

An aerial photograph of a European city square, likely in Delft, featuring a large church with a prominent tower and many surrounding buildings. Handwritten black lines are drawn over the image, forming a large, irregular shape that encompasses the church and parts of the surrounding area. The lines are drawn with a thick marker, and some are solid while others are dashed.

# **Global Investment Management ~ Outsourced CIO**

August 2021

**Market Outlook & Analysis**

# Agenda

- 1 — Overview : Performance
- 2 — Asset Class Returns
- 3 — Market Outlook & Analysis
- 4 — Current Positioning



# — 1 — Portfolio Performance

as of 31<sup>st</sup> July 2021 US\$



	1M	3M	6M	12M
Income	-0.2%	5.7%	6.1%	
Balanced	0.8%	10.3%	9.5%	
Growth	0.9%	9.6%	9.9%	
S&P500 (TR)	4.4%	6.2%	18.8%	55.5%
Global Aggregate	-0.1%	-2.6%	-1.3%	4.7%

## — 2 — YTD Asset Class Returns

as of 31st July 2021

Asset class	July	YTD	Asset class	July	YTD
Global Developed Equities (\$ TR)	1.7%	13.0%	Global Aggregate (Hedged)	1.1%	-2.6%
Global Emerging market equities (TR)	-6.7%	7.4%	US Investment Grade	1.1%	-1.6%
US (S&P500 TR)	4.4%	6.2%	US High yield	0.4%	3.6%
NASDAQ	1.2%	12.5%	Emerging Market Debt	0.5%	-1.0%
Europe ex UK (MSCI)	2.1%	11.6%	Global Inflation linked	4.0%	-0.6%
UK FTSE-ALLSH (GBP)	0.5%	5.2%	Gold	2.5%	-6.0%
Japan (Nikkei 400 TR)	-2.6%	8.3%			
China (MSCI, \$)	-13.8%	1.8%	Oil (Brent)	1.6%	45.0%
Asia ex Japan (MSCI TR \$)	-7.5%	6.4%	Dollar trade weighted	-0.3%	2.8%

Source: Bloomberg

# Equities Stretched?

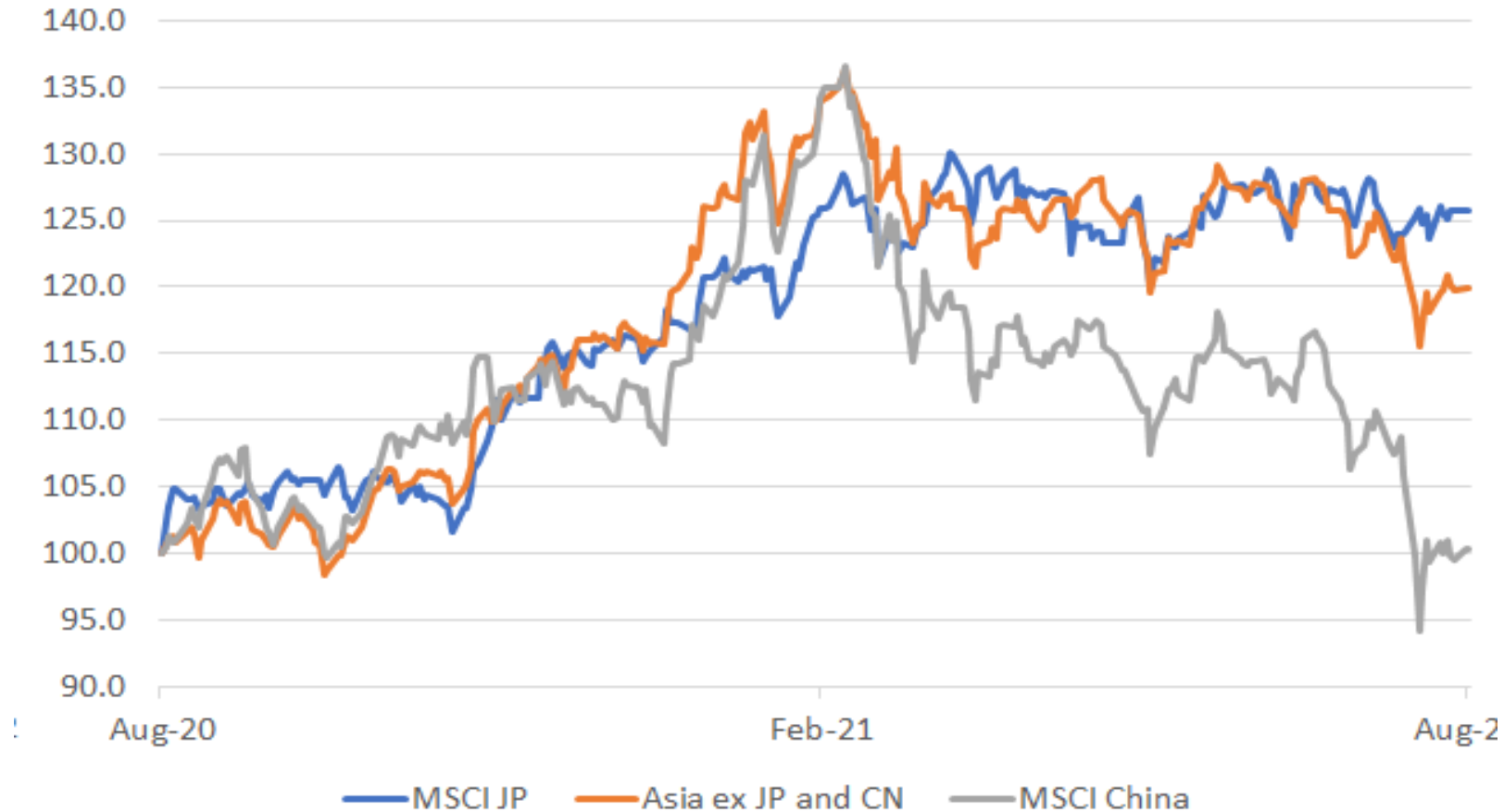
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Sour

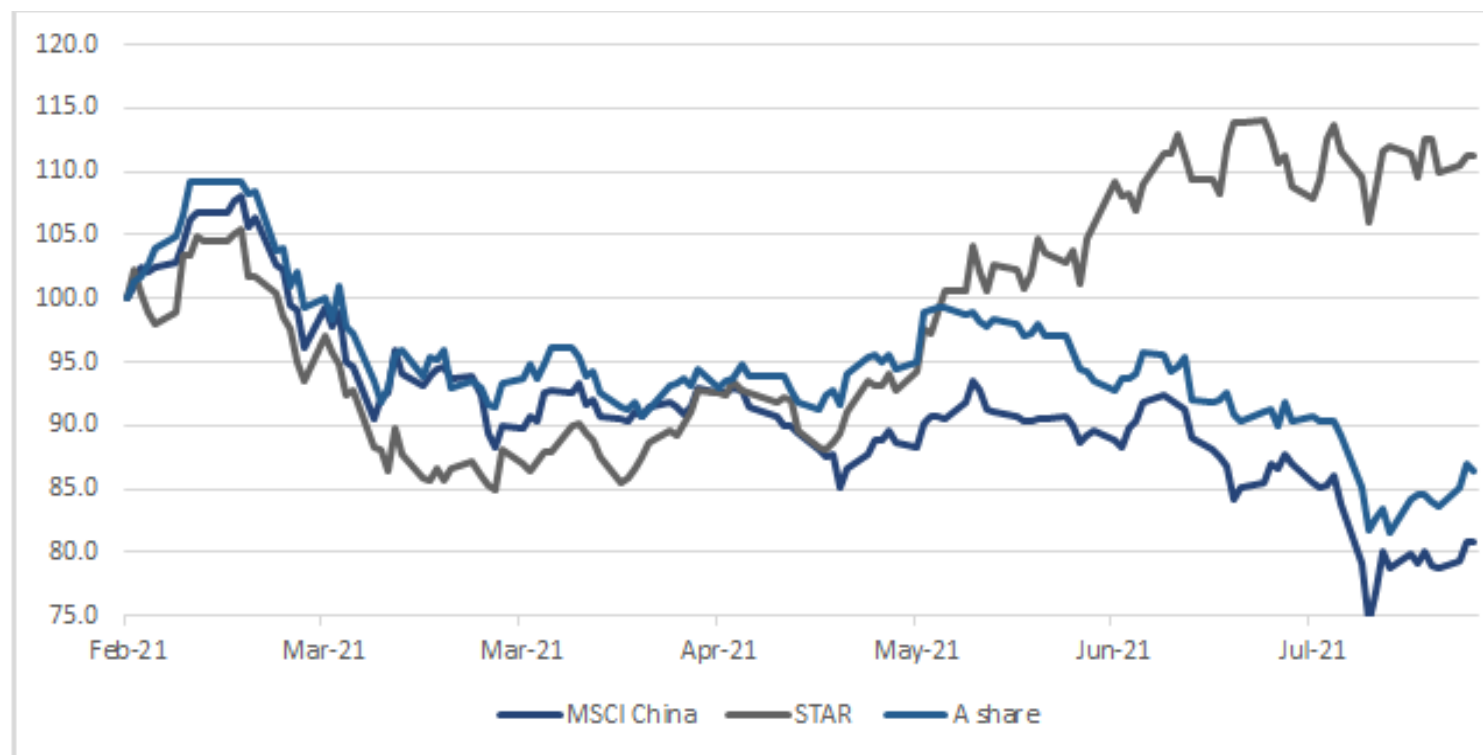
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## China shooting itself in the foot?

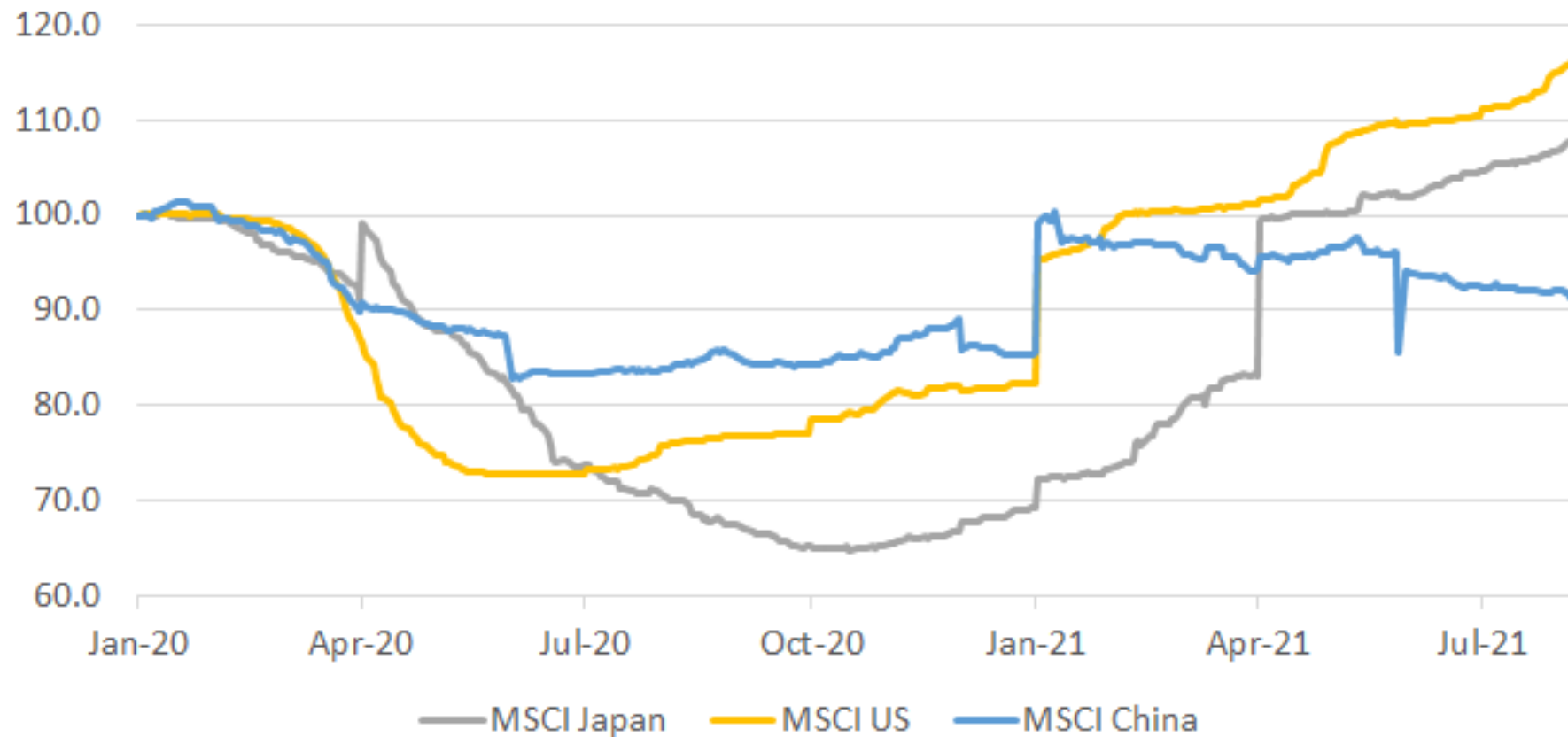


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China – although it's not all bad. Small caps good!!



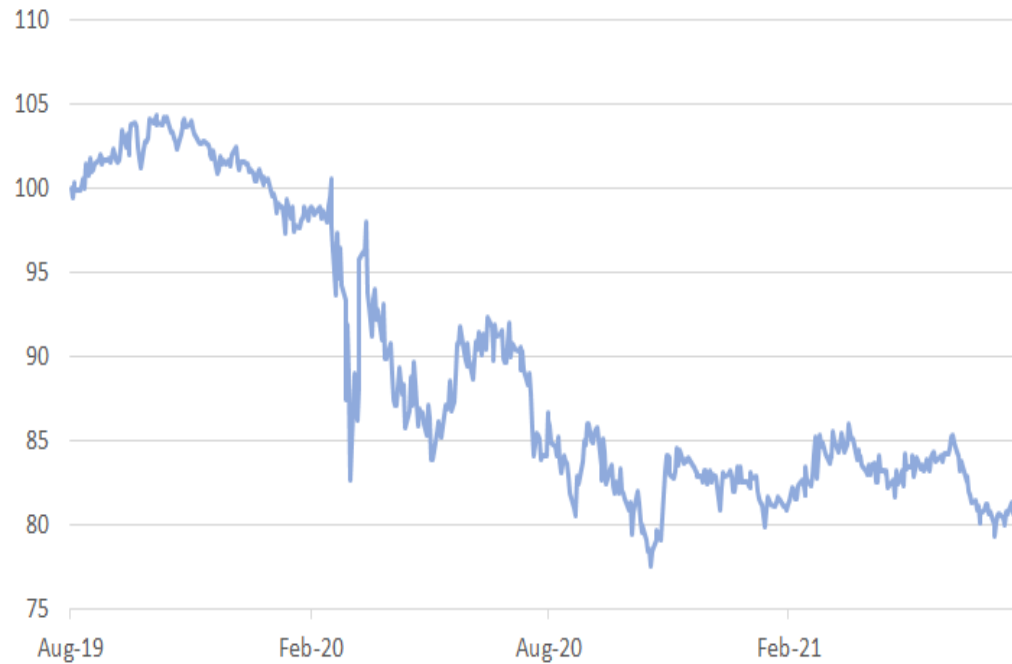
## — 3 — Japan looks good





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## Europe y-y comparisons look favourable for equities

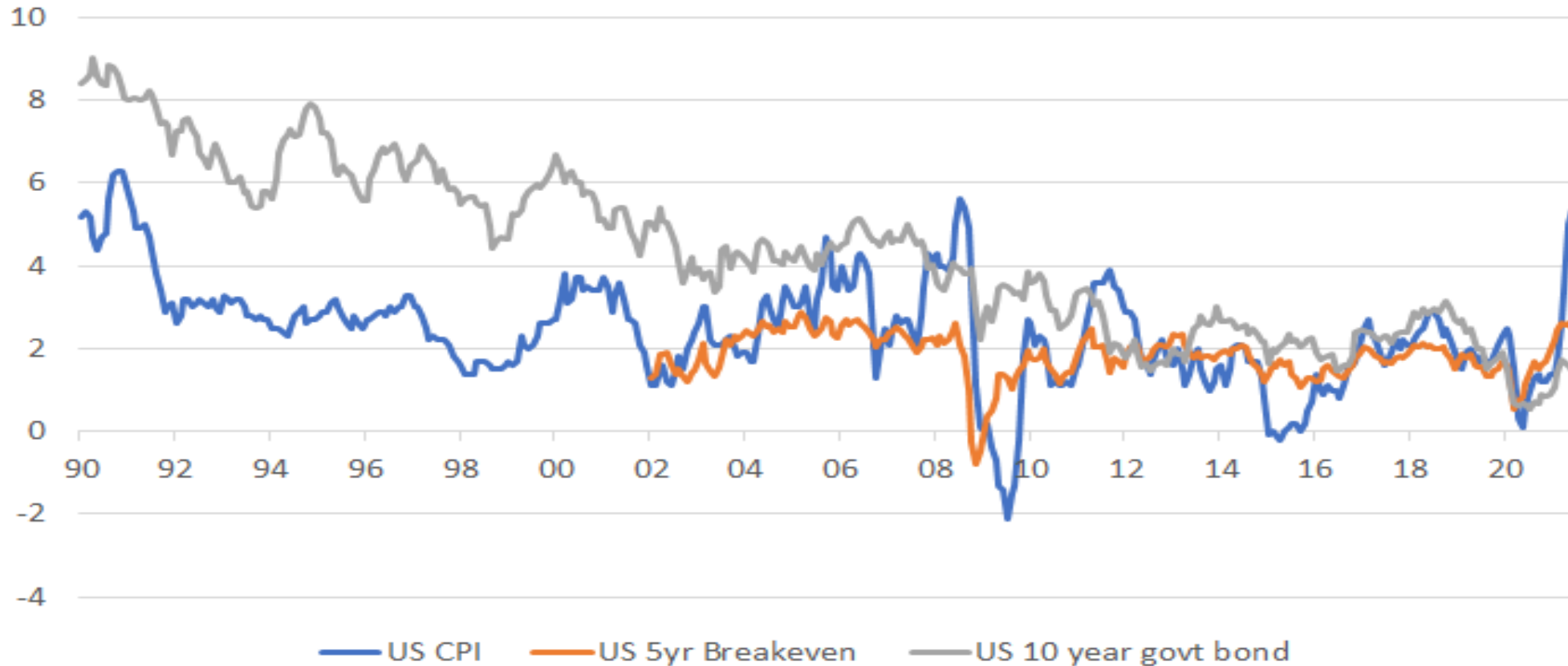


Eurostoxx relative to S&P500 index suggests 'catch up'

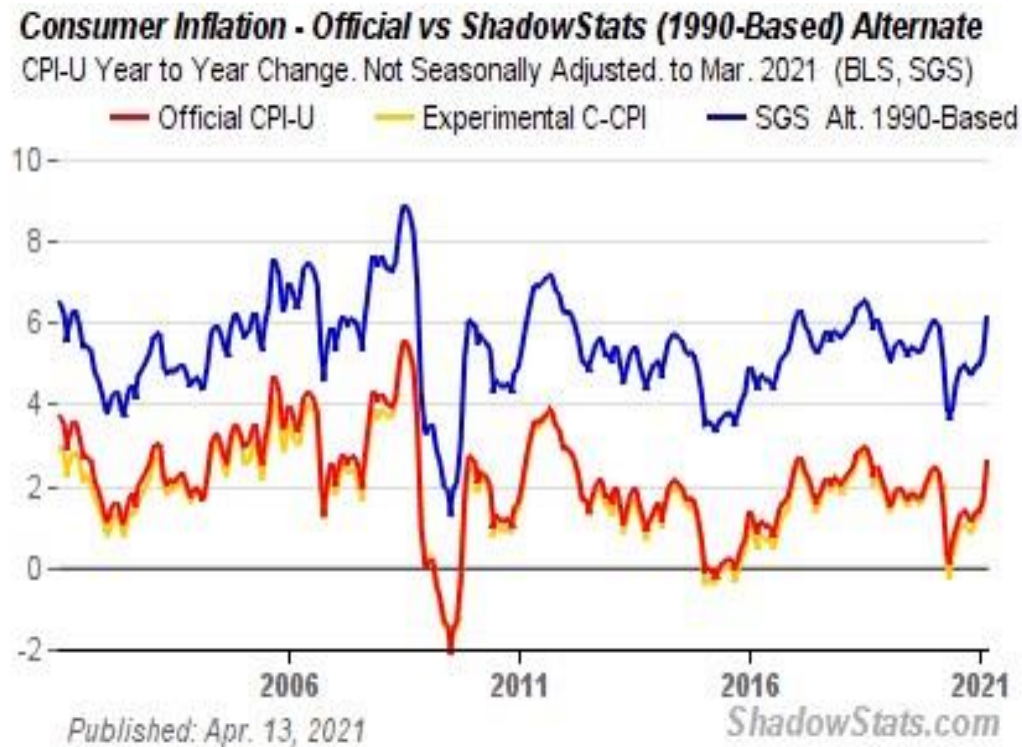
# — 3 — Can it get better for the USA?



# — 3 — Bond Yields & the Grand old Duke of York?



## — 3 — Inflation never went away



## — 3 — Inflation surprise index close to highs

*“Inflation is as violent as a mugger, as frightening as an armed robber and as deadly as a hit man.”*

- Ronald Reagan, 1978

***We have written extensively on the topic:***

[Equities As an Inflation Hedge? Choose Wisely Though](#) - 9 June 2021

[A Quick Update On Corporate America](#) - 4 May 2021

[From ZIRP to SPLURGE | Going Boldly Where No One Has Gone Before \(In Living Memory\)?](#) - 21 April 2021

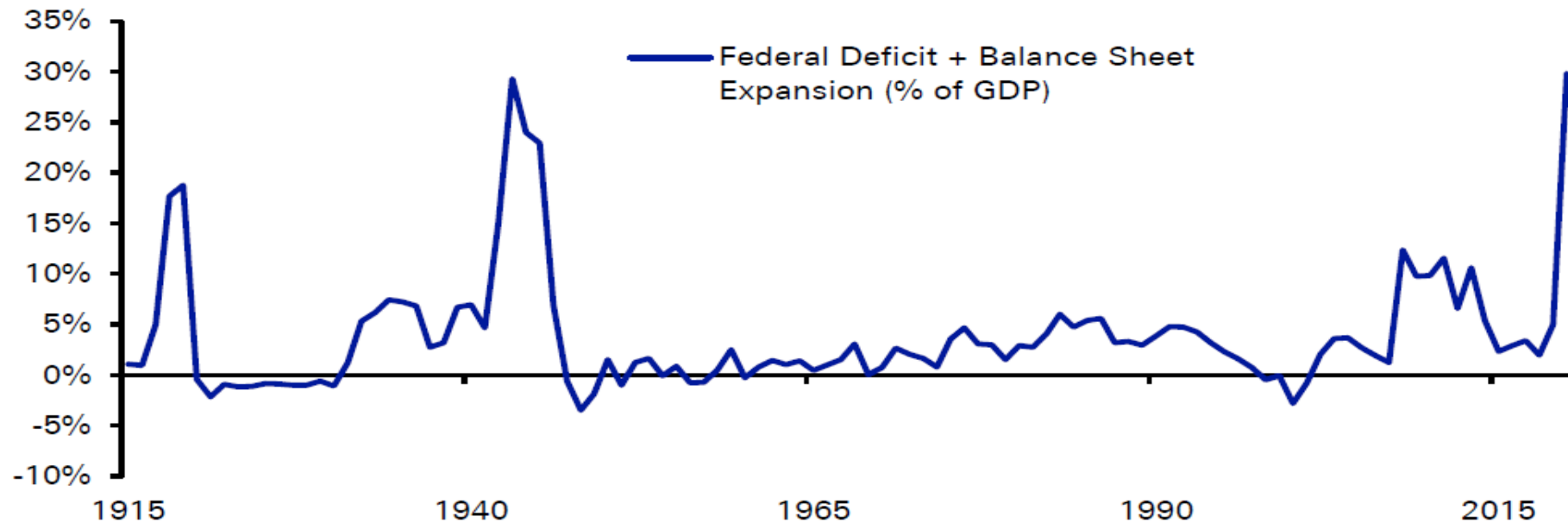
[A fictitious memo to Jay Powell from a 'staffer' at the Fed?](#) - 3 April 2021

***However, inflation now is not driven by the same forces as the 1970s. (It is facilitated by the same policy of free money)***

## — 3 — US Inflation ~ Fed Models outdated?

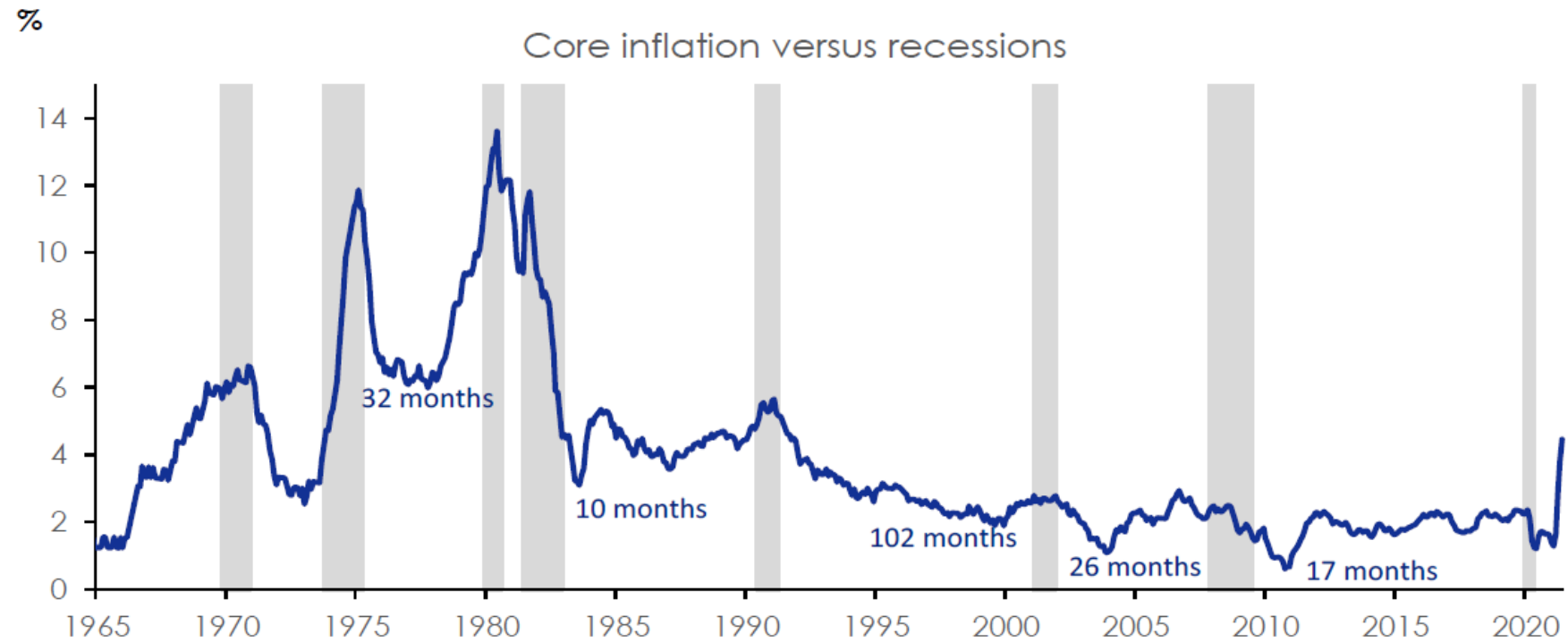


Figure 1: US fiscal and monetary policy has only been as coordinated during WWII



Source : GFD, Deutsche Bank

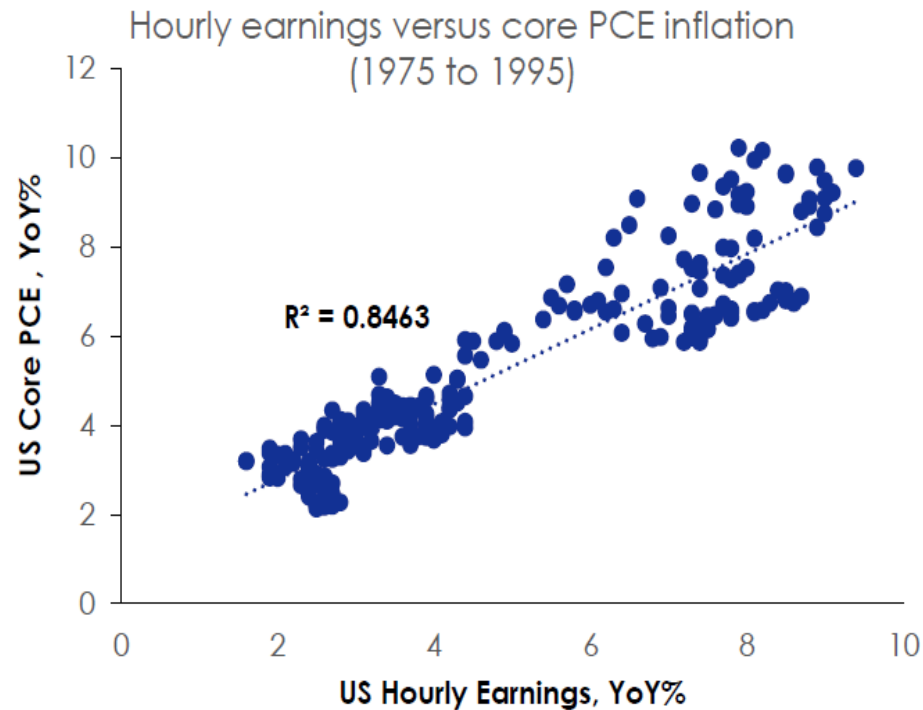
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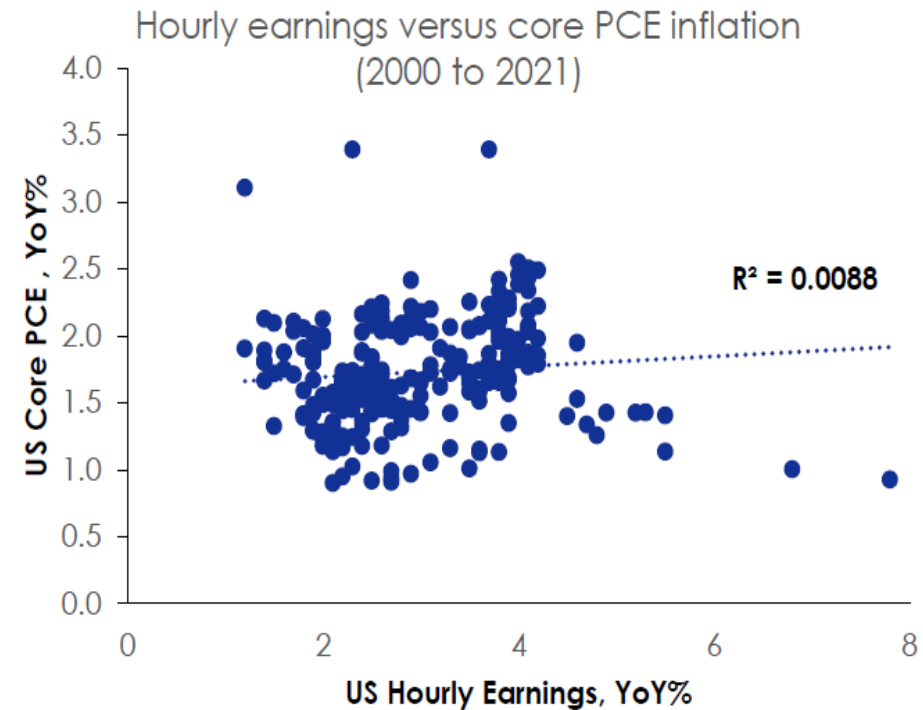
Source: Bloomberg, CCBIS estimates

# — 3 — US Inflation ~ Fed Models outdated?

Wages no longer drive inflation. As long as the Fed continues to use wage growth as the indicator of inflation, we have bad data.



Source: Bloomberg, CCBIS estimates



Source: Bloomberg, CCBIS estimates

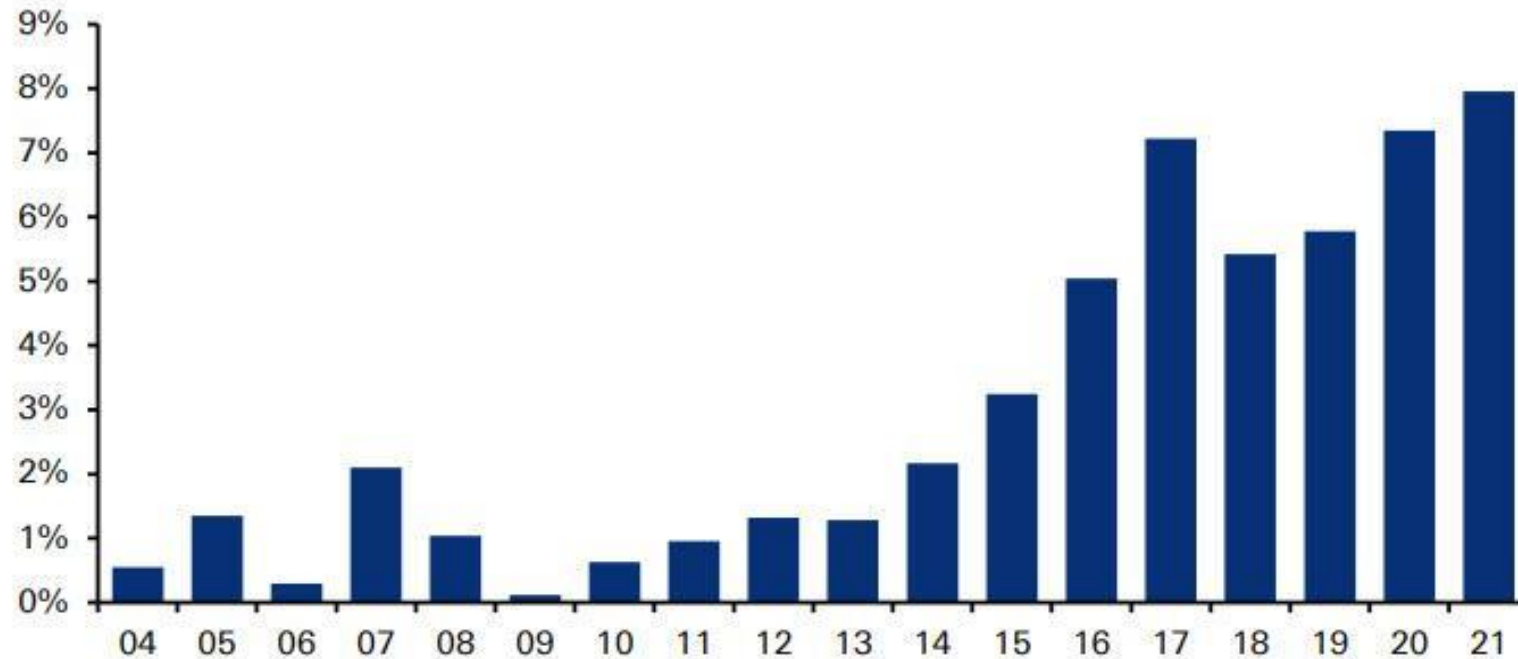


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# US Inflation ~ Fed Models outdated? or do they really know what they are doing?



Figure 1: Share of central bank speeches in the developed economies mentioning inequality

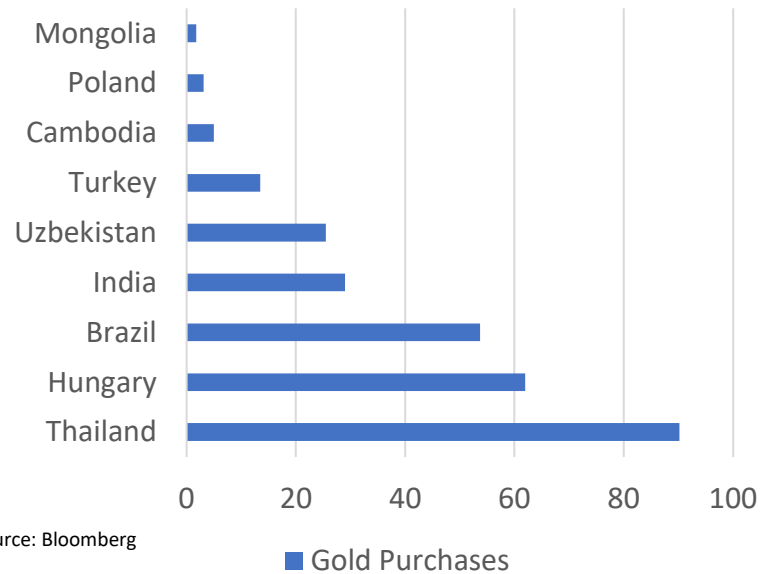


Source : BIS, Deutsche Bank

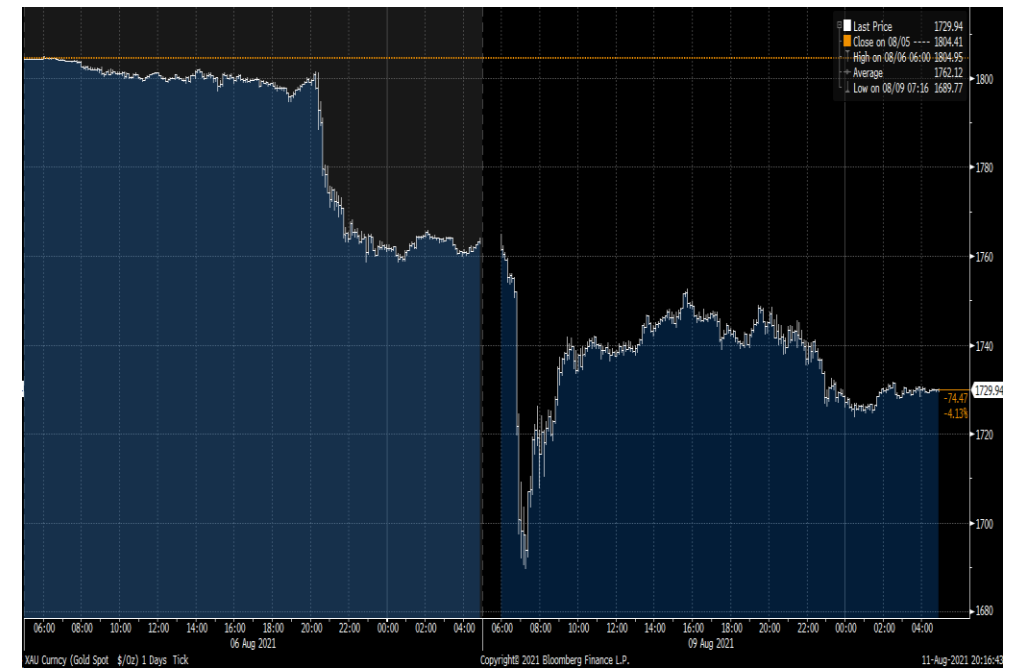


Central bank holdings up 333 tons in 1H 2021, 40% above five-year average

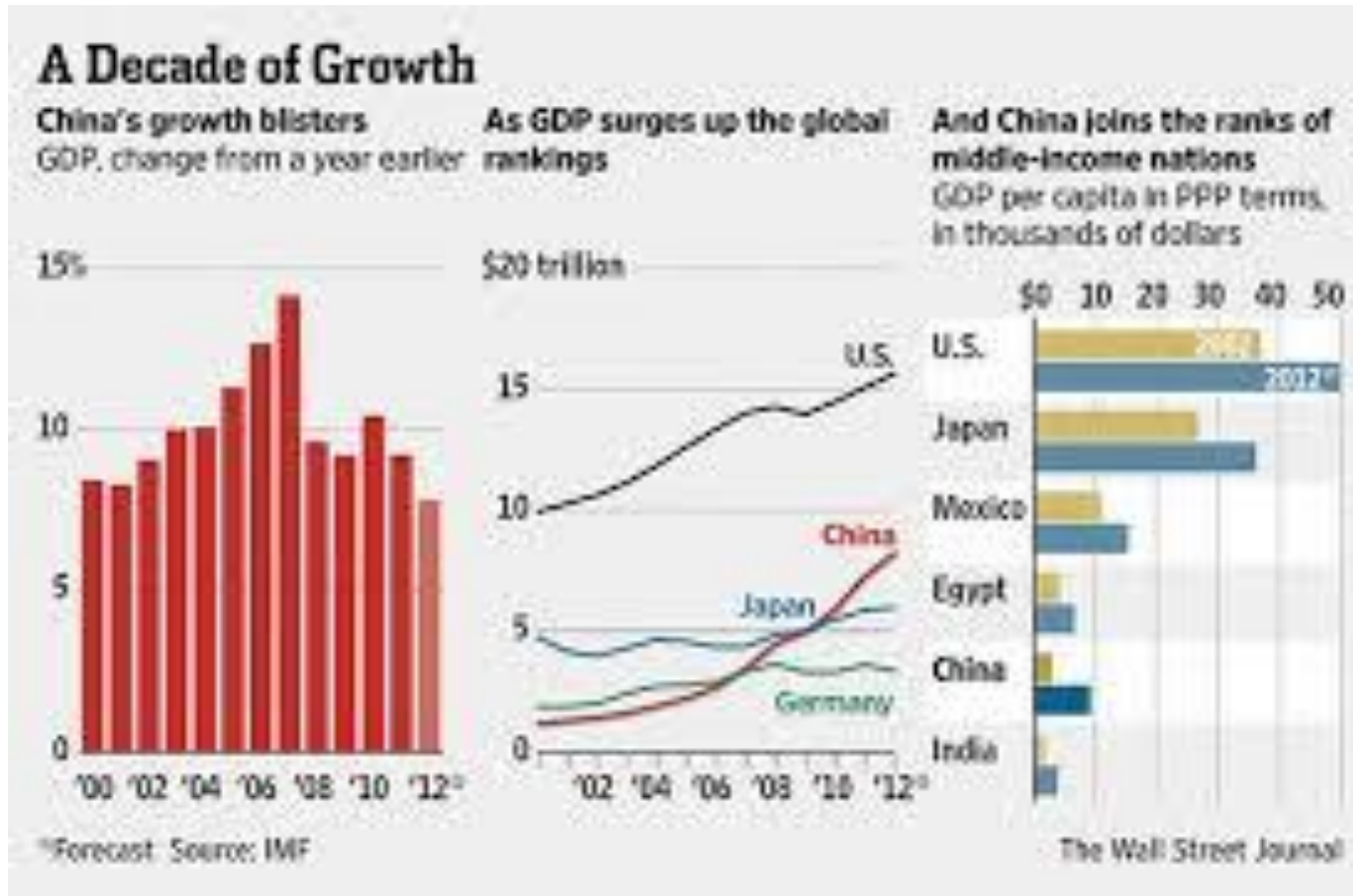
Central Bank purchases (tons)



Flash crash on a Sunday! – who sells \$4bn notional on a Sunday?



## — 3 — Commodity ‘Super Cycle’ recycles?

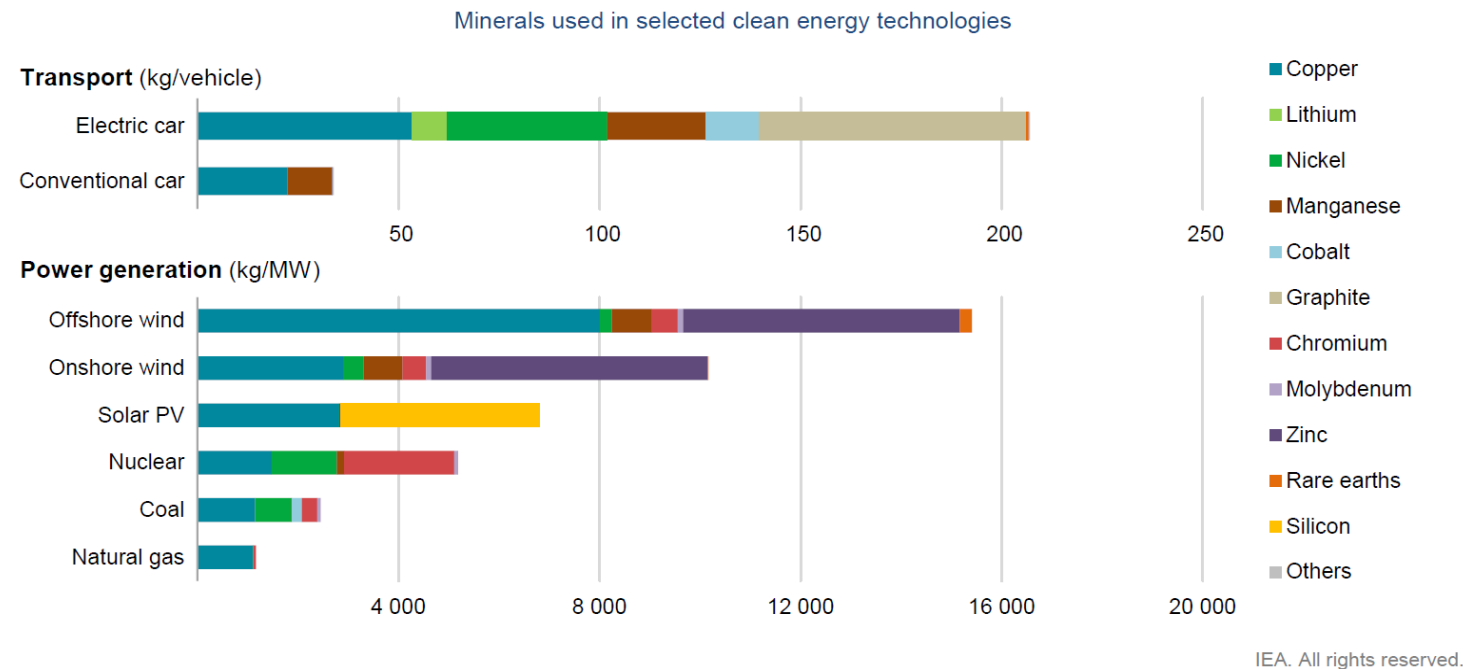


**Remember 2000 and beyond**

**China spent around \$17 trillion on industrialisation (\$22 trillion in today's terms)**

**Copper price rose 480% in a decade**

# — 3 — Commodity ‘Super Cycle’ recycles?

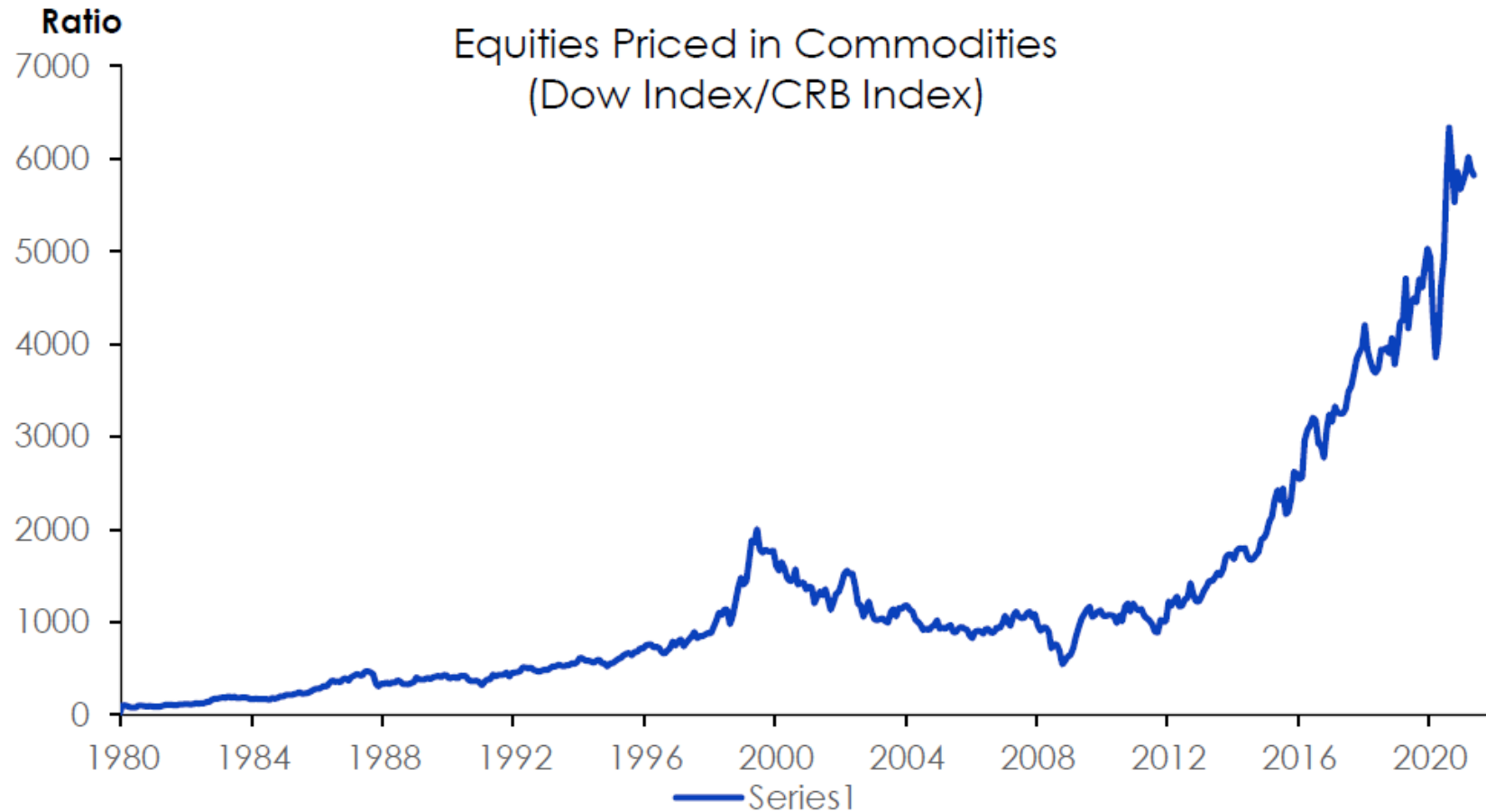


Notes: kg = kilogramme; MW = megawatt. Steel and aluminium not included. See Chapter 1 and Annex for details on the assumptions and methodologies.

“An energy system powered by clean energy technologies differs profoundly from one fuelled by traditional hydrocarbon resources. Building solar photovoltaic (PV) plants, wind farms and electric vehicles (EVs) generally requires more minerals than their fossil fuel based counterparts. **A typical electric car requires six times the mineral inputs of a conventional car, and an onshore wind plant requires nine times more mineral resources than a gas-fired power plant.** Since 2010, the average amount of minerals needed for a new unit of power generation capacity has increased by 50% as the share of renewables has risen.”

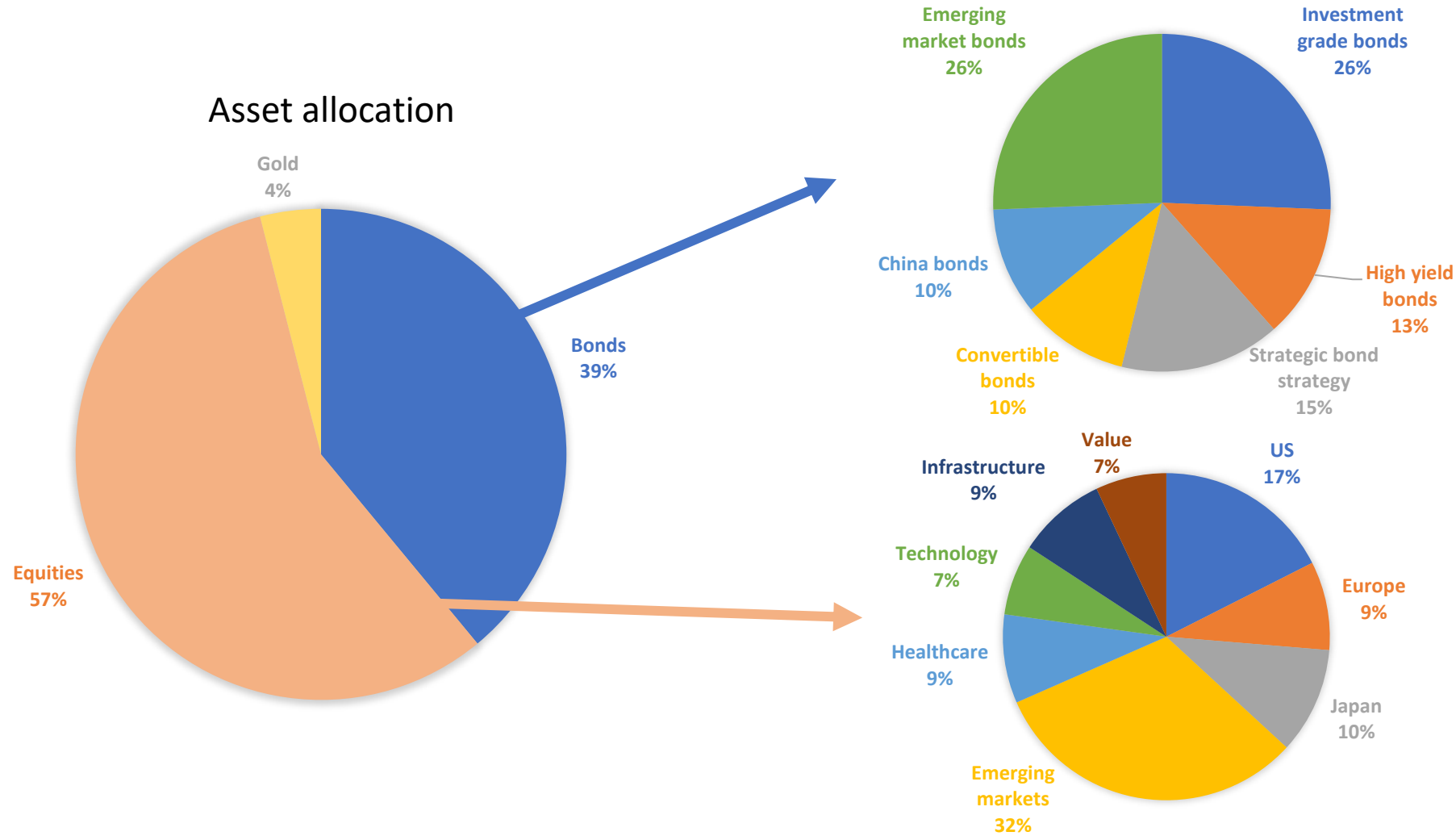
**Source: IEA, The Role of Critical Minerals in Clean Energy Transitions, 2021**

## — 3 — Commodities cheap cf other assets



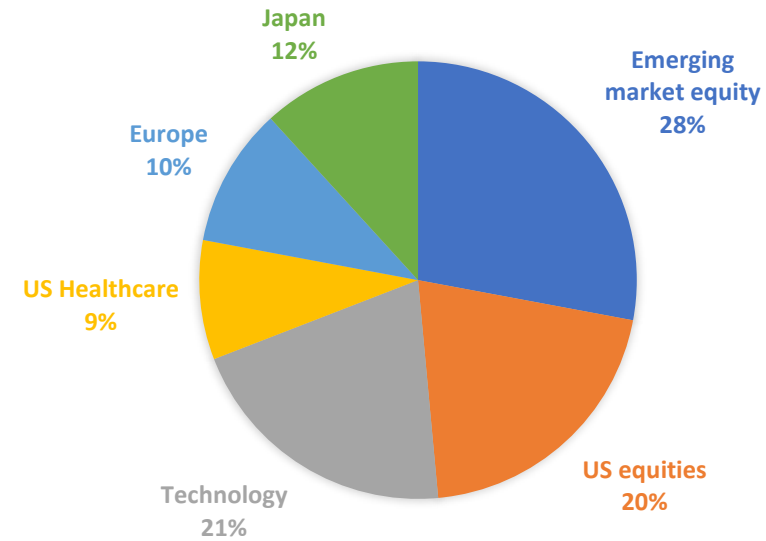
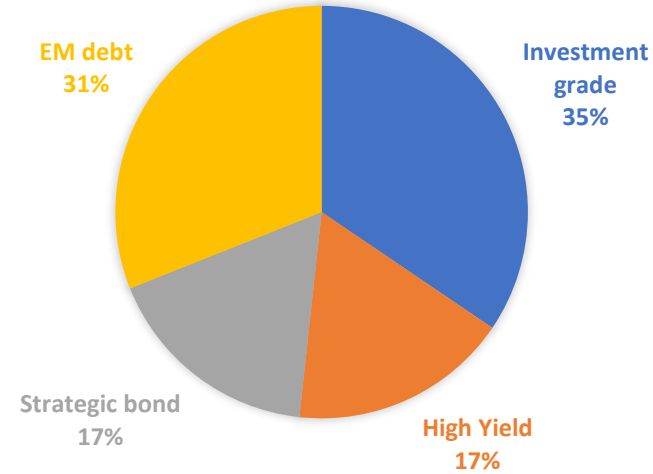
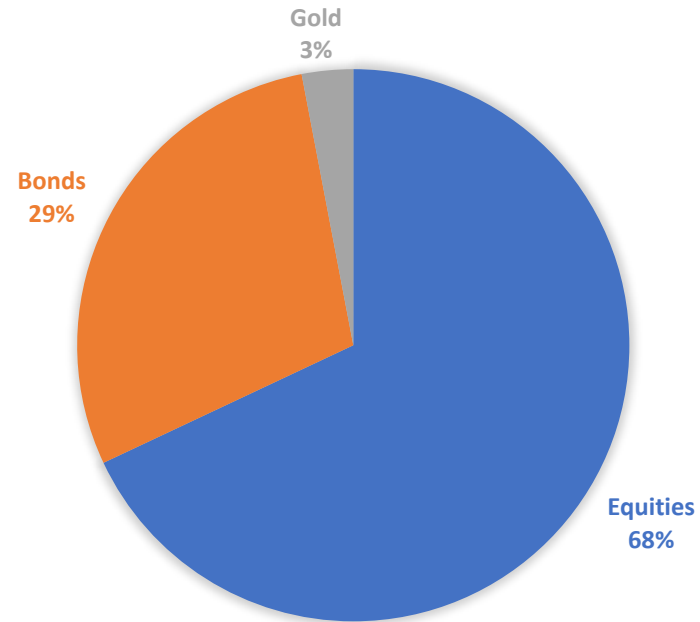
Source: Bloomberg, CCBIS

# — 4 — Position Update ~ Balanced Portfolio

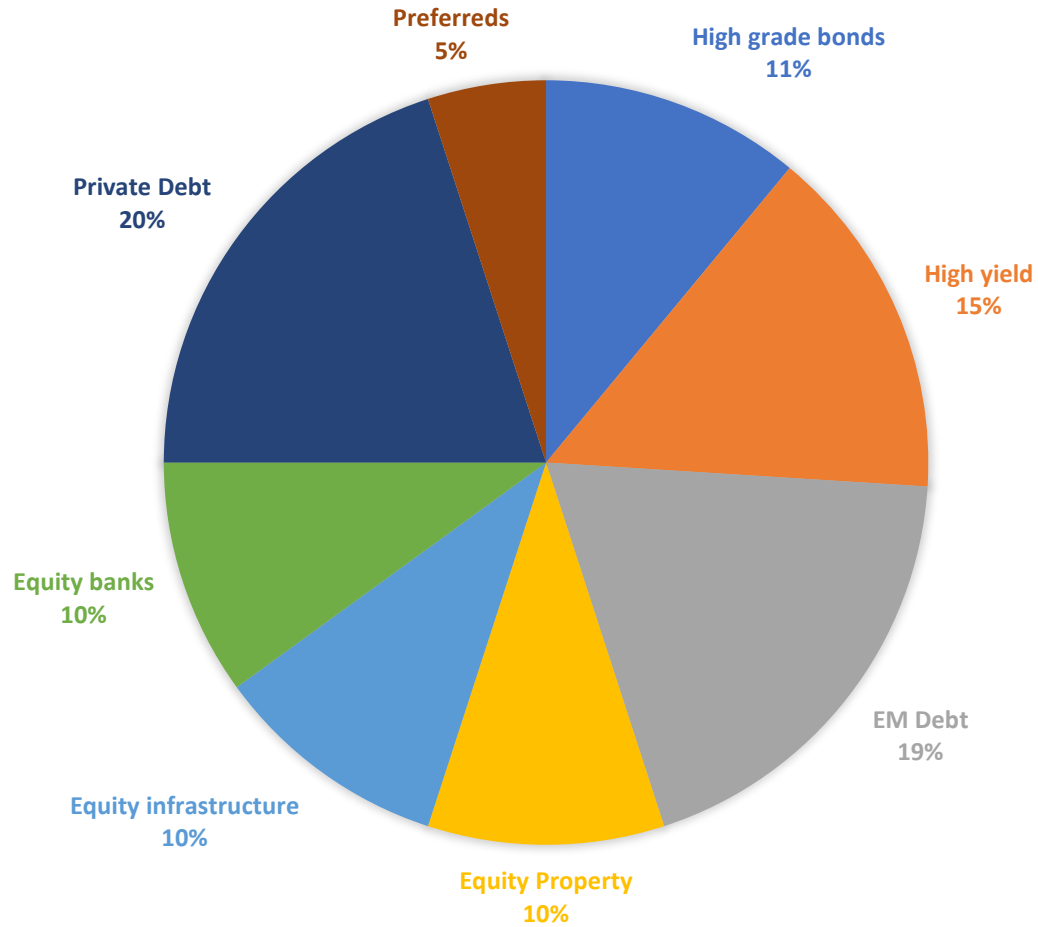


# — 4 — Position Update ~ Capital Growth

Asset Allocation



## — 4 — Position Update ~ Income Portfolio





# Strategy Parameters

Strategy	Income	Balanced	Growth
Currency	USD/AUD	USD/AUD	USD/AUD
Net Return Objective*	4 – 6% p.a.	6 -8% p.a.	8 -10% p.a.
Minimum Investment Amount	100,000	100,000	100,000
Management Fee	- Subject	to AUM	--
Performance Fee	N/A	N/A	N/A
Volatility	5.7%	6.8%	7.2%
Target Sharpe Ratio	1%	1%	1.2%
<u>Asset Allocation</u>			
Equities	50%	57%	68%
Bonds	30%	39%	29%
Private Debt	20%	N/A	N/A
Gold	N/A	4%	3%



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