



3rd June 2013

Why we write

“I give all this background information because I do not think one can assess a writer's motives without knowing something of his early development. His subject matter will be determined by the age he lives in — at least this is true in tumultuous, revolutionary ages like our own — but before he ever begins to write he will have acquired an emotional attitude from which he will never completely escape.”

- George Orwell, 'Why I write', 1946.

In his famous essay, Orwell also put forward what he called four great motives for writing (or at least for writing prose):

“(i) *Sheer egoism*. Desire to seem clever, to be talked about, to be remembered after death, to get your own back on the grown-ups who snubbed you in childhood, etc., etc. It is humbug to pretend this is not a motive, and a strong one. Writers share this characteristic with scientists, artists, politicians, lawyers, soldiers, successful businessmen — in short, with the whole top crust of humanity. The great mass of human beings are not acutely selfish. After the age of about thirty they almost abandon the sense of being individuals at all — and live chiefly for others, or are simply smothered under drudgery. But there is also the minority of gifted, willful people who are determined to live their own lives to the end, and writers belong in this class. Serious writers, I should say, are on the whole more vain and self-centered than journalists, though less interested in money.

“(ii) *Aesthetic enthusiasm*. Perception of beauty in the external world, or, on the other hand, in words and their right arrangement. Pleasure in the impact of one sound on another, in the firmness of good prose or the rhythm of a good story. Desire to share an experience which one feels is valuable and ought not to be missed. The aesthetic motive is very feeble in a lot of writers, but even a pamphleteer or writer of textbooks will have pet words and phrases which appeal to him for non-utilitarian reasons; or he may feel strongly about typography, width of margins, etc. Above the level of a railway guide, no book is quite free from aesthetic considerations.

“(iii) *Historical impulse*. Desire to see things as they are, to find out true facts and store them up for the use of posterity.

“(iv) *Political purpose*. — Using the word ‘political’ in the widest possible sense. Desire to push the world in a certain direction, to alter other people’s idea of the kind of society that they should

strive after. Once again, no book is genuinely free from political bias. The opinion that art should have nothing to do with politics is itself a political attitude.”

Egoism probably plays a part in our own commentaries – as Orwell strongly hints, for any writer, it would be sheer pretence to suggest otherwise. A degree of ‘aesthetic enthusiasm’ should not be discounted; this author having obtained a degree in English, it would be a shame to waste it entirely. ‘Historical impulse’ and ‘political purpose’ are both unashamedly true. To supplement Orwell’s list, and in the interests of complete transparency, here are some other reasons that motivate us:

(v) *A belief that the act of writing itself brings forth a conclusion of sorts.* We have long personally held that the process of writing on matters of investment somehow ‘triggers’ activity in parts of the brain that might not otherwise be tapped. In other words, the action of martalling words into some form of argument on the printed page helps to stimulate mental activity that might otherwise not come into being (in informal speech, say). And the process of writing almost forces a conclusion to be formed – by reinforcing or re-engaging arguments and statements of logic and analysis, it becomes increasingly difficult to shy away from any actionable determination. The art of writing compels some kind of judgment on the markets. The only medium in which this thesis breaks down would be appear to be the FT’s Lex column, which determinedly if not slavishly provides two sides to every argument and typically studiously avoids coming to any specific, actionable conclusion.

(vi) *A desire to engage in constructive dialogue and analysis with other market participants.* This may appear po-faced but isn’t meant to be. The beauty of our investment approach, as we see it – a four factor asset model incorporating high quality bonds; deep value equities; uncorrelated funds; and real assets – is that it largely removes a critical dependency on the part of our clients upon our ability to make big (and highly subjective, and invariably unreliable) intra-market or inter-market calls. Since we’ll always have some skin in the game with regard to each of these disparate asset classes, we will always be ‘fully invested’. The difference is that by always being properly diversified, we can spend the bulk of our time on assessing the merits of individual investments or funds in each category, and not agonising about market timing or reducing the portfolio experience to an entirely arbitrary judgment call on being bullish or bearish any given market. It also helps (in our eyes, at least) not to be blindly pursuing index benchmarks which inevitably require investment in mediocre assets, but always and only ever to be pursuing value from a bottom-up if admittedly subjective viewpoint. But we like to think we are constantly aware of our limitations – again, which is why we pursue such a diversified asset model. In this pursuit, we are reducing the risk of our own overconfidence in our beliefs and investment preferences. Given the ease with which social media facilitate conversations between like-minded (or actively hostile) market participants irrespective of geography, we can then share our thought processes safe in the knowledge that somebody, somewhere is likely to disagree with them strongly. Some critical responses to our commentary will be thoughtless trolling; but some of them may end up improving our investment process, either by illuminating a flaw we had previously overlooked, or by alerting us to an investible opportunity otherwise unseen. And if neither, we can simply enjoy an ongoing dialogue with a wide variety of market practitioners, some of whom are likely to be a lot smarter than we are.

(vii) *A belief that something has gone dreadfully wrong with the financial order, and a perhaps whimsical belief that we may be able to effect some positive change.* This is, in essence, a combination of Orwell’s third and fourth motives – historical impulse **and** political purpose. No investment manager in the year 2013 can be content to sit easy on a bed of presumptions. All beliefs, intuitions and assumptions should be robustly tested on an ongoing basis. The market itself will continuously provide one test, but price action in the short term is insufficient. We are managing

sacred assets into the indefinite future, so we also need to be able to distinguish between what might be short term noise and what could be longer term fundamental changes in the investment landscape (and not necessarily for the better). We also make no apologies for airing what we consider to be honest, Austrian school scepticism about the damage and distortion being wrought upon the financial markets by perhaps well-meaning but undeniably increasingly dangerous monetary stimulus on the part of desperate monetary authorities. It needn't be this way. But unless and until a sufficient percentage of the electorate demand that their presumed political leaders understand the critical issues involved and start to pursue a sound money (as opposed to easy money) agenda, we will be left at the mercy of a feral banking system that has completely won over the political class.

So what are we worried about ? Oh, the usual (since 2007 at any rate): inflation; deflation; a disorderly collapse of the global monetary system in an environment of international currency warfare; an untoward backing up in market interest rates; a serious correction in equity markets; a coincident bear market in stocks and bonds; financial repression writ large; that central banks have over-reached themselves and are now riding an angry financial tiger that will overturn the entire financial order before its stampede through the forest is complete.. And we have – we think – through a combination of active avoidance as well as active engagement prepared for each and all of these various outcomes as best we can in an imperfect world. You may agree, or disagree: in either case, we genuinely value the dialogue. On which note, we would also like to thank all who have corresponded with us over the years, and in many cases become friends, because these commentaries have, one hopes, directly or indirectly been the richer for it. Tumultuous, revolutionary age indeed.

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