

A view from Davos and the reality of what we are forced to live with

The following comments may help with clarity at this time...

As a consequence of a very kind client and a very generous friend, I was able to spend a few days in the rarefied atmosphere of a beautiful valley surrounded by mountains in the middle of the World Economic Forum (WEF) surrounded, in theory, by the good and the great.

To get a good perspective on the reality of Davos, and more importantly to put into context the stressful environment in which we are living as a consequence of global trade, European disintegration let alone BREXIT, I urge you all to read the following: *Factfulness: Ten reasons We're Wrong About The World And Why Things Are Better Than You Think* by Hans Rosling.

The book starts with 13 questions posed to the Davos summit in 2015 and shows the appalling level of ignorance identified in the replies given to the questions.

Having re-read the book, I can easily see how Donald Trump, let alone the other extraordinary political leaders in Brazil, Turkey, Hungary, mainland Europe and particularly in Italy, can so easily misrepresent and mislead people. In respect of the BREXIT debate, the only things that are absolute facts are the appalling ignorance and abuse of privilege around the use of data, and the reality of where we are in terms of global economic evolution. This is particularly so in the new age of the digital, technological economy which we all use and enjoy but refuse to comprehend. These facts affect all our lives as a consequence of the marvels and incomprehension of all that is happening in the fourth industrial revolution.

This bulletin is timely as Bill Gates has also been quoted to say "the world really is getting better" through an article by CapX. In this article, they quote Max Roser who also sources Hans Rosling's book as well.

In Davos where the good and the great were supposed to be saving the planet from climate change and food wastage, there was an extraordinary disconnect between the laudable actions and attempts to resolve matters, and the reality of how the good and great spent the week. It didn't matter how short the journey, everybody travelled in gas guzzling limos. There was free food and booze et al everywhere even with the most cash-strapped charities trying to engage the good and the great in supporting them. Charities were giving away and wasting free food to people who couldn't possibly have needed any such inducement. The impression of a fully paid-for jolly appeared to be in evidence; the expense and cost of getting there, being there, and performing was beyond belief.

Notwithstanding the observations made in Hans Rosling's book, as detailed above, it has to be admitted that it is probably the one place in the year and on this planet where enough people get together to affect systemic change. However abused the privilege may be, the outcome of most meetings in the valley does move the global agenda forward dramatically.

Reverting to the statistics in the book mentioned, the evidence is borne out by the data below, even if it is ignored almost constantly by everyone, everywhere all the time. So, change happens subliminally, it must do because the facts are enormous as the book clearly highlights.

Here are some basic facts to help put the current situation in context – leaving you to decide which of them most frightened you in the past in relation to where we are today, and how amazed you are about true data. I will also leave you to consider how well a long-term, equity-orientated investment

strategy has performed as detailed in the graph included with this bulletin. This will help you to understand why we have maintained the investment strategy as outlined in the various bulletins and our rebalancing instructions recently.

The following has happened in my lifetime. Not in order of severity, or in order of timeline:

- The Suez crisis, the Berlin airlift, the Cuban missile crisis, the Cold War.
- The president's brain is missing, Reagan - as Spitting Image referred to him.
- George Bush Junior, and in particular his reaction to the Twin Towers attack.
- Kennedy's assassination, the collapse of the Berlin Wall, Millennium bug, Kuwait war.
- The six-day war, the Iran/Iraq wars, oil price spiral and rationing of the 1970s.
- Inflation of 25% and interest rate of 18%, crashing out of the ERM.
- Northern Ireland, the IRA and constant bombs and terrorism, the three-day week, power cuts.
- People not being buried, rubbish building up in the streets, the miner's strike, print union strikes, transport strikes and the AIDS epidemic.

Here follow some positive outcomes of the world in which we live:

- 56% of humanity lives in democracy
- 86% of humanity is literate
- 48% of humanity having access to the Internet
- 65% of humanity have access to the cell phone
- 80% of people below the age of 20 who get cancer survive and live normal lives
- 90% of girls are enrolled in primary schools
- 85% of the world enjoys electricity
- 88% of the world's people share water from protected sources
- 88% of one-year-olds get vaccinations in the world
- the increase in cereal yield per thousand kilograms per acre has increased from 1.4kg to 4kg from 1961 to 2014
- there is only one country in the world where women cannot vote freely in elections
- legal slavery has all but disappeared in the last 50 years
- oil spills in 1979 was 636; in 2016 they were six
- solar panels prices have collapsed by 95% in the last 40 years
- countries allowing leaded gasoline has fallen from 193 in 1986 to 3 in 2017
- smallpox was eradicated in 1979
- deaths from disaster fell from 971 to 72 in the years 2010 to 2016
- plane crash deaths per 10 billion passenger miles flown has fallen from 2,100 100 years ago to 1 in the years 2012 to 2016
- ozone depletion has collapsed from 1,663 per 1,000 tons of ozone-depleting substances used in 1970 to 22 in 2016
- the share of people undernourished in the world has fallen from 28% in 1970 to 11% in 2015
- smoke particles e.g. KG SO₂ particles emitted per person has fallen from 38kg in 1970 to 14kg in 2010.

Source: *Factfulness: Ten reasons We're Wrong About The World And Why Things Are Better Than You Think* by Hans Rosling

Conclusion

Whatever you may think about the world today, the reality is that the vast majority of the population now have a reasonable living income. They are able to buy food and drinking water, save a little bit of money, live in reasonable accommodation and they are all increasing their quality of life at a rapid rate of knots.

Despite the fake news headlines produced by Oxfam last week about the state of the gap between the rich and the poor, the reality is that the gap between the rich and the poor in terms of spending power has never been so equal, nor has there been so much opportunity for the vast majority of the population to engage in economic expansion, evolution, improvement and wealth creation.

Patrick McIntosh
February 2019

The life cycle to bring awareness to the obvious if only we would take notice: the data is there; the education is missing.



In April, Patrick is taking on another challenge to raise awareness of the fight against cancer. You can find out more and follow his journey using the following links:

<https://www.kmgfoundation.co.uk/japan>

Twitter: <https://twitter.com/kmgfoundation>

Facebook: <https://www.facebook.com/kmgfoundation>

Instagram: <https://www.instagram.com/kmgfoundation>

UK FINANCIAL HISTORY 1950 - 2016

Barclays Equity Index
Dividends Reinvested
£182,494

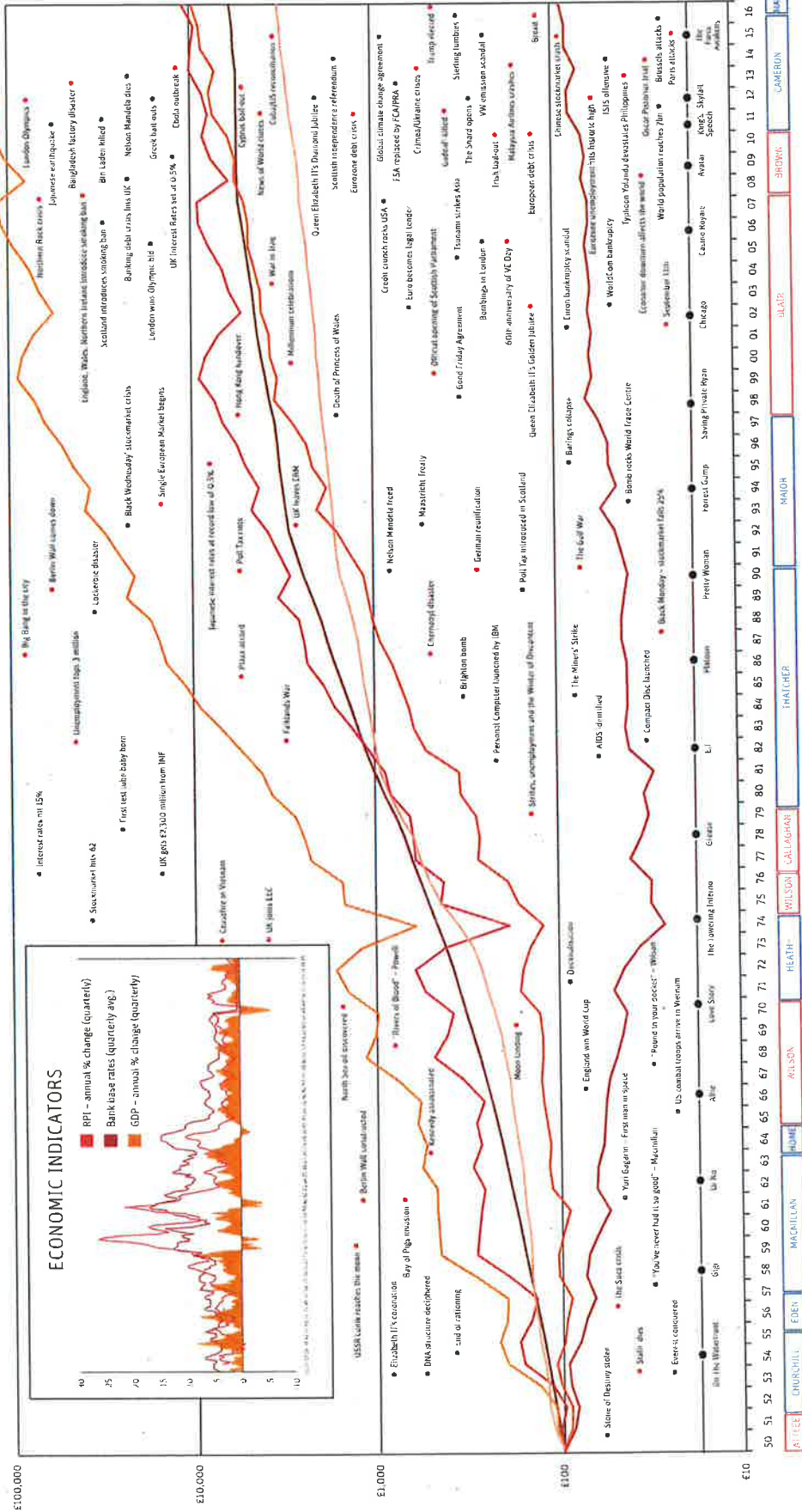
Barclays Equity Price Index
Ex-Dividends
£10,749

Barclays Gilt Index
Income Reinvested
£9,620

UK Building Society Index
Income Reinvested
£5,559

Retail Prices Index
£3,134

Barclays Gilt Price Index
Ex-Income
£88



Value of £100 invested from 1950
Scales calculated on a logarithmic basis
Figures calculated on a gross basis
Sources: Barclays Equity Gilt Study, Datastream and Internal
Past Performance is not a reliable indicator of future results. In a building society deposit account your capital is readily available and generally secure.

Scottish Widows Limited - Registered office in the United Kingdom at 25 Gresham Street, London EC2V 7HN.
Authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority. Financial Services Register number 181655.

SW55063 02/17

