NORTH CAPITAL

Selective Optimism

Market Overview and Outlook

January 2025

northcapital.co.uk

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Introduction

A very warm welcome to 2025 from the team at North Capital.

We continue to pinch ourselves when we think that in under twelve months' time it will have been 10 years since we opened the doors for business at North Capital.

BRIAN O'CONNOR
CHIEF EXECUTIVE OFFICER

ANGUS JACK
HEAD OF CLIENTS

We can never emphasise enough how grateful we are for our clients' unswerving support over this period. We have certainly navigated some testing times in the trenches together through one setback or another. There have actually been quite a number of them when we look back:

- China Stock Market Crash - 2013 – our first month
- Brexit Referendum Crash - 2016
- Global Market Sell-Off – 2016
- US-China Trade War Market Sell-Off - 2018
- COVID 19 Crash and Rebound - 2020
- Russia – Ukraine War and Commodity Shock - 2022
- Inflation & Interest Rate Crisis – 2022-2023
- US Debt Ceiling Crisis & AI Boom - 2023 / 2024

The above events caused us all to worry and kept us on our toes. Some of this is put into perspective when we look back at the natural disasters and conflicts that have taken place over this time and still continue today - the fires in LA are still raging as we write, and several conflicts are tragically currently causing huge loss of life in various parts of the globe.

Looking back, there have also been extended periods of more settled and positive markets, which have been welcomed in client portfolios and has been reflected in some solid performance, with Global Equities returning 225% over the last 9 years.

2025 may well bring more challenges to markets, with new political regimes taking office, not least in the US, where this will undoubtedly create some volatility as the intended and unintended consequences play out around trade policy uncertainty, regulatory changes, geopolitical tensions and potential conflicts with the Federal Reserve.

One of our shareholders once said that for our business to succeed 'we must grow with our clients'. As we mentioned in our introduction last year, this has manifested itself more recently in embracing the digital age internally and also making our client reporting front and centre of our service enhancement development efforts. Digital is a very big word. It will have wide reaching implications across all aspects of our business as AI disrupts, augments and replaces many of the things we do. It's likely that people and businesses are underestimating its potential to bring change. We are set on embracing it. Its very nature has moved us into an 'exponential age' of digital advancement, as chips and computers become more and more powerful. This period will continue to be characterised by rapid and accelerating technological growth that follows exponential improvement patterns, such as Moore's law in computing, which essentially means the doubling of power of computer chips every two years. The digital age has also given birth to some new asset classes that are likely to be here for good, in some shape or form. This remains a 'watch this space' for now.

2025 will no doubt produce a number of unexpected events. Whatever happens, we will be working hard to make sure that our portfolios deliver on their mandates, and we provide the very best service and support to you all.

Highlights

US equity markets, driven by large technology companies, surged over 20% for a second consecutive year.

The US economy remained resilient, outpacing weaker growth in Europe and the UK.

Trump's re-election buoyed equity markets but intensified inflation concerns and bolstered the USD.

Economic stimulus fuelled the largest weekly rally in Chinese equities this century, propelling a strong year for the market.

Central banks in Europe, UK and the US all initiated their rate-cutting cycle, but the pace of cuts may slow in 2025.

Gold surged nearly 30%, outperforming all major equity markets.

This Callan table shows performance for various asset classes (colour coded) across multiple time frames.

10 YEARS	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Developed Equities 148.7%	UK Property 4.3%	Oil 52.4%	EM Equities 30.6%	UK Property 1.2%	Developed Equities 27.3%	Gold 20.9%	Oil 50.2%	Oil 8.8%	Developed Equities 23.1%	Gold 26.6%
EM Equities 66.2%	Hedge Funds 2.7%	EM Equities 9.7%	Oil 20.6%	GBP Cash 0.6%	Oil 18.0%	EM Equities 19.1%	Developed Equities 24.2%	UK Property 3.8%	Gold 12.8%	Developed Equities 21.0%
Gold 58.3%	Developed Equities 2.1%	Developed Equities 9.0%	Developed Equities 18.5%	Government Bonds -0.4%	Gold 18.0%	Developed Equities 13.5%	UK Property 10.1%	GBP Cash 1.5%	EM Equities 9.9%	EM Equities 13.1%
UK Property 46.4%	GBP Cash 0.5%	Gold 7.7%	Gold 12.8%	Hedge Funds -2.7%	EM Equities 18.0%	Corporate Bonds 10.4%	Hedge Funds 3.8%	Gold -0.7%	Corporate Bonds 9.6%	Hedge Funds 5.6%
Hedge Funds 22.0%	Government Bonds -3.3%	UK Property 4.4%	Corporate Bonds 9.1%	Gold -2.8%	Corporate Bonds 11.5%	Government Bonds 9.5%	GBP Cash 0.1%	Hedge Funds -2.3%	GBP Cash 4.8%	GBP Cash 5.2%
Corporate Bonds 19.0%	Corporate Bonds -3.6%	Corporate Bonds 4.3%	Government Bonds 7.3%	Corporate Bonds -3.6%	Government Bonds 5.6%	UK Property 7.0%	EM Equities -0.2%	EM Equities -15.5%	Hedge Funds 4.4%	UK Property 3.6%
GBP Cash 9.9%	EM Equities -5.8%	Government Bonds 1.7%	Hedge Funds 3.2%	Developed Equities -7.4%	Hedge Funds 4.7%	Hedge Funds 2.9%	Corporate Bonds -2.9%	Developed Equities -16.0%	Government Bonds 4.2%	Corporate Bonds 1.1%
Government Bonds -3.2%	Gold -10.9%	Hedge Funds 1.1%	UK Property 1.8%	EM Equities -10.1%	UK Property 1.4%	GBP Cash 0.2%	Gold -4.3%	Corporate Bonds -16.7%	Oil -1.3%	Government Bonds -3.6%
Oil -27.4%	Oil -33.0%	GBP Cash 0.4%	GBP Cash 0.3%	Oil -20.7%	GBP Cash 0.8%	Oil -24.5%	Government Bonds -6.6%	Government Bonds -17.5%	UK Property -1.8%	Oil -4.7%

Returns are reported in local currency, sorted in descending order for each column. Unless stated otherwise, each asset class is global in scope - see Disclaimer for full details. EM refers to Emerging Markets and UK property is residential property. Source: Lipper. Date: 31 Dec 2024. For index information, please contact your adviser.

2024 Review

Financial markets in 2024 have been defined by an overarching mood of positivity and resilience, though occasional pockets of volatility have served as a reminder of the need for vigilance. Following the sharp rate-hiking cycle that began in 2022, ending a decades-long experiment with ultra-low interest rates, central banks pivoted toward monetary easing. This shift was complicated by persistent inflationary pressures and a global economy that adapted remarkably well to higher interest rates as labour markets and consumer spending remained robust throughout the year. Regional divergence became increasingly evident toward the year's end, with the US maintaining robust performance while economic indicators in Europe and the UK revealed growing signs of weakness.

Against this favourable backdrop, equity markets took the lead, with the world index delivering a return of 21% in local currency terms. US stocks once again outperformed by gaining 23%, around half of this return can be attributed to the performance of the so called magnificent seven who have enjoyed a stellar year of earnings and share price growth connected to the excitement around artificial intelligence. Indices in Europe and the UK lagged relatively, appreciating by 9% and 6% respectively. Emerging markets also achieved strong absolute returns of 13%; in particular, Chinese equities posted a stimulus fuelled 15% return. Japanese equities returned close to 20% in yen terms, however the depreciation of the currency mitigated this benefit for UK investors. Corporate earnings continued to tick along at a strong pace and saw the strength broadening out into most sectors after a first half which was dominated by large technology companies. Gold, valued both as a geopolitical hedge and a store of wealth during periods of inflation and currency debasement, delivered a very strong performance, returning 27%. Bonds, however, lagged as expectations for further rate cuts were dampened by persistent economic resilience, resulting in the bond index retreating 2.5%.

In this election year, it's important to reflect on the impact these events have had on the markets. In the UK, a landslide victory for Labour initially provided a boost to markets. However, a lacklustre budget in October was received more harshly, driving yields on government debt to levels comparable to those seen after a previous budget handled by a Mr Kwarteng. In Europe, the French elections resulted in a hung parliament, which ultimately led to the collapse of the country's government – the first such occurrence since 1962. This event fuelled market concerns about the state of France's public finances, with French government debt trading at higher yields than its Greek counterpart for the first time. Further afield we saw an election in India where long serving prime minister Modi failed to achieve outright parliamentary majority. This unpredicted outcome led to the Indian market falling almost 9% the proceeding day. Finally, and perhaps most significantly, in the US, Trump's Republicans gained control of both legislative chambers and the White House. Markets reacted strongly to this by delivering the best post-election day performance on record for both small-cap and large-cap US equities. Longer run, November saw US equities experience their best performance relative to the rest of the world since 1998, while Bitcoin surged above $100,000 for the first time.

Key themes for the year ahead

The Reach of AI

Artificial intelligence (AI) was a dominant driver of markets in 2024 with the immediate beneficiaries amongst the best performing stocks. Models are developing rapidly, and capital investment has room to grow and can be purposed to either increase productivity or reduce costs. The applications are vast - from virtual assistants and robotics to marketing and drug development. There are constraints to the speed of adoption - huge computational power is needed, and data centres demand eyewatering energy consumption. There are also challenges integrating ethical factors and ensuring high quality data. Nonetheless, we believe the opportunities are huge, and this will be a key theme for 2025.

Demographics & Fiscal Spending

According to the United Nations, the proportion of people over 65 will double over the next 30 years. This ageing population has consequences with a smaller workforce putting upward pressure on wages and, therefore, also on inflation and interest rates. However, it may also mean less tax revenue at a time when government expenditure demands, for example on pensions and healthcare, are rising. Demographic changes are likely to keep pressure on budgets - a backdrop that is likely to favour stocks with spending supporting earnings. Within sectors, it is natural to associate an ageing population with demands on healthcare, but leisure and travel are also likely to benefit.

The Gold Rush

Gold rose to new all-time highs in 2024, increasing by 27%. We believe there is still a strong case for a strategic allocation. Gold has a low correlation with stocks and bonds and, historically, has proved resilient in times of turmoil. Central banks, according to the World Gold Council, have been increasing their allocations to gold. We expect this can continue due to its safe-haven characteristics, amidst elevated geopolitical risks, and given its limited supply at a time when government spending and bond supply are high. Retail investors were largely on the sidelines in 2024 but, with deposit rates falling as central banks cut interest rates, demand could rise amongst these investors too.

Democratising Private Markets

An allocation to private equity can enhance returns compared to solely investing in public markets. However, legal complexities and high minimum investment sizes have often restricted investors from this asset class. At North Capital, we remain proponents, which is why we are delighted to have Titanbay as a strategic partner. Titanbay democratises private markets investing by reducing cost and complexity. Through Titanbay, our clients can access high quality opportunities from traditionally exclusive private market fund managers at significantly reduced investment minimums, thus enabling suitable clients to build a well-diversified slate of private equity investments.

Geopolitical Risk

Geopolitical risk is hard to ignore. There are military wars in the Middle East and Ukraine while China continues to conduct military drills around Taiwan and Syria's dictator has recently been forced from power. The incoming US president will take office on 20th January, at a time of global fragility. It is expected that he can take impactful decisions aimed at reducing hostilities but any actions, for example sanctions, are full of risks. Moreover, economic war is prevalent across the globe and Trump's threat of increasing trade tariffs risks further escalation. Geopolitical tensions are a key risk for investors to navigate, reinforcing the importance of active asset allocation and diversified portfolios.

Consider Hedge Funds

Diversification is beneficial for smoothing returns over the long-term. While bonds tend to perform well during adverse growth shocks, this is not typically the case when inflation spikes. The current environment which involves elevated fiscal spending, populist politics, and geopolitical tensions provides a fertile ground for hedge funds. A low correlation between hedge funds and traditional assets, as well as strong return potential, make it an attractive allocation alongside a broader multi-asset portfolio. The universe of funds is vast so, at North Capital, we use an expert third party to assist us in rigorously researching the universe and building our satellite portfolio to suit the prevailing environment.

Crypto Coming of Age

Crypto markets continue to polarise opinion, dividing sceptics who associate it with illicit activities like money laundering, and enthusiasts who predict the eventual replacement of fiat currencies by decentralised assets like Bitcoin. Regardless, the last year has marked a turning point. With growing institutional interest, the approval of crypto-related products like ETFs, and the maturation of the regulatory landscape, crypto has gained legitimacy in the financial world. Throughout 2024, Bitcoin has served as a hedge against monetary debasement and more than preserved its purchasing power. This "coming of age" signals that, while volatility and scepticism remain, crypto is increasingly viewed as a serious investment asset.

Utilising Excess Cash

The market anticipates that the Bank of England will cut interest rates several times in 2025. As a result, the recent period where cash holdings have yielded returns above 5% is expected to be over. Based upon market pricing, returns on cash deposits are likely to fall by the end of the year. Given this shift, now may be an opportune time for investors to reassess their cash positions. Attractive low-risk opportunities remain available, such as our Capital Preservation portfolio, where we expect short-dated fixed income to offer more appealing returns or our diversified Hedge Fund offering, which blends various strategies to deliver absolute returns with a low level of risk. Other opportunities, including tax-efficient gilt investments, also remain available.

2025 Investment Outlook

Selective Optimism: 2025 Base case

Assets make further gains in 2025

- Economies remain resilient, with regional divergences
- Earnings growth continues to broaden

But we expect more volatility

- The pace of rate cuts will slow
- Focus will shift from elections to policies

Economies remain resilient, with regional divergences

As highlighted in our 2024 outlook, economies and asset markets demonstrated impressive resilience throughout the year, despite significant challenges. Rate cuts began later than anticipated, geopolitical tensions intensified, and many elections brought significant risks. However, government spending bolstered employment; lower inflation enabled central banks to cut rates which eased borrowing costs for businesses and consumers and 2024 saw impressive corporate earnings. These drivers are still largely in place and, therefore, we expect economies and asset markets to remain resilient in 2025.

Higher growth is being demonstrated in the US relative to the UK or Europe. There are many reasons for this – such as greater government spending in the US, lower energy costs and a concentration of high growth businesses. For all these reasons, the International Monetary Fund has recently warned of widening US-Europe growth divergences and called for more public investment in Europe. These differences are unlikely to change quickly but, over time, we expect the global expansion can broaden. While energy costs in Europe are likely to remain a significant obstacle for Germany's large manufacturing sector, prominent European politicians have recently argued for greater public spending and, with business sentiment so low, a spending boost would probably provide a much-needed lift - a theme to look out for as 2025 progresses. Furthermore, it is likely that the US Federal Reserve slows the pace of rate cuts in 2025 while some other regions, such as China, continue to provide more stimulus.

Earnings growth to continue broadening

During 2024, the US economy and stock market were most resilient as corporate earnings proved robust for all the reasons described above. While this supportive backdrop remains in place, we expect that ongoing adoption of AI means that earnings can grow across regions and sectors. In the US specifically, broadening strength across sectors is also anticipated due to policy changes. A relaxation of regulations and lower taxes are expected to be implemented by the incoming government, helping to reduce costs and boost revenues. However, high valuations in some areas of the market warrant some caution.

The pace of rate cuts will slow

Inflation declined substantially in 2024, moving close to central bank targets and enabling rate cuts to commence in the US, UK and Europe. However, it is not clear that inflation will remain durably close to its 2% target in 2025. Core inflation, which excludes the volatile components of food and energy costs, is closer to 3%. Services inflation remains above target at around 4%-5%, propped up by elevated wage growth. In the US, there is also a risk that inflationary pressures emerge, at least temporarily, due to higher trade tariffs and any restriction on immigration and the supply of workers. Over time, it is likely that low inflation in China will dampen inflation pressures globally, especially if Chinese authorities take steps to weaken their currency in response to any US trade threats, and ongoing adoption of technology will restrict wage growth. However, these factors are probably on the backburner for now, relative to more immediate pressures.

Most central banks are cutting interest rates, and we expect this will continue across developed markets. However, the recent stalling in the inflation decline means that the pace of rate cuts is likely to slow and generate more volatile periods to navigate in 2025.

Political focus will turn from elections to policies

Around half of the world's population participated in elections in 2024, and the focus for 2025 now turns to the victorious governments' policies. In the US, corporate and personal tax cuts are expected based upon Republican campaign pledges – providing help to both businesses and consumers. Government spending is expected to remain very high, although there are risks that the new Department of Government Efficiency starts to pull in the purse strings. The latter presents a possible challenge to markets as it may mean job losses, lower consumer spending and, ultimately, a decline in corporate revenues. However, many areas of spending are difficult to cut, and President Trump is known to use the stock market as a barometer of his success, potentially diminishing the severity of any adverse changes.

Meanwhile, in the UK, while government spending is expected to remain high over the next year, reductions further out are anticipated. The increase in employer's National Insurance is already weighing on business sentiment and activity. In Europe, political fragmentation and US trade tariffs are key issues which are likely to pressure business and consumer confidence. Investors are pessimistic on Europe and caution seems warranted for now. However, with increasing voices in Europe advocating for greater government spending and China, Europe's largest trading partner, pledging more stimulus, an improvement in 2025 is highly possible. With so much potential for changes in government policies this year, it seems likely this can contribute to volatility in asset markets as investors assess the implications.

Risks

Sticky inflation

Sticky inflation, perhaps due to ongoing robust wages or a spike in commodity prices, would likely result in higher bond yields. This could weigh on the current value of future earnings and, trigger a decline in equities.

Weaker growth

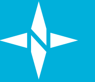
Weaker growth is a risk as borrowers roll onto higher interest rates and would likely mean that corporate earnings disappoint, presenting a significant challenge for stock prices, especially in the US given expensive valuations.

Strong USD

Ongoing outperformance of the US economy may further strengthen the USD. This brings headwinds for emerging markets that rely on USD debt as well as US companies with overseas earnings.

Geopolitical tensions

There are many pockets of tension across the globe which could escalate. Commodity prices may spike and act as a tax on consumers and businesses, leading to lower earnings expectations and stock prices.



North Capital portfolio positioning

We begin 2025 with many of the same underpins for asset markets as were in place a year ago – high government spending, supportive central banks and, in aggregate, resilient macro data. Therefore, we expect further gains in asset prices in 2025. However, as noted above, we also expect more volatility and are focused on building resilience into portfolios as well as returns. Following strong returns over recent months, we are beginning the year by bringing our overweight global equity position back to neutral. We are doing this at a time when we expect that the pace of rate cuts will slow and before the new administration takes office in the US. We are redeploying selectively into short-dated credit allocations, with attractive yields above cash, which we believe can deliver strong gains with low volatility.

Within fixed income, we are mindful of interest rate sensitivity given a key risk for equities in 2025 may be sticky inflation pressures combined with fewer interest rate cuts. As a result, we hold an underweight position in government bonds. While we see value in short-dated bonds due to elevated cash rates, we believe long-dated bonds continue to face risks. If inflation remains above target, long-dated yields may rise further to reflect higher inflation, putting downward pressure on bond prices. We view inflation-linked bonds as more attractive than traditional government bonds for this reason. Ongoing government spending, and the associated supply of government bonds, may also weigh on bonds with longer maturities. We are overweight tactical funds, and we expect ongoing fluctuations in investor expectations for growth, interest rates and corporate spreads across regions will provide ample opportunities for strong, active managers. We have added to short-dated high yield and high-quality asset-backed security funds which have attractive yields above cash and limited sensitivity, compared with equities, to adverse sentiment. This is because investing in very short maturity bonds means that a large proportion of the fund matures each year, and the risk of default is commensurately low.

Within equities, we fundamentally believe that drivers remain in place for strong corporate earnings. However, we acknowledge that US equity valuations are high and new US government policies – such as trade tariffs - may generate volatility. Therefore, we have moved our global equity allocation (which is dominated by the US) from overweight to neutral. We also expect, as described above, that earnings growth can broaden across sectors and regions. This should provide an environment in which strong, active managers can add value. At present, we are neutral on regional equity exposure within each individual region but foresee many potential triggers for that to change and are ready to act.

Investors are downbeat on Europe due to disappointing economic data and various structural challenges. As discussed, there is ongoing political uncertainty in Europe, but the potential exists for an upside surprise to government spending in Europe or in China, Europe's largest trading partner. In Japan, ongoing corporate reforms are promising, but there remains significant risk that further rate increases could trigger adverse moves in asset prices, as observed last summer and discussed in our note 'Market Volatility'. UK equity valuations appear relatively cheap, and the composition of the index, which includes a higher proportion of consumer staples, financials, and materials compared to other regions, offers diversification within a global portfolio. However, the tax increases announced in the October budget have dampened business confidence, which could weigh on both Sterling and UK stocks, especially smaller companies. Lastly, within China, a large component of EM, consumer confidence remains extremely low. Recently announced stimulus measures, such as lower borrowing rates and making funds available for local authorities to support the challenged property market, came at a time when consensus views had been very negative on the region, and led to a rapid appreciation in Chinese equities. This serves as a reminder of the benefits of strategic allocations; however, EM assets are vulnerable to a strong USD, a key risk for 2025.

We maintain our exposure to real assets which offer attractive diversification within a multi-asset portfolio, helping to mitigate some of the risks highlighted above. We added Gold as a strategic allocation last year because it has historically proved to be a valuable diversifier during both growth (e.g. 2008) and inflation (e.g. 2022) shocks and its limited supply differentiates it from many other assets.

As described above, we foresee multiple risks that could upset economies and markets over the course of 2025, and we expect some volatility. However, overall, we see an optimistic backdrop for gains this year.

	Asset Class	Tactical Conviction					Rationale
		-2	-1	0	1	2	
Overall Risk				●	● (prior)		We are neutral risk.
Defensive Assets			● (prior)	●			We are neutral Defensive Assets.
Defensive Assets	**Cash**			●			**We remain neutral on cash.**
	Fixed Income		●				**We are underweight Fixed Income relative to Real Return. Our bias remains to short duration bonds and tactical funds.**
	Sovereign Bonds	●					Elevated cash rates provide support to short-dated bonds while longer duration bonds are less attractive due to inflation risks and a heavy supply of bonds. We have a preference towards active funds, because ongoing fluctuations in the market narrative provides ample opportunities for strong managers, aas well as short-dated credit funds with attractive yields.
	Investment Grade Corporate Bonds		●				
	Tactical Fixed Income				● (prior)	●	
	Real Return				●		**Defensive Real Return assets offer good value as real yields (nominal bond yield minus the expected inflation rate) are positive, presenting value to investors.**
	Inflation-Linked Bonds				●		Inflation-linked bonds are attractive as inflation pricing remains subdued relative to persistent wage growth pressures and the US election outcome brings risks of higher inflation.
	Tactical Real Return			●			
Growth Assets				●			We are neutral Growth Assets.
Growth Assets	**Equities**			●	● (prior)		**We have returned to neutral in Equities, following a period of strong gains.**
	UK Equities			●			Heavy government spending, supportive central banks and resilient macro data continue to provide an underpin for equities. We expect that the pace of rate cuts may slow and the incoming US administration may bring some volatility. Therefore, although economic cycles tend to move slowly, we have brought our exposure back to neutral in favour of selective short-dated Fixed Income allocations. The US market, which dominates global allocations, is home to a large share of the world's most innovative companies but we expect earnings growth can broaden across sectors and regions. This should provide an environment in which strong, active managers can add value. We hold selective exposure to high quality active managers within our Global and Emerging Markets exposure. We also favour quality companies with stable revenue and profitability.
	Europe Ex UK Equities			●			
	US Equities			●			
	Japan Equities			●			
	EM Equities			●			
	Global Equities			●	● (prior)		
	Real Assets			●			**We are neutral Real Assets.**
	Infrastructure			●			Real assets offer attractive diversification within a multi-asset portfolio and are, therefore, good for smoothing returns over the long-term. We have added gold as a strategic allocation as we believe that its limited supply and low correlation with traditional assets make it strategically attractive.
	Gold			●			
	Broad Commodities			●			

● = Current positioning ● (prior) = Prior positioning

Noteworthy

Edinburgh Dining Out

As an Edinburgh-based firm, we're fortunate to enjoy a thriving culinary scene that continues to punch above its weight. This year brought several exciting new additions. At the fine-dining level, American chef Rodney Wages relocated his acclaimed restaurant AVERY from San Francisco to St Stephen Street after falling for the city whilst on holiday. Meanwhile, Stuart Ralston expanded his acclaimed suite of Edinburgh restaurants with LYLA, opening on Regent Terrace in the former 21212 site, where an innovative menu showcases the finest Scottish seafood.

Italian newcomers Sotto and Little Capo have revived vacant New Town spaces with Mediterranean small plates, while Stockbridge Eating House took over the iconic Bells Diner, offering hearty, communal-style dining. Thomas Gormley, formerly a member of the team behind Michelin-starred Heron and latterly the acclaimed Skua, launched Cardinal on Dundas Street, serving a 14-course tasting menu. In Leith, Roberta Hall's Ardfern, a sister to Little Chartroom, quickly earned praise for modern Sunday roasts paired with an exceptional wine selection in a café like setting.

However, the city was saddened by the closure of The Gardener's Cottage and its sister restaurant The Lookout on Calton Hill. We look forward to sampling more of Edinburgh's offerings and seeing what 2025 brings.

London Stock Exchange

Last year, our Noteworthy section celebrated the FTSE 100's 40th anniversary. Unfortunately, since then, there's been little reason to cheer. Despite hitting a record high in May, the index has underperformed compared to international peers for years. The UK stock market, largely overlooked by both domestic and global investors, is becoming less attractive for new listings. Major companies are increasingly turning to markets like New York, seeking higher valuations and greater access to capital and, perhaps even more concerningly, the UK now lags behind countries like Malaysia, Oman, and Luxembourg in IPO volumes.

Take Cambridge-based chip designer Arm Holdings, widely regarded as one of the UK's most dynamic companies, who skipped London for its IPO, opting for New York. UK firms like CRH, Flutter Entertainment, and Ashtead Group have shifted their primary listings to the US, while JustEat chose Amsterdam. Even fintech giant Revolut is considering a US IPO. In 2024, 45 companies have delisted from London, a 10% rise from 2023, driven by M&A activity capitalising on undervalued UK assets.

Analysts hope a potential IPO from fast-fashion giant SHEIN could help, but it might only list in London if rejected by the US due to Chinese ties. As the Footsie approaches its fiftieth anniversary, drastic change is needed to ensure a brighter future.

Coffee Prices on the Rise

A daily essential for millions is set to become even more expensive as the cost of coffee beans on global commodity markets reaches unprecedented levels. The price of arabica beans, the world's most popular coffee variety, surged to a record $3.44 per pound, marking an increase of over 80% in 2024 alone. This sharp rise comes in the wake of a disappointing harvest, as adverse weather conditions severely impacted yields in Brazil and Vietnam, the world's largest coffee producers. Despite these challenges, the global appetite for coffee, the second-most traded commodity by volume after oil, remains insatiable, with demand showing no signs of decline.

Unfortunately, experts are pessimistic about a quick resolution to the crisis. Many forecast that this upward trend in coffee prices will persist well into the future, driven by ongoing supply chain disruptions, climate volatility, and strong demand. For coffee drinkers around the world, this could mean a steep rise in the cost of their daily cup in the months to come.

Mid-Century Darlings Struggle in Modern Markets

If you're feeling shaky about the state of the UK's cultural exports, spare a thought for Jaguar and Burberry, two darlings of mid-century Britain that now wrestle with modern markets.

Famed for cars like the E-Type, synonymous with speed and style, immortalised by icons like Steve McQueen, Jaguar embodied British innovation. Now, in a rapidly evolving global economy, they are forced to find a new identity. The automaker's "reimagine" campaign has pivoted to a fully electric lineup and a bold new design language. Yet, this has failed to resonate with younger, eco-conscious buyers and has distanced their long-standing, more conventional consumer base. Add supply chain woes, uninspiring sales, and stiff competition from German brands, and Jaguar looks to be grasping for the relevance they once commanded.

Over at Burberry, things aren't much better. In 2022, amidst tough industry conditions, including slowing Chinese demand, Daniel Lee was appointed as the new creative director. Coming off a successful tenure at Bottega Veneta, expectations were high for him to spark a revival akin to their early noughties resurgence. Since arriving, he has sought to refresh the classic checked motifs and reposition the brand within high fashion. However, the last two years has seen Burberry's share price slide more than 50% and, in September, they fell out of the FTSE 100.

Like Jaguar, the British fashion house struggles to balance renewal with legacy and may also find itself hungover from its heritage.

Disclaimer

All data as at 31/12/2024

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