



# Weekly Digest

Week ending 1 November 2015

## All Blacks' fund management: ten things investors can learn from the Kiwis

### Stay the course.

The score at 80 minutes is what counts – being behind your opponent is the equivalent of a mark-to-market loss: it is a problem if you have insufficient time to make it back. Being a point behind with a minute left on the clock is arguably worse than being tens of points adrift at half time. A well-structured investment that has suffered mark-to-market losses can still deliver on your outcome as long as you have sufficient time for it to come to fruition.

### Don't relax once you're ahead.

A momentary slip of concentration can lead to a game changing mistake. It is important to remain focused on what might be thrown at you even when you look on course to achieving your target.

### Take the right risks.

Risk-adjusted return is a constant (but often unconscious) consideration in sport from the playground to the World Cup final. Whether it is a pass out of a tackle or a difficult drop goal, games can turn on sloppy execution or a poor choice. Investing is very much the same. We must only take appropriate risks for clients, when the potential returns are worth it.

### Experience counts.

The All Blacks' wealth of collective knowledge helped steady the ship when things weren't going their way. It is important for investment firms to have a balanced and experienced investment team to ensure that difficult markets are approached with a steady hand.

### Stick to your knitting.

If you have a certain approach to playing rugby or investing – a particular style – then it is imperative to stick with that. You need to be able to modify your approach when conditions vary, but do not expect a leopard to change its spots.

### Stay disciplined.

When you are behind your target it is tempting to start trying to push your luck. Discipline keeps the player from committing infringements that can tip the balance of the game further against you. Stick to your process and remain focused on your outcome.

### Encourage the right behaviour.

Sonny Bill Williams' gifting of his winner's medal to a young supporter tells us not only about his own generosity, but of a changing room culture where the importance of fans is emphasised. Investors must always remember that they are investing other people's money. Our clients place a huge amount of trust in us and a corporate culture that encourages an appreciation of the bigger picture is important to ensure that we always do right by our investors.

### Diversification is important.

Rugby has very specialised positions and having good people in all positions is crucial. Each player does not have to be a superstar in their own right, but the selection must be complementary so that the combination is greater than the sum of the parts.

### Consistency is key.

Knockout competitions reward teams that are able to generate a very high level of performance on a consistent basis. Teams that are too fickle will eventually be found out. An investment philosophy that is founded on infirm principles will eventually be found wanting – even if it generates spectacular results from time to time.

### Avoid paralysis by analysis.

While analysis will always be an important element to professional sport and investing, it is also important to know when and how to make a decision. A culture and process that encourages quality decision making is important. Real winners are able to make the right decision, quickly, in the face of extreme pressure.

## The Marketplace

- US Fed releases hawkish statement
- UK's Manufacturing PMI unexpectedly strong
- China's PMI data disappoints
- AKP wins majority in Turkish election
- Oil reserves decline

## Market Focus

### Global

- Developed equity markets ended the week flat, while emerging markets fell by 2.4%. The indices ended the month up by 7.9% and 7.1%, respectively, however.
- Fixed income markets were also broadly flat, but Treasuries fell by 0.4% and UK gilts returned -0.3% in sterling terms.
- In Japan, headline inflation slowed to 0.0% year-on-year in September (matching forecasts and slowing by 0.2 percentage points compared to August).
- The Bank of Japan announced that it would hold its annual asset-purchasing programme at ¥80 trillion last week.
- In Turkey, the ruling AK Party managed to confound pollsters by winning a majority in the parliamentary election over the weekend, as Turkish voters opted for stability. At time of writing the Turkish lira has strengthened by circa 5% against the US dollar.

### United States

- The statement released by the US Federal Reserve to accompany its latest Federal Open Market Committee meeting was more hawkish than expected last week, with the phrase "global uncertainties" dropped from the text. Following the news, market expectations of a December rate rise increased once again.

- Third quarter GDP growth slowed in the US, printing 1.5% versus expectations of 1.6%, and falling significantly from 3.9% in Q2 when inventory accumulation boosted growth. Household spending continued to grow, rising a solid 3.2% quarter-on-quarter (a little below the 3.3% that was forecast).

### UK

- In the UK, the Markit/CIPS manufacturing Purchasing Managers' Index (PMI) unexpectedly rose to 55.5 (versus forecasts of 51.3) to hit a 16-month high.

### China

- In China, the official manufacturing PMI printed 49.8 in October. This is the third consecutive month where the number has been below 50.0 (indicating a contraction in activity) and disappointed versus consensus forecasts of a 0.2 point rise from the 49.8 reading in September.
- China's official non-manufacturing PMI number declined to its lowest level since year-end 2008, printing 53.1 in October, indicating a decline of 0.3 percentage points from September. The unofficial Caixin manufacturing PMI rose by 1.1 percentage points, however, but still reads well below 50.0 at 48.3.
- The ruling Communist Party announced last week that China will target growth of 6.53% over the coming five years, rather than the 7% it had previously aimed for.

### Commodities

- Brent crude added 3.3% as the US Energy Information Agency announced that stockpiles of oil were being drawn down faster than expected.

*James Klempster, CFA & Scott Gordon*

Asset Class/Region	Currency	Currency returns			
		Week ending 30 Oct. 2015	Month to date	YTD 2015	12 months
<b>Developed Market Equities</b>					
United States	USD	0.2%	8.4%	2.2%	5.8%
United Kingdom	GBP	-1.3%	5.2%	-0.6%	1.3%
Continental Europe	EUR	-0.4%	8.2%	12.9%	17.0%
Japan	JPY	0.7%	10.4%	12.7%	24.2%
Asia Pacific (ex Japan)	USD	-2.5%	7.5%	-7.3%	-9.7%
Australia	AUD	-2.1%	4.4%	0.5%	0.2%
Global	USD	0.0%	7.9%	1.4%	2.9%
<b>Emerging Market Equities</b>					
Emerging Europe	USD	-3.2%	5.6%	-5.0%	-23.6%
Emerging Asia	USD	-2.2%	7.8%	-6.0%	-6.8%
Emerging Latin America	USD	-2.1%	6.1%	-24.8%	-34.0%
BRICs	USD	-2.8%	6.7%	-8.9%	-13.5%
MENA countries	USD	-2.2%	-2.4%	-10.3%	-21.4%
South Africa	USD	-3.4%	7.2%	-10.6%	-13.1%
India	USD	-3.3%	1.7%	-4.9%	-6.3%
Global emerging markets	USD	-2.4%	7.1%	-9.4%	-13.8%
<b>Bonds</b>					
US Treasuries	USD	-0.4%	-0.4%	1.4%	2.5%
US Treasuries (inflation protected)	USD	-0.4%	0.3%	-0.8%	-1.6%
US Corporate (investment grade)	USD	-0.4%	0.4%	0.3%	0.9%
US High Yield	USD	-0.1%	2.7%	0.2%	-1.8%
UK Gilts	GBP	-0.3%	-1.4%	1.1%	5.6%
UK Corporate (investment grade)	GBP	-0.2%	-0.2%	0.1%	3.4%
Euro Government Bonds	EUR	0.0%	1.1%	2.2%	5.1%
Euro Corporate (investment grade)	EUR	0.1%	1.4%	-0.4%	0.8%
Euro High Yield	EUR	0.3%	2.8%	2.4%	3.2%
Japanese Government	JPY	0.0%	0.4%	0.5%	2.8%
Australian Government	AUD	0.1%	0.2%	3.3%	7.2%
Global Government Bonds	USD	0.0%	-0.1%	-1.6%	-3.2%
Global Bonds	USD	0.0%	0.1%	-2.1%	-3.6%
Global Convertible Bonds	USD	0.0%	3.4%	1.2%	0.8%
Emerging Market Bonds	USD	-0.3%	3.5%	3.5%	0.5%

\* Estimate

Source: Bloomberg

Asset Class/Region	Currency	Currency returns			
		Week ending 30 Oct. 2015	Month to date	YTD 2015	12 months
<b>Property</b>					
US Property Securities	USD	-1.0%	5.7%	0.4%	5.4%
Australian Property Securities	AUD	0.9%	5.0%	9.5%	14.2%
Asia Property Securities	USD	-1.6%	6.0%	4.2%	3.9%
Global Property Securities	USD	-0.7%	5.9%	1.1%	3.4%
<b>Currencies</b>					
Euro	USD	-0.1%	-1.5%	-9.0%	-12.7%
UK Pound Sterling	USD	0.8%	2.0%	-1.0%	-3.6%
Japanese Yen	USD	0.7%	-0.6%	-0.8%	-8.9%
Australian Dollar	USD	-1.1%	1.7%	-12.6%	-19.2%
South African Rand	USD	-1.3%	0.3%	-16.2%	-21.3%
Swiss Franc	USD	-0.9%	-1.5%	0.7%	-3.2%
Chinese Yuan	USD	0.6%	0.6%	-1.7%	-3.2%
<b>Commodities &amp; Alternatives</b>					
Commodities	USD	0.9%	0.8%	-16.1%	-28.6%
Agricultural Commodities	USD	0.9%	2.1%	-11.1%	-11.9%
Oil	USD	3.3%	2.5%	-13.6%	-42.5%
Gold	USD	-1.9%	2.4%	-3.6%	-4.7%
Hedge funds	USD	0.5%	1.5%	-1.6%	-1.7%

\* Estimate

Source: Bloomberg

For more information, please contact your adviser or alternatively contact:

**Financial Partners Ltd.**  
泛柏資產管理有限公司  
24/F, Kinwick Centre  
32 Hollywood Road  
Central, Hong Kong

Tel +852 2827 1199  
Fax +852 2827 0270  
[client.services@f-p.hk](mailto:client.services@f-p.hk)  
[www.f-p.hk](http://www.f-p.hk)

### Important notes

This communication is issued by Financial Partners Limited 泛柏資產管理有限公司 and/or a Financial Partners' related company (collectively, and individually "FP") solely to its clients, qualified prospective clients or institutional and professional investors. Unless stated otherwise, any opinions or views expressed in this communication do not represent those of FP. Opinions or views of any FP company expressed in this communication may differ from those of other departments or companies within FP, including any opinions or views expressed in any research issued by FP. FP may deal as Distributor or Agent, or have interests, in any financial product referred to in this email. FP has policies designed to negate conflicts of interest. Unless otherwise stated, this e-mail is solely for information purposes.

This message may contain confidential information. Any use, dissemination, distribution or reproduction of this information outside the original recipients of this message is strictly prohibited. If you receive this message by mistake, please notify the sender by reply email immediately.

Unless specifically stated, neither the information nor any opinion contained herein constitutes as an advertisement, an invitation, a solicitation, a recommendation or advice to buy or sell any products, services, securities, futures, options, other financial instruments or provide any investment advice or service by FP.

No representation or warranty is given as to the accuracy, likelihood of achievement or reasonableness of any figures, forecasts, prospects or returns (if any) contained in the message. Such figures, forecasts, prospects or returns are by their nature subject to significant uncertainties and contingencies. The assumptions and parameters used by FP are not the only ones that might reasonably have been selected and therefore FP does not guarantee the sequence, accuracy, completeness or timeliness of the information provided herein. None of FP, its group members or any of their employees or directors shall be held liable, in any way, for any claims, mistakes, errors or otherwise arising out of or in connection with the content of this e-mail.

This e-mail and any accompanying attachments are not encrypted and cannot be guaranteed to be secure, complete or error-free as electronic communications may be intercepted, corrupted, lost, destroyed, delayed or incomplete, and/or may contain viruses. FP therefore does not accept any liability for any interception, corruption, loss, destruction, incompleteness, viruses, errors, omissions or delays in relation to this electronic communication. If verification is required please request a hard-copy version. Electronic communications carried within the FP system may be monitored.