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Martin Spring's private newsletter on global strategy

September 24, 2016   No.206

Low-Risk Plan: 'Shot Through the Heart'

Those of you who have been following my opinions for a while know how much I favour a Browne Plan for those who don't have the experience, skill or time to manage family wealth actively.

Invented by the American strategist Harry Browne, such a plan promises steady long-term capital growth with minimal downside risk, requires no management beyond a simple annual portfolio view, and frees you from having to make any decisions about what's happening in the markets.

The concept is simple – ignoring fixed assets such as your home, you allocate a fixed proportion of your capital to each of several very different asset classes, but rebalancing periodically, moving capital from those that have gained in value into those that have fallen. You sell some expensive assets to buy more of those that have become cheaper.

Browne recommended investing 25 per cent of your portfolio in each of just four assets -- shares, bonds, gold and cash.

Anyone who followed such a plan in the US since 1970 would have achieved an average return of 8.35 per cent a year. In only five of those 45 years did the portfolio lose money, and always bouncing back strongly in the following year.

The logic behind such a plan is…

► The different asset classes respond quite differently to changes in the investment climate, often in opposing directions. A sustained burst in inflation, for example, is good for gold but bad for bonds. Usually a bad market for one asset is offset by a good market for another. This suppresses the volatility – short-term risk from fluctuating prices – of the portfolio as a whole.

► All such investments always offer an income yield (even cash, still, if you're an American investor). The cumulative effect over time of income payments, if reinvested, can be a more important constituent of total return than capital gains.

► Taking profit out of assets that have been performing, and are therefore higher-priced, and switching the money into assets that have lagged, and are therefore cheaper, is a classical value investing strategy.

► Two of the biggest risks in investment are incorrect timing (buying or selling too early or too late) -- and choosing the wrong manager. With a formula plan, you avoid both.

Some enthusiasts have experimented with variations on Browne's principles, such as

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using higher percentages of equities, or incorporating other assets such as real estate or Swiss francs. Over time, none seems to have done as well as the original.

However, as a South African who lives in Thailand, with strong UK connections but few US-based assets, I could not readily and sensibly apply a Browne Plan in its original form to my own investments because it was designed for Americans, and in some ways would be unsuitable for those of us who are not.

Sensible alternatives for non-Americans would be global securities rather than just US ones, such as the Vanguard's Global Equity and International Bond ETFs.

MyPlanIQ, a US manager that offers a fund based on a Browne plan, uses three-month Treasury bills as a proxy for cash. If you prefer your cash to stay in something other than US dollars, use something similar – a UK money market fund for example.

I don't recommend including real estate as an asset in a Browne "permanent portfolio" as direct ownership is too lumpy (you can't directly own exclusively a small piece of a property), and the gearing of a mortgage loan introduces an extraneous element of risk. Shares in listed funds expose you to the cycles of equity markets rather than those of real estate itself.

The well-known British commentator Tim Price argues that although Browne's concept "served investors well" for more than 40 years, central banks have now "shot it through the heart."

He explains: "In a world of zero or negative interest rates, a portfolio that allocates fully 50 per cent of its capital to cash and bonds is no longer fit for the purpose of capital preservation or income." Only two of Browne's original four asset classes, shares and gold, he says, "now make any real sense… in large part because they are themselves real assets."

The problem with this kind of advice is that it violates the foundation principles of Browne's successful plan -- using winners to balance out losers, and avoiding trying to second-guess the markets.

Bonds: the case for investing in them even now

It's wrong to exclude a major asset class such as bonds because you don't agree with the prices set by the markets.

Tim has the nearly-universal hatred of advisers of the most successful freely-traded asset class of recent years – bonds – because they look ridiculously expensive.

But they've seemed that way for years, while continuing to rise in value. This year alone longdated Treasuries have rocketed, rising about 25 per cent. Capital gains on that scale overwhelm any marginal losses in income.

Analysts focus on the danger of a bursting of "bubble" in bonds as interest rates start to rise back to more normal levels. This assumes that current values freely set by the markets are totally wrong, that conditions in financial markets are going

to reverse and change radically, and that central banks are going to precipitate and allow a crash in bond markets.

Why do all the so-called experts have such daft ideas?

The low and still-falling levels in bond interest rates, producing rising values, reflect an increasingly-panicky hunt for yield. Its main cause is a flood of money from increasingly-panicky central banks. If you think that is going to be staunched any time soon, that's living in fairyland. Even the *FT*'s economics editor Martin Wolf predicts: "We are likely to be living with ultra-low interest rates for an extended period."

Central banks only tighten money supply in response to the threat of rising inflation. Where is that… now? It's nowhere to be seen. In fact the world is in a disinflationary trend, and probably heading into deflation.

There is endless speculation about when the US central bank is going to raise interest rates, and by how much. It's an ongoing pantomime in the financial media. Why?

Everyone knows that anything more than trifling increases in rates would indeed shoot the bond market in the heart, devastate securities markets, torpedo consumer and business confidence, and plunge the world into depression.

Why should we assume that central bankers – a confused, uncertain and frightened bunch -- will take the risk of triggering such a calamity? The "bubble" in bonds, if you want to see it in those terms, is the very reason why central bankers will seek to avoid bursting it.

The very thing that is the experts' big fear about bonds is logically the least likely to happen.

Much more likely is that values of bonds, or at least the safer ones, will fluctuate sideways for years to come. Or, if we do continue to head towards deflation, they'll actually surge to new highs as investors seek to shield their capital and lock in interest yields. Even interest rates that are negative in nominal terms (say 0.5 per cent) are positive in real terms if prices of goods and services contract at a greater rate (say 1 per cent).

Automatic investing plans do work

Bonds should continue to be one of the assets in any formula investment plan based on Browne principles. And remember that it's an inherent concept of such plans that profits are shifted on a regular basis into "cheaper," currently out-of-favour, assets. Further big gains in bonds would mean bigger buying of equities, and perhaps of gold.

A final point…

I'm not the only commentator who believes in simple automatic investing plans. The *FT*'s John Authers says that using rebalancing to manage your portfolio is "the gift that keeps on giving."

He advises: "Set an asset allocation and rebalance regularly and you regularly buy more of assets that have just fallen, and take profits on assets that have risen. It works."

Basic Tips for Investors

Here are some of the “87 ways to become a better investor” for British savers from *Telegraph Money*…

Learn from the real gurus: Read what history’s greatest investors such as Warren Buffett, Benjamin Graham, Peter Lynch, have to say in books by or about them such as *Beating the Street*, *One Up on Wall Street*.

Consider your time horizon: If you may need to access your money within a few years, you should stick to cash. But when it comes to capital growth over the long term, shares have the upper hand. Data from the authoritative Barclays Equity Gilt Study shows that British shares have over the past 115 years typically returned 5 per cent annually, compared with 0.8 per cent for cash.

Invest regularly, rather than try to time the market: Many invest all at once, a “lump sum.” Countless pieces of research have found this is the wrong approach. “Drip feed” your money into investments.

Don’t ignore investment trusts: These closed-end funds tend to be cheaper and produce superior performance. One way to be a contrarian is to invest in out-of-favour investment trusts. These are the ones whose share prices lag the value of underlying assets, creating a discount.

Sell your winners and “rebalance”: When certain investments have performed well, they will automatically represent a larger proportion of the total. This can leave your portfolio unbalanced and potentially more risky. It is prudent to bank your profits and use the proceeds to top up those components that have underperformed.

Pick the right share class: If you don’t need to take an income, when investing in funds opt for the accumulation share class, sometimes just called “acc” as opposed to the “inc” or income share class. Doing so will ensure that the dividends received by the fund will automatically be reinvested.

Avoid fad investments: Be wary of funds that claim to be offering something new or different. Many have come, shine briefly -- and then disappeared.

Do not ignore smaller firms: You may feel safer backing familiar names. But over time it is the shares in smaller companies that tend to produce superior performances.

Valuation measures are your friend: Learn how to assess whether individual shares, or entire markets, are cheap or expensive. The three most popular measures are the price-to-earnings (PE) ratio, the CAPE [cyclically-adjusted PE] ratio and the price-to-book ratio.

Do not be lured by high yields: Shares that offer high dividend yields catch the eye, but such a yield is often a sign that the market expects a dividend cut.

Check that income is sustainable: One measure that helps you assess whether a dividend is sustainable is the “cover” – the ratio of profits to dividends. A score of more than two times is considered safe, while those of a rating of one or less than one look vulnerable.

Don't invest in something you don't understand: From complicated with-profits funds to risky, leveraged investment funds, many complex schemes end in tears. Only invest in something you can readily understand.

Follow star fund managers when they change jobs: The very best ones are worth sticking with when they move to another firm.

Only review your fund performance occasionally: When a fund manager is going through a rough patch, it is important to understand why, instead of rushing to sell. It's worth reviewing all your holdings once or twice a year.

Don't just buy funds from familiar firms: Some of the best-performing managers work for "boutique" firms that spend little or nothing on advertising and rarely cross investors' radar.

Diversify: "Don't put all your eggs in one basket" is a cardinal rule of investing. Spreading your investments in different assets helps reduce risk. Invest around the world via global or regional funds.

Understand that high risk comes at a price: Certain investments, such as emerging-market funds, offer potentially high returns. But the trade-off is that your capital is more at risk. Make sure you are comfortable with the risk you're taking.

Specialist funds – limit your exposure: There are various specialist funds, from biotech to gold. They are extremely volatile. Limit your total exposure to say 5 or 10 per cent of your retirement fund.

Be fearful when others are greedy – and greedy when others are fearful: Think like Warren Buffett. He views stock-market falls as the chance to buy investments more cheaply. Another tip from Buffett is to have a cash pool so you have money available to invest when assets become cheaper.

Be skeptical about funds sold by banks: They're often mediocre.

Don't follow the herd: Outstanding short-term performance should be viewed as a warning sign rather than an invitation to buy. "Contrarian" investors deliberately avoid what others are buying.

Avoid bombed-out "penny stocks": A share may have fallen from, say, 50 to 10 pence for a very good reason. And may fall further.

Don't assume that fast-growing economies are automatic winners: There are no guarantees that a country's stock market will climb in step with a strongly-growing economy.

Be careful about "synthetic" ETFs: An exchange-traded fund or ETF is basically a tracker fund that is traded like a share. One type, "synthetic ETFs," do not own the shares or assets they track, instead buying complex derivatives designed to mimic price movements. This can leave investors exposed if the investment bank behind the derivatives runs into difficulties.

... but do not ignore ETFs altogether: They can be cheaper than conventional tracker funds – especially when it comes to the fund shop's custody charge.

Fund charges – the one thing that you can control: If you are happy to put your faith in a fund manager, make sure the cost is fair. If the charge is more than

0.9 per cent a year, there needs to be a good reason. Ignore the "annual management charge" – look at the "ongoing charge figure" (OCF), which is a better, albeit not perfect, representation of how much a fund costs.

Not all tracker funds are cheap: Some funds cost 0.1 per cent a year or less. Some charge ten times more. In theory the lower the tracker fund charge, the more closely the fund's returns will match those of the index it is trying to replicate. But this is not always the case, because some trackers cut corners in the replication process. The "tracking error" score will show how well a tracker does its job.

How to find out if a fund is an expensive "closet tracker": You can get an idea simply by looking at its top ten holdings and comparing them with the top ten of the relevant index.

Low charges on an active fund do not mean inferior performance: A small number of such funds offer strong performance records and very low charges.

Consider specialist fund managers: Most fund management companies try to be jacks of all trades. But a small number specialize in one area, such as bonds or emerging markets, and tend to produce superior performance.

Don't obsess over short-term performance: Logging on to check your portfolio every day is a bad sign, increasing the temptation to tinker. A considered, dispassionate review every six months, say, is a far better idea. Keep share trading to a minimum. The more you trade, the more you pay, eating into your overall returns.

Markets Outside America Look Better

US investors are pulling money out of foreign shares after a decade of flat returns and six years of underperformance relative to Wall Street – but they're moving in the wrong direction, argues RiverFront's Rod Smyth.

The MSCI EAFE index of equity markets in Europe, Australia and the Far East is trading well below trend. Buying the shares now "is no assurance of outsized returns, which require above-average earnings growth – but we believe this distance below trend serves as a reliable indicator of investor pessimism, and thus favourable valuations." So the fund manager is adding to its international (that is, non-US) holdings.

Europe, in particular, is starting to look good, despite political shocks. An economic and earnings recovery is under way. The UK has rebounded from its Brexit low, while Germany, the region's most robust economy, saw its retail sales accelerate last month.

There is more potential for profit margin expansion outside the US than within it, while in Europe economic recovery, coming four or five years after America's, has not yet been priced into the stocks.

RiverFront's Chris Konstantinos says the improved outlook for emerging markets relates to recent changes in three major influences on global investing:

► China's economic growth is stabilizing. Important indicators of the "smokestack" sectors, such as electricity usage and rail freight, have all shown

signs of improvement recently, while manufacturing is expanding again after lagging for a year.

"New China indicators related to services sectors and the burgeoning middle-class consumer have remained solidly in expansionary territory," with consumer confidence rebounding and home prices in the biggest cities making new highs.

► Central banks of developed nations are likely to continue to depress interest rates, driving capital into the emerging economies, where rates tend to be higher even after adjusting for inflation. This supports their currencies and their shares.

Their equities "still trade below their long-term averages on a price-to-book basis, a condition that suggests [valuation] multiples could also continue to re-rate higher."

► Commodities' prices have probably bottomed this year, and are now in a "Goldilocks" environment for equities, "with prices neither low enough to create default concerns for energy companies, nor so high that they choke off global economic growth."

There are "some encouraging early signs" of improvement in earnings, margins and return on equity at the corporate level in emerging markets.

Political Dangers for Investors

The rebellion of the masses against the way ruling elites have managed things became brutally apparent with the Brexit vote. There could be more shocks to come… probably bigger ones.

Globalization seems to be a fundamental cause. *Money Management*'s investment commentator Russell Taylor says the 10 per cent who have benefited from it "are unconscious of the 90 per cent who have suffered."

In the UK, he reports, over the past decade the number of households classified as "working poor" increased by 2 million. Quantitative easing "allowed politicians to avoid the pains of real reform by ensuring that the working classes pay for it. QE has done nothing for economic growth, but has been marvellous for asset prices."

House prices have risen by more than 10 per cent in real terms over the past decade, by more than 50 per cent in London. One adverse consequence is that the average London tenant now pays more than a third of disposable income on rent, compared to a quarter a decade ago.

Full-time and well-paid jobs are scarce. "At the lower end of the skill range, all too many workers are forced on to zero-hour contracts, or can obtain only part-time jobs. Large companies have made uncontrolled immigration worse by recruiting and importing company-wide workforces from Eastern Europe and paying them well below local wages.

"So, apart from housing shortages, school-place worries and pressure on local surgeries and hospitals, 90 per cent of English and Welsh workers have had real cause for concern."

Politicians have ignored voters' worries, so workers have reacted against their ruling elites, voting for Brexit in Britain and now giving their support to Donald

Trump in America.

In Europe they see institutions as being “full of hard-faced men who have done well out of globalization. Discontent is growing because the European Union has produced only economic stagnation, youth unemployment and political statis.” Governments’ debts have been growing, yet without delivering significant economic growth. Welfare spending will have to be cut back to finance the growing burden of pensions, which are paid for out of current taxes.

Political problems are brewing in Europe, while in America technological change is producing 80 per cent of recent job losses. “Given the possibility of a US President Trump in November, and elections in Germany and France in 2017, no one can foretell how matters might change.”

Investment markets “are going to be plagued by political uncertainty for years to come.”

Where Are the Growth Opportunities Now?

America’s high-growth century between 1870 and 1970 was built around five major developments – piped water and urban sanitation; electricity; the internal combustion engine; the telegraph and telephone; and chemicals/pharmaceuticals.

Virtually all families’ income in 1870 was used for necessities – shelter, food and clothing. But then their lives were transformed and life expectancy scored. Radio, the motor car and electricity created a connected society. The end of the second world war ushered in a half-century of remarkable global growth based on the five transforming technologies.

Why has US economic performance been so disappointing in recent years?

Harvard economist Gregory Mankiw offers five possible explanations:

► The lack of growth is a statistical mirage. National accountants who measure it underestimate how much better life is getting from quality improvements and new products delivered by the infotech revolution.

► Recovery is suffering a hangover from what was the worst financial crisis since the Great Depression.

► There’s secular stagnation – reduced demand for capital to fund investment projects.

► Lack of innovations – many of the current ones like smartphones and social media aren’t as life-changing as past ones, such as electricity and the internal combustion engine, therefore don’t have as much economic impact.

► A series of policy mistakes – for example following a fiscal stimulus incorporating “shovel-ready” infrastructure projects with a tax hike to address the problem of government debt boosted by prior spending.

Martin Wolf, the *FT*’s economics editor, points out that there are periods of higher or lower growth.

1920 to 1970 saw an energy revolution that led to the creation of machines that transformed lives – electric light, the telephone, the radio, the refrigerator, the

washing machine, the automobile and aircraft. From them came urbanization and an education revolution as the economy demanded literate and disciplined workers.

By comparison, the years since 1970 have seen relatively small changes in high-income countries – just a spike in productivity between 1994 and 2004 reflecting the impact of the Internet. Measured growth is slowing because invention has slowed.

Two-thirds of consumption in the US now goes on services, including rent, healthcare and education. These are sectors where it's hard to raise productivity, which is one important reason for the slowdown in economic growth.

Professor Robert Gordon, in his book *The Rise and Fall of American Growth*, makes the point that the commonly-used measure GDP is not a good measure of improvement in standard of living. It does not value increased variety of foods, the removal of horse droppings from urban streets, faster speed of travel, the transformation of communications, improved quality of entertainment, the enhanced comfort of central heating and airconditioning, reduction in household toil, diminution in the effort and danger of work, ease of access to clean water, the safety of packaged food, and above all the jump in life expectancy.

What conclusions can investors draw from all this?

British commentator Russell Taylor says businesses are increasingly investing in "intangible, hard-to-measure assets such as brand, research and development, intellectual property and employee skills, rather than in new factories and machines."

Few of us "can understand the opportunities that digitization promises," including interconnectivity that "will remove problems of organizational structure that have plagued society and business since the birth of the industrial revolution two centuries ago… The understanding of the human genome is only the beginning of a medical revolution.

"In such a world, investors must buy equities, however expensive markets may seem… The essence of investment success will be buying into low-cost, income-orientated equity funds."

Tailpieces

Banking scandal: Yet another major bank has allowed a top executive to walk away from a "massive fraud" without penalty, and personally massively richer.

At America's Wells Fargo, Carrie Tolstedt was in charge of the unit that created phony PIN numbers and fake email addresses to enroll 2 million customers for its online services and pay fees on accounts they didn't know they had.

For this criminal conduct the California regulatory agency has just imposed its largest-ever fine on the bank. But Tolstedt has been allowed to leave quietly with a personal bonus of $125 million. The bank's chief executive even said in a public statement that she had been "a standard-bearer of our culture."

It's behaviour like this that convinces voters that banks are the least-deserving beneficiaries of governments' massive official support.

Too expensive? Warnings about irrational stock valuations aren't practical advice because they inherently require the investor to get market timing right, says international commentator *FT*'s Miles Johnson.

"Investors are being advised, implicitly or explicitly, to trim exposure to stocks as a whole, or to dump everything and cower in the foetal position… depending on the degree of pessimism of the commentator." But US shares have been overvalued for long periods. Anyone using valuations such as CAPE to enter or exit the market misses many years of capital growth.

To achieve the attractive rates of return that equities can deliver "requires multi-decade, or at least multi-year, time horizons." People who invest in them short-term are either speculators, or fund managers paid according to their annual performance.

Brazil: Its legal system has improved dramatically and quickly over the past few years, judging by reports.

"Using wiretaps, closed-circuit television and forensic analysis of mobile phones, social media and emails, plus sophisticated interrogation techniques involving plea bargains, police and prosecutors cracked the country's biggest corruption scandal involving state-owned oil company Petrobras," say *FT* journalists.

"A host of foreign companies have been implicated in the scandal for using agents who allegedly paid bribes to win Petrobras contracts. Unlike many Brazilians, who have political contacts and often employ *jeitinhos* – shortcuts around the system – to try to escape the worst consequences of wrongdoing, foreigners are usually left to face the full force of the law."

Corporate debt: It continues to grow at an incredibly high pace, says the famous hedge fund manager Stan Druckenmiller. But whereas "debt in the 1990s financed the construction of the Internet, most of the debt today has been used for financial engineering, not productive investments."

Last year buybacks and mergers-and-acquisitions amounted to $2 trillion in capex. That was more than all the money spent on research-and-development and office equipment.

"The corporate sector today is stuck in a vicious circle of earnings management, questionable allocation of capital, low productivity, declining margins, growing indebtedness," yet investors are asked to pay 18 times annual earnings for the asset class.

Philippines: Despite the international media focus on the unorthodox war against drug dealers, which has certainly diverted attention for the moment from the never-ending story of butchery, torture and rape in the Mideast, investors continue to judge new president Rodrigo Duterte favourably.

Analysts reckon the stockmarket's pause for breath after the strong surge following his election could see the Composite index soften to perhaps 7,300 over the next couple of months before rebounding to above 8,000. It's still the strongest in Asia, trading on a projected 12-month price-to-earnings ratio of around 18.3 times.

Gold, silver: The Swiss and Norwegian central banks have invested $1 billion in

shares of gold and silver mining companies, reports the precious metals specialist Smaulgld. Their biggest holdings are in Newmont Mining, Goldcorp, Franco Nevada, Agnico Mines and Silver Wheaton.

Fund managers are also increasingly interested because they see more attractive valuations than in very expensive sectors such as large-cap equities and government bonds. James Maltin, investment director at Rathbones, says he has taken his largest-ever position in gold, which is seen as the ideal hedge against both market volatility and inflation.

Investing styles: Passive funds – those that simply track the market, rather than seeking out outperform it through asset selection or timing – now account for a third of mutual fund assets in the US, according to Morningstar. That's up from one quarter, three years ago, attracting $2 trillion of additional funds.

One reason for their popularity is that so many actively-managed funds have turned out to be underperformers. Over the past ten years 88 per cent of such funds failed even to match their benchmarks.

The other attraction of index-trackers is their low costs.

More babies: Japan, whose population is contracting, is introducing incentive schemes to encourage couples to have more children. Its fertility rate rose to 1.46 children per family last year, but that was still well below the average of 2.2 needed to offset mortality.

In Tokyo's Minako ward, parents receive a cash payment of up to Y180,000 (that's about $1,600) per birth. The biggest improvement in fertility is in the town of Ama, where there is a leveraged scheme to encourage babies. For the first child, parents receive Y100,000, but for a fourth, the subsidy rises to Y1 million (about $9,000).

Death tax risk: "Did you by any chance know that if an American dies with property worth say $5 million, the heirs pay no federal estate tax. But if a foreigner dies with $5 million in American property, the heirs pay 40 per cent?" reveals *The Spectator*'s columnist Taki.

That's why many wealthy people choose to hold their US assets through offshore structures, while many of the less-wealthy simply prefer to avoid investing in US-registered assets, or do so through funds registered outside the US such as ETFs based in Europe.

Chinese wine: The famous French producer Moët Hennessy, whose brands include Dom Pérignon, Krug and Chateau d'Yquem, has started marketing at prices equivalent to €300 a bottle a dry red wine that it makes on its new estate high in the mountains of China's Yunnan province, at a site said to be "in one of the remotest places on Earth." The Ao Yun "Sacred Cloud" wine is claimed to be of exceptional quality, but its main attraction to wealthy imbibers, especially in China, is more likely to be its exclusivity (only 24,000 bottles this year) and the estate's exotic location.

Pensions racket: Fees of managers of pension funds can "strip a third" off the gains from investing over a working lifetime, says British MP Tom Tugendhat. In his own case, he discovered that the charges being made on retirement-fund investments were running at more than 5 per cent a year.

One reason is that fee structures are so complex that they're difficult even for experts to understand. That's deliberate, says Tugendhat, to hide how much is being creamed off.

Switzerland: It "probably has the weakest central government in all Europe – it is so puny that it does not even have a minister of education," James Bartholomew writes in *The Spectator*. "Yet Switzerland is the most successful of all the European economies if one leaves out small tax havens and oil-rich Norway. Its GDP per capita is £52,000 compared with Britain's modest £28,000."

Minimum wages: Raising them to $15 an hour, as there is great political pressure to do in the US from Barack Obama and other Leftist leaders, is going to be "very destructive" and is going to cause job loss on a scale "you're not going to believe," says well-known restaurateur Ed Rensi.

It's cheaper to buy a robot costing $35,000 than pay an employee who's inefficient, $15 an hour to bag French fries, he argues.

Why growth is poor: In both the US and the UK fixed investment as a share of the economy has fallen substantially. This has constrained the amount of capital deployed to enhance productivity.

One explanation is that the prevailing structure of executive pay incentivizes business leaders to minimize investment to boost corporate earnings short-term, which is what matters the most to them personally.

Hiding the facts: European rules due to come into force next year will ban the longstanding practice of asset managers giving funds' past investment performance when marketing their products. Instead, they will be required to offer guidance on how such funds are likely to perform in future.

India: Its stock market is Asia's most promising on a five-year view, as it has been deleveraging for five years and there is now growing evidence that the earnings trend has bottomed, says investment bank CLSA's Christopher Wood.

Australia: Two-fifths of foreign investment in property last year was from China, while Chinese residents now account for two-thirds of foreign applications for purchases of dwellings.

US jobs: The number of vacancies in manufacturing has reached its highest level in 15 years, despite an abundance of work-seekers. That's because of lack of the skills needed in technology-driven industries.

Wise words: *Compound interest is the eighth wonder of the world. He who understands it, earns it; he who doesn't, pays it.* Albert Einstein.

Martin

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