

"Focusing on helping individuals and companies to understand and plan their financial future".

THE BIG PICTURE – OCTOBER 2023



"Optimism is the faith that leads to achievement.
Nothing can be done without hope and confidence." –
Helen Keller.



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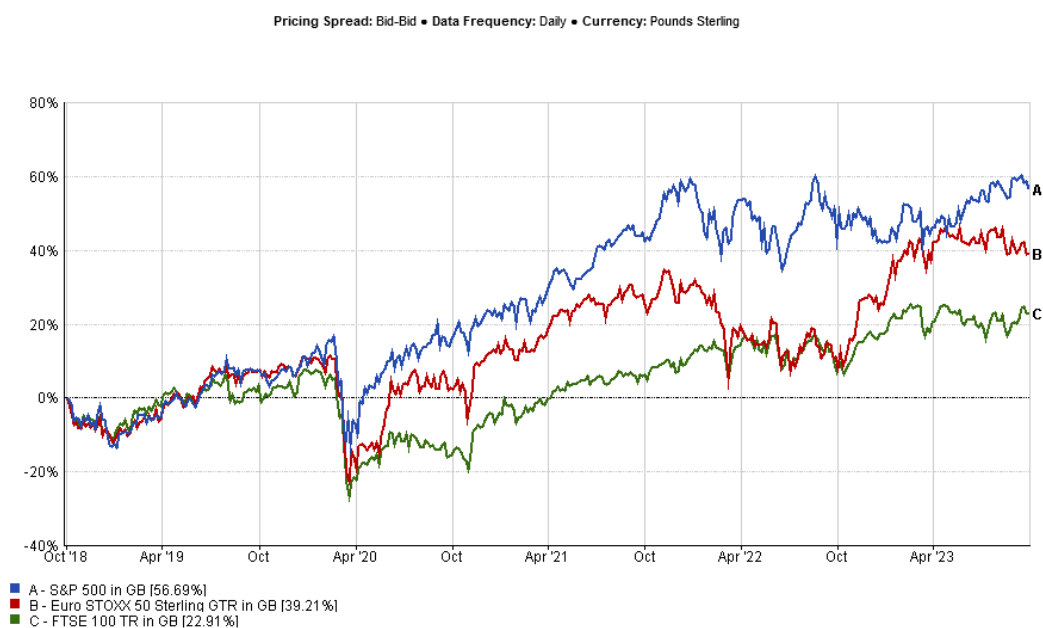
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Big picture summary

At a glance

- Many economies have already been in a technical recession and there is a general acceptance that recessions will happen.
- Recessions can be bad for economies but good for markets.
- The general collapse in sentiment makes us feel we are close to or at the point of capitulation, and therefore, the recovery in markets could be closer than we think.
- The next decade and beyond could be interesting for emerging markets and Asia, as beneficiaries of de-risking from China and the move to green technologies.
- We still believe that the UK, China, Asia, Japan, Emerging Markets and Europe could all outperform the US over the next decade.

Five-year market returns – UK, US and Europe



01/10/2018 - 29/09/2023 Data from FE fundinfo 2023

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Five-year market returns – India, Asia, Emerging Markets, China and Japan

Pricing Spread: Bid-Bid • Data Frequency: Daily • Currency: Pounds Sterling



04/09/2019 - 30/09/2023 Data from E*Vantage

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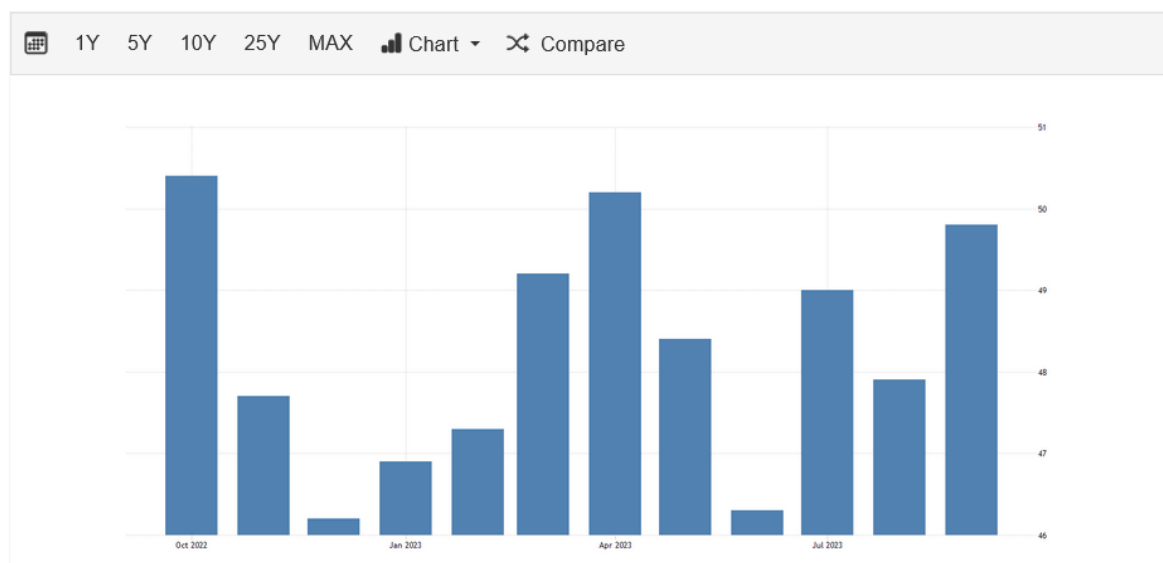
US, Europe and UK

At a glance

- Most economies have entered a technical recession. Markets recover before economies.
- There is a sense of fear and capitulation.
- We feel the next 12 months could be positive for investors.
- Over the long term (10 to 15 years), Europe and the UK could outperform the US.
- There are political challenges ahead, especially in the US and UK.
- Don't get sucked into the AI hype.

US

There are debates on whether the US will avoid a recession. We would argue that the US has already had a technical recession based on the Purchasing Managers Index (PMI).



Source: Trading Economics

This shows two continuous contractions, and except for October 2022, this has been below 50, which is a further sign of contraction.

All the signals are pointing to a recession.

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	Current	2020	2007-2009	2001	1990-1991	1981-1982	1980	1973-1975	1969-1970
Consumer	Housing Permits	×	↑	×	●	×	×	×	×
	Job Sentiment	×	●	×	×	×	●	●	●
	Jobless Claims	●	↑	●	×	×	×	↑	×
	Retail Sales	×	↑	×	×	×	×	●	×
	Wage Growth	×	×	×	×	×	×	×	×
Business Activity	Commodities	×	↑	×	×	×	●	●	●
	ISM New Orders	×	●	×	×	×	×	×	×
	Profit Margins	×	×	×	×	×	×	●	×
	Truck Shipments	●	↑	●	×	×	×	n/a	n/a
Financial	Credit Spreads	×	↑	×	×	×	×	↑	●
	Money Supply	×	↑	×	×	×	×	×	×
	Yield Curve	×	×	×	×	×	×	×	×
Overall Signal		×	●	×	×	×	×	●	×

↑ Expansion ● Caution × Recession

Source: Templeton Anatomy of a recession

We have always said that markets recover before economies.

Cart Before the Horse?



Recession Start	Recession End	Length (Months)	Market Low During Recession?	Distance from Recession Start (Months)	Distance from Recession End (Months)
Nov. 1948	Oct. 1949	11	Yes	6	-5
July 1953	May 1954	10	Yes	1	-9
Aug. 1957	April 1958	8	Yes	2	-6
April 1960	Feb. 1961	10	Yes	6	-4
Dec. 1969	Nov. 1970	11	Yes	5	-6
Nov. 1973	March 1975	16	Yes	10	-6
Jan. 1980	July 1980	6	Yes	2	-4
July 1981	Nov. 1982	16	Yes	12	-4
July 1990	March 1991	8	Yes	2	-6
March 2001	Nov. 2001	8	No	18	10
Dec. 2007	June 2009	18	Yes	14	-4
Feb. 2020	April 2020	2	Yes	1	-1
Average:		10.3		6.6	-3.8

- ▶ **Historically, market lows have come around the two-thirds mark during recessions.**
- ▶ **The strength of the labor market would suggest this point is not yet on the immediate horizon.**

Source: Templeton Anatomy of a recession

The US has challenges; the concern is when they stop, rate hikes. They don't want to move too quickly, forcing inflation to spike.

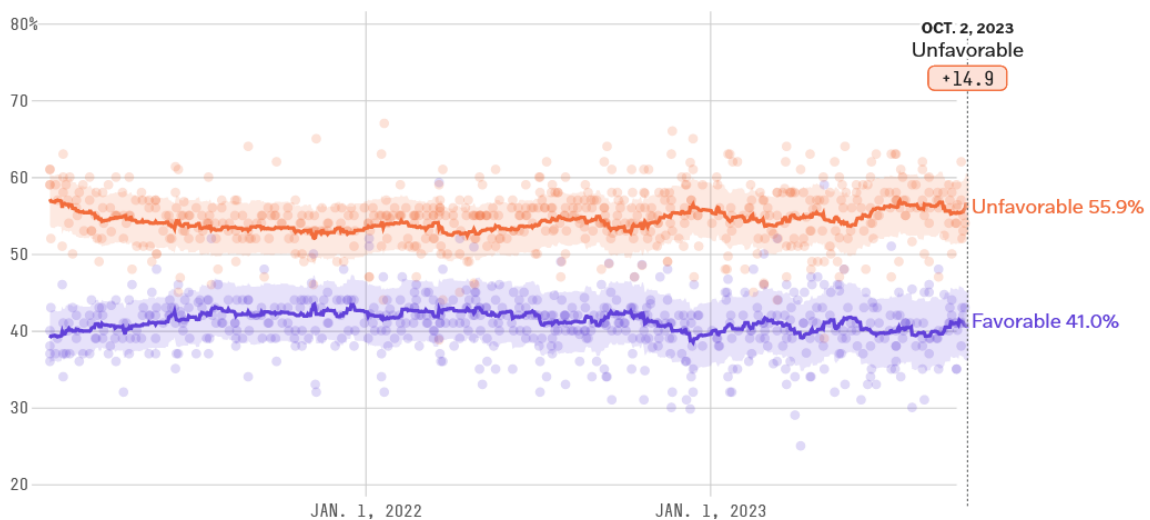
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Other challenges to the US economy include:

- National debt is 123% of GDP, up from 63% fifteen years ago.
- US national debt has increased 8.5% per annum vs. economic growth at 4.0% p.a.
- US households are finding it harder to get credit; at 60% of households, this is the highest level since 2013.
- Uncertainty over rates impacts smaller companies, trading at the most significant discount to large-cap since 2001.
- US households saved some \$1.1 trillion less than previously thought over the past six years.
- 50 largest stocks in the S&P 500 are up +24% year to date. Equally weighted the S&P 500 is up 1% year to date.
- Healthcare insurance premiums have jumped from \$6,000 in 2000 to \$21,000 in 2022.
- Fixed rate mortgages are at their highest level since December 2000 and housing affordability is at record lows.

Next year the US faces an election, and it seems nothing will stop Trump. The latest poll shows a slight uptick in favourability.

Do Americans have a favorable or unfavorable opinion of Donald Trump?

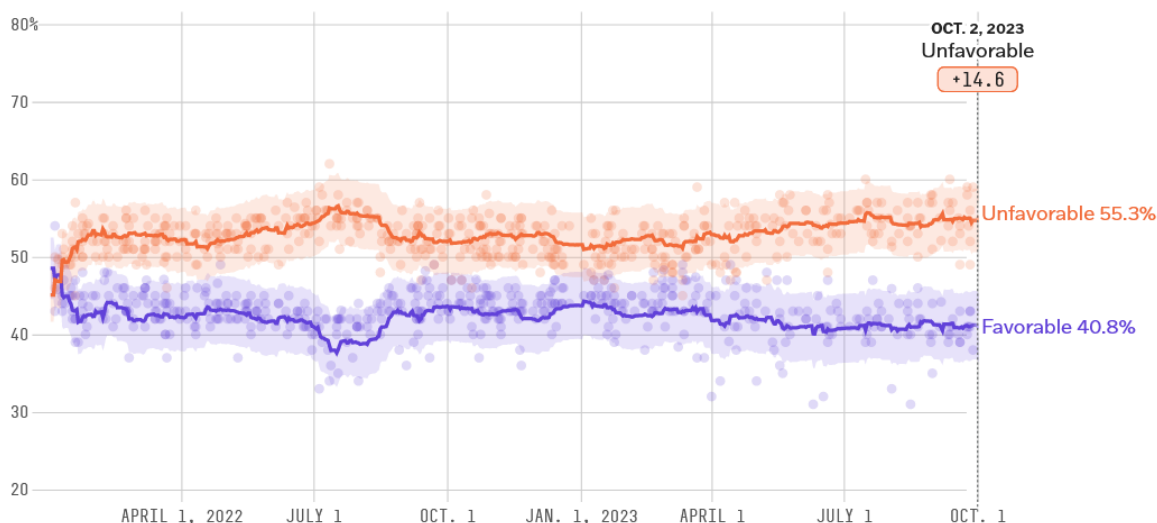


Source: fivethirtyeight.com

This is the same chart for Joe Biden.

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Do Americans have a favorable or unfavorable opinion of Joe Biden?



Source: fivethirtyeight.com

The collapse in the fear and greed index is critical:

Fear & Greed Index

What emotion is driving the market now?

[Learn more about the index](#)



Source: CNN Fear and Greed Index

This looks across different factors to gauge sentiment. There has been a significant shift from greed to fear.

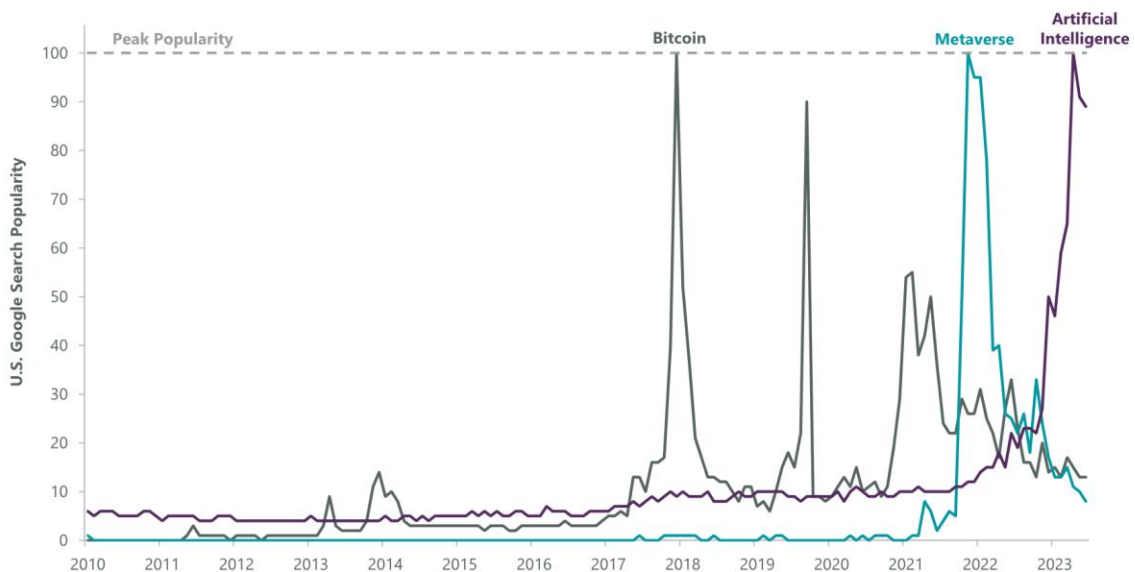
We therefore feel we are close to a turning point, and although the US is unlikely to perform as strongly as other markets, there are positives over the long term:

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1. Corporates are performing relatively well. The pandemic built resilience in many businesses and therefore CEOs have found ways to navigate inflation, adopt new technology and allocate capital to deliver long-term growth. The CEO Confidence Index reached its highest level in more than 12 months.
2. Companies are placing a higher premium on a stable and well-trained workforce and preferring quality to quantity.
3. Technology has reduced costs. Walmart and Target have introduced inventory systems based on demand in real-time.
4. Consumer spending and wage growth have remained relatively strong.
5. M&A activity has focused on enhancing innovation within companies—for example, retail companies acquiring distribution and advanced same-day delivery technology.
6. \$3 trillion in federal funding for productivity investment has yet to be spent. We are also seeing the private and public sector working together. For example, Intel investing \$100 billion in a new semiconductor manufacturing hub.

We will end with this chart. Don't bet on AI. The significant gains we have seen with certain companies may drop back. AI has been used for many years so the technology is not new. How we adapt to it and who the long-term winners are remain uncertain.

AI Mania?



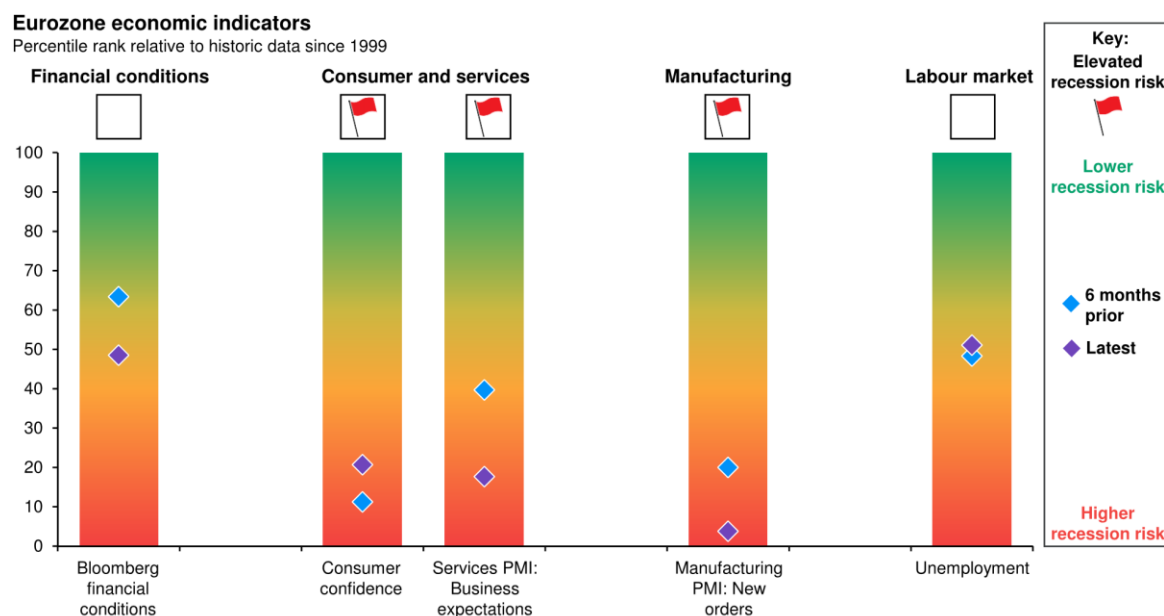
► Interest in artificial intelligence has exploded recently with the release of ChatGPT.

Source: Templeton Anatomy of a Recession

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Europe

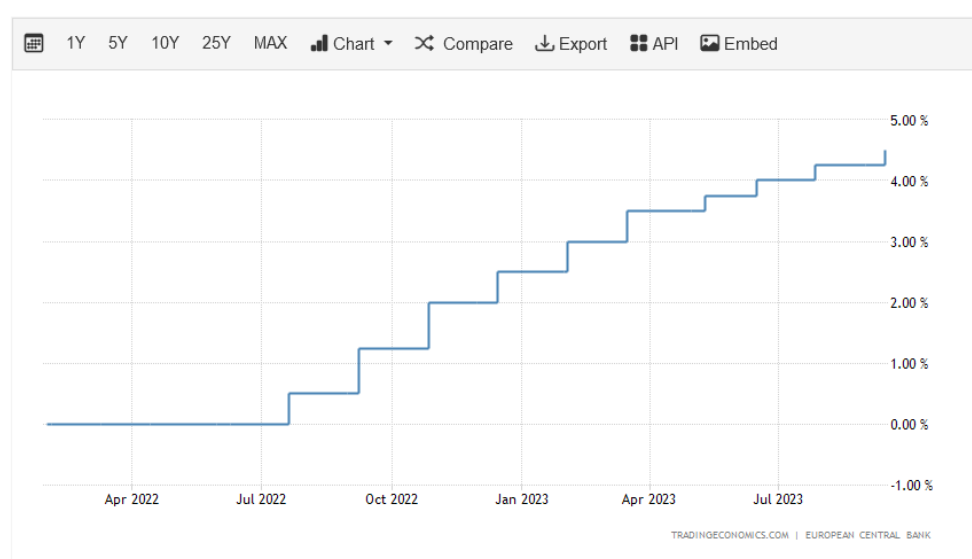
Parts of Europe have already dipped into a recession.



Source: JP Morgan Guide to Markets

The system has three stresses: interest rates, a slowdown in growth and pressure on the real estate market.

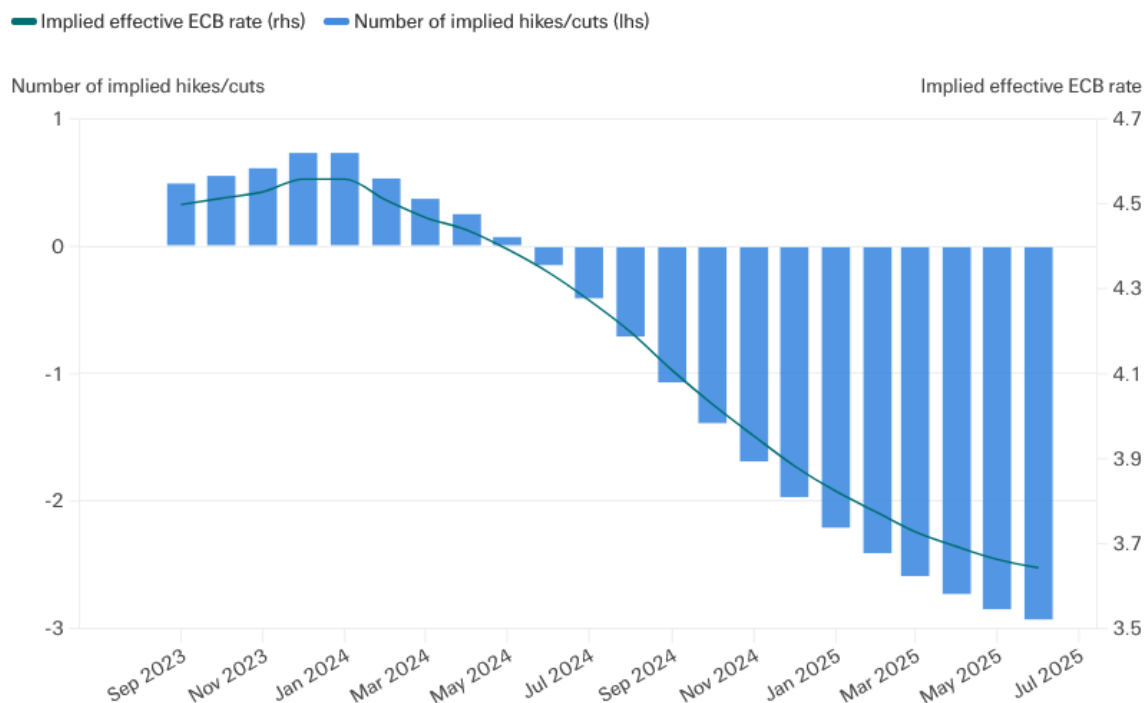
Interest rates climbed to 4.5%. The expectation is that we are now on a plateau and the challenge will be when to start reducing rates.



Source: Trading Economics

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Trading Economics forecast these to decrease to 3.75% in 2024 and 2.75% in 2025. Central bankers don't want to move too soon due to falling inflation and slowing growth. Swiss Re has a more pessimistic outlook, with higher rates for longer.



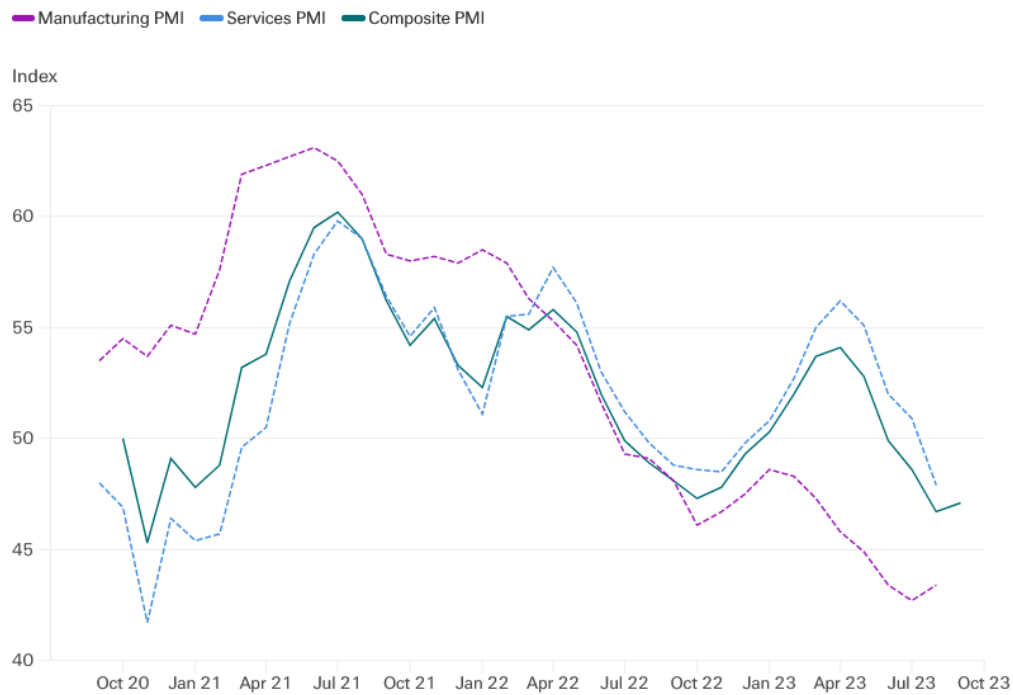
Source: ICE, ECB, Macrobond, Swiss Re Institute

Note: 1. Hover over for 'Range' data. 2. The implied rate is estimated assuming uniform 0.25ppt hikes/cuts and is based on (i) the EUR short-term rate futures levels (ii) a 0.096 spread between the ECB deposit rate and the EUR short-term rate, and (iii) a 0.5 spread between the ECB refinancing rate and deposit rate.

Source: SwissRe

We are already seeing a contraction within PMI data which is expected to worsen. Service sector PMI data is expected to decrease sharply as wage growth increases costs and the summer tourism boost ends. Many of the economies will also be impacted by a slowdown in China.

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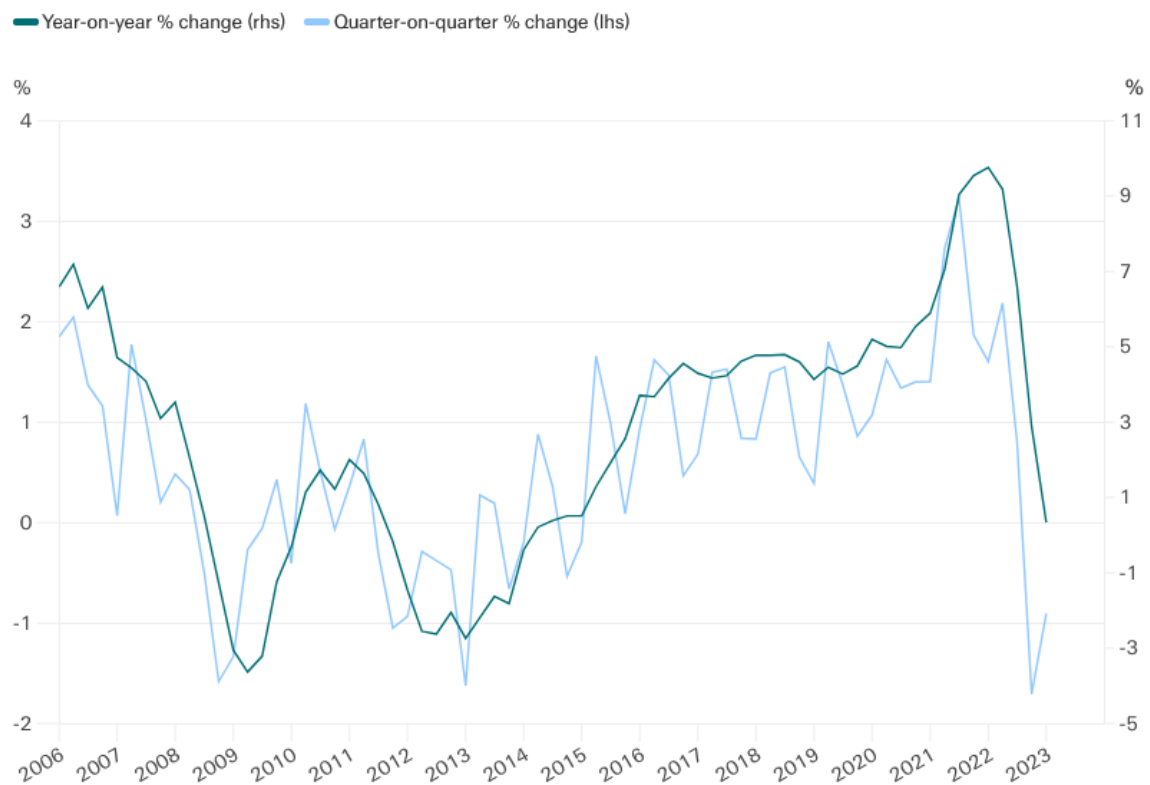
Source: S&P Global, Macrobond, Swiss Re Institute

Source: SwissRe

Interest rates are impacting the real estate sector. Germany has seen a 35% decline in building permits for new buildings, and in Sweden, house prices are down over 12% year on year.

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Figure 3. Euro area House Price Index

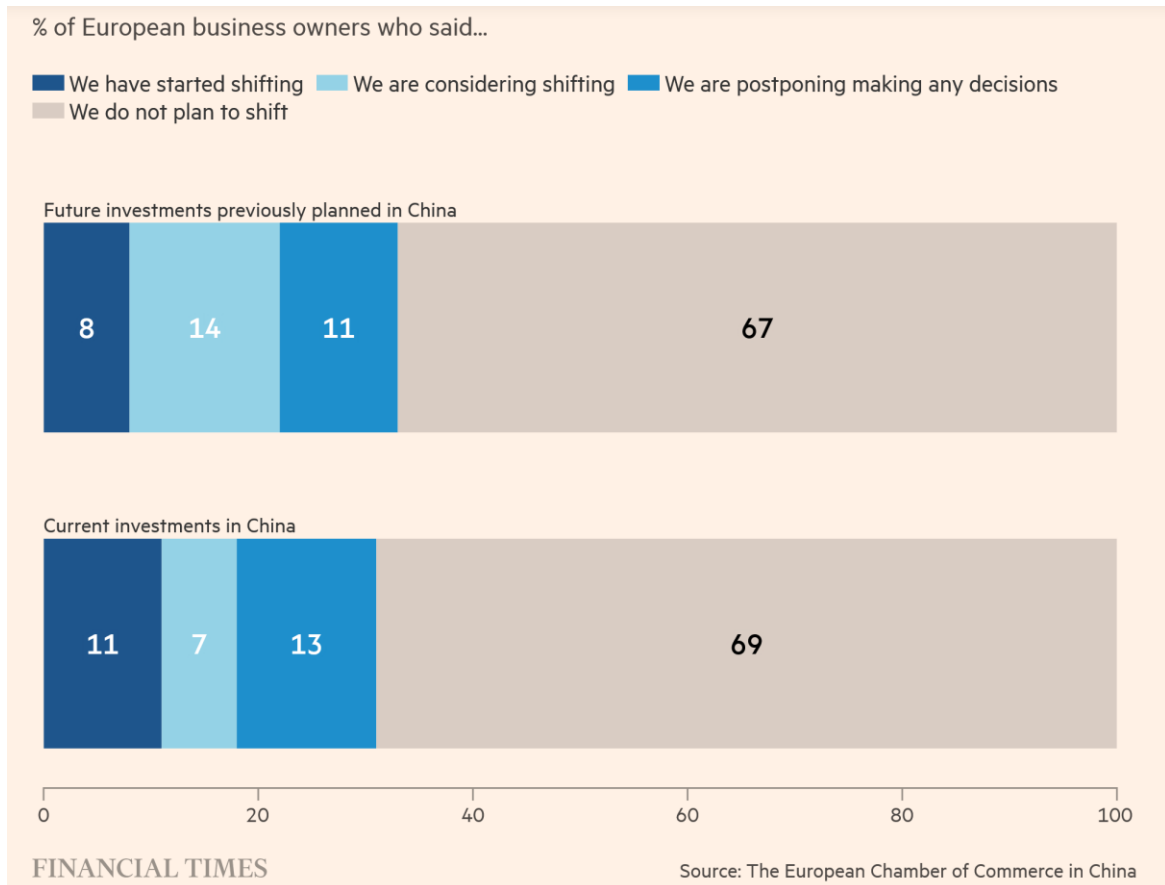


Source: Eurostat, Macrobond, Swiss Re Institute

Source: SwissRe

There are some debates on decoupling from China. This is unlikely and may create tension between the US and Europe as they follow separate paths. VW has invested e4 billion in China to allow for greater decision-making powers, and this is a sign of de-risking rather than decoupling, which is less antagonistic.

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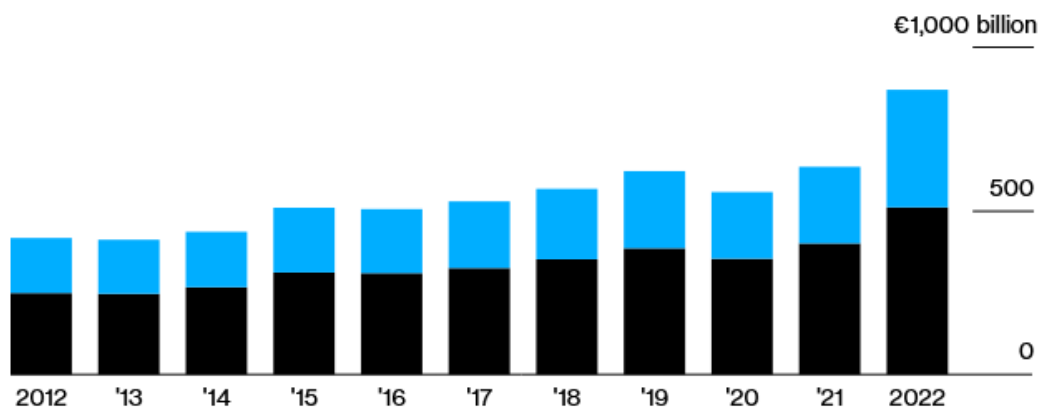
Source: FT

We see the EU looking at ways to lock down improvements in its working relationship with the US in case Donald Trump wins the next election.

Trump's relationship with Europe was challenging, with battles over steel and aluminium imports, security guarantees and direct attacks on countries such as Germany. Some of these relationships have been repaired, but the EU must protect themselves.

Transatlantic Trade

■ EU exports to the US ■ EU imports from the US



Source: Bloomberg

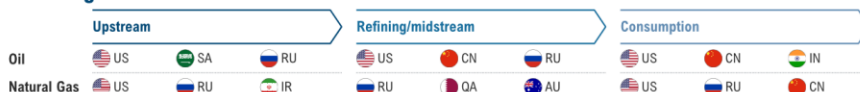
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We believe the EU will do well in the long term. The EU can be at the forefront regarding companies and technology in the drive for a cleaner world. The chart below shows the shift from oil and gas to clean technologies and the EU's part in the change.

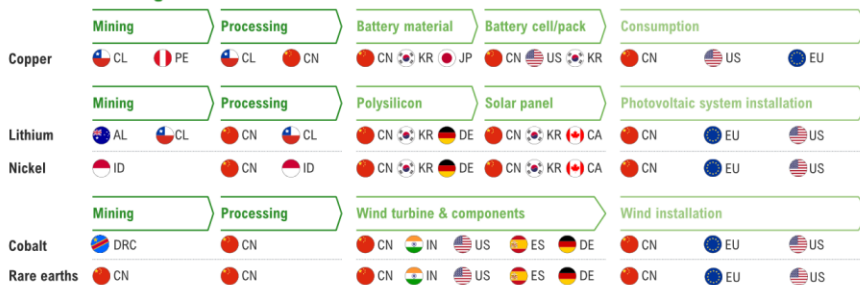
The transition to cleaner energy technologies and systems alters raw material dependencies – Future CRM demand is a multiple of today's

Indicative supply chain of fossil fuels and relevance of key clean energy raw material producing countries and countries of consumption (selective)

Oil and gas



Clean technologies



Looking ahead

Regarding the global energy transition and its underlying clean-energy technologies, **certain CRMs will be much more in demand in the future:**

Mineral	Use in clean-energy tech	Rise in demand, 2050 relative to 2021, factor ²⁾
Cobalt	Electric vehicles (EVs), battery storage	6.2
Copper	Solar, wind, bio-energy, electricity networks, EVs, battery storage	2.8
Lithium	EVs, battery storage	24.0
Nickel	Geothermal, EVs, battery storage, hydrogen	12.3
REEs	Wind, EVs, battery storage	7.2

1) Largest producers and consumers are indicative only; 2) Data calculated under the IEA's Announced Pledges Scenario
Sources: IEA; WEF; MSC; Roland Berger

Roland Berger | 40

Source: Virtual Capitalist Six Megatrends

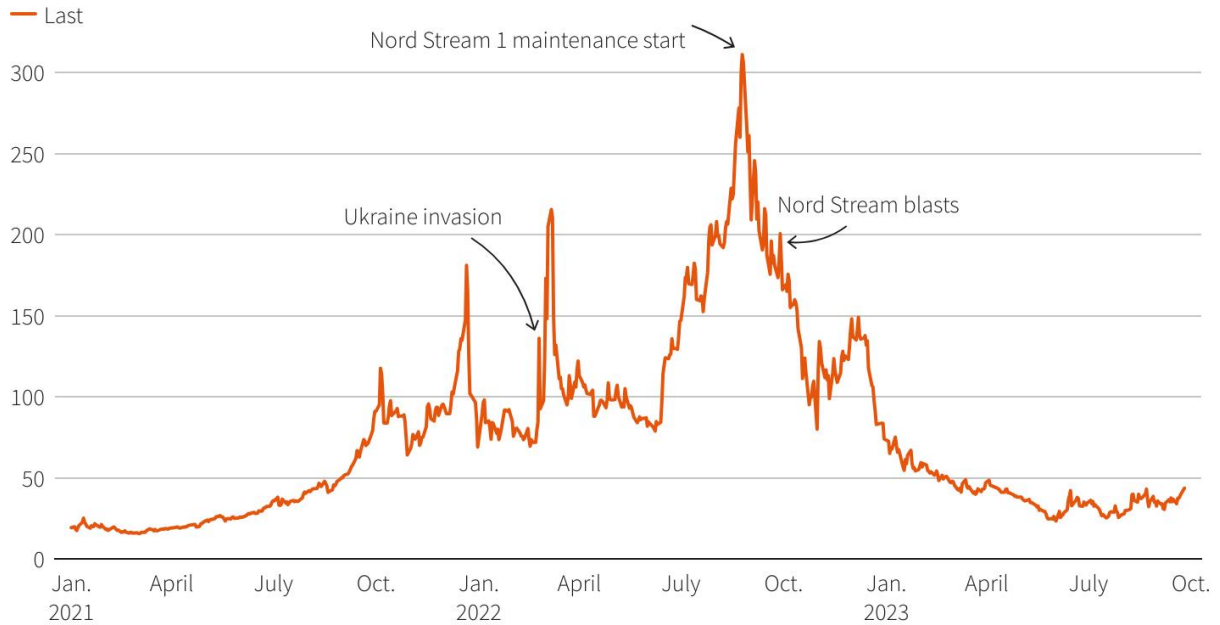
The European Green Deal came into place four years ago. Clean steel factories in the EU have grown from zero to 38 in the last five years. We also see more investment in clean hydrogen than the US and China combined. They have also put in place the European Wind Power Package.

Europe has increased alternative supplies in terms of gas, which has seen gas prices decrease.

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European Gas Price

Front month TTF (Euro per megawatthour)



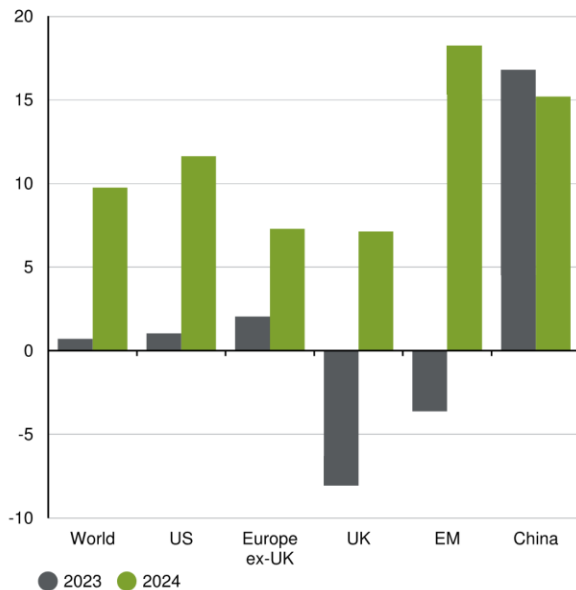
Source: LSEG, Reuters News

Unlike the US, Europe remains cheap compared to long-term averages.

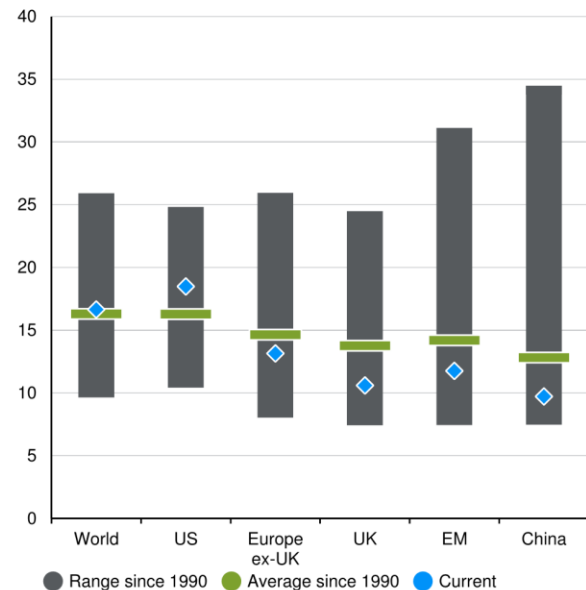
Regional earnings expectations and equity valuations

GTM UK 49

Consensus estimates for global earnings per share growth
% change year on year



Global forward P/E ratios
x, multiple



Source: JP Morgan Guide to Markets

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Source: JP Morgan Guide to Markets

There are challenges in the short term, but in the longer term we believe there are significant investment opportunities in Europe.

UK

It is 12 months since Liz Truss came into power (the shortest-serving Prime Minister), which has profoundly impacted our lives.

Based on the initial proposals, the treasury would have had to borrow £110 billion to fund the costs of the proposed changes. When Liz Truss and Kwasi Kwarteng announced all the proposals, they had not requested updated figures.

Mark Carney stated we had become “Argentina on the Channel” rather than “Singapore on Thames”. We have higher rates and falling house prices, and more importantly our credibility with the broader world was damaged overnight. Pension funds were forced to sell assets displaying a fundamental weakness in the financial system, which could have brought down the markets even further without intervention.

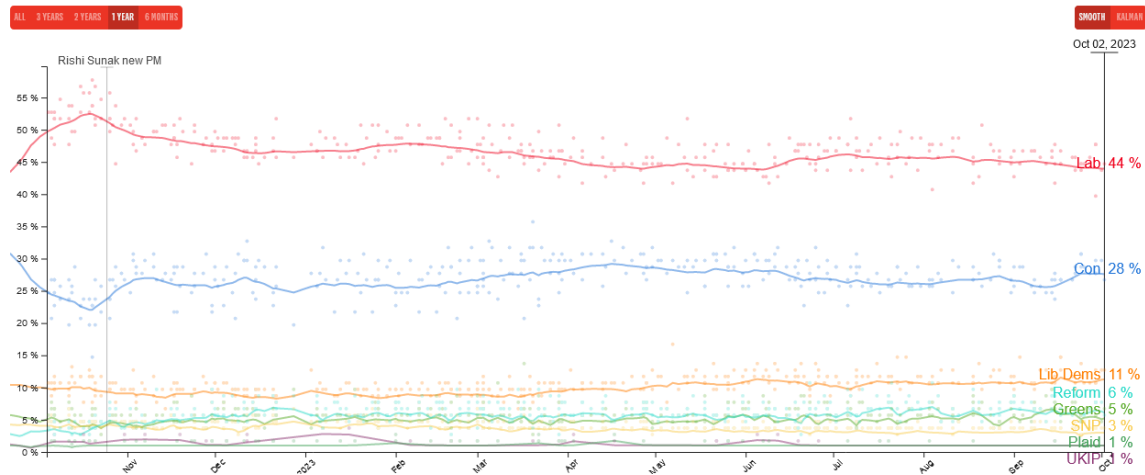
Credibility is crucial for the UK. Pushing back, the banning of petrol and diesel cars is an issue. Companies and investors need certainty. Any cutback in HS2 can be seen as a reduction in green investment. The old lines can effectively be used for freight, taking lorries off the road and opening other parts of the country. And announcing a new oil field when we claim to be a leader in the drive to a greener world doesn't help!

Regarding infrastructure, major investors now require costly currency hedges before investing.

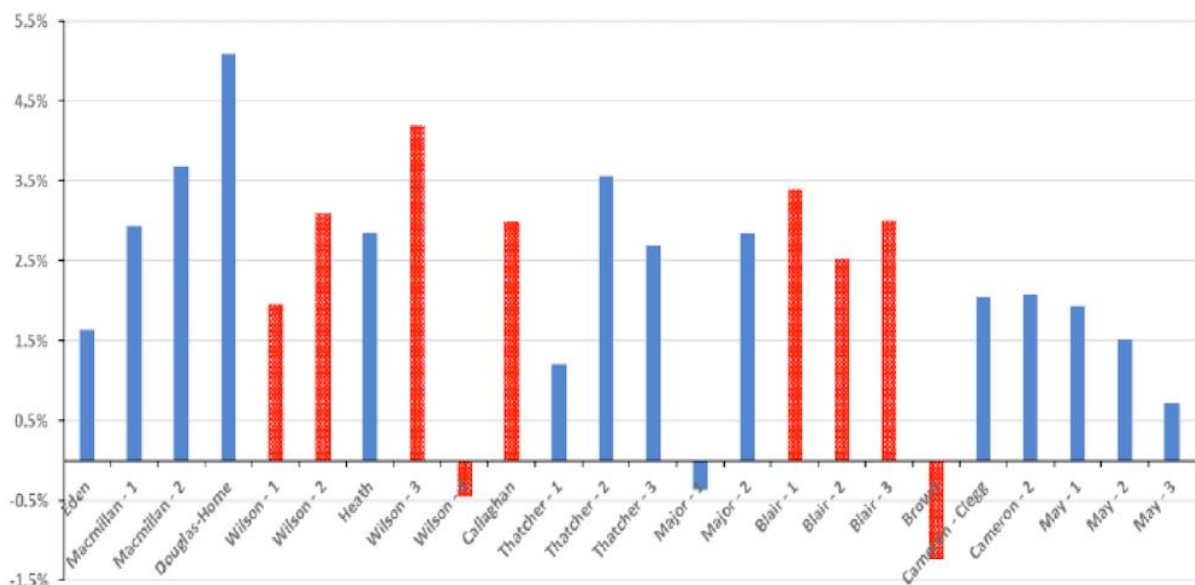
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The battle lines are being drawn with the election due in 2024 or 2025. Some expect this as early as May 2024, with the Conservatives already setting their plans.

National parliament voting intention



It seems highly likely Labour will win, but don't bet your house on it! Although the bi-election in Scotland will be seen as positive. Interestingly, a recent poll thought the Conservatives were more likely to raise taxes than Labour! The chart below shows growth by administration since 1955.



Source: The Conversation

A Labour government doesn't mean weak growth.

The UK's challenges are credibility, trade, interest rates, growth, and inflation. A period of stability should create a better environment.

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Although energy, financials and commodities have performed well, the UK market remains cheap and for investors this offers potential opportunities especially with quality where companies have low levels of debt and strong balance sheets.

UK FTSE All-Share forward P/E ratio

x, multiple



Source: JP Morgan Guide to Markets

Ultimately, the UK is not in a bad place. It just needs a reset.

A recent report by the IMF stated that the UK needs ambitious reforms. By 2022 real investment was still slightly lower than in 2016 – in contrast to the 14% increase among other G7 economies. Productivity growth is sluggish, reflecting a slower pace of innovation. Below they set out what they see is needed in the UK:



Source: IMF

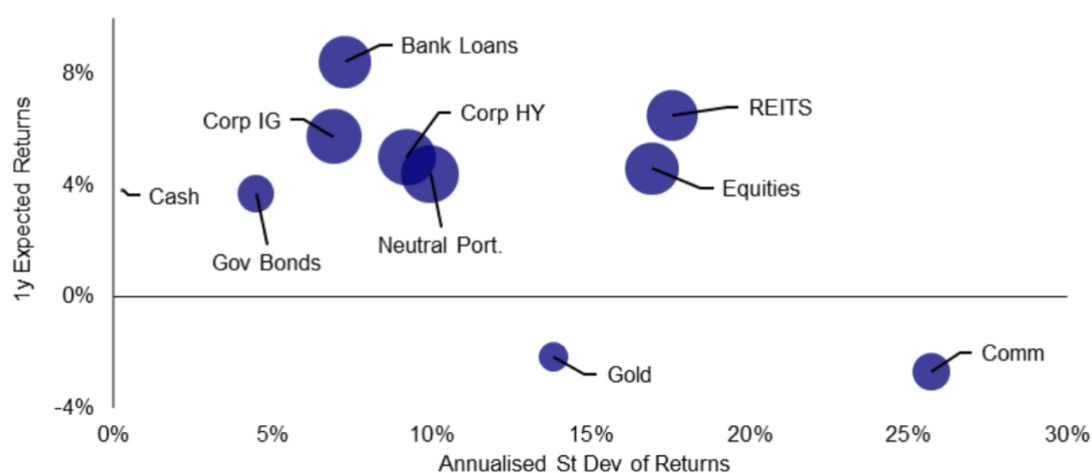
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Summary

It all feels relatively gloomy but we think we are at the point of capitulation. Many economies have already entered a technical recession.

From an economic perspective, this is never a great place to be in. From a market view, this is when we start to see that recovery. We feel that over the next 12 months we could begin to move up the curve, delivering positive returns for investors.

Figure 27 – Projected 12m return versus risk for global assets



Notes: based on local currency returns. Returns are projected but standard deviation of returns is based on 5-year historical data. Size of bubbles is in proportion to average pairwise correlation with other assets (hollow bubbles indicate negative correlation). Cash is an equally weighted mix of USD, EUR, GBP and JPY. Neutral portfolio weights shown in **Figure 3**. As of 31 August 2023. **There is no guarantee that these views will come to pass.** See Appendices for definitions, methodology and disclaimers. Source: ICE BofA, Credit Suisse, FTSE Russell, MSCI, S&P GSCI, Refinitiv Datastream and Invesco Global Market Strategy Office

Source: Invesco

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Emerging Markets and Asia

At a glance

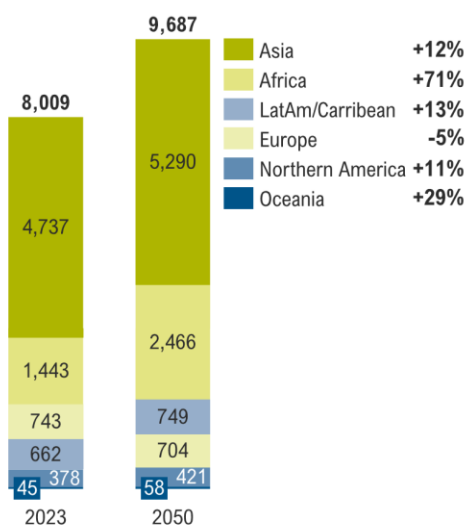
1. De-risking and China Plus One provide opportunities across emerging markets and Asia.
2. Clean technology and a shift away from oil and gas benefit several economies.
3. Emerging economies are likely to dominate over the next several decades.
4. We should not write off China. It came out of COVID later than other economies; it has issues, but it will recover.
5. Markets are cheap, the opportunities plentiful.

The case for emerging markets

We will spend much of this update on China, but we want to flag why emerging markets are essential. Population growth is a factor.

Over the next three decades, Africa's population will increase by more than 1 billion – Asia remains the world's population giant

Population by continent 2023 and 2050 and growth rates [m, %]



Top five countries per region by population 2050 [m]

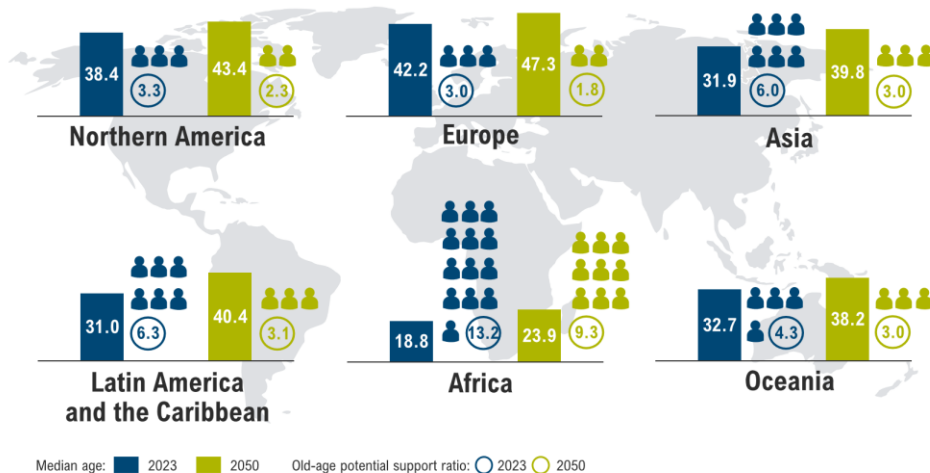
Asia	India 1,670	China 1,313	Pakistan 368	Indonesia 317	Bangladesh 203
Africa	Nigeria 375	D.R. Congo 215	Ethiopia 213	Egypt 160	Tanzania 129
LatAm/Caribbean	Brazil 231	Mexico 144	Colombia 57	Argentina 52	Peru 42
Europe	Russia 134	Germany 79	UK 72	France 66	Italy 52
Northern America	USA 375	Canada 46	Bermuda <1	Greenland <1	S. Pierre & Miquelon <1
Oceania	Australia 32	Papua N. Guinea 15	New Zealand 6	Solomon Islands 1	Fiji 1

Source: Visual Capitalist Six Megatrends

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All regions are aging with fewer people of working age having to support more older people – Intercontinental differences remain significant

Median age [years] and old-age potential support ratio by region 2023 vs. 2050
[number of working-age people (20-64 years old) / number of people 65+ years old]



Sources: UN Population Division; Roland Berger

> A low old-age potential support ratio can have severe consequences for countries where a large share of public expenditure is allocated, for example, to health, caregiving and social security, which is taken up by older members of society to a proportionally larger extent

> However, there are several caveats: The old-age support ratio ignores the fact that people above the age of 65 are not necessarily dependent on support as a rising proportion is (still) in work or has access to other financial resources; also, by contrast, not all of those considered of working age are actually working

Roland Berger | 9

Source: Visual Capitalist Six Megatrends

Emerging markets are growing and have younger populations. The global economic power is shifting to emerging countries.

Global economic power is shifting to emerging countries – Asian countries are poised to take center stage

In 2050, three of the top 6 global economic players will stem from emerging markets in Asia

Top 10 countries in terms of nominal GDP in 2022 and 2050 [USD bn]



Sources: Oxford Economics; EEAS; Roland Berger

> The **Regional Comprehensive Economic Partnership (RCEP)**, a free trade agreement among 15 Asia-Pacific nations (Australia, Brunei, Cambodia, China, Indonesia, Japan, South Korea, Laos, Malaysia, Myanmar, New Zealand, the Philippines, Singapore, Thailand, Vietnam) formally signed in 2020, has demonstrated the ambitions of Asian countries to leverage their economic potential

> Comprising a broad range of **fast growing developed and emerging economies** and **important advanced economies**, a **large potential of skilled labor** and a **giant customer base** with rapidly increasing purchasing power, many Asian countries are already **economic powerhouses** while others are on a clear path to become one in the future

> **India** has become the **most populous country in 2023** and **China** will likely replace the United States as the **world's largest economy by 2033**. By 2050, **three of the top 6 global economic players** will stem from emerging markets in Asia

> **RCEP** is a competitive force amongst free trade areas, but equally a **new opportunity** for its members and other trading blocs: the agreement may make it **easier for other free trade areas to trade with the Asia Pacific states**, as it can reduce or replace the number of (existing) bilateral or country-level agreements

Roland Berger
Roland Berger | 47

Source: Visual Capitalist Six Megatrends

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De-risking or a China Plus One policy benefits the wider region.



Source: FT

Countries such as India, Mexico, Vietnam, and the Philippines have benefited from the shift to de-risk. India is cutting red tape to make it more attractive to overseas companies. Mexico is benefiting from its proximity to the US. What is complicated is that more technical industries remain in China, but sectors such as textiles and toy makers are moving out.

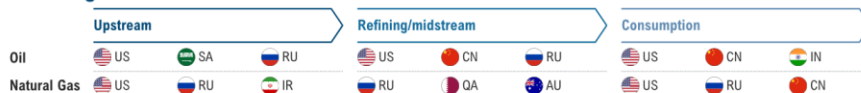
The shift to clean technologies benefits countries such as Chile, Peru, China, Korea, Japan, and the Democratic Republic of the Congo.

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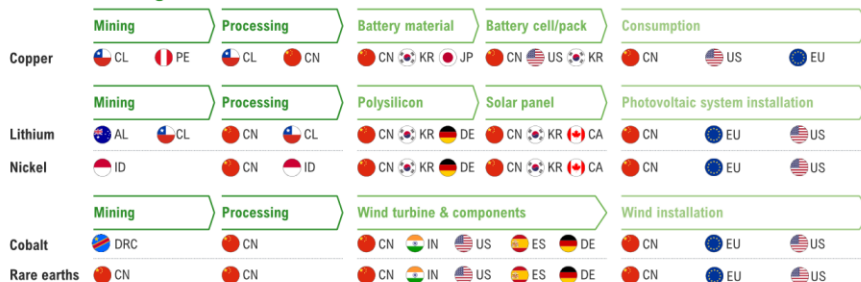
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Indicative supply chain of fossil fuels and relevance of key clean energy raw material producing countries and countries of consumption (selective)

Oil and gas



Clean technologies



Looking ahead

Regarding the global energy transition and its underlying clean-energy technologies, **certain CRMs will be much more in demand in the future:**

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1) Largest producers and consumers are indicative only; 2) Data calculated under the IEA's Announced Pledges Scenario
Sources: IEA; WEF; MSC; Roland Berger

Roland Berger | 40

Source: Visual Capitalist Six Megatrends

The chart below shows the share of global markets. As these economies play a more significant role in the world, a slight reduction in the size of the largest markets will benefit them.

Country / Region	Market Cap	Share (%)
U.S.	\$46.2T	42.5%
EU	\$12.1T	11.1%
China	\$11.5T	10.6%
Japan	\$5.8T	5.4%
Hong Kong	\$4.3T	4.0%
UK	\$3.2T	2.9%
Canada	\$3.0T	2.7%
Australia	\$1.7T	1.5%
Singapore	\$0.6T	0.6%
Rest of Developed Markets	\$10.2T	9.4%
Rest of Emerging Markets	\$10.0T	9.2%
Global Total	\$108.6T	100.0%

Data as of Q2 2023. Numbers may not total 100 due to rounding..

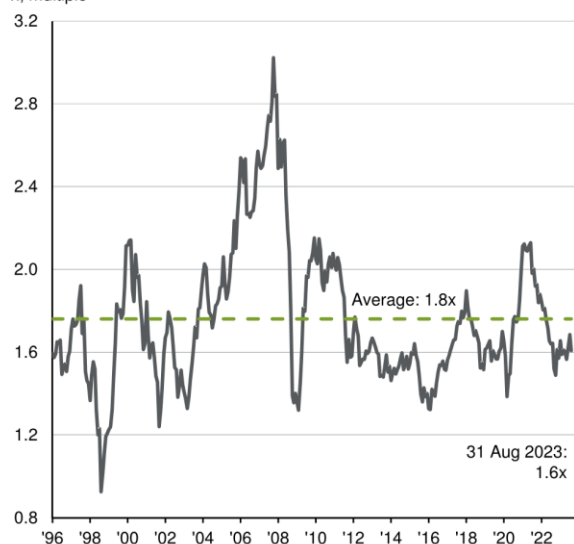
Source: Visual Capitalist

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Emerging markets have been a lost decade for investors, and the charts below outline why now is a time to consider the opportunities.

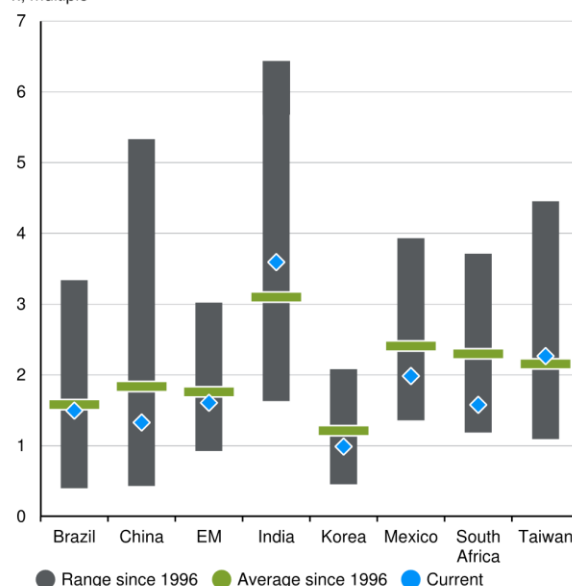
MSCI EM price-to-book ratio

x, multiple



EM price-to-book ratios by country

x, multiple



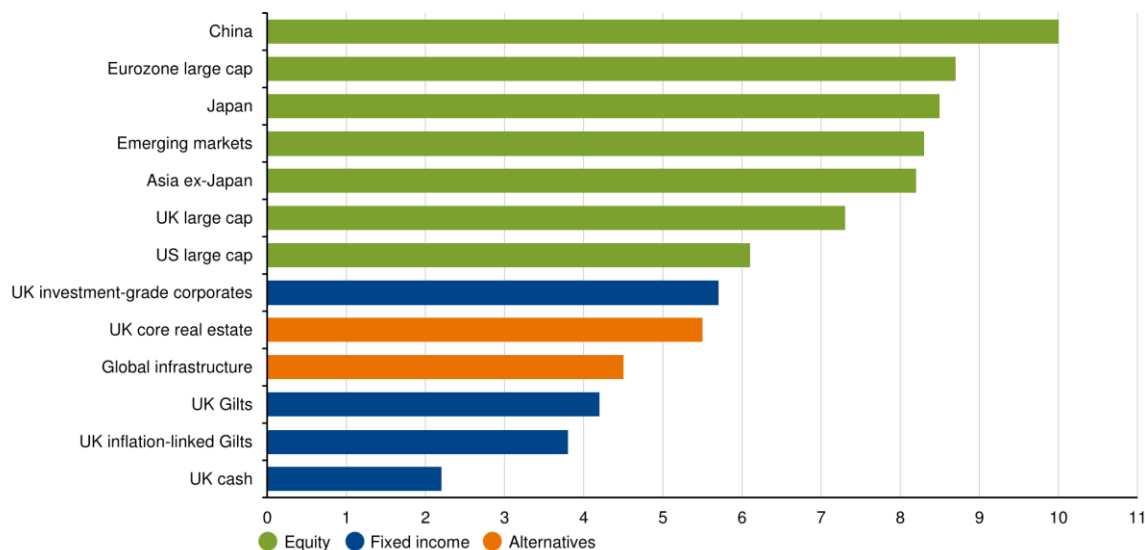
Source: JP Morgan Guide to Markets

Asset return expectations

GTM UK 81

2023 Long-Term Capital Market Assumptions expected returns in coming 10-15 years

%, annualised return in GBP



Source: JP Morgan Guide to Markets

“Focusing on helping individuals and companies to understand and plan their financial future”.

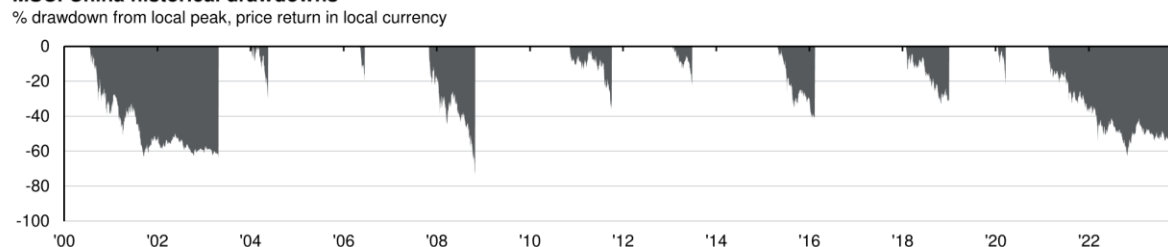
China

There has been a great deal of negativity surrounding China. There are also thoughts that it is following the path of Japan in the 90's and 00's. All of this might be true.

MSCI China price-to-book ratio



MSCI China historical drawdowns



Source: JP Morgan Guide to Markets

We often read about this complex plan to take over the world. I would counter that argument. The leadership, I would argue, have a straightforward strategy around “common prosperity”. Bring people up, keep them happy and keep power.











GDP per head is 28% of the US; by 2050, if it follows the same trajectory as Korea, this could be 70%. This is significant.

China is often cited as having a grand scheme to secure world leadership. However, it may not be as complicated as that. It is more about protection and response. As the US expanded its influence in Africa, we have seen initiatives such as the Belt and the Road Initiative (BRI) provide aid and finance to African and South American countries to create new infrastructure.

Strangely China tends to stay away from the internal politics of its partners and is willing to work with democracies and dictatorships. I love this quote: “...a well-told lie is worth a thousand facts”.

To illustrate this, China is not the only country investing in Africa. This is data between 2014 – 2018.

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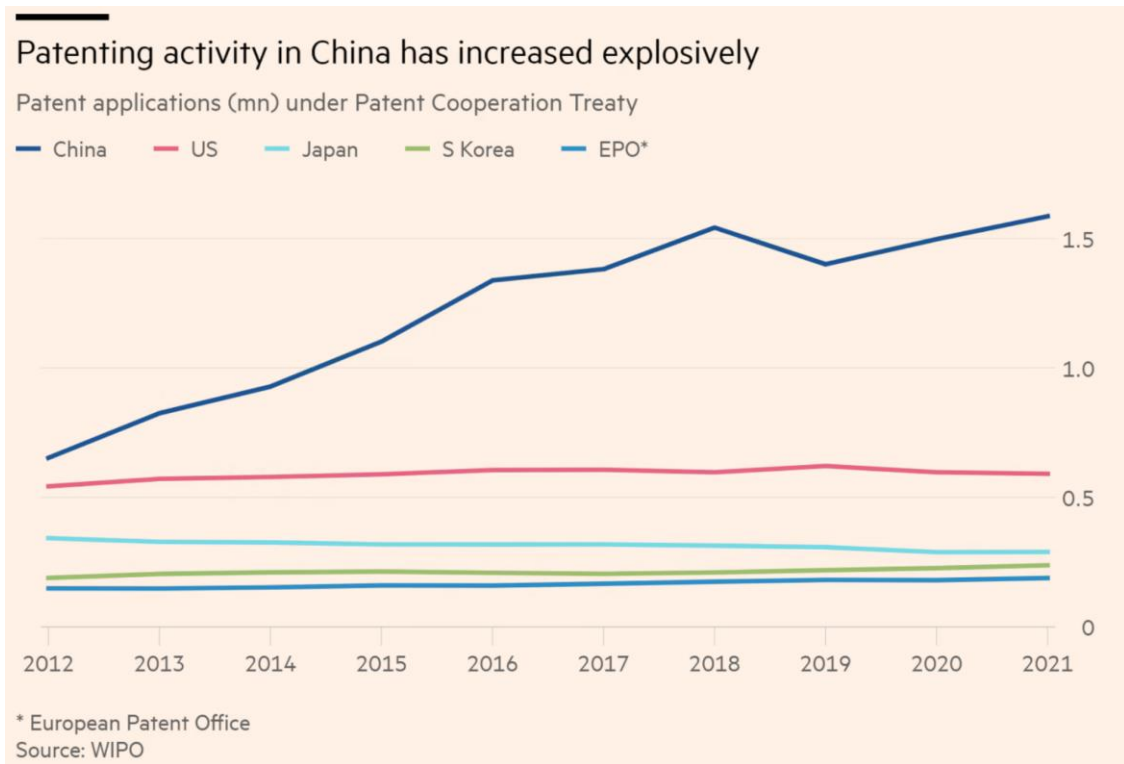
	Country	Projects	Jobs created	Capital US\$m
	USA	463	62 004	30 855
	France	329	57 970	34 172
	UK	286	40 949	17 768
	China	259	137 028	72 235
	South Africa	199	21 486	10 185
	UAE	189	39 479	25 278
	Germany	180	31 562	6 887
	Switzerland	143	13 363	6 432
	India	134	30 334	5 403
	Spain	119	13 837	4 389

Source: OECD

Understanding the truth is hard, and therefore we turn to the facts. We know that China is investing in securing the best technology so is less reliant on other countries. We might not understand their approach but interestingly, the 200th company floated on China's markets this year in September. These companies have raised \$40 billion, double that of Wall Street and half the global total.

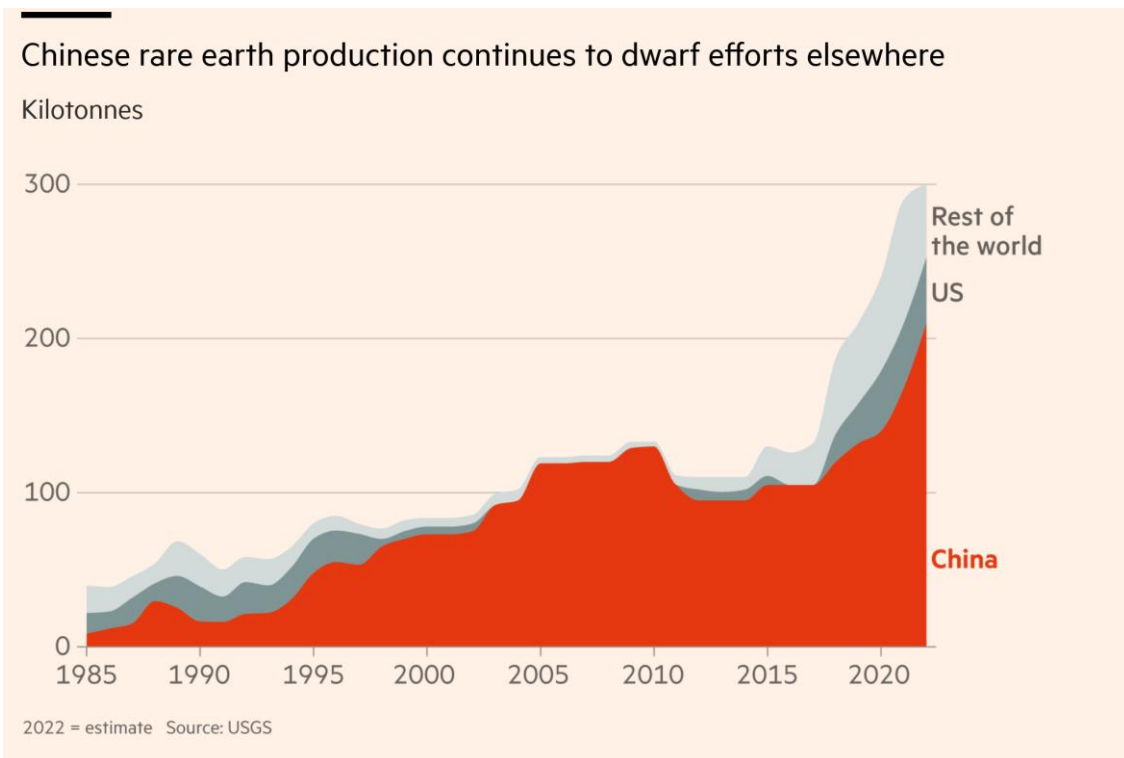
Much of the emphasis is on technology and self-sufficiency and moving away from the reliance on property and infrastructure. This is where they want to put the money. They have also introduced lock-in periods for new issues to guard against investors profiting. It's an interesting concept. The chart below emphasises the growth in innovation.

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Source: FT

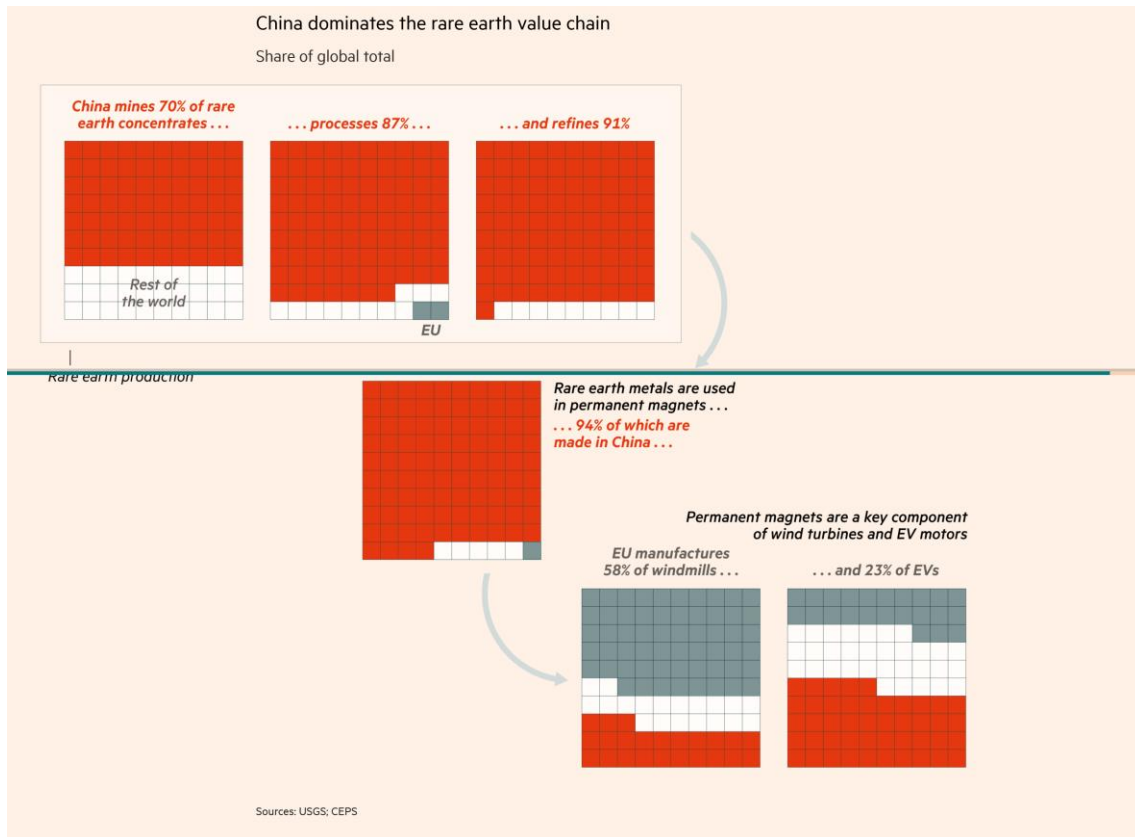
China is also dominant in the move to green technologies. It is the most significant rare earth production country.



Source: FT

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It dominates the value chain.



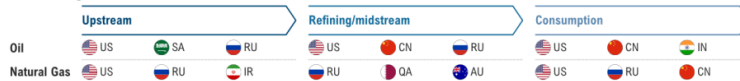
Source: FT

And then we come back to this:

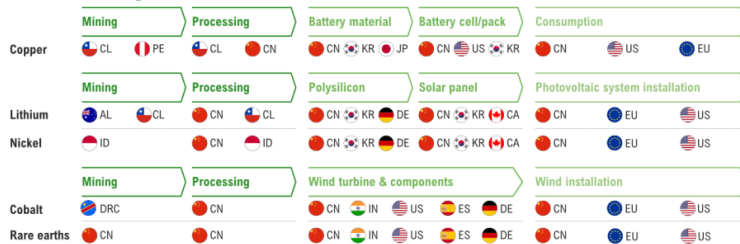
The transition to cleaner energy technologies and systems alters raw material dependencies – Future CRM demand is a multiple of today's

Indicative supply chain of fossil fuels and relevance of key clean energy raw material producing countries and countries of consumption (selective)

Oil and gas



Clean technologies



Looking ahead

Regarding the global energy transition and its underlying clean-energy technologies, **certain CRMs will be much more in demand in the future:**

Mineral	Use in clean-energy tech	Rise in demand, 2050 relative to 2021, factor ²⁾
Cobalt	Electric vehicles (EVs), battery storage	6.2
Copper	Solar, wind, bio-energy, electricity networks, EVs, battery storage	2.8
Lithium	EVs, battery storage	24.0
Nickel	Geothermal, EVs, battery storage, hydrogen	12.3
REEs	Wind, EVs, battery storage	7.2

1) Largest producers and consumers are indicative only; 2) Data calculated under the IEA's Announced Pledges Scenario
Sources: IEA; WEF; MSC; Roland Berger

Source: Visual Capitalist Six Megatrends

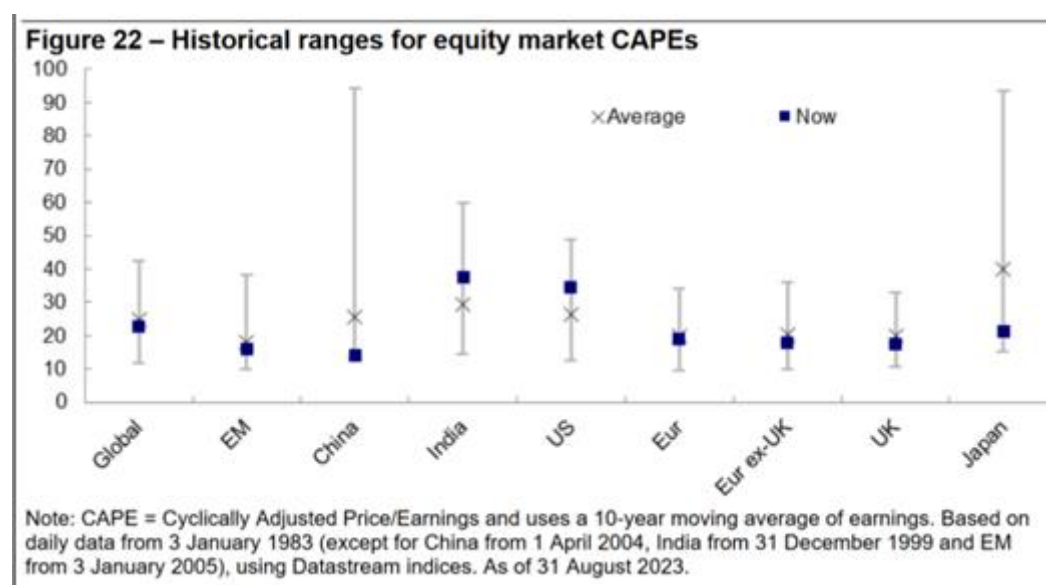
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China will benefit from the transition to clean technologies. In Solar Power, China dominates the market.

In summary, you have a country focused on improving things for its people. A country that will defend itself and one that is dominant in one of the most significant changes we will see over the coming decades.

Even if China grows at 4% p.a., this is double that of the US. Many still believe that China is about low-production items. This is no longer the case; China has become a technology powerhouse in a matter of years, whereas the West took decades to get to this place.

Considering market valuations:



Source: Invesco

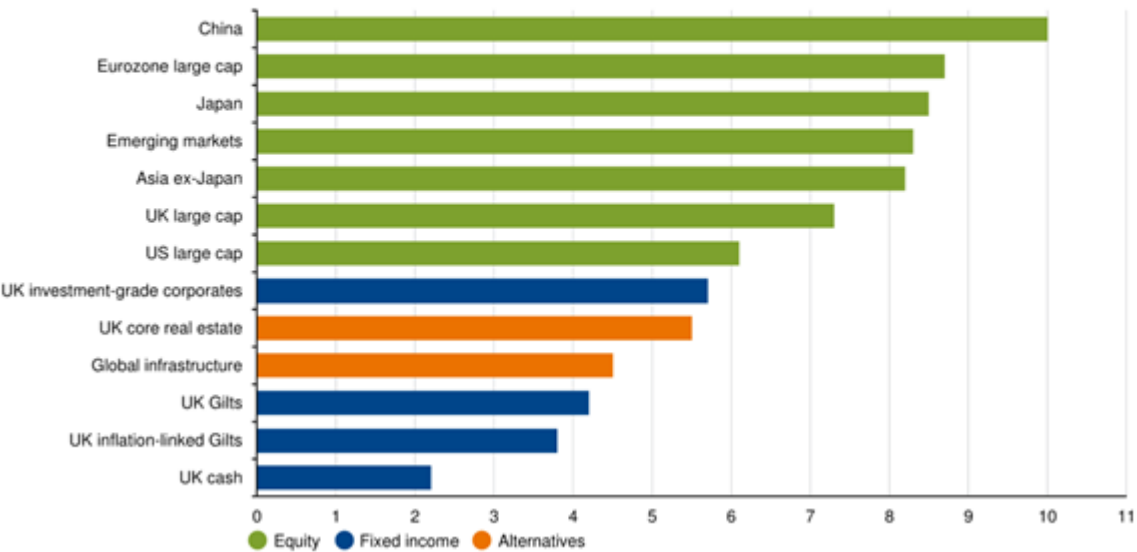
It is not unreasonable to see the returns indicated below:

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Asset return expectations

GTM UK 81

2023 Long-Term Capital Market Assumptions expected returns in coming 10-15 years
%, annualised return in GBP



Source: JP Morgan Guide to Markets

Summary

Emerging markets and Asia have been difficult for investors. Looking forward, there are significant opportunities. This is not just about demographics. De-risking from China benefits other economies. China is not the only country investing in regions such as Africa, but any investment into these regions is beneficial. Ultimately, the shift to greener technologies benefits many countries within these regions.

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General disclaimer: The data has been sourced from external sources (the charts, for example, are from FE), and although we have looked to ensure this is as accurate as possible, we are not responsible for the data they supply.

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