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FINANCIAL NEWS, DATA & ANALYSIS

Australian Equities: Old Economy vs New Economy

A different perspective based upon many years of day-to-day analysis and market observations



A presentation by
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FINANCIAL NEWS, DATA & ANALYSIS

All the research and data from around the market, and around the world, summarised, analysed and explained, independently, with no bias.

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➤ **BUT NO FINANCIAL ADVICE !**

It was three years ago today...



It was one hundred years ago today...



Australia: The Lost Decade (2007-2017)

10 years ago versus now

	Last break through	Current	Difference
ASX 200	6,017	6,014	-0.0%
EPS (12M BF)	388	371	-4.3%
PE (12M BF)	15.5x	16.2x	4.4%
S&P 500	1,456	2,591	77.9%
EPS (12M BF)	95	143	51.2%
PE (12M BF)	15.4x	18.1x	17.7%
A\$	0.79	0.77	-3.0%
Aus GDP (QoQ)	1.5%	0.8%	-70bp
Iron Ore	82.66	63.36	-23.3%
Copper	6100	6937	13.7%
Brent	61	64	5.7%
Sydney House Prices	83	183	121.4%
RBA Cash Rate	6.25%	1.50%	-475bp
GICS Sector Moves			
Healthcare	8,220	24,655	199.9%
IT	653	966	48.0%
Staples	7,693	9,863	28.2%
Banks	7,492	8,593	14.7%
Utilities	7,596	8,696	14.5%
Materials	11,438	11,216	-1.9%
Financials	7,197	6,611	-8.1%
Industrials	6,695	6,051	-9.6%
Energy	12,690	10,446	-17.7%
Discretionary	2,856	2,277	-20.3%
Telco	1,628	1,247	-23.4%
Real Estate	5,989	3,233	-46.0%

Source: Ord Minnett estimates, Bloomberg.

Share Market Dichotomy

Post GFC all-in performances Australian equities (ASX200 Accum):

FY18 13.39%
FY17 14.09%
FY16 0.55%
FY15 5.68%
FY14 17.43%
FY13 22.75%
FY12 (-6.71%)
FY11 11.73%
FY10 13.15%

High PE Stocks:

Average outperformance
FY13-FY18 13% per annum

ASX20 Accumulation Index

Average return 5 yrs: 6% pa

Average return 3 yrs: 3% pa

Australia: Bifurcation In Action



Australia has its own FAANG Stocks

AUSTRALIA'S FAANG STOCKS

ex-div return since June 2012

A2M	a2 Milk	1632% (30/3/15)
ALL	Aristocrat Leisure	944%
CAR	Carsales	166%
COH	Cochlear	219%
CSL	CSL	391%
JHX	James Hardie	209%
REA	REA Group	525%
RMD	ResMed	329%
SEK	Seek	200%
TWE	Treasury Wine	285%

All Roads Lead To The Same Destination:

**The Future Has
Already Arrived!**

BREAKING NEWS!

“In the Australian share market, the battle between ‘Value’ and ‘Growth’ has been decisively won by ‘Growth’ over the five years past.”

Growth Keeps All Bears At Bay...



Overview ASX 2013-2018

1.) Companies disrupted by new technologies and innovations

-credit; retail; wealth management; supermarkets; media; telecom;..

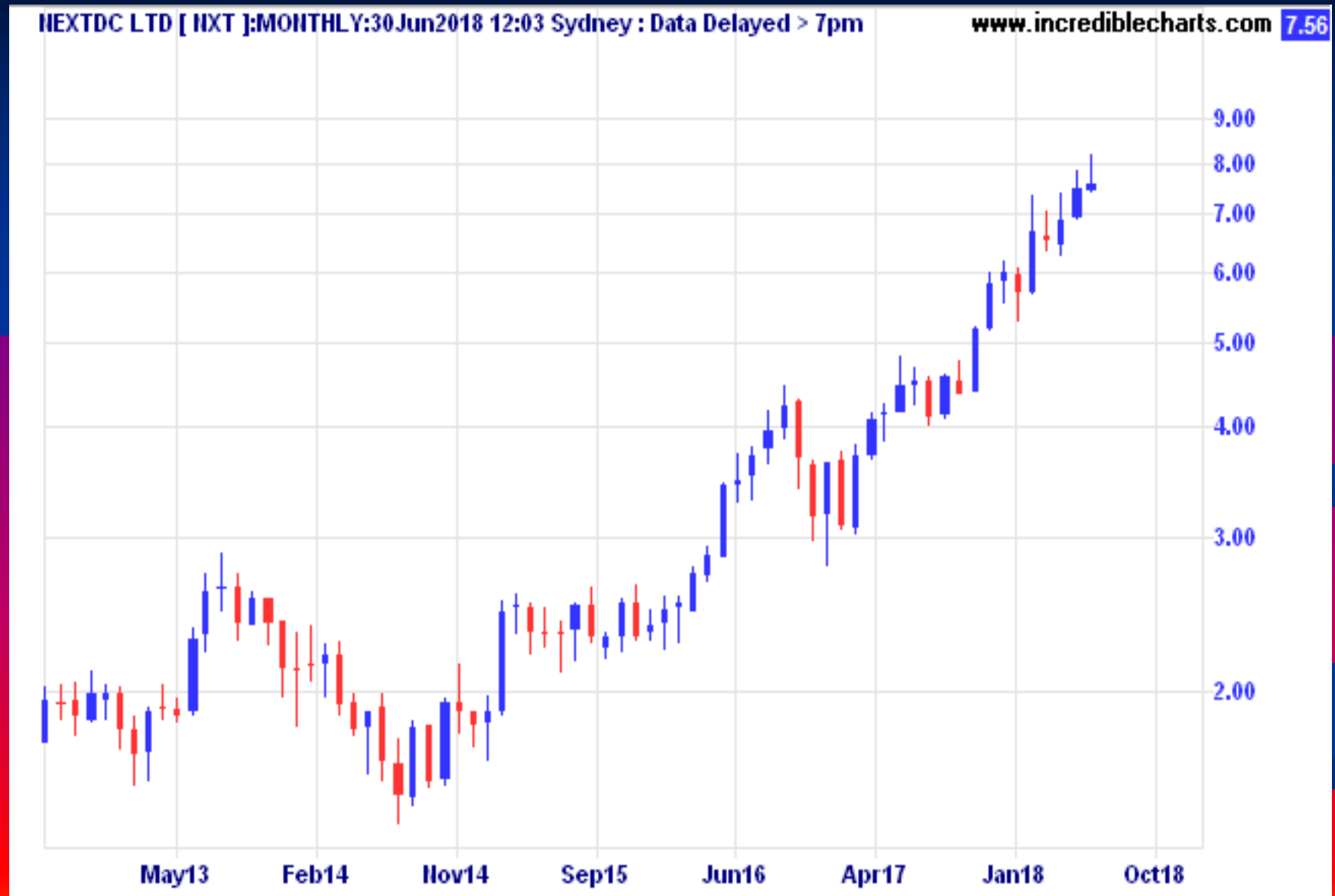
2.) Companies unaffected or benefiting from new tech and innovations

-CSL, TechnologyOne, NextDC, Corporate Travel, Treasury Wine,..

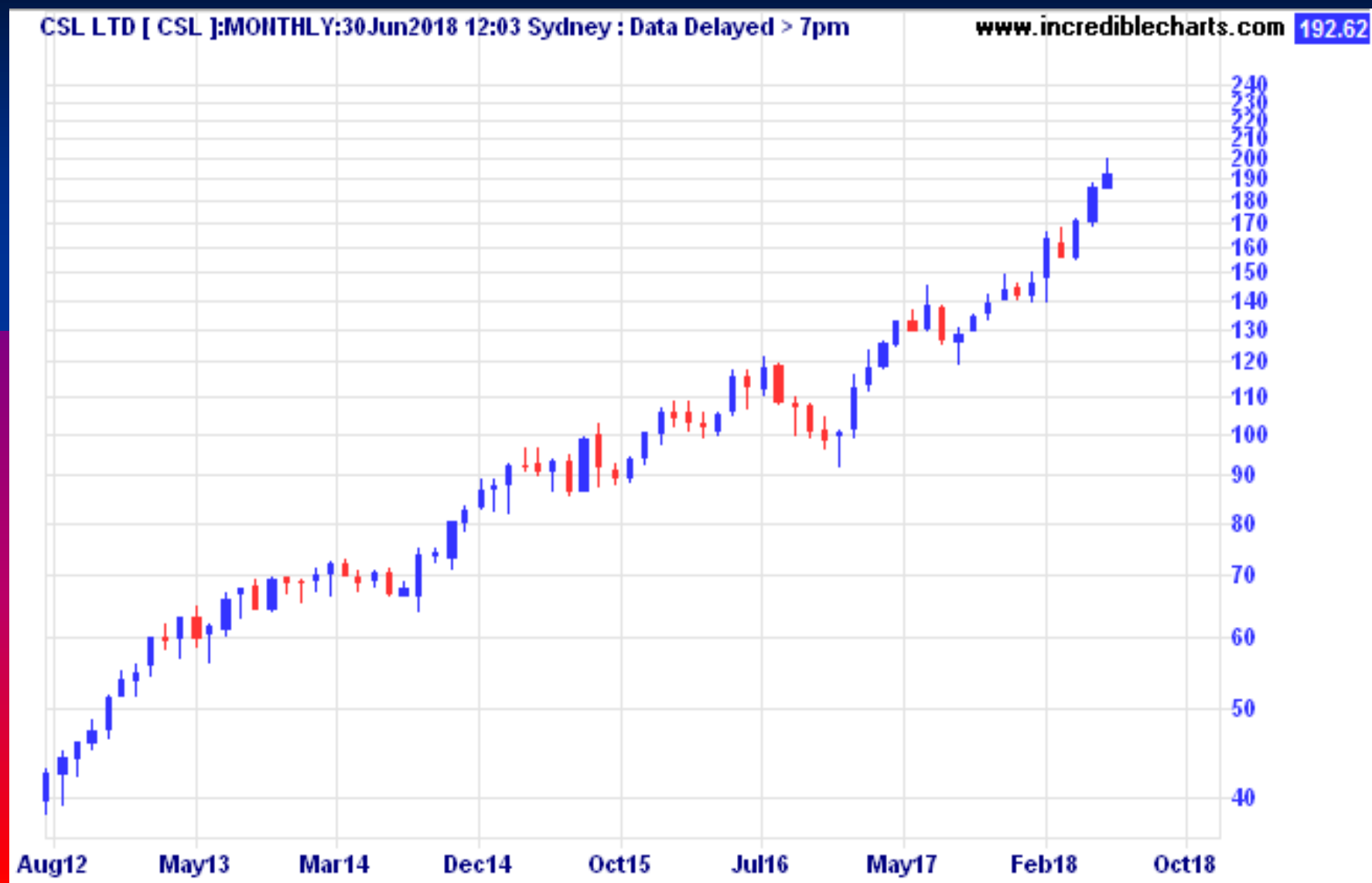
3.) Emerging Disruptors

-Afterpay Touch, Xero, Zipmoney, Kogan, WiseTech Global,..

Tomorrow's Economy Today: NextDC (NXT)



Economic Change, What Change? CSL (CSL)

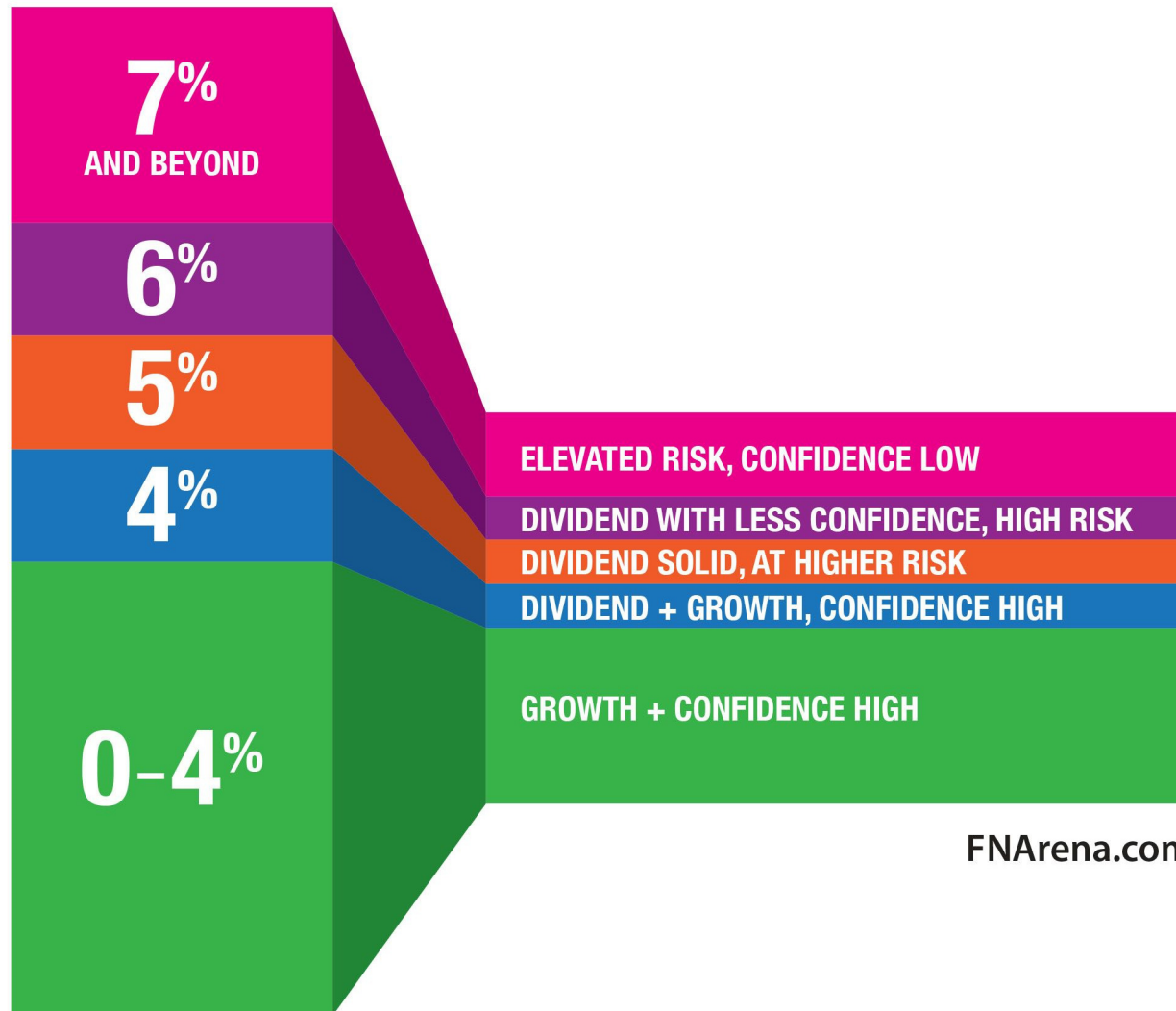


Simply Not Ready For Change: Telstra (TLS)

TELSTRA CORP LTD [TLS]:MONTHLY:30Jun2018 12:03 Sydney : Data Delayed > 7pm www.incrediblecharts.com 2.62

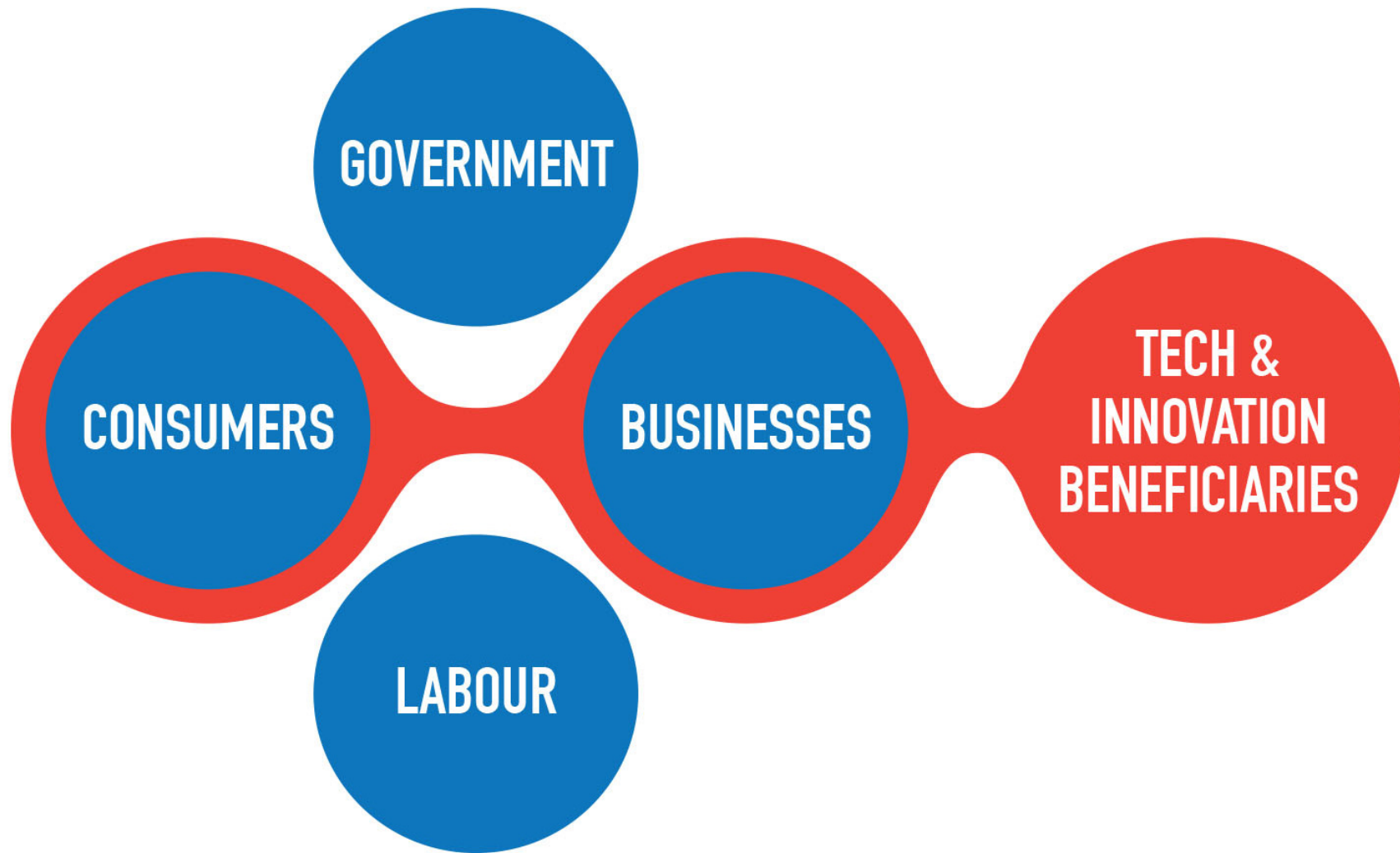


Yield = Growth vs Risk



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The Need For Structural Change



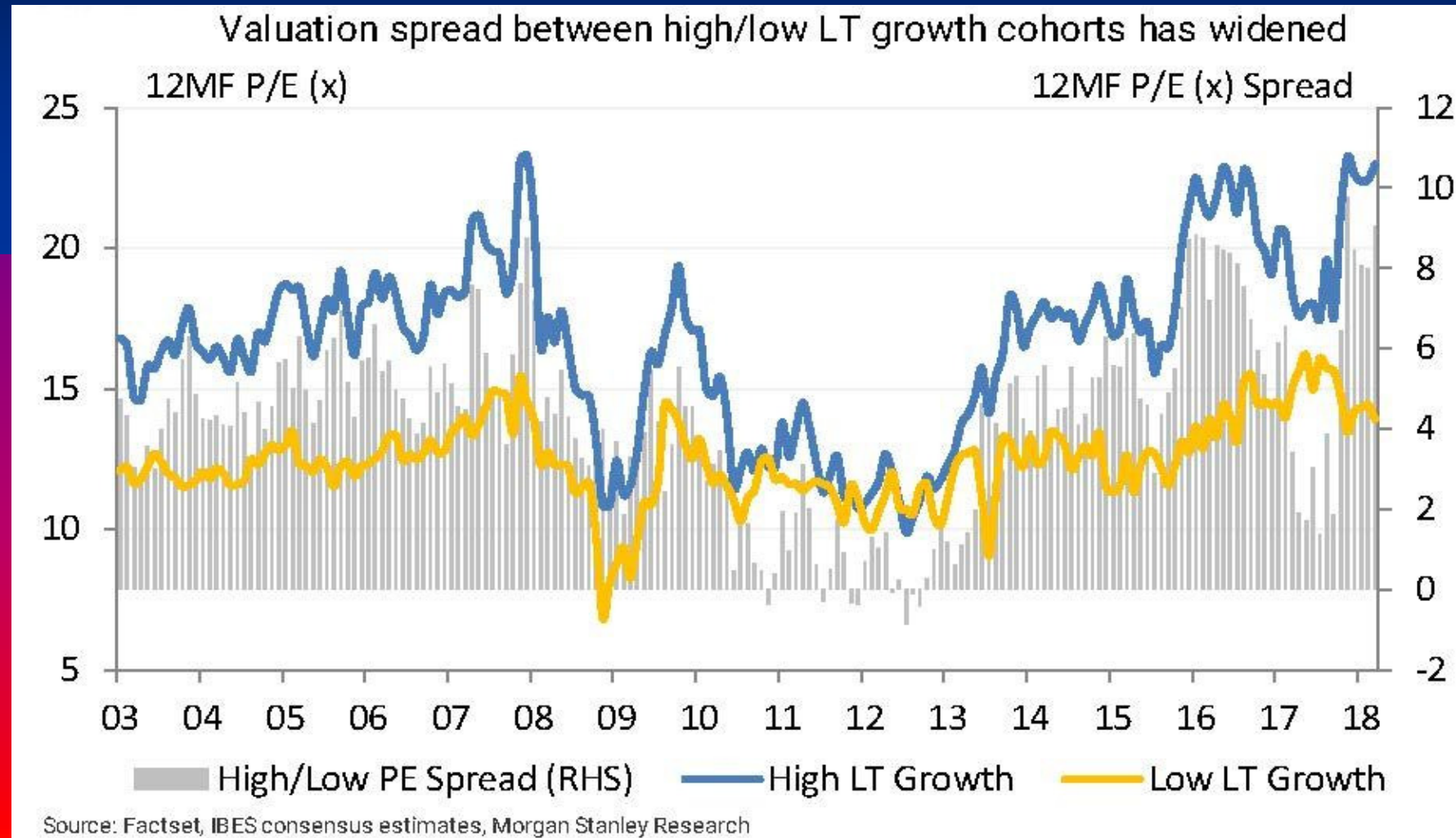
Underlying Pressures On Consumer Spending

As a result, we forecast weak discretionary spending as average real incomes fall



Source: ABS, Morgan Stanley Research Forecasts

Widening Gap Between Haves & Have-Nots



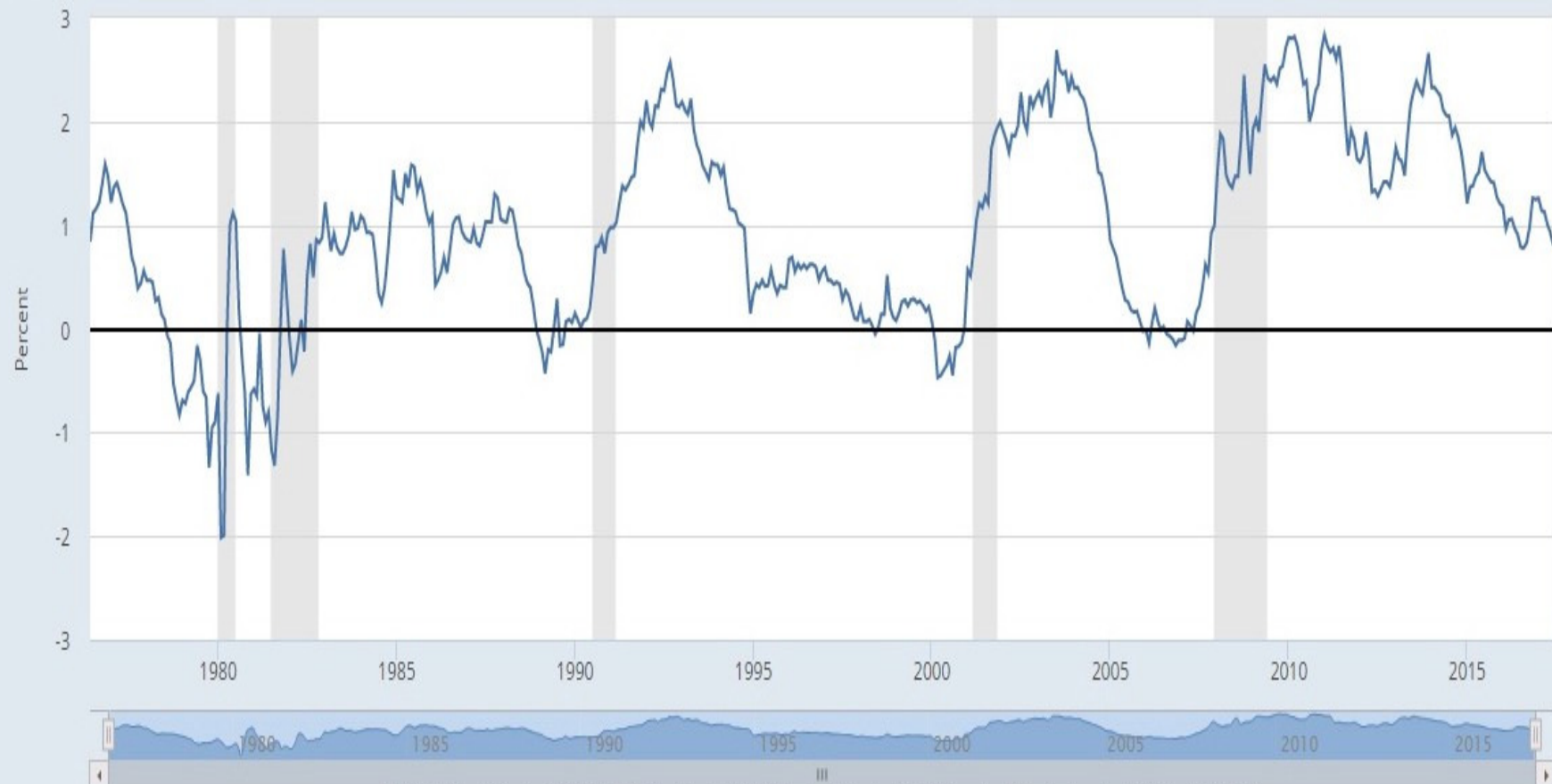
The Conceptual Framework: 5 stages



Source: I/B/E/S, Datastream, Goldman Sachs Global Investment Research

The Eyes Of The World Are Watching...

FRED — 10-Year Treasury Constant Maturity Minus 2-Year Treasury Constant Maturity



PAST RESULTS ARE NOT NECESSARILY INDICATIVE OF FUTURE RESULTS

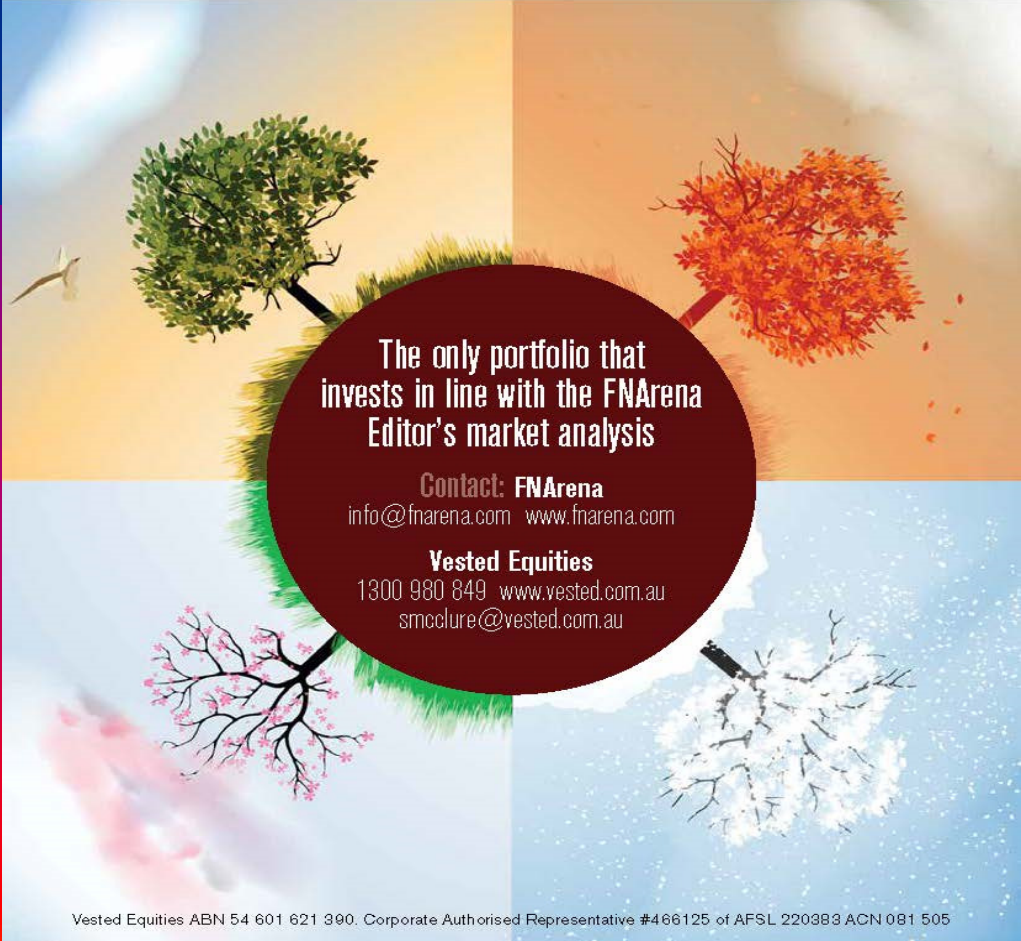
Source: Federal Reserve Bank of St. Louis

fred.stlouisfed.org

Shaded areas indicate U.S. recessions

FNARENA / VESTED EQUITIES

ALL-WEATHER MODEL PORTFOLIO



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invests in line with the FNArena
Editor's market analysis

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➤ Question time !