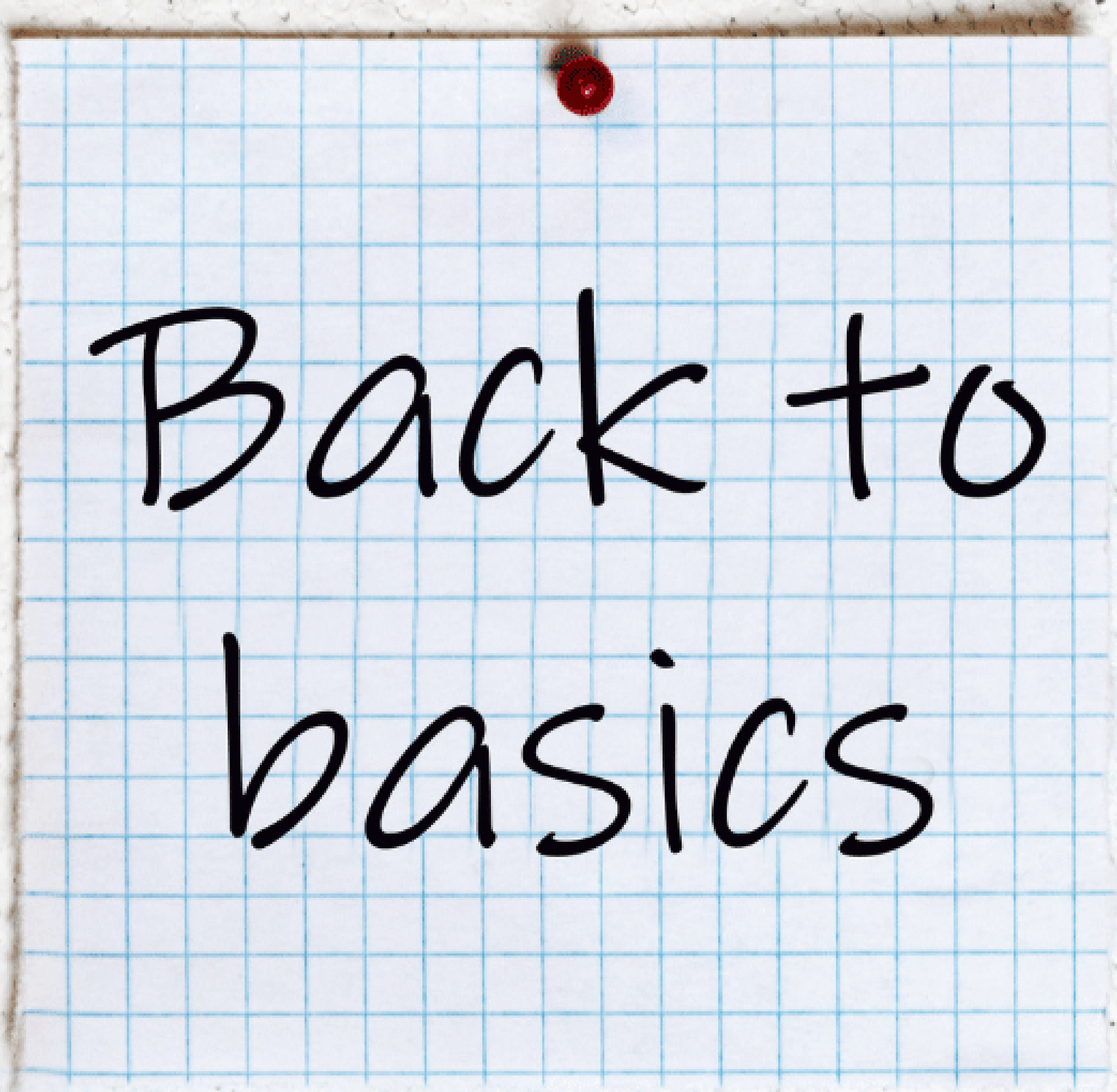
DECEMBER 2023

THE TRADE PRESS

The Federation of European Independent Financial Advisers



See pages 6/7

Back to basics

TAM Europe Asset Management explains.

Some of you may be familiar with 'Angus the Monkey,' or rather 'H'Angus the Monkey' – which is a pun on the word hang and the name Angus and is derived from the monkey hanger legend of Hartlepool. Even to this day, people from Hartlepool are affectionately known as 'monkey hangers,' but why?

Well, legend has it that during the Napoleonic Wars of the early 19th century, a shipwrecked monkey was hanged by locals who believed him to be a cunning French spy!

A French ship was spotted floundering and sinking off the Hartlepool coast. Suspicious of enemy ships and nervous of possible invasion, the good folk of Hartlepool rushed down to the beach. Among the wreckage, they discovered the lone survivor: the ship's monkey, impeccably dressed in a miniature military-style uniform.

Hartlepool is quite a distance from France, and most of the residents had never encountered or even glimpsed a Frenchman. Given that satirical cartoons of the era often depicted the French as monkey-like creatures with tails and claws, it is plausible that the locals, upon finding the monkey in a uniform, concluded it must be a Frenchman and, moreover, a French spy!

Now, you might wonder, what does this whimsical tale have to do with our esteemed FEIFA Trade Press readers?

Well, in 2002, in a most controversial move, the people of Hartlepool decided to elect a Mr Stuart Drummond to the newly created role of Executive Mayor of Hartlepool, which was a step up from his role as mascot H'Angus the Monkey for the local football club! He stood as an independent outsider against the established parties and due to his popularity, was re-elected in 2006 and 2009! In short, the town struck lucky by choosing a person with no political track record.

Now, the legend of H'Angus the Monkey and Mr Drummond's story reminded me of a recent conversation with a potential client who had previously invested in a single fund and done very well with it considering recent markets generally. Now, whilst getting lucky with one fund is great and is also a small part of investment management, this point might be argued, but ultimately, unless a fund manager is buying a fix return asset, they never really know how much return they will get, and a little luck is always appreciated.

Given the considerations mentioned, it seems unlikely that any professional investor, upon reading this, would entrust a client's money to a single asset. While the natural analogy might be to liken portfolios to political cabinets, I would prefer to steer clear of this comparison due to the sensitive nature of modern political opinions.

Instead, let us consider a scenario involving a board of directors. The primary purpose of such a structure is to enhance decision-making stability. Although smaller companies can function effectively with single-person or small-tier management, the significance of adopting a "more than one head" approach becomes not only good practice but vital when making decisions that impact thousands of people daily.

Much in the same way that on many occasions, it is not just about how good the team are, but simply having a team working on a client's investment is already a huge safety net.

A board of executives with experience in the industry is a perfect sounding board when it comes to industry problems, difficult situations, business strategy or even just simple day to day decisions as hiring or firing. These are all best seen through multiple lenses to get the crispest image available. Similarly, the importance lies not only in the individual skills of team members but in the collective strength of having a team dedicated to managing a client's investment. A board of executives, bringing industry experience, acts as an invaluable sounding board for addressing industry challenges, navigating difficult situations, formulating business strategy, and even making routine decisions such as hiring or firing. Viewing these aspects through multiple perspectives ensures a clearer and more comprehensive understanding.

When an investment is sat with a team of professionals that dedicate their entire working day to a given subject, they might not be the best but over the long term, it will outperform one part time every time and it diminishes the reliance on that bit of luck we are all so grateful to have on occasion.

In conclusion, the tale of H'Angus the Monkey, while entertaining, serves as a metaphor for the importance of diversification in investments. The story underscores the risks of relying on a single asset, emphasizing the need for a well-rounded approach, much like the diverse team that governs a town or sits on a board of directors. The narrative encourages a shift from placing all investments in one basket to adopting a team-oriented strategy for better decision-making and a more robust safety net. TAM Europe, with its experience across various markets, stands as a valuable asset in constructing diversified client portfolios.

For more information, please contact
tom.worthington@tameurope.com

Q3 summarised

By Pacific Asset Management.

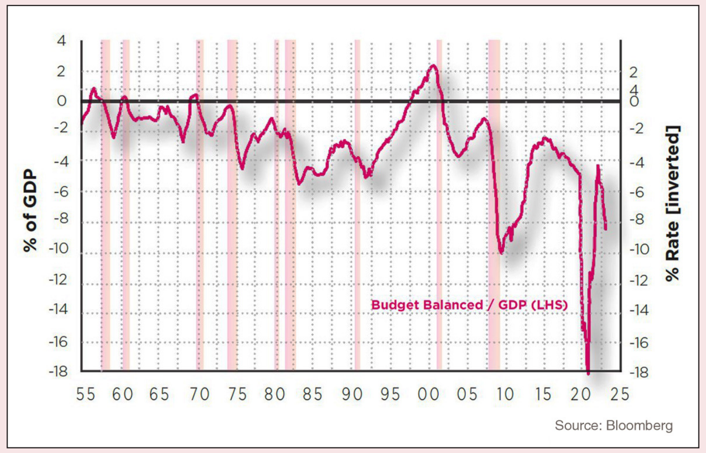
Central banks are signalling that the end of interest rate hikes is in sight, but once we reach the top it will be like scaling Table Mountain - we won't be heading down any time soon.

It has been nearly two years since the major developed central banks started raising interest rates. In a breathless ascent, rates have increased from the lowest in human history to levels last seen in the mid-2000s. The rate hiking cycle in the US has been the fastest since the early 1980s when Volker was stomping on the last flames of the inflation bonfire that one of his predecessors, Athur Burns, had allowed to get out of control in the 1970s. This time round, none of the central bankers want to be remembered for failing to push rates high enough, for long enough, to bring inflation back under control. So, they are threatening to keep interest rates at restrictive levels for long enough to smother this latest inflation wildfire.

Whilst interest rates may be close to peaking, removing one stress from the minds of market participants, the bond market is anything but calm. Central banks' bond buying programs kept bond yields low, but this era is over. Governments are issuing large amounts of bonds to finance spending, and investors are demanding higher yields. Central banks are committed to keeping interest rates high, which is another factor driving up bond yields.

What are the implications for investors?

- Bond investors should be prepared for falling bond prices in the short term, but they can expect to be better rewarded for their risks in the long term.
- Equity investors should be aware that stocks and bonds could move in unison, so it is important to have assets in their portfolio that are uncorrelated to both.



Continued on page 9