

Cost is not the start and end of investing but charges matter

Costs matter a great deal because investment returns are reduced pound for pound by the fees, commissions, transaction expenses and any taxes incurred. Investors as a group earn somewhat less than the market return after subtracting all these costs. Therefore by minimising costs, investors improve their odds of meeting investment objectives.

Our approach to portfolio construction always assumes the use of 'low cost' strategies first and substitutes these for alternative more costly options only when the additional costs can be justified.

Markets are Efficient

Our core belief is that markets are "efficient", meaning that prices reflect the knowledge and expectations of all investors. Though prices are not always correct, the availability of information and its rapid dissemination means that markets are so competitive that it is highly unlikely that any single investor can routinely profit at the expense of all other investors.

There is a balance between risk and return

It comes as a surprise to many investors that the potential for financial loss is also the reason that they earn a return. We face risk because nobody can reliably predict the future - but risk, return and time are interconnected. Higher exposure to the right risk factors leads to higher expected returns, but is no guarantee of them. The bottom line is that risk must be taken to achieve a return. Risk is therefore the currency of return, in that a greater return can be considered a payment to investors for subjecting their capital to greater uncertainty.

Diversification can reduce risk

If an investment portfolio does not fairly reflect the overall investment market in terms of balanced asset allocation (the process of dividing investments amongst different asset classes such as stocks, bonds and cash) and investment style (such as growth or value), we believe clients are taking additional risk. We judge that this is unlikely to pay off over the long term.

We cannot time the markets so we do not try

Buying and selling frequently hoping to 'catch the wave' as securities rise and fall need to be very sure that their timing is right otherwise they stand to lose money. Also, market fashions change and there is no guarantee that a performance-chasing strategy, asset class or fund will continue to perform well.