UPDATE

Knightsbridge Wealth

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Special feature: Energy

Can renewable energy power your portfolio?

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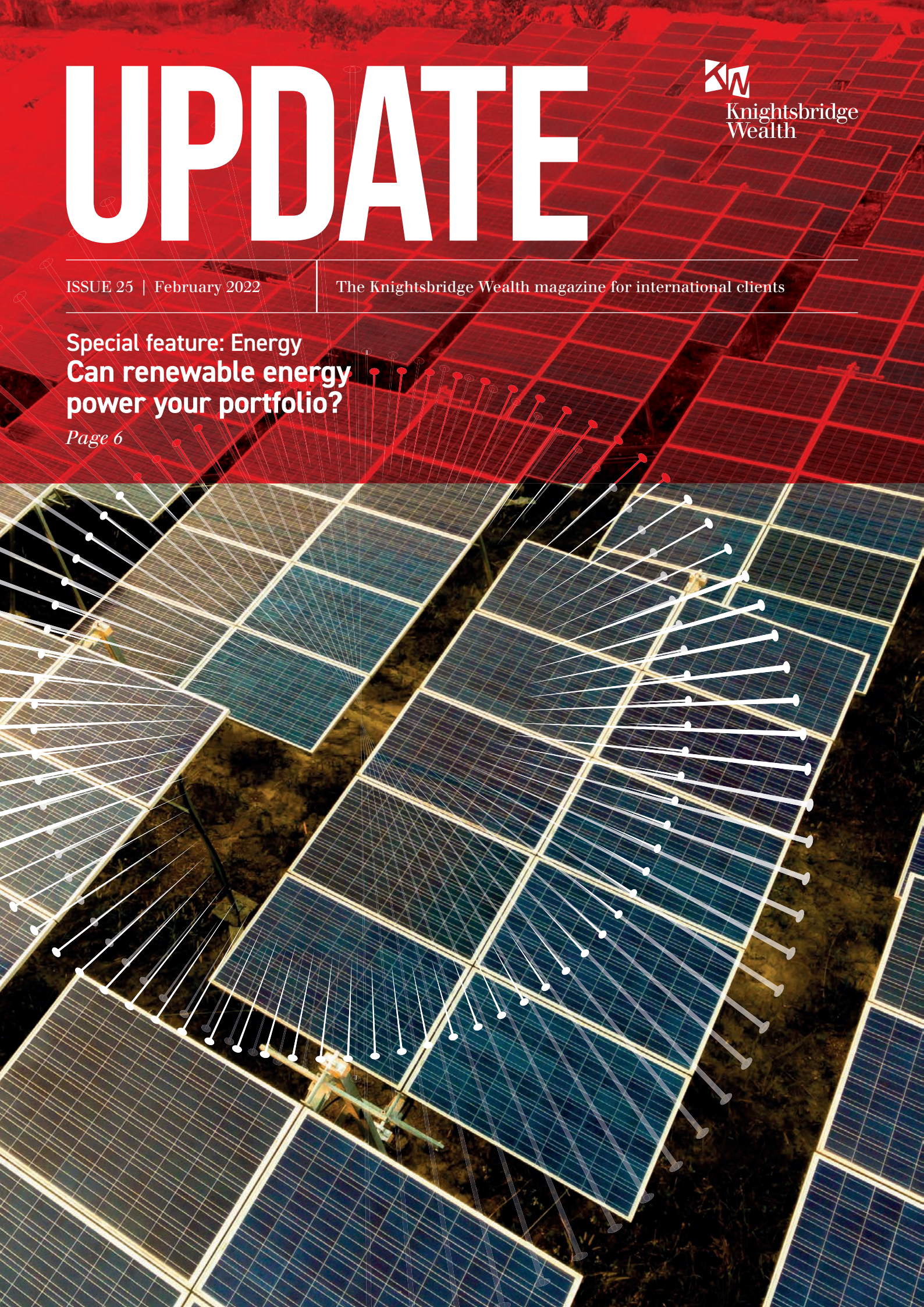

Regular features:

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A welcome note from Knightsbridge Wealth

New Years is a time for resolutions – and most of us can think of very necessary financial Resolutions. But rather than focus on any one quick fix, this might be the year to remember the actual point of saving and investing. It is not the accumulation for the sake of accumulation. It is to buy choice: choice over when and how you work, choice over how you live, and choice over when you retire – to buy you flexibility and freedom. You build wealth now so you can use it later. That's all.

This means that your core financial priority should usually be protecting the 'real' value of assets you already have, and therefore the financial freedom you already have. This is not going to be straightforward in 2022. We are in a transition phase in almost every way.

We are shifting from endless pandemic panic and a culture of 'something must be done' to a new era of risk acceptance. The days of cheap energy rates are gone, so too are low interest rates. Those with the larger workforces are holding all the cards as opposed to those with the most capital.

There's also a growing sense that the most recent wave of technological disruption might have stalled. The likes of Apple, Google and Amazon were once huge disrupters and drivers of disinflation. Now they are monopolies or duopolies, that it's tough for anyone else to disrupt.

Some of these things are good in all sorts of ways. But the inflationary pressures they produce are also going to hit your purchasing power hard. One hint as to how? If you are on a fixed-rate energy deal at the moment, check to see what the same deal would cost today. You will be shocked.

Persistent inflation also suggests tighter monetary policy. 2021 was the year in which central banks believed inflation was transient; 2022 may well be the year in which they realise they were very wrong and actually did something about it, expect higher interest rates. That in turn is going to affect stock markets – all those high-growth stocks worth infinity because they were valued against interest rates close to zero may suddenly be worth rather less. Pay some of the highest valuations in history and you should not be surprised if you get some of the lowest returns.

2022 will be a year of discovery as financial markets find out what normal rates of growth and inflation look like. As well as how economic policy responds after two years dominated by the effects of the pandemic. A year of two halves is likely. Growth is going to stay strong for the first half of 2022, powered by continued reopening dynamics, but the second half will see re-openings complete, excess savings mostly spent and emergency stimulus measures withdrawn. Growth is likely to normalise at lower levels. This has several implications for investors.

Identifying the 'new normal' in 2022 should bring multiple opportunities for investors, including reopening, restocking and a return to expansion. Spending is expected to increase, shifting from consumer goods to corporate and government expenditures. Investors are likely to seek opportunities in healthcare, which is cheap relative to its long-term average, and also offers structural growth.

Our strategic partnership with UBS (Union Bank of Switzerland) gives the best of both worlds – personal service and the ability to react in a way that only a small firm can, partnered by one of the world's most prestigious brands.

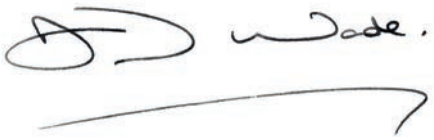
The pandemic has accelerated many trends, such as technological disruption, a backlash against globalisation, and political calls for wealth redistribution and environmental action have also grown.

Technological disruption offers significant opportunity in the decade ahead, focusing on artificial intelligence, big data, and cybersecurity. Tapping into these trends means looking beyond large, global businesses and into small and medium sized firms in public markets. Private equities also offer a means of accessing such growth opportunities.

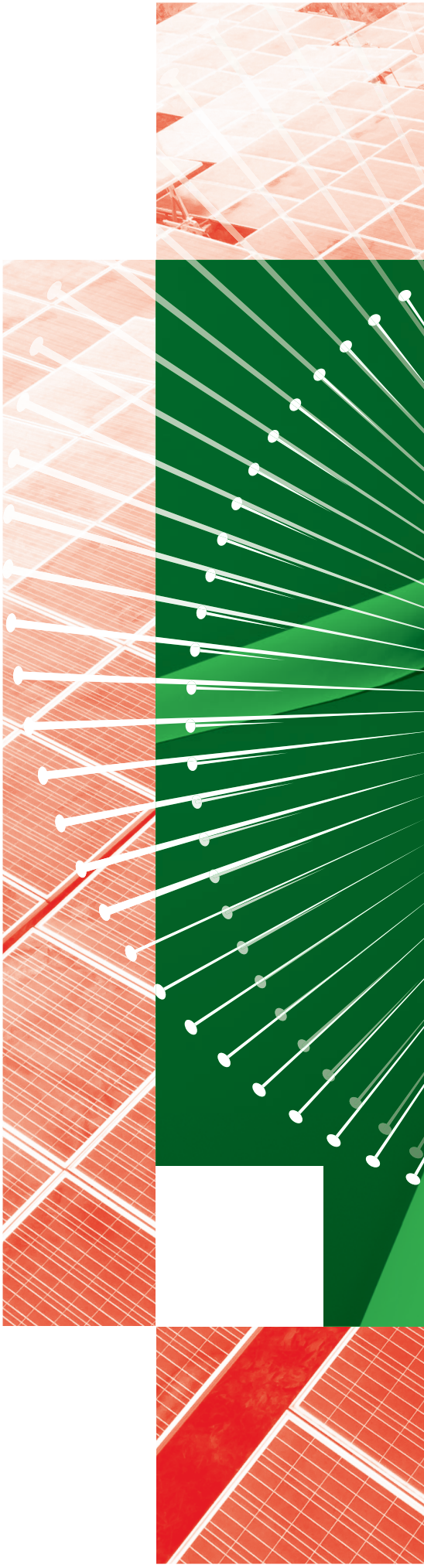
Investors should also position for the net zero carbon transition, with 59 countries responsible for 55% of global emissions pledging to reach net zero carbon by 2050. At the same time, energy consumption is rising. This offers opportunity in greentech, clean air and carbon reduction, as well as carbon trading strategies. Combining sustainable solutions and traditional commodities is a realistic diversified way to navigate the trend toward net zero.

This issue has a special feature on energy markets, which are likely to have a growing presence in our clients' portfolios.

All this creates uncertainty. It also creates opportunity. We look forward to working with you throughout 2022.



Can renewable energy power your portfolio?



The COP26 conference showed that fossil fuels are on their way out. This is a big opportunity for companies developing the equipment and technology that will make green energy viable. This transition is likely to lead to a massive increase in overall global demand for electricity as people opt for electric vehicles rather than cars fuelled by petrol and use electricity rather than gas or coal to heat their homes.

Some predict that the world will need around two to three times the electricity currently produced. No wonder, then, that enormous sums are being invested in meeting this additional demand in a sustainable way. The costs of operating and equipping renewable energy plants are falling. In many parts of the world renewables are entering a 'Goldilocks moment' in which their costs are close, or even in some cases equivalent to the cost of fossil fuels.

Many technical challenges remain, especially around grid connection and storage, but these are being addressed. This backdrop bodes well for firms at the cutting edge of renewable technology and for the sector's equipment manufacturers.

Solar power

Solar power is the third-largest source of renewable energy in the world, behind wind and hydropower. It has enjoyed a 'meteoric rise' over the past decade. The cost of buying a solar panel is now 1/12th the price it was 12 years ago, while the typical size of a panel has increased from 200 to 250 watts per panel to 500 watts. Panels are also much more efficient, with the best able to capture 20% of the energy from the sun, up from 13% previously.

Overall, the cost of pretty much every aspect of solar energy, from equipment to generation, has fallen. The technology can now compete with coal in many markets, even when it doesn't receive a subsidy, making it the most economical form of renewable energy. This is partly due to the advent of large Asian firms using economies of scale to drive down prices. Small and medium-sized firms elsewhere had previously dominated the sector. Technological advances that have given energy companies (and consumers) much more bang for their buck have been another key development.

Floating solar farms could catch on too. While they are currently an oddity, they have become much more economic to install and have advantages in places where land is at a premium, such as Singapore. They are also more efficient than plants sited on land, since the water has a cooling effect that helps them absorb infrared rays better.

Perhaps the most interesting development is anti-solar technology: solar cells that produce power by emitting infrared rays during the night. During the day the panel, which is cooler than the sun's rays, absorbs light and heat; at night it will be warmer than its environment, so it will radiate heat. While researchers admit that such panels would produce much less energy than normal ones, they would be a source of around-the-clock power.

Wind power

Wind power isn't developing quite as fast as solar, as advances in technology, engineering and equipment in this area tend to be incremental – especially compared with the breakneck pace of change in solar energy. However, wind remains the second-largest source of renewable energy. And while onshore wind farms are controversial, owing to their impact on the landscape, offshore wind is becoming more and more economic.

Offshore wind farms are likely to become a major part of the energy mix in most developed countries, with further cost reductions coming from the movement to ever-larger capacity platforms and the use of bigger machines. While older turbines tended to generate around 1.6 to 2 megawatts of power each, today's turbines can generate around five, while some in Sweden can even generate up to eight. Several manufacturers are working on developing software that can help predict the speed and direction of the wind, enabling the turbines to be adjusted to maximise output.

Turbines that are bigger than skyscrapers, and software improvements that can allow turbines to operate in a wider range of conditions are the areas in which the technology is improving. But bladeless turbines could also help wind power. Such turbines capture the vibration of the wind without the need for blades or a mechanical motor.

Not only do they look much more aesthetically pleasing, allowing them to be used in a wider range of areas, but the removal of the blades also eliminates the risk of birds being caught in the turbines, which is one of the reasons why wind farms are unpopular.

Hydropower

Hydropower (harnessing water and waves) is not only the largest source of renewable energy, but also the oldest. We've been harnessing the power of rivers for a long time. As well as generating energy by driving a turbine, hydropower comes with the added advantage that it can be used to store power. This technology, known as pumped

storage, involves using electricity which is generated during periods of low demand to drive water up a hill, or between reservoirs at different elevations, only to release it later to flow down and produce electricity when more is needed.

Rivers and dams aren't the only way to harness the power of flowing water. Tidal energy, essentially a hydro plant in each direction to capture both rising and falling tides, has the potential to deliver energy 24 hours a day – unlike wind and solar, which are dependent on the weather, time of day and season.

In a country such as the United Kingdom, with its relatively large coastline, means that it could deliver much constant, baseline energy. The latest systems in development allow energy to be stored, so it could also respond to changes in demand.

Tidal energy
Tidal energy has huge potential and could ultimately produce up to half of the energy in a country like the UK. However, at present the technology is being hampered by several obstacles, such as the need for large, complicated surveys and long construction times of up to a decade. Operating in a marine environment is also challenging: just one strand of seaweed in the wrong place can cut efficiency by up to 20%. Still, several large companies are working on making the technology more economically viable, using composite materials and vertical turbines to boost durability and efficiency.

Biomass
Biomass is the final major source of renewable energy, involving the conversion of agricultural products into energy; one common process is turning sugar or corn into ethanol, a fuel. While purists might argue that biomass is not a proper renewable-energy source, since carbon is released when the fuel is burned, the fact that carbon is taken out of the air when the crops are first grown means that the net impact on emissions should be zero. The rise of carbon-capture technology, which takes the carbon and recycles it for use in food and beverages, means that biomass is now 'carbon-negative'.

Another form of biomass energy is anaerobic digestion, whereby special bacteria are used to break down waste such as animal slurry, cow manure and discarded food. While the process has been for decades, recent improvements in technology have made the process more efficient, allowing more feedstock to be produced and gas to be released. Producers have become better at tweaking the range of feedstock to increase yield further. Biomass has great potential in heavy industry. Mining giant Rio Tinto has pioneered a process that will enable biofuel to replace coal in the conversion of iron ore into steel, which is where 70% of the emissions in steel-making occur.

Cheap generation isn't the only technological challenge for renewable energy. The power produced also needs to be integrated with the national grid so that the system is stable and consistent enough to produce enough energy to meet demand.

Knightsbridge Wealth is helping its clients gain exposure to renewable energy investment to power portfolio returns. Many renewable energy technology companies are not publicly listed, although the big oil explorers are now investing large sums of money in renewables, whilst selling off their legacy fossil fuel businesses.

The return of nuclear power

The very modest success of the COP26 climate summit has refocused attention on the role of nuclear power as an almost zero-carbon, reliable source of non-intermittent energy that could prove crucial to meeting net-zero targets. Nuclear power is the only carbon-free source that can deliver round-the-clock power, on demand, almost anywhere. Wind and solar are expanding fast, but nowhere near fast enough to take up the slack from fossil fuels. That means that nuclear will remain vital, at least as a transitional energy source and very conceivably in the long term too – especially if technological advances such as small modular reactors and microreactors develop as hoped. Indeed, at COP26 itself, major industrial nations including the US, Russia, and Brazil all described nuclear energy as a major part of their decarbonisation strategy.

We rely on nuclear power much less than we used to. Globally, nuclear power produces around 10% of the world's electricity, making it the second-biggest source of low-carbon energy after hydroelectric power. But that's a sharp drop from a peak of 18% in the mid-1990s. Many countries invested heavily in nuclear after the oil shocks of the 1970s, and in the ten years to 1992 the amount of nuclear energy consumed jumped by 130%. But that investment stalled in the 2000s, and some nations (notably Germany) pulled away from nuclear following the Fukushima disaster of 2011. In the UK, nuclear plants produced 16.5% of our electricity last year. Yet they're mostly old, and all but one is due to shut by 2030.

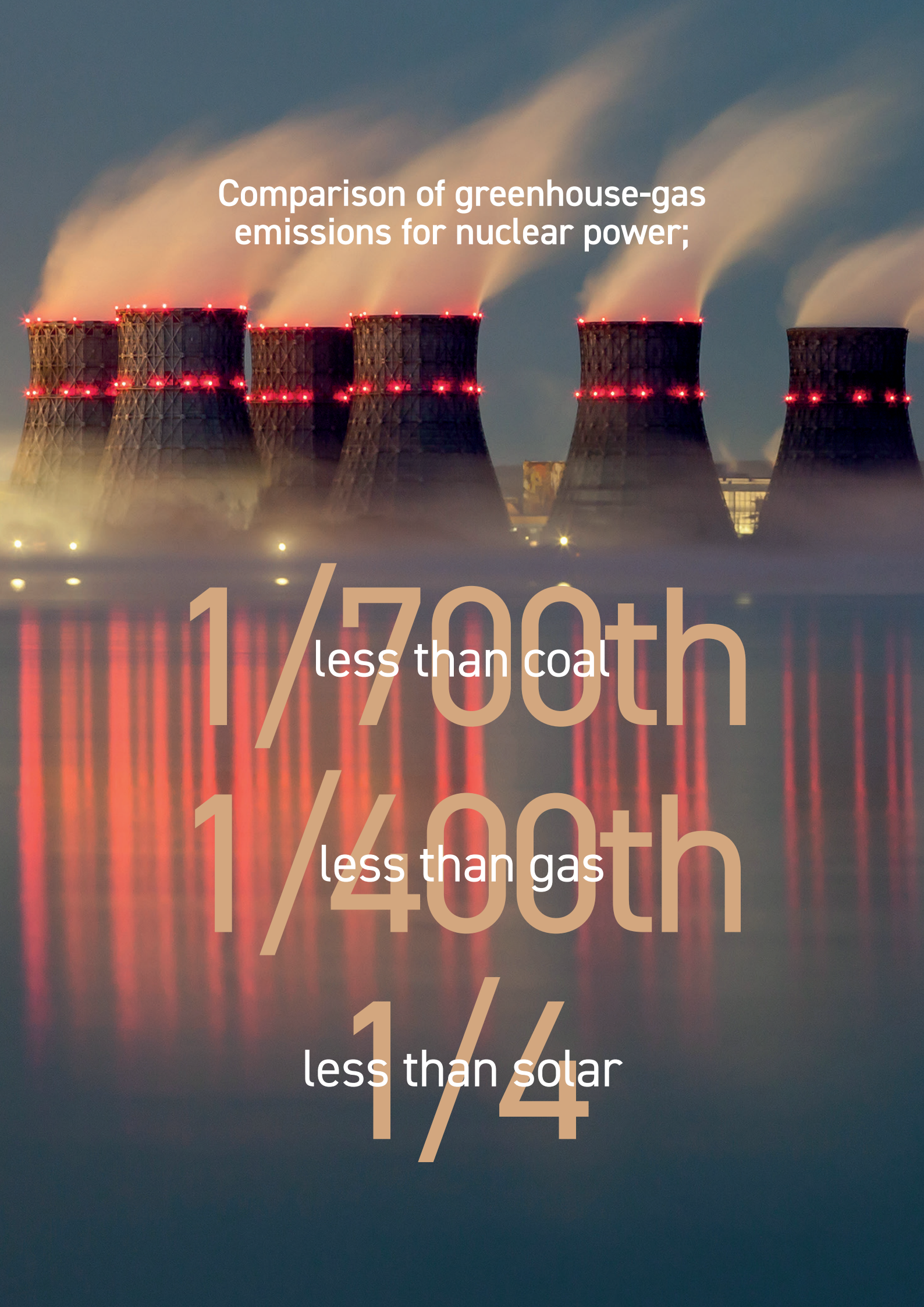
China, the world's biggest carbon emitter, is planning to build at least 150 nuclear reactors over the next 15 years, more than the entire world has built since the mid-1980s. French president Emmanuel Macron said recently that his country "will for the first time in decades revive the construction of nuclear reactors" to reach its net-zero goal. The EU may be about to reclassify nuclear power as 'green' to boost investment. Through backing firms such as TerraPower and PacifiCorp, Bill Gates and Warren Buffet are championing a type of advanced small modular reactor (SMR) known as a 'fast' Natrium reactor. And in the UK, a consortium led by aero-engine maker Rolls Royce (and backed by the taxpayer) is investing £405m into a fleet of 12 SMRs as part of a new push into nuclear power designed to help the government meet its net zero carbon targets. Rolls-Royce reckons the first ones could come online by the early 2030s.

Nuclear energy is vastly safer, as measured by fatalities per terawatt hour of energy produced, than most other forms of generation. On that metric, coal causes 24.6 deaths, oil 18.4 deaths and natural gas 2.8 deaths. Nuclear, by contrast, causes just 0.07 (Wind is even lower at 0.04 and hydropower and solar lower still, at a 0.02) Sixty-five years after the start of the world's first civil nuclear reactor at Calder Hall in England, "there remains no evidence of anyone's health being jeopardized by radiation releases from a European nuclear plant" other than Chernobyl, according to Jonathan Ford on Bloomberg. But no other European reactor shares the flawed design of the Chernobyl one, and seismic events of the sort that caused Fukushima are unknown here. (The disaster at Fukushima caused just one death from radiation.) Nuclear is also, of course, much cleaner than fossil fuels – producing three tonnes of greenhouse-gas emissions per gigawatt hour, compared with 820 for coal, 720 for oil and 490 for natural gas. Even solar and wind produce more emissions than nuclear.

Whether nuclear is a green energy is the subject of intense debate – not least among environmentalists themselves. Jacopo Buongiorno, a nuclear-engineering professor at the Massachusetts Institute of Technology, calculates that, over the life cycle of power plants, which includes construction, mining, transport, operation, decommissioning and disposal of waste, the greenhouse-gas emissions for nuclear power are 1/700th those of coal, 1/400th of gas, and a quarter of solar. Nuclear takes up a tiny amount of land compared to wind or solar, and for the same power output the amount of raw material used to build a nuclear plant is also a tiny fraction of an equivalent solar or wind farm. All that makes it incredibly green. But sceptics say this ignores the nuclear-waste issue, and that nuclear has no chance of preventing global heating due to the complexity, expense and decades-long lead times involved. Money spent on nuclear is money not spent on better options, they say.

In the real world, nations face an ugly contest to pick the least-bad energy mix. When it comes to transitioning away from fossil fuels to renewables, we cannot let the perfect be the enemy of the good. Nuclear power may be flawed – it's expensive and politically risky – but it will be necessary if the world is going to rise to the challenge of halting climate change. Those governments that continue to shun nuclear plants are haunted by the dirty secret that this move is likely to increase emissions.

There was much talk at COP26 of the wave of green money ready to hit markets. If some of that money accepts that we live in a world of difficult energy trade-offs, and funds, the expansion of nuclear – it may signal that the climate movement is also beginning to realise that we live in a world with 50 shifting shades of green.



Comparison of greenhouse-gas emissions for nuclear power;

1/700th less than coal

1/400th less than gas

1/4 less than solar

Bubbles in global property

Inflation-adjusted house prices grew by 6% in the year to mid-2021 across the 25 global cities analysed by the latest UBS Global Real Estate Bubble index, according to their recently published report. Plummeting borrowing costs and the demand for extra space created by the shift towards working from home have helped drive the rally. Closed offices and entertainment venues are also denting the appeal of cities. For the first time since the 1990s, housing prices in non-urban areas have increased faster than in cities.

The 2008 financial crisis was caused by an overheated US housing market, but today America looks in much healthier shape. While prices have soared over the past year, mortgage-delinquency rates are parked near historical lows. Low interest rates are keeping mortgages affordable.

Instead, UBS finds that Frankfurt, Toronto and Hong Kong are the cities most at risk of a bubble. The report compares prices to data on local incomes and rents and looks for signs of excessive lending and construction activity to determine the risk of a bubble. London is rated as 'overvalued' but is not in bubble territory.

Germany, where both Frankfurt and Munich make the top five in the bubble index, shows particular signs of overheating. It is historically a nation of renters, with a homeownership rate of 43%, compared to 65% in the UK. Pro-tenant laws and high transaction costs mean many see little point in buying. Yet rising prices are prompting people to bet on bricks and mortar: the average price per square metre in Berlin has risen from €1,750 to €5,150 in ten years. Young Germans sound British as they talk of getting on the 'property ladder'.

London's office market has turned a corner. Property agent Cushman & Wakefield reports that firms leased 2.77 million square feet of office space in the capital during the third quarter, a 54% jump on the amount rented during the previous three months. There has been especially strong demand from media and technology businesses. The data pours cold water on the idea that the pandemic heralded the end of the city-centre office.

Facebook is one of the bigger tenants to have signed a new London lease of late. After delaying new office decisions because of lockdowns, more businesses are taking the plunge. Uncertainty after the 2016 referendum slowed the building of new office blocks in London, so supply is tight. London-focused real estate investment trusts (REITS) are cashing in. In New York, however, a building glut means office developers face a tougher period ahead.

Globally, many are wondering whether the party is about to end. Governments are winding down stimulus. People no longer have so much spare cash to splurge on property now that foreign holidays are back, and restaurants are open. Central banks, worried about surging inflation, are tightening monetary policy, including by raising interest rates. In its latest financial stability report the International Monetary Fund warned that "downside risks to house prices appear to be significant", and that, if these were to materialise, prices in rich countries could fall by up to 14%. In New Zealand, where prices have risen by 24% in the past year, the central bank is blunter. It said the "level of house prices is unsustainable".

But is it? There is little evidence so far that the recent tightening in fiscal and monetary policy is provoking a slowdown. In the third quarter of 2021 global house-price growth rose to an all-time high. Although New Zealand's central bank has raised interest rates by 0.5% since October, there is only the mildest indication that house-price growth is slowing. Property prices are still rising in the Czech Republic, even though the central bank repeatedly raised rates in 2021.

What might appear to be a housing bubble may in fact be the product of fundamental economic shifts. The monumental house-price increases in America in the early to mid-2000s were largely a consequence of factors such as urban revitalisation, growing preferences for city living and rising wage premia for educated workers in cities. By 2019 American house prices had pretty much regained their pre-financial-crisis peak, further evidence that the mania of the mid-2000s was perhaps not quite so mad after all.

Fundamental forces may once again explain why house prices today are so high—and why they may endure. Three of them stand out: robust household balance-sheets; people's greater willingness to spend more on their living arrangements; and the severity of supply constraints.

Take households first. In contrast with some previous housing booms, the well-off, with stable jobs, have driven the surge in prices. For many people getting a mortgage has become harder, not easier. People are also less vulnerable to rising interest rates—and thus less likely to be foreclosed on. In part this is because rates are rising from a low base. In America, mortgage-debt-service payments take up about 3.7% of disposable income, the lowest figure on record. But it is also because other countries are following America down the fixed-rate-mortgage path, which in the short term protects people against increases in borrowing costs. In Germany, long-term fixed products are twice as popular as they were a decade ago. In Britain almost all new mortgages are fixed rate, with five-year deals now more common, protecting homeowners from interest raise rises.

Shifting preferences are the second reason why global house prices may stay high. More people are working remotely, meaning more demand for at-home offices. Others want larger gardens. This race for space explains about half of the rise in British house prices during the pandemic. Transactions involving detached homes have increased for instance, while those for flats have declined.

The third and most important reason why house prices could remain high is housing supply. The Economist's recent analysis of national statistics and archival records finds that in the years before the pandemic, housebuilding in the rich world, once adjusted for population, had fallen to half its level of the mid-1960s. Housing supply has become ever more inelastic: increases in demand for homes have translated more into higher prices, and less into additional construction.

In many places the pandemic has dealt a further blow to supply. During the first wave of covid-19 some governments forced builders to down their tools. In the second quarter of 2020, Italian housing starts dropped by around 25%; in Britain they fell by half. Even in places where stay-at-home orders were milder and zoning laws are loose, such as Texas, the pace of extra demand was so rapid that builders could not keep up, slowed down, for instance, by the reduction in the number of labourers. Builders are grappling with higher costs and delays for raw materials such as cement, copper, lumber and steel, and a scarcity of tradespeople is pushing wages higher.

The bumper earnings and improved margins of some house builders suggests that many have been able to pass on cost increases to buyers. DR Horton, America's largest home builder, said the average sales price of its homes shot up by 14% in 2021, contributing to 78% growth in earnings per share.

Some supply bottlenecks may now be easing. In October the International Monetary Fund noted that global housing construction per person had begun to pick up, though they were still considerably below the levels of the early 2000s. But the world has a long way to go. In May 2021, a government-sponsored US enterprise estimated that the world's largest economy faced a shortage of nearly 3.8m homes, up from 2.5m in 2018. Other estimates put the shortfall closer to 5.5m. In England an estimated 345,000 new homes per year are needed to meet demand, but builders are further away from the target than they have ever been.

Pricey property may be around for a while yet.

Confidence in Brexit Britain

Last year didn't end well for those who predicted the City of London would be turned into a wasteland if the UK left the European Union. First, Brussels decided that the clearing of trades, a key part of the plumbing of the financial system, can carry on in London for Euro-denominated assets, even though a succession of European leaders vowed that it would have to move to financial centres on the continent. Now companies are shifting to a sole listing in London as well.

There were lots of warnings that dual-listed companies such as Unilever and Shell would ditch their British arms and choose to be headquartered inside the single market instead. And yet first Unilever, admittedly under pressure from its shareholders, and now Shell, the two great Anglo-Dutch corporate giants, have decided to consolidate in London instead. Shell is even dropping the Royal Dutch from its name.

There is a lot more to Shell's decision than just Brexit. It is much more about simplifying its ownership structure so that it can increase pay-outs to shareholders. The oil giant is under intense pressure from the activist investor Daniel Loeb to split itself up into a legacy fossil-fuel business and a faster-growing renewables unit, and the only way it can resist that is to get its share price moving back up again. By shifting its tax residency to Britain, it will be easier for it to buy back its shares, improve returns and maintain independence. The important point for the UK, and even more for the City, however, is that Unilever and Shell are both huge companies and the bragging rights over their decision to base themselves in Britain are worth having. The City should capitalise on this and work out how to attract yet more multinationals.

First, it could promote itself better. The City should be making a big deal of the fact that two of the biggest companies in the world, faced with a choice between basing themselves in London or Amsterdam, have chosen the British capital. A one-line statement from the business secretary is not enough. The City should be shouting about it, so that the rest of the world gets the message. That's what the French and the Dutch would be doing.

Next, the UK's tax structures need reform to make it simple to base a multinational in the UK, and, perhaps more importantly, make sure they are flexible. The Dutch have been scrambling around trying to streamline the tax on buybacks that helped persuade Shell to shift its base, but it would have been better if it had made that change in advance. There is no harm in the UK tweaking its tax code from time to time if it helps convince some of the biggest companies in the world to move there.

Finally, offer a five-year tax break for any company moving a listing to the UK. The rise in corporation tax to 25% already looks like a big mistake, but even if that is not reversed there is no reason why there could not be an exemption for major firms that decided to switch their domicile to Britain. It would cost the Treasury some revenues; but it would also attract new businesses and their staff would pay plenty of tax. The UK would come out ahead – even before adding the value of the prestige that comes from hosting giant corporations.

Plenty of the mining conglomerates also have dual listings as do some of the tech companies. More importantly, there are lots of firms that will be pondering shifting their main base over the next few years. Ireland will have to raise its corporate taxes to meet the global minimum rate it has signed up to and that will make it a lot less attractive as a base. President Biden has already hiked corporation taxes, and has had a go at a billionaire's tax that could drive many American giants out of the country. The EU is increasing the levels of regulation and needs to come up with new taxes to pay for all its debts. As the decade unfolds, lots of major businesses may be looking for a more business-friendly place to base themselves in. The UK needs to lure them in.

Market report

Bonds
Emerging Markets look attractive

As economies reopen, inflation has spiked and remains at elevated levels. We expect price pressures to ease as global supply chains overcome pandemic related interruptions and energy prices stabilise. Fiscal stimulus of the magnitude enacted has gone beyond replacing incomes lost to the pandemic. The consequent excess savings, and pent-up demand as the economy reopens is resulting in a strong growth impulse, while supply side disruptions have given an impulse to inflation. The combination of strong growth and reduced Central Bank asset purchase schemes, meant that rates should move gradually higher.

The highest quality 'Investment Grade' bonds still look expensive, whilst High Yield bonds are expected to remain supported by the solid macro earnings outlook and the ongoing search for yield.

In emerging markets, near term uncertainties about the pandemic persist. However, the disease is likely to be increasingly brought under control and the 5.8% yield for sovereign bonds, and 4.3% for Corporate Bonds, both in US Dollar terms, look attractive.

Oil
Spare capacity is vanishing

Oil demand seems to have held up better than feared due to the Omicron variant. The oil market is likely to be finely balanced since spare capacities are vanishing, and there is not a lot to suggest there will be further disruptions. Oil inventories are at historical lows meaning that the market will be very sensitive to news of supply disruptions. Brent is likely to trade at between $80 and $90 a barrel for now, with clear upside risks.

Hedge Funds
Useful form of stability

Multi-strategy funds continue to appeal for the diversification, in addition to strategies that can take advantage of market dislocations. Strategies that can navigate macroeconomic uncertainty are particularly attractive as well as strategies exposed to tech, healthcare, and Asia. Direct lending, core real estate, and infrastructure are attractive ways to generate yield and income in a diversified portfolio.

Commodities
Solid returns likely

The overall outlook for commodities in 2022 remains positive. Business cycle and structural factors should lead to solid returns for the asset class, particularly for the more cyclical sectors. With spare capacity narrowing and markets in deficit, visible inventories are set to continue falling. Energy and base metal producers should enjoy strong pricing power as a result. The continual weather risks could pose for higher agricultural prices.

Meanwhile, supply is likely to respond to the 2021 surge in prices. The move up in livestock prices should prove longer lasting. Within precious metals, gold and silver are likely to face downward price pressure amid higher US interest rates and a stronger US Dollar. But this shouldn't hurt the broad asset class very much.

To effectively navigate the twists and turns in quality market in 2022, an actively managed approach is advised.

Equities
Heightened volatility ahead

Equities have entered a period of heightened volatility as the US fed turned hawkish and the Omicron variant raised concerns about global growth and supply chain disruptions again. COVID-19, inflation, and policy uncertainty will shape financial markets and could produce episodes of severe volatility.

However, earnings growth remains supportive of equities. Overall resilient demand and easing inflation bode well for headline growth. China is also showing signs of bottoming out.

Global equities look positive whilst higher volatility will continue. US stocks have further upside due to strong household finances and a recovering labour market. Business spending should also remain healthy, driven by easy access to capital and the need to expand capacity within the eurozone. Strong GDP and earnings growth, together with low valuations, should see equities outperform global peers in the months ahead. In the UK, earnings growth is predicted at 15% this year, driven by strong global economic growth and higher energy prices. However, the UK is unlikely to benefit from currency moves in the coming months, and some of the earnings growth outlook has already been reflected in a decent performance in the UK over the last six months.

Foreign Exchange
Euro and Swiss Franc out of favour

Among the G10 currencies, both the US Dollar and Pound Sterling look attractive, whilst the euro and Swiss franc look over valued. The US Dollar should be supported as US inflation has risen to a level where the Fed will hurry up with rate hikes. Sterling should be supported by a series of rate hikes. The Euro and Swiss Franc are loosing their 'safe haven' status.

Negative yielding currencies will suffer as the cycle progresses this year. US interest rates and equities remained attractive and therefore the cyclical demand for the dollar should say stay strong, despite deteriorating fundamentals. In Asia, the Chinese Yuan should weaken moderately versus the greenback, whilst the Thai baht should rebound over the coming quarters, amid a gradual recovery in its key tourism sector.

We've over 200 years experience in the world's largest Banks

Alexander Wade

Alexander is one of the most experienced London advisers in the international market, specialising in this field over the last 20 years at HSBC, consistently recognised as one of its most accomplished advisers. He has over 24 years' experience in financial services. He is particularly interested in the Middle East market and understands the specific issues which are relevant there.

Stuart Poonawala

Stuart has worked in financial services since 1998. In 2003, he helped to found HSBC's specialist London arm advising international clients which quickly became one of the bank's most successful UK divisions. In 2009, he launched Kubera Wealth, our sister company, focussing on providing quality advice to the UK market.

Graeme Cowie

Graeme is responsible for building our professional connections with international lawyers and accountants, as well as co-ordinating our relationship with key fund managers at a number of international Private Banks and Discretionary Fund Managers. He has spent over 20 years in financial services and investment management, most recently spending more than six years at UBS where he led the Strategic Partnership team.

New Additions to the Team

Michelle Hoskin joins the team as Head of Operations and Business Development. She has nearly 25 years' experience working alongside some of the world's most successful financial services organisations and is a leading expert in designing and implementing best practice standards within firms. Michelle runs Standards International – the UK's leading training, consultancy, and certification body for British, International, and sector-specific financial services standards.

Michelle Bye
Business Manager

Claire Hobbs
Senior Client Services Assistant

Kellie Lewis
Client Relationship Manager

Caroline Lvy
Client Relationship Manager

Kelly Kular
Personal Assistant to the Partners

Daniel Hawes
Relationship Officer

Heidi Witham
Paraplanner