

Three Big Themes, Investable or Not.

The Climate Crisis.

- The evidence of anthropogenic climate impact is incontrovertible and coincides with our increasing use of fossil fuels.
- A habitable environment is a public good (non-excludable and non-rivalrous) and therefore undersupplied by a free market.
- Given the complexity of the ecosystem, solutions likely will be equally complicated.
- Is a supply side solution (more renewable energy, better energy efficiency) sufficient? Will humans always exhaust resources regardless of supply? If so, what is needed for a long-term stable equilibrium?

What we can do:

- Invest in solutions to reduce carbon emissions, reduce fossil fuel and energy consumption and promote a balanced circular economy. Nuclear energy is a necessary long-term solution. Wind, PV and storage are mature technologies and immediately investable solutions.
- Advocate for and promote responsible consumer behaviour.
- Advocate and lobby for regulation to correct adverse selection in markets. Carbon taxes and quotas will play an important part in mitigation.

The Longevity Imperative.

- People are living longer but the proportion of life spent in good health is not keeping up, nor are

employment opportunities.

- Some difficult questions:
 - If unaddressed, dependency ratios will rise, pensions solvency will suffer, and fiscal positions will weaken.
 - Do we have an adequate labour force? Will productivity be maintained or improved?
 - Do we have enough private resources for retirement? Will there be sufficient jobs?
 - Will older workers displace younger ones? What might the social implications be?
 - Can work be healthy and take some strain off healthcare?
 - Retirement ages will inevitably have to rise.

- Some hope:
 - Opportunities exist if we reform pensions, human resource policy, social and cultural norms.
 - Longer life spans, if in good health could mean accumulation of IP, continuity and higher productivity.
 - Older populations exhibit lower criminal activity, propensity for military conflict,
 - However, the transition will take time. What happens in the interim?

What we can do:

- Envisage the future under a few different scenarios. For each scenario, invest to provide solutions to the various issues.
 - We live longer, prepare for longevity and are able to extend health-spans and employment-spans to match. (What are the implications for healthcare

costs, fiscal positions, dependency ratios, products and services (including financial services,) transition periods from current state. What are the implications for markets? We may require a consultant to advise.)

- We do not prepare for longevity and spend more time in ill health and unemployment. (May require consultant to advise.)

- Vigilance on fiscal health is warranted. Ageing populations will place an increasing burden on sovereign balance sheets.
- Invest in solutions to private personal finance to pivot away from state pensions and savings.
- More public goods will be outsourced to the private sector. What are they and how can we profit from them?

The Fiscal Challenge.

- Government debt has been rising steadily over the last 4 decades
- Inflation had been benign over the last 4 decades until 2022. Inflation and higher interest rates could be a significant risk to debt service
- Many factors affect government debt
 - Economic and social models. Small or large government. Capitalist or dirigiste economies.
 - Geopolitics and conflict. Wars and paranoia cost money.
 - Demographics. Age, income and wealth distribution affects fiscal revenues and public spending.

What we can do:

- Although this will likely manifest over a longer time frame, FX and rates could get really unpredictable. Hedge what we can.