

What I learned over the past 10 years
at the Bear Market University

Well, a bear market in capital growth

ASX All Ordinaries, past 10 year



...but a bull market in dividends

ASX All Ordinaries accumulation index, past 10 years



1. It isn't rocket surgery

- Know your time frame:

Because compound interest works best at the end but the closer you get to it the more safety and liquidity you need

- Diversify:

*Because you don't know anything for sure,
and you sure can't guard against idiots and crooks*

2. Humility

“It ain’t what you don’t know
that gets you into trouble.

It’s what you know for sure that just ain’t so.”

- *The Big Short (but NOT Mark Twain)*

3. Liquidity

It's over-rated and expensive

- Liquid (listed) assets are volatile, subject to shorting and on average underperform unlisted ones
- Illiquid assets should be part of any portfolio

4. Focus

Modern Portfolio Theory sucks

- Standard asset allocation is designed for relative performance by professionals
- Individual investors with money mostly need income (and capital protection)
- Individual investors without money mostly need growth (ie compound interest)

4. Growth & Income

- Growth is a bet
- Income is (or should be) a promise

(A bond is promise to pay; a dividend is a hope
... relying on dividends for income is unsafe)

The next ten years - what are the risks?

- Inequality
- Monetary policy
- Fiscal deficits
- Banking
- China
- Climate change

1. Inequality, politics and the end of globalisation

- Brexit
- Trump
- Europe's right-wingers
- Refugees
- Malcolm's close call

MATT

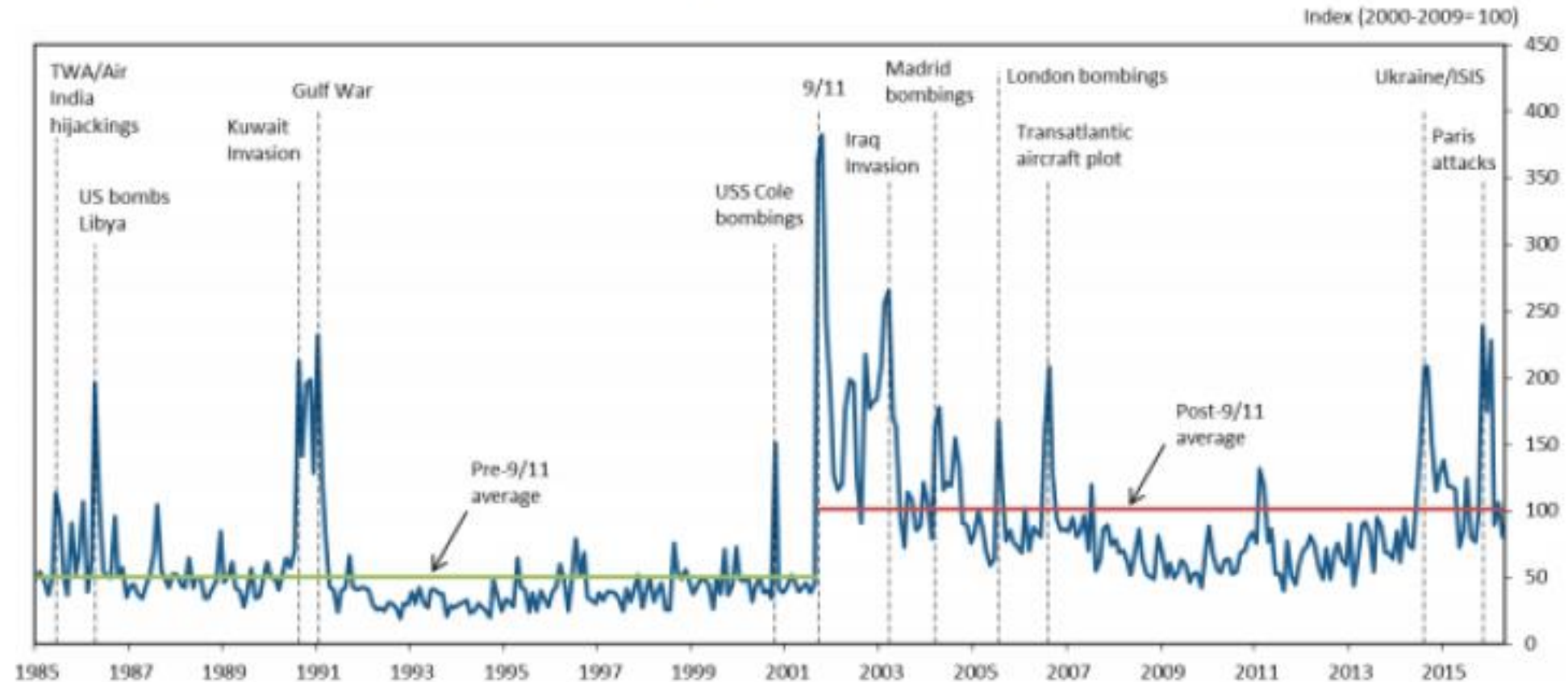


'I'm studying politics. The course covers the period from 8am on Thursday to lunchtime on Friday'

1. Inequality and the end of globalisation



Chart 1: Geopolitical risk doubled, on average, after 9/11



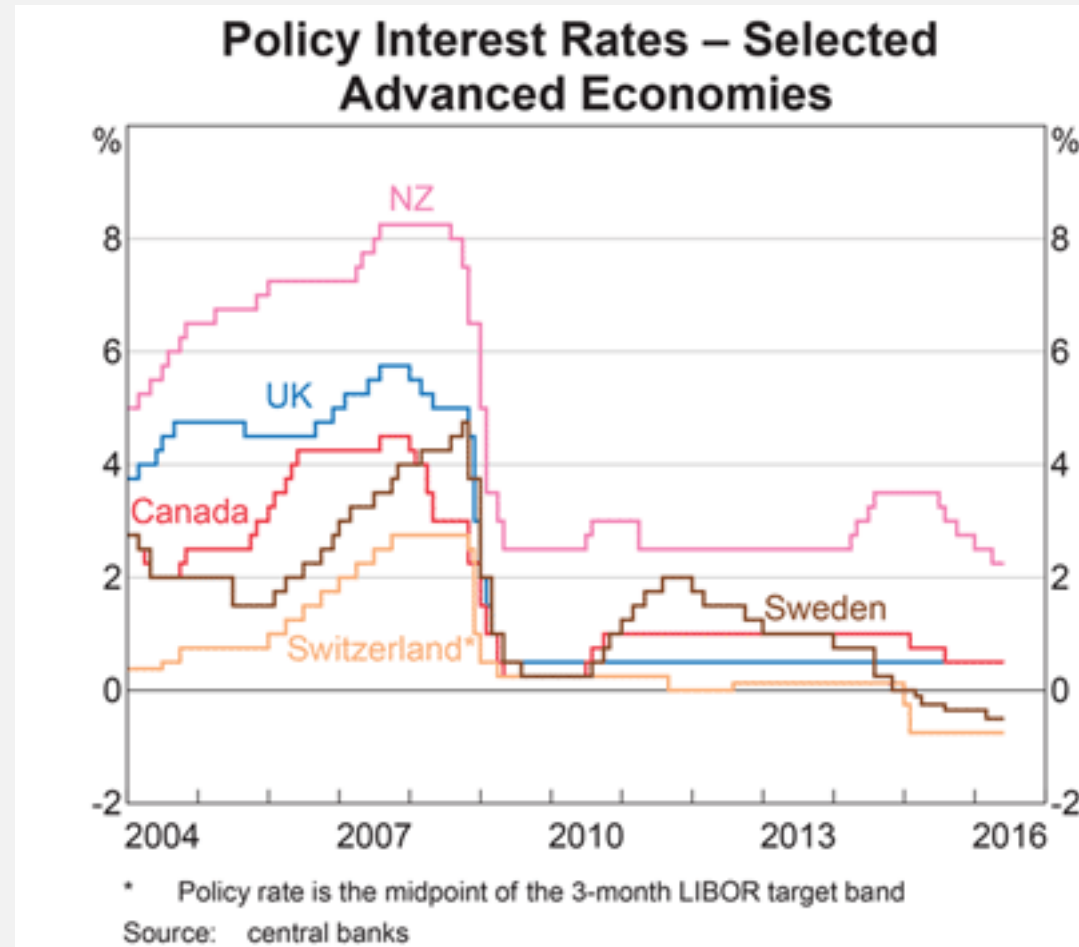
Source: Bank of England

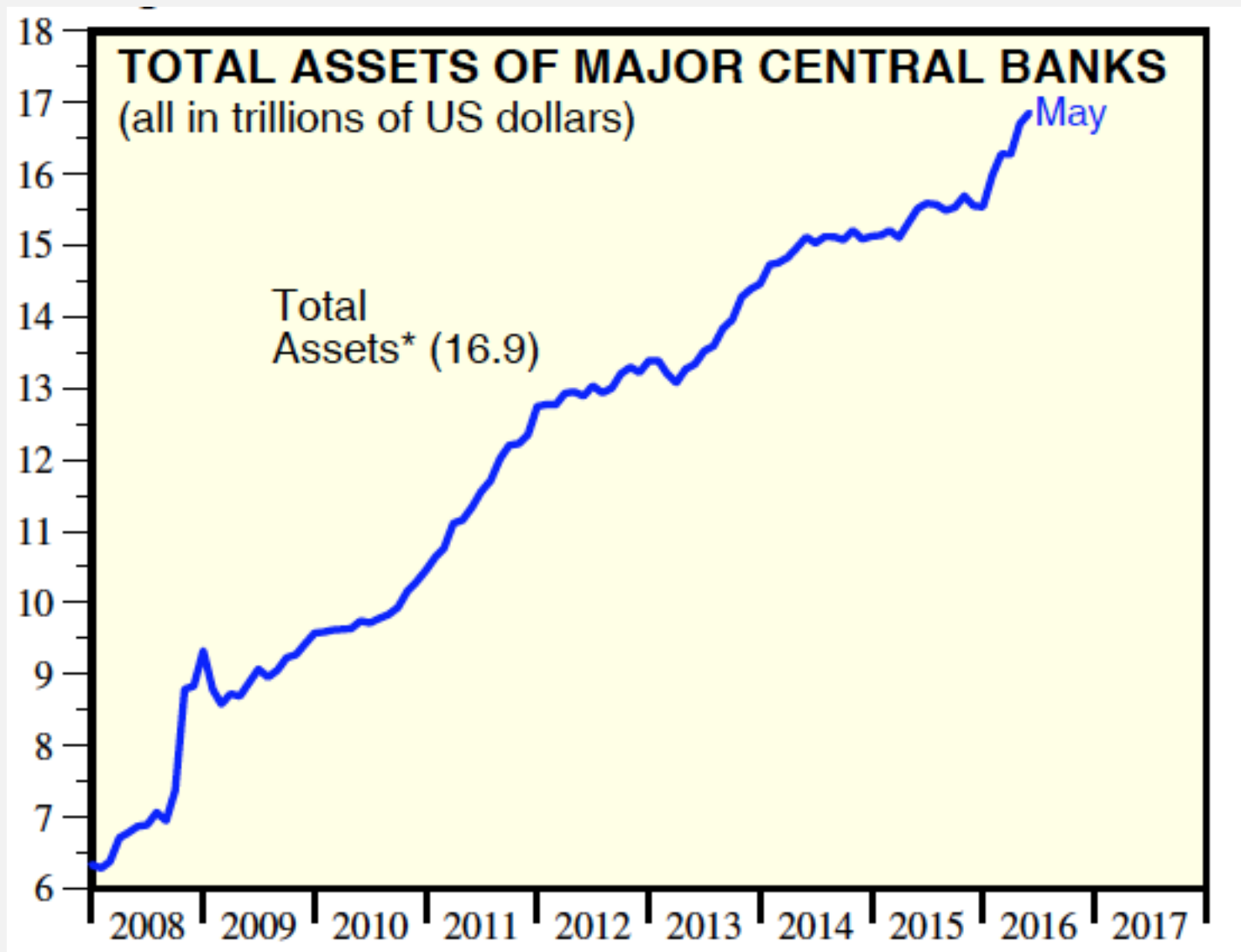
Minor parties' share of the vote in Australia



Source: ANZ Research

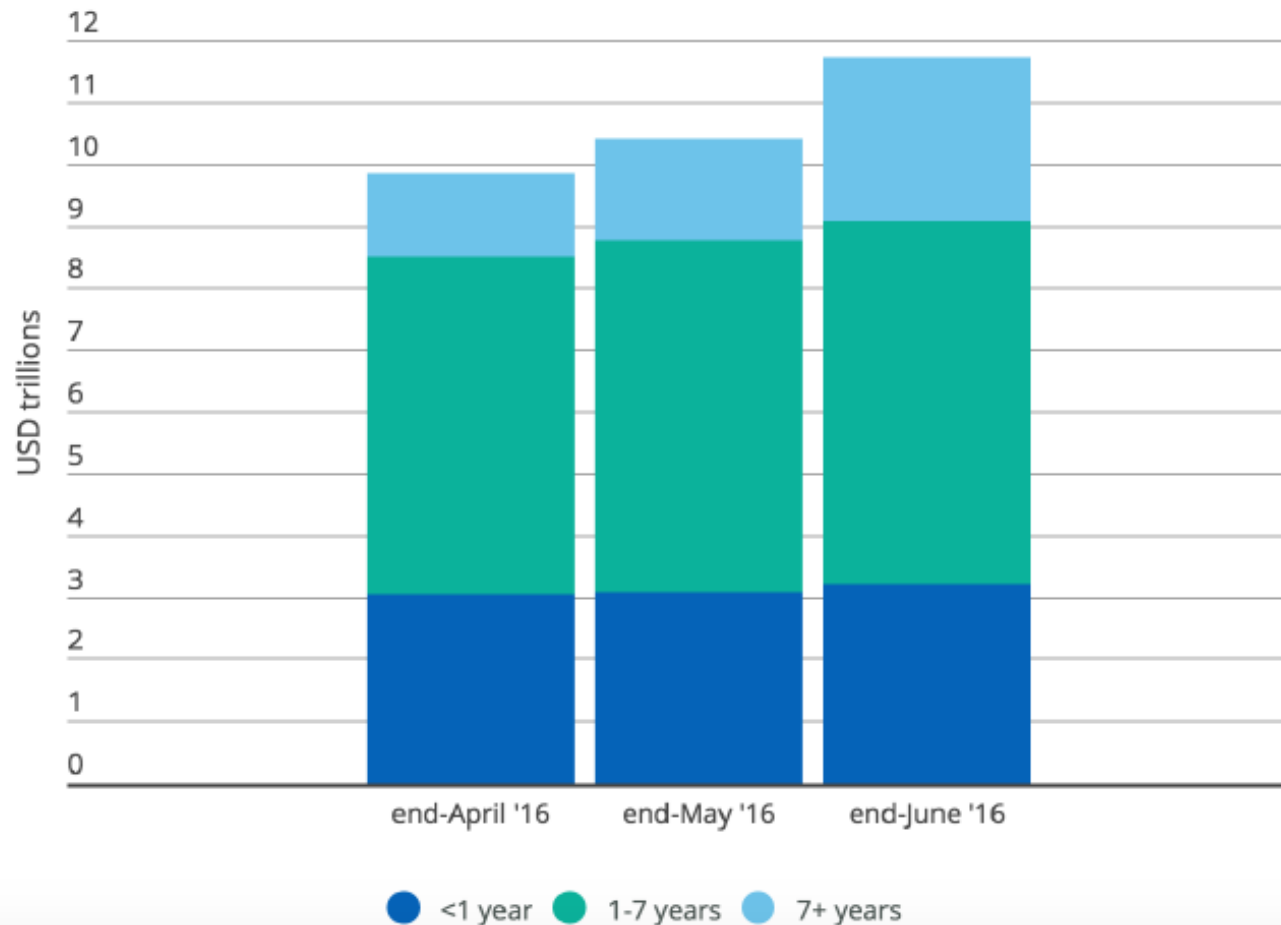
2. Monetary policy and the end of reason



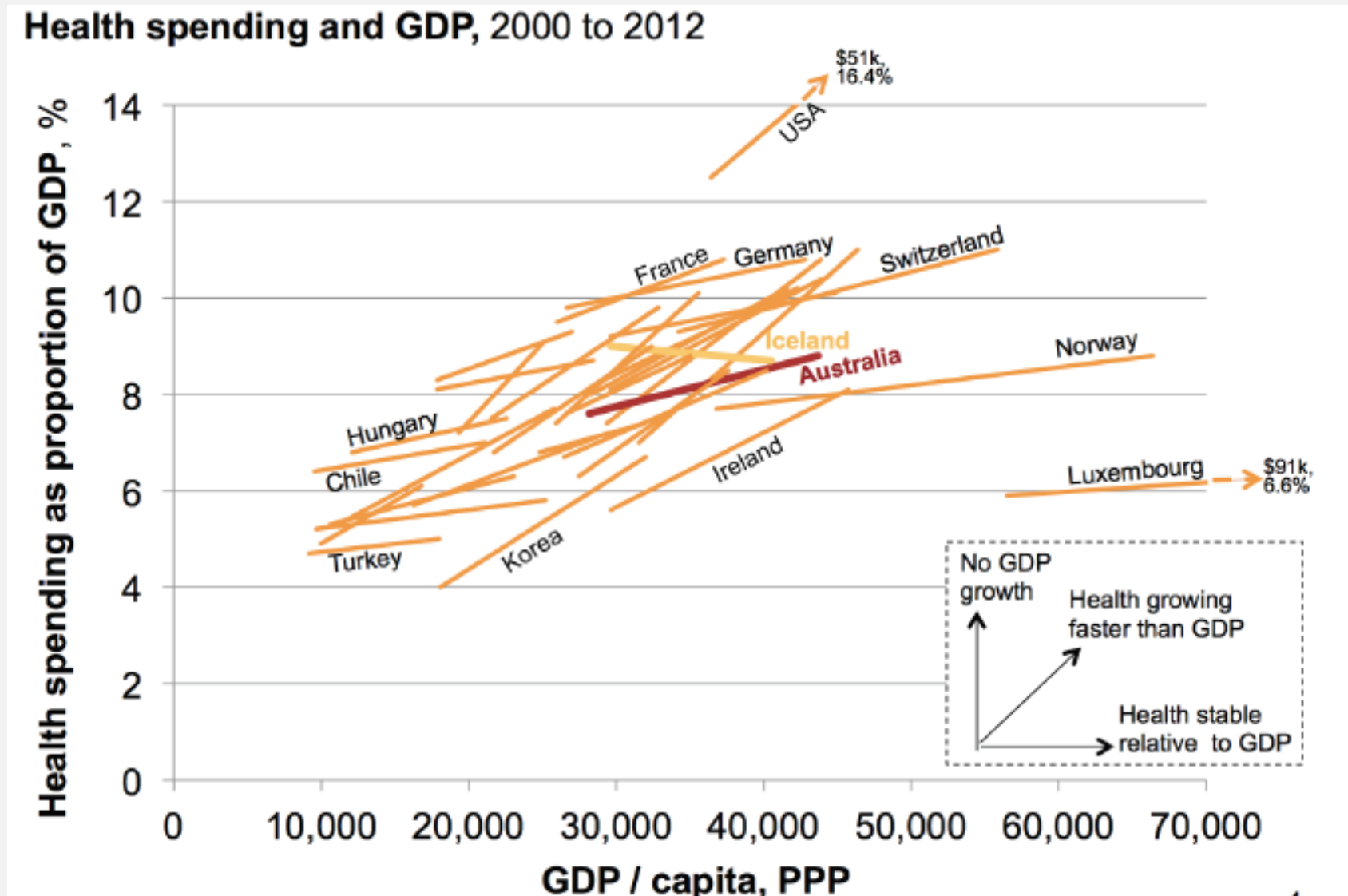


There is now US\$11.7 trillion of negative yielding debt

Long Maturities Drive Growth of Negative Yielding Debt

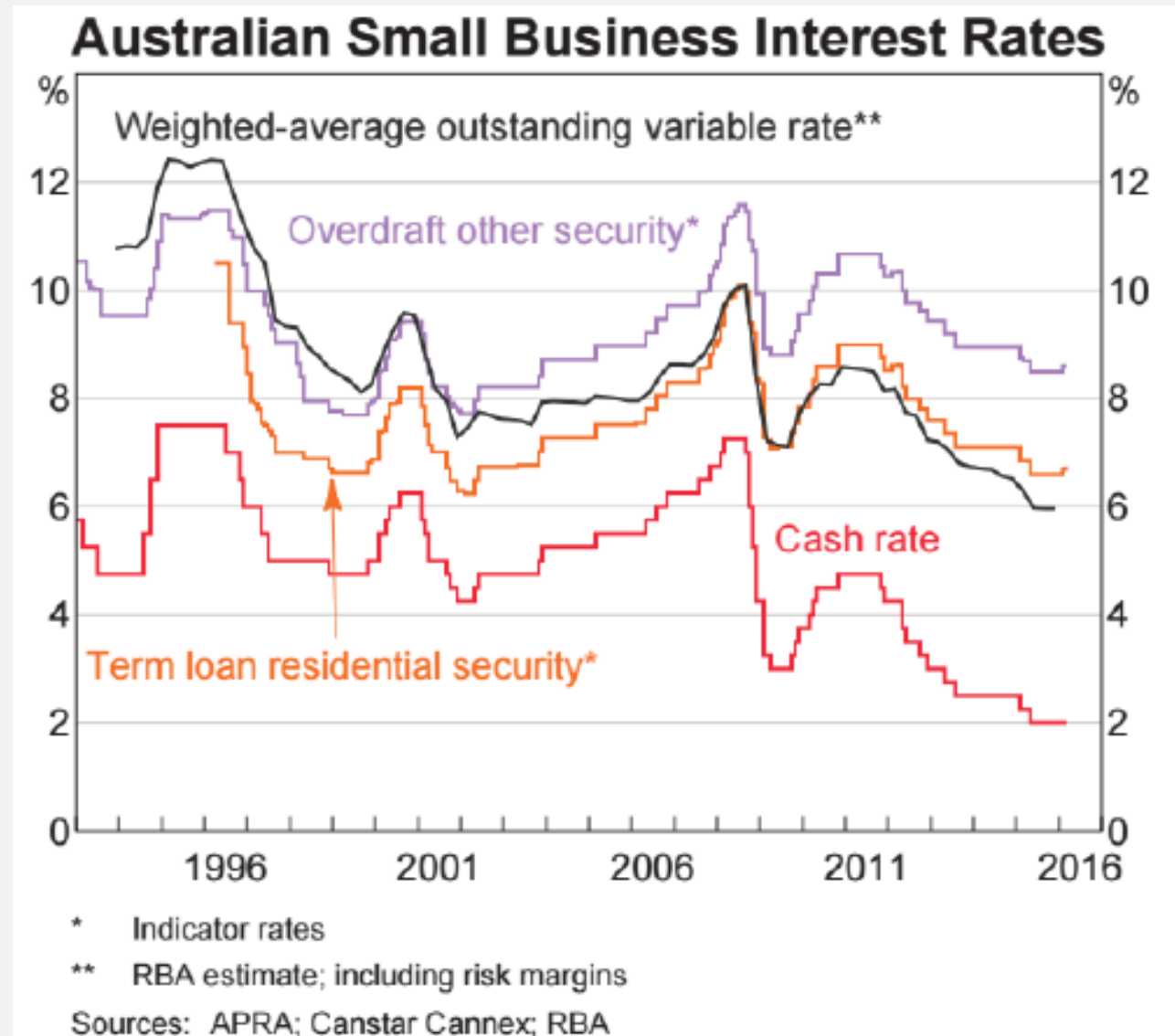


3. The fiscal challenge

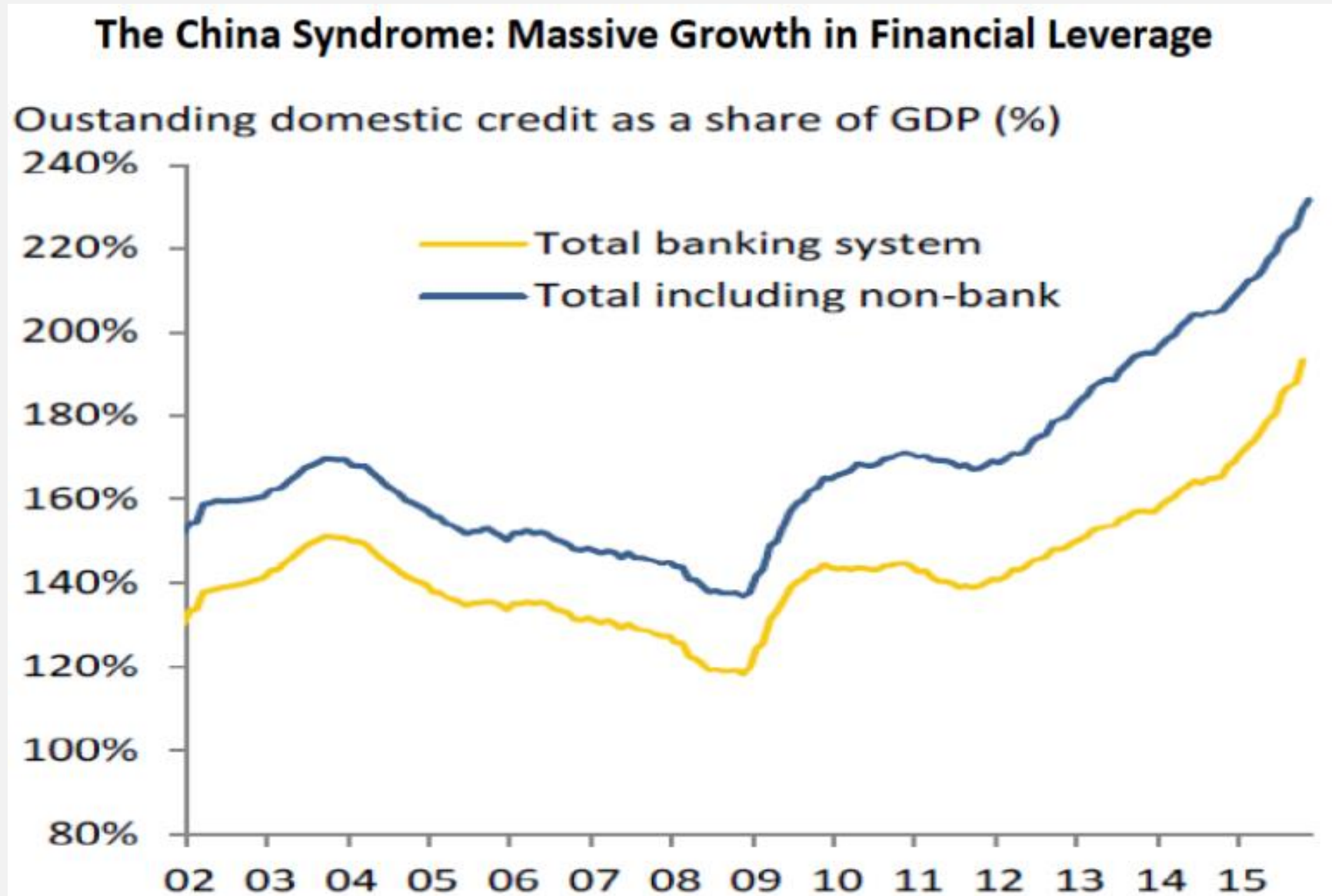


Source: Grattan

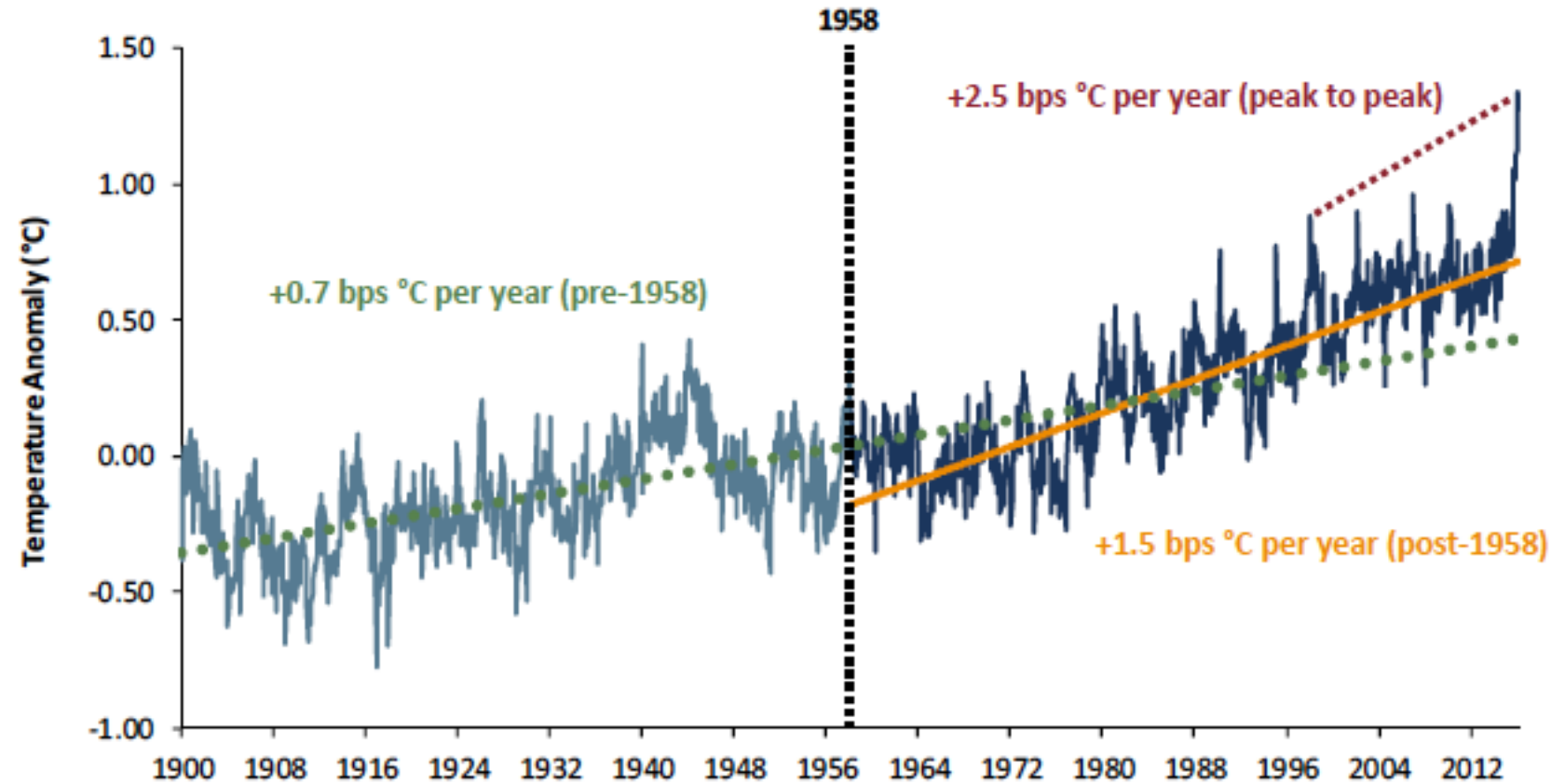
4. Banks have become building societies



5. China



6. Global temperatures are accelerating



As of 4/30/16

Source: NASA Goddard Institute for Space Studies

But...

... it depends how you look at it

- Interest rates are super low
- Governments are still spending
- Banks are properly regulated
- China's economy is rebalancing
- Global warming is being tackled

So everything should be fine!