How fund managers are positioning their portfolios to protect capital and remain resilient in this uncertain climate

Charlotte Yonge – Troy Asset Management

19th October 2017
The current climate: foundations of sand?

Source: Google Images, 30 September 2017
QE – a great success?

Central Bank Disobedience

Source: Bank of America Merrill Lynch, 31 July 2017
FOMC (Federal Open Market Committee) economic projections for the Fed Funds Rate

Central bankers cannot predict their own actions; we should not attempt to

Source: Federal Reserve Bank of St. Louis, 30 September 2017
The market rally has not been supported by profits

Multiple expansion has driven two thirds of the rally since 2012

Source: Bank of America Merrill Lynch, 31 July 2017
How low can you go?

The Bank Rate 1694-2017

Source: Bloomberg, 31 August 2017
A long-term perspective is required
The average S&P 10-year annualised real returns following different quintile start-points of Shiller cyclically-adjusted PE, 1 being the most and 5 being the least expensive quintile.

Source: Shiller, 31 March 2017
Cyclically Adjusted Price Earnings Multiple (x)

Source: Shiller, 30 June 2017
What are the opportunities?
Reach for the stars

Know what you’re looking for

Source: Google Images, Troy Asset Management Ltd, 31 July 2017
Stewards of their own capital, and yours
Unilever – sustainable investing

Underlying Sales Growth

- 10-year compound annual organic growth rate of 4.9%
- Global market share has increased from 16.4% in 2008 to 18.5% in 2015
- Guiding at least 80bps operating margin expansion per annum
- Positioning for a new consumer with acquisitions of Dollar Shave Club and prestige beauty brands
- Before Kraft Heinz bid the stock was trading on less than 19x earnings and a dividend yield of 3.3%
- 5-year average return on equity of 33%

Source: Company, Bloomberg, 28 February 2017
Bernstein, 31 December 2015
Gold: the oldest currency

World Gold Supply Versus Developed Market’s Central Bank Assets
31 January 2006 – 31 March 2017

“In reality, there is no such thing as an inflation of prices, relative to gold. There is such a thing as a depreciated paper currency.”
Lysander Spooner, nineteenth century American political writer and activist

Source: Bloomberg, World Gold Council, 31 August 2017
Stay the course
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