Market & Portfolio Update – May 2017

Now is the best time to start investing

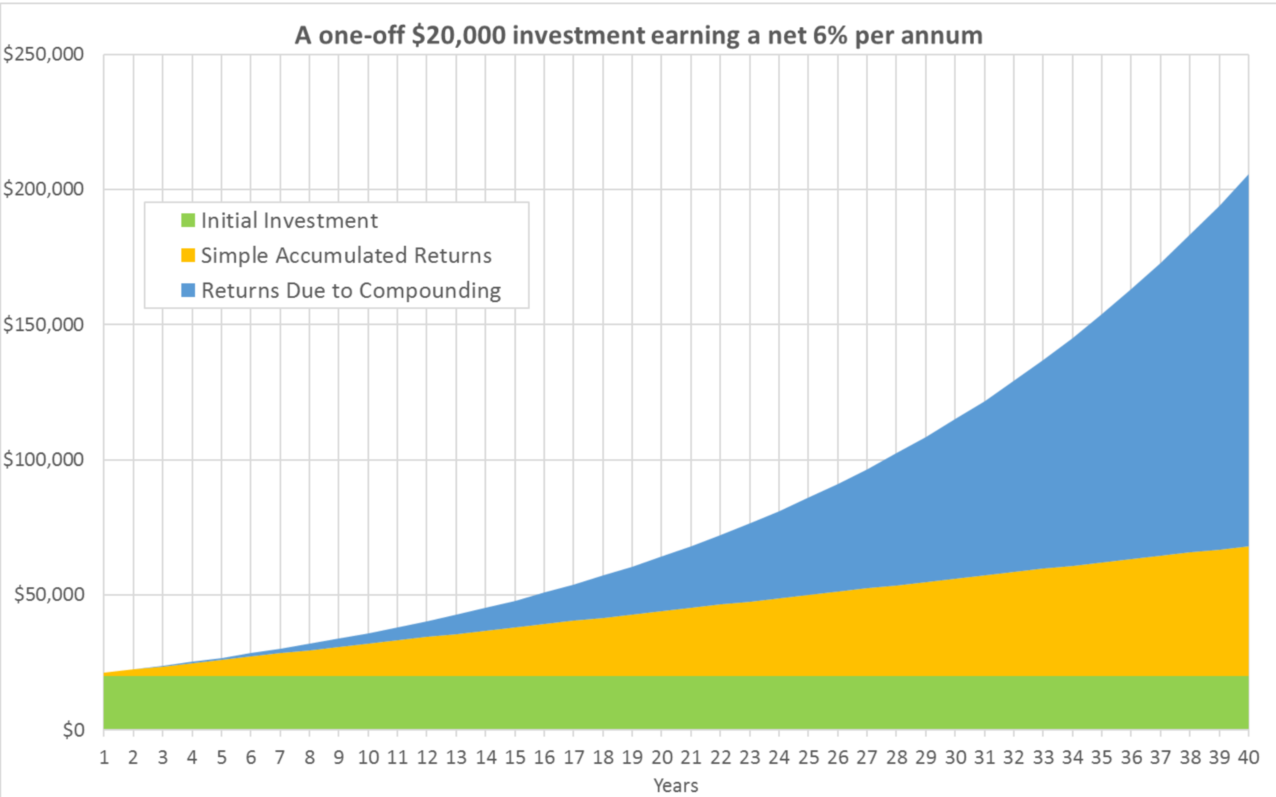
Actually, 20 years ago was the best time to start investing, which is an adaptation of a Chinese proverb:

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 following chart 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.

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- 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%.

- Booster 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.