

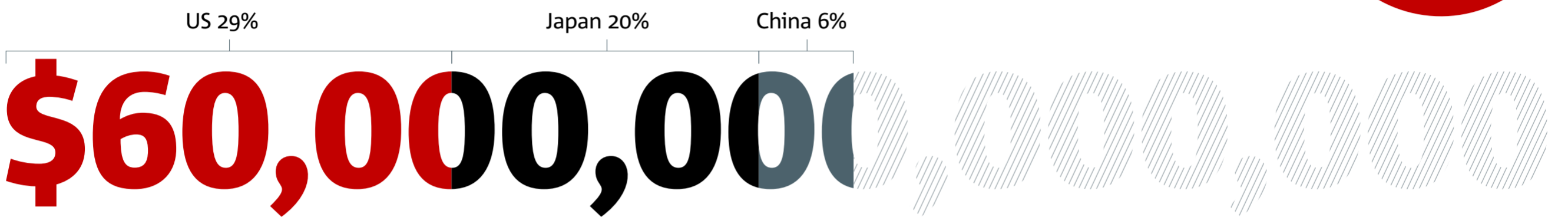
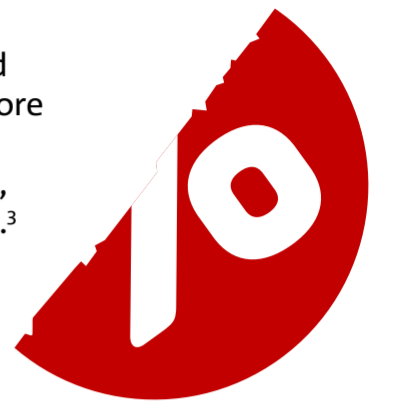
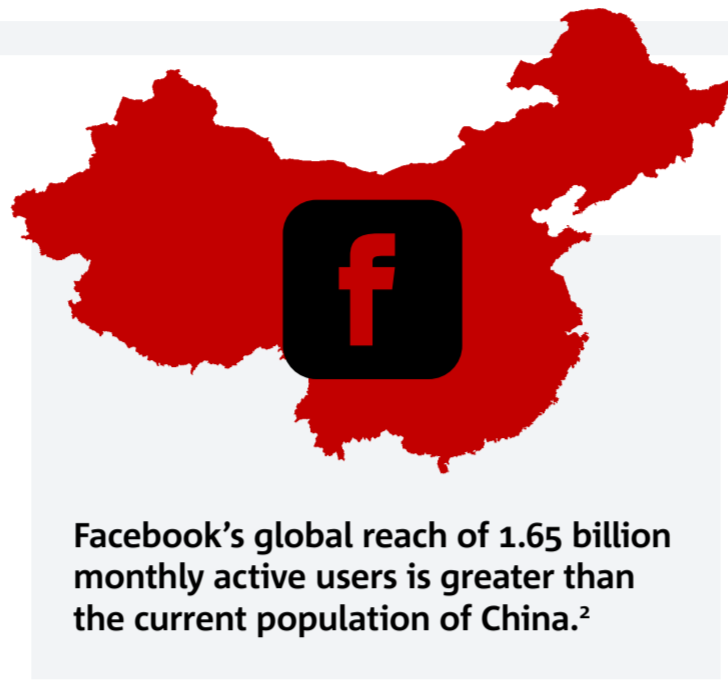
STATE of PLAY

Changing demographics, macroeconomic dynamics and capital market realities are reorienting the world for investors.

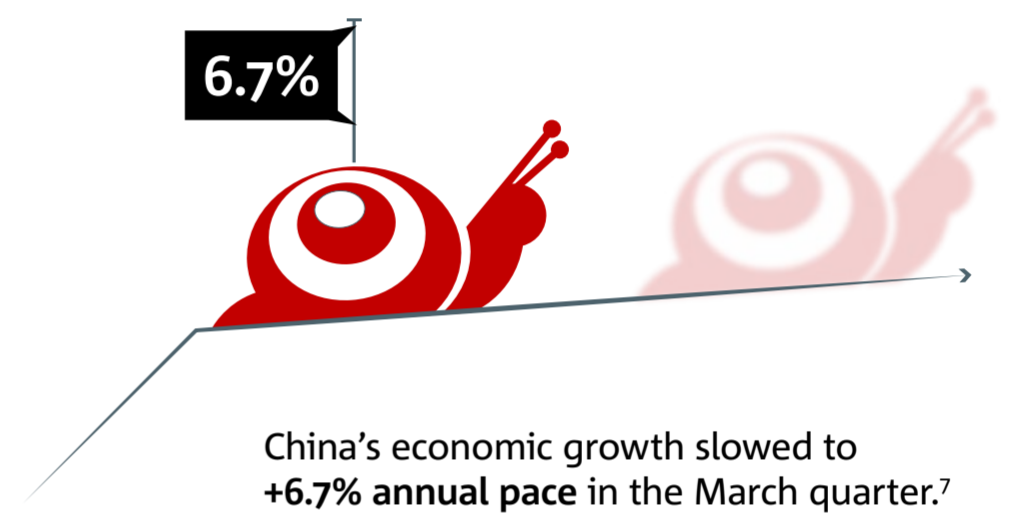
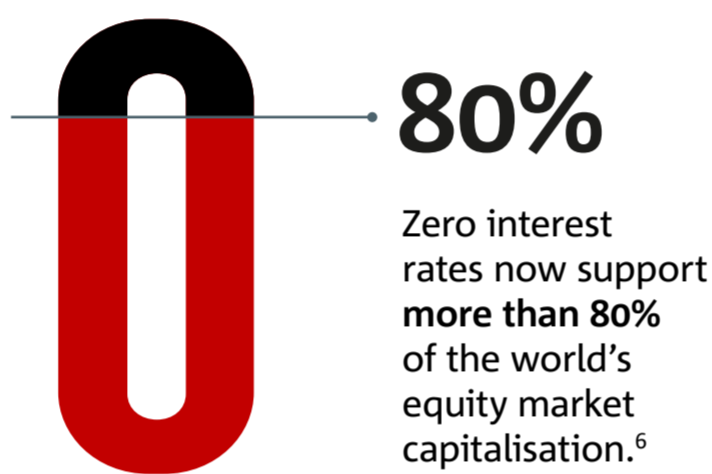
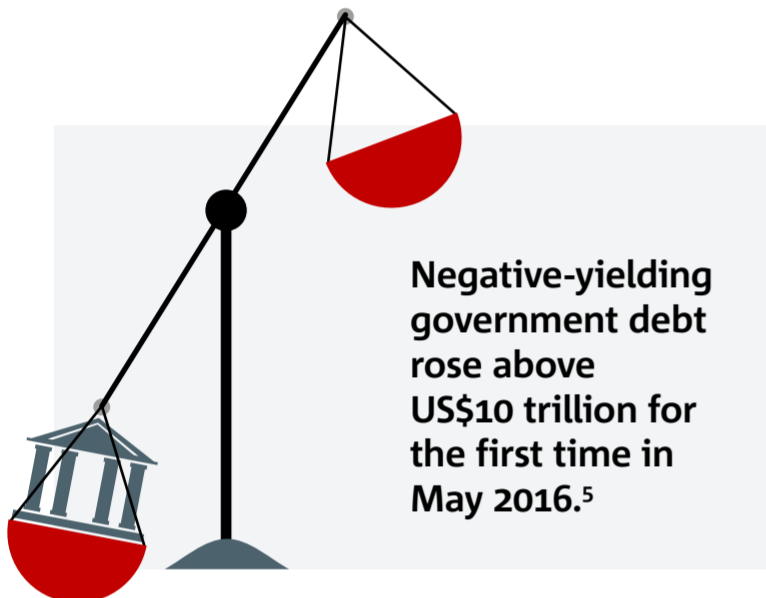
GLOBAL

BY 2050

there will be more people aged 60 or over than aged 10-24 years (2.1 billion vs. 2.0 billion) for the first time in history.¹



There is US\$60 trillion of public government debt outstanding; the US is responsible for 29%, Japan 20% and China 6%.⁴

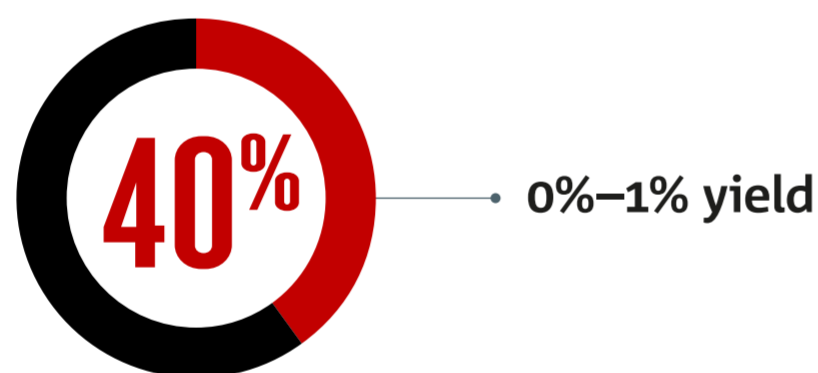


Private equity activity

The US\$4.7 trillion in overall global mergers and acquisitions activity during 2015 set a new record, exceeding the US\$4.3 trillion of activity in 2007.⁸

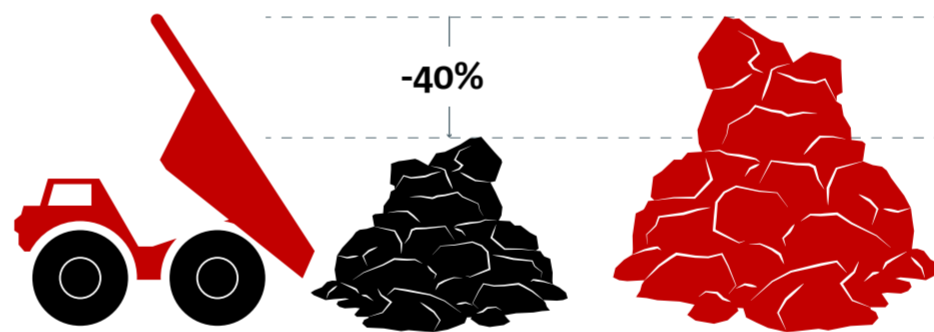


Oil prices collapsed from US\$100 per barrel in early 2014 to a low of US\$26 per barrel in February 2016.⁹



25% of the global government bond market is in negative yield territory and another 40% has a yield between 0%–1%.¹⁰

AUSTRALIA



Australia's annual CPI inflation rate rose 1.3% over the twelve months to the March quarter 2016, which is well below the RBA's 2% to 3% target range.¹⁵



0.25%

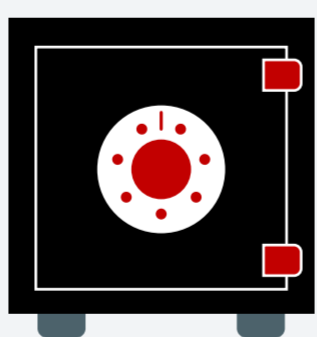
The Reserve Bank of Australia ('RBA') cut the official cash rate by 0.25% to 1.75% in May. This is a historic low. The RBA cited inflationary pressures being lower than expected as the key factor.¹⁴

BREXIT

On leaving the EU, the UK would no longer benefit from EU free trade agreements with over 50 countries. There are a further 67 countries currently under negotiation with the EU which the UK would have to start trade talks with.¹¹



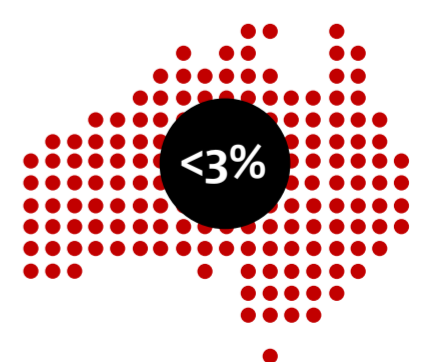
By 2020, UK GDP is predicted to be over 3% smaller than otherwise (with continued EU membership), equivalent to a cost per household of £2200 (in today's prices).¹²



In Australia, residential property was the best performing asset class, delivering 8.0% pa over the 10-year period to 31 December 2015.¹⁷

1.75%

Domestic shares, bonds and cash yielded sub 3% returns in 2015, and Australian shares lagged overseas markets for the third successive year.¹⁷



1. 'World Population Ageing 2015: Highlights', ESA, UN. 2. Facebook and Worldometers.info. 3. 'Go on guess: The global rate-cut tally since 2008', Financial Times. Note: As at 25 March 2016. The total covers central banks in developed economies, Eastern Europe, the Middle East, Latin America, South Africa and Asia. Some smaller economies may not be captured. 4. 'Transforming World Atlas, 2015', Bank of America Merrill Lynch. 5. 'Negative-yield debt breaks \$10 trillion level for first time', Financial Times, https://next.ft.com/content/77e6964-2908-11e6-8ba3-cdd781d02d89, as at 4 July 2016. 6. FactSet and Bank of America Merrill Lynch. 7. 'China GDP growth slips to 6.7% as stimulus eases down', Financial Times, https://next.ft.com/content/1aa4576-0203-11e6-9c4-7936f2b1104, as at 4 July 2016. 8. 'Private equity 2016 forecast and deskbook', Probitas Partners. 9. Crude oil prices: West Texas Intermediate (WTI) – Cushing Oklahoma, Economic Research, Federal Reserve Bank of St. Louis. 10. Quarterly Perspectives Australia 2Q 2016, JP Morgan Asset Management. 11. 'HM Treasury analysis: the immediate economic impact of leaving the EU', HM Government, May 2016, www.gov.uk/government/uploads/system/uploads/attachment_data/file/524967/hm_treasury_analysis_the_immediate_economic_impact_of_leaving_the_eu_web.pdf, as at 12 July 2016. 12. OECD calculations, http://www.oecd.org/economy/the-economic-consequences-of-brexit-a-taxing-decision.htm 13. www.smh.com.au/business/the-economy/negotiating-the-economic-cross-currents-20160311-gnqezp.html, as at 5 July 2016. 14. Statement by Glenn Stevens, Governor: Monetary Policy Decision, 3 May 2016, RBA. 15. Catalogue number 6401.0 – Consumer Price Index, Australia, March 2016, Australian Bureau of Statistics and RBA. 16. 'F4 - Retail deposit and investment rates', June 2016, RBA. 17. 2016 Long-term investing report', Russell Investments and ASX, May 2016.

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