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MOLE VALLEY  
ASSET MANAGEMENT

# MVAM Newsletter

'Let me tell you a story.....'

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The recent find of another human species, Homo naledi, underlines the fact that we Sapiens had a number of human siblings. The question is how did we become the last and most dominant of our tribe? Analysis of the remains of Neanderthals suggests their brains, and their muscles, were larger than ours. So how did we do it? Modern theory suggests that it was our ability to believe in the impossible, to tell a story, create a fiction that sets us apart.

The way us Sapiens think is the difference. We can believe in six impossible things before breakfast - but ask a monkey to forego a banana for limitless bananas in the afterlife, and you are on to a loser. While believing in fairies may not have helped us conquer the other Homo species, fiction enabled Sapiens to act collectively, to act together in large numbers. We simply outnumbered the Neanderthals in battle and worked together to win because we believed in stories\*.

In the corporate world, the stories to make us believe are called brands. You might have heard of say... Volkswagen? Now VW (the story is so strong it is recognisable by just two letters) was one of the world's great stories. What came in to your mind when someone mentioned VW to you? German, reliability, engineering, smart, fashionable? Born just 70 years ago from the ashes of a very different German story it made us all pretty much believe in the VW brand. But in one moment our beliefs have been shattered.

But remember VW is a story. How can we prove this? Well, if VW goes bankrupt no one actually dies, the factories that make the cars don't just vanish they just don't make VW's anymore. And the cars already made still trundle around polluting the world. It is just the story that dies, something that only existed because a large collection of individuals believed in the story enough to come together and make the cars; and because outsiders believed in their story so they would pay to be associated with it by buying the cars.

Clearly the fact that we need to believe in a story before we understand anything has disconcerting aspects for most areas of life and investing your money is certainly one of them. In the world of stock markets there is a saying - "never fall in love with a stock". Given the above "understanding" of our cognitive processes we must adhere to this stock market motto at all times.

\* Paraphrased from a book called Sapiens by Yuval Noah Harari - a great read by the way.