

REPORTING SEASON IN NUMBERS

What did the volatile August 2018 reporting season tell us about corporate Australia? With information straight from Australia's listed companies, our Australian Equities Growth team share a snapshot of the economy and our key sectors.

This reporting season good results were rewarded handsomely while disappointing results saw share prices taken down.

Market expectations

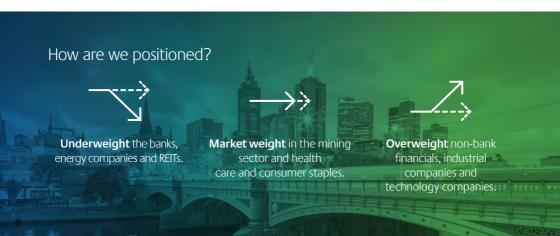
of companies reported above expectations

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50% of companies reported in line with expectations

25/0 of companies reported **below** expectations

Source: Morgan Stanley



SNAPSHOT OF THE AUSTRALIAN ECONOMY

1. Overall business conditions are solid



Vacancy rates in commercial offices in Sydney and Melbourne are around



Sydney **4.6**%



Melbourne 3



Source: Mirvac

2. The consumer is ok



with **incomes growing** at

2-3% per annum



and **unemployment** at a low

5.5%

3. Australia is still a great place to invest



Our Government's have **low levels of debt**



Our health system is relatively efficient



Our population is growing, but we have **low unemployment**



Our level of inequality is low relative to other countries

WE ARE ALERT TO REGULATORY RISK IN AUSTRALIA, WITH GOVERNMENT POLICIES SET TO FOCUS ON: BANKING, WEALTH MANAGEMENT, PRIVATE HEALTH INSURANCE AND POWER UTILITIES.

KFY SECTORS

Mining



Mining companies are generally more cautious on new project investment, and are returning more cash to shareholders.

Queensland and Western Australia are seeing new projects from BHP, Rio, Fortescue, Woodside and Santos

Banks



We believe the slowing property market and slower credit growth will subdue earnings for the banks, but dividends are sustainable.

Credit growth heading towards 4% down from the 6-10% of the past two decades. Owner occupied loans growth 7.7%. **Investor** loans growth **1.5%**.



Infrastructure

Following growth from the resources and housing sectors, **infrastructure spending** is set to remain at a high level, particularly in Victoria and New South Wales.

Tourism



Nationally, the tourism sector remains robust. The three fastest growing passenger groups in 1H18:

Source: Sydney Airport

Taiwan 49%









Technology

While Australia does not have the FANG stocks of the US, we continue to generate highly successful technology companies including REA Group, Seek, Xero and Wisetech.

Offshore earners



Global earners have outperformed the ASX 200 by 19.6% since 2008.

Companies such as **Brambles**, CSL, Computershare and Aristocrat are expected to benefit looking forward.

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Global earners