Media Release 87 **15th October 2018**

It's all my fault!

By Theo Marinis

Adelaide based financial strategist Theo Marinis today admitted the recent Wall Street jitters, which saw the market slide by around 5%, were entirely his own fault.

"Last week (while my wife Julie and I were on holiday in the US) vanity got the better of me and I visited Wall Street – ***as can be seen in the photographic evidence below.***

And what happened? The market broke.

"Clearly, it is my presence that caused this" he said, with tongue firmly in cheek.

Marinis apologised to his clients, however he did point to the fact that it is 'Spooky October' when traditionally, cracks appear in financial markets.

"As I've been saying for years (Please visit www.marinisgroup.com.au/media to see Theo's ***recent***, relevant media releases and client newsletters, including the two most recent examples attached below) the market often has a correction around Halloween.

What is important to understand about investing is that it is a little like a blood pressure reading, one day it might be high, another day it might be low; what is important is the medium to long term trend.

Over the last decade the market has averaged almost a 10% per annum return, so a five per cent hiccup is not a big deal.

My advice to investors at times like this is to do nothing. Sit back and watch the mad crowd panic, and patient investors will reap the rewards.

If you have any spare cash, these are the times to buy - when everybody else is selling.

If you are a retiree, don't worry about it. As you know, I encourage people to think of the return on their investments at five per cent - or $5 in every $100 invested. The reality has been much better.

I also recommend retirees have a 'Marinis Buffer' of two years' cash to protect them if the fall gets worse.

Visiting Wall Street at a time like this has been interesting. It is always exciting to be at the heart of an 'event' and witness a bit of history. I wasn't concerned, however, as I know my clients are well protected by our approach to investing, and by the conservative, long term wealth protection advice we provide."

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Media Release #83 – Armageddon Is Coming

eGrow 9th March 2018

Media Release No 83 **27th July 2018**

Armageddon IS coming!

(But don't forget, as Paul Samuelson reminds us: 'Economists have successfully predicted nine out of the last five recessions.'

By Theo Marinis

There is a certain smugness about knowing you are right - and when I say 'Armageddon ***IS*** coming', like all my fellow economists, I know this prediction is 100% accurate - but experience tells me two things: I can't know when it will happen and secondly, it won't be the catastrophe the headline writers will predict.

At 55 I have lived through, amongst many other 'disasters', the Cuban Missile crisis, the Vietnam war fiasco, the Whitlam years, the cold war, Chernobyl, the collapse of the USSR, Iraq (twice), Afghanistan, numerous market breaks … and I am now facing the Trump challenge. And what has the market done over this half century and a bit - increased ***on average by 11.68% pa (Based on the US S& P 500 Index in the period 30/11/1962 to 30/6/2018 as per data supplied by Vanguard Investments Australia Limited)***

So, what have I learned as an economist and financial strategist?

Principally, that panic and impatience lead to poverty.

Benjamin Graham is renowned for saying '***Individuals who cannot master their emotions are ill-suited to profit from the investment process***.' I would argue that when it comes to investing our own money, just about all of us are prone to fall for a 'tip', a 'hunch' or a headline. We get emotional about our money and we are often irrational - and if we get lucky because of our tip, hunch or headline investing, we get arrogant. These are all normal human emotions which usually lead us to failure.

So how do I advise clients to avoid these well-known and proven mistakes?

I preach the Gospel of diversification - and patience.

We all remember ***Warren Buffett's message***: ***'Be fearful when others are greedy - and be greedy when others are fearful***.' Buffett's contrarian approach is great - particularly if you have huge pots of available cash to splash around, and where 'taking a bet' …. and getting it wrong …. won't mean financial disaster. But, for most of us, as 'mum and dad' investors, we can't follow this strategy.

There is another old investment truism, ***'don't try and catch a falling sword,'*** which reminds us we cannot tell where the bottom (or top!) will be and the impact of buying (or selling) too early might lead to significant financial pain.

We need to understand and accept the market gyrations as normal and healthy.

Part of this is understanding, as everybody's economic hero ***John Maynard Keynes*** said, '***The social object of skilled investment should be to defeat the dark forces of time and ignorance which envelope our future.***' In other words, there will, at times, be short-term underperformance. It takes time to rebuild after a market break. This can be very painful for the retiree, in particular.

To deal with this situation, I typically advise clients to maintain a 'Marinis Buffer' equivalent to two years' worth of income when they are in the draw-down phase. This inoculates their investments from the need for a 'fire sale' of good quality assets during a downswing just to fund their daily lifestyle.

As investors, we need to accept that we don't know what will happen in the future

George Soros said, ***'The idea that you can predict what's going to happen contradicts my way of looking at the market.'***

And I am constantly amused by ***John Kenneth Galbraith,*** who had a wonderful take on this when he said (in my absolute personal favourite economist quote) ***'The function of economic forecasting is to make astrology look respectable'.*** Even the "so-called" experts get it wrong - often.

So, we don't know what will happen in the future, except at some stage we are certain it will be 'bad'. During these 'bad' economic times we know for certain that the 'whales' of the investment market will buy good quality assets at very cheap prices.

The skill of the investor is to separate their emotion from their rationality - to recognise that breaks are normal - and that the investment markets are not linear, and therefore don't panic and sell down, or you will lose a fortune.

A successful investor has a medium to long-term strategy, which involves getting rich slowly. Often investing is a two-steps forward, one-step back, process.

We also need to recognise that as investors we are also impacted by the human emotions of fear and greed - and do our best to avoid them.

Therefore, I always recommend appointing a reputable team of advisers; whether accountants, lawyers, stockbrokers or financial advisors, to have an emotionally unengaged personal 'board of advice.'

This is, in my opinion, some of the best money an investing individual will ever spend.

- Thanks to 'The Wisdom of Great Investors' by Perennial Investment Partners for most of the quotes used above.

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eGrow 9th March 2018

What the recent market tremor reminded me

So…how many clients rang me with concerns about the great stock market tremor of 2018… one!

That person was a new client, anxious that his funds (which had just been rolled over to a new investment/administration platform) were sitting 100% in cash as markets were in correction. His question – would it be better to remain in cash for the time being?

Our ensuing conversation reminded me that 'snapshot' moments in medium to long term investing are misleading representations of the overall. They are not a valid basis for decision making. In fact, they are on parallel with a doctor taking a patient's blood pressure once and recommending a heart transplant!

A far better approach is to understand the performance of your portfolio over a series of quarters, if not years.

Investment markets are for the most part (despite the distinct lack of volatility for much of 2017) incredibly volatile on a moment by moment basis – but when averaged out over say, 10, 20 or 30 + years (especially for long term investments, like super) the average return on share investments has been **much, much** better than 7% pa – and this includes some high 'highs' and low 'lows'.

Incidentally (and as you would expect from the foregoing comments) my advice to our concerned client was to proceed to implement his investment allocation IN FULL (as per our recommendations provided in December 2017) despite the current market falls. In addition to gaining the reassurance he sought, the market correction also meant that his investment units were purchased at a discount to the prices which would have applied in the previous 2 months!

Despite headlines shouting "$30B lost!" this was my only phone call.

I put this down to the ongoing adviser/client conversations we continue to have – conversations which are based on sharing my understanding of the vagaries of the investment markets and their legislative frameworks with you, and **the importance of maintaining a long-term view**.

This is in line with my personal investment philosophy and the way I approach my family's financial future. It is a view which I share consistently with friends, acquaintances and clients alike, and those of you who know me well will know that I am committed to this process (to the point that I am completely comfortable sharing my own financials to demonstrate that I believe in what I recommend. In other words; not only do I 'talk the talk', I also 'walk the walk'.)

Some other thoughts:

- Superannuation is a long term asset – one which will still be funding a lifestyle in another 30 years. Quick (and massive) movements have ALWAYS been, and will continue to be, a feature of financial markets. The key is to view the medium to long term, and ignore the knee jerk reactions.

- ALWAYS ignore the 'noise' during corrections.A month ago the headlines were screaming about the billions "wiped off the market". Yet the silence was deafening in the weeks that followed when markets recovered most of those "losses"!

- There is a real advantage in ALWAYS maintaining a cash ("Marinis") buffer to mitigate the possibility of having to sell assets at fire sale prices – as many discovered during the GFC. Holding a "Marinis" buffer may also provide some 'dry ammunition' for bargain buying investments in the event of a significant 'earthquake'.

- Successful long-term (contrarian) investors often make such asset allocation decisions – in direct contrast to most other investors. For example, by often BUYING growth assets when market sentiment is negative and SELLING some growth assets when markets are booming.

- Investing is long term and we should NOT speculate. My advice: "Be the casino, not the gambler". (It is interesting that the Adelaide Casino promotes the fact that it returns 93 cents in every dollar… so you 'only' lose seven cents in every dollar to the house…. obviously, therefore, who is making money)….

- Bear in mind too, that the 'house' does sometimes lose in the short term, but it always wins in the long term, as it plays the percentages and sticks to the LONG-TERM strategy.

  For example, (although lacking in casino experience as a player) I do know that the dealer in blackjack does not "draw on 14". Therefore, even if ALL the punters are still in the game and ALL have more than 14 in front of them, the dealer MUST pay them ALL out, rather than gamble and draw again.

  This is because the casino is willing to take a short term hit in the knowledge that they will WIN in the long term!

And one more thing:

I thought you might be interested in some of the recent media releases I have distributed to various outlets around Australia plus my most recent correspondence to Canberra. I always load my media articles etc on my website, so if you are ever interested in what I am up to, feel free to check out www.marinisgroup.com.au

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