

Challenging times for Asset Allocation



Relate Empower Deliver
David Chia

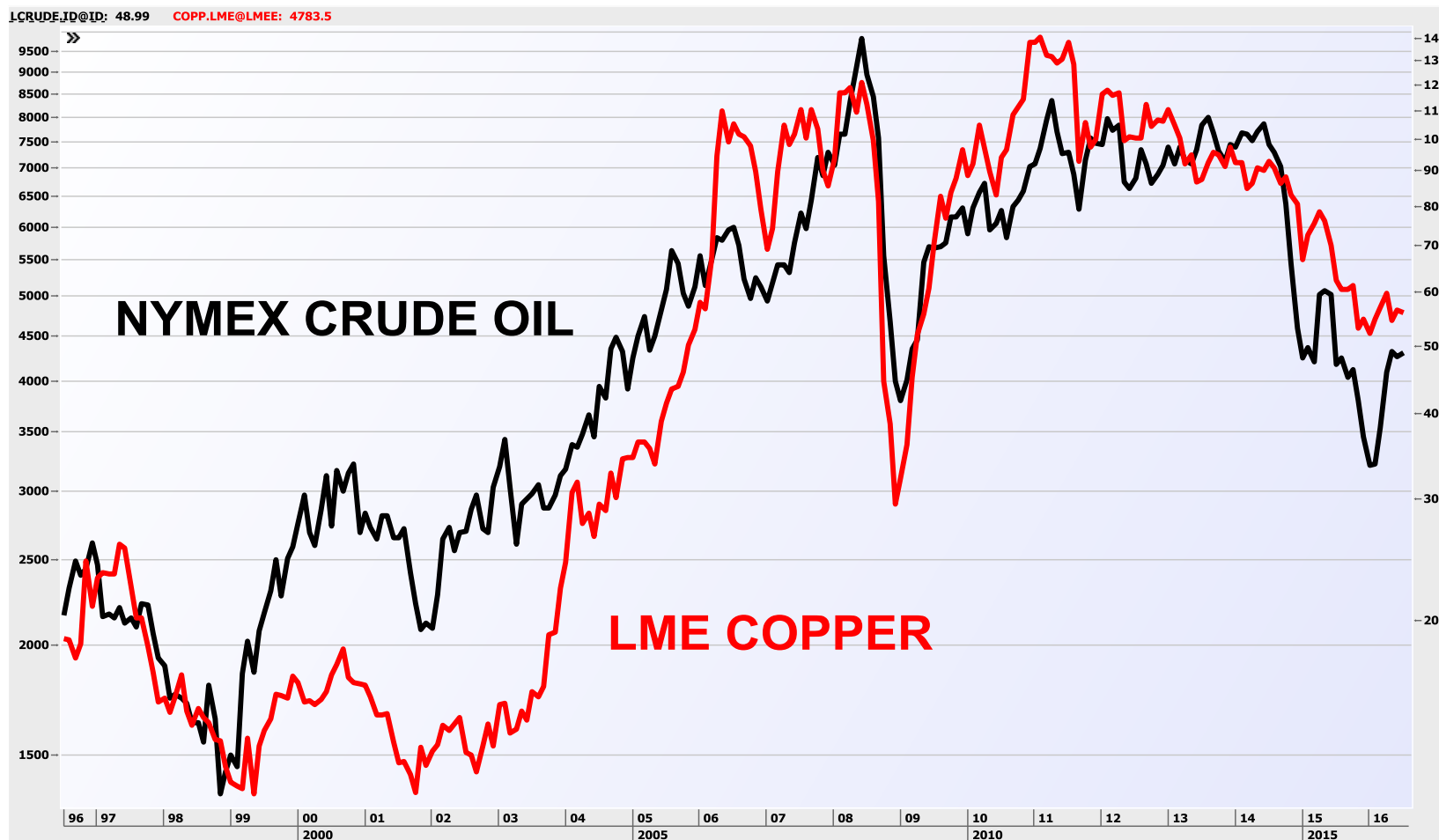
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- The business of investing carries risks and you should seek specific advice from a professional person prior to commencement.

It is important to continue to set your strategies for the next decade and more though a prudent investor would also prepare for stormy weather in the months and years to come

KEY COMMODITIES

2 KEY INDICATORS



10 YEAR BOND YIELDS

LAST 5 YEARS



LAST 12 MONTHS

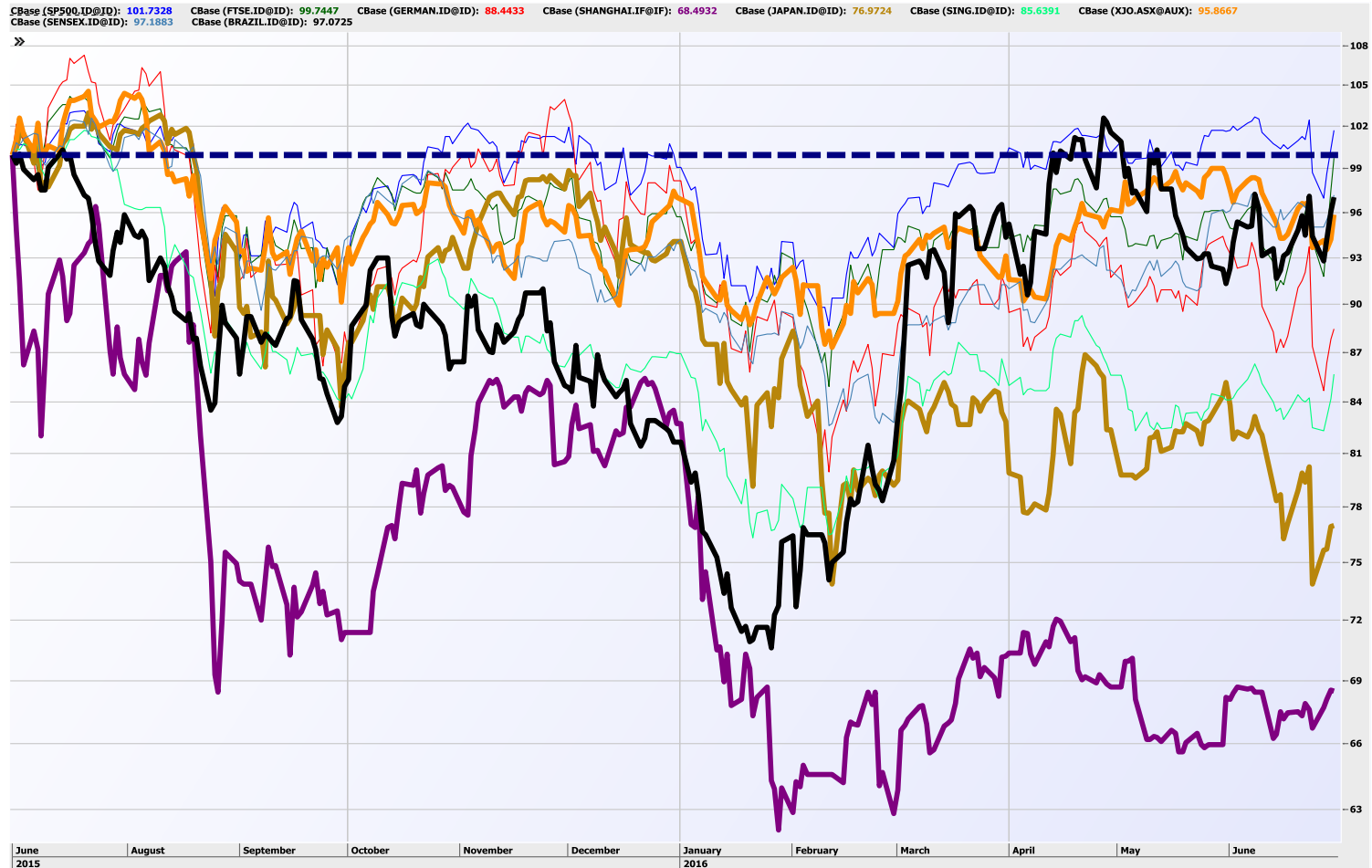


GLOBAL EQUITIES

LAST 5 YEARS

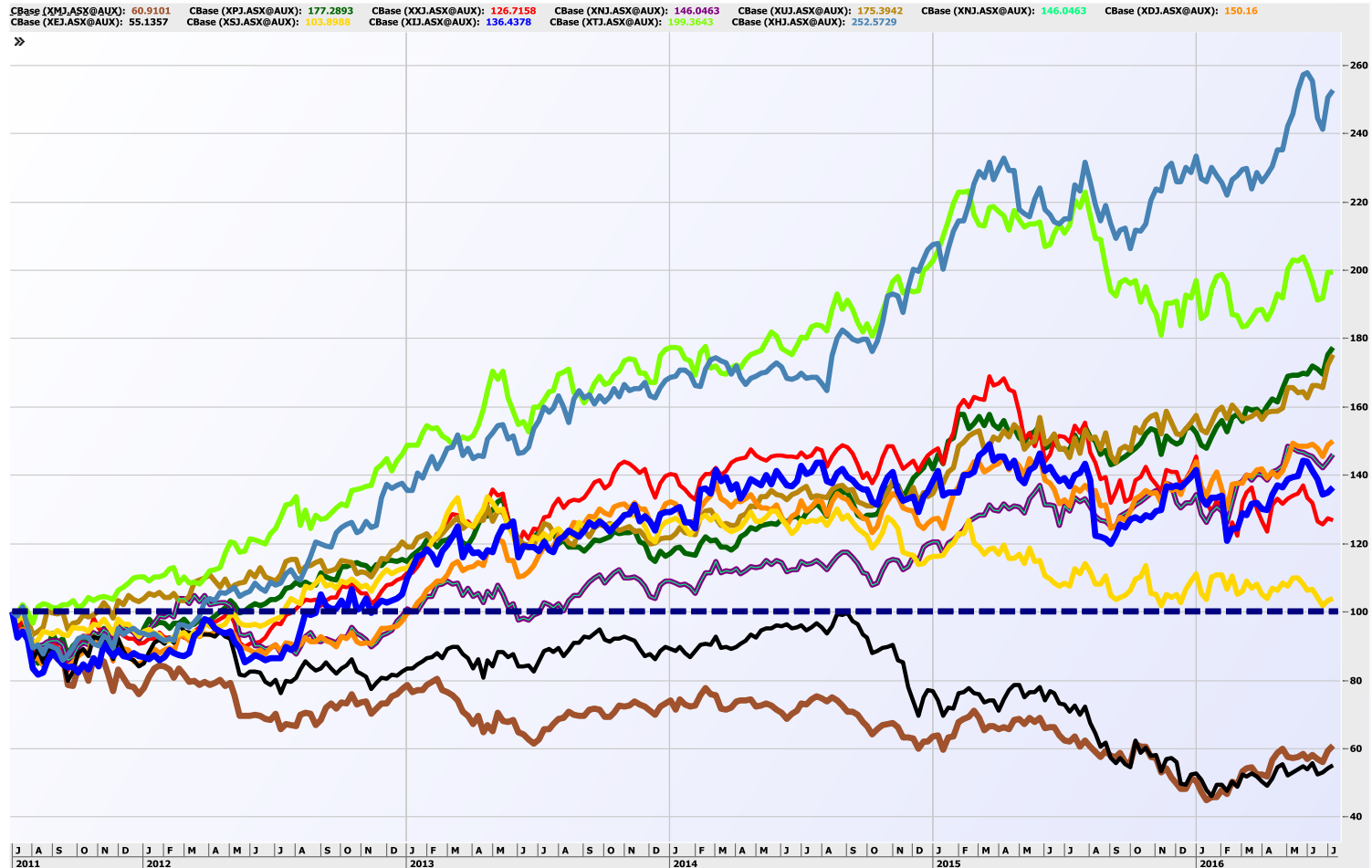


LAST 12 MONTHS

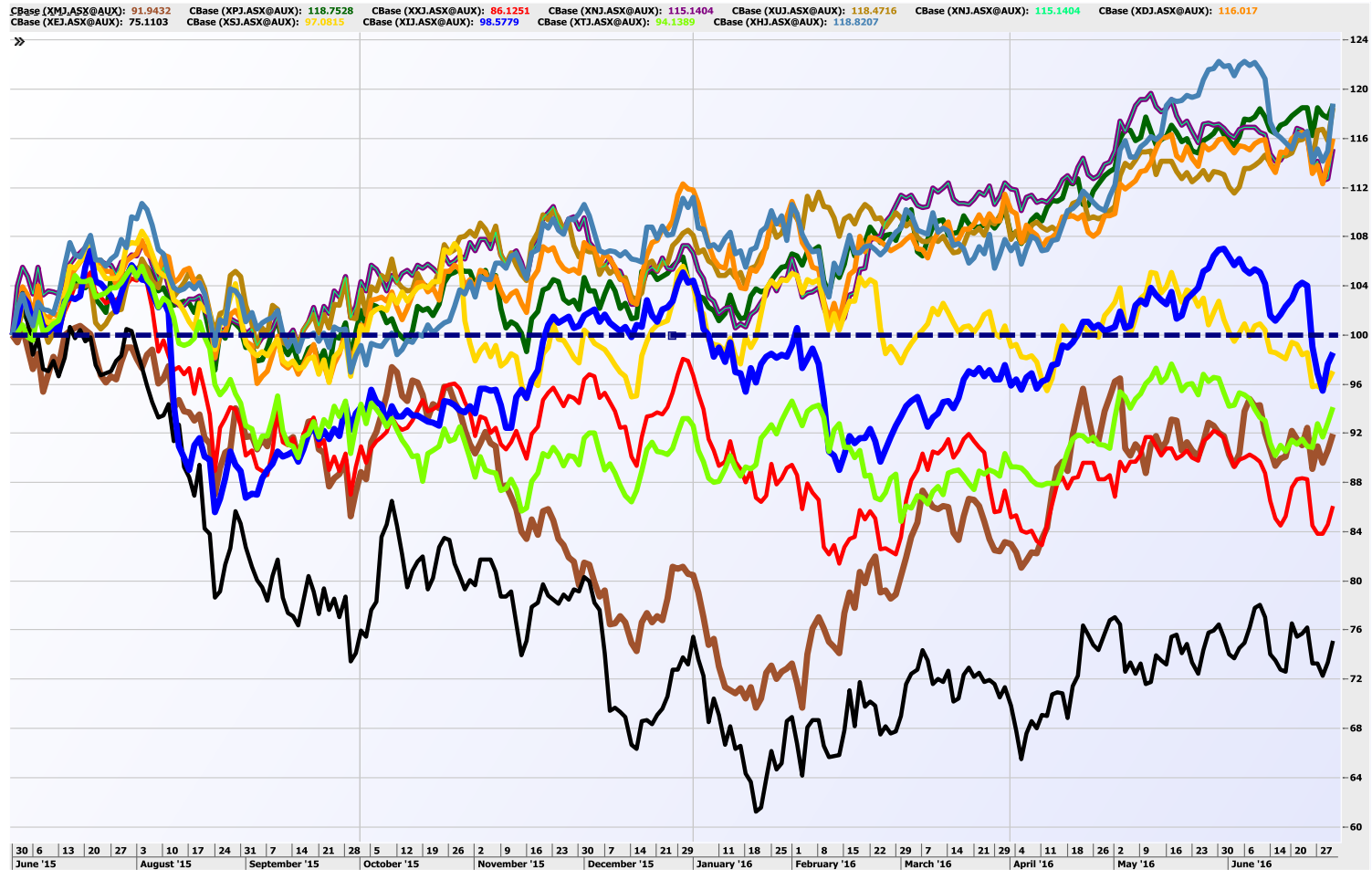


RELATIVE PERFORMANCE S&P/ASX200 SECTORS

LAST 5 YEARS



LAST 12 MONTHS



RISK

- Systemic risk is on the rise
 - I. Perceptible shift in the global socio-political landscape
 - II. Eventual mean reversion of the present distorted interest rate environment
- Not diversifiable

SOCIO-POLITICAL

- Globalisation and the disenfranchised
- Long term unemployment and radicalism
- Rise of the demagogue
- Nationalism and protectionism

INTEREST RATES

- Delaying the end-game
- Brave new world of ZIRP and NIRP ***
- Adding inflation to the mix
- Mean reversion is likely to be nasty on account of overshoot

*** *Zero interest rate policy and Negative interest rate policy*

DIVERSIFICATION

- Standard portfolio asset class mix will be found wanting
- Correlation will likely spike across the board

YIELD OFFSET STRATEGY

| | |
|-----|-------|
| ANZ | - 63% |
| BOQ | - 67% |
| CBA | - 61% |
| NAB | - 61% |
| SUN | - 76% |
| TLS | - 38% |
| WBC | - 52% |

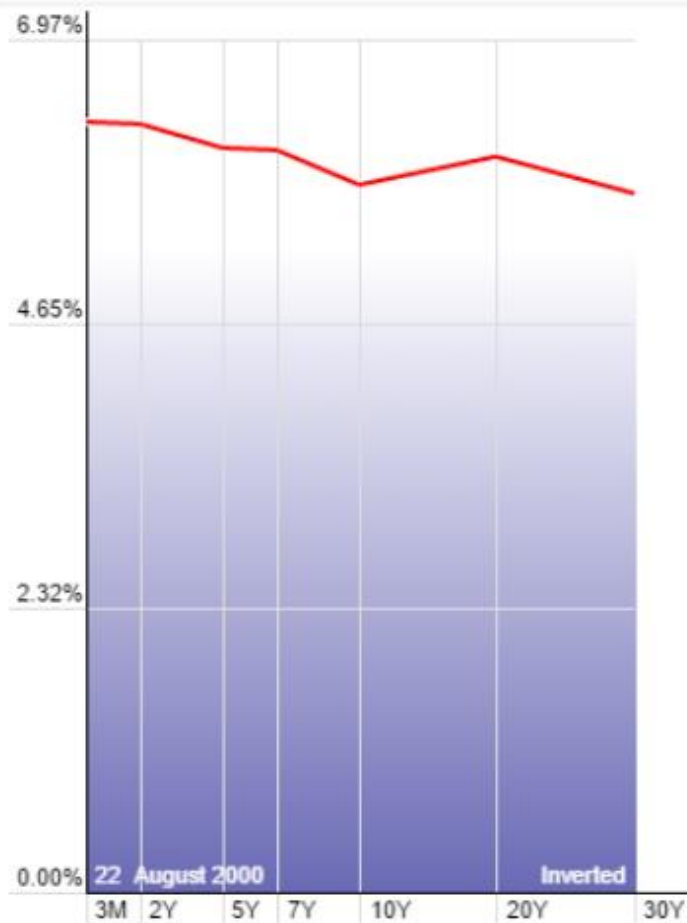
*** *Share price performance from peak to trough over the 2007-2009 period*

CONSIDER

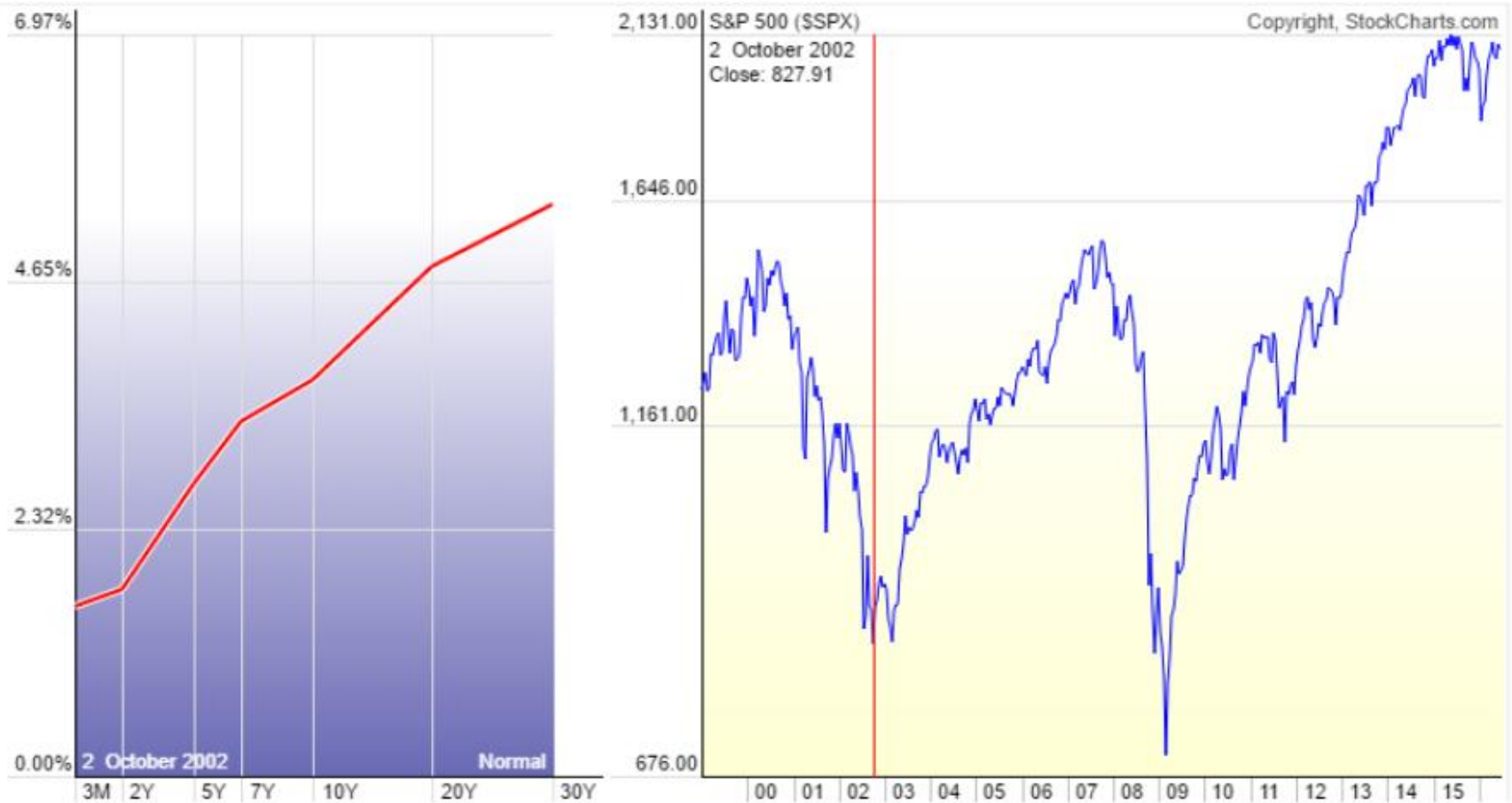
- Dynamic vs. Static allocation style
- Widen scope of monitoring – top down
- Reduce quantum of & time frame for expected return
- Technical analysis, but not for forecasting
- Risk off is ok
- Track the yield curve

THE YIELD CURVE

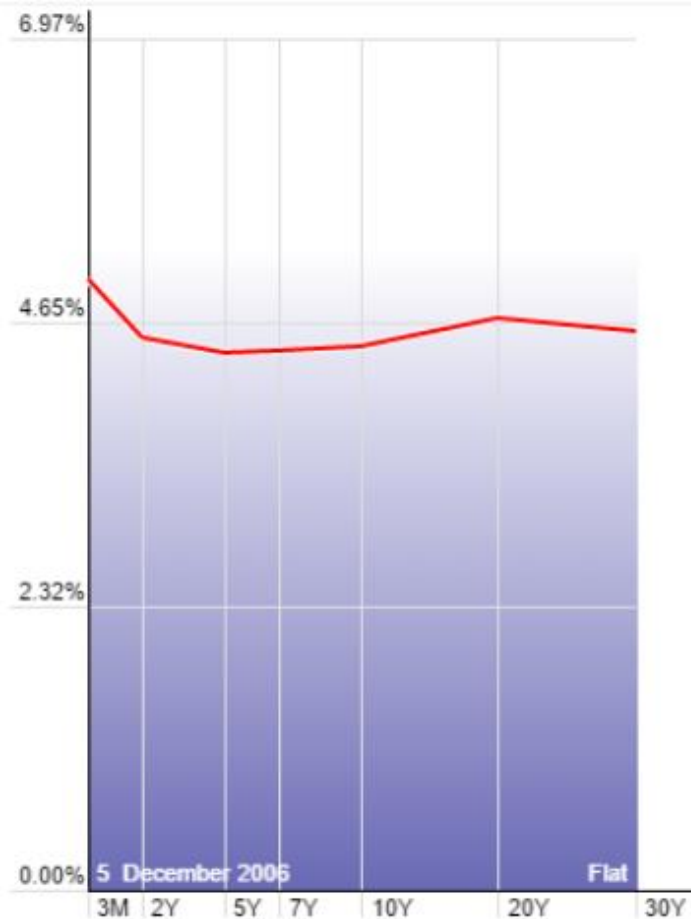
AUG 2000



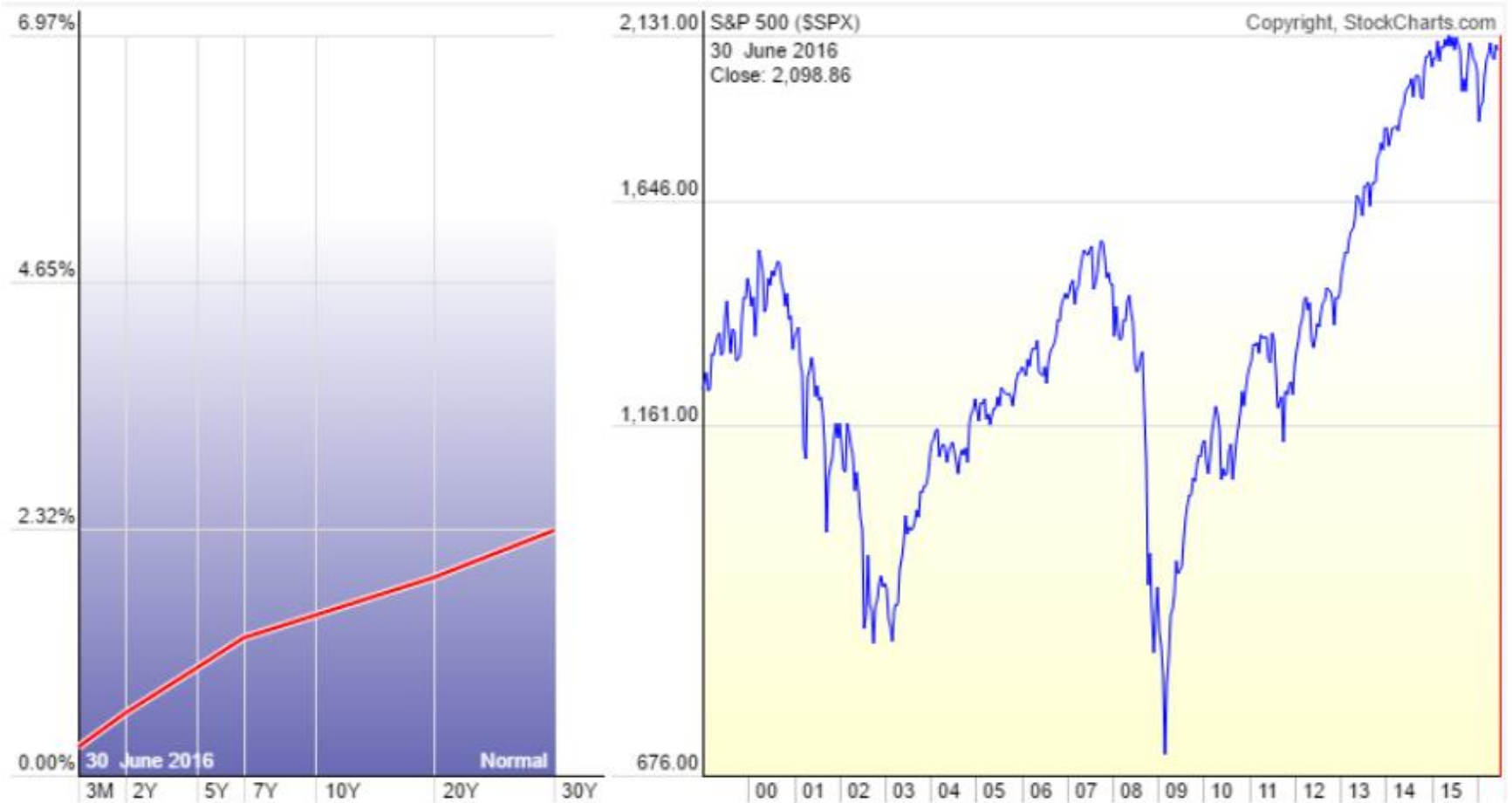
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DEC 2006



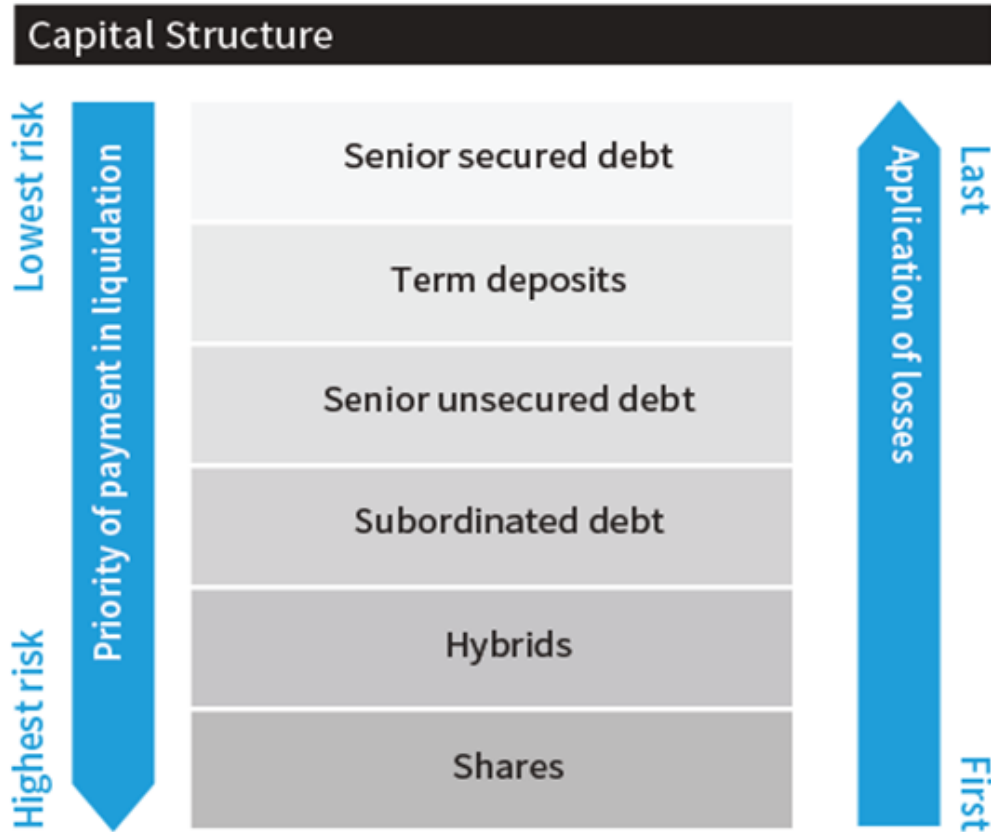
JUN 2016



LOOK TO

- Fixed income investments
- Safety preferred like U.S. Treasuries
 - Selective industries
- Gold as an alternative to cash in ZIRP times
 - Disruptive technologies
- Short-selling, the road less travelled

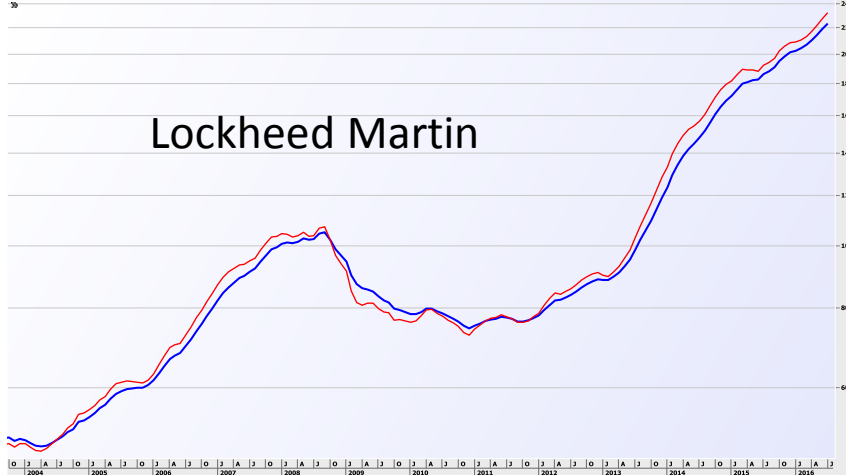
SAFETY



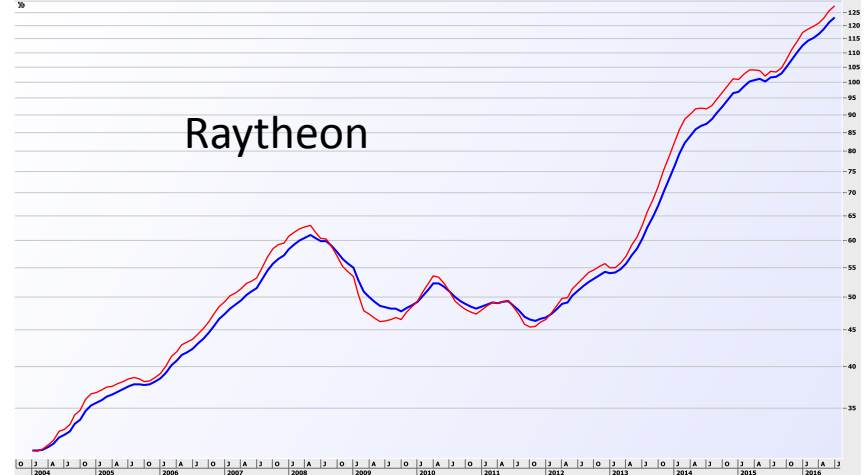
Source: FIIG

WEAPONS

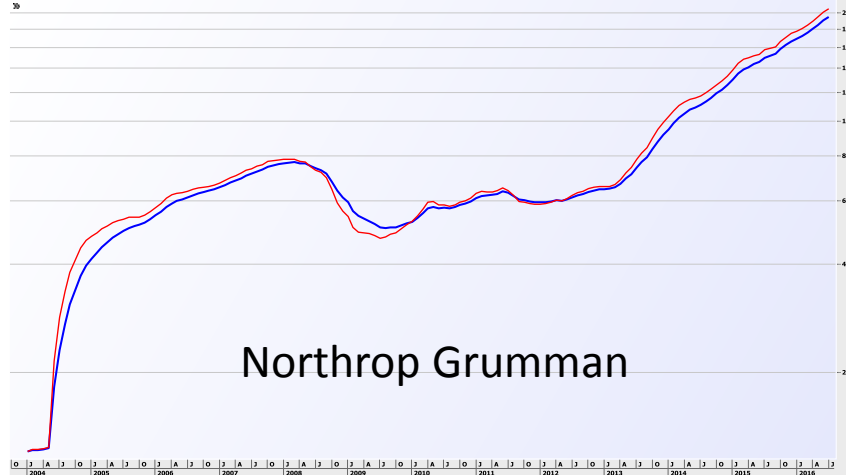
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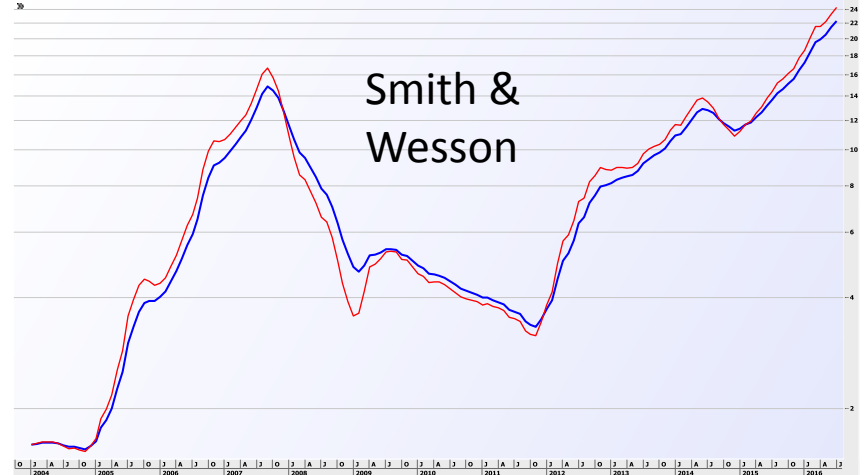
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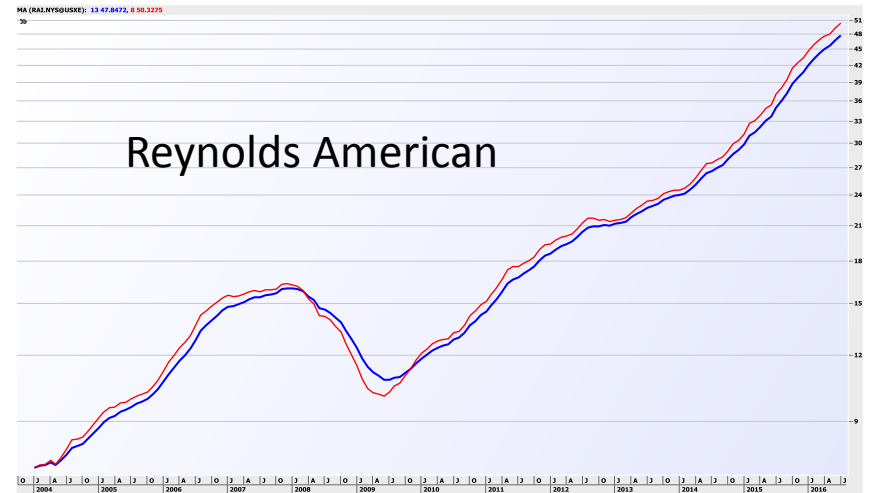
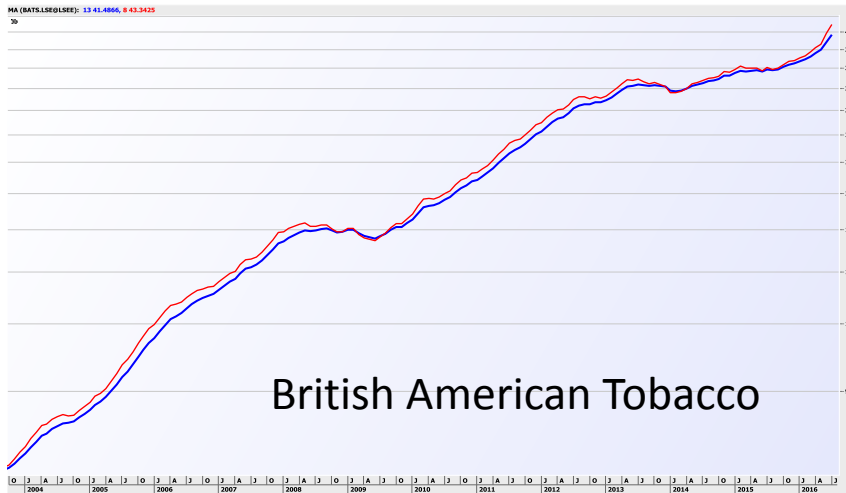
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MA (SWHC:NYSEUSE): 13 22.3693, 8 24.3188

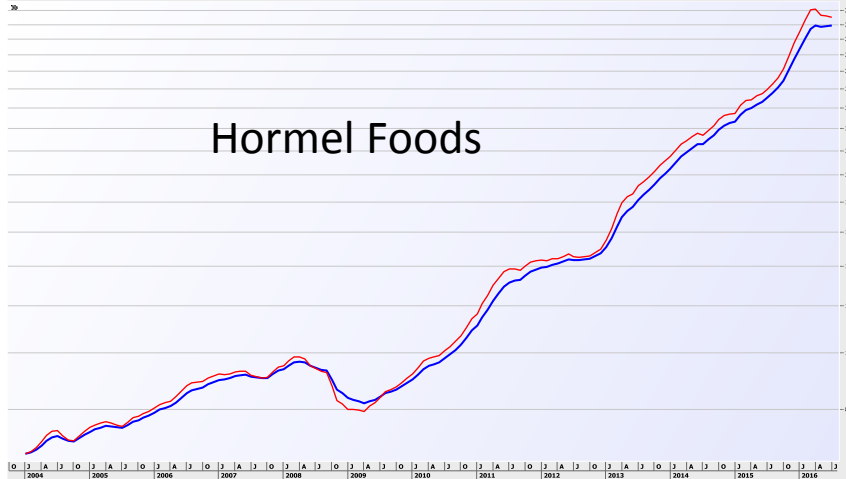


TOBACCO



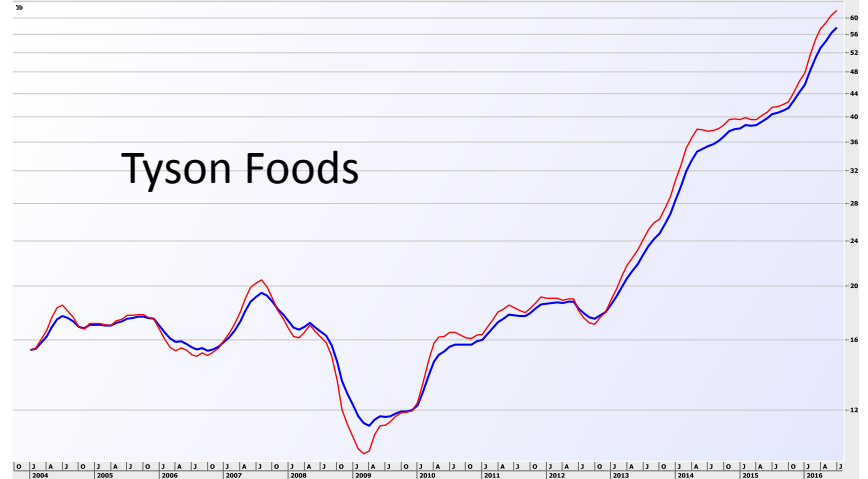
FOOD

MA (HRLNYSGUSKE): 13 35.8706, 6 37.0037



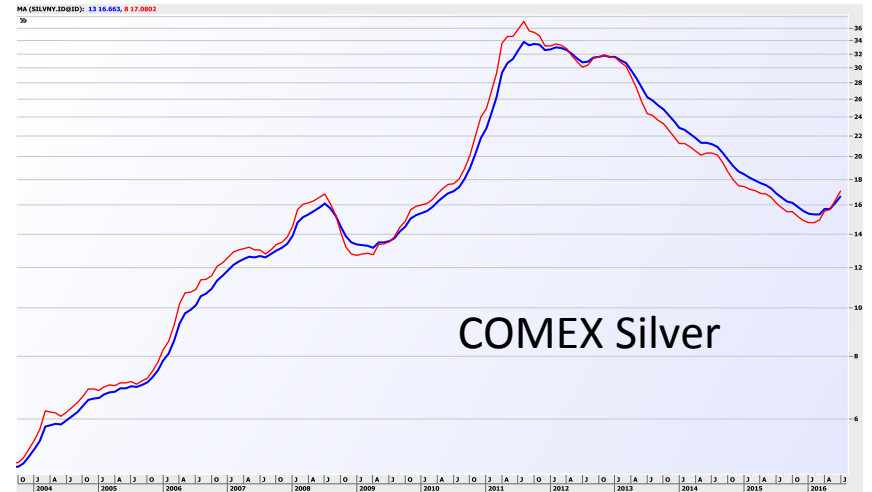
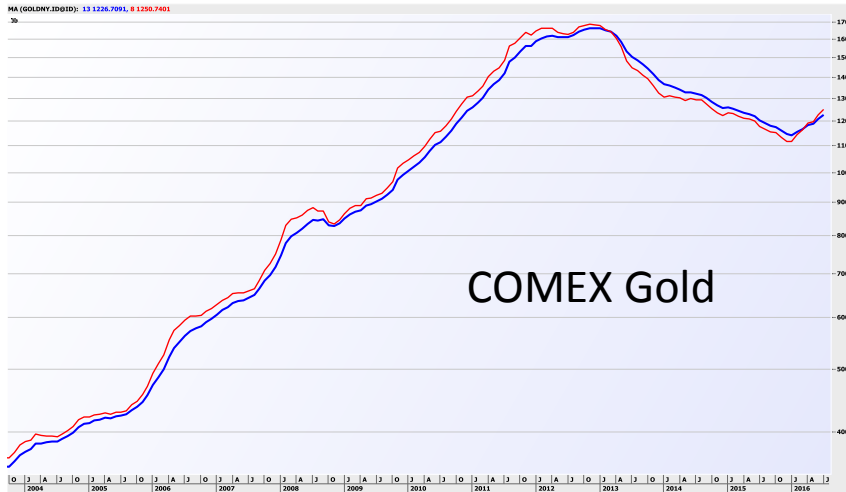
Hormel Foods

MA (TSHNYSGUSKE): 13 57.6075, 6 61.7709



Tyson Foods

PRECIOUS METALS



DISRUPTORS

- Lithium and Tantalum
- Embedded sensor and wearables
 - Automated vehicles and drones
 - 3D printing
- Advanced robotics

The time is surely long overdue to
discard the academic illusions of
the Efficient Market Hypothesis
and his friend Mr. Random Walk
Theory



Q and A

Thank you