



HARDMAN & CO.

UK/OK-Muddling through

By Stephen Isaacs



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The past few years have seen previously unheard-of constitutional risks. From threats to the Union, to the departure from the EU. Britain has seen political risk brought back into investors' equations.

With the end of Queen Elisabeth II's 70-year reign, and three Conservative PMs in quick turn, political turmoil has become a real issue. For journalists, constant scandals make excellent copy, but the way British politics works is more interesting. Failures like the Truss government don't last – the ruthlessness of the machine soon leads to change. The contrived political dramas are not a real threat to investors and are about to be replaced by stability.

The Rule of Law

The prevalence of English law in international lawsuits, demonstrates the confidence in the seriousness and impartiality of the judicial process. Russian Oligarch disputes and divorces are followed quickly by international arbitration on a multitude of subjects. Investors can be sure of the sanctity of property rights. British justice is transparent and available to all.

For acquirers of UK assets this gives the ultimate protection that security can be assured.

Regulation and Tax—an increasing burden



Source: Shutterstock

The Thatcher revolution is fast fading. The dynamic, low taxed and regulated economy that Tony Blair inherited in 1997 has been gradually eroded by all shades of government. Even more concerning, the electorate now seems sold on the need, if anything, for more state control. A form of French 'dirigisme' now dominates the discourse.

Welfare reform has been replaced with millions on benefits. The housing market is stymied with planning restrictions, with young people shut out of the property market. It's hard to see anything but anaemic per capita growth in GDP.

Migration—the best and hardest working.

Immigration is a contentious issue across the globe. However, most societies that have had large inflows have seen transformations in several areas. Improving demographics countering otherwise dangerous ageing, while the blend of many cultures seems to produce creativity from the restaurant plate to the football field.

For the UK, blessed with the connections of former Empire, this process has been fundamental to the modern nation. More at ease with itself than many of the European states, this true diverse dynamism portends optimism and was well on display at the King's coronation.

Value cheap

The most important component of any successful investment is the entry price. Those traders chasing the \$1trn market price of Nvidia will need to see incredible growth to fulfil a profit.

In contrast, a combination of excessive political negativity, and loss of general confidence has seen a significant gap open between UK and global assets. As many media organisations are based in London, content is easier to file about local issues and failures without the proper assessment about how things might compare in different jurisdictions. As share prices, liquidity and research has dried up in London, it becomes difficult to see what can change the outlook.

This downward circle will be difficult to break. However, the green shoots are now sprouting as competent unexciting government shows through.

Overseas investors—whether US Private Equity, or Middle Eastern real estate are picking up assets fast. When inflation tops out, and the Bank of England can relax, the outlook could change fast.

The UK is OK.



About the author

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Stephen Isaacs has worked in the markets since 1983. He spent eight years at Credit Suisse, following that with appointments at several hedge funds. He is currently a strategic advisor to Alvine Capital, having chaired its investment committee. Alvine is a specialist investment advisor and fund placement boutique. Stephen is also known for writing thought-provoking pieces on economics and politics. He holds a degree in Philosophy, Politics and Economics from the University of Oxford.

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