

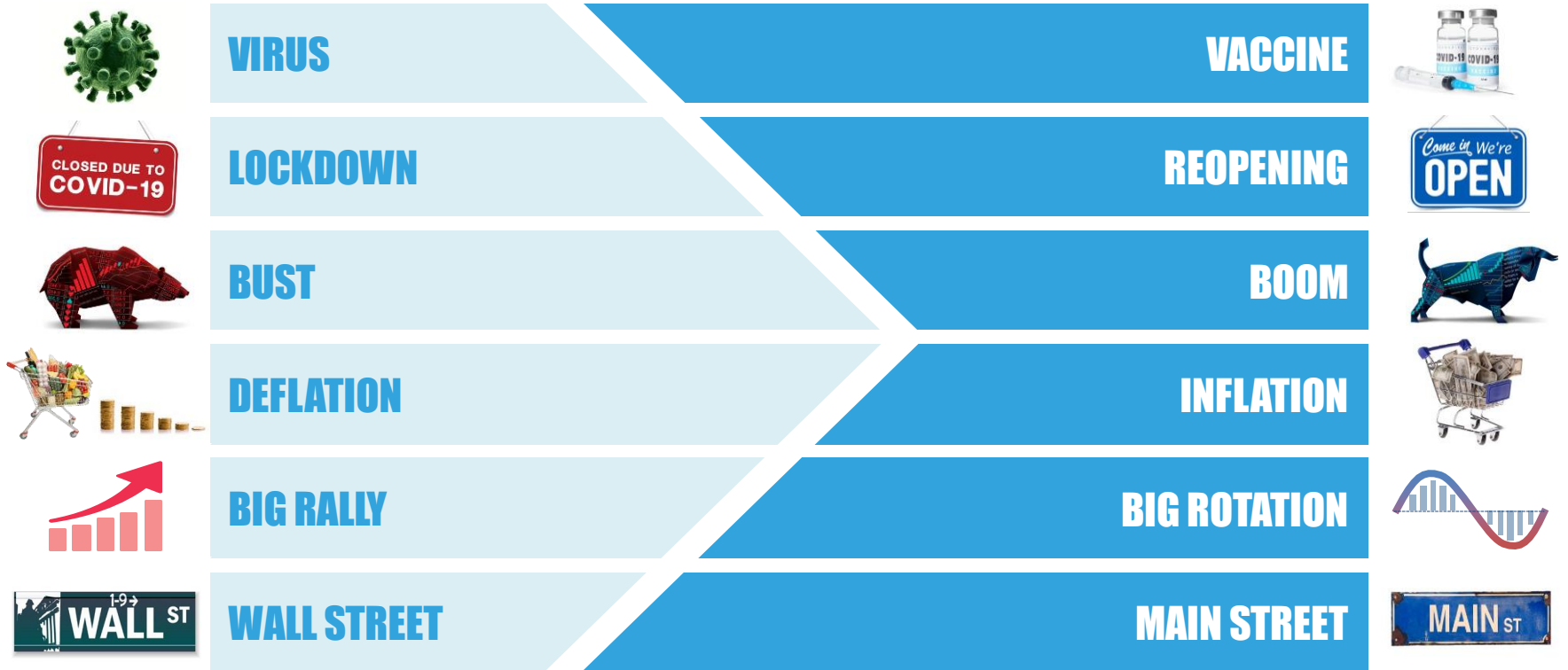
NEWTON INVESTMENT MANAGEMENT

Aron Pataki

Portfolio Manager

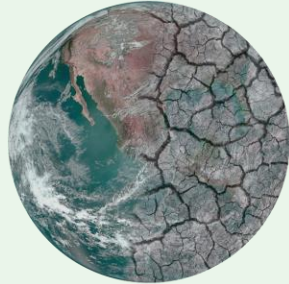
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2021 is the mirror image of 2020

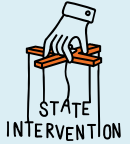


Longer-term trends

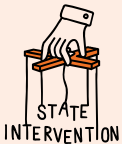
IMPACT OF CLIMATE CHANGE



INCREASED DOMINANCE OF GOVERNMENT



SLOWING OF GLOBALISATION TREND



TOLERANCE BY AUTHORITIES FOR HIGHER INFLATION

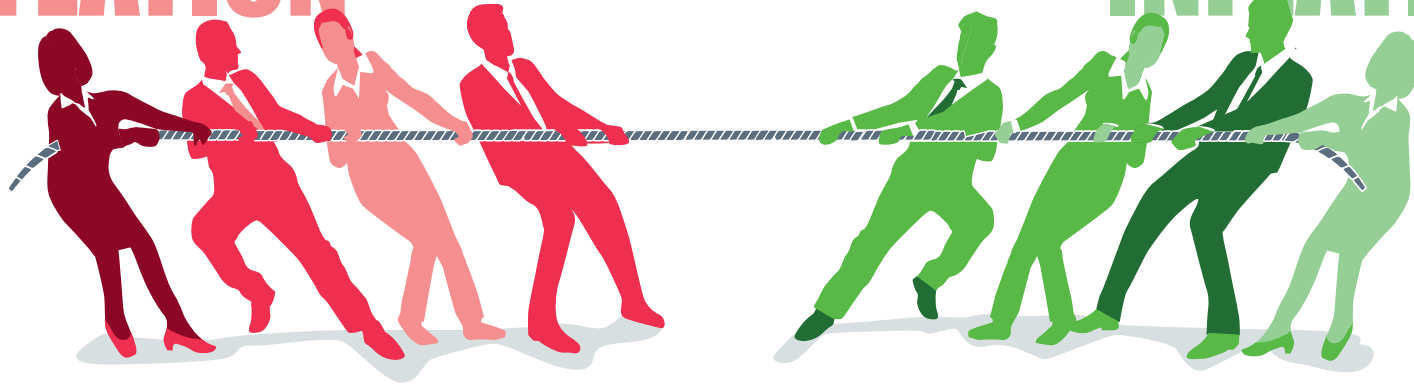


Shifting sands

Inflation / deflation tug of war

DEFLATION

INFLATION



DEFLATIONARY FORCES

INFLATIONARY FORCES

▪ The 4 'D's

Debt Demographics Disruption Distortion



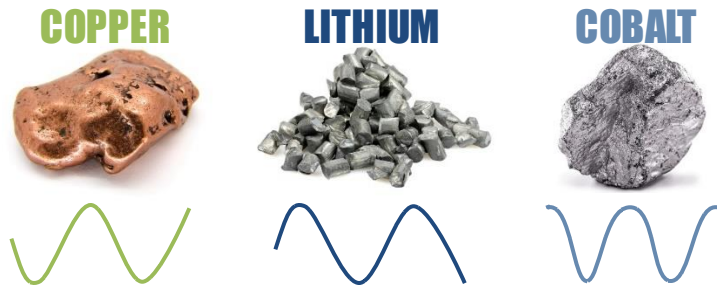
- Widespread adoption of inflation targeting by central banks
- Smaller government

- Central banks targeting higher inflation
- Bigger government
- Large fiscal injections directly into economy e.g. Biden infrastructure plan
- Government debt levels incentivising lower real cost of debt

A commodity 'super cycle'? Possible Inflation hedges

A more nuanced approach is needed

Individual commodities follow different cycles ...



We would avoid using the term 'super cycle' which doesn't capture the more nuanced picture of the drivers influencing the prices of individual commodities which may themselves follow different cycles.

... however common ground can be found



Copper, lithium and cobalt are used as inputs for electric vehicles and, given the 'greening' of the economy and the earmarking of infrastructure spend for environmentally-friendly projects, there is likely to be increased demand on a sustained basis.

RETURN SEEKING CORE

Gold plays a somewhat different role ...



Longer-term inflationary pressures owing to input-price appreciation, a build-up of capacity constraints and true wage growth could pave the way for gold to deliver a credible performance.

After peaking above \$2000 in August 2020, gold is at a more delicate juncture due to rising real yields and a more reflationary tone in markets.

STABILISING LAYER

Conflicting forces

A structural regime change

Longer term implications

STRUCTURAL SHIFT

New policy framework targeting higher inflation

Stimulative fiscal policy outside of countercyclical stabilisation

Increased role of government

Erosion of free trade

POSSIBLE IMPLICATIONS

End to 40 years of structural disinflation = higher inflation

Rising bond yields, the end of the 40-year bond bull market

Need for alternative ways to hedge

Implication for equity valuations

Opportunities for more investment in Real assets

INVESTMENT SOLUTIONS - CHARACTERISTICS REQUIRED

Active, flexible, multi-asset approaches

Security selection, unconstrained by a benchmark or style bias

Thematic support

Dynamic new risk management framework

Powerful forces at work

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