Dorchester Advisors
Money worked harder

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Expecting a Different Looking Future
2021 Q3 Market Review

The five main asset classes we follow were approximately flat in Q3; only commodities were up. This underscores our philosophy that properly diversified portfolios don't always win but are a sound approach for the long term investor.

The Pandemic sharply upset the (then) current order of the economy and the financial markets. I remain surprised that with such disruption people are actually anchored to returning to that "normal". I am skeptical. One scenario is that the current headline news: Inflation, supply chain disruption, fed taper, the economic stimulus etc. are all manifestations of the adjustments that we are making to digest the disruption. What I am skeptical about is that we will return to a familiar normal. As investors, It may be profitable to accept that things will remain different – even if we don't (and can't) know where it will all end up.

Take inflation for example: It shows up in the reported numbers which many believe are transitory – it's possible. Yet, at the same time Social security announced one of their larger Cost of living (COLA) increases which will result in larger retirement checks almost immediately. Likewise there is evidence that many consumer goods are changing the packaging of items they sell - i.e. same price less quantity (I see it on the grocery shelves already). Yet another trend I see is that businesses are programming their receipts to include tips (not new) but now they are listing 18% (not 15%) as the minimum guideline. I see these as examples of inflation getting baked into the system and this "hidden inflation" is not easily detected in official numbers; nor will it be easily reversible.

Yes, we will survive and thrive – but in different ways. And it may be more productive to be attentive to emerging unfamiliar ways rather than hoping that we will return to the old familiar normal. So, our investment challenge is to keep analyzing investments both with the perspective of the past as well as with an open mind that the future may be different. We also believe that businesses are most adaptive to navigating and engineering the future. If successful it will reflect in better stock prices; hence we will likely keep our bias towards Equities as an important portfolio asset class.

For our clients, we reviewed and adjusted their portfolios in Q3. We plan to keep them well 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.

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Past performance is not a guide to future performance.

DorchesterAdvisors is a Registered Investment Advisor in NJ, NY and MI.

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.