

# UNCOMMON SENSE

SEPTEMBER 2024 INVESTMENT NEWSLETTER

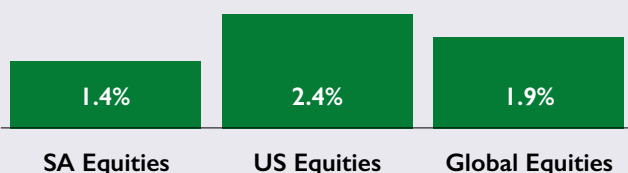
## The Stock Markets

(updated 31 August 2024)

The key benchmark you should care about is achieving all of your financial and life goals, and not running out of money

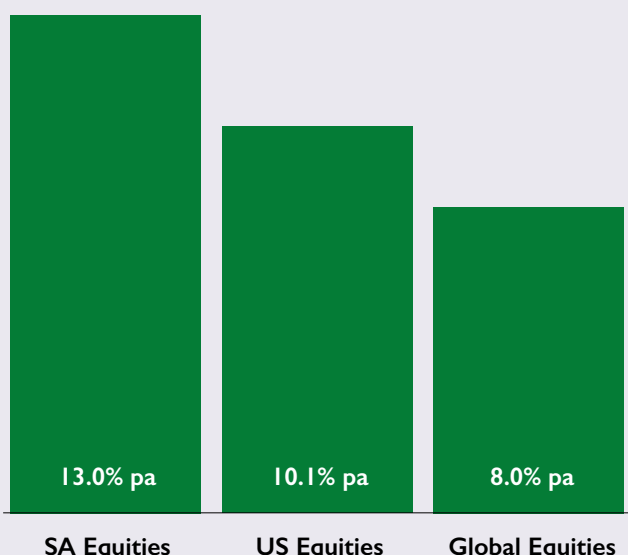
### The Unimportant Numbers - 1 Month

Monthly figures are a distraction from your long term goals.



### The Important Numbers - 30 Years

Investing in the Great Companies of the World has produced life-changing returns for the disciplined and patient investor over the last 30 years, the average length of a two-person retirement.

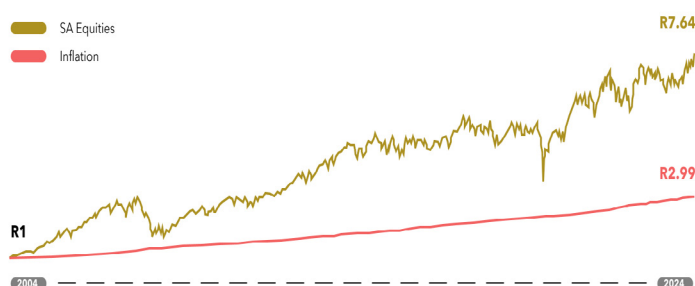


Source: FE Analytics, Humans Under Management. Returns are based on the total return of the respective indices, which assures all dividends are re-invested. Country returns are in local currencies, global returns in USD. Past performance may not be indicative of future results.

## Inflation - The Real Enemy (updated August 2024)

The number one enemy of the long-term investor is the financial dragon called inflation (the silent but steady increase of prices over time).

An investment in the South African share market has consistently provided protection from this enemy. To earn this return, you had to be willing to see your investment value temporarily decline by about -15% on average every year without being panicked into selling.



### Watch

Underrated Stoic Advice For A Better Life  
(From Seneca)

[View](#)

### Listen

Humans Are Not Built For Investing  
[15 minutes].

Our inherent biases and emotional pitfalls make investing a challenge.

[Listen](#)



## Inflation: The Enemy That Never Retreats

For more than a decade, inflation around the world remained at low levels. Measured as the change in price of a basket of goods over 12 months, inflation was low enough that investors had forgotten about the impact that rising prices have on their money's purchasing power. During this period, the silent but steady increase in prices went largely unnoticed by consumers and investors alike. Notwithstanding this, we believe that inflation is the number one enemy of the long-term investor. While this dragon might have been slumbering for much of the century's second decade, it was about to wake up in a foul mood. Starting in early 2021, inflation soared due to extensive government money-printing, COVID-19 supply chain constraints, and the effects of war. In late 2022, it reached levels many investors had never experienced in their adult lives.

For close to three years, consumers had to adjust their budgets to account for meaningfully higher living expenses. Let's explore some lessons we hope will not soon be forgotten.

### Temporary Respite, Permanent Scars

In response to the inflation pain, central banks around the world raised interest rates to combat the forces driving up prices. With access to money becoming more expensive, the demand for many goods and services decreased and debt became more expensive to service.

Inflation slowly started to decline and now, two years after the high water mark, most countries have brought inflation down to "normal" levels. In addition to helping families afford the basic necessities, it will also allow central banks to start lowering interest rates.

While headlines may celebrate declining inflation rates, it's crucial to understand that the damage inflicted is often permanent. When inflation slows, prices don't magically return to their previous levels; they simply stop rising as quickly.

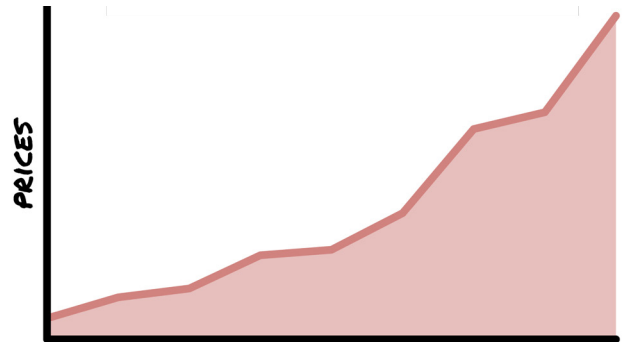
New baseline prices have been set, and while short-term increases are expected to be low, the scars of the last few years will remain forever.

### Looking Ahead

To learn the right lessons about this period, this truth cannot be overstated: while inflation was temporarily high, prices have adjusted forever.

Understanding this concept is vital because it underscores the importance of proactive financial planning. The inflation we've experienced isn't a temporary inconvenience—it's a lasting change to our economic landscape.

Rather than hoping the last three years are never repeated (an unlikely scenario), every investor can apply the lessons of this period in three immediate ways.



*WHEN INFLATION SLOWS DOWN, PRICES DO NOT DECLINE*

Firstly, we can review our personal basket of consumption. Are the goods and services we buy aligned with what brings us meaning and happiness, or are we spending superfluously? Are there better ways of achieving similar outcomes? Living within our means will always be the foundation of financial independence.

Secondly, are our assumptions about future inflation levels reasonable and evidence-based? Are you relying on low inflation levels to make your money last, or are you positioned to withstand regular periods of higher inflation?

Thirdly, do we understand which investment assets are likely to best protect us from the destruction of purchasing power that inflation brings? With money we invest for long-term income needs, we must seek investments that can outpace inflation over time. Global equities—partial ownership in publicly listed companies—have historically proven to be one of the most effective tools in this fight.

Well-managed companies can adapt to inflationary pressures, raising prices, improving efficiencies, and growing their value. Over the long term, this growth has typically outpaced inflation, preserving and enhancing investors' purchasing power.

### The Path To Victory

As we've so concretely been reminded in the last few years, the key to protecting our financial future is understanding that the true definition of money is purchasing power—what our money can actually buy. This is the only sane definition of money.

While inflation is a formidable foe, it's not invincible. By staying invested in assets with the potential to outpace inflation, you can protect and grow your purchasing power over time.

However, you don't need to take this journey alone. We can help you make appropriate trade-off decisions, adjust your strategy as needed, and ensure your portfolio remains positioned to combat inflation's effects.

Our financial planning and investment process is designed to ensure that your financial journey ends with a resounding victory over the dragon that is inflation.

## Read



### **Life Span, Health Span, Wealth Span: A More Expansive Approach To Retirement Planning**

*[4 minutes]*. Transform not just your retirement planning but the quality of your entire life.

[Read the full article](#)

### **The Sustainable Path is the Only Path** *[5 minutes]*.

The key to lasting success in life isn't about quick fixes but about making sustainable choices that align with who you truly are.

[Read the full article](#)

### **Summer Travels: Applying Lessons from Die With Zero** *[14 minutes]*.

Emphasizes the importance of planning experiences at optimal times in life.

[Read the full article](#)

### **A Few Little Ideas And Short Stories** *[7 minutes]*. Insightful lessons hidden within intriguing anecdotes.

[Read the full article](#)

### **Stop Paying Attention** *[4 minutes]*.

Ignoring the noise of financial markets can lead to better investment decisions and greater long-term success.

[Read the full article](#)

### **Overchoice and How to Avoid it** *[5 minutes]*.

Reclaim your decision-making power with practical insights.

[Read the full article](#)

## Rational Optimism

### **New Study Finds Commercial Air Travel Keeps Getting Safer**



Flying can be a nerve-wracking experience for many people – but a new study out Thursday finds commercial air travel keeps getting safer, with the risk of death halving every decade.

[Read the full article](#)

### **The Surprising Truth about Wealth and Inequality in the West**

Today, the populations of Europe and the United States are substantially richer in terms of real purchasing-power wealth than ever before. We define wealth as the value of all assets, such as homes, bank deposits, stocks and pension funds, less all debts, mainly mortgages.

[Read the full article](#)

### **AI Technology Keeps 6,000 Deer from Rail Routes**

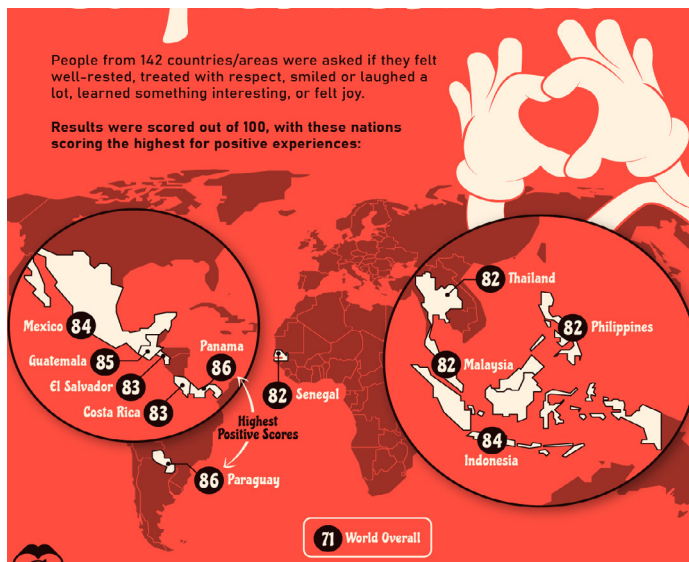


AI-based technology has stopped almost 6,000 deer from crossing busy rail routes in England. Network Rail and train operator LNER installed the deterrent system at Stoke Junction, near Stoke-on-Trent, in May 2023 before expanding the scheme to Little Bytham, near Grantham, in December 2023.

[Read the full article](#)

## Visuals

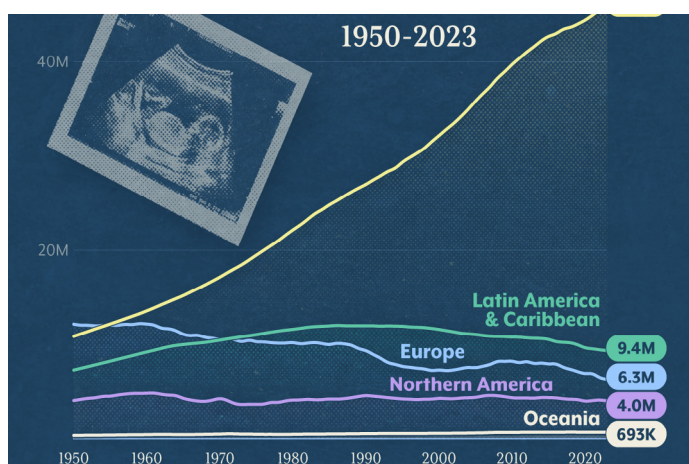
### Mapped: Countries With The Highest Positive Emotions



Globally, the degree to which people feel positive emotions has rebounded to pre-pandemic levels. But there is significant variation in how common these emotions are between countries and areas. For instance, people's perceptions of their living standards, personal freedoms, and the presence of social networks can all influence their experiences.

[Read the full article](#)

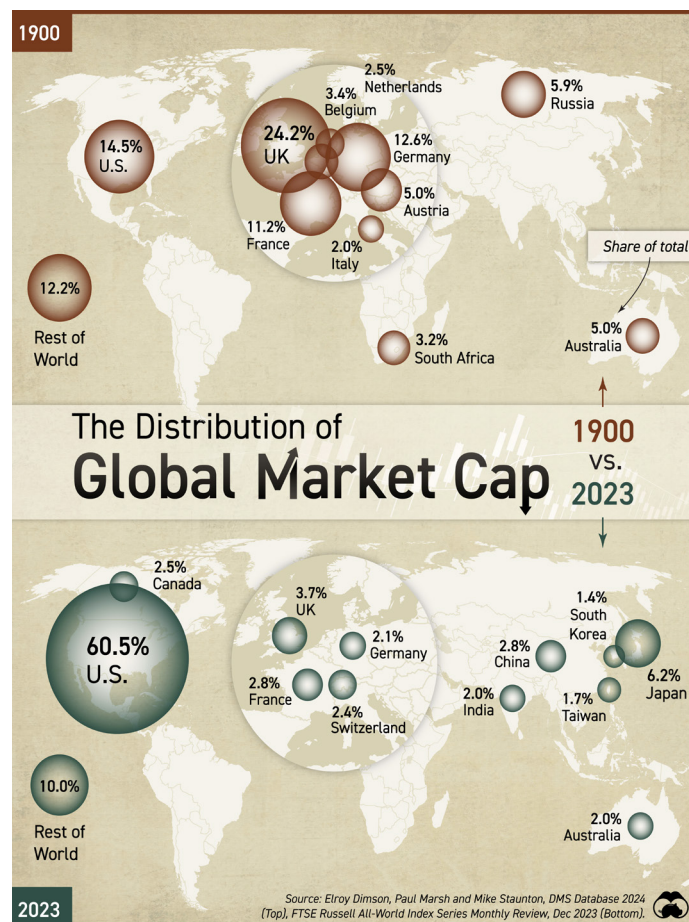
### The Number of People Born Every Year, by Region (1950–2023)



It's a commonly known fact that the world population has more than doubled since the 1970s, to 8 billion people in 2024. But where exactly has all that increase taken place? And what can examining these birth trends tell us about the future?

[Read the full article](#)

### Mapped: The World's Largest Stock Markets (1900 vs 2023)



In this graphic, we visualize the world's largest stock markets by country in 1900 and in 2023. This is based on each country's percentage share of global market capitalization. Data for 1900 comes from the DMS Database, accessed via the UBS Global Investment Returns Yearbook 2024. Figures for 2023 are based on the FTSE Russell All-World Index Series Monthly Review (Dec 2023). Starting with 1900, we can see that the UK accounted for nearly one quarter of global market cap. Founded in 1801, the London Stock Exchange (LSE) is one of the world's oldest stock exchanges, though not as old as the New York Stock Exchange (NYSE) which opened in 1792.

[Read the full article](#)

We hope that you enjoyed this month's newsletter. Please let us know what you enjoyed or write back with any of your own news.

Please forward to a friend, relative, or colleague. As always, we're here for you. See you next month.