



MVAM  
MOLE VALLEY  
ASSET MANAGEMENT

# Monthly Newsletter

'Last Man Standing? What is your Time Horizon?'

June 2019



Investment in stocks and shares is for the long term, or so they say. Invest in equities and over a decade or so, see your money grow. In the words of Warren Buffett, the world's most famous investor, the "stock market is a means of transferring wealth from the impatient to the patient".

As an investor, one of the most important aspects of how you invest is your time horizon, how long you want to invest for. Generally, the longer your time horizon, the more you may be inclined to invest in stocks and shares.

The problem with all this long term "stuff" is that it is hard to get away from the fact that the long term is made up of lots of short terms. So, when investments are not performing it is difficult not to focus on the short term. Those long-term goals of retiring to the sunshine seem to be disappearing over the horizon....

Recently, poor performance has been focused among smaller companies. This has led to shorter time horizons on these investments. Large investment houses have become impatient as it is difficult to attract new clients when short term performance is poor. They are giving up on these smaller stocks, despite strong evidence that smaller stock investing is one of the most consistent ways to outperform markets over the long term.

Asset managers, such as Woodford Investments and other high-profile investors, are trying to beat a hasty retreat. But selling out of small companies that they have amassed huge positions in is proving difficult. Their selling is creating a vicious cycle. As they sell the share prices fall. This is translated into further weak performance for their funds, alerting more investors to poor short-term performance. In the end this creates a stampede for the door, as experienced now by Woodford Investments. Ironically, Woodford Investments started a fund called Patient Capital... four years ago....

At MVAM we feel a bit like the last man standing. We still see opportunities in smaller companies despite the short-term ups and downs. Our size and structure mean we will not fall foul of the "herd" problems at the bigger investment houses, although our performance and a number of our holdings have been hit by this forced selling of others. But this is our opportunity, the like of which comes around every decade or so. Great companies being thrown out regardless. Once we have double checked those companies are still fine, we will be standing at the exit door taking the shares off those that are running.

After my first few years working in the stock markets an elderly colleague held his retirement lunch. At the lunch he was asked what was the worst thing that had happened in the business over his working life. He sat there for just one moment and then replied.... "six monthly reporting to clients, it makes us all look too much at the short term.....".

If you are a client of MVAM this newsletter will be accompanied by your monthly report, or you can see your daily performance by accessing our investor portal 24/7..... we hope we haven't unwittingly shortened your time horizon by trying to keep you in touch with your money?

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