MONTHLY REVIEW – AUGUST 2024

OUR PERSPECTIVE

"**WE HAVE GOLD BECAUSE WE CANNOT TRUST GOVERNMENTS.**" ~ Franklin D Roosevelt, 32nd President of the United States

We really like gold. We like its durability, scarcity value and shiny appearance. We especially like the price. We like the price not because its high…but because it is going higher. 400 ounces packed into a shiny brick, aka a gold bar 'Good for Delivery', is now $1 million and will get more expensive over time.

Bizarrely, western investors have been consistent net sellers of gold since interest rates started going up in 2022. But despite this waning interest in the West, demand for gold remains robust, particularly among central banks and emerging markets. This demand surge is partly driven by fears of de-dollarization, especially in the wake of Western sanctions against Russia, which have heightened concerns about the U.S. dollar's reliability as a reserve currency. Central banks in emerging economies are increasingly turning to gold as a hedge against geopolitical and economic instability.

But it is not a recent phenomenon. Since the end of the gold standard and Bretton Woods, our economic and social experience has been dominated by sanguine inflation and relative stability. In the absence of economic uncertainty, hyperinflation, and geopolitical risks, why own gold? A recent survey revealed that 75% of advisors had allocated less than 1% of their portfolios to gold, with only a small fraction considering increasing their exposure.

The correlation between gold and real yields has also shown unusual patterns. Traditionally, rising real yields would put pressure on gold prices. However, despite a surge in real yields in recent years, gold prices have remained resilient. This anomaly can in part be attributed to the sovereign dynamics referred to above, but the broader macroeconomic environment and growing expectations of financial repression has also played a part. Financial repression, characterised by low or negative real interest rates and capital controls, is seen as a likely strategy for managing the escalating burden of government debt in an era of shifting demographics and fiscal dominance.

> **Precious Metals**, such as Gold and Silver, are weighed in Troy ounces, with 1 Troy Ounce equal to 31.1 grams. Everything else is weighed in normal ounces, aka Avoirdupois Ounces, with 1 ounce equal to 28.3 grams.

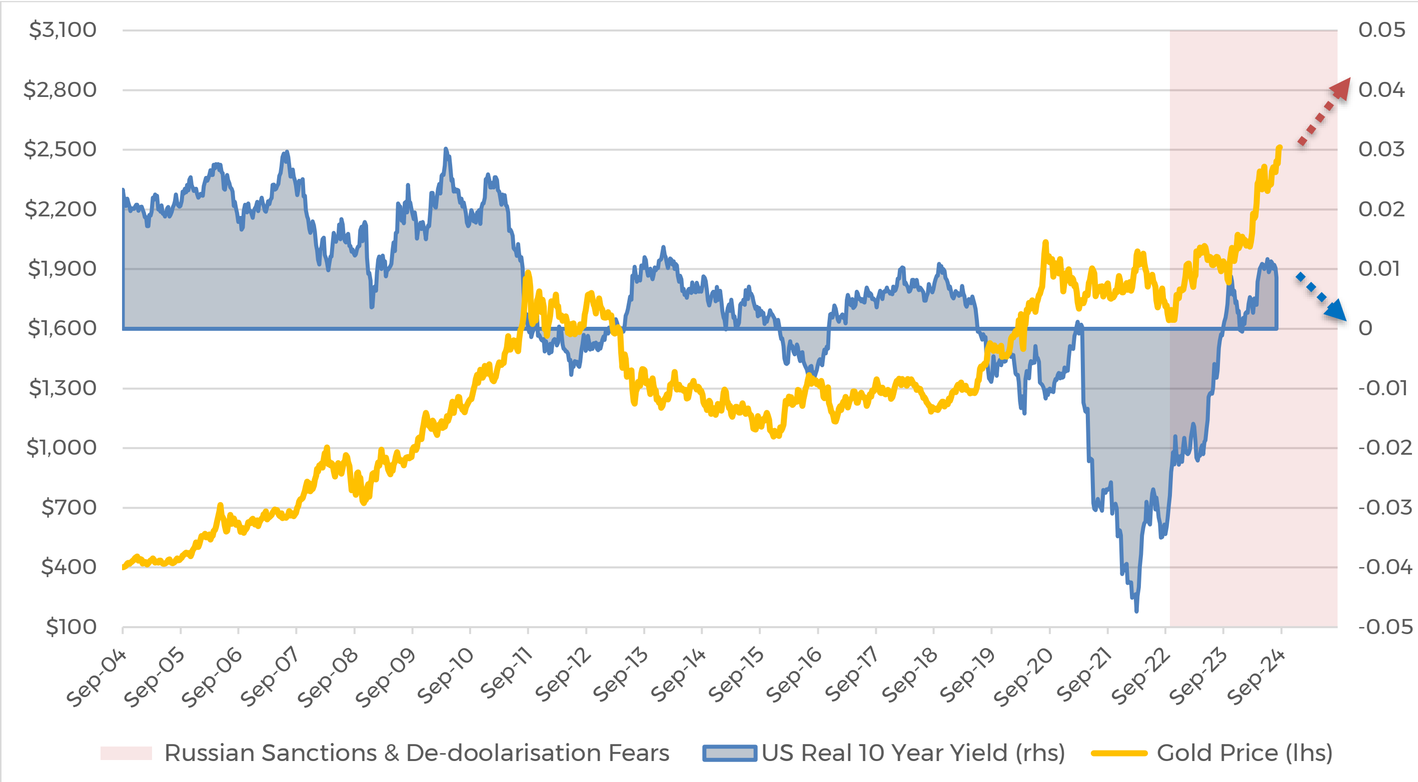
As western central banks begin to ease their monetary policies, a shift in gold demand from western markets is expected as a decline in real rates should boost gold demand. This shift is underscored by the broader economic narrative, the rise of The Fiscal Age and the underappreciation of macroeconomic and geopolitical risks are key themes.

In conclusion, the dynamics surrounding gold are evolving, with a new class of strategic buyers — less sensitive to price and more focused on long-term wealth preservation — emerging. This shift, coupled with rising geopolitical and economic uncertainties, positions gold as an essential asset for all investors.

"GOLD IS THE MONEY OF KINGS, SILVER IS THE MONEY OF GENTLEMEN, AND BARTER IS THE MONEY OF PEASANTS. BUT DEBT, DEBT IS THE MONEY OF SLAVES." ~ Franz Norm, Author of *Money & Wealth in the New Millennium*

"***GOLD IS WORSHIPPED IN ALL CLIMATES, WITHOUT A SINGLE TEMPLE, AND BY ALL CLASSES, WITHOUT A SINGLE HYPOCRITE.***" ~ Thomas More, Author of *Utopia*

Exhibit 1: One can reasonably expect the correlation between real yields and gold to return 'normal' when interest rates start to decline.



Source: Bloomberg L.P., Shard Capital, 31/08/2024

Exhibit 2: We expect gold prices to continue rising as demand for gold in the west increase, driven by declining real yields:

Source: Bloomberg L.P., Shard Capital, 31/08/2024

MARKET SNAPSHOT

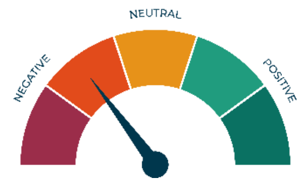
As at: 31/08/2024

	Index Series	Currency	Last Price	MTD	YTD	1 Year TR
EQUITIES	Bloomberg World Equity Index	USD		2.53%	16.06%	23.59%
	Bloomberg World Equity - Growth	USD		2.50%	17.51%	24.94%
	Bloomberg World Equity - Value	USD		2.50%	12.44%	19.62%
	Bloomberg UK Equity Index	USD		3.49%	15.43%	21.48%
	Bloomberg US Equity Index	USD		2.47%	18.99%	27.01%
	Bloomberg Europe ex-UK Equity Index	USD		4.12%	12.53%	20.55%
	Bloomberg Japan Equity Index	USD		0.50%	13.82%	20.87%
	Bloomberg Asia ex-Japan Equity Index	USD		1.33%	9.22%	12.88%
	Bloomberg China Equity Index	USD		-0.20%	2.48%	-4.52%
	Bloomberg Emerging Market Equity Index	USD		1.18%	8.21%	13.02%
FIXED INCOME	Bloomberg Global Aggregate Index	USD		2.37%	1.86%	6.90%
	Bloomberg US Treasury Index	USD		1.28%	2.60%	6.02%
	Bloomberg US Treasury Inflation Protected Securities	USD		0.78%	3.30%	6.17%
	Bloomberg US Corporate Bond Index	USD		1.57%	3.49%	9.29%
	Bloomberg UK Gilt Index	GBP		0.52%	-0.55%	6.88%
	Bloomberg UK Govt Inflation-Linked Bond Index	GBP		-0.20%	-2.51%	2.96%
	Bloomberg Sterling Corporate Bond Index	GBP		0.25%	1.69%	10.41%
	Bloomberg Euro Agg Government Bond Index	EUR		0.42%	0.75%	5.11%
	Bloomberg Euro Govt Inflation-Linked Bond Index	EUR		-0.36%	-0.60%	1.13%
	Bloomberg Euro Aggregate Corporate Bond Index	EUR		0.30%	2.57%	7.30%
	Bloomberg EM Hard Currency Aggregate Index	USD		2.10%	6.29%	12.29%
	Bloomberg EM Local Currency Govt Index	USD		2.47%	3.40%	7.71%
CURRENCIES	GBP Trade Weighted Index		£ 76.04	1.48%	3.25%	2.15%
	USD Trade Weighted Index		$ 88.23	-1.65%	0.97%	-1.68%
	EUR Trade Weighted Index		€ 123.31	0.25%	0.14%	0.24%
	JPY Trade Weighted Index		¥ 86.34	-1.04%	-4.05%	-1.81%
COMMODITIES	Gold Spot $/Oz	USD	$ 2,498.85	2.28%	21.13%	28.63%
	LME Copper Spot ($)	USD	$ 9,326.52	3.11%	7.73%	7.96%
	Oil - Brent ($)	USD	$ 79.09	0.39%	0.09%	-12.92%
	Bitcoin ($)	USD	$ 58,916.63	-6.69%	37.31%	125.80%

Source: Bloomberg L.P., 31/08/2024

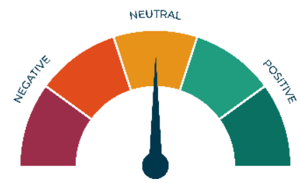
EQUITIES

Equity markets rebounded sharply after early August volatility, which was initially triggered by weak payroll data in the U.S. and concerns over a potential systemic unwinding of the Japanese carry trade. European equities, in particular, saw a strong recovery, supported by better-than-expected consumer and inflation data. Notably, for the first time, equity markets were not led by the Magnificent Seven (Mag7) mega-cap stocks. Instead, there was a noticeable rotation away from these few dominant names, leading to a broader distribution of market performance. This shift suggests that passive index trackers may face challenges, while active management strategies are poised to gain prominence.



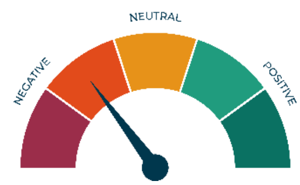
FIXED INCOME

A collapse in inflation expectations, as measured by U.S. breakeven rates, meant inflation-linked bonds struggled, almost universally across bond markets. An all but guaranteed Fed rate cut is falling rapidly alongside a slowing labour market. Yields in US treasuries and UK Gilts looks increasingly attractive, and we especially like longer duration in the UK. With credit spreads at all-time lows, we remain underweight credit markets with no corporate bond exposure. EMD looks attractive in the face of declining US rates.



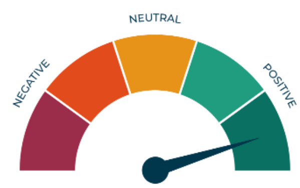
REAL ASSETS

Real assets performed strongly this month, driven by the increased likelihood of rate cuts, which sparked significant gains in REITs and the broader commodity complex. Gold continued its upward trajectory, reaching a new milestone by surpassing the $2,500 mark for the first time. We remain highly bullish on gold. Our outlook for infrastructure is also positive, as it stands to benefit from increased fiscal spending and declining interest rates. However, we are more cautious on property, as we believe current cap rates do not adequately reflect the realities of a higher interest rate environment.



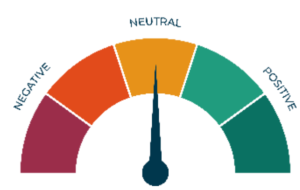
SPECIALIST STRATEGIES

Our specialist strategies remain a crucial stabilising force within our portfolios, consistently adding significant value. Although our managed futures and trend-following exposures have faced challenges due to recent fluctuations in market sentiment, we continue to have strong conviction in the role these strategies play within our portfolios. We are confident in the sustainability of the competitive advantages of the strategies we own and the alignment of interests between our managers, ourselves, and our clients. We maintain limited exposure to private markets, both in credit and equity, due to ongoing concerns about debt levels and the refinancing cycle.



CURRENCIES

We maintain a broadly neutral stance on currencies. While growth and inflation expectations could exert downward pressure on the USD, interest rate differentials are providing upward support. The US Dollar continues to be the global reserve currency of choice, and we anticipate it will strengthen during any severe market dislocation, despite its already elevated exchange rate. We continue to hold a positive outlook on the Japanese Yen, viewing it as undervalued and offering substantial optionality, particularly as if interest rate differentials between the US and Japan continues to narrow.



CONTACT US

For further information on any of our services, or if you would like to arrange a meeting with an investment manager to see how we can work with you, please get in touch.

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