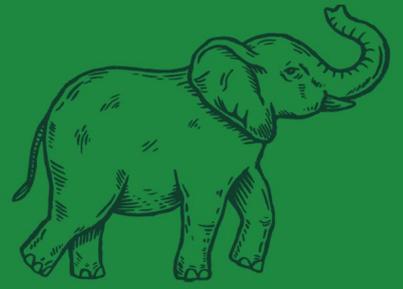


Investment Markets Report



2 December 2022



StanfordBrown

Private
Wealth

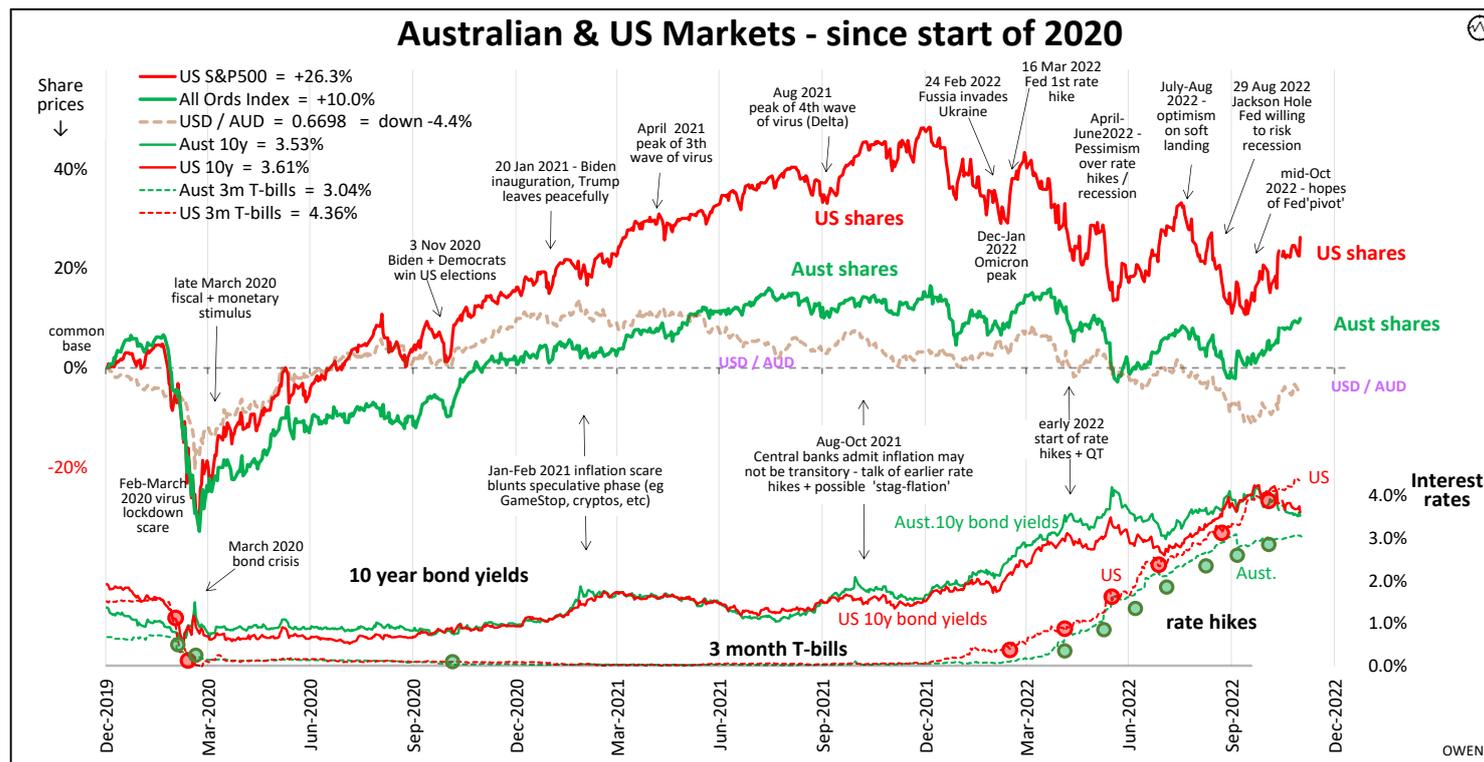
Welcome to the 2 December 2022 edition, where we cover some of the key issues, challenges and opportunities facing long term investors. This month we cover:

- Inflation and interest rates – Where are we now? - and how high will they go?
- Share markets – Are they cheap yet, or still expensive? – and where to from here?
- Spending is slowing, but we still sitting on a huge mountain of cash to spend – where did it all come from?
- The FTX collapse – is this the end for crypto? Or just a bump in the road?

But first, a quick snapshot of where we are now.

Global financial markets snapshot

November was a very good month for share markets and bond markets, with signs of inflation slowing, and hints that central banks may soon 'pivot' toward slowing the pace of interest rate hikes. Here is an update of our chart of the journey for share markets, bond yields, and interest rates through the Covid era:



November was an eventful month for investment markets. The US share market jumped 6% on the 10th when US inflation came in at 'only' 7.7%. The last time 7.7% inflation was celebrated as 'good news' was 40 years ago! In the US mid-term elections, Republicans regained the House, but Democrats retained the Senate. Financial markets took this as a positive development, with a divided Congress likely to put the brakes on Biden's inflationary spending spree. Further adding to the optimism of a rate hike 'pivot', were early signs of rising jobless rates and slowing wages growth in the US. Europe also showed signs it may avoid a deep recession after all.

Global bond markets also posted good gains (similar to July) as yields fell on the prospect of rate hikes slowing and ending soon. Bond yields are now pointing to cash rates in 2 years' time being back down lower than they are today. On currency markets, the mini-rebound in share markets sent the US dollar lower (and other currencies like the AUD higher) as Americans sold dollars to buy up foreign assets with the sudden renewal of confidence.

On the Covid front, infection rates across the world are now back down below 400,000 per day, the lowest rate since mid-2021. Fatality rates are continuing to fall, now back down to 1,500 per day, the lowest rate since April 2020. China, the only country still pursuing a 'zero-Covid' policy with harsh lockdowns, appears to be preparing to gradually open up. Recent public public protests over the lockdowns will probably do more to harden Xi's resolve to crackdown on free speech, than accelerate the end of lockdowns. Economic activity in China is stalling, but Xi's relations with the US and Australia appear to be thawing, with Biden and Albanese instead of Trump and Morrison.

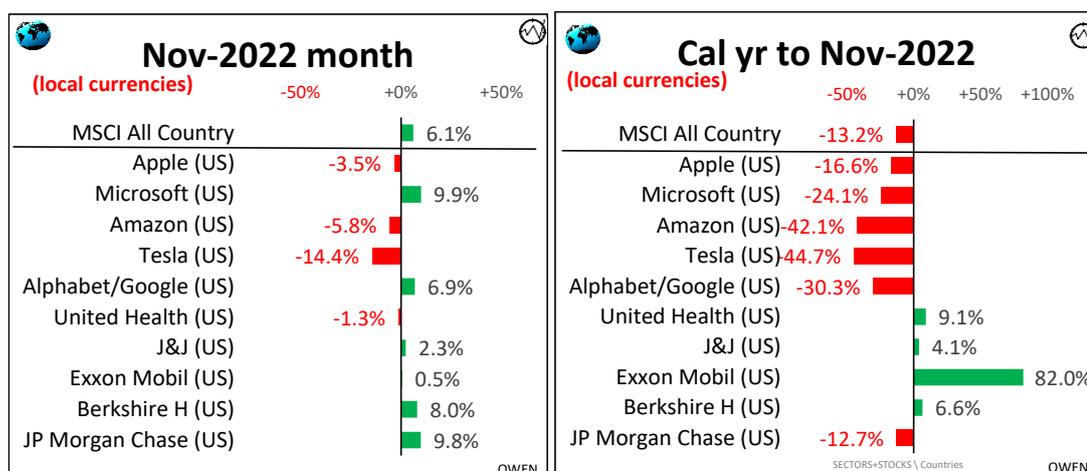
On the Russian war front, more cracks are appearing in Putin's war, and also in Putin's support within Russia. However, any hopes of an impending removal of Putin in Russia (or Xi in China), are probably over-stated.

Share markets continue their 'soft landing' rally

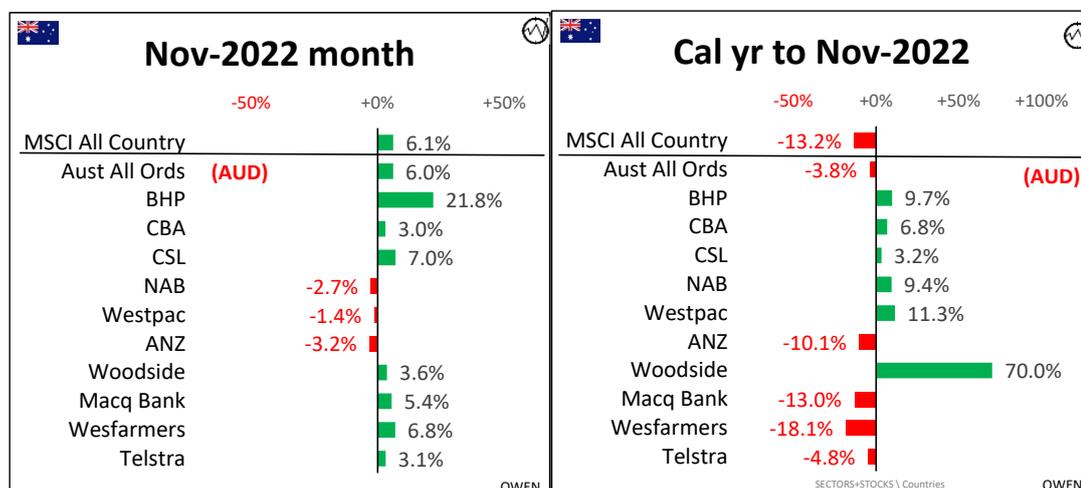
Share markets posted gains averaging +6% around the world in November, a repeat of October, buoyed by hopes of rate cut 'pivots' and economic 'soft landings'.

With fears of recession abating, most consumer discretionary spending stocks were up – especially LVMH, L'Oréal, Nike, and Starbucks – but Amazon, Tesla and Toyota were down. Consumer 'staples' were up strongly – especially Proctor & Gamble, Walmart, Diageo – on hopes that lower inflation might ease the current margin squeeze from rising costs. Bank shares were also stronger, with the prospect of lower bad debts in a 'soft landing'. Also strong were 'industrials' (especially Boeing, Union Pacific rail, and Siemens), and miners (especially BHP and RIO). Oil&gas stocks were mainly flat, as oil prices fell back 7%, reversing October's gain. The tech/online sector was mixed, and continues to suffer from over-pricing – we cover this later.

As far as countries go, the US was a laggard in the global rally – beaten by Australia, UK, Europe and China. Chinese stocks were the star in November, although still by far the worst hit market this year. Here are the ten largest companies in the world (all American) for the month, and year to date:



Australian shares followed the global trend upward in November:



Main driver was the surge in mining stocks, with metals prices boosted by rosier global demand outlooks (slower rate hikes lessening the likelihood and/or severity of recessions); and signs China will increase stimulus and possibly ease lockdowns. Iron ore prices jumped +30%, back up above \$100 after slumping to a pre-covid low at the end of October. Other industrial metals were also mainly stronger, especially nickel. Gold finally posted a gain – just as inflation outlooks eased (gold has been a very poor inflation hedge in this year's inflation surge).

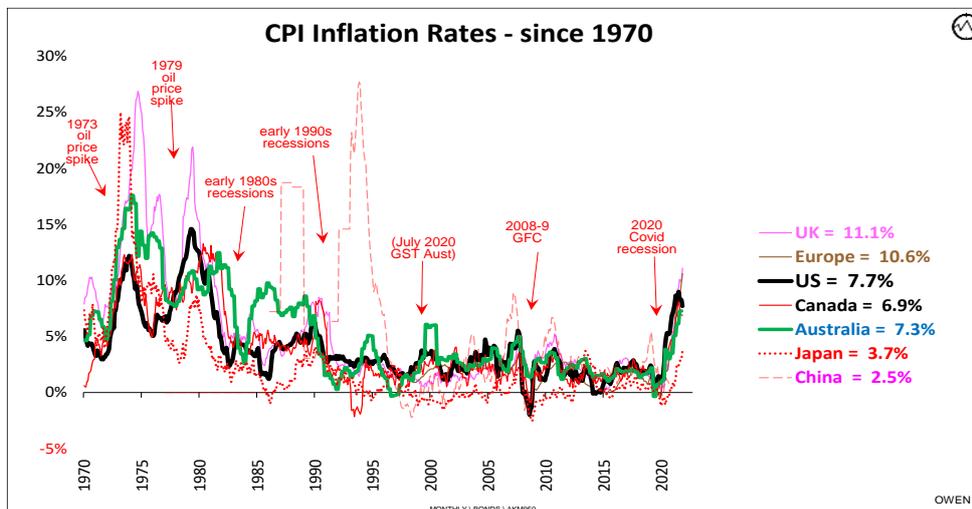
Banks were more or less flat. CSL was a highlight, for a couple of reasons. It launched the world's most expensive drug, selling for US\$3.5m *per dose*, and its share price finally crept back above \$300 for the first time in a year (still below its Covid peak when it was very briefly the largest stock on the ASX). CSL is now ranked #3 behind BHP and CBA. It is still very expensive, at more than 40 times earnings, and a dividend yield of just 1%.

The Australian share market is still holding up better than most other markets this year, thanks to the big miners benefiting from windfall surges in prices, volumes, revenues, profits and dividends – in metals and fossil fuels.

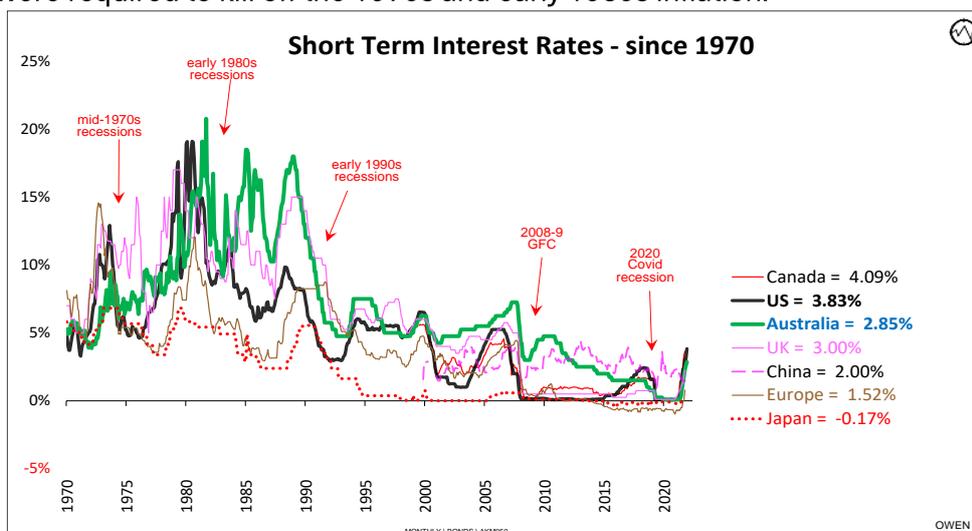
Interest Rates – where are we now?

The most important issue driving investment markets and asset prices is still the question of interest rates. How far will central banks go to try to control inflation?, and will rate hikes trigger sharp cuts to spending, employment, flowing through to cuts to company revenues, profits and dividends? There are other key factors of course, like Russia's war on Ukraine, Covid, energy prices, employment, recessions, geopolitics, etc, but the inflationary or deflationary impacts of these are factored in when central banks set interest rates. Here is an update on progress.

The first chart shows inflation rising sharply across the world, even in moribund Japan and stagnating China. Apart from China, inflation rates are running at their highest levels since the 1970s and 1980s:



Central banks have raised cash rates sharply this year, but they are still below pre-GFC levels, and well below the levels that were required to kill off the 1970s and early 1980s inflation:



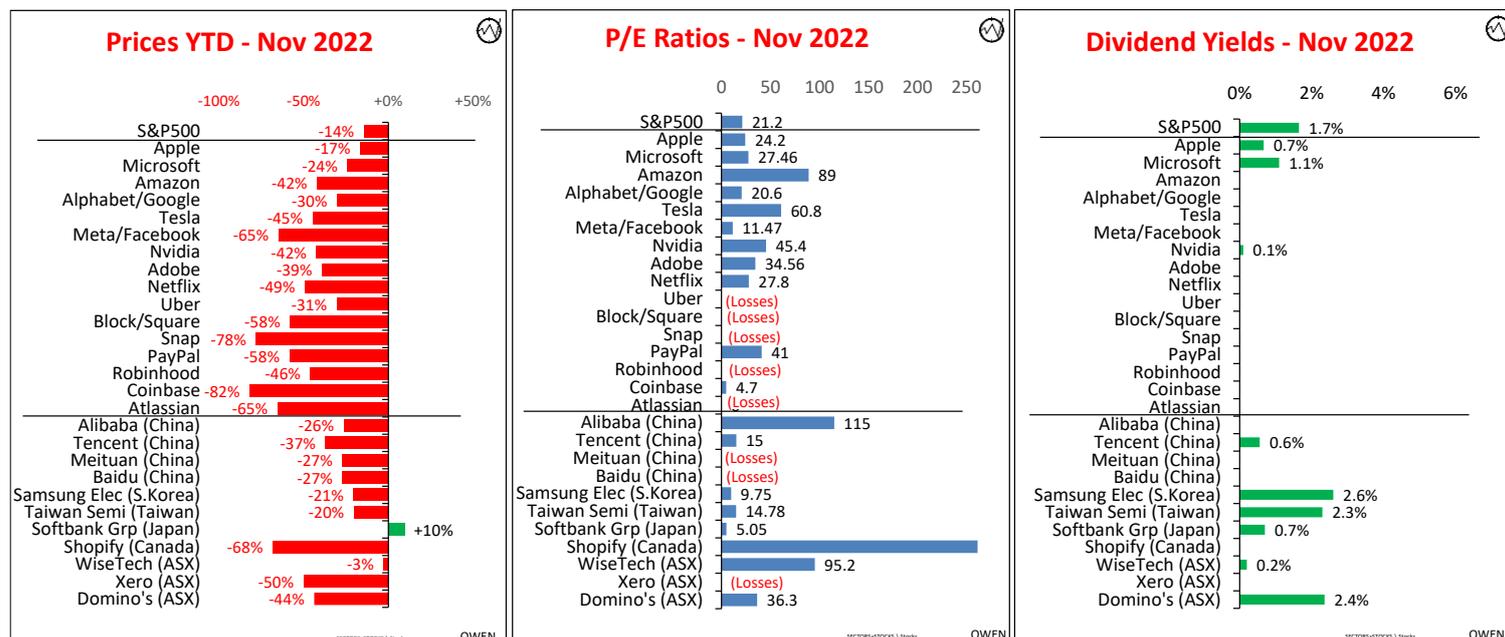
Here is the current state of play on rate hikes and inflation in key countries:

- NZ – 9 hikes to 4.25% - inflation 7.2%
- US – 6 hikes to 3.75%-4% range – inflation 7.7%
- Canada – 6 hikes to 3.75% - inflation 6.9%
- UK – 8 hikes to 3% - inflation 11.1%
- Aust – 7 hikes to 2.85% - inflation 7.3%
- Europe – 2 rate hikes to 2.0% – inflation 10.6%
- Japan – cash rate is still -0.1% (since 2016) - inflation 3.7%

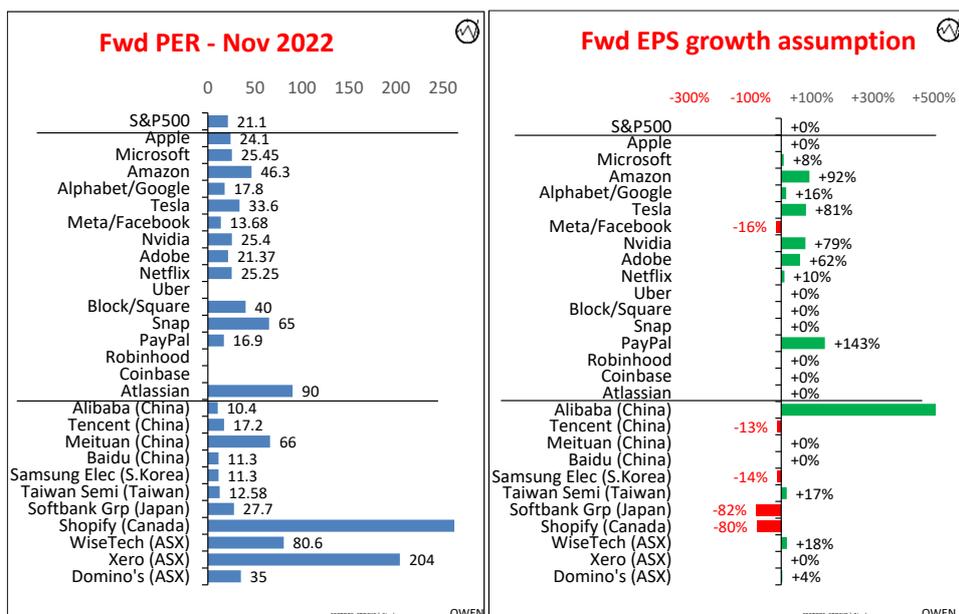
With temporary supply constraints (Covid lockdowns, Russian disruptions, weather events, etc) easing in time, and rate hikes eating into spending, we have probably seen the worst of the inflation spikes, and we are probably more than half way through the rate hikes. However, it is unlikely that inflation will return to target ranges without sharp recessions. Even if and when inflation does return to target, cash rates will need to be 2% to 3% above inflation to keep it in check. That points to 'neutral' cash rates of say 4% to 5% in the US and Australia (less for Europe and Japan due to lower population growth). This will mean asset prices will be based on much higher cost of money than the near-zero post-GFC asset boom. That brings us to the question of the current pricing of share markets.

Shares – are they cheap yet?

Aside from the big US tech/online stocks, the rest of the US market, and the rest of world share markets, are mostly now reasonably priced after this year's falls. The main problem is with the still very expensive tech/online stocks, which are mainly in the US. The left chart below shows heavy falls this year for the US tech/online giants, as well as other selected tech stocks in other markets:



Even after the big falls this year, share prices are still very high relative to profits (middle chart). These 'price/earnings' ratios are still high, even for Apple and Microsoft. (Amazon is trading at less than 100 times earnings, which is very rare!). The right chart above shows how the US tech sector is almost entirely devoid of dividends, an echo of the almost-cashless late-1990s 'dot-com' boom. That boom was killed by rate hikes to 6.5%. The good news is that profit growth forecasts for the coming year (at least for those companies making profits) have been revised downward in recent months as the boom-time optimism has faded. Across the S&P500 index of companies, profits are now forecast to be flat next year (right chart below), instead of endless fairy-tale growth:

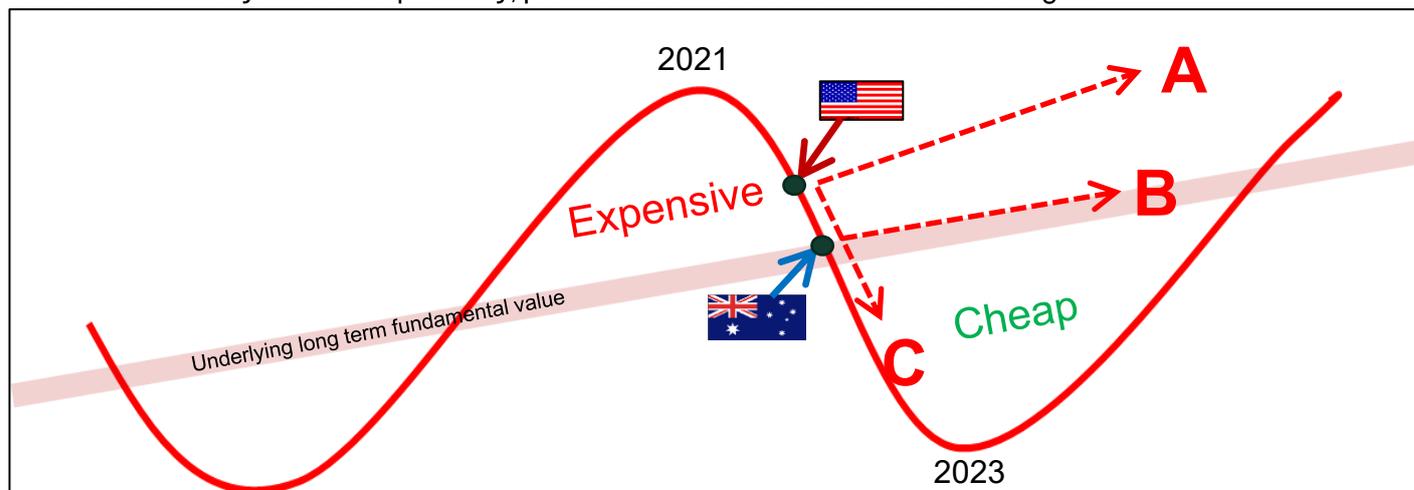


Although profit forecasts are now more sober, it is still a concern that the current levels of pricing for next year's profits (left chart) are still very high and allow no room for disappointment. Profit forecasts assume only a very brief and very shallow profit dip, and then back to growth from next year. There is no allowance for a serious cut to aggregate profits (eg in a broad 'recession'). Recall that aggregate US corporate profits fell by -33% in the Covid recession, by -92% in the GFC, and by -27% in the 2000-2 tech wreck'. If rate cuts and/or other downside shocks start cutting into jobs, spending and company profits, share prices would fall further.

Shares – Where are we now? Where to from here?

First - Where are we now?

Market prices oscillate around their long-term central 'fair value' path over time (based on long term growth in population, productivity, incomes, etc), through booms and busts. The post-GFC / post-Covid tech/online boom that was fuelled by ultra-cheap money, peaked in 2021 before the rate hikes began.



After this year's share market declines with the rate hikes, the US market (and therefore the global share market as a whole) is still significantly over-priced on a variety of measures, mainly because of the US tech/online giants. It is still only around half way back down to 'fair value'. Australia, and most other major 'developed' share markets, are back to around fair value. They did not inflate anywhere as near as the US, and have held up better in the bust.

Where to from here? There are three main paths ahead for share markets:

Path A – the 'soft-landing' scenario. This is where the Fed may not need (or may not have the guts) to raise rates too far. This might be because inflation turns out to be mostly temporary, and quickly comes back down to, or near, target range; or (b) the Fed goes soft and chooses to accept inflation over triggering deep/sharp recessions with high rates of unemployment and bankruptcies. In either case, a deep cut to jobs and incomes is averted, and we are back to the boom! This 'soft landing' theme has lifted markets in the past two months.

Path B – This is the mythical world where share prices calmly and neatly settle on their underlying fundamental fair values and just drift along quietly on their long term path, ignoring any and all short term economic or political or military crises that may come along. The chance of this happening is approximately 0.00%. Share markets (and all other asset markets) are not driven by calm logic. They are driven by emotional and irrational human over-reactions, sending prices lurching through an endless wild roller-coaster cycle of irrational panic buying in the booms, to irrational panic selling in the busts, then back to the next boom again, and so on.

Path C – This is where rate hikes (and/or other shocks to confidence and spending) trigger deep cuts to corporate profits. Whether or not it is defined by economists as a 'recession' is not important for investors. What is important is aggregate corporate profitability. This path assumes that, unlike the brief Covid recession, this time governments are unable or unwilling to dish out free money left, right and centre because they are carrying much higher levels of debt now; and that central banks are unable or unwilling to cut rates to zero again because of problematic inflation this time (as a result of the last bout of government spending sprees and zero interest rates).

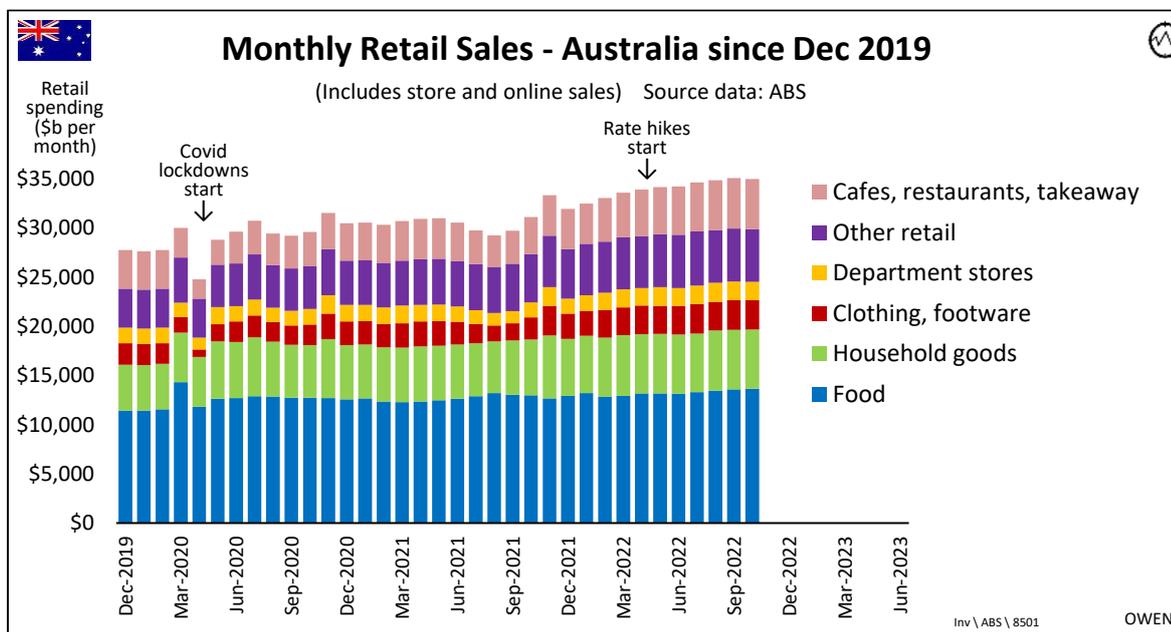
Path A would be nice of course, because that means we are back to boom times until the 'big one' hits some time in the future. Path B happens only in 'efficient markets' theory in finance textbooks, which are found in the 'fantasy fiction' section of bookshops and libraries.

Path C is the most likely. Inflation will come down, but probably not all the way back to their target levels and stay there. We have covered the many reasons for this view in recent reports – including the impact of factors such as: slowing globalisation, on-shoring/near-shoring of jobs, less cheap stuff from China, demographic labour shortages, military build-ups, and the shift to renewable energy. Meanwhile, it appears the Fed is still committed to doing what it takes to bring inflation back down to its 1-2% target range. The US has the most problematic inflation, and the US Fed drives world markets. With US shares still over-priced, there is little downside protection built into current prices. Other markets like the ASX follow the US, regardless of local pricing and local conditions.

Spending slowing, but we have so much money to spend!

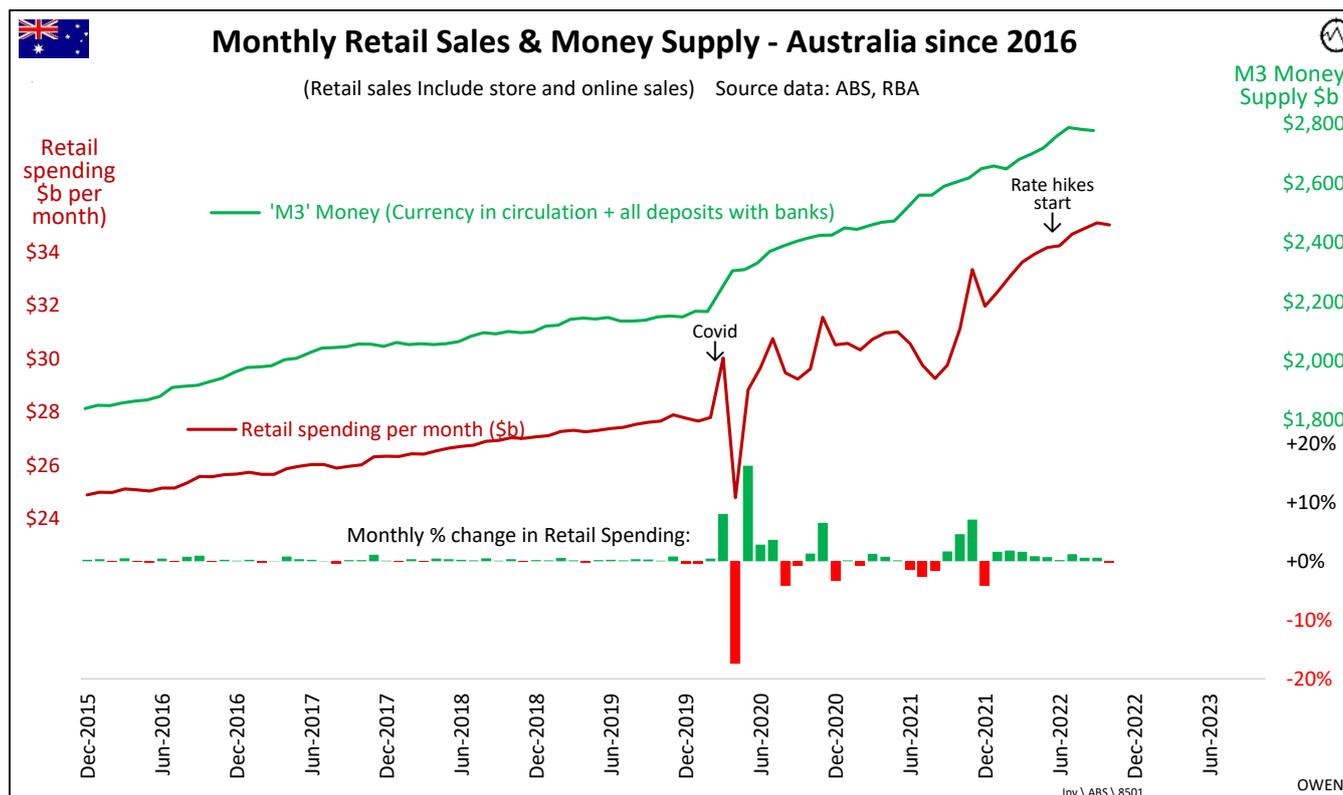
After seven RBA rate hikes this year, Australians are finally showing signs of slowing their collective spending spree. Strong levels of spending boosted demand, and while there are still supply constraints everywhere, this extra demand lifted prices and fed into the inflation numbers.

This chart shows monthly retail spending in Australia since the start of 2020 (pre-Covid). It includes store sales and also online sales, but excludes mortgage repayments and rent.



Over the past three months, spending on food/groceries (blue) and cafes, restaurants & takeaways (pink) are still rising strongly, but other categories have flattened off. The 'other retailing' category (purple) is falling the fastest in the wake of the rate hikes. This is probably where most of the online sales are recorded, and this was the area of greatest growth since Covid. (The spike in the blue bar in March 2020 was the mad grocery stockpiling spree.)

The problem is that Aussies simply have too much money to spend. The next chart shows retail sales since 2016 (maroon line). Sales volumes are now running some 25% above pre-covid levels. Australians are now spending an average of \$3,500 per household per month, compared to \$2,800 per household per month pre-Covid.



One reason for the additional spending is that mortgage repayments are still much lower now than they were pre-covid, even after the rate hikes. Lower repayments leaves more money for spending. Rate hikes take time to flow through to increases in mortgage repayments, and possibly slow people's spending, so we are a few months behind in seeing the impact of the recent rate hikes on retail spending. The big hit from rate hikes will be over the next 12 months when a tidal wave of low fixed rate loans (at around 2%) will need to be refinanced at much higher interest rates (around 5% or higher). That is sure to put a big break on spending next year.

But the main reason for the much higher levels of spending is that we have mountains of cash to spend. The green line shows the amount of money we are sitting on. 'M3' is the main measure of money held in private hands across Australia. This includes 'currency in circulation' (notes and coins in people's pockets, under their beds, and in bank safes), plus bank deposits (including transaction accounts and term deposits). At the start of 2020 (pre-Covid), Australians were sitting on an average of \$215k in cash and bank deposits per household, but that has risen to a whopping \$278k in cash and deposits per household now. Australians now hold, on average, \$10k per household in notes & coins, \$157k per household in transaction accounts, and \$112k per household in term deposits and other fixed deposits. The amount of money in bank term deposits took a big dive when interest rates were cut to zero during Covid, but volumes are now increasing rapidly now that they are finally paying interest again.

This mountain of money held by households is not evenly spread of course. The rate cuts certainly hurt retirees who were living off bank deposit interest. The RBA cut rates to zero and specifically told them that rates would not be raised for at least three years. They were told to put their money instead into higher risk assets (to stimulate jobs presumably). With their interest income taken away for years, many thousands of retirees took their money out of term deposits and were lured into a host of risky ventures, including fake bond scams, crypto's, and a range of other frauds and scams. Now the RBA has the hide to say, "I'm sorry if people listened to what we'd said"! (RBA Governor Philip Lowe at the Senate committee hearing on 28 November). No apology for what he did or said, just blamed people for actually believing what he said!

The pile of money held by households has reduced slightly in the past two months, but there is still \$2.8 trillion of money (which is 26% above pre-covid levels) just waiting to be spent.

Where did all of this extra money come from? It was a combination of ultra-loose 'fiscal' policies (government deficit spending, with handouts everywhere), and ultra-loose 'monetary' policies (the RBA's zero interest rates, bond-buying, and ultra-cheap lending programs). Russia's invasion of Ukraine certainly added some supply constraints, but it did not add one cent to the pile of spending money. The windfall commodities boom boosted tax receipts and mining company dividends, but the bulk of the huge pile of additional cash that fuelled inflation was created by governments and their central banks.

As investors, we already know this, but the key is watching and waiting for governments and their central banks to acknowledge it, and take decisive action to rein in the inflation they created. On the fiscal (government) side, the new Federal Labor government has paved the way for some significant reductions in the deficit, via likely tax hikes (probably mainly in the form of reductions in tax breaks), plus spending cuts. Thus far, it appears likely that Labor will make some significant structural changes, and not simply rely on the unexpected bonanza of tax receipts from the mining exports boom.

It appears that the UK bond crisis in September-October of this year did not go un-noticed in Canberra. The UK crisis was a stark reminder that governments may decide how much they want to borrow, but bond markets (ie bond investors) tell them what they can borrow. On the other hand, the newly re-elected Victorian government looks likely to continue to spend up big, expanding their state debt load even more. One potentially negative aspect (for inflation) on the government side is the retrograde industrial relations shift, back to industry-wide strikes, but the impacts are likely to be more medium-term than short-term.

On the monetary side (the RBA), the US Fed started its *mea culpa* refrain a year ago, but the RBA is doing a tortious job so far in trying to regain credibility and confidence.

FTX collapse – the end of crypto, or just a hiccup?

The crypto space has certainly been fascinating to watch over the past 40 years. From Dave Chaum's first brilliant paper in the early 1980s (when I was starting out in banking), through the development of 'digi-cash' and 'b-money' in the 1990s, to Nakamoto, bitcoin and blockchain in the 2000s, Silk Road (the first online dark-web for drug dealers using bitcoin for payments) and Mt Gox in the 2010s, then the flood of the new crypto tokens, exchanges, 'stable-coins', and NFTs in the 2020-1 Covid stimulus boom, and now the string of collapses and losses in 2022.

Much has been written already about the FTX crash in the middle of November, and much more will be written in the coming weeks and months as more facts emerge (and there are sure to be books and movies about it), so we will not repeat the story here. Please note that neither Stanford Brown, Soteria Capital, the Lunar Group, nor any of the investment portfolios we manage, have any direct or indirect exposure to FTX, FTT or any other crypto exchange or token, or any other business or entity involved in any way with the whole crypto ecosystem, including crypto mining, crypto trading, crypto lending, crypto venture capital, NFTs, etc. Our interest in studying the development of the crypto landscape, and collapses like FTX, are their likely impacts on broader financial markets.

FTX is just another episode in a long line of collapses since the peak of the speculative bubble in 2021, and probably not the last. It appears that around US\$16b of FTX customer deposits/assets were lost and/or stolen. There are more than one million creditors, including 30,000 Australians. The mess is now in the hands of John Ray, who was the liquidator in some very large and complex bankruptcies, including Enron. (Enron was a similar merry-go-round of fraud and theft, and was the largest bankruptcy in history at the time of its collapse in 2001).

In recent years we have watched the crypto bubble evolve and we have warned investors against being caught up in 'FOMO' fads and fraudulent get rich quick schemes. As with all speculative bubbles throughout history, the gullible media get caught up in the hype, amplifying and spreading the speculative fever. We are constantly having to remind people not to believe the media hype - even from sources that pretend to be authoritative, like 'financial' media outlets. For example, just one month ago the 'Australian Financial Review' celebrated FTX's 30 year old founder Sam Bankman-Fried as the richest person in the world under 40, with a US\$25b fortune.



The AFR was suffering from its own bout of 'FOMO', and was simply copying Fortune Magazine's similar cover story in August - which suggested Bankman-Fried was 'the next Warren Buffett'! Ditto for Forbes magazine.

The crypto bubble and collapse was just a manifestation of the giant 'tech' boom fuelled by post-GFC stimulus, and especially the Covid stimulus. The tech/online boom included anything to do with technology, driving up the prices of large incumbent players like Apple, Microsoft, Meta/Facebook, Alphabet/Google, Alibaba, Tencent, etc. It also drove up anything else with a 'tech' element, like Tesla (cars), Netflix (TV), and Afterpay (store credit). Further up speculative scale we saw hundreds of IPOs of speculative, profitless start-ups, and hundreds of 'SPACs' ('cash-boxes' that didn't even pretend to have a business). Even further up the speculative spectrum we had the extraordinary phenomena of the 'meme' stock raids. At the most speculative end were the new crypto tokens, 'stable-coins', exchanges and NFTs. The peak of the speculative frenzy was 2021, just before the rate hikes began.

It was similar to the late 1990s boom, when all you had to do was add 'dot-com' to any old-world business or idea, and it instantly doubled the price. This time, all you had to do was to add the word 'digital' or 'disrupter' or 'de-fi'.

Fundamental cause of the FTX collapse?

The broader tech boom is now deflating, triggered by rising interest rates. We cover this elsewhere. However, here we are talking about the collapse of FTX in particular. FTX (like Mt Gox and all other failed crypto exchanges) was a centralized exchange for people who wanted to buy, trade or transact in crypto. Therein lies the fundamental flaw. One of the core ideas behind the crypto movement is the complete removal of centralized intermediaries. It is supposed to be a utopian, democratized, decentralized world devoid of the evils of centralized intermediators, controls, regulations, and governments. It is a sad fact of human nature that where there are intermediators (middle-men handling money on behalf of depositors or transactors) operating without regulation or supervision, there is the opportunity for fraud and theft. In the crypto ideology, instead of using unregulated, opaque, centralised exchanges, we should just 'trust the code' and transact directly on the blockchain.

Unregulated crypto 'exchanges' or 'brokers', or 'platforms' took customer 'deposits' and many paid 'interest' to lure people in. Many even marketed themselves as 'banks'. In order to generate the cash needed to pay the 'interest', they invested/lent customer deposits out to illiquid, high-risk crypto-related ventures, like 'de-fi' start-ups and crypto trading schemes. Many simply siphoned off the money and spent it on houses and cars and parties. They paid 'interest' and customer withdrawals out of new customer deposits (that is the definition of a 'Ponzi' scheme). The merry-go-round only lasts as long as prices keep rising, and new 'investors' can be lured into the scheme. The collapse of FTX looks like a repeat of Mt Gox, on a much larger scale. Mt Gox was the largest crypto exchange in the world when it collapsed in 2014 due to fraud and theft. Absence of regulation and oversight means an open door for fraud and theft. Nothing has changed on that front.

Will it trigger or lead to a financial crisis?

The collapses of numerous crypto ventures, including FTX and probably many more to come, are not likely to trigger or lead to a 'systemic' financial crisis that seriously affects the real economy (like the GFC, and the early 1930s). Although large sums of money have been (and will be) lost, the crypto universe is, by design and by definition, outside the mainstream financial system that oils the wheels of the real economy.

So far, the crypto space is relatively minor and outside of the mainstream financial system. To date, cryptos have only made inroads to widespread use for speculation (with spare money that people can afford to lose), and for illegal transactions (drug deals, hacking/ransom payments, human trafficking, illegal arms trading). It will only start to become 'systemic' and large enough to impact the real economy if people start to use cryptos like they currently use banks – ie automatic deposit of salaries, and payments for everyday transactions. People will only do that en masse if they know for certain that their money is completely and absolutely safe. The money would need to be held by 'unquestionably sound' institutions that are regulated, supervised, audited, protected by layers of capital, backed by emergency funding facilities from central banks, and guaranteed by governments.

Since the whole point of crypto is to avoid all regulation, governments, central banks, scrutiny, etc, unregulated decentralised crypto is unlikely to become large or inter-connected enough to threaten the real economy, let alone replace the current highly regulated and government-protected banking system. In time, central banks will start issuing digital versions of their currencies, but they will be highly regulated and controlled by governments.

Is this a sign of the end of crypto, or just a hiccup?

Despite countless billions lost in numerous collapses, frauds and scams so far, and probably many more to come, the libertarian ideas behind the crypto movement are very powerful. A utopian world of democratised money for the masses, beyond the reach of banks, intermediaries, governments, regulators, tax-collectors, legislators, national boundaries, marketers, scammers, and hackers. The 2022 collapses are just a hiccup in the journey. The ideas behind the crypto movement are compelling, and will continue to drive the true believers to work toward building such an ideal world. At least for many years to come, it will probably be in the 'metaverse', not in real life.

What Lies Ahead?

Share markets/investors are pointing to (hoping for) 'soft landings' next year, and a speedy return to low inflation, low interest rates, and strong growth. Bond markets/investors are pointing to (hoping for) deep recessions next year – notably in the US and Europe. Both cannot be right of course. Every country will be different, but it is highly unlikely that economic downturns will be avoided in all major countries in 2023. It is not important for us, as investors, whether economists label a particular period as a 'recession'. What is important is deep cuts to corporate profitability. (For readers interested in 'recessions', our 4 October 'recession edition' went back over 150 years to illustrate how recessions have almost always been positive for share markets in Australia).

The worst of the inflation spikes are probably behind us, as supply constraints are eased, alternative sources of supply (energy, raw materials, food, etc) are organised, and as rate hikes eat into spending. The world is probably not returning to persistent double-digit inflation like the 1970s, and most of the rate hikes are probably behind us.

In recent reports we suggested that the global profit outlooks were far too rosy, and that we would start to see profit downgrades. This is what happened over the past quarter, and global profit outlooks are now flat for the coming year. However, global share markets are still priced for a quick return to growth, and have no buffer for disappointment. Due to the lagged effects of lower spending (from rate hikes) and lower margins (from higher input costs), we are likely to see more profit outlook downgrades, and then actual reductions in profits in the early 2023 reporting season.

In Australia, the majority of mortgages are floating rate, which is almost unique in the world. This means that rate hikes have a much more immediate and direct impact on household spending here than in other major markets. On top of the rate hikes directly affecting spending for floating rate mortgage borrowers, 2023 will also see a tidal wave of low, short-term fixed-rate mortgages needing to be refinanced at much higher rates. This will dramatically increase mortgage stress, and put further pressure on property prices. 2023 will probably be a year for picking up over-sold assets like company shares and properties.

In the next edition of this report (early January) we will update our regular table of annual returns for different asset classes going back many decades. It will show that 2022 has been a very poor year for most asset classes (including shares, bonds, commercial property, housing, most agricultural commodities), and especially bad for speculative tech ventures and profitless start-ups. It was a good year for only a few types of assets (including cash, US dollars, fossil fuels, battery metals).

It will be tempting to look back at the winning asset classes in 2022 and favour them in 2023, and it is equally tempting to look back at the losing asset classes in 2022 and try to avoid those in 2023. That is human nature, of course, but it is a recipe for short-term and long-term disappointment. We prefer to use the exercise as a reminder that long-term investing is not about jumping around trying to chase recent winners and dodge recent losers. Instead it is a good chance to re-assess our needs for capital and cashflows, to make sure our strategies and portfolios are on track to achieve these long term goals.

Until then, we hope you have a safe, healthy, and joyous holiday season and New Year.

Ashley Owen, CFA
Chief Investment Officer

Ashley Owen

Chief Investment Officer

CFA, LLM, BA, Grad. Dip Applied Finance

Ashley is one of Australia's leading portfolio managers of diversified investment funds for long term investors. His mission is to manage portfolios that provide investors with confidence that their investments will generate the wealth they need to live the life they wish to lead for the rest of their lives – for themselves, their families and as a legacy for future generations.

His primary focus is protecting investors from losses and risks, rather than chasing high returns from the latest hot funds or fads.



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