JONATHAN DAVIS WM

Leaders in Wealth Management

Chartered Financial Planners

Economics and Wealth Management Update

To comment on any of the points raised here or to ask a query just click
jdavis@jonathandaviswm.com.

This is our regular (two monthly) report on Economics, Markets and Financial Planning, freely available to all. We also produce reports for clients only.

If you wish to forward to a friend **click here**.

The Summer's over (did it start?), the nights are drawing in (already!), and the stock markets have fallen between somewhat and a lot.

Government Bonds, on the other hand, have held up nicely.

Commodities - such as Oil and Gold - as well as the (Emerging Markets) countries that bring them out of the ground, are looking more positive than they have for a long time.

We have two primary investment philosophies which inform our portfolio recommendations, namely:

1. That the West is in an (indisputable) era of Disinflation (falling inflation) and may be heading towards long term Deflation (falling prices).

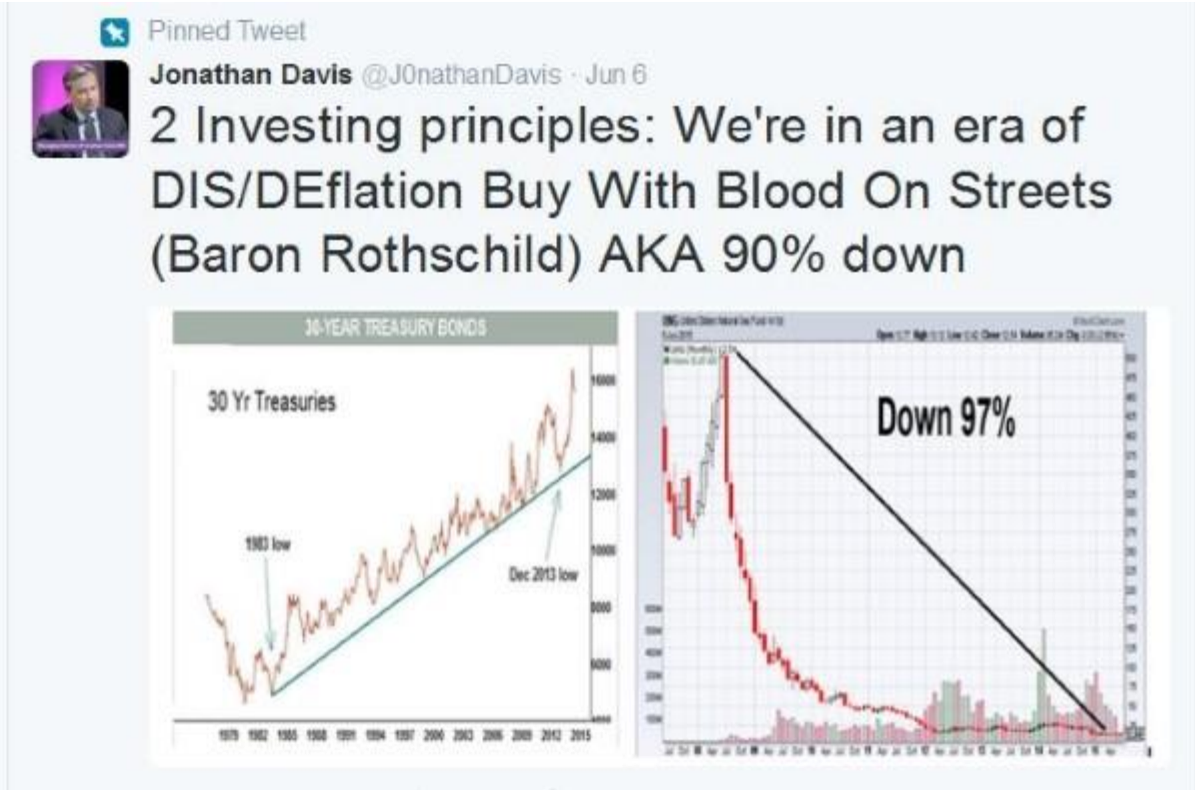
This radically alters thinking around investing from what used to work, namely. Property, Shares and Bonds. We have written of this before. See our website for past writings on the subject.

and

2. We invest in quality assets at severely depressed prices, collapsed even. We have a natural aversion to assets which have already soared in price.

The means to preservation of capital and growth of capital is by buying cheaply.
If you prefer to invest in assets or be invested in assets - such as property or Western shares - which are at huge prices then you may wish to reconsider your strategies of preserving and growing your wealth.

This is what is pinned to my Twitter account (@j0nathandavis)



If you are investing in inflation-linked assets or in assets that have risen for years, you might want to review your strategy.

What's been happening to your portfolio recently?

Have you looked? Should you?

Under what investment philosophies are your wealth managers investing your money? Your retirement funds. Are they meeting the ongoing challenges of Disinflation or outright Deflation as a result of globalisation and technology or are they still saying, after years of evidence to the contrary, "Interest Rates and Inflation are *just about to rise?"* Haven't they been saying that for a long time now?

We've been saying to our clients, how can rates rise given the sheer weight of debt in society and, moreover, in the financial system and how can rates rise when inflation has been falling for years to around 0%, currently.

So, have your investment managers been investing in Government Bonds? Or have they been saying GBs are valueless?

US Treasuries are up c 20% since Jan 1 2014.

If you do not invest to meet the challenge of DIS/Deflation, you are looking the other way - to the facts. This is not prudent in medium to long term investing.

Are your investment managers investing in quality global level assets which have collapsed in price? What proportion of your portfolio was in Global Shares BEFORE the August falls?

Or Global Oil companies prior to and during the oil price crash, over the last year?
At $110 per barrel, our clients had zero invested there.

At $45 per barrel we moved in within days of the waterfall. We bought Global Energy shares. Now, we did not say this was thee low in oil. How can we know? But we did say, the oil price has crashed and investing in global energy shares AFTER an oil crash is very much superior to investing BEFORE. On a medium to long term outlook, at $45 (March 2015) we are distinctly more comfortable with that investment than had we made it at $110 (to Summer 2014).

If you are not investing in quality assets which have crashed or even collapsed, you are making large long term capital risks.

So what are the investing philosophies of YOUR investment managers?

Diversified? Across what assets? Those that have risen in price already. If they've risen, ask them the medium to long term outlook FROM NOW. FROM CURRENT VALUATIONS. We suggest you get it in writing.

To our knowledge, the top market commentators in the World expect 0% growth in Western shares (in aggregate) over the next several years, from this point.

We inform our clients frequently the outlook for each asset held. It's easier being positive on assets which collapsed before we invested than had we invested at highs.

Ask your managers for their outlooks on the shares and property assets with interest rates which fell for 4 decades and can now hardly go any lower.

And could rise.

(Though that is not our expectation for now - as we've been saying for years. In March 2011, on Sky TV, I said (excuse me while I quote myself) -

"If they raise rates, we're toast. And if they don't it's BECAUSE we're toast."

That statement is as valid today as 4 and a half years ago.)

We strongly suggest you review what you own and why.

Our first piece (click on highlight to go straight there), below, looks at what's been happening in the stock markets this Summer as well as a big picture view.

The second considers the changes to Buy To Let taxation and asks if this is a sound investment. And the effect on house prices, generally.

In the third, we consider, in a light hearted way, what might not be good financial planning actions to take. You decide the outcome if anyone did these.

Next, we look at **The Big Picture**. Want to know what's really going on out there?

Finally, this month's **Focus** is on Oil and Energy investing.

What should YOU do to secure your wealth?

Speak to us before something happens, that nobody advised you could happen, and which detrimentally and materially affects your wealth.
Don't put it off till it's self-evidently too late.

Can you benefit potentially from our advice? We work for wealthy to very wealthy families (£300k to £25m of financial assets) and/or high earners and trusts. We work for clients all over the UK and indeed on three continents.

Our most important and most often repeated philosophy is (as seen widely on our website): “We advise you based on what we would do, were we in your shoes, given what we know”.

Call me personally to see how we can help.

I welcome your feedback and if you have any queries over any of the issues raised, do not hesitate to get in touch with me by clicking **jdavis@jonathandaviswm.com**.

Kind Regards

Jonathan Davis BA MBA FCII FPFS
Chartered Financial Planner
Managing Director

If you're on Twitter, you can find me ***@J0nathanDavis*** where I frequently tweet about markets and economics.

Tel: 0845 862 2919
Email: enquiries@JonathanDavisWM.com
www.JonathanDavisWM.com
Alden, Yewlands, Hoddesdon EN11 8BT

Please note that investments can fall as well as rise. And they do!