

SANDS OF TIME

5TH MARCH 2021

Welcome back to our thoughts and general comments on the markets and sometimes the world in general. We are sorry to have been away for a while, but much has been happening and the markets have been so very volatile since the start of the year, so we have been very focussed on our investment process. (Our next post will discuss this in much more detail).

But for today, I want to talk about sand. I can understand why many will be thinking, “why on earth would an investment manager be talking about sand?” Well, did you know:

- After water, sand is the worlds most consumed raw material.
- Sand is an essential ingredient in our everyday lives.
- Sand is the primary substance used in the construction of roads, bridges, high speed trains, the glass in your window, computer, tablet and mobile phone screens and even in the production of silicon chips.
- Global sand use is 10 times higher than cement use.
- Construction alone consumes about 40 to 50 Billion tons of sand on an annual basis.
- The world is facing a shortage of sand – and it may be one of the greatest sustainability challenges of the 21st Century.

So why is this important to you as an investor?

As the world emerges from the ravages of the Coronavirus pandemic, we are all desperate to return to normal and that means world governments will be looking to boost their economies in many different ways. Creating employment stimulates the economy by providing workers with wages to spend and companies with profits to develop themselves further and maintain the growth of the economy – and one way history has proven to be an excellent way out of recession is spending on infrastructure.

In the 1930s as part of the recovery programme, the United States built new roads, bridges, zoos and libraries across the country. Today, we may not see exactly the same action taken but many countries are looking at renewing infrastructure and governments are encouraging construction, so the demand for sand is likely to increase.

This shortage may make construction projects more expensive and involve different approaches to where we extract sand from – having the spin off effect of providing work for other companies who specialise in extraction, transportation and processing.

So, a global increase in construction, used to kickstart world economies, will improve the prospects of listed construction companies, especially those with global operations. But it will also boost those companies involved in sand extraction, transport and processing.

But there is more – because the shortage of sand is also a climate change issue, you are likely to see more companies focus on sand extraction in an environmentally friendly way and this will provide a boost to those companies involved and as such provide a further welcome boost to ethical or environmentally friendly funds.

Sand is not just sand!

Why is this a climate change issue? Sand can be found everywhere on earth, but not all sand is useful for human led projects. We need and use the type of sand that is angular and can lock together, typically found on seabeds, coastlines, rivers and quarries around the world so we tend to take it from the areas that hurt the planet the most, upsetting nature's infrastructure in these areas causing knock on effects.

Many local economies thrive on the income generated from the extraction of sand from these areas, so we have to be careful how we restrict access to this valuable commodity, but we have a responsibility to our planet to find a balance to this conundrum.

So how does all this affect your investments?

The global recovery will undoubtedly involve construction and an increase in demand for goods such as computers and mobile phones etc. This will provide investment opportunities in building, construction, engineering and technology companies. But there may be better opportunity in those companies that are more environmentally friendly as the world also increases its focus on working to help the planet and slow climate change.

So, the investments you have in your portfolio cannot be simply chosen so they fit the sectors that are likely to benefit. Research is vital to make the most of what will be a tremendous opportunity in the early recovery phase. That's why you want an investment manager that selects portfolio constituents for their true potential in the prevailing environment.

Whatever your needs, if you manage your own money, want some investment ideas or want us to manage your money with you, we can help you to make the most of the opportunity coming in the next few months and years.