

HISTORY FAVOURS THE OPTIMIST

In 1937, Danish politician Karl Steincke quipped, “It is difficult to make predictions, especially about the future”.

While this statement is undoubtedly true, in today’s regulated world all traditional investments carry the even heavier disclaimer; **past returns are not indicative of future performance.**

However, when looking at global equity markets over the past 150 years, history favours the optimist. Since 1871, the S&P 500 Index, a barometer of the largest 500 companies in the United states, has risen 10% each year on average.

[CLICK HERE to see the chart.](#)

The US index’s performance is indicative of all global companies and reflects two key underlying themes for companies, increasing productivity and continual innovation. These two aspects mean that over time businesses become more efficient at earning a return that is greater than just holding cash.

Today, the accelerating developments in technology mean the outlook for companies to continue to innovate and increase productivity is strong. Therefore, the outlook for markets to continue to rise over the long term is strong too.

[CLICK HERE to see](#) a chart that shows only the positive years for the S&P 500 since 1871 and it shows that in positive years the average is increased to 19%, from 10% for all years.

While it is extremely difficult to predict equity markets rising 19% in 2017, it is off to great start, with the S&P 500 rising almost 6% so far; although this is over half way towards the long term average, in positive years, history favours the optimist.

Market & Portfolio Update

(as at end Feb2017)

- Portfolios shook off a quiet start to the year, with a solid 4% gain in global share markets supporting fund returns in February. Around the world, business and consumer confidence has continued to improve, building on the strength from late 2016.
- The Australian share market in particular rose 5% for the month, helping returns as portfolios currently have a higher than normal allocation to Australian shares. Pleasingly the outlook for Australian companies has improved over the past year, with their earnings now expected to rise for the first time since 2011, thanks to higher export prices and a positive general economic outlook.
- Within portfolios, global share investments are allocated to international managers who specialise in managing global shares. During February we added a new manager to this select group, California-based Fisher Investments. Not to be confused with Fisher Funds NZ, this addition brings a very complementary approach to portfolios, thanks to a solid process and track record.

[CLICK HERE if you would like me to send you an update of your account.](#)

POUND STERLING HOLDINGS

A number of people have elected to hold their transferred pension funds as pound sterling in the hope that one day the GBP to NZ\$ cross rate moves in their favour and they can convert to NZ\$ at a favourable rate.

A downside of the BREXIT vote saw the GBP weaken considerably. This was not at all beneficial to those holding GBP in the hope that it would strengthen.

Funds sitting as cash in the Stirling account are not working for the client because the interest rate on GBP is close to zero. To make this worse the GBP account attracts the usual fees charged by Booster so in effect the GBP cash account is going backwards.

In an attempt to repair this situation Booster have introduced a Sterling International Share Portfolio.

This fund invests in the iShares MSCI World GBP Hedged UCITS ETF, an exchange traded fund managed by BlackRock Asset Management Ireland Limited, to provide the Portfolio with a diversified exposure to a broad range of developed world companies.

It aims to achieve returns (after fees but before tax) of at least 5% per year above inflation over any ten year period.

If you would like more information about this Pound Sterling Fund [CLICK HERE to send me an email](#) and I will email you the information back.