

# PRICE VALUE PARTNERS

Ever Get The Feeling You've Been Cheated ?

27th July 2020

“Reality is that which, when you stop believing in it, doesn't go away.”

- Philip K. Dick.

**In his book** *Sapiens*, the historian Yuval Noah Harari posits the provocative theory that a crucial factor behind mankind's evolutionary advantage over our ancient predecessors and biological competitors has been our capacity for, and appreciation of, the power of narrative. The thinking goes as follows. A small village of perhaps 100 people has no need of external administration. It organises itself. But a country of perhaps 70 million people requires some form of exogenous coordination, if only to provide those services that the free enterprise system cannot or will not provide itself (street lights and armies, for example). In extremis, the country has to provide a cohort of young men – it will be, invariably, men – willing to fight and, if need be, die in defence of said country. How does it achieve this ? By telling stories. National myths.

One of those national myths in the context of the British experience is the 'Blitz spirit', personified (below) in an iconic black and white photograph of a milkman on his rounds through the rubble after an air attack on London. It's not clear where this spirit went, but after three months of involuntary house arrest and a deluge of government propaganda, it seems in short supply today. (It also turns out that the original photo was apparently [staged](#).)



Source: Fred Morley / Getty Images

On the topic of narratives, here's one. A new type of virus emerges in dubious and unexplained circumstances in an autocratic, undemocratic part of the world that routinely treats its people, animals and environment in a scandalous and loathsome manner. Footage emerges of householders from the region being welded shut inside their own homes. When this virus emerges internationally, governments respond in different ways. Some respond pragmatically, some have prior experience of respiratory viruses, and the UK government, on the advice of grandstanding epidemiological forecasters, loses its mind altogether. On the back of Dante-esque scenes in northern Italy, "saving" the NHS mysteriously becomes more of a priority for the government than having the NHS save the vulnerable. The economy is thrown into the deep freeze. Unfortunately, because its pandemic preparedness has been assessed by unaccountable technocrats who get to mark their own homework, the government has no real ability to track or test the potentially infected, and a competing morass of separate state bureaucracies adopts different methodologies for assessing infection and mortality rates, so pretty much all the data amounts to [unverifiable garbage](#). Having locked its citizens in the dark, the government then forgets where the light switch is (perhaps because it never actually knew). The sunk costs fallacy then ensures that Project Fear 2.0 must hold sway, and so at the apparent tail end of a pandemic, the wearing of face masks of doubtful anti-viral efficacy is made compulsory in shops and on public transport. Only nobody wants to go anywhere. More to the point, having sponsored most of the public sector to sit on its backside for three months yet still get paid (well done on that pay rise, teachers !), the government has effectively introduced not just modern monetary theory, but an embryonic form of a universal basic income into the bargain. Spray enough money into a hole in the ground, and after a while, weird things start to float out of it. Higher prices being merely one of them.

If you were looking for the way out, you wouldn't elect to start from here, and yet here we all are.

So we are now obliged to navigate an environment in which lack of trust in government is matched only by lack of trust in the mainstream media. Logical response ? Trust neither of them, and find "your own" truth.

The rot runs deep, and the British state broadcaster, for one, once beloved as a national treasure, "Auntie Beeb", has morphed into the mad nan in the attic. She has form in this regard. BBC Two, for example, cheerfully reported on *Trump's First Year: the Fourth Estate*, in June 2018. This was a fly-on-the-wall documentary in which some sociology students mysteriously promoted onto the editorial board of the *New York Times* spent their work days plotting how to derail his obviously undeserved presidency by vowing to find evidence of his manifold transgressions. *All The President's Men* this was not. More like a particularly grisly JCR meeting when the entire undergraduate body is a) stupid and b) hungover but crucially c) has an axe to grind, and is not afraid to grind it. Although licence fee payers funded this dismal rubbish, it is "not currently available" to watch via iPlayer, an on demand service in which the BBC plays at being a free market entity as opposed to an Orwellian woke propaganda klaxon. More recently, BBC Three offered us [Trump in Tweets](#), in which a bunch of Hillary Clinton staffers pretended to have actually won the last US election. Brexit has done many things, but perhaps its most disheartening achievement is its success at lifting the rock that used to sit on top of the Establishment; one can hardly believe the squirming, obnoxious life forms that wriggle about beneath it..

Lest this commentary seem nothing more than a counsel of despair, we present solutions.

On Twitter, for example, Millionaire Mentor (@DavidIHarrison) offers the following excellent advice: spend more time learning by

- rejecting the MSM
- getting rid of your TV
- signing up to Audible
- playing audiobooks whenever possible
- going ad-free on YouTube
- limit social media to curated Twitter
- stop engaging with nonsense
- not letting politics consume you.

And we are delighted to re-endorse Rolf Dobelli's excellent 2010 essay, *Avoid News* (simply Google "Rolf Dobelli Avoid News" to download the Gwern.net PDF). The edited highlights:

- News misleads us systematically
- News is irrelevant
- News limits understanding
- News is toxic to your body
- News massively increases cognitive errors
- News inhibits thinking
- News changes the structure of your brain
- News is costly
- News sunders the relationship between reputation and achievement
- News is produced by journalists [ouch !]
- Reported facts are sometimes wrong, but forecasts always
- News is manipulative
- News makes us passive
- News gives us the illusion of caring
- News kills creativity

Dobelli therefore recommends the following plan of campaign:

Go without news. Cut it out completely. Go cold turkey.

Make news as inaccessible as possible. Delete the news apps from your iPhone. Sell your TV. Cancel your newspaper subscriptions. Do not pick up newspapers and magazines that lie around in airports and train stations. Do not set your browser default to a news site. Pick a site that never changes. The more stale the better. Delete all news sites from your browser's favorites list. Delete the news widgets from your desktop.

If you want to keep the illusion of “not missing anything important”, I suggest you glance through the summary page of the *Economist* once a week. Don’t spend more than five minutes on it.

Read magazines and books which explain the world – *Science*, *Nature*, *The New Yorker*, *The Atlantic Monthly*. Go for magazines that connect the dots and don’t shy away from presenting the complexities of life – or from purely entertaining you. The world is complicated, and we can do nothing about it. So, you must read longish and deep articles and books that represent its complexity. Try reading a book a week. Better two or three. History is good. Biology. Psychology. That way you’ll learn to understand the underlying mechanisms of the world. Go deep instead of broad. Enjoy material that truly interests you. Have fun reading.

From an investment perspective, we must acknowledge that there are times when markets make little or absolutely no sense. Right now happens to be one of them. Equity markets, notably those of the US, are priced for something better than perfection, just when the economy is about to fall off the ugly tree and hit every branch on the way down. Bond markets are priced simply for idiots who love the prospect of losing almost everything in a stagflationary inferno. If nothing else, we should plainly recognise that starting valuations matter, and most are unattractive, even in the most idyllic (and therefore utterly unrealistic) V-shaped recovery scenario. hilariously, and wondrously, as Phil Bak, founder and CEO of SecLenX, put it in a recent tweet:

Investing in 2020:

When buying funds, cost (fees) is the only relevant factor.

When buying stocks, cost (valuation) is an irrelevant factor.

Valuation may not matter to the crowd, but it matters to us. Along with the investment characteristics of independence, scarcity and permanence. Today, that argues for gold and silver, and profitable gold and silver miners carrying little or no debt. There are also a number of non-resource sector firms operating strongly in this ‘new normal’, yet with their shares still attractively priced. It will pay dividends – in every sense – to go shopping for them in places far from the crowds. (The extent to which face masks are worn during this process should be, we feel, a matter for the individual.)

At some point soon, a lot of investors within the crowd are quite likely going to feel brutally cheated. We will endeavour not to be among them.

Tim Price is co-manager of the [VT Price Value Portfolio](#) and author of ‘Investing through the Looking Glass: a rational guide to irrational financial markets’. You can access a full archive of these weekly investment commentaries [here](#). You can listen to our regular ‘State of the Markets’ podcasts, with Paul Rodriguez of ThinkTrading.com, [here](#). Email us: [info@pricevaluepartners.com](mailto:info@pricevaluepartners.com).

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