RJN FINANCIAL

Investment Update

It was a very good year!

January 2020

First, a note!...

Concepts discussed herein are of a general nature.

*You should **not** act on the material provided without obtaining advice specific to your own needs, objectives and circumstances*.

Summary...

Global sharemarkets had a very strong 2019 (after the poor December quarter in 2018).

Economic growth began to slow globally in 2019 and this caused central banks to go into an "easing" mode (i.e. cutting rates) with the Australian Reserve Bank cutting rates by 0.75%, to a cash rate of 0.75% (the lowest rate in history).

The US Federal Reserve began to increase it's balance sheet to support USA "funding markets" and China has reduced some of their bank liquidity ratios – a move to increase credit growth

The Australian economy showed signs of softness with car sales down year on year. Property clearance rates have started to turn around and property prices have firmed off their lows. But, our economy continues to grow and is overall well placed (although households do have a high debt burden).

Should the USA central bank continue to expand it's balance sheet and the US Dollar begin to depreciate we should see further strength in commodities and their related securities (which began to show some strength late last year with the copper price rising by around 10%).

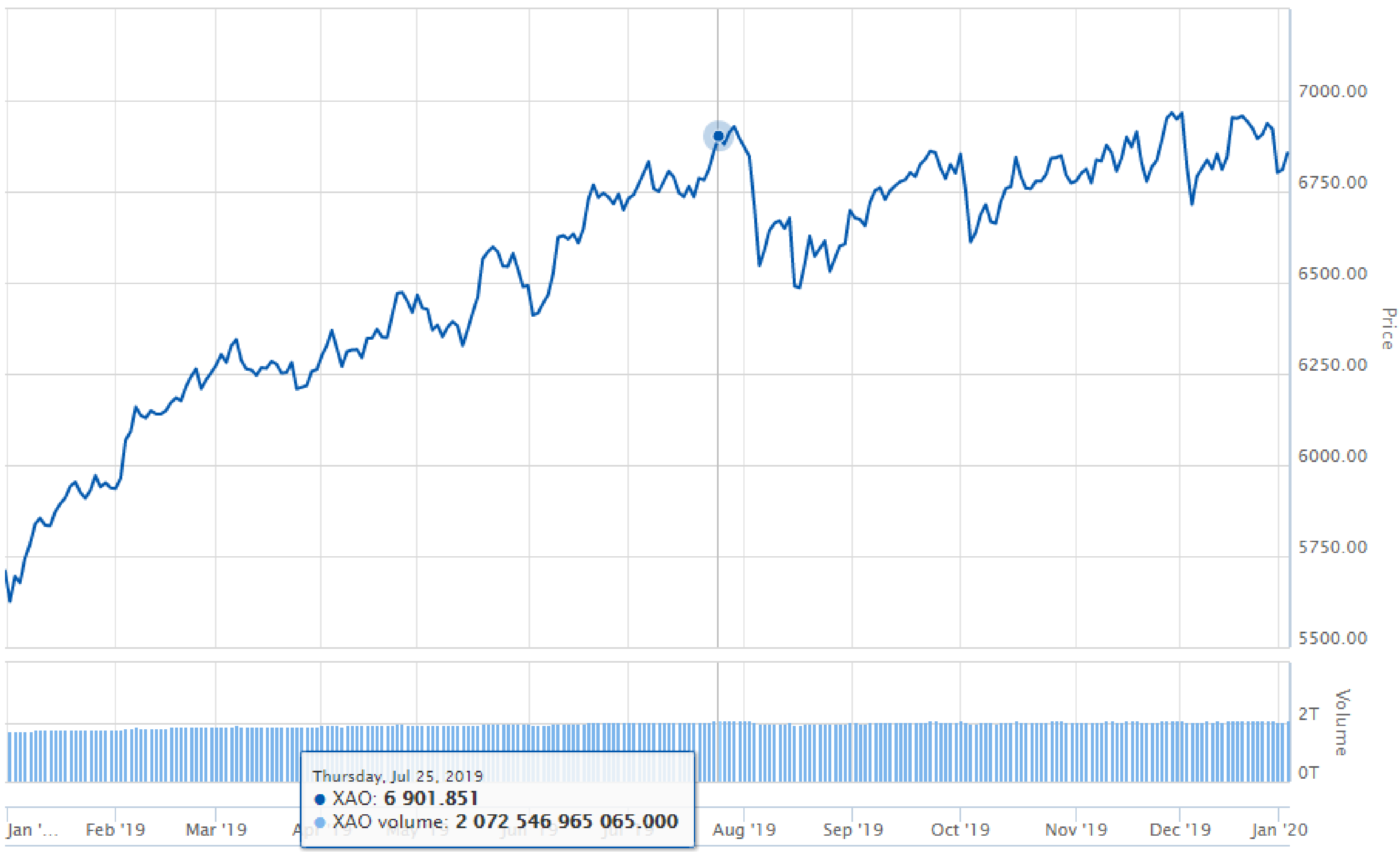
Some caution after a strong year of returns (where all asset sectors did well) is warranted.

We expect the big theme for the next few years to be increased government spending (e.g. infrastructure and tax cuts) taking advantage of low interest rates, to promote growth and increase inflation towards the target range of central bank policy.

We look to sectors or investments that are positioned to benefit from the increase in spending and rise in inflation.

The charts on the following pages show some of the important "areas" we are looking at.

All Ordinaries made a high in August and then went sideways



Very strong returns globally (in USD)

@CharlieBilello Data: YCharts			Country ETFs: 2019 Total Returns (in US $) as of 12/31/19					
Country	Ticker	2019	Country	Ticker	2019	Country	Ticker	2019
Greece	GREK	50.2%	Sweden	EWD	21.7%	Saudi Arabia	KSA	9.3%
Russia	ERUS	49.3%	United Kingdom	EWU	21.3%	Vietnam	VNM	9.3%
Taiwan	EWT	33.3%	Israel	EIS	20.9%	Philippines	EPHE	8.5%
Netherlands	EWN	32.5%	Japan	EWJ	19.3%	Thailand	THD	8.3%
Switzerland	EWL	31.6%	Germany	EWG	19.2%	South Korea	EWY	7.9%
US	SPY	31.2%	Austria	EWO	17.1%	Peru	EPU	7.3%
Colombia	GXG	30.4%	China	FXI	14.9%	Egypt	EGPT	6.8%
New Zealand	ENZL	30.1%	Singapore	EWS	14.5%	India	INDA	6.5%
Ireland	EIRL	28.2%	Argentina	ARGT	14.5%	Indonesia	EIDO	5.3%
Brazil	EWZ	27.7%	Turkey	TUR	14.4%	UAE	UAE	1.6%
Canada	EWC	27.6%	Portugal	PGAL	14.4%	Pakistan	PAK	0.9%
Italy	EWI	27.0%	Mexico	EWW	12.6%	Qatar	QAT	-0.3%
France	EWQ	26.7%	Norway	NORW	12.5%	Malaysia	EWM	-1.4%
Belgium	EWK	25.9%	Spain	EWP	11.9%	Poland	EPOL	-6.1%
Denmark	EDEN	24.4%	Hong Kong	EWH	10.7%	Nigeria	NGE	-13.6%
Australia	EWA	22.4%	South Africa	EZA	9.6%	Chile	ECH	-17.8%

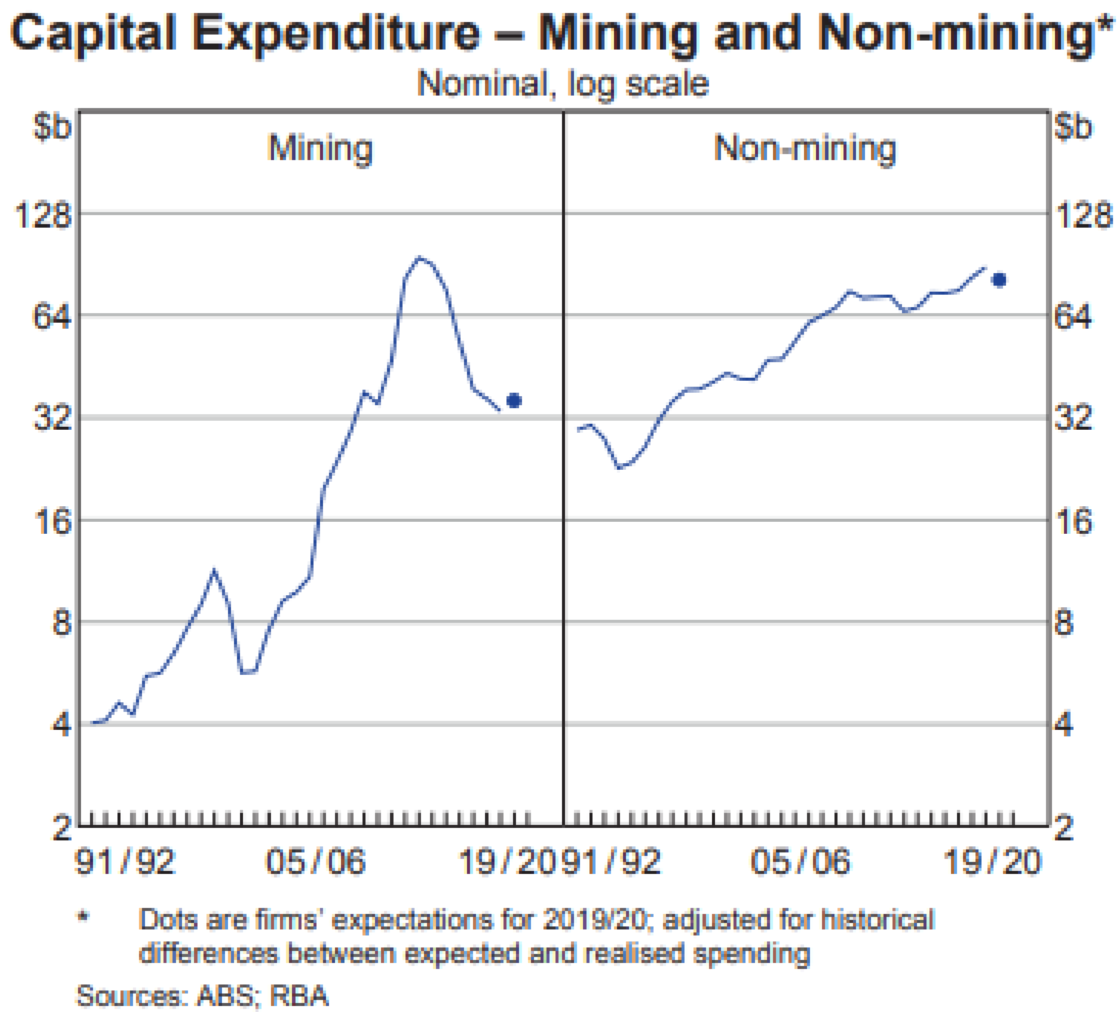
There are negatives to consider

- Debt remains a global problem
- Economic growth is too low
- Possibly more rate cuts are likely in 2020
- After a period of low rates there must be some money going to the wrong places - misallocation
- Central banks will remain key players in markets (possibly for years)
- Must be more selective given the strong 2019 returns

While the positives are…

- Cash rates are likely to stay low
- Governments (globally) will need to increase spending to “grow” their way out of the debt
- Australia is likely to see tax cuts and increased spending in the next 1 to 2 years
- Australian economy is still growing
- The Aust Dollar is weak which increases demand for our exports
- Resource companies can begin to invest into projects after 3 good years of profits
- Some sectors are undervalued compared to history

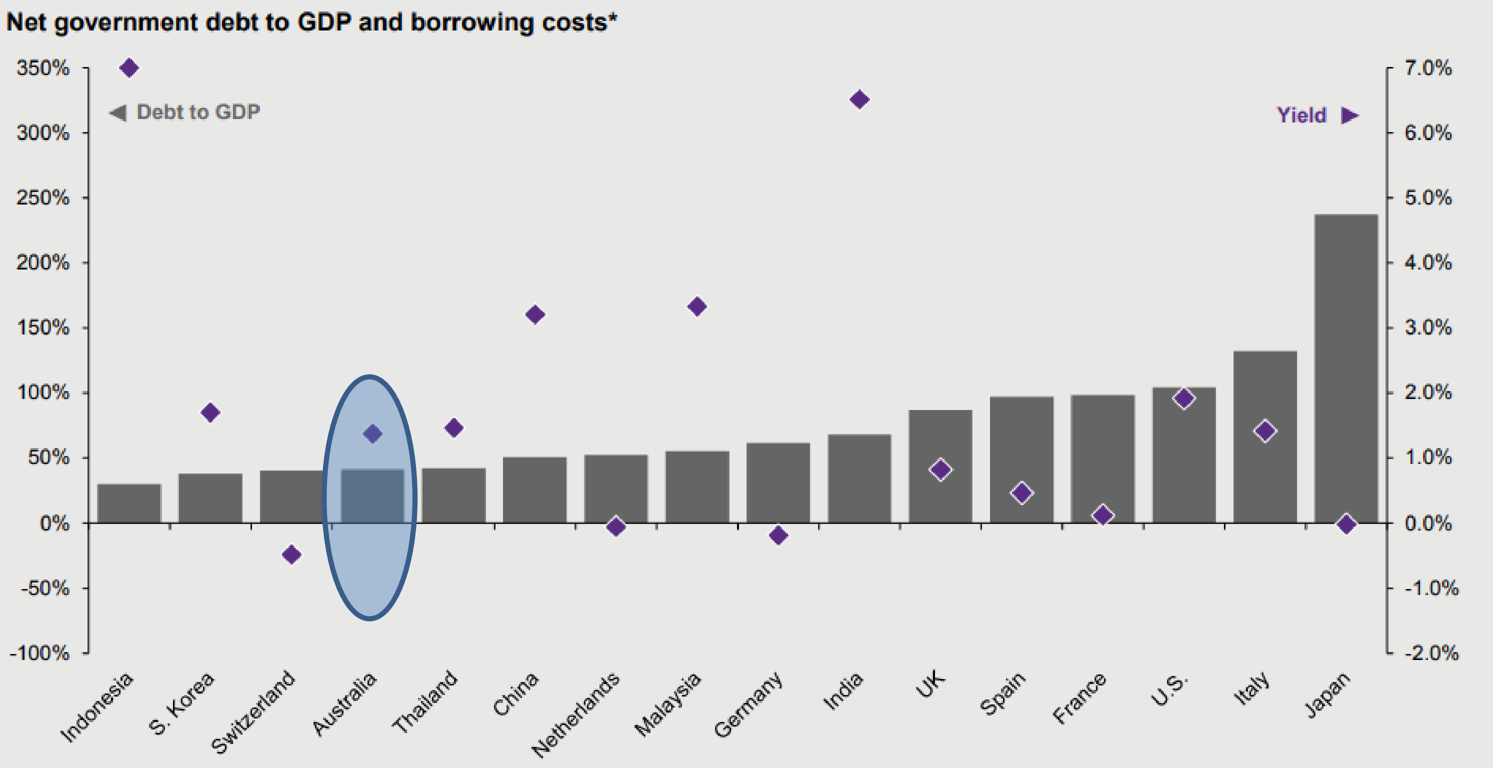
Profits in mining sector have been strong; increased spending should follow



Aust. has capacity to spend if growth slows

Government debt and borrowing costs

Global economy

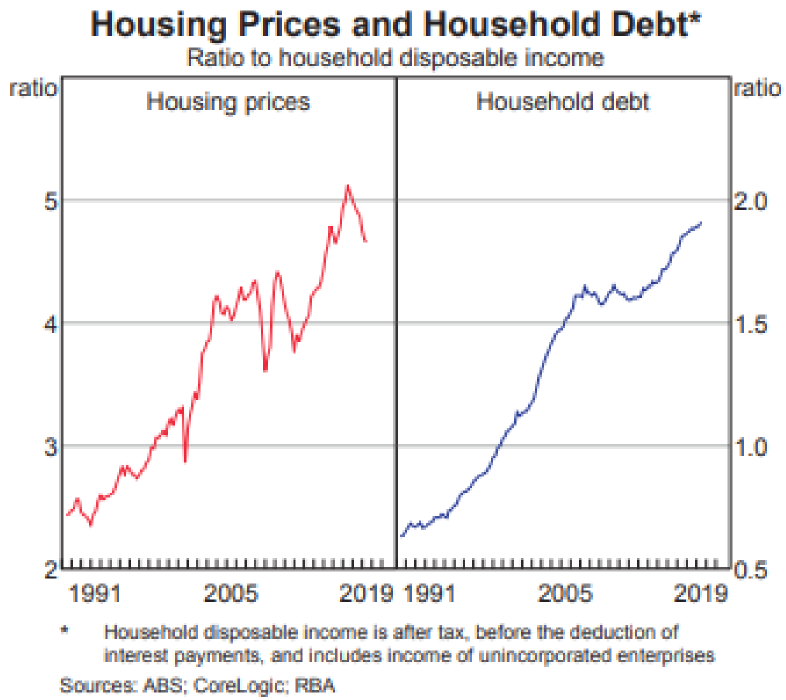


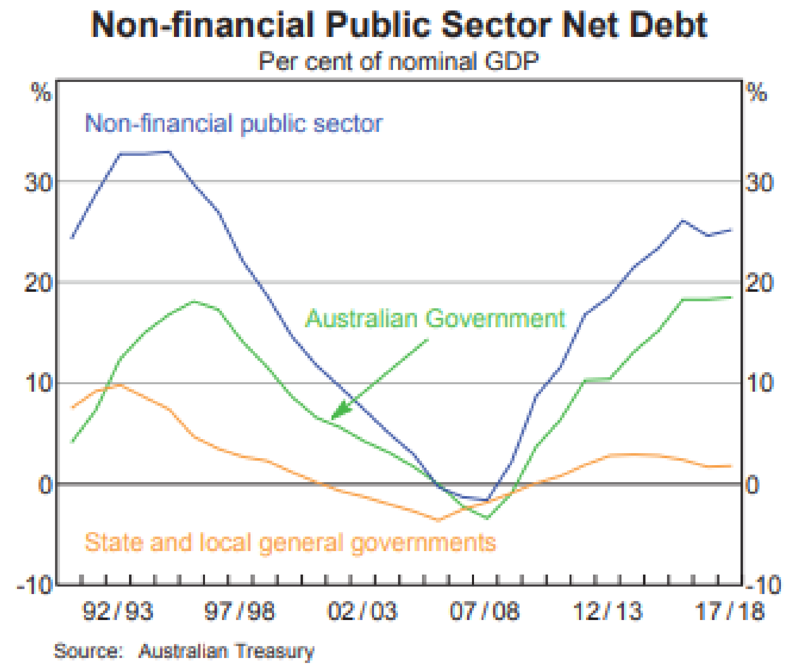
Source: FactSet, IMF, Tullet Prebon, J.P. Morgan Asset Management. *Net debt is the gross debt of a country less any financial assets. Borrowing cost is the 10-year local government bond yield.
Guide to the Markets – Australia. Data as of 31 December 2019.

J.P.Morgan Asset Management

Australian government Debt to GDP is low

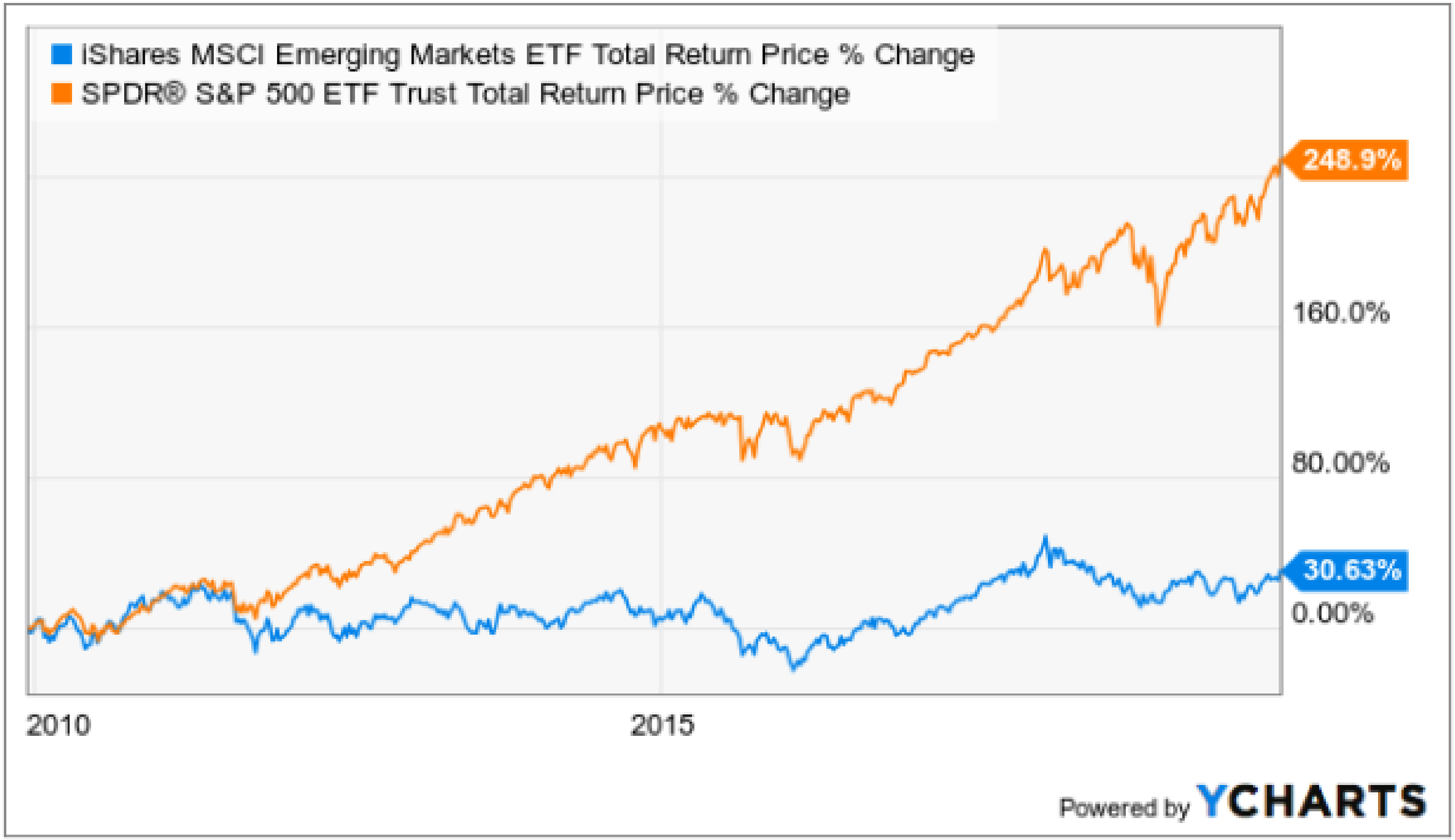
Government debt low; Household debt is high





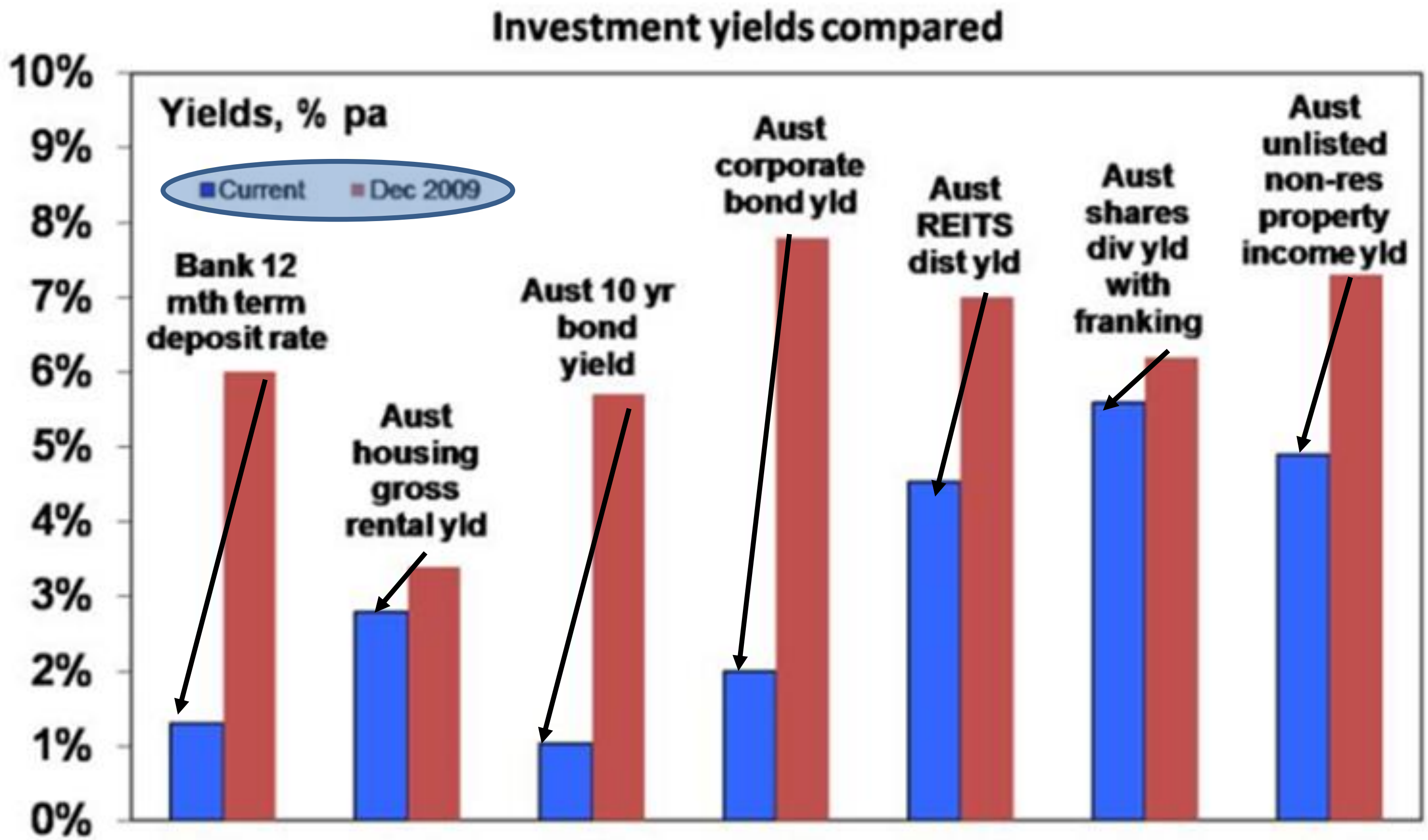
“USD” – a fall will provide a boost to resources and emerging markets

Emerging markets have had a poor 10 years



Priced at a lower PE Ratio compared to developed markets
Less debt than developed markets
Higher growth

Yields are much lower for all assets



Source: Bloomberg, REIA, RBA, JLL, AMP Capital

Lower likely overall returns

In summary…

- 2019 was a very good year and we should expect a more moderate 2020
- 5 plus year returns should be lower in a low growth environment; Cash cannot assist returns (but has a defensive role)
- Central banks are in easing mode
- Governments are being encouraged to spend to ensure growth continues
- Opportunities exist in some sectors & smaller companies can still grow through new products/services
- Always ensure your risk profile remains appropriate

And…stick to sound principles

- **Focus on the long term**
- **Don’t chase ‘hot’ sectors**
- **Diversify enough for you**
- **Find Value**
- **Retain enough cash for short term needs**
- **Don’t react to headlines or Facebook**
- **Review regularly**

If you have any concerns or questions, please contact the us to ensure your strategy is still appropriate.

We look forward to being of service.

“Client Referrals are very important to us. If you know of anyone who could benefit from our services, please do not hesitate to contact us”.

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