

The quiet investor

Global Matters Weekly

11 March 2024

– Gary Moglione — *Fund Manager*

In the realm of successful investors, high profile names like Warren Buffett, Charlie Munger, and Benjamin Graham often take the spotlight. However, there's one investor whose story deserves attention: Ronald Read. Born in 1940 into an impoverished farming family, Read's journey to wealth was far from conventional. After serving as a military policeman in World War II, he worked as a gas station attendant and later as a janitor at a JC Penney store. Living frugally on a modest income, he prioritized saving over spending, a habit often overlooked in today's debt-fuelled society.

When Ronald Read passed away in 2014, it was revealed that his estate was worth a staggering ¹\$8 million, with the bulk of his assets invested in the stock market. So, how did he do it? Unlike high-profile traders or mathematical geniuses, Read's investment strategy was refreshingly simple: he taught himself the basics of investing and followed a disciplined approach of buying high-quality blue-chip stocks at reasonable valuations and holding them for decades. He focused on companies paying attractive dividends, always reinvesting the income to further compound his returns. He was also well diversified and at the time of his death he held stock in 95 companies. During the global financial crisis, he held Lehman Bros but due to his diversification it failed to derail his portfolio.

There are invaluable lessons to be learned from Ronald Read's life and investment choices. Firstly, he recognized the importance of saving before spending, a principle often neglected in today's consumer-driven culture. By prioritizing saving and living within his means, he created opportunities for wealth accumulation. Moreover, his investment strategy focused on quality over quantity, allowing his investments to grow and compound over the long term.

Ronald Read's story challenges the conventional wisdom of quick gains and speculative trading. In his high school yearbook, a simple yet profound quote adorns his picture:

“There are invaluable lessons to be learned from Ronald Read's life and investment choices.”

“It is tranquil people who accomplish much.” These words capture the essence of Read's remarkable journey. Despite his unassuming demeanour and modest lifestyle, his commitment to disciplined investing and long-term wealth accumulation set him apart as an extraordinary individual.

There is a revealing study by ²University of California finance professor Brad Barber and economics professor Terrance Odean which further supports Ronald's investing style, the trading records of thousands of individual investors were scrutinized. What they uncovered was both surprising and illuminating: the accounts with the highest returns belonged to inactive accounts. This phenomenon, often termed the ‘Dead Man's Portfolio,’ underscores the power of a hands-off approach to investing. These forgotten accounts, left to quietly accumulate wealth over the years, outperformed those of active traders. It's a poignant reminder that the allure of constant tinkering with one's investments may often lead to subpar returns, while the patience and discipline of a long-term strategy can yield remarkable results.

As we reflect on Ronald Read's legacy, there's a compelling lesson to be gleaned: financial discipline, patience and compounding are the cornerstones of wealth accumulation. By instilling these values in future generations, we can aspire to make Read's story the norm rather than the exception. Ronald Read's journey serves as a powerful reminder that discipline, patience and perseverance are the keys to unlocking financial success in an uncertain world.

The Marketplace

- Global equities rose 0.5%
- Bitcoin hit another all-time high last week, trading above \$70,000 for the first time on Friday
- Brent crude fell 1.8% last week to \$82.1 per barrel, despite an expected extension of OPEC+ production cuts and additional output reduction pledges from Russia
- Gold rose 4.6% to \$2,178.95 per ounce, hitting a record high. However, it still lags behind previous peaks in real terms

Market Focus

US

- US equities fell 0.2%
- The ISM services print fell to 52.6, with the employment component moving back into contractionary territory, at 48.0 from 50.5
- The ADP's private payrolls report for February came in at 140k vs 150k expected, reflecting a consistent trend in recent months
- Weekly initial jobless claims for the week ending 2nd March came in line with expectations at 217k
- Nonfarm payrolls beat expectations, rising by 275k, though with a mixed report showing weaker details, including a downward revision to January's figures

Europe

- European equities rose 1.5%
- The ECB left interest rates unchanged at their meeting
- ECB President Lagarde's comments suggested a cautious approach towards easing, with June seen as a likely starting point for rate cuts

UK

- UK equities were flat
- The government announced their latest budget which included a 2 percentage point cut in the main rate of national insurance contributions and changes to the 'non-dom' tax regime

Asia/Rest of The World

- Global emerging market equities rose 1.2%
- Japanese equities rose 0.6% last week, while Chinese equities fell 1.8%
- China set its GDP growth target for 2024 at 5% with promises of easing restrictions for foreign investment and significant defence spending increases
- Inflation in Tokyo accelerated, with CPI rising by 2.6% year-on-year in February, while core inflation reached 2.5%
- Japanese wage growth rose to 2.0% year-on-year in January, fuelling expectations of a policy shift by the Bank of Japan
- China's February inflation data showed CPI up by 0.7% year-on-year, marking the fastest pace of inflation since March last year, while PPI remained in deflationary territory

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Asset Class/Region	Currency	Currency returns			
		Week ending 8 March 2024	Month to date	YTD 2024	12 months
Developed Market Equities					
United States	USD	-0.2%	0.6%	7.6%	29.8%
United Kingdom	GBP	0.0%	0.6%	0.1%	0.8%
Continental Europe	EUR	1.5%	2.1%	6.6%	14.4%
Japan	JPY	0.6%	1.9%	15.3%	36.3%
Asia Pacific (ex Japan)	USD	2.0%	2.4%	1.9%	6.9%
Australia	AUD	1.8%	2.5%	4.5%	12.2%
Global	USD	0.5%	1.3%	6.9%	26.1%
Emerging markets equities					
Emerging Europe	USD	-0.2%	-0.6%	5.4%	29.0%
Emerging Asia	USD	1.8%	2.2%	2.5%	7.7%
Emerging Latin America	USD	-1.7%	-1.2%	-6.1%	17.3%
BRICs	USD	-0.9%	-0.1%	-0.7%	1.5%
China	USD	-1.8%	-1.2%	-4.3%	-16.3%
MENA countries	USD	-1.6%	-1.6%	2.6%	9.8%
South Africa	USD	3.6%	4.4%	-7.1%	-1.0%
India	USD	0.7%	2.3%	4.1%	26.7%
Global emerging markets	USD	1.2%	1.6%	1.5%	8.9%
Bonds					
US Treasuries	USD	0.6%	1.0%	-0.5%	3.8%
US Treasuries (inflation protected)	USD	0.5%	0.9%	0.0%	4.0%
US Corporate (investment grade)	USD	0.9%	1.2%	-0.1%	7.6%
US High Yield	USD	0.6%	0.7%	1.1%	11.9%
UK Gilts	GBP	1.1%	1.3%	-2.1%	1.6%
UK Corporate (investment grade)	GBP	1.0%	1.2%	-0.5%	7.2%
Euro Government Bonds	EUR	1.3%	1.3%	-0.3%	6.5%
Euro Corporate (investment grade)	EUR	0.8%	0.9%	0.1%	7.7%
Euro High Yield	EUR	0.5%	0.5%	1.7%	10.2%
Japanese Government	JPY	-0.2%	-0.2%	-0.6%	-0.7%
Australian Government	AUD	0.9%	0.9%	0.6%	3.0%
Global Government Bonds	USD	1.4%	1.7%	-1.5%	3.5%
Global Bonds	USD	1.4%	1.6%	-1.0%	6.0%
Global Convertible Bonds	USD	1.1%	1.6%	-0.1%	6.8%
Emerging Market Bonds	USD	1.0%	1.5%	1.6%	12.1%

Source: Bloomberg. Past performance is not indicative of future returns

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Asset Class/Region	Currency	Currency returns			
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Property					
US Property Securities	USD	1.3%	2.3%	-0.1%	6.5%
Australian Property Securities	AUD	2.6%	3.5%	9.6%	16.1%
Asia Property Securities	USD	0.9%	0.7%	-5.3%	-6.3%
Global Property Securities	USD	1.6%	2.4%	-1.4%	6.4%
Currencies					
Euro	USD	0.9%	1.3%	-1.1%	3.7%
UK Pound Sterling	USD	1.5%	1.8%	0.7%	8.6%
Japanese Yen	USD	2.1%	2.0%	-4.2%	-6.7%
Australian Dollar	USD	1.4%	2.0%	-3.1%	0.5%
South African Rand	USD	1.9%	2.5%	-2.5%	-0.8%
Swiss Franc	USD	0.8%	0.8%	-4.3%	7.4%
Chinese Yuan	USD	0.2%	0.0%	-1.2%	-3.2%
Commodities & Alternatives					
Commodities	USD	0.5%	1.0%	2.3%	2.8%
Agricultural Commodities	USD	1.6%	0.8%	2.0%	4.7%
Oil	USD	-1.8%	-1.8%	6.5%	-0.7%
Gold	USD	4.6%	6.5%	5.6%	20.0%

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