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# Current Market Conditions

1. Inflation unboxed
2. Reopening of economies – The great pent-up demand
  - Oil
  - Leisure
  - Consumer goods
3. Crypto & why it is the new internet bubble
4. Where to find value

# 1. Inflation unboxed

- Urban US CPI hit +0.8% in April 2021 – largest monthly core CPI gain since 1982
- Temporarily higher inflation?
- Secular inflation?
- Hyperinflation?

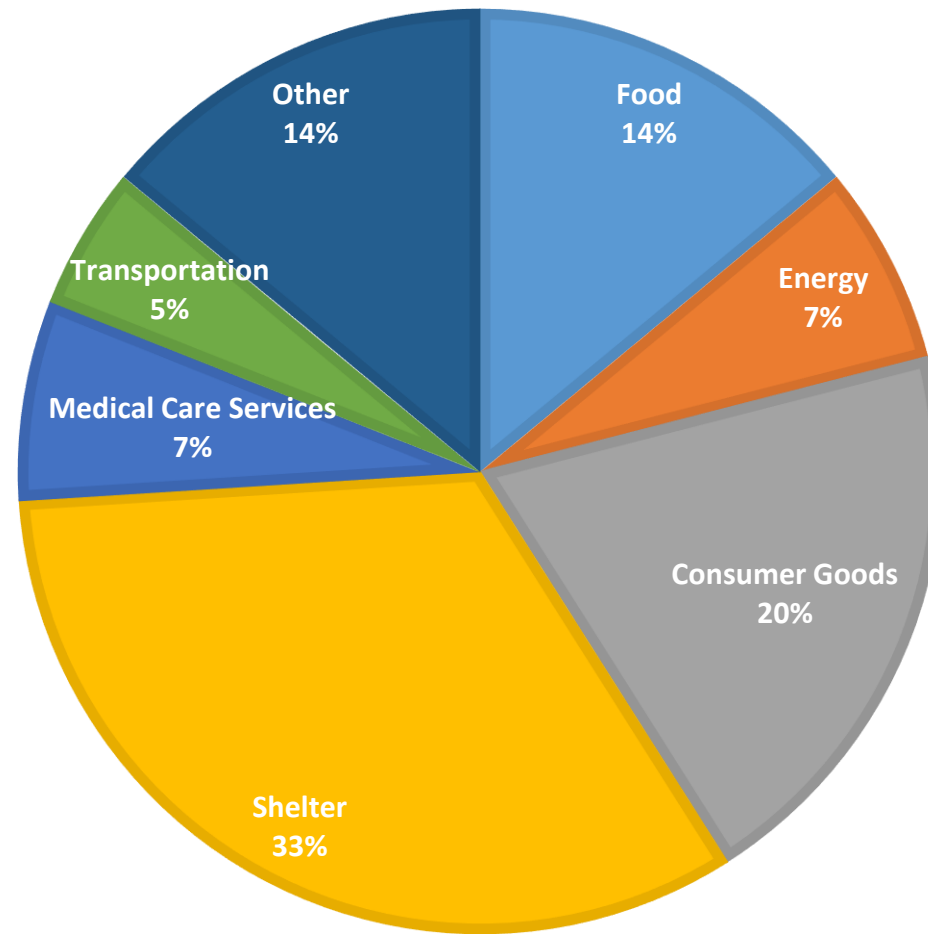
# April US CPI print +0.8%

- Biggest drivers:
  - +10% used cars (2.7% weight)
  - +10.2% airline fares (0.6% weight)
  - +2.5% motor vehicle insurance (1.6% weight)
  - +2.4% utility (piped) gas service (0.7% weight)
  - +1.2% electricity (2.4% weight)
- Biggest laggards:
  - -3.2% fuel oil (0.1% weight)
  - -1.4% gasoline (3.5% weight)

Source: <https://www.bls.gov/news.release/cpi.nr0.htm>

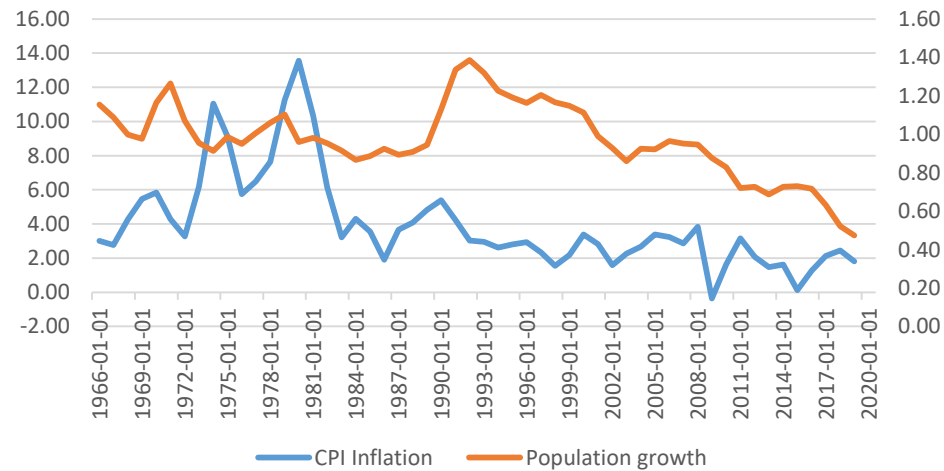
## ALL CATEGORIES: % OF US CPI WEIGHT

■ Food ■ Energy ■ Consumer Goods ■ Shelter ■ Medical Care Services ■ Transportation ■ Other

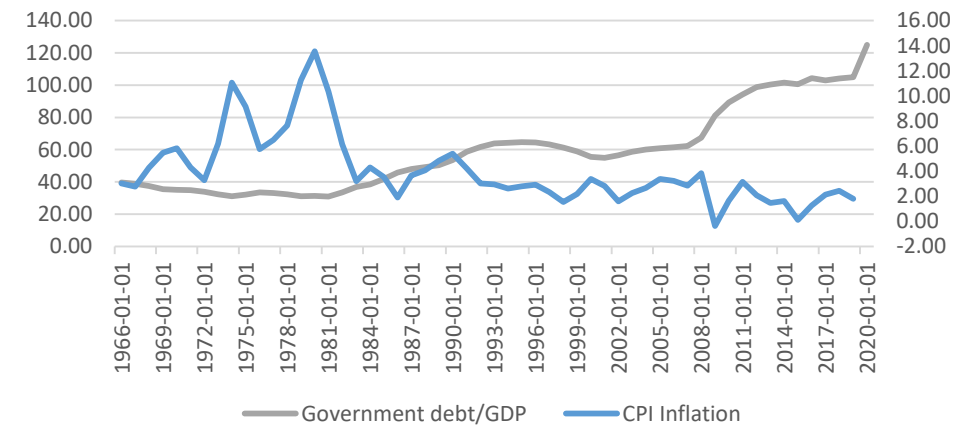


# The secular inflation myth

Population growth decline vs. Inflation decline



Government debt to GDP increase vs. Inflation decline



# The hyperinflation myth

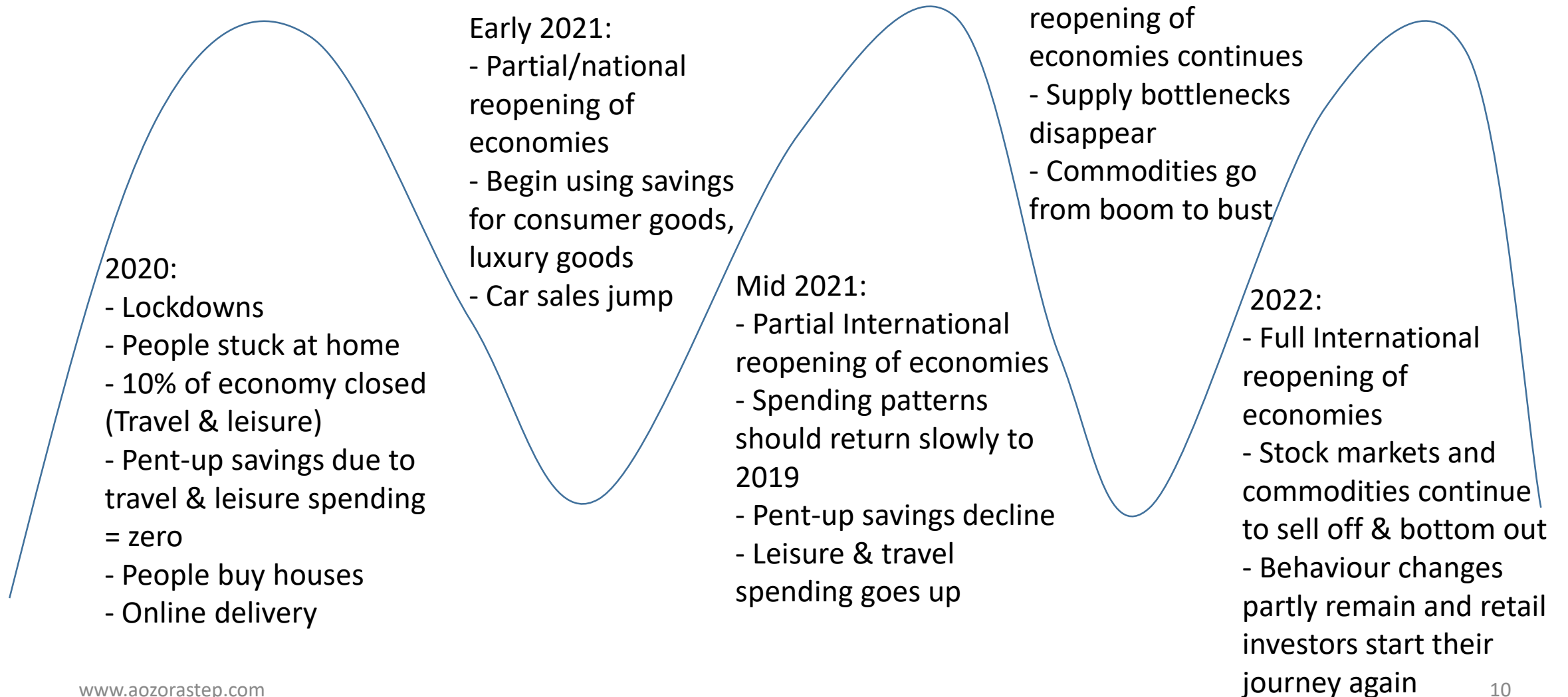
- Countries that experienced hyperinflation in the past:
  - Germany in 1921-1923
  - Hungary in 1946
  - Zimbabwe since early 2000s-ongoing
  - Venezuela 2016-ongoing
- All countries had same problem: Foreign currency denominated debt that was too high to ever being repaid



## 2. Reopening of economies – The great pent-up demand

- Oil prices climbed to 2018 highs
- Luxury consumer goods LVMH and Kering reported +20-30% revenue growth in 1Q 21
- Same for luxury car sales – enjoying a boom
- ...While leisure is still limited in reopening

# A cyclical wave...



### 3. Crypto & why it is the new internet bubble

- Global crypto market cap is at \$2.22 trillion (10% of 2019 US GDP)
- Imagine Initial Coin Offerings (ICOs) as IPOs of new crypto technology
- Technology behind could be a huge disruptor, while the coins will likely end up being worthless

# The crypto technology

- Sectors:
  - Currencies (Bitcoin, Dogecoin)
  - Smart Contract Platforms (Ethereum, Cardano, Polkadot)
  - Centralised Exchanges (Binance coin)
  - Stablecoins (Tether)
  - DeFi (Uniswap, Aave, Terra, PancakeSwap)
  - Decentralised Exchanges (Uniswap, PancakeSwap)
  - Web 3 (Chainlink, Filecoin)
  - Privacy (Monero, Zcash)

Source: [www.messari.io](https://www.messari.io)

# The value in crypto

- Currencies: Eliminate counterparty risk
  - Immediate settlement of transactions within minutes
- Smart contracts: Eliminate human interaction
  - Self-executing contracts, trackable, irreversible, anonymous

# The revolution in crypto

## ■ Web 1.0 (1989-2005)

Web 1.0, also called the Static Web, was the first and most reliable internet in the 1990s despite only offering access to limited information with little to no user interaction. Back in the day, creating user pages or even commenting on articles weren't a thing.

Web 1.0 didn't have algorithms to sift internet pages, which made it extremely hard for users to find relevant information. Simply put, it was like a one-way highway with a narrow footpath where content creation was done by a select few and information came mostly from directories.

## ■ Web 2.0 (2005-present)

The Social Web, or Web 2.0, made the internet a lot more interactive thanks to advancements in web technologies like Javascript, HTML5, CSS3, etc., which enabled startups to build [interactive](#) web platforms such as YouTube, Facebook, Wikipedia and many more.

This paved the way for both social networks and user-generated content production to flourish since data can now be distributed and shared between various platforms and applications.

The set of tools in this internet era was pioneered by a number of web innovators like the aforementioned Jeffrey Zeldman.

## ■ Web 3.0 (yet to come)

Web 3.0 is the next stage of the web evolution that would make the internet more intelligent or process information with near-human-like intelligence through the power of AI systems that could run smart programs to assist users.

Tim Berners-Lee had said that the Semantic Web is meant to "automatically" interface with systems, people and home devices. As such, content creation and decision-making processes will involve both humans and machines. This would enable the intelligent creation and distribution of highly-tailored content straight to every internet consumer.

## 4. Where to find value

1. Plus 500
2. Studio Retail Group

# Plus 500 – Massive profits, cheap valuation

- Market cap: £1.5bn
- Net profit: \$500mio in 2020
- Net cash (no debt): \$650mio in 1Q 21
- Dividend yield of 7%, share buy-backs
- Biggest positives: Volatile trading
- Biggest risk: Regulatory leverage and advertising restrictions on CFDs, Australia profits will be lower (72% of all Plus 500 customers lose money)
- Lower leverage might mean customers lose less money and hence customer retention is higher



# Studio Retail Group – Overlooked by the market

- Market cap: £250mio
- Profit before tax: £50mio expected
- Net core cash (no core debt): £0 in 1Q 21
- Product sales are up 88%, margins up 6.5% and customers up 36% - yet market cap is only up 20%
- Biggest ups: Extension of lockdowns leaving customers to buy online
- Biggest risk: Full Reopening of economies and customers stop ordering online