Goodbye 18, Hello 19
Navigating a very different World
Disclaimer

• General Disclaimer This document has been prepared (in Australia) by MTIS ACN110 971 689 /AFS Licence 473383) regulated by the Financial Services Authority (FSA) All information has been prepared in good faith and based on the facts known at the time of preparation and does not purport to contain all relevant information in respect of the financial products to which it relates. Any projections are estimates only and may not be realised in the future.

• This presentation is for information only- seek your own financial advice and no recommendations are made in regards any specific recommendations or views.

• The Views expressed in this presentation are solely the views of Henry Jennings-Seek your own professional advice in relation to any ideas represented in this presentation.
ASX 200 in 2018

• ASX 200 down 8% this year
• Banks down 20%
• TLS down 18%
• AMP down 56%

NEVER BEFORE HAVE WE SEEN POLITICS SO IMPORTANT FOR MARKETS
ANNUS HORRIBILIS
‘Shock and Orr’
NOWHERE TO RUN TO

Most assets are in the red after a year of turmoil

- Total return YTD
  - EM Stocks
  - European Stocks
  - Asia-Pacific Stocks
  - WTI Crude
  - European Corporate High Yield
  - European Corporate I-Grade
  - EM Sovereign Dollar Bonds
  - Gold
  - Commodities
  - Euro
  - World Stocks
  - EM Currencies
  - All Global Credit
  - U.S. Corporate I-Grade
  - EM Corporate Dollar Bonds
  - Swiss Franc
  - Treasuries
  - Yen
  - U.S. Corporate High Yield
  - S&P 500
  - Treasury Bills
  - U.S. Leveraged Loans
  - Dollar

Source: Bloomberg
Absolute returns through to Nov. 22. All calculated in dollar terms.
BLUE CHIP FAILS

AMP
IFL
ALL
AMC
BLD
CSR
LLC
RHC
What has performed in 2018

- TECH – ALU- WTC -APT
- GOLD PRODUCERS
- REITs
- CSL, RMD
- PRIVATE EQUITY – CORPORATE DEALS – GXL – HSO- APA - STO
WE ARE NOT EXPENSIVE COMPARED TO US
THE NUMBER 1 BULL MARKET KILLER

RISING INTEREST RATES
Evolution of Atlanta Fed GDPNow real GDP estimate for 2018: Q4
Quarterly percent change (SAAR)

Date of forecast
27-Sep 7-Oct 17-Oct 27-Oct 6-Nov 16-Nov 26-Nov 6-Dec

Range of top 10 and bottom 10 forecasts
Atlanta Fed GDPNow estimate
Blue Chip consensus

SUGAR HIT WEARING OFF
The Times are a changin’

Chart 1: Instantaneous Forward Rates In US Implied By Overnight Indexed Swaps (%)

Sources: Bloomberg, CE
<table>
<thead>
<tr>
<th>Event</th>
<th>Details</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fed loses independence as US Treasury takes charge</td>
<td>Treasury enacts 2.5% yield cap after massive spike.</td>
</tr>
<tr>
<td>Bank of Japan abandons yield curve control</td>
<td>USDJPY @ 150 as yen collapses.</td>
</tr>
<tr>
<td>China issues CNY-denominated oil futures contract</td>
<td>Petro-renminbi surges, USDCNY below 6.0.</td>
</tr>
<tr>
<td>US voters push left in 2018 mid-terms, bonds spike</td>
<td>US 30-year Treasury yields rip beyond 5%.</td>
</tr>
<tr>
<td>‘Austro-Hungarians’ launch hostile EU takeover</td>
<td>EURUSD to 1.00 after hitting new highs.</td>
</tr>
<tr>
<td>Investors flee Bitcoin as governments strike back</td>
<td>Bitcoin @ $1,000 (-90%).</td>
</tr>
<tr>
<td>South Africa resurgent after ‘African Spring’</td>
<td>ZAR gains 30% versus EM currencies.</td>
</tr>
<tr>
<td>Tencent topples Apple as market cap king</td>
<td>Tencent shares gain 100%.</td>
</tr>
<tr>
<td>Women take the reins of corporate power</td>
<td>Female CEOs at more than 60 Fortune 500 companies.</td>
</tr>
</tbody>
</table>
SAXO BANK OUTRAGEOUS PREDICTIONS FOR 2019

• EU announces a “debt jubilee”
• Apple “secures funding” to buy Tesla at $US520/share
• Trump tells Powell: “You’re fired”
• Prime Minister Jeremy Corbyn sends the pound to parity with the dollar
• A corporate credit crunch pushes Netflix into trouble
• **Australia’s central bank launches QE to solve the housing bust**
• Germany enters recession
• A solar flare creates chaos and inflicts $US2 trillion of damage.
• A Global Transportation Tax is enacted as climate panic spreads
• IMF and World Bank announce intent to stop measuring GDP, focus instead on productivity
BoAML Predictions for 2019

2. S&P 500 Index peaks
3. Cash gets competitive
4. U.S. economy slows as fiscal stimulus fades
5. Global economic growth decelerates
6. Global monetary policy divergence
7. Credit cycle continues despite widening spreads and flattening curves:
8. Emerging markets
9. Foreign exchange volatility on a weaker dollar
10. Commodities modestly positive
PREDICTIONS

- INTEREST RATES REMAIN UNCHANGED – EVEN FED SLOWS PACE
- HOUSING CONTINUES TO SLOW – BANKS CUT DIVIDENDS, BLAME RC
- LABOR WINS FEDERAL ELECTION – WATERS DOWN CHANGES
- CHINA/ US AGREE TO DISAGREE – TECH STILL AN ISSUE
- APPLE STRUGGLES AS CHINA BANS iPHONES
- UK CRASHES OUT OF EU
FOUR STOCKS FOR 2019

GROWTH – Macquarie Group Limited (MQG)
VALUE – Adairs (ADH)
MOMENTUM – Codan Limited (CDA)
SPECULATIVE – Afterpay Touch (APT)
Labor Changes Everything?

SHORTEN IS COMING

www.marcustoday.com.au
Labor will reform negative gearing and the capital gains tax discount to ensure that our tax system is fair, sustainable and targets jobs and growth.

Negative gearing

• Labor will limit negative gearing to new housing from a yet-to-be-determined date after the next election. All investments made before this date will not be affected by this change and will be fully grandfathered.
• This will mean that taxpayers will continue to be able to deduct net rental losses against their wage income, providing the losses come from newly constructed housing.
• From a yet-to-be-determined date after the next election losses from new investments in shares and existing properties can still be used to offset investment income tax liabilities. These losses can also continue to be carried forward to offset the final capital gain on the investment.

Capital gains tax

• Labor will halve the capital gains discount for all assets purchased after a yet-to-be-determined date after the next election. This will reduce the capital gains tax discount for assets that are held longer than 12 months from the current 50 per cent to 25 per cent.
• All investments made before this date will not be affected by this change and will be fully grandfathered.
• This policy change will also not affect investments made by superannuation funds. The CGT discount will not change for small business assets. This will ensure that no small businesses are worse off under these changes.

Labor will consult with industry, relevant stakeholders and State governments on further design and implementation details ahead of the start date for both these proposals.
Life during wartime

- Making multinational companies pay their fair share of tax
- Reducing superannuation tax concessions for millionaires
- Increasing the changes to tobacco excise
- Ceasing the Emissions Reduction Fund, and
- Not proceeding with the Liberals’ new Baby Bonus.
What does that mean for Corporates?

- More capital management
- Use up franking credits
- More uncertainty
- Less inclined to do big deals
- Heading offshore
The Upcoming Big Issues

Banking Royal Commission
Federal Election
NSW State Election
Brexit / Italy
Chinese / US Trade talks
'You've Never Had It So Good!'

Recollections of Life in the 1950s
THE WORLD HAS CHANGED

BUY AND HOLD WILL NOT WORK
USE HEDGES – OPTIONS AND ETFS
BE NIMBLE – SELL RALLIES – CAUTION REQUIRED – ELEVATED CASH LEVELS
GOOD MARKET FOR BUY WRITES

BANKS WILL LOOK VERY DIFFERENT
ASSET ALLOCATION/STOCK PICKING

- INTERNATIONAL MARKETS
- INCOME IMPORTANT
- GOLD? MINERS?
- CASH A Viable Alternative
- LOCAL BANKS YIELD HIGHER THAN PE
- VOLATILITY IS HERE TO STAY
- COMPLACENCY GONE
HOW TO SURVIVE AND THRIVE IN 2019

YOU INSURE YOUR CAR? INSURE YOUR PORTFOLIO

STAY SCEPTICAL

RAISE CASH BEFORE RESULTS AND AGM SEASON

AVOID LANDMINES

IT PAYS TO PLAY SAFE

LATE CYCLE RISK

SQUEEZING THE LAST DROP

www.marcustoday.com.au
Long Term Themes

- Rise of AI - Big Data - Blockchain - Immense change
- Ageing Populations - One Child Policy - Japan
- Internet of Things (5G) - Saviour?
- Driverless Cars (Evs) - Go Green
- Energy Changes - Renewables/Nuclear?
- Targeted Bio-Tech Solutions
- China’s Middle Class - Consumer spending - OBOR
- India – The new China
- MAGA – Trump – Second Term
- Protectionism – Unwind of Central Bank Stimulus
We are Not in Kansas Anymore
Exclusive Christmas offer

Get Marcus Today Newsletter membership for a special price of $600 (RRP $756) and receive a bonus gift.

<table>
<thead>
<tr>
<th>1 Month</th>
<th>6 Months</th>
<th>1 Year</th>
<th>2 Years</th>
</tr>
</thead>
<tbody>
<tr>
<td>Only $50</td>
<td>Only $320</td>
<td>Only $600</td>
<td>Only $1100</td>
</tr>
<tr>
<td>(RRP $75)</td>
<td>(RRP $396)</td>
<td>(RRP $756)</td>
<td>(RRP $756)</td>
</tr>
<tr>
<td>+ Bonus gift</td>
<td>+ Bonus gift</td>
<td>+ Bonus gift</td>
<td>+ Bonus gift</td>
</tr>
</tbody>
</table>

Terms and Conditions apply* Offer ends 21/12/2018

Bonus gift you will receive!

2019 Stocks to watch in 2019 & 2019 Small Cap Stocks to watch in 2019

How to claim?

Log onto www.marcustoday.com.au
Use Promo code: AIAHJD

Email: chichi@marcustoday.com.au if you experience any issues
BUELLER? BUELLER?

Q & A

www.marcustoday.com.au