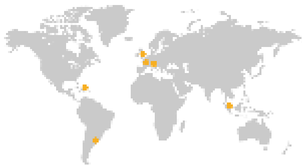

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Shall I compare thee to a summer's day?

The UK has enjoyed any number of early summer days so far this year, and despite the gloom that pervades domestic politics, both the weather and the stockmarket have had a flying start to 2019. Looking back to the end of December, there were not many market pundits suggesting that the first quarter would be witness to such an impressive market rally.

These unexpected turnarounds in markets make the job of comparing portfolio performance that much harder. Investors, quite rightly, wish to know that their portfolio is in safe hands and is generally keeping up with the pack.

But who or what is the pack, and over what period is it realistic and sensible to form an opinion about how one is doing?

"But who or what is the pack...?"

Firms such as Asset Risk Consultants ('ARC') have done a sterling job to create peer group averages in the private client space, and most of the mainstream investment managers and their advisers, including us, subscribe in one manner or another to their services.

"...indices can be a poor reflection of reality."

However, despite the advent of peer group comparison, we all know that the financial press tends to focus much more on high profile, mainstream market indices to tell us what is going on; these are what grab the headline attention. But we also know that these indices can be a poor reflection of reality.

Take the UK's FTSE 100 Index: widely trumpeted on a daily basis to indicate the behaviour of the UK market, but hugely dominated by just five companies that represent over 30% of the index by market capitalisation, therefore having a big influence on its daily movement, and swayed these days much more by the pound/US dollar exchange rate than anything going on in the UK economy.

The S&P 500 Index in the US is little better: once again in new all-time high territory last week, the much-publicised performance of the so called FAANG stocks (Facebook, Apple, Amazon, Netflix, Google) when compared to the index as a whole, highlights the disparity within the index and within individual sectors.

The average return of these five technology companies since the beginning of 2018 is just over 30%, in contrast to a more down to earth 10% return for the index.

So, over what period is it sensible to form a judgement of performance? Our style, and indeed that of nearly all our underlying third-party fund managers, would suggest that performance must be realistically judged over periods of five years or more.

"So, over what period is it sensible to form a judgement of performance?"

There is simply no sense in creating a long-term portfolio that is designed to survive some occasional bouts of shorter-term turbulence in pursuit of the longer-term goal, only then to determine its success or failure over much shorter periods.

Books have been written about the secrets of success of famous investors, but the invariable common denominator is a very long-term approach. It is not for nothing that Warren Buffet said that his preferred holding period is "forever." The money entrusted to us, almost to the last penny, cent, euro or Swiss franc, is long term in nature. This, therefore, is how we manage your money.

Incidentally, William Shakespeare demonstrated some uncanny foresight in predicting the woes that beset the United Kingdom. His love-sick summer sonnet goes on:

"Rough winds do shake the darling buds of May,
And summer's lease hath all too short a date."

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