



I think the biggest risk for the US economy at the moment is the Fed. Will the Fed be too aggressive in moving rates up and shrinking the balance sheet. At the moment the market is very much focussed on earnings growth which is good, and earnings growth is coming through. But I think the key risk is whether the Fed move too hard and too early on rates. I think the opportunities in the US economy are quite broad. There's a broad base recovery going on. Earnings growth is double digit which is great. So I think there's real opportunity across a broad range of sectors. Probably the key areas I'm looking at the moment is in financials. I think the inflation trade will continue. And I think rates will, as the Fed push up, I think the ten year rate which is a key driver of financials will continue to push up.

The UK is a really interesting economy at the moment. Inflation is running quite high. Just recently the Bank of England, for the first time in almost a decade, pushed up rates which was a real key event for that economy. So I think the economy is doing well. The recent election is probably a positive for the UK. I think there will be a soft Brexit. So they'll probably participate in the single market. So I think the UK will be okay. I think the doomsday around a hard Brexit are over. So I think the UK will perform quite well.

I think overall Europe is placed well, the economies are going well, you look at all the PMIs they're all improving. I think the broad based recovery in Europe is happening. The ECB is very much focussed on maintaining liquidity, so I think that's a great positive for Europe. So I think the Europe zone is well placed and should get good growth, and it's probably the leading the growth levels at the moment in the developed nations.

I think Australia is relatively well positioned. Our central bank is a convert with their policy at the moment. The key area we're watching at the moment is whether the bank hikes, which are running out of cycle with the RBA, will impact the economy. At this stage it looks like it's okay, there's been no real impact. But with the banks having to introduce macro prudential regulations we're a little bit concerned around how this will hit consumer. But overall the economy is performing well. Job growth has been good. And we think there's probably some wage inflation to come through, which will help to offset some of that negative sentiment around the consumer. I think the sectors that will benefit in the Australian economy over the next few periods will be around infrastructure. I think companies like Boral, LA Brighton, and the Downers of the world, Lend Lease, will participate in the infrastructure programmes we're having at the moment. So the Government is spending a lot of

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money, State Governments and the Federal Government, to introduce new infrastructure projects to help stimulate the economy as the housing market cools and we still recover from the mining falls. So I think infrastructure will be a key area that people should focus on.

The WAM Leaders portfolio is well positioned we feel. We've got a lot of US dollar earners which we think will be a tail in for our portfolio over the next twelve months. We think the US dollar will out perform the Aussie dollar. We think the Aussie dollar will be weak given that the Fed will be hiking and the RBA won't be moving. So we've got a lot of companies there that have US dollar exposure. So we think that's one area which will perform well. Also we've got insurance companies in Australia. We like insurance companies because we feel like we're in a hardening environment at the moment. We've got Suncorp, IAG, and QBE which has a little bit of US exposure as well, but we think the cycle is in their favour, and they should have a couple of years of upgrades coming through. Also the insurance companies are going through a cost out phase, productivity and efficiency. So we feel the insurance sector will be one of the better performing sectors out there.