



ALPHA @ ΩMEGA

WE LIVE IN REVOLUTIONARY TIMES. FROM THE RETURN OF WORLD ORDER RED IN TOOTH AND CLAW TO RAPID ADVANCES IN ARTIFICIAL INTELLIGENCE, POLITICS AND TECH ARE INCREASINGLY VITAL VARIABLES FOR INVESTORS. The range of potential outcomes in this exponential era is getting wider all the time. Trump's return supercharges this. It's all to play for.



ALEXANDER CHARTRES

Fund Manager

A DUAL REVOLUTION CREATED THE WORLD WE KNOW.

First, the British-led Industrial Revolution transformed humanity's economic foundations. Second, the French Revolution set modernity's political terms. This was the Marxist historian Eric Hobsbawm's thesis.¹

Once again, we live in revolutionary times. Once again, accelerating political and technological revolutions are changing the world. For investors, they are increasingly important, creating outsized opportunities and risks. Let's dig in.

¹ Hobsbawm (1962), *The Age of Revolution: Europe 1789-1848*

OMEGA

Perhaps posterity will call this phase the Second Age of Revolution. More likely, at a super-macro level, the first never ended.

We call the emerging era ‘New World Disorder’ – an environment of multi-dimensional upheaval. It marks omega – an ending – for the historically atypical period of low and stable inflation, falling rates, geopolitical peace and hyper-globalisation which followed the end of Cold War I (see Ruffer Reviews *passim*).

It should also mark omega for the portfolio strategies optimised for those conditions. This last revolution is yet to begin.

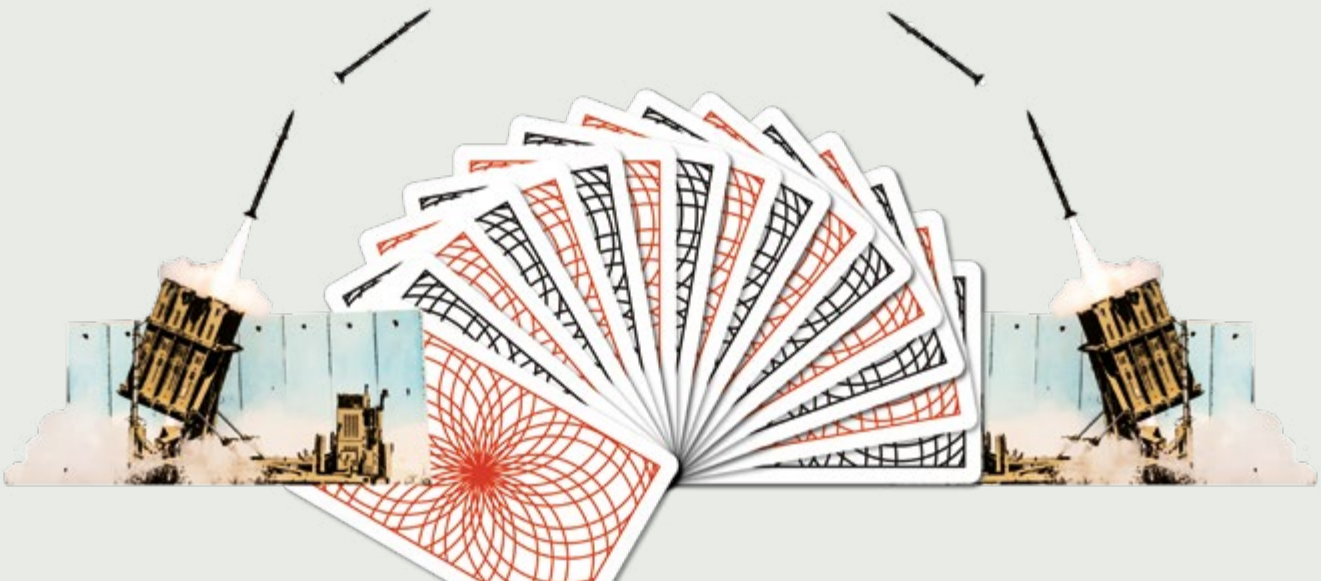
HIGHER STAKES

Trump returns to helm the geopolitical debutante of the first revolutionary age: the US.

He is both a symptom and accelerant of the latest upheaval. In 2018, Henry Kissinger mused that Trump is ‘one of those figures in history who appears from time to time to mark the end of an era and to force it to give up its old pretences.’²

“Eight years on from his first inauguration, Trump returns to the top table of geopolitical poker, playing for existential stakes.”

Eight years on from his first inauguration, Trump returns to the top table of geopolitical poker, playing for existential stakes. Politically. Economically – especially in tech. And in markets, where the backdrop to the game – historically elevated market multiples, record peacetime public debts and deficits, still-warm inflationary embers – is precarious. It’s all to play for.



PART I

THE EMPIRES STRIKE BACK

Resurgent empires – most notably China, Russia, Iran plus North Korea – are rejecting the rules of the US-led game. Despite their profound historical rivalries, convenience is hardening them into a recognisable Eurasian Axis. Or, if you're the deadpan Russian Foreign Minister, Sergei Lavrov, "the free world".

Liberally sabotaged submarine cables aside, the Axis' challenge is most evident in three major, increasingly connected theatres.

First, and – so far – most directly, in Ukraine. Kiev faces a make-or-break 2025, with potential defeat on the table. The West's atrophied industrial base is struggling to supply Ukraine as the Kremlin's shift to a war economy pays military dividends, albeit at the cost of a potentially destabilising economic hangover: misallocated credit, soaring inflation and a plunging rouble.

The Axis has proved highly effective in supporting Russia. North Korean dictator Kim Jong Un has cast off Pyongyang's traditional role as unreliable Stalinist hermit kingdom to become an activist Eurasian power. Millions of artillery rounds and thousands of troops have helped keep Russia in the fight. Cash, commodities and military tech are flowing the other way. Axis members are reinforcing each other's revisionism.

HOUSES OF CARDS

The second theatre is the Middle East. Over a century into the search for post-Ottoman stability, a generational re-ordering is on the cards. The trigger was Israel's successful campaign against Iranian proxies. Think Hezbollah, Hamas, Houthis. The collapse of Syria's Assad regime is a reminder that players can fold at any time.

Assad's Tehranian sponsors could be next. All Axis leaders fear their own elites, their peoples and sudden collapse. Perhaps none with greater reason than the ailing octogenarian Ayatollah Khamenei. An ongoing energy crisis may be the final straw. Iran's incentives to restore deterrence by dashing for an atomic bomb are now stronger.

So, too, Israel's incentive to prevent that. Israel has already destroyed almost all Syria's air defences, creating a lower-risk air corridor towards Iran. Could a US-supported direct strike against an enfeebled Iran be Trump 2.0's 'Soleimani moment' – a way to show he means business with (perceived) limited tails? Yes, though given his obsession with a lower oil price, he'd probably prefer Tehran simply to bend the knee and do a deal.

Regardless, Syrian and Iranian weakness is Israeli, Saudi and Turkish opportunity. NATO-member Turkey is the aspirant Ottoman successor in our new Age of Empires. President Erdoğan is carving out a sphere of influence in the Eastern Mediterranean with drones, diplomacy, rapid naval expansion and now an opening in Syria.

MAKE CHINA GREAT AGAIN

Restoration projects are even bigger business elsewhere. Trump's MAGA agenda is running in parallel with Xi's own 'Great Rejuvenation' plans – the third and biggest challenge to world order.

Markets are unconvinced. Chinese 30 year bond yields have plunged below Japan's for the first time, reflecting expectations of sluggish growth and deflation for years to come.

Partly, that's the continuing impact of the semi-controlled demolition of the real estate sector as Beijing pre-emptively popped a dangerous bubble. Estimates suggest

c \$18 trillion of Chinese household wealth has been destroyed – equivalent to an entire year of Chinese GDP, and around 1.5 times what US households lost in the credit crunch.³ Consumer spirits remain depressed, and social discontent bubbles increasingly visibly.

Beijing’s solution to the bust has been to accelerate the shift in over-investment from property to manufacturing, entrenching deflationary pressure and inflating a different extreme imbalance: of industrial capacity.

‘Made in China 2025’ is no longer just a plan to dominate next generation industries and increase global dependence on China. It’s the reality.

China’s share of global industrial production was roughly 6% in 2000, is around 30% today and is projected to head higher.⁴

This marks a scale of industrial dominance which has only occurred twice before – both at revolutionary moments. First, Britain, during the original Industrial Revolution. And second, mid-20th century America, especially after the Second World War at the foundational moment of the US-imposed world order.

“ ‘Made in China 2025’ is no longer just a plan to dominate next generation industries and increase global dependence on China. It’s the reality.”

China’s industrial might is underwriting the biggest peacetime military build-up since before WWII, with its ballooning nuclear arsenal testament to Xi’s mushrooming ambitions – and fears.

ALL-IN

The US Navy estimates that China possesses c 230 times America’s shipbuilding capacity.⁵ And, in Kafkaesque fashion, China remains a top Pentagon supplier.⁶

China’s industrial and military transformation underpins Beijing’s far more assertive approach.

With the recent weaponisation of critical mineral and drone supply chains, the biggest-ever military exercises around Taiwan, the unveiling of a sixth generation stealth aircraft and state-sponsored ‘Typhoon’ hackers lodged inside US infrastructure, Beijing is signalling that the game has changed.

On 1 January 2025, the Chinese Communist Party journal *Qiushi* pointedly published a speech Xi delivered in 2023. It exhorted the Party to wage a ‘Great Struggle’ towards the communist utopian Kingdom of Freedom – a freighted term Mao invoked in 1962 to justify famine during the Great Leap Forward.⁷

Fuelled by his Marxist-Nationalist-inspired⁸ faith that ‘the East is rising, the West is declining,’ Xi is in no mood to compromise. He is all-in on the Great Struggle.

Taiwan and South China Sea crises are both now odds-on in Trump’s second term. Elon Musk is now China’s de facto chief envoy to the US. And SpaceX’s instruction to suppliers to move production off Taiwan is not encouraging for Taipei.⁹

3 Wall Street Journal

4 UNIDO

5 The Warzone

6 Govini

7 Garnaut Global

8 Rudd (2024), *On Xi Jinping*

9 Reuters

FALLOUT

Recall that it was US policy and Wall Street's wish to offshore America's industrial base. Washington got what its Consensus desired – shifting dirty, lower-margin industry overseas. Now it has buyer's remorse.

Beijing's policies continue to deindustrialise the rest of the world – China's exports are growing even as its imports are flat.

This second 'China shock' is exacerbating a pan-Western sense of policy failure unseen since the 1970s. From impoverishing Net Zero policies to unsustainable mass migration and a 'regulate first' approach to future industries, Europe is stuck in a superpower sandwich, ill-equipped for this Darwinian era.

Comedically, across much of the continent, it is faster to send large data packets via memory sticks on carrier pigeons than to upload it via slow internet connections.¹⁰

European political instability is here to stay, reflecting the structural breakdown of formerly high-trust societies courtesy of the passing era's orthodoxies.

Europe's enfeebled leaders cling to the 'rules-based' order they lack the muscle to sustain, victims of what Sir Niall Ferguson describes as the 'global vibe shift' towards 'peace through strength versus chaos through de-escalation.'¹¹

CALL OF DUTIES

There's a TikTok meme in which men are asked how often they think about the Roman Empire. Everyone's count will be rising now as raw power makes a comeback.

Optically, Trump's appearances at cage-fighting arenas resemble imperial Roman patronage of gladiators in the Colosseum.



Practically, he is more transactional, comfortable with overt use of power, echoing the return of world order red in tooth and claw. Witness his covetous real estate developer's overtures towards the Panama Canal and Greenland. Monroe's doctrine of Western hemispherical dominance is being reborn as the Trump Doctrine – an expansionist imperial presidency, albeit at the risk of driving allies to hedge their security arrangements. It's a reminder of the new Great Game being played in the Arctic, space and other strategic domains, but also a tacit admission of diminished global clout. Not to mention implicit encouragement for other great powers to secure their own spheres of influence.

Above all, Trump thinks of himself as a dealmaker. The bigger the deal, the better. Tariffs and the dollar-based financial system are leverage to these ends.

Expect to see a push on tax cuts, a deregulatory blitzkrieg, further Abraham Accords in the Middle East, maximum pressure on Iran, a NATO defence spending gear-change and a peace initiative in Ukraine. But the biggest deals would be on currency, trade and superpower relations.



THE NON-SYSTEM

Today's global financial architecture is, in Paul Volcker's term, a 'non-system' – the post-Bretton Woods arrangements lack a name because no one formally agreed anything.

Strategist Russell Napier dates the start of the current non-system iteration to China's 1994 decision to devalue the renminbi, and the wider move by emerging market exporting nations to recycle their trade surpluses into Western assets.¹² This artificially depressed yields, encouraging ever-larger credit and asset bubbles.

These flows into US assets keep the dollar strong and US industry weak, or so the Trump camp thinks.¹³ It almost certainly also keeps US asset prices high.

A BRETTON WOODS MOMENT?

To shrink the yawning trade deficit and allow the US to reindustrialise sustainably, Trump wants a weaker dollar.

But that's hard when you are global capital flows' recycling venue of choice

because you have the biggest and best tech companies, robust economic growth and the most important reserve assets: US dollars and Treasuries.

Longer term, investors should watch for shifting patterns of capital recycling. China's issuance of dollar-denominated bonds in Saudi Arabia could be significant.

Shorter term, could Trump engineer a new Plaza-style accord? This was the 1985 deal when other G7 economies co-ordinated FX intervention to reduce the dollar's value. The yen would be today's prime target for revaluation higher.

Trump's incoming Treasury Secretary, Scott Bessent, is dreaming bigger: "We are going to have some kind of grand global economic reordering...the equivalent of a new Bretton Woods [global monetary and currency framework] or...the [European] steel agreements or the Treaty of Versailles."¹⁴

Either is possible. But note the fundamentally different backdrops.

¹² Ruffer Review 2024

¹³ Scott Bessent

¹⁴ Bloomberg

Plaza was struck with US allies. Japan's bubble hadn't fully inflated – the Plaza deal and rate cuts in Japan caused that – let alone popped. China is clearly not a US ally. And its bubble has already popped. Plus, given Chinese dependence on external demand, a deliberate upward revaluation of the renminbi is not an obvious policy solution for Beijing.

Bretton Woods, by contrast, was structural and imposed by the US at the zenith of its post-WWII power, when it accounted for half of global GDP and was the world's principal creditor. Today, America's relative heft is much diminished, and it is a major debtor. It needs to restore leverage, Reagan-style.¹⁵ Meanwhile, China would need a reason to shift strategic goals: perhaps only an economic near-death experience will do this. Or else the realisation that only greater domestic demand will boost economic security. If this happens, the 'deal of the century' could be on the table.

DOGE THIS: THE NEED FOR SPEED

The incoming administration seeks resets both foreign and domestic.

Trump enters office as a duck with a gammy leg as America's quickfire political cycle looks to the 2026 midterms and then the 2028 presidential cycle. Speed and momentum are critical.

With a \$36 trillion negative inheritance, debt interest running at over \$1 trillion a year at the top of the cycle and rising credit defaults, Trump has a delicate hand to play and little time to play it.

Taking a cue from Argentina's chainsaw-wielding libertarian President Javier Milei, he has tapped Musk, 'First Buddy' of Trump's court, to lead a Department of Government Efficiency, aka DOGE.

It's a shotgun marriage of boss-level political and tech revolutionaries, the carbon embodiments of the dual revolution.

DOGE is not a formal government department but is tasked with reforming the bureaucracy. This includes a regulatory bonfire and modernising federal technology to help put its dire fiscal house in order.

Adjacently, Bessent wants to shrink the budget deficit to 3% by 2028 (from an eye-watering 6% now) and increase US oil production by 3 million barrels per day to help drive 3% real GDP growth.

Bureaucratic bloat and under-delivery are a structural problem across the West. And they're killing growth. Since 1997, for example, UK public sector productivity has barely increased, whilst private sector productivity is up around 40%.¹⁶

If DOGE works in the imperial centre, it will be emulated in the provinces, including the UK.

“It's a shotgun marriage of boss-level political and tech revolutionaries, the carbon embodiments of the dual revolution.”

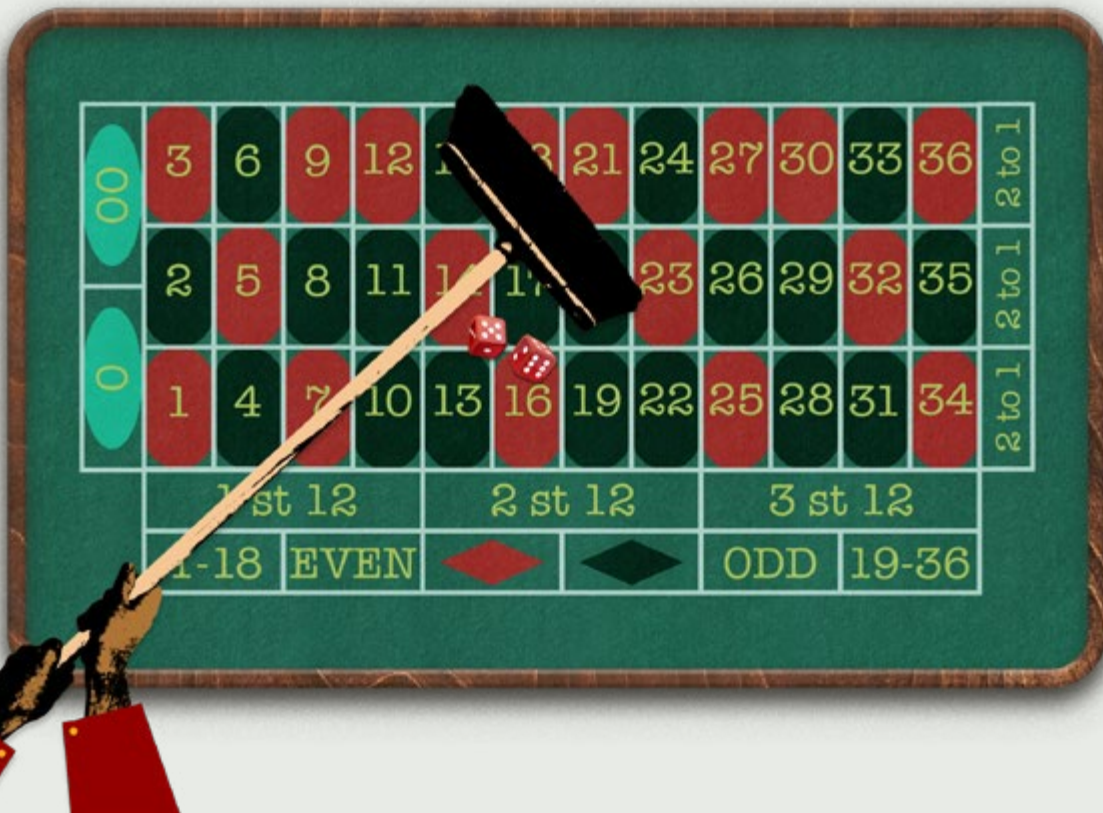
POLITICS > PHYSICS

Trump's political power is most potent at the time of writing – pre-inauguration. As the unlimited potential of the presidential transition collapses into the reality of office, we are on the cusp of a high-stakes experiment. It pits accelerationist 'move fast and break things' bro-ligarchs against not just Washington's two year political cycle and 'deep state' but the MAGA faithful, already fed up of the Magimixing experience of our revolutionary times. It's a 'bigly' divide. And, if it doesn't bear quick fruit, it will only get bigger.

Trump II is a fundamentally more serious operation than Trump I, and early wins could set the stage for a historic phase of reform. But the shadow of Reagan's Grace Commission – focused on government waste – looms large over DOGE.

Mars, Musk's greatest ambition, may be home to the solar system's biggest mountain: Olympus Mons. The second biggest is the Byzantine federal bureaucracy. Unlike rockets, complex adaptive systems – political, economic, markets – have minds of their own. And the Republicans' tiny House majority is an invitation to fiscal hawks, and pork merchants.

“Even the Jetsons are finally arriving.”



PART II

As if that's not enough, there's an added challenge for those seeking strategic stability – accelerating industrial revolution.

Virtually no area of life was left untouched by the first industrial revolution. The same will be true this time.

AGE OF DISCOVERY

Sci-fi author William Gibson is said to have quipped: “The future is already here – it's just not evenly distributed.” So, where to look?

In 2013, tech billionaire and Trump insider Peter Thiel mused: “We wanted flying cars. All we got was 140 characters” – referring to Twitter's post limit at the time.

A decade on, things are changing fast. Even the Jetsons are finally arriving. China's Low Altitude Economic Alliance predicts over 100,000 flying taxis just in China by 2030.¹⁷

The first Age of Discovery ran from the 15th to the 17th centuries, preceding Hobsbawm's Age of Revolution. Specially created chartered companies sought out new trade routes and lands. Fittingly, a company will again be leading the way to terra nova – in this case, SpaceX and the Red Planet. First boots on Mars would be a major geopolitical virility symbol.

THE SORCERER'S APPRENTICE

Back on earth, today's economic revolution combines multiple transformations, from our energy system – covered by Helen Thompson elsewhere in this Review – to digital finance, including crypto, tokenisation and stablecoins. But it is advances in artificial intelligence (AI) which promise the most far-reaching consequences. Last year, we considered its

impact on the market mind. Here, we focus on its real world impact.

And boosters sure be a boostin'. In January, OpenAI boss Sam Altman posted a six word story: ‘near the singularity; unclear which side.’¹⁸ He was referring to the arrival of human level general intelligence and an uncontrollable exponential intelligence explosion.

AI could be the equivalent of the 2010s shale oil surprise, when fracking technology helped keep inflation and rates lower than they otherwise would have been.

Timing aside, AI holds out the prospect of huge leaps in discovery, from personalised cancer-fighting nanobots to synthetic fuels produced by microorganisms. It may even advance the arrival of nuclear fusion – God's power source of choice (the Sun is a giant fusion reactor) – generating unlimited and eventually almost costless energy.

No wonder the Big Tech firms have approached AI capex with existential fervour.

Short term, some of the market hype around existing AI models is fading. The limitations of even latest generation large language models are becoming clearer, as are challenges with monetising AI.¹⁹

Beyond current market exuberance, distributed advanced AI is already driving revolutionary real world change, including underwriting the Cambrian explosion in robotics. After perceptive AI, which could see and process information, and generative AI, which could create images and text on demand, comes physical AI²⁰ – no doubt to be followed by metaphysical AI once we no longer understand what it does!

First in line: transportation. Driverless taxis already operate in various US and Chinese metropolises. The implications for millions of truck and taxi drivers are obvious.

White collar work, too, is increasingly threatened. Coding teams across financial services institutions are shrinking as prompt engineering tools replace humans.

AI models are already performing close to PhD students in some areas.²¹

In time, sufficient computer processing power will allow companies or countries to create the equivalent of billions of PhD-level researchers, potentially allowing the West to level the playing field against China's annual phalanx of STEM graduates.

The possibility of a sizeable labour market shock this decade is clear as 'agentic'²² AI – systems which can take action autonomously – proliferate. Especially for hitherto high-earning white collar workers in finance, law, PR etc and the services they support.

It took generations for the first industrial revolution to empty the farms – long enough for society to adjust. This time, some adjustments could occur in half a generation. And, when it's the revolutionary bourgeoisie – keepers of the sacred flame of luxury beliefs – who find themselves on the wrong side of history, you can expect serious fallout.

In Goethe's version of *Der Zauberlehrling* (The Sorcerer's Apprentice), a young apprentice decides to enchant a broom after his master has left the workshop. Unable to control it, the apprentice takes an axe and

chops it in half. Rather than stopping the broom's antics, the apprentice is rewarded with double trouble and is only bailed out by the return of his master.

Who will bail out governments that are already finding the existing rate of change too hot to handle?

WORLDORDER.AI

For Big Tech and markets, social and economic order, AI is already shaking snow globes. World order is next.

In *Genesis*, Henry Kissinger, Eric Schmidt and Craig Mundie explore some of the epochal challenges which the arrival of AI brings, including for geopolitics.²³ They warn that the revolution is unfurling faster than our current architecture can manage: 'The advent of artificial intelligence is...a question of human survival... AI's future faculties, operating at inhuman speeds, will render traditional regulation useless. We will need a fundamentally new form of control.'

Victory in the first industrial revolution gave the West three centuries of supremacy. Possession of the most advanced superintelligence could entrench advantage indefinitely, creating an obvious incentive to 'win' the quest for the first artificial general intelligence.

“Victory in the first industrial revolution gave the West three centuries of supremacy. Possession of the most advanced superintelligence could entrench advantage indefinitely.”

²¹ OpenAI

²² This is my guess for 2025 word of the year

²³ Kissinger, Schmidt, Mundie (2024), *Genesis*

As the stakes rise, we may see Manhattan-style projects, reflecting that ownership of tier one AI is akin in its geopolitical effect to possession of the atomic bomb. As with nuclear programmes, advanced AI brings destabilising incentives to conceal progress – or strike others pre-emptively. Meanwhile, AI-enabled weaponry risks rendering swathes of existing capabilities obsolescent overnight.

And we may just have seen a Sputnik moment for the US.

Chinese firm DeepSeek's latest AI model 3 reportedly performs similarly to market-leading Anthropic's Claude 3.5. The difference? Allegedly, it took just \$6 million to train DeepSeek's model – many times less than Meta's Llama 3 and Claude 3.5.²⁴ If true, this could threaten market AI darlings and US AI leadership.

Paradoxically, however, cheaper distributed AI, robotics and energy revolutions could, over time, knee-cap China's key advantage as centre of global industry by making re-localisation possible. Revolutions eat their own children.

Lastly, AI will drive more than a simple shuffling of the sovereign state card deck. Companies at ease with new tech may assume a fresh dominance, perhaps overwhelming some states entirely, as they did in the first ages of discovery and revolution before states reined them in again.

Empires and nimbler city states – both older and longer-lasting forms of human government than the post-Westphalian system of sovereign nation states – are also due a comeback.

The tech war, therefore, has only just begun.



PART III GUNS, BUTTER AND CHIPS

As we move further into the guns (defence), butter (public entitlements for ageing populations) and chips (AI) era, governments, their policy reaction functions and economic upheaval driven by waves of new tech will become more important determinants of the macro cycle – for inflation, volatility, labour markets, capex etc.

But where is all the money going to come from to pay for the investments to cope with these revolutions – from rebuilding the industrial base and uprating the grid to cope with AI and the electrification of everything to the costs of ageing and rearmament?

European leaders are acting like ostriches with their collective heads in the sand. Fiscal frameworks – and market tolerance – are already near breaking point. And Trump's new NATO spending target hasn't landed yet.

Even if DOGE delivers miraculous savings, the authorities are still likely to have to employ financial repression longer term: keeping the cost of debt below the expansion of nominal GDP.

Gold's spectacular outperformance against government bonds is a canary in the coal mine. Central banks are already to some degree prisoners of their own excessively easy policies after the global financial crisis and during the pandemic. With debt to GDP over 100% in the US and elsewhere, government bond markets are much more vulnerable to tighter policy, limiting central bank room for manoeuvre. That's before politicians have applied any pressure, as Trump surely will with the Federal Reserve.

Investor David Dredge dubs this growing competition for global capital the 'hunger games'. Things will get hungrier still if the Bank of Japan continues raising yen interest rates, cutting off the last big source of cheap global funding as the Saudis run ever-larger deficits to fund ambitious mega-projects and the Germans revise their debt brake – to say nothing of China, let alone continuing quantitative tightening.

Governments will likely look increasingly to national capital pools to fund strategic priorities. Your savings may not be interested in government priorities, but government priorities are increasingly interested in your savings.

Tech may fill part of the gap for America via rapid growth in USD-backed stablecoins – digital eurodollars – fulfilling insatiable global demand for a liquid international currency. Dollarised stablecoins are now significant holders of US Treasuries. This would suit Team Trump, who want to maintain or expand global dollar usage even as they want its value lower.

But, given inflation risk, high issuance and sputtering economies risking doom loops of growth-suffocating tax rises and currency weakness (see the UK), bonds will remain a flaky friend. In 2024, US bonds lost

“In this revolutionary era, one area of activity remains notably orthodox: portfolio management.”

money for a fourth consecutive year. So much for 'safe haven' asset.

THE MISSING REVOLUTION

In this revolutionary era, one area of activity remains notably orthodox: portfolio management.

Despite fatter tails including elevated geopolitical and inflation risk, many investors still rely on the negative correlation between bonds and equities which dominated the disinflationary post-Cold War I era.

The key risk is positive correlation – the possibility that all your investments could fall together. And power laws are the critical market dynamic – it's the outliers that make a difference. So, investors need genuine offsets to provide resilience in all weathers.

GOING BANANAS

That's more relevant than ever.

'Move fast and break things' does not sit easily with the frothy market backdrop.

The combination of a tech boom, abundant energy and easier credit – Trump's wish list – has bullish analogies: the 1920s and 1990s. Bullish until 1929 and 2000, anyway!

AI-fever plus massive US government stimulus has helped drive a record-breaking two-year run, leaving US market multiples historically elevated and pricing a glass full version of Trump and DOGE. You might even say things have gone a little bananas.

A crypto investor recently paid \$6.2 million for a banana duct-taped to a wall ('art'). And ate it. Frothy. Perhaps it's time to split?

The risks are plentiful: rising public debt ratios and unsustainable deficits, shadow banking risks (could these be crystallised by a massive natural disaster?), growing credit defaults and still-glowing inflationary embers, not to mention geopolitics or the gravitational force of positive real interest rates. 'If something cannot go on forever, it will stop.'²⁵

Perhaps the biggest and most overlooked risk to the entire Trump-DOGE project therefore is the market itself. A large banana skin in a hyper-financialised era, which could incinerate Trump's political capital in a crash.

Consider the paradoxical risks. If DOGE shrinks the federal government deficit dramatically, that's great long term. But short term, unemployment likely will rise, growth will slow, and corporate profits will fall. Not good for equities. A recession would likely increase the deficit, perhaps with greater currency and bond market volatility. If DOGE gets the sequencing wrong – and market-unfriendly things are politically easier to do first – investors could pay a steep price.

How much of that is the Trump camp up for?

Meanwhile, any deals which unlock a weaker dollar and faster growth outside the US – a Mar-a-Lago accord, a Ukraine peace deal, a China 'deal of the century' – or even just US pressure which persuades Europe and China to stimulate domestic demand meaningfully – could undermine American exceptionalism, especially of asset price valuations.

WHAT IS TO BE DONE?

At Ruffer, we have always advocated a total portfolio approach. This eschews benchmarks in favour of outcomes, increasing flexibility.

Why stay anchored to an offset just because it worked for a generation? Bar gold, there are no immortal offsets or growth assets. Price and context reign.

Systems survive and thrive when they are flexible – this is the key to anti-fragility.²⁶

Trump's return has materially expanded the range of potential outcomes, fattening both bullish and bearish tails of the distribution and compounding the effects of the dual revolution. In the near term, deals and sequencing matter, with perhaps counter-intuitive results.

But we shouldn't overstate what one administration can do in an age of tectonic shifts which simultaneously increase and limit room for manoeuvre. So keep eyes on structural prizes. The defence bull market will continue, skewed towards new tech systems and 'affordable mass' as surveillance capitalism eats the battlefield, creating insatiable demand for low latency sensors, lasers and lenses. Cheaper embodied AI means vast real world adoption opportunities including robotics – humanoid robots promise one of the biggest bonanzas of all time – and healthcare. AI and the electrification of everything will encourage continuing investment into the grid, nuclear and natural gas. Gold and silver remain vital hedges against inflation and contested global political and monetary order, plus a play on solar growth in silver's case. Derivatives provide hedges for those moments of higher positive correlation.

ALPHA @ OMEGA

It's all to play for. The stakes couldn't be higher. The good news is that – deal or no deal – there are plenty of ways to find alpha at omega. ●

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