

INSIGHT

THE GREATEST WEALTH IS **YOUR PEACE OF MIND...**



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Positives for 2021



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If Sleeping Beauty had been woken from her slumbers on New Year's Day 2021, she would have been pleasantly surprised by the value of her global equity portfolio for however long she had been asleep. Somewhat remarkably, over the past year, she would have been up for the year and blissfully unaware of the tragic pandemic that has tainted 2020 and caused such market ructions in March and April. In fact, she would be wondering what the worry with investing was all about. Take a look at the different outcomes that she might have experienced depending on how long she had been asleep for, in the table below.

Time asleep	1 year	3 yrs	5 yrs	10 yrs	20 yrs	30 yrs	40 yrs	50 yrs
Cum. return	10%	25%	68%	138%	96%	525%	1,333%	867%

Table 1: Sleeping Beauty's slumbers – cumulative returns, after inflation to 30-12-2020

Data: MSCI World Index in GBP adjusted for UK RPI. Morningstar Direct © Copyright 2021. All rights reserved.

As investors, we should take a similar approach to looking at our assets, reminding ourselves that time and compounding are our friends. Yet it is understandable that many investors still feel a bit nervous about the future, not least in the shorter-term with the recent literal assault on US democracy and the escalating pandemic. Listening to the news can be depressing as well as somewhat repetitive. Many of the more positive stories are often lost in the gloom. Remember that it is always darkest just before dawn.

To redress the balance, here are five positive insights for 2021 and beyond.

First, and most obviously, the scientific community has done a remarkable job delivering the world with a suite of vaccines that provide a way out of the pandemic. The UK has played a leading role, not only in vaccine development, but also identifying existing drugs that are, and will, have a major impact on treating patients including dexamethasone, tocilizumab and sarilumab (not easy to pronounce!). A new double-blind trial is also underway in the UK looking at interferon beta, which initial indications show could dramatically reduce the risk of serious disease, which could – alongside the vaccines – be a game changer for managing Covid over time¹. There is light at the end of the tunnel.

Second, we have learned many valuable lessons and built resilient processes and a logistics infrastructure for coping with any future pandemics, including bringing back or shortening critical supply chains for anti-biotics, PPE, vaccine manufacture, building community testing and delivering vaccine rollouts. That has to be a good thing. The pandemic also reveals how much we all need each other and what a powerful sense of community feels like. How well would we fare without the people working in our local supermarkets or the lorry drivers and couriers keeping us supplied? Or the hospital cleaners that expose themselves to the virus every day to keep others safe? We will come out of this better prepared and hopefully more appreciative of the things we value such as family, friends, a round of golf, or a drink at the pub!

Third, with the pending inauguration of Mr Biden as President in the US, perhaps we will see a less bombastic approach to politics, a greater emphasis on truth and the rebuilding of trust between democratic friends and allies that will help the free world to resolve some of the major issues that we face, not least how to manage relations with authoritarian states such as China and Russia. Coming together is better than moving apart.

Fourth, perhaps we are at a positive inflection point in terms of social media, where something needs to change². It is evident that those using social media, and the platforms themselves, have responsibilities that for too long have been blurred by the grey areas between free speech and hate speech and between being a technology platform and a publisher. There is – post the storming of the US Capitol - a far greater sense that something urgently needs to be done. In ten years' time, we may well look back in disbelief at the wild west of the first 10 years of social media!

Fifth and finally, there appears to be an ever-increasing urgency to address climate change, with the UK at the forefront, not least with the presidency of COP26 in Glasgow later this year, and the government's pledge to reduce carbon emissions by 68% of its 1990 levels by 2030. In the past 10 years, the UK has reduced its carbon emissions by more than any similarly developed country³. It has also set a target for net-zero emissions by 2050 and pledged to ban the sale of new petrol and diesel cars by 2030. With the US reengaging, the momentum is shifting toward greater action, which also encompasses green finance and more sustainable investing. That can only be a good thing.

Does all this mean that markets will rise in 2021? The truthful answer is that no-one knows. But if we take a leaf out of *Sleeping Beauty's* book, there is a pretty reasonable chance that the world will be in a better place in the not-too-distant future and when we look back - as an investor participating in the resilience, innovation and dynamism of the world - we will, most likely, be pleased with what we see. Stay safe.

End notes

1. <https://www.bbc.co.uk/news/health-55639096>
2. For anyone who wants to understand how social media works and the dangers that it poses to individuals and society as a whole, we highly recommend watching 'Social Dilemma' which can be found on Netflix.
3. <https://www.gov.uk/government/news/uk-sets-ambitious-new-climate-target-ahead-of-un-summit>

Other notes and risk warnings

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