

Investment Snapshots: What Could You Have Earned With Your Money?

15th July 2014

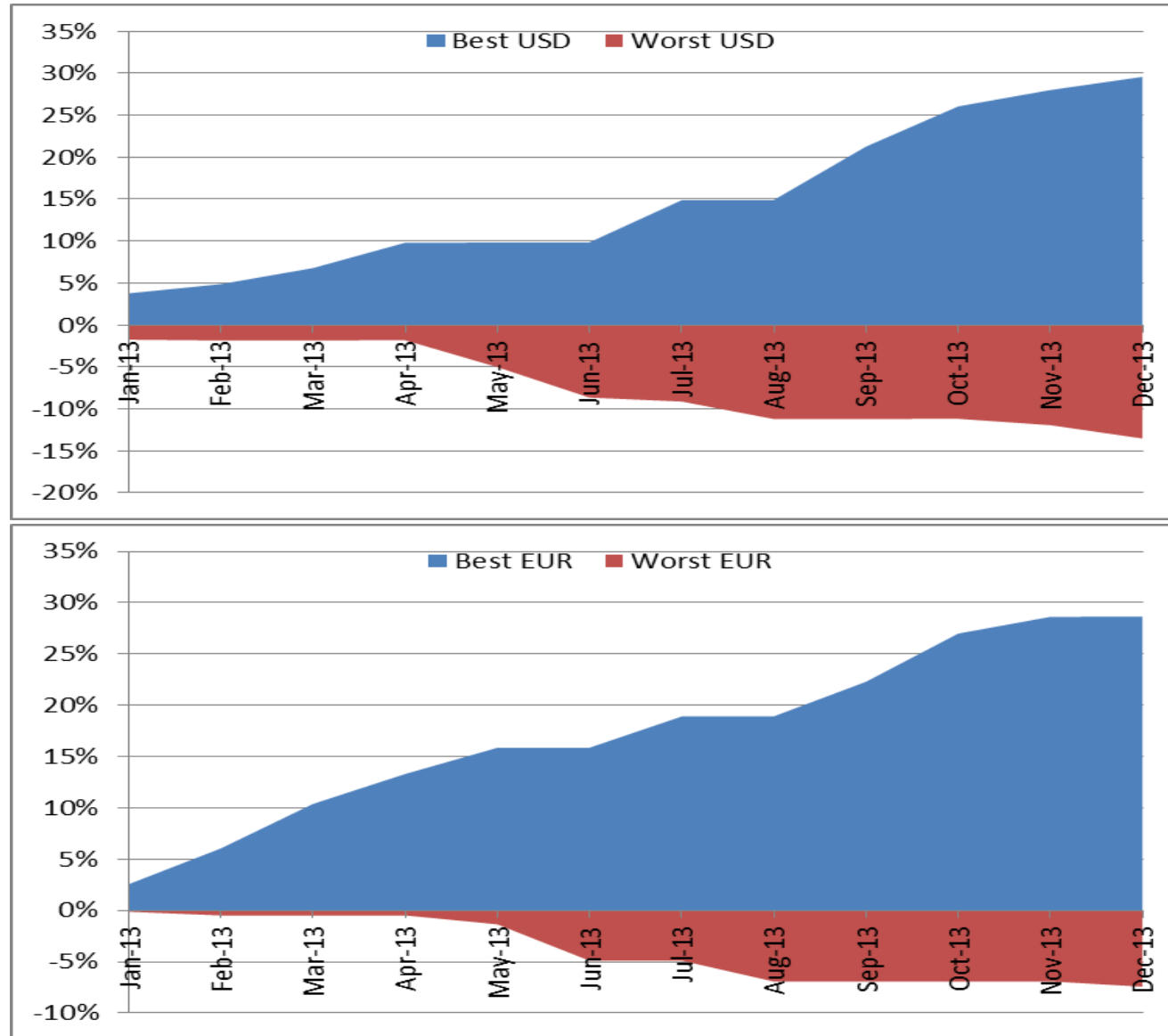
A way to assess what the investment environments were in 2013 and the first six months of 2014 is to use a very simple “asset allocation model”. The idea is to see how an investor, using just three broad asset classes, could have performed in two scenarios: one in which the investor was capable of investing, every month, in the best performing class for that month; and one in which the investor did exactly the contrary, by picking the worst performing asset class every time.

The asset classes used are Cash (USD and EUR), Government Bonds (USD and EUR), and Global Equities (MSCI All-Country World Index in USD and EUR).

There are a number of issues one could pick with this relatively simple series of graphs (limited number of “asset classes” to choose from, or little granularity of investment options, for example). While most of these observations are valid, they go beyond the purpose of the exercise. The question we want to answer is what could have been obtained with the most basic of investment vehicles, provided the investor was either very clairvoyant (lucky) or very blind (unlucky). (All three investment alternatives in each currency are accessible via ETFs.)

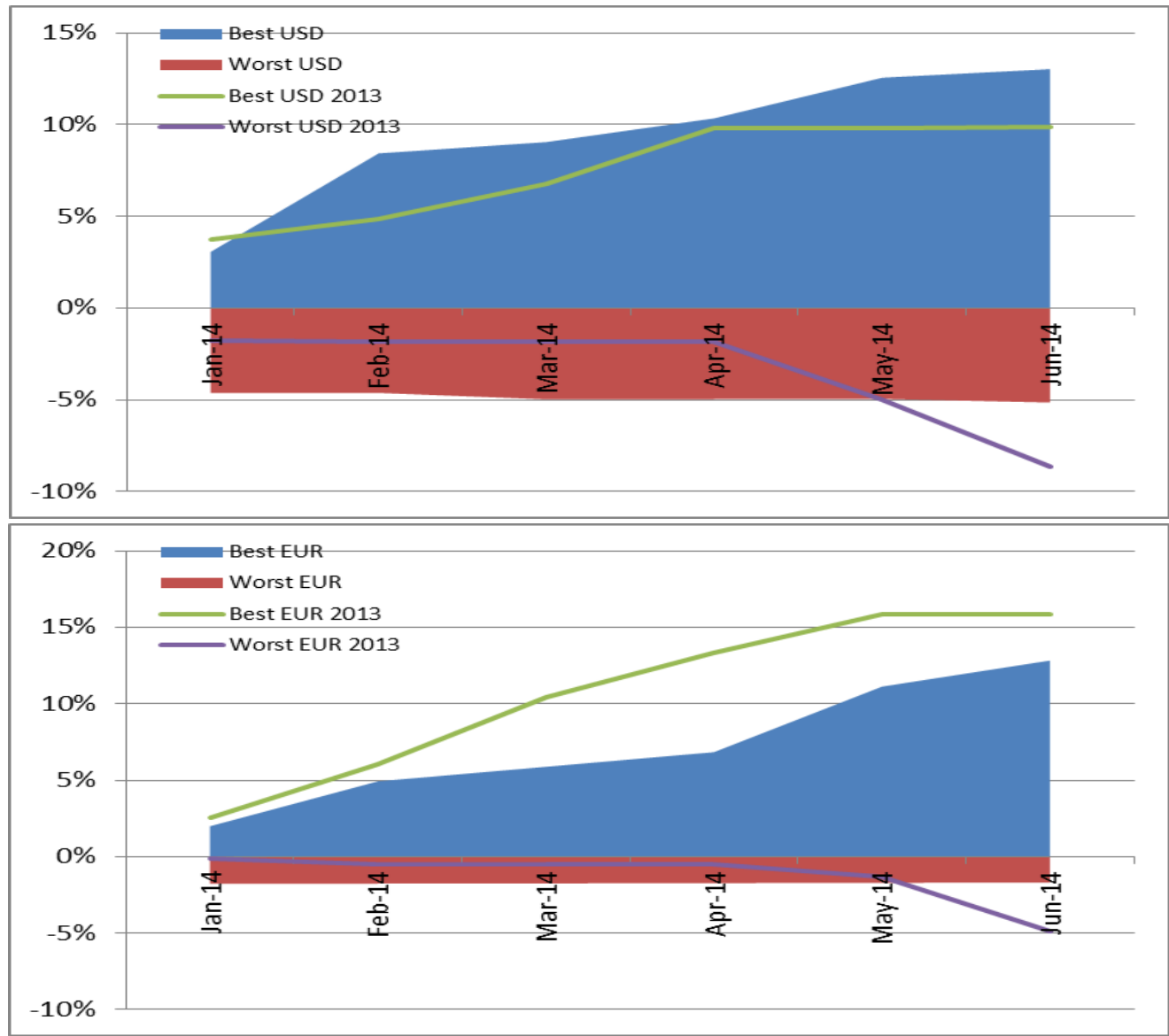
2013

Last year was clearly a very positive one. The absolute worse you could have done is a “respectable” -13.5% in USD (top chart) and -7.4% in EUR. But if you got all your moves right, your would have made an even more respectable +29.6% and +28.7%. If you live in the US, and did not diversify overseas, you could compare these results with a +32.4% in the S&P 500 ETF.



2014 to June 30th

This year the situation still looks quite good in general. For a USD investor, the positive performance is even better than last year's (top chart; 2013 performances to June 30th are represented by the lines). For EUR investors, the positive return looks a little behind relative to last year's. The S&P was up 7.1% in the same period.





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