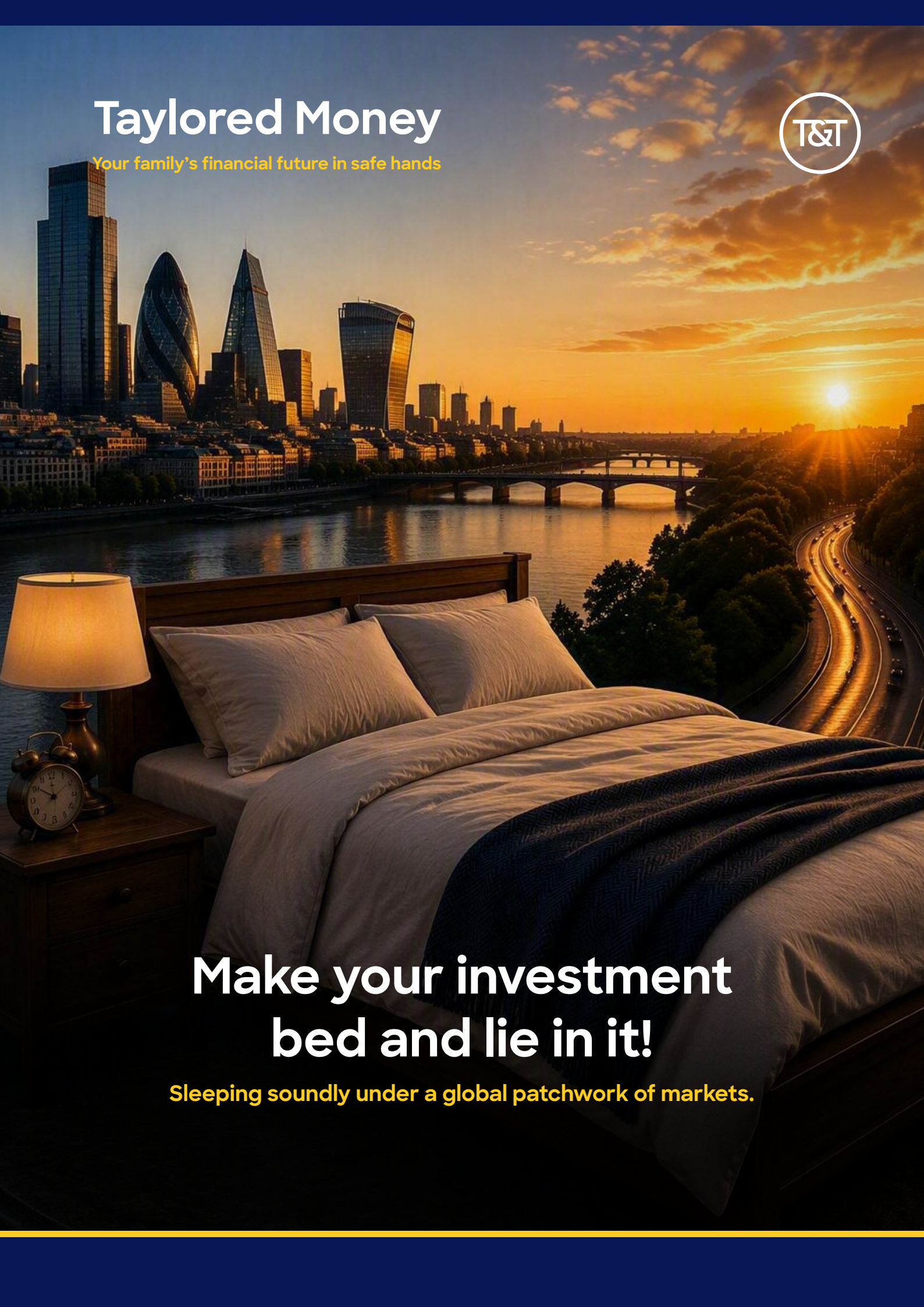


Taylorred Money

Your family's financial future in safe hands



Make your investment bed and lie in it!

Sleeping soundly under a global patchwork of markets.

MAKE YOUR INVESTMENT BED AND LIE IN IT!

As the old saying goes, investing is simple but not easy.

It is simple to look back at market data today and wish that we had, for example, owned more US equities and less UK and emerging market equities over the past ten years, given their annualised returns of around 14.5%, 5.0% and 6.5%, respectively. Could have, would have, should have!

The part that is difficult is knowing that you need to build and own a robust portfolio for the future that will work for you across a potentially wide range of unknown market events and outcomes. If one were to be influenced by the recent returns of the US market and allocate more assets to it, one would risk having all of their investment eggs in one basket. As it is, the US already represents around 62% of global market capitalisation across developed and emerging markets. Students of market history will recall that the US market suffered what has become known as the 'lost decade' in the 2000s where the market went sideways over a ten-year period.

The returns of the stock market of various developed markets each year resembles a patchwork quilt. There is no discernable year-by-year pattern that an investor can take advantage of. Interestingly, the US stock market has not been the best performer in any of the past 20 years! The best performing market was in fact Denmark which delivered an annualised return of almost 16%, which compares to 11% for the US and 9.4% for the developed markets as a whole.

The reality is that markets work pretty well at incorporating information into prices and trying to beat the market – through either market timing or stock picking - is a tough game, with very few winners.

Simply making your investment bed out of a diversified market exposure and lying in it over time, makes a huge amount of sense in the absence of market timing signals and an ability to foresee the future.

Since the future cannot be predicted, it is impossible to specify in advance what the best asset allocation will be. Rather, our job is to find an allocation that will do reasonably well over a wide range of circumstances.

William Bernstein, author of 'The Intelligent Asset Allocator'

Sleep well at night under your patchwork quilt of equity markets and feel the cosy warmth of being invested across all markets.

RISK WARNINGS

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