By the time you read this, you will not only know how the year ended but also how the Omicron variant of COVID impacted the final month of the fourth quarter. In human terms, the numbers are both alarming and staggering and yet in reality are less fearsome than first imagined. From an investment perspective, in view of the varying responses by Governments around the world - the most severe of which were most apparent across continental Europe - the outcome could be viewed as better than expected. Assuming, of course, that your personal view was inclined to the downside.

At the end of the year global markets were, depending on your location, mostly higher than at the start. In the beginning, everything seemed to be on the up. Global growth was in the early stage of an extended rally on the back of the global vaccination programme (albeit one focused on the developed world) that subsequently grew into a belief that we were gradually gaining control over COVID. Of course, this meant that inflation was on the rise too; and this eventually became an area of concern for the Federal Reserve of America and the Bank of England (BoE), though less so for the European Central Bank. Of the three, the BoE blinked first, the surprise being that the increase in lending rates from 0.1% to 0.25% occurred in December, rather than November which is when the Bond markets had generally anticipated the implementation of the increase.

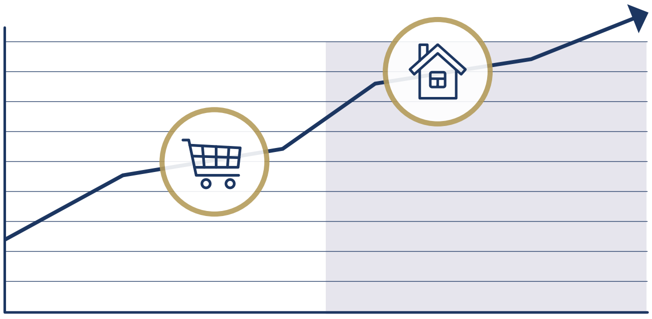
For a while, our attention turned towards the efforts (or not) of our leaders in addressing the issue of climate warming and of achieving net zero by 2050. That is, except for China and India,

NET ZERO 2050

where net zero means 2070 at the earliest. At least the world's two largest emitters of harmful gases - USA and China - agreed to talk about finding a way forward over reducing their collective assault on the earth's climate, thus leaving India, in third position, rather isolated as the net-zero laggard. Overall, it seemed that COP26 delivered positive momentum towards the goal it set for itself on behalf of humanity, though that in itself raises the question if not now, then when? The problem with long-term goals is that they can provide a sense of comfort, which in turn reduces the apparent requirement (or urgency) for immediate action.

Market returns for investors in North America and China, as the world's two largest economies, diverged in the second half of the year, a separation that became more apparent as we entered the final quarter. Even though China has yet - if ever - to fully embrace the laissez-faire approach to capitalism favoured by many in the developed world, investors had become more willing to commit funds to that country's long-term growth story. That was until the authorities decided to crack down on the private education and video gaming sectors, the latter representing a sizeable revenue stream for the large tech companies. The fallout naturally affected sentiment towards Asia and Emerging Markets and this quarter proved to be a weak period for our exposure here. Nevertheless, we remain convinced that China - and India too - represent appropriate destinations for the long-term growth investor.

For some time now, we have followed several investment themes that have manifested themselves across multiple sectors with equities and property at the forefront. The rise of the digital economy, as reflected in e-commerce, has been especially rewarding, our suite of Real Estate Investment Trusts all delivering significant upside during November and December.



In what could be forgiven for being seen as a one-way trade, technology exposed funds again led the way in global equities, yet we remain wary of what are threatening to become extreme valuations. In December, we introduced a new theme which, as populations around the world become more urbanised, we believe will have a crucial impact in the years ahead: Water and Waste. The fund invests in companies which provide solutions to global water and/or waste-related challenges. The sector has largely been ignored by mainstream investors who have focused more on the transition to sustainable means of energy, and yet water has an important part to play here too.

Taking the year as a whole, total returns across our range of strategies have more than recovered from the lows of 2021 and significantly outpaced inflation, as measured by the UK's Consumer Prices Index. A late rally in December helped deliver a moderately positive outcome for the fourth quarter, a reflection of a more confident, if fragile, mood as we head into the New Year.

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