

TEARING UP THE RULEBOOK

This document is intended for retail investors and/or private clients. You should not act or rely on this document but should contact your professional adviser.

INTRODUCTION

Melanie Roberts
Partner, Head of Charities



SATURDAY

July 6 2024 | thetimes.com | No 74454

DAILY NEWSPAPER OF THE YEAR

£4 £2.30 to subscribe (based on a 7 Day Print and Digital Sub.)

'The work of change begins'

Starter vows to rebuild Britain after landslide Labour win • Conservatives reduced to 121 seats as 4m vote for Reform

Steven Swinford Political Editor
Oliver Wright Policy Editor
Chris Smyth Whitehall Editor

Sir Keir Starmer vowed to usher in an era of "stability and moderation" and said that his government would be "unburdened by doctrine" after winning a landslide election victory. In a speech outside 10 Downing Street yesterday, the new prime minister said that he wanted to "rebuild our country" and promised that his politics would "tread more lightly on your lives". Starmer, 61, said transforming the nation was "not like flicking a switch" and would take time, but the "work of change" would begin immediately. Labour won 412 seats giving it a majority of 174, the biggest since Tony

24-page election results pullout
With Ben Macintyre and Peter Brookes



Plus William Hague, Caitlin Moran and Hugo Rifkind
News and comment, pages 2-21, 27-31

Blair's landslide in 1997. The Tories were reduced to 121, their worst result, as Nigel Farage's Reform UK made inroads into their base. More than 4 million people voted for Reform, pushing the Conservatives to their lowest share of the vote in a third in many places, although the party won only five seats. The Liberal Democrats won 71 after securing 10 million votes. Labour won with only 34 per cent of the vote, with the polling expert Sir John Curtice describing the result as "the most disproportional electoral outcome in British electoral history". Starmer took 9.7 million votes, half a million fewer than Jeremy Corbyn won in 2019 when he secured 203 seats. In his speech after he and his wife, Nicola, greeted flag-waving crowds in Downing Street, Starmer described a "new dawn at the heart of a nation, a new way of the hope, the spirit, the belief in a better future". He said this



PHOTOGRAPH BY JACKIE

"wound" could only be healed by "actions, not words". Appealing directly to the voters, he said: "My government will fight every day until we are again. From now on, you will be unburdened by the red tape, only by the determination to do what is in the interest, to defy, to write our own rules, to deliver change, to respect to politics, to performance, to tread more lightly on your lives and unite our country. Within hours of my appointment, I am pointing a new cabinet. I am sending Rachel Reeves as the country's first

General election

After 649 of 650 seats declared

- Labour
- Conservative
- Lib Dem
- Reform UK
- SNP
- Plaid Cymru
- Green
- Other

David Lammy became secretary and Yvette Cooper as home secretary and Bridget Phillipson as secretary of health. There were several appointments. Sir Peter Keenan became secretary of the environment and James Timpson became secretary of the shoe and leather industry. Reform UK's share of the vote was 13.6 per cent.

THURSDAY, NOVEMBER 7, 2024

TRUMP STORMS BACK

BEATS HARRIS AND CAPS HIS RESURGENCE
FROM OUTCAST TO FELON TO PRESIDENT-ELECT





\$Trump Meme
coin peaked at
\$14.5bn in
January



Equity markets have become more concentrated

10 largest companies

19.1%
of the global equity market

S&P 500 **10** largest companies

...have driven markets

Apple	Tesla
Microsoft	Meta
Alphabet	Exxon
Amazon	Berkshire
Nvidia	UnitedHealth

Equity markets have become more concentrated

10 largest companies

25.4%
of the global equity market

S&P 500 **10** largest companies

...have driven markets

Apple

Meta

Nvidia

Tesla

Microsoft

Broadcom

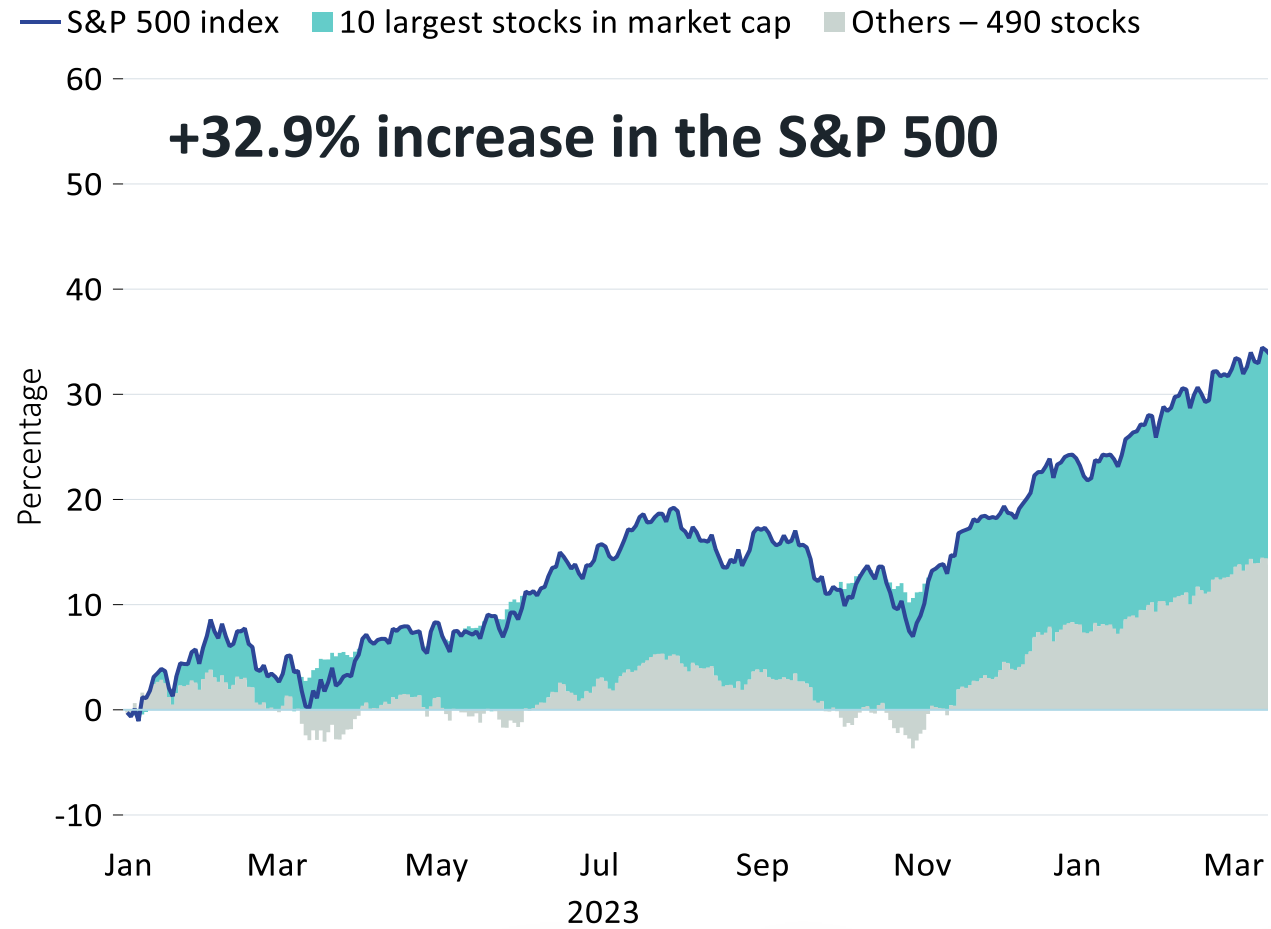
Amazon

Berkshire

Alphabet

JP Morgan

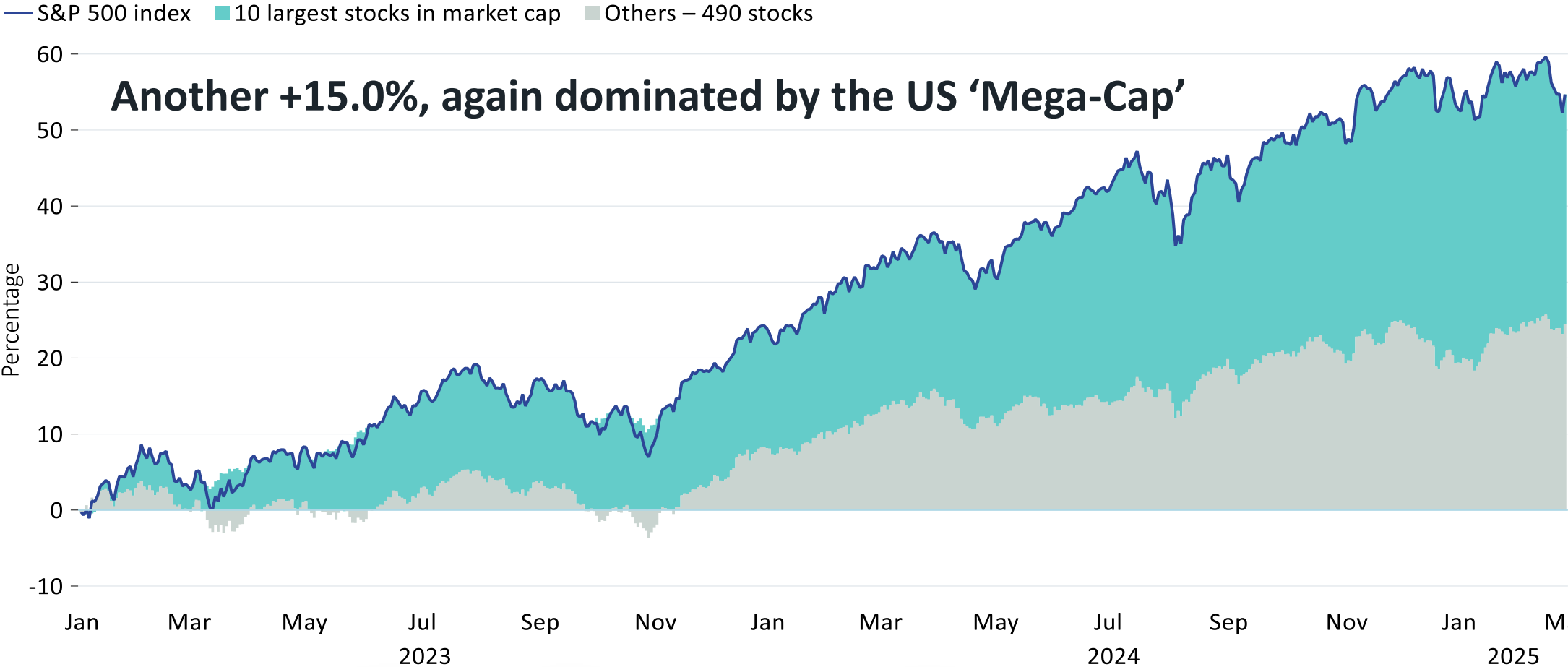
The dominance of the US 'mega-cap'



Past performance is not a reliable indicator of future results and may not be repeated.

Source: Macrobond, 11.03.25

...which has continued



Past performance is not a reliable indicator of future results and may not be repeated.

Source: Macrobond, 11.03.25

2024 global asset market returns (£)

+29.5%

Gold

+20.2%

**Global
equities**

+5.2%

Cash

-2.5%

UK gilts

Investments in today's markets



**Staying true
to our
rule book...**



Looking ahead: long-term returns from a multi asset portfolio

Asset class	Neutral allocation (%)	5–7 year projected total return (%)
Bonds	15.0	5.1
Equities	70.0	7.2
Property	5.0	6.8
Alternatives	10.0	6.4
Cash	0.0	3.3
Total	100.0	6.8
Inflation		-2.3
Target 'real' long-term return		4.4

Forecasts are not a reliable indicator of future performance and may differ to actual performance achieved.
Source: Sarasin & Partners Compendium of Investment 2024

Decades of feast and famine

Endowments model annualised real returns

Time period	Total absolute return	Inflation	Real return
1900s	2.4	1.3	1.1
1910s	5.0	8.3	-3.0
1920s	5.9	-2.9	9.1
1930s	4.2	0.4	3.8
1940s	5.4	2.8	2.5
1950s	13.1	4.1	8.6
1960s	8.7	3.7	4.9
1970s	12.4	13.1	-0.6
1980s	21.1	6.9	13.2
1990s	13.1	3.5	9.2
2000s	2.5	2.3	0.2
2010s	8.9	2.2	6.5
2020s	7.7	4.6	3.0
Since 1900	8.4	3.8	4.5

Forecasts are not a reliable indicator of future performance and may differ to actual performance achieved.

Source: Sarasin & Partners Compendium of Investment 2024

Decades of feast and famine

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Forecasts are not a reliable indicator of future performance and may differ to actual performance achieved.
Source: Sarasin & Partners Compendium of Investment 2024

Agenda

- Active strategies, evolving times



- Markets in MAGA



- Broadening opportunities in Private Markets



- Stewardship in a disorderly world



Break

- A new regional order?

- Market outlook with portfolio implications



- Q&A



Drinks & canapes/buffet lunch

The questions of the day

What do tariffs mean for global economies?

What are the major investment themes to come out of this complexity?

Should we introduce private markets into our portfolios?

Which asset classes will benefit or suffer?

What are the cutting-edge investments in healthcare and technology?

How will the principles of Stewardship add value to today's portfolios?

ACTIVE STRATEGIES, EVOLVING TIMES

Tom Santa-Olalla
Senior Associate Partner, Charities

BEWARE THE IDES OF MARCH

—William Shakespeare



Market backdrop through a regime lens

Multilateralism

Bretton Woods

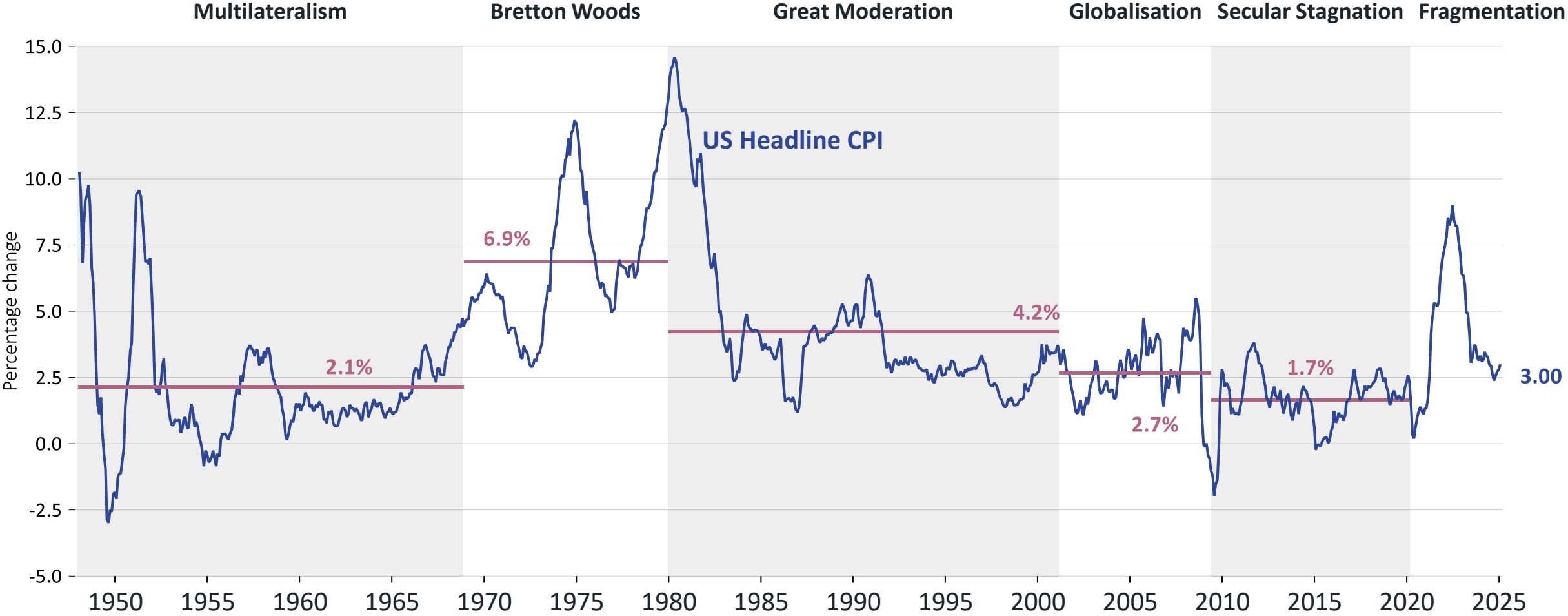
Great Moderation

Globalisation Secular Stagnation Fragmentation



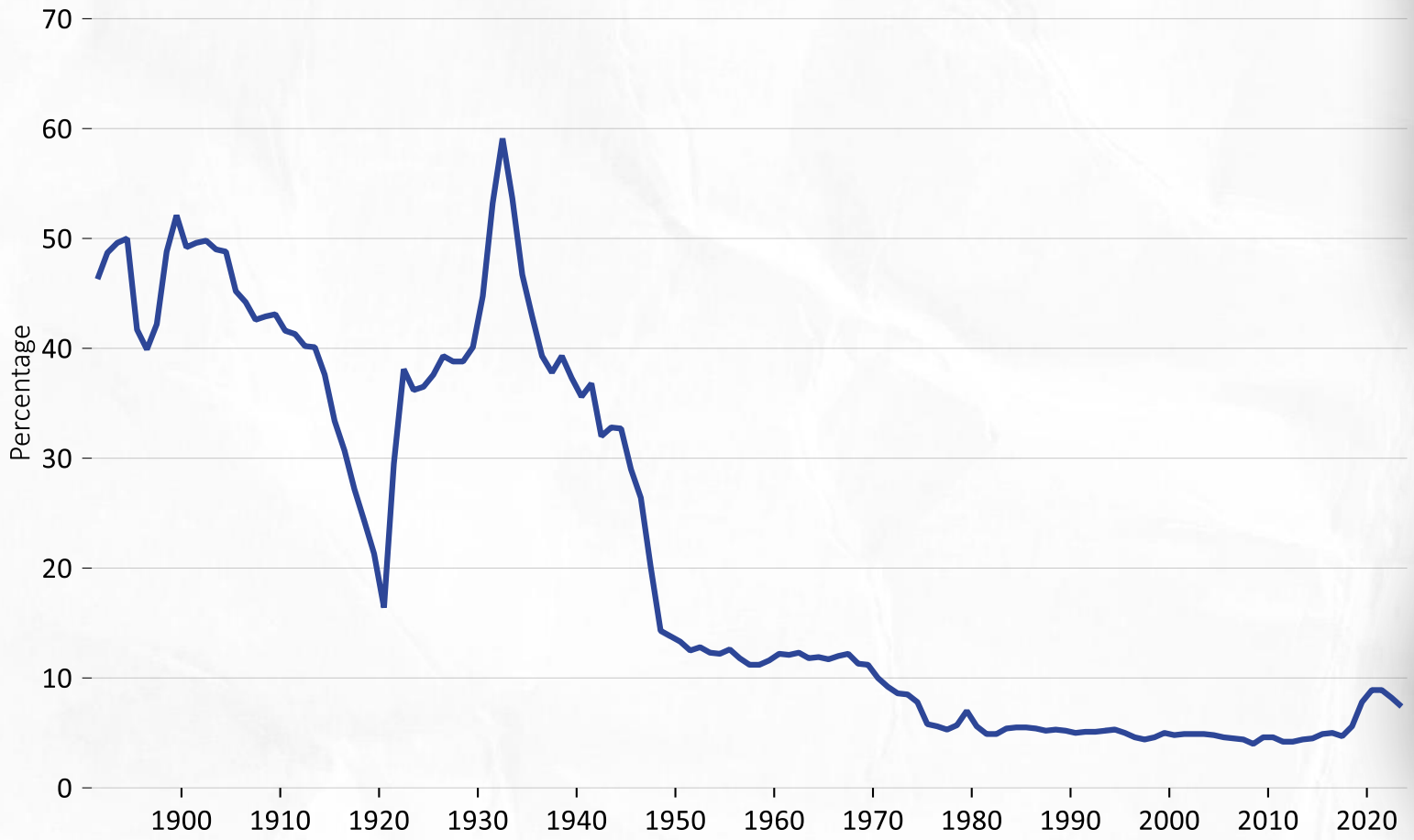
1950 1955 1960 1965 1970 1975 1980 1985 1990 1995 2000 2005 2010 2015 2020 2025

Inflation through the regime lens



Source: Macrobond, 11.03.24

If this is the graph, what is the data?



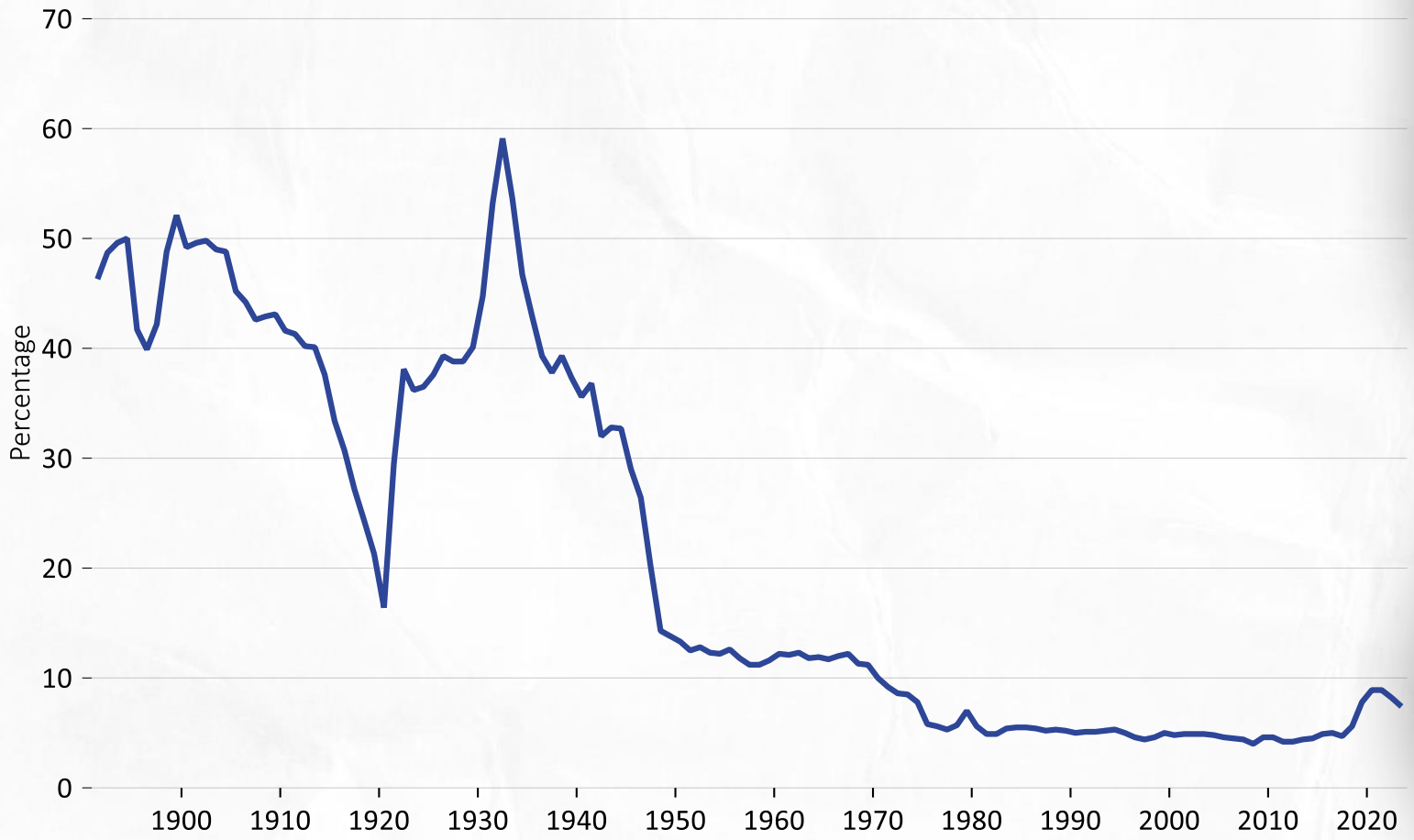
A Percentage US population growth due to immigration

B Average US import tariff rate

C US GDP generated via manual labour

Source: Macrobond, 11.03.25

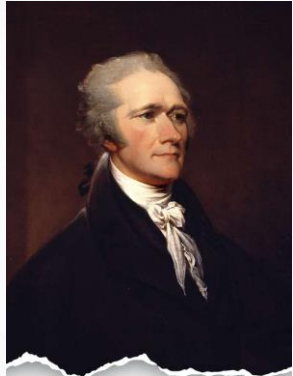
If this is the graph, what is the data?



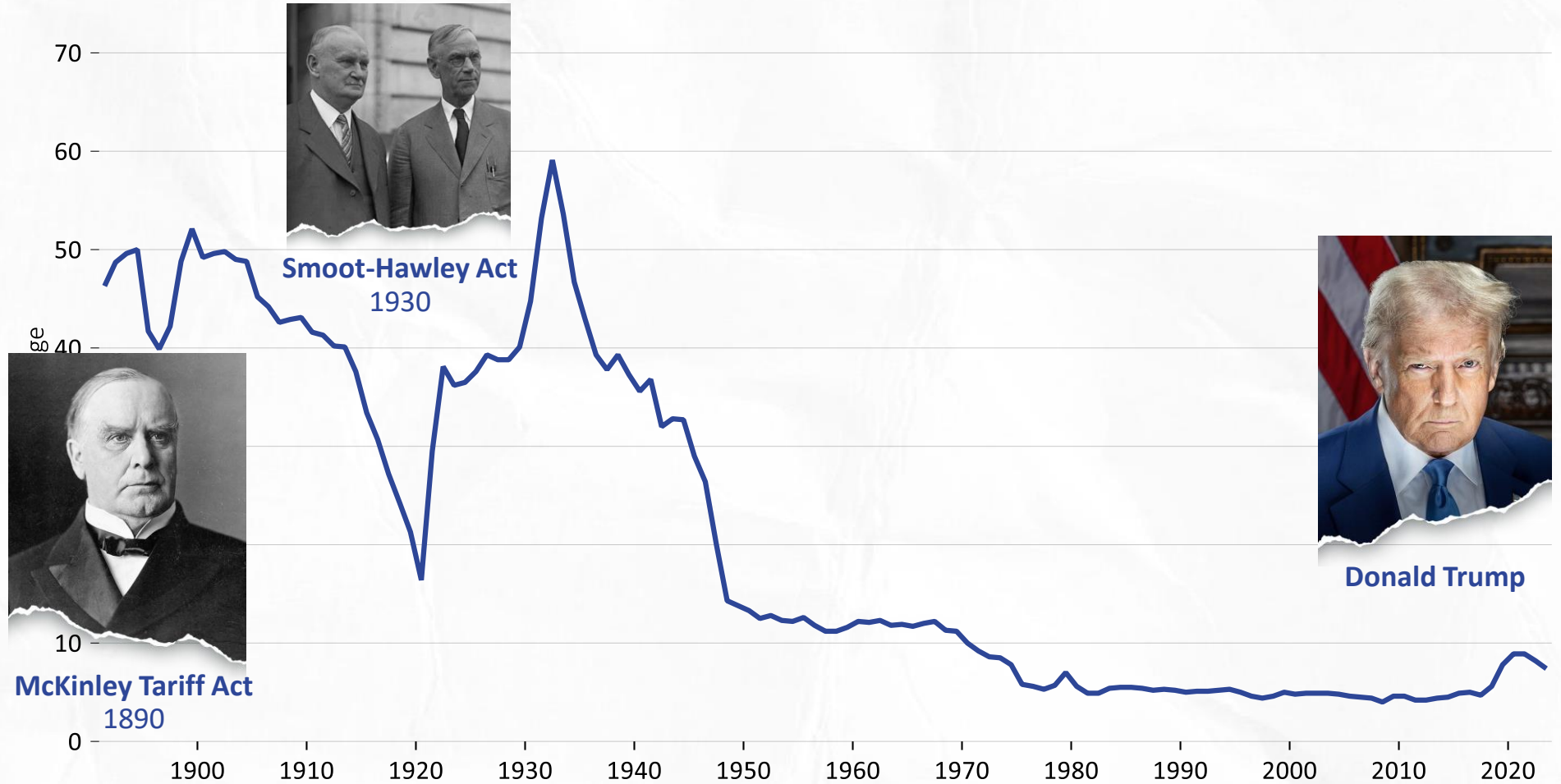
B Average US import tariff rate

Source: Macrobond, 11.03.25

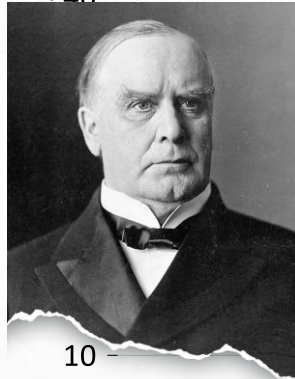
America's long and complex history with tariffs



Alexander Hamilton



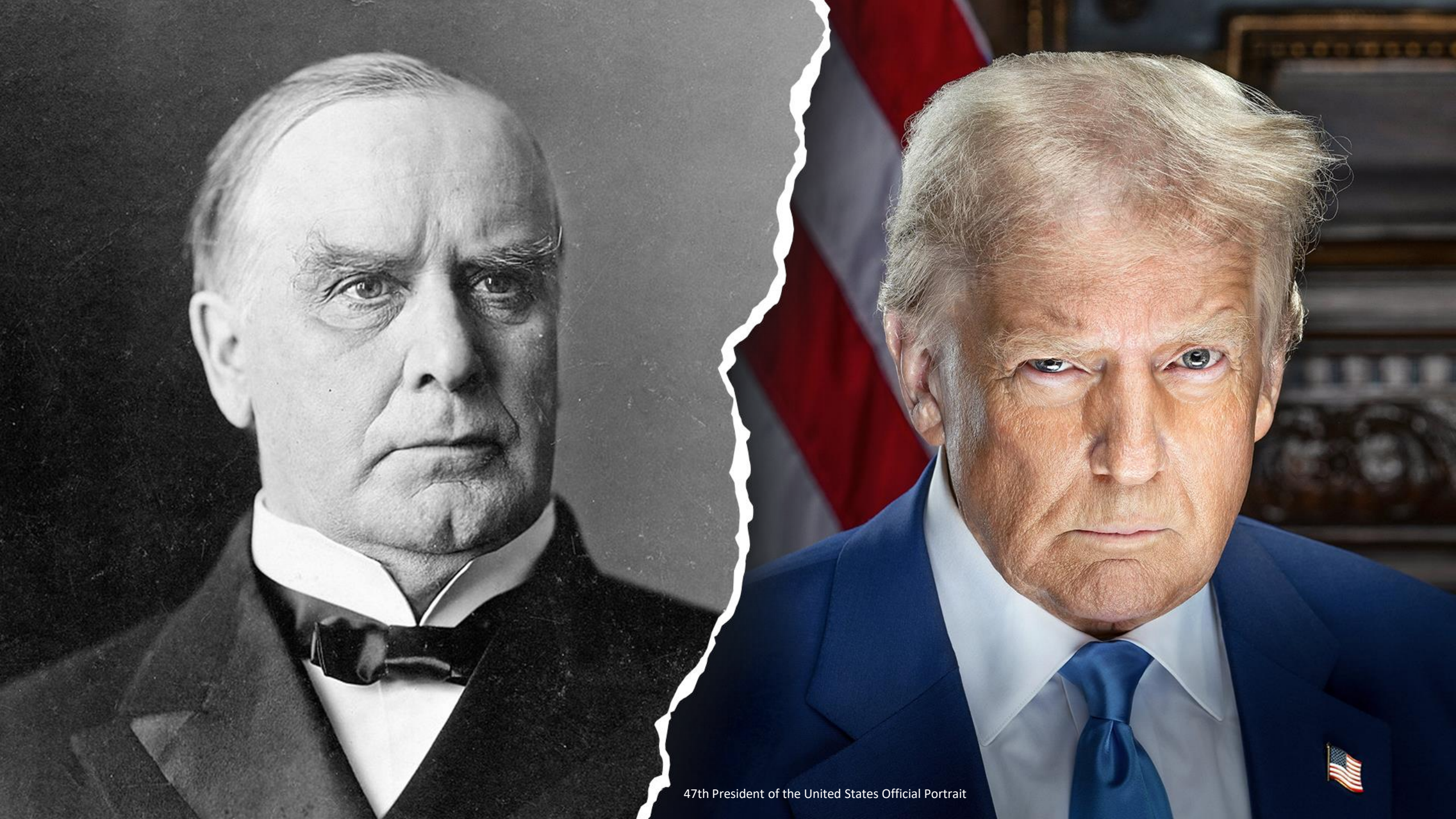
Smoot-Hawley Act
1930



McKinley Tariff Act
1890



Donald Trump



47th President of the United States Official Portrait

Trump's goals

↓ Imports

↓ Regulation

↓ Immigration

↓ Government deficit



47th President of the United States Official Portrait

Beyond Trump: Global structural trends already in play



Investing in the current regime

Expected market outcomes (5-7 years)

↑ Nominal growth

↑ Inflation

↑ Interest rates

↑ Bond yields

↑ Volatility

Structural bias to risk assets

Caution around nominal assets

Mindful of duration

Structural allocation to gold

Investing in the current regime (5-7 years)

Structural bias to risk assets: **Equities**

Caution around nominal assets: **Fixed income**

Mindful of **duration**

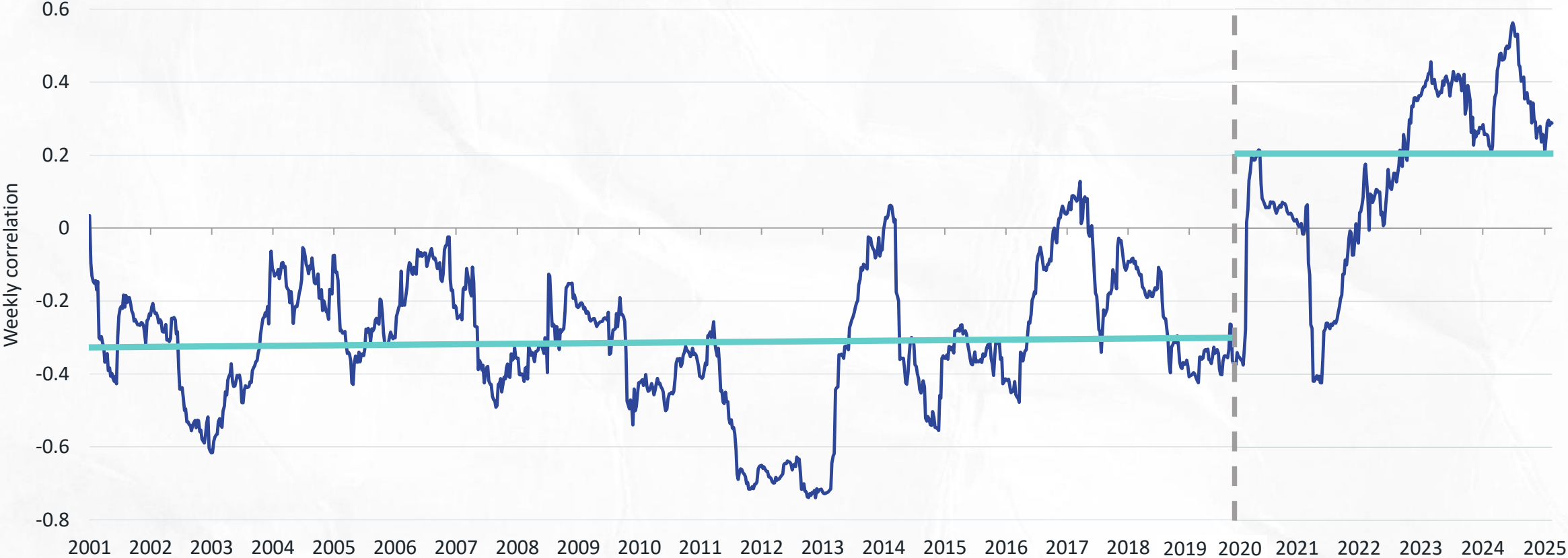
Structural allocation to **gold**

Diversification

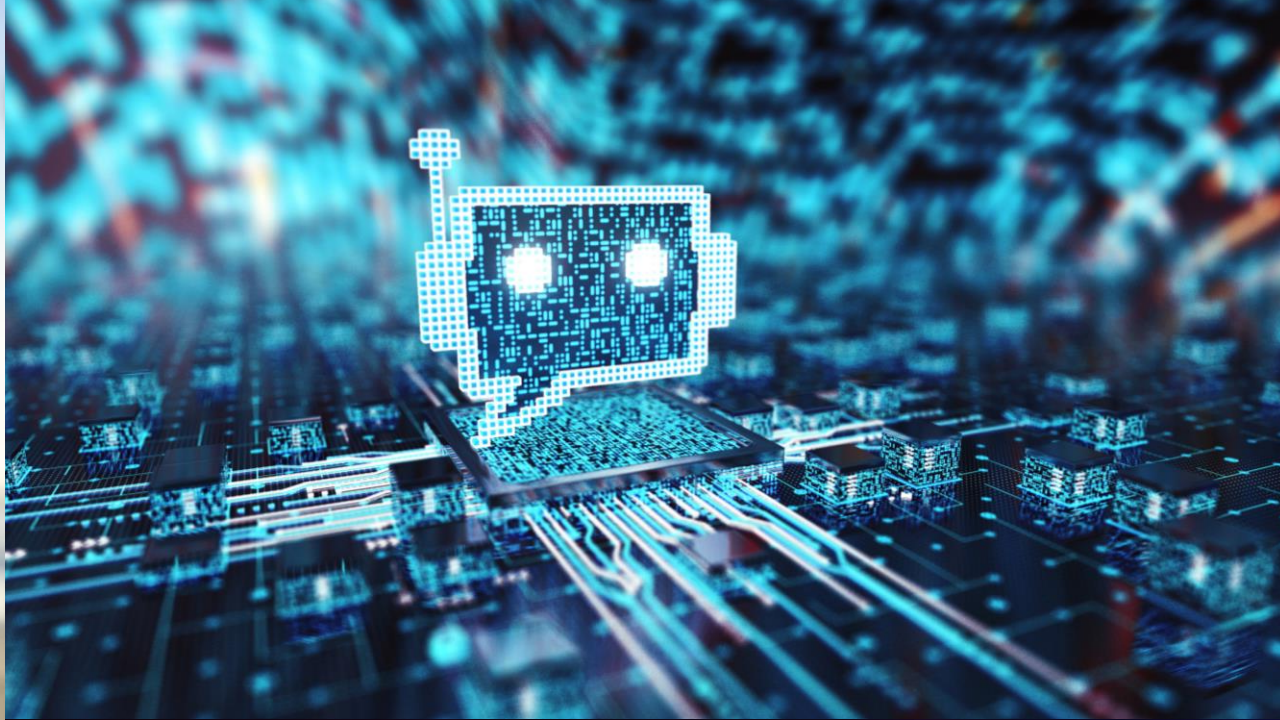


Increasing correlation

Global equities vs UK Government bonds correlation



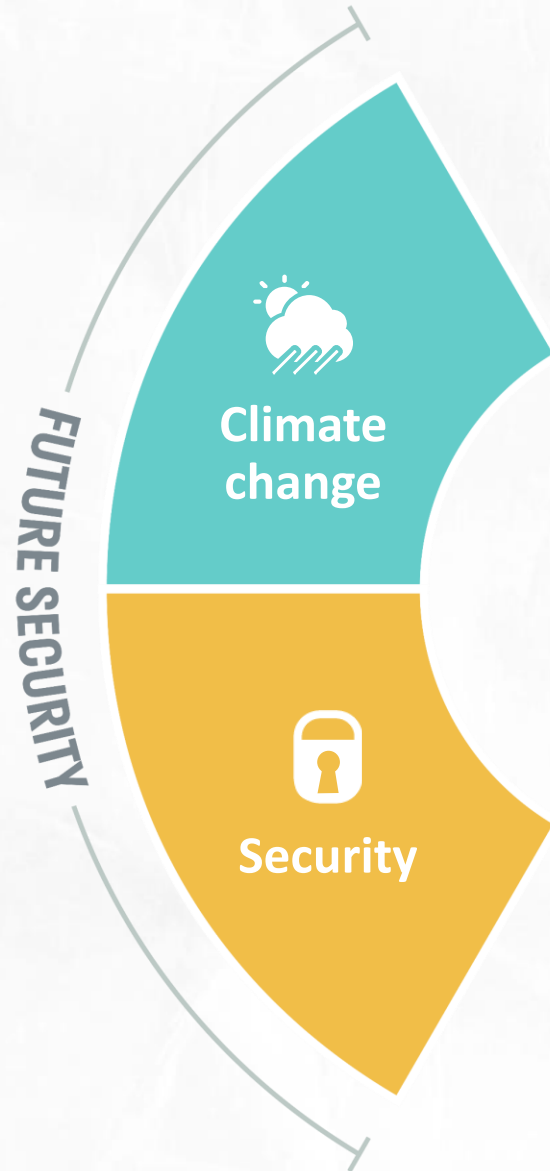
Source: Sarasin & Partners, Bloomberg. Data as of February 2025. Correlation is measured using a rolling 1 year window of weekly returns.



Opportunities for thematic investing



Security considerations impacting companies



Security of:

Energy and resources
Food supply
National interests

Protection against:

Tariff disruption
Cyber crime
Climate disruption

THE IDES OF MARCH?



**ACTIVE STRATEGIES,
EVOLVING TIMES**



MARKETS IN MAGA

Georgie Flowers

Analyst, Global Equities

Alex Hunter

Partner, Analyst, Global Equities

From Global Convergence 2006...

Is this the New World Economy?



Source: Sarasin Chiswell, February 2006

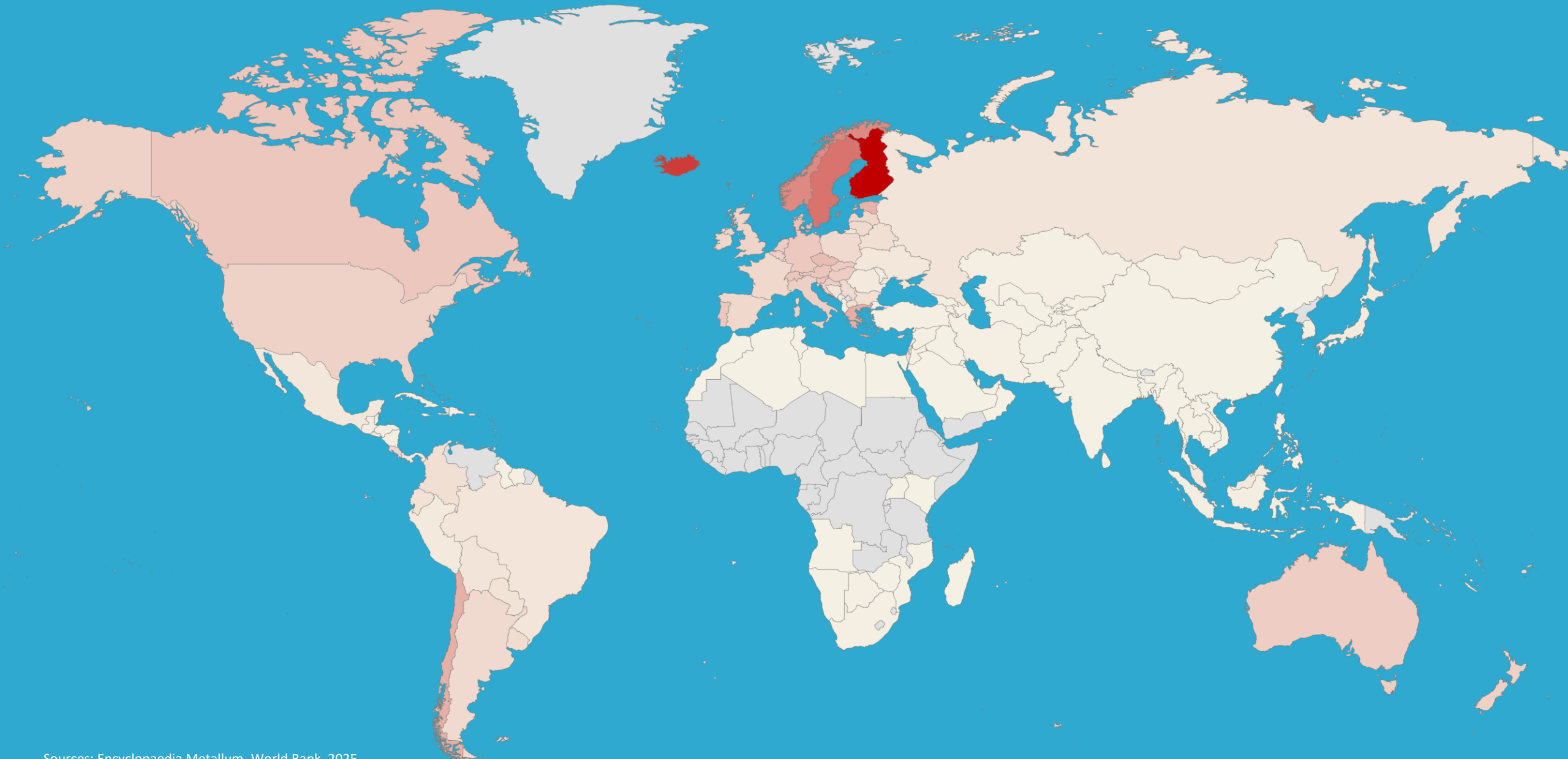
...to Walled Gardens 2017...



...to tearing up the rulebook in 2025...



Heavy metal bands per capita 2024



Sources: Encyclopaedia Metallum, World Bank, 2025





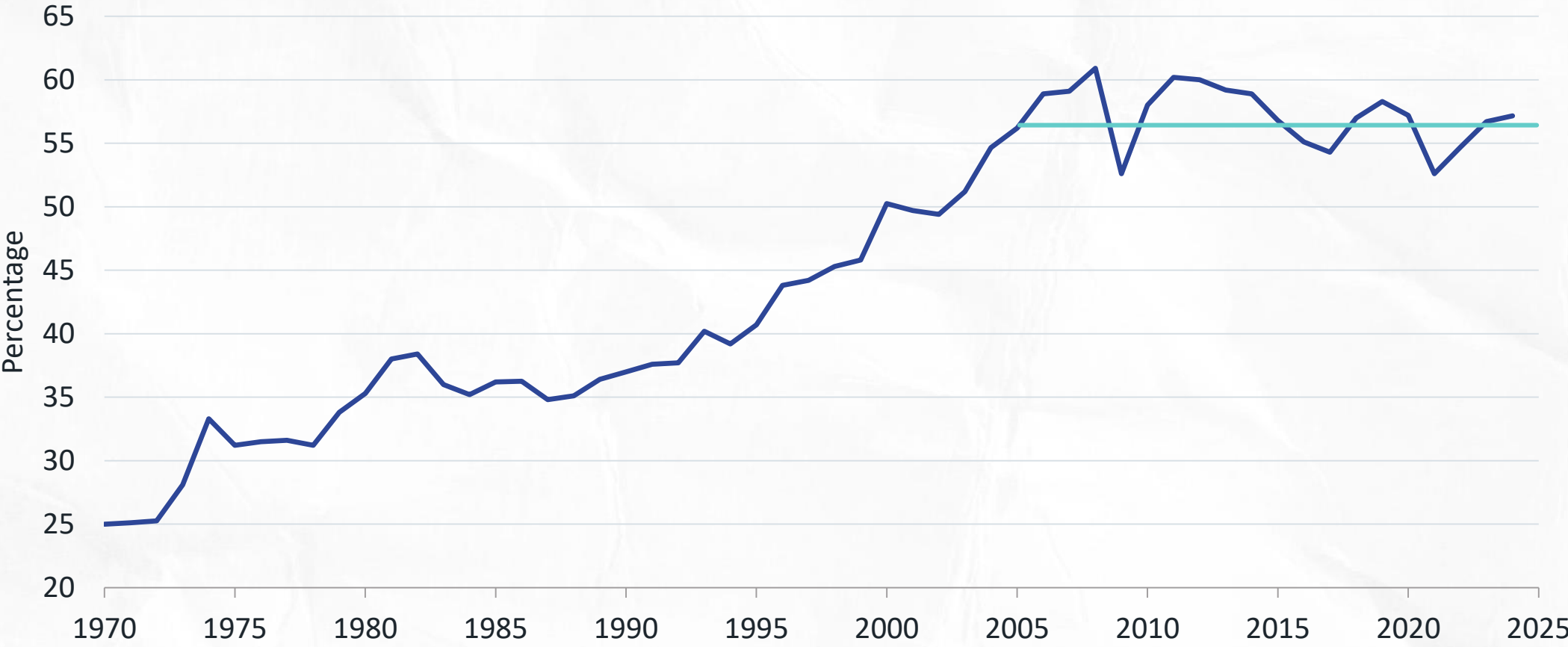
INTERVISION

TVUSSR

ЦЕНТЕР ВИДЕНИШ

Globalisation has peaked

World trade to GDP ratio 1970-2024



Source: www.macrotrends.net, The World Bank, Macrobond, 28.02.25





Fortinet MercadoLibre

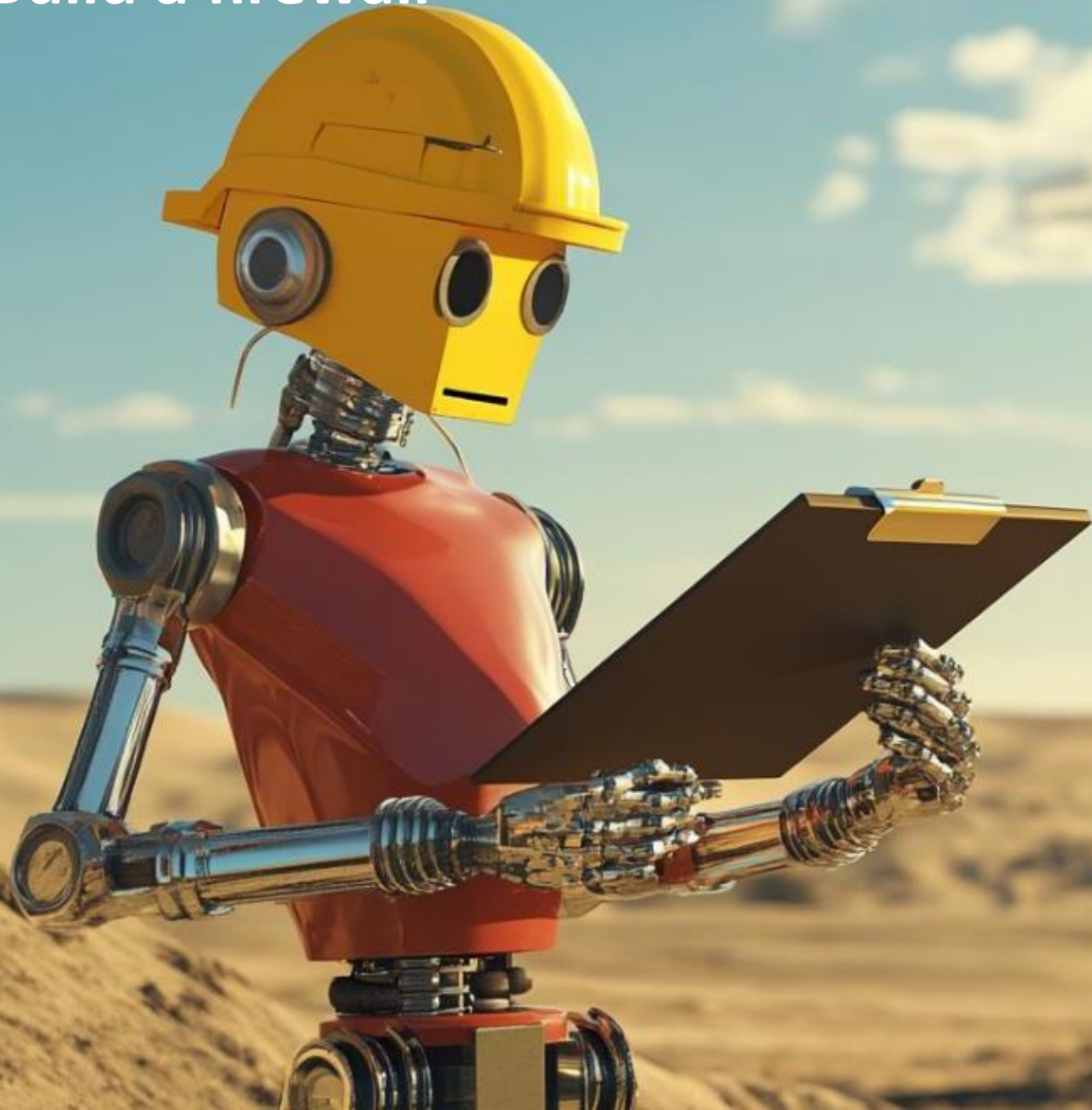
From hype to habit



Huge data, the best data



Build a firewall



Fortinet Inc

Palo Alto Networks Inc



Infrastructure
Providers



AI
Developers

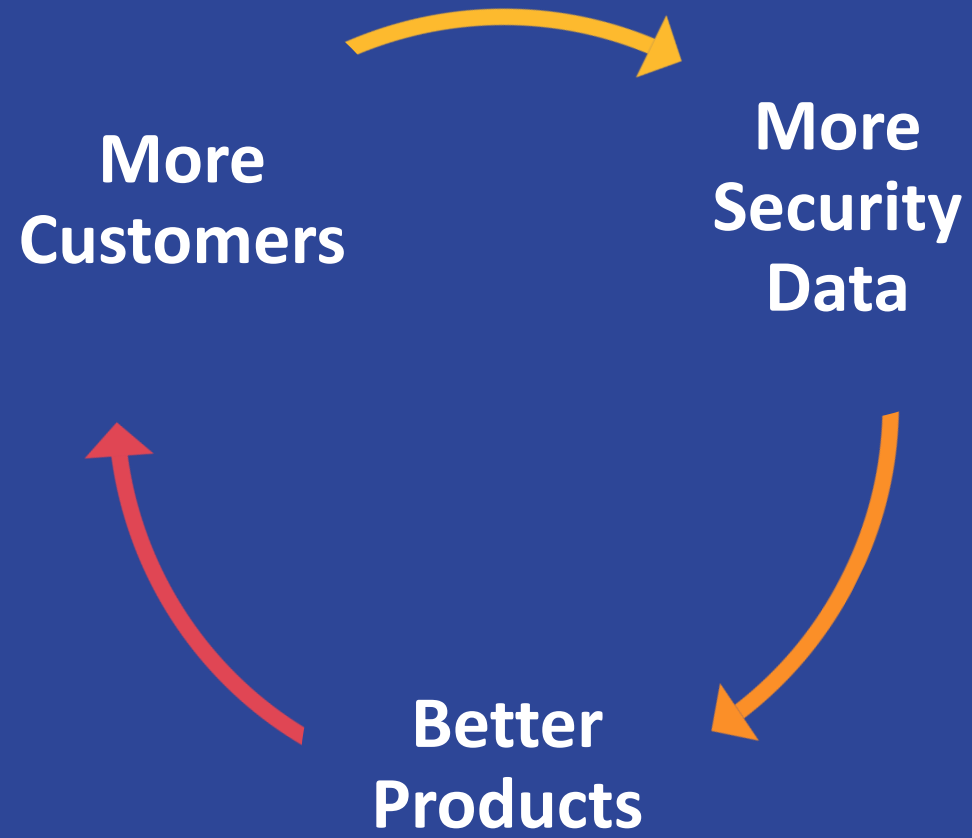


AI
Users



Fortinet Inc

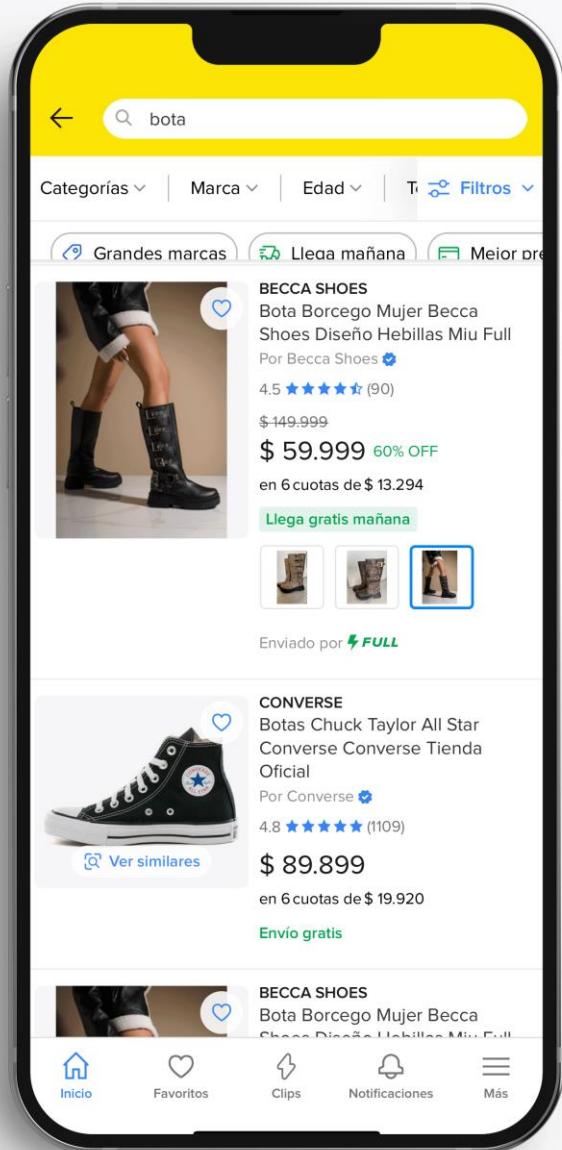
Palo Alto Networks Inc



Regional champions in protected markets



MercadoLibre



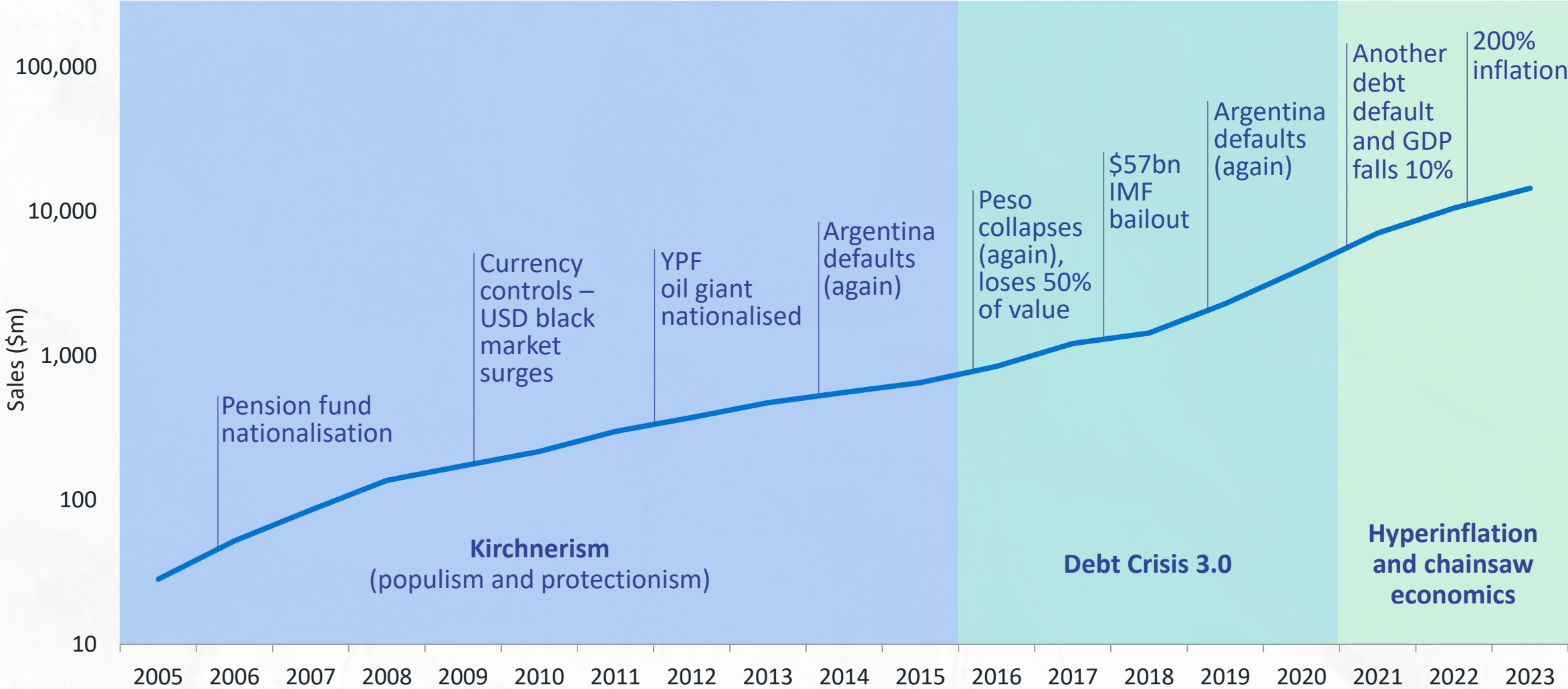
#1 Market share in Latin America main markets

94_m Unique buyers

7.5 Items per buyer quarterly

75% Delivered in 48 hours

MercadoLibre's revenues



Source: Sarasin, Bloomberg, February 2025

I very frequently get the question:

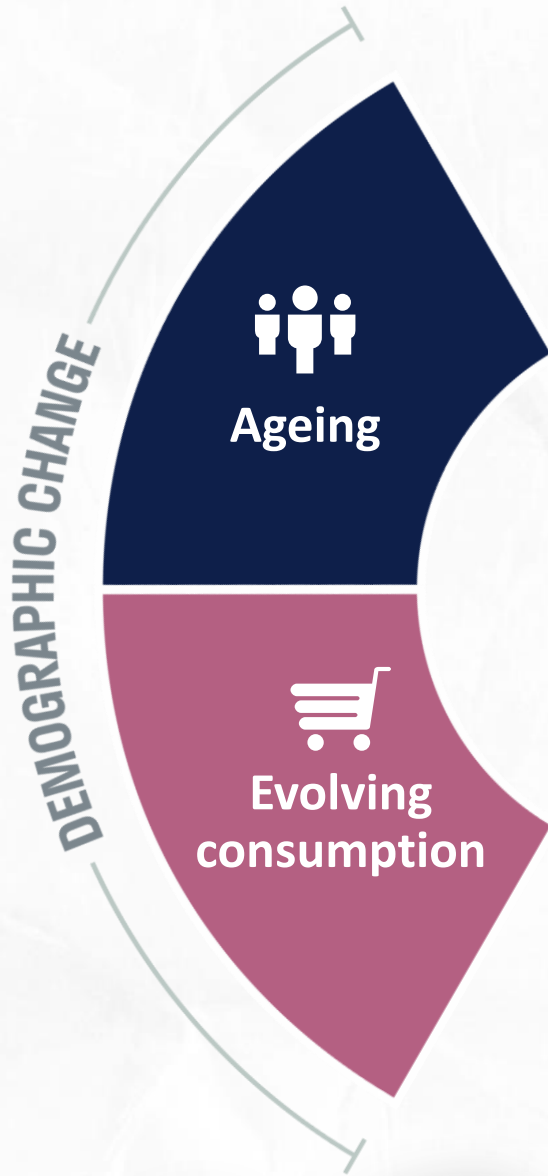
**‘WHAT’S GOING TO CHANGE
IN THE NEXT 10 YEARS?’**

... I almost never get the question:

**‘WHAT’S NOT GOING TO CHANGE
IN THE NEXT 10 YEARS?’**

—Jeff Bezos, Amazon

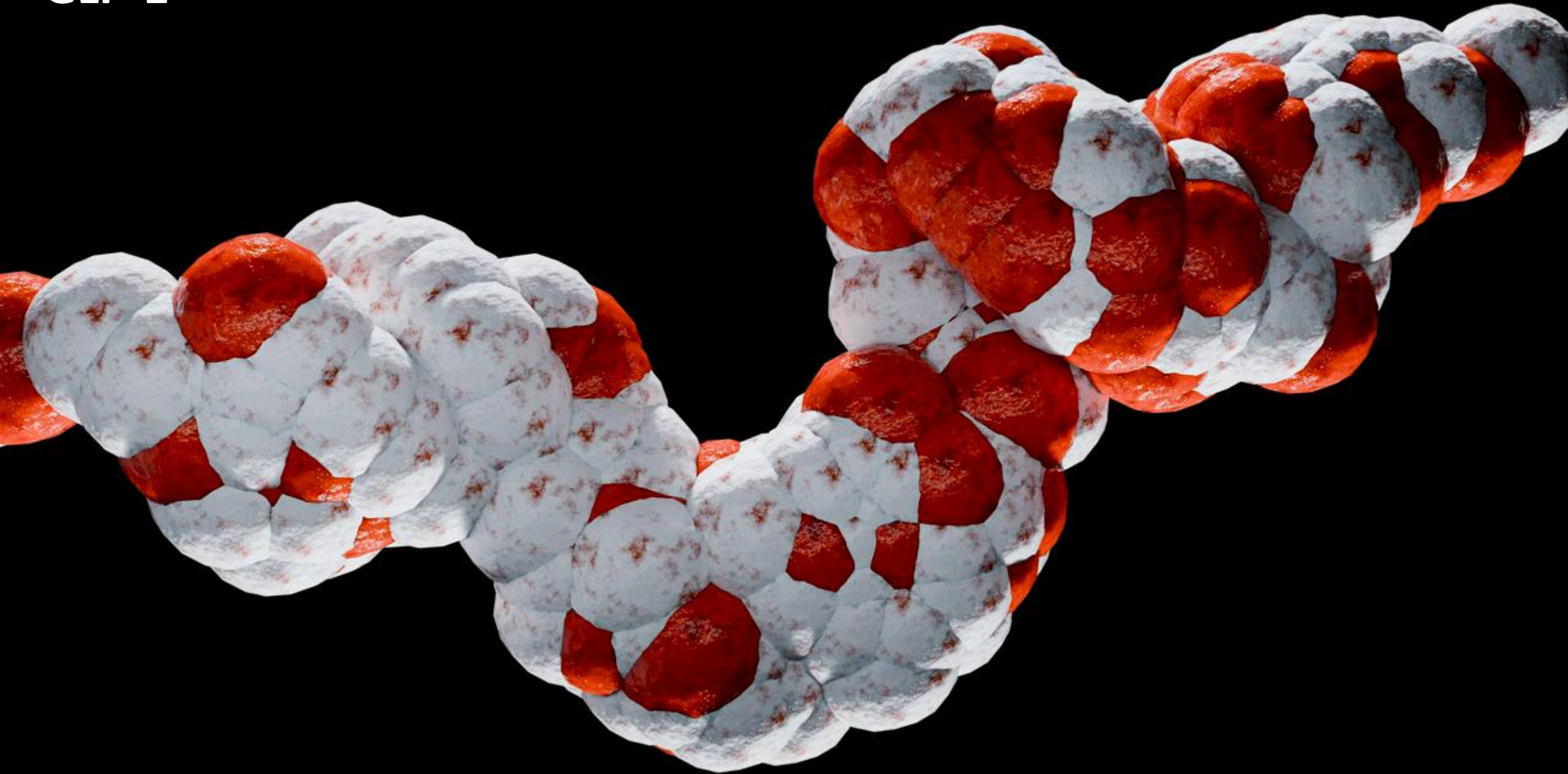




Eli Lilly

EssilorLuxottica

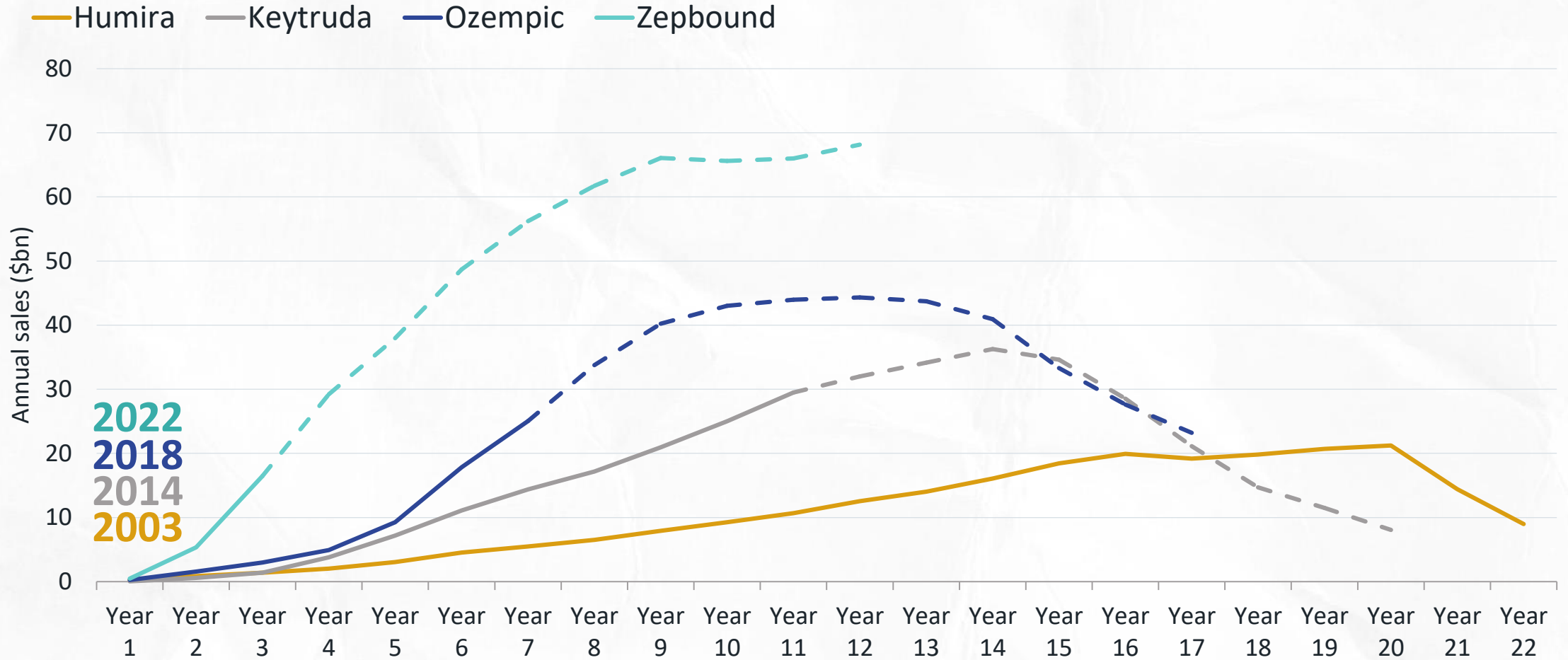
GLP-1







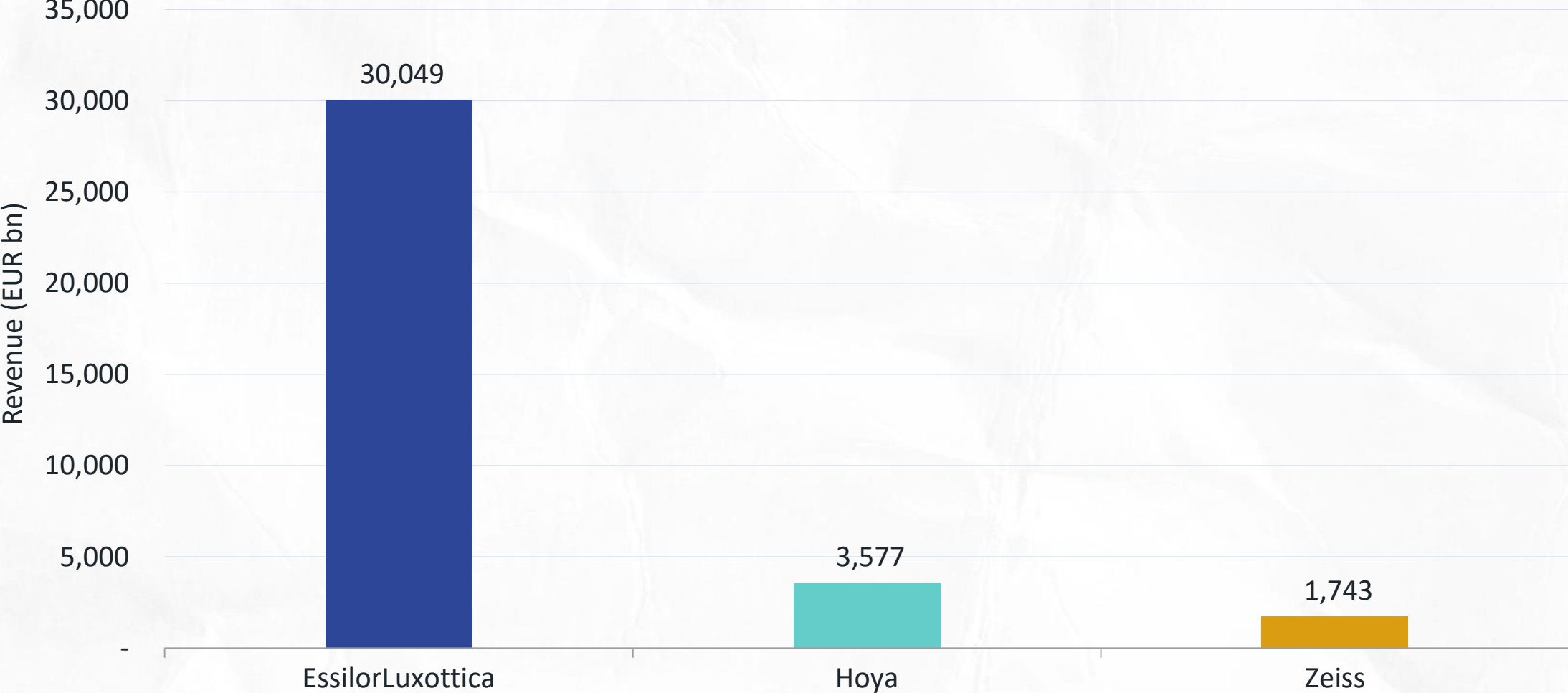
The world's largest selling drugs



EssilorLuxottica



EssilorLuxottica



Source: Sarasin & Partners, February 2025



**THE BEST WAY TO
PREDICT THE FUTURE
IS TO CREATE IT**

—Peter Drucker

BROADENING OPPORTUNITIES IN PRIVATE MARKETS

Alex Barr

Partner, Head of Sarasin Bread Street

Private Markets' asset classes



IMPACT

RENEWABLES

REAL ASSETS

INFRASTRUCTURE

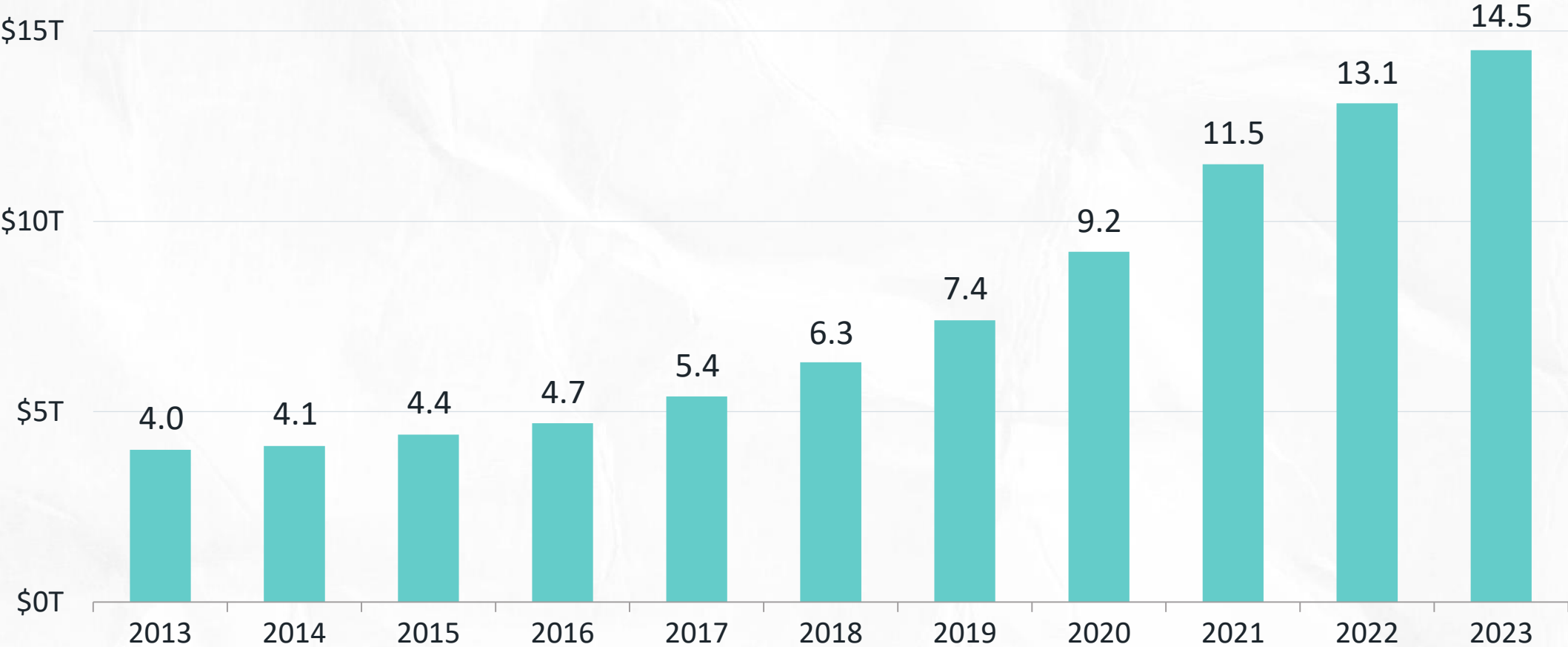
PRIVATE DEBT

REAL ESTATE

PRIVATE EQUITY

Strong growth in private markets

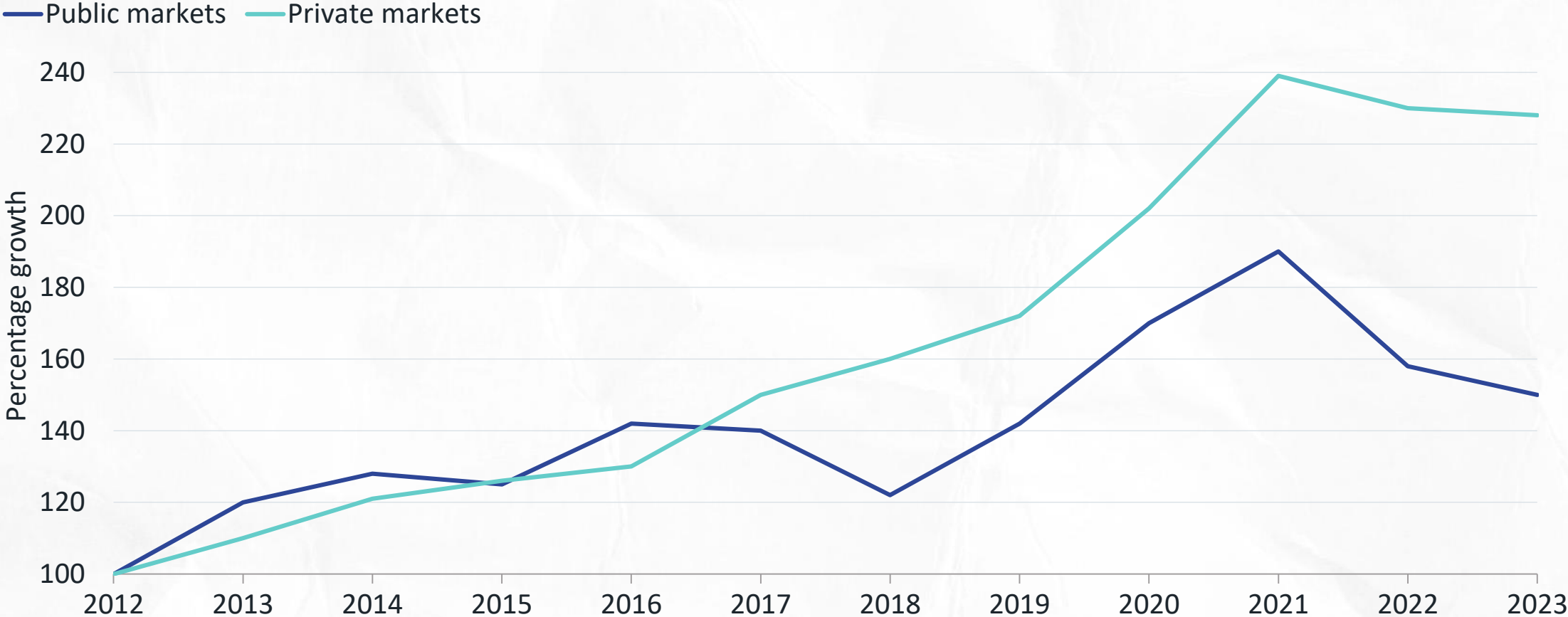
Global AUM, by asset type



Source: Bain, 2024 Global Private Equity Report, March 2024
As of Q2 2023

...and significant relative growth too

Private markets AUM vs public equity market capitalisation growth



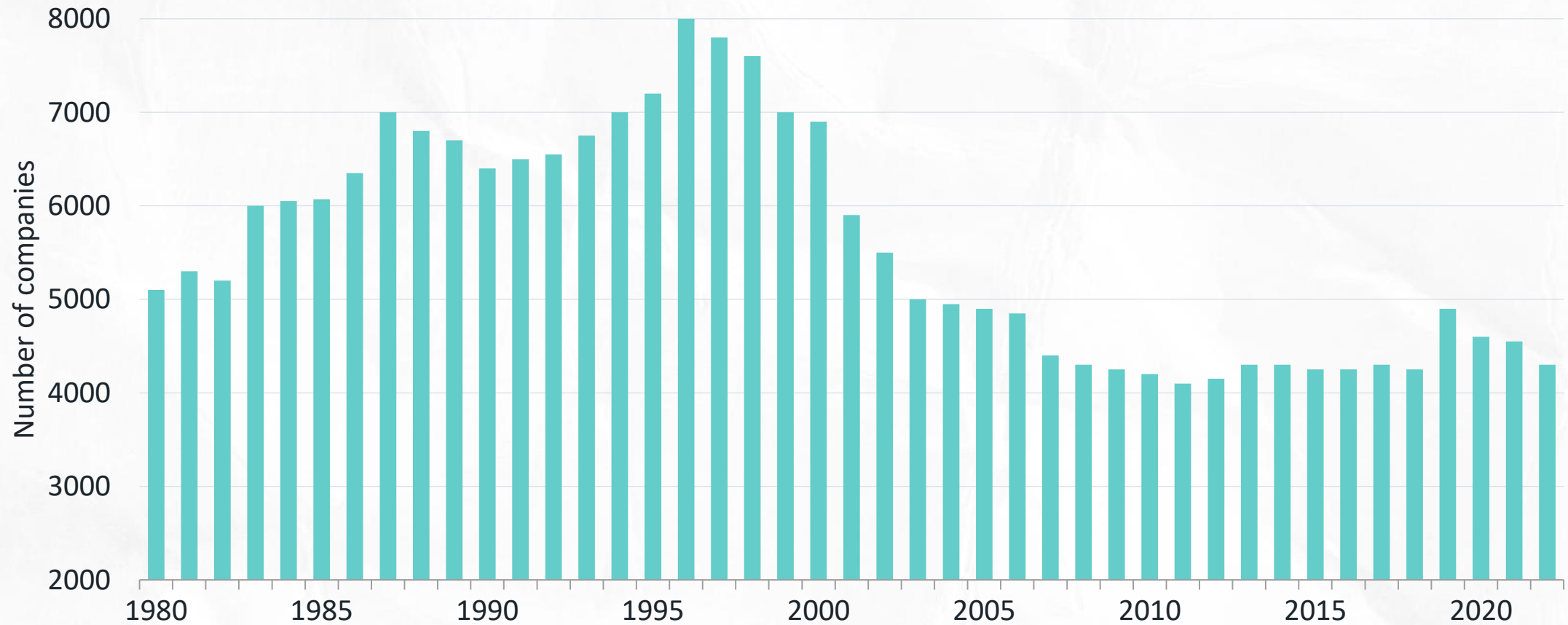
Source: EY, April 2024
The data has been set to 100 to demonstrate relative growth

THE INVESTMENT OPPORTUNITY REVISITED



Shrinking number of public companies

U.S. listed companies



Reduced volatility offers a more stable investment journey



Access to key themes and specialist talent



Historic performance example

10 years per annum (GBP)

MSCI AC World Index
(Equally Weighted)

Public Equity

7.0% p.a.

MSCI AC World Index

Public Equity

11.7% p.a.

NAV Total Return
of UK listed PE

Private Equity

15.4% p.a.

Source: Numis, GBP, all on total return basis, 15.02.25.

Listed PE universe, 11 companies selected on same criteria as set out in Sarasin
Compendium of Investment 2024 and return is based on equally weighted positions.

Past performance is not a reliable indicator of future results and may not be repeated.



**SEISMIC
SHIFTS:
KEY SECTORS
TO CONSIDER**



FINANCIAL TIMES

Companies move to strengthen supply chains on Trump trade war fears

Ribus commodo viverra maecenas accumsan vel facilis maecenas accumsan.

THE WALL STREET JOURNAL.

Trump tariffs usher in new trade wars

Quis ipsum suspendisse ultrices gravida. Ribus commodo viverra maecenas accumsan.

THE TIMES

AI revolution reshapes Britain

Sed ut perspiciatis unde omnis iste natus error sit voluptatem accusantium doloremque laudantium, totam rem aperiam, eaque ipsa quae ab illo inventore veritatis et quasi architecto beatae vitae dicta sunt est.

Bloomberg UK

Private Equity scrambles to find an alternative to IPOs

Quis ipsum suspendisse ultrices gravida. Ribus commodo viverra maecenas accumsan lacus vel facilis.

CFO

Healthcare costs expected to jump by 9% in 2025

Labore et dolore magna aliqua. Ut enim ad minim veniam, quis nostrud exercitation ullamco laboris nisi ut aliquip ex ea commodo consequat. Duis aute irure dolor



Technology & AI



**Industrial &
business services**



Healthcare

NAVIGATING THE OPTIONS: ACCESSING PRIVATE MARKET STRATEGIES



Routes to investing in Private Companies



Solutions for Sarasin's clients

SARASIN
BREAD STREET

TRADITIONAL
ILLIQUID
STRATEGIES



Private Market investments are high risk investments. A discretionary allocation to private markets will vary by client and will always be led by an enhanced assessment of suitability whereas direct investment into Sarasin Bread Street strategies is for professional investors only.

Single Manager
Multi Vintage

€124m
raised in
August 2024

Multi Manager
Annual Vintage

In progress
for 2025

Bespoke
solutions

Available for
large clients

**IN PRIVATE EQUITY, PATIENCE
IS A VIRTUE, AS WELL AS A
COMPETITIVE ADVANTAGE.**

—Barry Sternlicht (Starwood Capital)

STEWARDSHIP IN A DISORDERLY WORLD

Natasha Landell-Mills

Partner, Head of Stewardship

Julia Shatikova

Business Partner, Ownership Lead

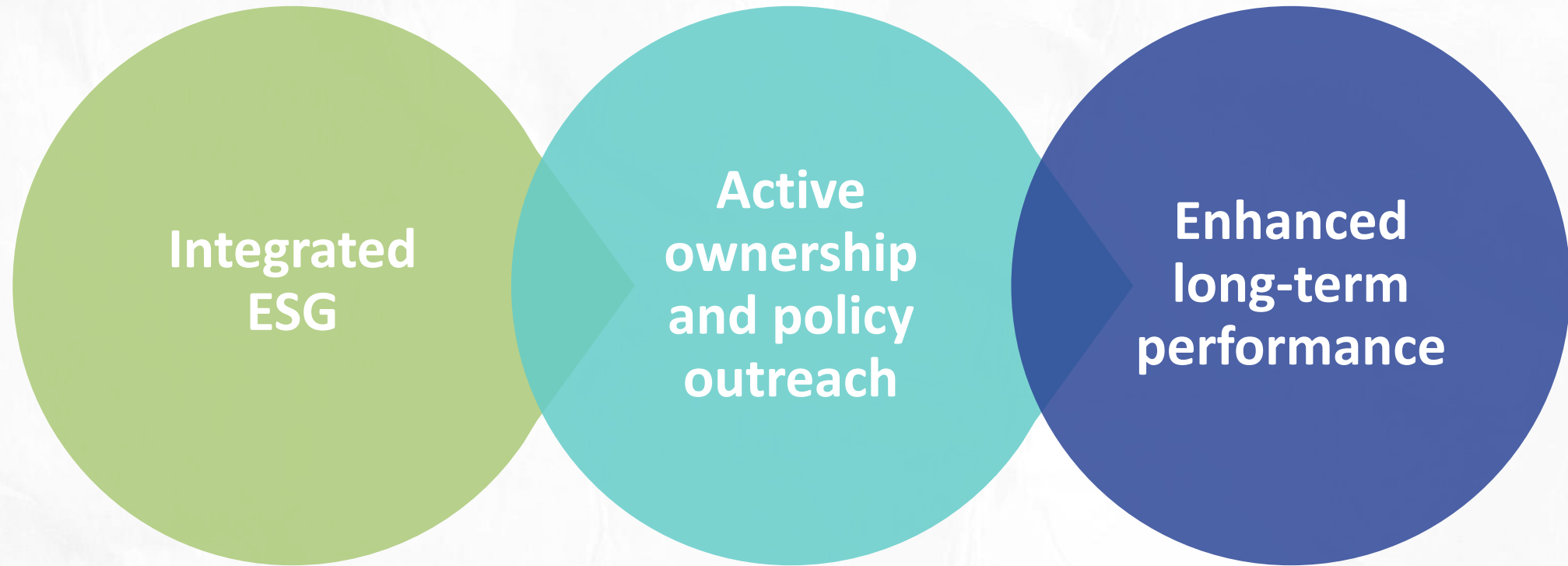
Everything has changed



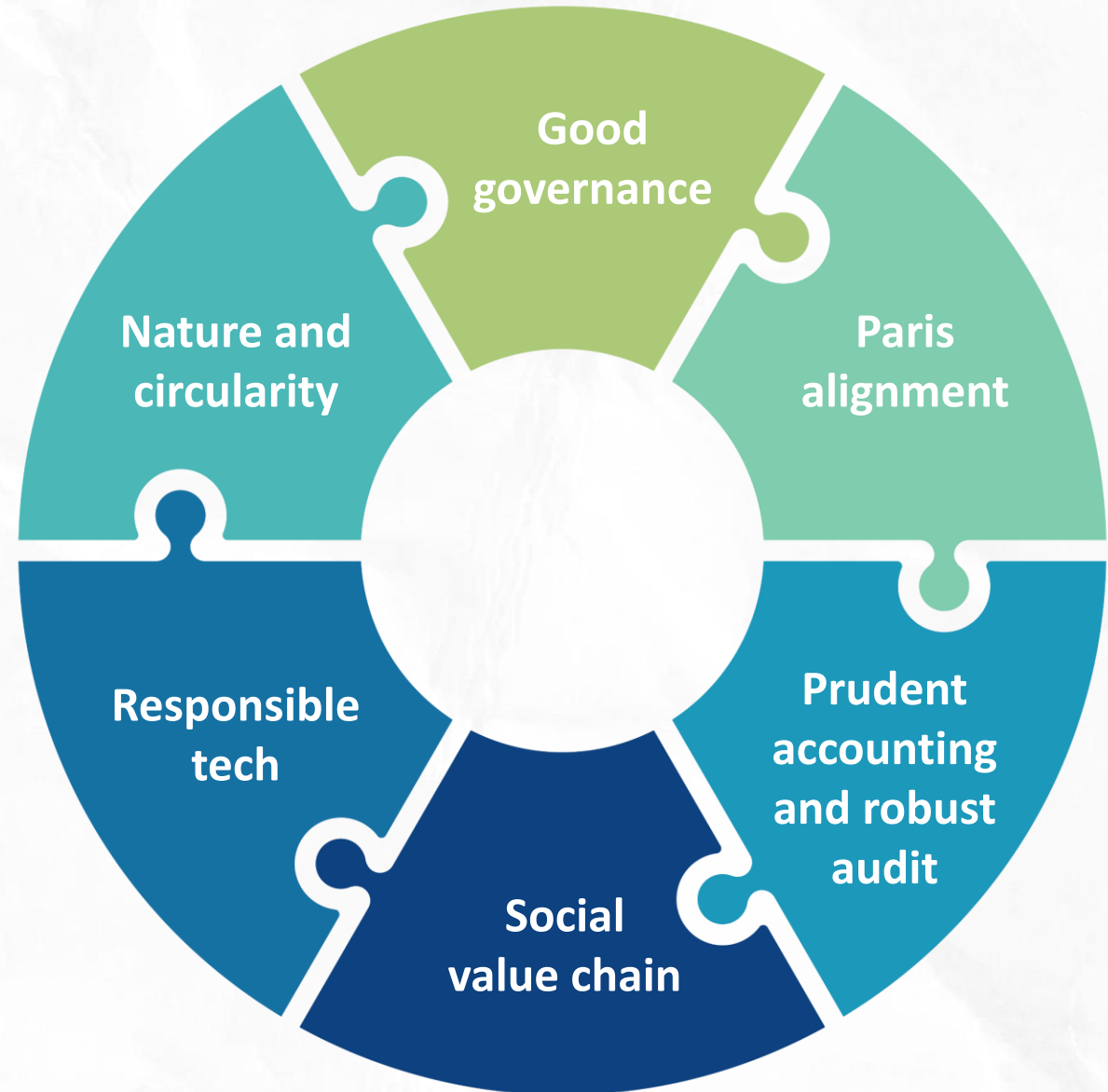
Unchanged forces and escalating threats



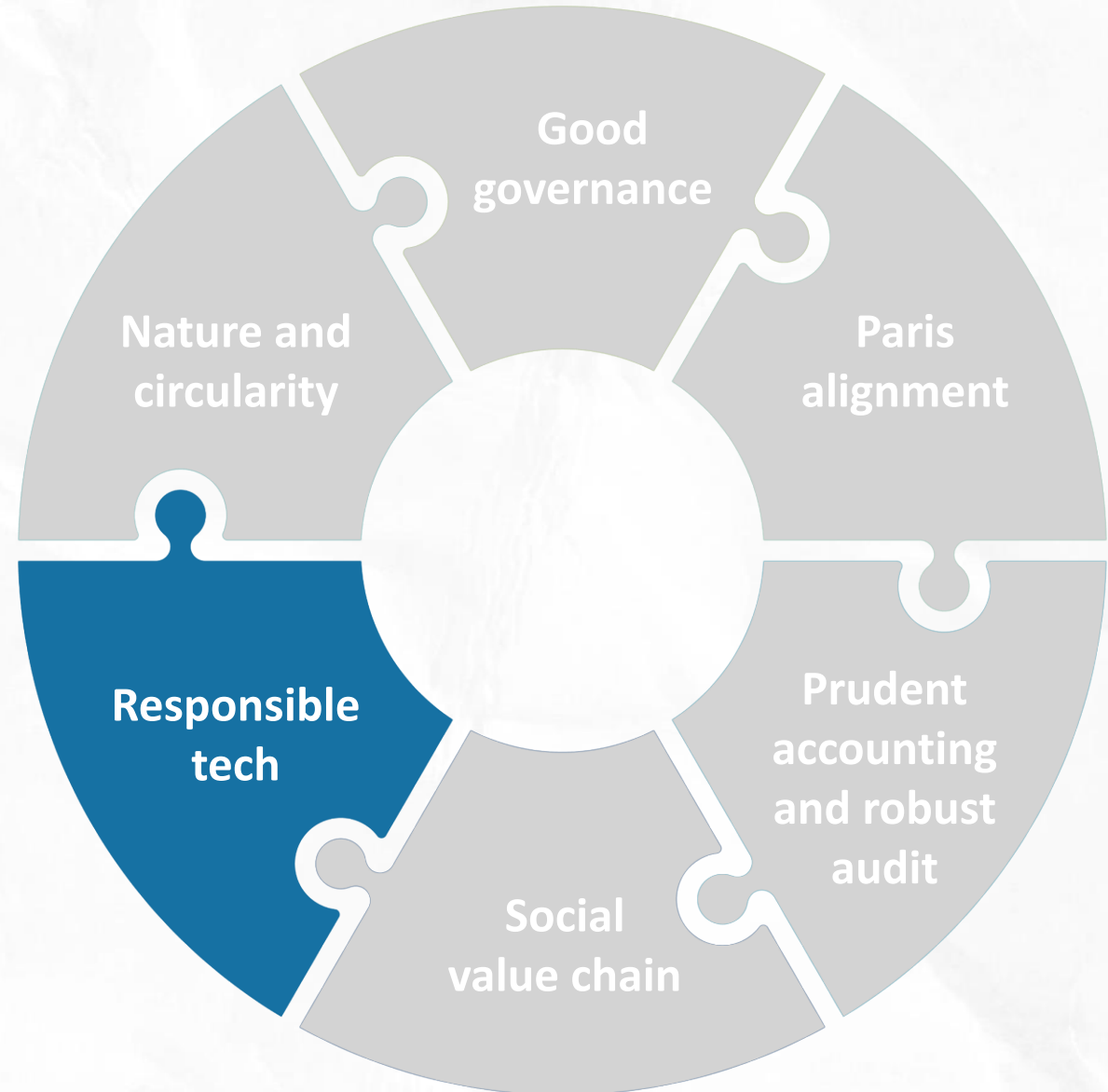
Our stewardship philosophy is enduring



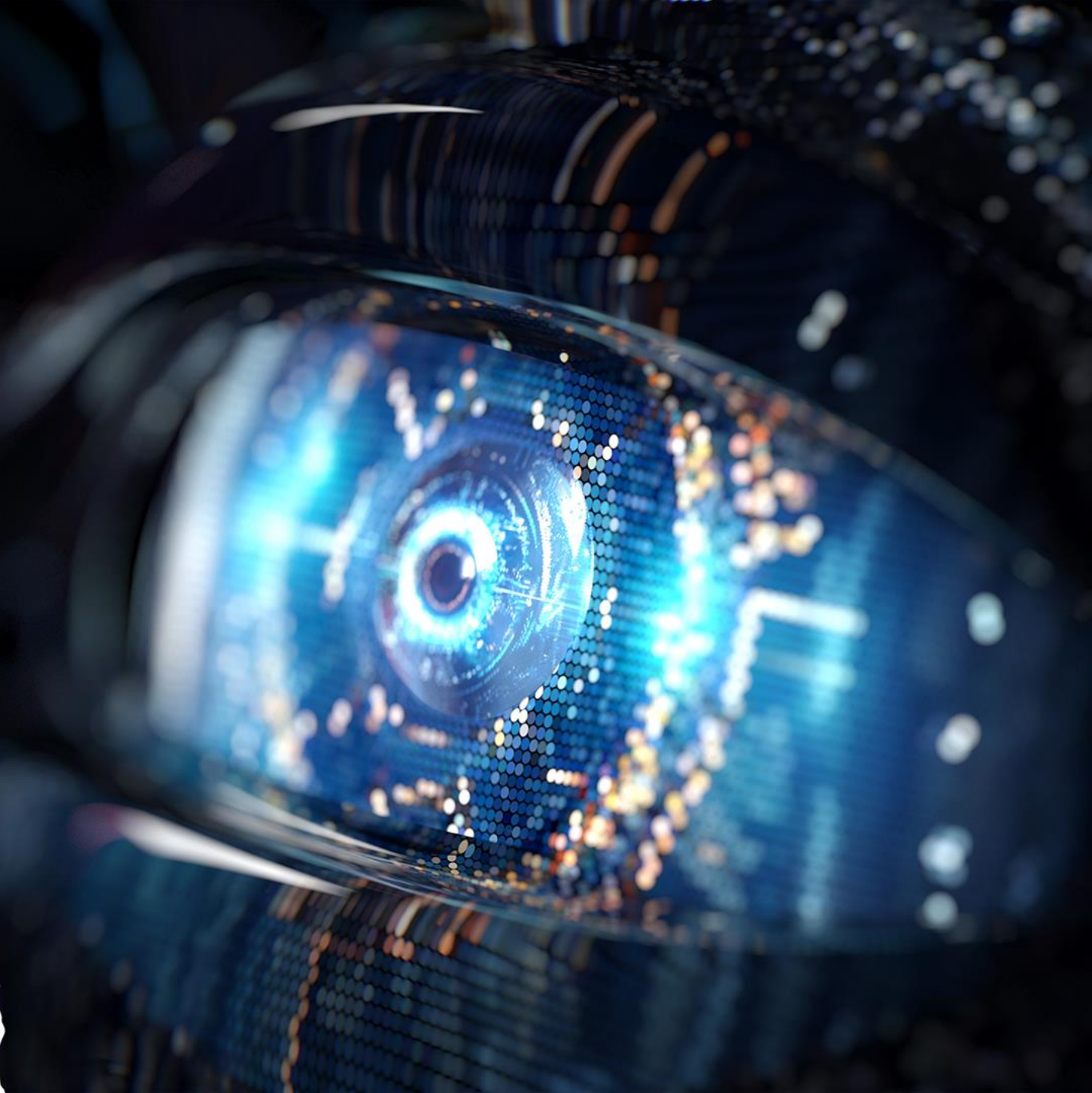
Six core stewardship initiatives



Six core stewardship initiatives



**AI:
POWER,
RISK, AND
OUR ROLE IN
SHAPING IT**



Investment risks of AI



CYBER THREATS



MISINFORMATION



DATA LEAKS



BIASES



How we engaged Alphabet



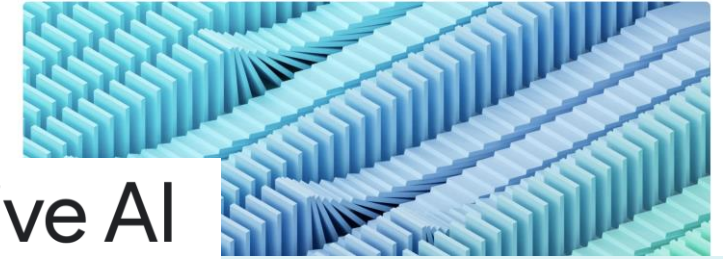
How we engaged Alphabet

We asked

HOW DO YOU MAKE SURE YOUR SAFEGUARDS ARE EFFECTIVE?

End-to-end responsibility

A lifecycle approach to AI



Introducing the Frontier Safety Framework

17 MAY 2024
Anca Dragan, Helen King and Allan Dafoe

Share

Generative AI and Privacy

Policy Recommendation:
Working Paper

Building on our commitment to delivering responsible AI

May 14, 2024
5 min read

Today we're announcing new AI safeguards to protect against misuse and new tools that use AI to make learning more engaging and accessible.

Lila Ibrahim
Chief Operating Officer,
Google DeepMind

James Manyika
Senior Vice President,
Research, Technology &
Society

Share



Designing for privacy in an AI world

Jun 04, 2024 · 3 min read

Kate Charlet
Global Director of Privacy Safety and Security Policy, Google

Share



How we engaged Alphabet

We asked

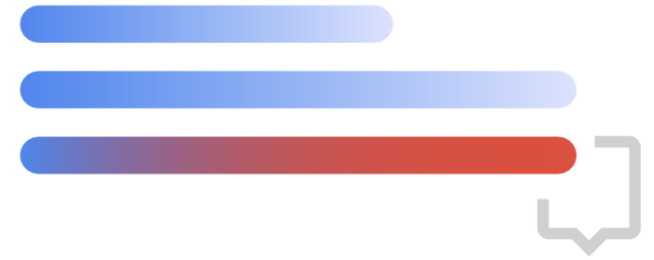
HOW DO YOU MAKE SURE YOUR SAFEGUARDS ARE EFFECTIVE?

End-to-end
respons

A lifecycle approach

RESPONSIBILITY & SAFETY
Introducing the Frontier Safety

Adversarial Misuse of Generative AI



Google Man

ame

uts

How are engaging Meta

Our action:

**A LETTER TO
META WITH
36 INVESTORS
TOTAL AUM OF
\$3.6 TRILLION**



The big shift

Meta

More Speech and Fewer Mistakes

January 7, 2025

Joel Kaplan, Chief Global Affairs Officer



Track record of Community Notes

74%
of misleading
posts

remained
uncorrected

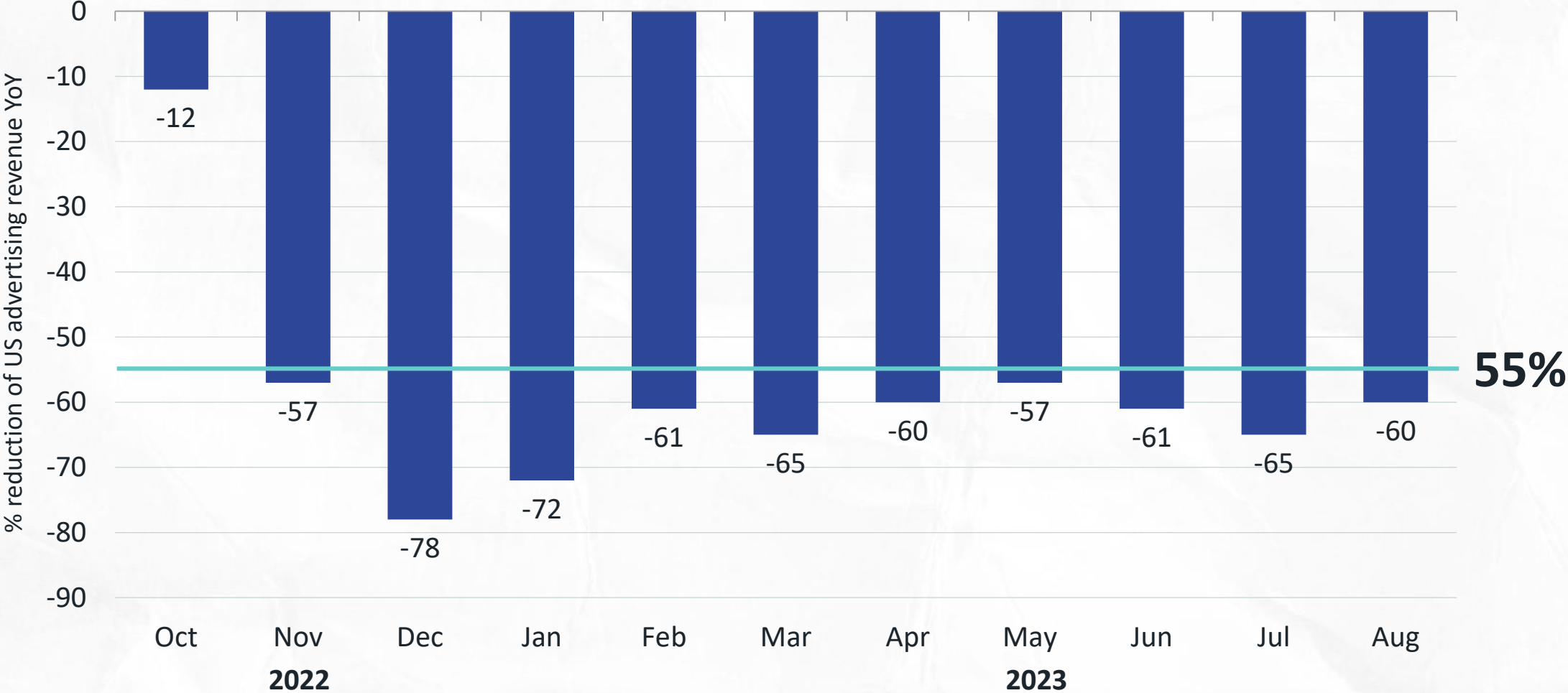
When notes were added,
the false posts got

13
times

more views than
the corrections



Financial cost can be big too



Source: Yuvraj Malik, Shelia Dang, Reuters, Guideline, Oct 2023

Deepfakes are viral

AI Solution Reverses
Climate Change,
Carbon Levels
Return To Pre-Industrial
era.

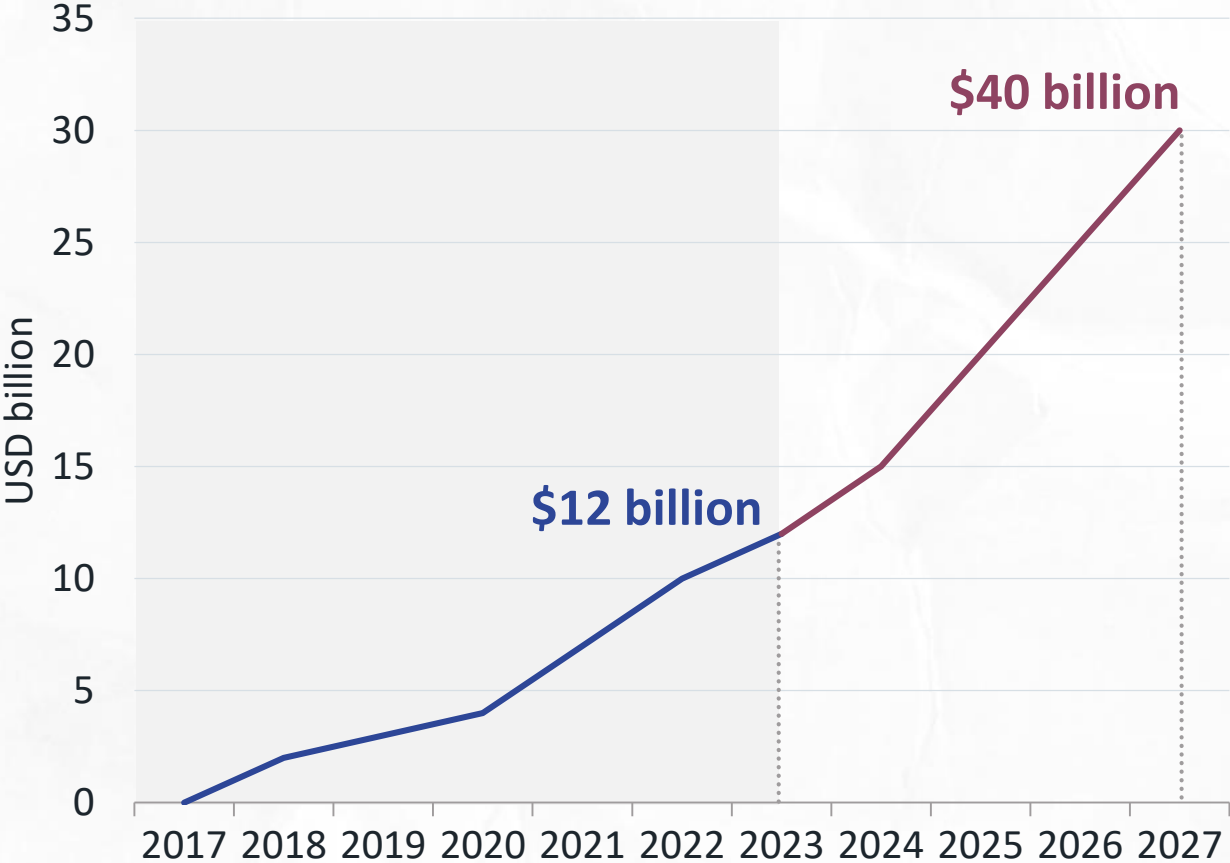


**CLIMATE CRISIS
REVERSED**



Financial fraud is on the rise

AI generated fraud loss



Source: Deloitte, May 2024



Source: CBS News, November 2024

Who moderates the moderators?

Our action:

A FOLLOW-UP LETTER TO META BY THE SAME 36 SIGNATORIES



DEBBY DENATE
DOB 06/15/1999
CITY ELK GROVE
GENDER MALE
OCCUPATION DOCTOR

BLAIR VITALE
DOB 06/15/1999
CITY ELK GROVE
GENDER MALE
OCCUPATION DOCTOR

ALICE MESSANA
DOB 08/13/2000
CITY ELK GROVE
GENDER FEMALE
OCCUPATION STUDENT

BLAIR VITALE
DOB 06/15/1999
CITY ELK GROVE
GENDER MALE
OCCUPATION DOCTOR

ALESSIO MESSANA
DOB 08/13/2000
CITY ELK GROVE
GENDER MALE
OCCUPATION STUDENT

MADOLYN BULGARE
DOB 03/10/1992
CITY FONTANA
GENDER FEMALE
OCCUPATION NURSE

MADOLYN BULGARE
DOB 03/10/1992
CITY FONTANA
GENDER FEMALE
OCCUPATION NURSE

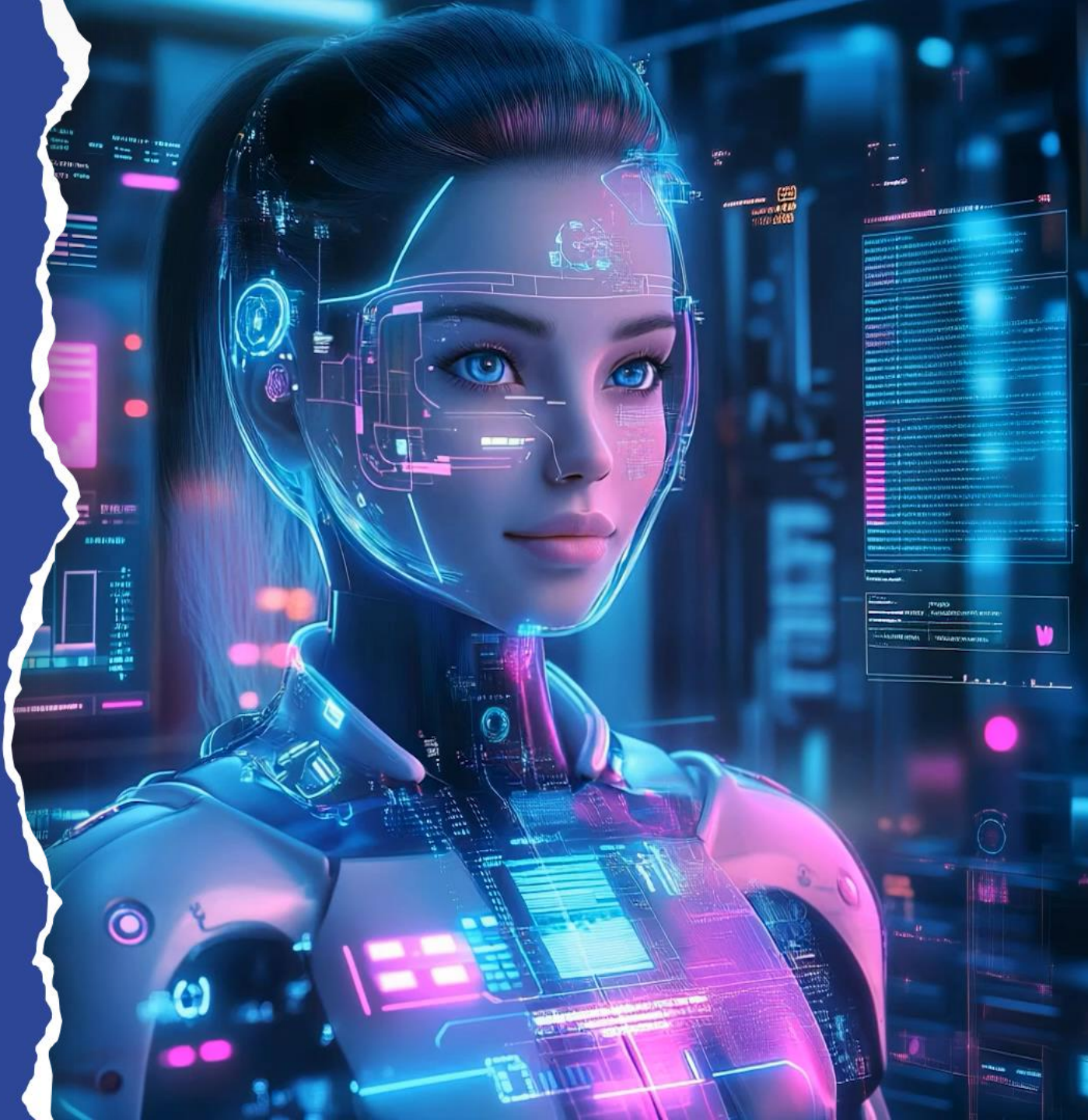
ALESSIO MESSANA
DOB 08/13/2000
CITY ELK GROVE
GENDER MALE
OCCUPATION STUDENT

JOANN JEWEL
DOB 03/10/1992
CITY FONTANA
GENDER FEMALE
OCCUPATION NURSE

JOANN JEWEL
DOB 03/10/1992
CITY FONTANA
GENDER FEMALE
OCCUPATION NURSE

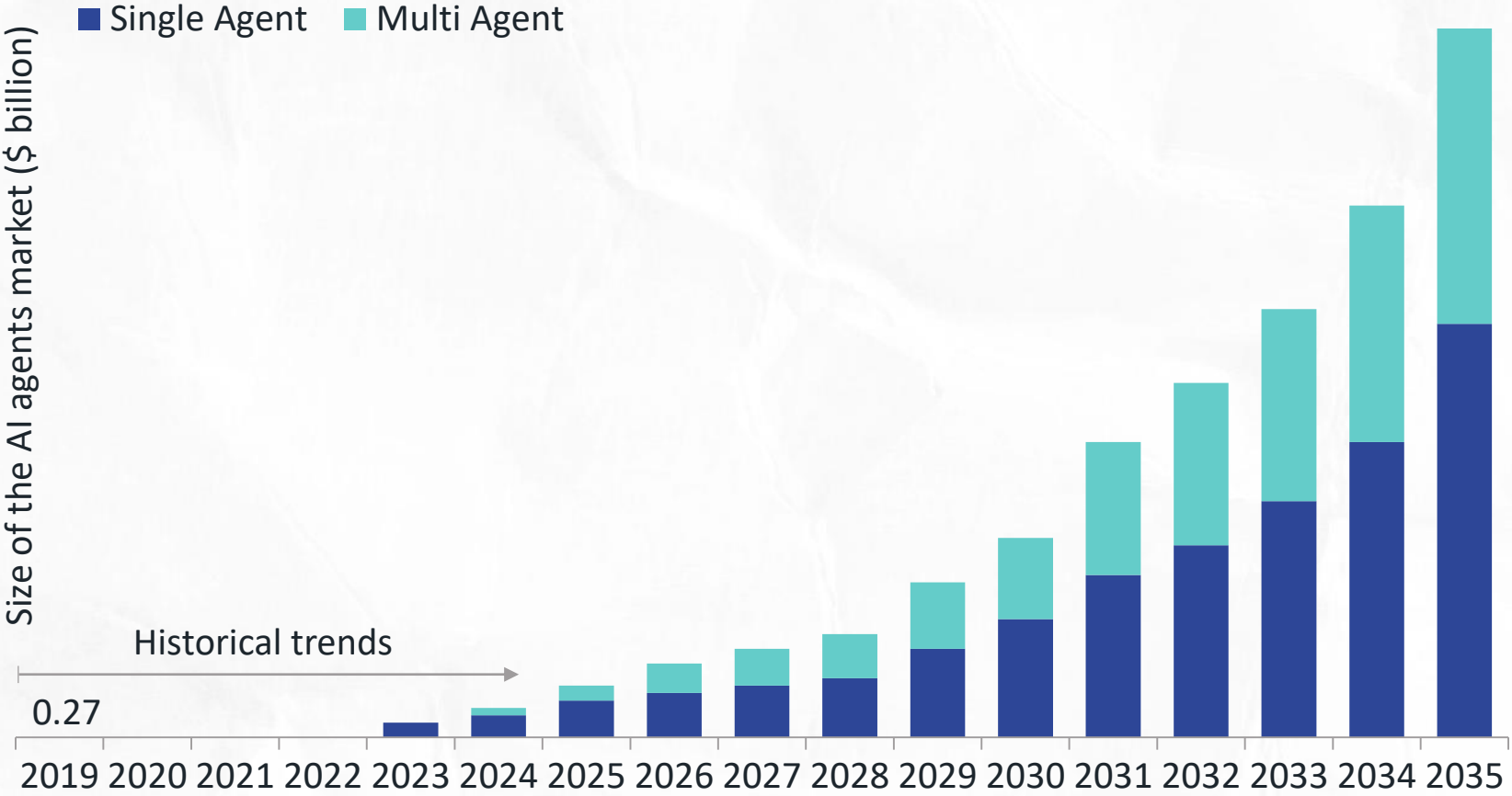
A new engagement focus:
AI agents

They will act
on your behalf



Projected growth of AI agents

AI agents market by type of agent system, till 2035 (USD billion)

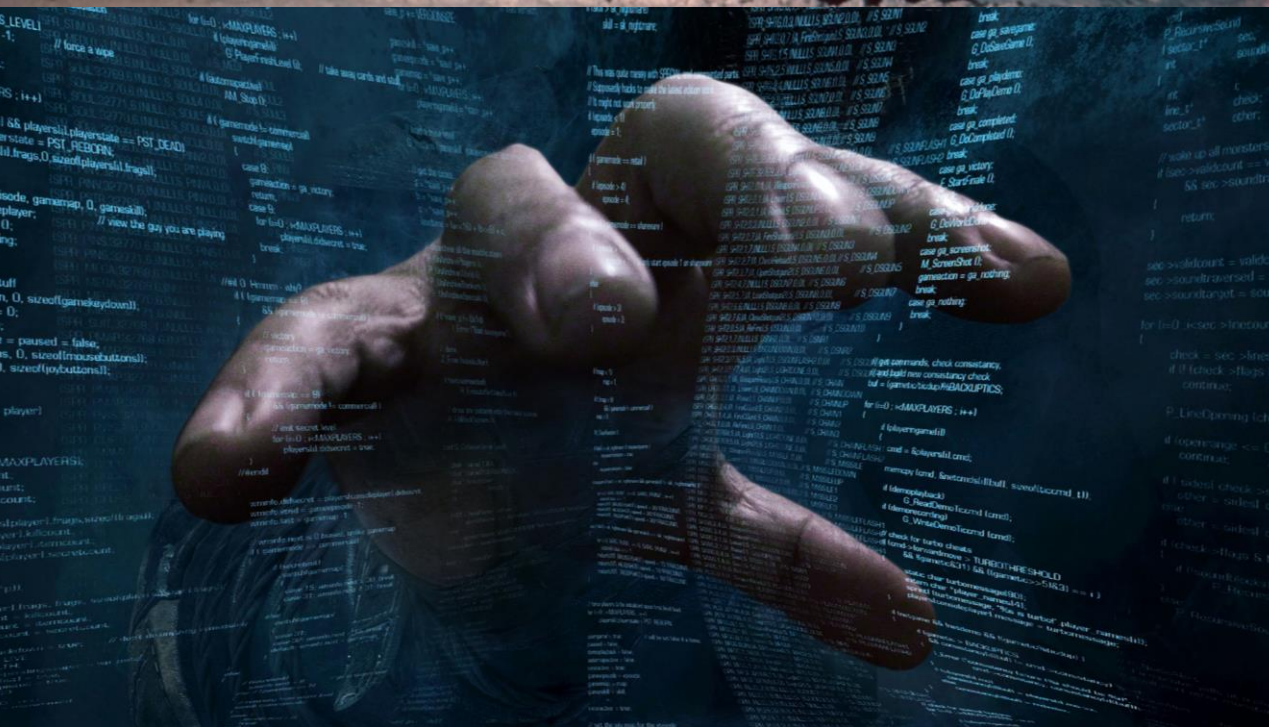


\$5.29 Value
Billion in 2024

40.15%
CAGR till 2035

\$216.8 Value
Billion in 2035

With power comes risk



Our role: keeping AI in check

Anti-hijack safeguards

Better fact-checking

Human rights audits



Creating enduring value by balancing risk and opportunities



Creating enduring value by balancing risk and opportunities



**Stewardship
in today's
disorderly
world is about
staying the
course**



**OUR LIVES BEGIN TO END
THE DAY WE BECOME SILENT
ABOUT THINGS THAT MATTER.**

—Martin Luther King Jr.

A NEW REGIONAL ORDER?

Jamie Lyon
External speaker

Key themes

- 1 Era of the Deal: who brings what to which table?
- 2 Adversarial alignment and convergence
- 3 Weaponising economies
- 4 Rethinking Defence and Security
- 5 Climate change and known uncertainties



Black Sea

Caspian Sea

ARMENIA

AZERBAIJAN

TURKEY

TURKMENISTAN

Mediterranean Sea

CYPRUS

SYRIA

LEBANON

IRAQ

IRAN

AFGHANISTAN

GAZA

WEST BANK

ISRAEL

JORDAN

PAKISTAN

BAHRAIN

QATAR

SAUDI ARABIA

UAE

OMAN

Red Sea

YEMEN

Arabian Sea

**EURASIA –
THE CHESSBOARD
ON WHICH THE
STRUGGLE FOR
GLOBAL PRIMACY
CONTINUES TO
BE PLAYED**

—Zbigniew Brzezinski, 1997



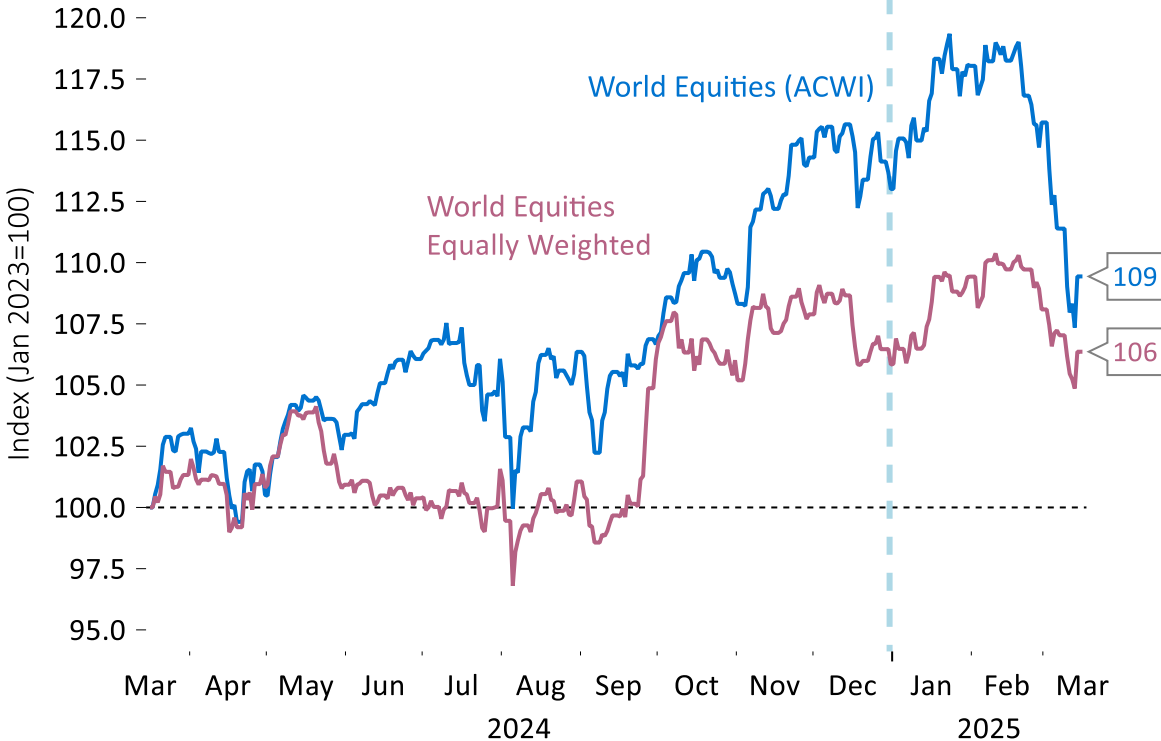
MARKET OUTLOOK WITH PORTFOLIO IMPLICATIONS

Guy Monson

Senior Partner, Chief Market Strategist

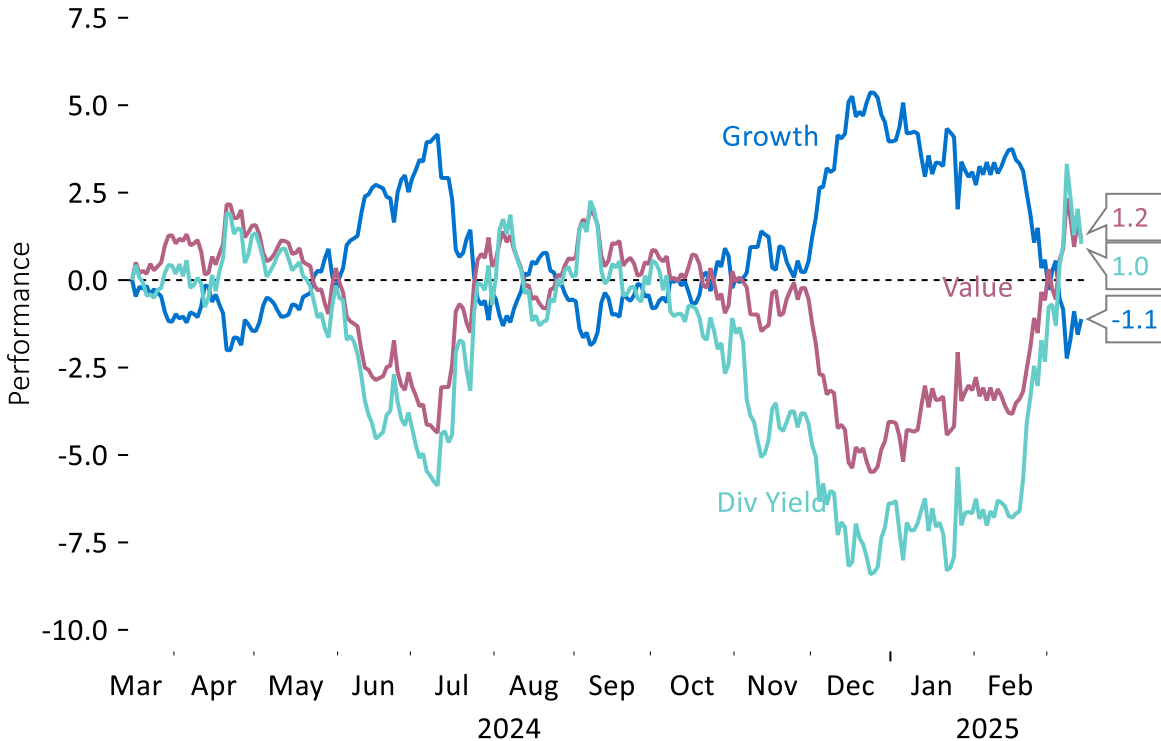
Global equity rally pauses as market leadership evolves

US 'super-caps' start to de-rate in the face of US political risk



Source: Macrobond, 17.03.25

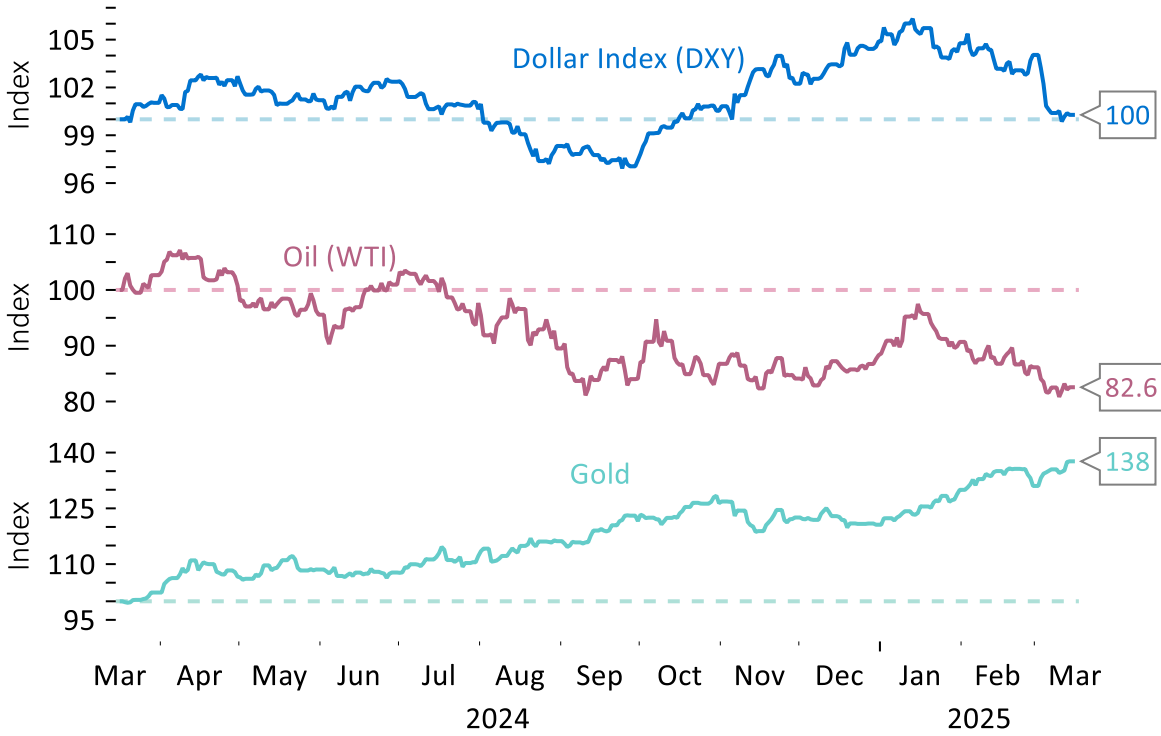
Index returns by style (relative to MSCI world)



Source: Macrobond, 17.03.25

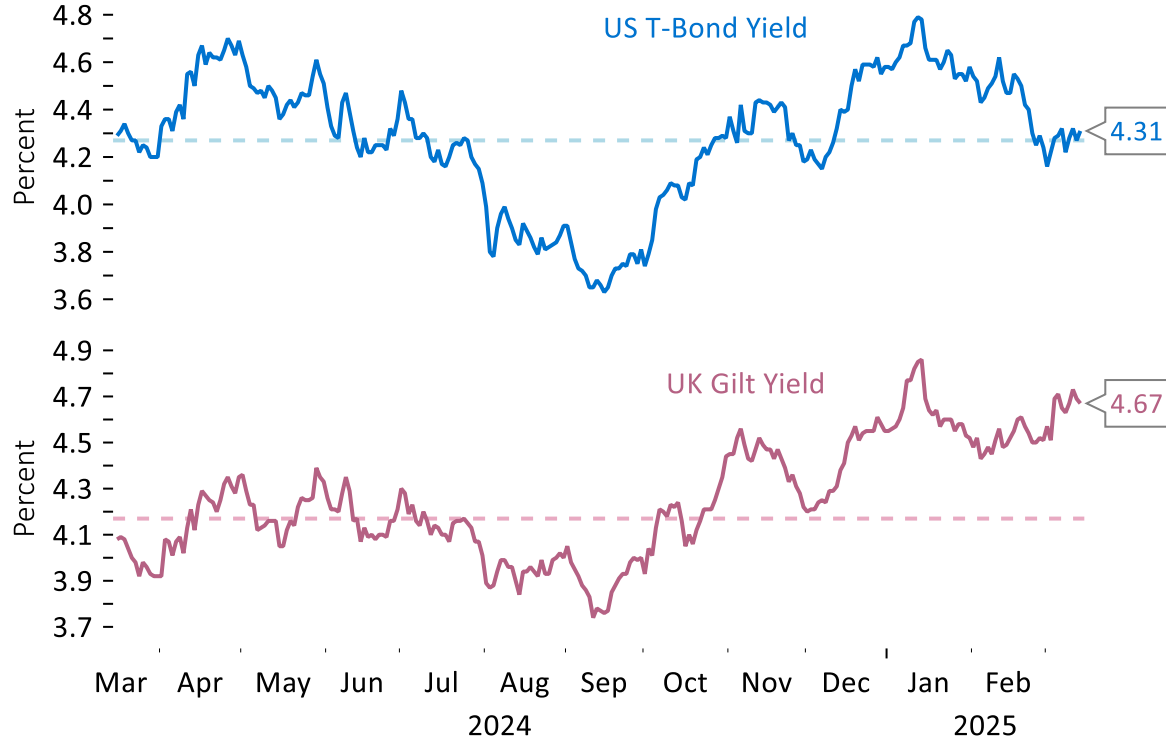
Gold remains an important diversifying asset

Other assets classes



Source: Macrobond, 17.03.25 WTI – West Texas Intermediate

Government 10-year bond yields



Source: Macrobond, 17.03.25

UK 10 year gilt peaked at 4.51 % after the infamous September 2022 Liz Truss budget

**Is the US equity valuation premium
justified under a Trump White House?**

Trump 2.0 more decisive and aggressive than 1.0

1 Tariffs

- 25% tariffs on Canada and Mexico
- 10-20% tariffs on China imports
- 25% tariffs on all steel and aluminum imports
- Canada, China and the EU have retaliated

2 Tax cuts

- \$4.5trn tax cut
- \$2trn spend cut
- \$300bn spending for border and defense
- \$2.8trn higher debt.

3 Deregulation

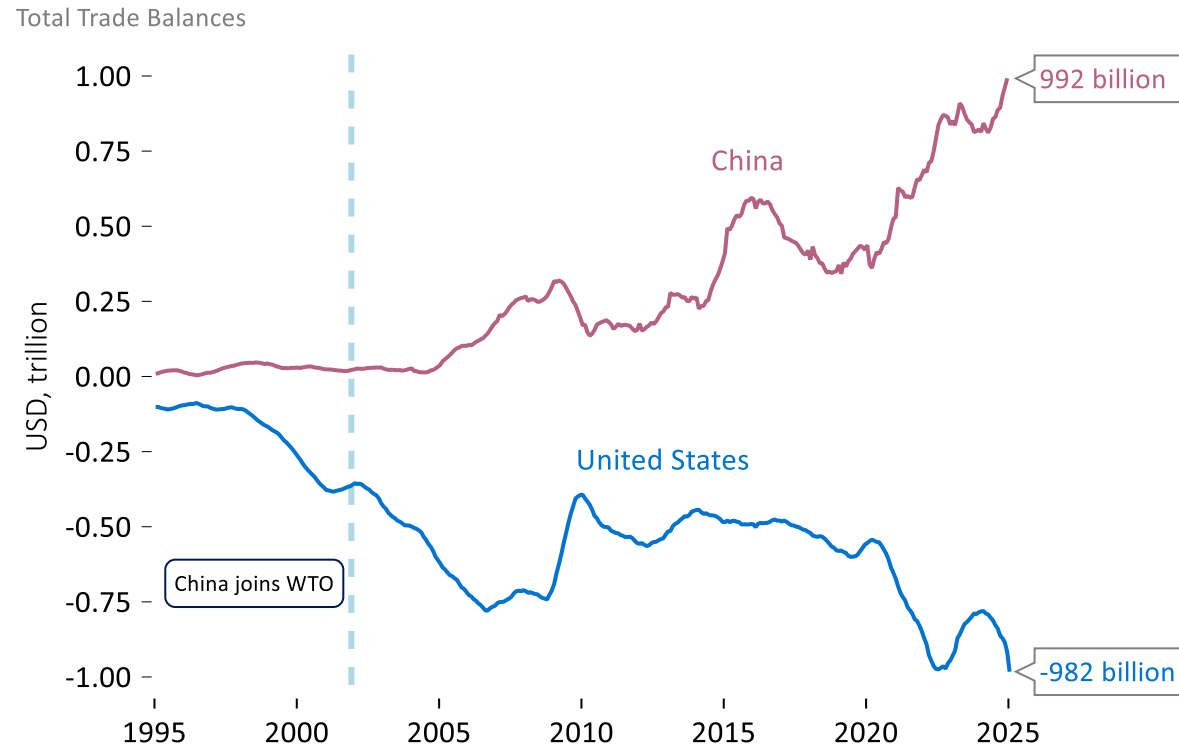
- DOGE reducing federal workforce by 250K employees
- Agency functions curtailed or limited
- Legal and disruption risk

4 Deportation

- Deportation rate similar to Obama administration
- New orders requiring all undocumented workers to register raises the risk of higher levels of deportation

Trade relationships and regulations scrutinised

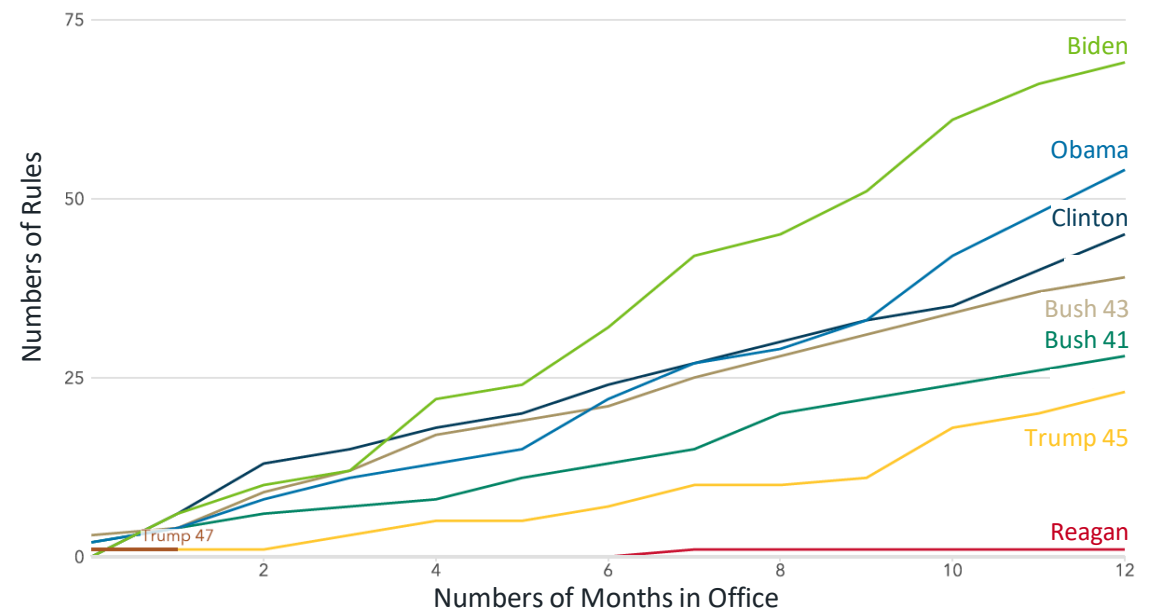
Trade balances: China vs US, 1995–2025



Source: Macrobond, 17.03.25

Significant rules adopted by successive US administrations

Cumulative economically significant final rules published by Administration in first year



Regulatory Studies Center

THE GEORGE WASHINGTON UNIVERSITY

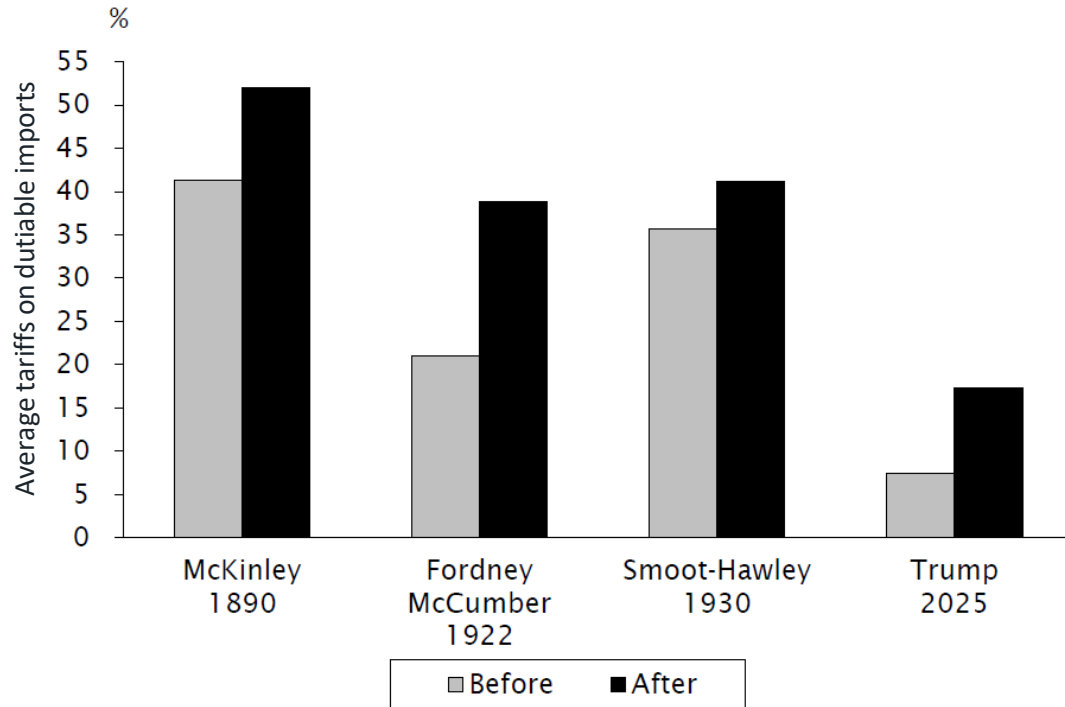
Source: Office of the Federal Register ([federalregister.gov](https://www.federalregister.gov)) for Biden administration and all subsequent administrations; Office of Information and Regulatory Affairs ([reginfo.gov](https://www.reginfo.gov)) for all prior administrations.

Updated: March 05, 2025

Tariffs rising but not yet at pre-WW2 peaks

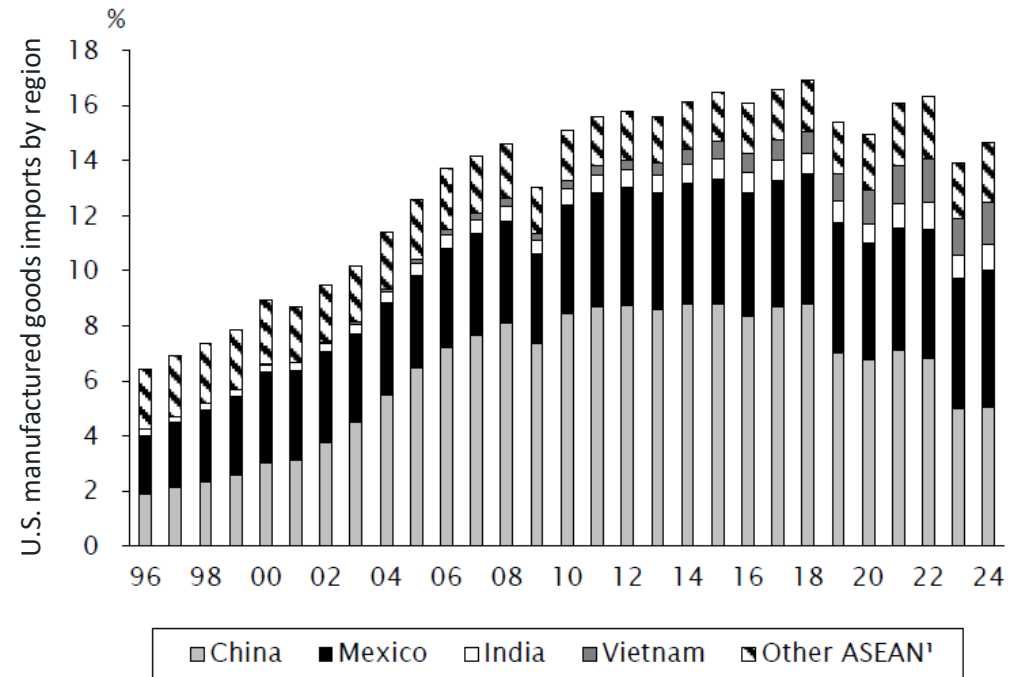
Trumps tariffs are high but still below historic peaks

The U.S. large tariff increase episodes
Average tariffs on dutiable imports 1890 through 2025



China exports to US fall as a proportion of the total

U.S. manufactured goods imports by region
As a share of domestic consumption 1996 through 2024



Is the US valuation premium justified under Trump?

Chinese and European equities outperforming S&P500 since US election

Impact of Trump's election victory on asset class performance

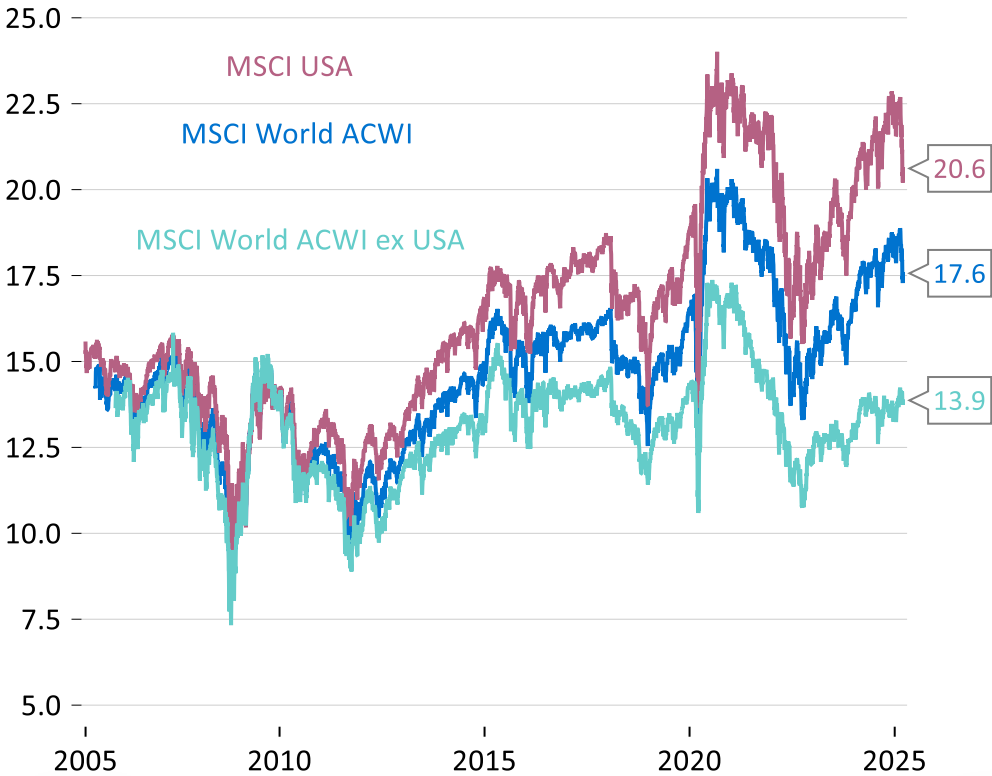
Asset class	Change since 11/5 as of 17/03/2025	Percentage change, %									
		-10	-5	0	5	10	15	20	25		
Bitcoin	21.78										★
China Equities	15.11										★
Gold	8.58										★
Europe Equities	7.11										★
US High-Yield Bonds	1.64										☆
US 3M Bonds	1.60										☆
US 10Y Bonds	1.27										☆
US Dollar (DXY)	-0.16										☆
S&P 500 Growth	-0.85										☆
EMs Equities	-0.90										☆
S&P 500	-1.29										☆
S&P 500 Value	-3.08										★
Real Estate	-5.03										★
Crude Oil	-6.09										★
S&P 600 Small Cap	-8.32										★

Source: ICE BofAML, LBMA, Macrobond, MSCI, FTSE Russell, S&P Global, ICE 17.03.25



Is the 20-year re-rating of US equities over?

Forward PE Multiple for US & Global Markets



Source: Macrobond, 17.03.25

**Are risks to global growth
and inflation rising?**

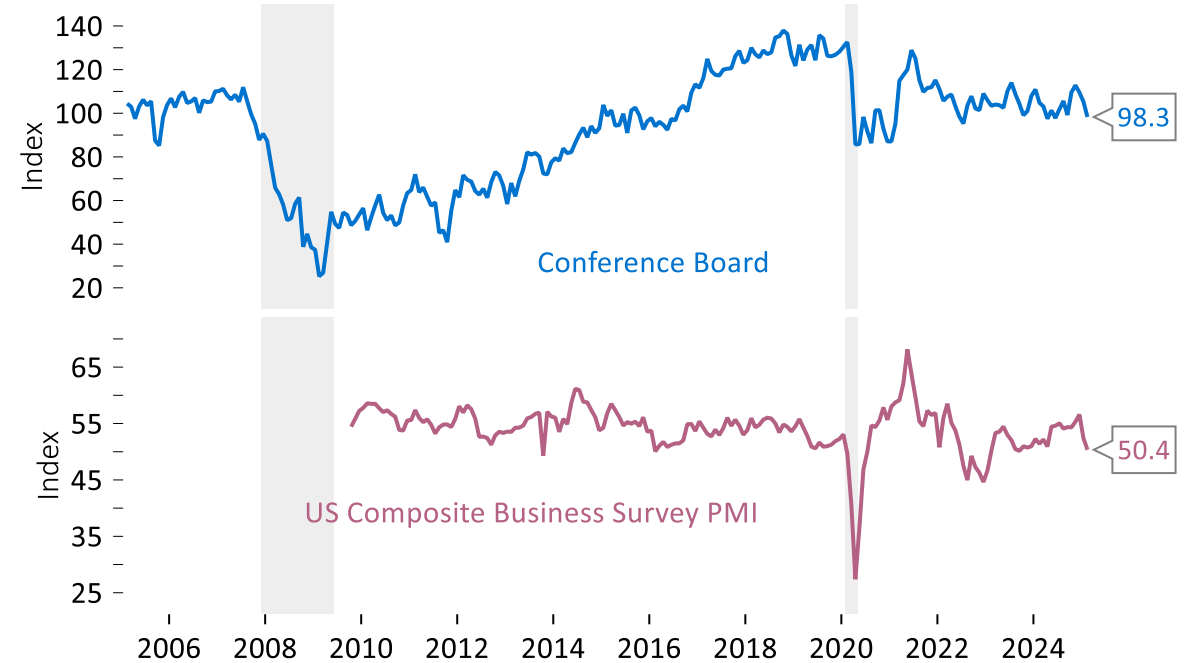
Contractionary US fiscal policy slows growth but lowers inflation risk

US contractionary forces

- DOGE sledge hammer could cut 10% of federal workforce – about 250K workers
- Executive actions cut grants to NGO's, research institutions and other bodies
- State and local government funding will also be cut
- Layoffs could amount to 500K over the course of the year
- GDP growth could be 0.5% – 0.75% lower

US consumer and business confidence clearly weakening

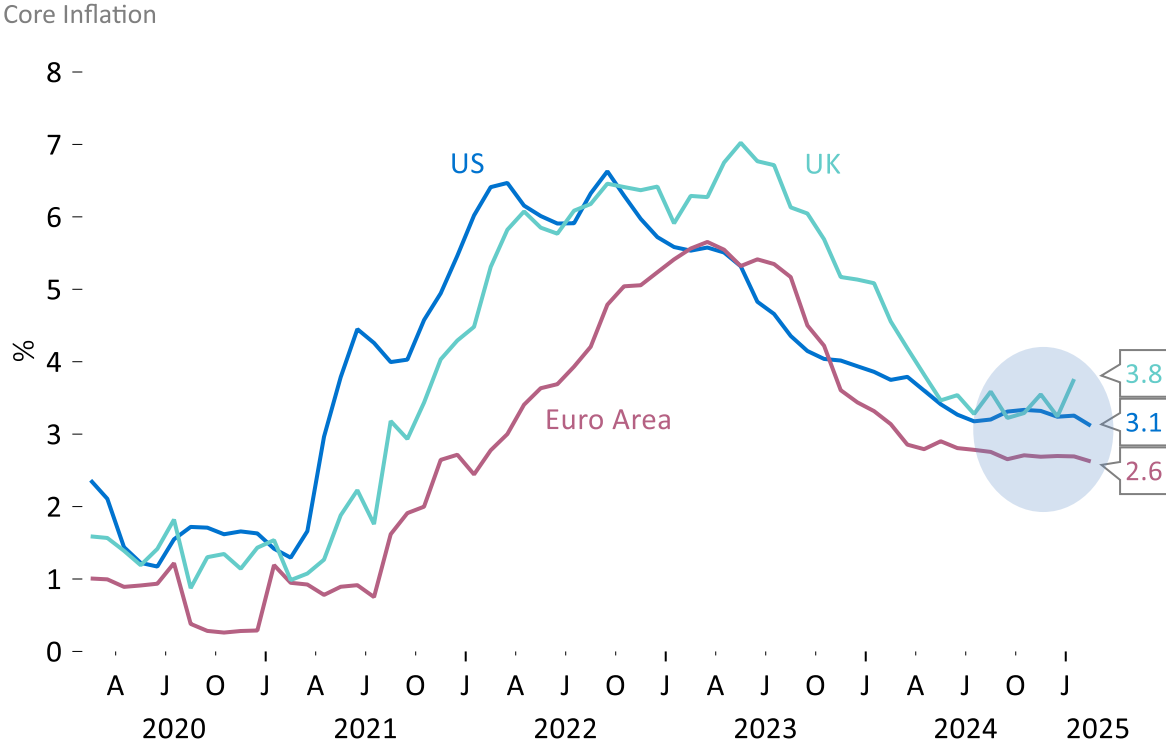
Consumer & Business Confidence
Shaded areas US recessions



Source: Macrobond, 17.03.25

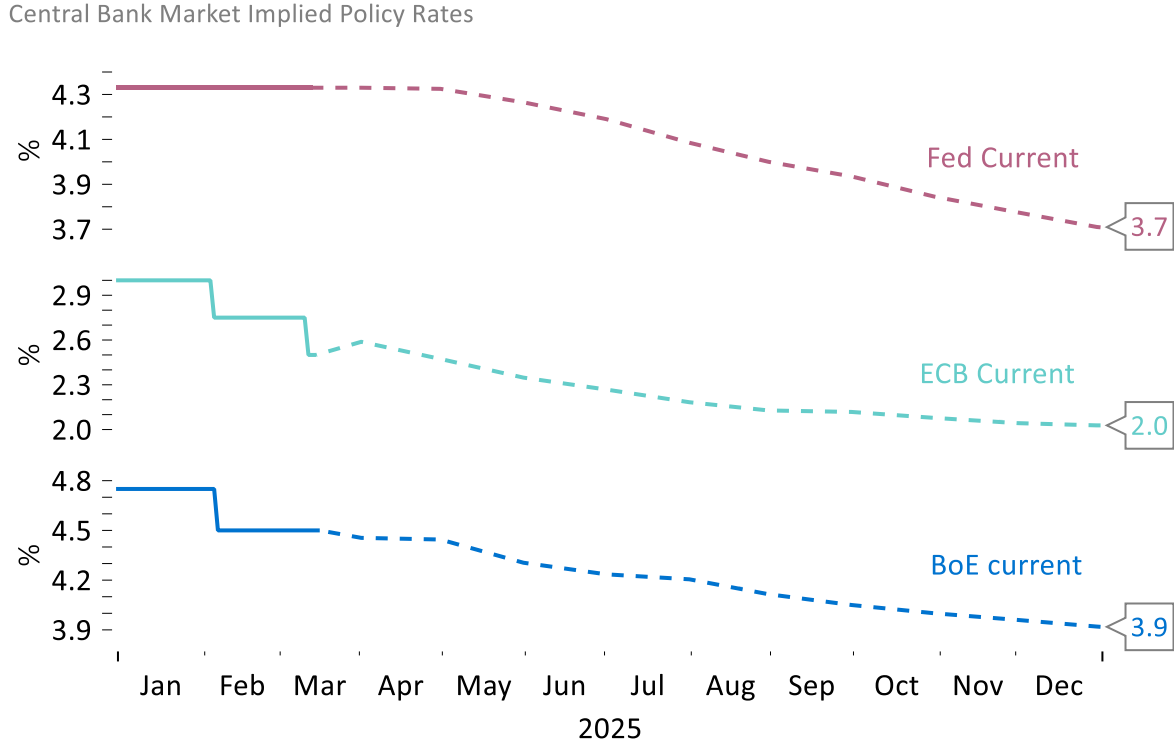
Core inflation still sticky

Core inflation remains sticky globally



Source: Macrobond, 17.03.25

Implied path of interest rates to end 2025



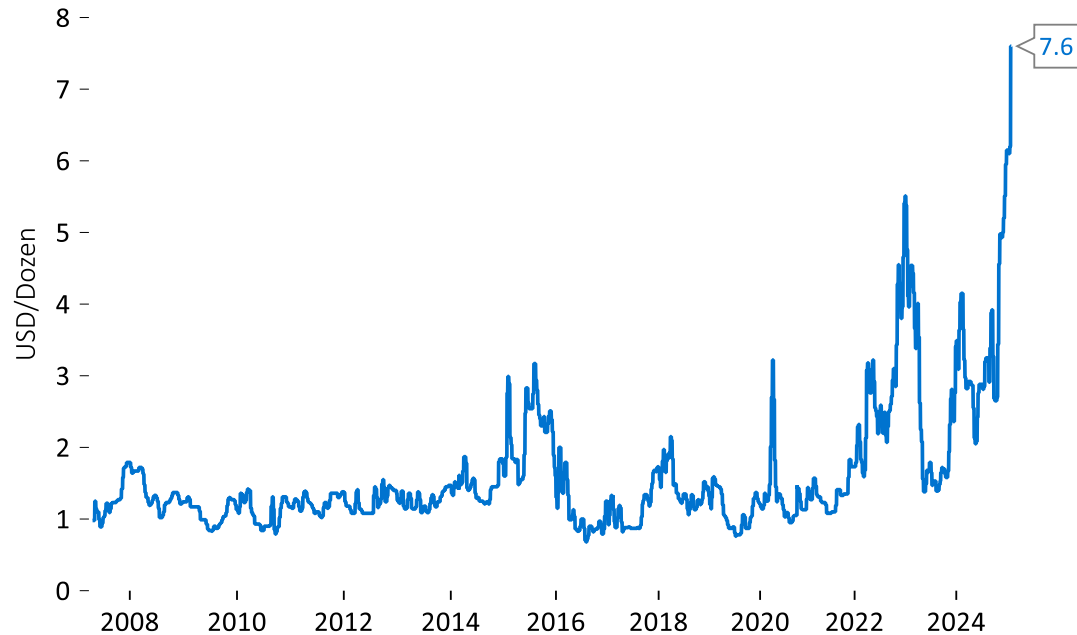
Source: Macrobond, 17.03.25

Rates Today: Fed Funds 4.25-50%, ECB Deposit Rate 2.75%, UK base rate 4.5%

Surge in basic food prices

An ongoing US bird flu outbreak drives egg prices to record

US Eggs, Grade AA, Medium, USD



Source: Macrobond, 17.03.25

Genetic diversity in poultry flocks has increased their susceptibility to diseases like avian influenza – 160m US birds have been culled
Chat GPT March 2025

Coffee prices close to record on Brazil harvest worries

Brazil Arabica Coffee Price



Source: Macrobond, 17.03.25

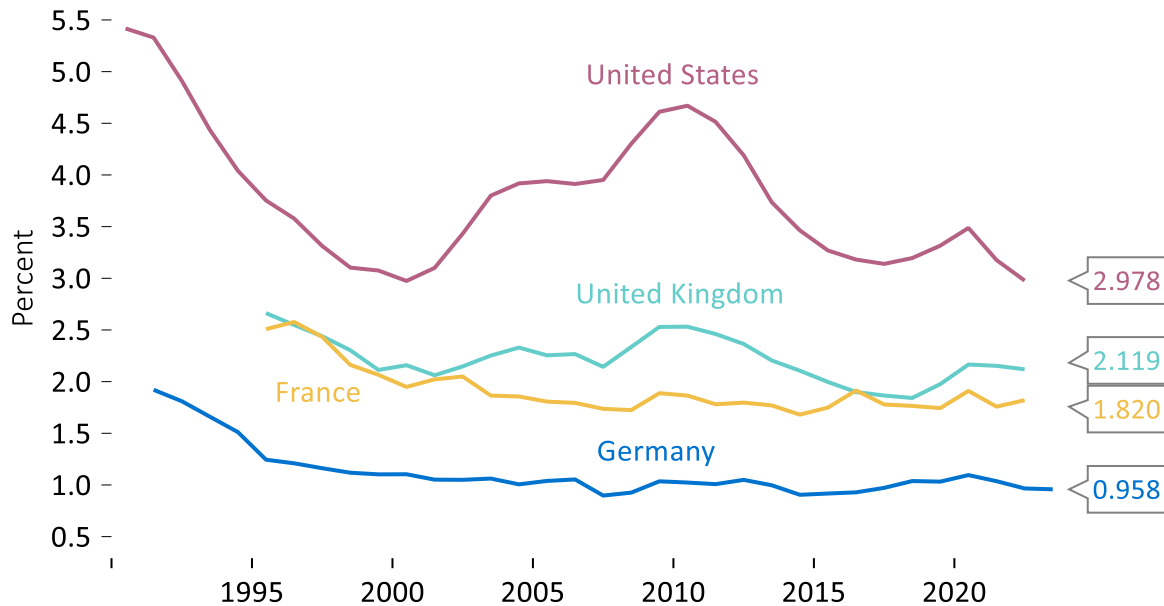
Rising temperatures, extreme and unstable weather patterns, and water shortages are all reducing coffee yields and damaging production
Chat GPT March 2025

Europe debates an overdue defence and public investment plan

FT economist poll suggests Germany can take on EUR 2trn in debt over the next decade without risk

Europe defence spending undershoots

Defence Spending, Percent of GDP



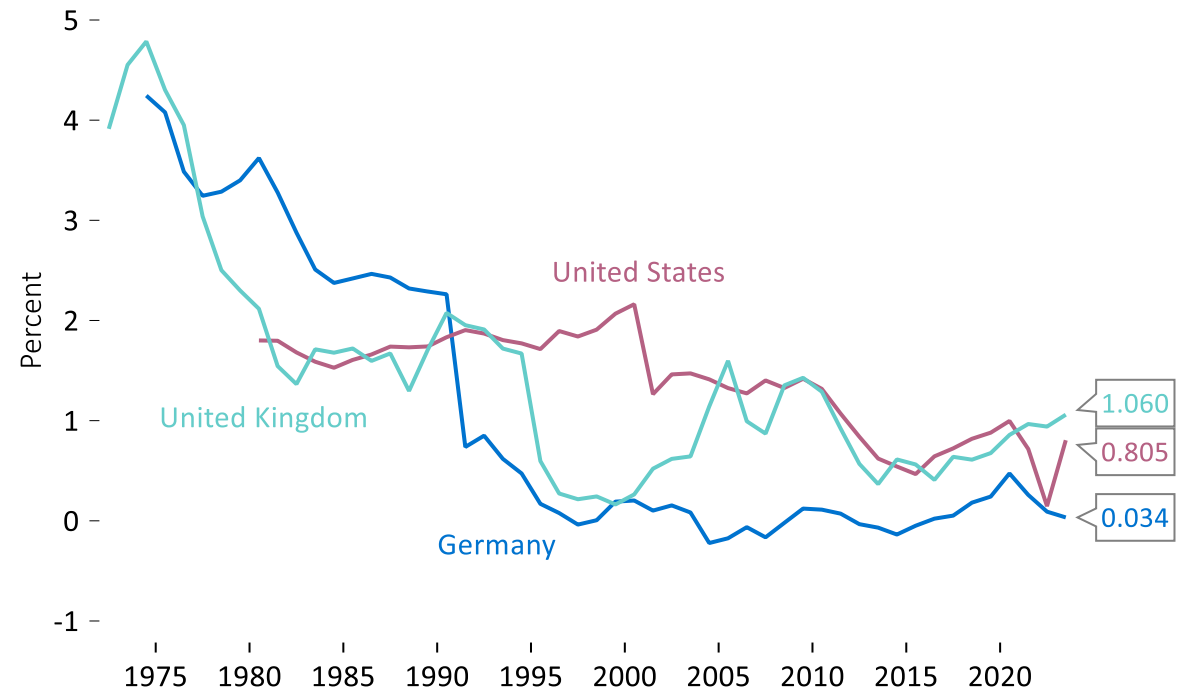
Source: Macrobond, 17.03.25

“In view of the threats to our freedom and peace on our continent, the rule for our defence now has to be ‘whatever it takes’”

Friedrich Merz 10 March 2025

Germany has underinvested for 30 years

Public Net Investment (% of GDP)



Source: Macrobond, 17.03.25

UK economy showing some signs of stabilising

“If not quite Churchillian – Keir Starmer is surprisingly deft and purposeful on the World stage” Economist, March 2025

UK economic momentum starts to recover

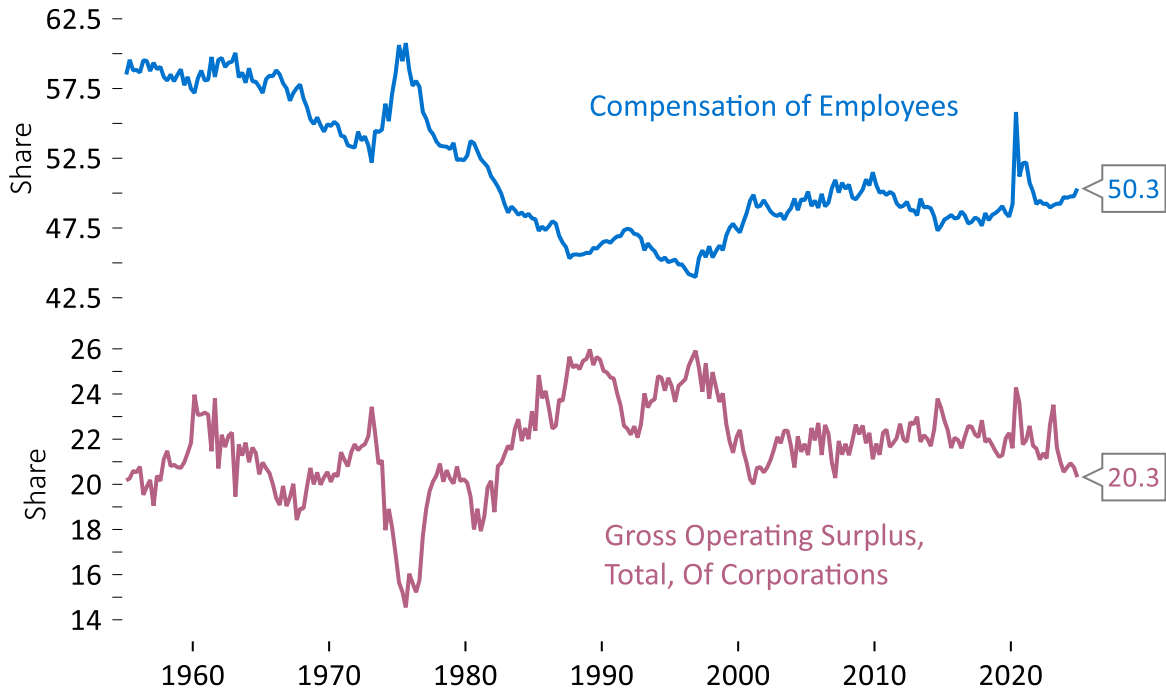
UK Economic Surprise Index (Citi)



Source: Macrobond, 17.03.25

UK profits squeeze may portend higher inflation

Income shares of GDP



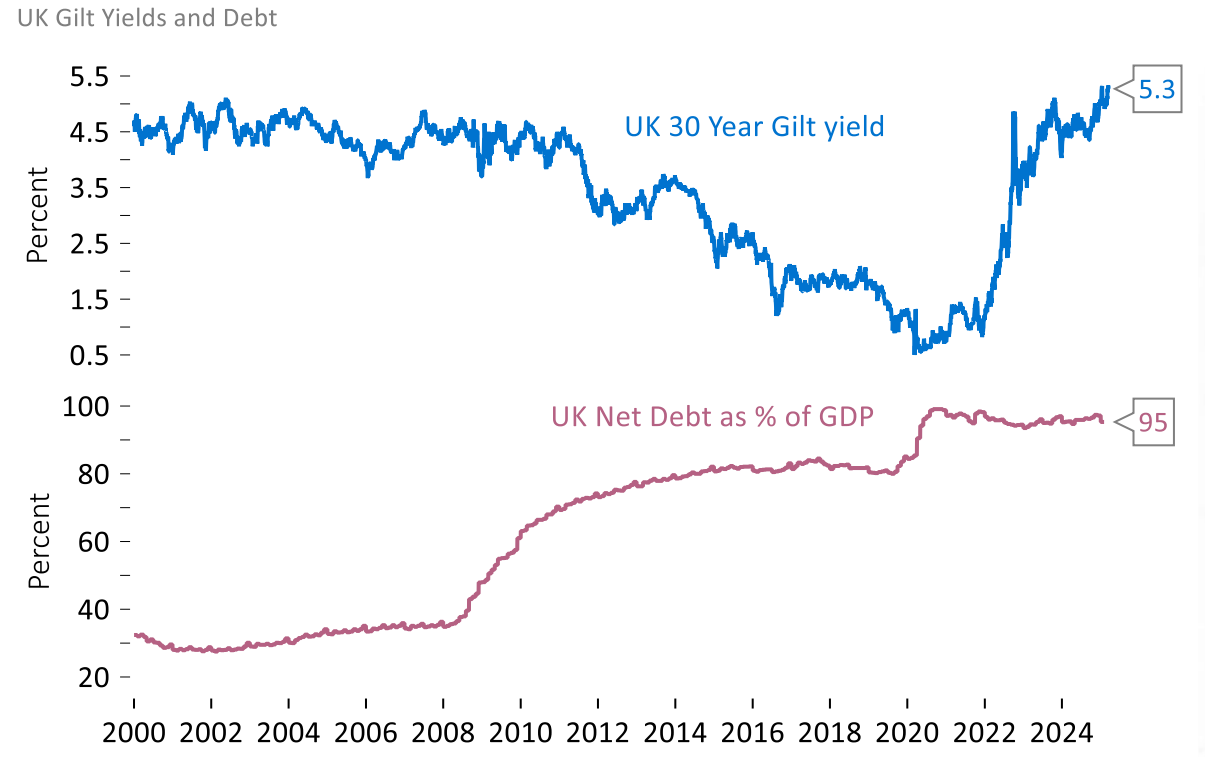
Source: Macrobond, 17.03.25

UK: Chancellor Reeves needs to build a financially robust Britain

Successful single nations typically have robust economies

Country	Bond Rating (S&P)	Current Account Balance* (% of GDP)	Budget Balance* (% of GDP)	Net Debt* (% of GDP)
Norway	AAA	17.9%	16.4%	No debt
Switzerland	AAA	6.9%	0.2%	13%
Australia	AAA	-0.3%	-0.9%	30%
South Korea	AA	1.9%	-0.7%	23%
Singapore	AAA	19.8%	3.5%	No debt
United Kingdom	AA	-1.9%	-6.0%	99%

30 year gilt yields hit 25 year highs as debt climbs



Source: Macrobond, 17.03.25

*End 2023 data
Source: IMF, Macrobond, 31.12.2023

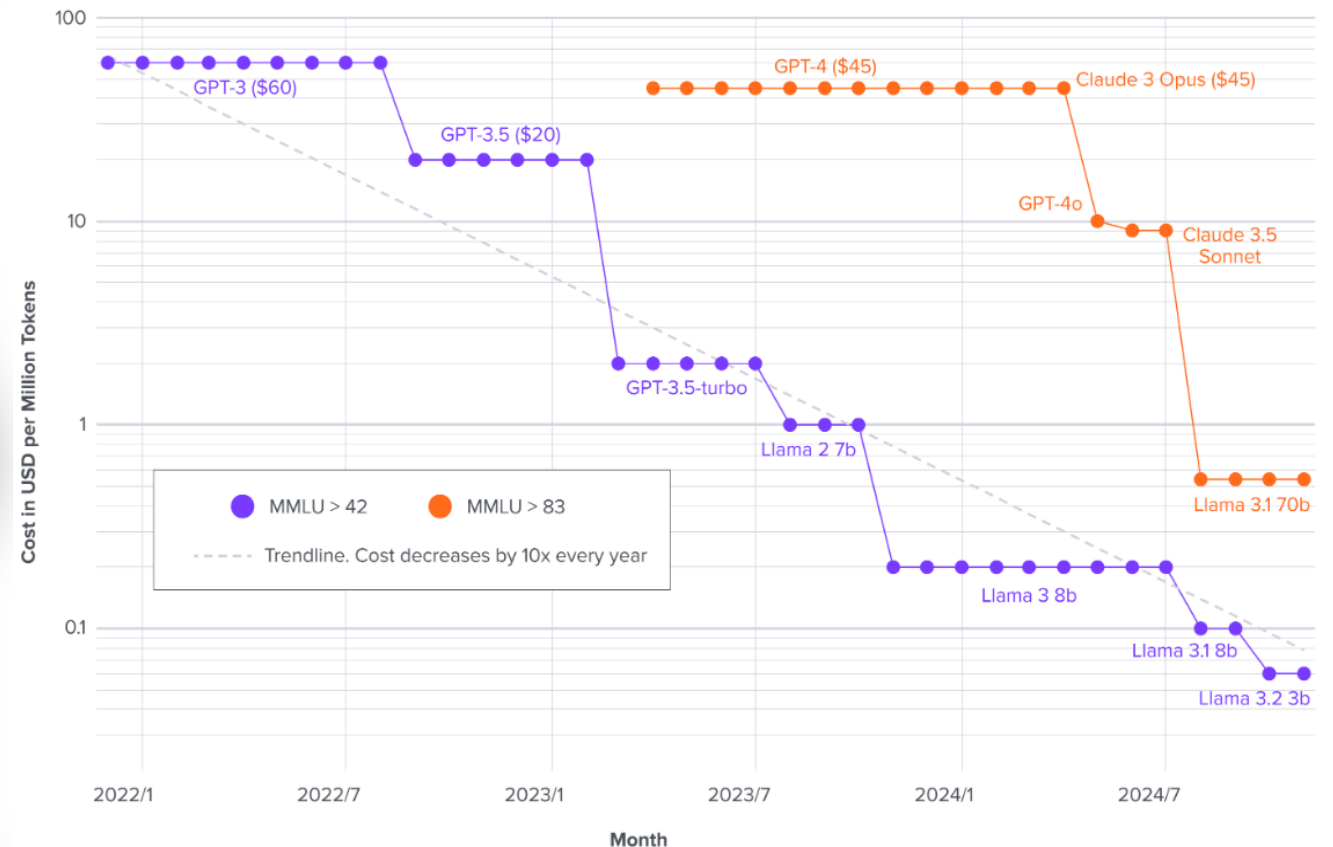
**Is today's extraordinary
spend on AI justified?**

DeepSeek: ignore the noise – focus on the data

- **Cost declines can drive market growth:** The release of DeepSeek spooked markets but LLM costs were already declining
- **A step change in reasoning requires more compute:** NVDA's CEO has indicated reasoning models are 100x more computationally intensive
- **AI capex budgets keep going up:** Hyperscale* operators 2025 capex expectations still rose another 20% following Q1 earnings
- **AI infrastructure build is still early:** Only \$100bn of Nvidia GPUs shipped out of \$1tr datacenter installed base

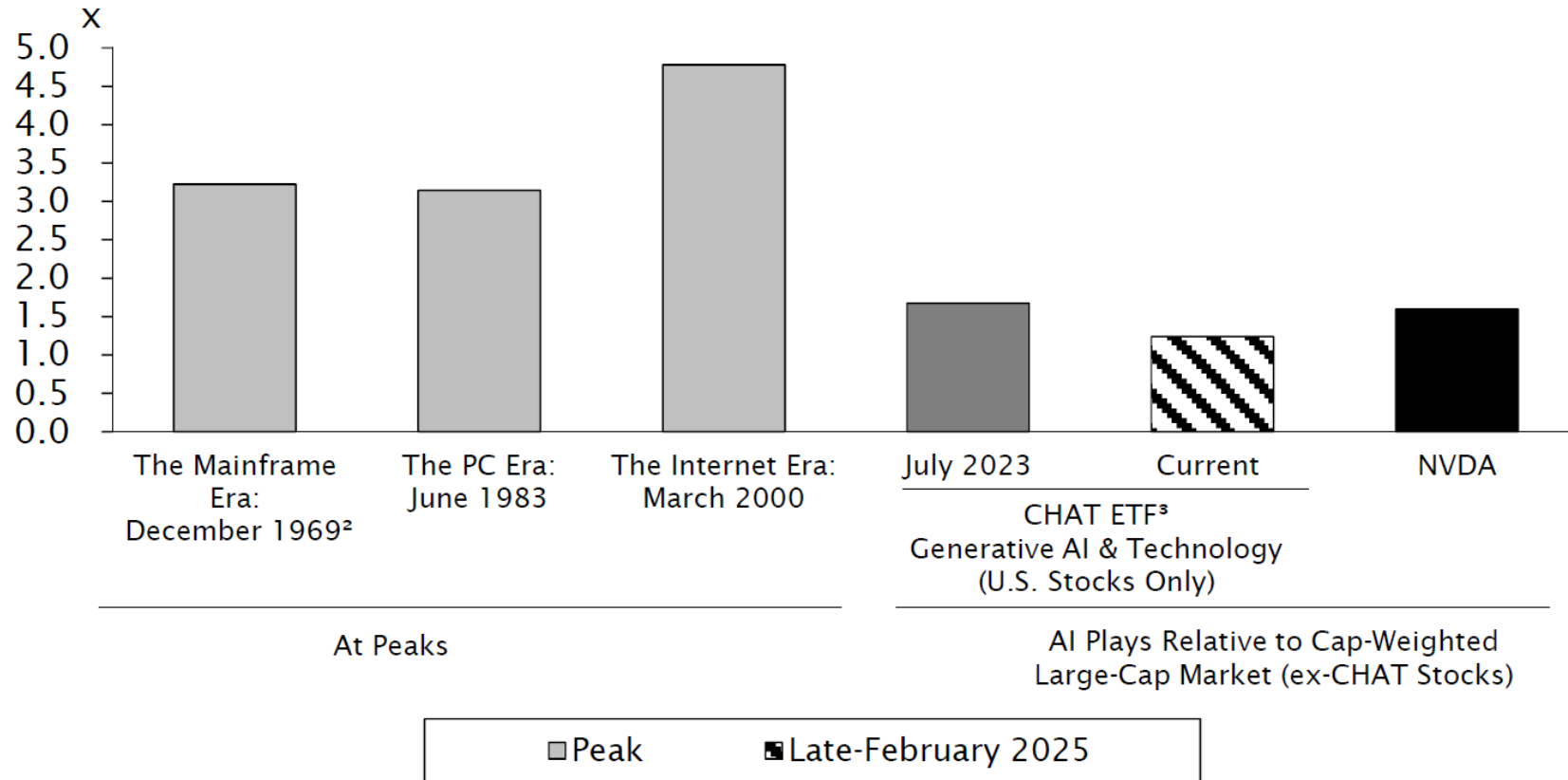
LLM costs were declining exponentially before DeepSeek

Cost of the cheapest LLM with a minimum MMLU score (log scale)



The valuation of the AI plays does not look excessive

Relative PE ratios of AI winners and other technology led booms (1968 to late February 2025)



Source: Corporate Reports, Empirical Research Partners Analysis, March 2025

¹Capitalisation-weighted data

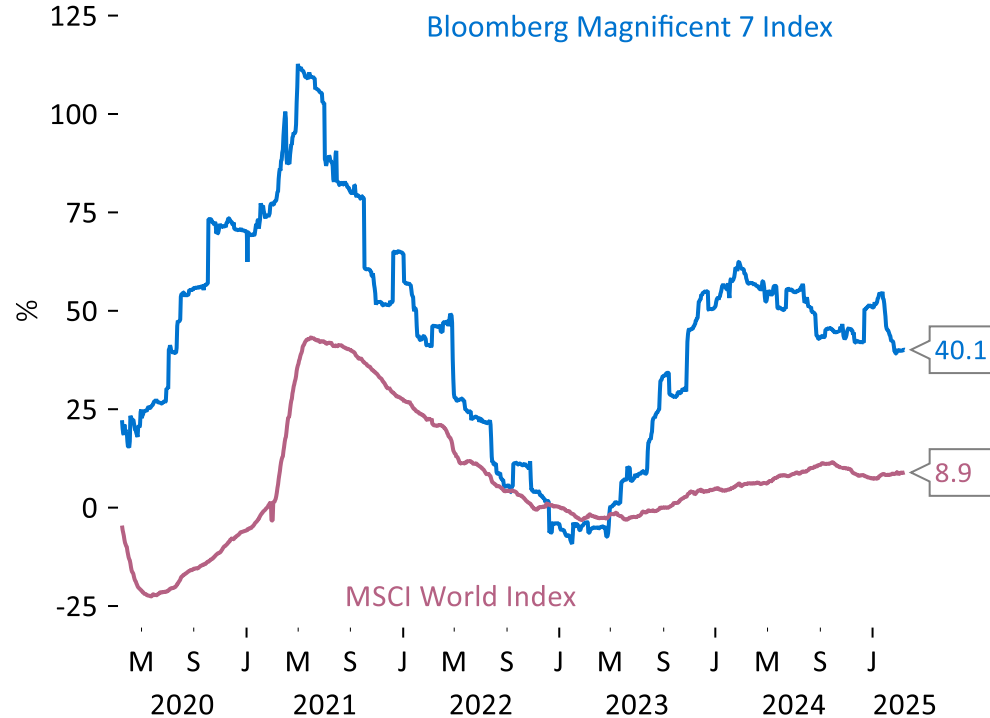
²Relative trailing-P/E ratios

³ETF designed to capture AI plays. The top-ten U.S. positions, that comprise 41.9% of the portfolio and 51.3% of the u.s. composite, are: NVDA, GOOGL, MSFT, META, TSM, HPE, DELL, ANET, MRVL, AVGO

Global earnings and dividend growth still robust

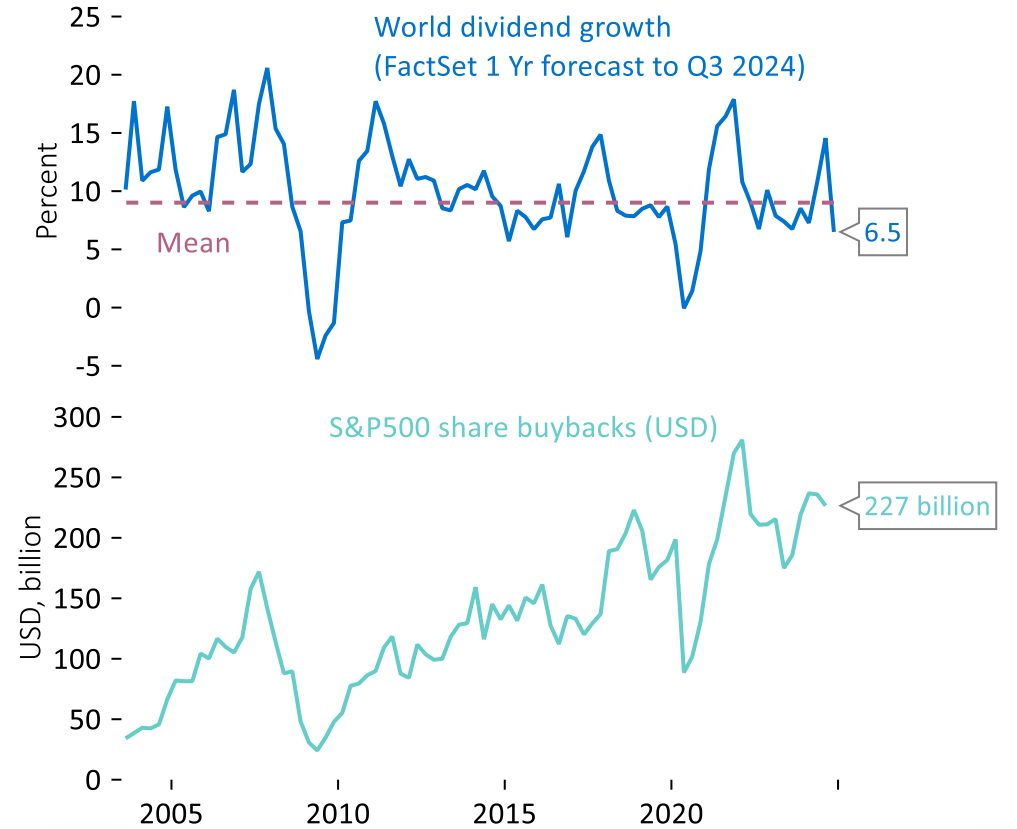
Forecast year 1 earnings growth still robust

12 month forward estimates (Bloomberg)



Source: Macrobond, 17.03.25

Global dividend growth and US stock buybacks plentiful



Source: Macrobond, 17.03.25

Market risks and opportunities

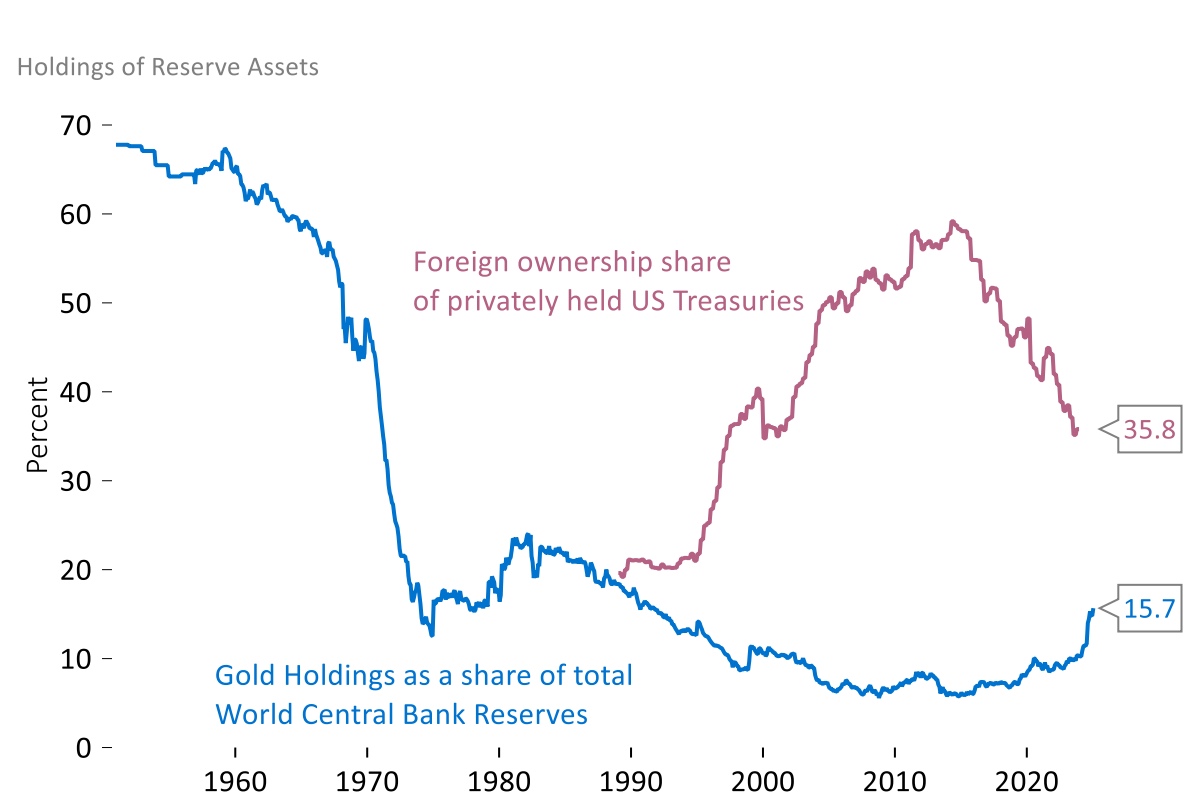
Risk 1: Battle over US budget

US deficit forecast to climb above WW2 highs by 2030



Source: Macrobond, 17.03.25

Foreign holdings of US treasuries falling – gold rising

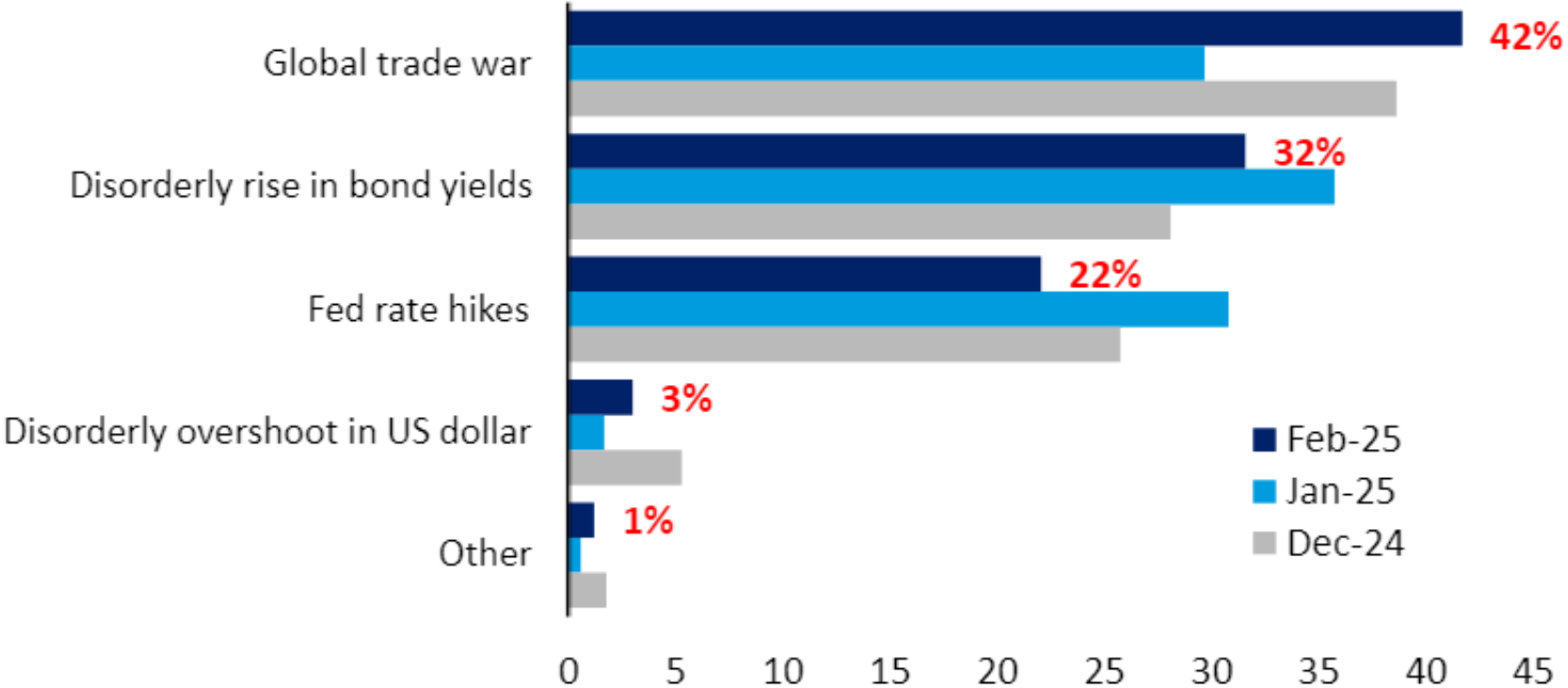


Source: Macrobond, 17.03.25

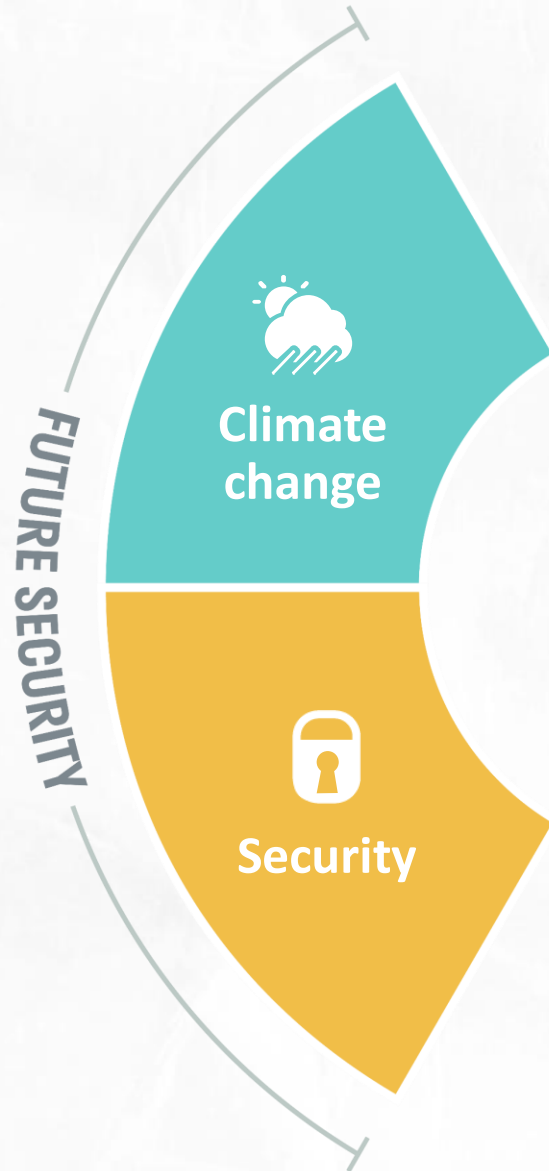
Risk 2: Global trade war

Global Fund Manager Survey

Which of the following developments would you see as the most bearish in 2025?



Opportunity: Global security



Security of:

Energy and resources
Food supply
National interests

Protection against:

Tariff disruption
Cyber crime
Climate disruption

As global politics & economics fragments, security is becoming a key driver of investment risks and opportunities.

Policy summary

Bonds

Neutral/Underweight

- **Neutral Govt:** Long-term yields close to fair value – UK pension funds natural buyers
- **UW inv. grade credit:** Spreads are historically tight – reduce risk

Equities

Neutral

- **Equity:** Earnings outlook remains solid but there are growing risks of a US slowdown – lower gas prices and higher defence spending support European growth
- **Valuation:** Equity risk premium and market concentration are elevated

Alternatives

Neutral

- **Neutral alternatives:** Dividend income from renewables and infrastructure attractive as interest rates fall
- **Overweight gold:** Debt fears across Western economies and EM reserve bank buying support demand

Cash

Overweight

- Policy and geopolitical uncertainty has increased markedly

Risk

1. **Global trade war** – Trump tariff agenda invites global retaliation – US economy slows
2. **Disorderly bond markets** – Budget deficits and sticky inflation trigger a return of the bond ‘vigilantes’
3. **Major AI/Tech profit warning** – US equity valuations contract on long-term earnings fears

TEARING UP THE RULEBOOK

Sarasin & Partners

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[sarasinandpartners.com/
charity/training-events/](https://sarasinandpartners.com/charity/training-events/)
for further information

Or email

events@sarasin.co.uk

In-person Foundation Training Sessions, London

Wednesday 26 March

Tuesday 17 June

Tuesday 14 October

Virtual Foundation Training Sessions

Tuesday 7 October

In-person Advanced Training Sessions, London

Thursday 1 May

Tuesday 9 September

Tuesday 4 November

Virtual Advanced Training Sessions

Tuesday 8 April

Tuesday 18 November

Investment Training, Cambridge

Tuesday 3 June

Investment Training, York

Tuesday 17 June

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TEARING UP THE RULEBOOK