

UNCOMMON SENSE

NOVEMBER 2024 INVESTMENT NEWSLETTER

Enjoy this month's instalment of our newsletter. As always, it is packed with links that you may find interesting.

The Stock Markets

(updated 31 October 2024)

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

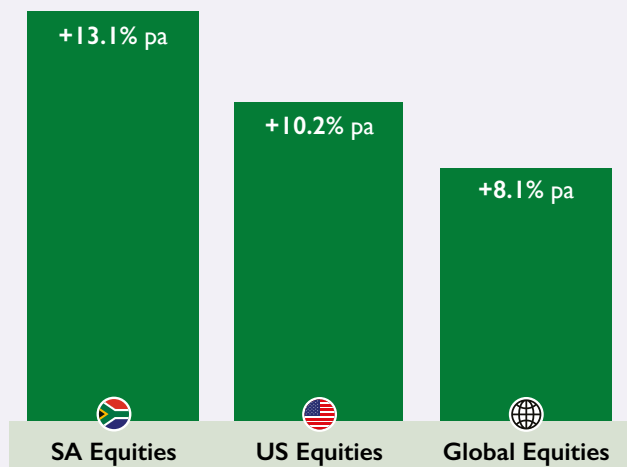
The Unimportant Numbers **1 MONTH**

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.

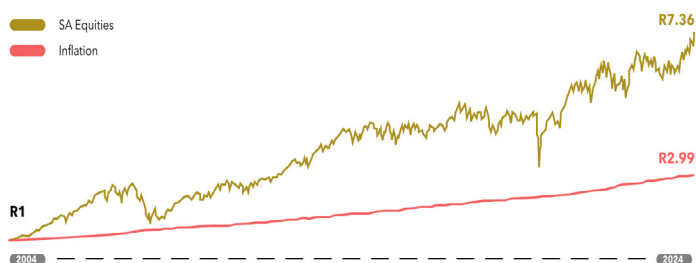


Source: FE Analytics, Humans Under Management. Returns are based on the total return of the respective indices, which assures all dividends are re-invested. Returns are in local currencies.

Inflation - The Real Enemy (updated October 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

Why You Should Be Good At Doing Nothing

[View](#)

Listen

This Was Never Easy: A Brief History of Nostalgia [23 minutes].

Nostalgia can distort our perception of the economic past, making it seem more unpredictable than the future.

[Listen](#)



Smart Investors Prepare for Bad Times During Good Times

As we approach the end of 2024, it's hard not to feel optimistic. The runaway inflation we experienced over the last few years has subsided, interest rates have started to decline, and the uncertainty about the many government elections held in 2024 is almost over.

As a bonus, the market has delivered impressive returns over the past two years, rewarding patient investors who endured significant market declines in 2020 and 2022.

Just like a ship's crew that prepares for trouble at sea by doing "lifeboat drills" while safely docked in the harbour, we believe this moment of relative prosperity is the time to have a crucial conversation about market dynamics and investor preparedness.

The calm of an upward-trending market is the perfect time for investors to prepare for future market "storms." Doing so before the volatility we will inevitably have to endure will help reinforce long-term investment strategies and increase the likelihood of good investor behaviour when it matters.

The Rhythm of Markets

History offers valuable insights into equity market behaviour. On average, markets tend to rise three out of every four calendar years. This statistic is reassuring, yet it also implies that declines are a regular part of the investment journey. While impossible to time accurately, these downturns are as natural to markets as waves are to the ocean.

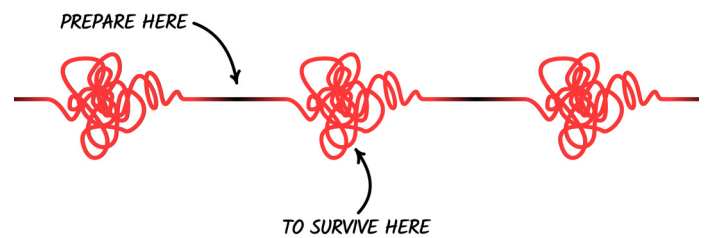
It's crucial to understand that after periods of significant outperformance, as we've experienced recently, markets often undergo a process called 'mean reversion'. This doesn't necessarily predict an imminent decline but reminds us to temper our expectations about future returns.

Not only have the last two years provided above-average returns, but we have also experienced below-average volatility. This has the danger of creating unrealistic expectations of what investors can expect. It is prudent to expect long-term trends to continue, and it would not be strange for the next year or two to include a market decline. After all, forewarned is forearmed.

Building Your Investor Lifeboat

How do mature investors prepare for potential market turbulence?

First and foremost, they ensure that any short-term cash flow needs are adequately provided for in safe, stable investments. These investments do not offer long-term security but short-term peace of mind. This financial "lifeboat" allows you to weather market storms without being forced to sell assets at inopportune times.



Second, spend a moment to remind yourself what your long-term investments represent. Rather than being a bet on a group of stocks, they represent ownership of real companies that sell real things to real people. A temporary period of negative market sentiment does not reduce the long-term value that patient investors will receive.

Third, consider that the market comprises millions of investors, not all playing the same game. The traders and speculators who have legitimate fears during volatile markets are playing a different game to you. Remember what game you are playing!

Perhaps most importantly, maintain a long-term perspective. Remember, investing for financial independence is a multi-decade journey. Short-term market volatility, while emotionally challenging, is often inconsequential to your long-term financial success.

Be wary of financial media sensationalism. Their primary goal is to attract attention, which can lead to exaggerated portrayals of market events. Guard your mind against overly negative reactions, and don't hesitate to contact us to discuss any concerns.

Navigating Your Financial Future with Confidence

As we conclude, let's revisit our ship analogy. The crew who practised their drills in calm waters isn't pessimistic about their journey; they're realistically optimistic. They know that preparing for all possibilities makes them more likely to reach their destination safely.

Similarly, by acknowledging the possibility of market declines and preparing ourselves emotionally and financially, we're not predicting doom. Instead, we're equipping ourselves with the tools and mindset needed to navigate whatever market conditions we may encounter.

Market history is filled with periods of decline followed by recovery and growth. By staying disciplined, patient, and focused on your long-term goals, you can benefit from the enduring power of markets.

As always, we're here to guide you through calm and choppy waters. Feel free to reach out if you have any questions or concerns about your financial journey.

Read



6 Lessons From My 6-Week Mini-Retirement

[4 minutes]. Insights on life and work after taking time off.

[Read the full article](#)

Now & Later [2 minutes].

Will your future self thank you for what you're about to do?

[Read the full article](#)

Why Taking Vacation Time Could Save Your Life

[6 minutes]. The numerous health benefits of time off.

[Read the full article](#)

How to Change Yourself: Pain vs. Perceived Pain

[5 minutes]. The psychology of behavioural change.

[Read the full article](#)



Making Financial Plans Less Boring With Goals That Are 'Not NOT Serious' [4 minutes].

Does your financial plan reflect your individual passions and experiences?

[Read the full article](#)

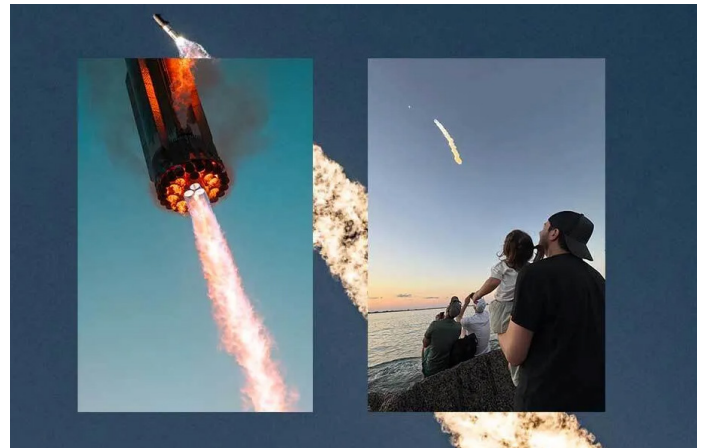
The Art of Waiting [9 minutes].

In a world that values speed, the true advantage lies in your ability to wait.

[Read the full article](#)

Rational Optimism

Why I Brought My Toddler to Watch SpaceX's Flying Skyscraper



Last night, I received two texts from Bari Weiss: Any interest in writing a short piece about that jaw-dropping launch? And why you brought your daughter to see it? The first question is an easy one. I've been fascinated by space ever since I gained sentience sometime in the mid-1980s. I had the order of the planets down by age four, and a few years later I could (and did) tell people that you could fit more than a thousand Earths inside Jupiter and a thousand Jupiters inside the sun.

[Read the full article](#)

Your Life In Numbers

Is life getting better or worse? Watching the news, it's easy to become pessimistic. But don't forget that reporting is often selective. Bad news leads to higher ratings, while good news is seldom covered. So, what is the real state of humanity? Consider the changes that have occurred in the world since the end of World War II.

[Read the full article](#)

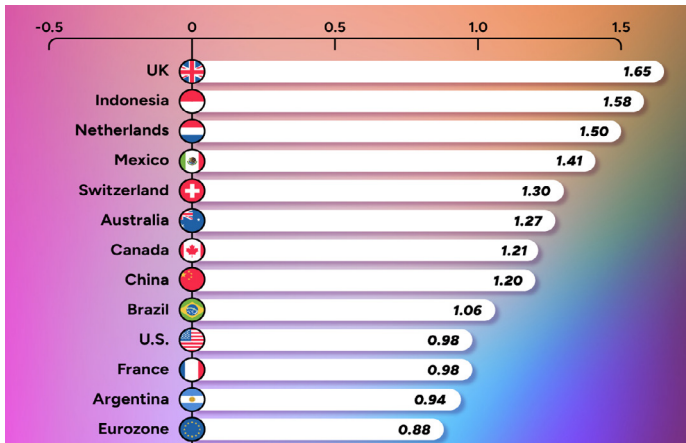
"In Awe": Scientists Impressed by Latest ChatGPT Model o1

Andrew White, a chemist at FutureHouse, a non-profit organization in San Francisco that focuses on how AI can be applied to molecular biology, says that observers have been surprised and disappointed by a general lack of improvement in chatbots' ability to support scientific tasks over the past year and a half, since the public release of GPT-4. The o1 series, he says, has changed that. Strikingly, o1 has become the first large language model to beat PhD-level scholars on the hardest series of questions — the 'diamond' set — in a test called the Graduate-Level Google-Proof Q&A Benchmark (GPQA).

[Read the full article](#)

Visuals

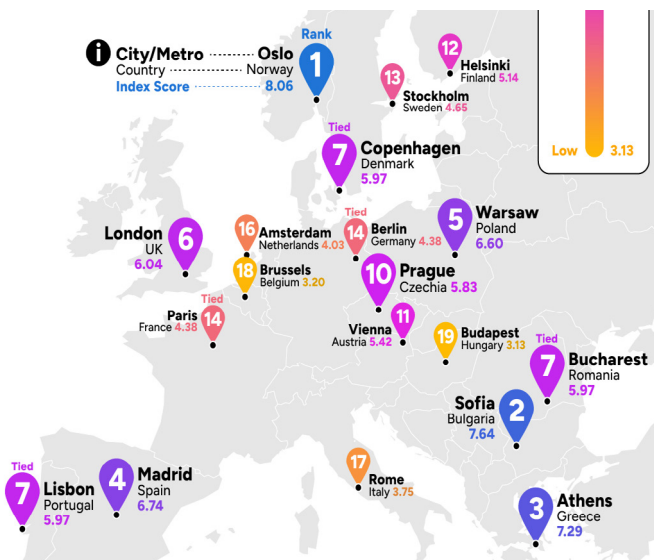
Which Countries Are the Happiest in 2024?



A collective measure of happiness is incredibly difficult to define. While economic opportunity and education can certainly enhance people's well-being, happiness is often assessed through different lenses. These include 'inner' factors like personal harmony and 'outer' factors such as social interactions, as well as a 'task' focus, such as finding fulfillment in work.

[Read the full article](#)

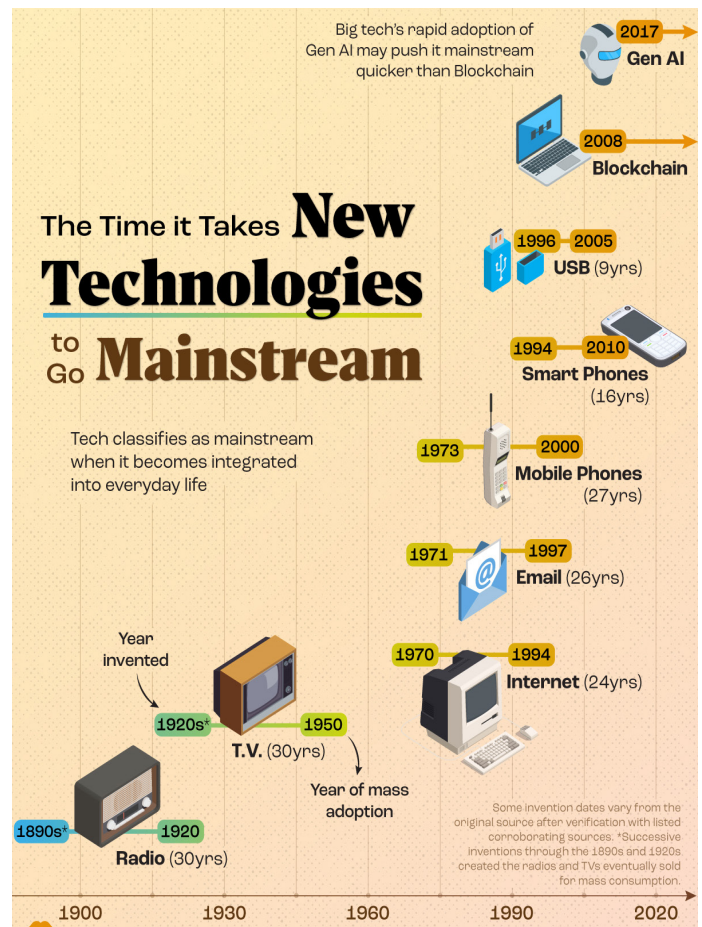
The Best Metro Systems Across European Capital Cities



Metro stations are essential to urban life, but their quality and level of modernization vary across Europe's capital cities. High-quality transportation networks play a crucial role in driving business productivity by enhancing mobility and expanding access to a broader labor pool. Moreover, investment in metro systems is connected with higher foreign direct investment.

[Read the full article](#)

The Speed at Which New Technologies Go Mainstream



Innovation cycles tend to build upon each other, reducing the time taken between each milestone. For example, the first wave of the Industrial Revolution took half a century, while later advancements like electrification occurred in just a few decades, and today's digital innovations happen in just a few years.

As a result, the mainstream adoption of new technology has accelerated. We illustrate this phenomenon by comparing the invention year of disruptive technologies with the year they became widely adopted. Data is sourced from the Bank of America's "AI: From Evolution to Revolution" report, published in September 2024. HowToGeek.

[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.