
Wilson Asset Management

W | A | M Income Maximiser

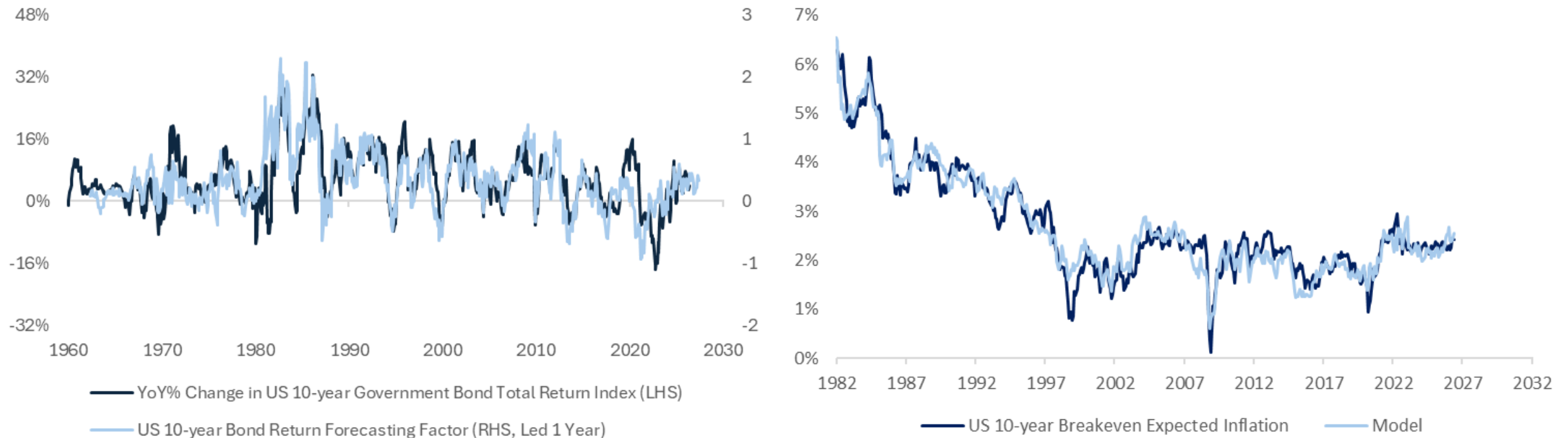
ASX Investor Day

Key messages

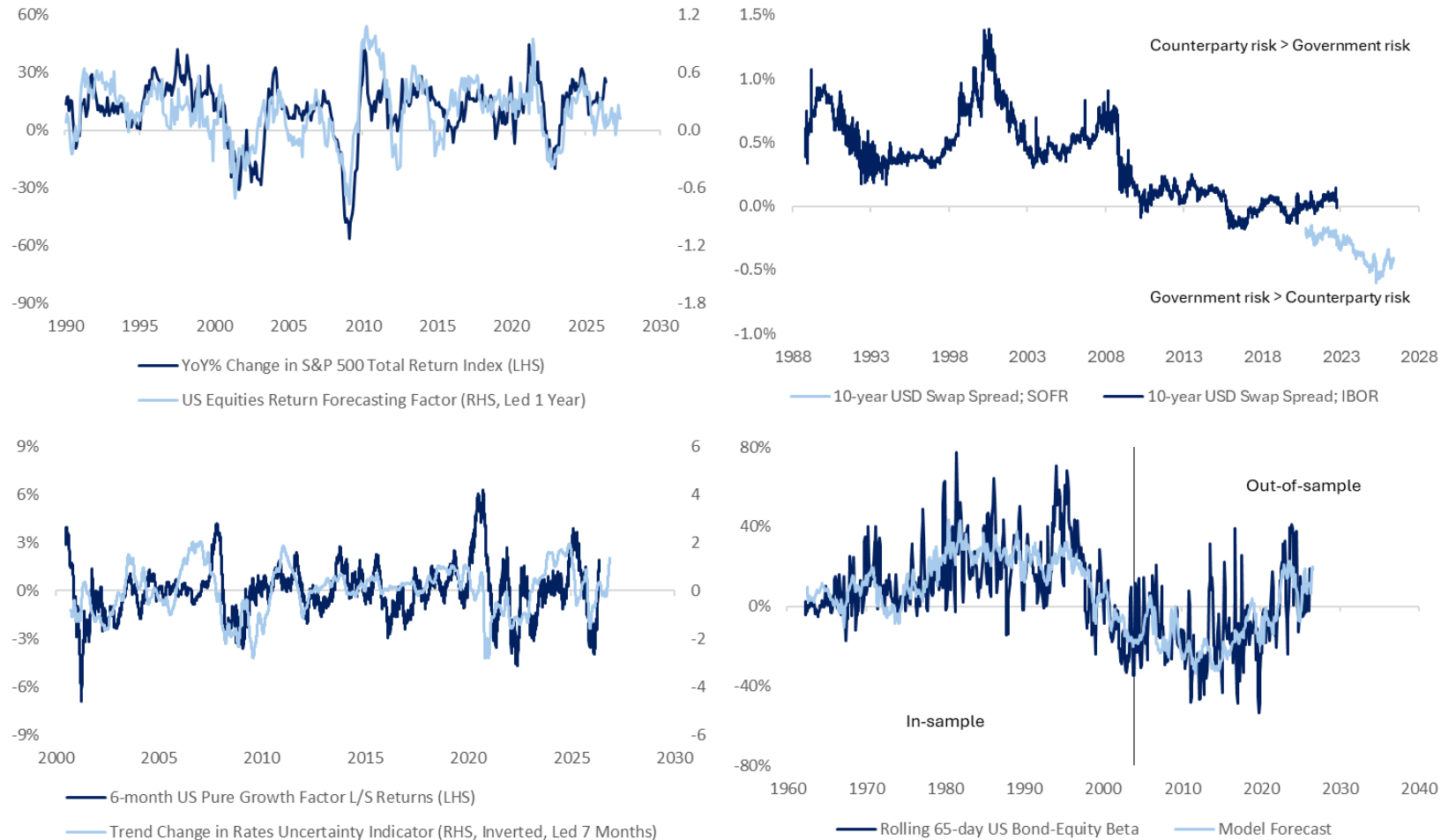
Position for lower rates longer term, despite current inflation concerns

- US long-duration bonds now offer an attractive return-risk profile. This is partly because of reduced net bond issuance between the Treasury and the Fed. It is also because we are transitioning from a supply-shock, inflationary regime to a demand destruction regime.
- Equities can benefit from falling bond yields, especially long-duration growth stocks with resilience to the cycle and obsolescence. We cannot completely ignore valuations though, given that currently priced levels of inflation risk do imply some compression of multiple dispersion.
- Australian cyclicals are vulnerable to sharply slowing growth. Investors might be willing to look through short-term downgrades if the RBA cuts rates ... but this does not look likely just yet. Country allocators are clearly showing a preference for global equities over Australian at present.
- Australian 10-year bonds are too cheap. Investors need to price out RBA rate hikes, and price in 2027 rate cuts. If they does so, the yield curve will bull flatten, supporting sectors such as real estate, telcos and healthcare. Style-wise, we want resilience to the cycle and resilience to obsolescence (ie quality) as well as limited crowding and reasonable valuations. Stand out names to buy include GMG and SGP.

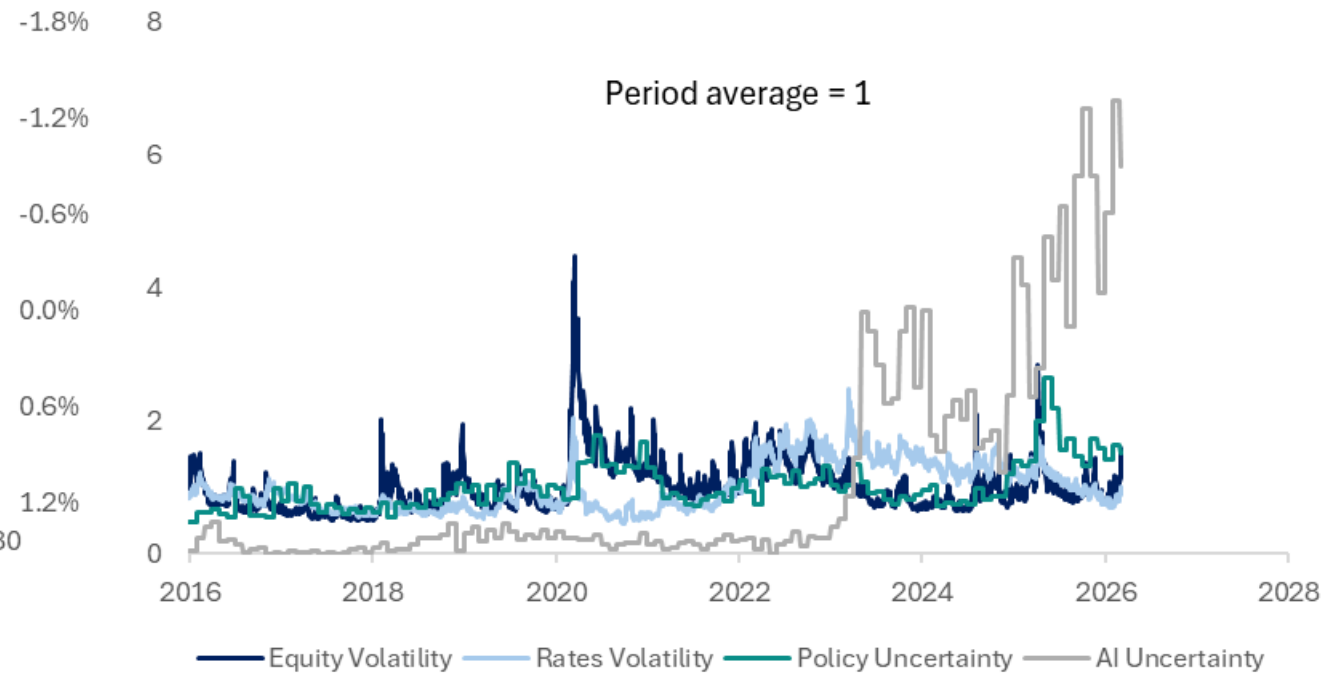
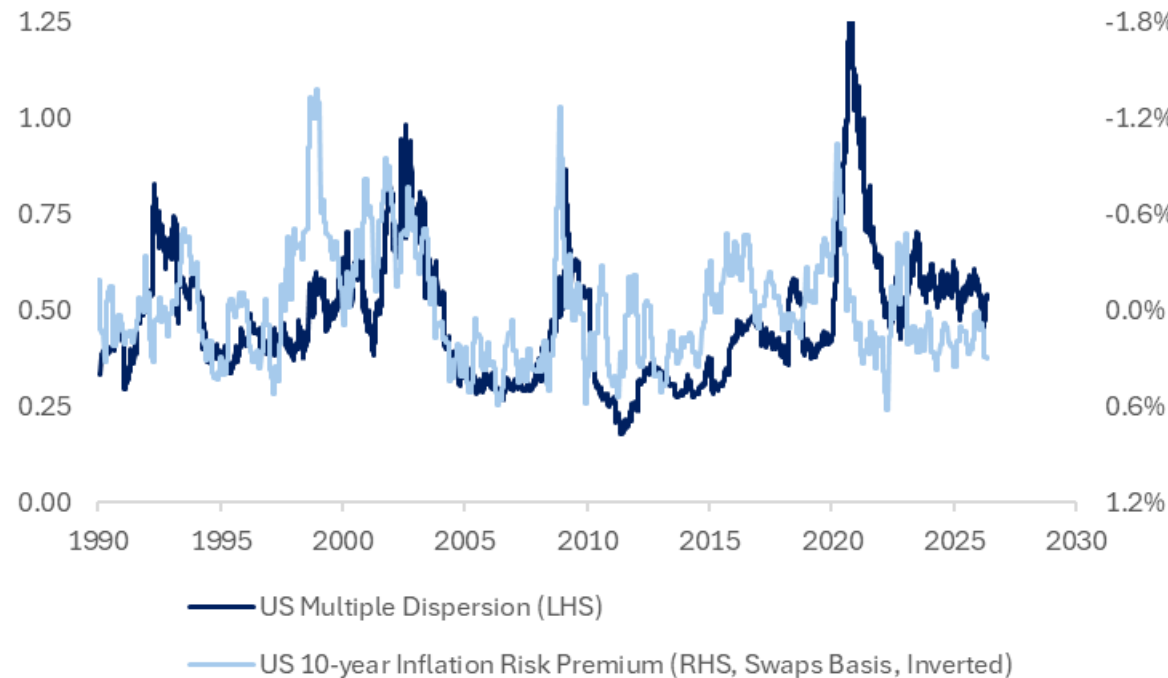
Fed buying, reduced issuance and demand destruction support bonds



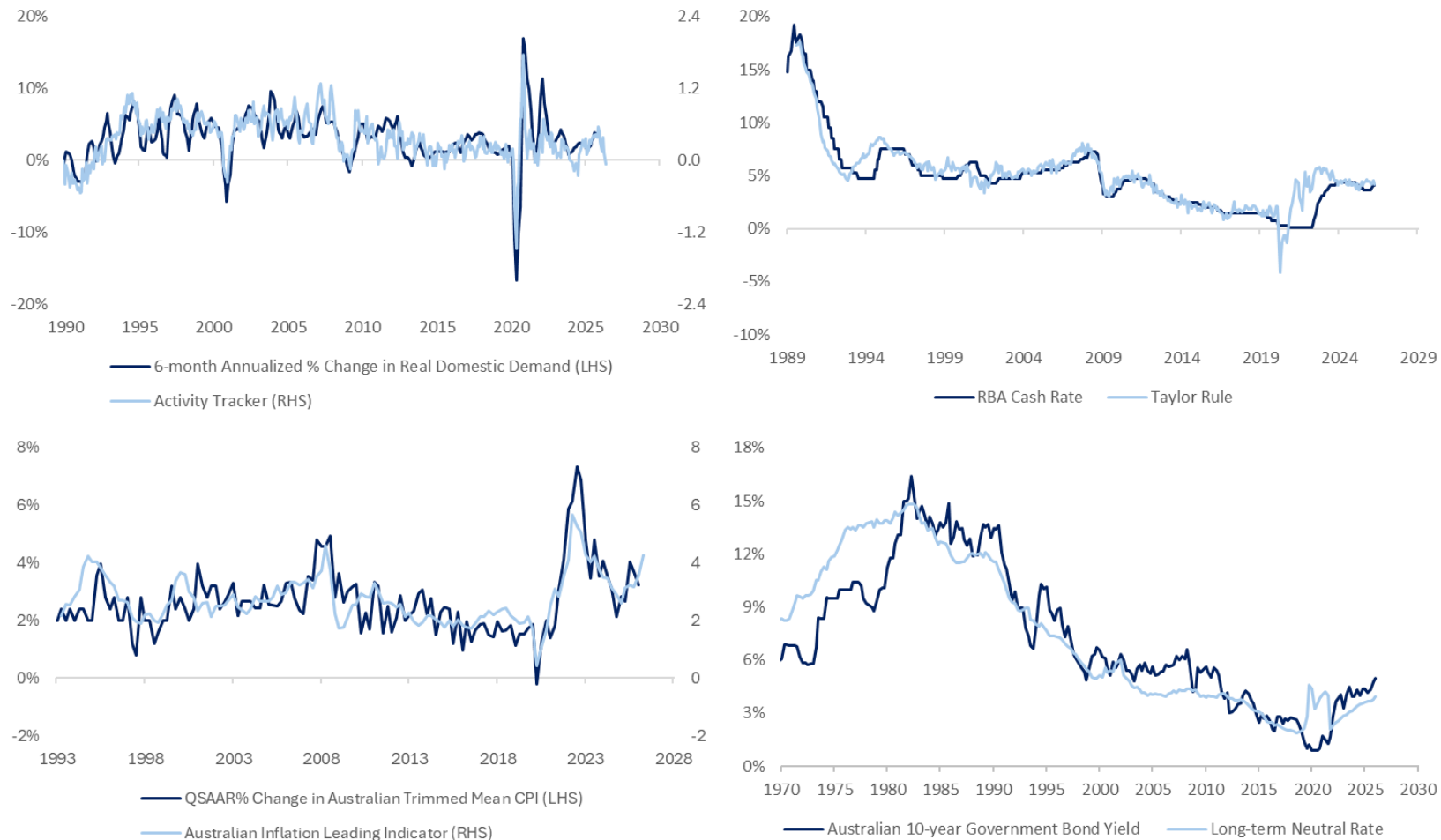
Global equities to benefit from favourable rates complex developments



Beware the wisdom of crowds given uncertainty and inflation risks



Australia is slowing, posing earnings risks. But where are rate cuts?



Bear flattener transitioning to a bull flattener

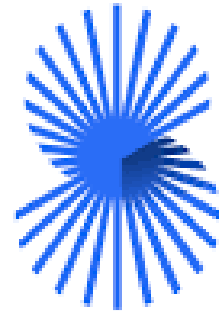
Bear Steepening	Bear Flattening	Bull Steepening	Bull Flattening
Mining	Mining	Staples	Real Estate
Energy	Div. Financials	Communications	Utilities
Div. Financials	Technology	Utilities	Communications
Insurance	Insurance	Healthcare	Healthcare
Banks	Energy	Real Estate	Industrials
Discretionary	Banks	Banks	Staples
Technology	Discretionary	Industrials	Technology
Healthcare	Industrials	Discretionary	Banks
Industrials	Staples	Technology	Discretionary
Staples	Real Estate	Insurance	Insurance
Utilities	Healthcare	Energy	Div. Financials
Communications	Utilities	Mining	Energy
Real Estate	Communications	Div. Financials	Mining

Stock picks



N E X T D C

ASX: NXT



Stockland

ASX: SGP