



# Investment Insight

Friday, 3 November 2017

**“The cheque is in the post” and other great lies.** Robin Angus has been writing to investors in the Personal Assets Trust for 25 years. The trust has a strong performance track record and pursues a long-term approach to investing that is assiduously focused on protecting investors against the risk of permanent capital loss. In his latest missive, Robin compiles a 10-strong list of “great investment lies”. While some are more relevant to participants in the investment management industry than they are to investors, they make interesting reading. In this week’s **Inside Track** we look at extracts from the first five on Robin’s list, with the second five to follow next week.

**Faraway, so close.** While US manufacturing is rebounding back to cycle highs, Mexico’s manufacturing economy has recently collapsed into contraction for the first time in four years. In beleaguered Mexico’s case, it might be tempting to point the finger at Trumponomics; this may be a factor but it’s far from the only one. In **Pic of the Week** we delve deeper into the contrasting US and Mexican economic fortunes.

### Quoted...

“It does not mean that the pound here in Britain, in your pocket or purse or in your bank, has been devalued.” – **Harold Wilson, following the 1967 sterling devaluation**

### The Inside Track

“As long as the music is still playing, you’ve got to get up and dance. We’re still dancing.” Words spoken in July 2007 by Chuck Prince, Chairman and CEO of Citigroup and words characterised by Personal Assets Trust director Robin Angus as “one of the great lies of the investment world”. Here are extracts from the first five in Robin’s recent compilation of ten other “great investment lies”.

#### 1. The point of investing is to beat an index.

If you spent all your time reading investment company reports you might be forgiven for thinking that the point of investing was to beat an index. Nearly every investment fund has a benchmark or comparator (even Personal Assets, although we’d be happy not to) and funds’ own reports often focus on performance relative to their benchmark. But to quote Bobby White, formerly Chairman of Personal Assets, ‘Good relative performance does not necessarily buy the groceries.’ If a fund sets out to preserve the value of capital and then, if possible, to make it grow, an investor would have every excuse for being as sick as the proverbial parrot if the All-Share fell by 30% and the fund’s net asset value fell by only 25%.

#### 2. The point of investing is to beat your competitors.

The second of my great investment lies is closely related to the first...If an investment fund does what it says on the tin, that’s what matters. If it delivers more than it promises, then that’s fine – but not if the fund, in attempting to over-deliver, takes more risks than it said it would.

#### 3. The point of investing is to make your money grow as much as possible.

No, it isn’t. Risk comes into it too. Every investor has a different degree of tolerance of risk, and a level of risk which one investor would be happy to accept would be much too great for another.

#### 4. Total return is the only fair way of measuring performance.

Total return is one valid way of measuring performance, but it’s less useful to private investors than to institutional investors. Private investors are not homogeneous. They have very different aims, tolerances of risk and tax positions...Total return would be the universally best measure of performance only if all investors held their investments for exactly the same reasons. But they don’t.

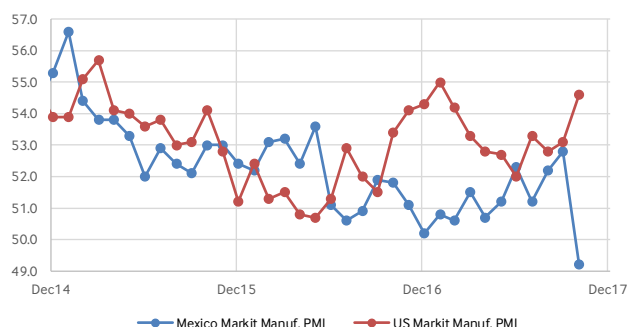
#### 5. Past performance is no guide to the future.

To adapt the old chestnut, there are three great lies in life: the cheque is in the post; I’m from the Government and I’m here to help you; and past performance is no guide to the future. A moment’s thought shows you how silly the last statement is. Were it true, we could abolish examinations, references and almost every other means of distinguishing between the options open to us. Past performance is not a perfect guide to the future, but it’s the only one we’ve got and it can give us useful information. Do we want to invest in small companies? Then we go for proven small company managers. Do we want yield? Then we go for income managers with good track records. And so on.

### Pic of the Week

The contrasting fortunes of neighbouring US and Mexican economies are highlighted in the latest PMI manufacturing survey data. While Trump’s protectionist economic policies haven’t helped the Mexican economy, it has also suffered extensively from recent earthquakes, substantial currency volatility, higher inflation and falling employment. As the chart illustrates, in the US natural disasters like floods, hurricanes, and wildfires appear to be largely shrugged off from an economic perspective, but in Mexico they have had a much more profound affect.

US & Mexican Manufacturing PMIs



### Market View

	Last 7 days	Last 12 mths	YTD	5Y Ann.
Global equities	+1.0%	+22.1%	+15.3%	+10.6%
US equities	+0.6%	+22.7%	+15.0%	+12.7%
European equities	+1.4%	+19.4%	+9.4%	+7.2%
EM equities	+1.9%	+26.8%	+30.9%	+2.4%
Irish equities	+1.5%	+17.7%	+6.7%	+16.0%
Commodities	+0.8%	-1.6%	-1.0%	-9.2%
Hedge funds	+0.4%	+7.0%	+5.2%	+2.2%

Economic indicators	Bond yields	Inflation	GDP YoY
Ireland	+0.6%	+0.2%	+5.8%
Germany	+0.4%	+1.6%	+2.1%
USA	+2.4%	+2.2%	+2.3%
China	+3.9%	+1.6%	+6.8%

Currencies	Current	YTD Δ
EUR:USD	1.17	+10.9%
EUR:GBP	0.89	+4.6%
EUR:CNY	7.72	+5.1%
GBP:USD	1.31	+5.9%
Bitcoin	7,044.25	+639.9%

### Week ahead: Key events

06/11 Global Services PMI  
07/11 Eurozone Retail PMI & Germany Industrial production  
08/11 US Mortgage Applications  
09/11 UK House Price Data  
09/11 US Initial Jobless Claims & Consumer Comfort Index  
10/11 UK Trade Data  
10/11 US university of Michigan Consumer Survey Data

<b>Commodities</b>	<i>Current</i>	<i>YTD Δ</i>
Gold	1,275.97	+10.7%
Copper	6,898.75	+24.9%
Oil	60.41	+3.0%
Wheat	422.50	-9.1%

<b>Central Bank rates</b>	<i>Current</i>
Eurozone	0.00%
USA	1.25%
UK	0.50%

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