eGrow 9th March 2018

What the recent market tremor reminded me

So…how many clients rang me with concerns about the great stock market tremor of 2018… one!

That person was a new client, anxious that his funds (which had just been rolled over to a new investment/administration platform) were sitting 100% in cash as markets were in correction. His question – would it be better to remain in cash for the time being?

Our ensuing conversation reminded me that 'snapshot' moments in medium to long term investing are misleading representations of the overall. They are not a valid basis for decision making. In fact, they are on parallel with a doctor taking a patient's blood pressure once and recommending a heart transplant!

A far better approach is to understand the performance of your portfolio over a series of quarters, if not years.

Investment markets are for the most part (despite the distinct lack of volatility for much of 2017) incredibly volatile on a moment by moment basis – but when averaged out over say, 10, 20 or 30 + years (especially for long term investments, like super) the average return on share investments has been **much, much** better than 7% pa – and this includes some high 'highs' and low 'lows'.

Incidentally (and as you would expect from the foregoing comments) my advice to our concerned client was to proceed to implement his investment allocation IN FULL (as per our recommendations provided in December 2017) despite the current market falls. In addition to gaining the reassurance he sought, the market correction also meant that his investment units were purchased at a discount to the prices which would have applied in the previous 2 months!

Despite headlines shouting "$30B lost!" this was my only phone call.

I put this down to the ongoing adviser/client conversations we continue to have – conversations which are based on sharing my understanding of the vagaries of the investment markets and their legislative frameworks with you, and **the importance of maintaining a long-term view**.

This is in line with my personal investment philosophy and the way I approach my family's financial future. It is a view which I share consistently with friends, acquaintances and clients alike, and those of you who know me well will know that I am committed to this process (to the point that I am completely comfortable sharing my own financials to demonstrate that I believe in what I recommend. In other words; not only do I 'talk the talk', I also 'walk the walk'.)

Some other thoughts:

- Superannuation is a long term asset – one which will still be funding a lifestyle in another 30 years. Quick (and massive) movements have ALWAYS been, and will continue to be, a feature of financial markets. The key is to view the medium to long term, and ignore the knee jerk reactions.

- ALWAYS ignore the 'noise' during corrections.A month ago the headlines were screaming about the billions "wiped off the market". Yet the silence was deafening in the weeks that followed when markets recovered most of those "losses"!

- There is a real advantage in ALWAYS maintaining a cash ("Marinis") buffer to mitigate the possibility of having to sell assets at fire sale prices – as many discovered during the GFC. Holding a "Marinis" buffer may also provide some 'dry ammunition' for bargain buying investments in the event of a significant 'earthquake'.

- Successful long-term (contrarian) investors often make such asset allocation decisions – in direct contrast to most other investors. For example, by often BUYING growth assets when market sentiment is negative and SELLING some growth assets when markets are booming.

- Investing is long term and we should NOT speculate. My advice: "Be the casino, not the gambler". (It is interesting that the Adelaide Casino promotes the fact that it returns 93 cents in every dollar… so you 'only' lose seven cents in every dollar to the house…. obviously, therefore, who is making money)….

- Bear in mind too, that the 'house' does sometimes lose in the short term, but it always wins in the long term, as it plays the percentages and sticks to the LONG-TERM strategy.

  For example, (although lacking in casino experience as a player) I do know that the dealer in blackjack does not "draw on 14". Therefore, even if ALL the punters are still in the game and ALL have more than 14 in front of them, the dealer MUST pay them ALL out, rather than gamble and draw again.

  This is because the casino is willing to take a short term hit in the knowledge that they will WIN in the long term!

And one more thing:

I thought you might be interested in some of the recent media releases I have distributed to various outlets around Australia plus my most recent correspondence to Canberra – just click here. I always load my media articles etc on my website, so if you are ever interested in what I am up to, feel free to check out www.marinisgroup.com.au

Kind Regards,

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