

Amazon coming to a car yard near you: Cole



Digital ‘story teller’ Jeff Cole, right, with David Evans. ‘Eventually (Jeff Bezos) will sell every new automobile in North America’

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Amazon could be set to transform another industry

He calls himself a “story teller” of the digital world. His clients think he can see into the future.

Jeffrey Cole has spent more than three decades advising governments and many of the world’s largest and most successful companies on their digital strategies.

In Australia those companies have included Telstra, Wesfarmers, Westpac and the other big banks.

These days he is a member of the investment committee of the listed Evans & Partners Global Disruption Fund, which now has over \$400 million under management and ambitions to grow that to \$1 billion in the short to medium term.

The fund has just completed an \$8m capital raising to provide liquidity for new unit holders. Ask Cole the next industry in the world to be “Amazoned” — that is, disrupted and transformed by Jeff Bezos’s global tech colossus — and his answer is instant.

“I think eventually he will sell every new automobile in North America. A lot of manufacturers feel they are saddled to their dealers. A lot of them now want to get rid of the dealer relationship. Tesla, for instance, does not have dealerships. I think you will see Amazon go to manufacturers and say ‘Get out of the dealership business’, and turn the dealerships into service centres,” the fast-talking American tells *The Australian* during a visit to Australia from his US base.

“Amazon is going to facilitate that if you want to buy a car, you will go online, see the specs, test drive it virtually. Then if you want to really drive it, you will book an appointment online and it will come to you.”

He believes the entire car industry will become completely driverless over the next 25 years. Cole sees the other imminent targets for Bezos as being the movie business, healthcare, the market for sports rights and, of course, financial services.

“One of the lessons of disruption which applies to banks, is offline legacy means nothing online. “Banks are not going to die. But you are going to see fintech companies pick off some things like foreign currency transactions. I think you will see very efficient service companies evolving that will pick off many of [the banks’] operations,” he says.

The Evans & Partners disruption fund is overseen by Sydney global fund manager Walsh & Co, part of the listed Evans Dixon Group.

The disruption fund’s starstudded investment committee includes former Wesfarmers chief executive Richard Goyder, former Telstra boss David Thodey, Square Peg co-founder Paul Bassat and Sally Herman, who sits on the boards of Suncorp, Premier Investments and Breville.

Following an interview with Cole at Evans Dixon’s Melbourne head office, *The Australian* sat in on the monthly investment committee meeting of the Global Disruption Fund, giving the public a rare insight into the opinions of its star-studded members, which have helped the fund’s unit price grow 35.8 per cent since its listing in July last year.

The fund’s NTA is up nearly 40 per cent over the same period.

Its 10 largest investments currently are Amazon, Microsoft, Google parent Alphabet, streaming giant Netflix, US gaming firm Activision Blizzard, US software giant [salesforce.com](https://www.salesforce.com), electronic payments group Wirecard and Chinese stocks Alibaba, Baidu and Tencent.

The fund's portfolio consultant, former Goldman Sachs telecoms analyst Raymond Tong, has recently trimmed the fund's stake in Amazon because it had grown to represent 8.1 per cent of the portfolio, breaching a convention that no single stock holding of the fund should be more than 8 per cent.

Asked at the meeting what he believed was the next industry to be "Amazoned", committee chairman David Evans says that "transactional banking has to be ripe for the picking".

"I think Amazon are also absolutely busting into the home. The data they have around personal spending and personal tastes in the home is so significant now," he says.

Sally Herman agreed that if the Bezos philosophy was "more for less", financial services had to be in his sights.

"The other industry going through disruption is insurance," she added.

"How insurance will be sold is going to change pretty dramatically."

David Thodey agreed with Jeff Cole that Bezos saw a big opportunity in the healthcare sector, while Paul Bassat noted that the logistics sector could also be targeted by Amazon.

"What they are doing logistically is very interesting — what they have done in the cloud. There is a significant chance we see logistics under enormous threat," he says, before adding: "The other two big bets of [Amazon] are cloud and AI. They are a long way ahead of Google and Google is ahead of anyone else."

The Evans fund has moved away from the strong weighting it had eight months ago to the so-called FANGs: Facebook, Amazon, Netflix and Google.

The move was timely given US Treasury yields have surged to multi-year highs over the past week on the back of the latest round of strong economic data and increasing concerns about inflation pressures in the US economy dragging down the broader US market, led by the FANG stocks.

Outside the FANGs, the Evans & Partners investment committee believes another tech giant, Apple, remains a high-quality company but that there are more attractive growth options in the market.

"Tim Cook, I think, has a bigger burden than any CEO in history," Jeff Cole told the investment committee meeting, noting that Apple customers still wanted Cook to make products that changed the world. "We think Apple is losing a bit of its innovative edge. It is becoming incremental. Is that eventually going to turn off customers?" he asked.

Bassat says while there was nothing on the horizon to show Apple would not stop making the best phones in the world soon, this would be a risk in the future.

“The point at which they stop making the best phones sees a much more significant decline in their business than what you get from the other players,” he says.

But Thodey was less bearish.

“The one difference I am seeing is that the switching cost out of the IOS environment is actually harder than you think. Even with the Samsung phones that are very good, they don’t [match the IOS system],” he says, adding that the Google-Samsung relationship “is not great”.

“Is there something in the Apple story we may lose? I think it’s worth another look at, I just don’t see who is going to push them off the perch at the moment,” he says.

Richard Goyder noted that “Apple is the most shorted stock in the US at the moment, so clearly the market is starting to bet against them.”

Of the FANGs, Paul Bassat was most bearish on Facebook.

“The great bulk of their revenue comes from Facebook, it is hard to say if WhatsApp [Facebook’s message service] can be monetised. Messages are a much harder product to monetise,” he says.

“There is really clear signs of some decay for [facebook.com](https://www.facebook.com). I think Facebook we are right to be a little bit worried about.”

Raymond Tong put to the committee that the fund should increase its interest in American technology company Nvidia, the largest supplier of processors and software for gaming, data centres and autonomous vehicles.

“In AI they are dominant,” he says. The committee members agreed the fund should buy more of the stock.

“Nvidia has real momentum and the competitors there are not that strong,” Thodey says.

The fund has also been starting to look more and more at the medical technology space. It recently invited into its med-tech discussions University of Melbourne Surgery Department head Professor Andrew Kaye, who was introduced to David Evans by businessman Lloyd Williams.

It also recently hired Ted Alexander, who used to run Magellan’s healthcare fund.

“He is head of investments of our asset management business and brought a team with him,” Evans says. “We have had a big focus on healthcare have recently put a couple of med-tech companies into the fund.”

At the July committee meeting Alexander discussed a number of themes including robotic surgery, genetic sequencing and immunotherapy.