

GBIM

Gore Browne Investment Management

Winter 2021/2022



Hello & Welcome

Everything seemed to be going so well: vaccination levels were high; the booster was building immunity; the economy was getting back on track and jobs seemed secure; stock prices were going higher; Boris and his party seemed strong and secure; Emma Raducanu had just won in New York; the England rugby team had beaten all comers; COP 26 was about to start.

But as I write this, a few days before Christmas, things are not so rosy: Omicron is rampaging as fast as the booster is being rolled out; there is renewed anxiety about the economy; stock markets seem a bit more skittish; the focus is on Boris's No 10 parties; the Tories have had a cold bath in North Shropshire; England's cricketers probably wish that Australia hadn't allowed foreigners to have visas, and COP 26 didn't quite match up to the high hopes of the summer and autumn.

Is Paradise Lost?

“O unexpected stroke, worse then of Death!
Must I thus leave thee Paradise? thus leave
Thee Native Soile, these happie Walks and Shades,
Fit haunt of Gods? where I had hope to spend,
Quiet though sad, the respite of that day
That must be mortal to us both. O flours,
That never will in other Climate grow,
My early visitation, and my last
At Eev'n, which I bred up with tender hand
From the first op'ning bud, and gave ye Names,
Who now shall reare ye to the Sun, or ranke
Your Tribes, and water from th' ambrosial Fount?” ^[1]



Hoping that this is simply the winter of our nation's discontent, we have focused this issue upon how our colleagues have engaged with local charities and communities, our newest colleague, some interesting

innovations in space and money, and whether we should be spending or saving the latter.

We hope you find something of interest.

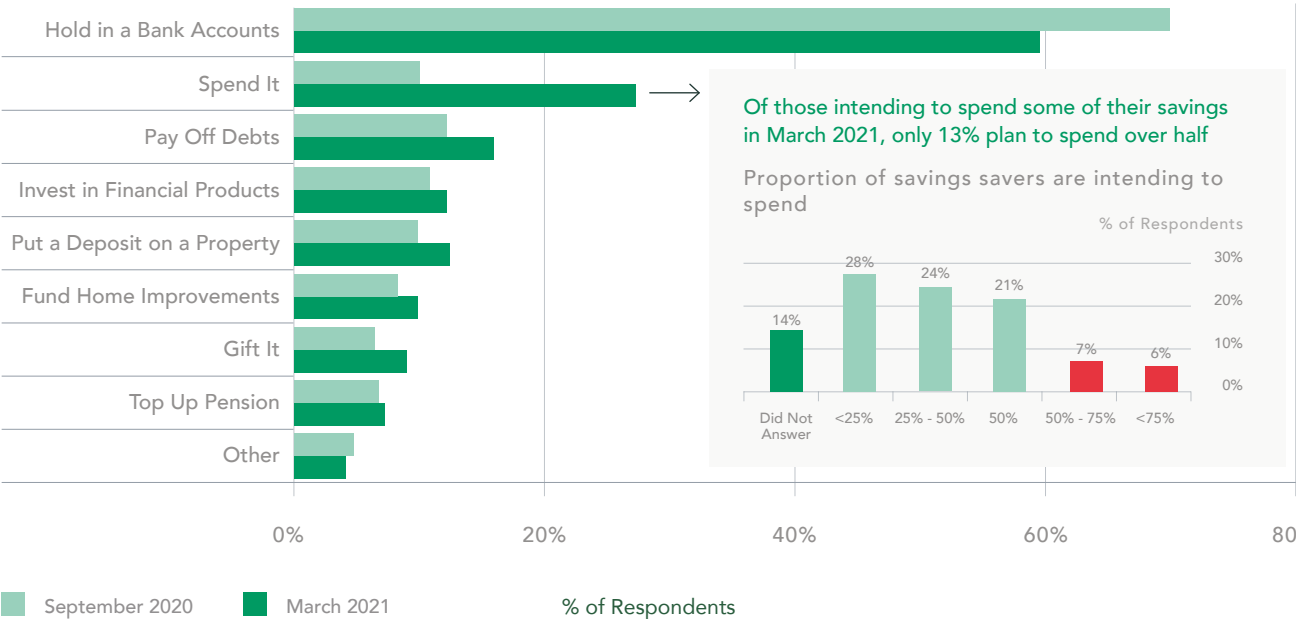
Sources:

[1] <https://www.poetryfoundation.org/poems/45747/paradise-lost-book-11-1674-version>

Shop ‘til You Drop?

By Simon James

I was recently shown some research from the Bank of England which addresses this question^[1]. It is slightly out of date (done in March 2021, released in June) and so prior to new variants, ending of furlough, queues for petrol, and sundry shortages, but it suggests an increasing disposition to spend. That makes sense if there is a reduced need to feel cautious.

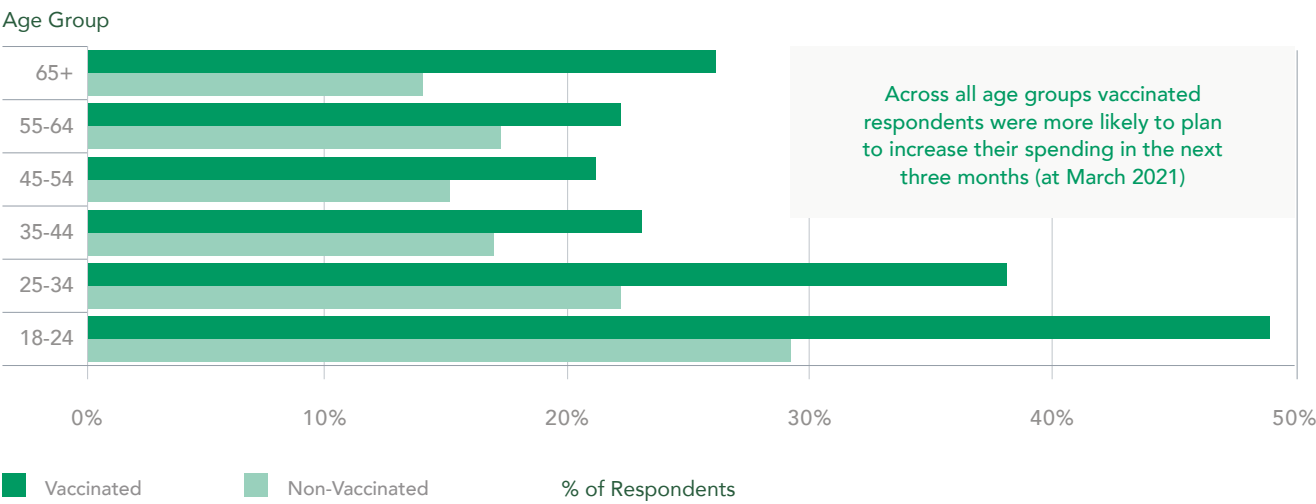


I think it is important to recognise that being keen to spend some of the savings does not mean spending all the savings. This is shown in the chart inset on the graph above.

It also shows that reducing a bank balance does not necessarily mean “revenge spending”. It may mean paying off debts, adding to pensions and investment, improving the house, or getting on the housing ladder.

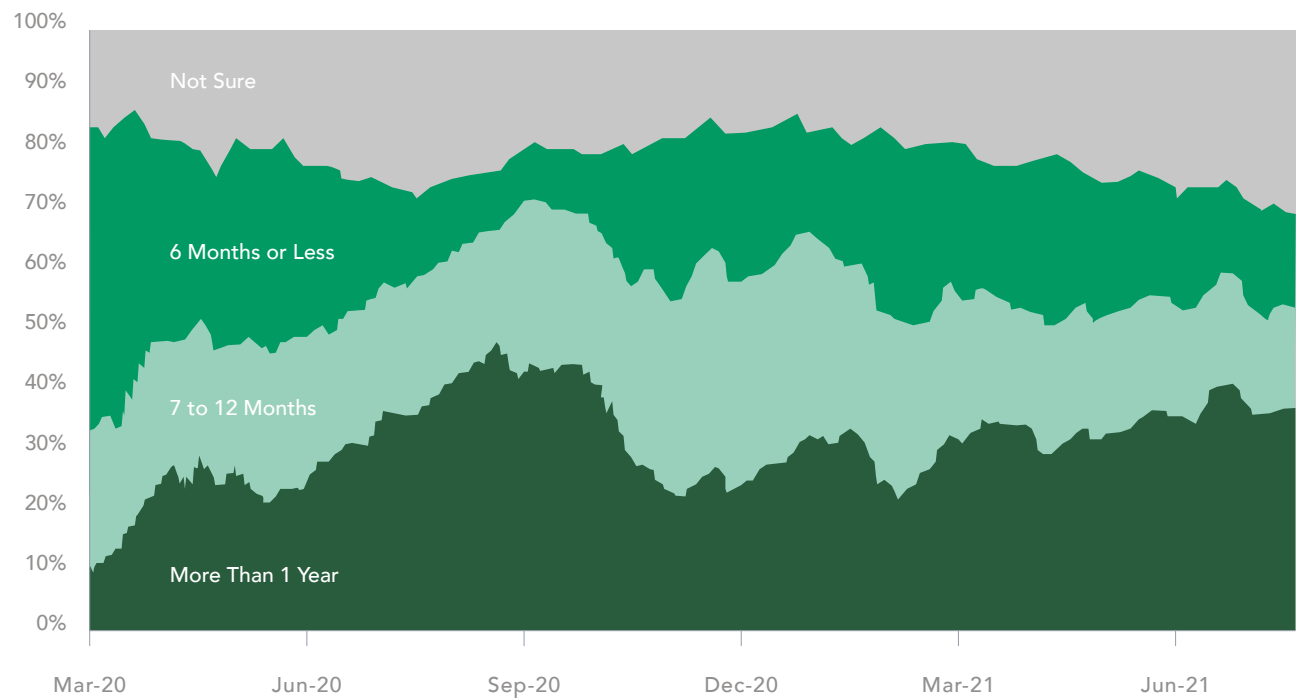


The issue of caution was underlined perhaps by the responses showing that vaccinated people had a higher propensity to spend.



I think the more recent Resolution Foundation research^[2] indicates continuing uncertainty, but both these figures are likely to be volatile for a long time yet.

Proportion of Adults Reporting That Life Will Return to Normal by Each Timeframe:
UK March 2020 to August 2021



Notes:
"More Than 1 Year" includes those who respond "Never".
Source: ONS, Coronavirus and the Social Impacts on Great Britain



Sources:
[1] <https://www.bankofengland.co.uk/bank-overground/2021/how-have-households-spending-expectations-changed-since-last-year>
[2] <https://www.resolutionfoundation.org/comment/rubbish-regulation-perfect-procurement-and-long-covid>



But not so fast. Thinking about my own family:

- We have paid down our mortgage, and hope never to have one again
- My daughter and her fiancé completed their first house purchase last week
- My son has just completed his degree and will be looking for his first job

We won't be going out to splash the cash, and hearsay suggests this replicates many households' thinking.

And then:

- Many people are very unsure of their job prospects within a period in which pandemic-induced uncertainty continues.
- Furlough is finished, and Universal Basic Income levels are unclear
- It is reported that many people are reconsidering their quality of life, and so their jobs, the hours that they work, and the location of their homes.

Will We Fritter Away Our Covid Savings?

By Simon James

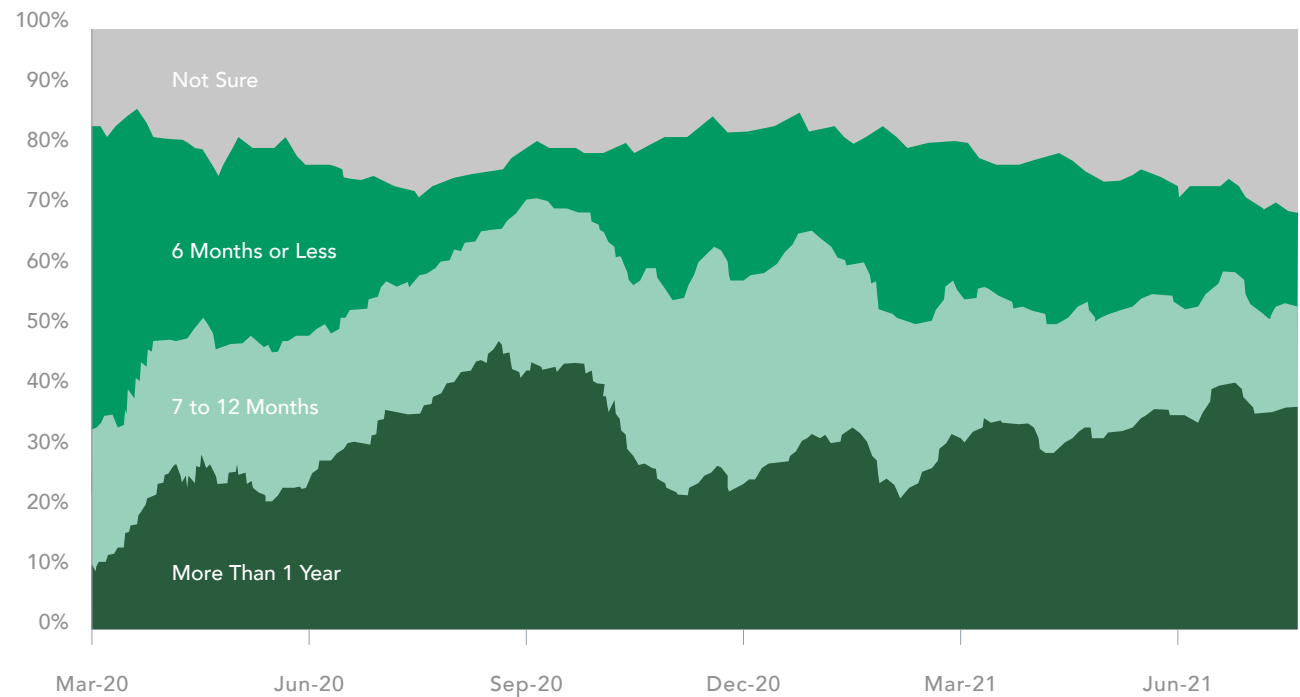
Many commentators expect a spending bonanza following the savings windfall which many of us who kept our jobs during the lockdowns were able to amass. It is, after all, a lot of money.

Households (S.14): Households' Saving Ratio (per cent): Current Price: £m: SA^[1]



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Such uncertainty, if real, would surely encourage people to hold onto their money.

This chart from the Resolution Foundation confirms that high levels of uncertainty persist.^[2]

Sources:

[1] <https://www.ons.gov.uk/economy/grossdomesticproductgdp/timeseries/dgd8/ukea>

[2] <https://www.resolutionfoundation.org/comment/rubbish-regulation-perfect-procurement-and-long-covid>

Should We Be Investing In Bitcoin?

By Simon James

The first rule of thumb is: “only invest in something you understand”.

Wise advice. For me, I don’t understand how to value it, and I don’t believe anyone else does, so the answer is obvious - don’t touch it.

But other people, who have good reputations in the investment world have done so, and they have done it successfully. But no-one has been able to justify why they bought and sold it at the times they did. So, was it just luck?

About Average

Bitcoin is sitting near its 2021 mean



I don’t know, but I do know that it has gone up a lot and down a lot from the current price and that there is no clear reason why.

People say that it will increase in value because it has a limited supply. But there are plenty of other cryptocurrencies being created, so I don’t really accept that.

"The first rule of thumb is: “only invest in something you understand”. Wise advice."

The leading central banks are all looking at providing digital currencies, so the concept of a digital currency has traction, but does it when it is not backed by a central bank or a tangible asset?

There are too many unknowns which I can recognise, and I am sure that there are “unknown unknowns” too.

Cryptocurrencies are currently not regulated. What would happen if they were?

But clearly, some people have made a lot of money from it.^[1]

Bitcoin Price in US Dollars^[1]



Sources:

[1] <https://bankunderground.co.uk/2021/12/14/what-is-a-bitcoin-worth/#more-9182>

So, when in doubt seek confirmation bias from someone clever! I have just received the latest blog from the Bank of England on this exact subject.^[2]

The author states that “Bitcoin created a payments system outside of the existing official financial architecture – a form of digital money, with no official entity standing behind it. But so far, Bitcoin has not performed well as money.”

“Quick recap: money issued by central banks, fiat money, acts as a ‘store of value’ – it preserves the spending power of income and wealth so that you can be confident that a pound, say, will buy about as much in a year as it would today. It’s also a medium of exchange – you can use it as payment. And, largely by dint of satisfying those two criteria, the denomination of money – be it in the form of dollars, pounds, seashells, whatever – tends also to be used as a unit of account (a means of pricing other things in general).”

A cursory look at the price chart suggests that the author’s assertion that Bitcoin is far too volatile to be a store of value, and so cannot be considered “money”, is correct.

His final proof is that the third attribute of money, that

it is a unit of account, meaning that goods are priced in it, simply doesn’t exist. The claim is that it would be intrinsic to the establishment of Bitcoin. “The problem is that, unlike traditional forms of money, Bitcoin isn’t used to price things other than itself. As Bitcoiners themselves are fond of saying, ‘one Bitcoin = one Bitcoin’.”

Elon Musk temporarily allowed Bitcoin to be used to buy Tesla cars but withdrew. “Fundamentally, Bitcoin is not a good substitute for transactional currency,”^[4] and “true value is building products & providing services to your fellow human beings, not money in any form.”^[5]

But the IMF, whose “mandate is to safeguard the stability of the international monetary and financial system” believe that “determining valuation is not the only challenge in the crypto ecosystem: identification, monitoring, and management of risks defy regulators and firms.”^[6]

“Such risks underscore why we now need comprehensive international standards that more fully address risks to the financial system from crypto assets, their associated ecosystem, and their related transactions while allowing for an enabling environment for useful crypto asset products and applications.

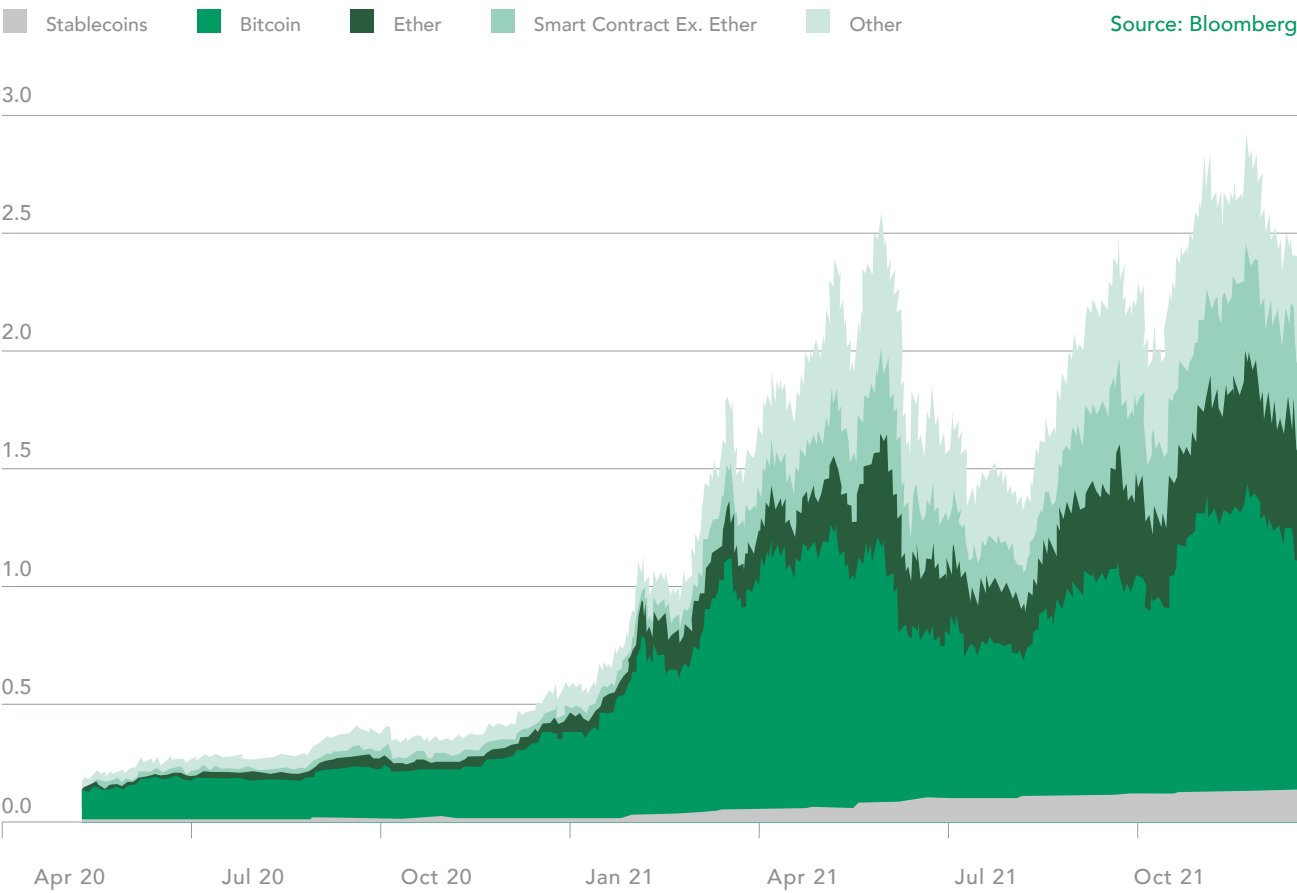
The Financial Stability Board, in its coordinating role, should develop a global framework comprising standards for the regulation of crypto assets. The objective should be to provide a comprehensive and coordinated approach to managing risks to financial stability and market conduct that can be consistently applied across

jurisdictions while minimizing the potential for regulatory arbitrage, or moving activity to jurisdictions with easier requirements.”

The size of the cryptocurrency market is now so great that it has become systemically important.^[7]

Not So Stable

Investors in crypto assets have enjoyed gains while also enduring high volatility in prices (crypto assets market capitalisation, \$US trillion)



Given all the above, and admitting confirmation bias, I continue to believe that we should not be using cryptocurrencies in portfolios. People will argue that they are a good diversification, but then so is the 3.00 at Newmarket. Investing in the underlying technology of blockchain is a different matter, however.

Sources:

- [2] <https://bankunderground.co.uk/2021/12/14/what-is-a-bitcoin-worth/#more-9182>
- [3] https://www.uscc.gov/sites/default/files/pdf/training/annual-national-training-seminar/2018/Emerging_Tech_Bitcoin_Crypto.pdf
- [4] <https://www.moneycontrol.com/news/trends/current-affairs-trends/elon-musk-says-dogecoin-is-better-for-transactions-than-bitcoin-explains-why-7822811.html>
- [5] <https://www.cnn.com/2021/10/25/elon-musk-on-his-crypto-portfolio-and-why-he-supports-dogecoin.html>
- [6] https://blogs.imf.org/2021/12/09/global-crypto-regulation-should-be-comprehensive-consistent-and-coordinated/?utm_medium=email&utm_source=govdelivery
- [7] <https://blogs.imf.org/wp-content/uploads/2021/12/Crypto-regulation-blog-chart.jpg>



The Final Frontier

By Fran Hamer

Earth can be scanned from above through aerial and satellite images, so we can now collect vast amounts of data related to the atmosphere, landforms, and buildings as well forests, deserts, and watercourses. Over a period, that data may provide useful insights into changes of those formations and how they can impact financial value.

The adoption of this interesting area into financial analysis has been named Spatial Finance.

Spatial Finance brings together different types of data, such as images, remote sensing, geographic information systems, and voluntary reporting. It then combines these with the technological advances of more efficient data collection, quicker processing, and algorithms to provide more precise and up-to-date information for those looking to assess Environmental and Climate impact.

Essentially it is the combination of data collection and machine learning. This is not so different, in principle, to how the invention of airplanes meant illustrated images or maps could be updated regularly in WW1 - but is clearly more extensive and complex, and much quicker.

The Spatial Finance Initiative has been established by the Alan Turing Institute, Satellite Applications Catapult, and the Oxford Sustainable Finance Programme to bring together research capabilities in space, data science, and financial services and make them greater than the sum of their parts.

The Initiative was set up to mainstream geospatial capabilities into financial decision-making globally and to promote the development of new Spatial Finance applications.

The image opposite (Nepal) was released by NASA in 2021. It was taken by the Landsat 9 Mission which was designed to monitor earth's landscapes^[1]. Nasa's Landsat programme started in 1972 so the data and images can show how earth has changed over time.

However, a recent report from the WWF-World Bank^[2] has identified 'three major barriers in the mainstreaming of Spatial Finance:

- Lack of reliable asset-level data at required granularity and regularity
- Lack of supply chain data at required granularity
- Poor adaptation of observational climate and environmental data in financial applications



Financial theory and practice in investments have already undergone a huge change in the last few years with the integration of Environmental, Social, and Governance factors and one would expect this to be set to continue given the pledges made at the UN Biodiversity Conference (COP15) and United Nations Climate Change

Conference (COP26) in 2021.

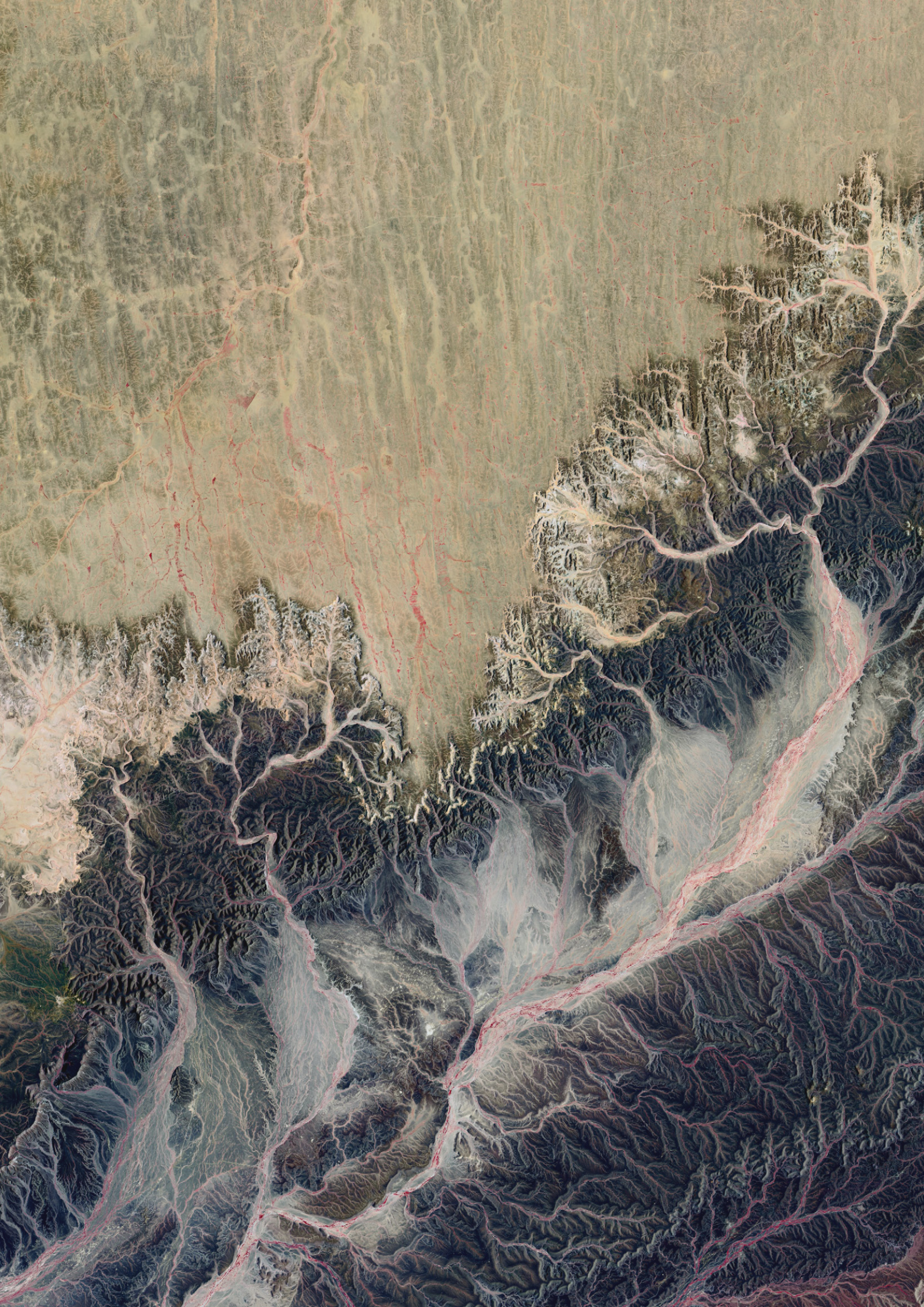
In theory, 2022 could be a year of meaningful progress when it comes to climate and biodiversity development.

The UK centre for Greening Finance and Investment (CGFI) was established in April 2021. Its purpose is to speed up the adoption of environmental analytics and data by financial institutions.

The Spatial Finance Initiative has been integrated into the CGFI.

Many experts have talked about the need for consistent and accurate data and Spatial Finance could be well-

positioned to deliver many of the insights required. For example, a company called Bluefield Technologies, which analyses satellite data, was quickly able to detect and then track the methane leak which occurred in Florida during August 2020.



Winter 2021/2022



"The changes to our ecosystem are vast and often difficult to comprehend."

Spatial Finance looks to combine the accurate location of an asset or natural phenomenon and to assess it against certain Environmental, Climate, Social, and Governance data. This is then considered within an economic context.

For example, if one factory produces various goods, then the supply chain and the manufacturing processes for each product need assessing for environmental and social impacts.

If that factory produces those goods for several different

companies, then it is increasingly complex and time-consuming to assess the environmental impact for each company. Hence the need for increased efficiency which is being sought by CGFI.

The changes to our ecosystem are vast and often difficult to comprehend so if nothing else we can hope that earth observations and remote sensing, and the financial incentives associated with them, help to support our understanding of those changes and how better to address them.

Sources:

[1] <https://www.nasa.gov/press-release/nasa-launches-new-mission-to-monitor-earth-s-landscapes>

[2] https://www.wwf.org.uk/sites/default/files/2020-12/Spatial%20Finance_%20Challenges%20and%20Opportunities_Final.pdf



Chalk Valley History Festival

By Simon James

This summer we once again supported the inspiring Chalke Valley History Festival. In the company of several clients, we listened to Rana Mitter, Professor of History and Politics of Modern China at the University of Oxford, who spoke about his book, “China’s Good War”.

Dr. Mitter argued that a reassessment of the Second World War has been central to China’s newfound international self-confidence and to mounting nationalism at home. In particular, the Chinese Communist Party has promoted China’s role in enabling victory in Asia and Europe and the Chinese contribution to creating the post-1945 world order. The then Republic of China was, of course, one of the founding signatories of the United Nations Charter on 26th June 1945, and the People’s Republic of China remains one of the five permanent members of the Security Council.

It was a fascinating talk, embellished by some intriguing illustrations of how intellectual, diplomatic, and media activity has been shifting interpretations and justifying

China’s choices in its engagement with the outside world.

The Chalke Valley History Festival started in 2011 to raise money for the local cricket club but soon became all about raising money for the Chalke Valley History Trust, a charity that promotes the understanding of history to all ages, especially children.

The Chalke Valley History Festival for Schools funds trips to the festival for underprivileged schools as well as to other history-related sites and events, and provides grants to fund projects which fulfil the aims of the trust.

Knowing that all profits go to promoting the understanding, education, and enjoyment of history for all ages makes this a very worthwhile festival.



Charity Shoot

By Oliver Findlay

We have all been challenged by the Covid-19 pandemic and its associated lockdowns. Many people have lost their lives and the virus continues to cause suffering beyond the usual illnesses and accidents that continue to occur. Our medical community, including carers, have worked even harder in difficult circumstances during this uncertain and worrying time.

We at Gore Browne have, therefore, made it our aim to raise money for charities that not only support society regularly, but shine when the chips are down and at difficult moments. Charities rely on the kind and generous donations from the public to keep their great work going. Lockdown severely restricted the number of events that raised money for charities, with some notable exceptions like Captain Sir Tom Moore. This has made the delivery of many charities’ vital work all the harder.

We were delighted to be the lead sponsor of a clay

pigeon shoot in Wiltshire in late June. This was organised by the Bishop’s Cannings Cricket Club and allowed us to play a part in raising £82,000 for local charities such as The Wiltshire Air Ambulance, Julia’s House, and Dorothy House, as well as a national charity in Ataxia UK.

It was a privilege for GBIM to support the fundraising and to deliver the donations to these great institutions which support us every day. It was also wonderful to learn more about their work.



Parker Bullen Sports Day

By James Crarer

GBIM and Parker Bullen team up to host a day of Cricket and Croquet at the Salisbury and South Wilts Sports Club.

It was great to have so many local businesses join in the various activities, and whilst we had to dodge the frequent showers – the free bar, afternoon tea, and BBQ in the evening made for a thoroughly enjoyable day. It was great to support the local sports club, which very kindly hosted us at its clubhouse.

Great to see everyone and many thanks to Woolley & Wallis, Rowanmoor and Savills who put people forward to make up the teams for the cricket.

Hopefully, next year’s event will be slightly sunnier!





Meet The Managers:

A quick Q&A with Investment Manager, Scott Wallis.

Tell us a bit about yourself...

I joined GBIM permanently in June 2021, having previously been an intern here and after spending 3 years in London with another wealth management firm, Saunderson House. I live in Bristol with my partner Emma, who is a 2nd year medicine student at Bristol University.

What do get up to in your spare time?

I love to be active and enjoy going to the gym and playing a variety of different sports. However, my main passion is sailing with the majority of my weekends, and holidays, spent racing dinghies and keelboats. I started sailing at a very young age and began racing in the 'Optimist' class from age 7 before moving into the

'420' class at age 14. When I went off to University, I got heavily involved in another format of sailing called Team Racing which is very fast-paced and great fun. I continue to compete in Team Racing competitions, now with my team from the Royal Thames Yacht Club. More recently, Emma and I have started racing together in the 'RS200' class (see picture), which is extremely competitive but also very sociable.

What did you want to be when you were younger?

I've always loved watching the David Attenborough nature documentaries and I find the underwater scenes particularly fascinating. I therefore strongly considered marine biology as a career path when I was younger and did some work experience in the National Oceanography

Centre in Southampton. I'm not sure what made me go down the investment route in the end but snorkeling on holiday will have to suffice for now!

Who would you say is someone who has inspired you in your life?

Tough question, I wouldn't say a single person has inspired me. I am very grateful for all the support I receive from my family and friends, but I would say I draw inspiration from people I meet. People that are happy in life are not necessarily overly wealthy or talented at a specific thing. As a child, I used to read a story that was on the wall of my dentist's waiting room called 'Rock, Pebbles and Sand'. If you have not come across this story before I would highly recommend – a simple concept but one that I think is key to happiness.

What did you do before investment management?

I studied Economics and Finance at the University of Exeter from 2014-2017, and after the internship with GBIM, I spent 3 years in London with Saunderson House. I worked in one of the client teams, helping individuals, families, and trusts with both financial planning and investment management advice. I completed my CII Advanced Diploma in Financial Planning in 2021, which has given me detailed knowledge across the many different areas of private client wealth management.

What Made You Make The Switch From Financial Advice to Investment Management??

I thoroughly enjoyed my time with Saunderson House and learning about financial planning, though I found the investment management side particularly interesting, and I knew that this was the route that I wanted to take my career down. I enjoy tracking how real-world events impact stock markets and trying to take advantage of longer-term structural changes, such as the ongoing energy transition towards renewable power. I was keen to continue working with private clients and joining GBIM, as a discretionary fund manager, allowed me to continue private client work whilst specialising in investment management.

What do you enjoy most about working at GBIM?

Well firstly, I have been made to feel very welcome in my first few months at GBIM thanks to my wonderful colleagues. As a small company, the variety of work at GBIM means every day is different and allows me to get involved in many different areas of the business from investment research to marketing, alongside the everyday portfolio management work. Investment managers at GBIM are handed a great deal of responsibility and autonomy in the way they manage client portfolios, and this lends itself to greater learning and challenge, and ultimately better outcomes for our clients. The smaller size also creates a family feel to the company, with everyone's efforts making a real difference to GBIM and our clients.





2021 Celebrate Voice Festival in Salisbury

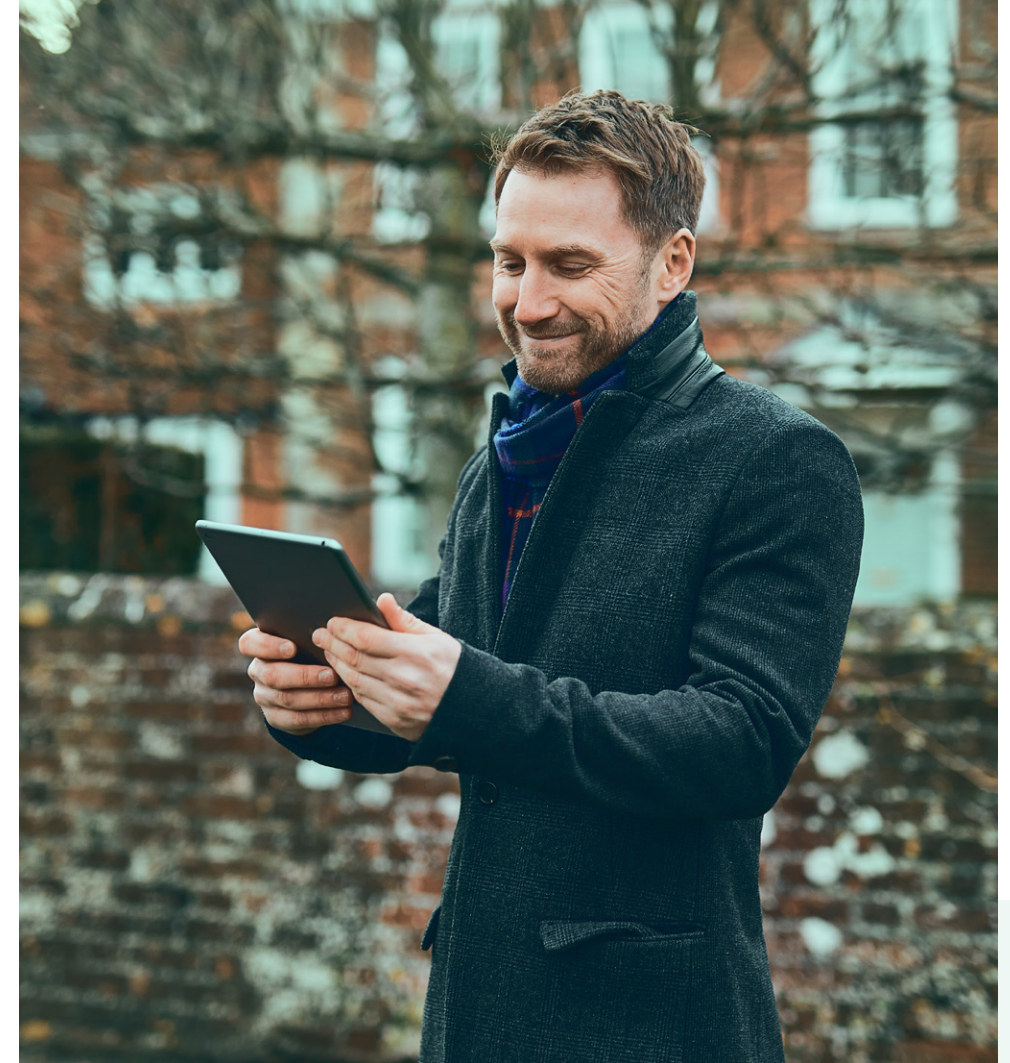
By Elizabeth Pollard

GBIM was proud to be a sponsor of the 2021 Celebrate Voice Festival in Salisbury and the production of Verdi’s La Traviata was outstanding.

The Guildhall formed a beautiful backdrop for this popular opera with some top calibre operatic singers who were magnificently accompanied by Phillip Thomas on piano. A fun evening was had by all and it’s exciting to once again have live music back in Salisbury after the pandemic.



Investments As Unique As You



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