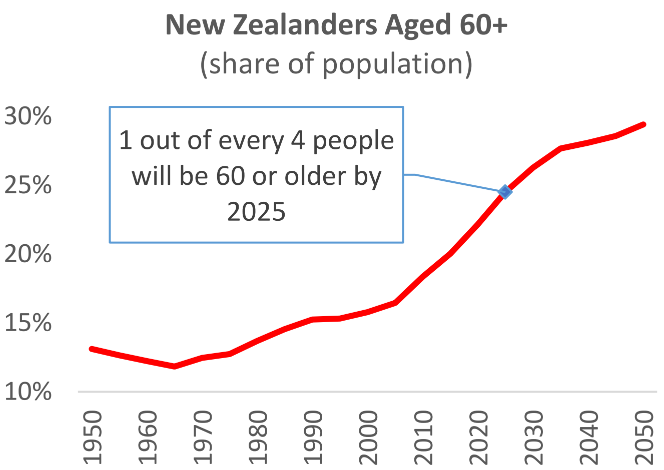
A Long-Term Cure to Volatility

In past newsletters we spoke about short term market volatility and why it is important not to lose sight of the more stable long run outlook. This is not only important for staying invested but also when choosing companies to invest in. Here at Booster we focus on the long run by investing in companies that will benefit from long-term positive trends. Let's look at the global theme of ageing populations as an example.

Ageing – A Global Trend

With global development and advances in healthcare, people today are living longer but at the same time having fewer children. This is quite significant for society with people over the age of 60 now outnumbering children under the age of 5 worldwide. Ageing is most pronounced in countries like Japan and Germany and but is also increasing significantly in the United States and New Zealand where one out of every four people will be over the age of 60 by 2025.



As we age, we tend to have a higher net worth. This is especially true in western countries where consumers aged 60+ are estimated to have US$15 trillion in spending power. Elderly consumers generally spend more on travel, home improvement and healthcare.

To benefit from this long-term trend, Booster invests in several companies that produce a range of cutting-edge treatments for conditions such as heart disease, diabetes, bone weakness and cancer.

One such company is Roche, an industry leader not only in current therapeutic areas but also in researching new cures. The company was started in 1896 and made it through both World Wars by producing vitamins. Today they are the global leader in the treatment of cancer and are at the forefront of cancer research. Their innovative portfolio of "biotech" based products are generally harder for other companies to reproduce. This gives Roche a distinct advantage for years to come.

Market volatility does not impact the demographic transition towards an older society in any way. As such, the investment thesis for Roche remains intact through these periods of volatility because it rests on the long-term trend that will play out over the course of the next few decades. Similarly, the other companies in your portfolio are supported by long-term drivers as well which is worth keeping in mind during periods of market turbulence.

Market & Portfolio Update – November

- Global share markets rebounded strongly in January with the US share market in particular performing well (+8%). This was the best January return since 1976. Sentiment returned to positive territory, with the market becoming more comfortable with trade negotiations and the reopening of the US Government.
- Through the Booster Tahi and Private Land and Property Funds, we are excited to bring Nelson's iconic Mahana Estates back into Kiwi ownership. Mahana is famous for its four-level gravity-fed winery with a picturesque roof garden. This facility complements the other winery investments already held in the Tahi Fund by adding the capability to produce premium wines.
- Looking forward to the rest of 2019, the global economy is still growing, albeit at a slower pace than the past two years. Consumers and businesses remain confident and are still spending - even if confidence has declined from previous high levels. Interest rates are still below historical averages and if you are a company or person looking to borrow, credit remains readily available. While companies' earnings growth has moderated, this comes after record growth of almost 50% since 2016. Overall, the outlook for global share markets is more balanced than what we've seen over the past couple of years.