Newsletter December 2018

$ Returns

Global Indices Return (%)

As of Date: 2018/12/31 Data Point: Return

	1M	3M	YTD	1Y	3Y	5Y	10Y	15Y
USA Equities	-9.1	-13.8	-5.0	-5.0	8.5	7.7	12.4	7.2
Developed ex USA Equities	-5.2	-12.8	-14.1	-14.1	3.1	0.3	6.2	4.8
Emerging Equities	-2.6	-6.2	-13.3	-13.3	9.0	2.1	8.2	8.3
Global Real Estate	-5.7	-5.7	-5.7	-5.7	3.2	5.6	10.5	-
Global Bonds	2.0	1.2	-1.2	-1.2	2.7	1.1	2.5	3.3

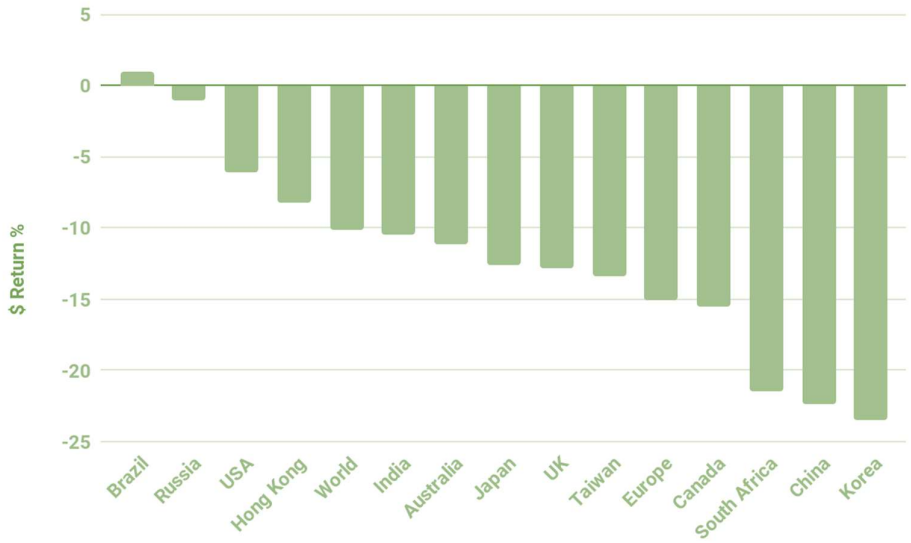
Source: Morningstar, FTSE Indices, MSCI Indices, Barclays Global Aggregate Indices, Returns annualised for periods longer than a year

You may be feeling bruised and battered from the equity markets of 2018. This was the worst year for global equity investors in the last ten. Overall global equities were down around 10% in $:

- USA equities were down 5%; and
- The rest-of-the-world equities were down around 14%.

Some of the major world regions had a significant drop in value:

<u>1 year $ equity returns (as at 7 Jan):</u>



Source: Morningstar, Google Finance, Stylo Investments

Should You be Switching Out of Equities?

As you know, we don't switch your investment into and out of equities each year because we don't know in advance which year's equities are going to be strong or weak. We also don't think anyone else can predict this consistently over time.

True, there are many market commentators and advisors that have expressed a negative view on equities. Their clients may not have suffered a dip in performance in 2018. But many of these advisers have been negative on equities for many years. So their clients may have had a relatively comfortable 2018 but they would have missed most of the equity returns over the last five years, where global cash and bonds delivered a 1.1% annualised return versus 4.5% for global equities.

Long-Term Investing

It is difficult for us - as emotional beings - to behave as rational investors. When investor confidence is high and stock markets are booming, it feels good to invest, it feels right. Conversely, when stock markets have dipped sharply and when investor confidence is at a low, it feels good to cash out and remain invested in cash, it feels right. We trust our emotions.

But over time, for investors as a group, these emotional responses have harmed their long-term performance. We should try to ignore our emotions when it comes to our investment portfolios. As Warren Buffett has famously stated, investors should be "fearful when others are greedy and greedy when others are fearful."

Equities for the long run

Although 2018 was a negative year, global equities have delivered the highest long-term returns of the major asset classes. But as we have indicated many times, equity investing is a bumpy ride, returns are not earned evenly over time. Equity investors need to accept and expect volatile returns:

- Roughly one in every three years will have negative returns; and
- Warren Buffett has described, in his shareholder letter this year, over the last fifty years there have been four major equity market dips, of -40% or worse.

Speak to your investment adviser to ensure you are invested in line with your long-term investment plan.

Offshore Managed Accounts

Please contact admin@stylo-investments.com for the information sheets on our standard model portfolio structures.
We can also build bespoke portfolios.

Onshore (local) Structure

Also keep in mind our onshore global (asset swap) fund of funds. See fact sheets here.

Global Equity Returns Ranked by Region

FYI, see this table on our website. It shows the Global Equity Returns in $ Ranked by Major World Region for different investment periods. Returns for periods longer than 1 YR are annualised. The table will update daily.

For Financial Professionals only

About Stylo

Stylo Investments, a specialist ETF/passive manager, is a member of the listed Anchor Capital Group.
We build and manage global portfolios for retirement funds, collective investment schemes, institutions and high net-worth individuals.