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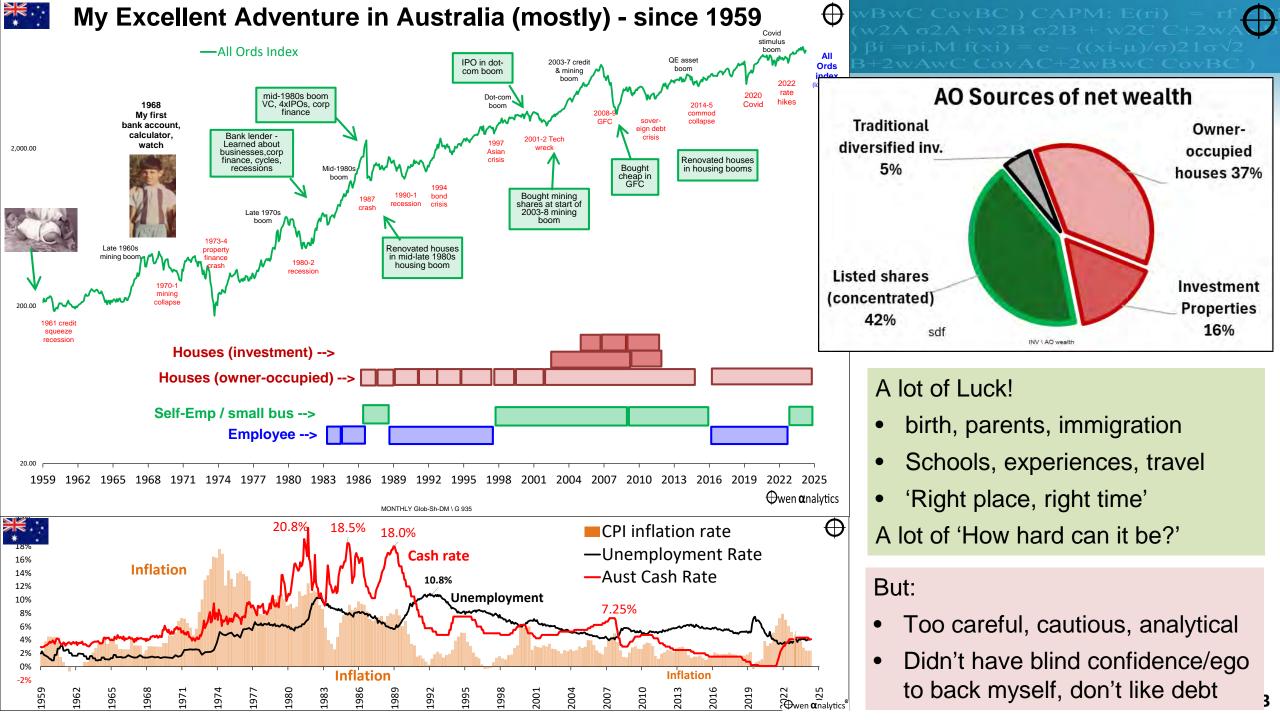
Anything interesting happening in the world?



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 $\begin{aligned} \sigma p &= \sqrt{(w2A \sigma 2A + w2B \sigma 2B + w2C \sigma 2C + 2wAwB CovAB + 2wAwC CovAC + 2wBwC CovBC) CAPM: E(ri) = rf} \\ (E(rM) - rf) \beta i &= pi, M f(xi) = e - ((xi-\mu)/\sigma)21\sigma\sqrt{2} \pi \Sigma ni = 1(xi - \mu)2(n-1)\sigma p = \sqrt{(w2A \sigma 2A + w2B \sigma 2B + w2C C + 2wA CovAB + 2wAwC CovAC + 2wBwC CovBC) CAPM: E(ri) = rf + \beta i (E(rM) - rf) \beta i = pi, M f(xi) = e - ((xi-\mu)/\sigma)21\sigma\sqrt{2} \pi \Sigma ni = 1(xi - \mu)2(n-1)\sigma p = \sqrt{(w2A \sigma 2A + w2B \sigma 2B + w2C \sigma 2C + 2wAwB CovAB + 2wAwC CovAC + 2wBwC CovBC) CAPM: E(ri) = rf + \beta i (E(rM) - rf) \beta i = pi, M f(xi) = e - ((xi-\mu)/\sigma)21\sigma\sqrt{2} \pi \Sigma ni = 1(xi - \mu)2(n-1)\sigma p = \sqrt{(w2A \sigma 2A + w2B \sigma 2B + w2C \sigma 2C + 2wAwB CovAB + 2wAwC CovAC + 2wBwC CovBC) CAPM: E(ri) = rf + \beta i (E(rM) - rf) \beta i = pi, M f(xi) = e - ((xi-\mu)/\sigma)21\sigma\sqrt{2} \pi \Sigma ni = 1(xi - \mu)2(n-1)\sigma p = \sqrt{(w2A \sigma 2A + w2B \sigma 2B + w2C \sigma 2C + 2wAwB CovAB + 2wAwC CovAC + 2wBwC CovAC + 2wBwC CovBC) CAPM: E(ri) = rf + \beta i (E(rM) - rf) \beta i = pi, M f(xi) = e - ((xi-\mu)/\sigma)21\sigma\sqrt{2} \pi \Sigma ni = 1(xi - \mu)2(n-1)\sigma p = \sqrt{(w2A \sigma 2A + w2B \sigma 2B + w2C \sigma 2C + 2wAwB CovAB + 2wAwC CovAC + 2wBwC CovAC + 2wBwC CovBC) CovBC)} \end{aligned}$

Today we face 'unprecedented uncertainty'



 Trade wars, geo-political upheaval, political fragmentation, rise of China, protectionism, climate change, Russian aggression, nuclear Iran, inflation, interventionist governments, rising government deficits & debts, rising inequality / intergenerational equity wars / 'tax the rich'...

Today's session -



- 4 things about the future we can predict with 100% certainty
- 4 things about the future we can be reasonably certain about

Plus – you're going to get Homework!

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1: Human Nature – human emotions – Markets will ALWAYS lurch –

• from over-priced booms (over-confidence – FOMO)

• To over-sold busts (over-pessimistic fear – FOLE)





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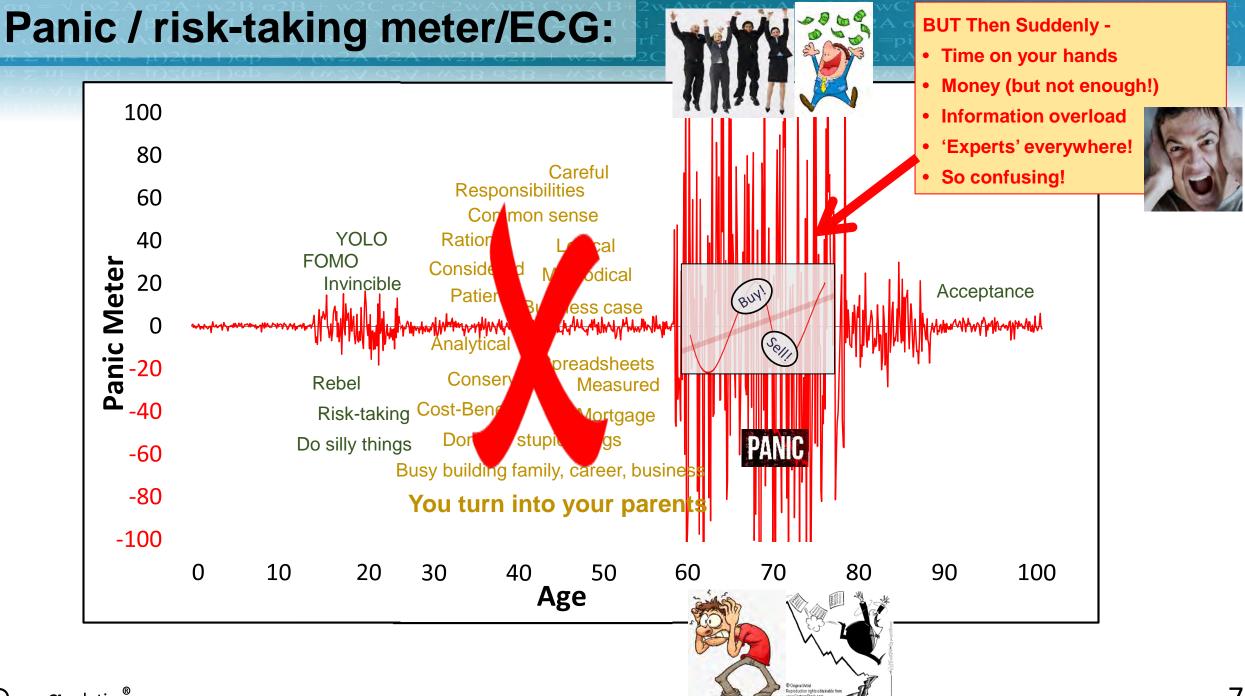


Learning to understand and manage your **Emotions**

is THE most important determinant of your future wealth

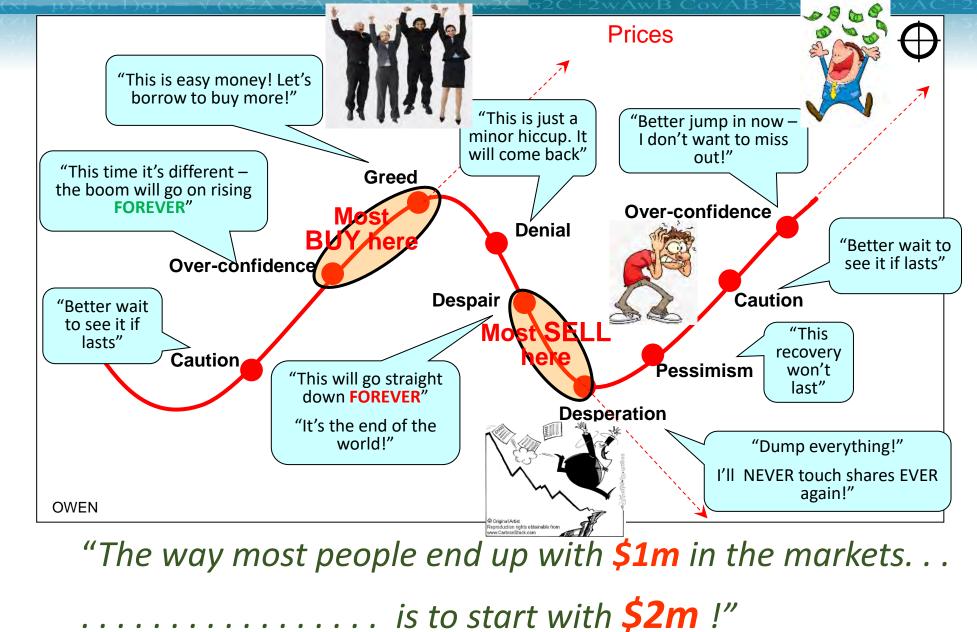
It's Not 'the market', or 'the economy', or Trump!





The 'fear & greed' cycle

(Investor Psychology 101)





How many agree with Warren Buffett:

2wAwC CovAC+2wB

(Berkshire Hathaway shareholder letter, 1986)

2wBwC CovBC) CAPM: E(ri)

•'Be fearful when others are greedy, and greedy when others are fearful'

Pop quiz!

How many **sold** over-priced shares in late 2024 – early 2025?

How many **bought** shares in their target companies in early April when the whole world was **fearful** (and prices were down ~20%) ?

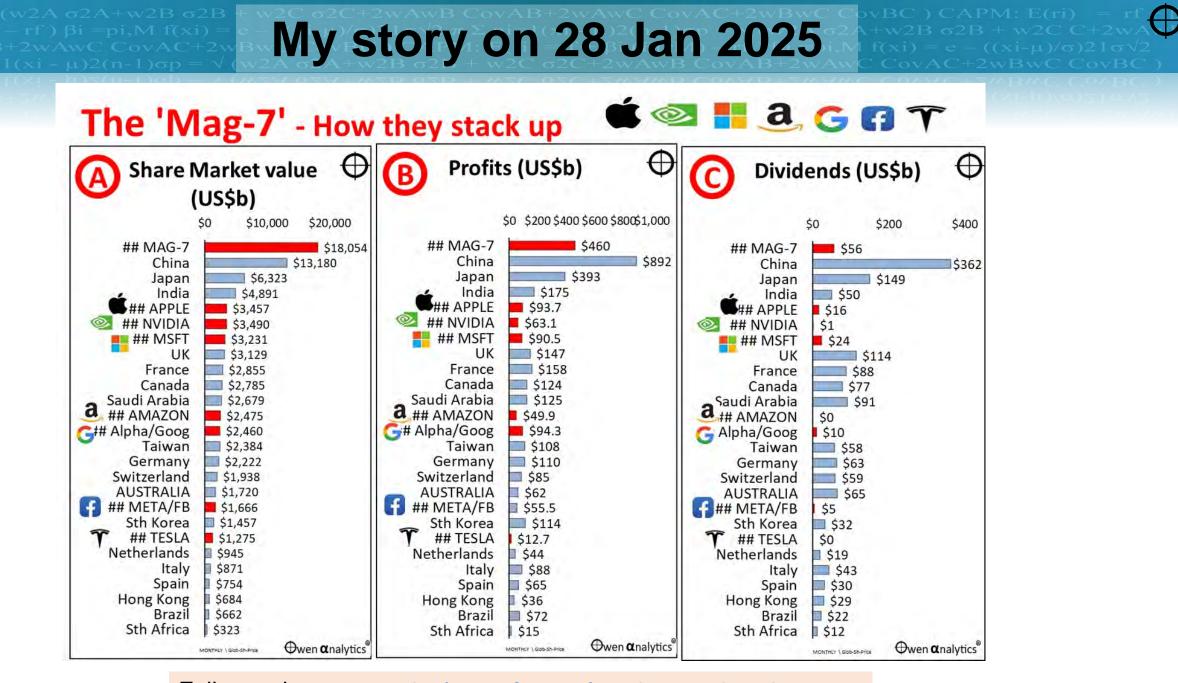
Lessons:

- Spend the **boom** times **researching** great companies/assets to buy
- Then you will be ready to buy when prices are down (in broad sell-offs)

Homework!

Do you have a 'buy list' with 'buy prices' (waiting for a sell-off) ?

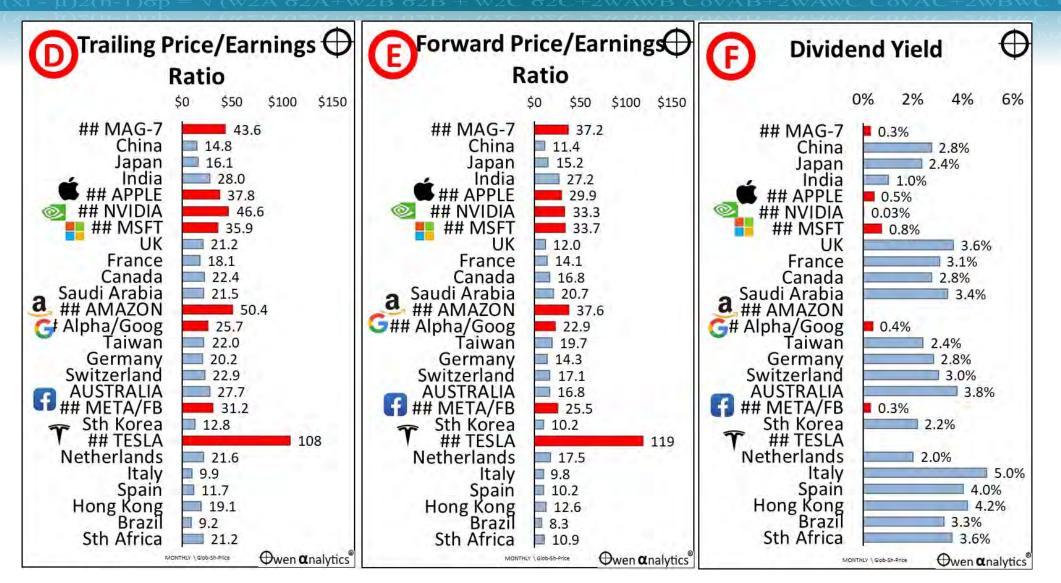
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Full story here - <u>How the 'Magnificent-7' stack up – 8 key charts</u>

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op = \(w2A o2A+w2B o2B + w2C o2C+2wAwB CovAB+2wAwC CovAC+2wBwC CovBC) CAPM: E(f) = f (a, a, b, b) = pi.M f(x) = e - ((x, a, b) = 10 + 2 x x x b) = 1(x, i - a) = 0 (w2A o2A+w2B o2B + w2C covAC+2wBwC CovAC+2wAc+2wAwC CovAC+2wBwC CovAC+2wBwC CovAC+2wBwC CovAC+2wBwC



- In a **BOOM** if you can't bring yourself to sell at least:
 - don't panic buy, chase fads, follow the herd
 - don't gear up
 - Instead work on your Buy List



- In a **BUST** if you can't find the courage to buy:
 - at least don't panic sell
 - or be **sold up** by margin lenders



Ignore volatility & temporary setbacks



- Every year (or month, or day) there are always good (scary) reasons NOT to invest
- Here are **125 reasons NOT to invest** (every year since 1900)

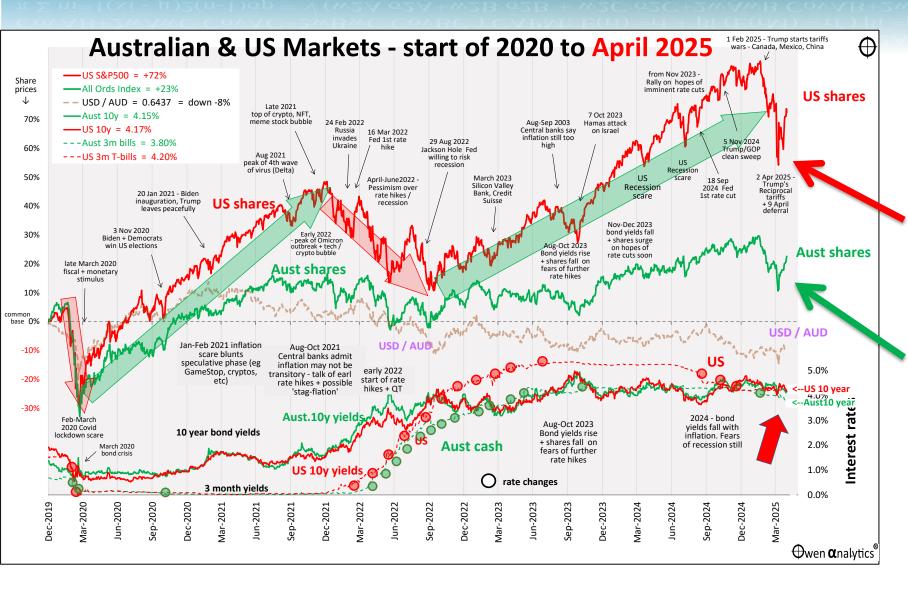




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Full story here -125 reasons NOT to invest! 'This time is different' - or is it?

Share markets - is this the 'big one'?



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Falls in the past 5 years:

US (S&P500):

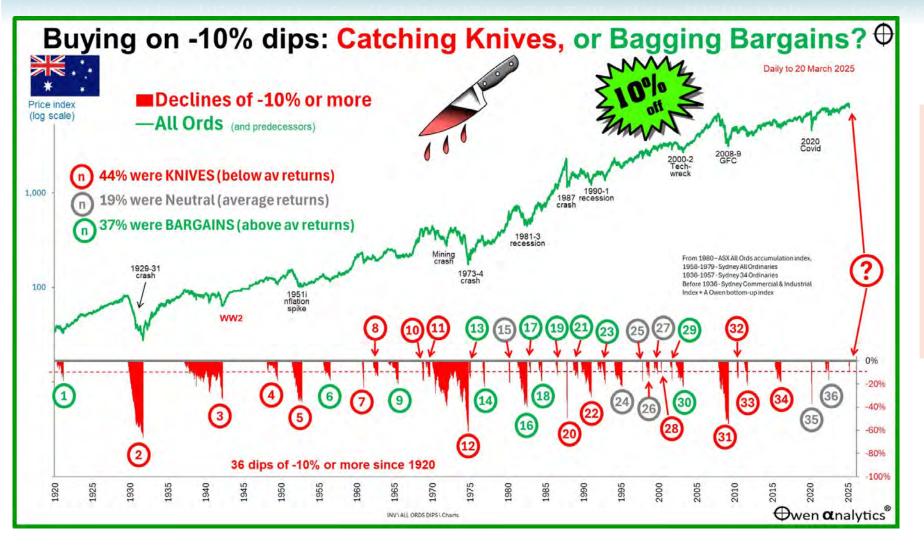
- Fell -33.9% in Feb-March 2020 Covid
- Fell -25.4% in 2022 inflation/rate hikes
- Fell -18.9% (19 Feb to 8 April)

Australia (All Ords):

- Fell -37.1% in Feb-March 2020 Covid
- Fell -16.6% in 2022 inflation/rate hikes
- Fell -14.7% in 2025 (17 Feb to 7 April)

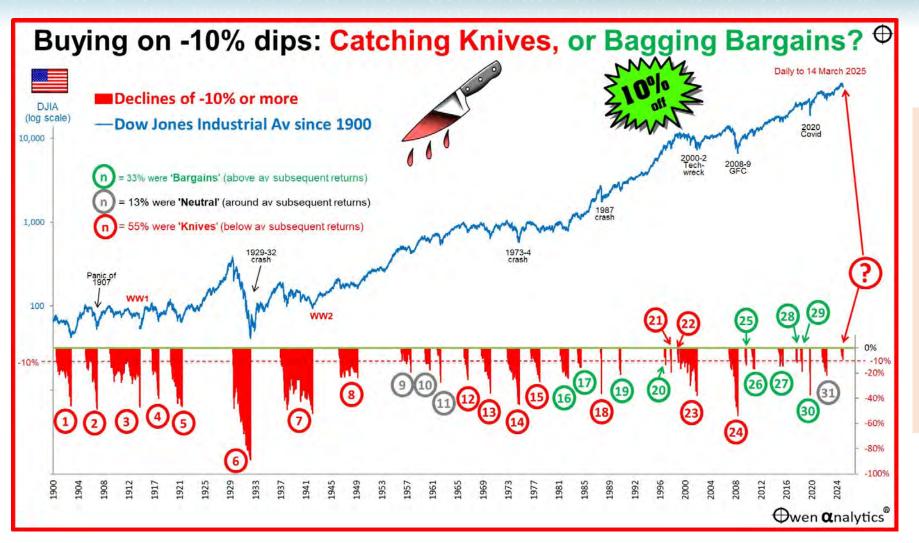
Full story here - April 2025 snapshot

ASX dips worse than -10%



- Some -10% dips recover quickly
- Others turn into big busts
- The key is PRICING
- Will be driven by US market (as always)

Owen αnalytics[®] Full story here - 'Buying the dip?' - 'Catching Knives' or 'Bagging Bargains'? - the Aussie experience

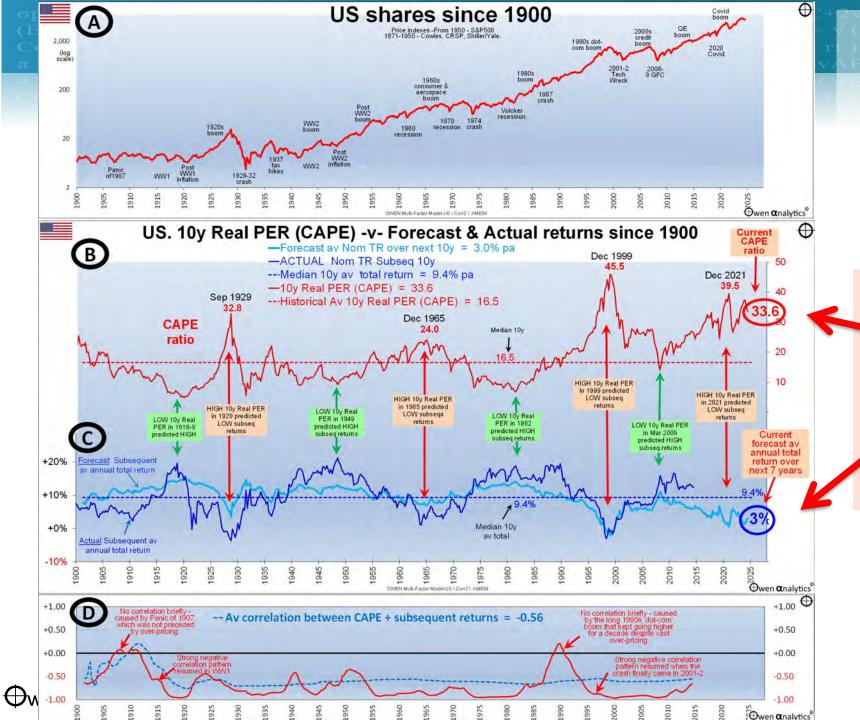


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- Some -10% dips recover quickly
- Others turn into big busts
- The key is PRICING
- Current market is very over-priced – heading for a BIG correction

Full story here - Should I 'Buy the dip?' - Am I 'Catching Knives' or 'Bagging Bargains'?

US dips worse than -10%

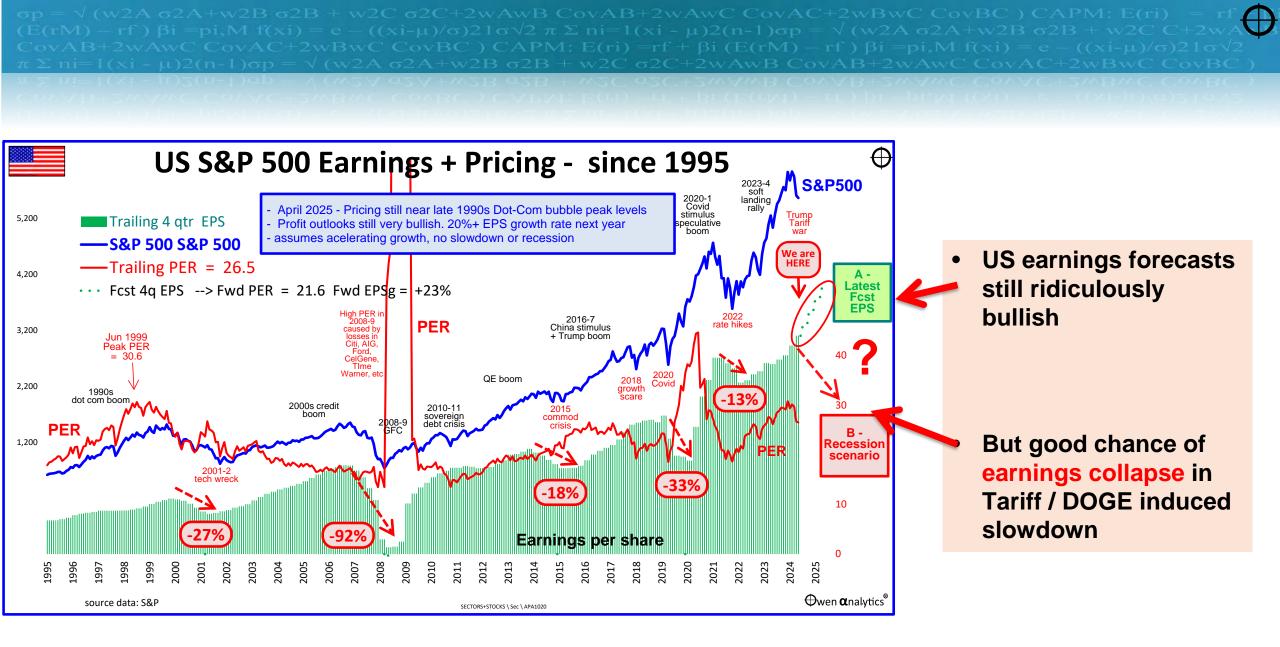


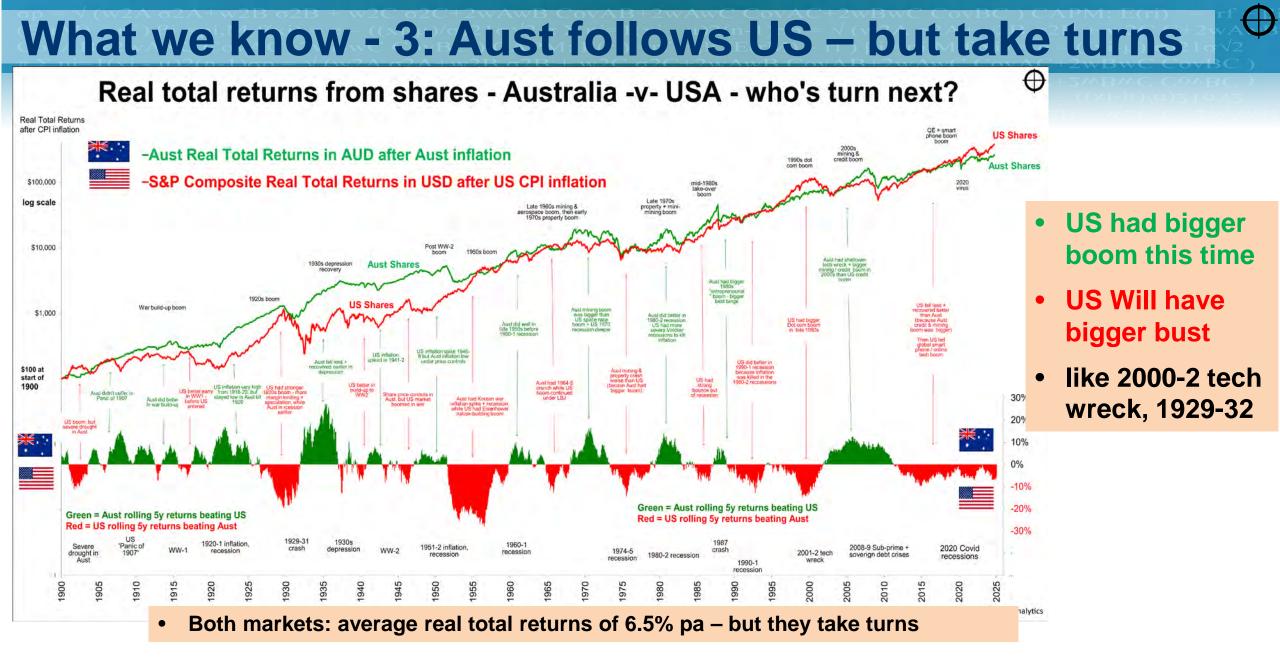
What we DO know – 2: US is vastly over-priced

- US market still very expensive on fundamentals (trend real earnings)
- Almost certainly well BELOW average 7-10y returns from here

Full story here –

US shares 'CAPE' ratio update after the fall - Still vastly over-priced





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Full story here - Australia v US share markets - it's our turn next!

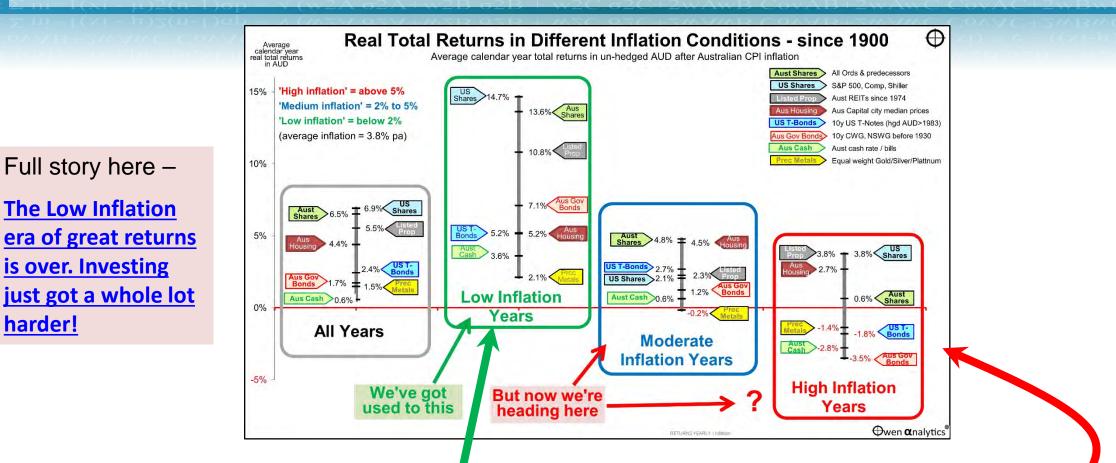
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INLATION

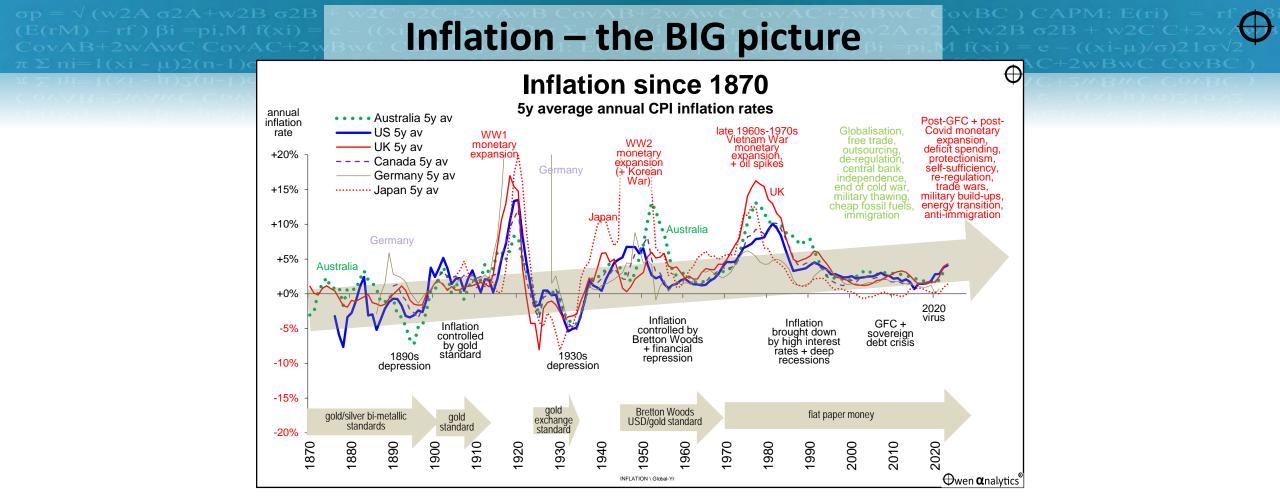
- what we know
- what we can be fairly sure of



Asset classes perform very **DIFFERENTLY** in different **INFLATION** conditions:



- Returns from ALL asset classes are significantly *higher* than average when inflation is *low*
- Returns from ALL asset classes are significantly *lower* than average when inflation is <u>high</u>
- There is **NO** effective 'inflation **HEDGE**', not even precious metals
- Building a CPI+4% portfolio (4% spend rate) is NOT possible with moderate/high inflation



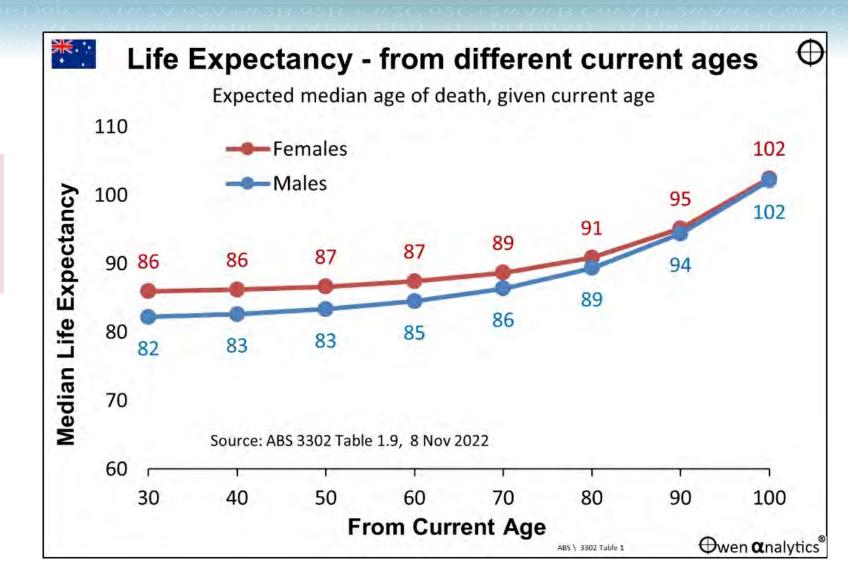
- The recent golden era of declining/low inflation (unusually high asset class returns) is over
- Australian / global inflation will almost certainly be higher that past 30-40 years
- Nominal and REAL returns from ALL asset classes will be LOWER than past 30-40 years
- \rightarrow safe withdrawal rates (real total returns) are likely to be lower (higher Multiples needed) \oplus wen α nalytics[®]

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What we know about life expectancy



The longer you live, the longer you are likely to live

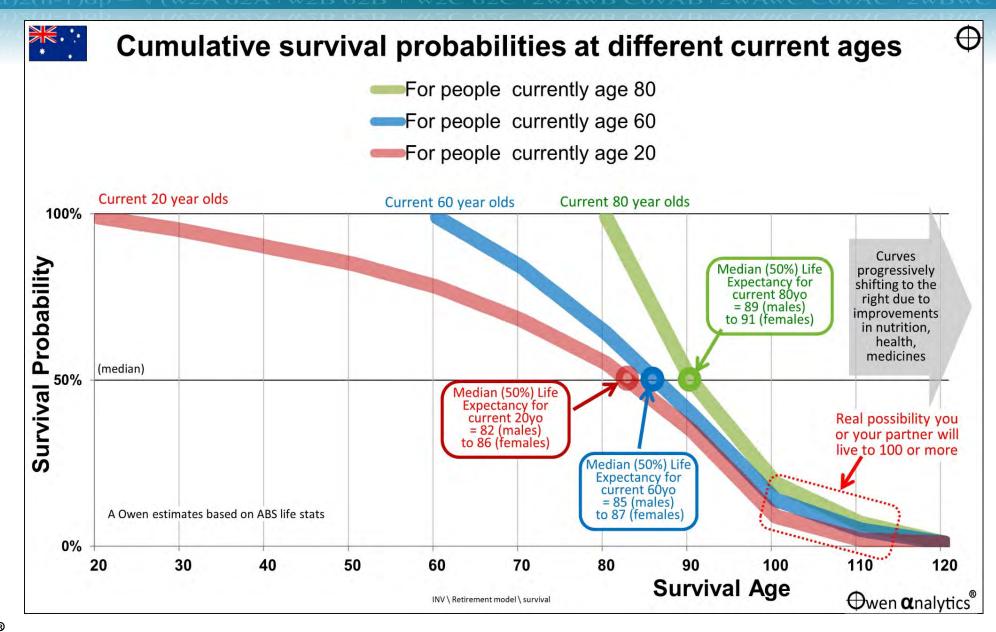


Problem is.....That's just the 'median'

Full story here –

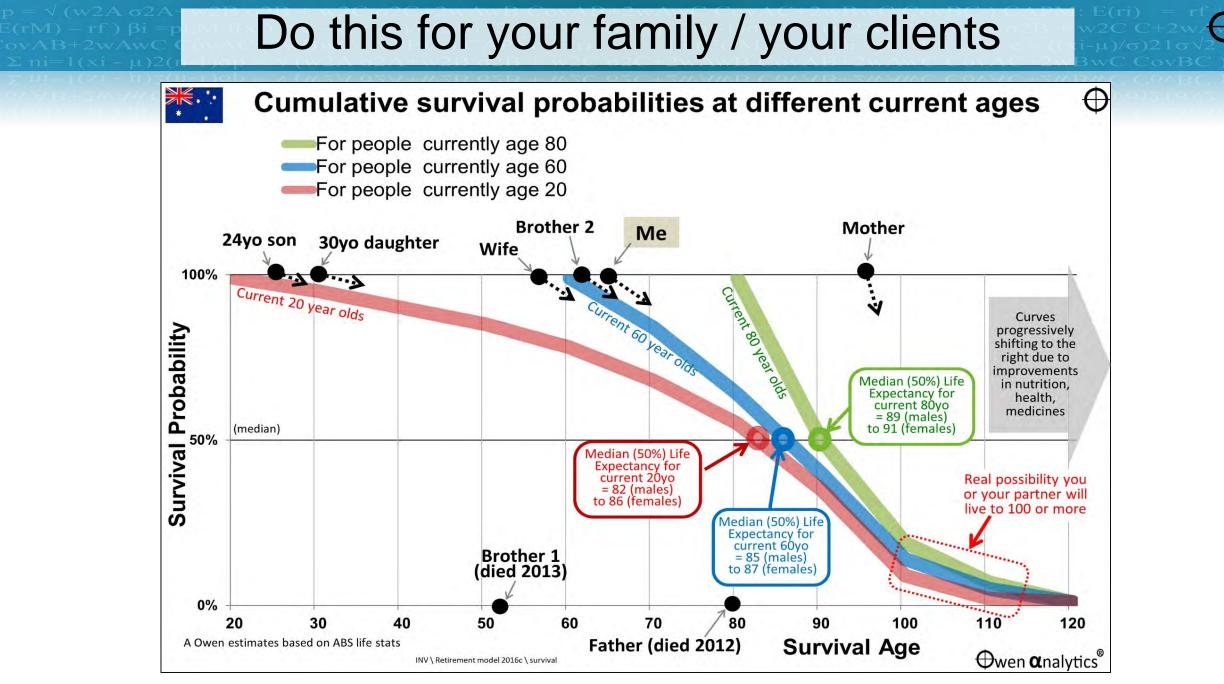
How to not run out of money in retirement

Focus not on the Median, but a Survival Probability Curve



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Survival Probability Curves have been moving to the RIGHT (longer lives) by about THREE DECADES over your lifetime!

	Born	Median life expectancy at birth	Age now	Median life expectancy NOW	INCREASE in life expectancy (shift to the right)
Mother	1928	63	96	99	36 years + still going
Father	1932	(probably around 40-50?)	(died 2012 age 80)		3 decades at least
Me	1959	67 (if born in Aust)	65	85	2 decades + counting

Mother: Australian Yearbook 1926, p.971. Me: Australian Yearbook 1959 p.346. Current life expectancy tables: ABS 3302 table 1

Planning implication:

Client implication:

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Portfolio Management Implication: Forget current life tables. Assume life expectancy will increase by about 3 DECADES over lifetime

'One of you is probably going to live to 100!'

Managing portfolio for 30-40+ years = effectively same as managing perpetual portfolio = like charities, endowments

 $\sigma p = \sqrt{(w2A \sigma 2A + w2B \sigma 2B + w2C \sigma 2C + 2wAwB CovAB + 2wAwC CovAC + 2wBwC CovBC) CAPM: E(ri)} = rf (E(rM) - rf) \beta i = pi,M f(xi) = e - ((xi-\mu)/\sigma)21\sigma\sqrt{2} \pi \Sigma ni=1(xi - \mu)2(n-1)\sigma p = \sqrt{(w2A \sigma 2A + w2B \sigma 2B + w2C C + 2wAwC CovAC + 2wBwC CovBC) CAPM: E(ri)} = rf + \beta i (E(rM) - rf) \beta i = pi,M f(xi) = e - ((xi-\mu)/\sigma)21\sigma\sqrt{2} \pi \Sigma ni=1(xi - \mu)2(n-1)\sigma p = \sqrt{(w2A \sigma 2A + w2B \sigma 2B + w2C \sigma 2C + 2wAwB CovAB + 2wAwC CovAC + 2wBwC CovBC)} \pi \Sigma ni=1(xi - \mu)2(n-1)\sigma p = \sqrt{(w2A \sigma 2A + w2B \sigma 2B + w2C \sigma 2C + 2wAwB CovAB + 2wAwC CovAC + 2wBwC CovBC)} \pi \Sigma ni=1(xi - \mu)2(n-1)\sigma p = \sqrt{(w2A \sigma 2A + w2B \sigma 2B + w2C \sigma 2C + 2wAwB CovAB + 2wAwC CovAC + 2wBwC CovBC)} \pi \Sigma ni=1(xi - h)3(h-1)\sigma p = \sqrt{(w3A \sigma 2A + w2B \sigma 2B + w3C \sigma 2C + 2wAwB CovAB + 2wAwC CovAC + 2wBwC CovBC)} \pi \Sigma ni=1(xi - h)3(h-1)\sigma p = \sqrt{(w3A \sigma 2A + w3B \sigma 2B + w3C \sigma 2C + 2wAwB CovAB + 2wAwC CovAC + 2wBwC CovBC)} \pi \Sigma ni=1(xi - h)3(h-1)\sigma p = \sqrt{(w2A \sigma 2A + w3B \sigma 2B + w3C \sigma 2C + 2wAwB CovAB + 2wAwC CovAC + 2wBwC CovBC)} \pi \Sigma ni=1(xi - h)3(h-1)\sigma p = \sqrt{(w2A \sigma 2A + w3B \sigma 2B + w3C \sigma 2C + 2wAwB CovAB + 2wAwC CovAC + 2wBwC CovBC)} \pi \Sigma ni=1(xi - h)3(h-1)\sigma p = \sqrt{(w2A \sigma 2A + w3B \sigma 2B + w3C \sigma 2C + 2wAwB CovAB + 2wAwC CovAC + 2wBwC CovBC)} \pi \Sigma ni=1(xi - h)3(h-1)\sigma p = \sqrt{(w2A \sigma 2A + w3B \sigma 2B + w3C \sigma 2C + 2wAwB CovAB + 2wAwC CovAC + 2wBwC CovBC)} \pi \Sigma ni=1(xi - h)3(h-1)\sigma p = \sqrt{(w2A \sigma 2A + w3B \sigma 2B + w3C \sigma 2C + 2wAwB CovAB + 2wAwC CovAC + 2wBwC CovBC)} \pi \Sigma ni=1(xi - h)3(h-1)\sigma p = \sqrt{(w2A \sigma 2A + w3B \sigma 2B + w3C \sigma 2C + 2wAwB CovAB + 2wAwC CovAC + 2wBwC CovBC)} \pi \Sigma ni=1(xi - h)3(h-1)\sigma p = \sqrt{(w2A \sigma 2A + w3B \sigma 2B + w3C \sigma 2C + 2wAwB CovAB + 2wAwC CovAC + 2wBwC CovAC + 2wBwC CovBC)} \pi \Sigma ni=1(xi - h)3(h-1)\sigma p = \sqrt{(w2A \sigma 2A + w3B \sigma 2B + w3C \sigma 2C + 2wAwB CovAB + 2wAwC CovAC + 2wBwC cov$





TRUMP – what's behind his plan?

• In the century leading up to 1914 - America grew to be the largest economic & military power

- High **protection** barriers (to encourage local manufacturing, countering British protective policies)
- No central bank (tried twice, shut down twice)
- Gold standard, hard money (apart from fiat 'green backs' to finance the Civil War)
- Small central government
- Financed via **import tariffs/customs** duties, not income taxes
- (+ they even had a devastating/destructive Civil War along the way)
- WW1 to 1970s

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- US reluctantly entered wars to stop Europe's wars + Japan's rampage
- at huge **cost** to US (money + lives)
- + financed the rebuilding of Europe/Japan + paid for their security (to prevent them warring)
- + financed all the international bodies to prevent future wars (UN, IMF, World Bank, etc)
- Paid for protection for rest of world from Soviet threat

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Post 1980s Globalisation

- Massive rise in US gov size + spending
- Went from being largest creditor to **largest debtor nation** (creditors = Japan then China)
- Out-sourced jobs to low wage countries (led by US companies)
- Foreign exporters lent Americans the money to pay for the stuff they imported from them
 - \rightarrow increased US current account deficits + foreign debt
- Strong dollar (reserve / 'safe haven' currency) \rightarrow hurts exports + favours exports \rightarrow trade deficit
- Lost critical manufacturing for self-defence + essential industries
- But US is still paying for everyone's else's defence/security! (to stop them fighting each other!)

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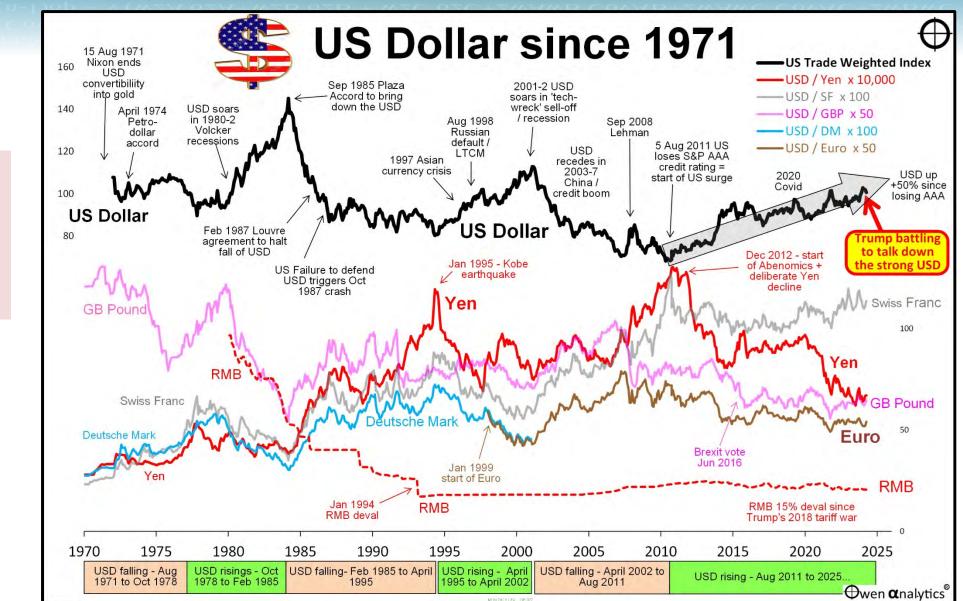


• The vision? Re-create some key conditions that led to America's earlier dominance -

- High protection barriers → to counter foreign subsidies, state support (esp. China)
- ? No central bank \rightarrow Aim = low interest rates better for workers, better for the asset rich
 - (from 1942-1952 Treasury instructed Fed to cap rates at 0.375% for bills, 2.5% for bonds)
- ? Gold standard (limited supply limits gov money-printing + inflation) → Bitcoin?
- Small central government → fewer functions, de-reg, cut 'waste', self-serving depts, DOGE
- Cut deficits/debts -> reduce size of gov, stop financing other countries' wars/defence, tariff revenues
- Financed via import tariffs/customs duties, not income taxes → cut income taxes
- Cut Trade/Current A/c Deficit → lower exports (higher tariffs), smaller gov, cut interest cost (cut debt)
- → Needs to bring down the Dollar without causing panic/crashes

All of that in 4 years?

End of the US Dollar? Hardly! Problem is it's too strong!



Full story here – <u>Is the US dollar in</u> <u>decline? or on its</u> <u>'last legs'?</u> Hardly!



What we DO know about the future

4 things we can say with 100% certainty about the future for investors:

- 1. Human nature will always create **booms** & **busts**. What matters is how you react and act
- 2. Stock markets are now vastly over-priced they WILL revert + swing to over-sold
- **3. US** is more over-priced this time Aust will hold up better then it's our turn to boom!
- 4. In the busts everything is sold off even good stocks creating bargains

4 things we can be fairly sure of:

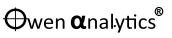
- 1. Recent era of Low inflation / low interest rates phase is over
 - globalization, deregulation, hands-off gov, 'just-in-time, 'peace dividend' all gone
- 2. Rising military spending & demand for commodities
- 3. Fragmenting politics, populism, xenophobia fueled by technology replacing jobs
- 4. Demographics Aging populations + rising pressure on government pensions 'tax the rich'

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Homework!

- Understand if we're in an over-priced **boom**, or over-sold **bust**
- Have a plan for what you will do in the booms & busts
- Understand if you're a **speculator** or **investor**?
- Start working on a 'buy list' with 'buy prices' (ready for a sell-off)
- Do 'Survival Probability Curves' for you & your family











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Thank you..!



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