has been backed by excessive demand, which could also be seen in the trading volumes on the exchanges. The day Bitcoin surpassed its US$20,000-mark, the spike in the trading volumes were enough to take down some of the most popular crypto exchanges.

For instance, Binance faced some technical issues and CEO Changpeng Zhao linked it with “underestimated demand”. He also admitted these issues are related to scaling, quoting “Bitcoin goes 5% up, traffic goes up 30X”.

Another leading exchange, Coinbase, had also faced some technical outage on the same day. CEO Brian Armstrong had recently acknowledged the need for solutions to handle high traffic.



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So, from where is the exorbitant demand coming from?

One of the thumb rules of the financial markets deserves special mention here:the retail investors do not move the prices; they are moved by “deep pockets”. Notably, the retail investors are participating in this digital currency rally, but the real trend-setters are the big institutions.

The institutions are not just betting on the prices this time but on the holistic future of the digital payment landscape.

The possibility of Bitcoin to replace the mighty gold is another emerging trend, which is making some noise. A well-known Australian fund manager Pendal Group Limited (ASX: PDL) entered the Bitcoin futures market last month and is making positions just as it did with gold many years ago.

The world’s largest asset management firm BlackRock’s CIO, Rick Rieder, recently said, ’Bitcoin is here to stay‘. He believes that bitcoin has a durable mechanism to replace gold.

Another world-renowned billionaire hedge fund manager Paul Tudor Jones had also disclosed back in May 2020 that his fund was holding 1%-2% of assets in Bitcoin.

Besides, PayPal is another juggernaut which is betting big on the future of bitcoin with the acceptance of cryptocurrencies for the payment for its 26 million merchants. Later, within a few weeks, the price bolstered to US$,34,000.

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IPO

IPO space picking up the steam

2019 was a year fraught with geopolitical tensions like the US-China-EU trade tensions, concerns about economic growth, Brexit, social unrest in Hong Kong etc. In 2020, as these concerns began to fade out, the IPO market was anticipated to rise and shine.

As expected, in the first two months of the year, the IPO market hit the ground running and started to pick up the steam. However, the deadly COVID-19 pandemic turned the tables for the booming IPO space

The key global stock exchanges suffered their worst intraday falls since the global financial crisis of 2008 (GFC) in March 2020.. Besides, market volatility touched its highest levels since the GFC, catalysed by the unprecedented impact unleashed by the invisible enemy on global markets. Overall, IPOs lost their charm amid market pessimism and business downfall.

Looking at over global trends, throughout 2020, the US continued to dominate the IPO space, followed by China and Thailand. Activities were relatively subdued in EMEA, whereas APAC (Asia-Pacific) remained resilient, maintaining IPO transaction volumes.

However, the tables are turning again.

In Australia, the IPO market is witnessing one of the most intense periods in years, with a slew of latest IPOs on the ASX. Economic recovery signs, breakthrough emerging trends, and hopes surrounding the global COVID-19 vaccine development have fuelled the investors' optimism. So much so that the market experts are keenly hoping the momentum to continue into 2021 for businesses and new listings.

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IPOs That Were The Talk Of Town In 2020

- Three of America's biggest ever tech IPOs landed this year: Snowflake (NYSE:SNOW), Airbnb (NASDAQ:ABNB), and DoorDash (NYSE:DASH). Together, these companies raised about a total of USD 11 billion with their market debuts.
- IT services provider Cosol Limited (ASX:COS) listed its shares on the ASX in January at an IPO share price of 20 cents. In just 10 months, the stock soared by a whopping 235%.
- Health technology company 4D Medical Limited (ASX:4DX) made its debut on the ASX in August at an IPO share price of 73 cents. In three months, the stock represented a 212% increase.
- Neobank company Douugh Limited (ASX:DOU) was first listed in early October, at an oversubscribed IPO share price of 3 cents. Itgave investors an eyepopping 733% return in merely a month.
- Investigative analytics and data intelligence company Nuix (ASX:NXL) welcomed the festive month of December with cheer and was the biggest float of the year on the ASX. The IPO raised ~ $953 million at a price of $5.31.

Upcoming IPOs in January 2021

Gold exploration and development company, Australian Gold and Copper Ltd is due to be listed on 5 Jan 2021. The Companyaims to raise $10 million.

Another company from the mining industry, Auric Mining Limited will debut on 10 January 2021.

From the flourishing technology sector, Acusensus Limited, which is involved in developing and commercialising intelligent traffic solutions technology, will hit the exchange on 15 January. The Company intends to raise $10 million.

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Insights From Some Of Kalkine's B2B Clients

Clinical-stage oncology player Prescient Therapeutics Limited (ASX:PTX) is engaged in the development of novel and personalised therapies for several challenging cancers. The Company is actively progressing with its two differentiated targeted therapies and next generation CAR-T therapies (OmniCAR).

Besides, PTX is also working with leading CAR-T pioneers for the development of other improved CAR-T methods.

The Company is focused on deepening its CAR-T expertise headed by Allen Ebens (former Juno Executive).

Lately, Prescient onboarded CAR-T pioneer Professor H. Miles Prince AM to its Scientific Advisory Board (SAB).

In August 2020, globally renowned cancer and CAR-T expert Professor Phillip Darcy had joined the Scientific Advisory Board of Prescient.

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Targeted therapies (PTX-100 and PTX-200)

Phase 1b basket study for PTX-100 is currently underway with the anticipated completion of patients' recruitment by the end of 2020 or Q1 2021.
PTX-200, a novel PH domain inhibitor, is under Phase 1b clinical study for Acute Myeloid Leukemia (AML).

PTX-200 has received Orphan Drug Designation by the US FDA.
The Company is evaluating new orphan indication trial for PTX-200, an extremely promising biomarker-driven study for strong unmet medical need.

OmniCAR: Universal CAR-T

Prescient Therapeutics is grabbing the attention of market participants on the back of its cell therapy program 'OmniCAR'. Currently, PTX is undertaking a strategic review of opportunities for its in-house programs, including some lead programs along with follow-on programs exploiting different capabilities of OmniCAR.

Prescient has obtained two licences from University of Pennsylvania (which is the global leader in CAR-T cell therapy), and Oxford University for next-generation cell therapy platform (OmniCAR).

Chimeric Antigen Receptor T-cell therapy (CAR-T therapy) is a revolutionary and innovative method to treat cancer that utilises patient's own immune system to target and attack cancer. In this approach, patients' own T-cells are separated and genetically modified to identify and attack cancer and then re-introduced into the body.

OmniCAR is pre-clinical universal, modularised CAR-T platform and potentially best-in class universal immune receptor (UIR) platform. OmniCAR platform is designed to overcome several important challenges facing current-generation CAR-T including controlling CAR-T cell activity once they are administered to the patient.

OmniCAR is being designed to give clinicians remarkable control and flexibility on conventional CAR-T methods.

OmniCAR will expedite in-house and external development of next-generation engineered cell therapies and build business development opportunities for Prescient in the cell therapy field.

With OmniCAR, Prescient bags multiple opportunities for licensing, collaboration, and revenue potential through 3rd party agreements.

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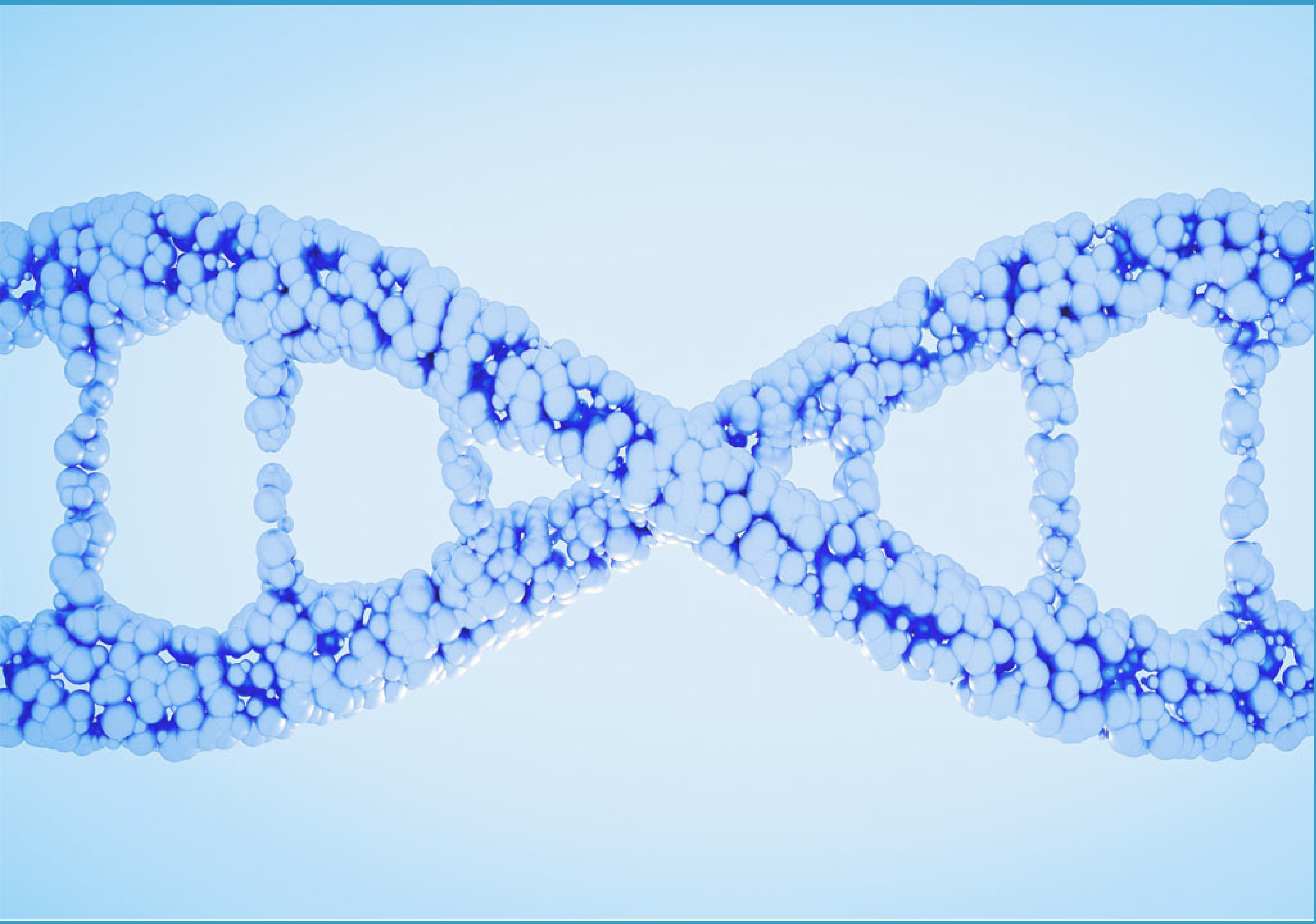
Outlook: the way forward

Prescient Therapeutics is working with the aim to significantly improve existing CAR-T methods that clinicians are currently using for cancer treatment.

- Prescient Therapeutics remains focussed on continuing to provide critical development milestones for OmniCAR.
- The Company anticipates the OmniCAR programs to commence during the first quarter of 2021.
- PTX-100 basket study's top-line results are expected during the second quarter of 2021.



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“Sand is the main material that modern cities are made of.”

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American-Canadian journalist Vince Beiser could not have been more right when he jotted the above-mentioned line in his book ‘The World in a Grain’.
History suggests that silica sand has continued to back human progress as a crucial raw material in the global industrial development, especially in the metal casting, glass, and ceramics industries. While the demand for silica sand remains robust, the global supply has become constrained due to depletion and the environmental restrictions on dredging.
Given the significance of silica sand worldwide, Australia-based silica sand explorer VRX Silica Limited (ASX:VRX) is eyeing to become an international supplier of high-grade silica sand. The Company foresees positive price dynamics for silica sand amid rising demand and supply constraints over the upcoming years.

VRX Silica On the Right Path to Production

VRX Silica intends to meet the global silica sand shortage via its high-grade silica sand projects in WA - Arrowsmith North, Arrowsmith Central, and Muchea projects. Cutting the mustard with its top-notch exploration endeavours, the Company has so far made commendable progress towards the development of these projects.
Interestingly, the Company’s projects are now just a few steps away from commencing production, with Mining Leases and Miscellaneous Licences granted for each project. Besides, the environmental permitting processes are well advanced for these projects with no anticipated material issues.
Meanwhile, Bankable Feasibility Studies have validated exceptional economics of VRX Silica’s projects, with combined post tax NPV10 of $728m, capex of just $87m, annual EBIT of $137m and IRR of 83%.
Notably,the projects contain multi-decade scale contiguous sand deposits, with combined 1,056Mt Resource, SiO_2 grade 99.6% to 99.9% and low iron impurities.
VRX Silica’s projects also have significantly lower operating costs than that of domestic and international peers due to competitive logistics solutions. The capex cost of ~$30m for each 2Mtpa project with simple “off-the-shelf” processing plants, and convenient access to existing under-utilised rail to port transport infrastructure, support the high-capacity logistics.
Recently, the Company has also raised ~$7 million capital for the development of its silica sand projects.

The Way Ahead

At present, VRX Silica’s aim is to secure environmental approvals for the development of its advanced silica sand projects. Besides, the Company looks forward to expediting approval for its mine plan and the issue of a mining permit from the Department of

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Mines, Industry Regulation and Safety. With environmental permitting close to completion, the Company observes strong interest from its potential customers in South East Asia, including Japan, South Korea and Taiwan. The silica sand explorer will now seek to finalise sales contracts for its high-quality silica sand products.

Moreover, VRX Silica anticipates construction for the Arrowsmith North Project to start in early mid 2021 once offtake, permitting and financing are secured. Also, the Company foresees construction for the Muchea Project to begin in mid-late 2021.

Notably, the outstanding economic prospects of VRX Silica's projects are expected to support a substantial export industry in WA, providing significant financial and employment benefits to the state.

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MULTI-BAGGERS

10 Multi-baggers that beat the market in 2020

2020 has been no less than a roller-coaster ride for market participants. In March, the markets were swept by a strong sell-off wave. Notably, global share markets have recovered since then. The ASX 200 has generated a return of 44.8% since March crash. Investor sentiments have been driven by economic revival, the US election results, global vaccine developments and emerging breakthrough trends. .Select few companies with strong operational and financial footing have recovered handsomely and in turn rewarded their shareholders who followed the famous adage, buy when there is blood in the street.

Besides, policy initiatives played an important role in lifting the ASX 200 post March dip.The damage caused by March lockdown forced policymakers and legislators to spend heavily, which required heavy borrowings as well. The governments across the globe spent on paying wage bills, declaring cheques for citizens, and much more to support the economy via budget support, subsidies and income support.

Central Banks across the world have also been instrumental in keeping the markets liquid and asset prices buoyant. With large scale asset purchases and record low interest rates, there is little doubt why markets have recovered so sharply.

Here is a list of ten large-cap and mid-cap multi-baggers on the ASX that have delivered their shareholders huge returns, ever since the market bottomed out on 23 March 2020.

Notably, the pandemic has accelerated investment themes which were expected to play out in this decade. For instance, many on our list are technology companies, and few from healthcare as well.

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COMPANY	MARKET CAP	RETURN
Afterpay Ltd	AUD 33.65 B	1225.84%
Ponitsbet Holdings Ltd	AUD 2.18 B	972.56%
Pilbara Minerals Ltd	AUD 2.52 B	567.06%
Kogan.com Ltd	AUD 2.01 B	366.30%
Eagers Automotive Ltd	AUD 3.41 B	351.92%
Zip Co Ltd	AUD 2.87 B	331.84%
Fortescue Metals Group	AUD 72.14 B	159.42%
Wisetech Global Ltd	AUD 9.96 B	156.40%
Xero Ltd	AUD 21.54 B	149.91%
Seek Ltd	AUD 10.07 B	141.12%

Prices from 23 Mar 2020 till 31 Dec 2020

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SIX INTERESTING SECTORS TO LOOK OUT FOR IN 2021

1. Technology

Technology has been the backbone for many businesses during the pandemic, keeping them up and running. From online cloud services to increased e-commerce penetration, technology has powered the firms to transition to the digital environment. The entire world has seen the benefits of these technologies as they enabled the businesses to carry out their operations despite the disruption caused by the coronavirus-induced lockdowns.

Stepping into 2021, even if the situation gets back to normal, it would be difficult to give up the ease and comfort of e-commerce, med-tech, prop-tech that have eased lives of citizens and businesses alike.

2. BNPL space

The financial sector saw massive developments in 2020. But the need for affordable payment solutions amid cash crunch due to job losses and closed businesses has led to an unprecedented surge in traffic in the BNPL space.

This year has proven to be an inflection point for the BNPL players with giants like Afterpay clocking record revenues during the year's closing. The consumers are getting the hang of low-interest borrowings with the convenience of immediate access. The year 2021 may keep the ball rolling for this space as these new age tech businesses aggressively expand in Australia and other regions such as the US and Europe.

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3. Tele-health

The entire 2020 revolved around the healthcare industry. From vaccine developments to medical infrastructure to technological upgradations, the industry went through significant fundamental changes which otherwise would have taken years.

For instance, limited access to the hospitals has opened the doors for online consultations and remote diagnosis which can cater to the multifold number of patients without much of an investment in the physical infrastructure. These adaptions are still at a nascent stage. The possibility of their scaling up would be closely watched by investors in the coming year.

4. Online retail

Due to the physical restrictions of movement and social distancing norms, the traditional business of physical stores went for a toss. Many companies were forced to transition to the online space for their survival. Those who succeeded saw a surge in customer traffic. The only way to capture the traffic was to increase the online presence, which eventually proved to be a worthy investment for the business owners.

Online retail businesses have transitioned to data-driven technologies like machine learning and artificial intelligence to provide a personalised shopping experience. All these factors are bound to lead the online retail space in the coming years.

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5. Hospitality sector

The hospitality sector has been one of the hardest-hit sectors of 2020. With international travel restrictions and closure of restaurants, malls, hotels etc., it became quiet challenging for the industry to survive. However, the troubles may ease given the vaccines appear to be turning into reality. Notably, the countries like the US and UK have already resorted to their emergency use.

By this year, sufficient dosages are expected to be in the markets, providing a ray of hope to see these restrictions fade away. This in turn would help the sector get back on its feet. It will further get an initial boost from the year-long pent-up demand, which is also on the cards.

6. Metals & Mining

Despite being one of the hardest hit sectors at the beginning of the COVID-19 outbreak, the metals & mining sector has pulled off a relatively decent performance in 2020.

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Few interesting themes from the metals and mining space for 2021.

Rare Earth –

Rare earth metals have gained global attention over their limited supply and considerable control by China, prompting many countries such as the United States to develop the domestic supply. Furthermore, U.S. President-Elect Joe Biden has shown a steadfast approach towards making the power sector emission-free by 2035 and the whole nation a carbon neutral economy by 2050. This bodes well for rare earth metals such as dysprosium, neodymium, and many others, which make an integral part of the renewable energy hardware.

Copper –

Another commodity that could ride on the global drive to cut down the emissions in order to honour the Paris Accord is copper, thanks to its vast application in battery hardware. Copper is a major raw material used by the Electric Vehicle industry, which is estimated to capture a large share of the global auto industry going forward.

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10 PEARLS OF WISDOM FOR KINDLING THE INTELLIGENT INVESTOR IN YOU

This year has been phenomenal in terms of volatility in markets. After experiencing one of the steepest bear market ever recorded in history in March, there was a lot of learning. People who waited for a pullback in markets after March are perhaps still waiting; this boils down to the adage – you should not time markets.

2019 was a year of astounding returns for investors. But 2020 has been wealth destroyer for many yet portfolios have recovered sharply, and multi-baggers have emerged in pockets of the market after the March mayhem.

Let’s emphasise on some tips of the impending year.

Financial goals and savings

Before jumping into investing, it is favourable to establish financial goals that can be long-term and short. If you are investing and do not have specific financial goals, then you must formulate some goals. Savings primarily enable investments. It becomes imperative to save and invest periodically to achieve financial goals.

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Cash remains the king

A firm is valued based on its estimated future cash flows. Cash is an essential source of capital allocation for firms and shareholder returns. Capital allocation and deployment dictates the actual cash flows of the firm. Similarly, dividend distributions are crucial to driving shareholder returns in the long term.

Investment or speculation

An investor should understand that investments last for years while speculation can be as short as intraday trading. It is important to understand risk and return trade-off between investment and speculation. A better understanding of risk and return will enable efficient capital allocation across both strategies.

Quality businesses

Economic cycles, business cycles, interest rates impact the various stages of companies. There is a lot of noise in markets when economic variables fluctuate. It is favourable to own quality businesses which can navigate these cycles while delivering sustainable shareholder returns.

Emotional control

An investor's decisions also reflect the state of emotions in a person's life. Behavioural bias like overconfidence, herd mentality, loss aversion can force investors to make irrational decisions. Emotions are a part of life, and investors must learn to use emotions constructively to generate sustainable returns.

Diversify

Investment returns are not derived by picking winning investment but by efficient risk management as well. Diversification should be on the checklist of every small investor. But one should also note that excessive diversification can also diminish returns.

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Check your expectations

If one believes markets can make someone rich extremely fast, it is a misconception. An investor's expectations should be reasonable based on the circumstances and opportunities in the market. The expectations bar of the investors influences the expected return and risk for the portfolio. For instance, a high expectation bar for returns will expose investors to high-risk investments.

Margin of Safety

The margin of safety has been a value investing principle for a long time. The results of applying a margin of safety to investment are well known and widely publicised; Legendary Investor Warren Buffet is a prominent practitioner of the concept. The margin of safety is the practice of buying investments at a discount to the actual value. More importantly, the estimates of the value of investment vary from investor to investors.

Look for ownership, not stocks

Stocks as investments are not just symbols trading on the exchange bourses. They represent a portion of an entity's ownership. As owners, you must be vigilant on the developments taking place in the company. Investors should assess and find implications of firms' leadership decisions that can influence returns and perceived value.

Be ready to learn and unlearn

Acceptance is perhaps the most important trait investors should embed in practices. It allows us to view things with different perceptions, and sometimes acceptance of new idea may lead to learning. Markets can be ruthlessly destructive and constructive, and it is essential to learn through the investing career and get better each day.

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BASIC FORENSIC CHECKS THAT CAN KEEP YOU SAFE FROM POTENTIAL LOSSES IN STOCKS

Forensic checks into accounting practices of companies can help investors evade potential losses in investments. In 2020, investment in Freedom Food Group Limited (ASX:FNP) did not fare well for investors.

We are now at the fag end of 2020 and investors in FNP have not been able to trade their shares for many months now. Accounting practices of firms can sometimes decide the magnitude of returns in an investment.

In light of this, we attempt to provide some practices, which can help you avoid potential losses in an investment. These practices can be a part of due diligence process in your investment.

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Revenue and profit

A single red flag in an investment can be the acceleration in revenue not matching the acceleration in profits. If a company is not providing a meaningful reason behind the lag in profits, one should spare some time and look deeper into the expenses of the firm.

Similarly, when rising profits are not correlating with rising revenues, it's time for a further look into the expenditure of the company. However, investors should understand that businesses with operating leverage might show higher profit uptick than revenue.

Cash flows

At the end of the day, cash remains the king for investments. Cash flows of a firms have influence on the going concern of the entity. It is favourable for investors till the time the firm is generating enough cash to honour its obligations.

A useful ratio to check conversion of cash flows is Cash flows from Operations (CFO) to EBITDA. A CFO/EBITDA ratio which is significantly less than one indicates aggressive revenue recognition practices of the firm.

Importantly, the CFO/EBITDA check should be checked for a number of years to arrive at an average figure. Investors can compare the figure with peers of the company.

Non-cash expenses

Depreciation and amortisation are two major non-cash expenses of the firms. These expenses are likely to remain on the income statement during the course of the business. Investors should keep an eye on the variability of these expenses.

A high variability in depreciation rates can influence the EBITDA figure of the firm. There are many targets of companies which are based on EBITDA. Similarly, intangible assets are amortised by firms and variability in rates should be questioned by investors.

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Goodwill

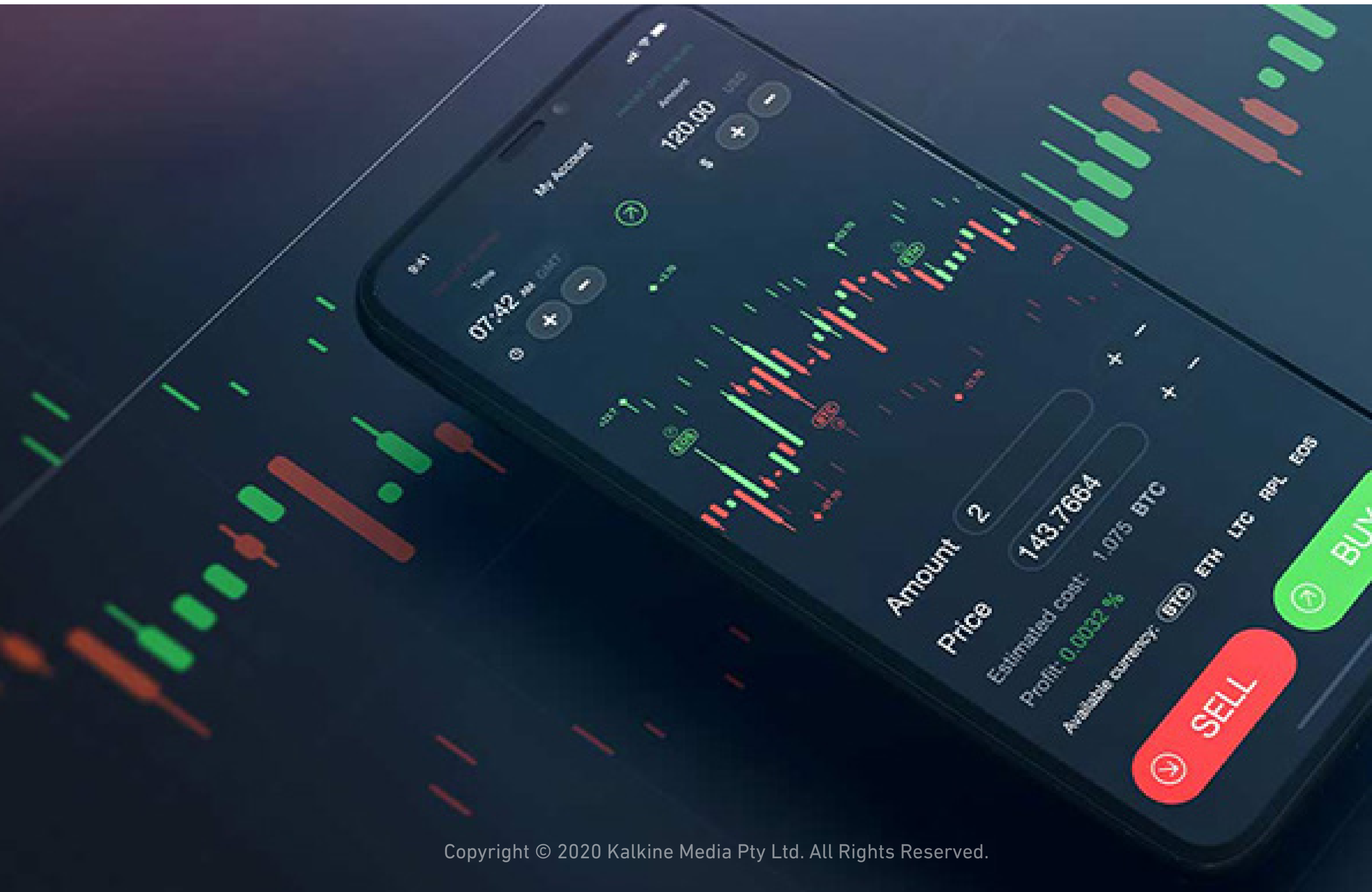
Firms acquire goodwill usually at the time of acquisition. It becomes imperative for investors to scrutinise the acquisitions by firms. An expensive acquisition at a significant premium to book value causes large amounts of goodwill on the acquirer's books.

The goodwill figure usually includes the amount of profits and gains a firm can extract after the acquisition. When expected gains from the acquisitions are not realised, firms are forced to incur impairments and write down goodwill.

Alternatively, it means that the expectations from the acquisition have not been materialised. Maybe the management overpaid for the acquisition or they lacked execution skills to extract the value from the transaction.

Auditors

An accounting fraud by a company can only be successful when auditors are also indulged in the wrong practices. For investors, the remuneration paid to auditors is a useful indicator to question the practices. Investors should question the frequent change of auditors. Similarly, the variability in the remuneration paid to the auditors should be questioned as well.



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