

# OUTLOOK 2024

DIRECTION. CONFIDENCE. INDEPENDENCE.



# CREATING POSSIBILITIES FOR YOUR FINANCIAL FUTURE.

SANDSTONE Asset Management brings global discretionary wealth management services to private individuals, foundations, and family trusts. Our client-focused team has a genuine passion for investing. We strive to be highly engaged in understanding political and economic situations on a local, national, and international level by continuously re-examining the financial, psychological, and fiscal matters that shape our world.



**OUR MISSION IS TO  
PRESERVE AND GROW  
OUR CLIENTS' WEALTH  
AND DELIVER TOP-RANKED  
RETURNS BY LEVERAGING  
OUR INTELLIGENT,  
PROGRESSIVE, AND  
INDEPENDENT WEALTH  
MANAGEMENT EXPERTISE.**







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# OUTLOOK 2024

Welcome to SANDSTONE's annual OUTLOOK booklet.

2024 marks our 21st OUTLOOK presentation, and while the booklet is produced with a focus on a specific time, we view the contents as a continuum.

This year, we will continue our discussion of massive transitions and examine where we are within them and their investment implications.

A transition is fluid and has continuous ebbs and flows. Identifying key trends early and understanding their components allow us to strategically position for the long term.

*tran-si-tion noun \tr tran(t)-'si-shən: the period of time during which something changes from one state or stage to another.*

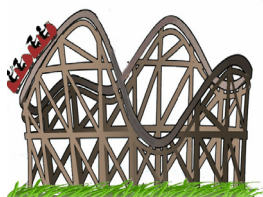
This definition serves as an excellent starting point for our discussion. We are experiencing two of the biggest structural transitions most of us have ever lived through. By proactively anticipating risks and uncertainties within these transitions, we can position portfolios to capitalize on the opportunities and navigate the challenges that lie ahead.

OUTLOOK 2024 is shaped by two significant trends:

- The New World Order — From Unipolar to Multipolar
- Artificial Intelligence (AI) — The 4th Industrial Revolution

As these changes accelerate, the world will find itself in a state of constant flux. Their influence will reverberate through financial markets, affecting every country, sector, and business for the foreseeable future.

Thank you for 20 years of trusted partnership. We are looking forward to creating possibilities for your financial future.



20  
YEAR ANNIVERSARY  
20



# 2023 RECAP

Rising interest rates continued at one of the fastest paces in history, and poor banking policy led to failures at Silicon Valley Bank, Signature Bank, and First Republic Bank. In response, the Fed provided a liquidity facility that injected hundreds of billions into the financial system, propping up these banks and inadvertently providing stimulus to the U.S. market.



Two-year S&P 500 performance essentially flat...

Last year's S&P 500 return was solely driven by the Magnificent 7. U.S. market concentration is higher now than at any other time in history. Despite their strong rebound, only two reached new all-time highs: Microsoft and NVIDIA.

At OUTLOOK 2023, we said China's reopening would be a positive catalyst. This was correct — potent but short-lived.

2023 was also the first Fed tightening cycle in 30 years in which a major emerging market did not react poorly. Although the media's focus was on the Magnificent 7, it is interesting to note that the top five performing markets were all emerging.

2023 was another year of extremes, broken correlations, and firsts. The biggest headwind was diversification.

## 2023 Top Five Global Markets

|         |      |
|---------|------|
| Hungary | +45% |
| Poland  | +45% |
| Greece  | +45% |
| Egypt   | +37% |
| Mexico  | +36% |



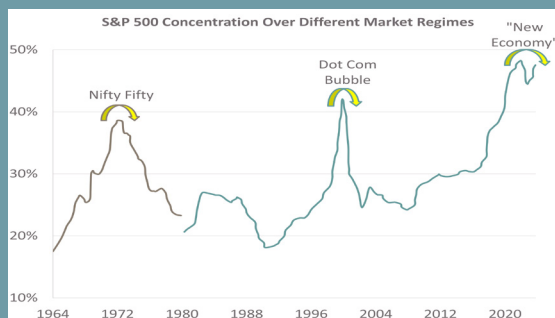
# THE GROWTH OF PASSIVE INVESTING AND CONCENTRATION



Since the turn of the century, there has been an exponential surge in the adoption of passive investing. Retail investor fund flows into active have turned negative, exacerbating increased flows into passive.

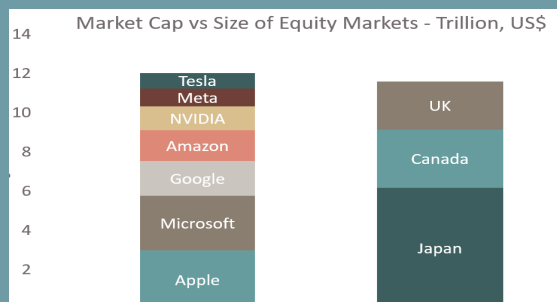
Why is this important?

Passive investment diverts funds away from active stock picking, skewing capital flows toward larger companies in indexes rather than those that are fundamentally superior. This behaviour amplifies momentum-chasing, creates bubbles, and increases market concentration.



Concentration has reached an extreme level in the S&P 500 — an index that is supposed to be a broad representation of the U.S. market. “New economy” companies represent almost 50% of the index and include today’s top tech, communication services, and consumer discretionary companies. Furthermore, the Magnificent

7 commands a staggering 33% of the S&P 500 Index. To put that into perspective, the Magnificent 7 market capitalization is greater than the equity markets of Canada, the United Kingdom, and Japan combined!



In the MSCI ACWI alone, the U.S. makes up over 62% of the index — a benchmark that is supposed to represent the entire equity universe. This presents a significant obstacle for investors aiming for proper diversification, as formerly diversified investment vehicles have progressively become more concentrated and correlated with U.S. markets.

With the market at record concentration levels, the business models that were expected to dominate the world forever are beginning to show some cracks. Last year, while Tesla’s share price rose over 100%, its earnings expectations dwindled from \$6.00 per share at the start of the year down to \$2.60 per share at year-end. This isn’t to say these are not great companies but rather to caution against getting caught in a good company/bad stock scenario. Working off excesses are healthy and quite normal. If there is one thing to remember, remember this: it’s what you pay!

# A DECADE OF TRANSITION

The world is in a state of flux as massive structural transitions unfold. These are reshaping the fabric of our society and are set to affect financial markets, as well as every country, sector, and business for the foreseeable future.

We have written in great depth to unpack the changes of this decade. But the two significant trends we focus on for OUTLOOK 2024 are seismic in nature. Their scale and duration far surpass those witnessed by anyone alive today.

## TREND #1

### The New World Order – From Unipolar to Multipolar

The concept of globalization is undergoing a remarkable transition, where nations are increasingly prioritizing sovereignty over multilateralism, national interests over international cooperation, and local constituencies over global populations. A unipolar world, characterized by a singular global leader, is typically stable and peaceful. Conversely, a multipolar world, fractured into multiple spheres of influence, is controlled by regional powers — intensifying global volatility and geopolitical tensions.



## TREND #2

### Artificial Intelligence (AI) – The 4th Industrial Revolution

While AI is not novel, its mainstream integration in 2023 marked a pivotal moment. To be fair, it's easy to forget that this isn't the first wave of AI commercialization. Computer vision, speech recognition, context awareness, and big data analysis are just a few examples of past developments. What distinguishes this new wave of technology is its accessibility to the general public and swift integration into workflows with diverse practical applications. The implementation and advancement of AI is poised to upend a wide range of industries — both an opportunity and a threat.





# TREND #1

## THE NEW WORLD ORDER – FROM UNIPOLAR TO MULTIPOLAR

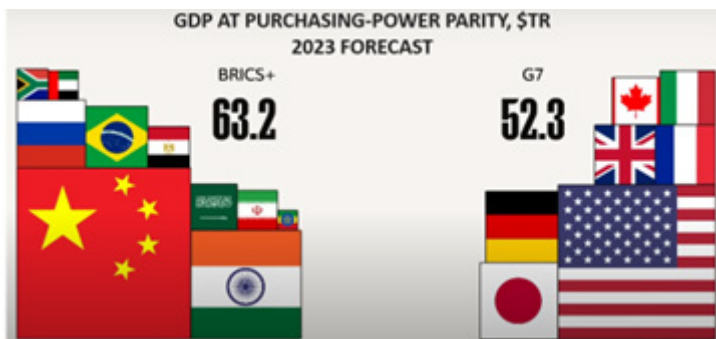


Unipolarity marked an era of relative geopolitical stability, led by Western multilateral institutions, with the U.S. dollar serving as the standard unit for international trade.

The transition to a multipolar world is shaped by nations or coalitions seeking recognition for their population size, economic growth, and resources. They have enough influence and incentive to pursue independent economic strategies that, if achieved, do not follow the same direction as other global powers. These countries want to be self-reliant, resilient to potential sanction escalation, and have more trade and payment options.

In the 90s, the G7 comprised 67% of the global GDP. Today, that share has fallen below 40%. Over the same period, China has grown from 1.6% to 18% of the world's GDP. Furthermore, GDP at purchasing-power parity of the BRICS+ has overtaken the G7 — as a result, they exercise significant power over the international system.

In a multipolar world, nations can either choose to pick sides or strike a balancing act — connector economies have the most to gain.









A multipolar world has individualist views and ambitions that impact foreign reserve needs, currency transactions, global trade flows, and both create and diminish regional prosperity.

# CURRENCIES – THE ULTIMATE REBALANCER

The continued rise of the U.S. dollar has led to much discussion around the reasons. Central to this discourse is the argument that the U.S. dollar remains the reserve currency of the world. Certainly, at 60% of SWIFT transactions, the U.S. dollar stands as the predominant functional currency worldwide. But perhaps the transition to a multipolar and multicurrency era is the strongest argument for rebalancing to a basket reserve currency (a concept we originally introduced at OUTLOOK 2007).

First, a brief history lesson.

Q: How many reserve currencies have existed to date?

| Portugal  | Spain   | Netherlands   | France  | Britain   | USA  |
|---|---|---|---|---|--|
|  |  |  |  |  |  |
| 80 years<br>1450-1530   | 110 years<br>1530-1640  | 80 years<br>1640-1720   | 95 years<br>1720-1815   | 105 years<br>1815-1920  | 95 years...<br>1920-?  |

Just six reserve currencies since 1450. Notably, the status of these currencies rose in unison with their economic importance in the world. On average, these reserve currencies have held their status for about 100 years — the U.S. dollar for over a century now. History suggests there may be a passing of the torch down the road.

- Constraints placed on countries, such as sanctions and tariffs, have had unintended consequences. These countries and many others took note that there was an immediate need for an alternative to conduct trade. A formalized basket reflective of the current world would address some of the volatility of individual currencies.
- Demographic differences will drive economic activity for decades to come. Comprising 85% of the world's population, emerging markets will be increasingly important in the direction of the global economy. Their currencies will be important to the execution of trade in the region.
- Record printing of the reserve currency — almost 30% of all U.S. dollars in existence were created in the past two years. This, coupled with the country's high debt levels and relatively unenticing long-term interest rates, is changing capital flows to where risk and return are more aligned. Interesting to note that the Japanese yen is the cheapest it has been since 1971.



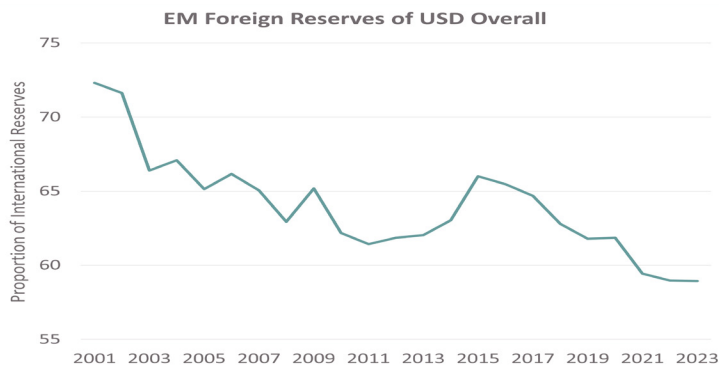
“The U.S. dollar is our currency but your problem.”

~ John Connolly, former  
U.S. Secretary of the  
Treasury

## A NEW ERA FOR GLOBAL CURRENCIES

The U.S. has benefited from being the global reserve currency, the exclusive petrodollar, and the SWIFT system. However, the world order is changing, and U.S. unilateralism has caused others to look for credible alternatives to the West, economically, technologically, militarily, and ideologically.

Knowing that any country can be cut off from the SWIFT system or have their foreign reserves frozen created an almost consensus view: countries need to be defensive in securing their needs. The risks of a single reserve currency now outweigh the convenience.



Emerging market central banks now hold the lowest amount of U.S. dollar reserves in almost 30 years. The U.S. dollar is facing increasing competition from other currencies.

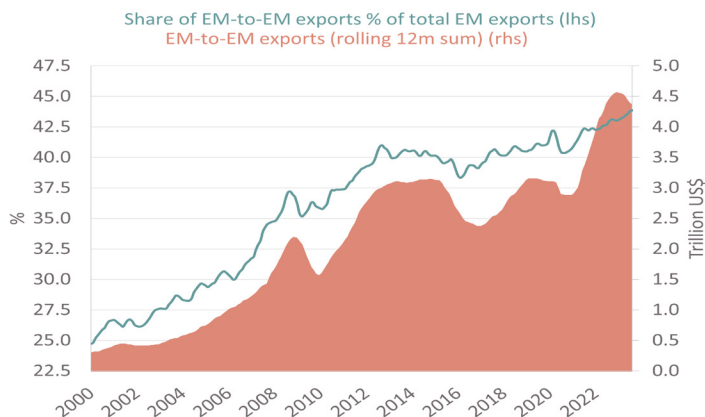
In March 2023, CNOOC conducted China's first yuan-settled trade with French major TotalEnergies. In August, it completed an additional deal with Singapore's Pavilion Energy company. And again, in October, with French energy company Engie for about 65,000 metric tons of LNG. Energy trades were completed through the Shanghai Petroleum and Natural Gas Exchange.

We expect the trajectory of the U.S. dollar's share of global reserves to continue to fall with growth in regional trade.



## REGIONAL EMERGING MARKET TRADE GROWTH

Global trade has continued to grind higher, thanks mostly to the acceleration of trade between emerging economies.



The emergence of China's Belt and Road Initiative, the Asia Infrastructure Investment Bank, and the New Development Bank are clear signs of a shift to a multipolar world, proving alternatives to the Bretton Woods institutions. These regional institutions are enabling the development of much-needed infrastructure, strengthening economies, and opening new trade possibilities.

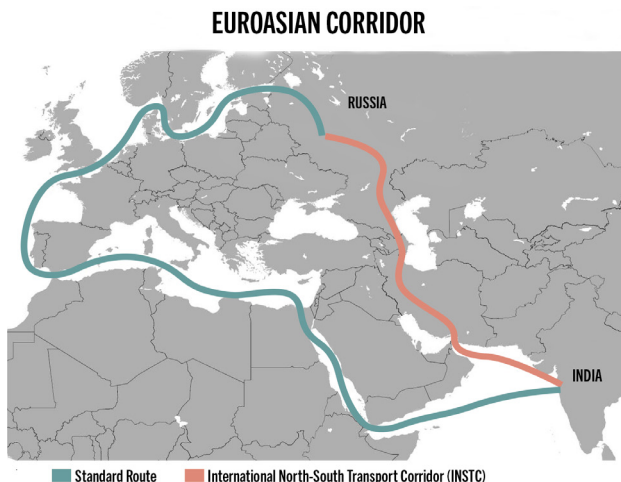
The next decade will see the broader Eurasian corridor become more interconnected. The map on the next page illustrates the standard route is over 22,000 kilometers and takes over 40 days to cross, whereas the new route is half the distance and takes 18 days to travel.

Half the distance,  
half the time!





Construction of new roads, railways, and canals is appearing all across emerging economies.



## A CHANGE IN CORRELATIONS

The combination of regional trade, infrastructure, and currency alternatives has been a game changer for economies like China, Indonesia, India, and Brazil, which can now break free from U.S. dollar constraints. Connector economies — those who do business with both China and the U.S. — have the most to gain. Vietnam, Mexico, and Indonesia are some of the countries benefitting from foreign investment, neutral relations, and increased trade demand.

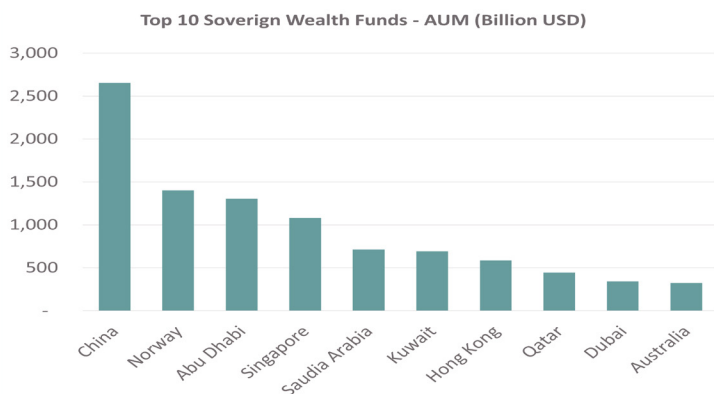
Correlation has decoupled by 30%.



The break in the correlation between China and the U.S. long bonds illustrates the decoupling of the two largest countries. Bonds factor in various risks, and with inflation pressure, reduced emerging market demand for treasuries, and trade constraints, U.S. yields are increasing to compensate for higher risks.

## EMERGING PROSPERITY

All across Latin America, the Middle East, India, Southeast Asia, and Africa, new pension funds and sovereign wealth funds are being established. As prosperity grows in emerging markets, these countries are also looking toward the future and investing in themselves.



Despite the well-publicized investments by sovereign wealth funds in the “G3” (the U.S., the EU, and to a lesser extent Japan), the majority of investments occur locally to support domestic economies. As sovereign wealth funds and pension funds are set up and expand, they will naturally recycle their savings back into themselves. Demographics play an important part in this trend. Western pension funds are becoming net sellers of assets with aging demographics.



## BOTTOM LINE

The world is moving towards a multipolar, multicurrency paradigm — a transition accelerated by recent events. Deflationary forces of the unipolar world order are being reversed by sanctions, the reshoring of supply chains, and nationalistic attitudes. These are massive changes that will create volatility as countries navigate the new environment.

Portfolio hedges for a multicurrency world can include **gold** and **currency** diversification.

Portfolio opportunities in a multipolar world can include exposure to **emerging markets**, where regional trade is accelerating, disinflationary forces are building, and prosperity is on the rise. **Infrastructure, financials, manufacturing, and consumption** are areas that may benefit.

Companies with strong relationships in the emerging market region, a sustained demand for their products, and **intricate supply chain management systems, local operations, and brand power**.

# TREND #2

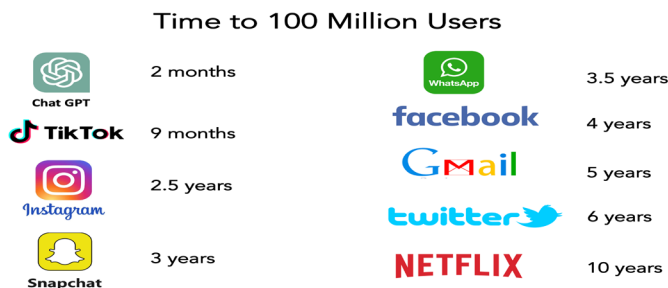
## ARTIFICIAL INTELLIGENCE (AI) – THE 4TH INDUSTRIAL REVOLUTION

### WHAT IS AI?

One of the major technological advancements to come to the forefront in 2023 was the release of generative AI software like ChatGPT and Bard. Generative AI is a type of artificial intelligence that can take large amounts of reference data and produce text responses, images, audio, and video.

ChatGPT became the fastest-growing web platform in history, reaching 100 million monthly active users in just two months. The chatbot's growth surpassed that of even today's most popular social media platforms.

S&P 500 companies cited the term "AI" over 2,500 times on earnings calls in 2023!

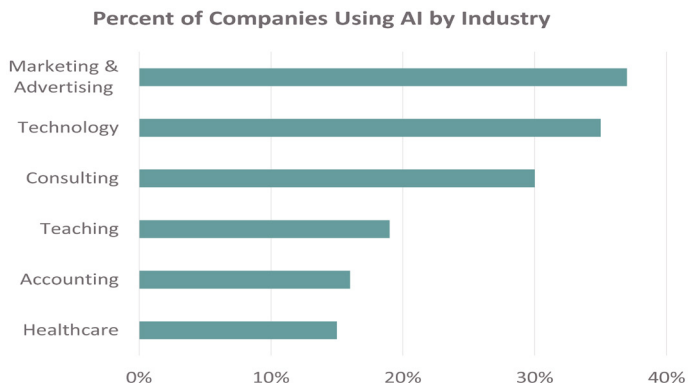


Though AI, to some degree, has been around since the 1950s, this iteration represents the first time that a moderately advanced AI has been released to the general public. As the use of AI becomes more widespread and intelligent — potentially enough to rival humans — we expect AI to have profound societal and economic implications.



## AN INTERCONNECTED TOOL FOR AN INTERCONNECTED WORLD

One of the most appealing features of AI is that it can be trained on virtually any database and applied to a multitude of practical use cases. AI's highest adoption areas are illustrated below.

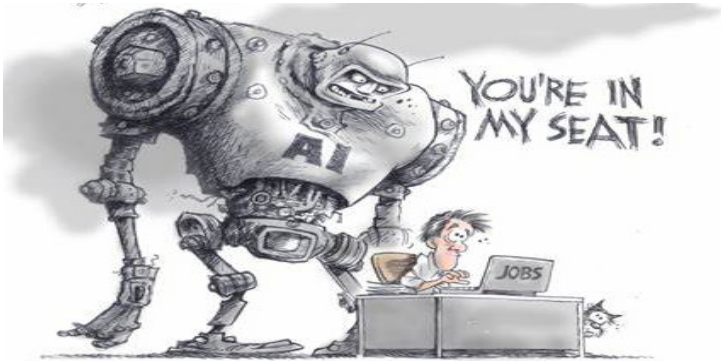


AI is being integrated into different industries in various ways:

- **Finance:** AI is used for risk assessment in lending and insurance, as well as in fraud detection to monitor transactions and detect suspicious activity.
- **Legal:** AI can design and interpret contracts, analyze evidence, and suggest arguments. Its ability to interpret large databases quickly makes it a law firm's best friend when reviewing precedent rulings.
- **Healthcare:** From drug research to lab interpretations, AI is being used to reduce errors and enable healthcare practitioners to focus at the bedside. Applications include diagnosis, monitoring, and treatment to improve patient outcomes.
- **Cybersecurity:** AI has become a critical technology in cybersecurity as it can quickly analyze events, detect and identify threats, and guide an effective incident response.

## THREAT OF DISPLACEMENT

AI is being touted as a potential productivity booster, guaranteed to improve company margins, but that is usually where the explanation stops. Few companies elaborate on where the cost savings will come from, and the answer is likely in the elimination of 'redundancies.'



AI could potentially replace between 400 million and 800 million jobs globally by 2030!

~ McKinsey

The proliferation of AI may mark the largest technological advancement to displace high-earning white-collar workers. When AI can be used to write, design, and manipulate other types of data, there are far-reaching implications for a wide range of careers and industries. McKinsey estimates that around 15% of the global workforce — or about 400 million workers — could be displaced by AI, presenting a significant threat to service-oriented economies such as ours.



## BOTTOM LINE

AI is going to be a strong disruptive force in business and investment for the foreseeable future, and those who are able to adapt and utilize this technology will be the greatest beneficiaries.

Portfolio opportunities exist in identifying the **early adopters and facilitators** of AI technologies. While most interest has been in AI development companies, there is significant opportunity in those utilizing and incorporating this technology into their businesses.

Service industries are expected to benefit from AI integration and companies in areas such as **IT consulting, logistics, automation, and healthcare** are some of the most intriguing industries to capitalize on this long-term trend.

# ASSET ALLOCATION

We enter 2024 with two significant trends: the multipolar world and the acceleration of AI.

By proactively anticipating risks and uncertainties within trends and transitions, we can position portfolios to capitalize on the opportunities and navigate the challenges that lie ahead.

**Elections:** 2024 is the biggest global election year in history. The stakes for 2024's contests will be enormous — not just for the countries going to the polls, but for the world. Country and region exposure will be more important than ever.

**Divergences:** We are in an uncharted period where the number of firsts has skyrocketed. Firsts are important and should be questioned. Why is this happening? Is it due to a decisive change or trend that has entered an extreme position? Understanding the “why” allows us to be invested there or not.

**Thematic Focus:** Within the changing world, we believe several key segments are poised for significant long-term growth. AI will be intertwined, overlaid, and accelerate our thematic focus areas.

**Valuations Matter:** At the core of SANDSTONE's investment approach is valuations. We look for growth and value at a country, sector, and company level. The valuation disparity between the U.S. market and the rest of the world markets is high.

**Dividend Growth:** The cornerstone of portfolio companies. A dividend growth bias provides stability and income, a powerful component during times of change, and it can be found in all markets and currencies.

**Market Alternatives:** These are playing a bigger role in asset allocation and can provide opportunities to diversify sources of return away from traditional equity and fixed-income investments, with reduced volatility.

We must remain open and flexible!



The standard 60% equity and 40% fixed income portfolio would not do well as global central banks start tightening...

~ OUTLOOK 2022

20  
24



JAN  
FEB  
MAR  
APR  
MAY  
JUN  
JUL  
AUG  
SEP  
OCT  
NOV  
DEC

Bangladesh



Taiwan



Pakistan



Indonesia



Iran



Russia



Ukraine



South Korea



India



South Africa



Mexico



European Union



United Kingdom



United States



Singapore



## THE BIGGEST GLOBAL ELECTION YEAR IN HISTORY

An estimated 4 billion people, representing half of the world's population and 60% of the globe's economic output, will head to the polls in 2024. The grand battle of the ballots will see more than 50 countries, plus the European Union, casting votes to exercise their right to elect their future leaders.

Greatest political risks and election uncertainties:

- Heightened polarization
- Rise in populism
- Democratic deterioration
- Geo-economic fragmentation
- AI misinformation

### Ready. Set. Rematch

Accounting for 43% of the global equity universe, the impact of the United States presidential election will undoubtedly be the most far-reaching. What happens domestically in the U.S. will affect the multipolar world transition.

The stakes in 2024 are high!

THAT  
**NEVER**  
HAPPENED  
BEFORE



## DIVERGENCES

We are in an uncharted period where the number of firsts has skyrocketed. Firsts are important and should be questioned. Why is this happening? Is it due to a decisive change or trend that has entered an extreme position?

Firsts that are worth noting:

- The Japanese yen is the cheapest it has been since 1971.
- 70% of the MSCI World Index is now U.S.

- The U.S. market trades at a record valuation premium to the rest of the world.
- China is back to Asian financial crisis valuations.
- Passive investing has overtaken active equity investing.
- Highest foreign investment in the U.S. stock market.

## THEMATIC FOCUS

Within the changing world, we believe several key segments are poised for significant long-term growth — solutions-based, value-add approaches to global challenges.

**Artificial Intelligence:** An overarching theme that will be intertwined, overlaid, and accelerate the thematic focus areas below. AI will collect, store, and interpret data, and then develop solutions and advancements. The possibilities are endless.

**Med-tech:** Encompasses preventative, diagnosis, monitoring, and treatment combined with information technology and data. Healthcare is rapidly becoming a fusion of doctors and technologies. The opportunity to deliver more efficient healthcare at a lower cost exists — increasing health span.

**Automation:** Robotics will continue to grow in importance in the manufacturing process for reliability, quality, cost, and accuracy. Automated transportation will change the fabric of cities. Supply chain resiliency and localization will accelerate automation adoption.

**Cybersecurity:** As devices, machines, buildings, vehicles, and people become more networked, the single most important element of the system is security. Cybersecurity breaches are increasing, highlighting the need security now and into the future.

**Bottom Line:** The exponential advancement in technology paints a simple and impactful picture — keep up or be left behind.

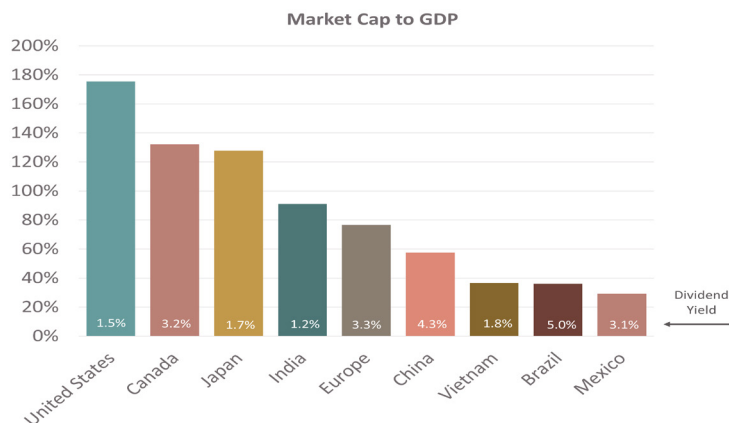




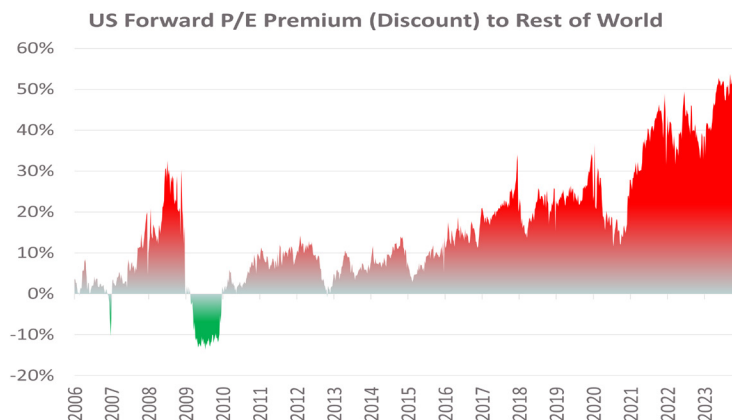
## VALUATIONS MATTER

At the core of SANDSTONE's investment approach is valuations. We look for growth and value at the country and sector level. Although headlines can paint a bleak picture for emerging markets, the data tells a significantly different story — one where regional prosperity is accelerating.

The growth story in emerging markets remains intact, with over double the growth of developed markets at reasonable valuations and good dividends. Our belief is that, while the overall U.S. economy may continue to grow, the growth will be below average. Therefore, despite the presence of many great companies, the U.S. will not be the next major growth driver.



The valuation divergence between the U.S. market and the rest of the world is high. While the U.S. remains the home of some of the largest companies in each sector, the presence of companies from the rest of the world is growing. Non-U.S. companies account for more than half of the 25 largest companies in the communication services, consumer discretionary, consumer staples, energy, financials, and materials sectors.



The concentration of the Magnificent 7 and the U.S. market excess premium in comparison to the rest of the world are both at records.

It takes time to rebalance and work off the excesses. This is part of the reason why we believe markets could trade in a very wide range for a number of years, with increased volatility. This makes stock selection and dividend growth strategies (explained in the next section) extremely important for success going forward.

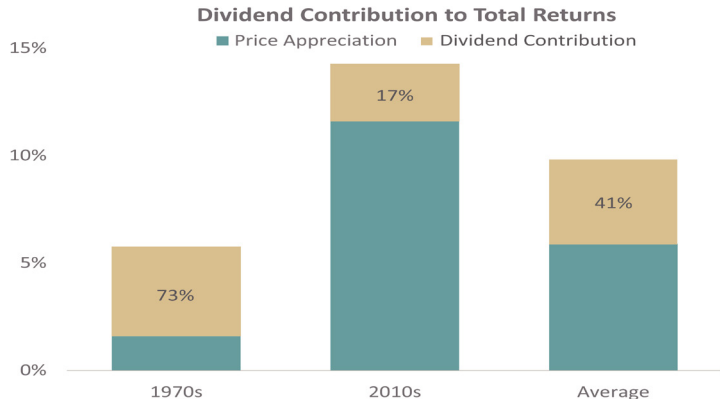
Paying the right price for an asset determines the attractiveness of the opportunity.

## DIVIDEND GROWTH

We are transitioning from forty years of declining interest rates. Rates have risen substantially but are still not back to their historical average.

Typically, as rates rise, asset prices are affected, and dividends become increasingly paramount to total returns. A dividend growth bias provides stability and income — a powerful component during times of change.

The chart on the next page highlights how different interest rate environments affect total returns. As interest rates fall, dividend contributions to total return decrease in unison. The opposite is true in today's increasing interest rate environment.



Dividends become even more important in volatile markets. With dividends, you receive a significant part of your return up front in cash. Good and growing dividends can signal future capital gains, indicating the strength of the underlying earnings of the company itself.

Dividend aristocrats span multiple geographies, industries, sectors, and currencies.

### DIIVIDEND ARISTOCRAT EXAMPLES FOR A MULTIPOLAR, MULTICURRENCY WORLD



**Shell has the supply chain to fuel the world (of tomorrow).**

Shell is one of the world's largest energy companies. With energy security becoming an increasing concern, Shell's end-to-end infrastructure and production through to sales gives them sector advantages in multiple geographies.

Shell is not just operating the energy system of today but is working towards the energy system of tomorrow. The company is committed to a net-zero emissions future while also investing in wind, solar, and hydrogen technologies. Shell is a leader in energy, offers a growing dividend, has a strong balance sheet, and is positioned to take full

advantage within the future of energy (no matter what kind). **Shell is a current holding in our portfolios.**

**Saputo is a top 10 global dairy producer.**

Saputo is one of Canada's largest dairy product processors with a sizable global footprint. Their products include liquid milks, a wide variety of cheeses, butters, and other dairy products sold under some of the nation's most recognizable brands, including Armstrong, Neilson, and Dairyland.

No one would dispute how integrated dairy products are in our daily lives. From the milk and creamer in your coffee to the butter used in baking, Saputo meets the definition of a true Canadian staple.

Saputo is redefining their strategy for growth focusing on meeting demand with a more controlled processing footprint and streamlined facilities. With Saputo's focus on operating efficiency and the potential for improving fundamentals in dairy markets over the medium-term, Saputo offers an attractive risk-reward opportunity.

**Saputo is the newest addition to the portfolio.**

**Hitachi creating a sustainable society with data and technology.**

Hitachi is one of Japan's largest conglomerates with specialized products and solutions in areas like alternative energy, IT products and infrastructure, semiconductors, and healthcare.

Hitachi's diverse product and solution set provide exposure to some of the key themes of the decade and, with the benefit of being based in Japan, is in an advantageous position to capitalize on opportunities in both emerging and developed markets.

In 2023, Hitachi was one of SANDSTONE's best-performing holdings, even after accounting for the depreciation of the yen.

**Hitachi continues to be a current holding in our portfolios. We have trimmed the position, taking profit along the way.**

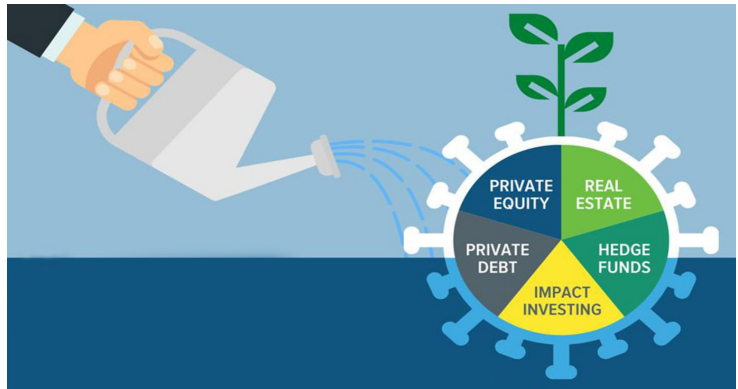


**HITACHI**  
**Inspire the Next**



## GROWTH OF ALTERNATIVE INVESTMENTS

In an ever-evolving and increasingly complex market environment, alternative investments are playing a bigger role in asset allocation. They can provide opportunities to diversify sources of return away from traditional equity and fixed-income investments, with reduced volatility.



There are many different types of alternatives, and suitability is an essential characteristic. Liquidity, time horizon, risk-to-reward, and management are a few key attributes we consider when evaluating opportunities.

Relationships are at the core of our alternative investment strategy. We must know the counterparty we are investing with, their track record, and their future business outlook. Since opportunities often come with little to no liquidity until the investment term is complete, we are looking for confidence that management can deliver results.

SANDSTONE's existing relationships have allowed us to invest alongside pension funds, Silicon Valley icons, and local private companies, among others. Examples include:

- A local Calgary Mortgage Investment Corp (MIC) with annual liquidity that yields 9%-12%.
- A Silicon Valley basket of companies within our exponential health theme.
- An Asian Pacific (ex-China) short-term fixed income vehicle financing receivables yielding 6%-9% annually and paying quarterly.
- A local Alberta health tech private equity investment focused on diabetes management.

## WHAT IS HAPPENING LOCALLY?

A lot! Over the past decade, Alberta has been building upon its energy foundation. The great talent in this province has attracted various opportunities from abroad. Whether it's the film industry, clean energy, life sciences, ag-tech, aerospace, etc., the Alberta ecosystem is evolving.

We can't wait to see how the next 10 years shape up!

At SANDSTONE, we consider alternative investments a fundamental building block of a well-constructed portfolio. With low correlation characteristics, the asset class provides a modern-day hedge that lowers volatility and provides opportunities for better long-term risk-adjusted returns.

SANDSTONE is actively involved in supporting the growth of new start-ups that have the potential to become key players both locally and globally.

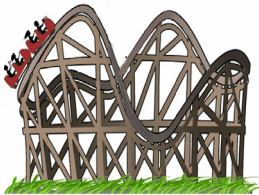
- 1 Provides a hedge against market volatility
- 2 Offers potential for higher returns
- 3 Provides access to different markets
- 4 Offers portfolio diversification

# 2024 INVESTMENT STRATEGY

Intelligent investing comes in many forms, and at times, from unexpected places. How you invest during times of transition is as important as what you invest in.

Start by recognizing  
this is bigger than any  
of us have ever seen.

...remain open and  
flexible!



- Geopolitical uncertainty remains a major consideration. **Hedging** for the multipolar landscape through **anti-fragile investments**, which can include **gold, energy, currencies, crypto, and hard assets**.
- Favourable conditions have helped developed markets outperform over the past decade. **Emerging markets** possess an attractive combination of value and growth.
- Increasing portfolio cash flow through **dividend growth**. These are high-quality companies that can contribute to a more resilient investment portfolio.
- Market alternatives are less correlated with traditional markets. **Off index, private equity, and private credit** provide diversification, income, and can reduce volatility.
- Fixed income requires an active strategy. Maintain **short-duration fixed income locally** and diversify through private debt offerings. Invest in **investment-grade emerging market bonds** where currency risk is compensated by a high enough yield.
- During a market regime change, **cash** provides flexibility to capitalize on opportunities.

## IT'S WHAT YOU PAY!

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**TIMES OF TRANSITION  
CREATE NEW  
OPPORTUNITIES FOR  
COUNTRIES THAT TAKE  
THE LONG VIEW AND  
COMPANIES THAT  
ARE INNOVATIVE AND  
FORWARD THINKING.**

**- Sharon Watkins**



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