

## Feature Article

Welcome to this latest edition of our newsletter!

*Welcome to this latest edition of our newsletter. In our first article this month, we give you our perspective on an old parable about a discussion between a Mexican fisherman and an American businessman. We then share some thoughts with you about the various factors that can impact your investments, over which you have some control. Finally, there is our usual mix of content that we found on the web that we think will be of interest to you.*

*Best wishes!*

## Main Articles

### Lessons from a Mexican Fisherman

*We'd like to share a story with you that originated back in 1963 when published by the German writer, Heinrich Böll. It's a very short story, but perfectly captures one of the key messages that we stress with our clients. The message is that while the amount of money you have or build up for the future is important, it is far more important to know the life that you want to lead and to have enough money to live that life.*



We'd like to share a story with you that originated back in 1963 when published by the German writer, Heinrich Böll. It's a very short story, but perfectly captures one of the key messages that we stress with our clients.

The message is that while the amount of money you have or build up for the future is important, it is far more important to know the life that you want to lead and to have enough money to live that life. Otherwise, what's the "right" amount of money to have, how much is "enough" for you? Is it €500,000, €5 million or €50 million? These are simply numbers.

Instead, it is far better to identify the life that you want lead – where you want to live, how long you want to work for, what you want to be able to do and buy in the future and how much money you want to be able to give / leave to loved ones. Once you are clear on these important life choices, we can then help you put a price on this life that you want. That is the right amount of money for you, as that is enough to do everything that you want.

See below – the Mexican fisherman is very clear about how much is "enough".

#### **"The Mexican Fisherman"**

An American investment banker was at the pier of a small coastal Mexican village when a small boat with just one fisherman docked. Inside the small boat were several large fin tuna. The American complimented the Mexican on the quality of his fish and asked how long it took to catch them.

The Mexican replied, *"Only a little while."*

The American then asked why he didn't stay out longer and catch more fish.

The Mexican said he had enough to support his family's immediate needs.

The American then asked, *"But what do you do with the rest of your time?"*

The Mexican fisherman said, *"I sleep late, fish a little, play with my children, take siesta with my wife, Maria, stroll into the village each evening where I sip wine and play guitar with my amigos. I have a full and*

busy life.”

The American scoffed. *“I am a Harvard MBA and could help you. You should spend more time fishing and with the proceeds, buy a bigger boat, and with the proceeds from the bigger boat, you could buy several boats. Eventually, you would have a fleet of fishing boats. Instead of selling your catch to a middleman, you would sell directly to the processor, eventually opening your own cannery. You would control the product, processing, and distribution. You would need to leave this small coastal fishing village and move to Mexico City, then LA and eventually NYC, where you will run your expanding enterprise.”*

The Mexican fisherman asked, *“But how long will this take?”*

To which the American replied, *“Fifteen to twenty years.”*

*“But what then?”*

The American laughed and said that’s the best part. *“When the time is right, you would announce an IPO and sell your company stock to the public and become very rich; you would make millions.”*

*“Millions?”* asked the fisherman. *“Then what?”*

The American said, *“Then you would retire. Move to a small coastal fishing village where you would sleep late, fish a little, play with your kids, take siesta with your wife, stroll to the village in the evening, sip wine, and play guitar with your amigos!”*

Now we’re not suggesting that everyone gives up work and goes fishing! After all, the Mexican fisherman doesn’t have much of a safety net here in case anything goes wrong – what if he gets sick or his boat sinks or what happens when he gets too old to go fishing? But his starting point is good, he knows the life he wants.

This is what we want for you. We want to help you to identify the life that you want and to then put a plan in place to ensure you achieve it, under all scenarios.

What does your future life look like?

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## What factors impact your investment returns?

*Well there is no exhaustive list for this one – we’re going to set out the factors that we see as potentially having the biggest impacts, **focusing on the factors that you have some control over** – either yourself or more likely with some assistance from us.*



Well there is no exhaustive list for this one – there really are so many potential factors that can influence your investment returns. When you ask a professional investor, they will often jump to factors such as the economy, sentiment and interest rates. All very relevant factors.

Some factors of course have bigger impacts than others. So, we’re going to set out below the factors that we see as potentially having the biggest impacts, **focusing on the factors that you have some control over** – either yourself or more likely with some assistance from us.

This is not an exhaustive list and these factors are not necessarily in order, however we’ll start with the factor that (maybe surprisingly to you) tends to have the biggest impact on investor returns.

### Investor Behaviour

Are you surprised by this one? This factor definitely has the single biggest impact on investment performance. How many investors around the world panicked at the end of last year after the S&P 500 index fell 14% in the last quarter of 2018, and moved their portfolios to “safer ground”? Thousands if not millions of investors did – and they all then missed the 11% bounce in the first 2 months of 2019.

We see this all the time... fear in falling markets and people selling as assets get cheaper, and greed in rising markets with investors then piling in and buying expensive assets. The key is to have a clear investment strategy... and to then stick to it.

### Time

Time impacts investments in a number of ways. First of all, the earlier you can start investing allows the magic of compounding of investment returns to get to work. The longer you then invest allows this compounding to really deliver over time. This is one of the big reasons why we encourage people to take a medium to long timeframe with their investments. Also markets can be quite volatile over short periods of time, so investments held for longer periods tend to exhibit lower volatility than those held for shorter periods – another advantage of longer term investing.

Finally you will often hear us say that trying to guess the best time to either enter or exit markets is folly – none of us have a crystal ball. The key is to have a structured plan for your investments, and to then stick to the plan.

### **Asset Allocation**

The choices that are made between different asset classes can have a significant impact on your investment – whether you are invested in equities, property, bonds or cash etc. or how much you should have in each of these asset classes. After all, the greatest stock selector in the world will have little impact on your investment returns if only 10% of your money is in equities... Asset allocation is an important driver of investment returns, and is a factor that we spend a lot of time considering when building investment portfolios.

### **Stock Selection**

“Star” fund managers get a lot of media attention, but their impact in reality on the returns of investors is actually relatively small. Yes they can positively impact the return on a portfolio, but this impact is quite a bit lower than most of the other factors that are mentioned. Out-performance in stock selection is also a hard one to anticipate as past performance is not a guide to future performance. Just because one investment house outperformed in recent years is not very meaningful... Understanding an investment manager’s philosophy and strategy is a far better guide than recent performance when choosing a fund manager.

### **Investment Costs & Tax**

There are a number of factors that create a drag on investment returns that must be managed carefully. You should be satisfied that you are minimising the potential tax impact on your investments, and that any charges and expenses applied to your investment are competitive. Costs matter – you must ensure that you are receiving value for these costs. We are always happy to chat though the charges that apply to any investments, and also the different tax strategies that can potentially be deployed.

These are just some of the factors that will impact the returns on your investments, and over which you have some control. We will always look to bring your focus back to the plan – what you are trying to achieve, the investment strategy put in place to get you there and to keep you focused on that. This is the best way to grow your investments and to minimise any negative impacts.

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## Correction or bear? 6 charts that explain market declines

*Don't just react to market declines. Stick to the plan...*

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## How the Stock Market Works

*A useful guide for any novice investors...*

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## Budgeting tips from a family of four: 'My approach to money has drastically changed'

*Looking to cut expenses and save money on household bills?*

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## When I'm 65: five ways you'll benefit

*So what's the upside of turning 65 and above?*

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## Check stamp of approval when investing or borrowing money

*Dealing with an unregulated firm or product could leave you with nowhere to turn to if things go wrong.*

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## The Pros and Cons of Paying Off Your Debt Early

*If you have some spare cash, should you pay off debt or invest? This is one view...*

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