

## Outrageous fortune

“Isn’t it funny when you walk into an investment firm and you see all of the financial advisers watching CNBC ? That gives me the same feeling of confidence I would have if I walked into the Mayo clinic or Sloan Kettering and all the medical staff were watching General Hospital.”

- A senior portfolio manager.

**There may once** have been a time when the plot of all dramas progressed in a linear manner, with a beginning, a middle, and an end; in which the significance of all the participants was entirely obvious; and wherein everything that they said made complete sense. If the theatre ever indeed enjoyed such a formulaic and logical ‘golden age’, such an age had broken down by the 1960s. The critic Martin Esslin coined the phrase “Theatre of the absurd” in 1960 to describe the output of playwrights like Samuel Beckett (*Waiting for Godot*), Eugène Ionesco (*Rhinoceros*) and Harold Pinter (*The Birthday Party*). In the latter, a seedy boarding house on the south coast of England plays host to a birthday celebration for Stanley Webber, a retired pianist of indeterminate achievement. The proceedings soon take a dark turn upon the arrival of two sinister strangers, Goldberg and McCann. A supposed celebration rapidly turns into something nightmarish. The play had its premiere at the Cambridge Arts Theatre in April 1958 where it was apparently “warmly received”. But when it transferred to the Lyric Hammersmith in London a month later it provoked “bewildered hysteria” and closed after just eight performances. [It is said](#) that after attending an early performance of the play, a woman wrote to Pinter:

Dear Sir, I would be obliged if you would kindly explain to me the meaning of your play *The Birthday Party*. These are the points which I do not understand: 1. Who are the two men ? 2. Where did Stanley come from ? 3. Were they all supposed to be normal ? You will appreciate that without the answers to my questions I cannot fully understand your play.

Pinter is said to have replied:

Dear Madam, I would be obliged if you would kindly explain to me the meaning of your letter. These are the points which I do not understand: 1. Who are you ? 2. Where do you come from ? 3. Are you supposed to be normal ? You will appreciate that without the answers to my questions I cannot fully understand your letter.

This correspondent is a fan of the fiction of M. R. James, one of the finest exponents of the ghost story in English literature. The Jamesian oeuvre has proven popular with other dramatists: the short story *Casting The Runes* was made into a particularly fine 1957 horror film *Night of the Demon* starring Dana Andrews and Niall MacGinnis, and many of James' short stories have been adapted for television or radio. But the Jamesian ghost is a relatively straightforward affair. Although its origins may be shrouded in uncertainty, its effect upon its hapless discoverers is normally straightforward to understand and interpret, and can invariably be traced back to overmuch academic curiosity.

The supernatural fiction of Robert Aickman, on the other hand, is a little more difficult to pin down. Aickman's "strange stories" aren't so immediately reducible to didactic themes. (As with M. R. James, some of Aickman's short stories have been dramatically adapted by Mark Gatiss, no stranger to the occult; [Ringing the Changes](#), from October 2000, is deliciously creepy.) Aickman was well aware that he was, to an extent, covering his narrative tracks:

I believe in what the Germans term *Ehrfurcht*: reverence for things one cannot understand. Faust's error was an aspiration to understand, and therefore master, things which, by God or by nature, are set beyond the human compass. He could only achieve this at the cost of making the achievement pointless. Once again, it is exactly what modern man has done..

I believe in life after death, and I decline to particularize upon the meaning of the words, because of all futile and reductionist attempts at definition, this is the most idle.. Most of my stories aim at universal themes, however difficult it may be to attain to them..

One of the reasons for treating the financial media with a sense of growing disdain is their perennial ability to find certainty (after the fact) where all other market participants can find only doubt (whether before, during or after the fact). As Niels Kaastrup-Larsen of Dunn Capital points out (you can listen to our September 2018 discussion with Niels [here](#)), stock markets have just experienced their worst December since 1931, only to be followed by their best January for 30 years. Go figure. As Thomas Schuster of Leipzig University puts it,

The media select, they interpret, they emotionalize and they create facts. The media not only reduce reality by lowering information density. They focus reality by accumulating information where 'actually' none exists. A typical stock market report looks like this: Stock X increased because... Index Y crashed due to... Prices Z continue to rise after... Most of these explanations are post-hoc rationalizations. An artificial logic is created, based on a simplistic understanding of the markets, which implies that there are simple explanations for most price movements; that price movements follow rules which then lead to systematic patterns; and of course that the news disseminated by the media decisively contribute to the emergence of price movements.

The reality, then, is that much of the time (and possibly all of the time), we never quite know why the market did what it did. We just know that it did so, because we have an indisputable price record as testimony to the fact. We do not, however, know the underlying causes for the countless buy and sell decisions that led to the creation of those prices.

So as time goes by, we tend to spend less and less time fretting about what President Trump will do in relation to China; about what the effect will be of the Federal Reserve abandoning its monetary tightening resolve in apparent emulation of a big girl's blouse (though as Daniel Lacalle points out, "An economy that cannot take 3% rates with 3.7% unemployment and a 3.4% annualized growth rate is either not a "strong economy" or the central bank policy only looks to inflate financial assets"); about Brexit, or Jeremy Corbyn, or a million other things that might be worth worrying about but where any ultimate significance is also inherently subjective and unforecastable. Instead, we increasingly spend more and more time looking for the one thing that can give us a definitive edge, which is finding compelling and, what is more, **defensible** bottom-up valuations, both on a comparative and absolute basis.

Greg Fisher, manager of the Samarang Asian Prosperity Fund, expresses a somewhat similar sentiment in his latest monthly report:

We can blame a great deal of the problems in life on middle-aged men. I think I am allowed to say that, being one. Even more problems caused probably, by that sub-sector engaged in the investment industry, like me. One particular tendency, is for those practitioners to see everything as a battle, odds and enemies to be overcome. For those of you that have seen the front cover of my most recent presentation document, it shows a scene of the loyal retainers of a 14<sup>th</sup> century Japanese emperor marching into battle, bombarded with a hailstorm of arrows. To some extent, in December, particularly the last five days, this is what it sometimes seemed like, a perfect storm of crazy falling share prices, hitting us day after day.

**"The slings and arrows of outrageous fortune.."**



But it was not a battle and it never is, an investment battle. There is no visible enemy, in the Japanese print, or in investing, or should not be, apart from perhaps when dealing with issues such as governance. There is no compunction to act all the time, to make big statements or change strategy to try another option because something isn't working now. There is no need to feel we must get everything right. We do not have to think we are better than anyone else, just different. There is by contrast, and most

importantly of all, a psychological test, in being able to do nothing, of carrying on, despite the arrows in the picture, thinking calmly and considering after some thought, possible avenues which might offer some new opportunity, or if they may not – but only as one always ought to do.

The last time Greg's fund traded with similar underlying metrics to those it offers today (with an average p/e of just 8; a price / book of **0.8**; a historic return on equity of 16%; an average dividend yield of 4.6%) was at its launch, in November 2012. The Samarang Asian Prosperity Fund subsequently became the best investment we have ever owned. In fact, it is even better value today than it was then. Believe in narratives, by all means. But a belief in simple maths is likely to be a better, more productive and more successful use of everybody's time.

[www.pricevaluepartners.com](http://www.pricevaluepartners.com)



@timfprice

*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 access the archive of our regular 'State of the Markets' podcasts, with Paul Rodriguez of ThinkTrading.com [here](#).*

Price Value Partners manage investment portfolios for private clients. We also manage the VT Price Value Portfolio, an unconstrained global fund investing in Benjamin Graham-style value stocks and specialist managed funds.

#### Important Information

Price Value Partners Limited (PVP) acts as investment manager to its professional client VT Price Value Partners ICVC (the Fund). PVP is not in a marketing group with Valu-Trac Investment Management Limited who act as Authorised Corporate Director (ACD) to the Fund. PVP also acts as investment manager to private individuals, classified as both professional and retail clients. PVP makes this information available under its responsibilities as investment manager. PVP has approved the above information in accordance with Section 21 of the Financial Services and Markets Act 2000 and its Treating Customers Fairly policy (a copy of which is available on request). The ACD makes use of an exemption under the Financial Promotions Exemption Order to provide this information to investors (or potential investors) of the Fund. Accordingly, PVP has made this document available for your general information. You are encouraged to consider the risks detailed in the Fund prospectus and any investment management agreement originated by PVP and seek independent financial advice before acting. We have taken all reasonable steps to ensure the above content is correct at the time of publication. Any views expressed or interpretations given are those of the author personally. Please note that PVP is not responsible for the contents or reliability of any websites or blogs and linking to them should not be considered as an endorsement of any kind. If you no longer wish to receive these commentaries, please let us know and we will remove you from our distribution list, which is opt-in exclusively. We have no control over the availability of linked pages. Price Value Partners Ltd. is authorised and regulated by the Financial Conduct Authority, registered number 629623.

Ref 91/2/KC0702.