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MEDIA RELEASE

Markets sending contradictory signals: GSFM

The investing landscape will remain uncertain for the remainder of 2019, with bond and equity markets seemingly sending contradictory signals, according to GSFM and its fund manager partners Munro Partners, Payden & Rygel and Tribeca Investment Partners.

GSFM adviser, Stephen Miller, said that given heightened uncertainties, investors need to keep diversification within portfolios front and centre of decision making.

"In the near-term, investors need to grapple with ongoing trade tensions, potential 'currency wars', political dysfunction and escalating tensions in the Middle East.

"Structural challenges abound. These range from climate policy challenges, perceptions of inequality, cyber-attacks, 'oligopolisation', a fissuring of the post-war liberal / social democratic consensus and a rapidly changing geo-political environment.

"All this occurs when the policy armoury, particularly monetary policy, remains dangerously depleted," Mr Miller said.

The outlook for global markets is also uncertain with trade tensions set to continue to dominate, said Munro Partners chief investment officer, Nick Griffin.

"The past nine months have been a period of heightened volatility in global markets, and a prolonging of the trade impasse looks likely to extend the status quo of sub-par economic growth and record low interest rates for the medium term.

"The key risk to this outlook is that sub-par growth ultimately turns into negative growth as policy missteps continue to escalate."

Missteps aside he said this environment actually favours growth equities.

"Low interest rates mean investors are attracted to, and eventually are prepared to pay more for, scarce growth assets in what has become a low growth world.

"The Munro Global Growth Fund seeks to find these scarce growth assets by identifying some of the key structural changes in the world today and the resulting investment beneficiaries.

"Key areas of focus and investments today include cloud computing via investments in Microsoft, Salesforce.com and Adobe, innovative medicine via investments in diagnostics firms Danaher, Thermo Fisher and Abbot Labs and in E-Commerce via investments in Amazon and Alibaba.

"Regardless of the prevailing market noise the key is to look for strong stock fundamentals in investments to drive returns in the months and years ahead," Mr Griffin said.

Nevertheless, globally, due to global trade uncertainty and manufacturing weakness, the risk of a US and/or global recession is on the rise, said Mr Brad Boyd, manager of the Payden Global Income Opportunities Fund.

"We expect US GDP to slow toward trend, while growth in China and the Euro area will stabilise in H2 2019.

"Despite global trade and manufacturing weakness, the global labour market remains strong. The US unemployment rate may fall below 3.5 per cent and we expect continued declines in the Euro area, UK and Canadian unemployment rates.

"Going forward, The Fed is likely to lower rates in order to foster economic growth and sustain the cycle. In Australia, the RBA has cut its policy rate twice already and could cut again before year-end. The PBoC is also in easing mode while the BoJ remains on hold. The ECB will remain accommodative through 2020.

"However, the time to worry about allocations to credit sectors is when a recession is imminent. We are not there yet," Mr Boyd said.

Locally, Tribeca Investment Partners portfolio manager, Jun Bei Liu, said the Australian equity market is expected to head higher in the second half of the year.

"Lower interest rates, stabilisation of housing prices, tax cuts, political stability and better relative yield proposition should see our market outperforming regional peers," Ms Liu said.

"Notwithstanding expected heightened volatility around August reporting season, which we expect to see price downside for many sectors as consensus expectations will be rebased on rich earnings multiples. We look to those price weaknesses as buying opportunities.

"We remain cautious on domestic cyclicals, particularly post strong rally into the results season, while US earners and resources are preferred underpinned by strong earnings momentum," Ms Liu said.

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About GSFM

GSFM was established in July 2007 as a subsidiary of the Grant Samuel Group. In November 2016 CI Financial Corp (CI) purchased an 80 per cent stake in the business. CI is a diversified wealth management firm with fee-earning assets of CAD\$176.7 billion (as of 30 June 2019). GSFM specialises in marketing funds managed by high calibre local and international managers to Australian and New Zealand institutional and Australian retail investors.

Since 2007, GSFM has formed alliances with the following investment managers to distribute investment products to Australian and New Zealand clients:

- New York based Epoch Investment Partners, Inc.
- Tribeca Investment Partners, a successful Australian boutique manager
- Payden & Rygel, a Los Angeles based independent investment management firm
- Triple Three Partners Pty Ltd (Triple3) a boutique research and investment management firm
- Munro Partners, an independent global equity manager
- London-based Man Group plc
- Toronto and Boston based Cambridge Global Asset Management

GSFM currently represents \$6.7 billion funds under management (as at 30 June 2019). For more information about GSFM please visit the website: www.gsfm.com.au