MONTHLY REVIEW – MARCH 2024

OUR PERSPECTIVE

Gold is beautiful. The high metallic luster - meaning it reflects light well - gives it that beautiful shiny appearance. Lesser-known qualities include exceptional malleability and ductility, it has a relatively high melting point, around 1064 degrees Celsius, and is an excellent conductor of electricity and heat. Additionally, gold stands out as one of the densest metals, contributing to its relatively heavy weight. Add to this its corrosion-resistance and scarcity, and you have a highly valuable, uniquely versatile, and rather rare element…one that has been a store of value for centuries.

But gold is expensive. Its value continues to rise whilst it doesn't provide any yield or income. So, this month we ask ourselves…is it time to sell the shiny stuff?

As shown in *Chart1* below, interest in gold from retail investors and ETF allocators in the west continues to decline, with a recent survey from Bank of America finding that 75% of advisors had less than 1% of their portfolios in gold, and less than 10% were considering increasing their exposures. This weakness in demand, however, has been more than offset by central governments and retail investors in Asian markets such as China. Despite interest rates at levels not seen in well over a decade, we believe there are several reasons why the price of gold is likely to continue to rise.

Government liabilities continue to rise as demographic tailwinds of the last four decades become headwinds. At the same time, fiscal spending and government deficits are increasingly likely to be funded by money that doesn't exist. That is, governments will most likely fund their liabilities by printing money. This debt monetization devalues the value of fiat currencies, the direct consequence being asset price inflation. *Chart 2* shows how the increase in the price of gold has not held up with the enormous amount of money printed by central banks. Considering more government debt is likely to end up on the balance sheets of central banks, the upper bound for gold is still a long way off!

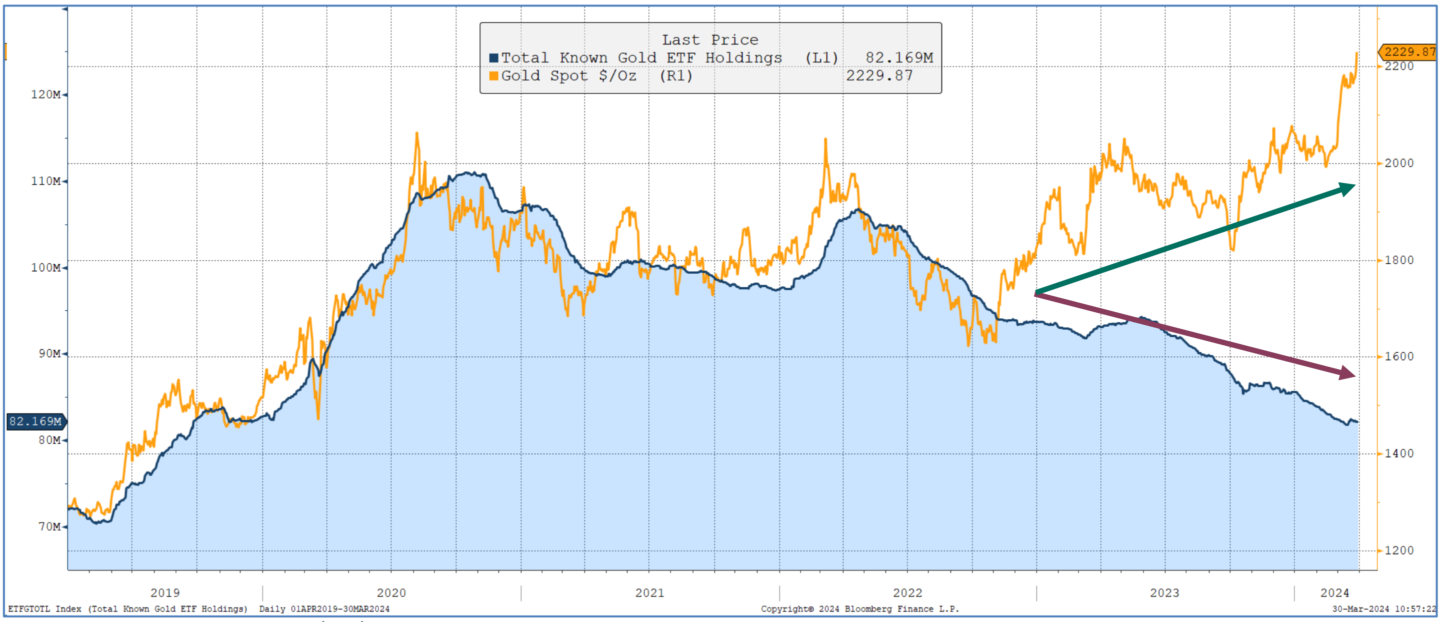
Gold also offers protection against unpredictable and potentially significant events that can have a sudden and adverse impact on financial markets, economies, or geopolitical stability. These events may include political turmoil, wars, terrorist attacks, natural disasters, pandemics, economic crises, or unexpected shifts in monetary policy.

Finally, given the arbitrary nature of the fair value of gold, we believe a technical approach is the most practical and useful valuation methodology to price gold. Specifically, we employ a trend following strategy to determine exposure to the commodity based on the strength and significance of the underlying price signals. The trend remains very strong and would suggest investors increase exposure.

In conclusion, we believe the inevitability of financial repression is misunderstood, macroeconomic and geopolitical event risks are under-appreciated, gold is generally under-owned by institutional and retail investors in the west, whilst the underlying trend remains very strong and robust. All in all, the outlook for gold is as shiny as the metal itself, and we retain significant conviction and exposure.

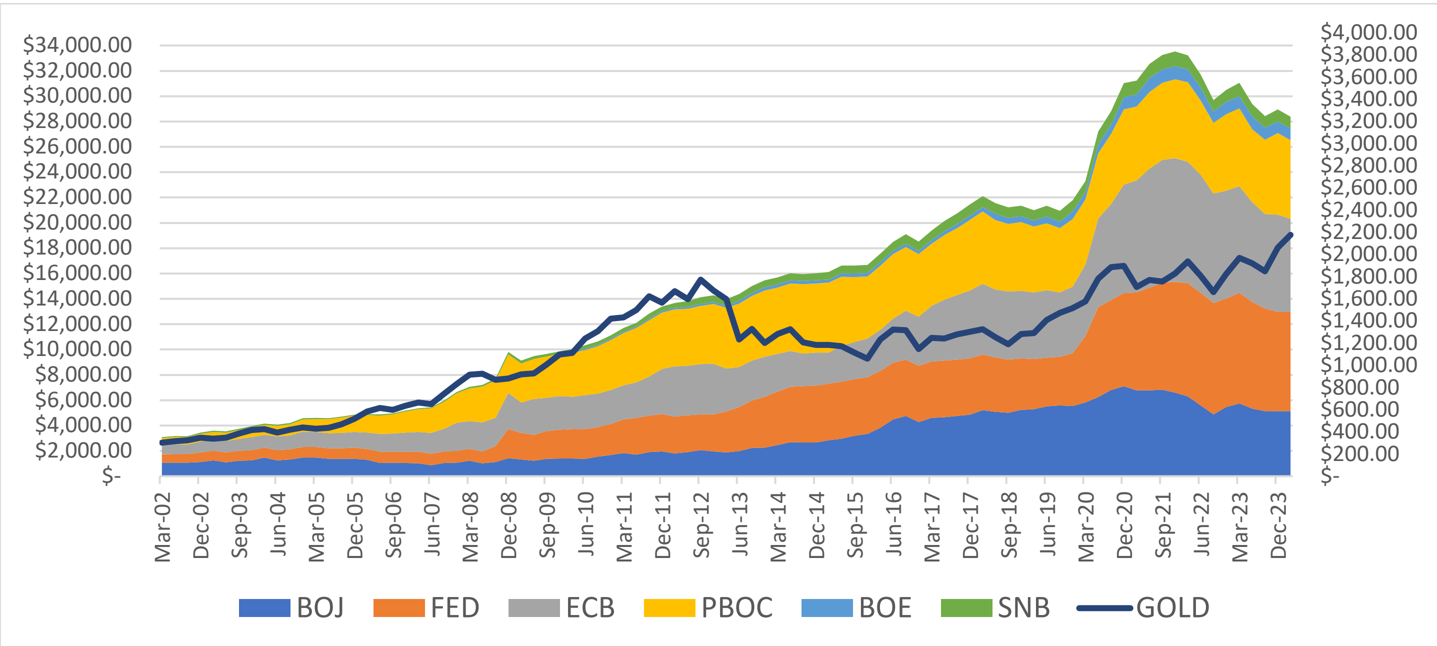
"Gold is the money of kings, silver is the money of gentlemen, and barter is the money of peasants. But debt, is the money of slaves." Franz Norm

Chart 1: Despite dwindling ownership of gold ETFs, the price of gold has continued to march higher since late 2022. Where might prices go when ETF allocators return?



Source: Bloomberg L.P., 30/03/2024

Chart 2: Growth in global Central Bank Assets has far outstripped the growth in the value of gold since the end of the Euro-crises.



Source: Bloomberg L.P., Shard Capital, 29/02/2024
Right axis: Gold price in USD / oz;
Left Axis: Central Bank Assets in billions of USD.

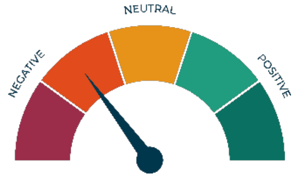
MARKET SNAPSHOT

	Index Series	FX	Last Price	MTD	YTD	1 Year TR
				Since:	30/03/2024	
EQUITIES	Bloomberg World Equity Index	USD		3.11%	8.18%	24.61%
	Bloomberg World Equity – Growth	USD		2.43%	9.40%	28.01%
	Bloomberg World Equity – Value	USD		4.30%	5.70%	17.25%
	Bloomberg UK Equity Index	USD		4.57%	2.82%	10.11%
	Bloomberg US Equity Index	USD		3.15%	10.35%	32.04%
	Bloomberg Europe ex-UK Equity Index	USD		3.69%	6.24%	16.63%
	Bloomberg Japan Equity Index	USD		3.09%	11.60%	28.01%
	Bloomberg Asia ex-Japan Equity Index	USD		1.80%	1.40%	3.68%
	Bloomberg China Equity Index	USD		0.66%	-1.11%	-16.65%
	Bloomberg Emerging Market Equity Index	USD		2.14%	1.87%	7.18%
FIXED INCOME	Bloomberg Global Aggregate Index	USD		0.55%	-2.08%	0.62%
	Bloomberg US Treasury Index	USD		0.64%	-0.96%	0.55%
	Bloomberg US Corporate Bond Index	USD		1.29%	-0.40%	5.14%
	Bloomberg UK Gilt Index	GBP		1.82%	-1.80%	-0.66%
	Bloomberg Sterling Corporate Bond Index	GBP		1.81%	0.11%	7.29%
	Bloomberg EM Hard Currency Aggregate Index	USD		1.72%	1.53%	8.88%
	Bloomberg EM Local Currency Govt Index	USD		-0.25%	-0.69%	2.92%
CURRENCIES	GBP Trade Weighted Index		£ 74.70	0.30%	1.43%	3.49%
	USD Trade Weighted Index		$ 90.22	0.21%	3.25%	2.28%
	EUR Trade Weighted Index		€ 123.50	0.45%	0.29%	0.64%
	JPY Trade Weighted Index		¥ 84.86	-0.89%	-5.69%	-12.11%
COMMODITIES	Gold Spot $/Oz	USD	$ 2,229.87	9.60%	8.09%	12.99%
	LME Copper Spot ($)	USD	$ 8,766.51	4.93%	3.58%	-2.25%
	Oil - Brent ($)	USD	$ 87.00	3.97%	12.93%	10.62%
	Bitcoin ($)	USD	$ 70,081.51	14.08%	64.87%	148.94%

Source: Bloomberg LP. 30/03/2024

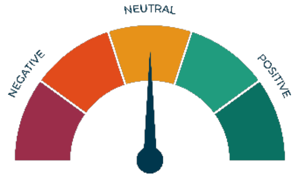
EQUITIES

A strong March ensured equity markets finished Q1 well into the green, with China being the only major economy where concerns remain high and sentiment weak. Whilst we recognise concerns, we believe China is undervalued and opportunities for active managers should be significant over the next 3 to 5 years. On the topic of value, we recently moved to an overweight in UK equities, and remain significantly overweight Japan, both markets had a very strong March. Further west, and the soft-landing narrative is now well and truly baked into US equity markets. Given valuations, sentiment and profit expectations, we remain underweight US equities. Whilst we maintain conviction in our healthcare and technology related themes, heavily biased to the US equities, the downside risks and absolute size of US equities in global indices, warrants a more cautious allocation.



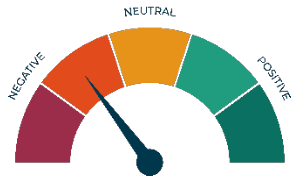
FIXED INCOME

The markets optimism in the soft-landing narrative is very much dependant on rate cuts, which we believe is unlikely in the absence of a significant deterioration in labour data or a credit crisis. This implies rate cuts is more dependent on inflation data, which has proven much stickier than markets expected 6 months ago. Inflation breakeven data have also been rising, which supported our inflation-linked bond exposure. We like the absolute yield on offer on shorter-dated Government bonds, retain healthy exposure to longer dated Gilts and Inflation-linked / TIPS exposure in the US. Credit spreads remain very tight and given the significant rise in interest rates and material refinancing risks, credit markets are not being priced accordingly and we remain underweight.



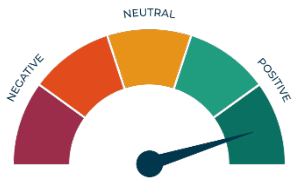
REAL ASSETS

WTI and Brent continues to trade in the 70's to 90's range, a level likely sustainable in the absence of escalations in the middle east or Ukraine. Natural Gas and copper remain weak, we believe an indication of slacking demand. Gold was the standout performer in March, the biggest contributor in portfolios and the only commodity we are overweight. We see $2000 as the new floor, with the price in a strong medium-term upward trend, the upside could be very significant. Given half the world will vote in national elections this year, we especially like the hedge it provides against monetary devaluation and event risk.



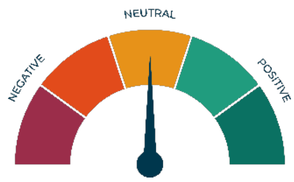
SPECIALIST STRATEGIES

Our specialist strategies continue to play a significant stabilising role within our portfolios. Our managed futures & trend following exposures had another very strong month and are up between 5% and 15% in Q1. We retain significant conviction in their role in our portfolios. As mentioned previously, we specifically retain conviction in the sustainability of the competitive advantage of the strategies we own, and the alignment of interest between the managers, and us and our clients. As for private markets exposure, we retain limited exposure to these, both credit and equity, given our concerns regarding debt and the refinancing cycle.



CURRENCIES

We remain broadly neutral on currencies. On the margin we note that growth and inflation expectations could support a weaker USD. However, the US Dollar remains the global reserve currency of choice, and in a severe market dislocation, we expect it to strengthen. We retain our positive view on the Japanese Yen, which we believe is undervalued and offers significant optionality alongside the potential catalysts for a revaluation.



Contact Us

For further information on any of our services, or if you would like to arrange a meeting with an investment manager to see how we can work with you, please get in touch.

Shard Capital Jersey,
3rd Floor, 5 Anley Street,
St Helier, JE2 3QE,
Jersey.

Telephone: +44(0) 1534 500 040
Email: Info@shardcapitaljersey.com
Web: www.shardcapitaljersey.com

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