

**Investments: Advisor of the week****WILL SMITH****Banor**

Will Smith is advisor of Banor SICAV North America L/S Equity fund. With over 30 years of expertise, he has worked for major companies in the financial sector such as Panmure Gordon and Landsbanki Security. From 2008 to 2015 he was a partner of Cqs (head of the Natural Resources team). He has managed several resource funds including the City Natural Resources High Yield Trust. Together with Jean-Louis Le Mee, in 2016 he founded Westback Capital Management, a management and advisory company. Since then, he has held the position of Co-CIO.

## The interview. “Wolfspeed’s potential is very strong”

by Isabella Della Valle

“The American semiconductors producers bets on quick charge batteries”

**With inflation at 7.5% and the prospect of rising rates in March, what are your expectations on the US market?**

Inflation is now clearly running hotter than Central Bankers had predicted and their response - to raise rates quicker than expected - is clearly causing some discomfort to the US markets. Having risen 27% in 2021, the S&P 500 has already retreated 7% this year, while the NASDAQ Composite has dropped 11.9%. It is the latter’s performance that is perhaps more concerning in

that the tech stocks have led the broader indices higher over the last decade. If these were to lose momentum, then the 14 year old bull market could come falter. The Democrats, who face an uphill battle in the mid-term elections in November, see Inflation as a public enemy No1, affecting their voters disproportionately. The US Fed therefore are coming under sustained political pressure to act and it is notable that the number of rate rises expected this year has risen from two to as high as five recently.

**How does the situation of US markets differ from that of the European ones?**

Europe differs from the US in that the economy has not recovered yet from the pandemic. Eurozone unemployment still hovers around 7%, vs 4% in the US, while GDP growth of 5% is also below the 11% of the US. One clear point of diversion are energy costs. The US benefits from much lower energy prices, whereas Europe’s energy policies appear to have embedded both higher prices and a loss of energy security.

**How long will the prices of raw materials rise? And what will be the impact on the markets?**

Oil prices are currently at an eight year high, approaching \$100. The most responsive oil

producers are the US frackers but there the rig count languishes 66% lower than the last time oil was at this level in 2014. Pressure from the ESG lobby has forced many oil majors to focus on renewable power at the expense of conventional drilling. We believe that global spare capacity will be tested this summer when the last missing piece, air travel, returns.

**Do you consider raw materials an interesting asset class?**

The lingering effects of the pandemic are still highly visible in the state of global inventories, where production problems and supply chain issues have led to tightness in many metal and material stocks. Many investors have had great success over the last decade by climbing aboard the tech train and have had no need to invest in the commodity sector, indeed strict ESG protocols have led many to divest of the energy space. When we look at the lack of a supply response to these record commodity prices, we feel this trend could endure for much longer than the market expects and that we are only just beginning the journey.

**What are the most interesting sectors today?**

We find the most compelling opportunities to be within the

battery material space. Demand for rechargeable batteries remains very strong, either for EV's or energy storage projects, but we see the supply side drastically undercapitalised and unable to respond in a timely fashion. Here we feel that capital will be rewarded, and not just for those commodities where the issue is arising, like lithium.

**What are the investment themes you are focusing on?**

The energy transition is the biggest investment theme of the next twenty years and we try to identify those companies that have transformational growth, still incorrectly priced by the market. Right now, the greatest opportunity exists in those companies involved in the production of the specialised materials critical for the energy transition. This pinchpoint could potentially disrupt or delay the energy transition, so we think demand could be much more elastic than previously thought. This favours the producers of lithium, nickel, graphite, copper, etc, where prices have already risen, but show little sign of retreating.

**What companies do you prefer?**

We are keeping a close eye on Wolfspeed, a US company that is the largest producer of silicon carbide semiconductors, essential for

fast charging EV's. If we are correct about the shortage of lithium in the near future, then smaller batteries will make fast charging abilities a prerequisite for all EVs and Wolf currently has very strong IP and market leadership. Pilbara Minerals is a lithium producer based in West Australia that commenced production in 2019 and is investing in a hydroxide plant with Posco Chemical. First Quantum is a geographically diverse copper producer with the best growth profile of all the leading peer group. The company's internal skill sets of designing, constructing and operating plants on time and budget sets them apart.

**WOLFSPEED. The trend of the stock in New York and the analysts' consensus****THE STOCK****Trend and volumes****Below the maximum**

The Wolfspeed stock is traded at just over USD100 after reaching a peak in USD140 last November. Since then, the fall has been quite sharp. Looking at the last year, we can see that the stock is consolidating after a double irregular peak. The medium- and long-term threshold to be monitored is the around

USD80, as per last October. Anything above this threshold are positive signs, while a decline below that figure could lead to a trend change. In order to be considered strong again, the stock should go back to over USD125.

**COMPARABLES**

COMPANY	CAPITAL AT 15/2/2022 (MLN \$)	EPS 2022	P/E 2022	P/E 2023	P/ SALES 2022	MARKET CONSENSUS
<b>Wolfspeed (+)</b>	13.221	-0,62	-	578,4	18	Overweight
<b>Infineon Tech. (°)(ç)</b>	43.683	1,68	19,9	17,9	3,3	Buy
<b>STMicroelectr. (ç)</b>	36.167	2,76	14,4	13,5	2,7	Overweight
<b>Qorvo (\$)</b>	14.647	12,16	11,1	10,3	3,2	Overweight
<b>Rohm Co. (^)(\$)</b>	958.930	563,14	17	15,7	2,2	Buy
<b>On Semicond. Corp.</b>	26.919	4,17	14,7	13,7	3,5	Overweight
<b>Micron Technol. (#)</b>	107.499	9,02	10,5	7,9	3,3	Buy
<b>Intel Corp.</b>	197.248	3,42	14,1	13,2	2,6	Hold

(+) closing at 30/6; (°) closing at 30/9; (ç) data in EUR; (#) closing at 31/8; (\$) closing at 31/3; (^) data in Yen; (Eps) =earnings per stock; (P/E) = price on earning ration; (P/Sales) = price on sales ration. Source: Study and analysis dept. on Factsheet data.

**Revenue up 39.5%**

Wolfspeed, a semiconductor producer of silicon carbide and gallium nitride, closed the first half of 2021/2022 financial year with a revenue of 35.9% at 329,7 mln, but the increase in the cost of sales (+34.8% at 223,3 mln) and operating expenses (+18.5% at 233 mln) resulted in an operating loss of 126.6 mln. The net result was negative by 166.8 million, but recovering compared to 267.4

mln, which suffered losses from assets sold for 137.2 mln. The company reconverted its business last October after the sale of the LED sector to Smart Global Holdings, and semiconductor applications produced by Wolfspeed are in the early phase of technological development. The consensus of the market is positive.

**BANOR**

Banor Capital Ltd is an independent investment management firm based in London. Banor was created in 2011 by a team of investment professionals who have been working together for over 20 years. Together with its sister companies Banor Sim, Banor Sicav and Aristeia Sicav, Banor Capital aims at being the partner of choice for institutional

and private clients, developing and managing a funds range with different investment strategies, markets and asset classes. In April 2021 Westback C.M. becomes Advisor of Banor Sicav NorthAmerica Long Short Equity, that was launched on Banor Sicav platform in 2011.

**COMPARISON.** The company's performance with respect to the market and its own reference sector

