Dorchester Advisors
Money worked harder

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2023 Q2 Market Review

The financial markets continued to gain in Q2. Four of the five asset classes* we follow were higher in Q2; only commodities were down. In Q2 the US markets were the better performers mainly due to a handful of larger tech stocks. A well-diversified portfolio is an effective all-weather strategy for investors.

In Q2 the financial press was mainly occupied with the chances of a "soft landing" v/s a "hard landing" and what the Fed will do to interest rates at the next meeting. These are useful issues for the short-term oriented investor. For us, however, the perennial pre-occupation is "what is a winning investment strategy for our clients over the next 10 or more years?"

The evidence-based answer remains: invest in asset classes that have well established long-term results (like Equities). Of course, we regularly monitor our investments to make sure that they are delivering on their investment philosophies. We also cross-reference competing investments to ratify that our choices are compelling. (In Q2 we reviewed our specific investments as well as our asset allocation models and are gratified by them). We also keep abreast of investment strategies that may be good options for portfolios. There are never guarantees to life, especially investment life, but we do believe our investment approach is a very defensible one for long horizon clients. Certainly, we are comfortable investing our money in this manner.

We respect investment risk by being vigilant as investors - vigilant about monitoring fundamentals and vigilant about monitoring risks but NOT reacting to each bit of new (especially sensationalist) news. And, we don't chase fads and tend to make portfolio changes deliberately.

We believe that leaning on time-tested principles is more important than trying to forecast the future, a futile endeavor in our opinion. To us it reinforces investment principles that have been profitable for us: One, be evidence based investors i.e. dig deep into data to understand the sub-currents. Two, diversification is important for preserving portfolios. Three, Volatility is not Risk so make friends with it.

In 2023, we plan to keep clients diversified across the 5 main asset classes, be prudent with any risks we take, and to remain cost-conscious. We think this remains a sound investment approach.

* Our Asset classes are: Cash, Fixed income, Equities, Real Estate and Commodities and we think these pretty much cover the investable investment universe.

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Our evidence–based Investment Philosophy

We seek to double clients' wealth every 10-12 years and to do it without exposing portfolios to the risk of a permanent loss of capital. Our objective is to preserve the money you invest with us and to maintain its value over time. Of course, performance cannot be guaranteed, and past performance is not indicative of future results.

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.