

Perceived wisdom

The Number 1 Enemy of the Investor

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Lessons from INSEAD

- MBAs teach perceived wisdom
- The Top Hirers of 2008
- The Internet Bubble, The Green Bubble
- Conglomerates are inherently bad
- Obsession with synergies & WACC
- Believe in Efficient Markets – no concept of value

Equity Markets

- Perceived wisdom is that shares are “risky”
- Double Dip Recession, Mid East war, Banking crisis part 2, The Euro crisis, Fiscal cuts
- But what is alternative?
- And nowhere is the idea of value mentioned
- Defensives can be expensive!
- Value in: Small caps, companies with some Government exposure, oil, M&A Plays

Gold

PERCEIVED WISDOM

- Useless metal/relic of a barbarous age
- Central Banks know best
- New economy cheerleaders do not understand (FT, New Labour)
- US is a rich country – Dollar hegemony will last

REALITY

- Real store of value
- Smart central banks are buying
- Real issues in terms of supply
- Paper currencies all holed beneath waterline
- US is the poorest country on earth – remember Arnold Toynbee

Ideal Portfolio

- 20% Gold
- 10% Oil
- SF t1ps Growth Fund pretty close on both
- SF t1ps Gold Fund 80% invested – moving to 90% plus during next week
- Big Gold Holdings – Medusa, Vatukoula
- Total wild card: Conroy
- Value plays - where investor terror rules
- Bit of debt (ILX, FAN)
- Some exposure to Government (ILX, ITQ, EMR)
- Strategy not fully proven but huge asset backing (Avisen, Avanti, Minoan)



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