

Unpleasant Truths

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During difficult times we often seek someone to talk to, bounce a few ideas or to gain perspective (personally as well as financially). How we go about this, obviously vary with the person and personality. Who we turn to is important.

When it gets to our health, most people would prefer a GP or specialist, i.e. someone who has the experience and shown competency in that area. However, when it gets to financial matters, we often experience that people do not distinguish between opinions versus proper and appropriate advice. Unfortunately people get swept away by fads and are often lured by promising returns that are unsustainable (e.g. Bitcoin and other questionable investment schemes).

Charlie Munger and Warren Buffet of Berkshire Hathaway fame often refer to a concept namely "[the circle of competence](#)". The level of competency of a person who gives advice on a particular subject is pictured as a circle of which the size varies amongst individuals. The size of that circle is not the most important, but rather that the person is aware of not overstepping the boundaries of his or her circle. It is common that individuals seeking advice tend to confirm their own preferences and beliefs with people who act outside their circle of competence – invariably with detrimental consequences.

The question is probably whether we are wise enough to hear what we are supposed to hear instead of what we want to hear? Sadly people often seek reassurance that what they already believe is true. I found this image below on Twitter and unfortunately cannot give credit where it is due.



The power of collaboration

American virologist [David Baltimore](#), who won the Nobel Prize for Medicine in 1975, received many manuscripts from scientists working on their own and claiming ground-breaking research. Unfortunately, none of them have done anything remotely close to what was initially claimed. Dr Baltimore provided fascinating insight into why he thinks that is so. He observed that good science is a **collaborative** and community effort. That is so because we readily spot the problems of others and rarely see our own.

Another Nobel laureate Daniel Kahneman's starts his book, [Thinking Fast and Slow](#): "*The premise of this*

book is that it is easier to recognize other people's mistakes than your own." We all tend to work better with help, advice, support, correction, criticism and accountability. That is why in our practice we have lively interactive relationships with associates and our clients...

Survival and what counts...

The book [Deep Survival](#), (Who Lives, Who Dies and Why) written by Laurence Gonzales, covers several accounts of [extreme scenarios](#) where human beings beat the odds for survival. All hazards, whether physical, economic or otherwise, have common features. These principles also apply to any stressful or demanding situation such as going through a divorce, surviving cancer or running a business in a rapidly changing world.

Most people find it hard to believe that reason (most of the time) does not control our actions. It is alarming, should this be the case when important financial decisions are being made.

Gonzales studied numerous accident reports. Here is a list of things survivors do:

- They perceive and believe (also in a humorous way). Survivors acknowledge and accept the reality. They see opportunity and even the good in their dire situation;
- Temperament: they stay calm and guard against emotions leading to irrational decisions;
- Think, analyse and plan for survival;
- They institute discipline and small routines;
- Survivors play mind games – it's a way to remove the individual from their hostile environment. They experience art, music, poetry, literature etc.
- Their senses are sharpened and often are attuned to the wonder of the world – they see things differently;
- They are determined – convinced they will prevail;
- They never give up and are not discouraged by setbacks.

These human qualities remain important as we endure continual global uncertainties, no matter where we live.

Global financial markets and outlook

The final quarter of 2018 turned out to be something from a horror movie for financial markets. To scare you even further, there is certainly no shortage of reasons for the sorry state of affairs. Whether it is the US and China trade war, BREXIT, a 10 year rising equity market losing steam, the end of an easy monetary policy and rising interest rates in the US or the rise in populism across Europe, all of these factors weigh heavily on markets.

Our wish for 2019 is that you will be granted the wisdom to distinguish fact from fiction, the level headedness to keep your cool, also as the political temperature rises with elections drawing closer. Stick to your strategic plan. It won't be easy, but we have negotiated greater challenges in the past.