➢ The Investment Perspective – February 2024

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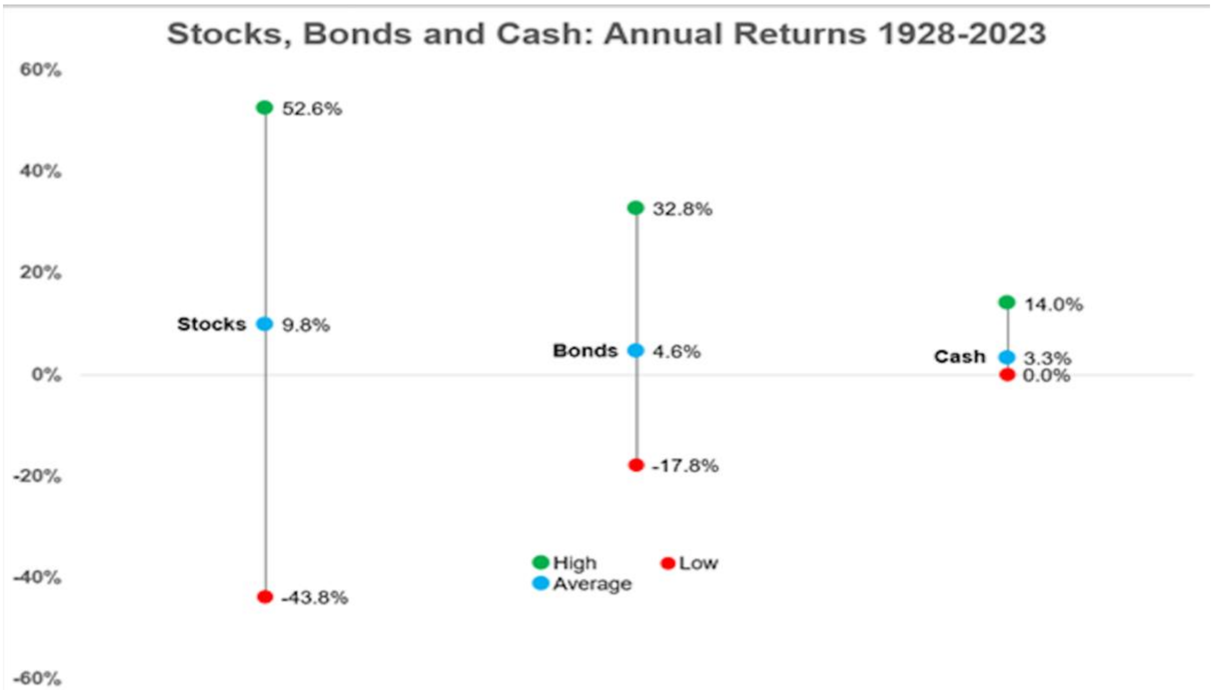
"Neither the investing method nor the fundamentals of the business are right or wrong because the mood of the market is favourable or unfavourable toward the "stock". That is because when you really think about it, "stocks" (shares) are all about the financials and the trading price, the share price…the cash up value. What matters more is the economics of the business."

-Peter Flannery

Investing – what works

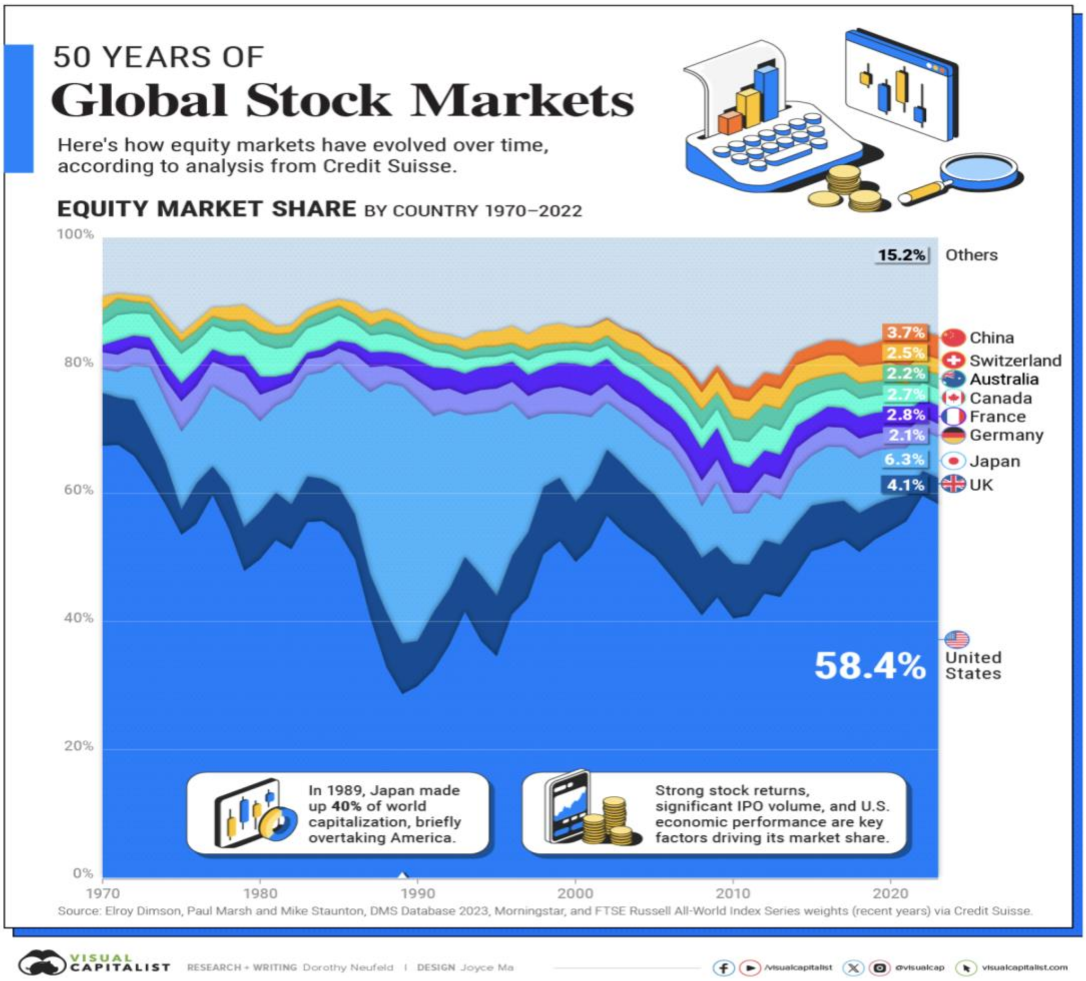
This you already know …



The graph (based on US assets) above shows the variability in returns and the average return for each asset class since 1928.

Bonds can be higher risk than cash deposits generally, hence a better return usually. Shares in publicly listed companies (stocks) in theory can be higher risk than bonds, offering on average better returns long term than bonds and cash.

'Shares' are just parts of a big business that happen to be listed on a market so they can be traded – the share market. That means you and I can easily access the investment growth that sophisticated investors have access to. These trading markets are regulated so we can trade safely.



The above graph tracks the changing market share of global equity markets since 1970.

America continues to dominate global markets – nothing new.

The US share market (the Dow Jones) 100-year history

The graph above shows the rise in the market value of American business over 100 years. Note the marker (Aug 1987) highlighting the peak of the share market in the US just before the 1987 global share market correction.

Look at the graph above and the tag at **August 1987.**

Note the market value of the Dow Jones Industrial Index at **7,139**. As of December 31 2023, the Dow Jones was at **37,689** – that is significant growth right there!

Business growth across America has been significant (New Zealand business growth by comparison has been much less).

We want to invest for growth and keep our capital secure. Whilst trading prices can be random and volatile, especially in the short term, investing in productive assets is a reliable way to grow your net worth over time (you don't need to wait 100 years!).

This is especially the case when those productive assets have healthy underlying business economics (e.g. the brand, the ecosystem, the competitive advantage).

We refer to 'shares' as productive assets because the combination of systems, people (culture), technology, innovation and other business metrics can provide opportunity, jobs, economic growth and prosperity.

The compounding effect of productive assets can be huge (e.g. the US share market, Berkshire Hathaway – A shares currently trading at ca. $US589,498.00 per share. Yes, that's $US589,498.00 for one class A share of Berkshire Hathaway … massive growth and not a fluke.)

"I believe in the discipline of mastering the best that other people have ever figured out. I don't believe in just sitting down and trying to dream it all up yourself. Nobody's that smart."

-Charlie Munger