



GM THEMATIC INVESTING INTRODUCTION

—
An Overview



IMPORTANT INFORMATION

Nature of this document

This offer is not a prospectus, product disclosure statement or other disclosure document required under the Corporations Act. This offer is not required to, and may not contain the same level of detail which would be required in a product disclosure statement or a prospectus. The information in this document does not represent or suggest finalised investments of the Fund.

Investment risk warnings

Investments in the Fund are not deposits with or liabilities of the Fund or Global Merces, and are subject to investment and other risks, including possible loss of income and capital invested. Neither the Fund, nor Global Merces, their respective directors, employees, agents, officers or advisers ("**Specified Persons**") makes any promise or representation, or gives any guarantee as to the performance or success of the Fund, the repayment of capital or any particular rate of income or capital return for the Fund. Past performance is no indication of future performance.

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Disclaimers

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GLOBAL MERCES FUNDS MANAGEMENT



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Australia's **innovative fund and alternative asset manager** focusing on Private Equity, Currency, Media and diversified alternative multi-management.

Responsible Entity oversight on property, international private equity, Asia-focused funds and currency.

Designs, develops and manages for **sophisticated and retail investors**

Passionate in **making products that makes sense in the 21st century** and launching them as **pioneering products**.



Offices located in **Sydney, Brisbane & Melbourne**

INVESTMENT COMMITTEE

4



Holly Grofski

Holly Grofski leads the success and growth of the funds management, strongholds of GMFM. Holly's focus is building a team of specialists to catapult the Global Merces suite of modern investment products into the powerhouse of expertise, commercial capability, customer focus and innovation they have become known for. Holly has a Diploma of Financial Planning, Specialist Foreign Exchange, Securities, Derivatives and Superannuation.



Ben Kilmartin

Since 1997, Ben Kilmartin has been managing global portfolios for and advised many of the largest institutional investors around the globe including \$100 billion when he was Global Head of Currency clients at a high-profile asset management firm. Ben holds a MENG with first class honours from the University of Oxford, an MBA from the University of London and is a CFA Charterholder.



Mark O. Witten - Chief Investment Officer

Mark has 17 years experience in the traditional and alternative asset management industries working for a variety of institutions including RMB, Goldman Sachs and peregrine capital. He established Kaizen Asset Management in 2010 and built it into a \$250M multi-strategy hedge fund and was the top performing fund in SA on a 1 and 3 year view achieving 38% compounded return's net of fees. Mark holds a BComm Honours cum laude from the WITS University, an MBA from UCT GSB and is a registered CFP and also a CFA Charterholder

OUR VALUES

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Our **purpose** is to impact **society**, **industry** and **culture** through the intentional movement of capital.



Our **culture** across the company has been nurtured since day one. Everything that we do, we prioritise our **people** – whether they are our investors, clients, shareholders or staff.



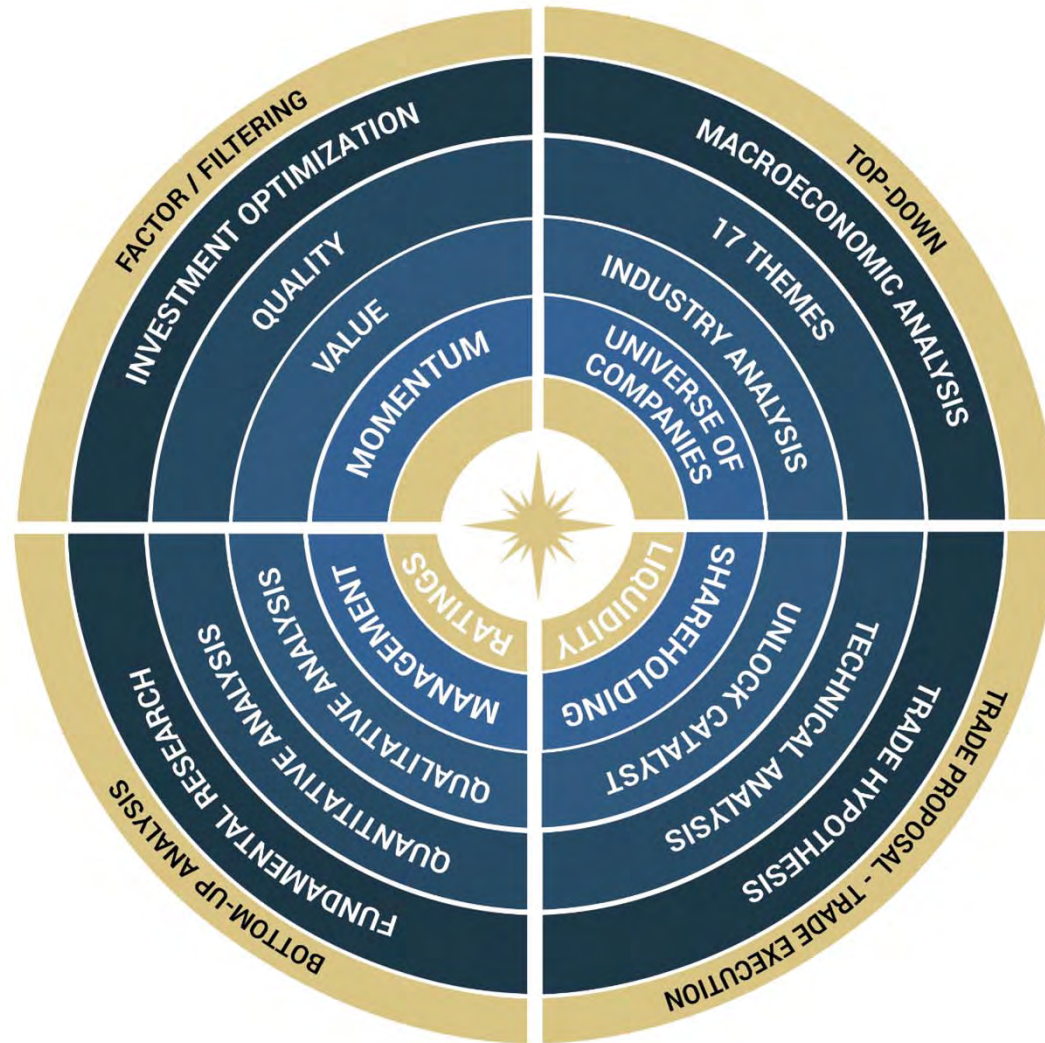
Innovation. We have created an **online software** application that helps you get into the investments you want, easier, faster and compliantly. This innovation streak is found in our **investment design, our management style and our company culture.**

Performance. Investment performance is our goal. Delivering **growth** on your money, while **protecting the downside**, is the benchmark we set ourselves each year.

COMPLEX ADAPTIVE SYSTEM



INVESTMENT PROCESS



A world map with a dark, textured background, showing continents in shades of green and brown. The map is centered on the Atlantic Ocean, with North and South America on the left and Europe and Africa on the right. The title and list are overlaid on the map.

MACRO/TOP DOWN ANALYSIS

Global Macro Factors for Consideration

1. GDP growth expectations globally
2. Inflation expectations
3. Commodity prices relative to their long term marginal cost of production.
4. Interest Rates expectations
5. Global Bond yields
6. Fiscal Policy – Accommodative or Restrictive?
7. Emerging Markets and China.
8. Market Valuations
9. Geopolitical Risks and Black Swans

Investment Process our THEMES

THEMATIC VIEWS

We have identified investment themes that are shaping the world and will grow in importance in the coming decades:

Population Demographics and Consumption

Luxury
Obesity
Education
Millenials
Longevity
Healthcare

Geopolitical Stress and Urbanization

Pandemics
Food Security
Water Scarcity
Climate change
Asian Super Empire
Waste Management

Technology and Innovation

Robotics
Cyber Security
Energy Efficiency
Internet of Things
Disruptive Technology

FACTOR MODELS

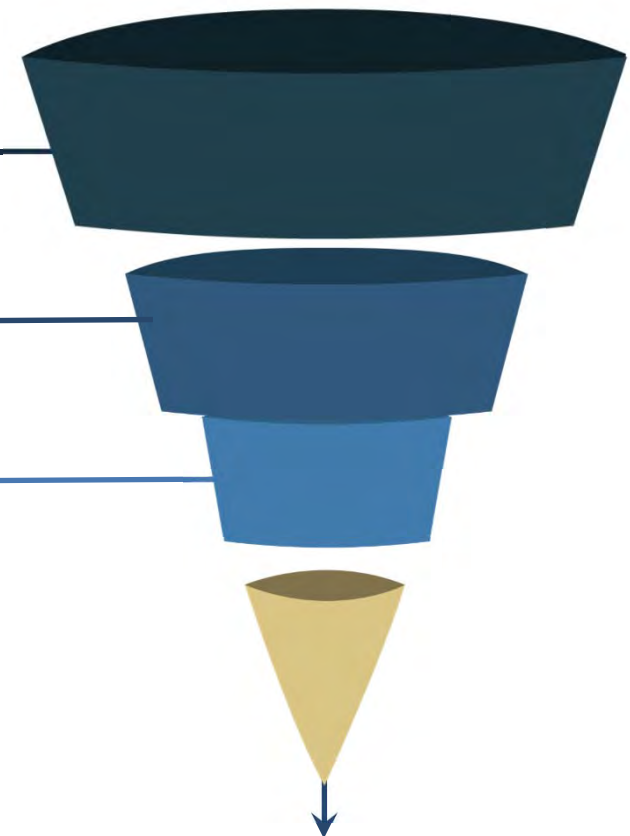
DIRECT FUNDAMENTAL RESEARCH

Quality: Earnings momentum, stability of Operating Margin, Asset Turnover, EV/EBITDA, ROA, ROIC, FCF generation

Value: Forward HEPS and DPS growth expectations (PEG) and relative PE valuation, PEG, P/B, P/S

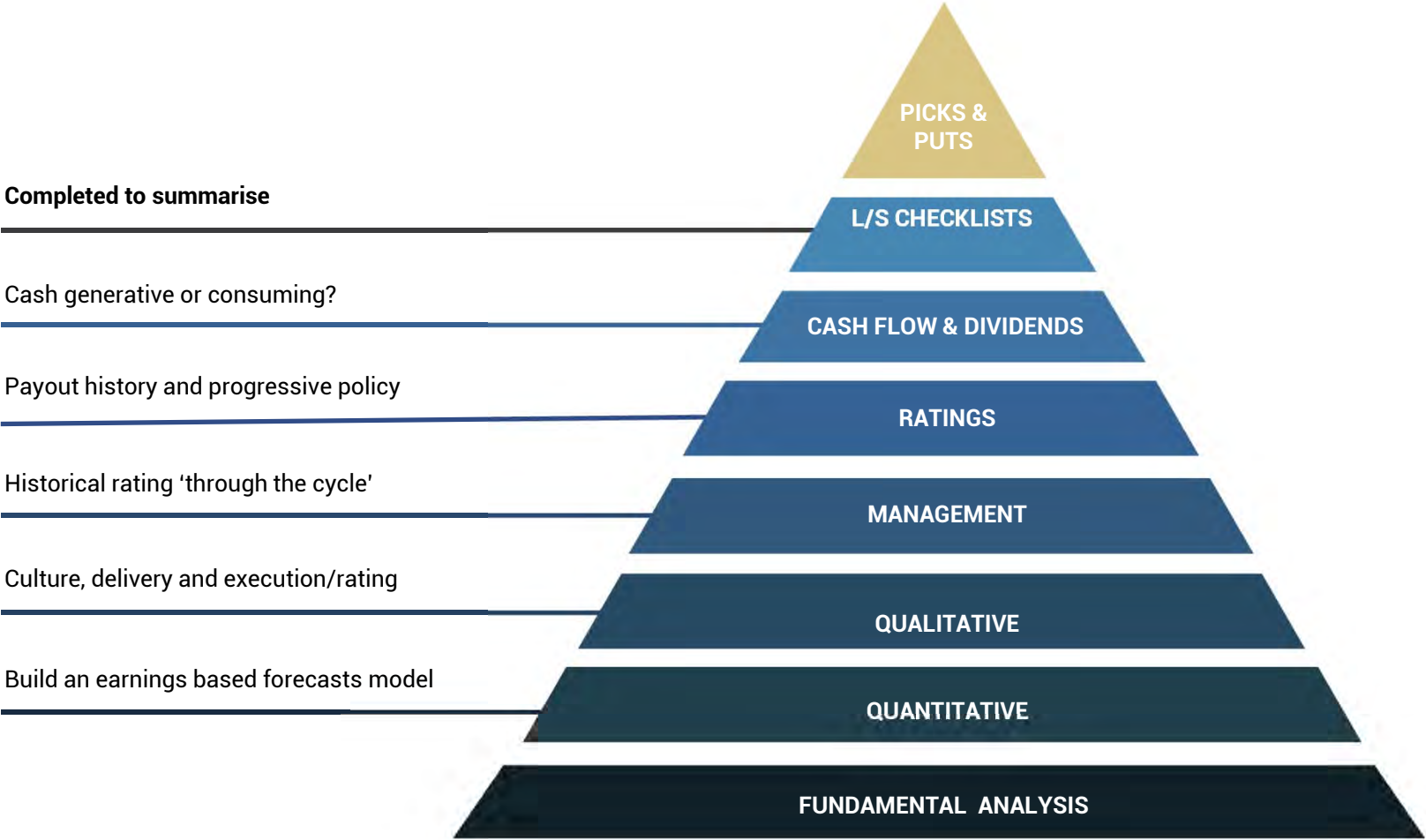
Rank the opportunities as described above from the factor-model output based on company fundamental valuation and quality factors.

- Optimization through **fundamental multi-factor models**
- Unique firm characteristics persistently produced **economic returns** over time
- Quantitative factors modeled across **firm traits** and **risk**
 - Momentum
 - Volatility
 - Balance Sheet
 - Management Strength



Out put of list of stocks

BOTTOM UP FUNDAMENTAL PROCESS



TRADE EXECUTION PROCESS AND CHECKLIST

Potential trade / value unlock catalysts

Current shareholders analysis

Balance Sheet Risks

Income Statement Re-engineering

How is Management Incentivized?

Technical analysis

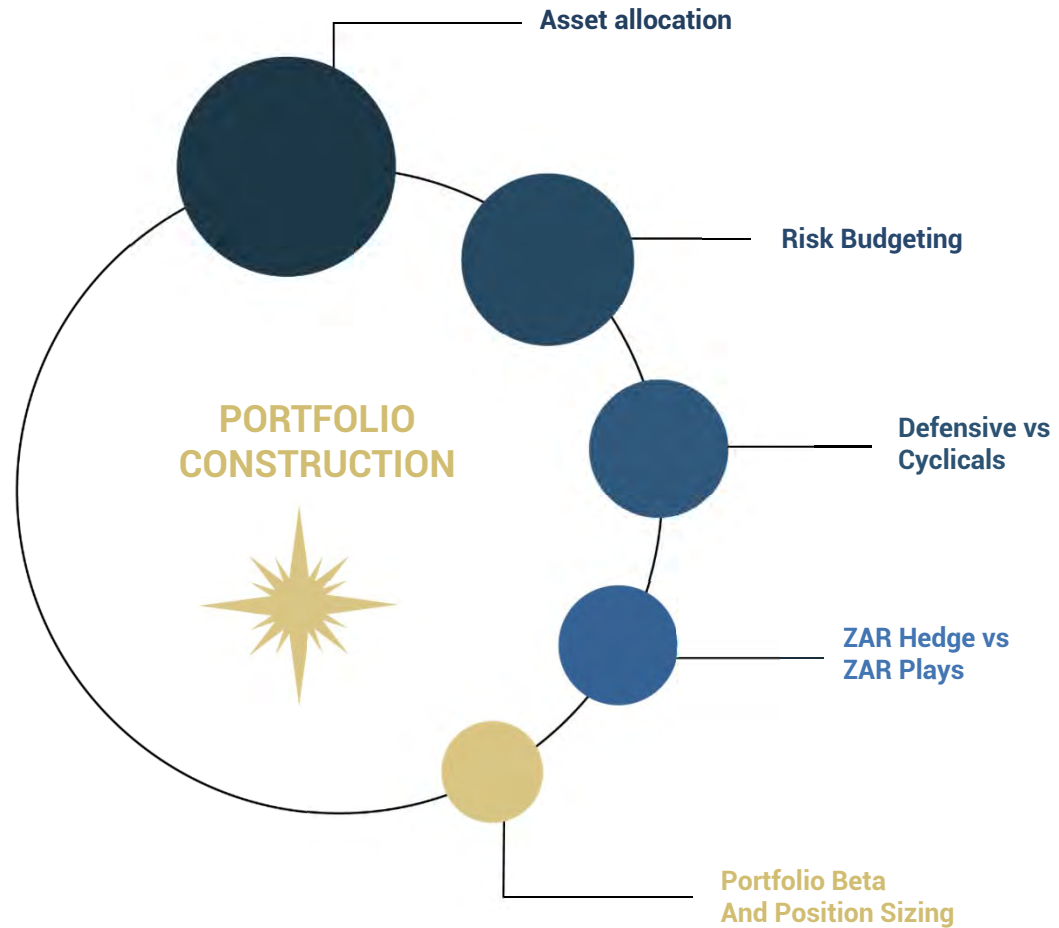
Level of Confidence / Risk Management

Execution

Review of Trade



PORTFOLIO CONSTRUCTION



RISK MANAGEMENT PHILOSOPHY



An iceberg floating in a blue ocean under a cloudy sky. The visible tip of the iceberg is on the right side of the frame. The much larger, submerged part of the iceberg is on the left and bottom, illustrating the concept of hidden risks. The word 'RISK MANAGEMENT' is written in large, bold, yellow and white letters across the top left of the image.

RISK MANAGEMENT

- We utilise a multi-asset risk tool. It offers historical simulation-based VaR (Value at Risk) estimates at custom timeframes and confidence intervals with detailed segment- and stock-level breakdown.
- The estimated dispersion of ex-ante returns is also shown visually, giving instant overview of distribution, including fat tails.
- In addition to VaR, the engine calculates Expected Shortfall (CVaR), Expected Upside and Diversification Grade for all portfolio sectors and constituents.

PORTFOLIO RISK

- Beta
- Gross Exposure

SECTOR RISK

- Ratings through the cycle
- Portfolio tilt

POSITION / PIN RISK

- Position sizing
- Cointegration

INVESTMENT OUTLOOK H2 2018



MACRO/TOP DOWN ANALYSIS

Global Macro Outlook 2018

1. **GDP:** Synchronized global growth acceleration...barring a trade war! Global growth to remain above 2% for foreseeable future, but less synchronized than at start of 2018.
2. **Inflation:** Ticking up... slowly, but could start to rise faster as employment hits a new high.
3. **Commodities:** Oil and commodity prices will stay in a trading range after healthy gains in 2016, but the long run outlook for industrial commodities is still bearish.
4. **Interest Rates:** Low interest rates failed to trigger a vigorous rebound in private credit growth
5. **Bond yields:** These may fall in the near run after their recent sharp rise, but the cyclical trend is up against a backdrop of monetary tightening, fiscal stimulus and rising inflation.
6. **Fiscal Policy:** Time-lags in implementing policy mean that the fiscal plans of president-elect Trump will boost U.S. growth in 2018 more than 2017.
7. **Emerging Markets and China:** Remains an unbalanced and fragile economy but the authorities have enough policy flexibility to avoid a hard landing, at least over the year or two.
8. **Market Valuations:** Global equity markets are modestly overvalued but the conditions are ripe for an overshoot in 2018
9. **Geopolitical Risks:** The biggest global risks relate to US-China relations, especially given president-elect Trump's inclination to engage in China/EM-bashing.

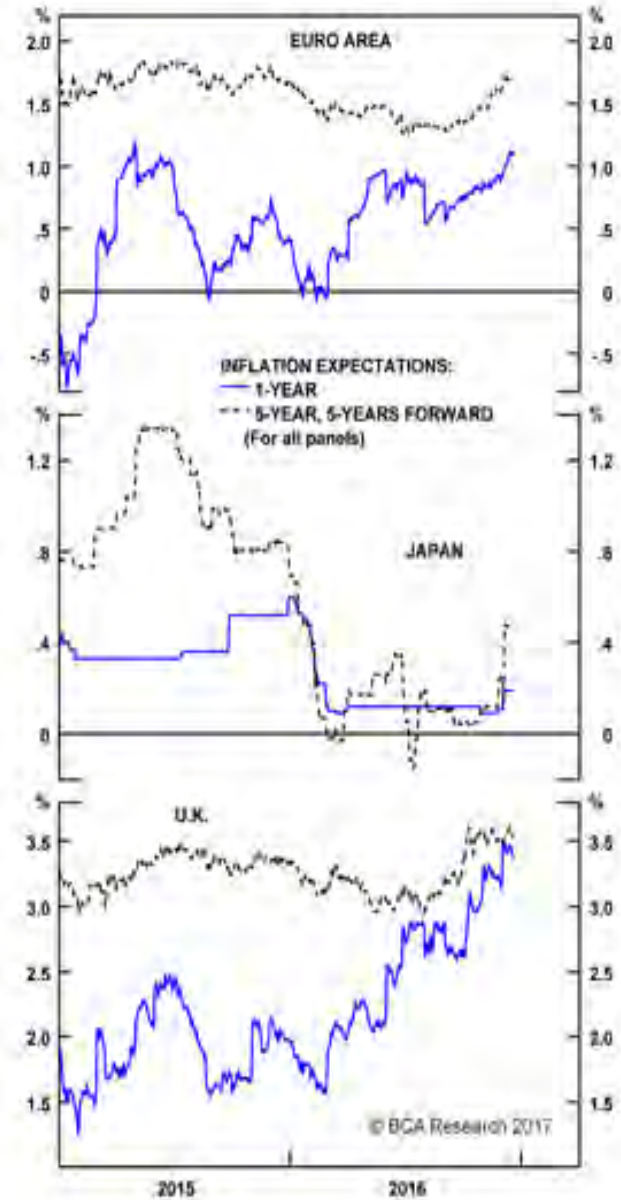
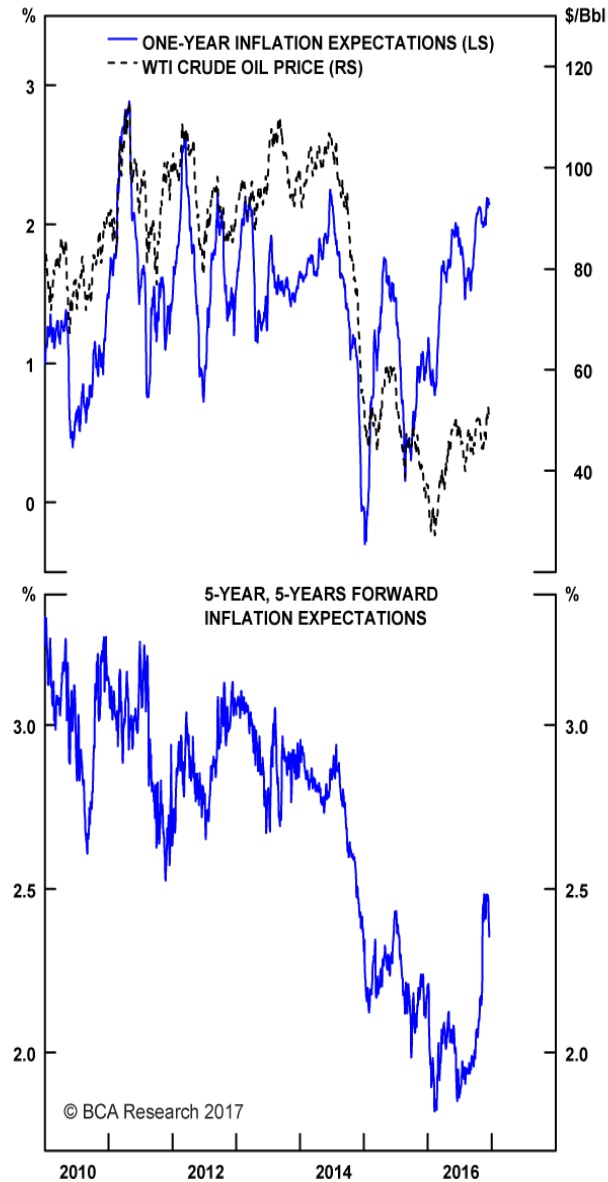
GDP EXPECTATIONS

Synchronized global growth acceleration, but the Eurozone and EM's are still in the midst of a deleveraging cycle and demographics remain a headwind for Japan. Not many countries will follow the U.S. example of fiscal stimulus. Nevertheless, for the first time since the recovery began, global growth forecasts are likely to avoid a downgrade over the next few years.

| | ACTUAL | BLOOMBERG FORECASTS | | IMF FORECASTS | | GM FORECASTS | |
|------------------------------------|--------|---------------------|------|---------------|------|--------------|------|
| | 2017 | 2018 | 2019 | 2018 | 2019 | 2018 | 2019 |
| ANNUAL % GROWTH IN REAL GDP | | | | | | | |
| ADVANCED ECONOMIES | 1,9% | 1,5% | 1,5% | 2,0% | 1,9% | 1,6% | 1,7% |
| U.S. | 2,3% | 1,7% | 1,7% | 2,7% | 2,5% | 2,4% | 2,6% |
| JAPAN | 1,8% | 1,1% | 1,1% | 1,2% | 0,9% | 1,0% | 1,2% |
| AUSTRALIA | 2,4% | 1,8% | 1,8% | 3,0% | 3,3% | 1,8% | 2,1% |
| EUROPE | 1,8% | 1,5% | 1,5% | 1,9% | 1,7% | 1,5% | 1,5% |
| U.K | 1,7% | 1,2% | 1,3% | 1,5% | 1,5% | 1,5% | 1,6% |
| GERMANY | 1,7% | 1,5% | 1,6% | 2,3% | 2,0% | 1,6% | 1,7% |
| FRANCE | 1,2% | 1,3% | 1,4% | 1,9% | 1,9% | 1,2% | 1,4% |
| ITALY | 0,9% | 0,8% | 1,0% | 1,4% | 1,1% | 0,8% | 0,9% |
| SPAIN | 3,3% | 2,5% | 2,1% | 2,4% | 2,1% | 2,3% | 2,0% |
| EMERGING ECONOMIES | 3,5% | 3,3% | 3,8% | 3,7% | 3,8% | 3,4% | 3,7% |
| CHINA | 6,8% | 6,5% | 6,2% | 6,6% | 6,4% | 6,7% | 6,6% |
| BRAZIL | 1,1% | 0,7% | 2,2% | 1,9% | 2,1% | 0,8% | 1,7% |
| RUSSIA | 1,8% | 1,1% | 1,5% | 1,7% | 1,5% | 1,2% | 1,5% |
| INDIA | 6,7% | 6,8% | 7,5% | 7,4% | 7,8% | 7,3% | 7,8% |
| SOUTH AFRICA | 0,9% | 1,2% | 1,6% | 0,9% | 1,0% | 1,0% | 1,1% |
| WORLD | 2,7% | 2,4% | 2,6% | 3,1% | 3,6% | 3,1% | 3,3% |
| G7 INFLATION RATE | 0,8% | 1,8% | 2,0% | 1,7% | 1,9% | 1,9% | 2,1% |

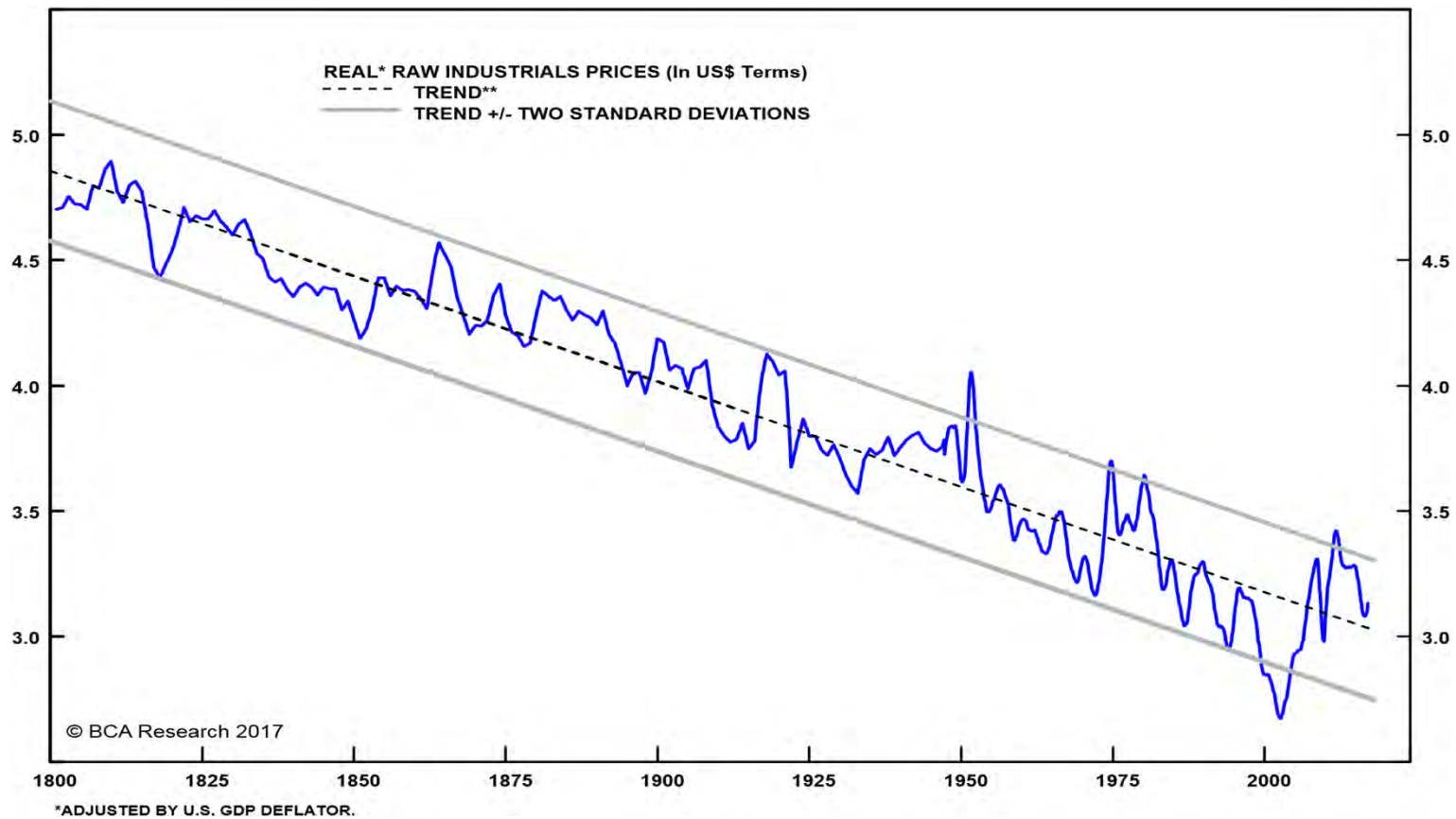
INFLATION EXPECTATIONS

We believe has bottomed in the U.S., but the upturn will be gradual in 2018 and it will stay subdued in the EU and Japan. Divergences in monetary policy between the USA and other developed economies will continue to build in 2018 as the Fed tightens and other central banks stay on hold. Unlike a year ago, the Fed's rate expectations look reasonable.



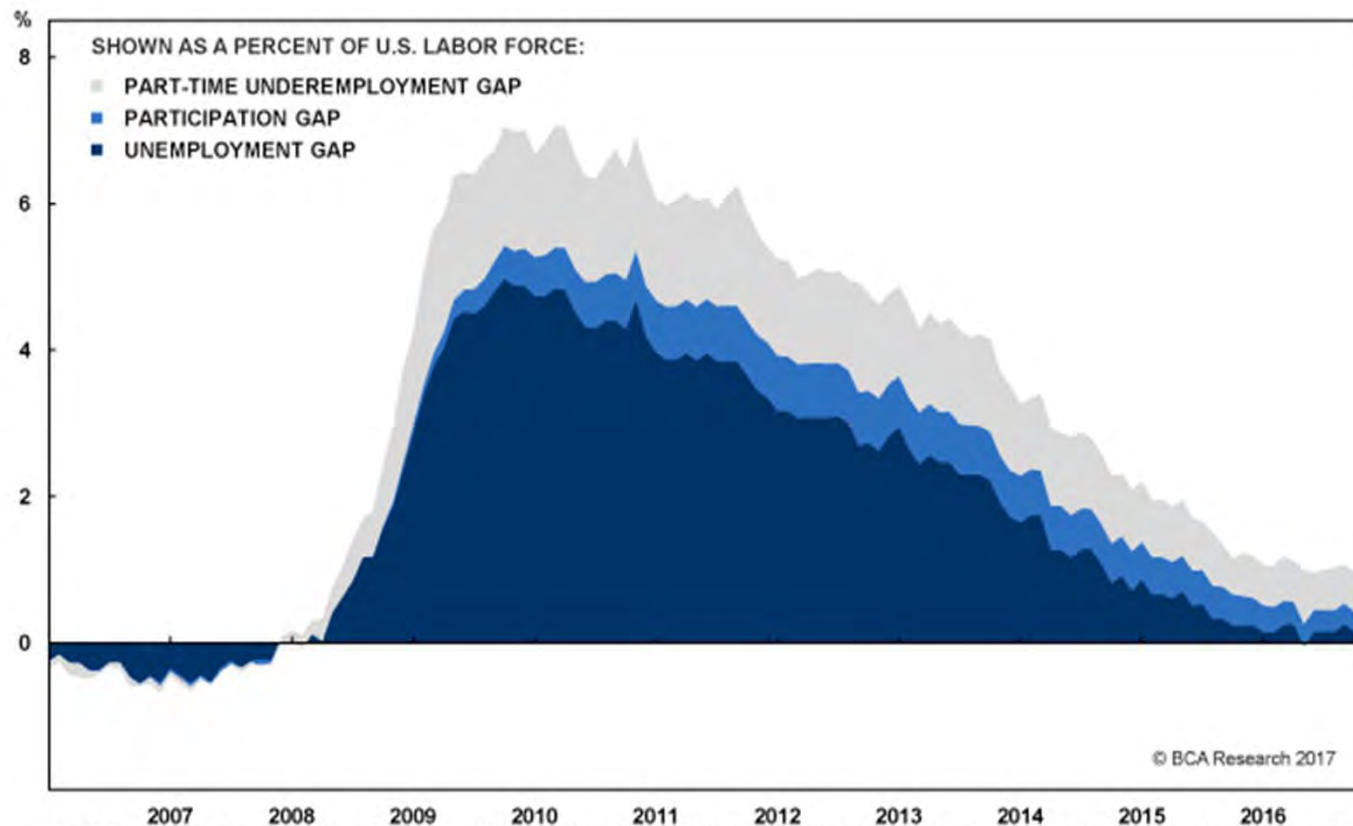
COMMODITIES OUTLOOK

The oil price should average around \$5 a barrel over the next few years, with some risk to the upside. Although shale production should increase, the cutbacks in oil industry capital spending and planned production cuts by OPEC and some other producers will ensure that inventories will have to be drawn down in the second half of 2017. Non-oil commodity prices will stay in a trading range after healthy gains in 2016, but the long run outlook for industrial commodities is still bearish.



INTEREST RATE EXPECTATIONS

The failure of low interest rates to trigger a vigorous rebound in private credit growth is consistent with our end-of-debt super-cycle thesis. The end-point for dealing with high debt levels may ultimately be sharply higher inflation, but only after the next downturn triggers a new deflationary scare. There is no longer any slack in the US employment market and the FED risks running a 'hot economy'.



SOURCE: ANDREW T. LEVIN, "THE DESIGN AND COMMUNICATION OF SYSTEMATIC MONETARY POLICY STRATEGIES," PRESENTED AT THE HOOVER INSTITUTION CONFERENCE ON "FRAMEWORKS FOR CENTRAL BANKING IN THE NEXT CENTURY" (MAY 2014) AND BCA CALCULATIONS.

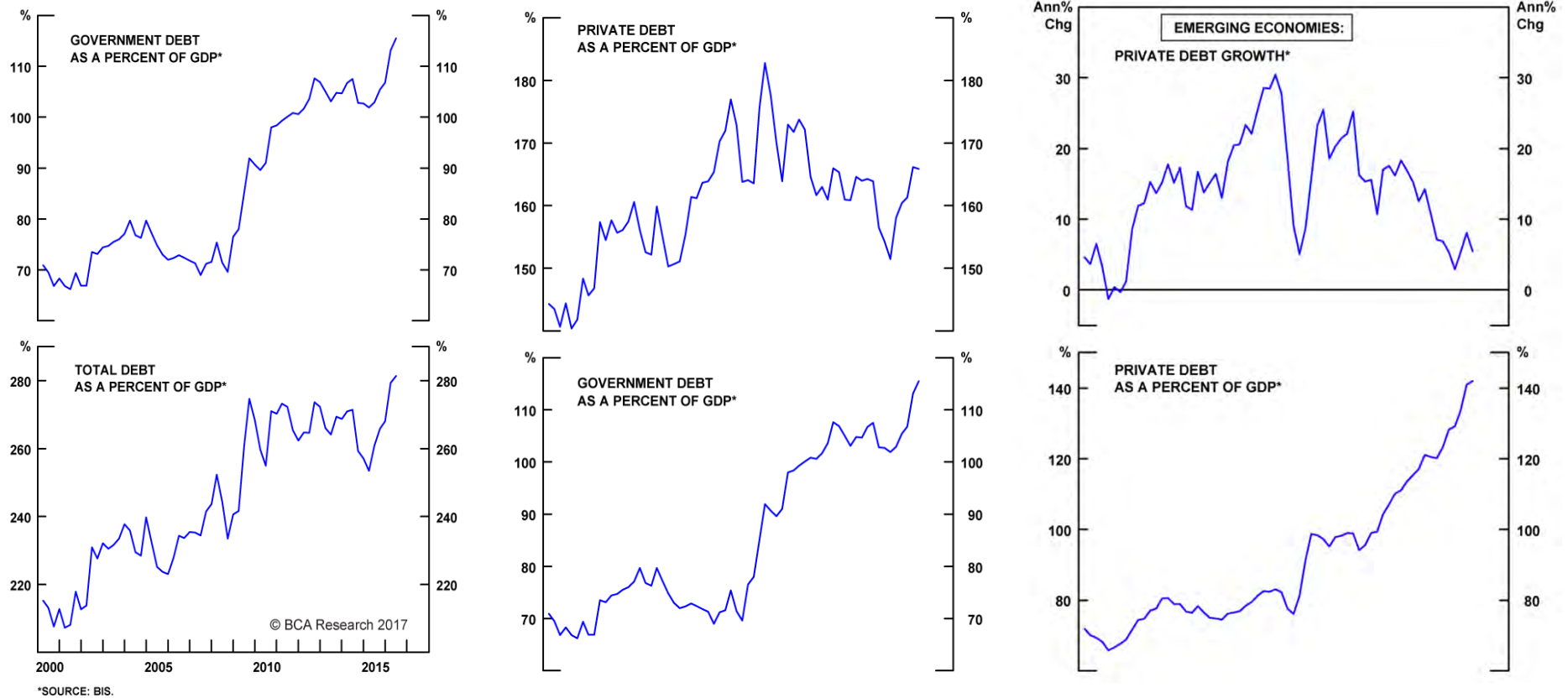
BOND YIELD EXPECTATIONS

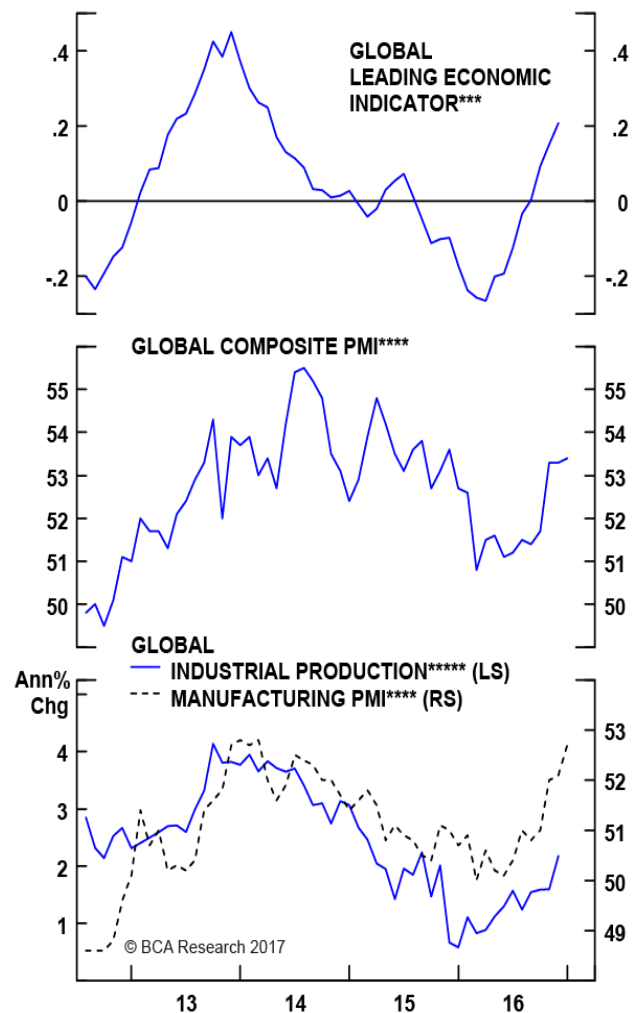
These may fall in the near run after their recent sharp rise, but the cyclical trend is up against a backdrop of monetary tightening, fiscal stimulus and rising inflation. Yields in the Eurozone will be held down by ongoing QE, while the 10-year yield will stay capped at zero in Japan. The secular bull market in bonds is over although yields could retest their recent lows in the next downturn.

| Regional | | Settings | | World Bond Markets | | | | | | | | | | | |
|---------------------|-----|----------------|--|--------------------|--------|--------|-------|-----|-------|-------|-------|--------|--|--|--|
| 91 Bonds | | 92 Spreads | | 93 Curves | | | | | | | | | | | |
| Maturity | | 10 Year | | Data Range 1 Year | | | | | | | | | | | |
| Region | RMI | Security | | Price | Chg | Yld | Chg | Yld | Low | Range | High | 1Y Chg | | | |
| 1) Americas | | | | | | | | | | | | | | | |
| 10) United States | | T 2 7/8 05/28 | | 99-18+ | + 05 | 2.924 | -1.8 | | 2.039 | | 3.111 | +74.2 | | | |
| 11) Canada | | CAN2 06/01/28 | | 97.568c | -0.259 | 2.274 | +2.9 | | 1.389 | | 2.516 | +86.5 | | | |
| 12) Brazil (USD) | | BRAZIL4 5/8 28 | | 92.565 | +0.010 | 5.638 | -0.1 | | 4.217 | | 5.679 | +89.8 | | | |
| 13) Argentina (USD) | | ARGENT5 7/8 28 | | 89.950 | -0.080 | 7.352 | +1.3 | | 5.923 | | 7.829 | | | | |
| 14) Mexico (USD) | | MEX3 3/4 01/28 | | 93.675 | +0.000 | 4.571 | +0.0 | | 3.332 | | 4.604 | +110.7 | | | |
| 2) EMEA | | | | | | | | | | | | | | | |
| 20) United Kingdom | | UKT4 1/4 12/27 | | 126.172 | -0.183 | 1.312 | +1.7 | | .923 | | 1.645 | +27.3 | | | |
| 21) France | | FRTR 0 3/4 28 | | 100.294 | +0.010 | 0.719 | -0.1 | | .579 | | 1.013 | -1 | | | |
| 22) Germany | | DBR0 1/2 02/28 | | 100.913 | +0.099 | 0.404 | -1.0 | | .223 | | .762 | +12.0 | | | |
| 23) Italy | | BTPS 2 02/28 | | 94.961 | -0.918 | 2.610 | +11.2 | | 1.641 | | 3.131 | +34.9 | | | |
| 24) Spain | | SPGB1.4 04/28 | | 100.623 | -0.245 | 1.332 | +2.6 | | 1.146 | | 1.757 | -22.6 | | | |
| 25) Portugal | | PGB2 1/8 10/28 | | 103.476 | -0.372 | 1.755 | +3.9 | | 1.583 | | 3.134 | -125.9 | | | |
| 26) Sweden | | SGBO 3/4 05/28 | | 102.081 | +0.044 | 0.534 | -0.4 | | .358 | | .969 | +11.9 | | | |
| 27) Netherlands | | NETHER0 3/4 28 | | 101.703 | +0.057 | 0.576 | -0.6 | | .374 | | .795 | +7.7 | | | |
| 28) Switzerland | | SWISS 4 04/28 | | 140.506 | -0.097 | -0.097 | +0.7 | | -.241 | | .144 | +14.0 | | | |
| 29) Greece | | GGB3 3/4 01/28 | | 95.027 | +0.002 | 4.391 | +0.0 | | 3.606 | | 5.951 | -153.1 | | | |
| 3) Asia/Pacific | | | | | | | | | | | | | | | |
| 30) Japan | | JGB 0.1 03/28 | | 100.584c | -0.001 | 0.040 | | | -.019 | | .088 | | | | |
| 31) Australia | | ACGB 2 1/4 28 | | 95.904c | +0.048 | 2.722 | -0.6 | | 2.351 | | 2.933 | +33.3 | | | |
| 32) New Zealand | | NZGB 4 1/2 27 | | 113.485c | -0.335 | 2.772 | +4.0 | | 2.680 | | 3.025 | +2.5 | | | |
| 33) South Korea | | KTB2 3/8 12/27 | | 98.525 | +0.114 | 2.692 | -1.2 | | 2.109 | | 2.810 | +52.3 | | | |
| 34) China | | CGB3.85 02/28 | | 101.547 | -0.190 | 3.658 | +2.3 | | 3.473 | | 3.983 | +5.5 | | | |

FISCAL POLICY

Time-lags in implementing policy mean that the fiscal plans of president Trump will boost U.S. growth in 2018 more than 2017. This raises the risk of an overheated economy in 2018 leading to a monetary squeeze and recession in 2019. The key issue will be whether the supply side of the economy expands alongside increased demand and it will be critical to monitor business capex.





* ROLLING 3-MONTH STANDARD DEVIATION OF DATA SURPRISES. SOURCE: CITIGROUP GLOBAL MARKETS INC.

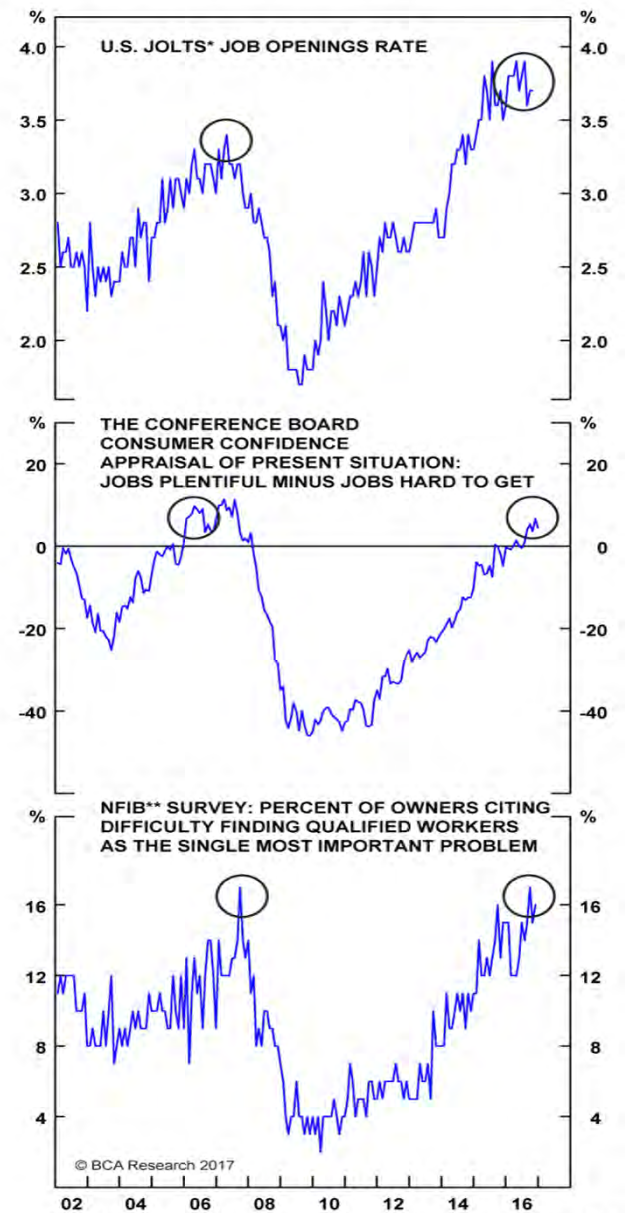
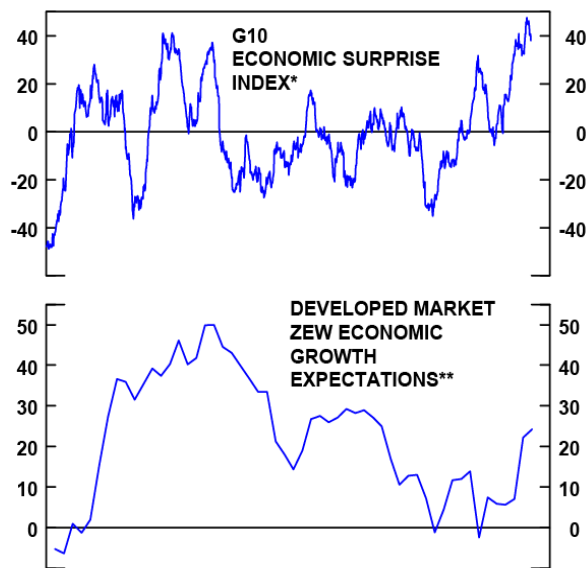
** GDP-WEIGHTED AVERAGE OF THE U.S., JAPAN, GERMANY, FRANCE, IT AND THE U.K. SOURCE: CENTRE FOR EUROPEAN ECONOMIC RESEARCH INCLUDES 40 COUNTRIES, SHOWN AS A DEVIATION FROM TREND, BASED ON BCA CALCULATIONS.

*** SOURCE: J.P. MORGAN / MARKIT ECONOMICS.

**** INCLUDES 40 COUNTRIES, BASED ON BCA CALCULATIONS.

GLOBAL PMI'S

The global economy was in a reflationary sweet spot where deflationary forces were in retreat but fears of excess inflation had yet to surface. Business Activity data are surprising to the upside and concurrently leading economic indicators have turned higher as per the chart on the RHS of the G10 Economic Surprise Index, the German ZEW DM Growth Expectations Index, the Global Leading Indicators and Global Composite PMI. All are trending strongly upwards since H2 2016, but are now starting to flatten and essentially the channel is full.

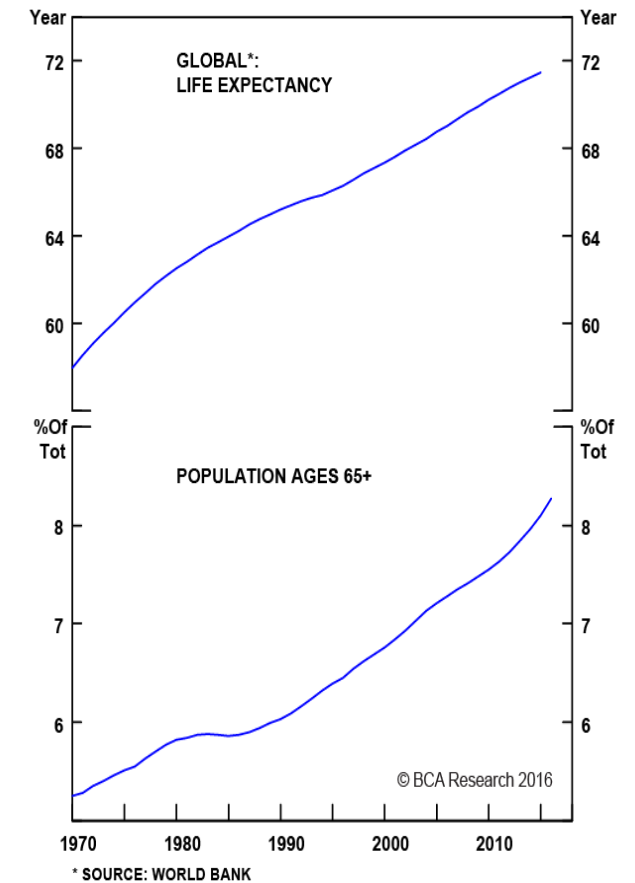
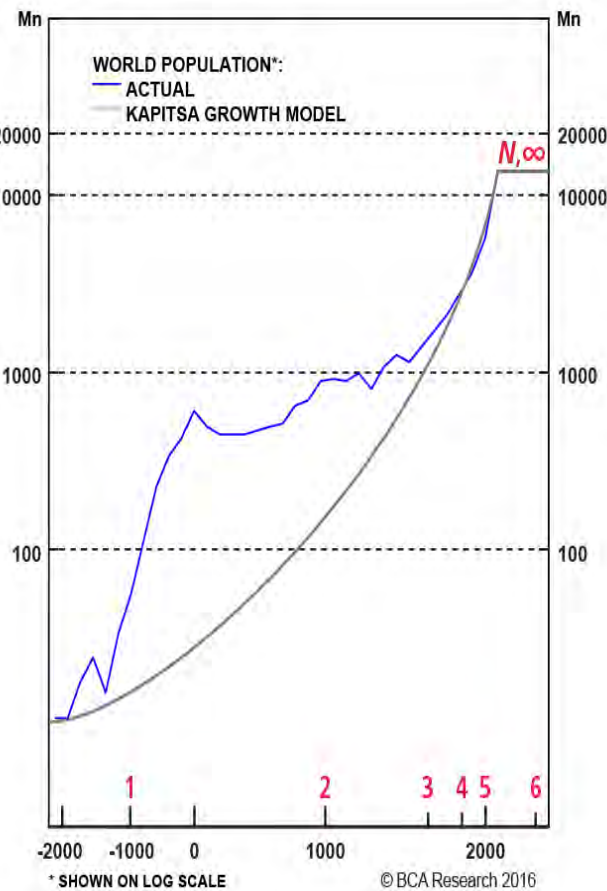


* JOB OPENINGS AND LABOR TURNOVER SURVEY, BUREAU OF LABOR STATISTICS

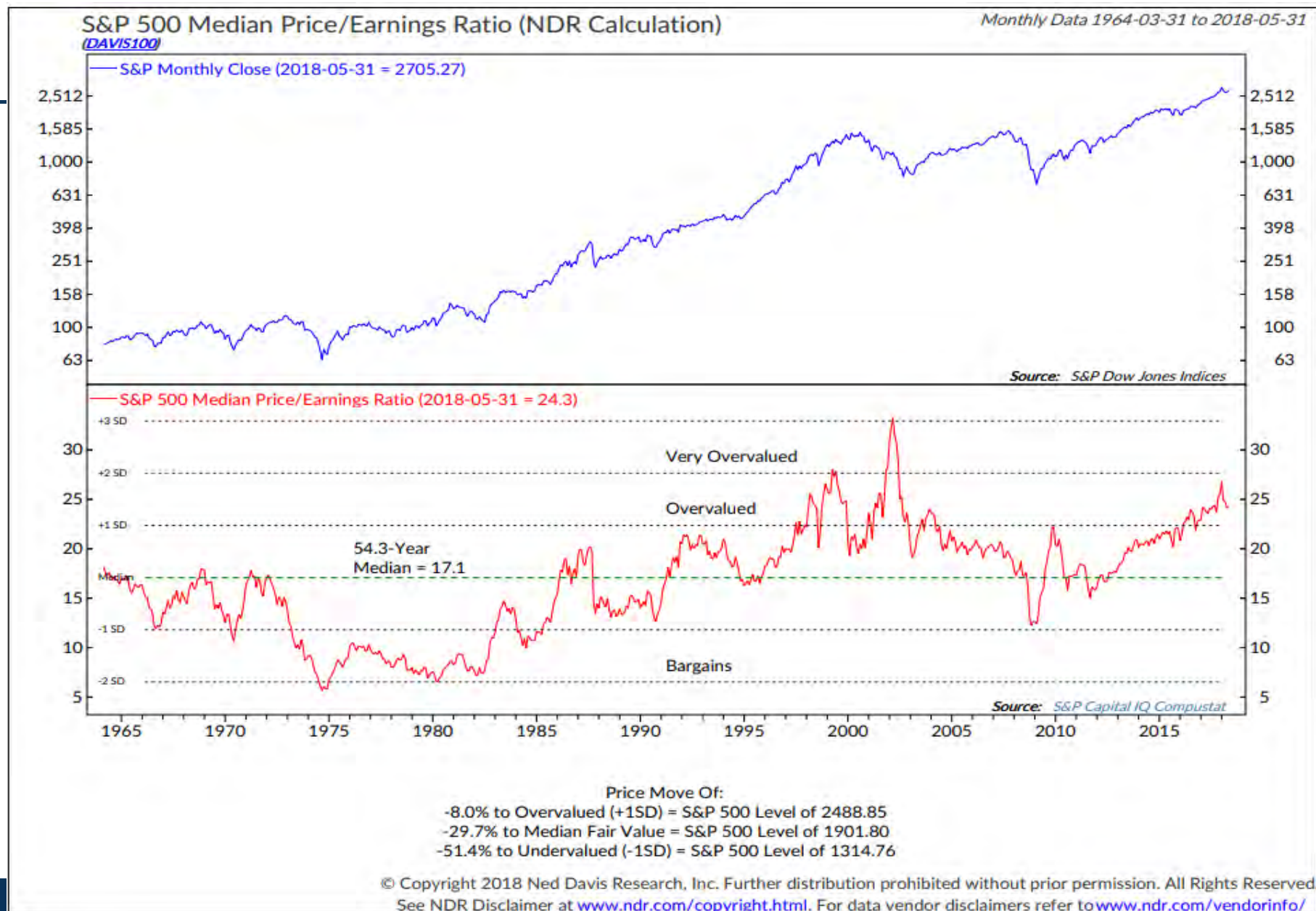
** NATIONAL FEDERATION OF INDEPENDENT BUSINESS.

POPULATION DEMOGRAPHICS



















The global population is peaking and for EM's this means significant changes in economic development models. Commodity super-cycles are coming to an end and technological development will become more disruptive for the "old economy".



DEVELOPED MARKET VALUATIONS



DEVELOPED MARKET VALUATIONS

| World Equity Indices | | | | | | | | | | |
|----------------------|--------------|---|------------|----------|--------|-------|----------|---------|-------|---------|
| News ▾ | Markets Blog | Settings | | | | | | | | |
| Standard ▾ | Movers | Volatility | ✓ Ratios | Futures | Δ AVAT | 10D ▾ | %Chg YTD | USD ▾ | | |
| 1) Americas | RMI | 2Day | Value | Net Chg | %Chg | P/E | Est FY1 | Est FY2 | DvYld | %YtdCur |
| 11) DOW JONES | □ |  | 24813.69 | +178.48 | +0.72% | 18.72 | 16.31 | 15.00 | 2.18 | +0.38% |
| 12) S&P 500 | □ |  | 2746.87 | +12.25 | +0.45% | 20.99 | 17.26 | 15.69 | 1.90 | +2.74% |
| 13) NASDAQ | □ |  | 7606.46 | +52.13 | +0.69% | 23.99 | 22.97 | 19.92 | 1.00 | +10.18% |
| 14) S&P/TSX Comp | □ |  | 16052.24 d | +8.69 | +0.05% | 17.66 | 15.62 | 14.03 | 2.82 | -4.07% |
| 15) S&P/BMV IPC | □ |  | 45243.98 | +230.86 | +0.51% | 19.14 | 15.72 | 13.52 | 2.21 | -10.94% |
| 16) IBOVESPA | □ |  | 78596.06 | +1356.31 | +1.76% | 19.73 | 11.79 | 10.43 | 3.02 | -9.02% |
| 2) EMEA | | | | | | | | | | |
| 21) Euro Stoxx 50 | □ |  | 3488.19 | +18.62 | +0.54% | 15.74 | 13.93 | 12.71 | 3.51 | -3.05% |
| 22) FTSE 100 | □ |  | 7703.37 | -37.92 | -0.49% | 13.77 | 14.02 | 13.24 | 4.09 | -0.78% |
| 23) CAC 40 | □ |  | 5500.94 d | +28.03 | +0.51% | 16.63 | 14.80 | 13.54 | 3.16 | +0.85% |
| 24) DAX | □ |  | 12880.74 | +109.99 | +0.86% | 14.37 | 13.21 | 12.15 | 3.01 | -2.89% |
| 25) IBEX 35 | □ |  | 9781.60 d | +31.30 | +0.32% | 13.99 | 12.74 | 11.80 | 3.84 | -5.15% |
| 26) FTSE MIB | □ |  | 22022.21 | +12.26 | +0.06% | 12.16 | 11.85 | 10.54 | 3.45 | -1.85% |
| 27) OMX STKH30 | □ |  | 1564.46 | -0.27 | -0.02% | 18.24 | 15.38 | 14.29 | 4.40 | -7.34% |
| 28) SWISS MKT | □ |  | 8607.02 | -27.40 | -0.32% | 28.70 | 15.12 | 13.68 | 3.47 | -9.29% |
| 3) Asia/Pacific | | | | | | | | | | |
| 31) NIKKEI | □ |  | 22539.54 d | +63.60 | +0.28% | 17.23 | 16.44 | 14.28 | 1.77 | +1.66% |
| 32) HANG SENG | □ |  | 31093.45 d | +95.47 | +0.31% | 12.84 | 12.19 | 11.04 | 3.39 | +3.49% |
| 33) CSI 300 | □ |  | 3845.32 | +37.74 | +0.99% | 14.69 | 12.86 | 11.17 | 1.90 | -3.05% |
| 34) S&P/ASX 200 | □ |  | 5994.88 | -30.67 | -0.51% | 17.73 | 16.09 | 15.12 | 4.23 | -3.48% |

EMERGING MARKET VALUATIONS

EM markets and ROE's have effectively collapsed with the downturn of the commodity cycle. The experience of the previous cycle of underperformance suggests we could have a drawn-out bottoming process rather than a quick rebound. EM equities look cheap on the basis of relative price-earnings ratios (PER), but the comparison is flattered by the valuations of just two sectors - materials and financials. Valuations are less compelling if you look at relative PERs on the basis of equally-weighted sectors, including industrials and TMT.

| News ▾ | Markets Blog | Settings | Emerging Markets Equity Indices | | | | | | | |
|--|--------------|----------|---------------------------------|------------------|--------|-------|---------|---------|-------|---------|
| Movers ▾ Volatility ▾ Ratios ▾ Futures | | | | %Chg YTD ▾ USD ▾ | | | | | | |
| 1) Asia | RMI | 2Day | Value | Net Chg | %Chg | P/E | Est FY1 | Est FY2 | DvYld | %YtdCur |
| 11) Shanghai Comp | | | 3114.21 | +23.01 | +0.74% | 15.08 | 12.24 | 10.78 | 2.00 | -4.30% |
| 12) S&P BSE SENS... | | | 34903.21 | -108.68 | -0.31% | 22.57 | 18.53 | 15.34 | 1.12 | -2.52% |
| 13) TAIEX | | | 11100.11 | -9.39 | -0.08% | 15.03 | 14.30 | 13.53 | 3.63 | +4.04% |
| 14) KOSPI | | | 2453.76 | +6.00 | +0.25% | 11.75 | 9.50 | 8.80 | 1.78 | -0.88% |
| 2) Eastern Europe | | | | | | | | | | |
| 21) WSE WIG | | | 58735.84d | +529.35 | +0.91% | 12.88 | 11.52 | 10.54 | 2.30 | -12.38% |
| 22) MOEX Russia | | | 2320.76 | -2.88 | -0.12% | 7.29 | 6.10 | 6.08 | 4.92 | +2.14% |
| 23) BIST National ... | | | 98684.00d | -565.80 | -0.57% | 7.79 | 6.91 | 6.09 | 4.57 | -29.69% |
| 24) Prague SE | | | 1076.04d | -3.96 | -0.37% | 13.01 | 13.40 | 13.03 | 5.38 | -3.00% |
| 3) Latin America | | | | | | | | | | |
| 31) IBOVESPA | | | 78596.06 | +1356.31 | +1.76% | 19.73 | 11.79 | 10.43 | 3.02 | -9.02% |
| 32) CHILE SLCT | | | 5558.50 | +87.17 | +1.59% | 20.15 | 16.37 | 14.87 | 2.70 | -2.60% |
| 33) S&P/BMV IPC | | | 45243.98 | +230.86 | +0.51% | 19.14 | 15.72 | 13.52 | 2.21 | -10.92% |
| 34) ARG MERVAL | | | 29036.15 | +599.40 | +2.11% | 39.72 | 7.93 | 8.49 | 2.00 | -27.97% |
| 4) Middle-East/Africa | | | | | | | | | | |
| 41) Tel Aviv 35 | | | 1529.03d | +6.38 | +0.42% | 67.68 | 13.42 | 12.02 | 3.38 | -1.46% |
| 42) Tadawul All | | | 8376.08d | +40.69 | +0.49% | 18.88 | 15.72 | 14.05 | 3.21 | +15.92% |
| 43) FTSE/JSE All | | | 57623.64 | -247.25 | -0.43% | 18.23 | 14.89 | 13.46 | 3.22 | -5.38% |
| 44) DFM General | | | 3044.77 | +10.13 | +0.33% | 9.80 | 8.23 | 7.40 | 5.56 | -9.65% |

| From | | To | Timing |
|--|---|---|---------|
| Rising PMIs | ➡ | Falling PMIs | Now |
| Sideways inflation | ➡ | Rising inflation | Now |
| Inflation below the Fed's target | ➡ | Inflation at the Fed's target | Now |
| Positive US policy catalysts | ➡ | Lack of US policy catalysts | Now |
| Market outperforms the economy | ➡ | Economy outperforms market | Now |
| Risk parity trades do well | ➡ | Risk parity trades struggle | Now |
| Govt. bonds diversify well | ➡ | Govt. bonds diversify poorly | Now |
| Fixed Income expensive, but with good momentum | ➡ | Fixed income expensive with poor momentum | Now |
| Persistent sector leadership | ➡ | Lack of sector leadership | Now |
| Growing CB balance sheets | ➡ | Shrinking CB balance sheets | 3Q18 |
| Fed funds below neutral rate | ➡ | Fed funds at/above neutral rate | 3Q18 |
| Rising US estimates / EPS growth rate | ➡ | Peak in US estimates / EPS growth rate | 3Q18 |
| MS cycle model rising | ➡ | MS cycle model peaking | 4Q18(?) |

Source: Morgan Stanley Research

THEMATIC VIEWS

We have identified investment themes that are shaping the world and will grow in importance in the coming decades

Population Demographics and Consumption

Luxury
Obesity
Education
Millenials
Longevity
Healthcare

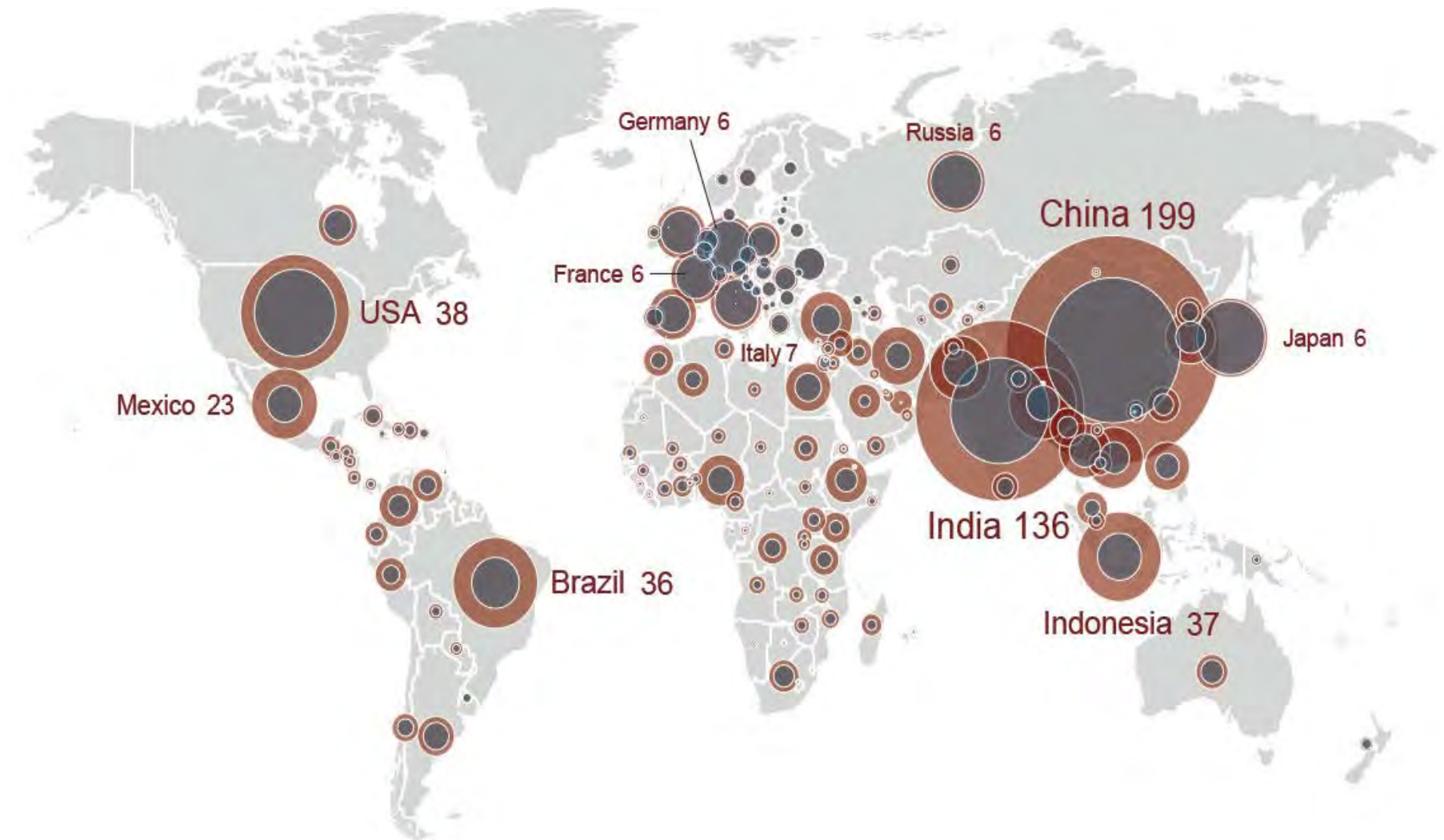
Geopolitical Stress and Urbanization

Pandemics
Food Security
Water Scarcity
Climate change
Asian Super Empire
Waste Management

Technology and Innovation

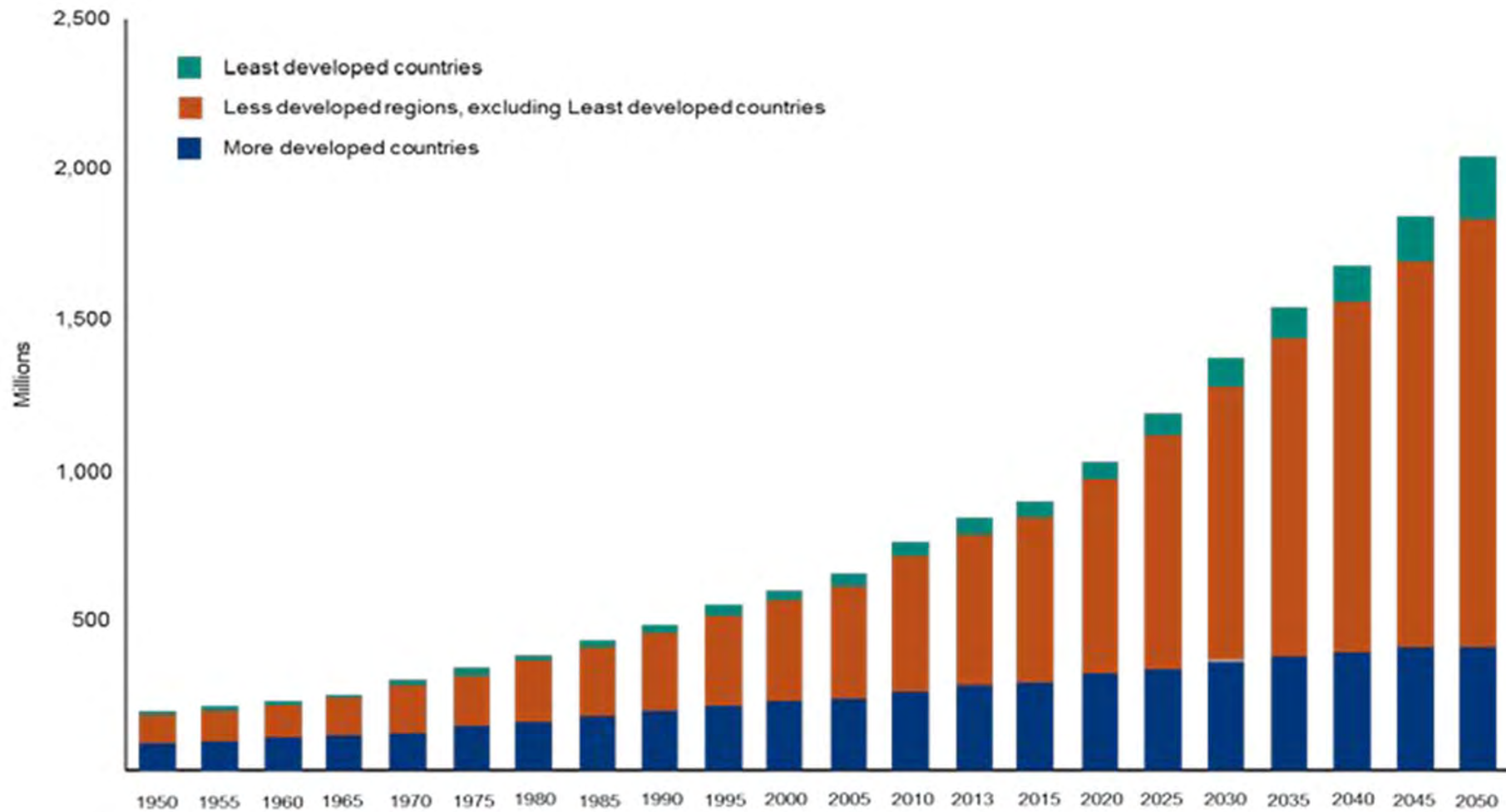
Robotics
Cyber Security
Energy Efficiency
Internet of Things
Disruptive Technology

LONGEVITY: THE SILVER DOLLAR

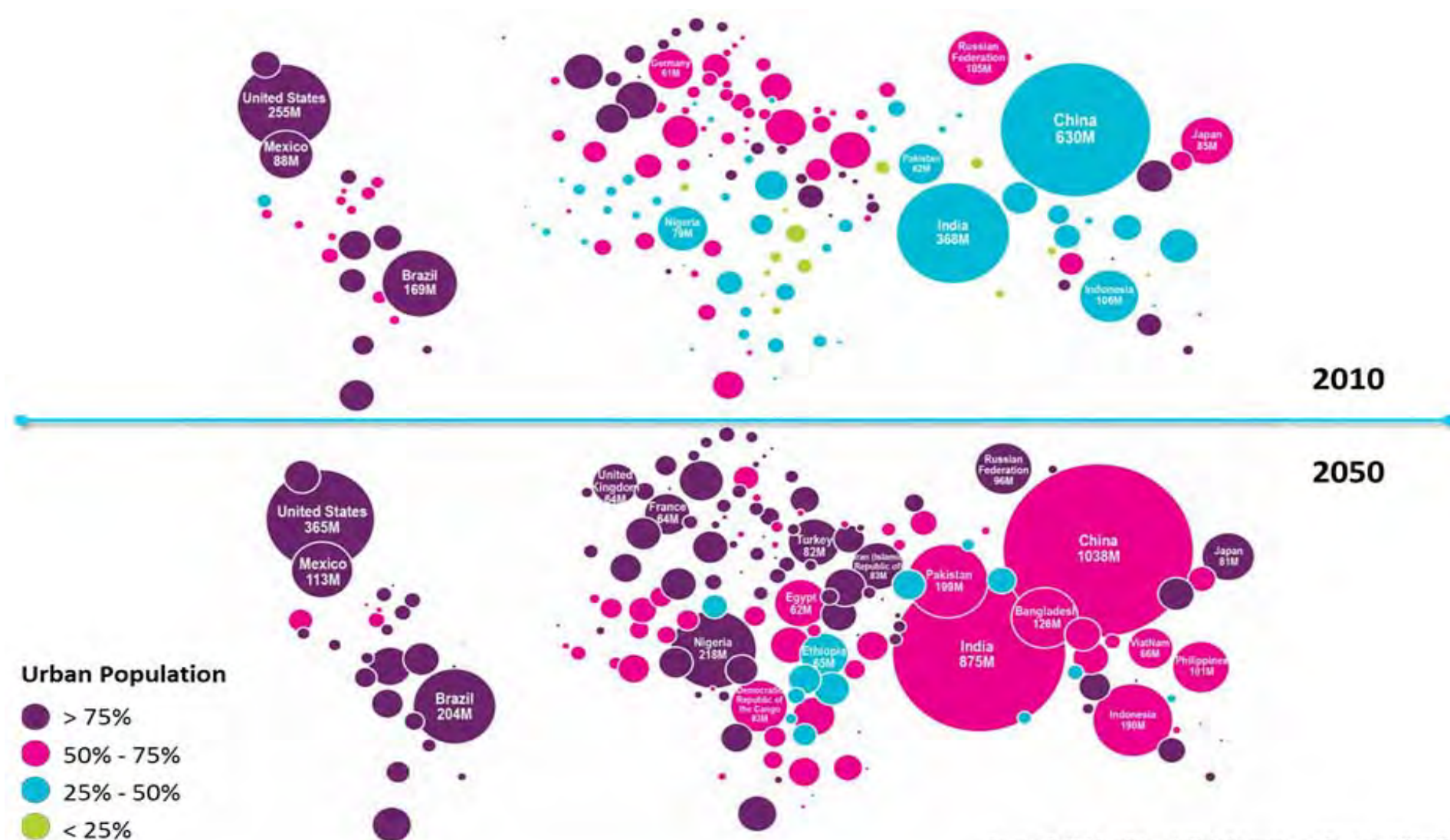


GLOBAL 60+ POPULATION: 1950-2050

32



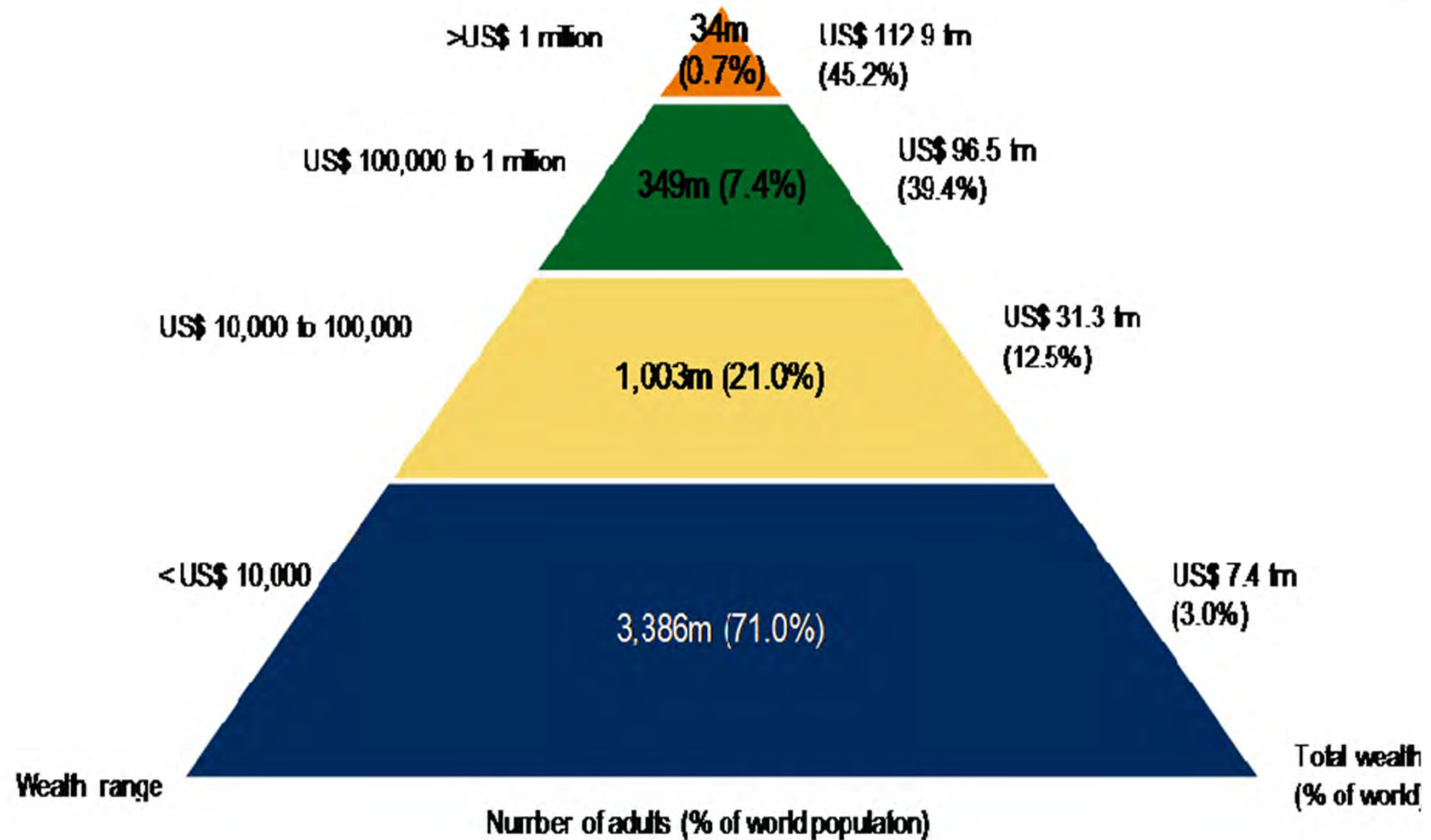
URBANISATION BOTTOM BILLIONS



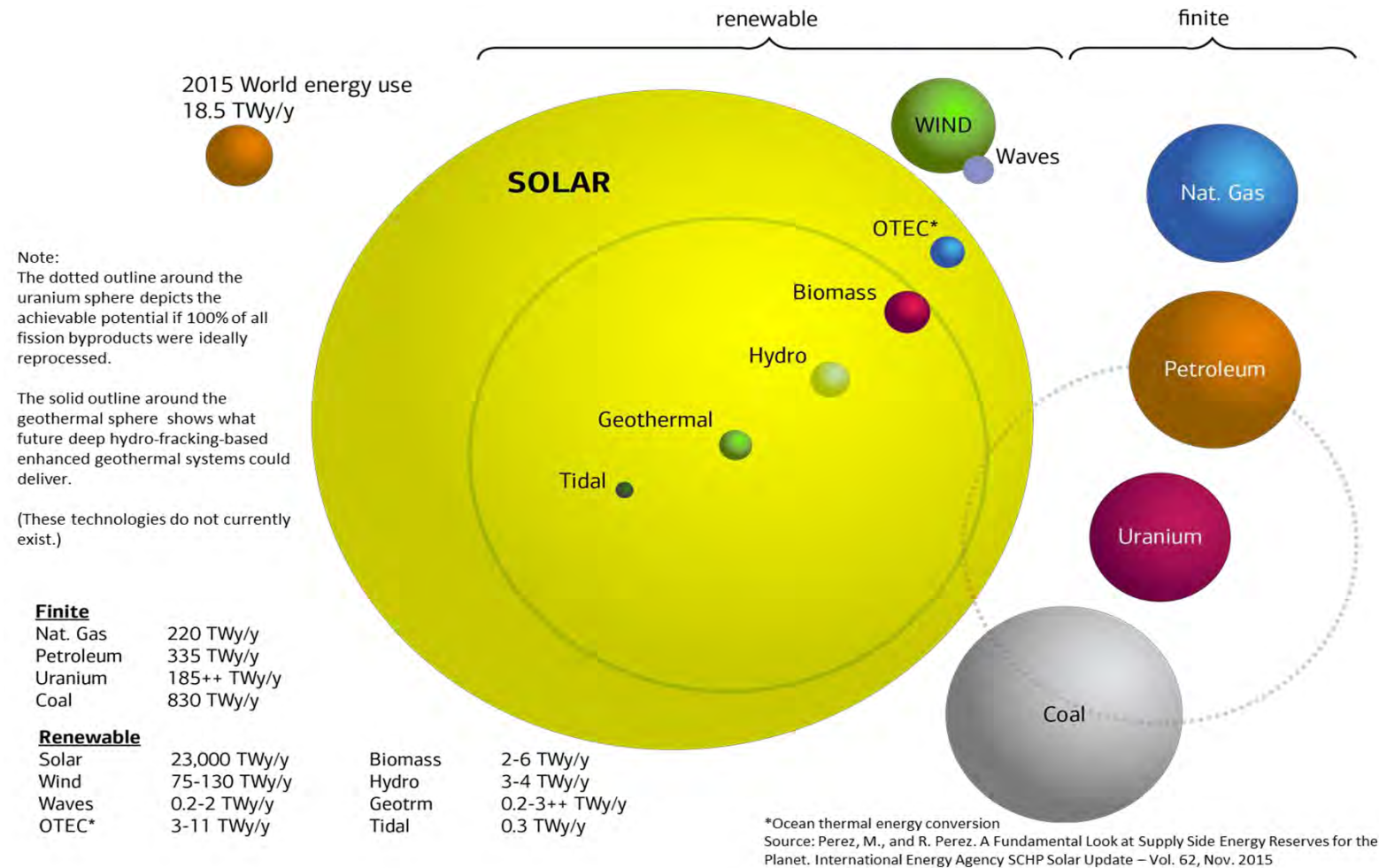
Source: BofA Merrill Lynch Global Investment Strategy, UNICEF

THE 4.5BN AT THE BASE OF THE PYRAMID

34

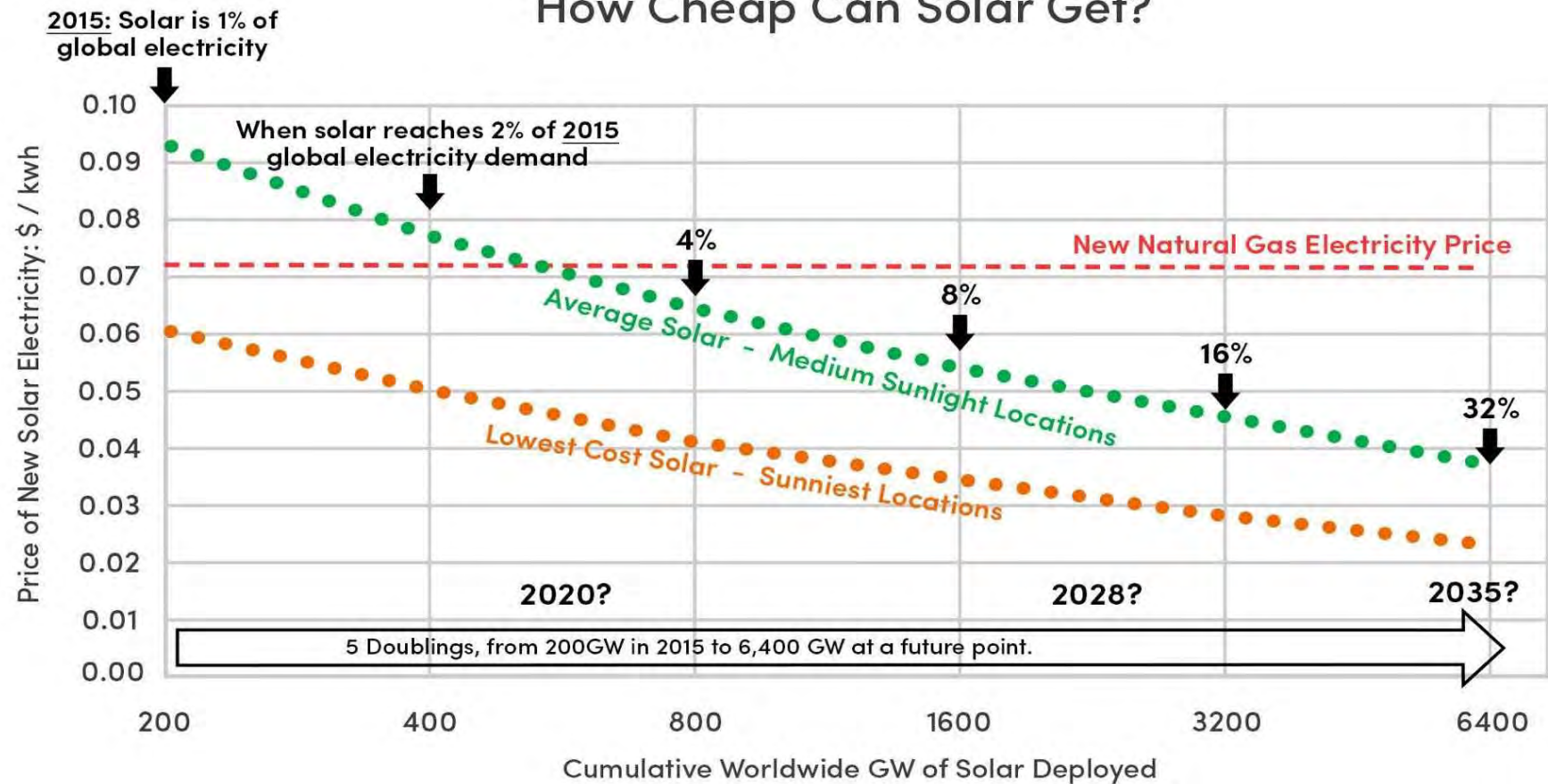


ENERGY EFFICIENCY



LIMITLESS CLEAN ENERGY

How Cheap Can Solar Get?



ELECTRIC VEHICLES

Battery Price Trend

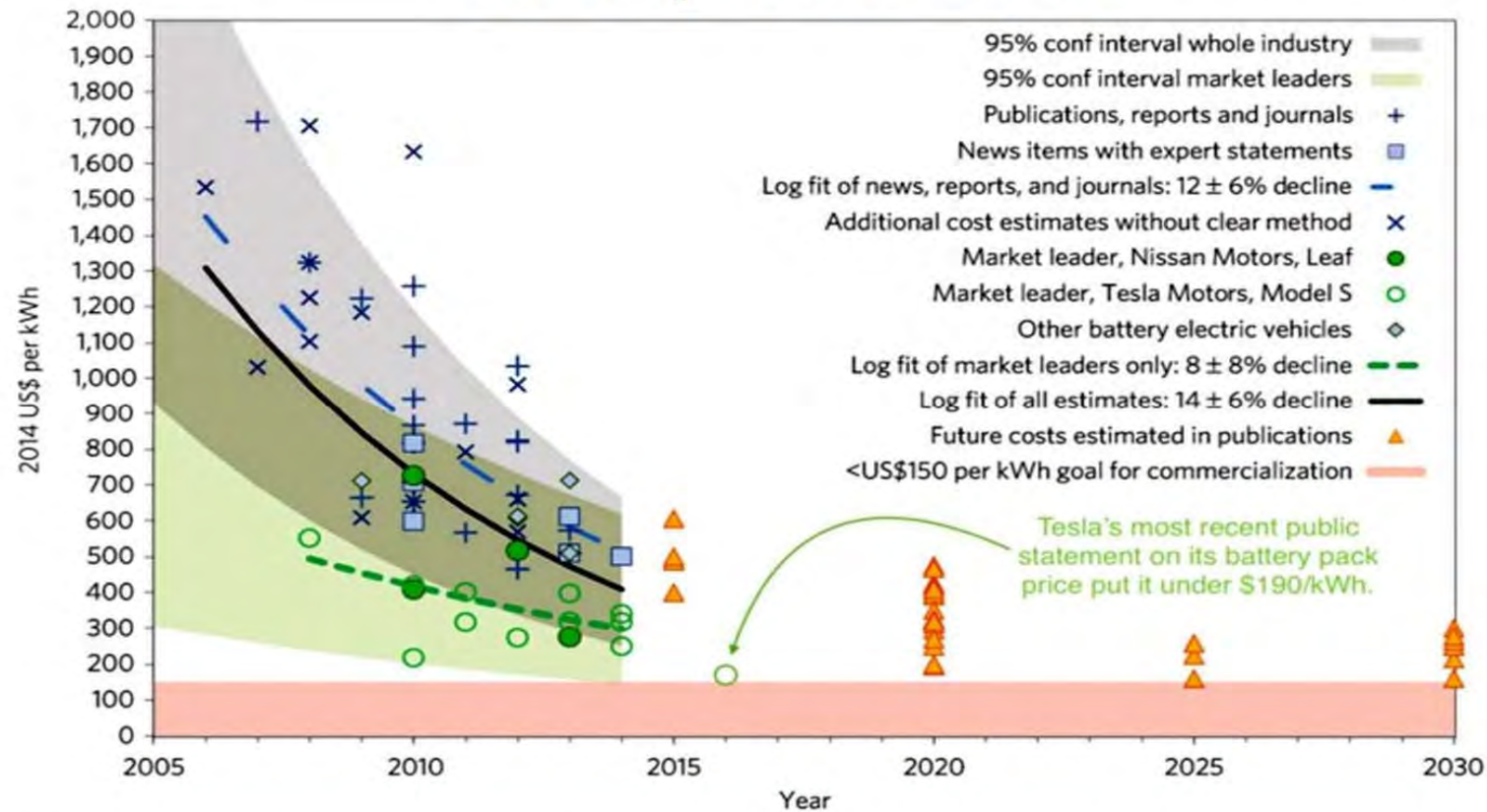
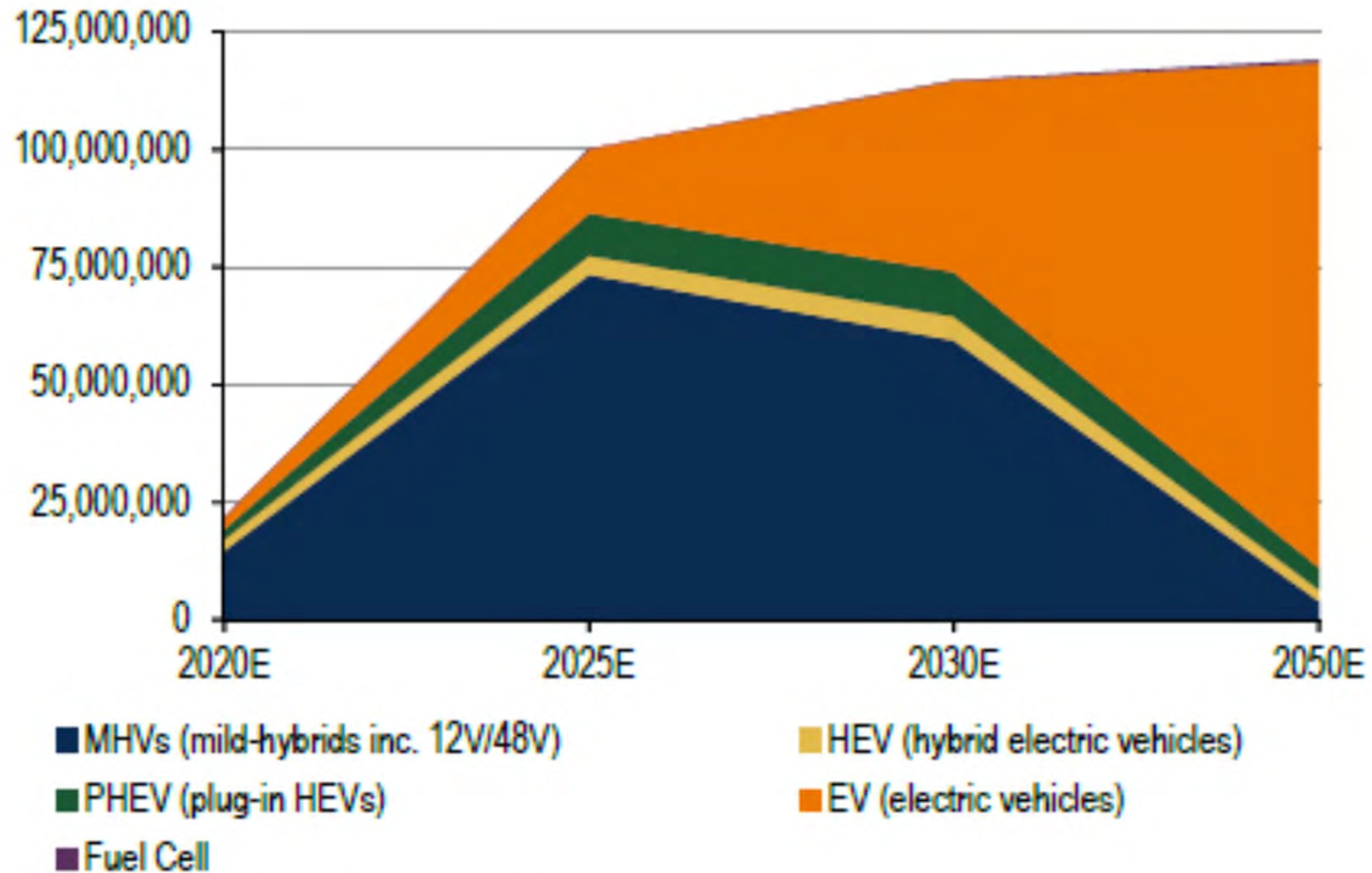


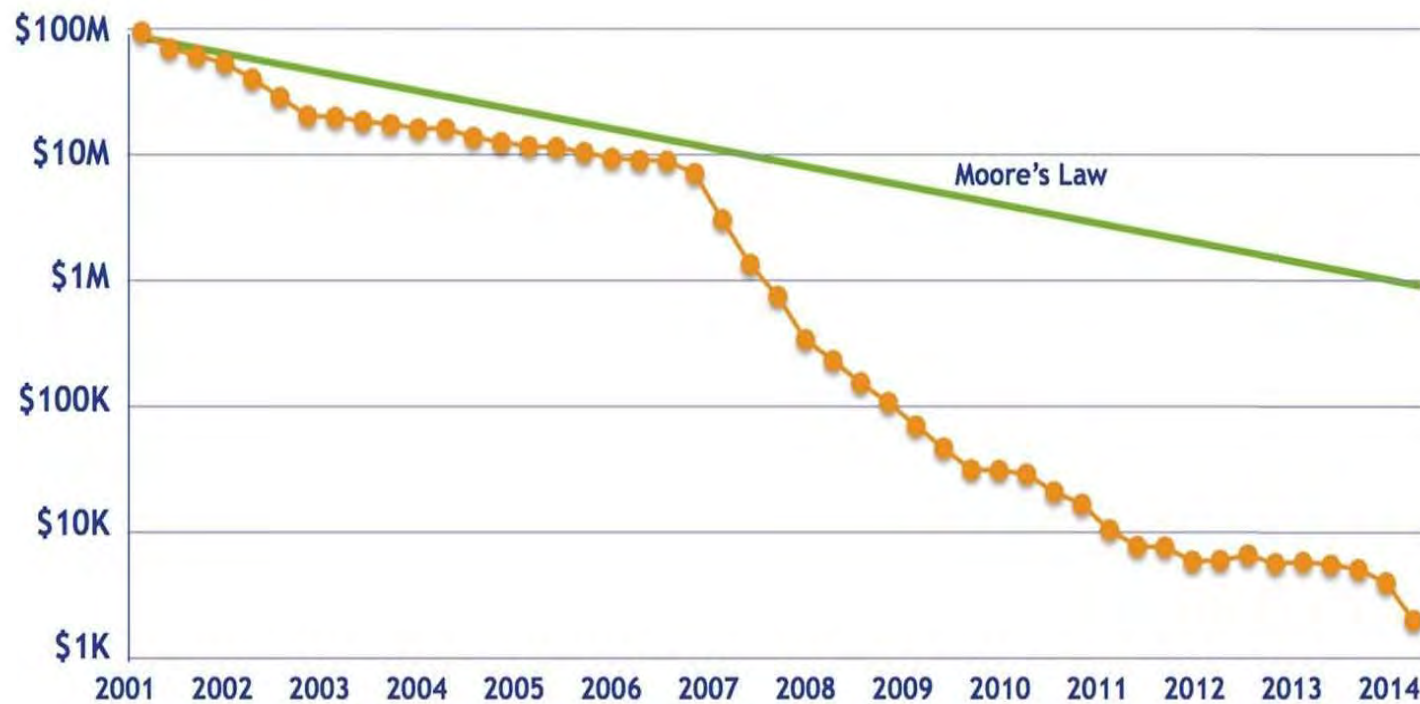
Chart by Nykvist et al. (2015), with modification to add the latest Tesla battery price statement.

EV'S TO CONTINUE GROWING AND ACCOUNT FOR 90% OF VEHICLE SALES BY 2050



Source: IHS BofA Merrill Lynch Global Research estimates

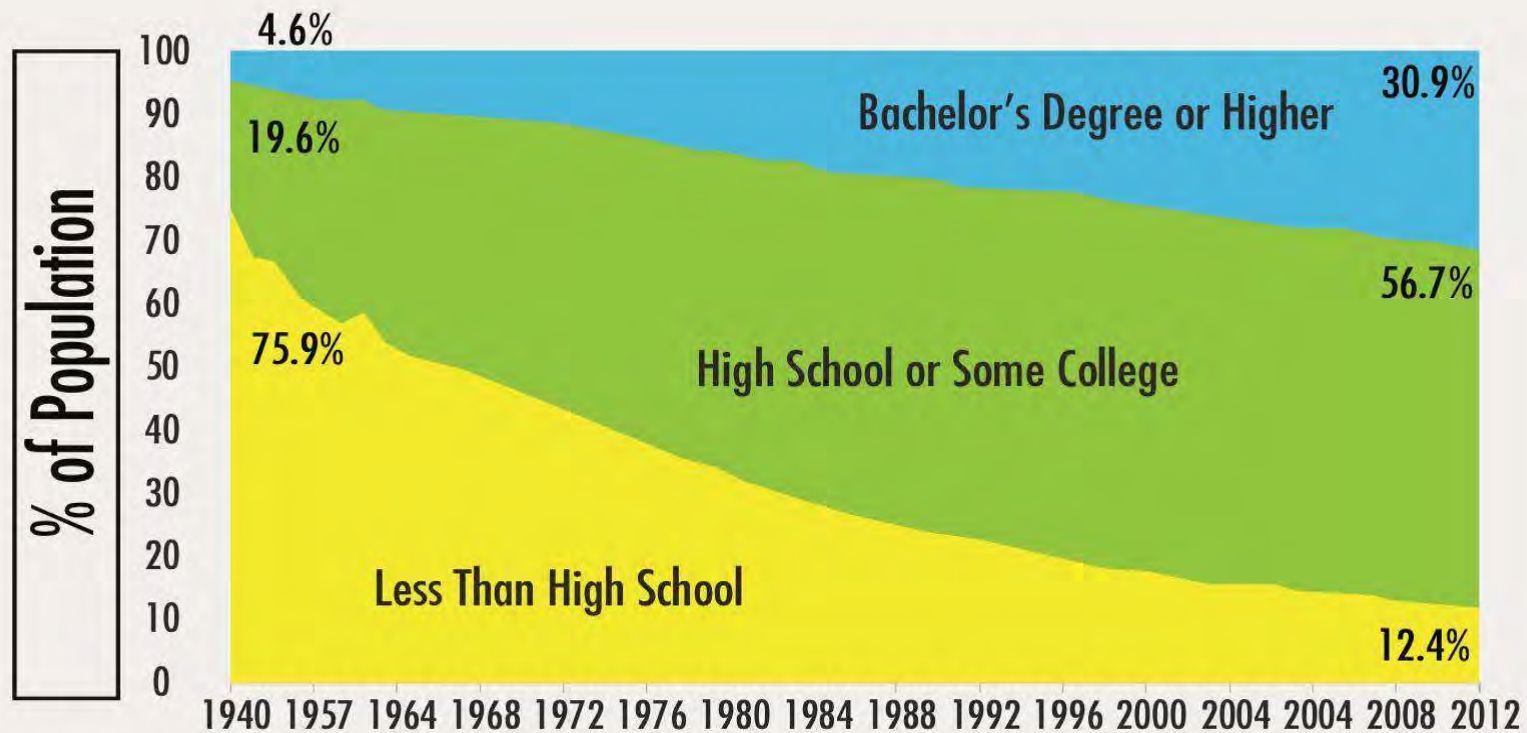
Cost of Sequencing a Genome



Source: National Human Genome Research Institute

EDUCATION TAKING CENTRE STAGE

Percent of Population Age 25 and Over by Educational Attainment 1940-2012



Source: U.S. Census Bureau, Annual Economic Supplement — Current Population Survey

NEURAL MAPPING COGNITIVE TRAINING



Source: Laboratory of Neuro Imaging and the Athinoula A. Martinos Center for Biomedical Imaging, Consortium of the Human Connectome Project

Globesity: A Preventable Disease

Overweight and Obesity
in Adults (Ages 15-100)

Obese BMI $\geq 35 \text{ kg/m}^2$
Overweight BMI $\geq 30 \text{ kg/m}^2$

35% of our daily caloric intake comes from restaurant food and coincidentally, the US is the biggest Big Mac consumer in the world.



Underweight
BMI $< 18.5 \text{ kg/m}^2$

Normal Range
BMI 18.5-24.9 kg/m^2

Overweight
BMI 25-30 kg/m^2

Class I Obesity
BMI 30-34.9 kg/m^2

Class II Obesity
(aka Morbid Obesity)
BMI 35-39.9 kg/m^2

Class III Obesity
BMI 40-49.9 kg/m^2

Class IV Obesity
BMI $> 50 \text{ kg/m}^2$

The Body Mass Index (BMI) is a guide to show what weight you should be for your height. It works on a scale with a range from 20 - 25 and any score within this range is acceptable. A score or BMI of less than 20 indicates the person is underweight. A BMI of 25 - 30 indicates the person is overweight. A BMI of more than 30 indicates the starting of obesity, from slight obesity at the lower 30's up to very obese at BMI's of 40 plus.

Airlines spent \$275 million on 350 million additional gallons of fuel in 2000 to compensate for the additional weight of their passengers. Now we know why the peanuts are no longer free!

MAYDAY!
We're going down!

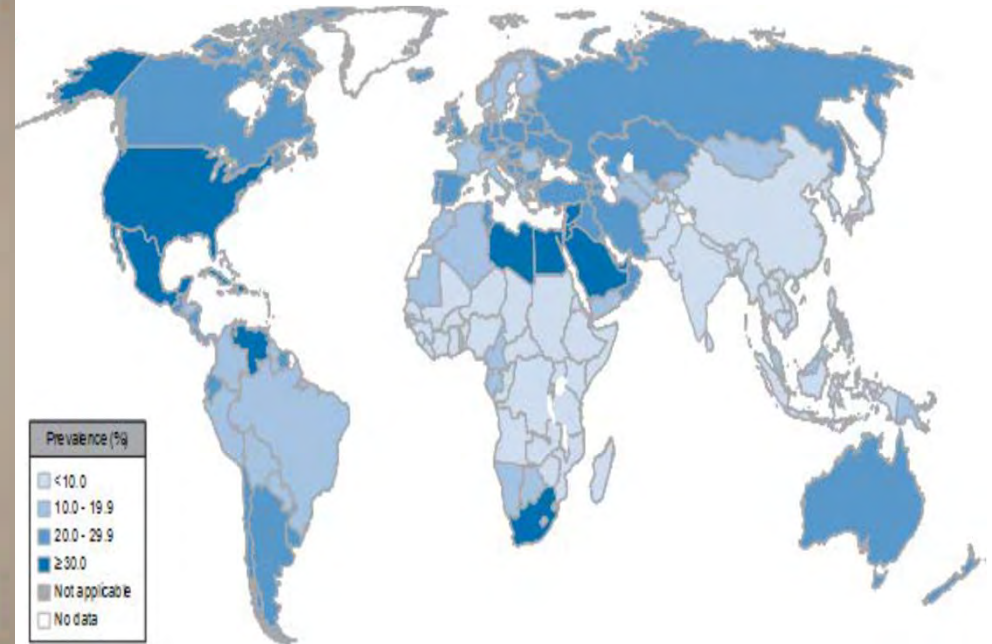
Average BMI
in Relation to Diet

VEGANS - 23.6 kg/m^2

VEGETARIANS - 26.3 kg/m^2

NONVEGETARIANS - 28.8 kg/m^2

GLOBESITY



More than one in ten of the world's adult population is obese.

Women are more likely than men to be obese in all age groups.



95% of people who diet to lose weight put it back on within two to three years

Approximately 50% of U.S. dogs and cats are overweight or obese.



Obesity Related Diseases

80% of type II diabetes related to obesity

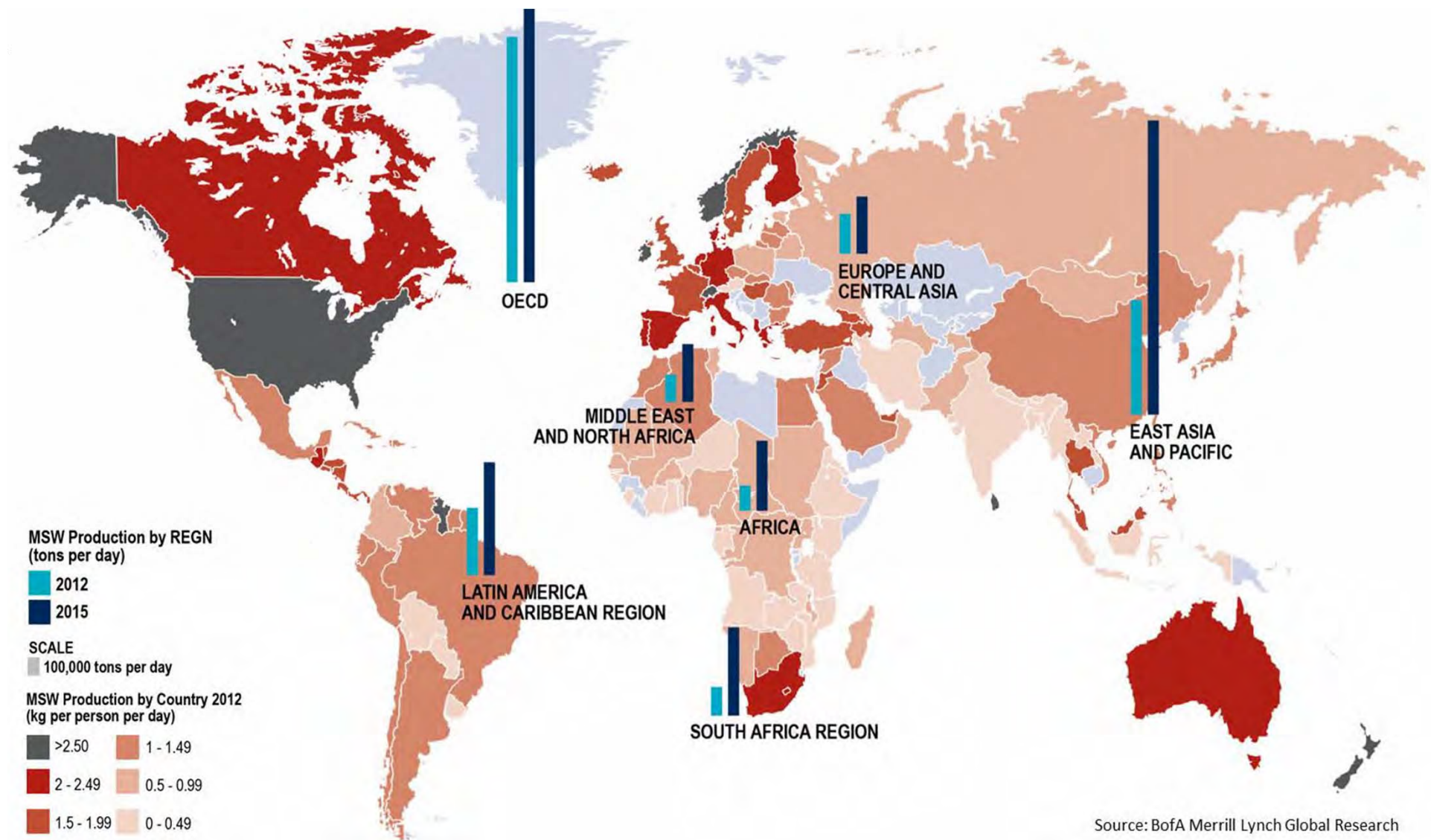
70% of Cardiovascular disease related to obesity

42% breast and colon cancer diagnosed among obese individuals

30% of gall bladder surgery related to obesity

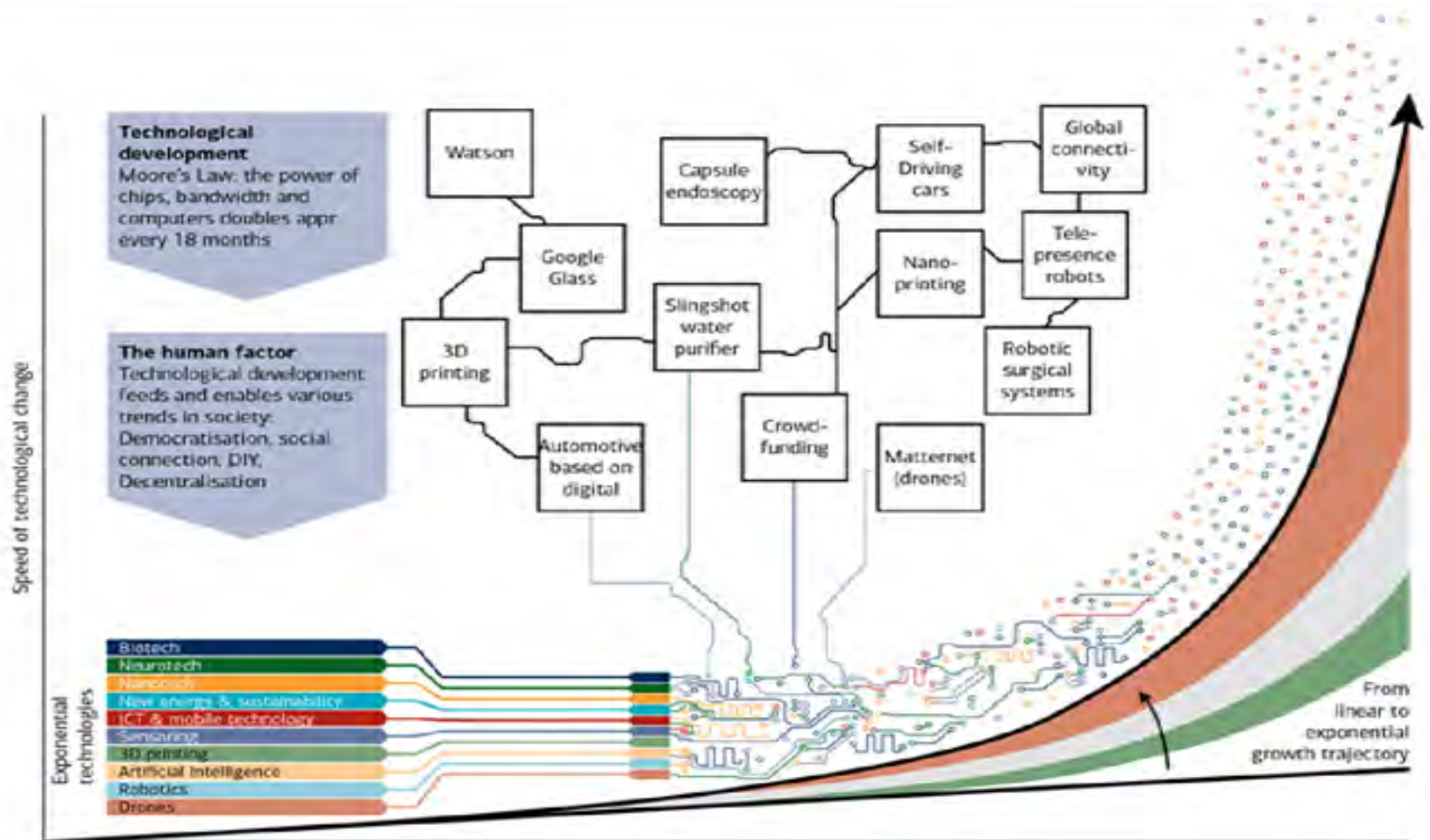
26% of obese people having high blood pressure

WASTE



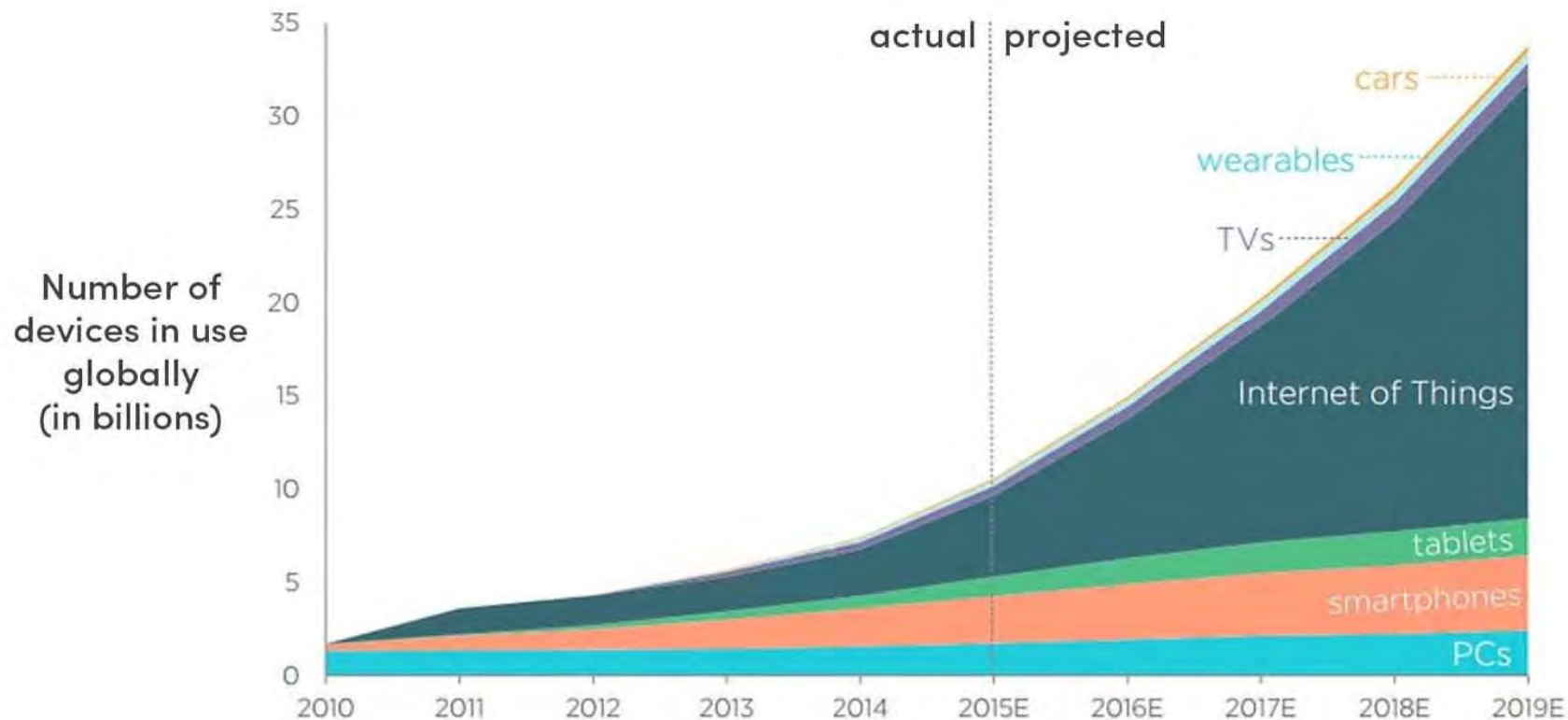
Source: BofA Merrill Lynch Global Research

DISRUPTIVE TECHNOLOGY



INTERNET OF THINGS IoT

Internet of Everything: Devices in Use Globally



Source: John Greenbrough, "The Internet of Everything 2015", Business Insider Intelligence, Adam Thierer and Andrea Castillo, Mercatus Center at George Mason University, 2015.

ROBOTICS AUGMENTED REVOLUTION

US\$152.7bn robot & AI market by 2020E^{1,3}

US\$67bn robot market by 2025E²

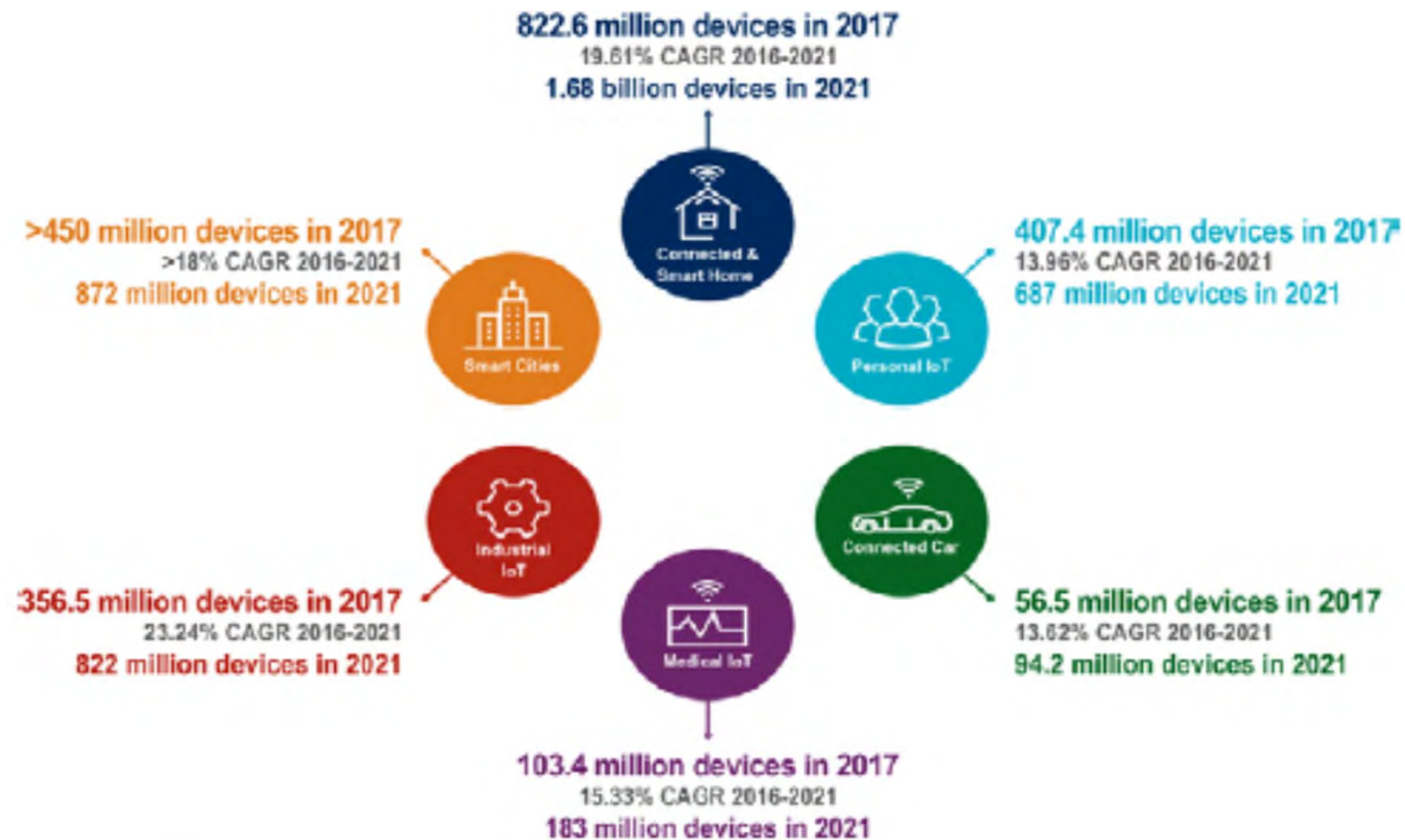


¹Allied market research, ²BCG, ³IDC, ⁴Radiant Insights, ⁵Lux, ⁶BCG, ⁷Deloitte, WinterGreen Research, ⁸MyPrivateBankingResearch, AT Kearney, ⁹Grand View Research, ¹⁰ResearchandMarkets, ¹¹Wintergreen, ¹²Front & Sullivan, ¹³IFR, ¹⁴IFR, ¹⁵Teal Group, ¹⁶Teal Group

SMART CITIES

GLOBAL NUMBER OF CONNECTED DEVICES

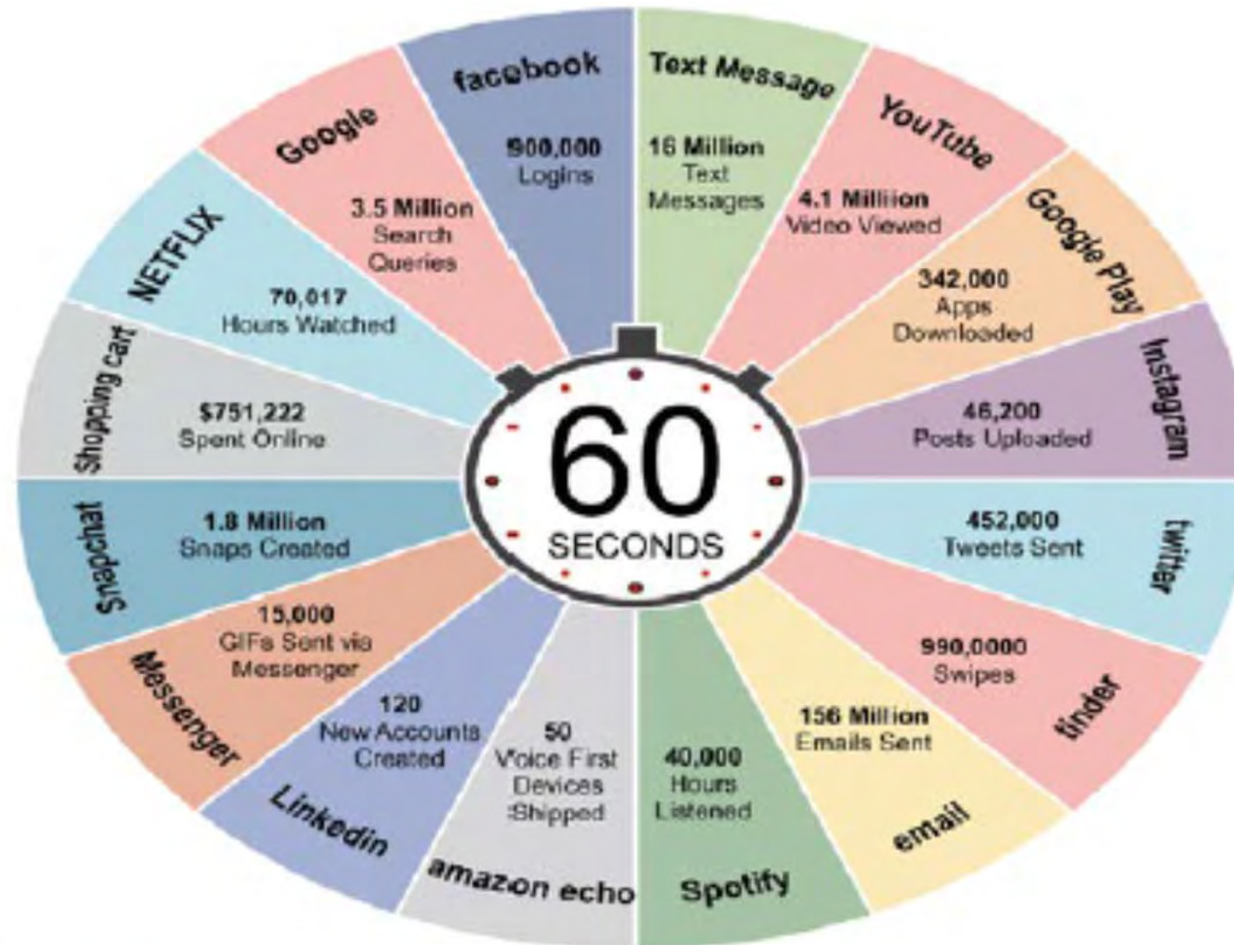
47



Source: IHS 2017

WHAT HAPPENS IN AN INTERNET MINUTE?

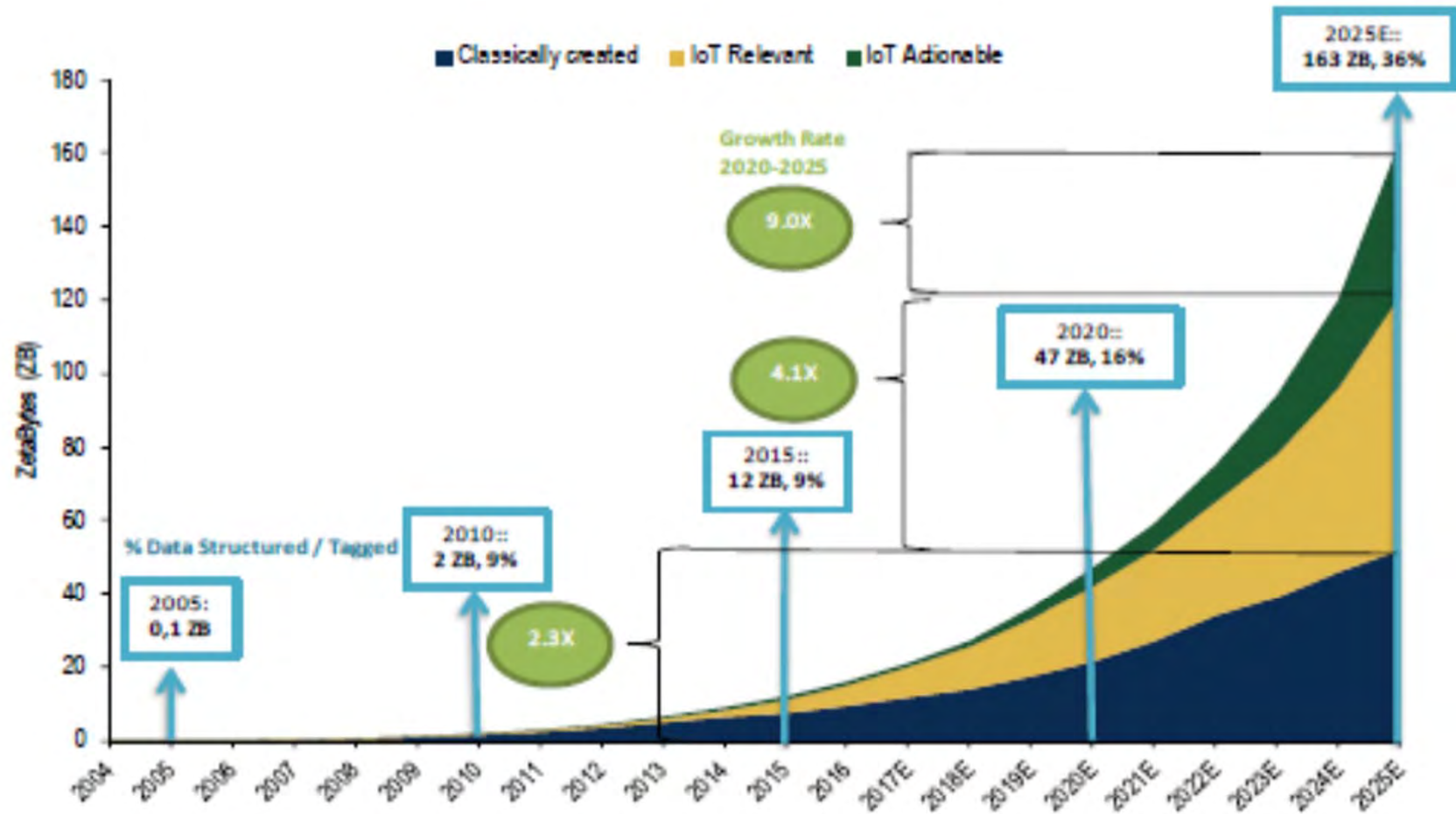
48



Source: Visual Capitalist based on Lori Lewis, Officially Chadd

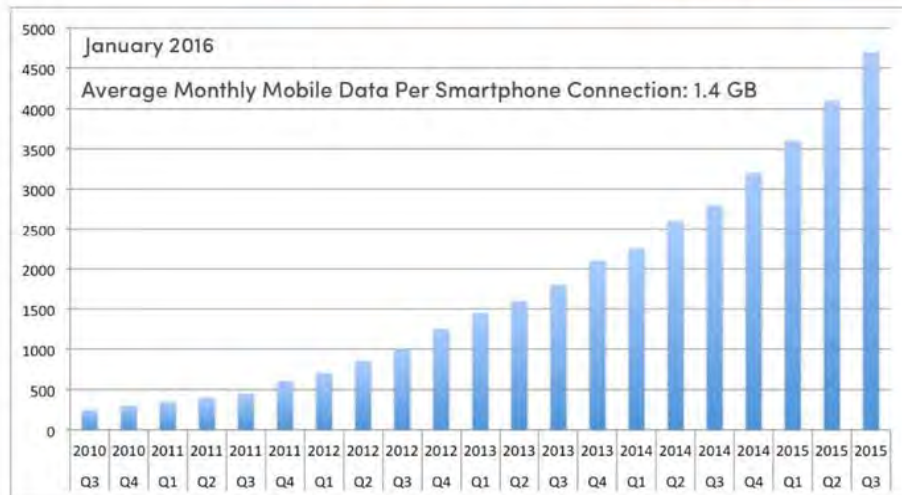
EXPLOSION OF BIG DATA

49



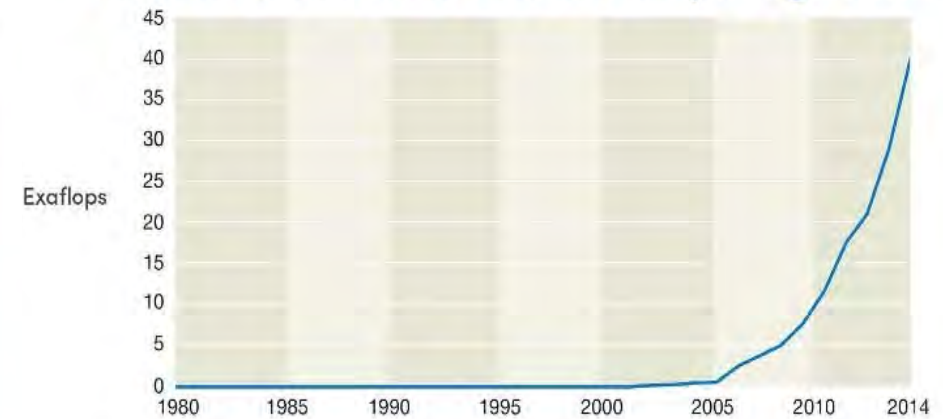
Source: IDC 2016, KPCB 2016, BofA Merrill Lynch Global Research

Global Mobile Data Growth



Sources: Ericsson Mobility Report Q3 2015 & We Are Social

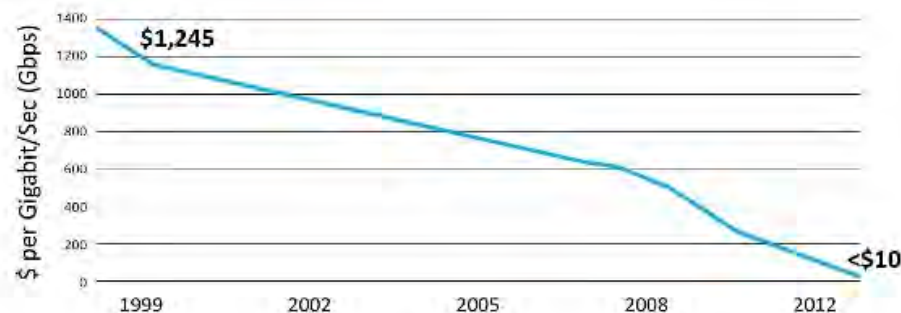
Annual Additions to Global Computing Power



An exaflop is 1 quintillion (10 to the 18th power) floating-point operations per second

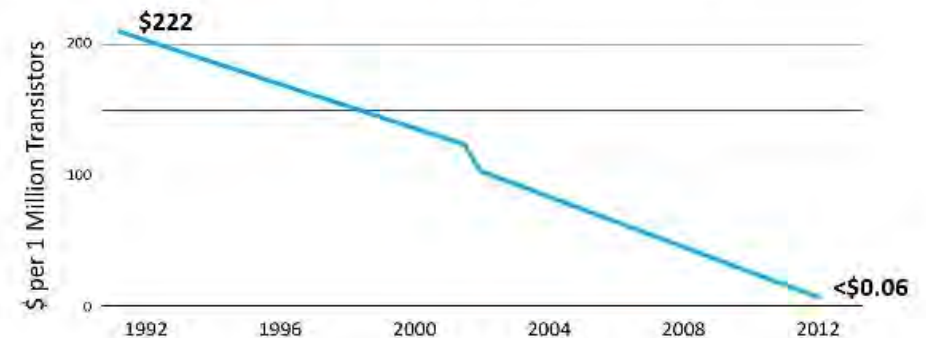
Source: William D. Nordhaus, "Two centuries of progress in computing," Journal of Economic History, 2007, Volume 6; US Bureau of Economic Analysis; McKinsey analysis

Bandwidth Cost-Performance (1999-2012)



Source: Intel's University Project

Computing Cost-Performance (1992-2012)



Source: Intel's University Project

AUGMENTATED REALITY

52

Mobile AR Combines the Key Features of Digital Gaming with Virtual Reality



Source: ARM, Morgan Stanley Research

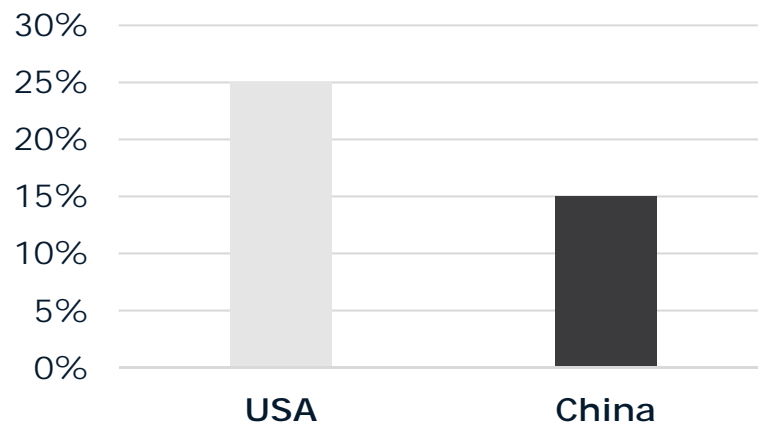
CHINA: ESTABLISH LONG-TERM STRATEGIC POSITION

53

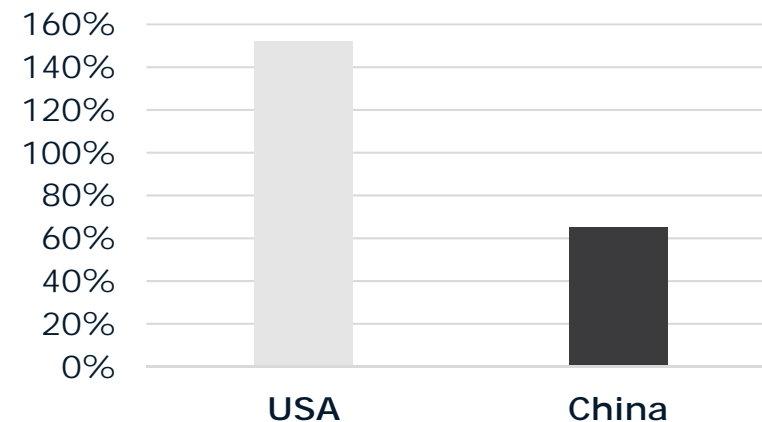
Chairman Xi 's Vision

- A world without war
- A prosperous world
- Cultural exchange
- Environmentally sustainable

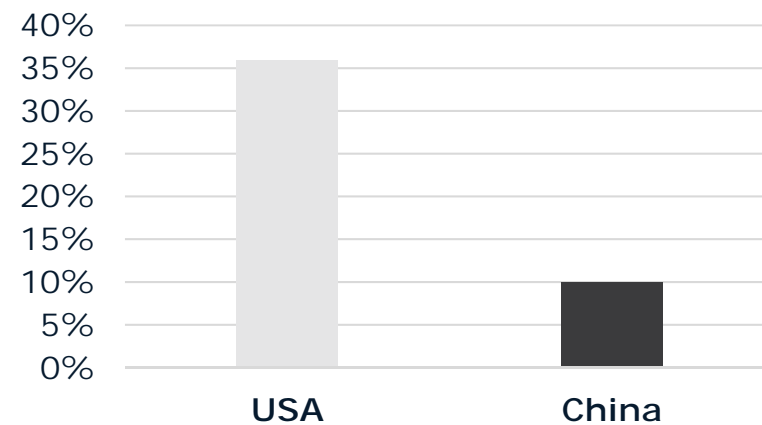
GDP to World GDP



Market Cap To GDP



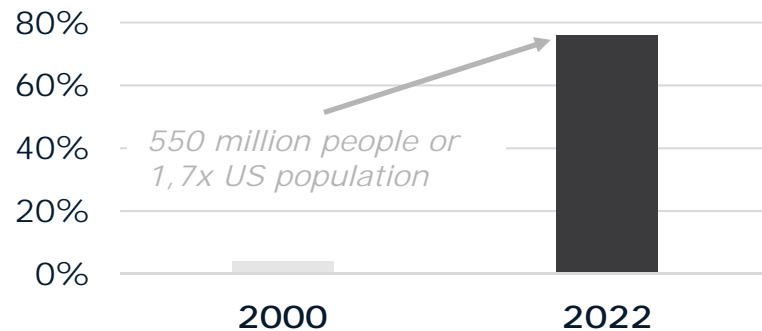
Mkt Cap to World Mkt Cap



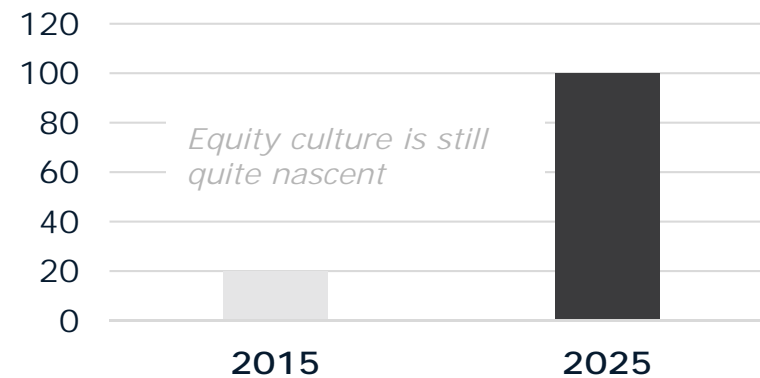
CHINA: ESTABLISH LONG-TERM STRATEGIC POSITION

54

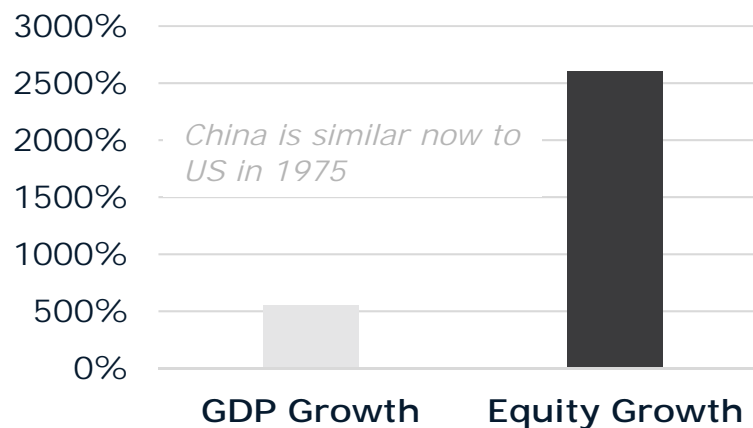
Percentage of Urban Population Considered Middle Class



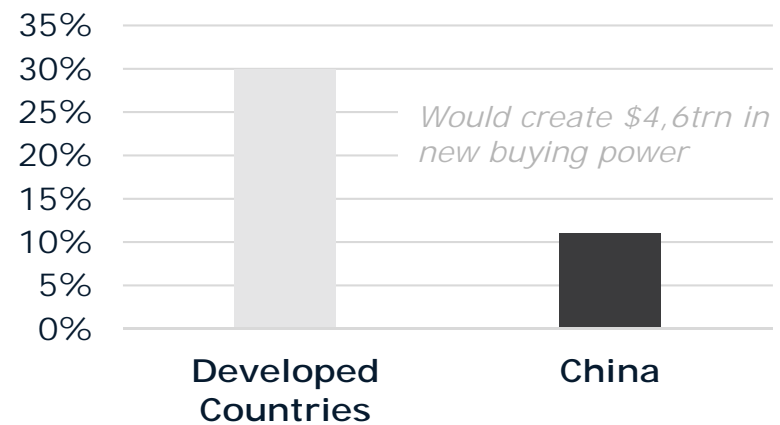
Number of Chinese Investors (M's)



United States 1975 - Present

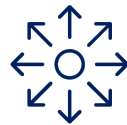


Financial Asset Ownership



HOW TO INVEST IN THEMATICS

55



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