view from the Thames by Deon Gouws

Be more like Alfie

A few years ago our firm held a conference at which I introduced clients to one Alfred Etienne Watterton Gouws. That's quite a big name for a little dog, you might say, for this is our family's Bichon Frise.

I showed those present four pictures of Alfie taken at various significant moments. One was in February 2018, when the Dow Jones industrial average fell more than 1,000 points in a day. Another was after Donald Trump had declared a trade war. The third was when North Korea fired a missile over Japan. And the last was after Markus Jooste resigned.

In all these pictures, our little doggy was sleeping soundly, albeit in different positions.

The message I was trying to convey was simple: the best approach in dealing with much of the flow of negative news is usually to ignore it. Rather go for a long walk or a good meal or a sound sleep (as it happens, Alfie endorses all of these activities).

The last thing you should do is to tinker with your portfolio, especially if you're tempted to sell down in response to bad headlines.

Be more like Alfie, I suggested at the conference; ignore the noise, do nothing, stay invested. And the vast majority of what you see on the news boils down to noise, in Alfie's considered view.

Our family dog is not the only proponent of this approach. Earlier this year, for example, popular finance blogger Nick Maggiulli published a book titled *Just Keep Buying: Proven Ways to Save Money and Build Your Wealth*. As per the blurb on Amazon, it includes sections on why saving up cash to buy market dips isn't a good idea and how to survive (and thrive) during a market crash. If Alfie didn't sleep so much, he could probably have written this book.

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A couple of months ago, I got an e-mail from a client wanting to know if I still believed in the "do nothing" approach, or whether I would recommend some portfolio action in light of war breaking out in Ukraine.

I consulted Alfie and responded by saying that our view did indeed remain broadly unchanged. Neither of us thinks it's possible to "time" the market, and we place little value on anyone's market forecasts. We further believe that one should always look through the cycle, build robust portfolios of good-quality assets acquired at reasonable prices and hold for the longer term. And ignore the noise, of course. The danger for those selling out when missiles start flying is that they miss the turning point when markets begin to bounce back. No-one knows when that might be, hence it remains Alfie's and my absolute conviction that it's best not to play the guessing game; it makes more sense for most people to just stay invested.

This approach is, of course, based on the premise that one's portfolio exposure matches your risk profile.

If volatility (or perhaps more accurately, market weakness) causes anxiety by day or loss of sleep at night, you might not be holding the right mix of assets. People's circumstances and personalities differ, so there's no "one size fits all" approach to this.

Even though I'm no macroeconomist, I did offer one point of commentary based specifically on the war itself. The key issue that increases investment risk, as I saw it, was the effect on energy prices and hence sustained global inflation. If this persists, there is clearly a heightened possibility of global recession in the next year or two.

This is, of course, further worsened by interest rates that are still near historic lows, which means that central banks do not have any ammunition to throw at the problem by lowering rates even further. On the contrary, the US Federal Reserve has recently started with a tightening cycle which, to put it mildly, has been spooking markets. Global equities are now officially in a bear market. But Alfie continues to sleep soundly, as he has lived through this kind of dislocation before.

Alfie has his own Twitter account these days. In between snoozes, he dispatches more investment advice than I would ever be able to, as he is not restricted by any compliance department. At six years old — more than four decades in dog years — he also has more investment experience than I do. Feel free to follow him at @BeMoreLikeAlfie. He promises to follow back. ✖