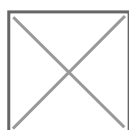


Patience Pays

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As in each of the previous 13 years, we start this year with a recap of returns that were generated in the previous year, 2023. The table below provides the returns for the calendar year from a selection of asset classes including cash, UK government bonds, UK equities, and international equities.



Following a period when investor returns have lagged inflation it is important to remember that equities are the only asset class that provide positive real returns (after adjusting for inflation) over any meaningful time horizon. Cash returns may look attractive today, but these are likely to fall from this juncture and lagged the returns from portfolios managed by Tacit in 2023.

This week saw the 40th anniversary of the FTSE 100 Index in the UK. The FTSE 100, or Financial Times Stock Exchange 100 Index, is among the leading stock market indices in the world, serving as a barometer for the performance of the UK stock market. Its history dates back to January 3, 1984, when it was launched by the Financial Times and the London Stock Exchange. The index was created to provide a snapshot of the largest and most actively traded companies listed on the London Stock Exchange, offering investors a comprehensive view of the overall market trends.

Initially set at a base level of 1,000 points, the FTSE 100 has undergone significant changes over the years. Its value represents the combined market capitalisation of its constituent companies, which are periodically reviewed and adjusted to reflect the evolving economic landscape. The index is a capitalisation-weighted index, meaning that companies with higher market capitalisations have a more significant impact on its overall value.

When the FTSE 100 was launched in 1984, it comprised 100 companies, each selected based on their market capitalisation and liquidity. The original constituents represented a diverse range of industries, including finance, energy, manufacturing, and consumer goods.

The original constituents included names such as British Petroleum (BP), British Telecom (BT), GlaxoSmithKline, and Marks & Spencer. These companies played a significant role in shaping the early identity of the FTSE 100. However, as the economic landscape evolved, so did the index, with new entrants reflecting emerging industries and economic trends. Consumer companies such as Unilever and Diageo are now top 10 constituents for example, reflecting the role of the consumer in the global economy.

The reason for highlighting this anniversary is that although many investors believe that UK equities have been a poor investment, the actual reality is something different if you have been patient. £10,000 invested in 1984 would now be worth over £56,000 after adjusting for inflation in the UK. This is a five-times increase in your purchasing power when dividends are included and reinvested.

The issue with the UK stock market is not that it does not preserve and grow your real wealth, more that it does not have companies in it at present that are cutting edge in the modern world. There are no pure technology companies of scale, as in the US or even in China. This means that investors must invest internationally, but that also does not mean that the UK

stock market will not protect and grow your wealth in real terms. Just as the composition of the FTSE 100 has changed over its 40-year history, so the importance of international diversification has grown for investors whose aim is to preserve the value of their wealth from inflation.

Historical context and your objectives are very important to us at Tacit. Short termism is rife in the world as information is free and abundant in the modern world. The best investment returns have historically been generated by being patient and we believe the next few years will no doubt test the patience of investors however those that focus on their longer-term objectives will be rewarded handsomely. This is not our guess; it is a fact of history.

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