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2021 outlook - modest recovery remains on track

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H1 2020 global recession– 2021 recovery

Q3 2020 rebound, but likely loss of momentum into end-year...

World GDP growth (% year-on-year)

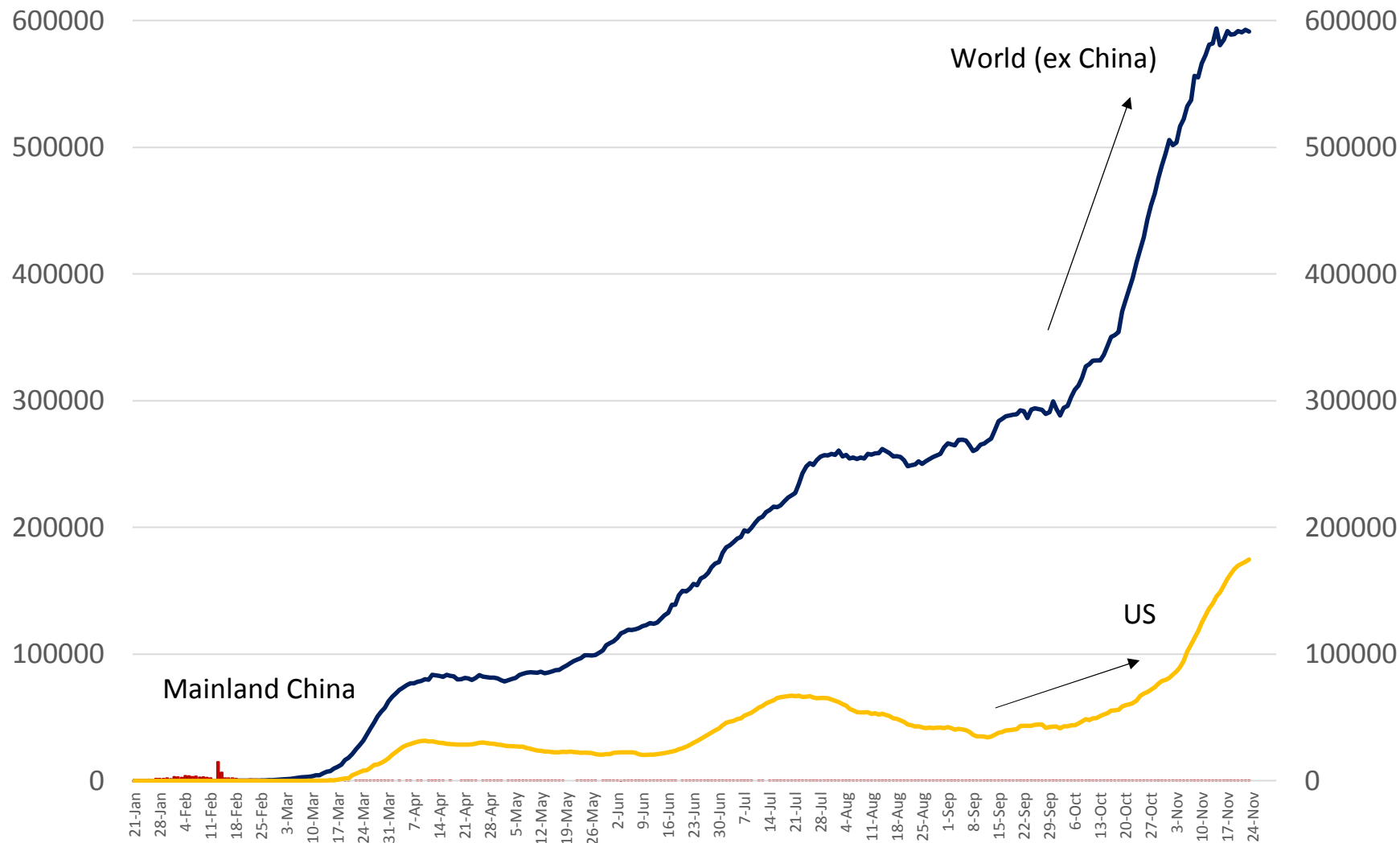


	2020	2021
UBS	-4.0	5.6
IMF	-4.4	5.2
OECD	-4.5	5.0

Sources: Markit, FactSet, UBS

Near-term risks – Covid-19...another wave

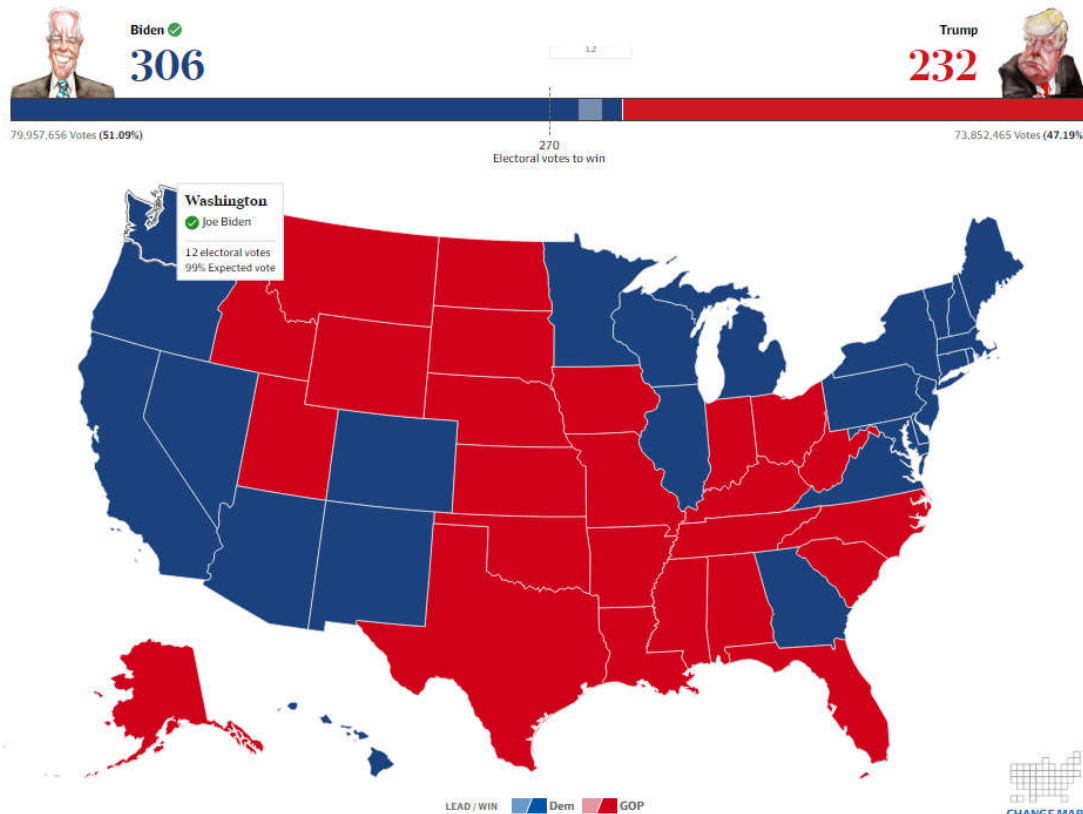
Europe & US now the key drivers of the trend...



Sources: Crestone, John Hopkins

Near-term risks – Biden wins...Senate gridlock

US votes 2020

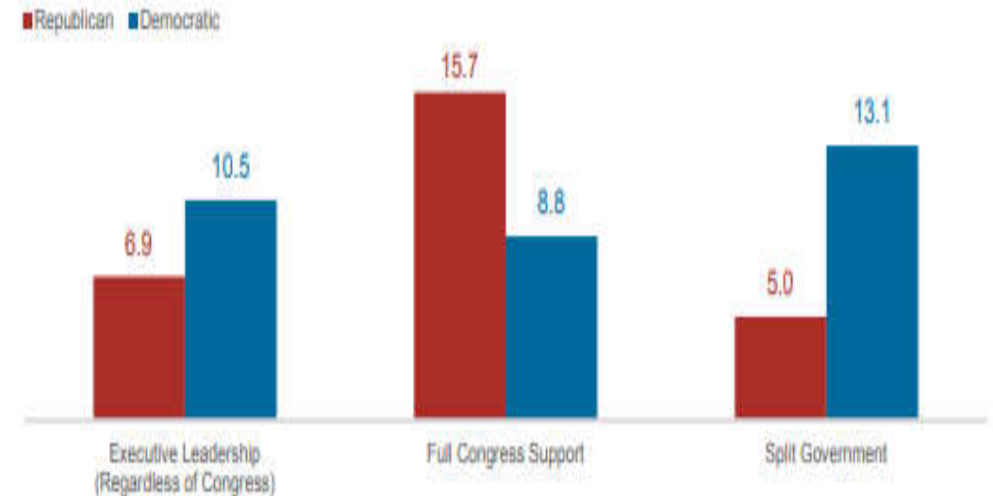


Reflects the results of Georgia's audit of presidential results

EXHIBIT 2: POLITICAL PERMUTATIONS

Presidential support from Congress has historically impacted the stock market experience.

AVERAGE ANNUAL RETURNS SORTED BY POLITICAL PARTY IN CONTROL (%)



Source: Northern Trust Asset Management, Bloomberg. Historical data shows calendar year S&P 500 price returns for presidential election years 1946 through 2019. Data through 12/31/2019. Number of years: Republican president regardless of Congress 39, Democrat 35, Republican with full congressional support 7, Democrat 21, Republican president with split government 32, Democrat 14. Past performance does not guarantee future results.

Drivers of 2021 (stop/start) recovery?

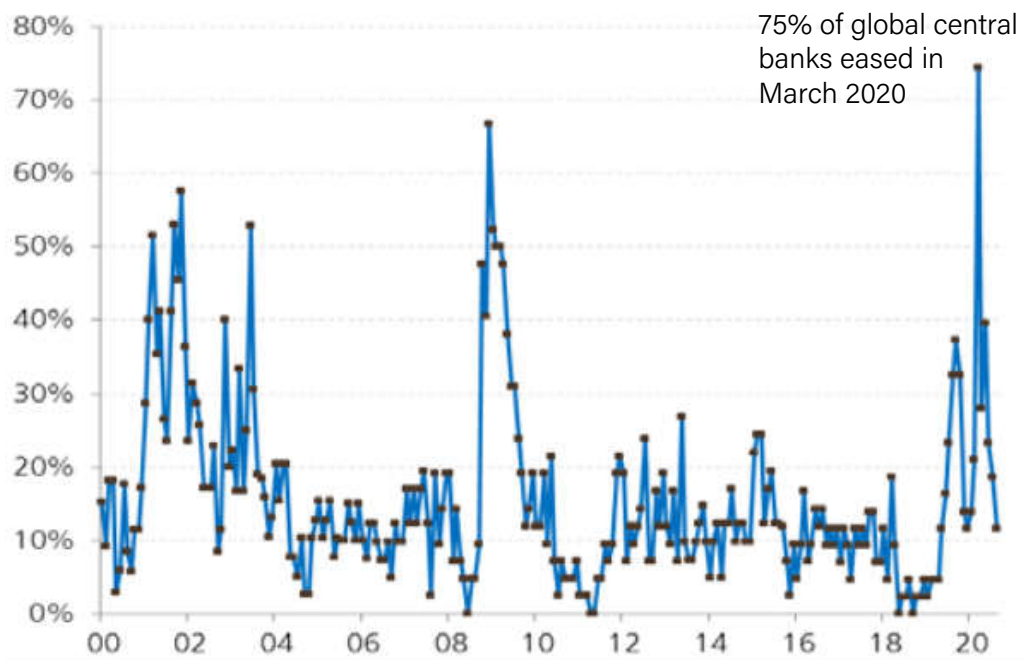
- Record low rates globally => no change until well into 2022 at earliest, more easing from ECB and Fed ahead in December.
- Ongoing fiscal support => multiples of GFC, more to come from US
- Reluctant to impose severe mobility restrictions => but hospitals pressured, drags on Q4 growth. Vaccine upside risk.
- High household saving rates => Limited debt/financial excess at household or corporates.
- Company earnings trends improving => Recovery in industrial activity and trade positive for cyclical/EM and Europe.
- Geo-political volatility likely less => more diplomatic Biden presidency

Drivers of recovery – massive stimulus

Global policy stimulus remains...fiscal extended, more to come end-20

Most monetary easing in modern history

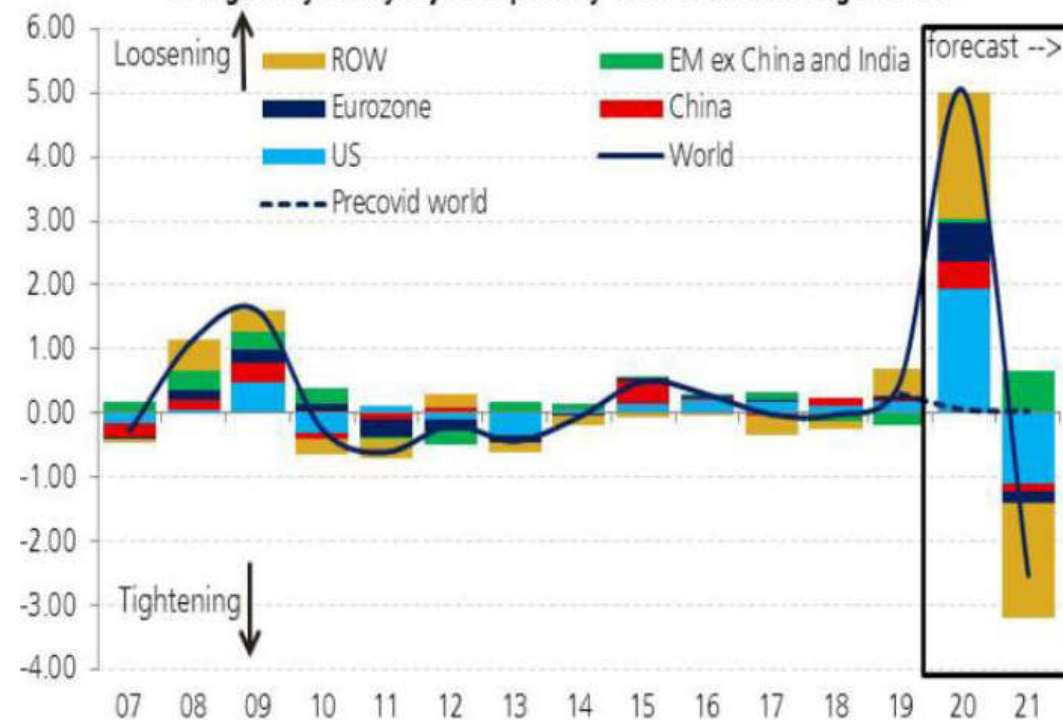
% of central banks easing globally



Source: UBS, Haver

Most fiscal easing in modern history

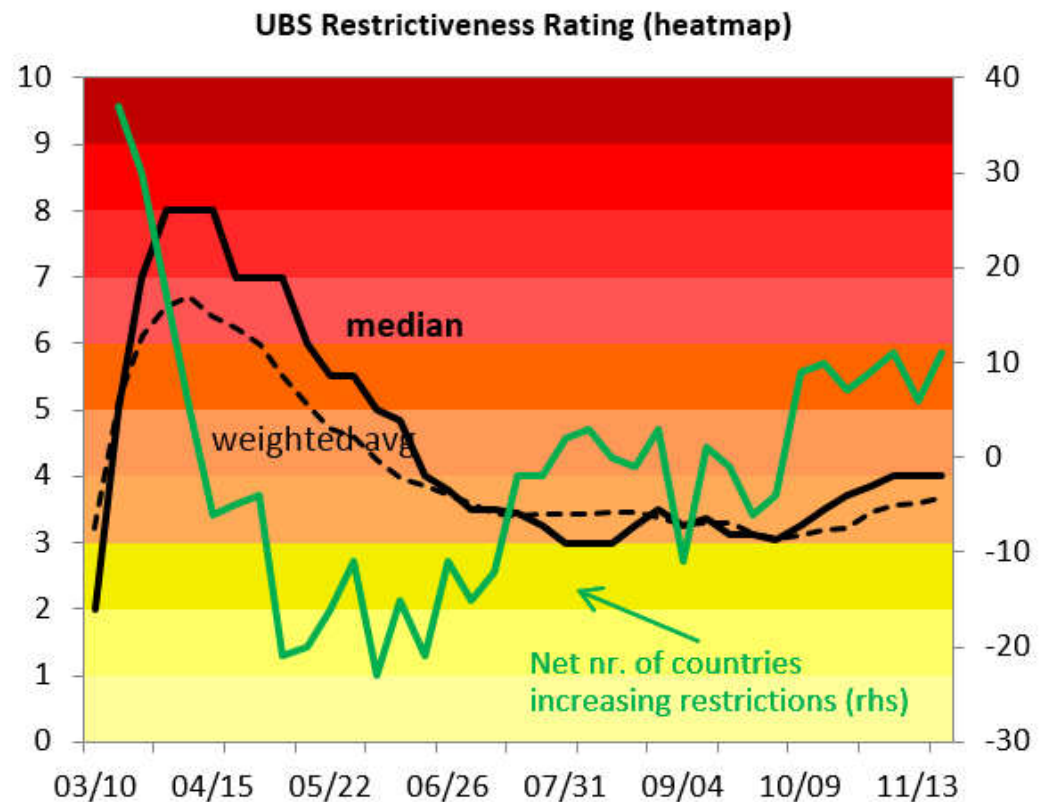
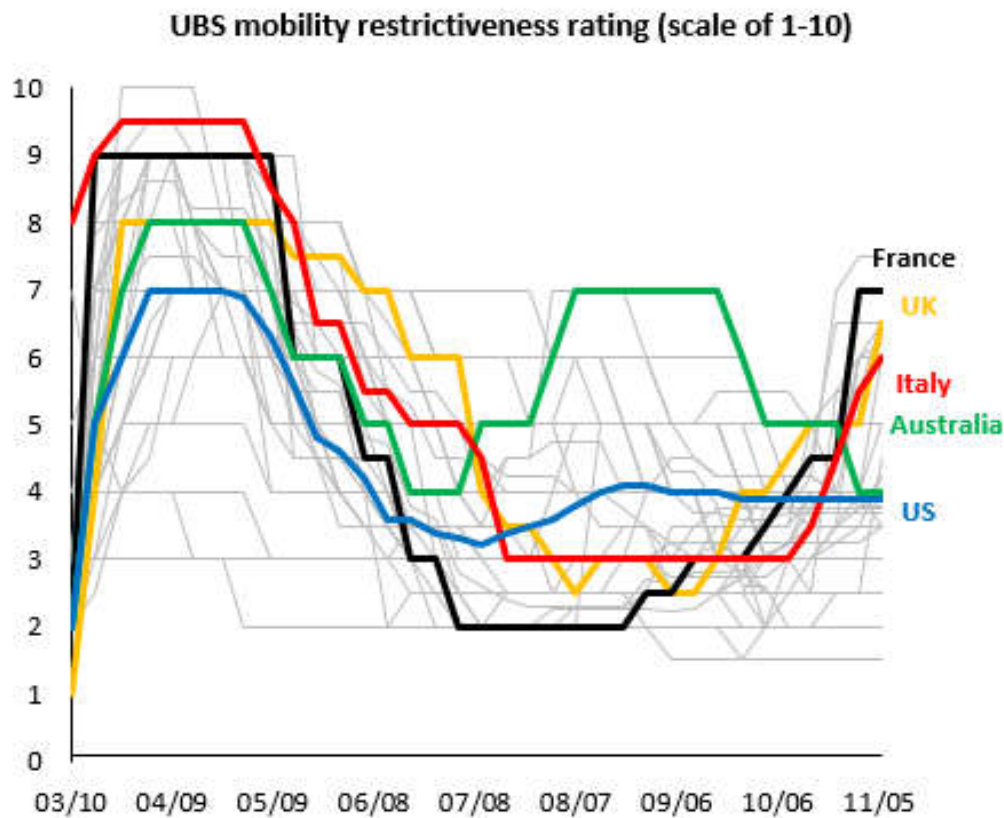
Change in cyclically adjusted primary fiscal balance as % global GDP



Sources: UBS, Central Banks, Haver, EC, CBO

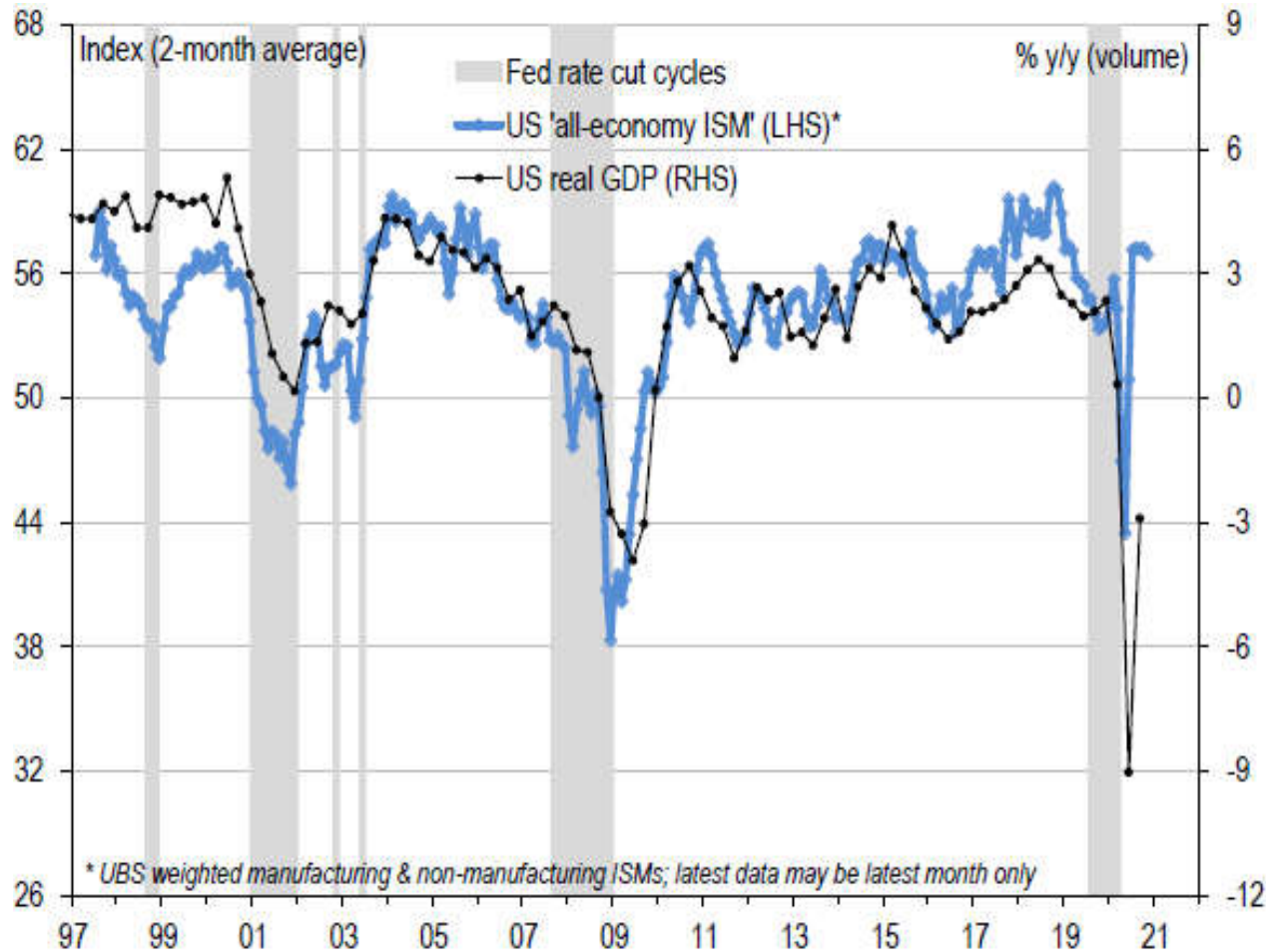
Drivers of recovery – reluctance to re-lockdown

Mobility restrictions below Q2...vaccine hopes limits likelihood governments will lockdown



Key regions – key challenges

US PMIs – Q4 momentum loss



Sources: UBS, Factset, Federal Reserve, Markit

Fading
fiscal
support

+

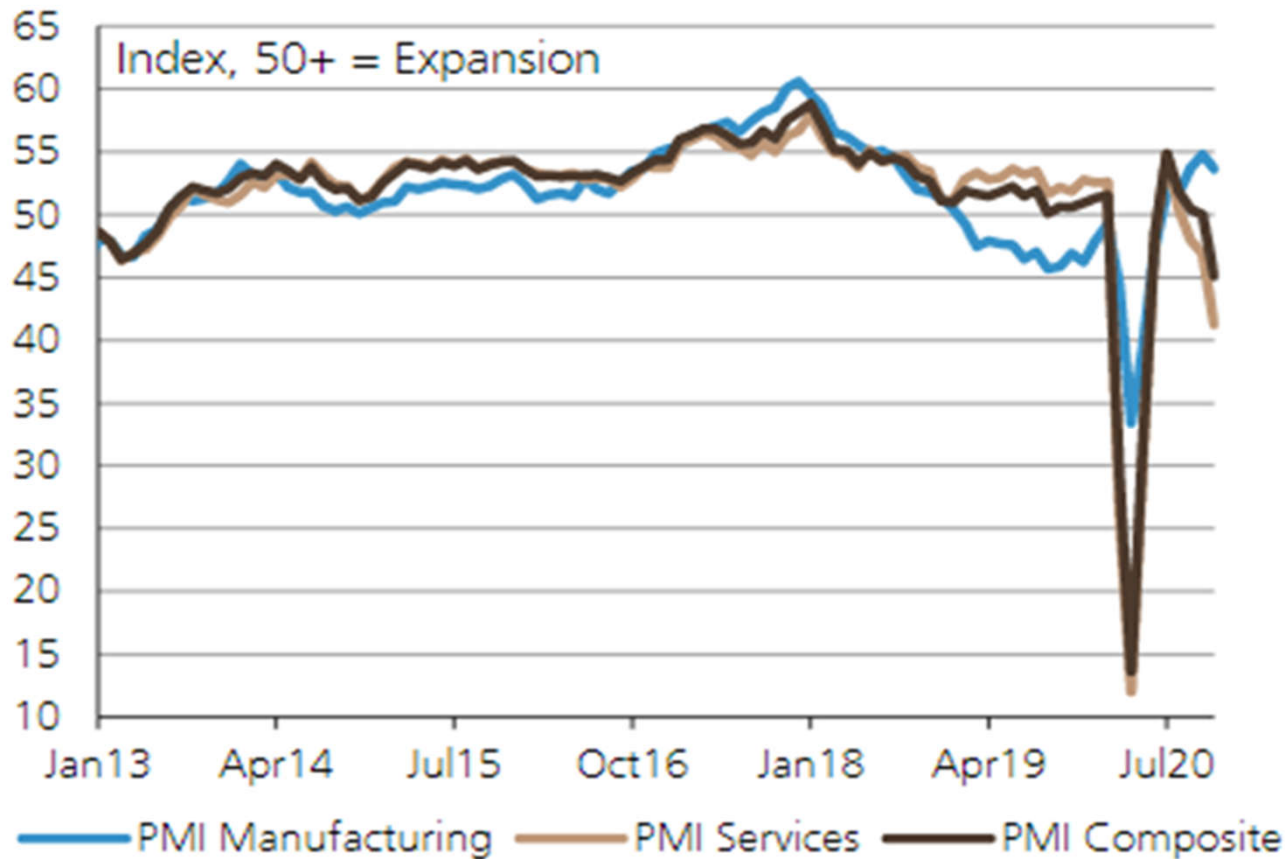
Trump
handover
risks

- Strong Q3 rebound (+7.4%)
- Still 3% below year-ago levels
- Strong consumer and housing lead Q3 rebound, SR = 15%
- Early signs Q4 consumer losing momentum, limited lockdowns
- Jobs market mixed, with signs recent improvement is slowing

Key regions – key challenges

EU PMIs reveal Q4 double-dip risk

Figure 1: Eurozone PMIs



Source: Markit, Haver, UBS

Length of lockdown + Fiscal stimulus fight

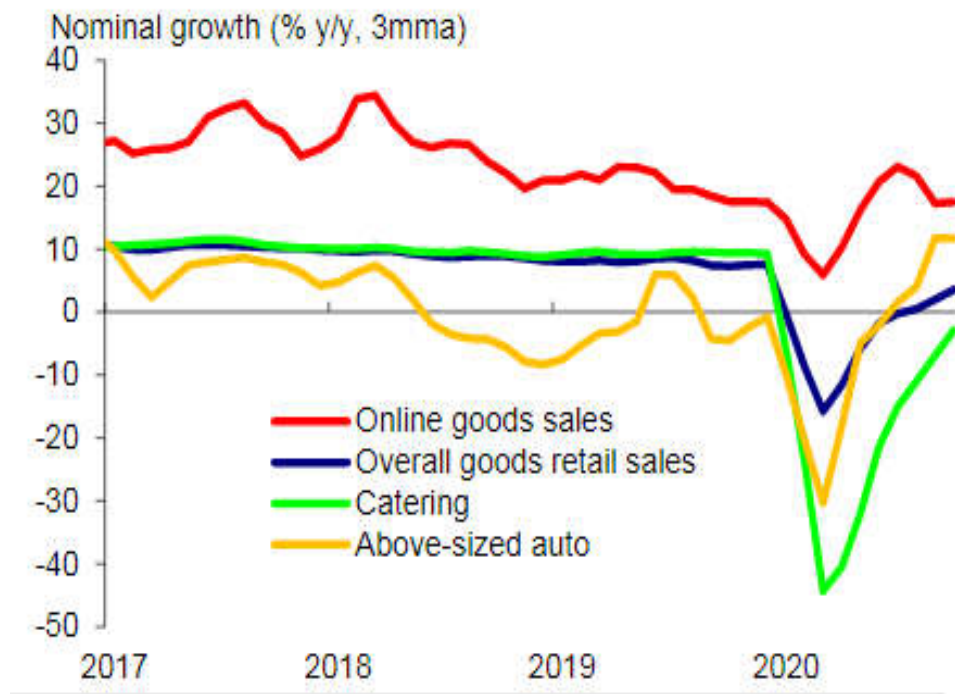
- Strong Q3 rebound (+12.6%)
- Still 4-5% below year-ago levels
- Q4 now slowing on COVID-19 resurgence...risk of double-dip
- Services drop, manufacturing stronger

Key regions – key challenges

- China Q4 growth indicators suggest ongoing strong growth...currently 5% above year ago

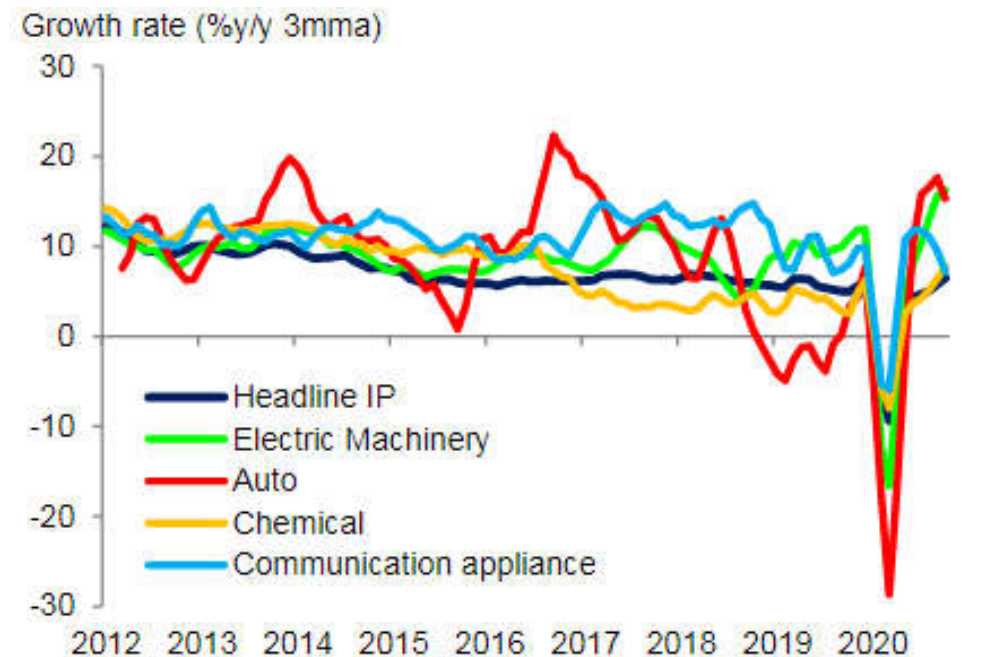
US policy + Consumer caution

Retail sales recovering: 4.3% (was 3.3%)



Source: CEIC, UBS estimates

IP growth strong: Unchanged at 6.9%

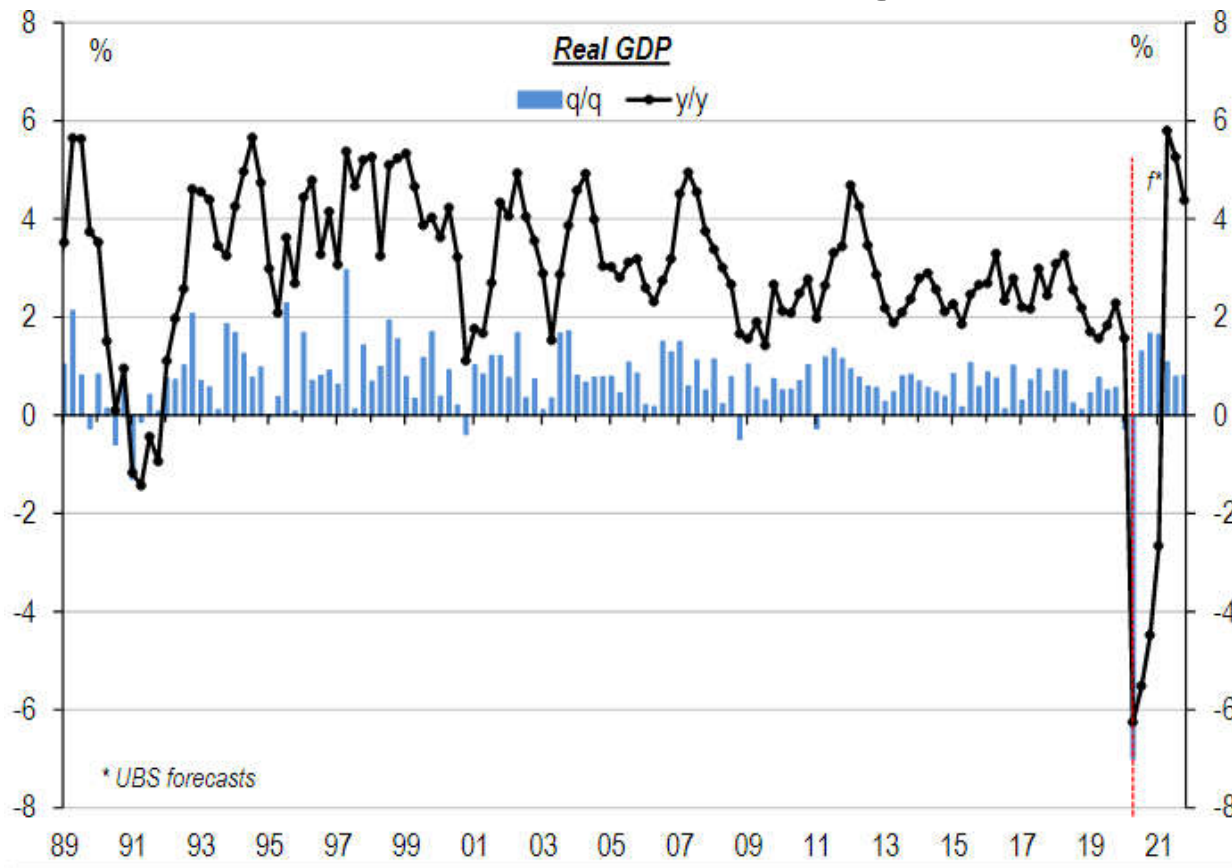


Source: CEIC, UBS estimates

Australia – 3% growth rebound

Re-opening spurs activity

**Q2 growth to collapse, then
sharp 2021 recovery**

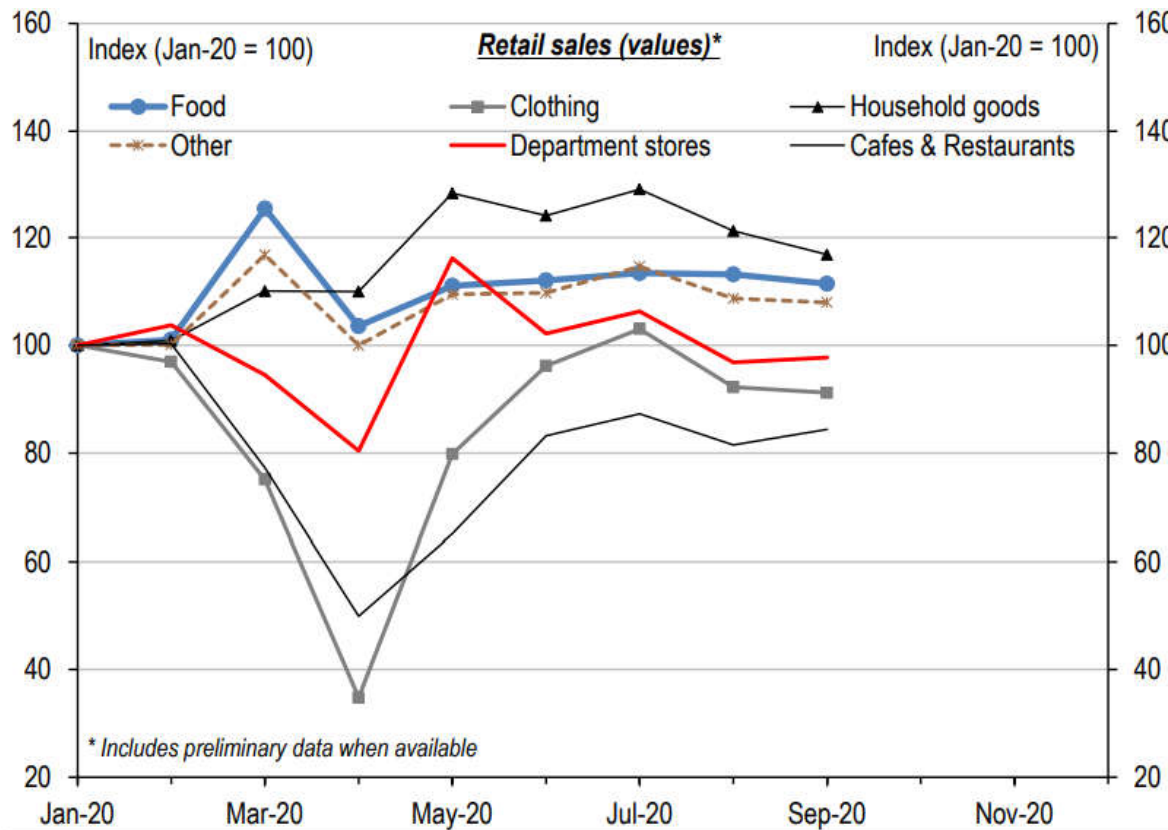


Source: ABS, UBS

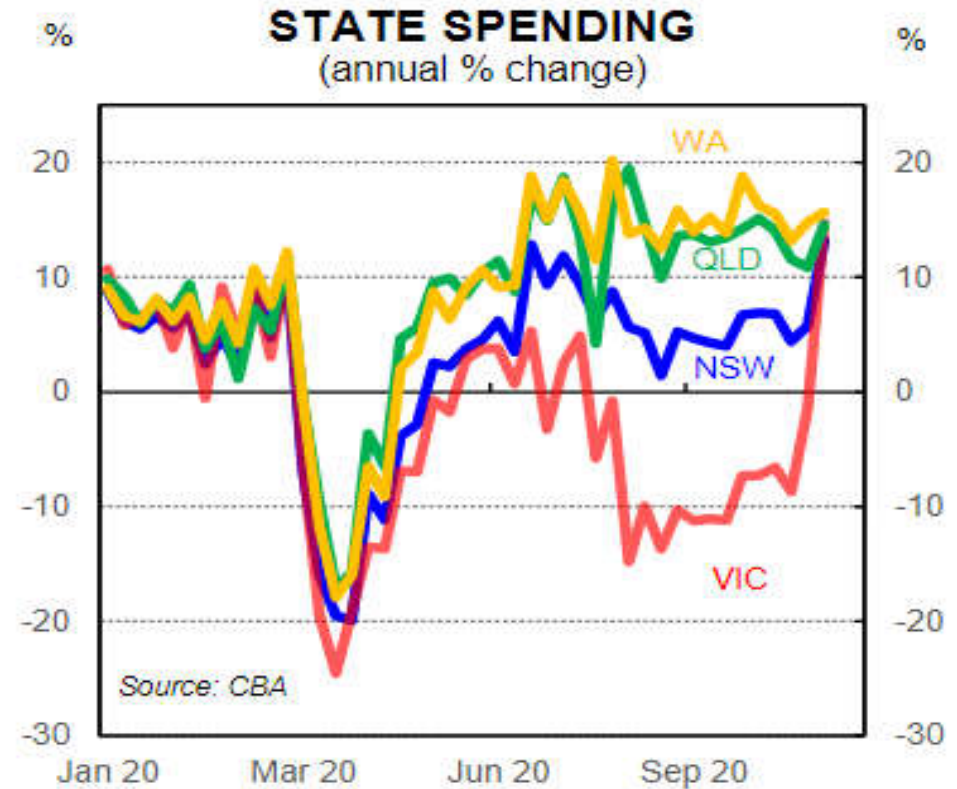
- A different growth profile...soft Q3 but strong Q4 rebound
- Historic fiscal and monetary support...recent tax cuts support
- Housing didn't correct much ...record low rates to spur activity
- 20% household saving rate
- Jobs market and retail surprising positively in October

Australia – consumers remain resilient

Retail – food and HH goods drive

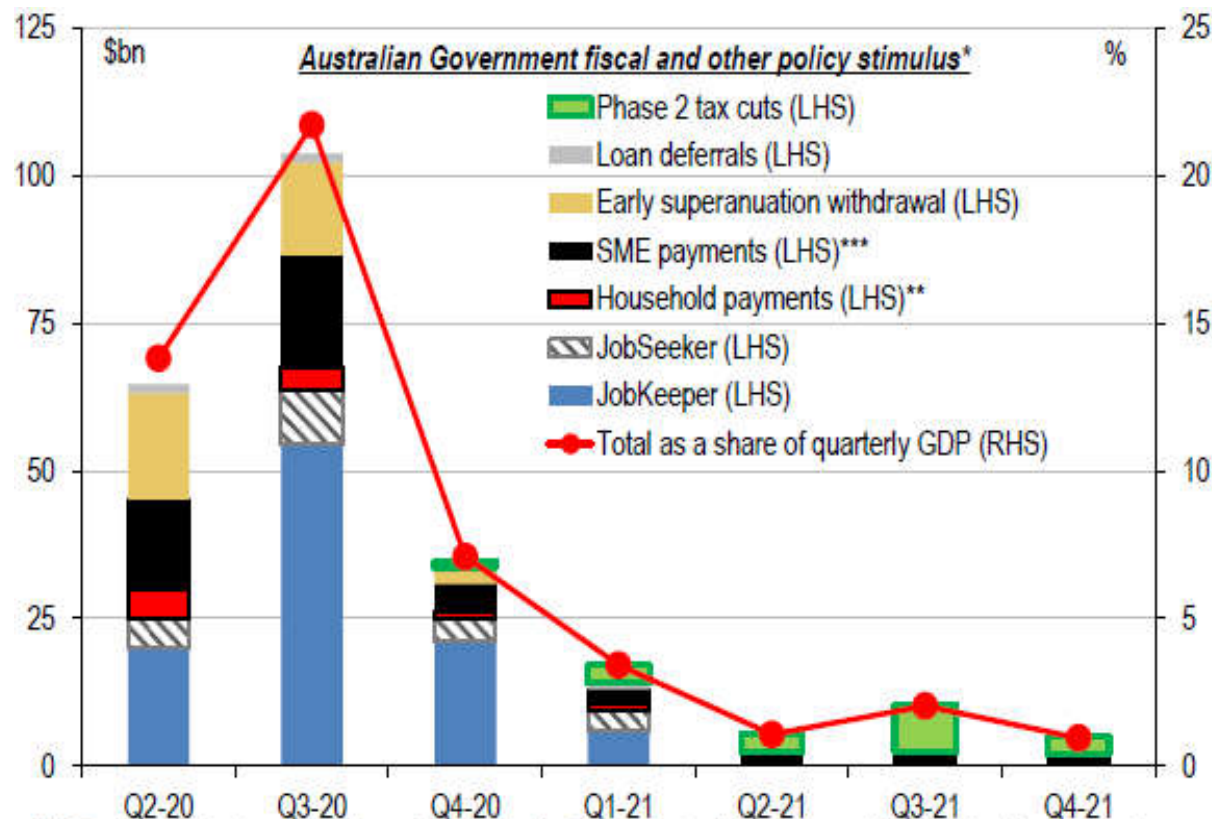


Source: ABS, UBS

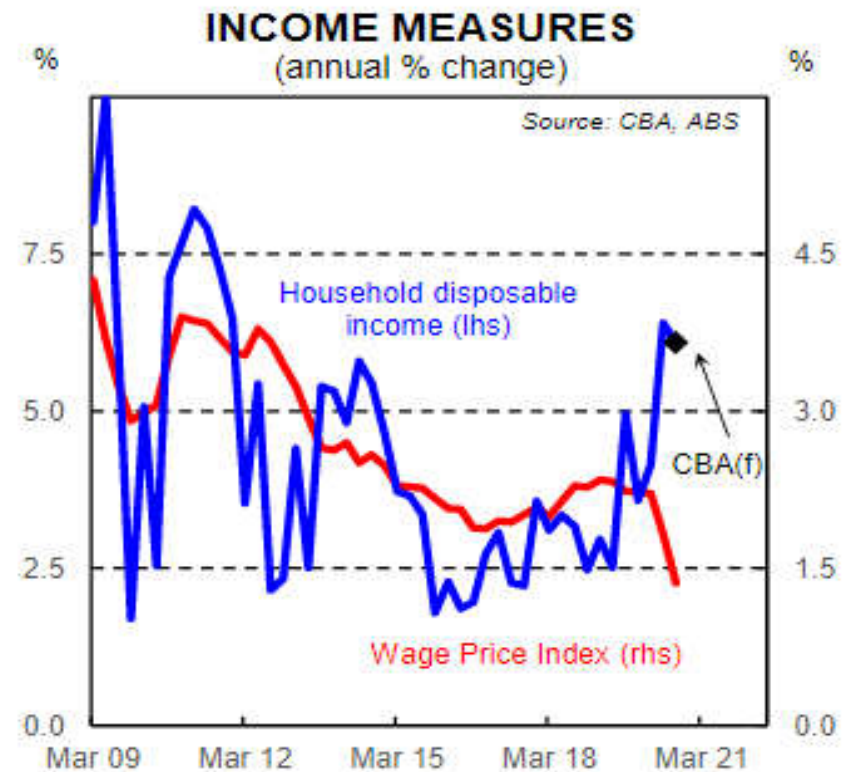


Australia – tax cuts and low rates supporting

**Fiscal support fading...
...but savings high & jobs to grow**

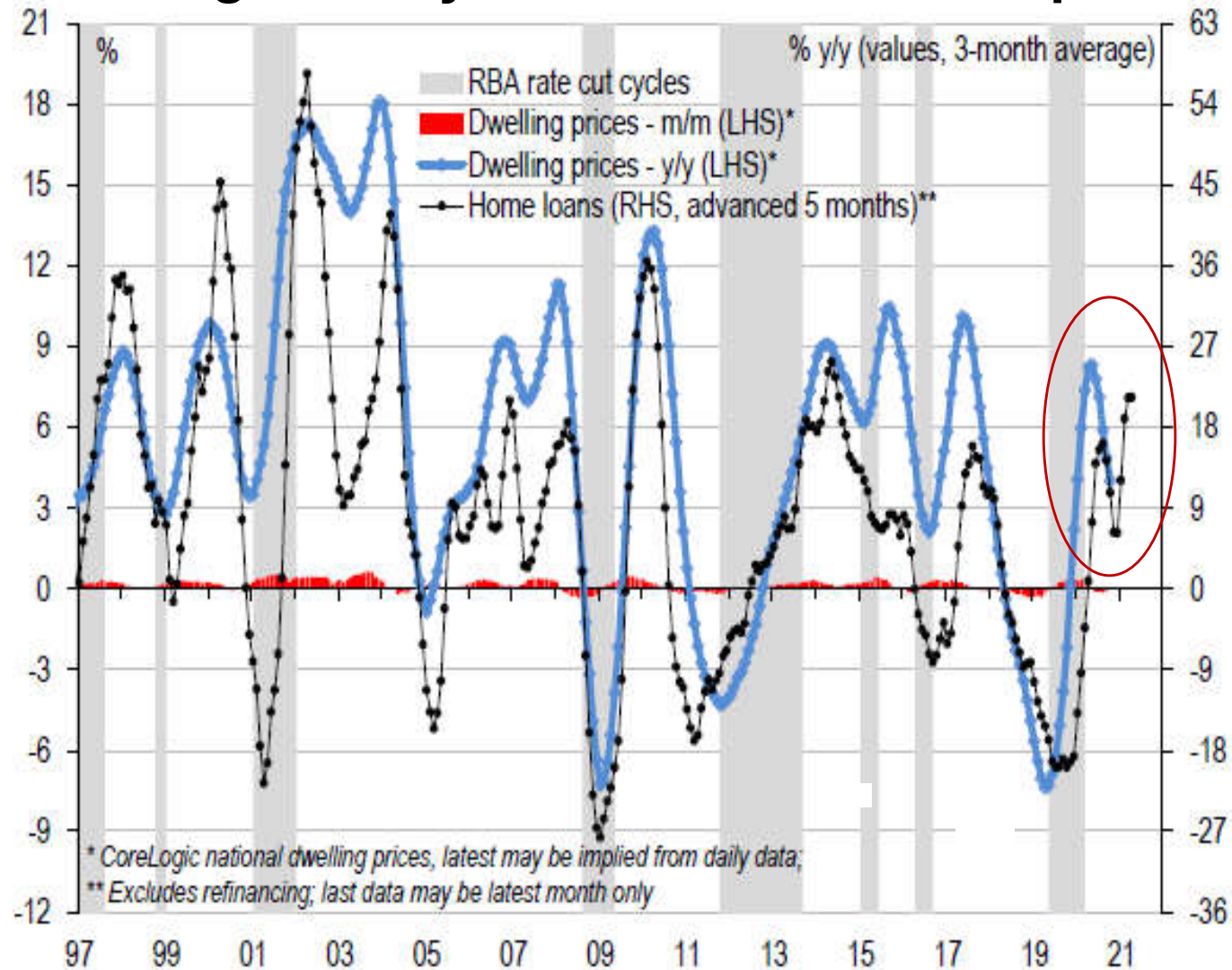


* UBS estimate includes specifically available Australian Government policies only - and does not include additional estimated ~\$50bn of fiscal stimulus from State Governments ** Includes payments announced in 20/21 Budget; *** Includes wage subsidy & loss carry-back announced in 20/21 Budget

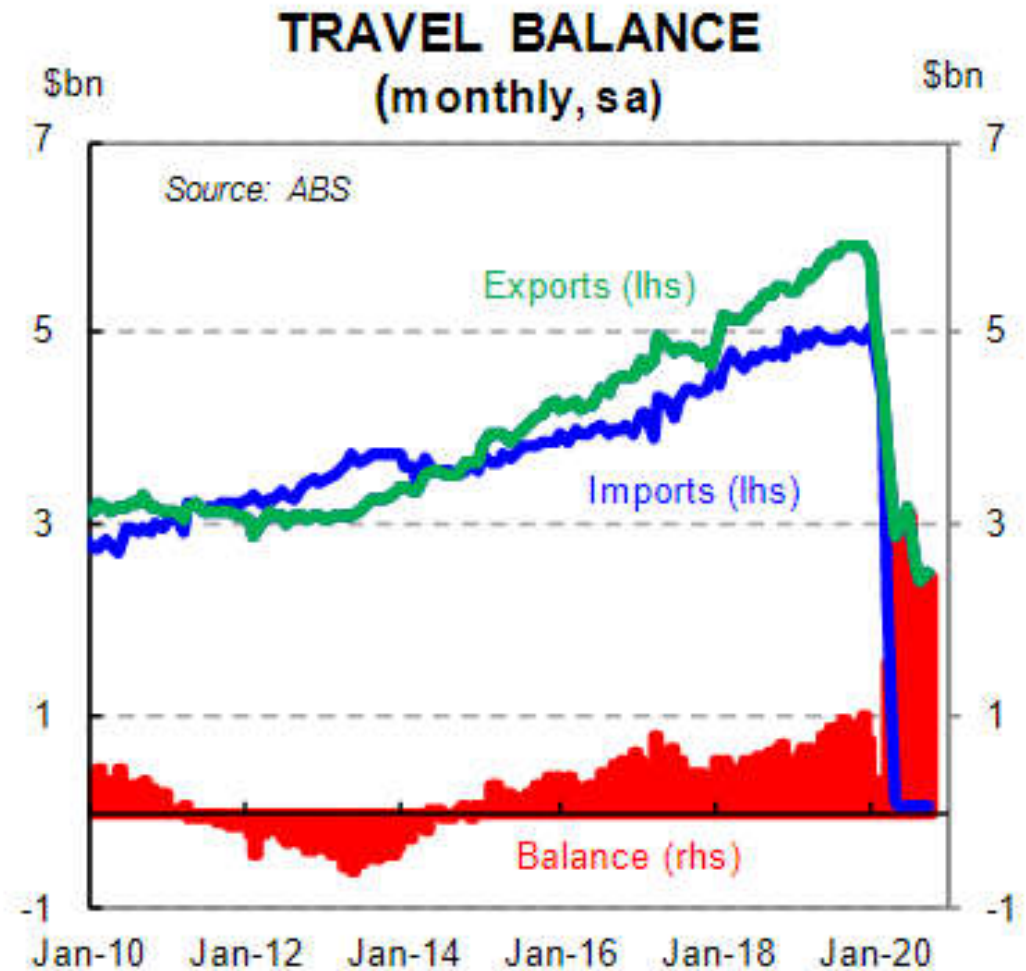
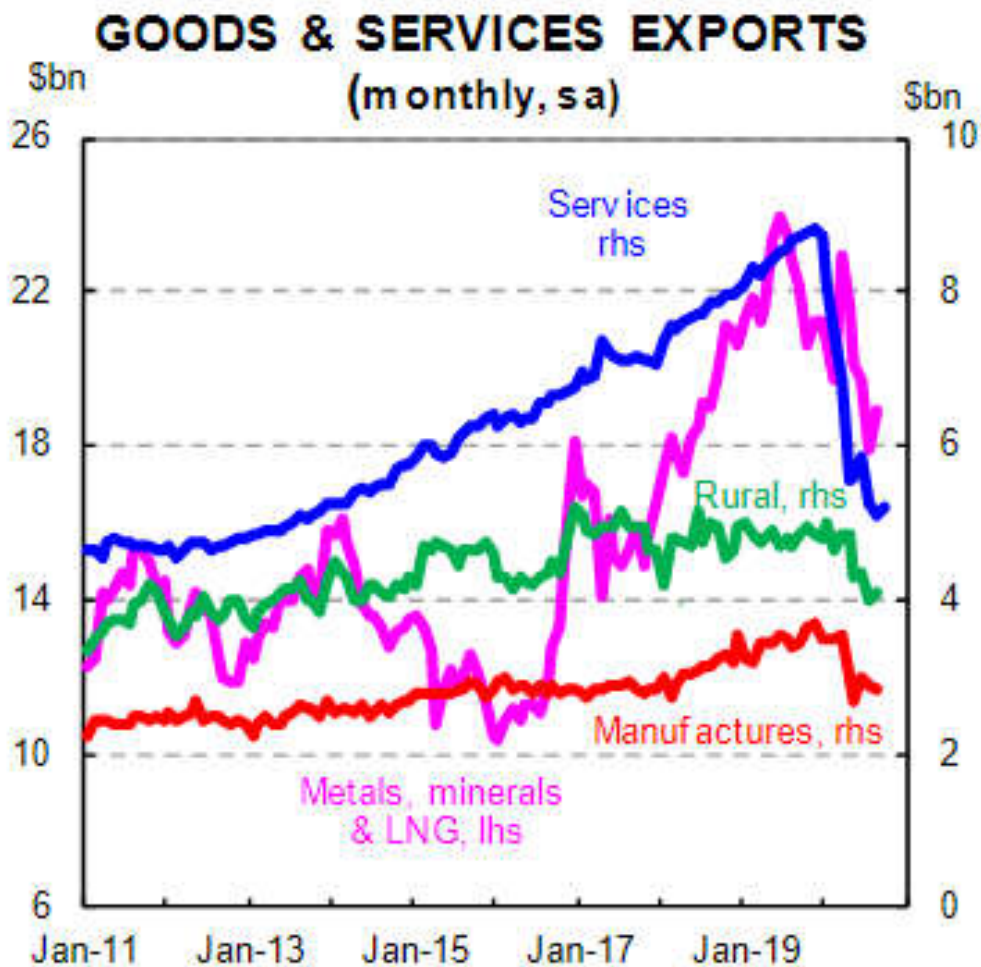


Australia – housing turning up?

Housing activity much better than expected

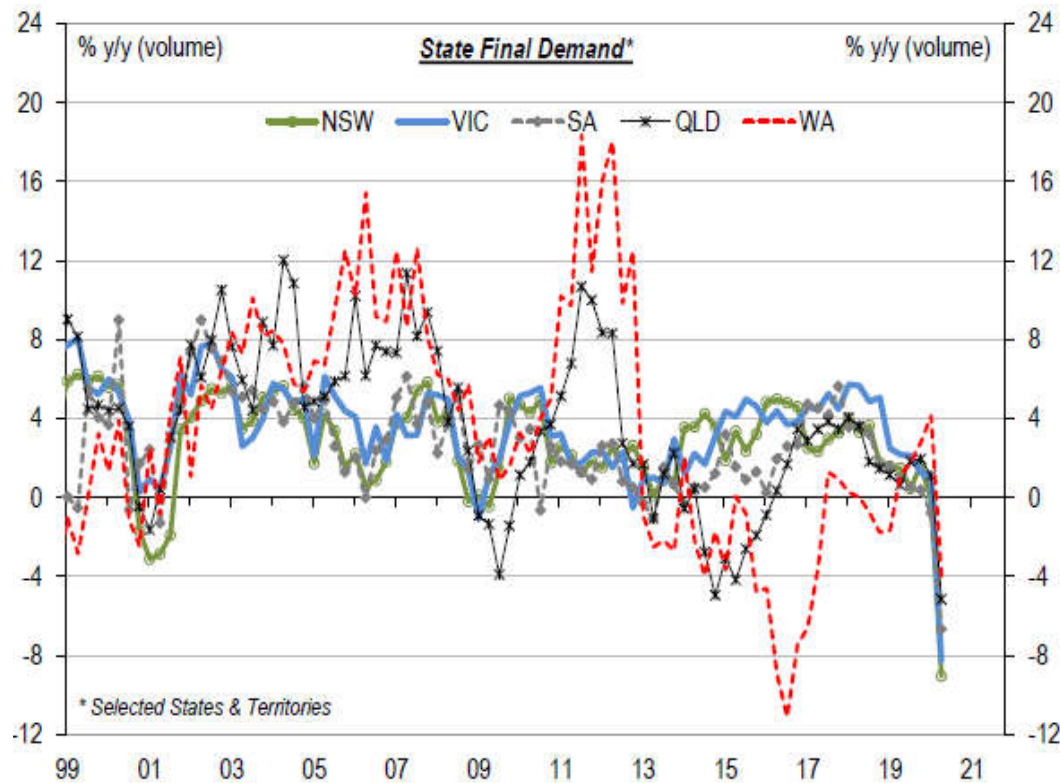


Australia – education and tourism struggle

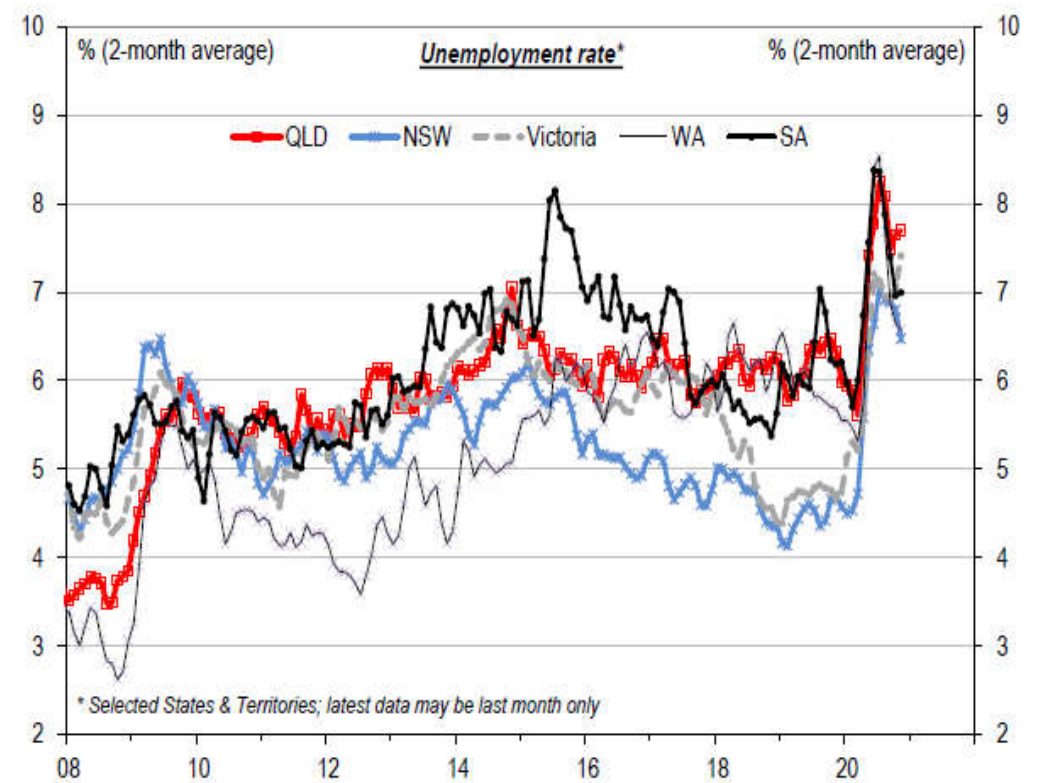


Queensland – better demand, higher UR

NSW & Vic take biggest hit

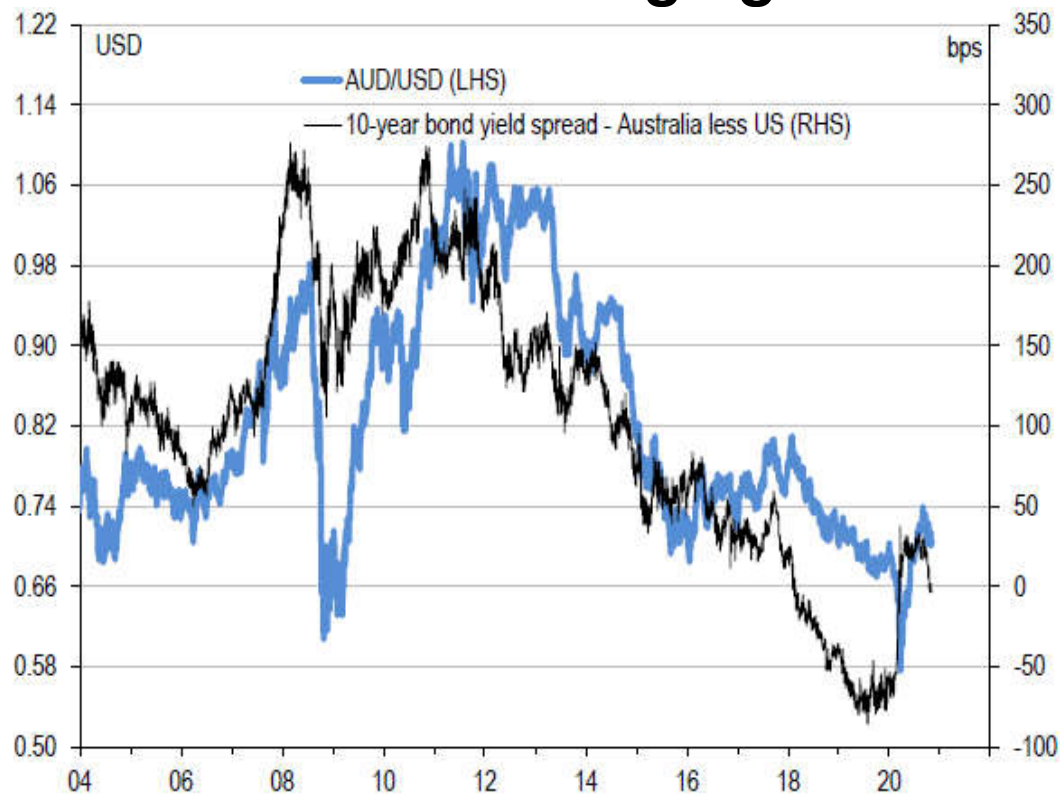


QLD unemployment elevated

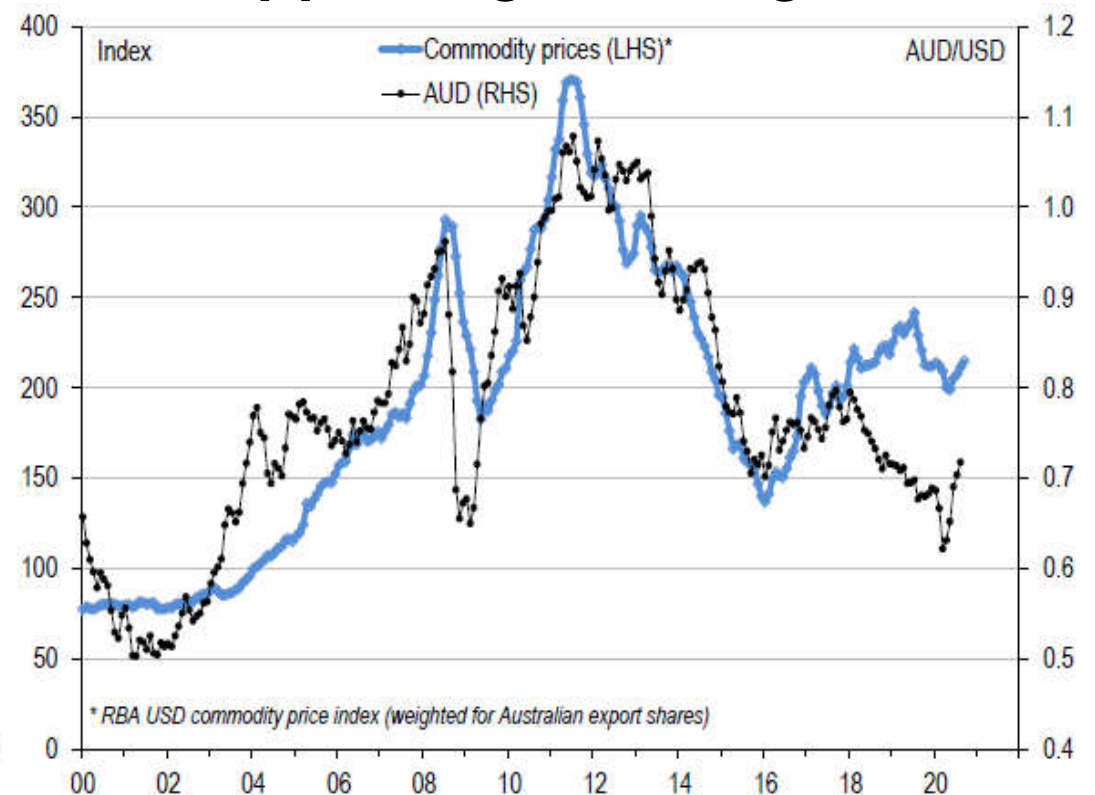


Aussie dollar – targeting mid-70s, with upside

Relative yields – USD advantage gone

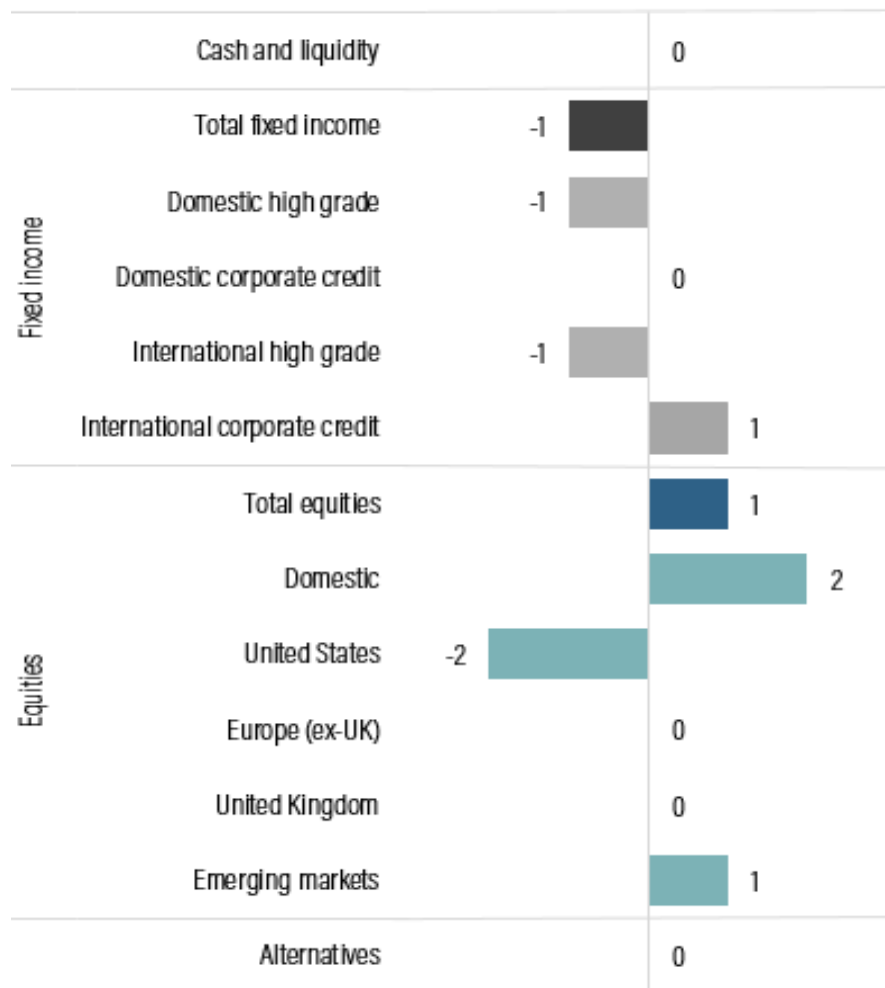


Commodity prices – supporting AUD higher

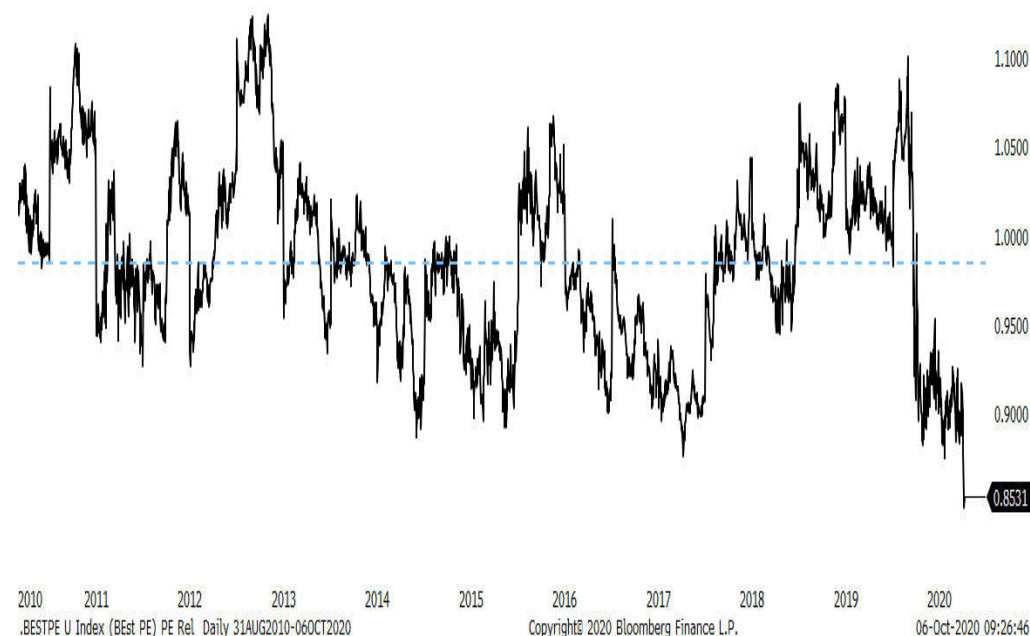


Tactical asset allocation—equities over bonds

Tactical asset allocation - new



Aussie equities – 12% discount to US S&P

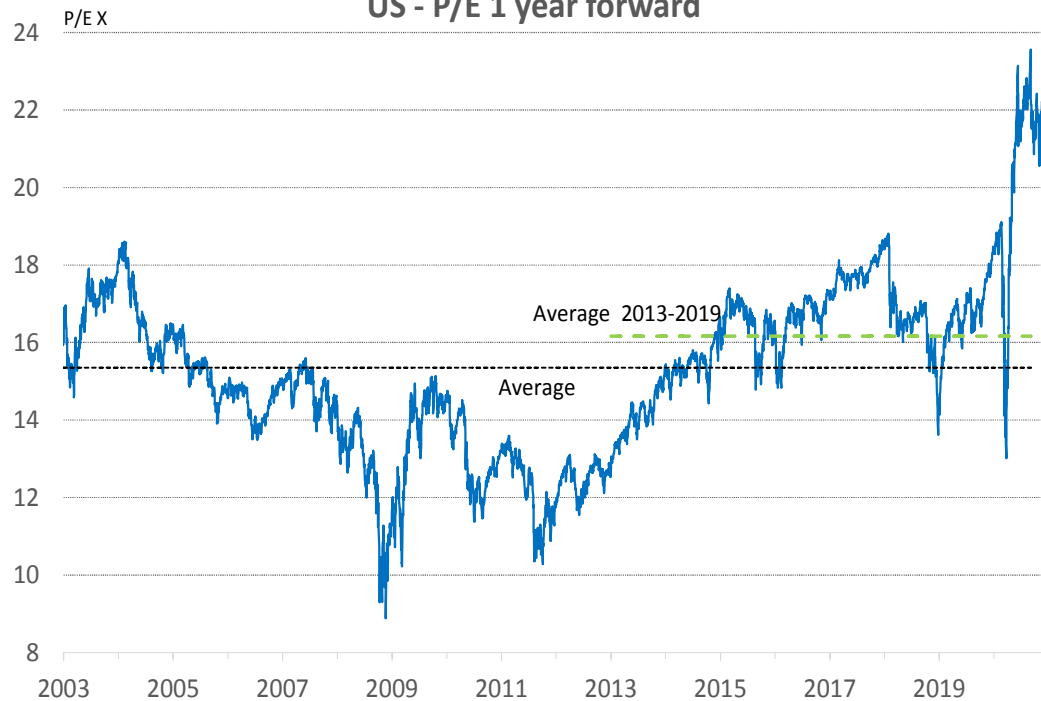


Traditional assets - expensive

Equity markets valuations still stretched...bonds more stretched?

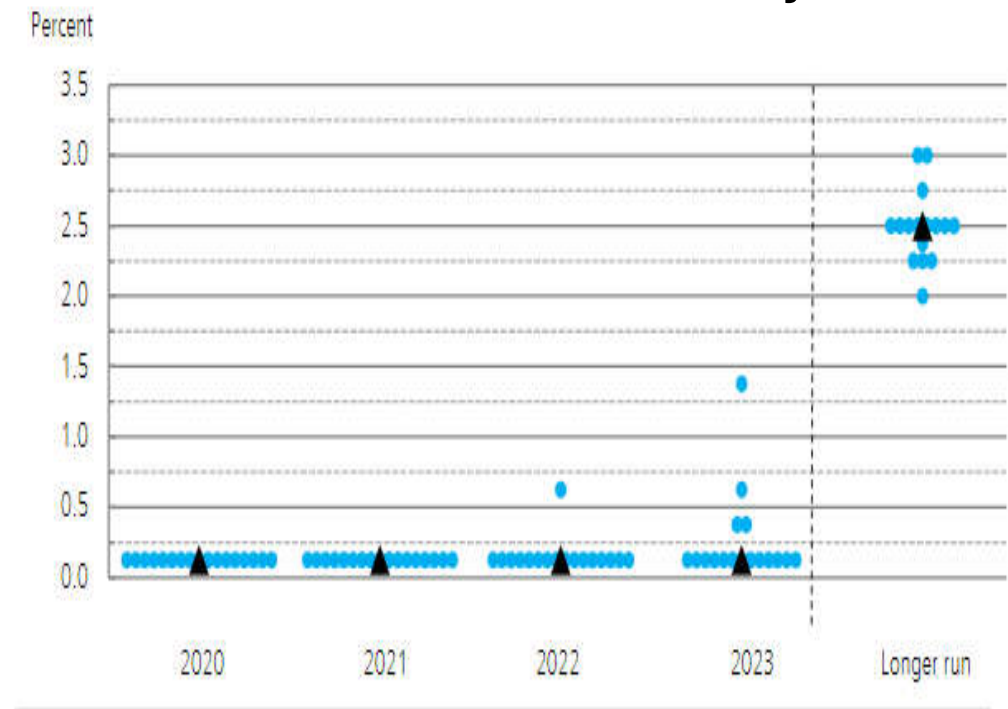
P/E's elevated globally

US - P/E 1 year forward



Sources: UBS, Bloomberg, Crestone Wealth Management, 18 November 2020

Global rates zero for some years



Source: Federal Reserve Board, UBS

Alternatives – less expensive

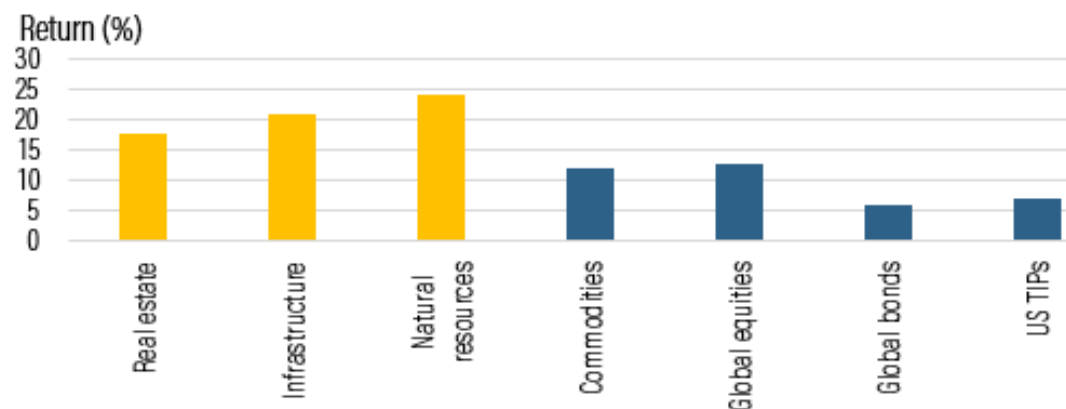
Low interest rates likely for years to come, curve will steepen

EXHIBIT 3: MODERATE CORRELATIONS AMONG REAL ASSET CONSTITUENTS

	Real Estate	Infrastructure	Timberlands	Agriculture	Stocks	Bonds
Real Estate	1.00	0.45	0.31	0.19	0.22	(0.08)
Infrastructure	0.45	1.00	0.24	0.31	0.10	0.19
Timberlands	0.31	0.24	1.00	0.75	(0.04)	0.11
Agriculture	0.19	0.31	0.75	1.00	0.14	(0.02)
Stocks	0.22	0.10	(0.04)	0.14	1.00	0.20
Bonds	(0.08)	0.19	0.11	(0.02)	0.20	1.00

Data range represents December 31, 2003 through December 31, 2016.

Real assets perform well in periods of positive inflation surprise



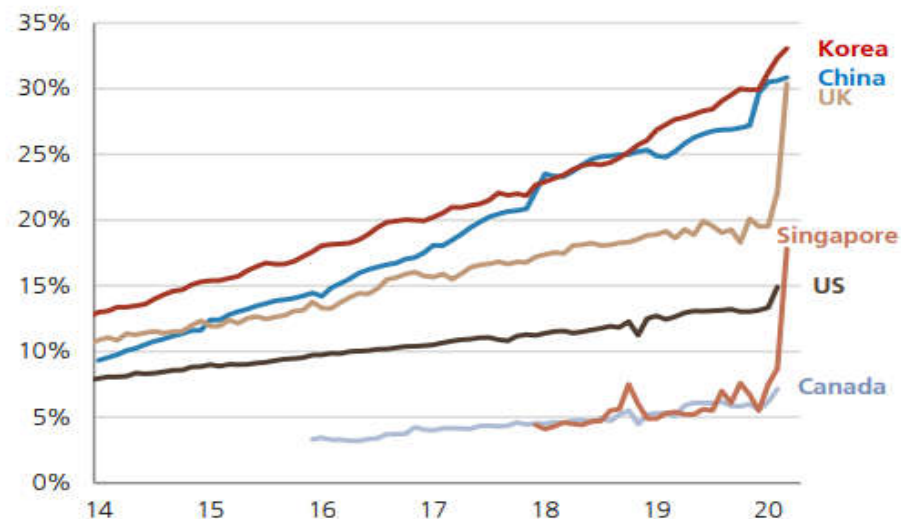
Source: Morningstar, Bloomberg, Brookfield Investment Management, US BLS, Federal Reserve Bank of Philadelphia SPF. Data range represents 2004-2016.

Sources: Factset, CBA, Crestone

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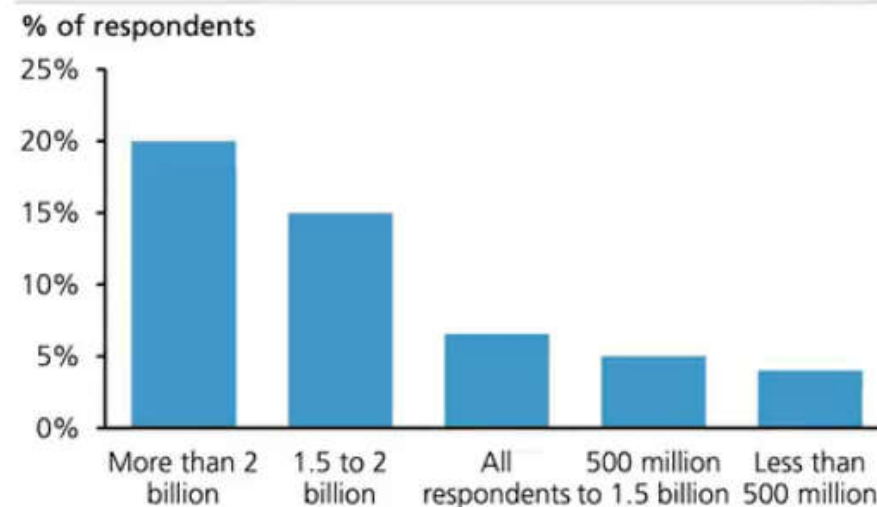
Looking ahead – sector winners and losers

Figure 11: Share of e-commerce in total retail sales in major countries



Source: Haver, UBS. Note: US and Canada data is to March 2020; Korea, China, Singapore, UK data is to April 2020.

Figure 30: Percentage of companies spending 30%+ of capex on factory automation



Source: UBS Evidence Lab

Figure 37: How COVID-19 impacts decision to relocate capacity out of China

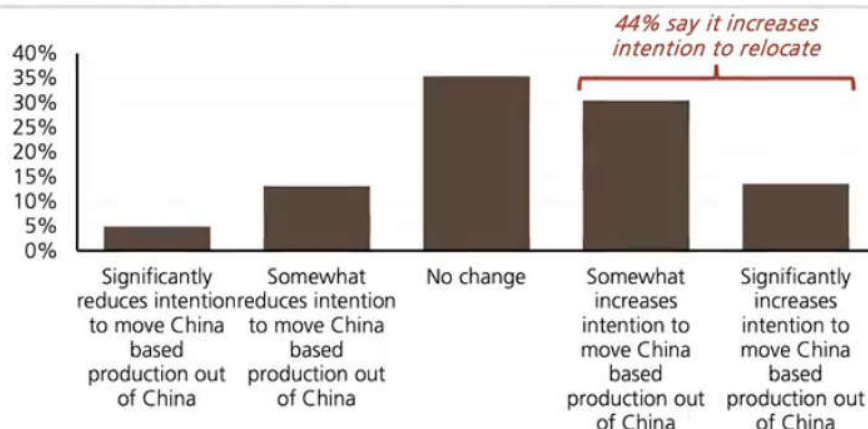
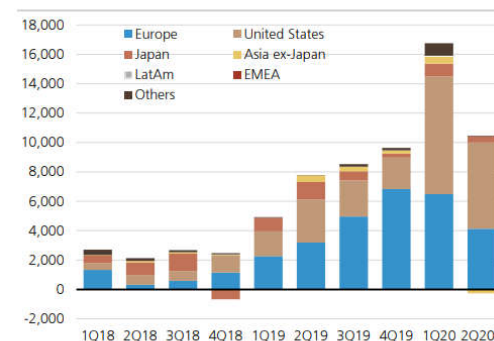


Figure 81: ESG ETFs: Quarterly net flows in USDm



Source: Bloomberg, UBS. *2Q20 data shows the flows between 1 April 2020 and 5 June 2020.

Asset Allocation – key to successful LT investing

Allocate efficiently between asset classes with unpredictable performance

2008 (%)	2009 (%)	2010 (%)	2011 (%)	2012 (%)	2013 (%)	2014 (%)	2015 (%)	2016 (%)	2017 (%)	2018 (%)	2019 (%)
Domestic fixed income 15.0	Domestic equities 37.0	International fixed income 9.3	Domestic fixed income 11.4	Domestic equities 20.3	International equities 48.0	International equities 15.0	International equities 11.8	Domestic equities 17.8	International equities 13.4	International hedge funds 5.9	International equities 28.0
International fixed income 9.2	International fixed income 8.0	Domestic fixed income 6.0	International fixed income 10.5	International equities 14.1	International hedge funds 26.9	International hedge funds 12.6	International hedge funds 10.8	International equities 7.9	Domestic equities 11.8	Domestic fixed income 4.5	Domestic equities 23.4
Domestic cash 7.6	Domestic cash 3.5	Domestic cash 4.7	Domestic cash 5.0	International fixed income 9.7	Domestic equities 20.2	International fixed income 10.4	International fixed income 3.4	International hedge funds 6.5	International fixed income 3.7	Domestic cash 1.9	International hedge funds 10.7
International hedge funds 0.8	Domestic fixed income 1.7	Domestic equities 1.6	International equities -5.3	Domestic fixed income 7.7	Domestic cash 2.9	Domestic fixed income 9.8	Domestic fixed income 2.6	International fixed income 5.0	Domestic fixed income 3.7	International fixed income 1.7	Domestic fixed income 7.3
International equities -24.9	International equities -0.3	International equities -2.0	International hedge funds -5.5	International hedge funds 5.1	International fixed income 2.3	Domestic equities 5.6	Domestic equities 2.6	Domestic fixed income 2.9	Domestic cash 1.8	International equities 1.5	International fixed income 7.2
Domestic equities -38.4	International hedge funds -5.8	International hedge funds -3.3	Domestic equities -10.5	Domestic cash 4.0	Domestic fixed income 2.0	Domestic cash 2.7	Domestic cash 2.3	Domestic cash 2.1	International hedge funds 0.3	Domestic equities -2.8	Domestic cash 1.5

Source: Morningstar, Bloomberg, Crestone. Calendar year returns relate to total returns in Australian dollars for the S&P/ASX 200 Accumulation Index, Bloomberg Aus Bond Composite 0+Y TR Index, Barclays Global Aggregate TR USD Hedged Index, and MSCI World ex-Australia NR Index AUD and the HFRI Fund Weighted Composite index AUD. Data as at January 2018.

Key messages...

1. Moderate ~ stop/start ~ global recovery most likely for 2021
 - key risk is renewed severe lockdown and/or flawed vaccine
2. Low-rate environment will continue to challenge return targets
 - there is still value in different market segments
3. Australia is in a better economic position
 - beneficiary from re-opening trades and Asia growth
4. Stay invested, stay diversified
 - cash is not king, and it rarely is!
5. Inflation is out there

*“The most important key to successful investing can be summed up in just two words—asset allocation”
Leboeuf (University of New Orleans)*

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