



MVAM  
MOLE VALLEY  
ASSET MANAGEMENT

# MVAM Newsletter

'Close Shave with your Investments'

June 2015



"Never trust a man with a small black moustache" was one of many great observations by PG Wodehouse, but if only real life was that simple. All too often the man (or woman) has popped into Boots to purchase a shaver.

In the last month we have been reminded how important trust is in life and at the heart of every relationship, determining what we do, think and believe. The UK General Election result may have surprised many, but in reality the voters did not trust Ed Miliband and the Labour Party with managing the economy. The downfall of Sepp Blatter and FIFA was only a matter of when, not if, after Qatar was chosen as the 2022 World Cup venue. Nobody trusted the selection process, picking a tiny Arab state, for a football competition in temperatures of 50 degrees, with nowhere for Rooney and the lads to enjoy some pre-match drinks.

Meanwhile the financial services sector has managed to lose the complete trust of the western world since the 2007 credit crisis. It seems that hardly a month goes by without another large fine being imposed on the leading banks, found guilty of another serious misdemeanour, from rigging LIBOR to assisting tax evasion. The total fines have exceeded £150bn over this period and there is no sign that we have reached the end. While it is a challenge to build trust, which may take many years, it is an even greater challenge to maintain it and easy to lose it in an instant. Then once lost, it may be gone forever.

Looking at our own business, investment management, trust is the most important ingredient for a successful client relationship. In contrast greed explains many of the mistakes across the financial industry, from investors chasing impossibly high returns to bankers seeking to inflate short term bonuses by promoting unsuitable products. Who remembers "Tulipomania" in 17th century Holland? The bulbs were introduced into Holland in 1593 and there followed a collectors fad over the next 30 years, with Tulips becoming too valuable to plant at the peak of the bubble, having risen 1,000 fold in price. There is an apocryphal story that one was eaten, mistaken for an onion. Needless to say it all ended in tears, even if it wasn't an onion. Human nature has not changed and in more recent times we've seen similar periods of crazy excess, in particular the internet dot-com bubble of 2000. The current bond market looks like another bubble, with large companies being paid to borrow (i.e. negative interest rates), but as with all bubbles it's impossible to tell when it will burst, rather like a party balloon. Investors hope there is always another mug down the road.

This leads us back to trust and, in particular, trusting your own instincts. Do I trust my investment manager with my money? Do they have my interests at heart, or are they promising unbelievably good returns, from buying tulips, then driving off in a red Ferrari. Taking acceptable risk is fine to generate a reasonable return and core to the capitalist world, but the first question to ask in life is "Do I trust this person?", or you risk becoming the PG Wodehouse character who "had the appearance of one who has searched for the leak in life's gas-pipe with a lighted torch".

**\*\*See page 2 - would you trust these people with your investments?\***

Mole Valley Asset Management Ltd.  
Website: [www.mvam.com](http://www.mvam.com) Tel: 01306 776999 Email: [enquiries@mvam.com](mailto:enquiries@mvam.com)  
Authorised and Regulated by the Financial Conduct Authority—Reg No. 613008

## Would you Trust these People with your Investments?

