

Go your own way



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Poncho the donkey proved to be the unexpected star of the show during my recent dude-ranching holiday. This small, somewhat ragged animal may have lacked the majesty of the horses, but he found a place in my heart.

For one, he absolutely lived for human cuddles, to the point that once you stopped petting him he'd nudge you with his head to get you to continue. But it wasn't only Pedro's affectionate side that will stay with me.

I'd heard before that donkeys are often put in fields with grazing horses, as their loud braying enables them to act as the perfect early-warning system against predators.

However, what took me by surprise one night was the sight of the entire stud of horses heading out to the meadow to feed – led by Pedro.

The next morning I had to ask the rancher about what I'd seen. He explained that while horses are herd animals that abide by a strict hierarchy, donkeys can go their own way, and will happily lead the horses.

CAPTURE THE SPIRIT OF PONCHO

In the recent North Korea flare-up there has been some loud braying coming from both sides. The rhetoric reminds me of the name-calling you'd get before a schoolyard fight, but the stakes are somewhat higher.

No doubt the rhetoric will ebb and flow over the course of the year, adding an element of instability to markets, but also creating opportunities for investors.

Just like Poncho, investors should strive to ignore the herd mentality and find their own path to the meadow. Geopolitics has always shaped the investment universe,

but in my experience, periods of instability have never been the right time to sell. Rather, they are the perfect time to pick up great stocks at reduced prices.

You just have to go back to recent history, using the two gulf wars as an example, to see how quickly markets rebounded and rewarded investors who were brave enough to ignore the herd.

We were among those investors who took advantage of the dislocations at the time, adding to US and European blue chip names, which rebounded strongly after the initial shock.

TIME TO PUT YOUR CASH TO WORK

Investors are currently sitting on significant piles of cash as a result of the unstable political backdrop. However, in the medium term, markets are driven by fundamentals, and these fundamentals remain excellent.

Once this recent bout of volatility dies down, the powerful combination of rising earnings and synchronised economic growth across the globe is likely to push markets to new highs.

My cash position in my fund is now only 0.5%, having been more than 5% previously.

In the second week of August I put some money to work and bought Samsung global depositary receipts and shares in Essilor, a French producer of ophthalmic lenses.

On a sectoral level, automobiles in Europe look too cheap and there is deep value in names such as Viacom in the media sector. Technology also presents opportunities – besides Samsung, data storage company Western Digital is an attractive play.

The opportunities are out there. Just like Poncho, investors need trust their noses and ignore the inertia of the herd to reach the meadows.

The Swisspartners CIO reveals what an intrepid donkey can teach investors about escaping the herd mentality during a geopolitical meltdown



Peter Ahluwalia and his new investment hero, Poncho the donkey.