Dorchester Advisors

Money worked harder

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2021 Q2 Market Review

All the five main asset classes we follow were up in Q2. Despite the positive news about the broad stock markets (SP500 was up 8.5%), the stars of the quarter were the REIT sector and the Commodity sector. This simply underscores our philosophy that properly diversified portfolios are a very sound investment approach.

Last year with the onset of the Pandemic one risk management action was to reduce some broad equity exposure and invest in a low volatility equity fund. In Q1 and Q2 of this year, as the economy started recovery, we reversed this position and rebalanced portfolios.

Like most market analysts we continue to be skeptical of Bonds at this time. But, one trend on our radar is the emerging valuation discrepancy between US and International stocks: international stocks especially value stocks may be an attractive buy. And, we do have good exposure to REITS and have benefited from their strong performance. Alas, we were underweight commodities and don’t look too sharp on that front. Finally, a sizable portion of our clients’ portfolios will continue to be in US equities whose earnings and other fundamentals remain strong.

For our clients, we reviewed and re-balanced their portfolios in Q2. We plan to keep them diversified across the 5 main asset classes and to rely on fundamentals and evidence-based investment strategies, and to remain cost-conscious. We think this remains a prudent investment approach.

30 July 2021

Our evidence–based Investment Philosophy

Our portfolios are sensibly diversified across the five main asset classes, and with markets becoming increasingly global, we seek opportunities regardless of where they are located.

We strive to manage investments prudently, using the value-style oriented approach of buying high quality investments when they are available at attractive (inexpensive) prices.

We select investments to get better total returns fully recognizing that risk management, cash requirements, tax considerations, social investing demand, etc. may reduce returns of portfolios.

We use both active and indexed portfolio management techniques depending on market conditions. When markets offer opportunities, or as we uncover compelling ideas, active portfolio management is useful. At other times our default position is to use evidence-based indexed investments.

We believe that market conditions are important, especially when clients add to or withdraw capital. At these times, we pay attention to market trends based on the relative attractiveness of major asset classes and our expectations about their future performance. But normally, we do not attempt to time the market; research suggests it is futile..

We use fundamental techniques, quantitative approaches, and behavioral finance to guide us when we buy and sell securities and strive to take the least amount of risk that is consistent with a client's objectives – as distinct from shooting for the highest returns.