

## Now is the best time to start investing

Actually, 20 years ago was the best time to start investing, which is an adaptation of a Chinese proverb:

*The best time to plant a tree was 20 years ago. The second best time is now.*

Sadly, the laws of physics prohibit the backdating of both investing and arboreal activities, which leaves us with the *second best* and only real option – now.

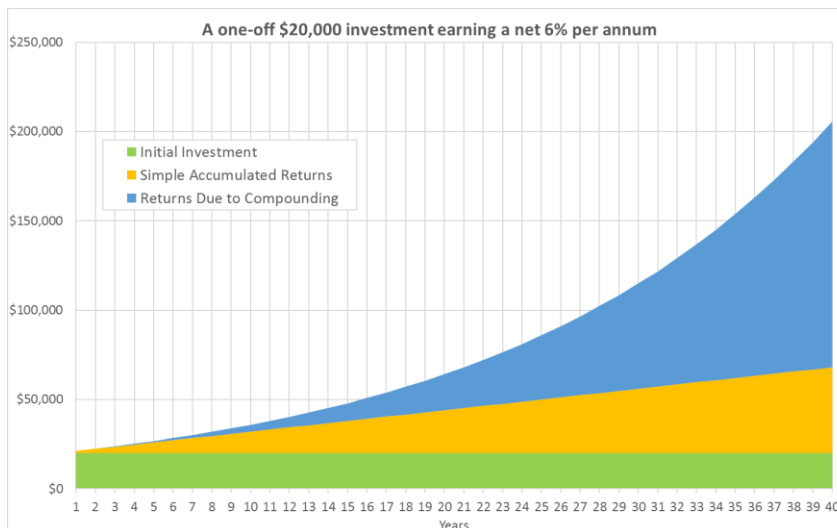
It is a little appreciated fact that time has real value when it comes to investing. Most people think that profiting from the movement in prices is what investing is all about and that certainly plays a part, particularly in the short-term. However, over the long-term, the real key to investing is time and the compounding of returns from investments, irrespective of what asset prices have done in the short-term. Because of this, time is also an enabler of higher investment returns as it allows investors to invest in higher growth assets and put aside the distracting ebb and flow of market prices.

The chart to the right illustrates how significant compounded investment returns can be. It also illustrates just how important time is when investing and why **now** is the best time to start. The impact of compounding doesn't become significant for the first decade or so but accelerates thereafter.

You may be investing for yourself, your children, their children or another beneficiary, but the longer your time horizon is the greater the

benefit from the investor's greatest ally will be. You will also be able to look back in 20 years and say *the best time to invest was 20 years ago*. Time marches inexorably onward. Those who don't invest now take one of the biggest and least considered investment risks, the risk of regret.

So, for the long term investor, when is the best time to start investing? Now's good.



## Market & Portfolio Update – May

- ❖ Investment funds finished May relatively flat, as share markets took a breather from the solid gains so far during 2017. The government's proposed budget reflected a positive tone for the NZ economy, and with a first round of election promises likely to support growth. This saw the NZ Dollar rise moderately (up 3%), which meant returns on Australian shares in particular were weaker after translation back to NZ Dollars.
- ❖ Investment funds' directly-held global shares again performed ahead of overseas shares in general, with healthcare product giants Reckitt Benckiser, Novo-Nordisk and Unilever all up around 10%.
- ❖ We made a number of changes to fund investments during the month, purchasing additional shares in Xero as the company moves closer to profitability, as well as adding shares in Chinese internet leader Tencent Holdings and some of the larger European banks. You can read about these in more detail over the page.

## Summary of Key Portfolio Changes

### New Zealand Shares Portfolio

- We increased the holding in cloud accounting provider Xero during the month. After many years not making any money in their quest to grow, Xero appears to be getting close to turning a profit for the very first time. This essentially means the riskiness of the company is likely to fall as they become self-funding. On top of this, the valuation of Xero's shares is more palatable at the moment compared to years gone by.

### Global Shares - Fisher Investments Focused Strategy

- During May funds reduced their allocation to US based financial company shares, through the sale of Wells Fargo and Berkshire Hathaway. This was offset by increasing the allocation to European financial companies, with the addition of BNP Paribas, Intesa Sanpaolo, and Banco Santander.
- BNP is the world seventh largest financial institution, serving over 75 countries with over 30 million customers. Intesa Sanpaolo is one of Italy's leading banks with over 5,000 branches across Italy, and further 1,500 branches across Europe. Banco Santander is Spain's largest bank founded in 1857 and generates over €40 billion in revenue.
- All three companies have diversified banking operations across the Eurozone and are expected to benefit from better European economic growth. As lending conditions continue to improve and fears fade from the European banking crisis, each bank's earnings from capital markets should also grow.
- Last, but not least, the strategy has also added Tencent Holdings, the leading provider of internet services in China; over 50% of all internet time in China is utilised through Tencent. Tencent are at the forefront of rising Chinese mobile internet usage, with a dominant share of mobile gaming and social media activity. They have a burgeoning advertising business and extensive growth opportunities in mobile payments and financial services.

### NZ Fixed Interest Portfolio

- We fine-tuned portfolios' investments in bank bonds, maintaining an average maturity of around four years.

### Corporate Bond Portfolio

- We added a new 7 year Goodman Property bond in the Corporate Bond Portfolio, keeping its average maturity close to three years. This was funded by the sale of some ASB Bank subordinated bonds, whose credit rating was downgraded by Standard & Poors, and some Sky TV bonds.