ICM MINUTES, MAY 2019

This document reflects the discussions held at the Town Close Financial Planning Investment Committee Meeting which took place on 7th May 2019

This quarterly ICM was a catch up on the current economic and political picture. And confirming when/how future portfolio changes might arise.

We made wholesale changes to our investment strategy recently which we expect to be appropriate for the foreseeable future. Or, to put it another way, if we were chopping and changing every three months that should concern you, and us.

If we think of your investment strategy as the ocean, we should pay next to no attention to the frothy white waves on the surface (which equates to the screaming headlines and talking heads filling time and space) and much more to the swell and tides deep below the surface; it's those that will really affect our progress.

All of which is a very long-winded way of saying there are no changes resulting from the May 2019 ICM.

So what did we talk about?

Next big move for the portfolio will be when something happens. But we don't know what that something will be.

And that something needs to be chunky; we're completely "meh" to 10% movements, they are entirely to be expected and will occur frequently. We start to pay attention with rapid 20% changes, trying to ascertain the whys and wherefores. But, once we get to 30% changes in either direction, when the blood starts flowing or the adrenalin pumping, good value (cheap) investments should start to abound.

The "something" will either be completely out of leftfield and give us no time to react, in which case the best we can do is to adjust and ride the wave to the next, inevitable, peak.

Or events will unfold over time that make it screamingly obvious that we are somewhere near a peak and it's better to miss out on the last 5% or so and avoid a chunk of the downturn than take all the up and all the down.

The current noise seems to revolve around this line crossing that and CAPE ratios, etc. That might lead us to believe a storm is brewing that will drag investments way down, but we just can't see it. In the main, that's because two absolutely crucial factors are missing.

First, there is no mass hysteria, no "**BUY, BUY, BUY"** is going on, there is no euphoria, no-one is telling you that this time it's different (I'm thinking 1987, 1999 and 2007).

Second, private investor money continues to leave the stockmarket on average each month, this is linked to the first point – every man and their dog are **NOT** piling in.

A good chunk of the, now 10-year, recovery can be attributed to companies buying back their own shares, something that should prove beneficial for those of us happy to stick with what we have and wait. The annual dividends of all those big, successful, profitable companies are now shared amongst fewer shares and shareholders.

Don't get me wrong, investments aren't cheap, but they are not expensive either, which is why the portfolio is set at neutral. But it's fair to say that our best guess would be that the next portfolio move would be defensive rather than aggressive. Maybe.

After that, we talked about some technical stuff that lead to no new thinking, so I won't bore you with it.

Then, inevitably, we arrived at Brexit and Trump and the US/China trade talks. Along with most of the rest of the world, we're now thoroughly bored with both topics. They are merely pimples on the massive, well-muscled rump of free markets and economic progress.

The time would have been better spent trying to guess the royal baby's name. No-one would have guessed Archie Harrison!

And so, with nothing to go on, there's nothing to make investment strategy out of. If we did, it would be akin to speculation, trying to guess which way things will go on a hunch.

Future changes

Our regional exposure is now, more or less static. The majority of holdings are cap weighted in a globally diverse portfolio – we're grabbing as much global growth as we can (the well-muscled rump). That means that future portfolio changes will result from conversations around:

- more or less equities and/or
- more or less emerging markets and/or
- more or less smaller companies.

There's plenty of flexibility, simplicity and low, low costs in this approach. That's three wins for our clients.

It also means we don't have to be bothered with spending hours (pointlessly) debating whether or not (for example) we should be over or underweight Japan or Germany, or Peru for that matter. All in the hope of squeezing out an extra 0.05% return which has cost you 0.1% in additional manpower to obtain.

We took "the temperature" of the markets and, as indicated above, found them to be neither too hot nor too cold.

And that was the meeting, the next will be in August, but don't expect too much to come from that either. ENDS.