Australian National University

Guest speaker spotlight: Peter Wilmhurst

Peter Wilmshurst is a global equity portfolio manager with over 30 years of experience in financial markets. After qualifying as an actuary at Macquarie University, he began his investment career in Australian equities at Norwich Investment Management (now Antares), before spending 22 years at Franklin Templeton's Global Equity Group, where he managed the Templeton Global Growth Fund and covered sectors including software, capital goods, and European banks. After more than two decades at the firm, he joined Nanuk Asset Management, where he spent approximately five years managing a portfolio within the Nanuk New World Fund. Across his career, Peter developed a strong focus on sustainable investing, becoming both a CFA Charterholder and a member of the CFA Institute Sustainable Investing Advisory Panel.

In Week 10, the SMF hosted Peter as a guest speaker before following up with a more focused interview later that week. A summary of key questions asked and Peter's responses during those discussions is provided below.

You outlined a framework for thinking about why stocks outperform. Could you walk us through it?

When thinking about why a stock belongs in a portfolio, I want to be clear on which of three drivers the thesis relies on. Stocks outperform through faster growth, an expanding multiple, or improving earnings revisions, and the three are often interrelated. If you can prove up faster growth, a re-rating will frequently follow. The discipline of identifying which driver is doing the work forces you to be explicit about what you expect to happen and when, and gives you a clear basis for reassessing if circumstances change.

This framework also informs sell discipline. If the driver you identified has played out, that is a prompt to reassess rather than continue holding purely because the business remains attractive. If new information invalidates the original driver, the thesis has changed even if the price has not moved against you.

Value investors in particular should be mindful not to sell out entirely at valuation. When a stock reaches fair value it will often overshoot, and momentum can be a useful friend for a period after the initial thesis has been validated.

You drew a sharp distinction between analysing a company and analysing a stock. Why does that separation matter in practice?

Conflating the two is one of the most common sources of error in investment research. You can admire a business enormously and still find the stock unattractive, and the reverse is equally true. SpaceX may become a dominant franchise in commercial space launch and satellite internet, but at 100 times revenue the stock is a very different proposition. Cisco during the TMT bubble was a genuinely great business whose stock has still not recovered to its 2000 peak.

Microsoft, around 2009 and 2010, was the inverse: widely dismissed on the assumption that Windows and Office were being displaced, it sat at around 13 times earnings and proved to be an exceptional investment. European banks during the sovereign debt crisis were trading at an 80 per cent discount to book, not because anyone had concluded they were wonderful businesses, but because the valuation had become sufficiently depressed to offer a compelling return.

A simple discipline that reinforces this distinction is to use the company name when discussing the business and the ticker when discussing the stock. It forces a conscious switch between the two modes of thinking every time you write a sentence, and helps prevent holding an overvalued position simply because the underlying franchise is strong.

What are the most important principles you would give to analysts when it comes to building and presenting valuations?

A few things stand out from experience. The first is to avoid spurious precision. Valuation outputs quoted to two or three decimal places imply an accuracy that the underlying assumptions simply do not support. Keeping numbers simple and presenting ranges where appropriate is both more honest and easier to read.

The second is not to average a DCF with a multiples valuation. If the two methods produce very different answers, the right response is to understand why, not to take the midpoint. The methods should be telling a broadly consistent story about the business, if they are not, there is an assumption somewhere that needs to be examined and resolved.

Third, model cycles explicitly. If a business is historically cyclical, a downturn should appear somewhere in the forecast period, not because the timing is knowable, but because it will happen. A model that runs up and to the right through the entire forecast window is not a complete picture.

Fourth, sanity-check the terminal value. It typically represents 50 to 90 per cent of a DCF, which means the majority of what you are valuing sits in a period more than ten years out. Test it by asking how large the terminal market would need to be, what market share the company is assumed to hold, and what return on capital that would represent. The goal is plausible assumptions grounded in real-world constraints.

Finally, write a pre-mortem before initiating a position. Document why you expect the investment to work and what could go wrong. It gives the next analyst a clear basis for inheriting the thesis, makes it easier to change your view when conditions change, and is particularly valuable in a structure like the SMF where positions are handed between cohorts.

You made the case that emerging market ETFs may not give investors the exposure they expect. What should analysts be aware of?

The traditional pitch for emerging markets centres on growth through the rising consumer in India, Indonesia, Brazil, and Mexico, and that story has genuine merit over the long term. But looking at the composition of the MSCI Emerging Markets index today, information technology is the largest sector, and Taiwan and South Korea are among the largest country weights. TSMC alone represents approximately 57 per cent of MSCI Taiwan, and

Samsung Electronics and SK Hynix together represent approximately 54 per cent of MSCI Korea. Taiwan has recently overtaken China as the largest country weight in the index overall.

An investor buying a broad EM ETF is therefore acquiring substantial exposure to global semiconductor leaders rather than the consumer growth story they may have in mind. Understanding what you are actually buying is critical, particularly when the concentration is that high. On China specifically, corporate earnings have historically shown little correlation with Chinese GDP growth, meaning that even when China represented a larger share of the index, investors were not necessarily capturing the economic growth story they believed they were.

Given your background in sustainable investing, how do you think about the different approaches in the market and where the genuine investment opportunities lie?

Sustainable investing covers a wide range of approaches that often get bundled together. Strategies relying on high ESG scores from third-party data providers face real challenges, as there is no global standard, methodologies diverge considerably across providers, and the underlying data is often inadequate. Low-carbon strategies frequently end up concentrated in names like Microsoft, Mastercard, and Meta, which reflects the avoidance of heavy emitters more than meaningful exposure to the environmental transition. Sustainably themed funds use positive screens for transition exposure alongside negative screens for fossil fuels and weapons. Impact strategies, which aim to drive measurable real-world change, are difficult to execute in listed equities.

ESG is also not a particularly useful acronym. Governance matters to every serious investor regardless of sustainability orientation, while social and ethical issues are highly subjective across investors. Environmental factors are the genuinely distinctive dimension, covering positive exposure to the transition and risks from obsolescence or the cost of decarbonising.

When thinking about where value lies in the transition, I use a framework of four drivers: sustainability, affordability, access, and security. Affordability became central after post-COVID inflation raised energy costs, while security became a strategic imperative in Europe following the conflict in Ukraine. Access has been the dominant driver more recently, as AI data centres place extraordinary demands on power infrastructure and drive significant investment across the grid, generation, and enabling equipment.

One lesson worth highlighting is that hostile policy does not necessarily mean poor investment returns. Under the first Trump administration, which was clearly unsupportive of renewable energy, clean energy equities still performed well. The underlying economics of the transition tend to matter more than the political backdrop, which can create opportunities precisely where sentiment looks most hostile.

Prepared by Pearl Guma (Relationship Team)

The SMF would like to thank Peter Wilmshurst for his generosity with his time, both during his guest presentation and the follow-up interview. The views expressed throughout this article reflect Peter's personal perspectives enriching the learning experience of SMF students and should not be interpreted as investment advice.