



7 KEY LONG TERM INVESTMENT TRENDS FOR 2022

Agenda

- What is a long term trend
- What are the 7 key long term trends?
- How to use them in investment
- Investment Outlook

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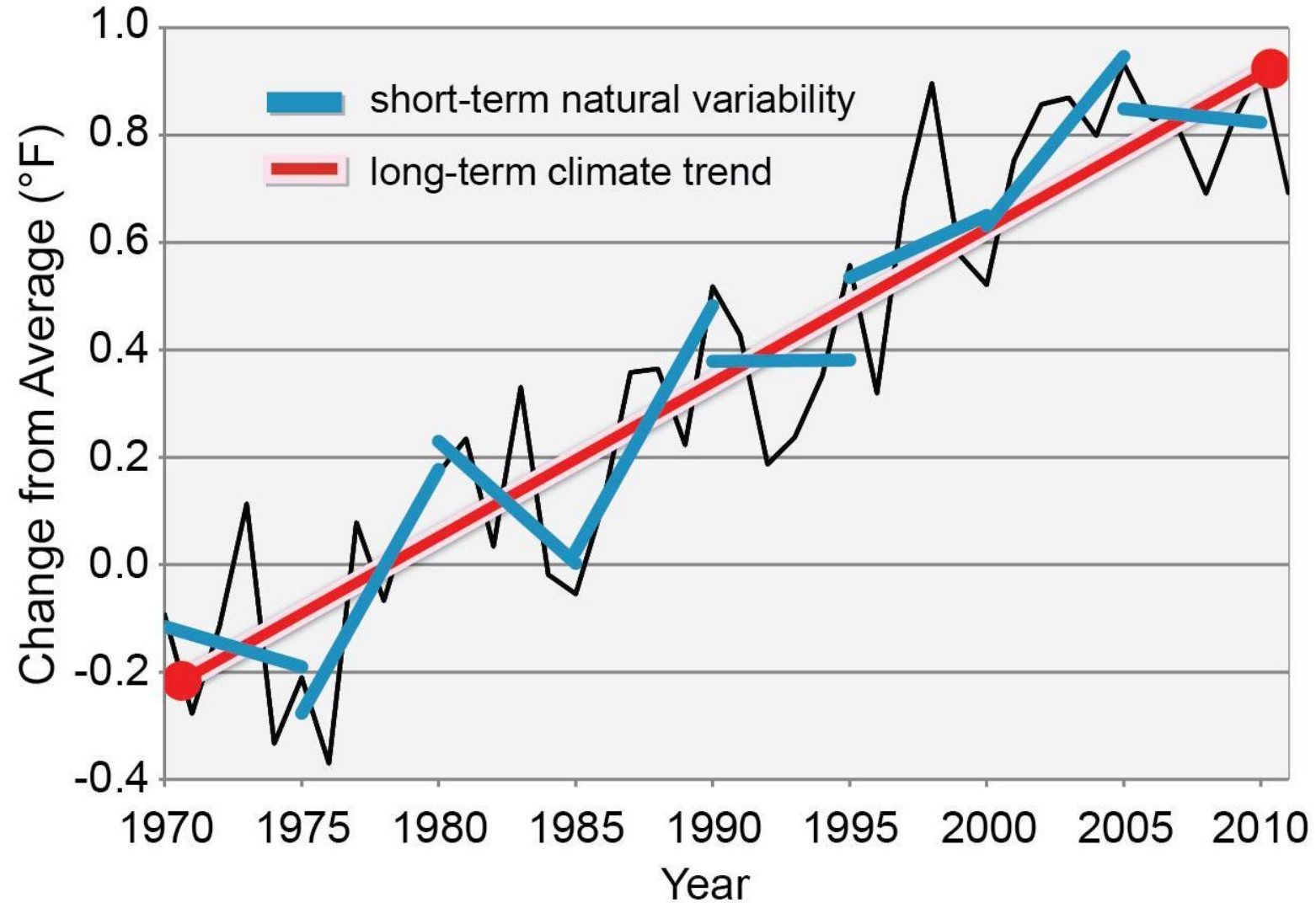
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Seven long term trends:

- How to use long term trends
- What are the key long term trends
- How to use them in investment

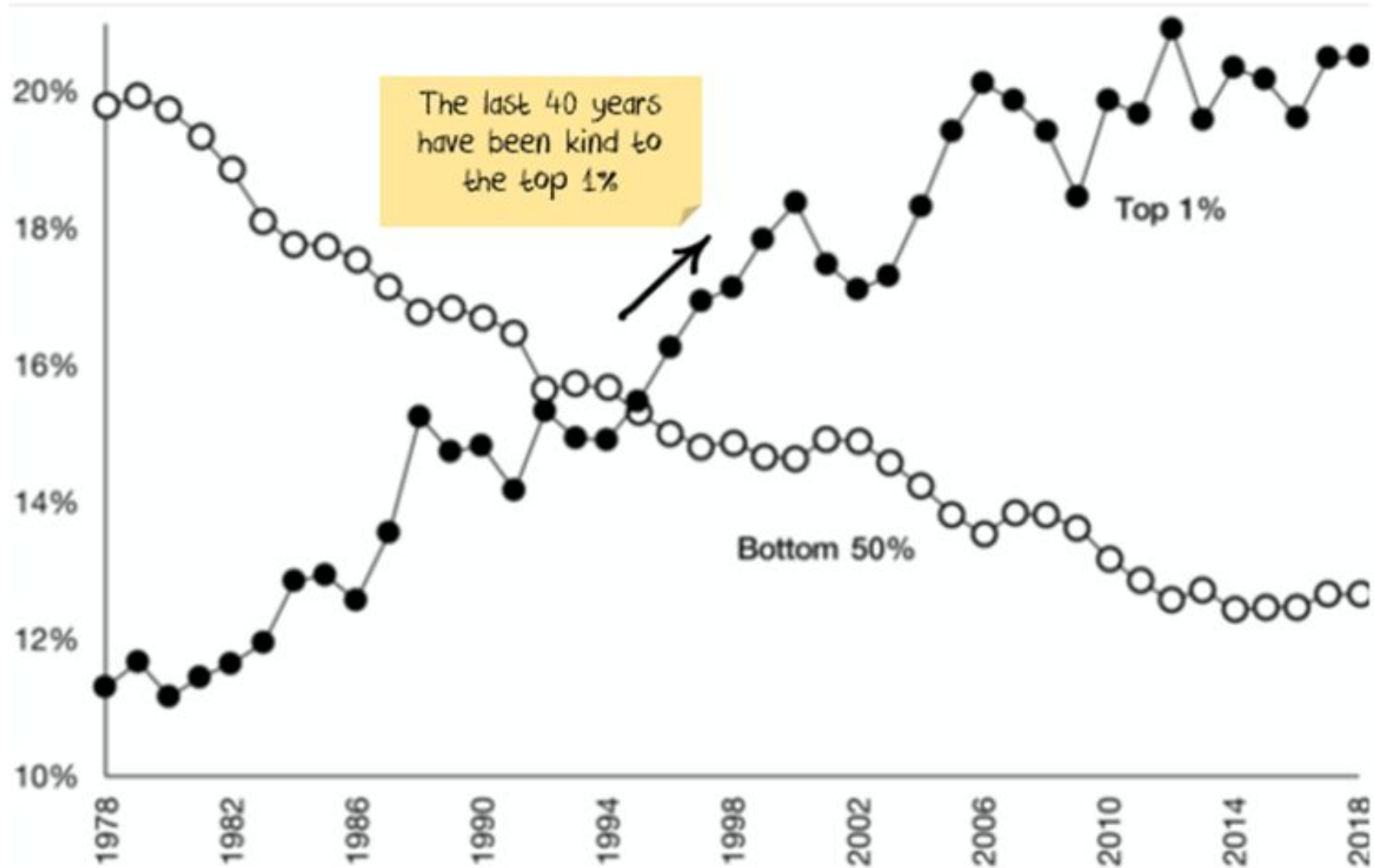
What is a long term trend?:

Short-term Variations Versus Long-term Trend



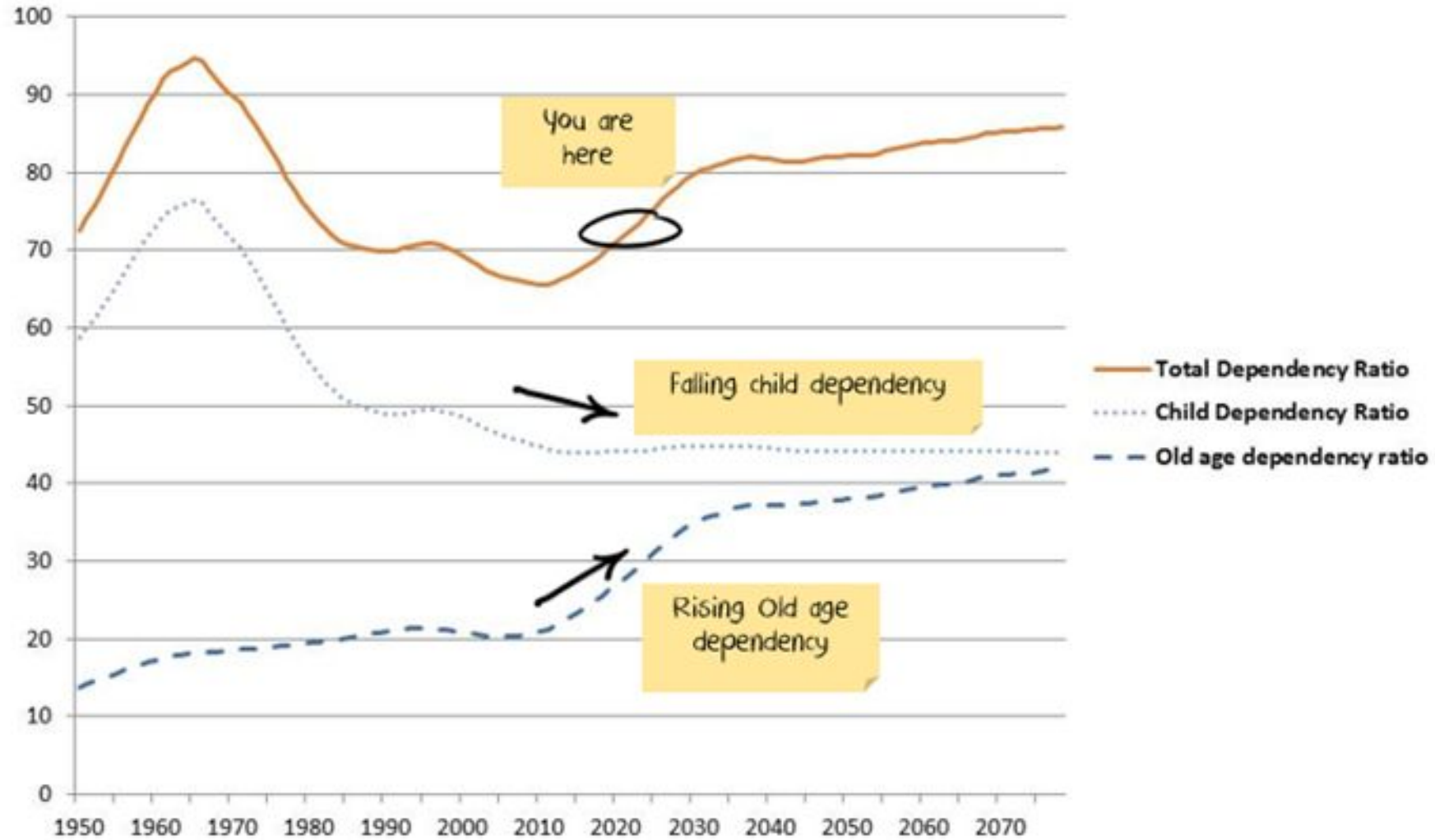
Trend 1: Rising inequality

Share of US income: Top 1% vs Bottom 50%



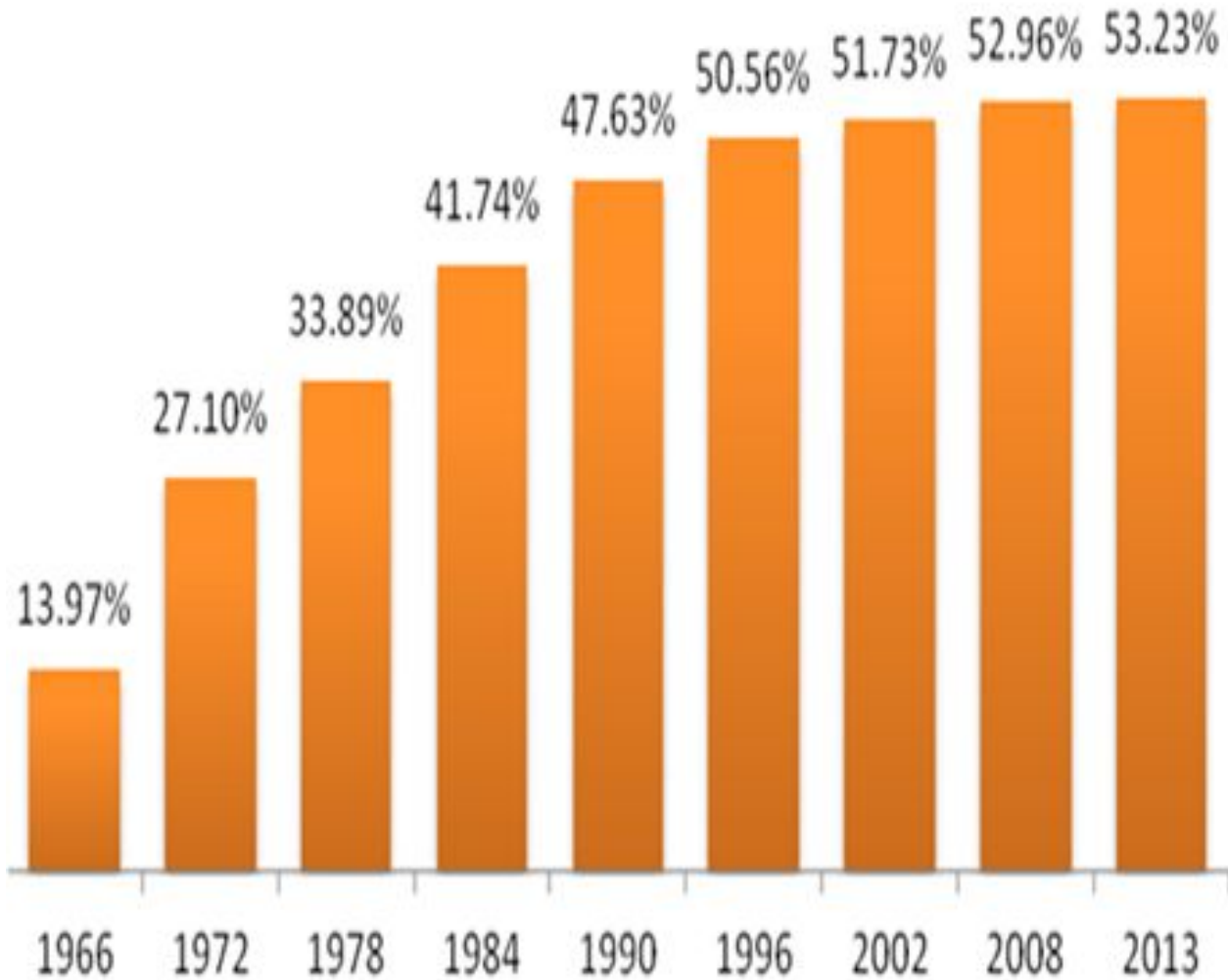
Trend 2: Baby Boomers

Dependency ratios in the U.S. over time



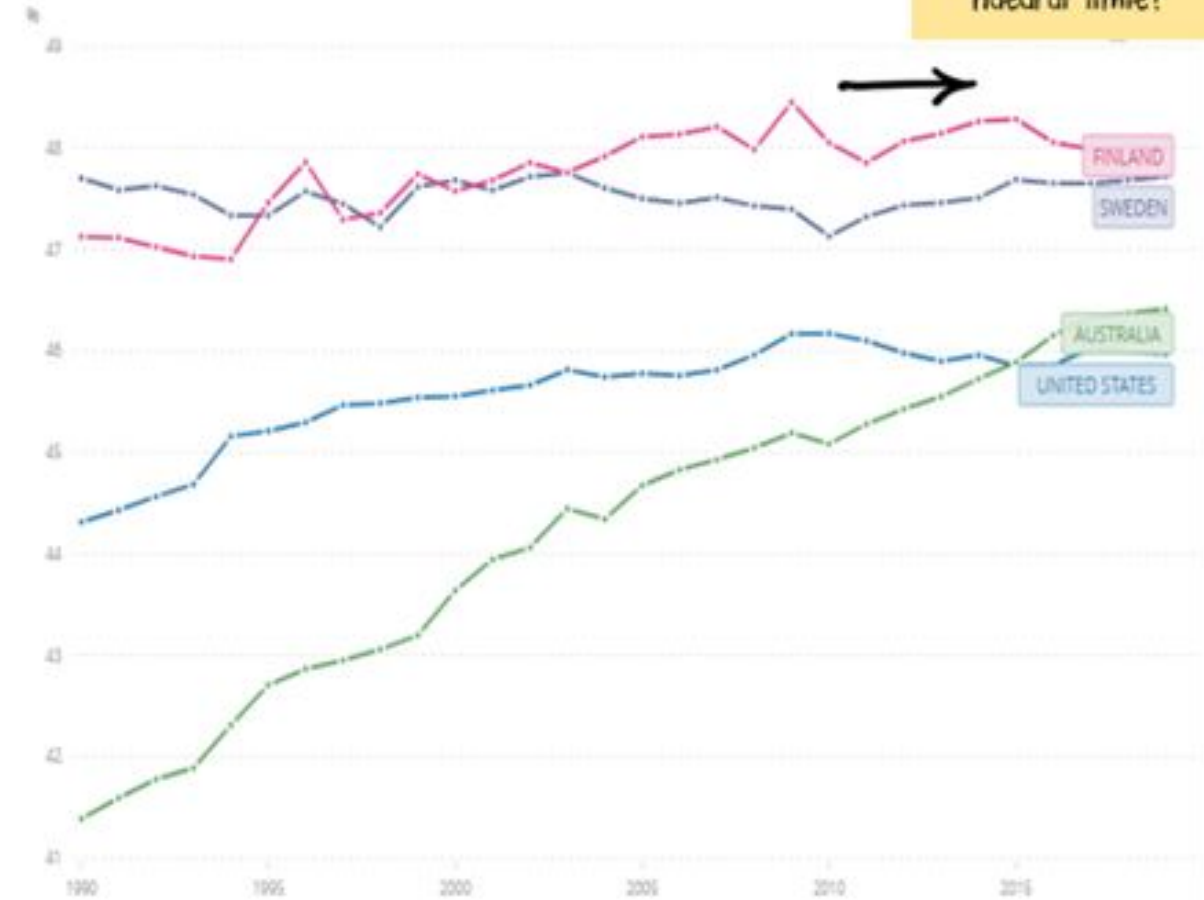
Trend 3: Women in the workforce

Female Participation Rate



Source: US Equal Employment Opportunity Commission

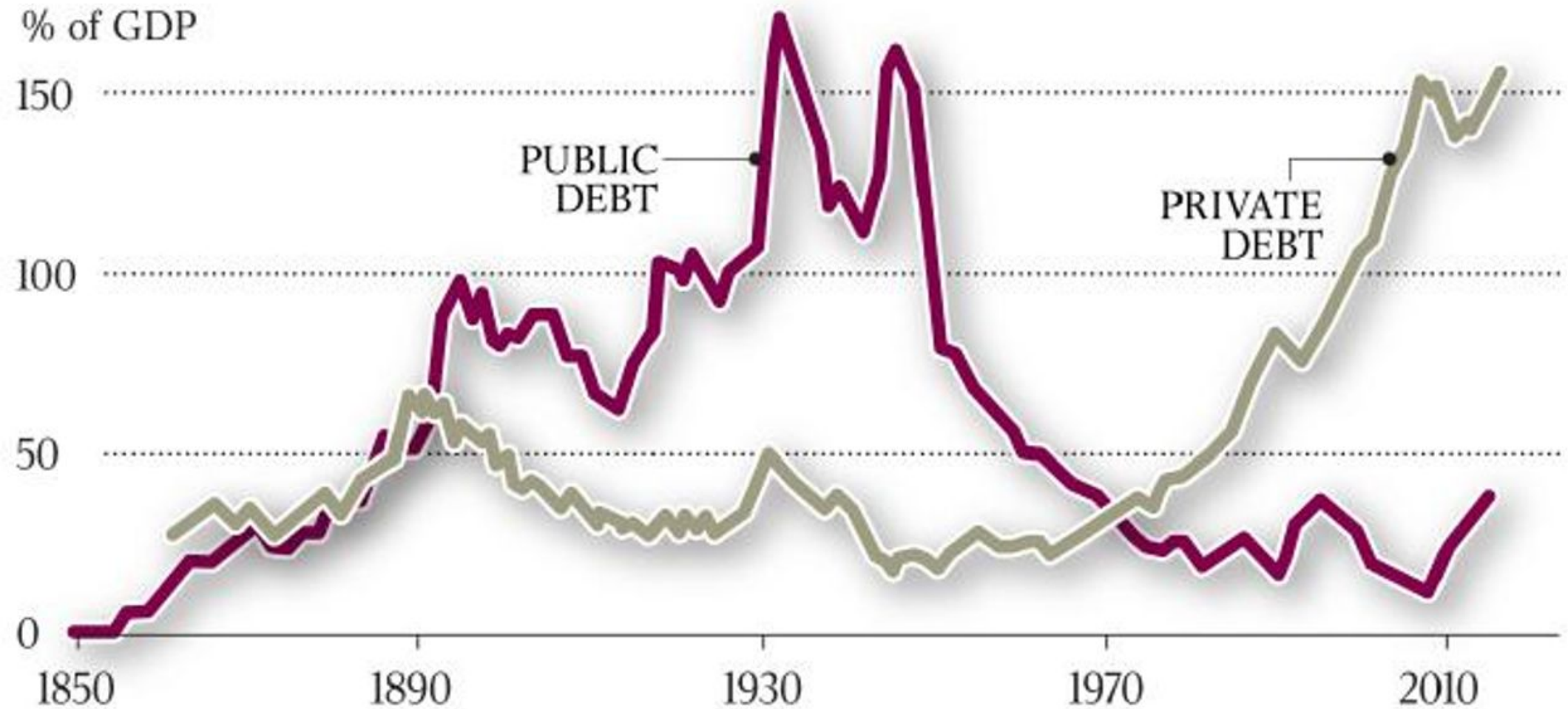
Female % of Labor Force



Source: Nucleus Wealth, World Bank, International Labor Organization

Trend 4: Debt

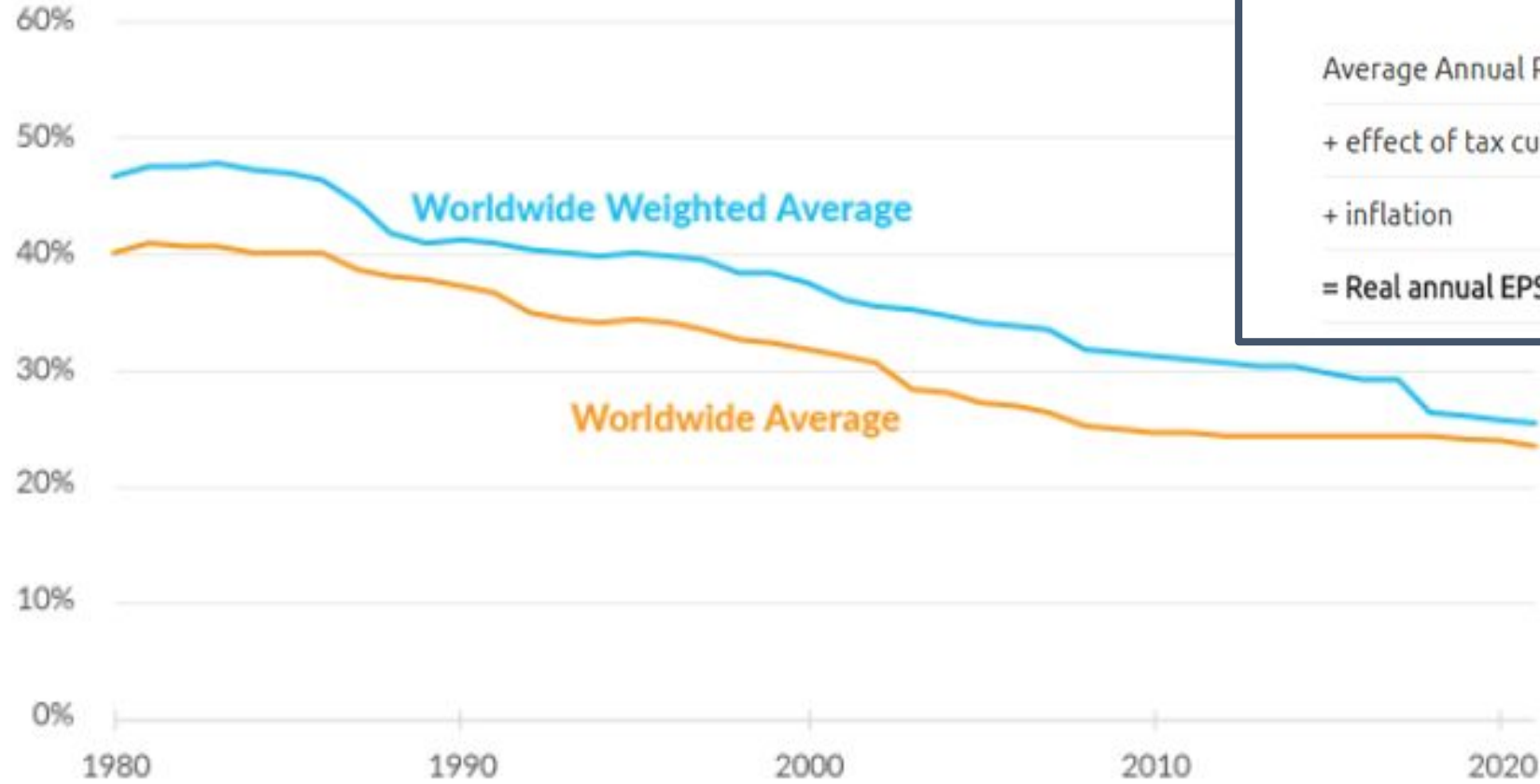
Up, up and away



Source: UBS, LF Economics

Trend 5: Company tax rates

Statutory Weighted and Unweighted Corporate Income Tax Rates, 1980-2021



Average Annual Real pretax EPS growth	2.0%
+ effect of tax cuts	1.3%
+ inflation	2.8%
= Real annual EPS Growth	6.1%

Note: The number of countries included in calculated averages varies by year due to missing corporate tax rates for years prior to 2021; that is, the 1980 average includes statutory corporate income tax rates of 74 jurisdictions representing roughly 60 percent of 1980 world GDP, compared to 180 jurisdictions representing above 95 percent of world GDP in 2021.

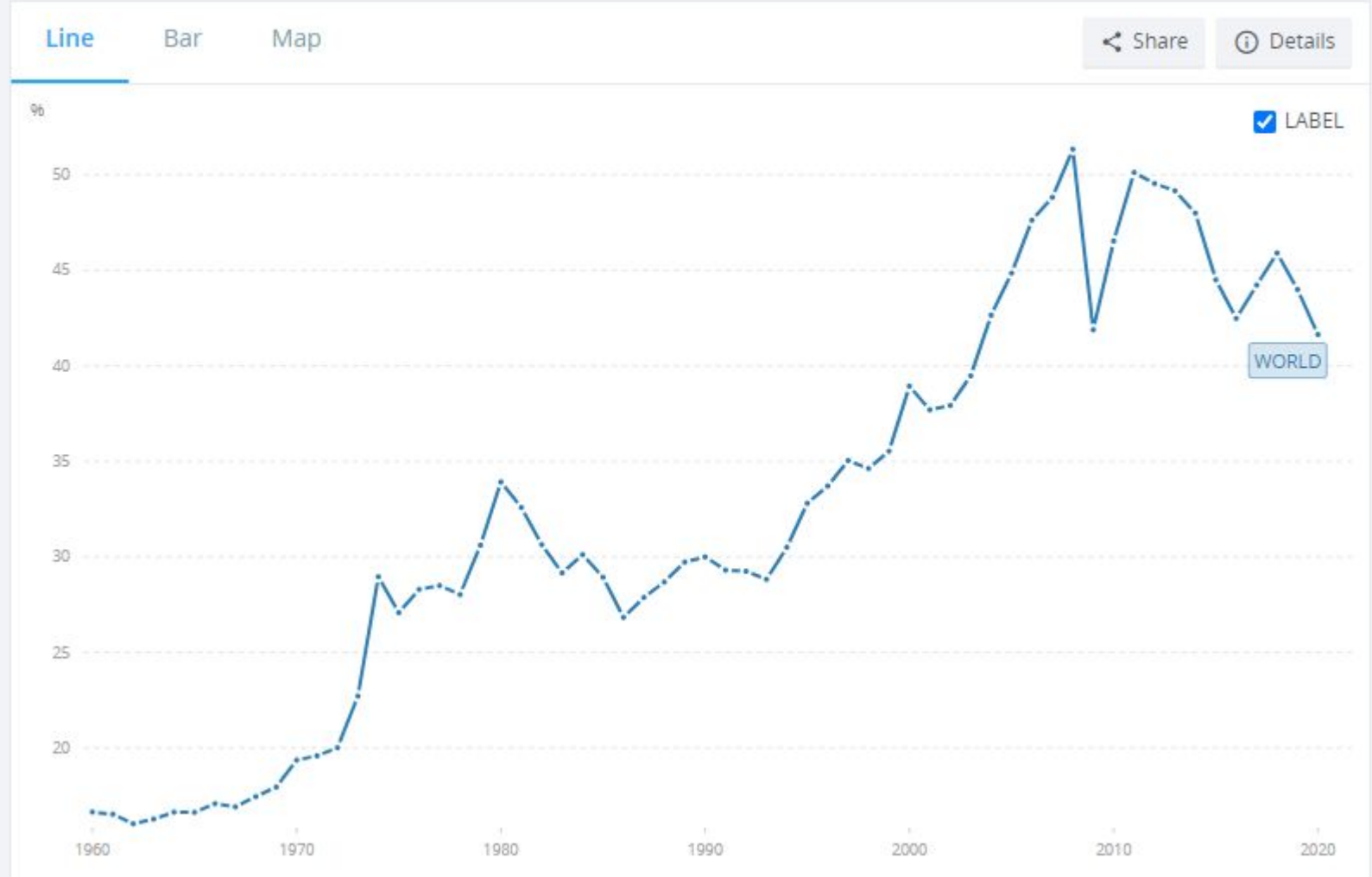
Sources: Statutory corporate income tax rates were compiled from various sources. GDP calculations are from the U.S. Department of Agriculture, "International Macroeconomics Data Set."

Trend 6: World trade

Merchandise trade (% of GDP)

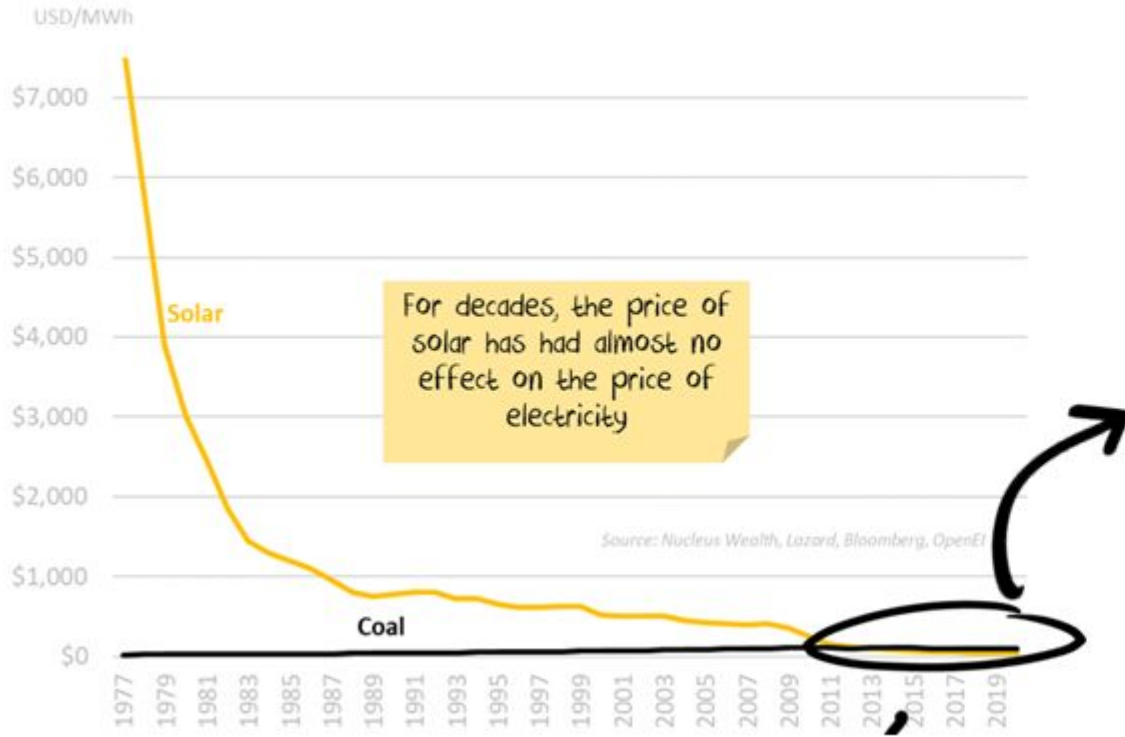
World Trade Organization, and World Bank GDP estimates.

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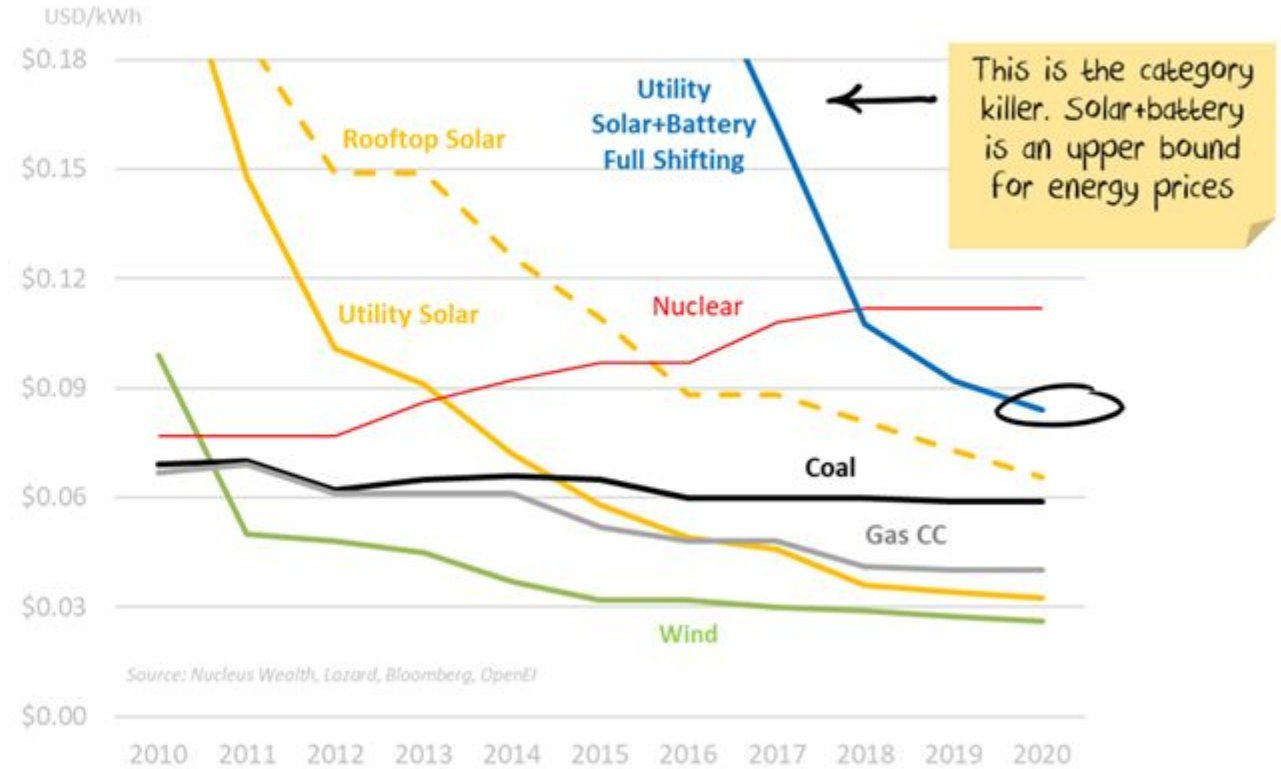


Trend 7: Energy Costs

Long Term



Recent



Trend 7: Energy Costs

Levelized Costs (USD/kWh)

Onshore Wind

\$ 0.03

Utility Solar

\$ 0.04

Natural Gas @\$3/mmBtu

\$ 0.02

\$ 0.02

\$ 0.04

Natural Gas @\$6/mmBtu

\$ 0.02

\$ 0.04

\$ 0.06

Coal @ \$50/Ton

\$ 0.04

\$ 0.02

\$ 0.06

Coal @ \$75/Ton

\$ 0.04

\$ 0.02

\$ 0.07

Utility Solar + partial battery

\$ 0.07

\$ 0.07

Coal @ \$100/Ton

\$ 0.04

\$ 0.03

\$ 0.07

Natural Gas @\$9/mmBtu

\$ 0.02

\$ 0.06

\$ 0.08

Utility Solar + full battery

\$ 0.09

\$ 0.09

Offshore Wind

\$ 0.10

\$ 0.10

Nuclear

\$ 0.10

\$ 0.01

\$ 0.10

Utility solar and wind
the cheapest option

And adding a partial
battery to offset the
evening load is now at
parity with other costs

Source: Nucleus Wealth, Lazard, Bloomberg, Open EI

Trend 7: Energy Costs

Prices if solar+battery costs fall 20% p.a. for 5 years (USD/kWh)

	Levelised Cost Ex Fuel	Fuel	Total
Utility Solar	\$ 0.01		\$ 0.01
Utility Solar + partial battery	\$ 0.02		\$ 0.02
Onshore Wind	\$ 0.03		\$ 0.03
Utility Solar + full battery	\$ 0.03		\$ 0.03
Natural Gas @\$3/mmBtu	\$ 0.02	\$ 0.02	\$ 0.04
Natural Gas @\$6/mmBtu	\$ 0.02	\$ 0.04	\$ 0.06
Coal @ \$50/Ton	\$ 0.04	\$ 0.02	\$ 0.06
Coal @ \$75/Ton	\$ 0.04	\$ 0.02	\$ 0.07
Coal @ \$100/Ton	\$ 0.04	\$ 0.03	\$ 0.07
Natural Gas @\$9/mmBtu	\$ 0.02	\$ 0.06	\$ 0.08
Offshore Wind	\$ 0.10		\$ 0.10
Nuclear	\$ 0.10	\$ 0.01	\$ 0.10

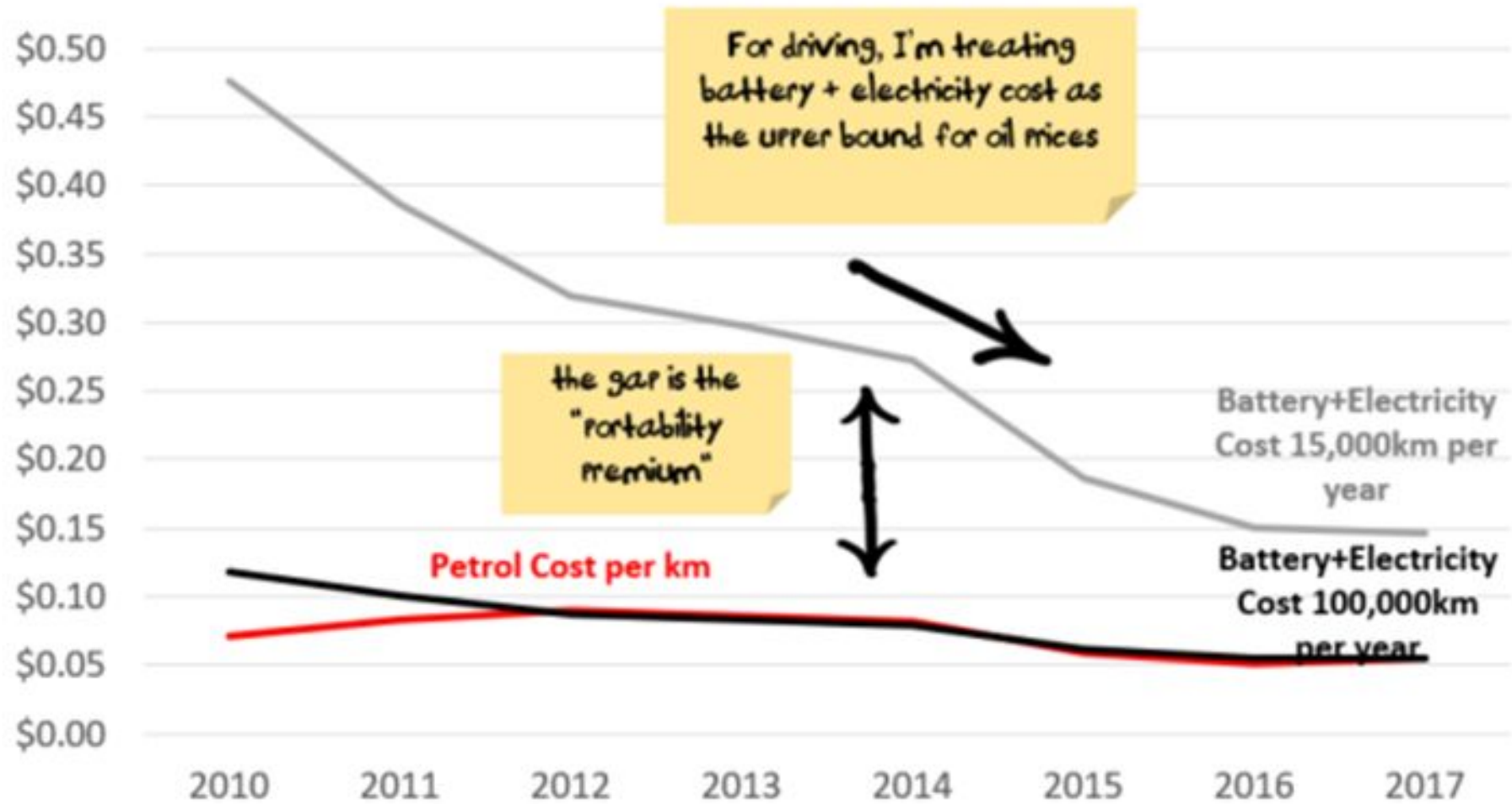


If costs decline at 20% per annum (like they have for the last ten years) then in five years time, the cost of running new solar will be cheaper than the fuel cost of an existing power plant

Source: Nucleus Wealth, Lazard, Bloomberg, Open EI

Trend 7: Energy Costs

Levelised Cost of Driving in the US (USD)



Source: Open EI, Lazard, EIA, Nucleus Wealth estimates

Bringing it together:

- Last 40-50 year has 5 tail winds, 1 head wind, 1 neutral
- Looking forward
 - 3 head winds: demographics, debt, trade
 - 1 neutral: female participation
 - 3 tail winds: tax, inequality, energy

Investment Outlook

Scenario 1: OMICRON harmless

- Fed tightens, China keeps boot on property, 2022 deflation wave, big AUD downside.
- 50% probability (and rising)

Scenario 2: OMICRON disruptive

- Fed slows, China stimulates moderately as exports hit, US vax much worse than Aus.
- AUD sideways to up until it clears.
- 40% probability (and falling)

Scenario 3: OMICRON harmful

- Markets tank, Fed stops, China floods, K-shaped economy returns, AUD cashes down and up.
- 10% probability (and falling)

Viewer question of the week:

What is your biggest megatrend for 2022?

Drop your answers in the comments

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