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THE HOLY GRAIL OF IMMORTALITY

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- Plenty of beneficiaries beyond transformational or technology companies

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Editorial View

The Holy Grail of Immortality

- Scientists are making rapid progress in deciphering the mechanics of ageing
- Much extended human lifespans no longer belong to the realm of fantasy
- Plenty of beneficiaries beyond transformational or technology companies

Beginning this new year by discussing the pathway to extreme longevity may seem somewhat provocative, given that 2020 served as a stark reminder of how mortal we humans remain. But what has been fantasised since the dawn of civilisation may actually now have become a realistic prospect, thanks to a much-improved understanding of ageing mechanisms. This progress in genetics has led for example to the rapid development of messenger RNA vaccines against Covid-19. So, immortality appears to be the ineluctable outcome of scientific advances - heralding a deep transformation of our society.

The first evidence of ritual burials and early signs of belief in life after death date back some 130,000 years. Since then, countless alchemists across the globe have searched for the philosopher's stone, lured by the elixir of life to be found within. Ponce de Leon, a Spanish explorer, is even said to have ventured all the way to the Caribbean islands and Florida in search of the fountain of youth.

It is only since 1960 that science has supplanted (or should we say, caught up with) fantasy. The understanding of the process of ageing has progressed in leaps and bounds over the years, to the point that human trials are at hand in several promising areas. One approach strives to inhibit the rate of metabolic damage that is associated with ageing, for instance by reminding cells that they need to "look after themselves". A job usually done by the NAD+ coenzyme, except that its presence dwindles over time (a 50-year-old has only half the number he or she had at age 20). Another approach seeks to repair age-induced metabolic damage, notably by killing off senescent (aka zombie) cells. These are cells that have, so to speak, reached their expiration date, meaning that they can no longer replicate (because of telomere shortening). But their presence, in numbers that rise over time, can harm the tissues around them. And then of course there is the whole field of stem cells, the so-called "raw material" out of which bodies are made – undifferentiated cells that, through division, can generate cells with more specific functions.

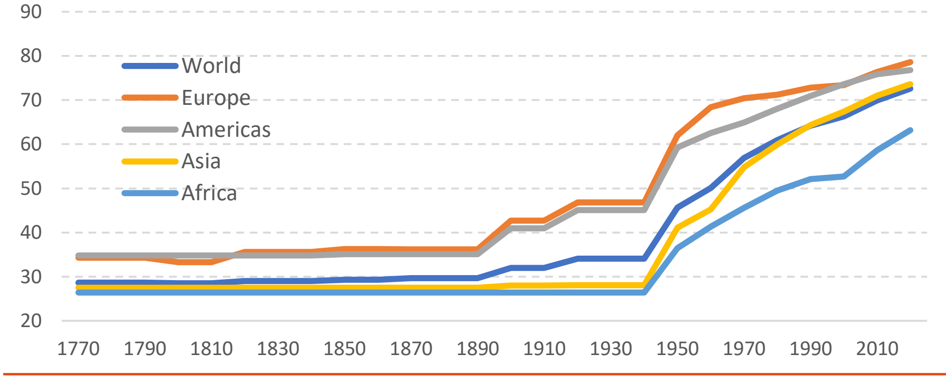
Put simply, scientists today are able to address with increasing effectiveness all three potential causes of human death: **trauma** (via safety enhancements and physical repair), **disease** (via prevention, improved treatments and bio engineering) and, as just described at some length, **old age**. Which paves the way for much extended – perhaps one day even unlimited? - lifespans.

In turn, this makes for numerous investment opportunities, be it in transformational companies (such as CRISPR or Beam Therapeutics), in providers of underlying technologies (like Evotec, Illumina or WuXi), or in direct/indirect beneficiaries (think for example of what a much vaster and affluent old age cohort would do for the sales of Sonova).

Is it true, as Elon Musk has claimed, that humans must merge with machines if they are not to become irrelevant in the age of Artificial Intelligence? Will tomorrow's world be populated by 1000-year-old cyborgs? Are the utopian or dystopian futures that we and – especially – our teenager kids avidly read about in novels going to become reality? Who knows, we might just live long enough to see the answer for ourselves...

Graph of the Month

Life expectancy in years, 1770 to 2019



It might get worse before it gets definitely better

- The health and economic situations remain challenging in the near term
- But vaccinations, alongside a 2nd US relief bill, are coming to the rescue
- Strong global growth lies ahead, boosted by supportive economic policies

The situation remains tricky on the global health front. New Covid-19 cases, hospitalisations and deaths are still desperately near record highs in the northern hemisphere. And the worst may be still to come because of the recent – more contagious – mutation of the virus, coupled with end-of-year celebrations and returns from holiday travel. As a result, lockdowns and other social distancing measures are unlikely to be eased in January and economic activity is again slowing down. A first quarter contraction of US GDP now seems in the cards.

On a brighter note, the end of the 2020 annus horribilis also saw the Covid-19 vaccination campaign begin in the US (with over 4 million people already inoculated), in China, in Israel (over 1 mio doses administered), and, to a lesser and slower extent, in Europe. Moreover, the much awaited and now needed next US relief bill is finally making progress, and the Brexit saga did not end in tears. It is also worth mentioning that, despite the fading growth momentum in the US, China and most of the Asian economies, benefitting from a healthier context, remain on a strong footing, while there have been signs of bottoming out in Europe. Overall, economic data continues to be less bad than feared in most regions, even in the face of the worsening health situation.

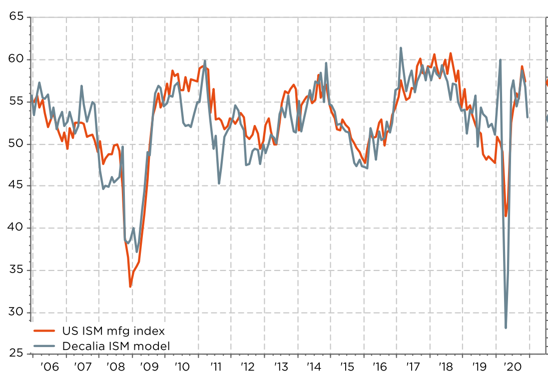
As such, while acknowledging the near-term challenges on both the virus and economic fronts, we maintain an overall constructive macro scenario for 2021. In particular, we expect strong synchronised global economic growth, driven by effective Covid-19 vaccines, combined with a high dose of steroids in the form of low rates and expansionary fiscal policies, to provide a supportive backdrop for global financial markets. In turn, as regards asset allocation, we have further sharpened our recent pro-risk stance. Considering the high current level of investor complacency, we intend, however, to adopt an opportunistic approach in implementing these new trades.

In equities, we further complement our core portfolio allocation with selected satellite regional assets, in order to recalibrate both the sector & style biases to a more balanced stance. More specifically, not only do we now consider diversified satellite Japanese equity investment opportunities, but we are also gradually warming up to emerging markets (EM) ex-China. Both these regions are likely to benefit from renewed reflationary forces and a return to a "more normal" health and economic environment in the near term.

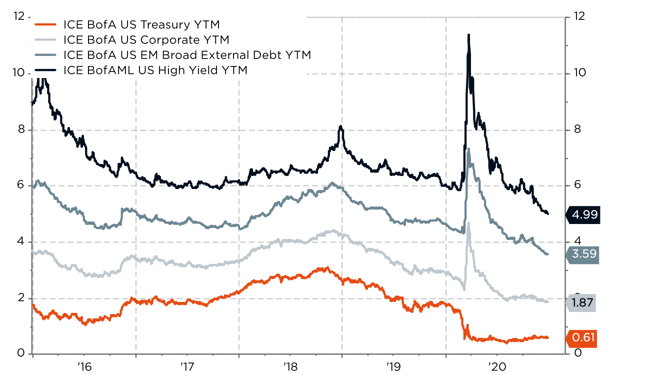
In fixed income, we still recommend coupling short positions with some long ones, while remaining underweight overall and light on duration. Here too, for the aforementioned reasons, we are becoming incrementally more positive on EM local currency bonds.

Elsewhere, we maintain a slight overweight in both gold and other materials. Gold remains a valid hedge against inflation and currency debasement risks going forward, while the outlook is brightening for energy and base metals thanks to the prospect of stronger economic growth… and a weaker dollar. Indeed, consistent with our scenario of economic reflation driven by ultra-loose monetary and fiscal policies in the US, we are downgrading our stance on the greenback to a slight underweight. The US real rate advantage has now vanished while the twin deficit is likely to grow larger.

US ISM mfg index and forecast



New race to the bottom for yield spreads (%)



CONTACT

DECALIA SA

Rue du Rhône 31
CH-1204 Genève

Tél. +41 (0)22 989 89 89
Fax +410 22 310 44 27

info@decaliagroup.com
www.decaliagroup.com

External sources include: Refinitiv Datastream, Bloomberg, FactSet, Our World in Data

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