

A STRATEGIST'S GUIDE FOR STOCK PICKING.

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- 1. INVESTMENT ENVIRONMENT**
- 2. SHARE MARKET STRATEGY**
- 3. CHAMPION STOCKS**

1. INVESTMENT ENVIRONMENT

- **GLOBAL ECONOMIC GROWTH**
- **GLOBAL INFLATION**
- **INTEREST RATES REMAIN AT VERY LOW LEVELS**
- **AUSTRALIAN ECONOMIC FORECASTS**
- **RISKS (AS ALWAYS)**

Global economic growth (%)

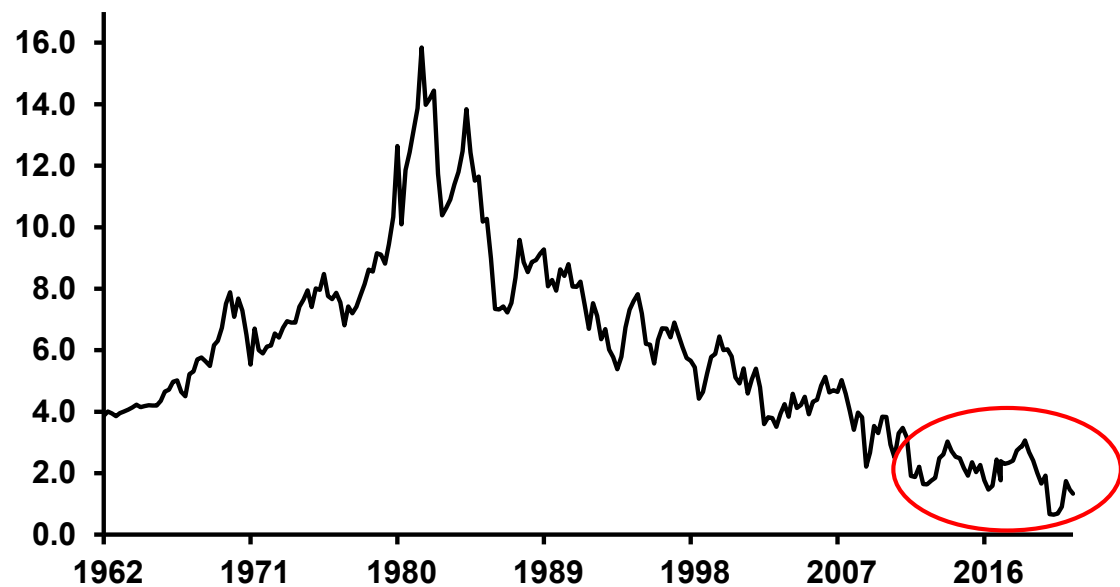
| | 2020(a) | 2021(e) | 2022(e) |
|---------------------------|---------|---------|---------|
| US | -3.5 | 6.4 | 3.3 |
| Japan | -4.7 | 2.2 | 3.8 |
| Euro Area | -6.7 | 4.6 | 4.5 |
| Developing Markets | -1.7 | 6.7 | 4.7 |
| China | 2.3 | 8.7 | 5.5 |
| WORLD | -3.5 | 5.9 | 4.2 |
| Developed | -4.9 | 5.3 | 3.8 |
| Developing | -1.7 | 6.7 | 4.7 |

Global inflation (%)

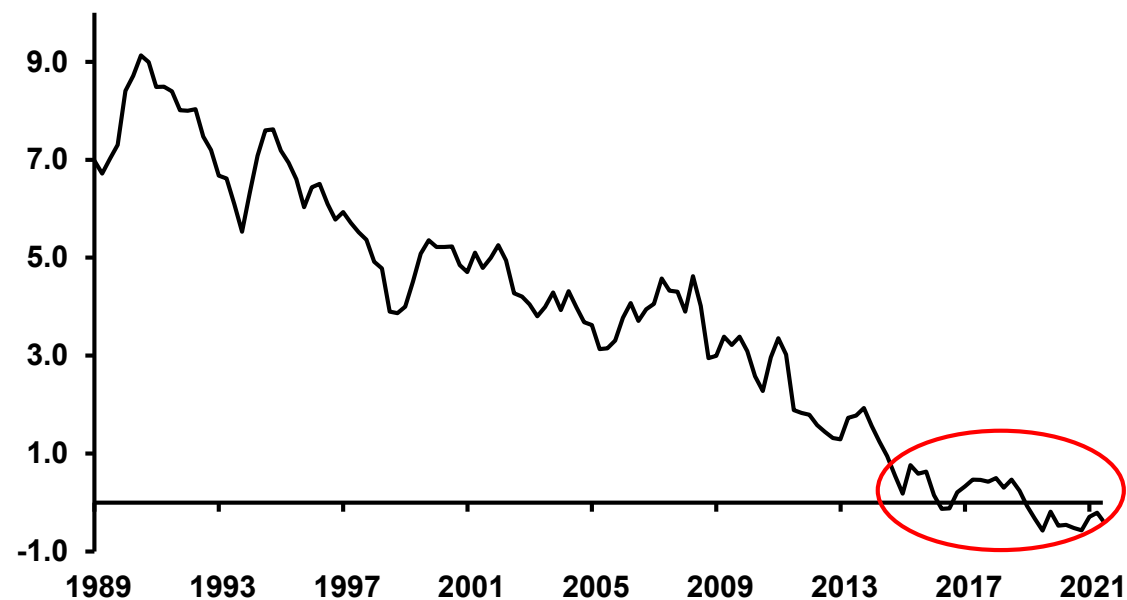
| | 2020(a) | 2021(e) | 2022(e) |
|---------------------------|---------|---------|---------|
| US | 1.2 | 3.4 | 2.5 |
| Japan | 0.0 | 0.0 | 0.6 |
| Euro Area | 0.3 | 2.0 | 1.6 |
| Developing Markets | 3.6 | 3.8 | 3.7 |
| China | 2.5 | 1.2 | 2.2 |
| World | 2.0 | 3.0 | 2.7 |
| Developed | 0.7 | 2.4 | 2.0 |
| Developing | 3.6 | 3.8 | 3.7 |

Interest rates remain at very low levels

US 10-year bond yield (%)



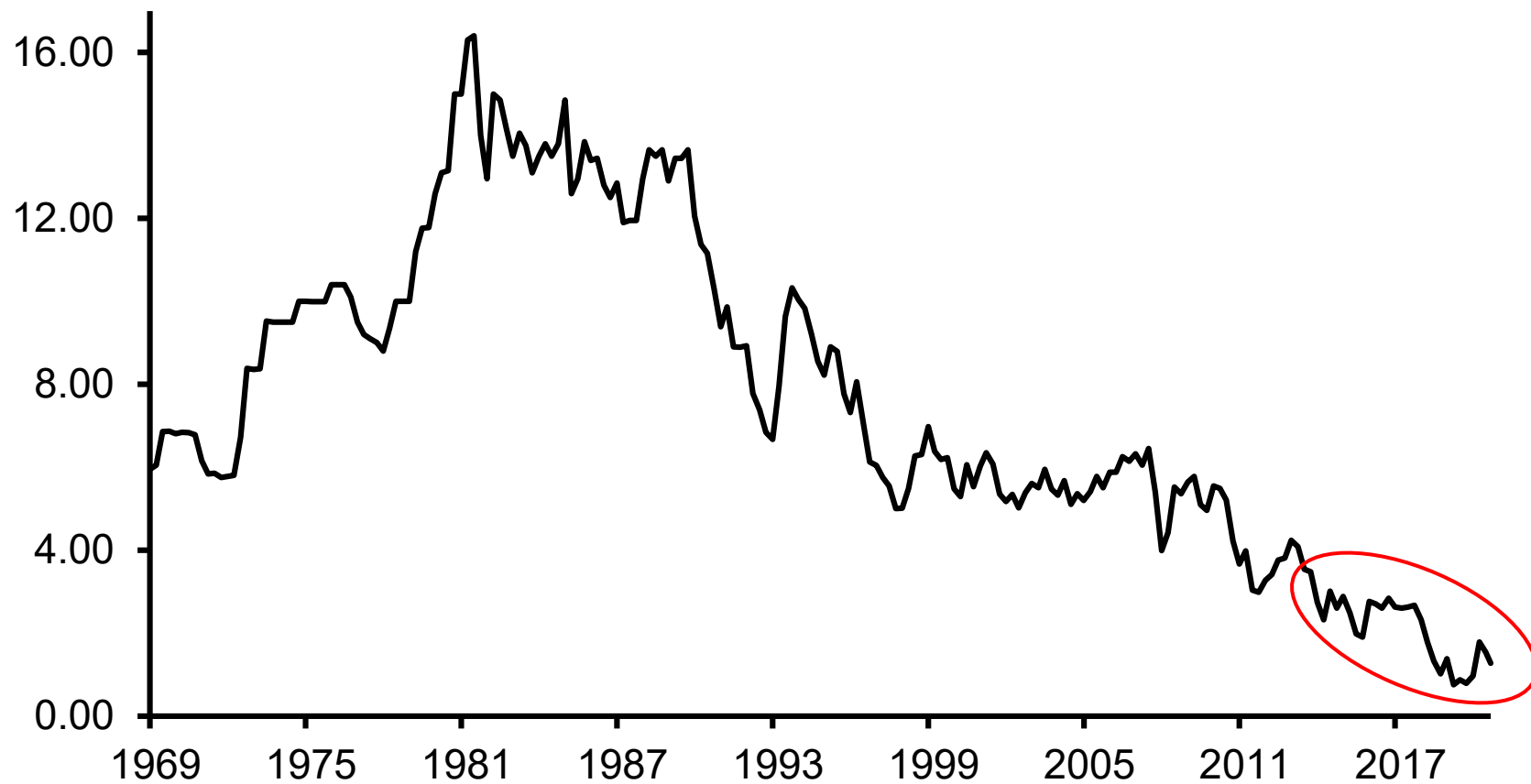
German 10-year bond yield (%)



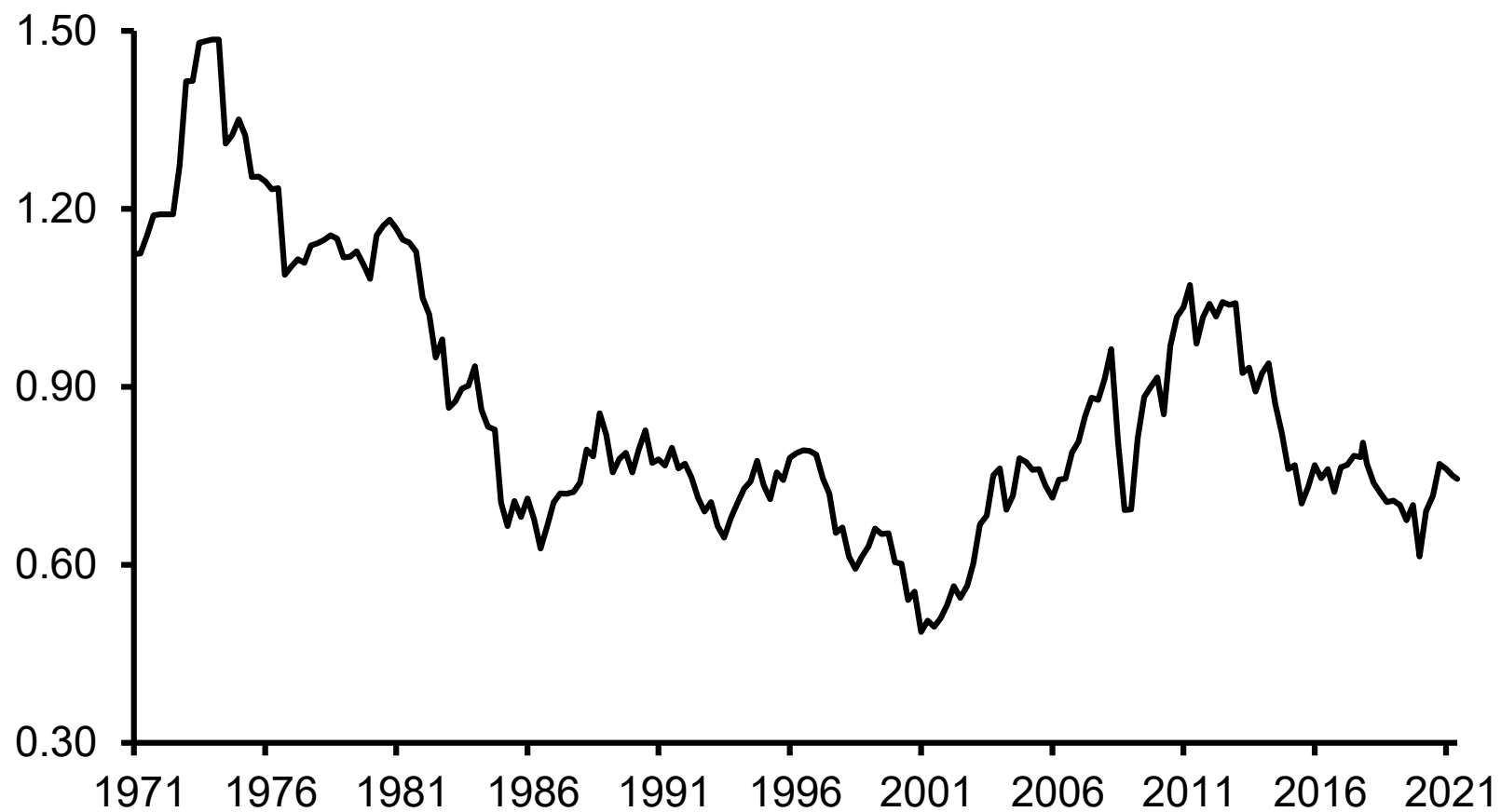
Australian economic growth and CPI (%)

| | 2020(a) | 2021(e) | 2022(e) |
|---------------------------------|---------|---------|---------|
| GDP | -2.4 | 5.7 | 3.2 |
| Private Consumption | -5.8 | 6.7 | 3.7 |
| Dwelling Investment | -5.2 | 15.9 | 2.4 |
| Business Investment | -5.3 | 6.9 | 5.2 |
| Government Expenditure | 7.2 | 2.4 | 2.0 |
| Exports | -10.0 | 2.9 | 8.3 |
| Imports | -13.2 | 13.4 | 8.5 |
| Consumer Price Inflation | | | |
| Headline | 0.8 | 2.6 | 2.0 |
| Underlying | 1.3 | 1.6 | 1.9 |

Australian 10-year bond yield (%)



The AUD/USD exchange rate



Risks (as always)

COVID-19

Rising inflation

China — high corporate debt levels

Geopolitical challenges

- China/ Taiwan
- Russia/ Ukraine
- Israel/ Iran
- North Korea
- developing countries stress

2. SHARE MARKET STRATEGY

- **GLOBAL OUTLOOK**
- **AUSTRALIAN OUTLOOK**

The Global Share Market (MSCI All Country World Index; USD)

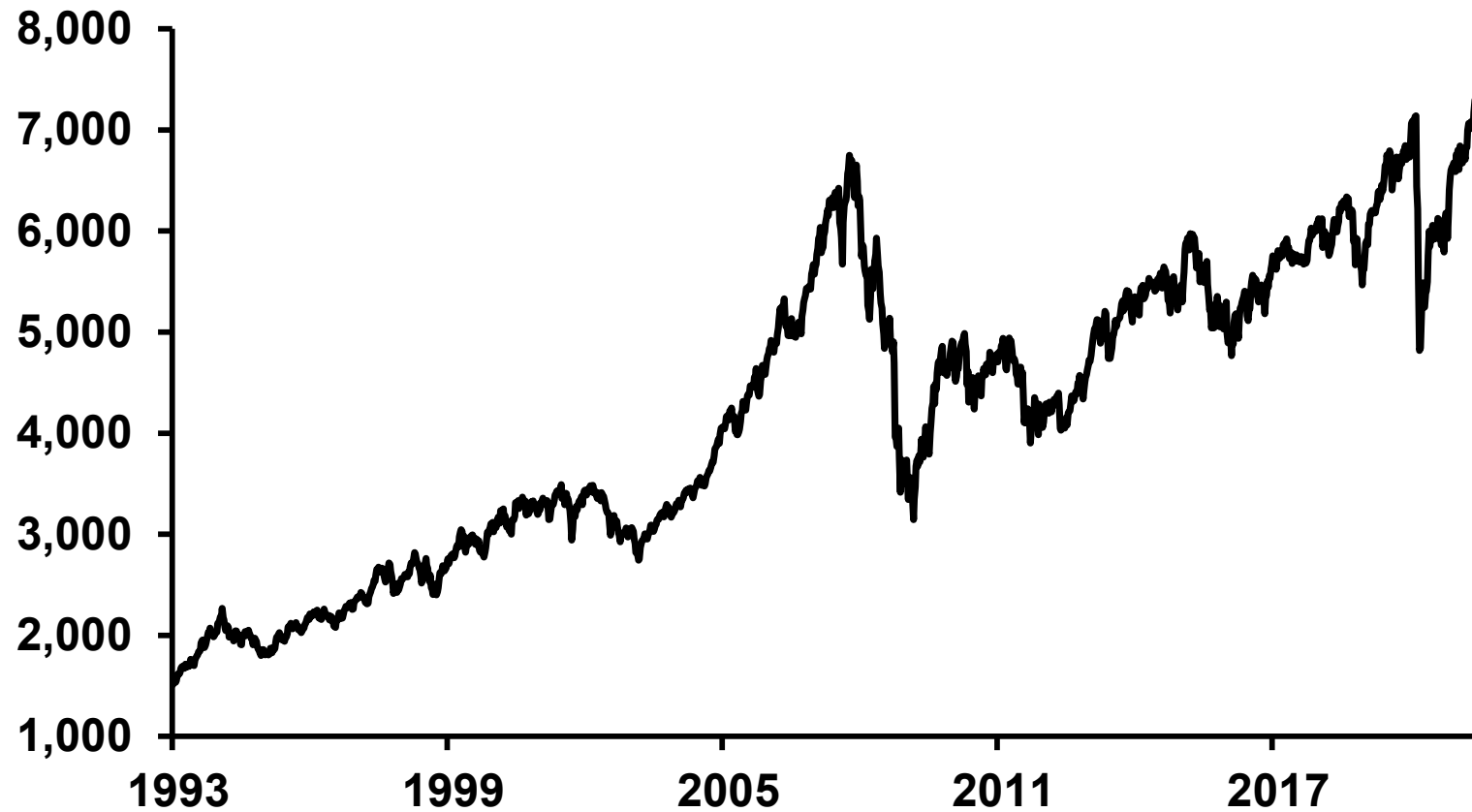


Consensus Global EPS Growth (%)

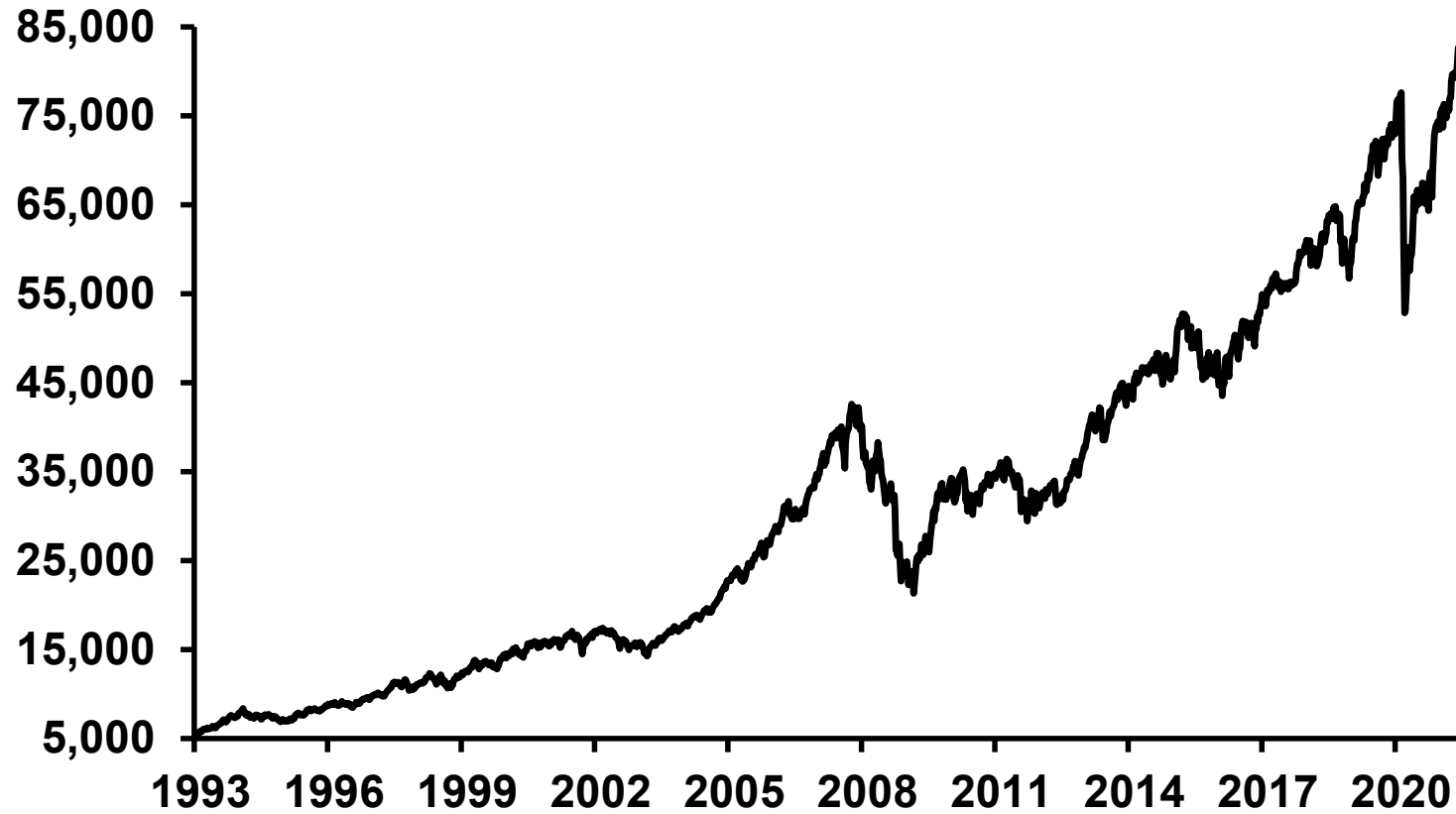
| | 2020 (a) | 2021 (e) | 2022 (e) |
|------------------------|--------------|-------------|------------|
| Global | -10.1 | 46.3 | 7.6 |
| Energy | -86.8 | 811.5 | 12.2 |
| Materials | 12.1 | 111.8 | -7.5 |
| Industrials | -33.2 | 79.2 | 17.6 |
| Consumer Discretionary | -24.2 | 74.5 | 24.5 |
| Consumer Staples | -0.9 | 10.3 | 8.6 |
| Health Care | 7.0 | 18.6 | 7.4 |
| Financials | -17.4 | 43.6 | 0.3 |
| IT | 17.2 | 30.9 | 11.4 |
| Communication Services | 19.1 | 26.8 | 4.8 |
| Utilities | -1.5 | 2.2 | 8.7 |
| Real Estate | -9.3 | 10.2 | 7.0 |

- Global Price Earnings Ratio (CY21) = 19.3x versus long term average of 15.7x ie 23% premium
- Global Dividend Yield (CY21) = 1.9% versus long term average of 3.0%

The Australian Share Market (S&P/ASX 200 Share Price Index)



The Australian Share Market (S&P/ASX 200 Accumulation Index)



Consensus Australian EPS Growth (%)

| | FY21 (e) | FY22 (e) | FY23 (e) |
|------------------------|----------|----------|----------|
| Market | 34.7 | 14.5 | -4.3 |
| Resources | 56.5 | 24.4 | -23.7 |
| Banks | 54.4 | 6.2 | 6.2 |
| Building Materials | 47.3 | 11.3 | 12.3 |
| Retail | 23.3 | -10.8 | 6.0 |
| Food and Beverage | -27.1 | 11.8 | 19.2 |
| Health Care | 22.4 | -3.0 | 8.6 |
| Insurance | 312.4 | 32.5 | 12.9 |
| Diversified Financials | 38.0 | -1.2 | 7.8 |
| Information Technology | 13.1 | -0.8 | 42.9 |
| REITS | 0.5 | 5.5 | 11.1 |

- Australian Prospective Price Earnings Ratio = 16.3x versus long term average of 14.6x ie 12% premium
- Australian Prospective Dividend Yield = 4.2% versus long term average of 4.6%
 - this dividend yield of 4.2% is around 80% franked so the grossed-up yield is 5.6%

3. THE CHAMPION STOCKS

- **THE “MUST HAVE” STOCKS IN A PORTFOLIO**

Champion Stocks



Champion Stocks



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