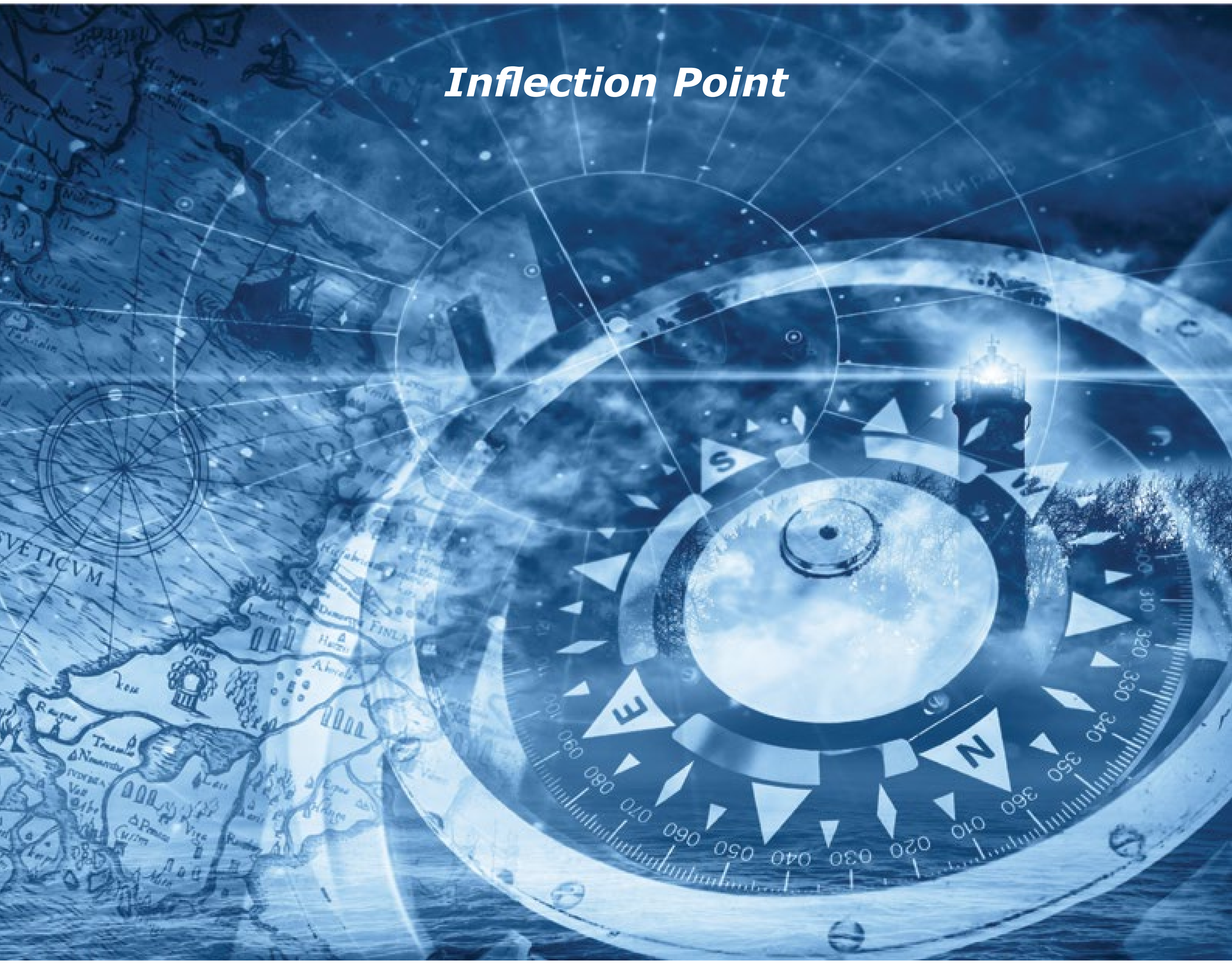
Providence
Independent Investment Advisory

Global Outlook & Strategy

Issue 67: 4th Quarter 2017



1. KEY POINTS

- **Inflation at an inflection point**
- **Synchronised Global Growth in place**
- **Extended valuations in most asset classes**
- **Australian economy vulnerable to consumer shock**
- **Distinct risk period ahead**
- **Diversification, Quality, Relative Value and Overweight Cash Position the focus**

Global growth is strong but where is the inflation?

Global risk assets (equities, property and credit) continue to grind higher despite mixed messages. Key growth is strong and leading indicators continue to show we are experiencing synchronised global growth for the first time since 2007. Central Banks have indicated their desire to slowly unwind their unprecedented stimulus. Interest rates are likely to rise globally and inflation likely to trend higher. Currently, we have elevated valuations, high complacency and there are signs of rampant speculation (Bitcoin anyone?).

The "cosy consensus" of looser monetary policy and long-term low interest rates will soon be tested and we believe we are at an inflection point. Strong growth in the U.S. will likely lead to an increase in inflation at a time when the U.S. Federal Reserve is raising interest rates.

It may be a different story here in Australia. The household sector is under significant financial pressure due to our level of debt and the risk of a housing downturn is rising. We believe current treasury forecasts of ~3% GDP growth may be difficult to achieve and the RBA will, despite their recent suggestion, have difficulty raising interest rates. This is likely to put downward pressure on the Australian dollar which appears overvalued.

As we enter a time of increased risk the key to protecting investment portfolios is a focus on quality and relative value, while remaining well diversified and with a high level of cash.

Happy Anniversary. Lesson learnt?

It has been **30** years since the stock market crash of 1987 and **10** years since the Global Financial Crisis. I remember both vividly and recall them having one thing in common... **Greed.**

In 1987, entrepreneurs had unlimited access to capital as banks scrambled to lend to businesses. Takeovers and floats were widespread and there was a marked increase in valuations and balance sheet manipulation. Equity markets rallied strongly and, despite many of the "old heads" selling the market 18 months to two years too early, many investors were attracted to the possibility of easy gains. Momentum increased and many thought those doubting the valuations were foolish. I was 27 on the trading floor.

BANG... Overnight the market opened 25% lower and margin loans were called in. There were no buyers on the chalk-boards. Operators on the floor desperately tried to find buyers for their sell orders. There was little immediate liquidity. Some of the entrepreneurs thought they knew better and used company balance sheets to buy their own company's stock. They had to steady the ship as gearing levels rose while the market fell. Fund managers who had positioned for such a fall outperformed their peers for up to 10 years. Overextended investors (speculators) went to the wall with tragic implications.

The lesson learnt by a generation was of the dangers of ignoring valuations and heightened levels of gearing.

It has now been 10 years since the Global Financial Crisis; a traumatic experience for many. The global share market lost 54% of its value from peak to trough (MSCI World TR Index in USD). The trigger for the crisis was an over leveraged housing market in the United States and the greed of investors chasing yield. Complex and little understood structured products found their way into conservative investment portfolios as mutton dressed as lamb. It took an average 5 years (from pre-GFC peak) for Australian super funds to recover lost capital. Fortunately for Providence clients who were holding over 35% in cash, this recovery was only a little over two years. This event has magnified the current risks in markets in the minds of investment managers. Is that fear justified or just human behaviour and anchoring?

We believe there are similar parallels today to those two events:

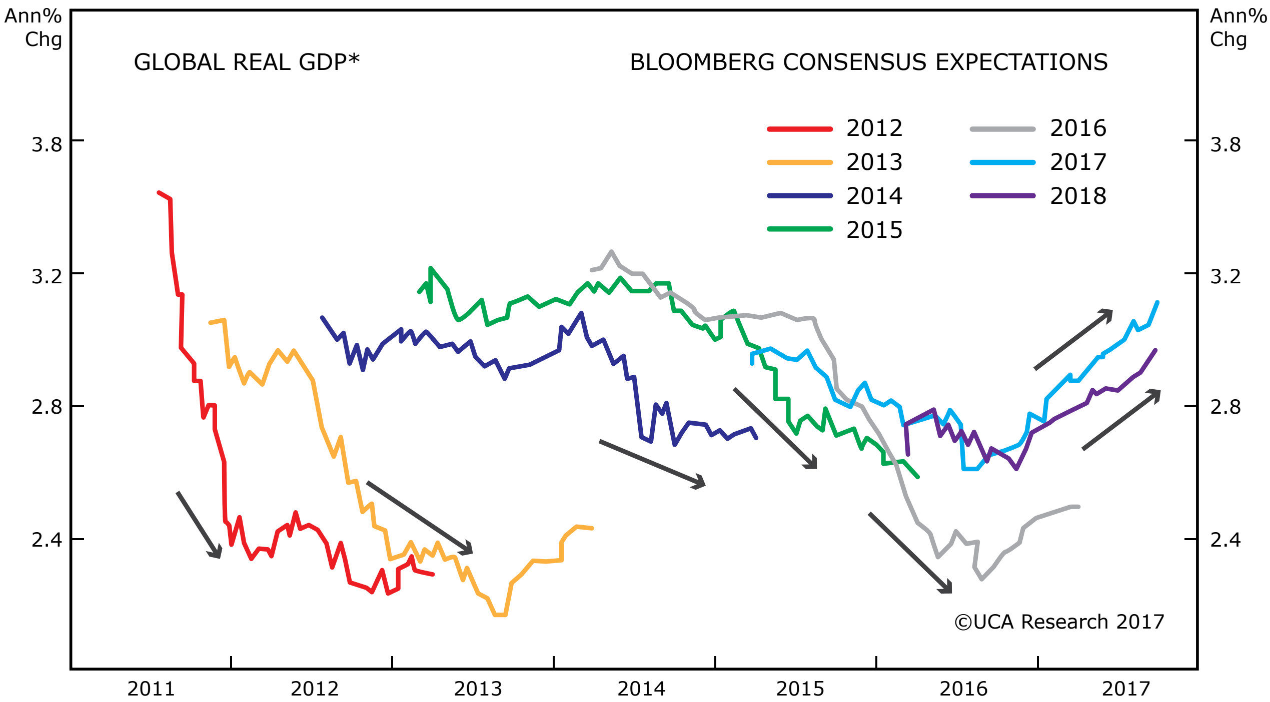
- Global Central Bank policy inflating asset values
- Elevated levels of debt around the globe
- Investor complacency as shown by the lack of volatility
- A shift in interest rate policy pointing to higher rates
- Rampant speculation in some areas (i.e. Cryptocurrencies)
- Complex and "innovative" financial structures
- Herd behaviour and momentum driven markets (i.e. flow of funds into ETFs)

Are there similarities in human behaviour between now and these events? Yes.
Could it continue? Yes. Is it time for caution? Yes. Have we learnt our lesson? No.

2. INVESTMENT OVERVIEW

Global growth has begun a slow path to recovery with the first period of global synchronised growth since 2007. However, the equity markets have already priced in this growth with global forward PEs now at 16.8x. Global growth forecasts remain positive (**Figure 1**), something we have not seen for some time.

Figure 1: Global GDP Forecasts
Source: BCA



*GDP weighted average of U.S., Euro Area, Japan, U.K., China, Brazil, Canada & Australia
Source: Bloomberg Finance L.P.

Today, there are a number of unknowns. Many would say we are well down the recovery path, particularly in the U.S., where the economy is at the tail end of an extended cycle. European economies continue to improve, with some peripheral economies in Europe showing encouraging signs of growth. What's different in this cycle is the unknowns associated with 'The great quantitative easing (QE) unwind'. This time, there is no instruction manual for 'what to do' as years of QE by central banks starts to be unwound. Some would say we are in unchartered waters. We can assume the central banks will take baby steps with this process. What we don't know is how the markets will react as this process plays out.

What is also different about this cycle, across the globe, is the fundamental lack of inflation. We see members of the U.S. Federal Reserve scratching their heads, struggling to explain why, despite high employment growth and near historical low unemployment, there remains little inflation. We can see why the market might think '**this time is different'.**

While every cycle has its own nuances, we can take some lessons from Reinhart & Rogoff: "Each time, society convinces itself that the current boom, unlike the many booms that preceded catastrophic collapses in the past, is built on sound fundamentals, structural reforms, technological innovation, and good policy".

There remains every reason to feel encouraged about the robustness of the global economy. However, when valuations in certain asset classes are stretched, one must remain mindful of the cycle and position accordingly. The IMF cited in their most recent *Global Financial Stability* report: "Dangers in the form of rising financial vulnerabilities are starting to form" and further "growth in household debt, relative to GDP, is associated with the greater probability of a banking crisis".

What makes this cycle critically different from others are the structural issues that have continued to emerge over the last decade: elevated debt (both Government and personal), ageing demographics and the lack of inflation. We have raised this issue in the past, but we wonder if the historical measures used to track global inflation are as relevant as they were.

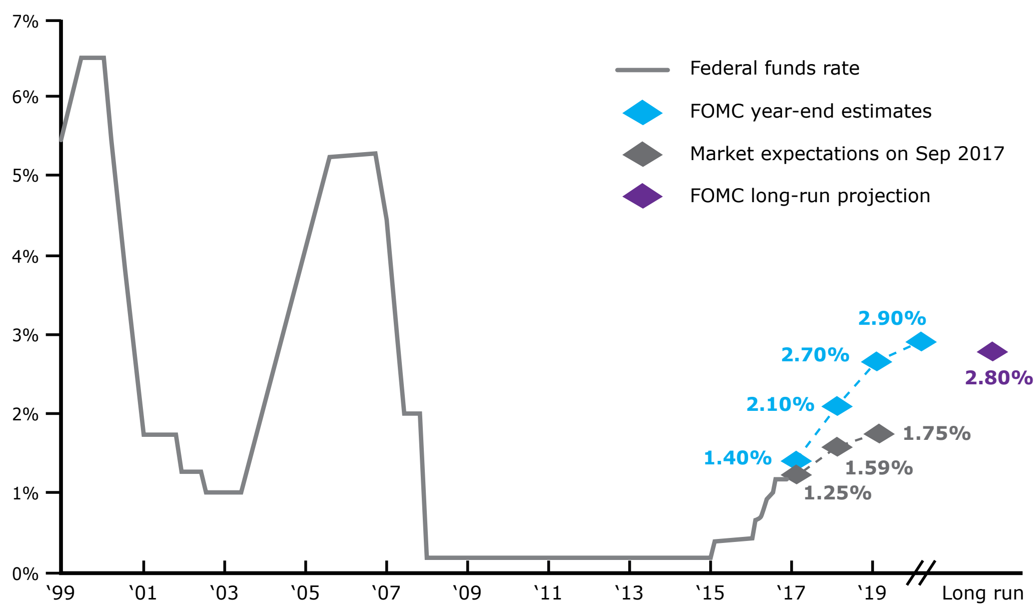
If we look at the more recent rhetoric from central bankers (all suggesting an imminent rate rise) and the reaction by markets about future pricing expectations of rate hikes (**Figure 2 depicts this in the U.S.**), there remains a distinct gap between the rhetoric from central banks and the expectations from the market on the rate rise trajectory. This tells us the market is also unsure what to believe and may focus on the evidence that global growth is accelerating while remaining unconvinced that inflation is a concern. We remain on inflation watch. This possible discounting by the market of any major looming threat of an inflation blowout, without any left-field impacts, will likely see markets continue to grind higher. Valuations remain a focus and we are mindful of assets being pushed into overheated territory. Diversification and quality remains key.

Figure 2: US FED Policy Rate Target and the Markets' Expectations of US Rates

Source: JPM Asset Management

FEDERAL FUNDS RATE EXCEPTIONS

FOMC and market expectations for the fed funds rate



Despite the markets disbelief that the U.S. FED will raise rates to the extent they are suggesting, economic indicators in the U.S. remain robust. The U.S. leading economic indicator has been strong all year. However, we continue to be believe that U.S. equities are expensive compared with other parts of the globe, and, given the momentum, it is a party that may continue into the new year.

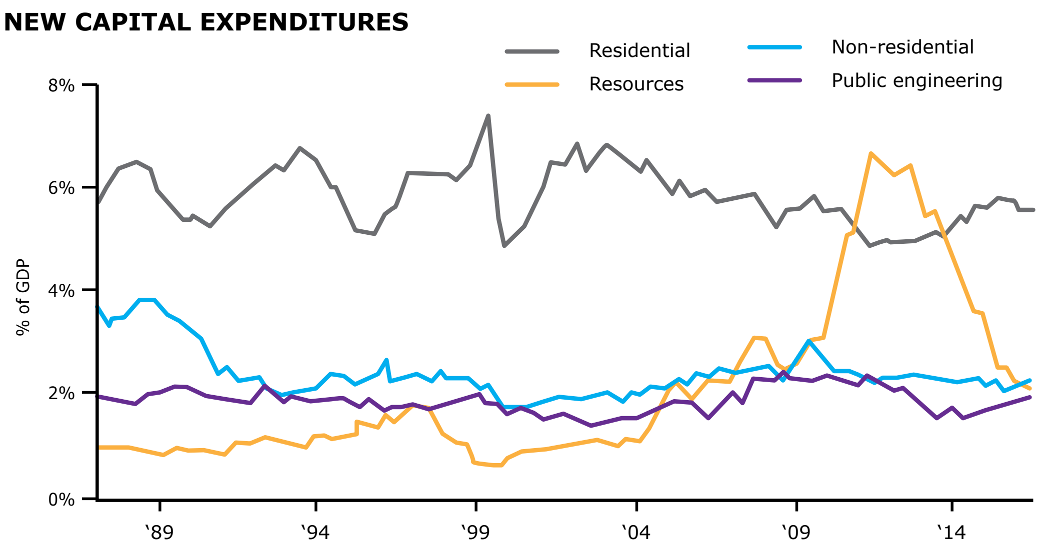
And then there is 'The Lucky Country'; 26 years of economic prosperity in Australia! However, conduct a straw poll on the street and I doubt many would feel this way. We continue to receive mixed messages about the Australian economy. Retail sales have been mixed this year which is relevant given how much of Australia's GDP is dependent on consumption.

Growth appears to be present and yet consumer data is mixed. This year is playing out differently for Australia compared with the rest of the world. Australia, as we know, has a debt problem. There is ~A$1.5trn of outstanding mortgages in Australia, of which about one-third are interest only. The 50-75bps rate increase impost by banks this year on interest only loans has had a bearing on household income. This is before we even consider the rise of utility bills, healthcare and council rates.

While the bond market is pricing in a high chance of a rate hike in Australia next year, we wonder how the RBA can manage to raise rates with the current level of household debt. Household debt is now over 120% of GDP and wages growth remains weak.

The light at the end of the tunnel may lie with any recovery in mining-related expenditure (**Figure 3**) and the pick-up in Government-led infrastructure spending. Even a levelling off of the decline in mining investment would be a welcomed sign.

Figure 3: Waiting for the Negative Drag of Mining Non-Investment to Abate in Australia
Source: JPM Asset Management



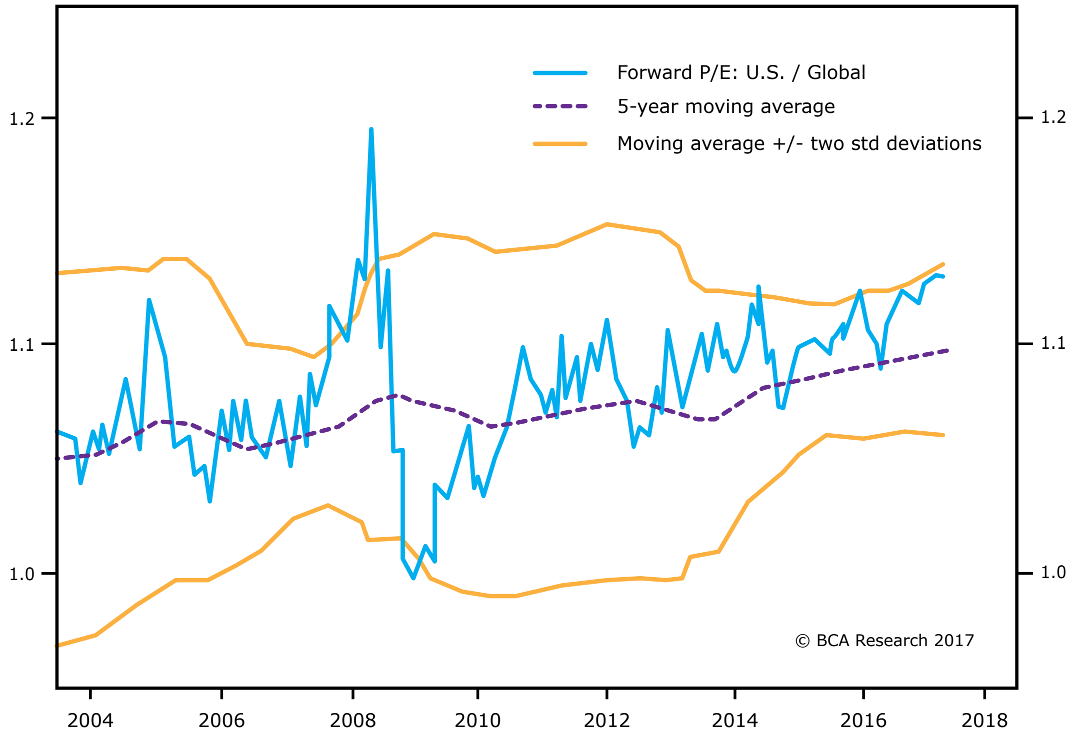
3. ASSET CLASS REVIEW

3.1 Equities

Global equities continue to perform well in the low volatility, high complacency environment buoyed by strong leading indicators (especially in the U.S. and Europe). The IMF's most recent assessment of the World economic outlook, upgrading global growth to 3.6% for 2017 and 3.7% for 2018, will continue to support earnings if realised. That said, U.S. equities continue to look expensive in absolute terms and relative to global comparables (**Figure 4**). Now that the U.S. equity market has enjoyed over 10 months without a 3% pullback, it is no surprise that market commentators suggest a pullback of the U.S. equity market at some point.

Figure 4: USA Forward Price/Earnings Ratio Relative to Rest of the World

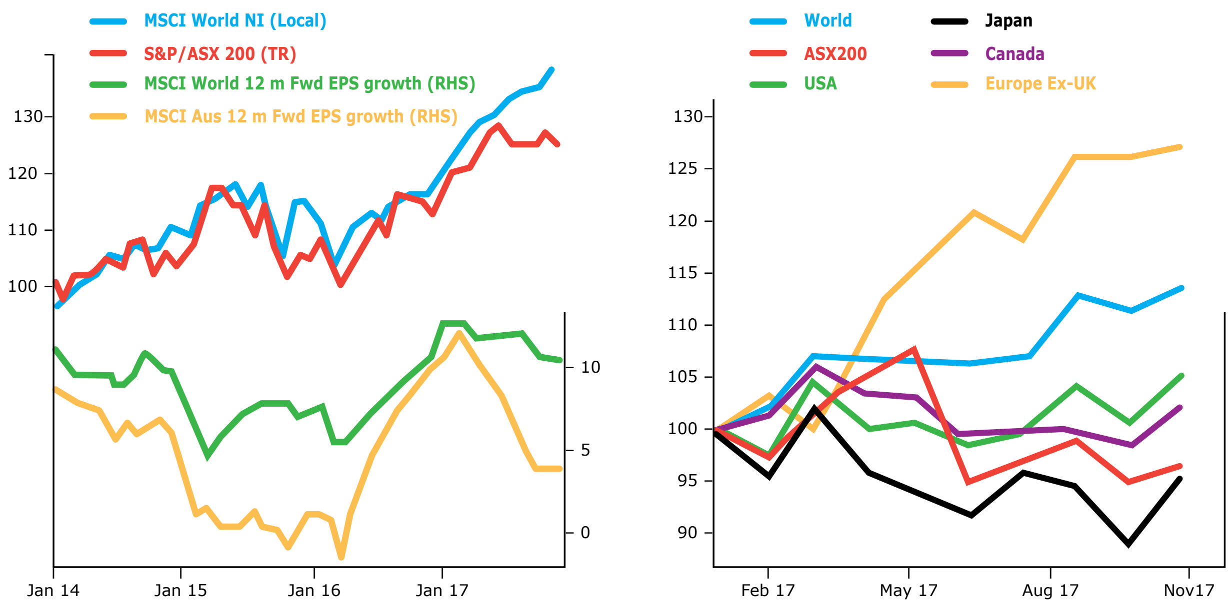
Source: BCA



Australian equities have underperformed the MSCI World Index by 7% for the year to September on a total return basis (**Figure 5 LHS**). Part of this can be explained by our dominant weighting to financials, representing 28% of the index. We also see this underperformance when measured more directly against world banks (**Figure 5 RHS**). Australia also lacks a substantial I.T. sector (1.5% of the index vs. 15% globally) taking away some of the global investor attraction to the Australian market. Our preference is to capture technology exposure through our global fund manager selection.

Australia's real missing link may be the lack of economic reform from years of policy paralysis. This is difficult to quantify but relevant from a global investing context.

Figure 5: Australia's Underperformance, Led by Financials
Source: Heuristic



European markets continue to perform well despite market expectations that rate hikes may be required sooner than expected. The ECB is likely to be hamstrung with a large amount of labour market slack remaining in Europe and the ECB is more obliged to prop up the weaker economies. We are also yet to see the flow-on effect from the Euro's 2017 surge in value, at the expense of the USD.

We now wait to see how markets react to any U.S. tax reform, the nomination of the next FED Chair and inflation signals in the U.S. and Europe. There is a greater emphasis on the U.S. given its economy is much further progressed in the cycle.

3.2 Property

A-REITs have consolidated during 2017 after falling on the fear of Amazon's entry into Australia. It is hard to quantify what the immediate and long-term impact of Amazon's entry into Australia will be. Australia's vast population spread, especially outside key capital cities, make it hard to see how Amazon's model will work and what their penetration in Australia will look like. With REITs at their long-term average price to book value and providing a solid pick up on yield over cash, we remain neutral on the outlook.

It is amazing how compressed some of the transactional yields have become for certain properties and the cap rates that are being achieved. There has been a significant increase in value for many properties across the country (in particular Melbourne and Sydney and their satellite cities). We are cautious about direct property investment at this stage of the cycle. Our preference is for opportunistic and boutique investments with trusted managers. We are taking advantage of recent strong price gains to realise some of our investments made after the GFC fallout.

3.3 Fixed Income

Credit spreads remain significantly compressed. After tightening 3.08% over the last two years, high yield spreads continue to reflect little chance of a recession despite elevated corporate debt. We have focused on moving up the quality curve for our fixed income exposure.

We have major concerns about the potential for a market dislocation in this area given the rise of ETFs and the chase for yield. We caution against some ETF products which provide daily liquidity, but have less liquid underlying assets. Such products will be subject to high risk and will not be priced efficiently in a downturn.

We have introduced some exposure to Australian Government bonds as a partial tail risk hedge given our concerns about the Australian economy.

3.4 Alternatives

The objective of our exposure to alternatives is twofold:

1. Providing investment exposure that has low or no correlation to risk markets

2. Capturing investments that are not available by traditional means

We use several strategies in this area including long and short equity, private equity, global macro and managed futures. Although they may be slightly impacted by a major market correction, we believe they will cushion the impact and provide solid diversification.

4. CONCLUSION

Markets are riding the wave of low inflation, low interest rates and signs of robust global growth. Nirvana.

However, these supportive factors are largely built into current valuations. What is not factored is a pick-up in inflation and the potential impact of higher interest rates. **We may be at an inflection point and are entering a period of heightened risk.**

Investors are discounting a significant amount of the U.S. Central Bank’s talk of a desired rate hike. Any change in this view will have flow-on effects to asset prices.

History repeats itself and human behaviour follows a well-worn path. Recent examples of rampant price appreciation of cryptocurrencies, like Bitcoin, show there remains a solid appetite for speculation.

For us at Providence, it is (and will always be) about the price you pay for the risk you take. A measured approach is, in our view, the correct path.

Comments from London

In September, Grant Patterson joined Will Porter in the London office to meet with preferred hedge fund managers and like-minded wealth management companies. The key views from these meetings were:

- The arrival of ETFs and other products offering daily liquidity are creating distortions in the markets.
- A relative value approach across all asset classes is most appropriate.
- Increased diversification is being driven by subdued volatility across all asset classes.
- Systemic issues are unlikely given the increase in global regulation.

We focused our meetings with credit/fixed income fund managers. Of interest was the view of credit manager, Muzinich who believes relative value within credit is most appropriate given the arrival of products offering daily liquidity within this asset class. These products are not (yet) creating sector-wide issues but more individual problems within subsectors of the market (specifically high yield). Rather than avoiding the sector in its entirety, Muzinich suggests a relative-value approach based on the fundamentals of each security to inform their investment decision. Similarly, CQS agrees that credit as an asset class is expensive with very low risk of default being priced across the board. Grouping such a diverse asset class creates opportunities within subsectors of the market. CQS prefers loans which offer credit spreads double of what was offered before the Global Financial Crisis while presenting greater security. This reaffirmed our view that adding greater security to client credit allocations coupled with an active approach is most appropriate in the current environment.

Other hedge funds with more macro-economic approaches to investment remain positive on the state of the market. This is driven by the current state of global synchronised growth, although it was noted valuations are reflective of the current economic environment. In such an environment, macro-economic managers use relative value both across, and within, asset classes. Highbridge, CQS and Aberdeen all acknowledge such an approach is likely to result in lower returns while volatility remains subdued.

The discussions with like-minded wealth managers highlighted the impact of low interest rates in countries where quantitative easing and cash rates have kept interest rates depressed. For example, the use of high-fee managers has become more pronounced in the hopes of achieving more robust financial returns. To fund these expensive allocations, wealth managers are using direct investment into more complex asset classes (i.e. removing dedicated active managers) and/or embracing the ETF revolution. This is contrary to our belief that the current environment, where valuations are stretched, is most appropriate for the use of active managers who should protect portfolios in market turbulence.

Outside Grant's visit to London, the political environment within the UK and greater Europe remains a key focus. The tensions in Spain with the Catalonian fight for independence is creating tension around the growth of national self-determination in the EU. Many argue this is a side effect of heavily opposed austerity and immigration policies coupled with widening inequality – similar to the underlying issues that powered the pro-Brexit campaign. This may explain the hardline the EU is taking with the Brexit negotiations. Perhaps it is as much about sending a message to those pursing national self-determination within the EU and/or anti-EU populist parties as it is about maintaining free movement and single market access. With ongoing national self-determination and anti-EU sentiment in Italy (Northern Italy and Lombardy self-determination), Scotland (anti-UK sentiment and pro-EU inclusion), Ireland (pro reunification of Northern Ireland), France (Marine Le Pen), Germany (entry of "The Alternative for Germany" party to parliament) and Belgium (Flanders and their demand for greater autonomy by 2019) there is enough political conflict to raise questions about the region's low levels of market volatility.

Economically, all eyes are on the ECB's proposed taper of quantitative easing and the UK's high level of inflation (albeit mostly commodity and exchange rate driven). One could argue that normalising monetary policy could become a global phenomenon in 2019 should the economic conditions in the U.S and Europe continue and inflation remain robust in the UK. Many believe that a rate rise in the UK during the Brexit negotiation is unlikely as the economic ramifications of the deal remain unknown. However, continued inflation above 3% may force their hand.

Thoughts from a Contrarian

Thirty years to the day since the October 87 share market crash it's hard to avoid noticing some similarities to current market conditions. Boom/bust cycles tend to follow a predictable pattern and the current example will be no different. Predicting a boom will bust is, of course, a lot easier than predicting the timing. It's not exactly difficult to predict the Japanese bond market will eventually vaporise but the huge accumulated losses of those who tried to predict the timing is testimony to the challenge involved.

A common precondition to a boom/bust cycle is the emergence of a new financial innovation which when taken to extremes (as they always are) morphs into the catalyst for a crisis. The Tulip mania in 17th century Holland was exacerbated by the emergence of modern capital and futures markets. The South Sea bubble saw the proliferation of joint stock companies. The Mississippi Bubble in France was created by the emergence of a central bank and the associated printing of money. In the 1920's the stock market boom was a product of the democratisation of margin lending. The 1980's boom followed the introduction of index futures contracts and the portfolio insurance they spawned along with the growth of junk bonds as a financing tool for takeovers. Our current bull market is driven to a degree by the prolific growth of ETFs, although all the other innovations mentioned are also playing a role. Having retreated after the inevitable crash they tend to return bigger and better than ever.

Booms driven by margin lending, futures trading, and ETFs as we saw in the 1920's, 1980's and today respectively, share a common trait. They work as a virtuous circle on the way up and a vicious cycle on the way down. Eventually it's simply momentum that keeps prices moving upward. At some point an event triggers a wave of selling or the momentum simply exhausts itself. Who's there to buy? Whether it's overextended margin borrows in 1929; forced portfolio insurance sales in 1987; or ETF liquidations once they receive net redemptions, the market must clear. When the seller will sell at any price this can be a traumatic experience. Should the ETFs start to liquidate the buyer certainly won't be other ETFs - they will also be sellers of the same stocks. Neither will it be active managers. Every dollar that comes out of a conventional fund and into an ETF is not only providing another dollar to fuel the momentum (or two, three or four if it's gone into a leveraged ETF) it's also a dollar that won't be there to buy cheap stocks on the way down. **The only buyers that come to mind in a crisis are the central banks and everybody seems to think they are shrinking their balance sheets.**

Providence Investment Committee

Steven Crane

Steven has over forty years of investment experience having started in financial markets in the early 1970s. He has held such positions as Senior Portfolio Manager and member of the Asset Allocation Committee at AMP. For seven years he was the Chief Executive of ABN Amro. His current directorships include, among others: Chair of NIB Holdings limited, APA Group, Bank of Queensland and Transfield Services.

Chris Grubb

Chris has held senior fund management and broking positions within the Jardine Fleming Group in Japan, Hong Kong and Singapore. He was also a Director of Jardine Fleming Ord Minnett and Chairman of Investor's Mutual and Investor Web and is currently a Director of several Asian-focused investment funds. He also chairs Boardroom Australia and is a Director of Boardroom Limited in Singapore. Chris also acts as an executive coach.

Stephen Roberts

Stephen has over forty years of experience as an economist and financial markets strategist in banking, broking and funds management. He has worked as Chief Economist with Equitilink and UBS. He worked on the Secretariat of the Australian Financial System Inquiry (Campbell Committee) in 1980, helping draft recommendations that led to the deregulation of the Australian financial system. He is an honours graduate in Monetary Economics from the London School of Economics.

Peter Hooker

Peter has held such positions as an Industrial Analyst at BZW Australia (now ABN Amro), Director reporting to Head of Research, was on the Equities Executive Committee and Director and Head of Industrial Research. He has a B.Sc. in Chemistry, B.E. in Chemical and Materials Engineering, and Graduate Diploma in Finance and Investment. He has over 25 years of experience in investment markets.

Jonathan Pain

Jonathan has thirty years of international investment experience. He has held such positions as Chief Investment Strategist of HFA Asset Management, Chief Investment Officer of Rothschild Australia Asset Management, Head of Investments at Gulf International Bank in Bahrain and Chair of the International Asset Allocation Committee at Paribas Asset Management in London. He holds a joint honours degree in Economics and Politics from Keele University and a Masters degree in the Economics of Finance and Investment from Exeter University.

Ian Wenham

Ian has over thirty years of experience in equity research, investment strategy and portfolio management. He has held such positions as Equity Analyst with Meares and Philips and Research Director of BZW Australia covering equity strategy and industrial research. He was also Regional Research Director with BZW Asia and Director of Asian Research at Lehman Brothers Asia where he chaired the Investment Policy Committee and was the firm's supervisory Analyst for the Asia-Pacific Region. He has also managed strategic global equity investments for the Lowy Family Private Fund. He currently heads his own investment firm.

Richard Nicholas

Richard has over thirty years of experience in private client portfolio management in London, Hong Kong and Australia. Richard started his career with Deloittes in London before cutting his investment teeth with the Rothschild family. He was the founding research director at S&P Fund Research UK and Investment Director at Hill Samuel Pacific in Hong Kong. He has also held senior positions with Hambros Pacific in Hong Kong, Alliance Capital in Asia and ANZ Private Bank. He is currently director at Peak Investment Partners.

David Croll

David has over twenty years experience in stock broking and funds management. He has held such positions as a dealer on the options trading floor and manager of the branch office network for stockbroker Rivkin Croll Smith based in Melbourne. Since 1998 he has managed several private companies involved in options trading and investment in listed and unlisted equities. He is currently the Managing Director of Noontide Investments Ltd. He has a Bachelor of Arts majoring in Politics from Macquarie University.

Grant Patterson

Grant has over thirty years of experience in equity markets. Prior to forming Providence he was a Director of ABN Amro and Head of Retail Broking. He has also held other senior positions such as Senior Institutional Dealer, Head of the Sydney Institutional Dealing Desk and also Head of Corporate Liaison.

Michael Ogg

Michael has over twenty years of experience in investments, starting his career at JPMorgan Investment Management in London in the early 90s. In Australia, Michael worked for AMP Asset Management holding senior roles in institutional equities and for Deutsche Bank as a Client Advisor in Private Banking. Michael has an MA (Honours) Economics from Aberdeen University.

Stephen Christie

Steve has over 20 years of investment and finance experience, including as Director and Head of Private Wealth for Ord Minnett, Chairman of the Ord Minnett Investment Committee and Head of Asset Allocation for Goldman Sachs JBWere Private Wealth Management. Steve holds a PhD in Applied Finance, is an Honorary Fellow at Macquarie University, an Adjunct Professor at Notre Dame University Sydney and a Trustee Director of major industry super fund QSuper.

James Smith

James has over twenty years of investment market experience (cash equities). Prior to joining Providence, he held the position of Deputy Head of Domestic Sales at CIMB Securities (Australia) and was a member of the CIMB Equities (Australia) Management Committee. He has also held positions as Director - Sales at RBS, ABN AMRO and Sales at Deutsche Bank. James was responsible for Melbourne Sales/Account management in his previous roles over the last decade and in the last two years, was also responsible for New Zealand.

Glossary of Terms

Active Managers	A portfolio investment strategy where the manager makes specific investments with the goal of outperforming an investment benchmark index
Alpha	The level of outperformance relative to a benchmark
Alternatives	A non-traditional asset with potential economic value not found in a standard (or traditional) investment portfolio
A-REITS/REITS	Listed Australian real estate investment trusts giving access to property assets
BPS	Basis points
Cap Rates	The rate of return on a real estate investment property based on the income that property is expected to generate
Correlation	A measure of what degree two securities or investments move in relation to each other
Credit Spread	The margin paid over the risk-free rate (government bonds)
Cryptocurrencies	A digital asset used as a medium of exchange, a source of digital currency
Cyclically Adjusted Price Earnings Ratio (CAPE)	The price of a security or index divided by the moving average of ten years of earnings, adjusted for inflation
ECB	The European Central Bank
Economy-agnostic	Unlikely to be impacted by the fluctuations in the economic cycle
Fiscal Stimulus	Increasing government spending or reducing tax levels to stimulate and/or support economic growth
FOMC/Fed	The USA Federal Open Market Committee, the USA central bank
GDP	Gross Domestic Product - a measure of an economy's total output
Gearing	A measure of how much debt a company has relative to equity
GFC	Global Financial Crisis
High-Yield corporate debt	Debt issued by a corporation that has a credit rating that is below investment grade
IMF	The International Monetary Fund
Inflation	When the inflation rate is above 0 and the general price level of goods and services increases
Leverage	An alternative term for gearing i.e. a measure of how much debt a company has relative to equity
Long/Short	An investment strategy that involves buying long equities that are expected to increase in value and selling short equities that are expected to decrease in value
Managed Futures	The use of futures contracts as part of an overall investment strategy providing portfolio diversification among various types of investment styles
Monetary Policy	The process by which a country's monetary authority (usually a central bank) controls the supply of money, traditionally by setting short-term interest rates
MSCI	A USA provider of equity, fixed income and hedge fund stock market indexes
MSCI World Index	A market cap weighted stock market index of 1652 world stocks maintained by MSCI
Net Asset Value (NAV)	The value of an entity's assets less the value of its liabilities
Non-Correlated	An asset class that does not move in a similar direction to another asset class
Passive Investing	Asset management associated with mutual and exchange-traded funds (ETF) where a fund's portfolio mirrors a market index
PE Ratio	Price Earnings Ratio - the share price divided by the earnings per share of the company
Populism	A belief that the majority of a population is being mistreated by a small circle of elites
Private Equity	Investment in assets that are not publicly traded
Relative Value	A method of determining an asset's value when taking into account the value of similar assets
Sovereign Bond	A bond issued by a government
Systemic (issues)	A problem due to inherent issues in the overall system rather than a specific or isolated factor
Total Return	A measure of return that takes into account capital appreciation and income received by a portfolio
Volatility	The degree of variation of a price over time

Safe Passage

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