



**From the Hip**  
James Thomas

# Where to invest in troubled times

**James Thomas** suggests some investment areas and vehicles to consider when it seems like the whole world is shrouded in doom and gloom.

**It seems as though this year is just another year of bad news...Greece has so many problems that seem almost insurmountable and the volcano cloud over Europe caused so many travel issues internationally. And now the Gulf of Mexico oil spill is threatening a major environmental catastrophe. There's so much going on in the world that it seems like nowhere is immune from the financial issues of the last couple of years and like they'll continue for longer. Just the financial cost is scary, and the after effects of these costs are even scarier. Can you see any areas for investment, sectors or countries that seem a reasonable risk...and do you feel that simple investment vehicles like mutual funds, for example, are still well worth considering in times such as these?**

While I agree that the world does still seem to be shrouded in doom and gloom, it is well worth remembering what has happened in the past two years or so. If we look back to May 2008, oil was heading towards its all-time high and commodities and raw materials were booming, but the world was starting to realise that all was not well.

Move forward to October 2008 – the demise of Lehman Brothers and the near-collapse of the world financial systems. We then went through many different crises and problems, with stock markets hitting their recent lows in March 2009. This was followed by a significant recovery in stock markets as government stimulus plans kicked in and helped to stabilise economies. As we

moved into 2010, the next phase was for the stimulus packages to slow down and try to let economies stand on their own. The policy generally seems to be working in the US, with lesser success in other parts of the world.

Greece, along with other members of the EU, has been hit by the economic slowdown, and due to the inflexibility brought about by being in the EU, it has not been able to control its economy and manage its debt position. If Greece was outside of the EU, I do not believe that it would be causing the issues that it is, but due to the currency ties to Germany and France, the strongest economies within the bloc, it cannot be seen to fail. Equally, though, the other EU members are unwilling to assist Greece.

## Looking ahead

With regard to the other two issues mentioned, while they are disruptive and in the case of the oil spill tragic for the areas affected, I do not believe they will have a major effect on the world's economy.

My personal opinion is that events like the two above, and indeed other natural and manmade disasters, have occurred and will continue to do so, but the media now is able to report on these events at a much quicker speed and in more detail. But conversely, stories quickly disappear from the media and are replaced by the next story.

As for the economic situation, I am inclined to agree that we have not seen the end of the fallout and that there will be more events over the coming months and probably years. But I think these events will be more of the short, sharp shock variety, rather than the wholesale collapse of the financial system that we were

potentially faced with in October 2008.

I believe the events above will lead to what I refer to as a corrugated recovery, where markets will move forward and then retrench, but the overall trend will be upwards. This scenario plays into the hands of regular investors who will be able to smooth out the peaks and troughs by drip feeding their money into the markets.

I have always been a firm believer in the KISS theory – Keep It Simple, Stupid! While that may sound flippant, it applies to most things I will recommend to my clients. If I can't understand something, then how can I possibly explain it and how will my client understand what I am trying to recommend to them?

With this in mind, I believe mutual funds are still one of the best vehicles to use to invest into stock markets. They offer a level of diversity that an individual would struggle to match and they allow you to invest into sectors that may be out of reach to a relatively small investor. They also have the benefit of a professional team that reviews the fund's holdings on a regular basis, and the fund itself is governed by a strict set of rules and regulations.

As to where to invest, this is obviously something to discuss with your financial advisor to establish your attitude to risk and where you are comfortable committing funds to, but for some general comments, I would recommend commodities as an area to consider. There is only so much in the ground, and what is left is harder to get at. I would also consider the emerging markets. They were not as affected by the economic crisis as the west and are in a much better position to grow as the world economy recovers.

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James Thomas joined Acuma Wealth Management, a company licensed and registered by the Central Bank of the UAE, in 2004, having worked as an independent financial consultant in the UK for six years. He is fully qualified and is a member of the Chartered Insurance Institute of London. Contact James at [jthomas@acuma.ae](mailto:jthomas@acuma.ae). This article is provided for information purposes only and should not be regarded as financial advice. Always remember that investments can go down as well as up.