19 April 2024

Overview

Expect US market pull down for a few weeks. Ostensibly this is due to interest rates likely to be higher for longer as I've been saying for a while due to a robust US economy (you only need to look at earnings to see that!)

It's actually because we want to take profits before the other guy does, and the other guys has lost his nerve and started taking them.

Put another way, the weekly MACD is falling, worse still below it's own moving average. The good news is the monthly has not done the same. If it does, and I'll wait, then I'll be in cash. It won't. Instead as it falls, I ease back and take profits too.

I am now out of my 2x leverage Microsoft, so is my 6-year-old son. We've had them since last January so it's a fair run. We will be back though.

Nvidia I've sold half, but the other half I will decide on if it falls 20% from highs. I do not read narratives and stories on AI. I look at the fundamentals of the company to get in and price drops to get out. Meta I have exited most of my holdings, and my wife and sons and certainly the 2x leverage ETF.

I continue holding Alphabet and Amazon and on 2x leverage too. The gift that keeps giving!

Others like Intel and Adobe are exited now.

Of the S&P 500

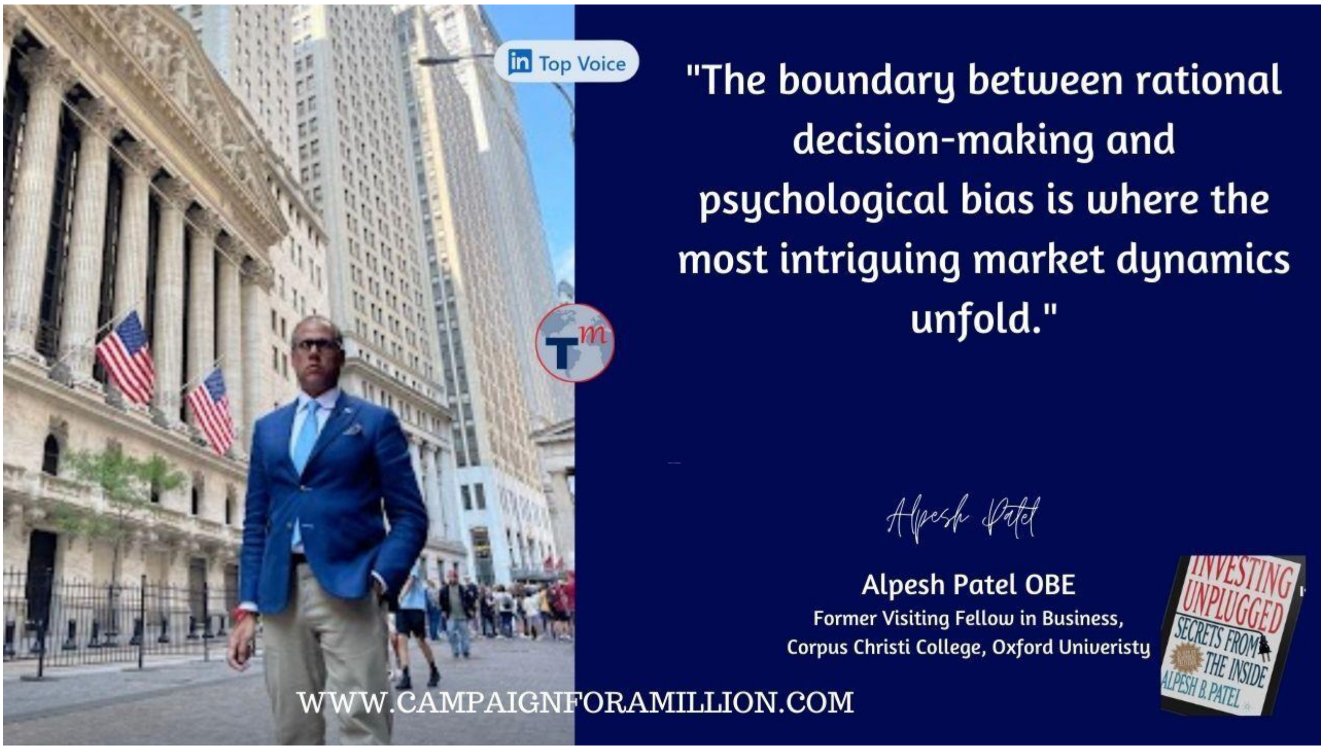
: U.S. 500 - All sectors - Alpesh Table (Linked)

Name	Alpesh value/grow rating		Price% 2/1/24
First Solar Inc	9	▲	0.53
Assurant Inc	8	▲	0.68
Elevance Health Inc	8	▲	5.82
Hartford Financial Services Group Inc	8	▲	20.05
Kellogg Co	8	▼	-3.87
Kraft Heinz Co	8	▼	-4.01
Omnicom Group Inc	8	▲	4.22
Progressive Corp	8	▲	28.88
Align Technology Inc	7	▲	13.45
Allegion PLC	7	▲	1.74
American Airlines Group Inc	7	▼	-3.05
Ametek Inc	7	▲	9.97
Amgen Inc	7	▼	-10.68
AO Smith Corp	7	▲	4.84
Applied Materials Inc	7	▲	35.70
AutoZone Inc	7	▲	13.28
Booking Holdings Inc	7	▼	-0.37
Boston Scientific Corp	7	▲	17.76
Broadcom Inc	7	▲	22.45
Broadridge Financial Solutions Inc	7	▼	-3.16
Brown & Brown Inc	7	▲	14.37
Campbell Soup Co	7	▼	-3.88
Caterpillar Inc	7	▲	22.86
Centene Corp	7	▼	-5.96
Church & Dwight Company Inc	7	▲	9.20
Coca Cola Co (The)	7	▼	-2.98
Colgate-Palmolive Co	7	▲	6.74
ConAgra Brands Inc	7	▲	1.56
Constellation Brands Inc	7	▲	5.71
CVS Health Corp	7	▼	-14.62
Darden Restaurants Inc	7	▼	-5.02
DaVita Inc	7	▲	21.43
Delta Air Lines Inc	7	▲	15.11
Dominion Energy Inc	7	▼	-3.48
Duke Energy Corp	7	▼	-5.07
Eastman Chemical Company	7	▲	7.89
Eaton Corp	7	▲	32.00
Emerson Electric Co	7	▲	16.29
Expedia Group Inc	7	▼	-13.32
F5 Inc	7	▲	3.87
FirstEnergy Corp	7	▼	-1.50
Fiserv Inc	7	▲	10.03
Fortive Corp	7	▲	12.08
Freeport-McMoRan Copper & Gold Inc	7	▲	17.34
Global Payments Inc	7	▼	-2.96

: FTSE 100 - All sectors - Alpesh Table (Linked)

Name	Alpesh value/grow rating	Price% 2/1/24
Associated British Foods PLC	8	-0.08
Coca-Cola HBC AG	8	2.72
GSK PLC	8	8.83
Admiral Group PLC	7	0.41
Ashtead Group PLC	7	5.96
AstraZeneca PLC	7	0.83
Barratt Developments PLC	7	-19.26
Beazley PLC	7	23.10
ConvaTec Group PLC	7	16.96
DCC PLC	7	-4.65
Diploma PLC	7	2.20
DS Smith PLC	7	28.44
Hikma Pharmaceuticals PLC	7	-0.03
IMI PLC	7	4.52
Informa PLC	7	2.02
Intertek Group PLC	7	14.24
Marks & Spencer Group PLC	7	-10.51
National Grid PLC	7	-4.82
NatWest Group PLC	7	22.07
Next PLC	7	9.90
RELX PLC	7	7.76
Smith & Nephew PLC	7	-9.88
Tesco PLC	7	-4.20
Vodafone Group PLC	7	-5.30
Weir Group PLC	7	5.77
WPP Group PLC	7	1.26

Name	Price% 2/1/24
I - Nikkei 225	14.96
I - Euronext 100	7.67
I - NASDAQ 100	7.07
I - S&P 500	6.51
I - DAX Xetra (Germany)	5.82
I - CAC 40 (Paris)	5.33
I - FTSE All-World	4.24
I - S&P BSE 100 Index (Mumbai)	4.00
I - CSI 300 Index (Shanghai)	3.68
I - FTSE 100 Index - Total Return	2.61
I - FTSE 350 Index - Total Return	2.24
I - SSE Composite Index (Shanghai)	1.51
I - FTSE China 50 Index	1.44
I - FTSE All-World Index - Europe ex UK	1.33
I - FTSE 100	1.28
I - FTSE 350	0.98
I - Swiss Market Index	0.53
I - Dow Jones Industrial Average	0.22
I - FTSE 250 Index - Total Return	0.01
I - FTSE 250	-0.86
I - FTSE AIM All-Share - Total Return	-2.66
I - Hang Seng (Hong Kong)	-3.21
I - Bovespa Stock Index (Brazil)	-5.55



More negative market headlines of fund managers and wealth managers prove the point to self manage. They don't have some special secret list of stocks that go up in a falling market.

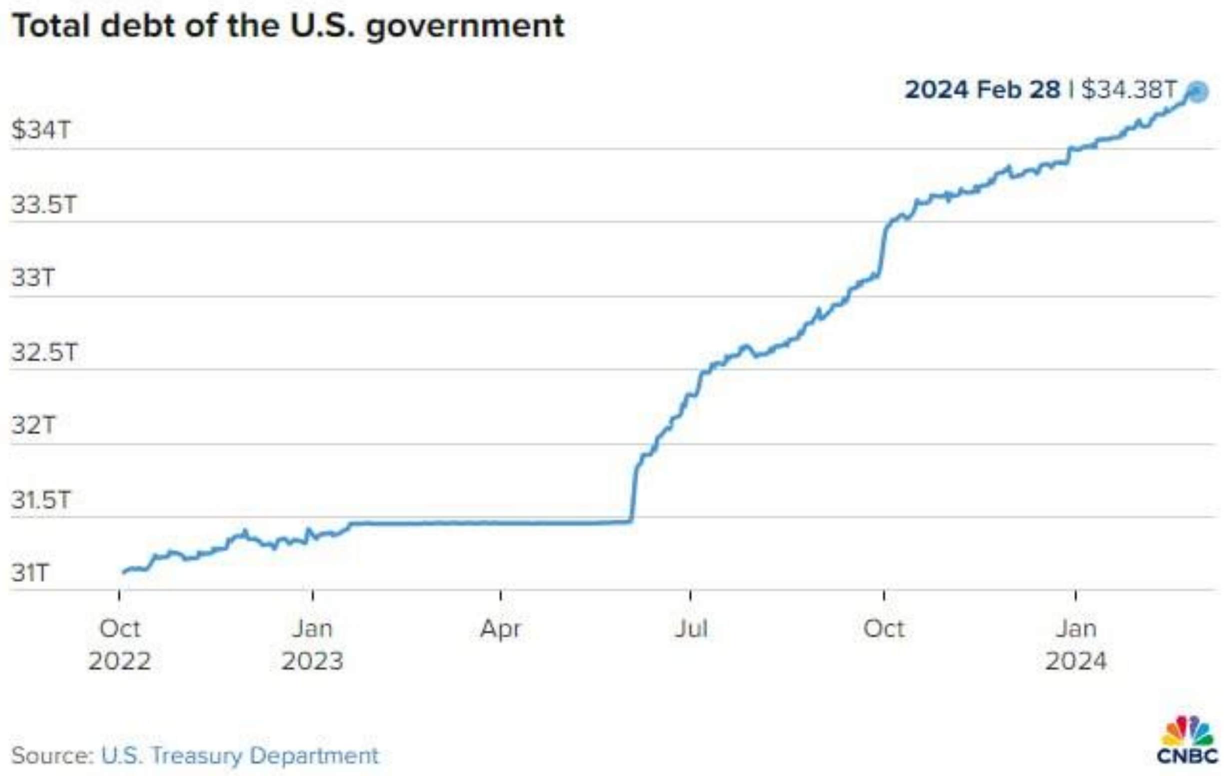
THE TIMES
THE SUNDAY TIMES

St James's Place bullied and belittled me, but I was right all along

For seven years our Chief Money Reporter pursued the wealth manager over claims of poor service and excessive charges. Now it is paying nearly half a billion in compensation

What also caught my eye is US debt. That will keep interest rates higher for longer, short of a global crisis (well, another one). Why? Money supply is feeding inflation. If you don't raise taxes, then you have to raise interest rates to take money out of the economy to give it to bankers. Yes, bank bonuses will be eye watering.

My friend from childhood has been appointed CEO of a swiss asset manager. Bloomberg covered the salary. OMG. Thankfully he is a good man.



Why bitcoin fans are putting money into the bitcoin story. They believe that US debt means bitcoin will do well. Perception is reality.

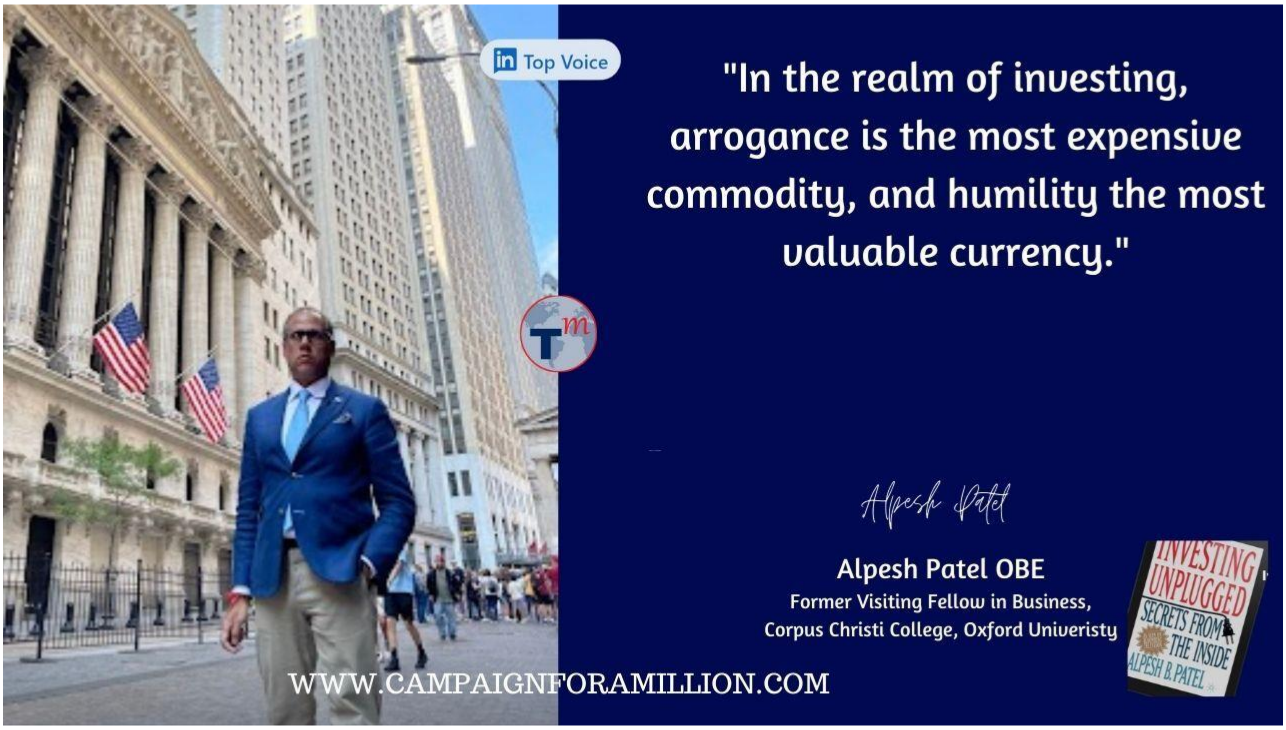
Correlations Matrix of Major Asset Classes

90-Day Moving Average

	Bitcoin	U.S. Equities	Developed Market Equities	Emerging Market Equities	Commodities	U.S. REITs	U.S. Bonds	Gold
Bitcoin	1.00							
U.S. Equities	0.11	1.00						
Developed Market Equities	0.02	0.45	1.00					
Emerging Market Equities	0.02	0.30	0.66	1.00				
Commodities	-0.06	0.02	0.19	0.21	1.00			
U.S. REITs	0.04	0.71	0.58	0.32	0.01	1.00		
U.S. Bonds	0.01	0.40	0.36	0.08	-0.04	0.61	1.00	
Gold	-0.11	0.09	0.17	0.02	0.35	0.20	0.40	1.00

Source: Bitwise Asset Management with data from Bloomberg. Data as of December 31, 2023.

Gold ETFs continue to soar. Gold is not my speciality. You can see from the above why it is doing well.



I moderated for the Indian High Commission "Wales in India" tech event with the First Minister of Wales. I thought I would throw that in there.

But the giants, as the chart shows, remain the companies below on the world stage.

Top Market Caps

Dow Jones | NASDAQ 100 | **S&P 500** | ESTOXX | FTSE 100

Microsoft	$3,087.92 B
Apple	$2,774.80 B
NVIDIA	$2,057.35 B
Amazon	$1,851.58 B
Alphabet C	$1,717.07 B
Alphabet A	$1,705.37 B
Meta Platforms	$1,280.81 B
Berkshire Hathaway	$878.84 B
Eli Lilly and	$743.28 B
Broadcom	$648.52 B

Top Market Caps

Dow Jones | **NASDAQ 100** | S&P 500 | ESTOXX | FTSE 100

Microsoft	$3,087.92 B
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Amazon	$1,851.58 B
Alphabet C	$1,717.07 B
Alphabet A	$1,705.37 B
Meta Platforms	$1,280.81 B
Broadcom	$648.52 B
Tesla	$645.48 B
Costco Wholesale	$332.61 B

Top Market Caps

Dow Jones | NASDAQ 100 | S&P 500 | ESTOXX | FTSE 100

Microsoft	$3,087.92 B
Apple	$2,774.80 B
Amazon	$1,851.58 B
Visa	$568.96 B
JPMorgan Chase	$533.80 B
Walmart	$473.27 B
UnitedHealth	$451.40 B
Johnson & Johnson	$390.58 B
Home Depot	$382.70 B
Procter & Gamble	$373.85 B

Whilst I talk of a falling market in the short term, history as a guide, not a guarantee in the below is looking good. 12 months after a January and February like we've had is usually good.

A Higher January and February Could Mean The Bull Continues

S&P 500 Performance When Higher in January and February

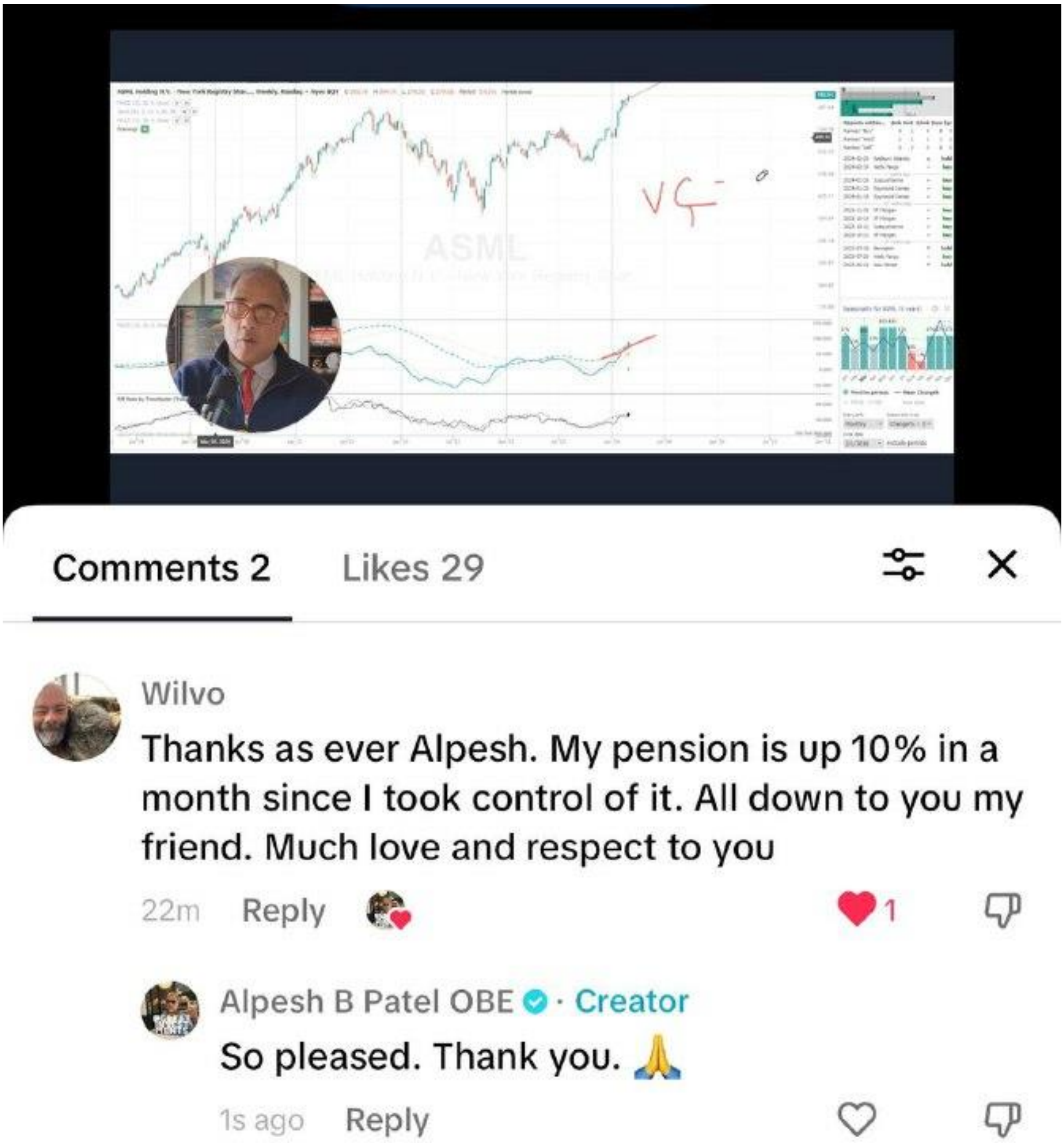
Year	March	S&P 500 Index Returns Final 10 Months of the Year	Next 12 Months
1950	0.4%	18.6%	26.6%
1951	-1.5%	9.0%	6.7%
1954	3.0%	37.6%	40.6%
1955	-0.5%	23.7%	23.3%
1961	2.6%	12.8%	10.3%
1964	1.5%	8.9%	12.4%
1967	3.9%	11.2%	3.0%
1971	3.7%	5.4%	10.1%
1972	0.6%	10.8%	4.8%
1975	2.2%	10.5%	22.2%
1983	3.3%	11.4%	6.1%
1985	-0.3%	16.6%	25.2%
1986	5.3%	6.7%	25.2%
1987	2.6%	-13.1%	-5.8%
1988	-3.3%	3.7%	7.9%
1991	2.2%	13.6%	12.4%
1993	1.9%	5.2%	5.4%
1995	2.7%	26.4%	31.4%
1996	0.8%	15.7%	23.5%
1997	-4.3%	22.7%	32.7%
1998	5.0%	17.1%	18.0%
2004	-1.6%	5.8%	5.1%
2006	1.1%	10.7%	9.9%
2011	-0.1%	-5.2%	2.9%
2012	3.1%	4.4%	10.9%
2013	3.6%	22.0%	22.8%
2017	0.0%	13.1%	14.8%
2019	1.8%	16.0%	6.1%
2024	?	?	?
Average	1.4%	12.2%	14.8%
Median	1.8%	11.3%	11.6%
% Higher	71.4%	92.9%	96.4%
Average Year			
Average	1.1%	8.1%	9.3%
Median	1.4%	9.0%	12.0%
% Higher	64.9%	73.0%	71.6%

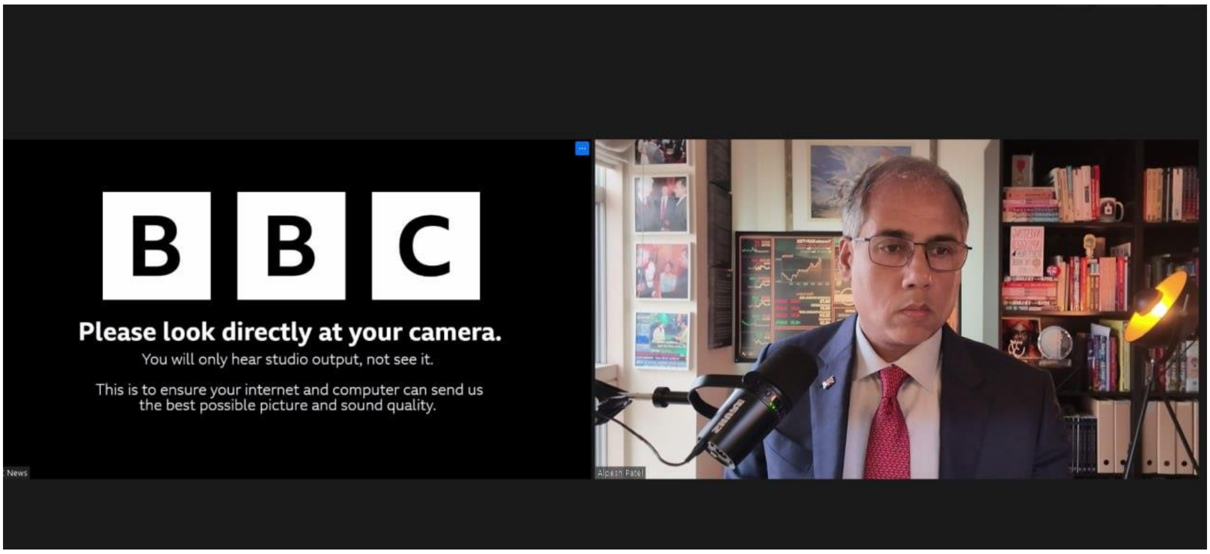
Source: Carson Investment Research, FactSet 2/26/2024
@ryandetrick

CARSON


FREQUENCY OF ROLLING 2 YEAR S&P 500 RETURNS SINCE 1950
WORST RETURN: -45%
AVERAGE NEGATIVE RETURN: -18%
AVERAGE POSITIVE RETURN: 32%
NEGATIVE RETURNS 11.5% OF THE TIME
POSITIVE RETURNS 88.5% OF THE TIME
Source: Bloomberg, data from 1/1/1950 to 6/30/2023

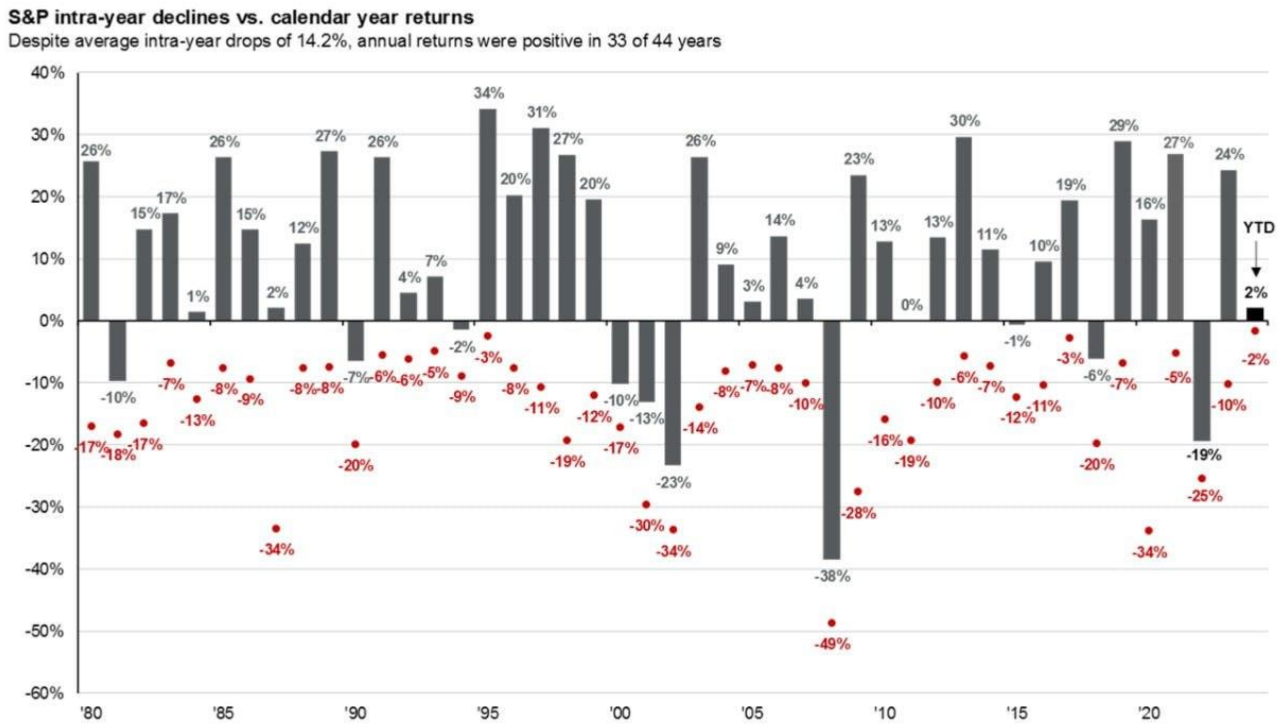

Which companies would you want in your pension? If the only choices were the ones below.
You can see how people vote. Learn more
UK listed ones 11%
US listed ones 89%
169 votes • 1w left • Undo


ASML
Comments 2
Likes 29
Wilvo
Thanks as ever Alpesh. My pension is up 10% in a month since I took control of it. All down to you my friend. Much love and respect to you
22m
Reply
1
Alpesh B Patel OBE · Creator
So pleased. Thank you. 🙏
1s ago
Reply



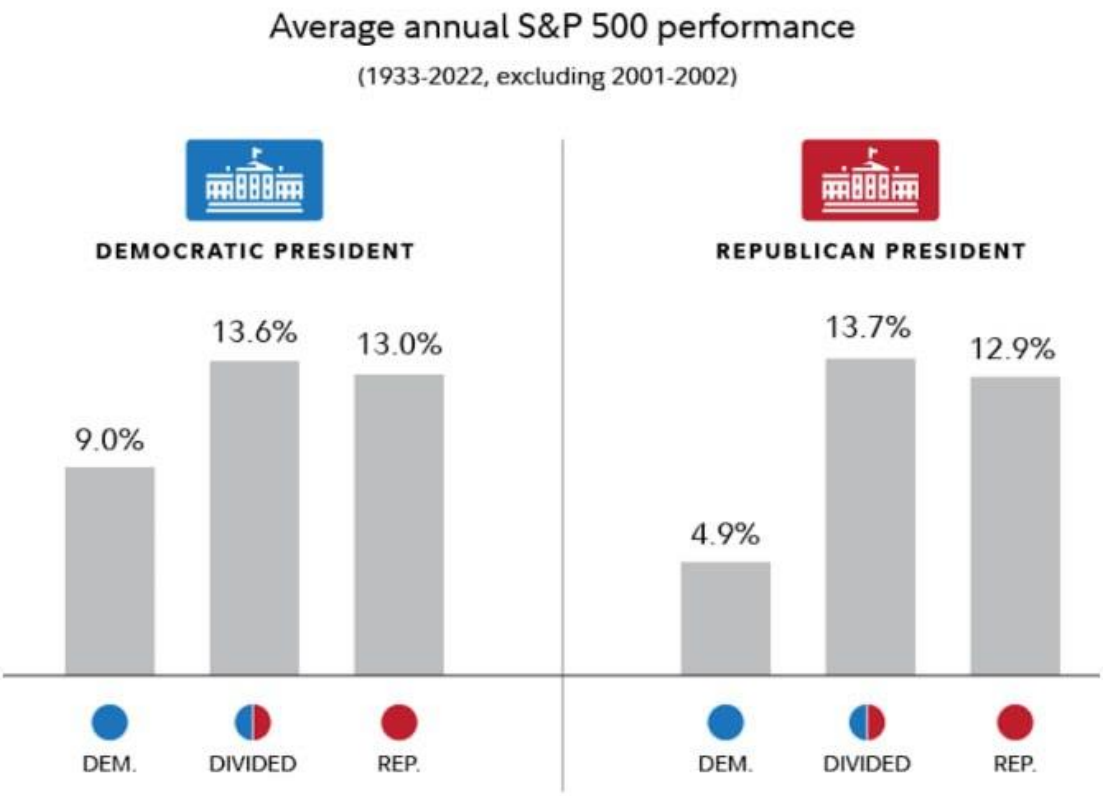
Always good to talk in billions!

Back to the S&P 500. See the image below. I find it reassuring. So yes I expect an 11% drop from current levels.

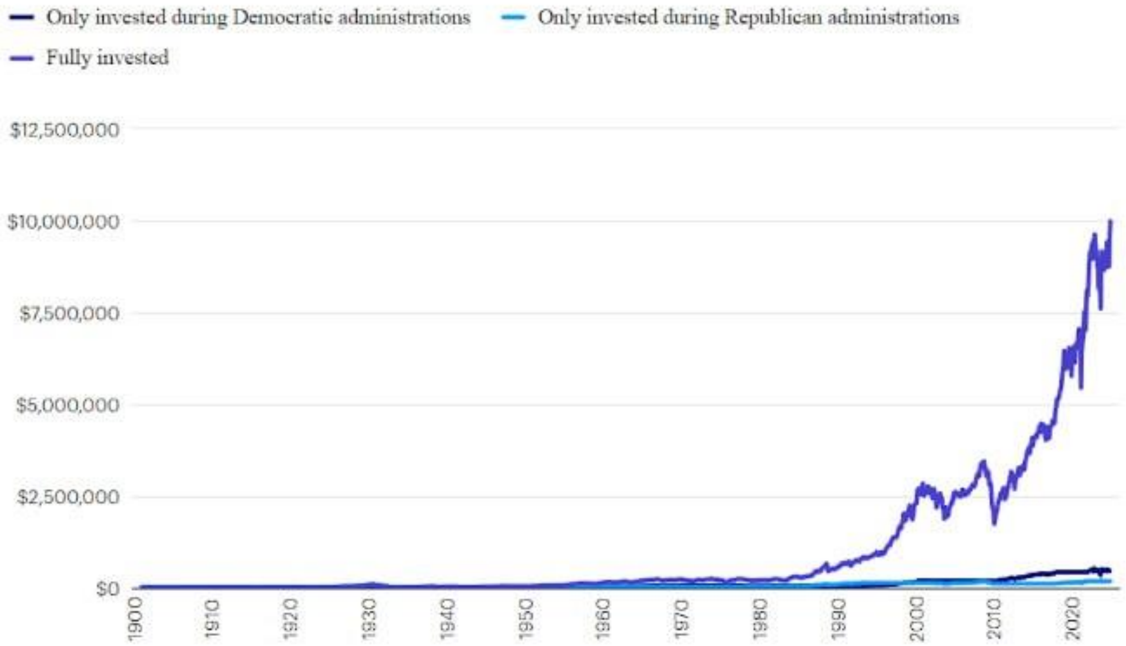


As for US elections – well it should bode well whoever is the President. I reckon Trump, probably pardoning himself in January 2025 from prison. He will be out on licence to take the oath of office or they will do it from jail.

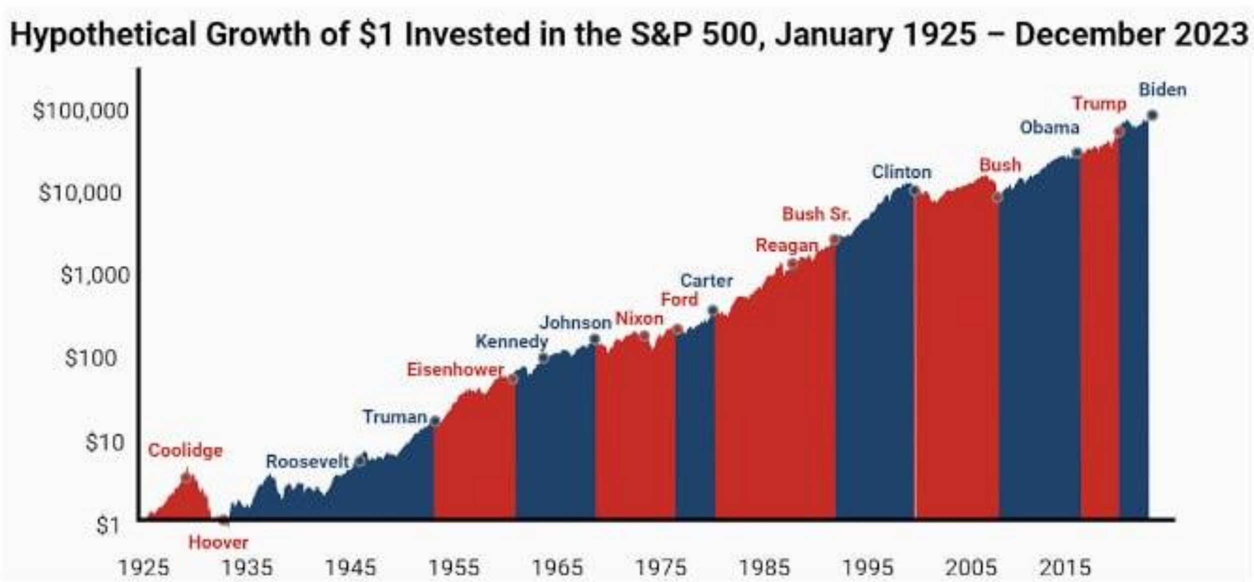
The presumption is, that other country’s are banana republics.

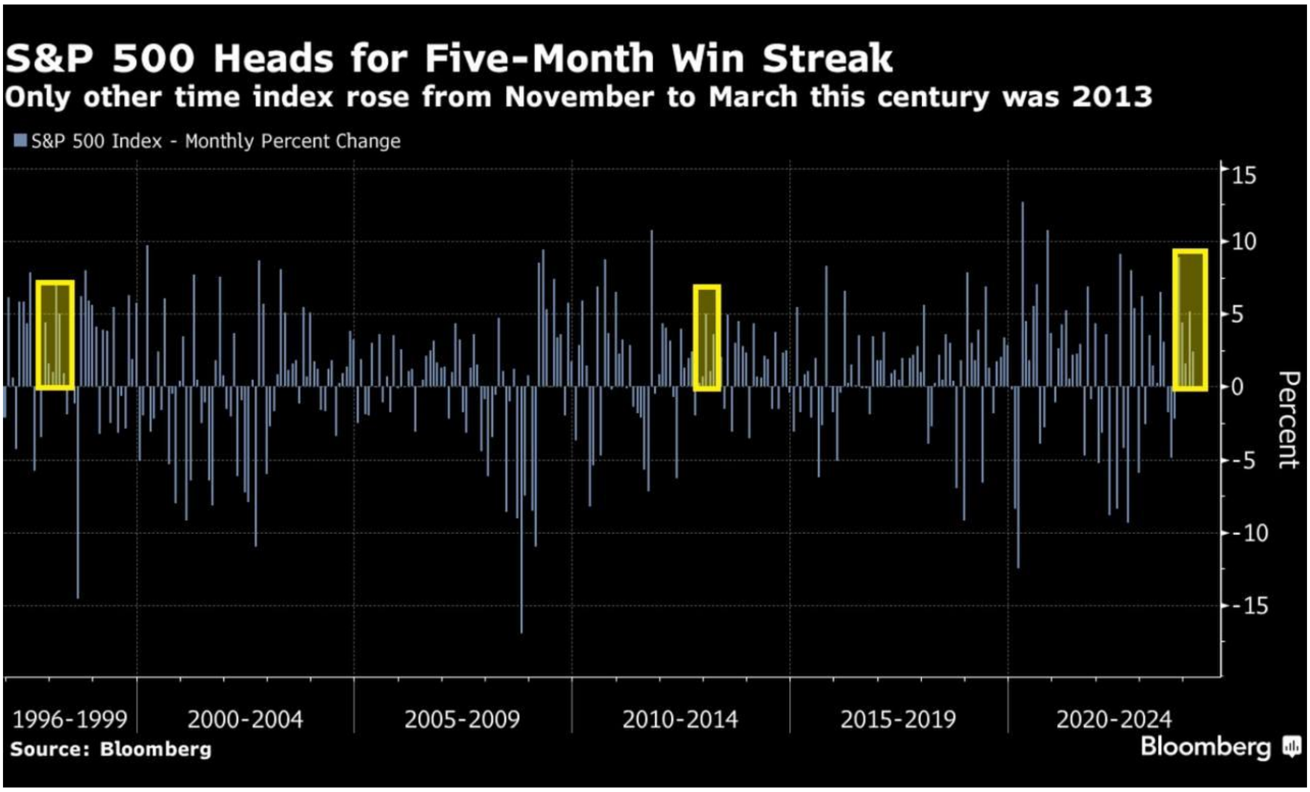


***Annual S&P 500 Performance by Congress and White House Control** - [Fidelity]*



Growth of $10,000 in the Dow Jones Industrial Average since 1896 - Invesco

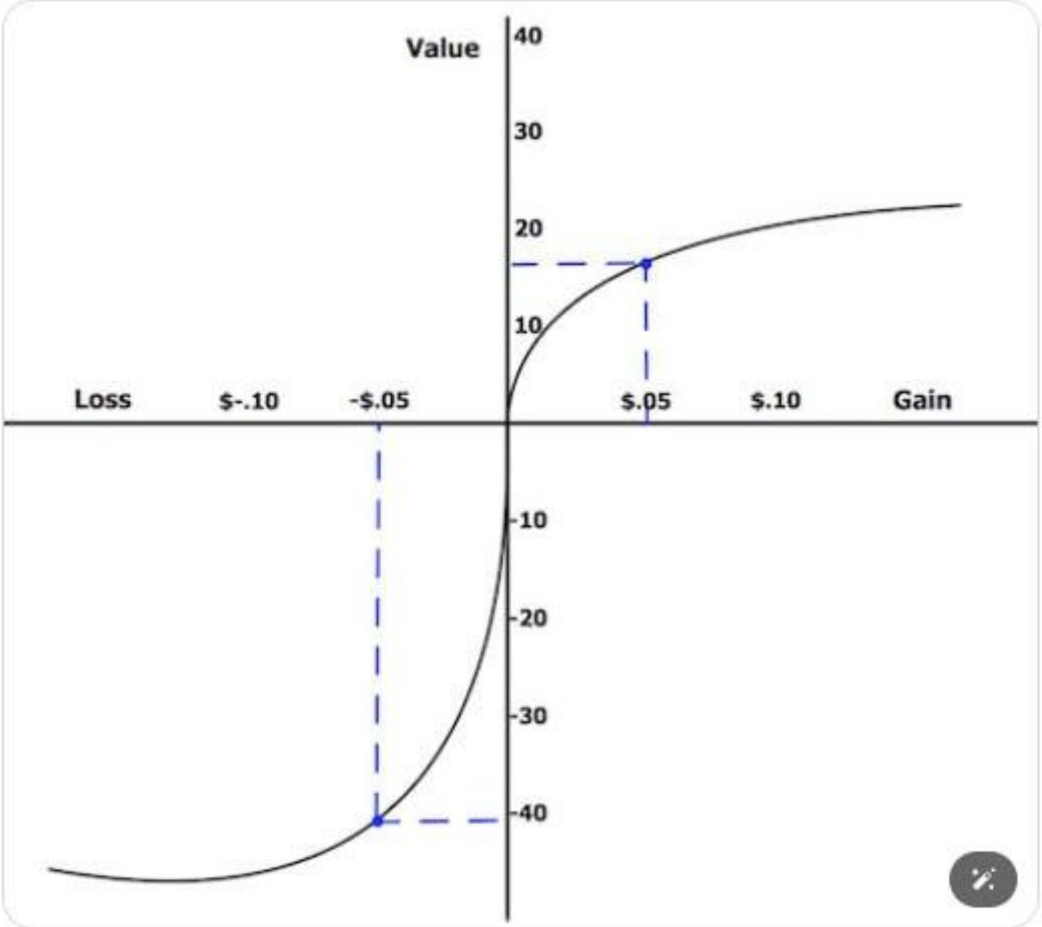




S&P 500 return after 5 straight up months & >20% gain

Date	5 month price return	1 month later	3 months later	6 months later	12 months later
Mar-61	22%	0%	-1%	3%	7%
Mar-71	20%	4%	-1%	-2%	7%
May-75	33%	4%	-5%	0%	10%
Dec-82	31%	3%	9%	20%	17%
Feb-86	25%	5%	9%	11%	25%
Mar-91	23%	0%	-1%	3%	8%
Mar-98	20%	1%	3%	-8%	17%
Jan-99	34%	-3%	4%	4%	9%
Jul-09	34%	3%	5%	9%	12%
Aug-20	35%	-4%	3%	9%	29%
Mar-24	25%*	?	?	?	?
Average	**28%**	**1%**	**3%**	**5%**	**14%**
% time up	**100%**	**80%**	**60%**	**80%**	**100%**

RIP Daniel Kahneman who for the first time showed that investors value losses disproportionately than the same amount of gains, which won him the Nobel Prize.



RIP.

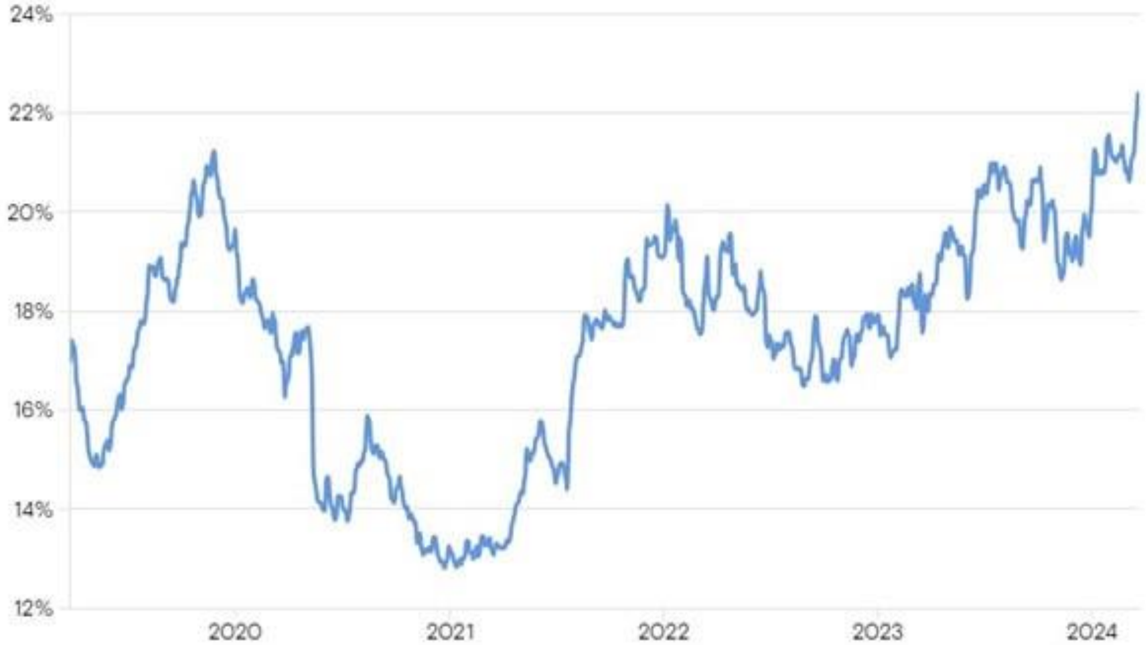
A day of filming at the Financial Times studios from morning till night - BUT - wife was working at the London Stock Exchange two minutes away - we got to go home together, where on our arrival, our son vomited!

Hedge funds are bullish on European stocks

Goldman Sachs' hedge fund clients' net exposure to European stocks has risen to the highest level in at least five years.

Our hedge fund clients' net exposure to European equities rose to 22.4% of their global net exposure on March 21, Goldman Sachs Global Banking & Markets' Prime Services book data show. It was the fourth straight week of net buying of the region's stocks, and Europe is the most net-bought region on the Prime book so far this year.

GS Prime Book: European equity share of total global net stock exposure



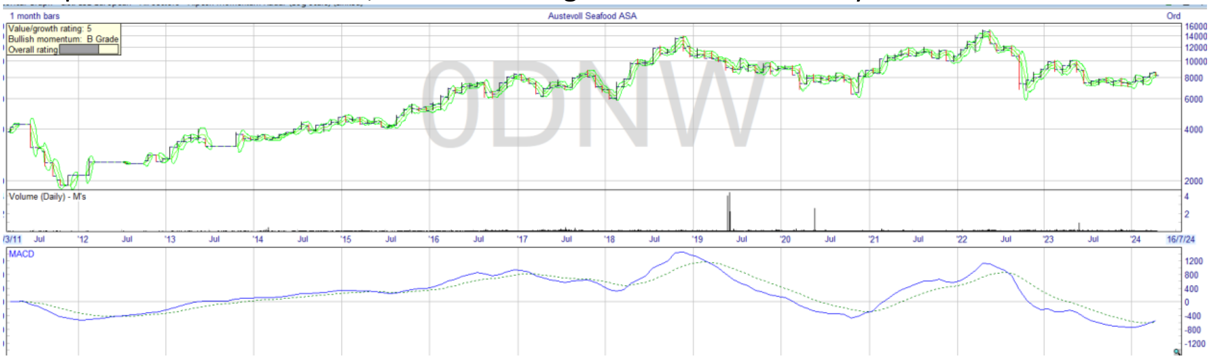
Source: Goldman Sachs Prime Services
As of March 21, 2024

Goldman Sachs

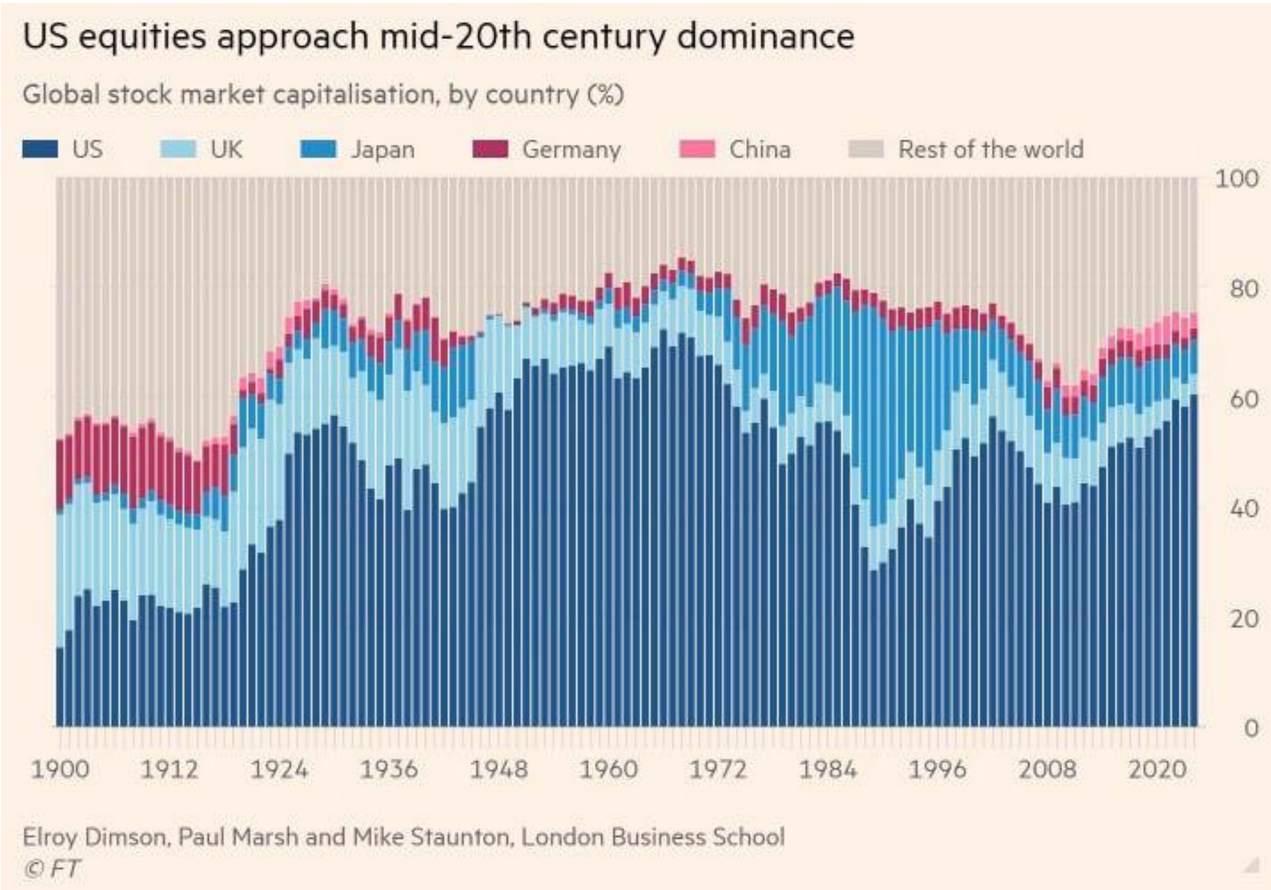
: LSE European - All sectors - Alpesh Table (Linked)

Name	Price% 2/1/24
Morphosys Aktiengesellschaft	92.89
Traton Se	59.28
XBT Provider AB Call Bitcoin 31Dec99	51.12
Saab B	50.34
Unipol Gruppo Finanziario SPA	50.28
XBT Provider AB Call Eur Bitcoin Group S	46.09
Xbt Provider AB (Publ) Ethereum Tracker One	39.90
XBT Provider Ethereum Tracker Euro	32.95
Renault SA	29.12
Scandic Hotels Group AB	26.29
Ferrari NV	25.89
Attendo International Publ AB	25.27
Novo Nordisk A/S	23.26
Caixabank SA	21.09
Lar Espana Real Estate	20.02
Var Energi ASA	19.08
Volkswagen AG	18.43
Salmar Asa	18.28
Mercedes-Benz Group AG	17.13
Nordex SE	17.04
Deutsche Bank AG	16.34
Pandora A/S	15.69
Assicurazioni Generali Ord Shares	15.43
Alimak Group AB	15.23
Vat Group AG	13.61
Industria De Diseno Textil Sa	11.85
KBC Groep	11.76
AXA SA	11.71
Sgs SA	11.60
Hornbach Holding AG & Co KGAA	11.58
Repsol YPF	11.49
Adidas AG	11.06
Austevoll Seafood ASA	10.63
EQT AB	10.46
Torm PLC	9.78
Euronext NV	9.33
OMV AG	9.15
Leroy Seafood Group ASA	9.01
Hansa Medical AB	8.66
Poxel SA	8.52
LVMH Moet Hennessy Louis Vuitton	8.25
Telefonica SA	8.08
Elis Services SA	7.34
Volkswagen AG Non Voting Pref NPV	6.51
Allianz SE	6.11

Europe is not a focus for me, but am sharing the above data with you.

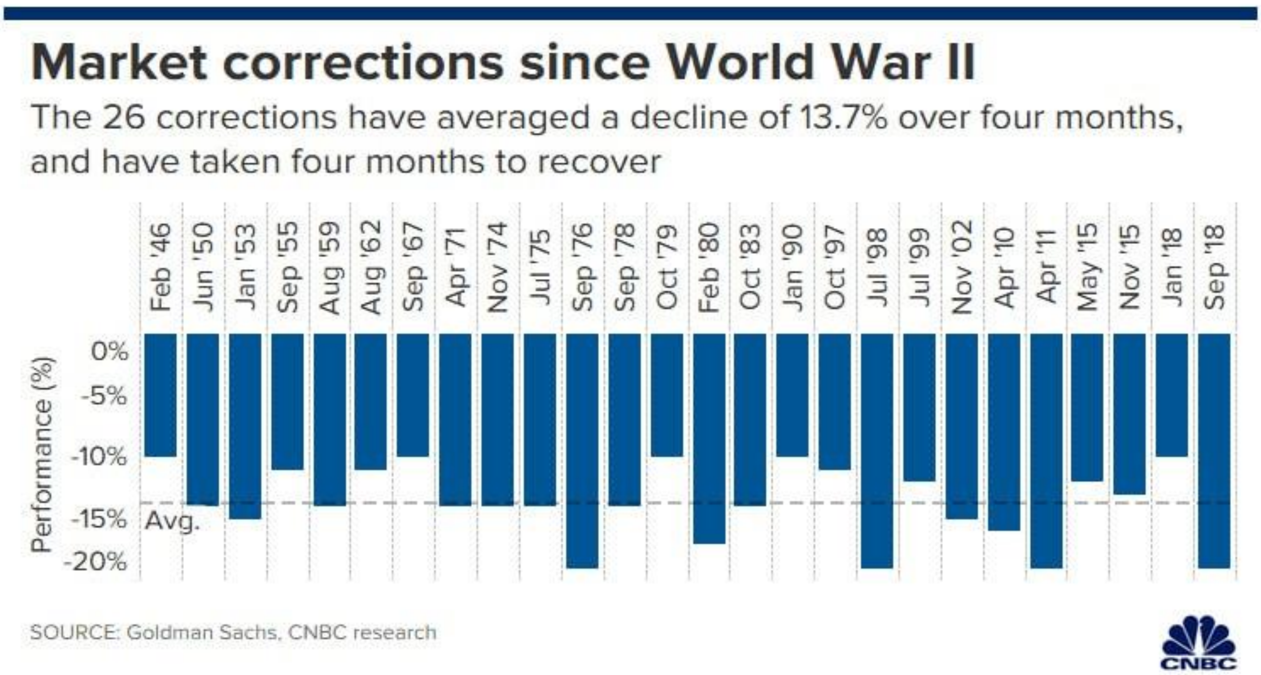


American Global Dominance



For those thinking blindly following S&P500 Index tracker - 0% return for two years!

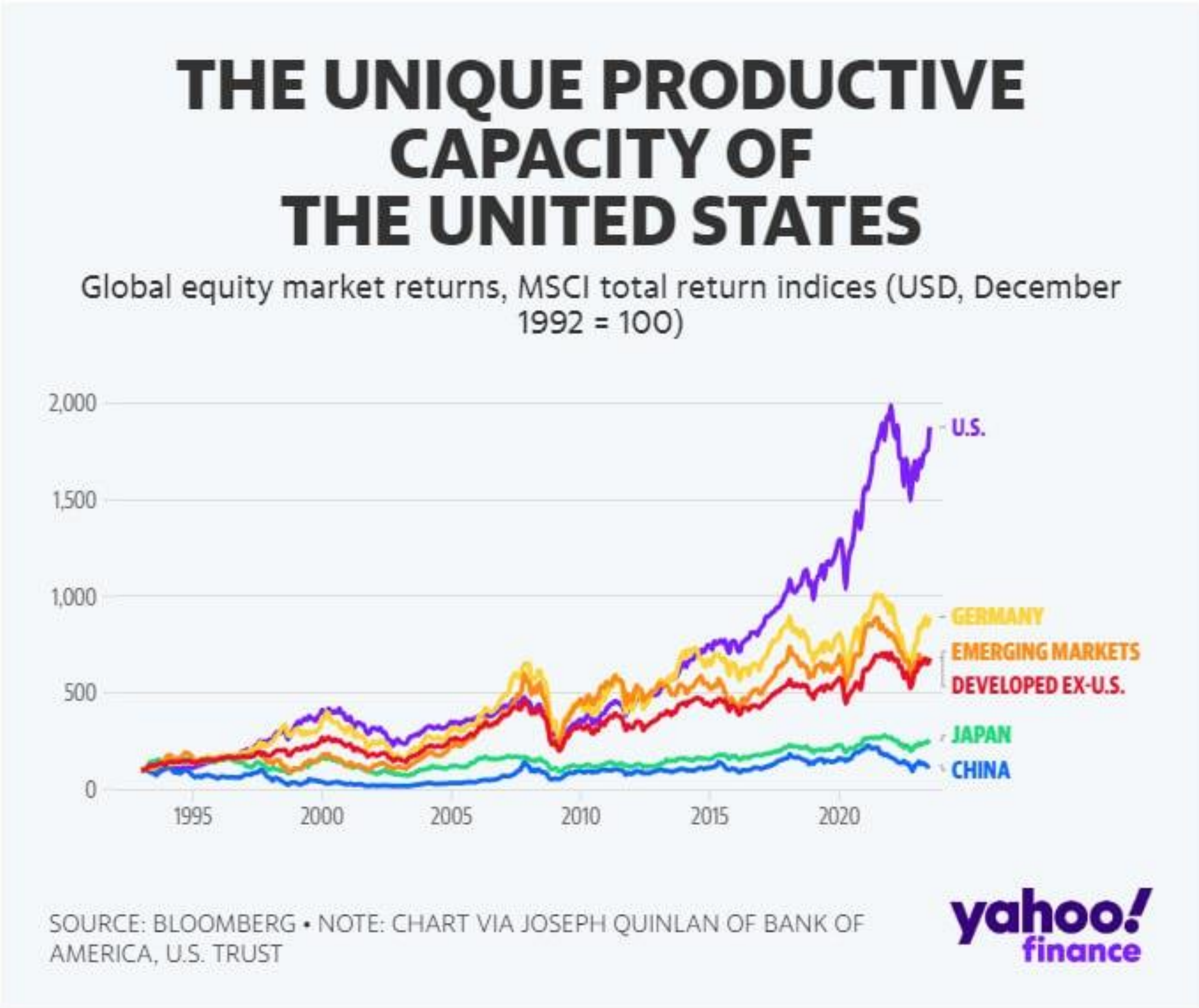
Shorting the S&P500 and buying Nasdaq is a pairs trade for those who like them.

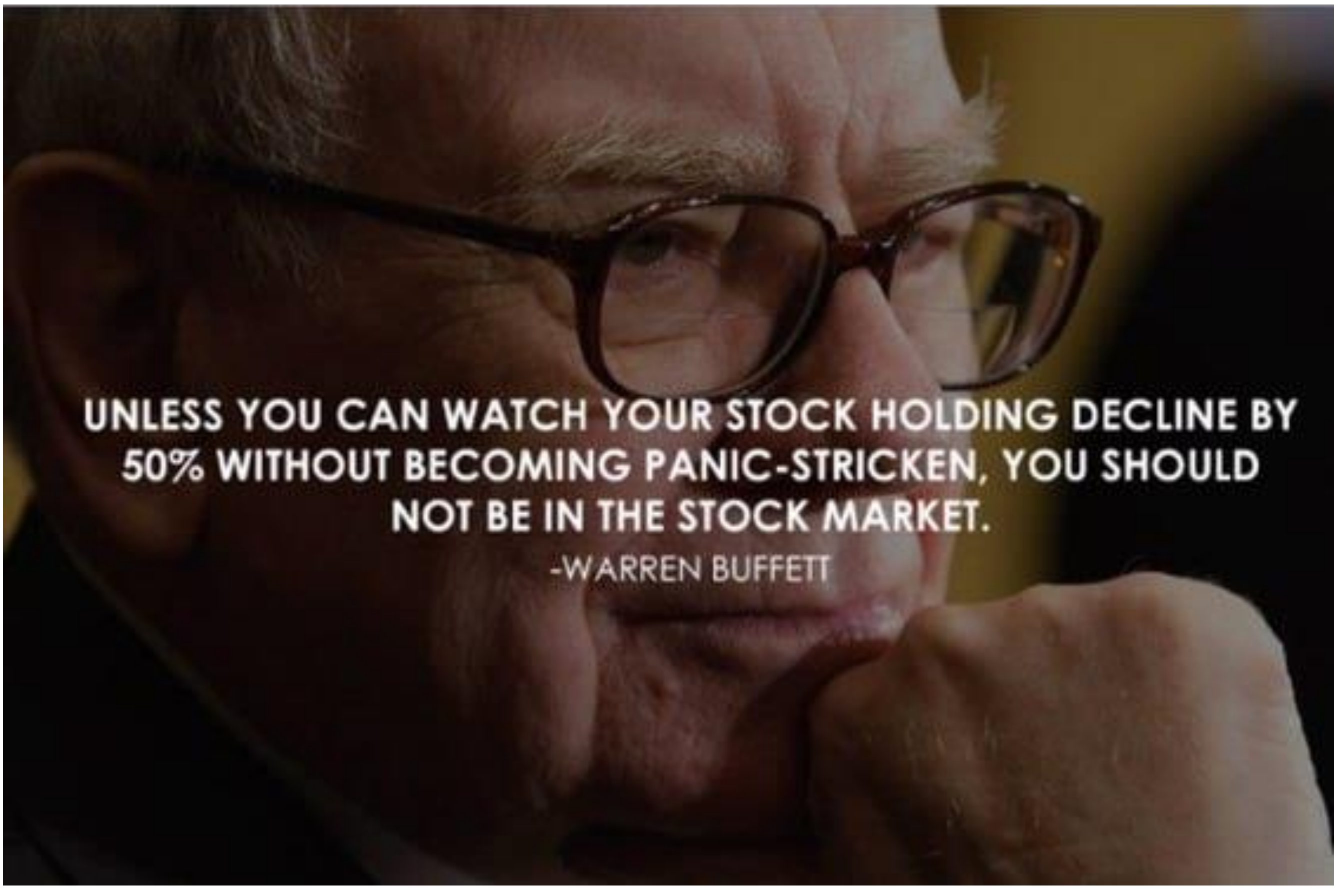


Could be worse, you could give it to a fund manager to be a dog.

Source: Moneyweek as of 1 March 2024

Fund	Investment Association sector	Three-year under-performance	Value of £100 invested after three years
Baillie Gifford Global Discovery	Global	-70%	£47
SVS Aubrey Global Conviction	Global	-62%	£71
AXA ACT People & Planet Equity	Global	-57%	£76
AXA ACT People & Planet Equity	Japan	-54%	£55
Aegon Sustainable Equity	Global	-53%	£79
L&G Future Wld Sust. UK Eq Focus	UK All Companies	-52%	£78
Premier Miton US Smaller Cos	North America All Companies	-52%	£72
SVM UK Growth	UK All Companies	-51%	£79
L&G Future World Sust Eur Eq Focus	Europe Ex. UK	-51%	£73
Baillie Gifford Japanese Smllr Cos	Japan	-49%	£60


THE UNIQUE PRODUCTIVE CAPACITY OF THE UNITED STATES
Global equity market returns, MSCI total return indices (USD, December 1992 = 100)
2,000
1,500
1,000
500
0
1995
2000
2005
2010
2015
2020
U.S.
GERMANY
EMERGING MARKETS
DEVELOPED EX-U.S.
JAPAN
CHINA
SOURCE: BLOOMBERG • NOTE: CHART VIA JOSEPH QUINLAN OF BANK OF AMERICA, U.S. TRUST
yahoo! finance



25% is the number I suggest though

Top Stories

Technology sector + Add to myFT

Thiel, Bezos and Zuckerberg join parade of insiders selling tech stocks

Bosses sell hundreds of millions of dollars in company shares this quarter in sign that markets may be peaking

Left to right: Peter Thiel, Jeff Bezos and Mark Zuckerberg © FT montage/Bloomberg/Dreamstime

Investing in 2024: Top Insights from Goldman Sachs Asset Management Outlook

In the face of a rapidly evolving global financial landscape, the Asset Management Outlook 2024 by Goldman Sachs offers a comprehensive guide for investors navigating the complexities of equities in the coming year. Here's an in-depth exploration of the top 10 points summarised for those focusing on 2024 equities investments, enriched with additional insights and context.

1. Macroeconomic Environment

The forecast suggests that interest rates in developed markets are poised to remain elevated, a reflection of central banks' efforts to manage inflation without stifling growth. This environment underscores the importance of investing in sectors and companies resilient to higher capital costs and capable of sustaining growth despite economic slowdowns. Industries with inherent strength, such as technology and healthcare, may be better positioned to weather these conditions.

2. Geopolitical Risks

2024 is anticipated to be a year marked by significant geopolitical risks, including an election super cycle that could introduce heightened market volatility. Investors might find opportunities in companies that stand to benefit from a reshoring of critical supply chains and those involved in national security. This trend suggests a strategic shift towards industries deemed essential for national resilience, offering potential growth avenues amidst uncertainty.

3. Disruptive Technology

The transformative impact of Artificial Intelligence (AI) across sectors cannot be overstated. From revolutionising semiconductors to reshaping cybersecurity and healthcare, AI's influence offers a fertile ground for investment. The anticipated recovery in the IPO market for disruptive companies presents a unique opportunity for investors to back tomorrow's market leaders at an early stage.

4. Sustainability

Sustainable investing is evolving, becoming both more complex and competitive. The landscape now extends beyond pure-play companies focused on sustainability to include leaders in traditionally high-carbon industries that are actively transitioning towards greener practices. This shift represents a broadening of the investment universe, where impact and progress towards sustainability are increasingly valued.

5. Portfolio Construction

The uncertain outlook for 2024 necessitates a strategic approach to portfolio construction. Active investment strategies, emphasising diversification and risk management, are recommended to navigate potential market fluctuations. Incorporating a mix of traditional and alternative investments could enhance portfolio resilience and performance potential.

6. Interest Rates and Inflation

With persistently high interest rates, the impact on various sectors and companies will be uneven. An up-in-quality approach in fixed income investments and a strategic allocation to private markets are advised to mitigate risks associated with inflation and interest rate fluctuations.

7. Technology and Innovation

Investment in sectors at the forefront of technology and innovation, particularly those benefiting from AI, is emphasised. The growth trajectories for semiconductors, cybersecurity, and digital healthcare are especially promising, driven by ongoing technological advancements and increasing demand.

8. Sustainable Investment Opportunities

The focus on sustainability extends to identifying companies and projects that not only contribute to environmental goals but also support inclusive growth. Investments that demonstrate tangible progress in decarbonisation and have a real-world impact are particularly attractive.

9. Active Management and Stock Selection

The expected market volatility and dispersion in 2024 make active management and selective stock picking more crucial than ever. Investors should look for high-quality firms, strong dividend payers, and opportunities for regional diversification to optimize portfolio performance.

10. Diversification Across Asset Classes

Finally, the importance of diversification is reiterated, with a specific call to integrate public and private market investments effectively. This integrated approach to portfolio management is essential for navigating the complexities of the 2024 investment landscape, ensuring a balanced exposure to various asset classes and risk factors.

Conclusion

In conclusion, the Asset Management Outlook 2024 by Goldman Sachs paints a picture of a challenging yet opportunity-rich investment environment. By focusing on sectors and companies poised for growth, adopting active management strategies, and emphasising sustainability and diversification, investors can navigate the uncertainties of the coming year with confidence.

Trade, Tariffs, and Cricket: Navigating the New Challenges in UK-India Relations

Britain has a trade deficit with India, principally due to the amount of oil we import from India.

My notes: (1000% tariff on English willow in Indian cricket bats).

1. UK-India Trade Relations at a Glance

Total trade in goods and service (exports plus imports) between the UK and India was £38.1 billion

India was the UK's 12th largest trading partner – 2.1% of UK trade

14th largest export market (accounting for 1.7% of total UK exports

This means the UK reported a total trade deficit of £8.3 billion with India, compared to a trade deficit of £4.0 billion in the four quarters to the end of Q3 2022.

UK officials flew back from New Delhi on Thursday night and Friday,

2. Background and Credential Verification

Background and credential verification of executives of companies the UK authorities required a separate credential verification for executives of companies who are required to work on projects in the UK. Solution: UK access Indian police KYC database

3. Mutual acceptance of credit history;

a. Banks and financial institutions including credit card issuers do not consider the credit history of India based executives who come to the UK to work on certain projects.

4. Allowing Indian Banks to operate as Branch:

As per current UK regulatory guidelines, overseas banks are allowed to operate as a branch structure (vs subsidiary structure) for wholesale business and retail business with local deposit taking up to GBP 500 million on a case-to-case basis.

5. Social Security Agreement:

a. Indian employees on secondment to the UK also contribute significantly to the UK economy in terms of their spending, but changes to the immigration rules, with the abolition of the Short-Term ICT category of visa and the introduction of the Skills and Immigration Health Surcharge, are proving to be steps towards making the UK less competitive for Indian businesses

b. but the employers also suffer this double liability making it a hidden cost of trade and investment between our two countries.

c. which would allow Indian employers and their seconded employees an exemption from National Insurance contributions for a similar period as that given to investors from US and other countries

Total bilateral trade between India and the UK increased to $20.36 billion in 2022-23 from $17.5 billion in 2021-22. (Similar to the EFTA group)

1. EFTA first Good for India & Swiss

a. Also this is the right order for India. It puts pressure on others ABB Ltd. and elevator maker Schindler Holding AG, it gives Swiss companies an advantage over competitors from the UK, China and the US who can’t take advantage of such a free-trade deal, the group said.”

b. India’s trade minister says 1 million jobs will be created

c. India and four European countries signed a free trade pact that will see $100 billion binding invested in the South Asian country over 15 years and a million jobs created. [private sector and manufacturing]

2. UK Should Ask

a. Inward investment into AI, Space, Quantum, Cyber, Defence in UK – Indian VCs

The Next Trillion-Dollar Titans: Predicting the Future Giants of Tech and Finance

Just into my 30s, in the early 2000s, I bought my second ever home, for just shy of a million pounds on Hamilton Terrace, St John's Wood, in London. Never did I think it would rise above a million.

Similarly, never did I think back then I would see in two decades from then multi-trillion dollar companies in my portfolio.

Which companies are next in the next 12-24 months? (Table below in £).

O - Berkshire Hathaway Inc B	698,569.2
Eli Lilly & Co	587,458.6
Broadcom Inc	512,337.0
Tesla Inc	509,600.5
Visa Inc	460,040.0
JPMorgan Chase & Co	422,290.8
Walmart Inc	373,943.6
UnitedHealth Group Inc	358,093.7
Mastercard Inc	351,938.3
Exxon Mobil Corp	331,899.8
Johnson & Johnson	308,690.0
Home Depot Inc (The)	302,622.6
Procter & Gamble Co	295,838.6
Costco Wholesale Corp	262,423.6
Advanced Micro Devices Inc	258,709.8
Merck & Co Inc	254,144.8
AbbVie Inc	250,285.0
Oracle Corp	247,378.2
Salesforce.com Inc	242,490.5
Chevron Corp	224,337.2
Bank of America Corp	214,046.0
Netflix Inc	211,749.5
Adobe Inc	203,783.5
Coca Cola Co (The)	203,048.1
Accenture Ltd	189,094.7
Pepsico Inc	178,743.2
Thermo Fisher Scientific Inc	173,927.5
Linde PLC	172,106.2
McDonalds Corp	166,055.1
Abbott Laboratories	162,728.4
Walt Disney Co (The)	162,269.8
Wells Fargo & Co	155,804.8
Cisco Systems Inc	154,852.0
T-Mobile US Inc	153,206.8
Danaher Corp	149,573.9
Intuit Inc	147,442.5
Intel Corp	146,389.8
QUALCOMM Inc	143,812.0
Applied Materials Inc	138,227.8
International Business Machines Corp	136,508.2

- Not Berkshire unless their largest holding Apple's AI bets pay off very soon.
- Broadcom - chips - could well do it
- Tesla - you just never know with them - they might invent time travel
- Visa will need to jump onto some crypto craze to do it, else no
- Advanced Micro, Qualcomm, Applied Materials - could do an nVidia
- Oracle/Salesforce.com - they'll need to do 'a Microsoft' with AI
- Adobe, Cisco, Intel, IBM and Accenture are AI plays but slow and stodgy to get to a trillion in that timeframe

All investing is risky. Disclosure of interest: I own some of the stocks in the image, and could exit at any time without notice.

The Dilemma of Over-Diversification in Investment Portfolios

In the realm of investment, diversification is universally acclaimed as the cornerstone of risk management and portfolio optimisation. This principle, encapsulated by the adage "don't put all your eggs in one basket," has long governed the strategies of individual investors and financial advisors alike, championing the spread of investments across various asset classes to mitigate risk and enhance returns.

However, the burgeoning practice among Investment Financial Advisors (IFAs) to excessively diversify investment portfolios by allocating assets across a myriad of funds, which in turn invest in dozens, if not hundreds, of stocks, warrants a critical examination.

This trend towards over-diversification has sparked a nuanced debate, prompting this article to delve into a synthesis of academic research and empirical evidence. The aim is to argue that beyond a certain threshold, diversification ceases to add value and may, in fact, precipitate underperformance, challenging the conventional wisdom that more diversification is invariably better.

The Concept of Optimal Diversification

The seminal work by Harry Markowitz on portfolio theory in 1952 laid the foundation for modern investment strategies, introducing the concept of diversification as a method to optimise the risk-return trade-off in a portfolio.

Markowitz's groundbreaking theory posits that an investor can achieve optimal diversification by carefully selecting securities that are not perfectly correlated, thereby reducing the portfolio's overall risk without proportionately diminishing its expected return. This concept has profoundly influenced portfolio management strategies, emphasising the balance between risk and return.

However, the application of Markowitz's theory in practice, particularly by IFAs, often leads to what is termed as "over-diversification." This phenomenon occurs when a portfolio holds a large number of assets to the point where the marginal benefit of adding an additional asset in terms of risk reduction is negligible or even negative.

The pursuit of over-diversification, while intended to minimize risk, can inadvertently lead to a plateau in the risk-reduction benefits, marking a departure from the principle of optimal diversification.

The Drawbacks of Over-Diversification

The critique of over-diversification is supported by various studies and empirical evidence. A pivotal study by Evans and Archer (1968) demonstrated that the benefits of diversification diminish significantly beyond 10 to 20 securities, with little additional risk reduction achieved beyond this point.

This finding suggests that the sprawling portfolios often recommended by IFAs may indeed be counterproductive, offering a compelling argument against the unchecked expansion of portfolio assets

Moreover, over-diversification can lead to a dilution of returns. As portfolios become increasingly diversified, their performance tends to gravitate towards the market average, potentially foregoing the higher returns that more concentrated portfolios might capture through astute selection and timing.

This convergence towards mediocrity not only undermines the potential for above-average returns but also challenges the very rationale for active portfolio management.

Additionally, over-diversification increases the complexity and the management costs of portfolios. Each additional investment not only adds to the direct costs, such as management fees and transaction fees, but also complicates the task of portfolio monitoring and rebalancing.

This escalation in complexity and costs can significantly erode net returns, diminishing the financial benefits of diversification. The work of Sharpe (1991) highlights the adverse impact of increased management costs on portfolio performance, underscoring the importance of maintaining a balance between diversification and cost efficiency.

Conclusion

While diversification remains a fundamental principle of investment strategy, the practice of over-diversification presents a paradox. It challenges investors and financial advisors to reconsider the conventional approach to portfolio diversification, advocating for a more measured and strategic application of this principle.

By recognising the limitations and potential drawbacks of over-diversification, investors can better navigate the complexities of portfolio management, striving for an optimal balance that maximises returns while managing risk effectively.

Exposed: The Shocking Underperformance of Trusted UK Pension Funds

There is a shocking destruction of UK pensions. Sadly it is by funds entrusted by employers or IFAs or wealth managers.

I did a simple experiment. I selected a group of funds, not too few to be fair. I selected household names and different brands. I picked ones which were not just UK but also Europe, US too and indeed China (the world's second largest economy).

I selected ones which were linked to innovation – ie important themes of the day and technology.

I didn't just look at one year, but two. A bad and a good year.

I didn't just look at big companies, but included funds focussed on small companies too.

What more diversification could there be.

The results were shocking.

They all fell in 2022. A bad year. But they fell regardless of country or sector focus. They fell more than even the market.

That would be fine but the next year, 2023, one of the best in history for the markets, they not only didn't make up for the 2022 losses, but actually some fell even more, yet again.

This is clear evidence of the failure of professional fund managers to deliver value for their clients. They charge high fees and commissions, but they cannot beat the market or even match it.

They are not experts, but gamblers who rely on luck and hype. They are not accountable, but hide behind complex jargon and obscure benchmarks. They are not transparent, but conceal their holdings and strategies from public scrutiny.
What can you do to protect your pension from this shocking destruction? The answer is simple: learn to DIY. Do not entrust your hard-earned money to someone else who does not care about your future.

Learn how to invest yourself, using low-cost and diversified tools such as index funds, exchange-traded funds, or robo-advisors. Learn how to assess your risk tolerance, set your goals, and plan your asset allocation. Learn how to monitor your performance, rebalance your portfolio, and adjust your strategy as needed.

DIY investing is not rocket science. It is a skill that anyone can acquire with some time and effort. It is a way to take control of your financial destiny and avoid the shocking destruction of UK pensions. It is a way to secure your retirement and achieve your dreams.

2022:

- Invesco Mortgage Capital **-54%**
- Schroders Capital Global Innovation **-53%**
- Baillie Gifford US Growth Trust **-52%**
- Scottish Mortgage Investment Trust **-46%**
- Baillie Gifford European Growth Trust **-42%**
- Abrdn UK Smaller Companies Growth Trust **-39%**
- Schroder British Opportunities Trust **-36%**
- BlackRock Greater Europe Investment Trust **-32%**
- Abrdn Property Income Trust **-23%**
- Abrdn China Investment Company **-23%**

2023:

- Invesco Mortgage Capital **-33%**
- Schroders Capital Global Innovation **-5%**
- Baillie Gifford US Growth Trust +**22%**
- Scottish Mortgage Investment Trust **+12%**
- Baillie Gifford European Growth Trust **+7%**
- Abrdn UK Smaller Companies Growth Trust **-1%**
- Schroder British Opportunities Trust **+9%**
- BlackRock Greater Europe Investment Trust **+20%**
- Abrdn Property Income Trust -15%
- Abrdn China Investment Company -23%

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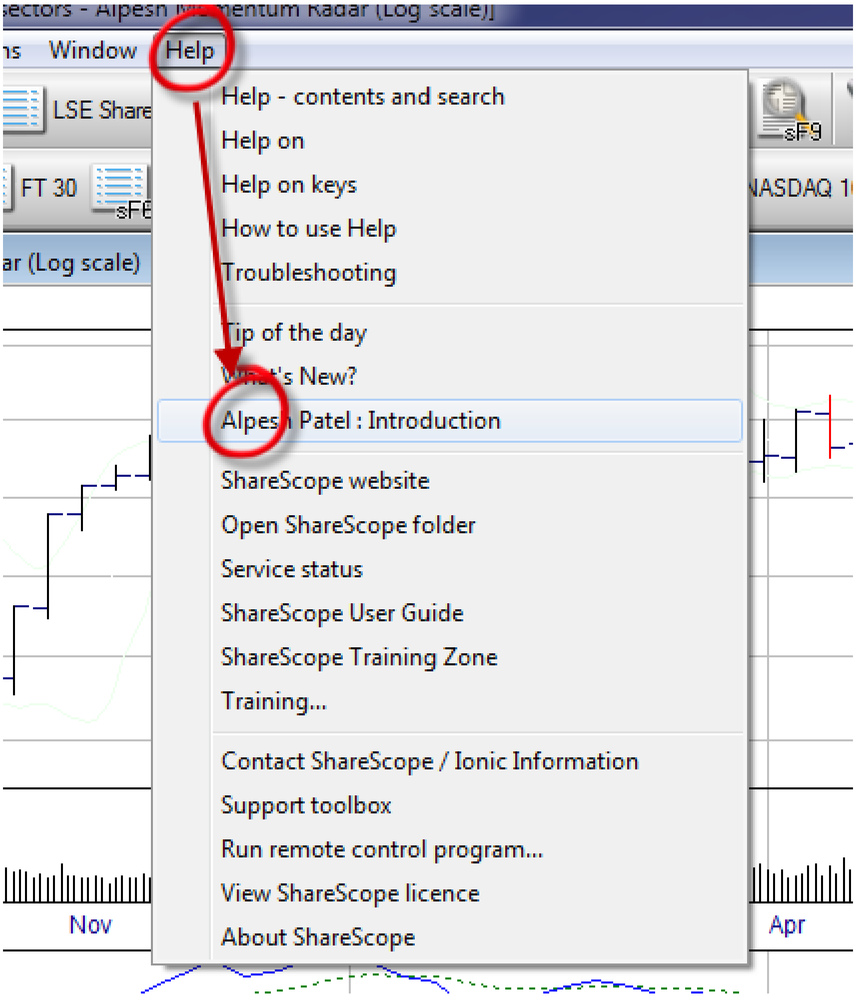

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