

Innovation is not enough



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Agenda

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Looking back, looking forward

2015

- Investors are going bigger and more global
 - Mid Caps outperform
 - Micro Caps <£100m suffer 3rd poor year in a row
 - Fewer institutional investors / more specialists
- But ...
 - In our view sub £150m market caps now at a substantial discount

2016

- Low inflation, low growth backdrop
- Commodities may have derailed some risk takers
- China slows but doesn't implode
- M&A is here to stay

London 2016: a great place and time for Technology

What's happening in 2016

Medicine

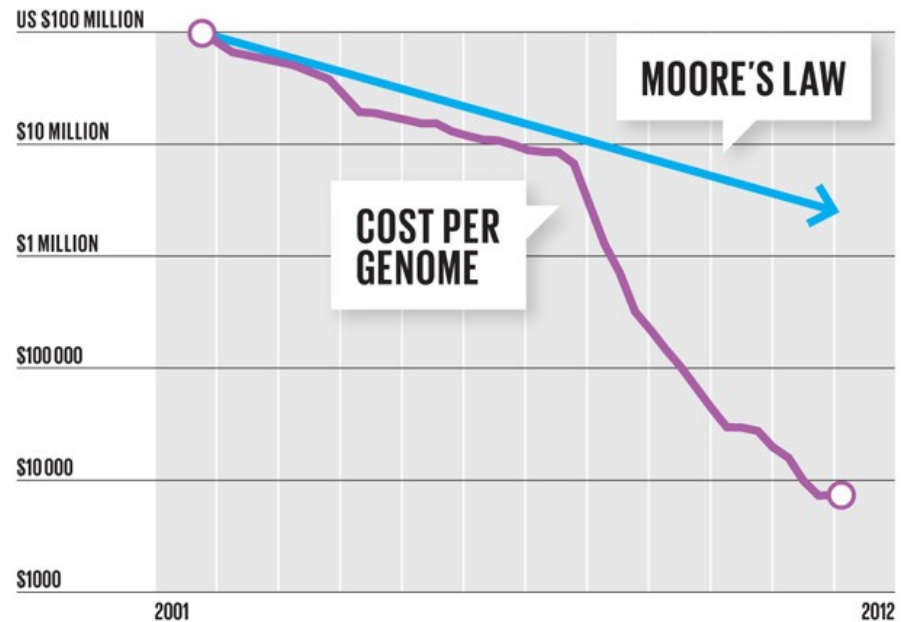
- Cheaper gene sequencing
 - Companion diagnostics
- Personalized medicine
- Prevention v cure
- Immunotherapy

IoT

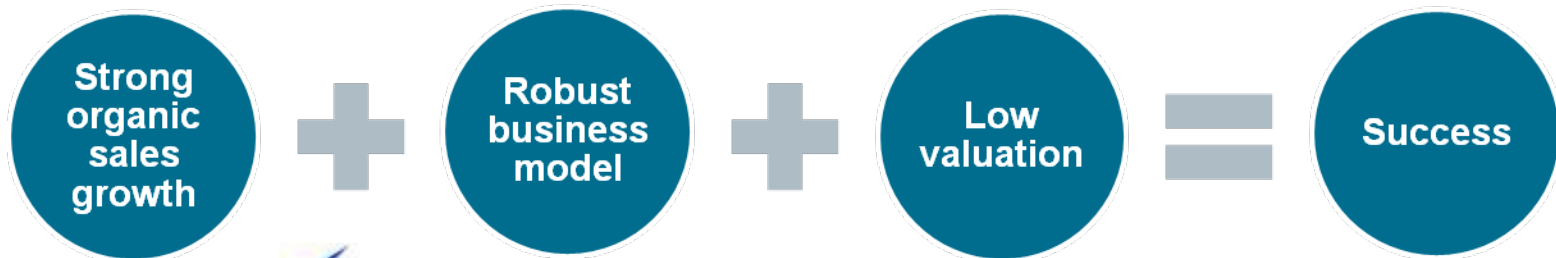
- Smart meters
- Street lights
- Home care (medicine)

Mobile

- Cheap phones
 - TV for billions = PC + bank accounts + TV for world poor
 - Moore's Law continues
 - AI: Computer beats human at GO

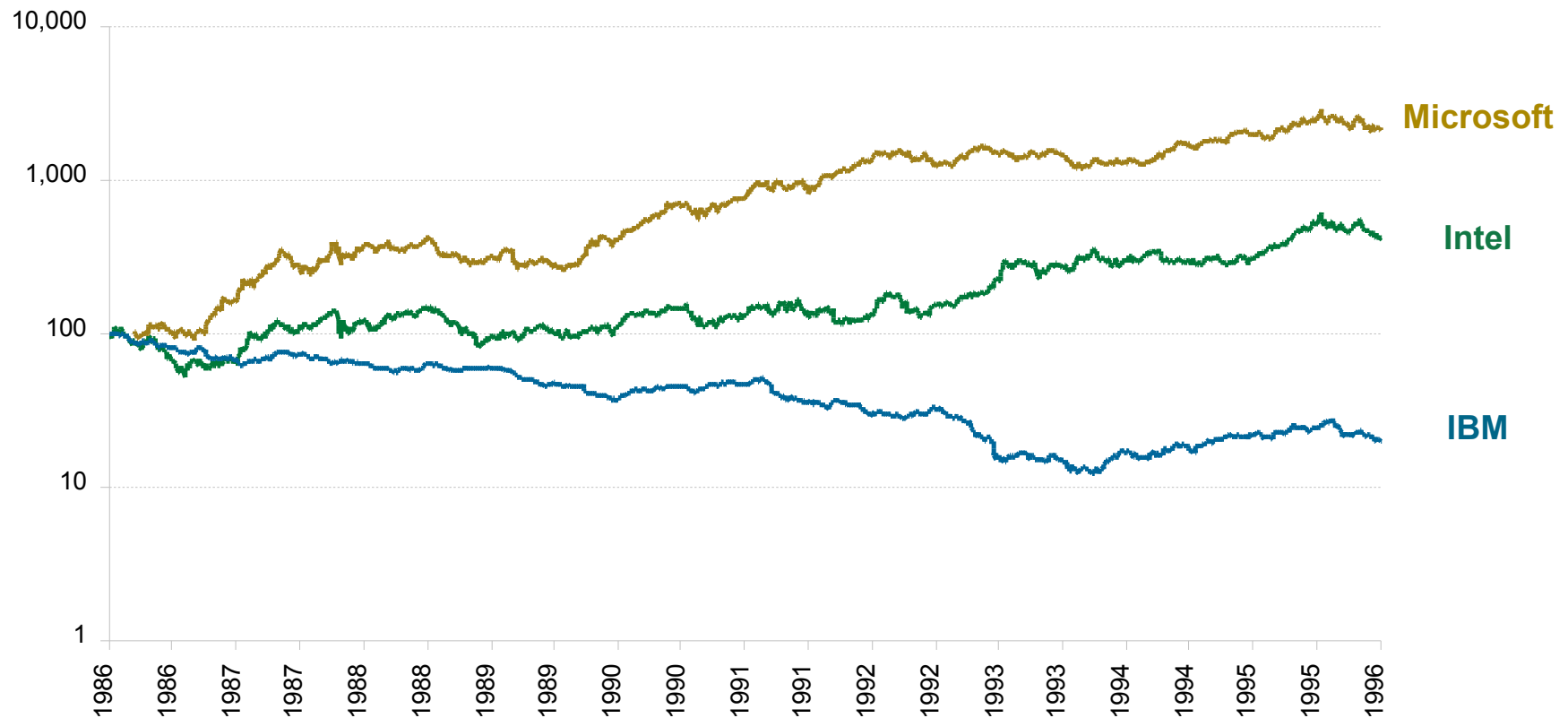


.....but innovation is not enough to make money





Sales growth is not enough



Rule: the cleverest technology isn't necessarily the best investment

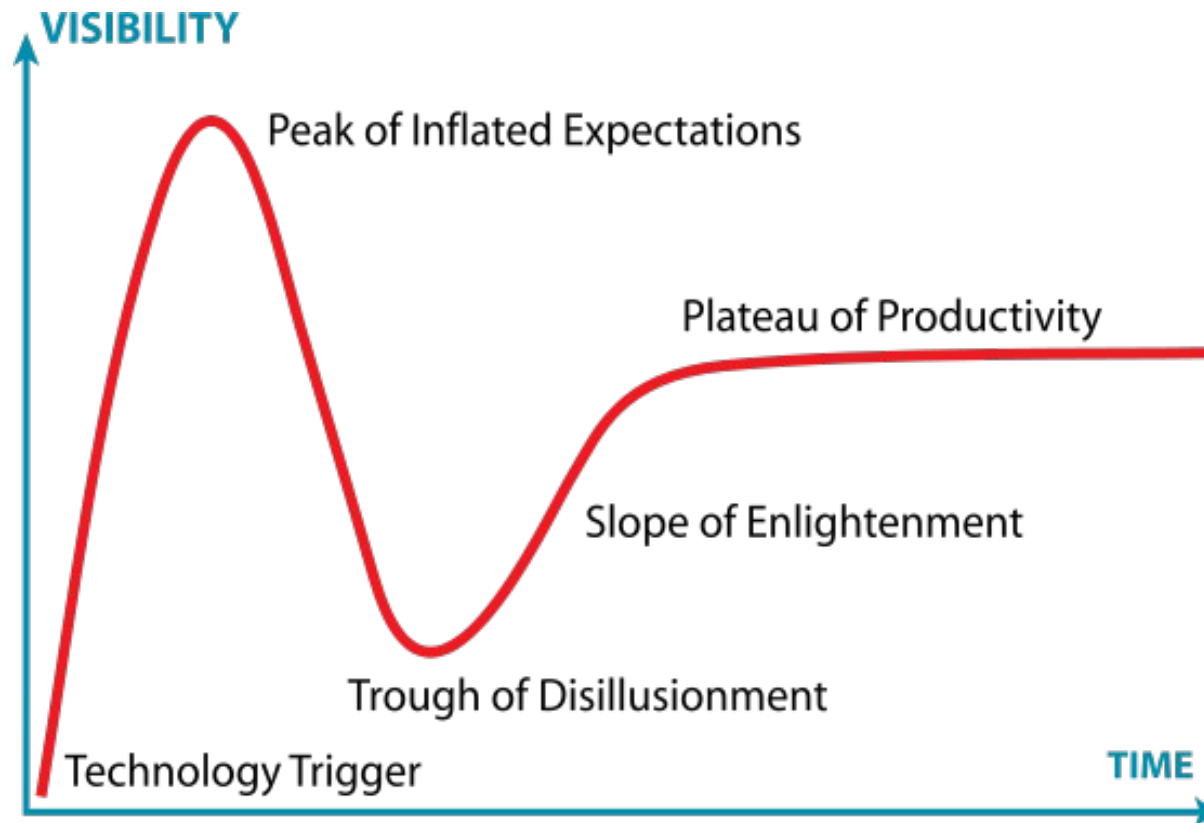


“We tend to overestimate the effect of a technology in the short run and underestimate the effect in the long run”

Amara's Law

The “Hype Cycle”: when is pivotal innovation profitable?

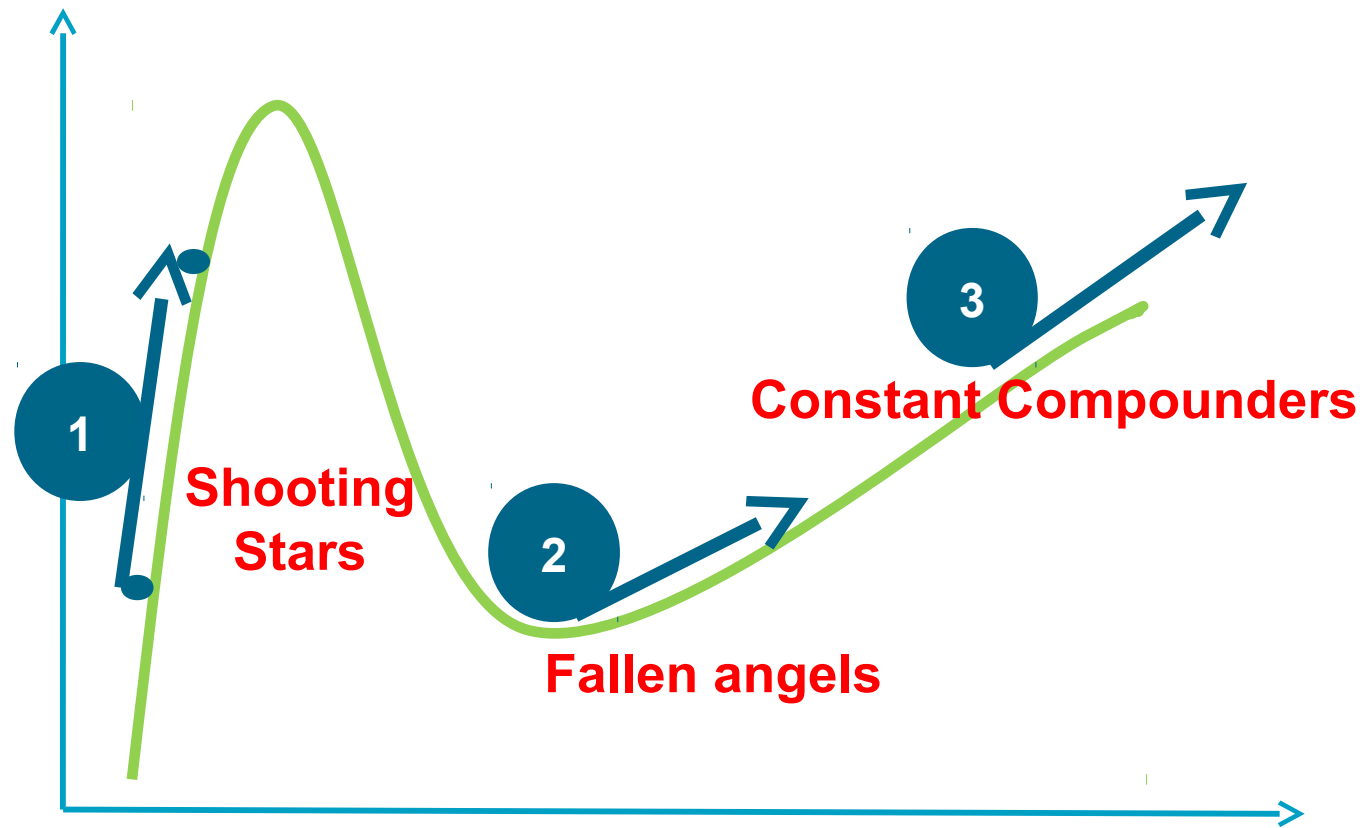
Innovation + Execution + Valuation



Rule: early stage businesses often disappoint

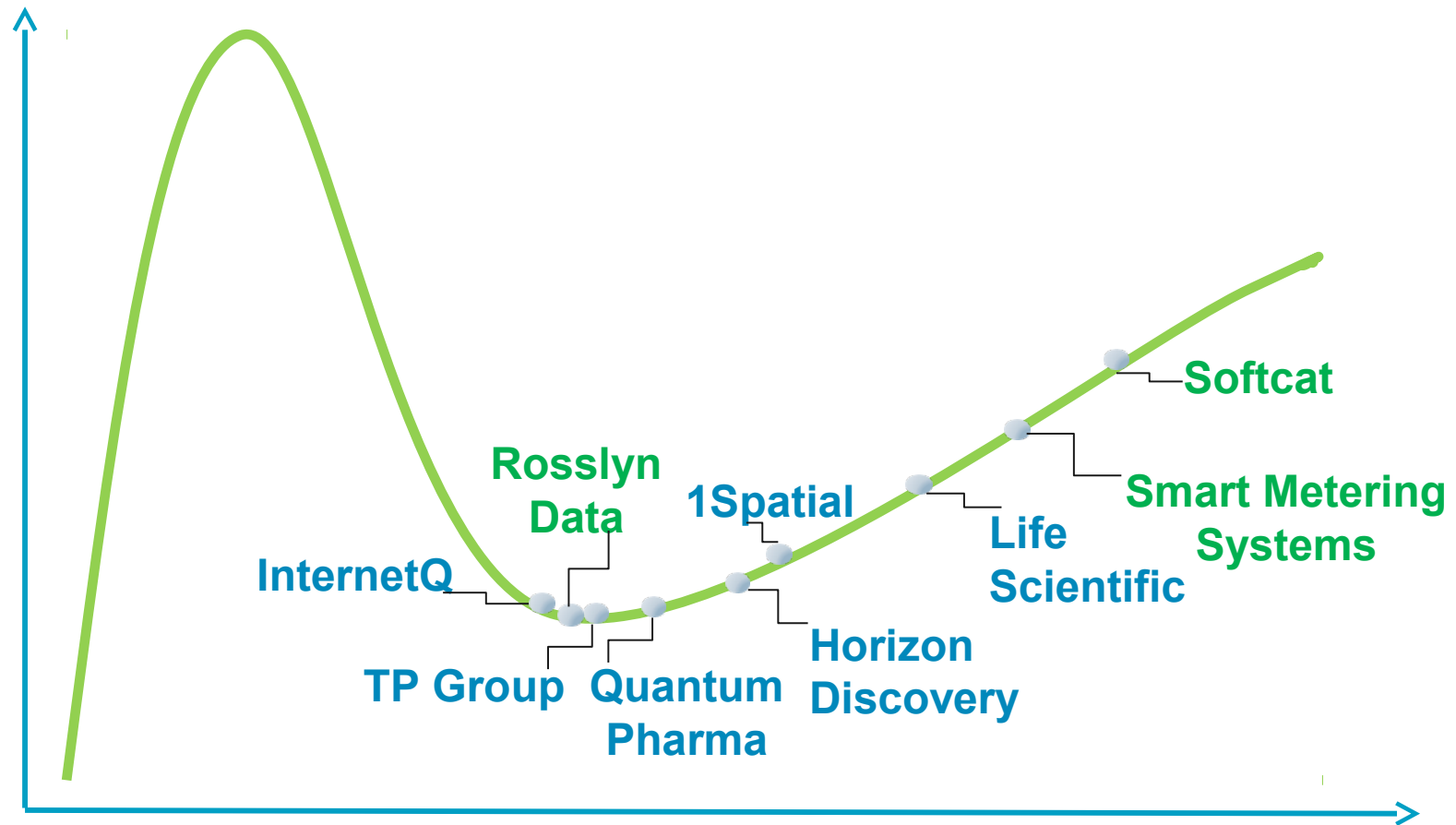


The Hype Cycle in practice: 3 Trading strategies





The Hype Cycle in practice: stock examples



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