



*"It's important to play judiciously, to have more successes than failures, and to make more on your successes than you lose on your failures. But it's crippling to have to avoid all failures, and insisting on doing so can't be a winning strategy. It may guarantee you against losses, but it's likely to guarantee you against gains as well. Here's some helpful wisdom on the subject from Wayne Gretzky, considered by many to be the greatest hockey player who ever lived: 'You miss 100% of the shots you don't take.'"*

Howard Marks

*"Cash is king only if you use it."*

Warren Buffett, Berkshire Hathaway AGM, May 2014

I have spoken at length with clients over the past year or more about the importance of exercising patience when investing, about always holding a comfortable level of cash, and about waiting for what Warren Buffett calls, "the fat pitches". Bearing in mind that anyone whose investments are providing them with their retirement income should maintain at least two years' living expenses in cash or term deposits at all times, I think we may be about to see some "fat pitches".

Whereas I was struggling to find much value in the market six months or a year ago, the market has declined by 11% over the past six months. By definition there is better value around now than there was then. Some existing investments are beginning to look better value and some new ones are appearing on the radar.

I think it is probably a good thing right now to start to mentally prepare ourselves to take advantage of any market disruptions. The dilemma is always that the right time to be adding to investments in the market is generally the time it feels least comfortable to do. We know that the best time to be buying is when prices have fallen, but that doesn't remove the feeling in the pit of the stomach as we watch the value of our portfolio decline. One way to combat this is to have a clear idea of the prices we would unequivocally be very happy to pay for particular securities and to place orders to buy them at those prices. If the orders are met, well and good. If not, we have lost nothing.

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