

Pathfinder Investment Outlook

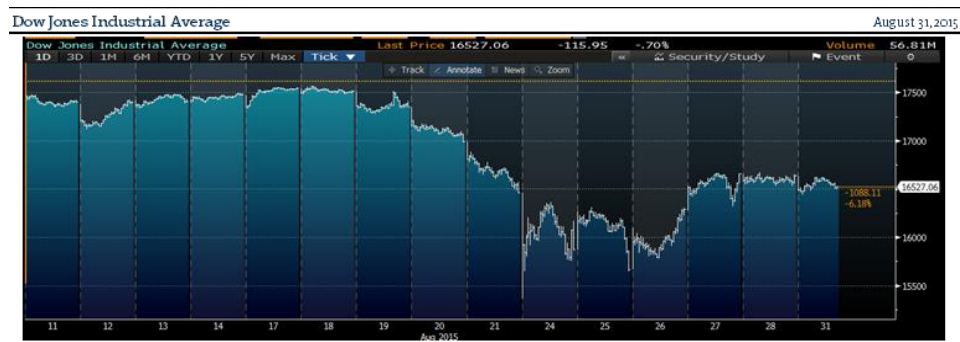
We are pleased to bring you our Investment Outlook for the week ending August 28, 2015

Pathfinder Macro Recap & Outlook

Last week was one of the most volatile weeks of my career. Bloomberg actually quoted, “The Dow travelled an unprecedented 10,000 points in just 5 trading sessions”. I have never seen that before. After equity markets had spent 4 days going lower and closed very poorly into the weekend (10 days ago), this past Monday morning opened up much lower and was followed by a quick rally and another leg down. Tuesday rallied and then fell hard into the close and the balance of the week “see-sawed” with huge swings in all asset classes. Oil fell into the high \$30’s range and then rallied back to \$49 and gold even caught a bid and although volatile, trended higher for the week. I have put a chart below from our Bloomberg terminal which we feel demonstrates the volatility well.

上周是我职业生涯中经历的股市波动幅度最大的几周之一。彭博新闻社引述到“道琼斯指数前所未有地在短短 5 个交易日波动了 10,000 点”。这一情况是我从未见过的。两周前，在股市经历了连续 4 天的下跌后，周五再次以大跌收盘（十天以前）。上周一，股市再次低开，市场迅速回升后，又再次下跌。第二天，股市开盘大涨，却好景不长，再次以暴跌收盘。最近几周，几乎所有类别的资产都像“跷跷板”一样大幅波动。石油暴跌到每桶 \$38 美元之后又回升到每桶 \$49 美元。黄金价格也伴随着波动于本周走高。我想，下图（截自彭博终端）充分展示了市场剧烈波动的情况。

The media spent a significant amount of air time searching for a cause. Was it another flash crash? Was it poor economic data in China? Or maybe it was the public back and forth with Federal Governors about the



Source: Bloomberg Markets LP, Pathfinder Asset Management

potential for a US rate “lift off” in September or December or maybe even October now? In our view, it is too simplistic to look for a single reason. Markets are complex systems that tend to operate on a cycle and it has been a long-time since we have had a correction (defined as a 10% fall from a recent high) and even longer since we have had a bear market (a 20% fall). Also, given that volatility and breadth have been low so far this year, as has volume, the set-up for increased downside risk has been building for some time. It is also easy to make a case that

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there is a general lack of confidence with respect to the ability of the Chinese government to centrally plan its economy & stock market, and as well the real potential that the Federal Open Market Committee (FOMC) may raise administered overnight rates into a potentially slowing economy. We believe that the volatility is not over. Once this type of sentiment change finds its way into investor consciousness, it takes more than a couple of good sessions to erase our collective memories. As well, given that we are moving into uncharted territory with the FOMC and a technical recession in Canada, we should not expect investors to remain calm as the trajectory of rates and currencies change along with a potentially slowing developed market economy.

媒体花了大量时间和精力找寻此次波动的原因。市场为此提出许多猜想：这是又一次闪电崩盘？还是归咎于中国糟糕的经济数据？或是因为市场预期同美联储对于美国在 9 月还是 12 月升息的拉锯战？在我们看来，这不是单个原因能简单解释的。市场是多个复杂的系统，往往呈周期式运作。自最近一次市场回调修正（从近期新高下跌 10%）后，我们已经历了相当长的时间。如果自上一次熊市（下跌 20%）算起，时间更长。此外，考虑到今年以来，市场波动，交易量和广度均处于较低水平，市场下行风险已不断累积。现阶段，关于中国政府对其经济和股市的掌控能力，市场普遍缺乏信心。同时，考虑到利率提升很可能引发经济增长放缓，市场也对美国联邦公开市场委员会（FOMC）在九月份提高隔夜利率的可能性持怀疑态度。我们认为此轮波动还没结束。这类情绪变化一旦进入投资者的潜意识，不是短期能被移除的。同时，美联储正进入一片未知领域，加拿大上半年经济也步入衰退，利率和汇率运行轨迹正伴随发达国家经济放缓发生改变，鉴于此，我们不应预期投资者将保持冷静。

Core: Equity, Core: High Income & Core Plus Fund

Spotlight: Managing Portfolios

How do we manage our portfolios through all of this, given what we have written about in the Macro Recap? There are two components to this discussion that I think about when markets do not go my way (i.e. up).

鉴于我们在宏观经济重温中谈到的现象，我们应如何管理自己的投资组合呢？我认为，如果市场不能如愿走高，有两部分可以谈。

The first is that investing is a long term proposition. Anybody who has been in our founder Doug Johnson's office will invariably be shown the "Andex Chart", ([link here](#)). This helpful chart tends to refocus my mind away from the short-term and into long-term thinking. We own great companies in our portfolios and irrespective of what the stock market does, these companies are still making and selling their products month in and month out. They generate cash, they pay dividends, they buy back stock and they reinvest capital into "our business", which earns stable economic returns. So when we think about investing for the long-term, corrections and bear markets can be times of opportunity for establishing positions in great companies that were previously too expensive to own. Many companies become more attractive during periods of market anxiety.

首先，投资是一个长期的话题。所有走进过我们创始人（道格·约翰逊）办公室的朋友都会发现一幅“Andex 图表”（[点此链接](#)）壁画。这幅图帮我将注意力从短期思维中转移出来，重新集中到投资的长期思维中。我们的投资组合持有许多极其优质的公司。无论股市怎样波动，这些公司仍然日复一日，年复一年地生产和销售自己的产品。它们创造现金，支付股息，回购股票并且再将资本投入到自己的业务，这都产生稳定的经济收益。因此，当我们以长期的眼观思考投资时，在回调修正和熊市之前持有这些优质公司的成本会较为昂贵，而回调和熊市时期可能正是开始持有这些公司的良机。许多公司在市场焦虑时期变得更有吸引力。

The second is that when market volatility increases, it is good to have cash so we can mitigate downside risk and take advantage of the opportunities that may present themselves. Creating cash ahead of downside risk is hard to do. I have never met anyone who can truly time the market perfectly. What we can do though, is create cash when valuations are high and when macro events appear to be adding too much risk to the system. The cash acts as a drag when the market continues to move higher (which it usually does for some time) but it does give us a chance to be well positioned when they correct, as they invariably do.

第二个是，当市场波动增强时，持有更多现金有助于我们降低下行风险，并使我们能够在机会出现时迅速行动。在下行风险出现前增加现金持有比重是很难做到的。我还从未见过谁能真正完美地预判市场时机。但我们能做的是，在估值偏高，同时宏观事件对系统附加过多风险时，提高现金持有比重。的确，当市场持续走高时，现金被看作获取更多回报的阻力，但当市场回调时，现金却为我们处于有利地位提供了良好机会。因为亘古不变的是，市场在高位过后总会回调修正。

Core: Equity, Core: High Income & Core Plus Fund

Spotlight: Managing Portfolios

For our part, we did have a little more than 20% cash in the Core: Equity Portfolio and little more than 20% cash, bonds and preferred shares in the Core: High Income Portfolio. As macro events changed we also hedged the Core Plus Fund to its maximum allocation. As I noted earlier, we expect this volatility to continue and we have trades prepared to raise more cash quickly if the need arises. I expect that it will only take the “wrong data report or macro event” to take us back to where we were at the beginning of the week. In that case, sitting on the side lines somewhat will be a great benefit.

就我们而言，在 Core: Equity 资产投资组合中，我们（客户）持有的现金比重超过 20%，在 Core: High Income 资产投资组合中，我们（客户）持有的现金，债券和优先股（债券和优先股均为固定收益资产，股价下跌时，固定收益资产的市值通常上涨）的比重同样高于 20%。由于宏观经济情况发生了变化，我们也对 Core Plus 基金进行了对冲。正如我前面提到的，我们预计此次波动还将继续，我们也做好准备，再次迅速提高现金比重。我预计，一旦所谓的“失望的经济数据和宏观事件”再次出现，市场又会次暴跌。既然如此，静观其动（持有更多现金），不失为明智之举。

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Sources: Bloomberg, Pathfinder Asset Management Limited

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