



Generating sustainable investment income in the current environment

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Why has it become hard to produce income?

What does this mean for charities?

Is it going to be easier now?

What options are available for charities?

ESG considerations

Why has inflation fallen over the past 40 years?



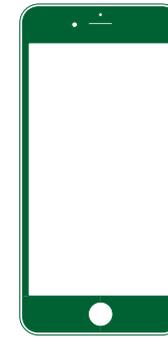
China



End of Cold War



Globalisation



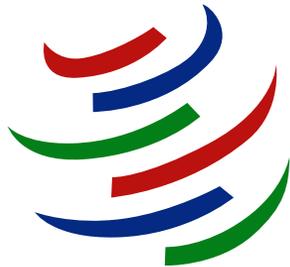
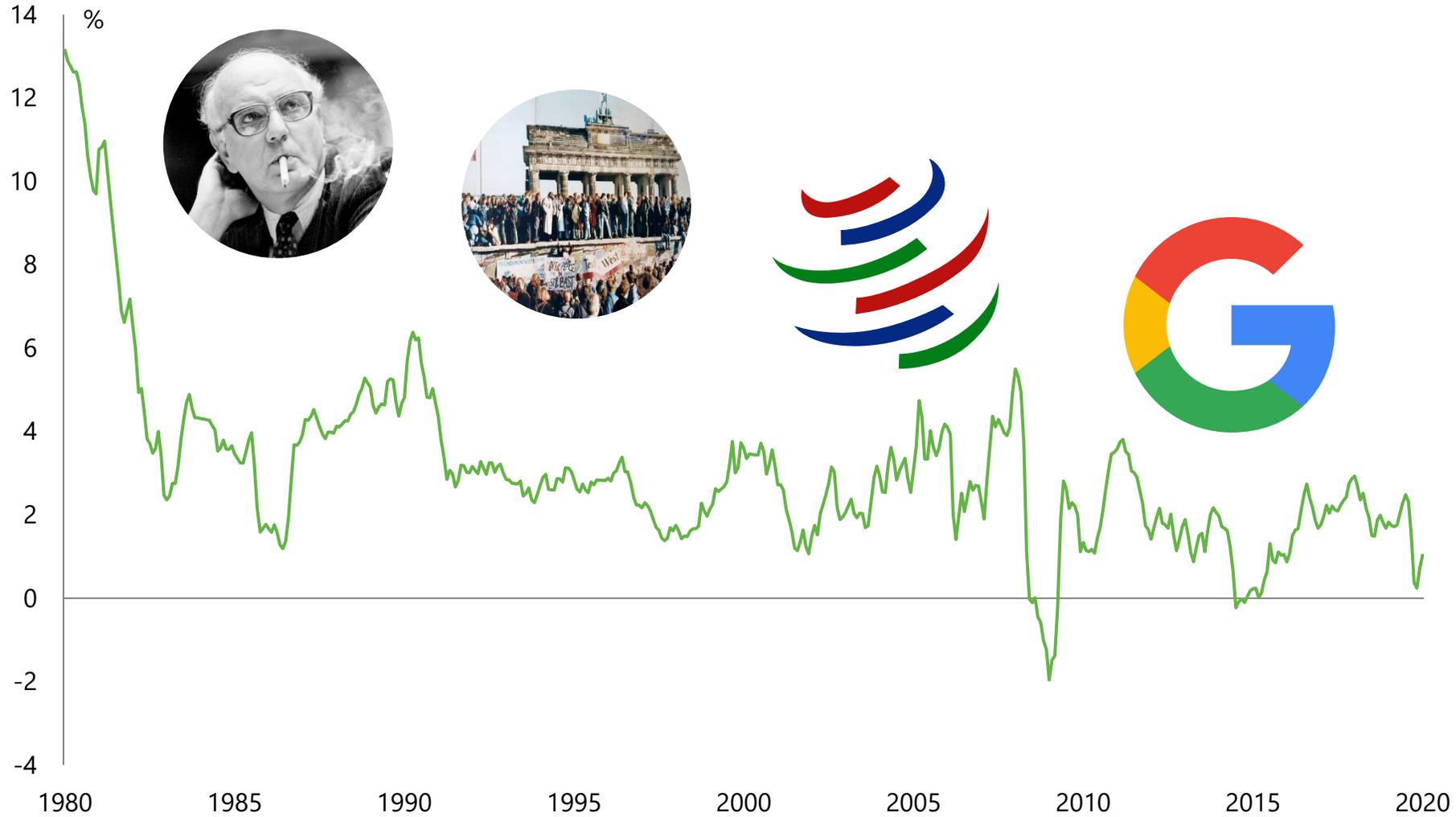
Technology



Demographics

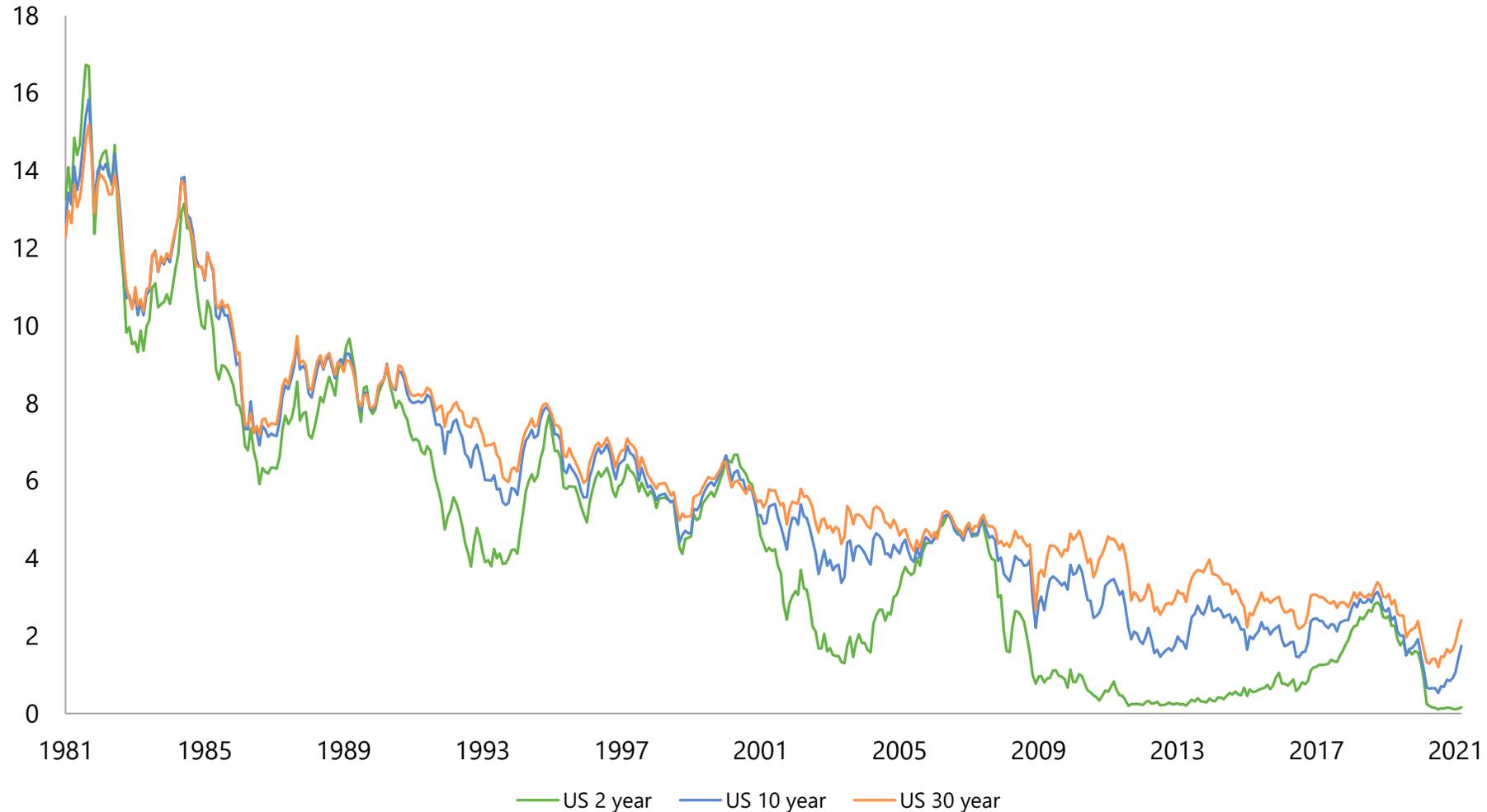
We have had one regime since 1980: disinflation

US CPI FROM 1980 TO 2020

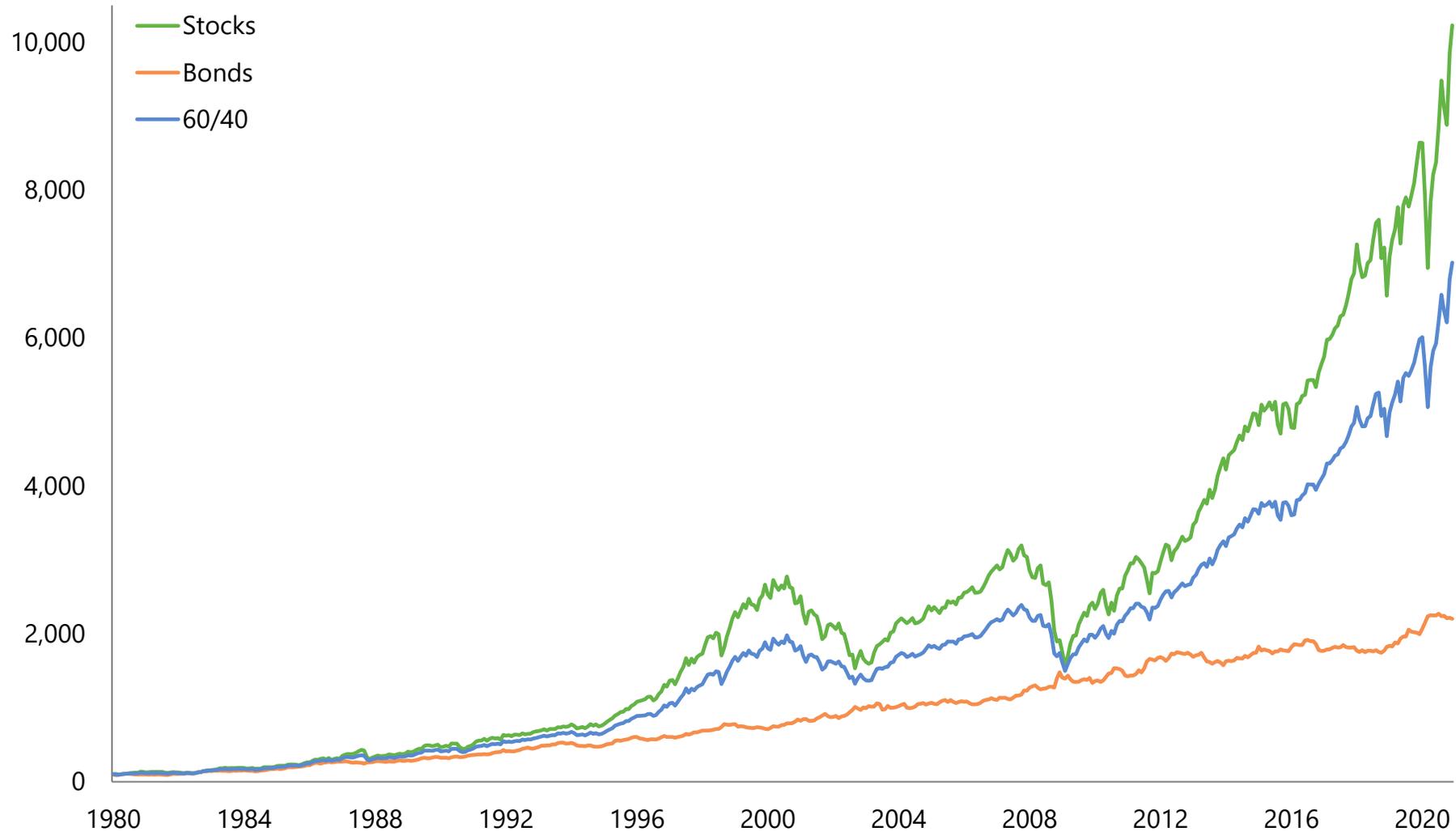


What has done for interest rates?

A SCARCITY OF SAFE INCOME



A winning combination for Charities



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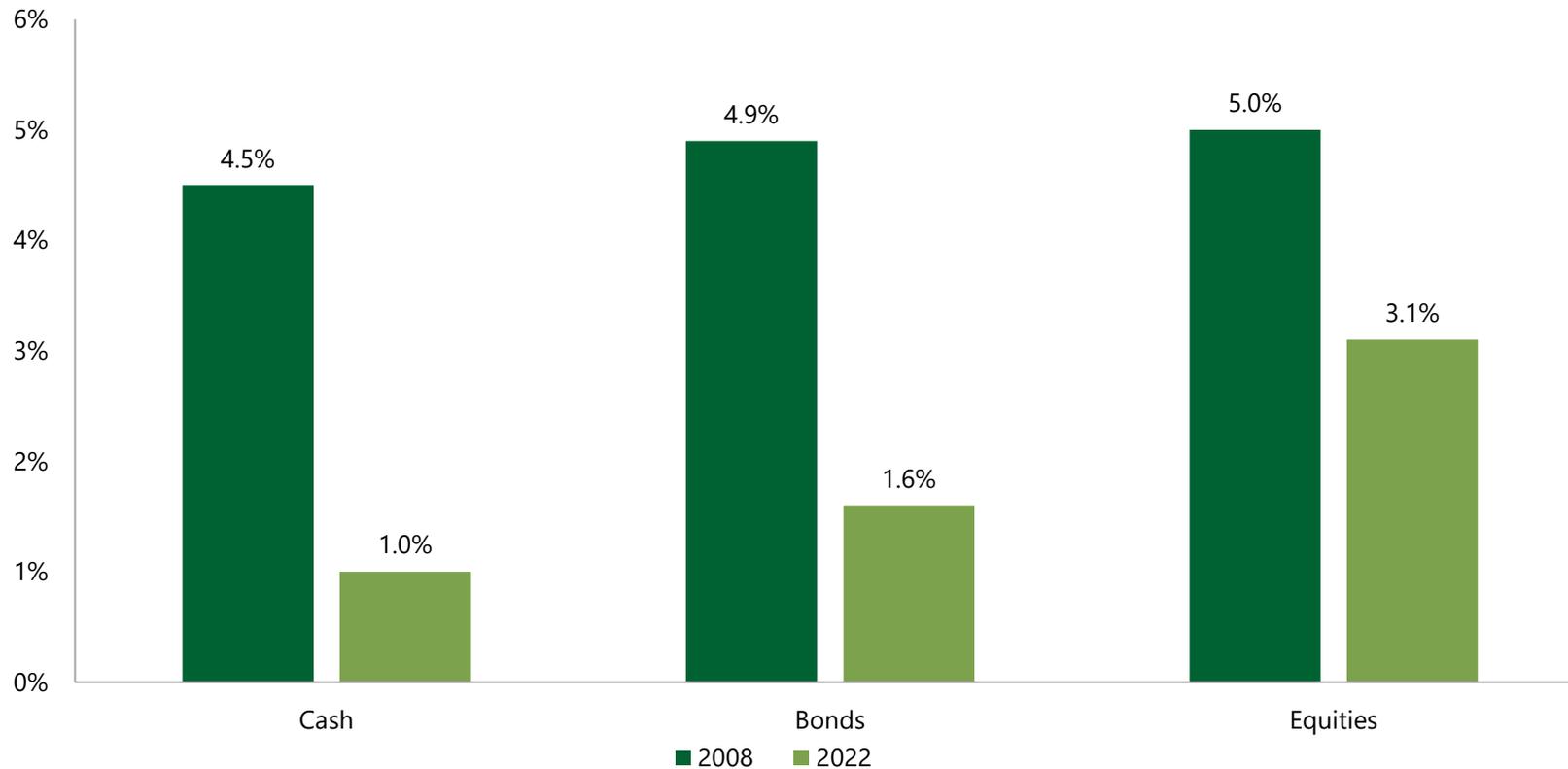
Is it going to be easier now?

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ESG considerations

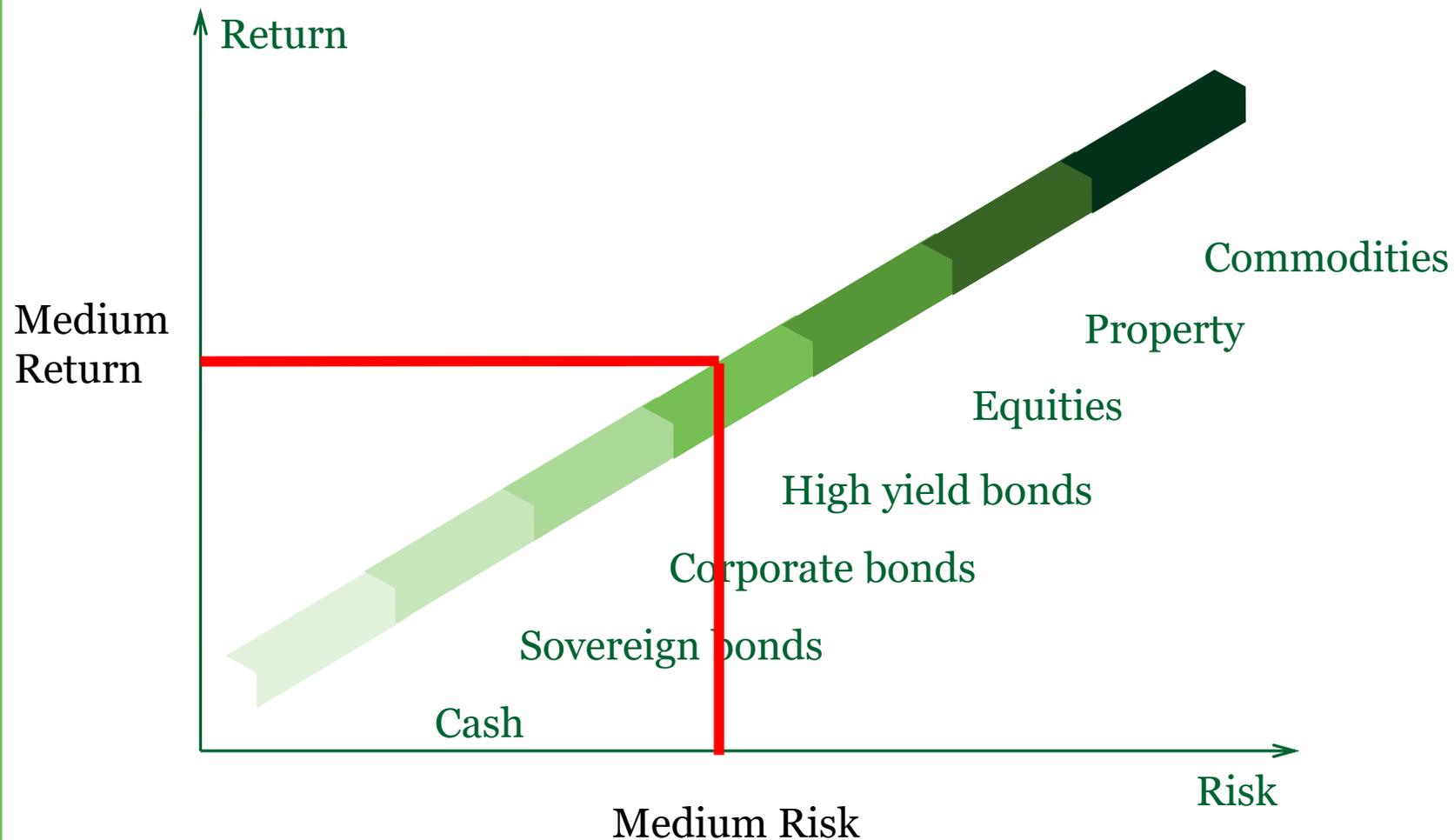
Income from traditional sources has run dry

INVESTORS CAN NO LONGER COUNT ON 'SAFE' SOURCES OF INCOME



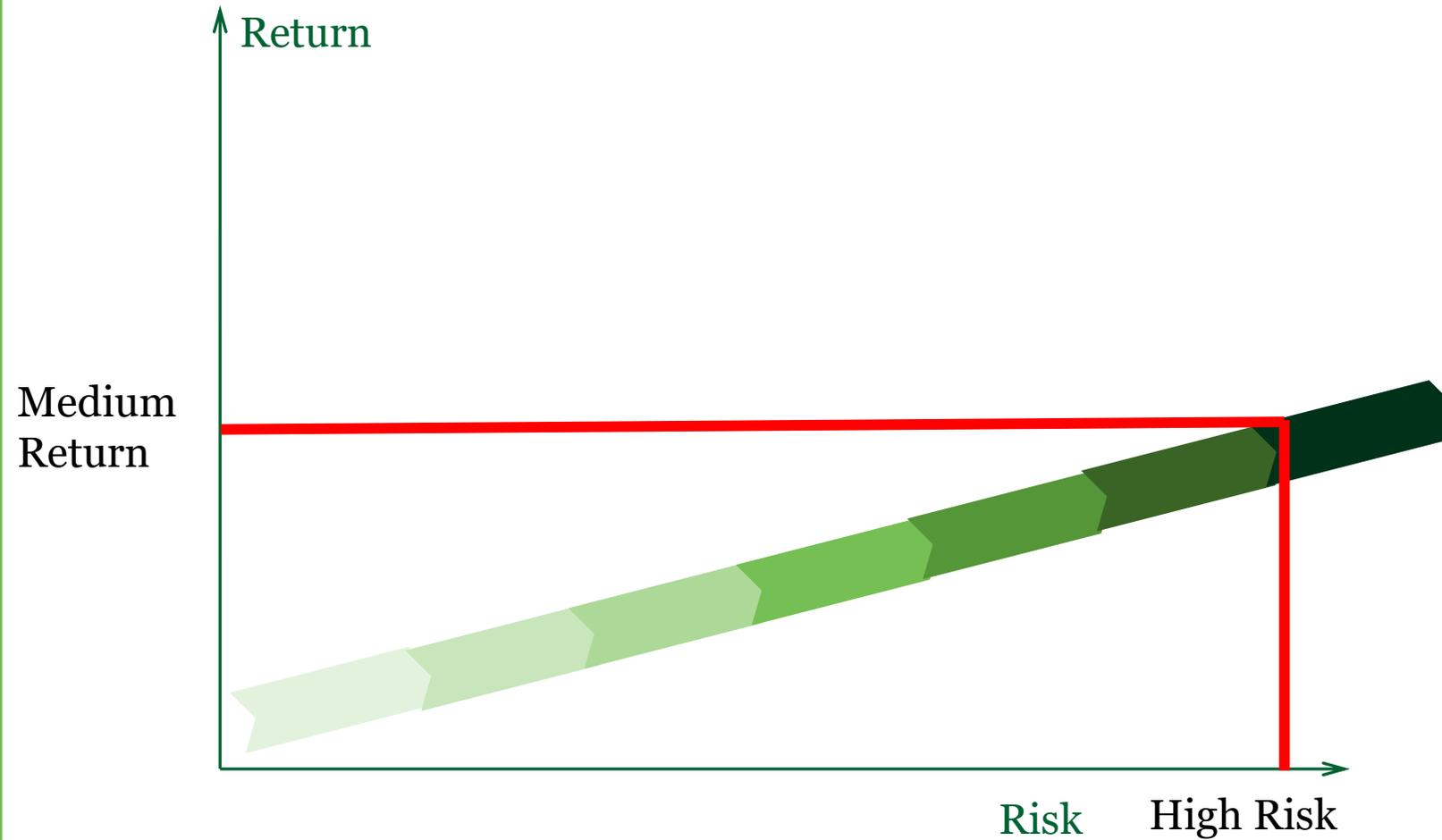
Risk versus return

TRADITIONAL ASSET CLASSES AND CONSTRUCTION OF A 'TRADITIONAL MEDIUM RISK PORTFOLIO'

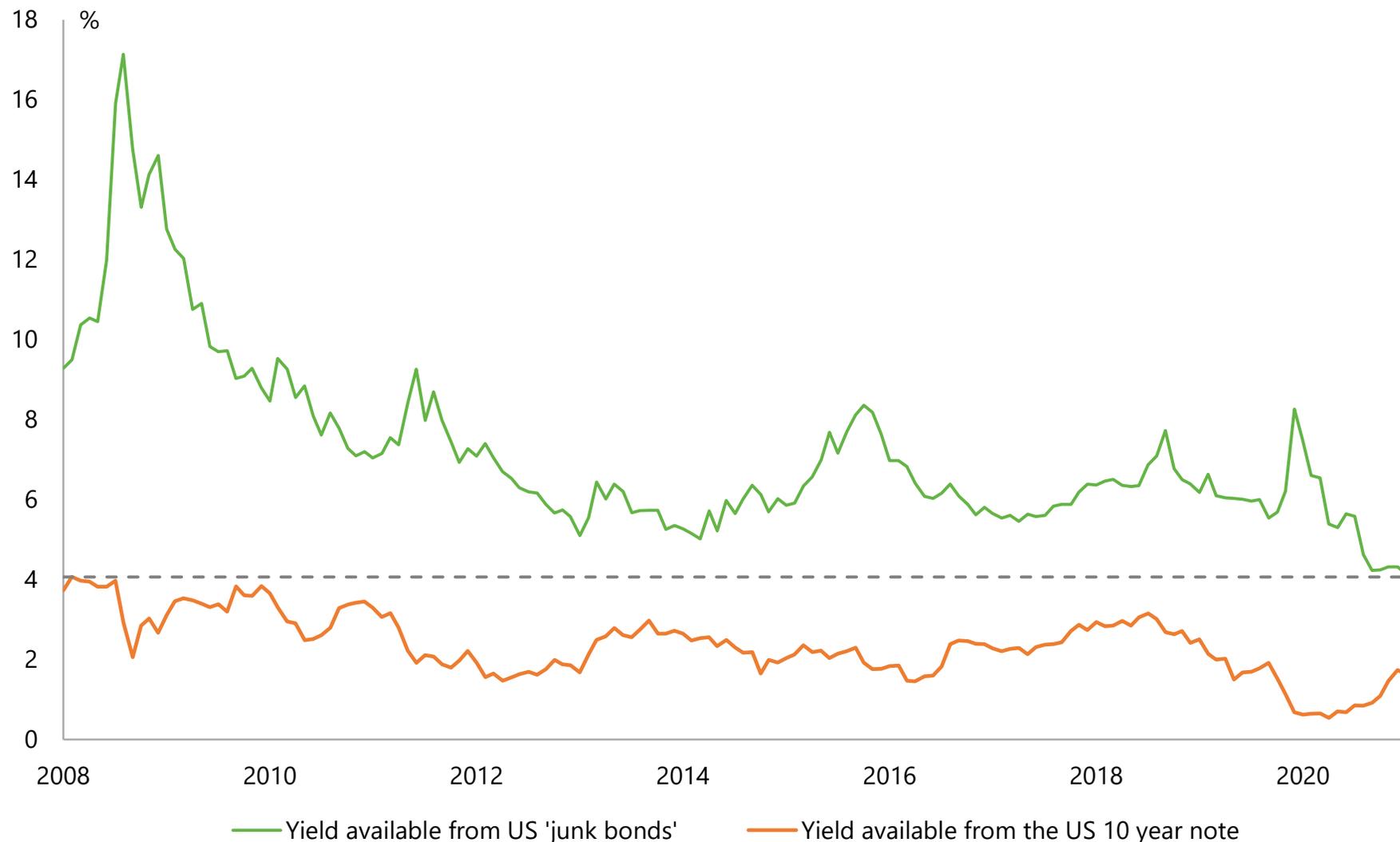


Risk versus return

TRADITIONAL ASSET CLASSES AND CONSTRUCTION OF A 'TRADITIONAL MEDIUM RISK PORTFOLIO



Searching for yield – at any price



Yields available from junk bonds are at levels the US government could issue 'risk-free' 10 year debt at before the financial crisis.

Is the reward worth the risk?

Illiquidity

Credit Risk

Duration Risk

Obligation versus promise

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Headwinds to inflation are now becoming tailwinds



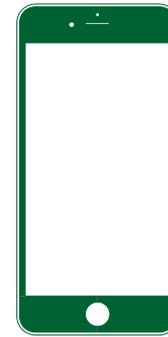
China
has emerged



End of Cold War
Spoke too soon?



Globalisation
has peaked



Technology
is now in an
absorption
phase



Demographics
may now
encourage
spending

The pandemic changes everything

PRICE RISES ARE AFFECTING EVERYTHING FROM FURNITURE TO SAUSAGE ROLLS

Energy bills
+50%



Ikea furniture
+50%



Used cars
+28%



Sausage rolls +5%



Inflation means higher interest rates, right?

HIGHER RATES MEANS THE RETURN OF SAFE INCOME?



Interest rate	2007	2022
UK	5.5%	1.0%
US	4.25%	1.0%
EU	4.0%	-0.1%

No Mr Bond, I expect you to die!

Global bond markets on course for worst year since 1999

Asset class falls 4.8% in 2021 due to hot inflation and central banks' efforts to tame price growth

Bonds Are In A World Of Pain As Q1 2022 Was The Worst In Decades

By Mike Zaccardi, CFA, CMT | Market Overview | Apr 04, 2022 02:36AM ET

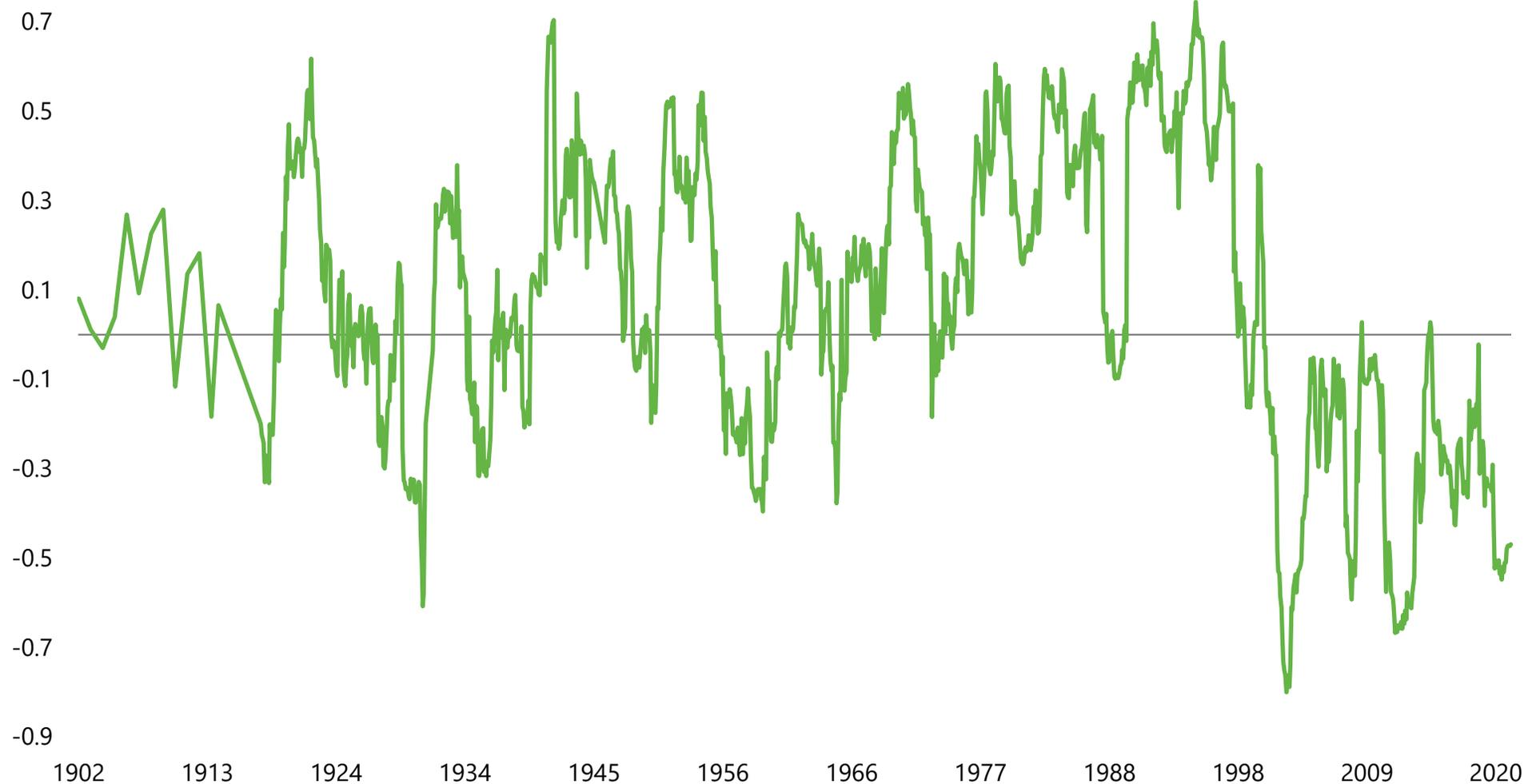
Bond Market Suffers Worst Quarter in Decades

Rout has robbed investors of traditional haven as stocks and many other markets swing sharply

Losing 5% Was Best You Could Do in Stocks and Bonds This Quarter

- Investors had few places to hide amid Fed hike, Ukraine war
- A model of 60/40 portfolio fell for first time in two years

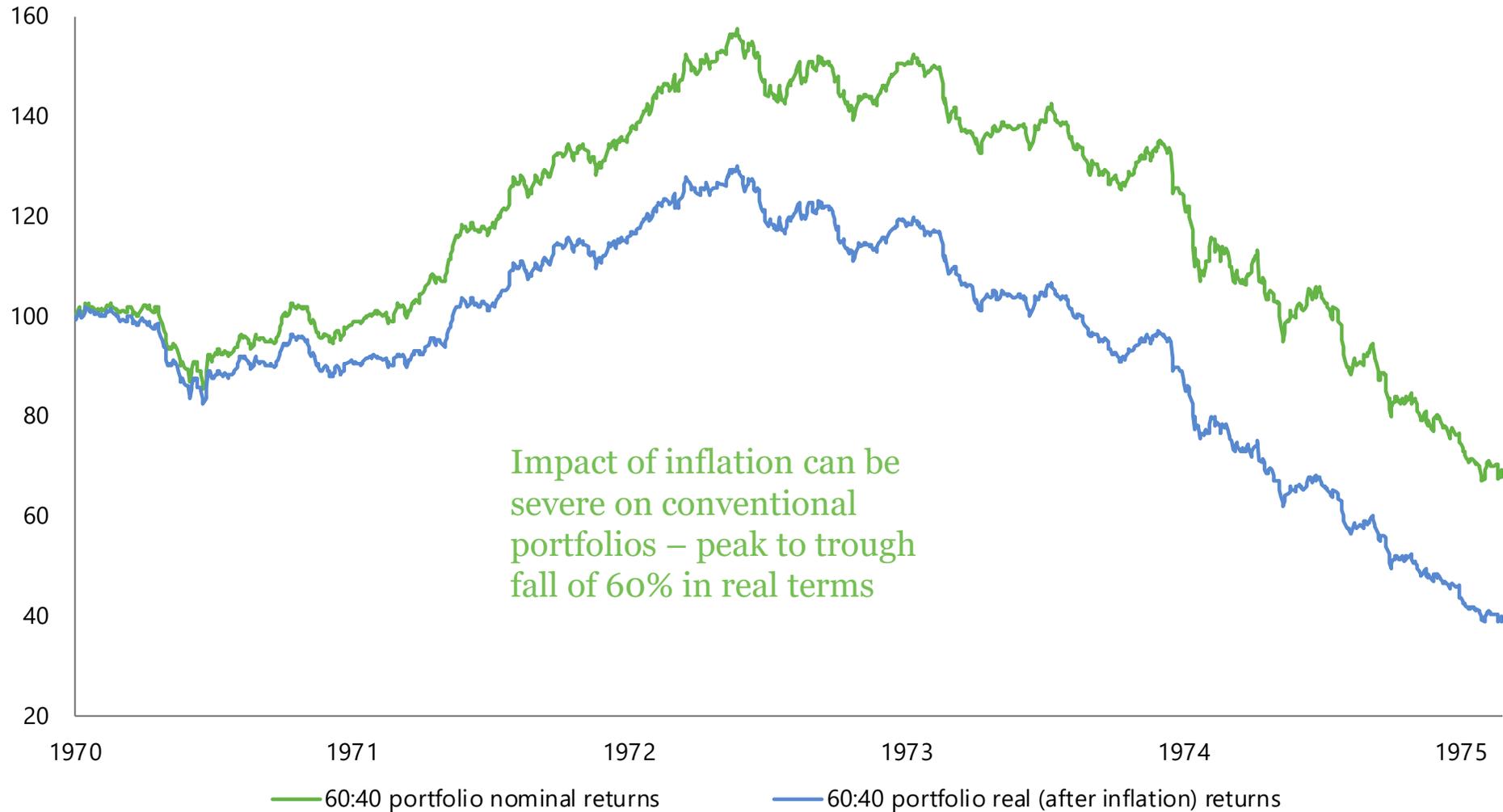
Bonds and equities always offset...until they don't



Bonds **do not** offset equities and 'balanced' portfolios are vulnerable

Bonds **do** offset equities and 'balanced' portfolios are vulnerable

Is your portfolio prepared for a regime that looks like this?



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Producing sustainable income

What does sustainable income mean to you?

How much risk/illiquidity are you willing to take

Current cash reserves?

Asset allocation restrictions?

Different geographies

Total Return Approach

Ethical concerns

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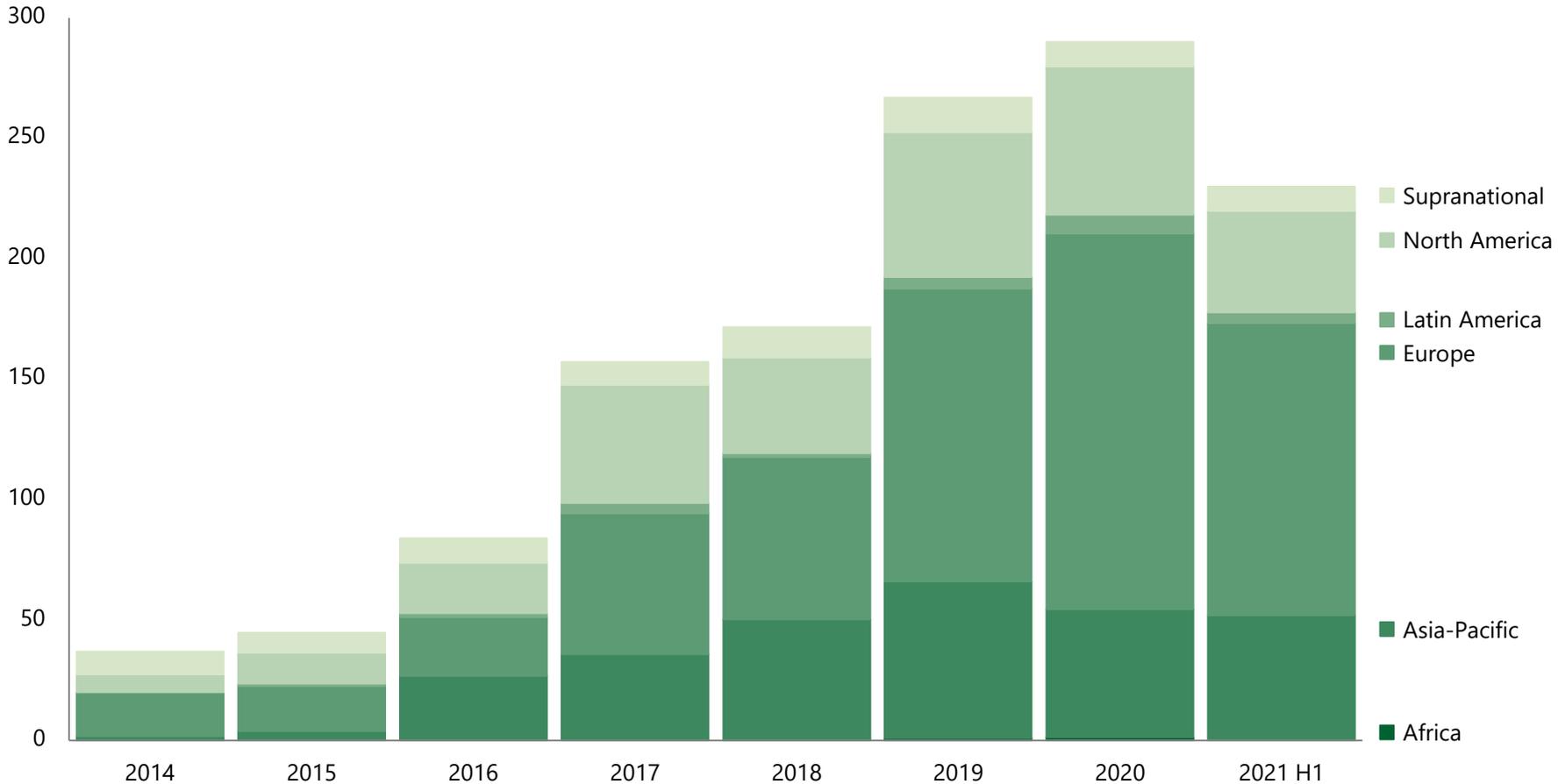
What options are available for charities?

ESG considerations



Funding the energy transition

CLIMATE BONDS ISSUED



“ A question for every company, every financial institution, every asset manager, pension fund or insurer: what’s your plan? ”

Mark Carney