"Charlie and I never have an opinion about the market because it wouldn't be any good and it might interfere with the opinions we have that are good.

"If we're right about a business, if we think a business is attractive, it would be very foolish for us to not take action on that because we thought something about what the market was going to do, or anything of that sort. Because we just don't know. And to give up something that you do know and that is profitable for something that you don't know and won't know because of that, it just doesn't make any sense to us."

Warren Buffett - Berkshire Hathaway 1994 Annual Meeting

"There are two things I would never say when referring to the market: 'get out' and 'it's time'. I'm not that smart, and I'm never that sure. The media like to hear people say 'get in' or 'get out', but most of the time the correct action is somewhere in between."

Howard Marks

Over recent months there has been an awful lot of reporting in the media on big global events – the US-China trade war, the looming reality of Brexit, the Hong Kong-China relationship, the prospect of a US recession or China's growing power in the Pacific. Markets have been responding to these events, sometimes with an alarmingly direct correlation. We can wake up in Australia and find that the US equity market has lost 2% of its value (about US$770 billion) because of an early morning tweet from President Trump. More often than not the original message is subsequently qualified, or even contradicted, and the market gains 1% or 2% in the next trading session.

Whilst these wild swings from despair to hope and back to despair are interesting, they are not particularly instructive. There is little value in trying to use these gyrations as signals to either get in or get out of the market. (Of course if we are looking to sell something we should aim to do so on one of the euphoric days, and if we are looking to buy something to do so on one of the despondent days, but we shouldn't be basing our decisions on the temperament of the market.)

We should focus on asking questions about the underlying business we are investing in:

- how does it make money?
- can it continue to make money?
- what are its competitive threats?
- what, and how durable, are its competitive moats?
- does its management allocate capital rationally?

Lighthouse Investment Services Pty Ltd as the trustee for the Lighthouse Unit Trust (ABN 14 874 080 673) and
Richard Whan are Authorised Representatives of **Lighthouse Investment Group Pty Ltd** (AFSL 483326)
PO Box 2116 Byron Bay NSW 2481 **Telephone:** 02 6685 3630 **Mobile:** 0409 254 270 **Email:** richard@lighthouseinvestments.com.au

These things are both important and knowable, unlike most of that which the finance media obsesses over – which is generally either unimportant (will the RBA lower rates again next week) or unknowable (what will the end game of the US-China trade war look like). Ultimately the answers to these questions will also have more of a bearing on the fortune of the business than any of those macroeconomic factors will.

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