

N&V

NEWS & VIEWS H2/2019

Signs of the times

Pointing you in the right
direction in this uncertain world

ALSO IN THIS ISSUE:

The US vs China tariff battle

Intergenerational planning

Emerging markets update

The attractions of
infrastructure

cg/Canaccord
Genuity
Wealth Management

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Welcome



This edition of News & Views comes at a time when we are witnessing political and financial events which, in many ways, are uncharted territory. In the UK, the Government's stability and Brexit outcomes remain unclear, while President Trump has abandoned diplomacy and is implementing a trade war with China.

All of this presents many unknowns and unanswered questions, although as wealth management professionals our role is to try and read the signs and determine how we can continue to build your wealth with confidence.

Our Chief Investment Officer (CIO), Michel Perera considers the US and China battle for world domination, in his article on page 4, as we believe this is the single biggest factor for investors which extends far beyond the trade war. He is taking a cautious approach to investing in general as he considers how some likely scenarios might play out. Against this backdrop, our Deputy CIO, Richard Champion explains on page 18 why infrastructure has a role in this unsettled environment. Whilst this is a heavily invested area and there are potential pitfalls, we have confidence in selecting the right investments in this space.

We are also delighted to bring you two interesting interviews. Paul Fineman of IG Design was named AIM CEO of the year in 2017. Inspired by his father, he shares his personal story from the sale of the family business to IG Design and to subsequently becoming its CEO. In our second interview, fund manager Georgina Hamilton tells us more about her style of 'value investing' and the Polar Capital UK Value Opportunity fund which she co-manages. Like us, she would like to encourage more women to invest over the long term.

With so many uncertainties outside our control, our Wealth Planning Director, Sharon Thorpe, considers matters we can influence, such as how we can ensure money is passed down to future generations as we would wish. And, as importantly, that those inheriting it are ready for the responsibility. We believe it is crucial to start these conversations sooner rather than later and to help educate the next generation.

Given there will be no let up in political uncertainty, the theme of our Annual Investment Conference on 15 November is 'Inspired by politics'. We are delighted political commentator Andrew Neil will be our keynote speaker, joined by our CIO, Michel Perera. Whatever your political persuasion, I hope you can join us to explore the world of politics and its potential impact on your investments.

As ever, I hope you enjoy reading this edition of News & Views. We are always pleased to receive any feedback or any ideas of what you would like us to cover in future. Do get in touch with me or your usual CGWM contact.

David Esfandi, Chief Executive Officer CGWM

1 Tariff conflict

The US imported
US\$539bn
of Chinese goods
in 2018

In 2018, the US imposed
US\$250bn
of tariffs on China

President Trump
has threatened
US\$325bn
of further
tariffs

China
imported
US\$120bn
of US goods
in 2018

In 2018, China
imposed
US\$110bn
of tariffs on
the US

Source: US Census Bureau, BBC Research.
Note: Data as of 8 May 2019

The players in the South China Sea dispute

2 Geopolitics

China's claim to the South China Sea

Beijing has claimed almost 90% of the contested waters – an area enclosed by a 'nine-dash line'. This line gives China ownership of the South China Sea up to 2,000km from the Chinese mainland, even though some parts of the area claimed are just a few hundred kilometres from Malaysia, the Philippines or Vietnam. The Chinese government asserts that it has 'historical maritime rights' over the waters and islands within the nine-dash line.

3 Economies

USA GDP **China GDP**

Consumption

68% **39%**

Private sector investment

17.6% **45%**

Government investment

17.5% **15%**

Net exports

-3.1% **1%**

— — — — — Nine-dash line

● China ● Taiwan ● Vietnam
● Malaysia ● Brunei ● Philippines

Data: The Asia Maritime Transparency Initiative



Michel Perera,
Chief Investment
Officer

The battle for world domination: the US vs China

Since the US put its first tariffs on Chinese goods 18 months ago, we have regularly covered the rise and fall of ongoing tensions between the two countries. Today, the trade talks continue, seeming no closer to a resolution. Indeed, the additional tariffs planned by the US for December mean that they are likely to be part of our economic backdrop for a long time – see (1) on previous page.

But is the US-China conflict just about trade? We don't think so. Trade is undoubtedly a factor but the tensions between the two countries are far reaching and multi layered. They also cover a range of issues that a trade deal simply won't solve.

The US-China conflict is potentially one of the biggest issues affecting how people will invest in the future. In this article we ask some thought-provoking questions and consider how it will affect the economy, markets and ultimately us all as investors. While it's impossible for us to have all the answers – and we may not receive any for a long time – we can put forward some likely scenarios.

Are we seeing the end of globalisation?

Increasingly, it seems as though the US feels more comfortable trading within its own continent, prompting China to do the same. Globalisation could effectively turn into regionalisation. It means companies with strong regional franchises will, in future, beat those trying to operate globally, as the costs and risks of being worldwide will increase. Investors will have to figure out what is more sustainable in a regionalised economy: a manufacturing process, a brand, intellectual capital or a service system. This will add a great deal of complexity to stock picking.

How will the rest of the world trade?

US tariffs on other countries are pending President Trump's signature, but it is only a matter of time before they are unleashed on the UK, EU and Japan. It may mean countries have to agree to either-or relationships, like those set out already in the US-Mexico-Canada Agreement (USMCA). But having to choose sides will undoubtedly damage other economies.

We have been used to a world of stable prices but, as supply chains are diverted and countries have to duplicate industrial processes due to import controls and sanctions, our world may turn more inflationary. We may even start to see the rise of geographic monopolies.

Who will win the battle for technology dominance?

The technology conflict between the US and China is well known but it has huge potential ramifications too. If they are to succeed in penetrating the Chinese market, US technology businesses may need to start complying with censorship controls (as they have already done in Russia), which totally jars with our concept of internet freedom in the West.

No one really knows yet whether the Chinese can truly innovate or if, as the US claims, they simply steal technology. However, as the dominant manufacturing power, China could be the one to set standards and industrial specifications which will undoubtedly add costs for the end consumer.

What about geopolitical tensions?

Not only are there tensions with the West, which could be exacerbated further by the Chinese Belt and Road Initiative, there is also risk of conflict in Asia, with Taiwan, Hong Kong and the South China Sea – see (2) on page 4. A military flare-up between the US and China in the South China Sea is always a possibility and could bring major market volatility.

Ultimately, what about the battle for world dominance?

Each country has different strengths and weaknesses: the US has natural resources and Silicon Valley; China has seven million university graduates per year. China has an efficient centralised government but the US has the best use of capital in the world. In fact, China wastes most of its capital (witness the huge ratio of investment in the economy compared to the US – see (3) on page 4).

In terms of demographics, the US is better placed and many analysts question whether China will ever escape the middle-income trap¹ before turning into the world's largest nursing home due to its previous one child policy. Both countries have huge amounts of debt but people fret about the speed at which Chinese debt has risen. On the flip side, China holds

over a trillion dollars of US debt. If China starts doing less trade with the US, it may want to diversify away from the US dollar as its reserve currency. How will the US government finance itself then?

The outlook for the US and China

A potential trade deal between the US and China would solve no more than a couple of the issues covered above. Everything points towards a generation-long rivalry in the mould of the Cold War, with an unwinding of the peace dividend that made the 1990s so prosperous. Already, the US is prompting its NATO allies to use at least 2% of their GDP in military expenditure, which can only lead to more one-upmanship from Russia and China. Further, the impact of more defence spending is less positive for the economy than civilian spending on things like healthcare, education or infrastructure.

However the US-China conflict evolves, investment management will become more complex. Stock picking will need added elements of sophistication and a deep understanding of the issues discussed above. Investors can still hope to enjoy high risk-adjusted returns but investment selection could become more of a specialist activity than it is currently.

Our stock selection committees are made up of experienced stock pickers from our offices in the UK, Jersey, Guernsey and the Isle of Man. The committees focus on a mix of sectors and styles, as well as both top-down themes and bottom-up ideas. Along with our latest in-house and external research they use Canaccord Genuity's own proprietary valuation analytical tool, Quest[®], which covers 13,500 stocks globally. Of course, everything we've mentioned could play out over different timescales and, although we can't predict anything with certainty, our experts will continue to monitor developments closely to find investment opportunities.

¹The middle-income trap is a theoretical development situation in which a country that attains a certain income gets stuck at that level. The World Bank defines middle-income countries as those with gross national product per capita between US\$1,000 and US\$12,000 at 2011 prices.



MADE IN CHINA



Sharon Thorpe,
Wealth Planning
Director

Handle with care

The 'baby-boomer wealth transfer' is predicted to be the largest in history, with US\$4trn expected to pass to inheritors, or be left to good causes, within a generation¹.

Intergenerational planning extends far beyond inheritance tax planning. How do you want your children or favourite cause to benefit from your wealth? How can you ensure your wishes will be fulfilled? Even if you have put the necessary plans in place, are you sure your heirs are prepared?

Our Wealth Planning Director, Sharon Thorpe, explores how to make sure your money is passed down as you wish, and that those inheriting it are ready for the responsibility.

Leaving a legacy

People who have worked hard to build their wealth don't want it frittered away after they die. So it's surprising that only 26% of high net worth (HNW) respondents in a recent survey² said they had a full strategy for transferring their wealth to the next generation.

Ask yourself some key questions:

1. How much money will I need until I die – including provision for later life care?
2. What am I likely to leave? Including cash, savings, investments, properties, vehicles, businesses you own, art and jewellery.
3. Who/what do I want to provide for?
4. Is there anyone I want to leave out?
5. How much do I want each beneficiary to have?
6. Do I want to restrict how my legacy is used?
7. Do I want to gift during my lifetime?
8. How can I ensure my wealth is cascaded to future generations as I wish?

The professionals supporting you, such as your solicitor and financial planner, should work together to make sure your Will is up to date, your arrangements are set up correctly and your instructions are clear.

This might involve setting up trust structures. These can help the person passing on money (the settlor) to maintain control, by dictating who will benefit from the trust, when and by how much. Setting up trust structures can also be useful for inheritance tax planning in the UK (see case study on page 11).

There are other options if a beneficiary wishes their inheritance to skip a generation. e.g. by a Deed of Variation.

You may need to consider highly sensitive situations, such as how to protect your family in the event of a family fall-out or divorce. Sadly, this does happen, so it's important to consider whether you wish to by-pass your son-in-law or daughter-in-law, for example, but ensure funds are available for your children and grandchildren.

¹BBC – Generation project [online] – Available at: [bbc.com/worklife/article/20181205-with-boomers-wealth-to-inherit-will-millennials-get-rich](https://www.bbc.com/worklife/article/20181205-with-boomers-wealth-to-inherit-will-millennials-get-rich) [Accessed August 2019]

²RBC Wealth Management – Wealth transfer report [online] – Available at: rbwealthmanagement.com/_global/static/documents/RBC-wealth-transfer-report-2017.pdf [Accessed August 2019]

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Encouraging your children to use your wealth wisely

Famously, Bill Gates has said his children will inherit US\$10m each – relatively small change compared to his multi-billion-dollar fortune, which will be donated to charitable causes. He and his wife, Melinda want their three children to be comfortable, but not enough to make them lazy!

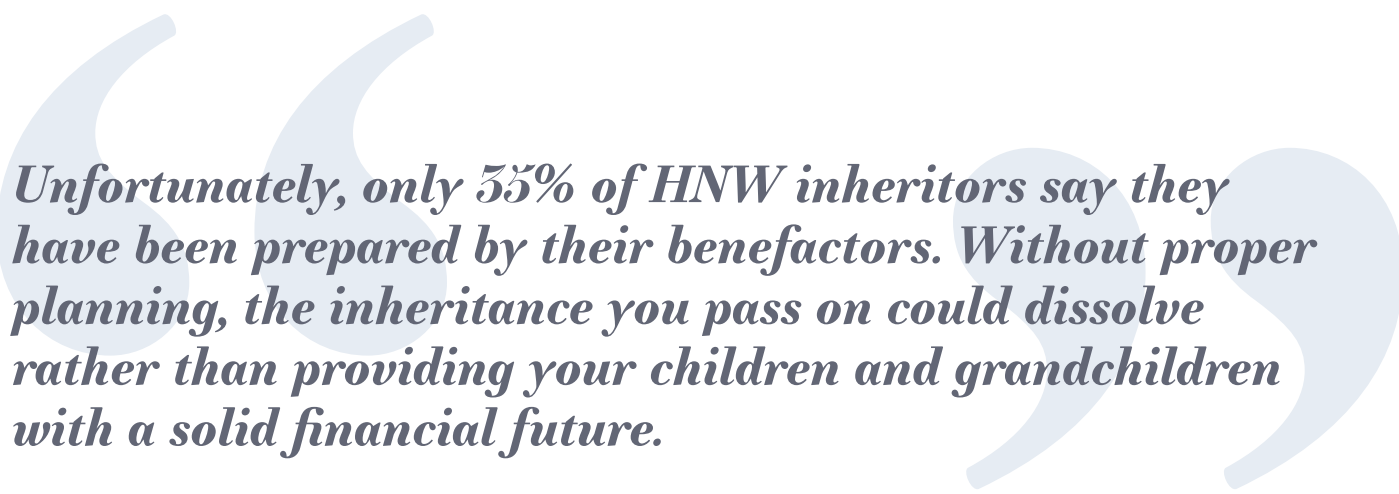
The idea of parents protecting their children from too much wealth is becoming more common. Parents want their children to understand the value of wealth, how it was acquired and how to use it wisely. Unfortunately, only 35% of HNW inheritors say they have been prepared by their benefactors³. Without proper planning, the inheritance you pass on could dissolve rather than providing your children and grandchildren with a solid financial future.

To help your children use your wealth sensibly:

1. **Make wealth a family discussion** – if your heirs understand how hard you worked for your money, and the motivation behind your investments, they will be more likely to see the value of managing that wealth properly.
2. **Share your experiences and educate your children about wealth** – start sooner rather than later to develop their understanding.
3. **Involve them in meetings with your trusted advisers** – many people aged 30 - 60 do not have a financial adviser; including those who expect to inherit large sums.

Perhaps you believe your own parents have considerable wealth, but they've never discussed it with you. Try to ascertain whether they are already receiving financial advice or whether they could benefit from a meeting with a financial planner.

There are many considerations around intergenerational wealth planning – but there are also solutions. At Canaccord Genuity Wealth Management, we work closely with our clients and their families to ensure their legacy wishes are met.



Unfortunately, only 35% of HNW inheritors say they have been prepared by their benefactors. Without proper planning, the inheritance you pass on could dissolve rather than providing your children and grandchildren with a solid financial future.

³RBC Wealth Management – Wealth transfer report [online] – Available at: rbwealthmanagement.com/_global/static/documents/RBC-wealth-transfer-report-2017.pdf [Accessed August 2019]

UK case study

Mrs K had no children, and wanted her brother to benefit from her estate. Her brother was also reasonably wealthy, and planned to leave everything to his children.

Mrs K realised this could mean paying double inheritance tax – once as she passed her wealth to her brother and again as he passed it down to his children and they paid IHT on his full estate (including her wealth).

We set up a trust, with her brother as a trustee, so he could decide how and when to distribute (or hold back) the money.



Value investing, simply put, is buying a company for a price less than its true worth. This strategy looks for shares of companies that are cheaper than their peers relative to earnings or other metrics. Value investors buy them, anticipating they will appreciate in value when the market realises how much of a bargain is on offer.

This style of investing was pioneered by Benjamin Graham, and famous proponents of the discipline include Warren Buffett and Howard Marks. It is a strategy that requires detailed analysis of individual company balance sheets and an ability to be resilient and patient when the stocks are unloved by the market.

The fund manager interview:

Georgina Hamilton,
Fund Manager, Polar Capital

At CGWM, investment funds are a vital part of our universe when selecting investments on behalf of our clients, as they can help to add diversification. They can also be a more cost-effective way to gain exposure to a particular theme or sector.

We started investing in the Polar Capital UK Value Opportunity fund in 2018, having monitored its performance and liked its style and process for some time. Co-managed by Georgina Hamilton and George Godber, the fund is a good example of why it is important to back younger fund talent early and not just stick to established names. We interviewed co-manager Georgina to find out more about her and the fund.



Tell us about your investment style and how you developed it.

At the heart of my investment style is company-specific proprietary research and modelling, rather than predicting what is in store for the economy or market as a whole. I look for stocks trading at a temporary discount to their intrinsic¹ value. I do not believe that company size matters and adopt a multi-cap investment approach, taking advantage of the best investment opportunities in the UK large-, mid- and small-cap space.

My process has three investment criteria: cheap valuation, a sustainable returns profile and a solid funding position.

The value investing style has continued to underperform other styles of investing in the last decade, so why do you still believe in this approach?

The valuation discipline has always been there and is born out of the wealth of data demonstrating that buying companies with cheap valuations typically delivers superior investment returns over the medium term. The problem is that 'value investing' is extremely hard to define. Buying shares that are cheap but with bad balance sheets, or that are overdistributing on their dividends, are both extremely bad strategies and I suspect they will underperform into perpetuity.

Being cheap in isolation is not enough, which is why I have two additional criteria. I believe that buying cheap profit streams with a visible earnings profile and solid balance sheets will continue to yield strong investment results.

How did you get into fund management? Was it always something you wanted to do?

No, my family and friends had no background in investment management. When I was younger, I wanted to be an astronaut and then a research scientist. Sadly I never got to try the former but when I wasn't wild about the latter, I decided I was after something analytical but more dynamic. I researched lots of jobs in the City and thought that fund management had the best mix of those skills. My first day in fund management was the Monday after Lehman Brothers collapsed. My first 10 days in the office, the markets fell and I was nicknamed the Angel of Death. Despite this tricky start, I had found a job that I loved.

What is a day in the life of Georgina Hamilton like?

Fund management is an incredibly varied career, and my day involves a combination of modelling companies, meeting company managements, portfolio construction, trading and engaging with our investors. I enjoy getting absorbed with

the real detail but also having a broad overview of markets. I am lucky to work with an amazing fellow manager and with a group of fantastically proactive people at Polar Capital.

What worries you about the current state of the industry?

Over the past 10 years we have seen a huge increase in the use of passive funds, tracking the composition and performance of indices. The focus on cost alone, rather than investment outcomes, does give me cause for concern. Passive investing involves having the biggest exposure to the very biggest companies rather than the best investments. No one is thinking about whether a stock should be included or what exposure you should have, other than to emulate the decisions already made by active managers who determined the weightings of stocks in the index in the first place. It is a worrying situation.

I am also concerned by the number of companies delisting and the number of excellent CEOs leaving public companies to work in private companies.

What are you optimistic about right now?

While the macro picture is unclear, I am encouraged by the attractive valuation of the UK market, particularly in the light of reasonable debt levels.

What do you know today about investing that you wish you knew 10 years ago?

The best but hardest lessons in investment management are those learnt from your mistakes. Sadly there is simply no shortcut on that. A mistake-free 10 years would make me a worse investor over the next 10 years. I always try to remember to look at each decision with fresh eyes and not to be trapped by history.

Our recent YouGov survey² showed that more than a third of HNW females don't invest. As a professional female investor, does that surprise you?

No, because my female friends are far more inclined to have cash ISAs than stocks and shares ones. This is a great shame and I hope that in time it will change for the better.

How would you encourage women to invest?

Investing is all about time horizons, not timing. Using rolling returns since 1899, 76% of the time UK equities outperform cash on a five-year view and 91% of the time on a 10-year view (Barclays Equities Gilts Study, 2019). Don't let there be gender discrimination in savings by lack of your own actions.

¹ Intrinsic value refers to an investor's perception of the inherent value of an asset. It is calculated through fundamental and technical analysis.

² Total sample size was 500 HNWIs. Fieldwork was undertaken between 3-11 September 2018. The survey was carried out online.



Patrick Thomas,
Head of ESG
Investments

Making an impact on emerging markets

Traditionally, investing in companies operating in, or with some exposure to, emerging markets has often offered investors attractive returns – and an allocation to emerging markets adds useful equity diversification in a portfolio. However, these companies may not necessarily have been doing any good for the developing countries themselves.

We believe that it's possible to find profitable companies that are not only good for your portfolio but are well positioned to help a country develop sustainably and improve the lives of local populations. These companies face fewer risks and are better placed to deliver long-term growth.

We call this 'impact investing'.



We see three particular areas as making a measurable difference:

1. Sustainable goods and services (e.g. affordable healthcare)
2. Responsible finance (e.g. banking services for the poor)
3. Infrastructure (e.g. water and waste management).

These three areas are all vital for supporting the development of the countries in which they operate.

Companies that 'do good' by helping people

Sustainable goods and services can take many forms. They could be food, drinks and other consumer staples that help combat malnutrition. Affordable medicines and life-saving treatments. Products or services that help factories become safer workplaces.

Our chosen companies might make healthier food that reduces the risk of diabetes. They might make vaccines. What they all have in common is a product line that either directly or indirectly helps people.

For 'first world' residents like us, keeping money in a bank or investment account is convenient and facilitates daily life essentials. But there are billions of 'unbanked' people globally, paying for rent and goods in cash, and without access to other financial products such as insurance, investments, or pensions. While 100% of Norwegians have access to a bank account, this figure is less than 10% in Pakistan.

Financial services firms are now seeing the advantages of social inclusion and extending their services to more disadvantaged people, helping to pull them out of poverty through participation in the capitalist economy.

Infrastructure is essential for a country to function properly. Think about companies that provide water, energy, transport or housing. But could they provide any of these more sustainably? Lower carbon technology, energy efficiency, recycling, cleaner water and sanitation all help a country function with a smaller ecological footprint.

What type of companies that 'do good' are also likely to be good long-term investments?

There is no point in investing in a company that makes a positive impact in developing countries if that company is not going to be around in a few years. It's important to seek companies that have a sustainable business model.

Investors need to make sure the company is well managed and remunerated for long-term behaviour rather than short-term speculation. Assessing management under the lens of how well employees are looked after, checking their

staff turnover and safety records is key, alongside factors such as brand and market share. Does the company have pricing power and a competitive advantage?

Companies making products that are actually needed by emerging market societies are more likely to deliver less volatile performance and face fewer risks to their licence to operate over time. For example, consider the difference between a consumer company that derives the bulk of its sales from food containing high levels of sugar, salt and fat, and one that sells healthy foods. Look at the long-term attractiveness of the companies. Which company is more likely to face political and regulatory pressure?

Consider the company's long-term performance and resilience in challenging economic environments – its capability of growing cash flows over the long term as it contributes to and benefits from a shift to a more sustainable development model.

Businesses can help themselves and others

There are numerous examples of companies that are good for investors and are managing to do good in emerging markets. Unilever's Shaktayama programme is a well-known example. Thousands of female entrepreneurs were hired as door-to-door distributors, providing them with employment while extending the reach of Unilever's products in rural areas.

Less well known, but no less impactful, are companies like Novozymes, which fortifies food with vitamins and minerals to combat nutritional deficiency; or HDFC Bank, which offers mobile banking and affordable insurance policies. In each case, a small innovation improves the lives of the poor. At the same time, company cash flows are boosted and their brand strengthened. Adopting an approach for inclusion is a long-term business strategy, rather than a short-term 'corporate outreach' or 'social responsibility'.

What might benefit investment portfolios?

When looking for long-term investments in emerging markets, consider funds that continue to engage with companies who take a long-term view, keep a sense of purpose, and ensure investor protection is part of their business model. This should benefit those developing societies, corporates and investors in the long run.

If you would like to know more about impact investing in emerging markets, please contact your usual Canaccord Investment Manager or Patrick Thomas, our Head of ESG Investments. There are examples of funds that have outperformed their benchmark over the last decade by adopting exactly this approach.

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The CEO interview:

Paul Fineman, CEO, IG Design Group

IG Design Group designs, manufactures and distributes gift packaging, creative play products and giftware. In the last financial year, its products were sold in more than 200,000 retail outlets across 80 countries, including sales of almost one billion metres of gift wrap. It has recently acquired Impact Innovations, giving the combined Group around 22% of the overall gift packaging market in the US and Canada and 43% of the gift wrap market.

We interviewed CEO Paul Fineman to get his slant on the business.

Please note, this is not a recommendation to invest in the company mentioned above.

How did you get involved in the gift packaging and stationery business?

I joined my family's business, Anker International, when I was 19. Later, I became responsible for most of Anker's commercial activities and eventually led all aspects of the business.

When International Greetings (now IG Design Group) approached me to buy Anker in 2004, I felt that the combination of the two businesses made sense. Nevertheless, believe me, it was a complex decision to sell a business that I was so passionate about.

How did you become CEO of IG Design?

In 2008 IG had many challenges. I was asked to consider becoming Group CEO, but I suggested I should initially become Group MD. I focused on assessing all the Group's businesses, helped by a number of the Anker team. I said I would consider becoming CEO once a plan to restructure and grow the Group was agreed, and I was appointed in January 2009.

What was the first thing you did as CEO?

During the previous six months I had visited all the Group businesses around the world, to learn from staff, customers and suppliers. It was evident we had a very 'silo'd' organisation and that we needed to repair and to transform our culture. I explained our plan to our investors and other stakeholders, including banks and professional advisers, and promised to keep them informed.

What was the biggest challenge to overcome?

Where do I begin? Any recovery and growth plan is only possible with the right people, so I made several leadership changes. I also gave some of the incumbent team the opportunity to prove themselves.

We were very heavily indebted, so focused on improving every aspect of working capital management and generating cash without affecting our customers' experience.

What has been the biggest contributor to IG Design's success?

We have had a remarkable level of commitment from our exceptional,

talented team. I am proud to say that despite the Group growing significantly we have remained a nimble, pro-active and highly customer-focused business, with the appetite, open mindedness and humility to know we can always improve.

What product/division of IG Design excites you the most?

Truthfully, every area of the business excites me. However, innovation and product development is my first love, and as a design-focused business there is always an abundance of fabulous product in the pipeline.

Who has been the most influential person during your career?

From a business perspective, my dad Henry. I learnt so much just from being in his presence. This isn't my heart ruling my head – I genuinely feel he was a visionary. He was a very structured and analytical thinker, and a very bright multi-tasker. He was an incredibly generous man who would delegate but not abdicate, with a strong sense of responsibility but no ego. Sure I adored him, but wow, I really respected him too.

From a personal perspective, my wife Lesley has been the most magnificent support throughout my business career – she has kept me very grounded, reminded me of what's important and encouraged me during the toughest times.

What's been your biggest success?

Tough question! Playing my part in rejuvenating Design Group from its debt-burdened low point in 2008, when market capitalisation plummeted to approximately £5m. It's currently on track to become £0.5bn+. I'm proud of the terrific team who delivered this performance. I was also honoured to be named AIM CEO of the year in 2017.

What's next on the agenda for IG Design?

I truly believe we can continue to enjoy exciting growth organically and by acquisition. We are growing regionally, by product category, by customer channel and by season.

We must remain innovative, fast paced and highly competitive. Our ability to broaden our offering by product and also through new channels, including

e-commerce, can further accelerate growth and make new demands on our talent pool.

What do you think about ESG (environmental, social and governance) issues and how do you ensure IG Design is a sustainable business?

These are not matters where businesses can simply pay lip service. From an environmental perspective, we have made enormous strides in recent years, including eliminating our in-house use of solvent inks. We deploy a huge amount of resource in quality assurance and quality control, in auditing supplier facilities and processes. While this is certainly costly, it's also an essential part of trading with major retail customers. As a PLC, we are very happy to have been recognised and awarded for our reporting standards and communication with investors.

What would you be doing if you weren't running a consumer products business?

From a business perspective, if given the opportunity, I would apply my experience in other businesses or organisations. Nothing gives me a greater buzz than to play a part in helping passionate, talented people create something special.

From a personal perspective, there are so many wonderful things to do with my family and friends – where do I start?

If you could give one piece of advice to young entrepreneurs, what would it be?

Don't wait for things to happen – make them happen. My dad used to say 'If opportunity doesn't come knocking, build a door'. This particularly applies to sales, so make sure you can always answer why a customer should buy your product or service. If you aren't clear about that, do something about it.



A friend in an uncertain world

In times of uncertainty, where a febrile investment environment makes us feel cautious, we look for more defensive areas of the market.

Currently, the mix of stable, inflation-linked returns, a return to freer government spending and climate change has pointed us in the direction of one of our favourite asset classes: infrastructure.





Richard Champion,
Deputy Chief
Investment
Officer, UK

Why can infrastructure be an attractive asset class right now?

Because people always need infrastructure. Every country, city, town or rural area needs a network of basic facilities and systems, including transportation, communications, sewage, water and electricity. Traditionally these were built, owned and operated by central and local governments. With budgets under pressure, increasingly the private sector has become involved in both owning and managing these assets.

This makes infrastructure a friendly investment in an uncertain world. And right now, the world is more than usually uncertain.

In the UK, Parliament and the country are hopelessly split between hard Brexiteers and those who want to leave with a deal or reverse the 2016 referendum result. Elsewhere, there are concerns over populism in Europe, weak growth globally, and the rise of inequality and social exclusion.

Years of ultra-low interest rates have resulted in a record US\$14.5trn of bonds worldwide sitting on negative yields. A bull market in equities has mightily profited the owners of assets, to the detriment of the poor, the unemployed, the low-pension old and the indebted, property-less young.

At the same time, the power of computing, artificial intelligence, robotics and data-driven healthcare has driven a gulf between technology haves and have-nots every bit as wide as income disparity.

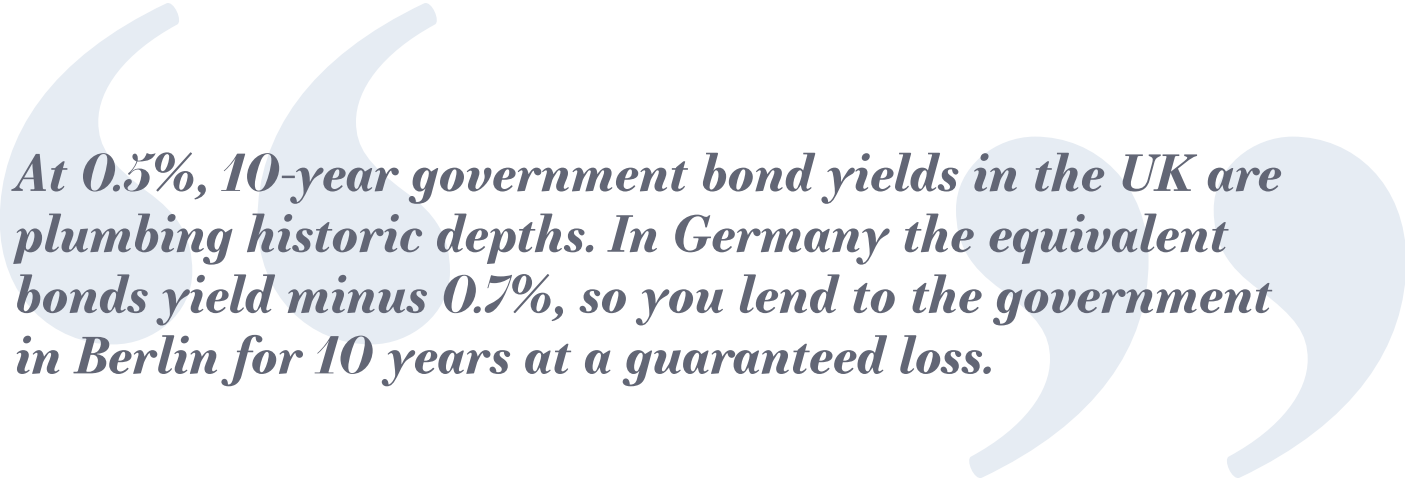
All these factors have undermined the old certainties of markets. They have also damaged the inter-generational compact that has been in place since the 18th century: that each generation would be more prosperous than the last and that the effects of growing prosperity would be shared by all.

This has made the job of investing for our clients more complicated. At 0.5%, 10-year government bond yields in the UK are plumbing historic depths. In Germany the equivalent bonds yield minus 0.7%, so you lend to the government in Berlin for 10 years at a guaranteed loss. Meanwhile, equity valuations in the safer areas of the market are all towards the top end of their historic ranges.

Why invest in infrastructure businesses?

Infrastructure businesses offer a range of key benefits:

- Infrastructure initiatives are often financed, controlled or supervised by the public sector, so their revenues tend to enjoy long-term visibility
- They often have government guarantees
- Inflation-proofing is usually built into contracts
- They enjoy stable, often regulated returns
- They are intrinsically linked to demographic and economic growth
- Their development is increasingly driven by technological change
- They often benefit from the shift to cleaner forms of energy.



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Despite these positives, the quality of infrastructure in many developed countries has deteriorated over time, particularly in the US. The politics of recovering from the financial crisis meant many governments held back on investment in roads, bridges, schools, hospitals, utilities and the like in response to budgetary pressure. The danger created by this penny-pinching was illustrated last year when Pacific Gas and Electricity, California's largest utility company, was blamed for the role of poor power grid maintenance in the recent spate of massive wildfires there.

Fortunately, this underinvestment on infrastructure is now far less constrained by limits on government spending. The US budget deficit is ballooning; in the UK the Conservative party has declared the end of austerity; and in Europe, talk of co-ordinated investment across the region is getting louder. On top of this, the increased popularity of 'modern monetary theory' (which advocates for government spending without any of the traditional constraints) gives policy makers more intellectual room to propose increased spending.

Thanks to its focus on long-term, stable returns, infrastructure is also an ideal asset class for longer-term private sector investors, such as pension funds. This is supported by the ultra-low returns available from more traditional stable assets, such as fixed interest.

Technology has become a bigger factor underlying investment in the sector. The introduction of a new generation of mobile telephony (so-called 5G) and the fast-developing shift to autonomous vehicles both enables and

requires huge amounts of data capacity. And of course, in most countries, governments are working towards reducing their carbon footprint, providing support for green energy such as wind, solar, or hydro-electric power.

How can you add infrastructure to your investments?

Exposure to infrastructure can be gained in two ways:

- Through funds that invest in the shares of companies exposed to the theme, which we categorise as equities
- And through closed-ended trusts that own assets with long-term contracted revenue streams to manage hospitals, motorways, barracks and ports etc – these we categorise as alternative assets.

We believe that infrastructure offers a relatively safe harbour in which to earn returns for clients just as stormy weather warnings reach their highest level for many years.

Inspired by politics

**Join us at our Autumn Investment Conference on Friday 15 November
at One Great George Street, Westminster.**

The world of politics is currently riven with uncertainty and unpredictability. On 15 November, will we be struggling with (or celebrating) a deal or no-deal Brexit? Or will we be heralding in a new government? What will happen in the 2020 US Presidential election?

Uncertainties like these are driving world economies and markets, so it's vital to understand the political zeitgeist and its influence in order to make the right investment decisions.

Our inspirational conference this year will guide you through the political labyrinth and help you look into the future with more knowledge and understanding. We are very excited to welcome our keynote speaker, Andrew Neil, presenter of the Daily Politics show on BBC Two, and one of Debrett's 500 most influential people in 2015. He will be supported by Ben Rogoff of Polar Capital Global Technology, and our own Michel Perera.

**Contact your Wealth Manager or visit
canaccordgenuity.com/2019-autumn-conference**



How can we help?

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