

**"To invest successfully over a lifetime does not require a stratospheric IQ, unusual business insight, or inside information. What is needed is a sound intellectual framework for making decisions and the ability to keep emotions from corroding that framework." Warren Buffett**

## Time to Push The Panic Button?

Last night, the US House of Representatives rejected a Bill to provide a rescue package to banks. This had an immediate negative impact on Wall Street, and affected stocks in the UK this morning. The FTSE 100 Index opened down 140 points or so, but as I write it has recovered to around last night's level.



If ever there was a need to stop emotions from eroding our logical decision making process it is now.

It is not time to panic. We are all fearful of what might happen next and the impact it will have. Logically, equity markets are currently attractively valued and each fresh bout of volatility provides opportunities to buy into the market to reap the long term rewards. We stand by the view that in five years time this will look like it was a great time to buy.

## Illogical Markets

Logically, I expected HBOS to survive the credit crunch, and I expected the "Paulson Rescue Package" to be voted through first time. Unfortunately, at present there simply isn't enough data or past experience to indicate what will happen next. While on fundamentals the stock market looks cheap, there is enough uncertainty around to cloud that logical decision to buy at this level.

## Be Prepared

Our approach to investing has always been relatively **cautious**. We advise clients to hold around a year's income in reserve. Funds that are required to provide income, we have invested mainly in relatively secure assets. I am therefore confident that all of our clients have enough cash reserves and secure sources of income to ride out this crisis. This type of **prudent** approach was designed specifically for difficult times such as these.



If emotion is saying sell and logic is undecided, then at present it is time to hold course and wait for the storm to pass. It is certainly not time to move out of the stockmarket, but we understand that current events mean many investors are not yet brave enough to increase equity holdings.

The most valuable commodity in investing is certainty. We would expect that an "improved" version of Henry Paulson's Bill will eventually be voted through. When this happens we would hope that an element of calm will return to the markets.

It is in difficult times that sticking to a process becomes even more important, and by doing so we believe investors will reap the long term benefits.

**"If you can keep your head when all about you are losing theirs..."  
Rudyard Kipling**