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MPW Half Year Market Update - February 2023



General Advice Disclaimer

The purpose of this presentation is to provide you general advice and insight into MPW's current market outlook and investment philosophy.

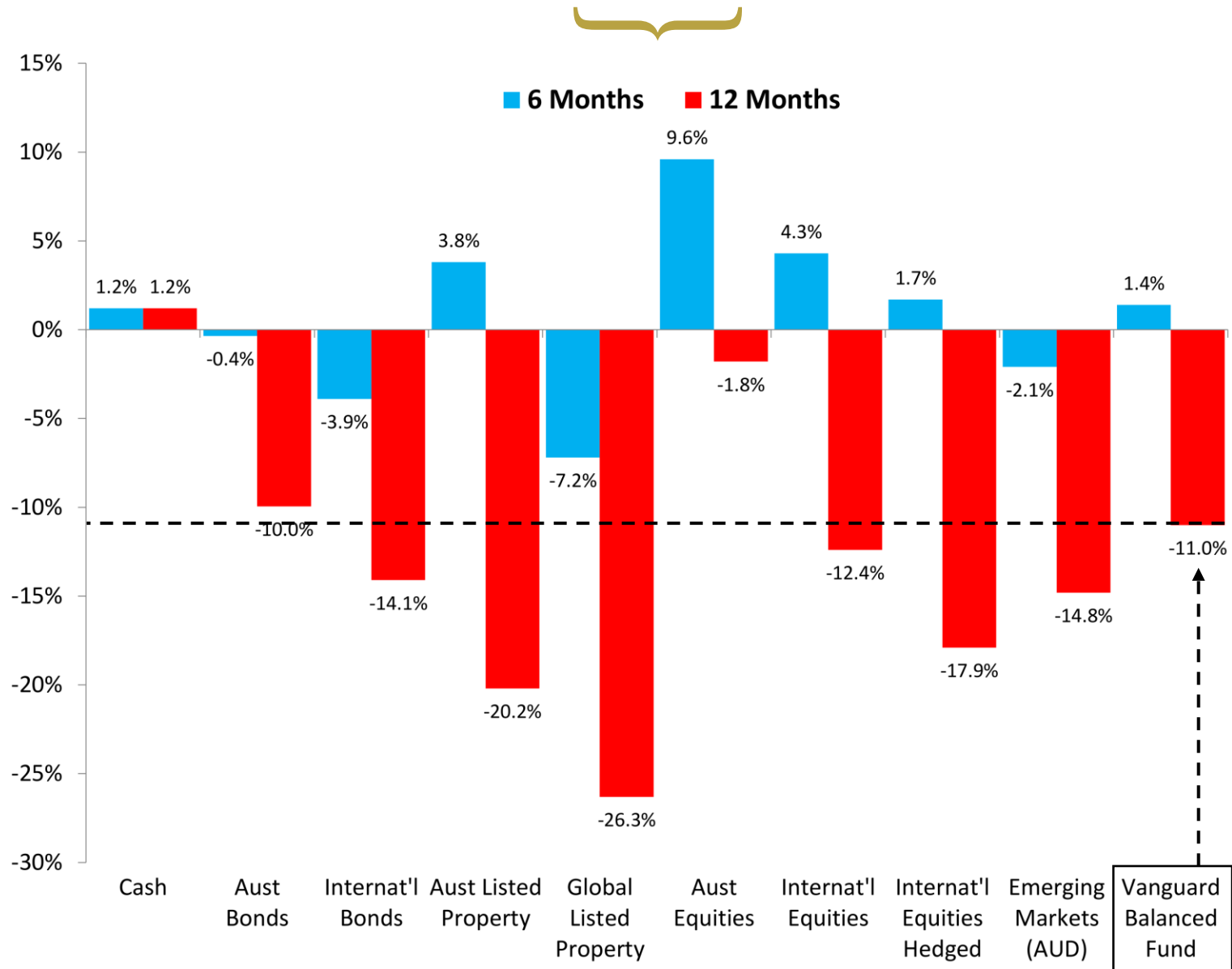
Where our presentation provides general advice, we must explain that this advice has been prepared at this time without taking into account your individual personal needs, objectives, or financial situation, and the personal information we hold about you has not specifically been considered in forming our views.

You should not act on any advice that has not been tailored to you or considered in light of your full individual personal circumstances, as there is a risk that such actions may not be appropriate for you or be in your best interests.

Where we provide personal advice and investment recommendations, these will be presented in a Statement of Advice (SoA) which will explain the basis of your personal advice recommendations, and any considerations or risks so that you can make an informed decision.

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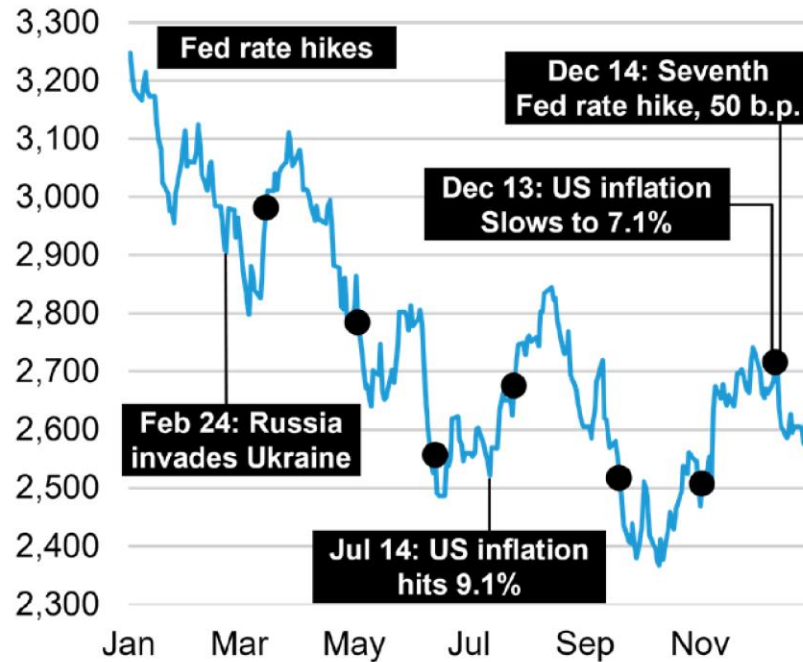
Asset Class Returns To 31st December 2022



Global Equity Returns To 31st December 2022

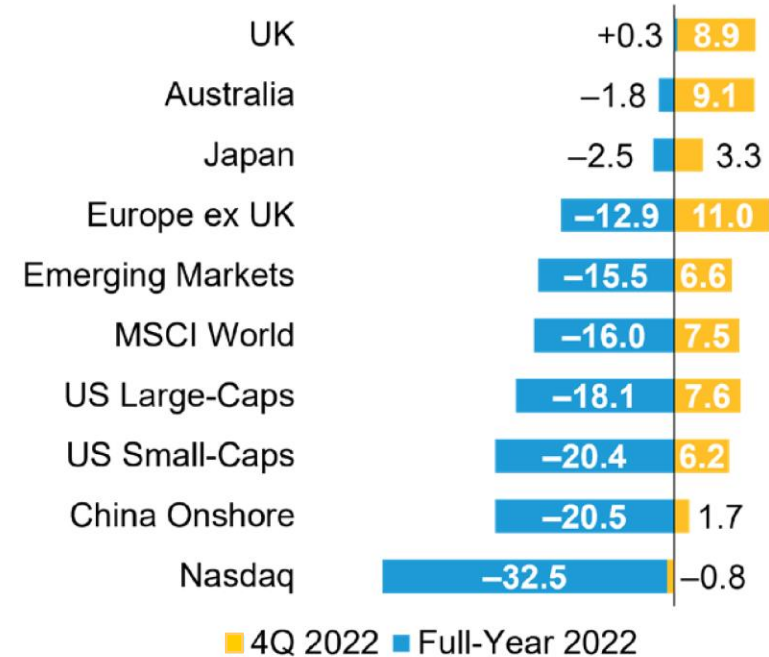
Global Stocks Fell Sharply Amid Uncertainty Over New Investing Regime

MSCI World: Full-Year 2022



Regional Returns 2022

Local currencies (percent)*

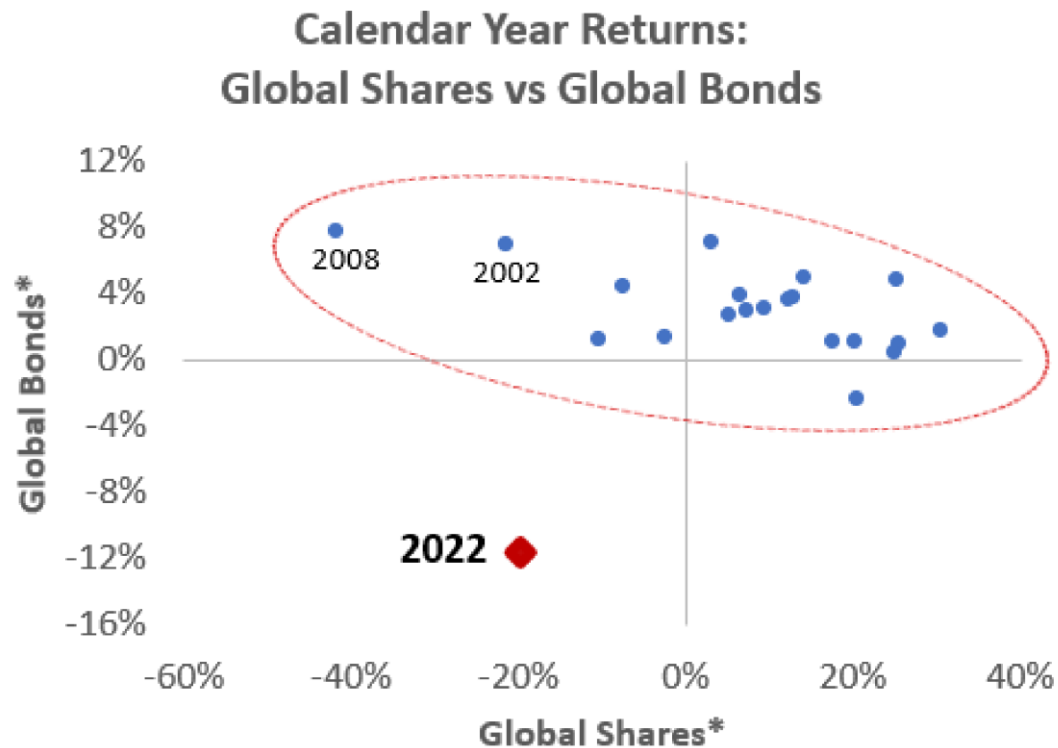


Past performance and current analysis do not guarantee future results.

*UK represented by FTSE All-Share Index, Australia by S&P/ASX 300, Japan by TOPIX, Europe ex UK by MSCI Europe ex UK Index, emerging markets by MSCI Emerging Markets Index, US large-caps by S&P 500, US small-caps represented by Russell 2000 Index, and China Onshore by MSCI China A Index. As of December 31, 2022. Source: Bloomberg, FactSet, FTSE Russell, MSCI, Nasdaq, S&P, Tokyo Stock Exchange and AB



Bonds Provided No Diversification For Shares In 2022



* Global Shares = MSCI World ex Australia Index (US\$)
 * Global Bonds = S&P Global Government Bond Index in US\$
 Source: Bloomberg



* Australian Shares = S&P / ASX 200 Index
 * Australian Bonds = S&P / ASX Aust Fixed Interest Index
 Source: Bloomberg

Central Banks: Soft Landing or Recession?

Central bank credibility is being questioned:

- In late 2021 central banks were wrong on their inflation outlook, calling it transitory.
- In early 2022 the RBA said that interest rates in Australia would not rise until 2024!
- Can central banks manage a soft landing* or will policy mistakes send us into a deeper recession?
 - Raise interest rates too high and risk recession, or
 - Don't raise enough and risk embedded inflation

NO-ONE KNOWS how this plays out, but the outcome will determine the direction of markets in 2023.

In our view, recession is a higher probability outcome.



*Note, a 'soft landing' refers to a low growth or mild recession scenario



MPW Outlook & Scenario Analysis For 2023 CY



1. Hard Landing: Global Recession MPW Probability = 70%

- Inflation remains stubbornly high
- Central banks tighten too much
- Unemployment rises 1-2%
- Savings rates evaporate
- Economic data deteriorates
- Corporate earnings fall
- Geopolitical risks intensify (wars)
- US debt ceiling results in a default

Markets are not priced for this, expect another decline from here (~10-30%)

2. Soft Landing: Mid-Cycle Slowdown MPW Probability = 25%

- Inflation moderates towards targets
- Central banks pause rate hikes
- Unemployment rises marginally
- Savings rates are preserved
- Economic data stabilises
- Higher revenues offset higher costs
- No further sanctions are imposed
- Supply issues don't spike oil prices

Markets are priced for this, value can be selectively found at current levels

3. Strong Growth: New Bull Market MPW Probability = 5%

- Inflation moderates quickly
- Central banks consider rate cuts
- Employment growth remains strong
- Savings rates remain elevated
- Economic data pivots to growth
- Companies pass on higher costs
- Russia and China pivot their stance
- Supply chain & labour issues abate

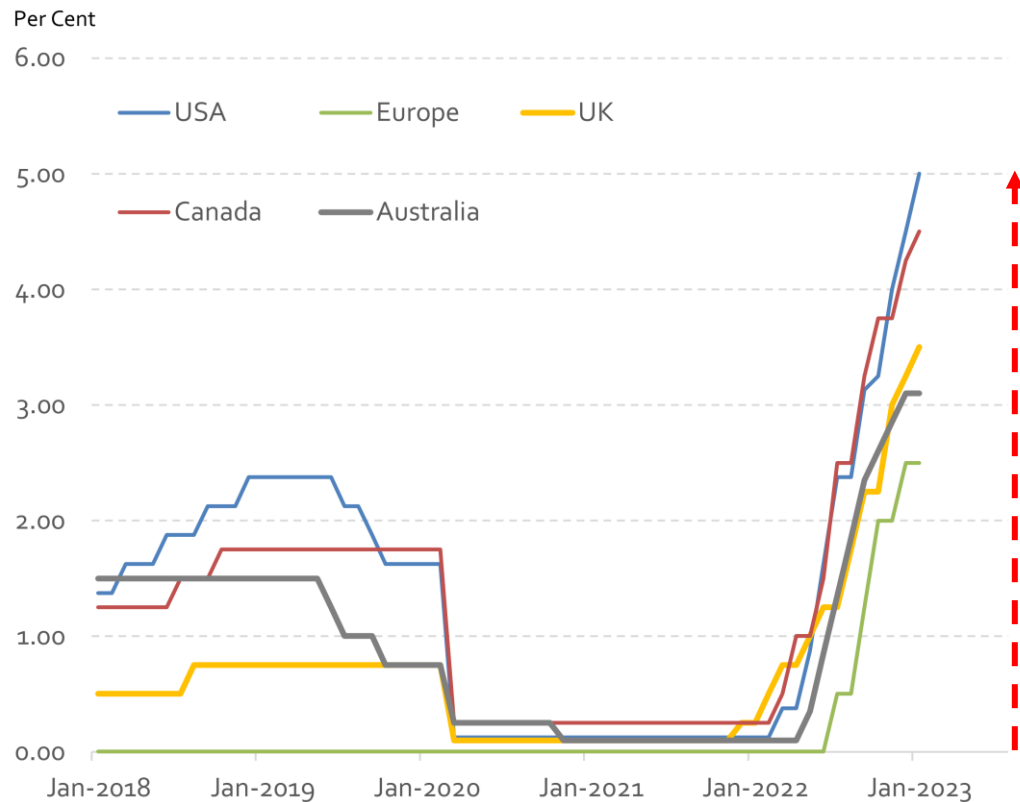
Markets are not priced for this, risky assets will perform very strongly

Higher Global Interest Rates & Inflation Risks

Global interest rates rose at a historically fast pace in 2022, it will be more subdued in 2023

US inflation peaked mid-2022, but it is a long way from the Fed's target 2% range. Will 'sticky' inflation persist in 2023?

Global Policy Rates

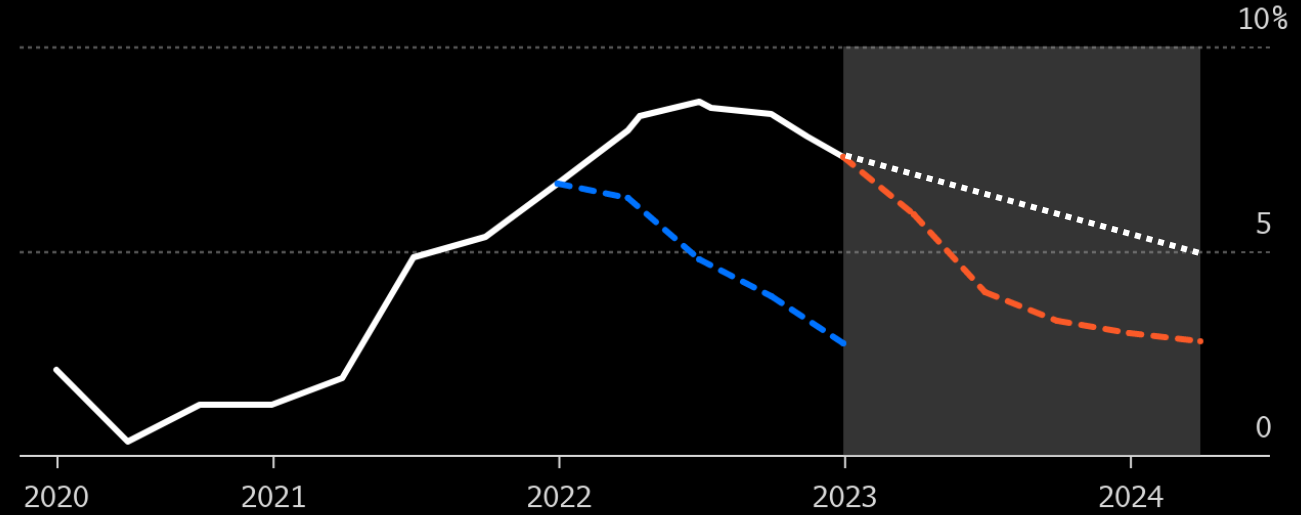


Source: NBP, Trading Economics, EQ Economics

Actual and Forecast US Inflation

Last year inflation refused to fade away as predicted. Now it's declining, and the key questions are: how far and how fast?

Annual change in consumer prices Forecast 1 year ago Forecast now



Source: Bureau of Labor Statistics, Bloomberg economist surveys

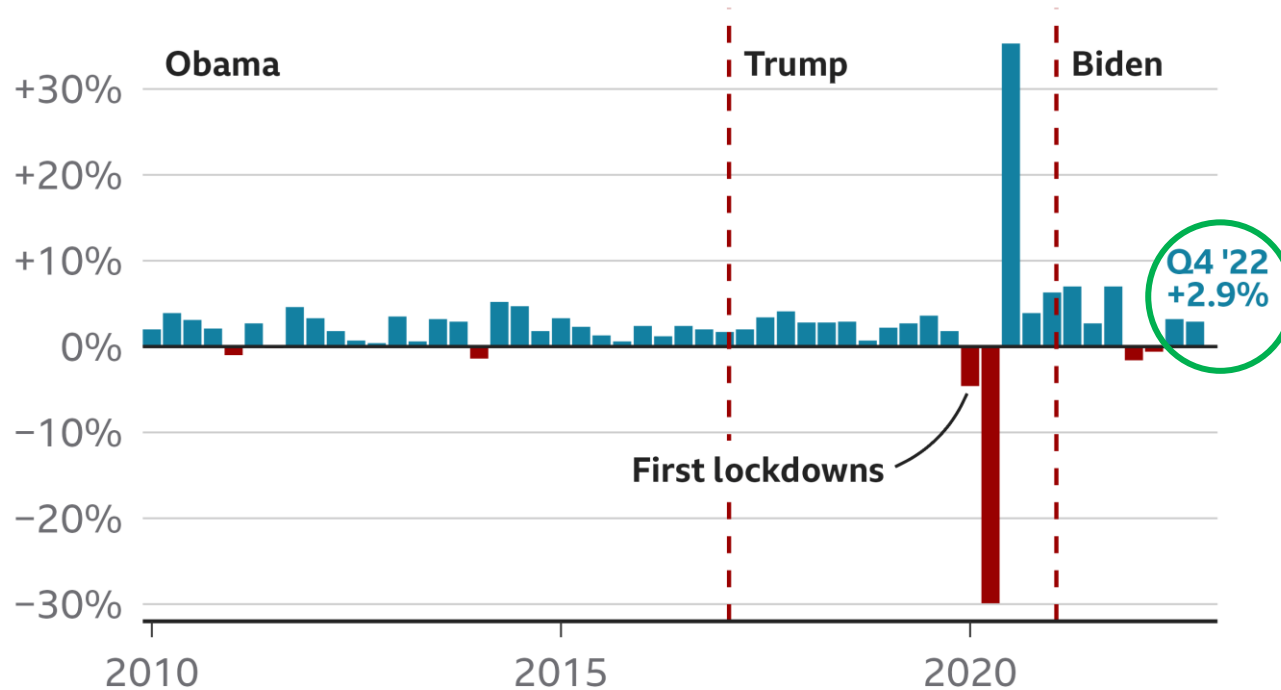
Strong US Growth & Low Unemployment

US GDP growth has been resilient in the second half of 2022 but is expected to slow into 2023

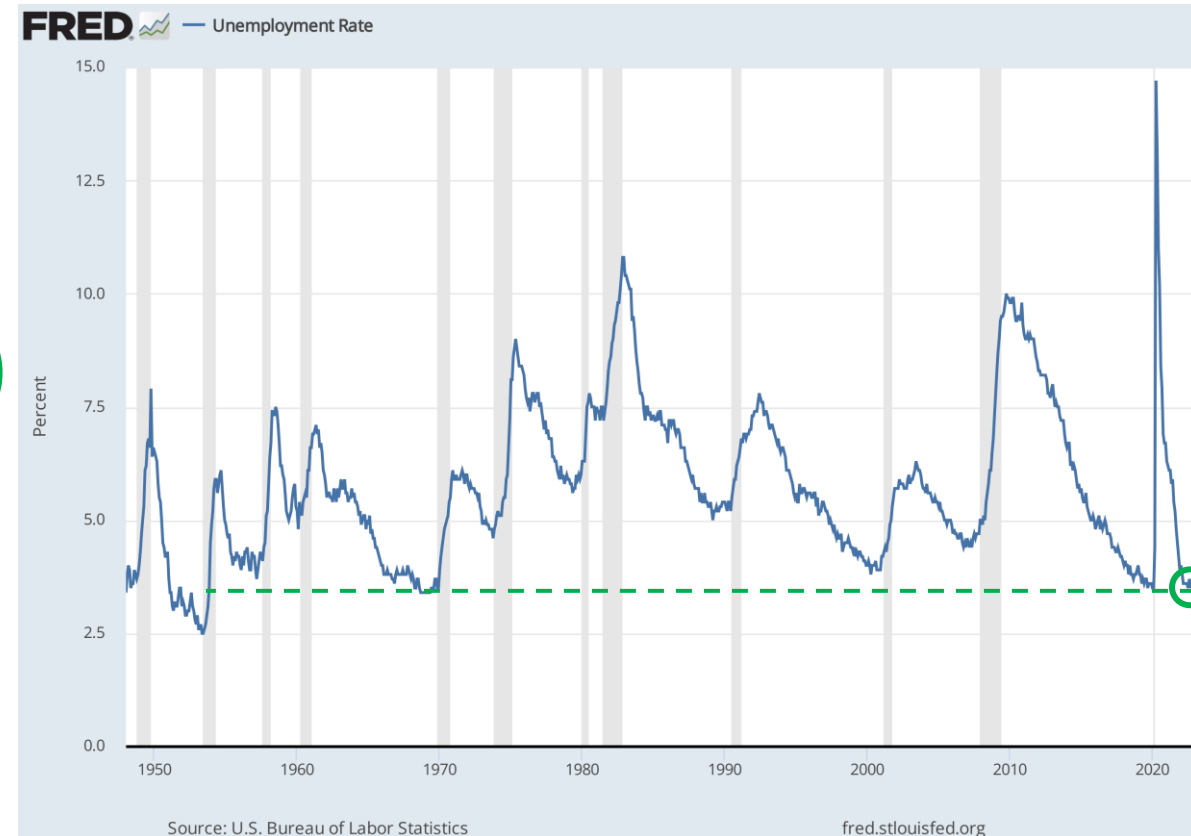
US unemployment is at a 50-year low, a very tight labour market. Job vacancies are at 1.9x per unemployed person

US economic growth

Seasonally adjusted GDP, quarterly growth



Source: U.S. Bureau of Economic Analysis



Source: U.S. Bureau of Labor Statistics

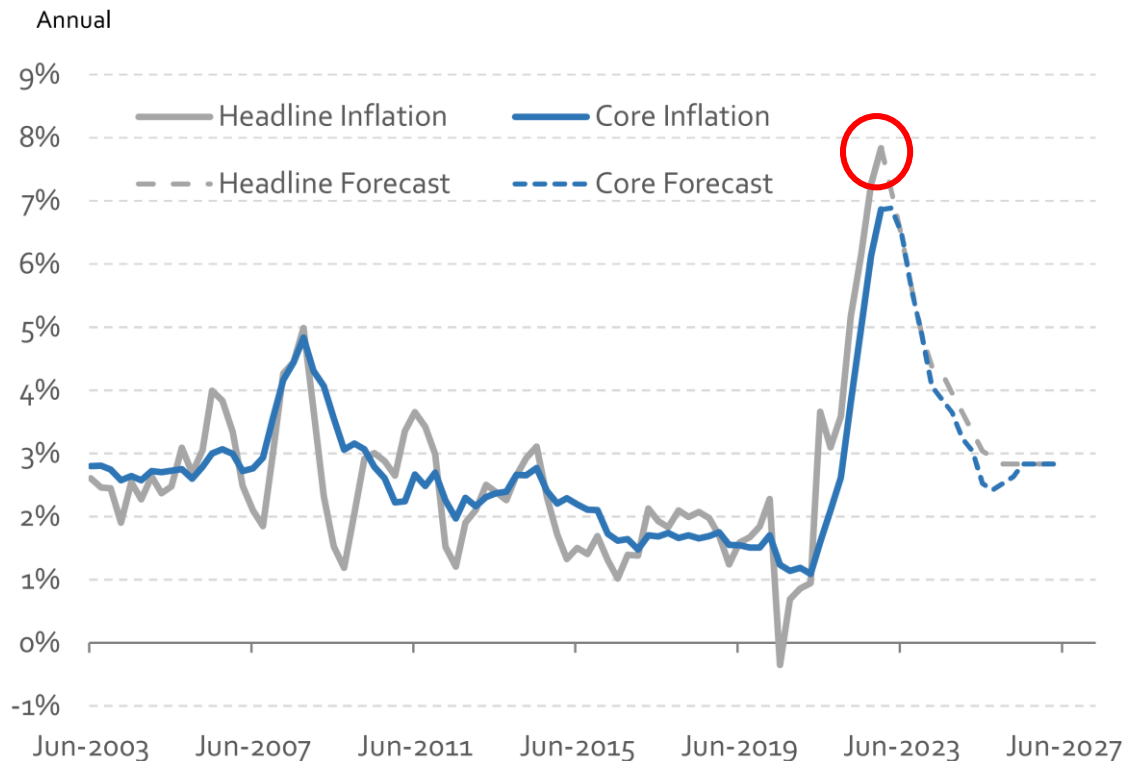
fred.stlouisfed.org

Australian Interest Rates & Inflation – No Peak Yet

Australia has yet to see peak inflation, noting forecasts predict large falls by 2024

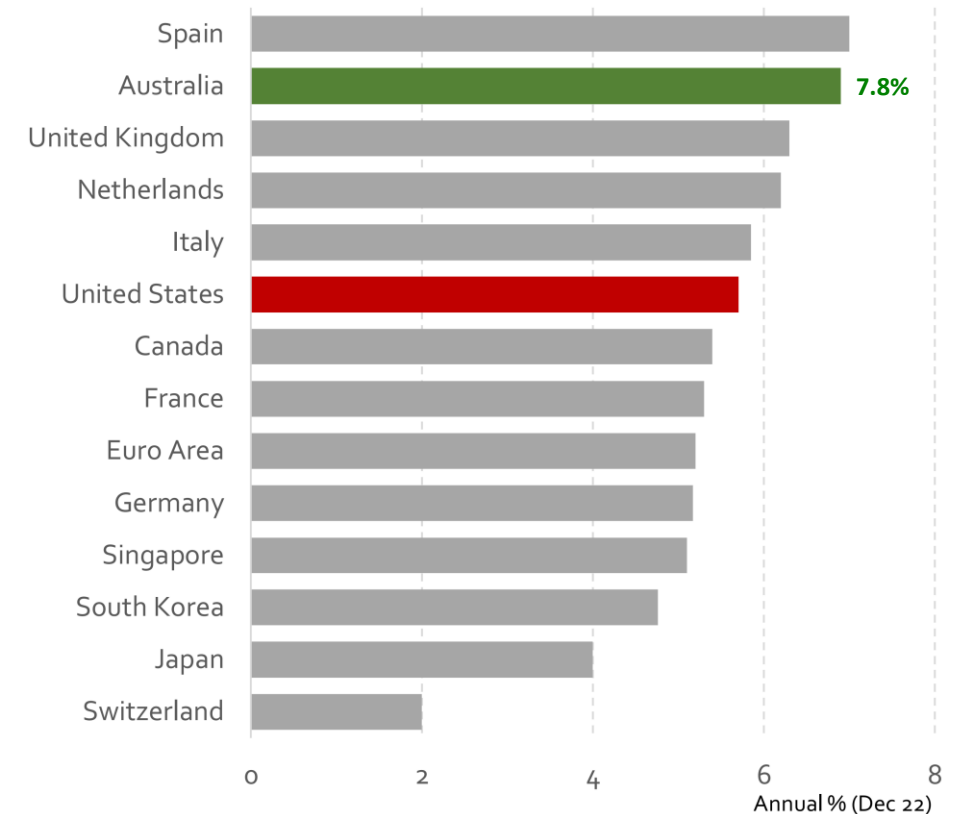
With Australia's inflation still one of the highest in the world, the RBA still has more work to do

Australian Inflation



Source: ABS, RBA, Trading Economics, EQ Economics

Core Inflation (G-20 Nations)

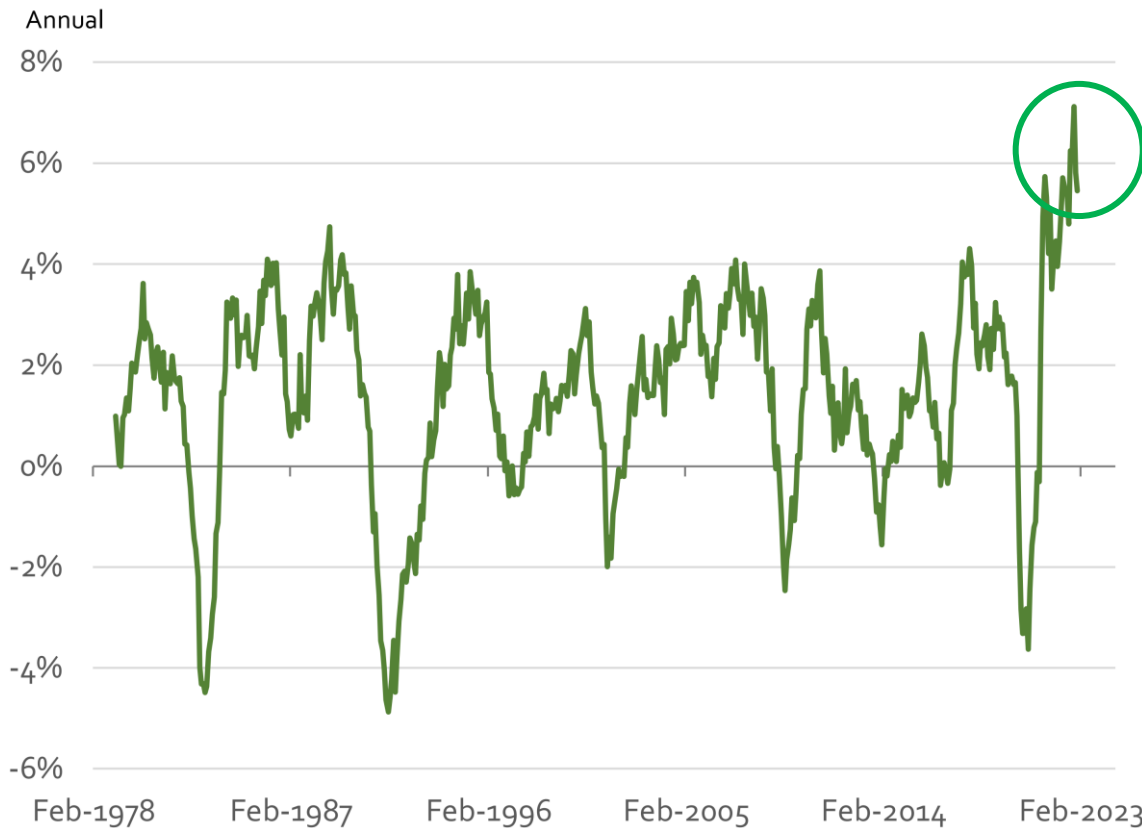


Australian GDP & Employment Remain Strong

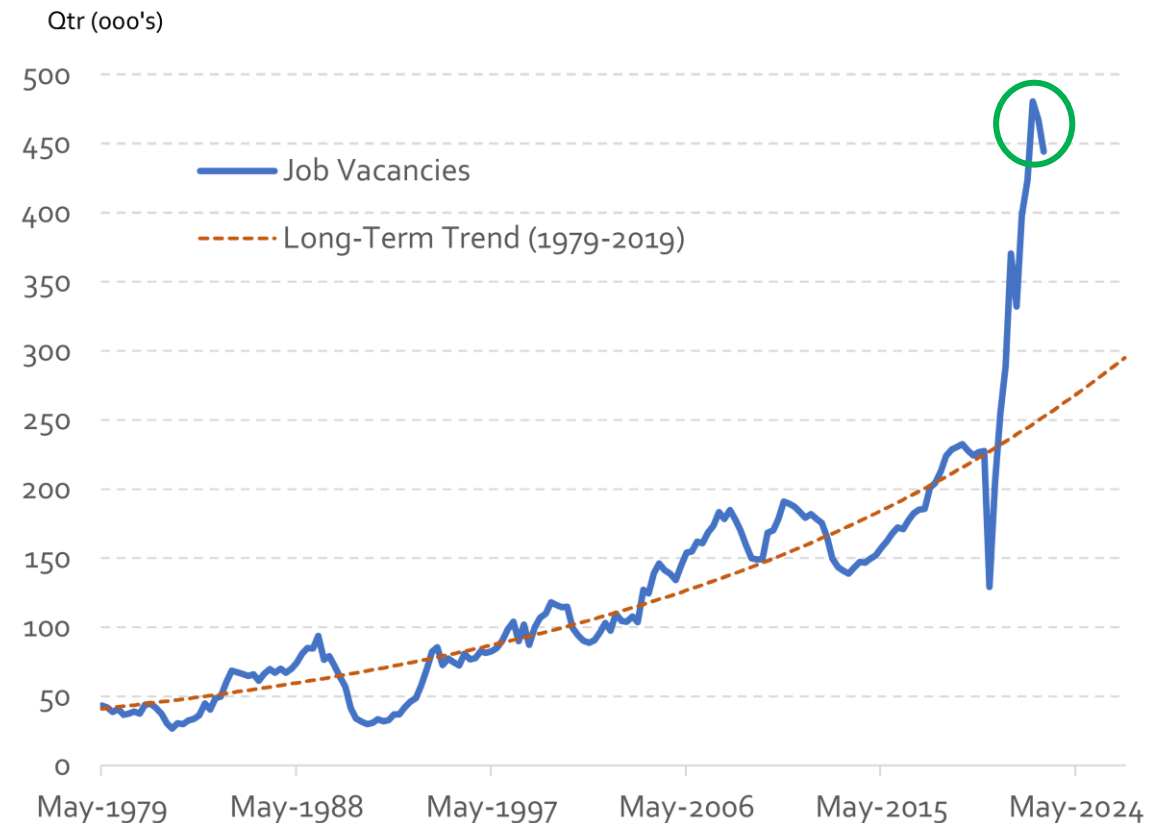
Australia saw historically high full-time employment growth in 2022, putting further pressure on the RBA

Australian job vacancies need to fall 43% to return to long-term trend. Labour demand fuels inflation

Full-Time Employment (%yoy)



Job Vacancies (versus trend)

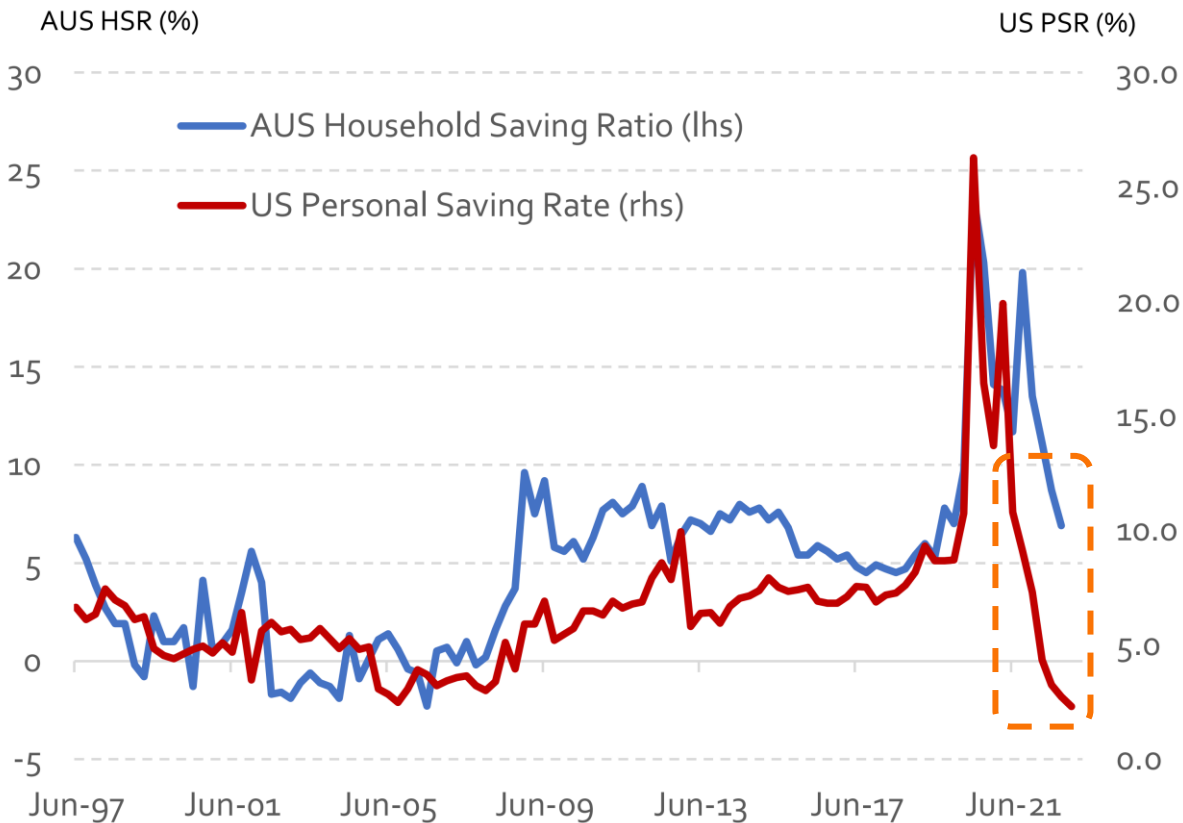


Savings Rates Are Falling, Consumer Credit Is Rising

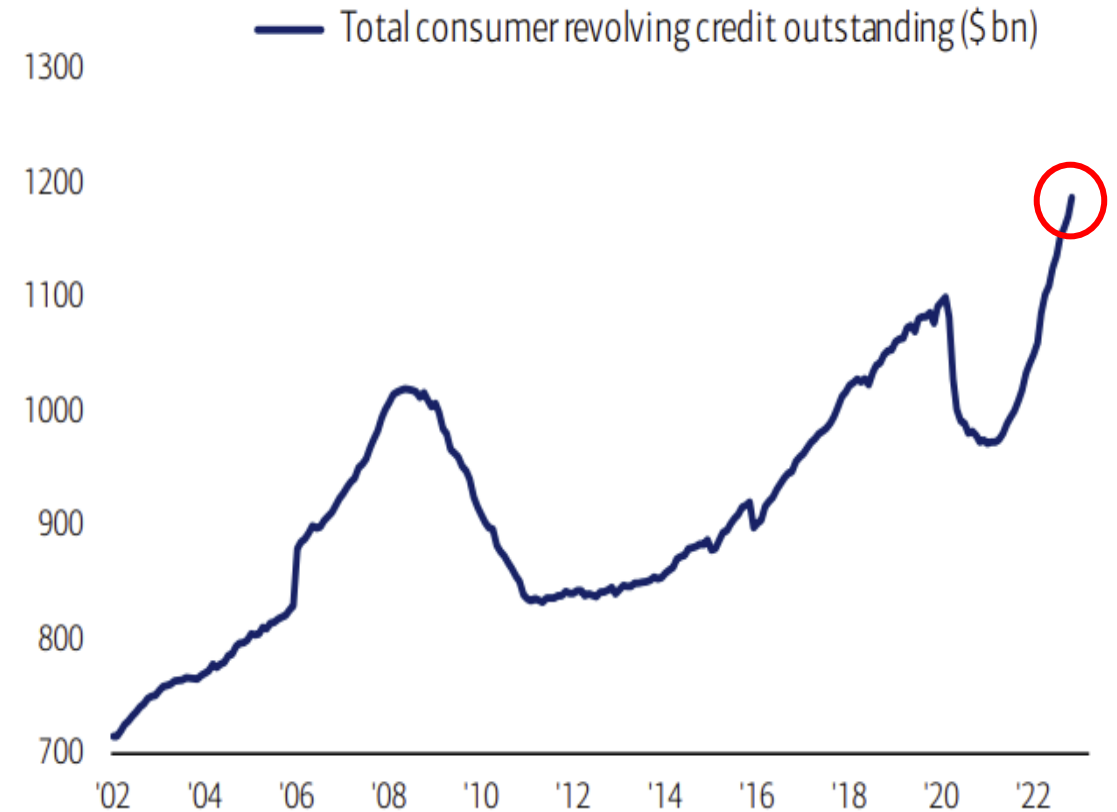
US savings rates have collapsed and Australia's savings rates are heading in the same direction

US household consumption is now being driven by consumer credit, will Australia follow by late 2023?

Household Saving



Source: FRED, ABS, Melbourne Institute, EQ Economics

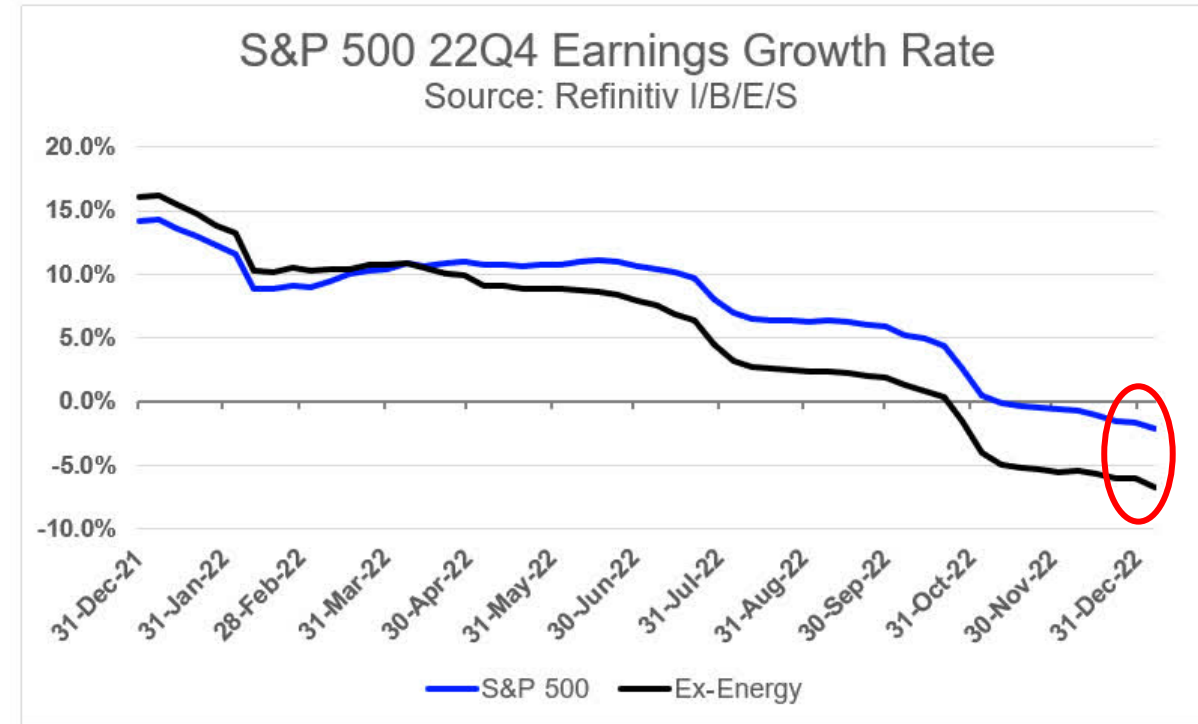
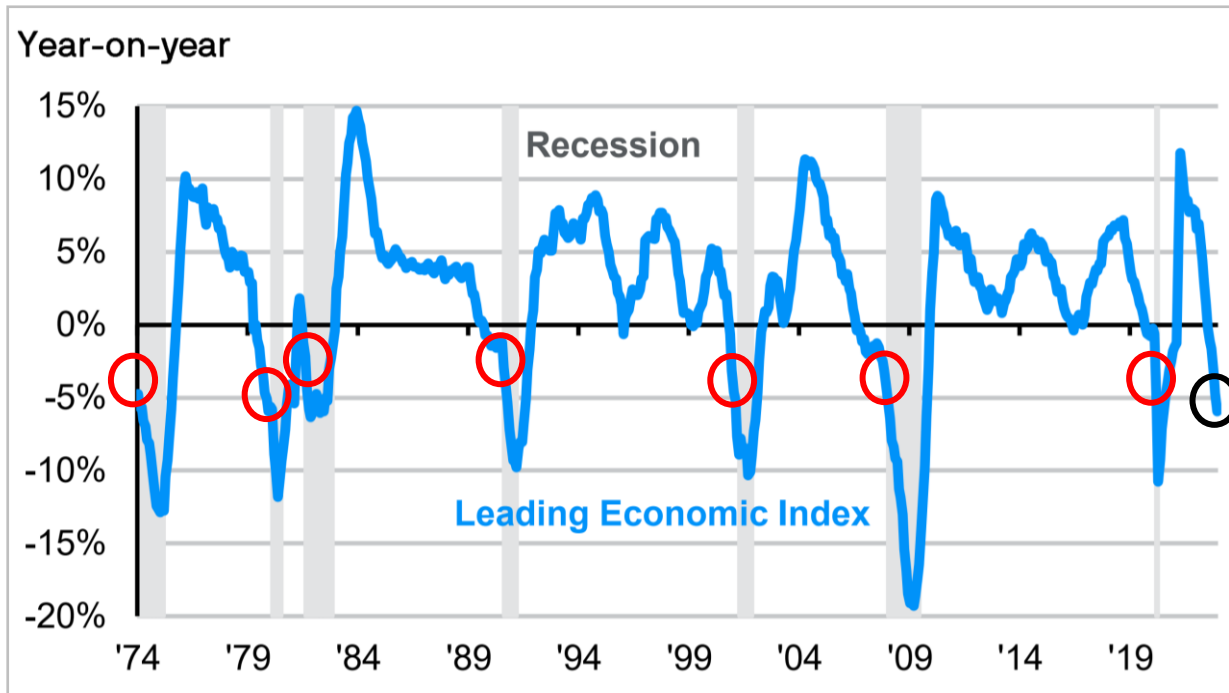


Source: BofA Global Investment Strategy, Bloomberg

US LEI's Are Falling and Earnings Are Negative

US Leading Economic Indicators (LEI's) suggest that recession is around the corner

US corporate earnings are negative as consumer spending slows and economic growth slows



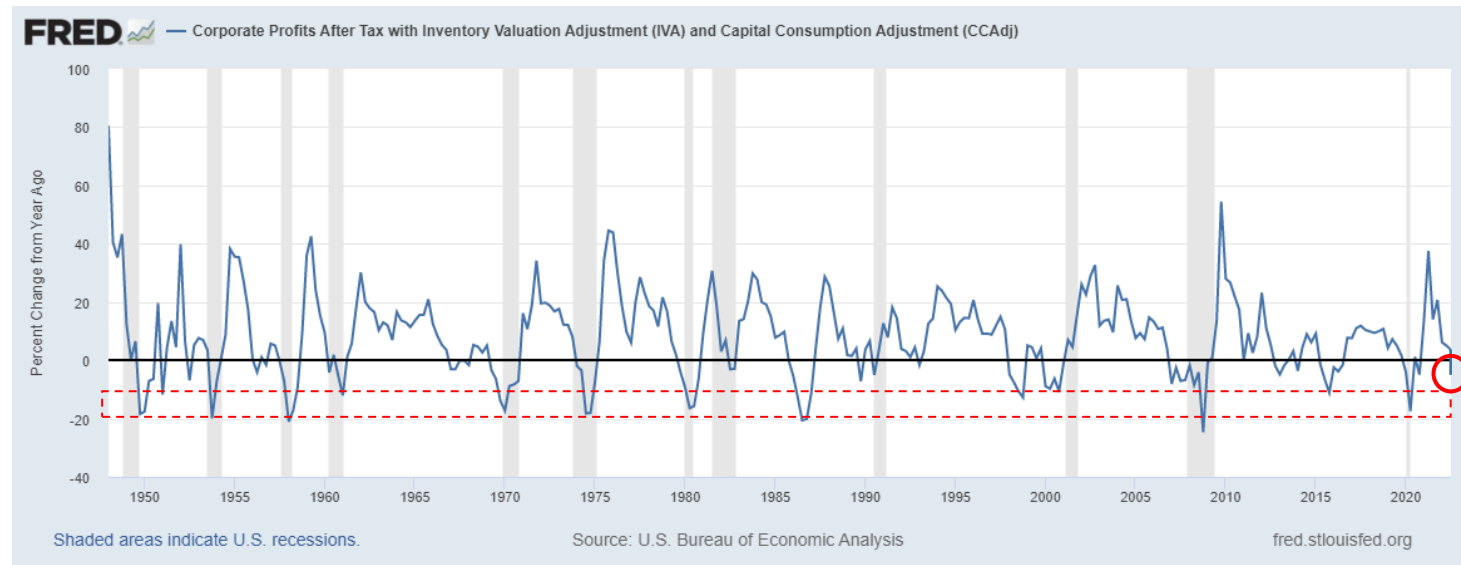
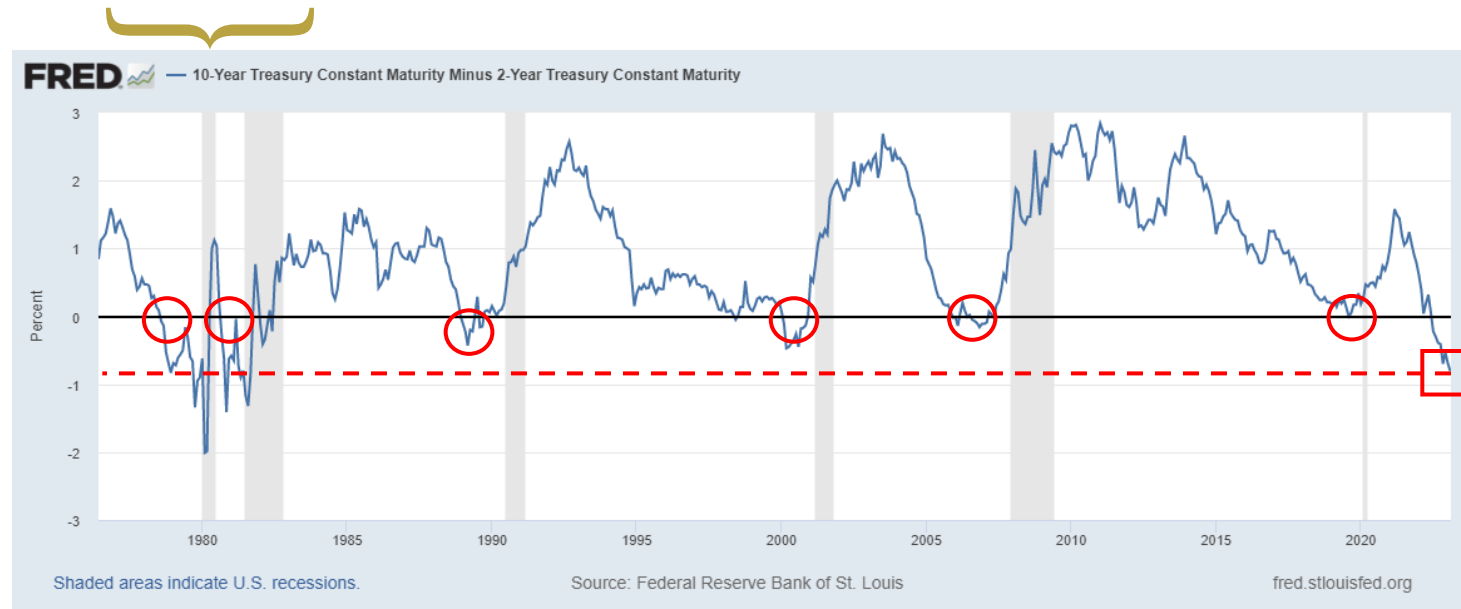
US Yield Curve Is Heavily Inverted – Recession Ahead?

The US 10 and 2-year yield curve (difference between 10 year and 2 year bond yields) is now inverted the most in the last 40 years.

This suggests a very high probability that there is a recession ahead.

US corporate profits are currently -5% for the Q4 2022 reporting period.

Earnings generally fall 10-20% during recessions: What does this mean for current equity market valuations?

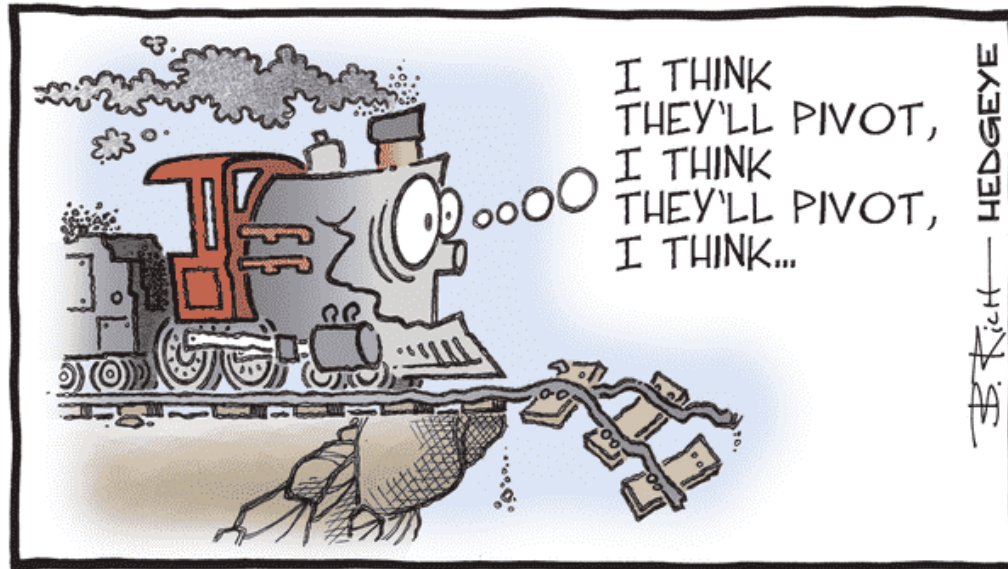


So What Does All Of This Mean For Markets?

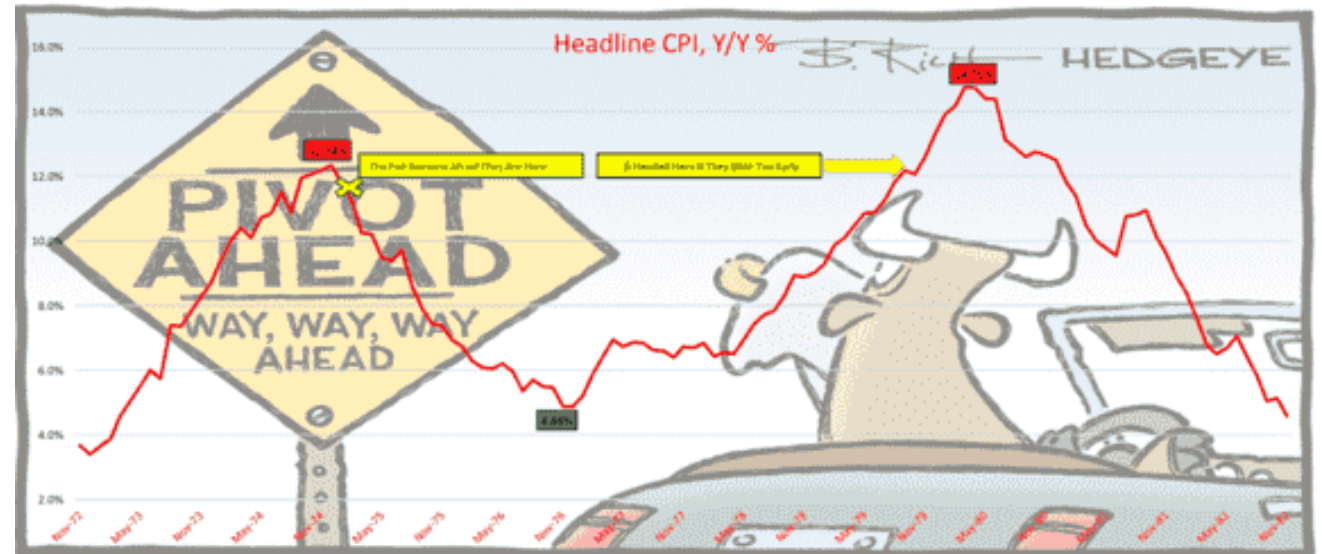
Will the doves control the narrative and will central banks pivot with interest rate cuts in late 2023?

OR

Will the hawks take control and deliver the message of higher rates for longer, with no interest rate cuts in 2023?

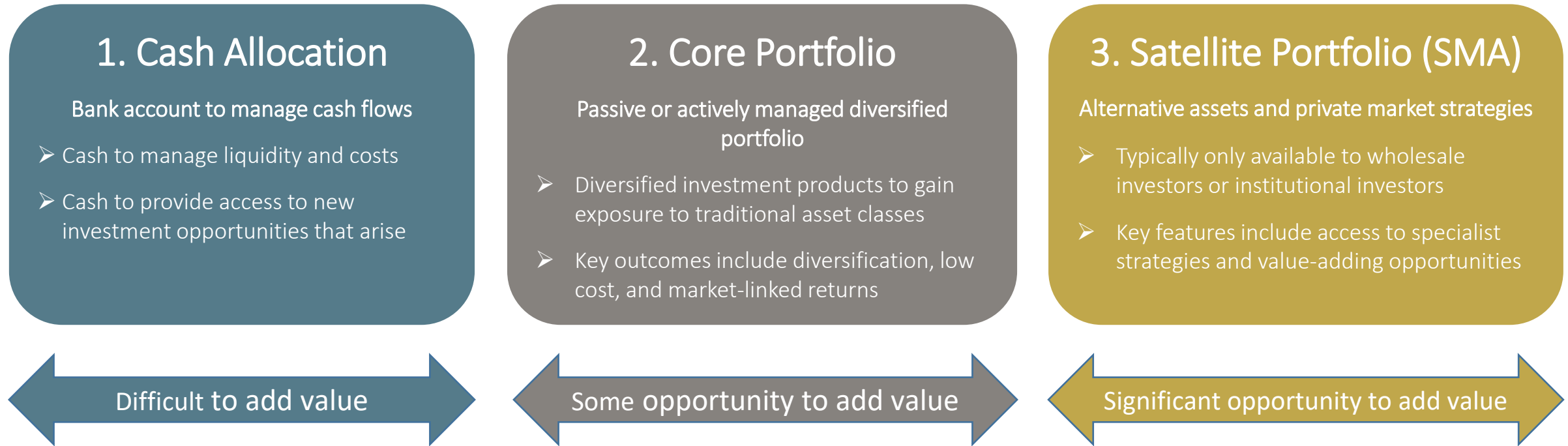


This Scenario = Soft Landing
Action: Selectively buy assets



This Scenario = Recession
Action: Stay defensively positioned

MPW Recommended Portfolio Strategy



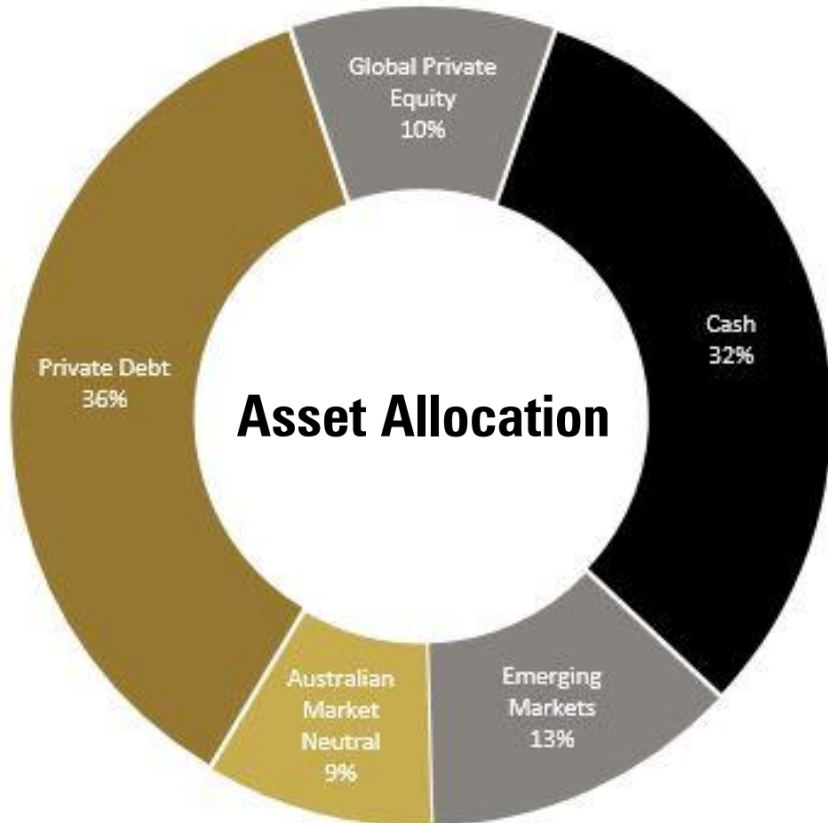
Investors should not 'pay-up' for strategies that cannot add value. These can be accessed for low-cost.

MPW's SMA investment solution complements the first two strategies and is focused on adding value.

Transcend High Conviction SMA

Investment Objective

To provide returns of CPI + 6% pa over a rolling 7-year period.



The Fund encapsulates the MPW investment philosophy and targets our highest conviction investment strategies and themes, including:

- *Global Private Equity* – we expect medium to long-term returns from private equity to outperform listed markets and enhance risk-adjusted returns
- *Australian Private Debt* – these securities are yielding +7% pa on a senior secured basis providing the portfolio with income *and potential growth upside*
- *Global Emerging Market Equity* – US equity markets are the most expensive on a relative basis, but EM looks very attractive from a long-term perspective
- *Cash is overweight* – Our recession forecasts are likely to result in great opportunities presenting throughout 2023, and we aim to capitalise on these

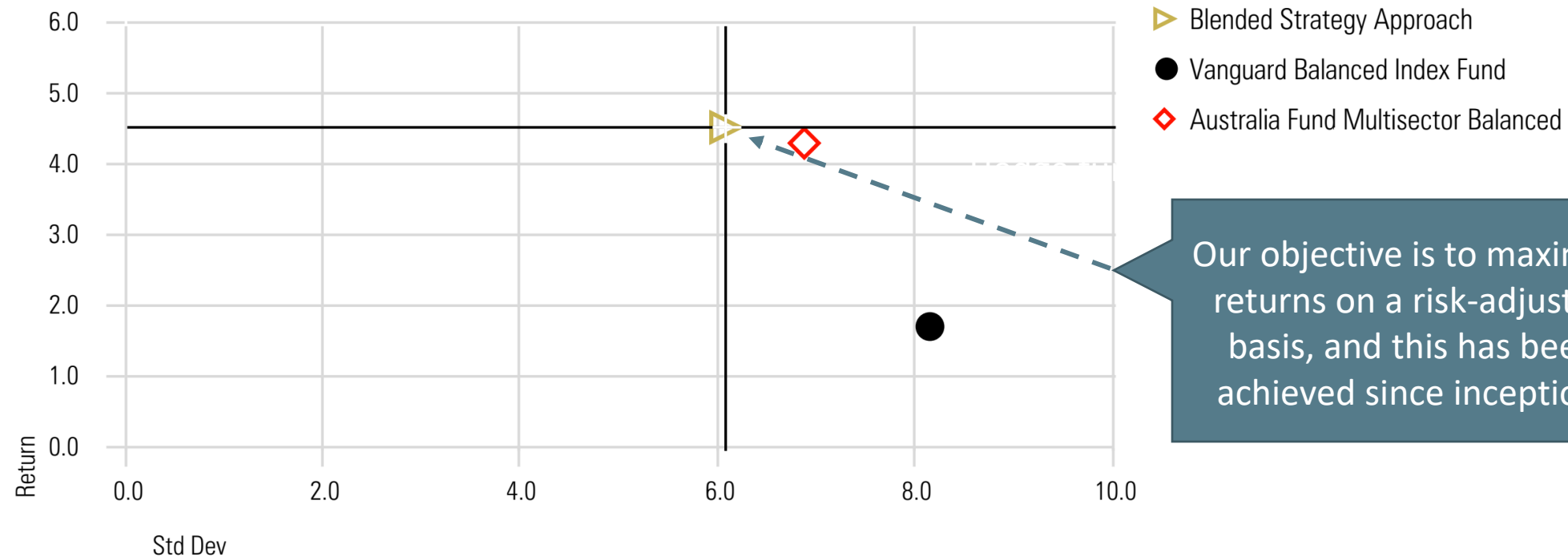
The 'Blended' Portfolio: Risk & Return

The gold triangle shows the lower volatility (Std Dev) and higher returns since inception.

Risk-Reward

Time Period: Since Common Inception (1/07/2020) to 31/12/2022

Calculation Benchmark: None



This report is designed to illustrate the risk and return outcomes of a blended investment portfolio that holds a 50% weighting of the Vanguard Balanced Index Fund, 45% to the Transcend High Conviction SMA and 5% held in cash.

MPW Concluding Summary

Uncertainty remains: Can central banks manage a 'soft landing' or do they cause a deeper recession?

Soft Landing Scenario: Markets have priced-in this outcome and believe central banks will cut rates in 2023.

- Current market valuations don't leave much room for further upside.
- **This outcome is not our base-case.**

Recession Scenario: Fighting inflation is the Fed's priority and markets have not priced-in the consequences of this.

- A deeper recessionary environment means risk assets fall much further.
- **This outcome is our base-case.**



Portfolio Implications:

- Be defensively positioned
- Be overweight alternative assets
- Be patient, opportunities will arise



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