



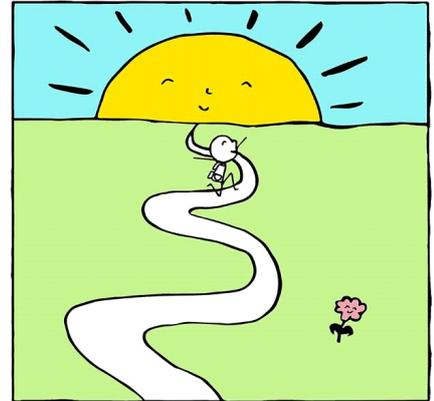
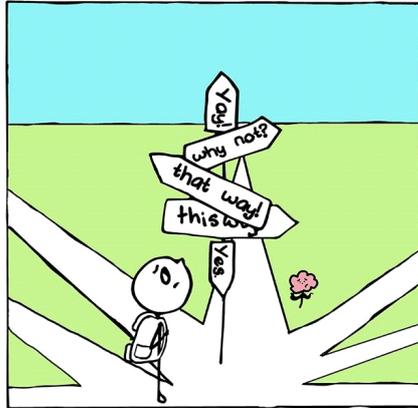
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MVAM Newsletter

'When Choosing The Default Option Becomes The Wrong Option'

February 2019

Having a choice isn't freedom...



...Making one is.

Let's be honest, we live our lives on the default option. In today's society, choice has become abundant, but the time required to exercise those choices has remained the same. We have built a society that has condemned itself to choice. Consequently, we often only have time for the default option. The problem with the default option is it is rarely the best option and with many default options now operating globally they are having dire consequences on every aspect of life.

Rates of obesity in the United States are now over 30% of the adult population. A whopping 65% of US adults are overweight!! Given how the evidence of being overweight is bad for health these are astonishing statistics. Something is going on. Most adults are sensible, most of us wouldn't choose to stick our head in an oven. It is therefore difficult to believe that Americans are choosing their diet optimally... they don't have the time, going for fast food, the current default option.

The world's environment is suffering from our default options too. From plastic oceans to dying insects the world is at a tipping point. The default option of eating burgers is not only making us obese, it's not likely to help the lives of our future generations. Buying a bottle of water for £1.50, when you can have a ton of the stuff delivered to your house for less, is a scary default option. Scary on many levels when you think about it.

Changing these default options is the key if society is to survive into the future. Successful investing in the future will depend on identifying current default options and analyzing how these defaults are changing. Recently across the world there has been the introduction of charges for the use of plastic bags at supermarkets. The default option has been changed. Now each visit to the supermarket you bring your reusable bag along. And the change means you bring something else along, your mind. Going to the supermarket is a time you now think about plastic, about the environment. This mindfulness is impacting eating habits, the products we buy, the packaging they have and perhaps obesity levels as well!! Changing default options doesn't just change what humans do but changes their behaviour patterns too.

Default options are rife in the investment industry as well. Most people's pensions are invested in the default option, even though the investor rarely knows what that default option is. Index Funds, the great "success" of the investment world, is a default option. Index funds put most of their money into the company that is already the largest company in the market. Would we sensibly put the largest amount of our money into already the most successful company?

Well we do!! The consequences of this default option are very far reaching.....

As the world accelerates towards an environmental Armageddon our default options have to change and change quickly. Changes happening are already creating turmoil. Plastic bag sales are down 80%. But if new defaults solve many of the world's problems the turmoil will be worth it. Saving the environment, helping individuals make better choices, whether that be their eating habits or even in choosing their investment manager, are causes worth a little hassle. Investment returns can benefit from this hassle too.

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