NEWSLETTER
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Strongbox
tailored wealth management

What should you be doing?

We resisted the temptation to write about politics – or to try and second guess the results of any voting process - in the past few months, but now we give in!

We are currently going through one of the most uncertain and unpredictable periods in global politics that we have seen for quite a long time. The forces which drove the Brexit decision and the election of Trump, and which will also feed into the numerous elections scheduled in Europe, have been widely dissected and debated but the fact remains that unlike most decision-making processes, the Brexit and Trump decisions have led to increasing rather than decreasing uncertainty. The Economist reflects the frustration with the UK Government by dubbing the Prime Minister Theresa Maybe, on the grounds that she simply doesn't have a plan to implement the most conceptually simple but logistically and legally complicated decision the UK has made in many decades. But that pales into insignificance next to Donald Trump's seemingly compulsive policy-announcement-by-Twitter habit which must have every American diplomat just about tearing their hair out!

Above all else, investment markets hate not knowing what may happen next, and everything points to the next several years being volatile and unpredictable on many levels and across amny geographies. As usual, the best strategy is to invest in the best quality, and be prepared to stick it out for the longer term, because irrespective of the gyrations of the political world, people will still eat, drink, go to the movies and need their pharmaceuticals!

Equities comment

Awash with cash following the sale of the model bond portfolio as well as some equities that had reached our sell price, we decided to buy an extra share for the portfolio: Dolby. The Dolby name will be familiar to those who are ardent cinema goers as Dolby is mentioned in the credits of many movies , as it is responsible for the movies soundtrack, music etc. Dolby has historically been best recognised as a leader in audio technology, an area in which it holds many patents. However, the patent relating to Dolby Digital technology expires this year. The reason we bought the stock is that the company, in an effort to offset the impact of this, has created two new products, Dolby Atmos and Dolby Vision. Dolby Atmos delivers a real-life multidimensional surround sound experience inside the theater and Dolby Vision produces real-life imagery on the screen by optimally mixing brightness, contrast and color. These innovative technologies can also be enjoyed at home by setting up Dolby Atmos enabled speakers and using TVs that support Dolby vision. The company is also bringing these technologies to smart phones, tablets and PCs. In addition there is a big future for the for these qualities in the area of audio on phones and PCs. Further opportunities exist in the computer gaming sector - Dolby and Microsoft recently made a joint announcement that Dolby Atmos will be available on Xbox One and supported by Windows 10. We are expecting that this new technology and its associated intellectual property will reap great rewards for the company over the longer term.

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Model Portfolio
The model portfolio has reached a new high and the initial investment of $1m has now been slightly more than doubled.
Given current high prices in the equity markets and the range of uncertainties which are spooking the pundits, we have decided to keep a large slug of cash aside from recent bond and equity sales so that we will be in a postion to take advantage of any bargains that may arise as a result of market volatility.
Having shed the bond portfolio, we expect that given a fair wind, we should achieve even better growth going forward. However, as we discuss in our Editorial on the previous page, politics and posturing are likely to dominate the economic scene for some time to come. We feel that the stocks we are currently invested in are good value and will put us in a strong position to weather any storms, and we feel that Dolby will be a good addition to the stable.

Model Portfolio
Initial value $1m **Current Value** $2.046m
Cash 36.5% **Shares** 63.5%

Performance		**Bottom Performer Shares (ytd)**		**Top Performer Shares (ytd)**	
6 months	+9%	Noble	-50%	Paragon	+211%
12 months	+16%	TEVA	-36%	S32	+136%
since start	+105%	Gilead	-27%	Vixy	+108%

Financial planning basics 10

By now you won't be surprised to hear that whichever of the strategies we discussed last time you decide to follow – spending your capital or only spending your income – it isn't just a matter of set & forget – that would be way too easy! There are a number of variables, mainly the rate of return you actually achieve, and the volatility in your returns – the fact that equities should deliver a certain return over the long term does not mean that they will deliver that return consistently. So in one year, for example, you may make a higher return, and decide to realise some of it, either for extra comsumption, or to rebalance the portfolio by buying some more fixed interest investments. In another year, you may make a lower return, and decide to allocate more money to equities while prices are cheap in order to take advantage of the recovery when it comes. Tax is another variable that may change from time to time, and while we wouldn't advocate changing investment strategy for tax reasons, tax changes may lead to some changes being necessary in the portfolio structure.
The point is that a long-term portfolio does need to be fine-tuned on a regular basis, so you should always build in a regular review with the person managing it for you, to make sure that you are still set up to achieve what you want. And of course, over time, your personal circumstances may change, but hopefully your portfolio will be strong enough to accommodate a reasonable level of change.

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