HOW KING TIDE SEES INVESTMENT RISK

In our view risk is not well understood by many investors and even investment managers.

This is mainly because risk is both ubiquitous and experienced in different times and spaces. Not one thing but many, the subject of changing conditions and causes.

Risk and opportunity. Fear and greed. Loss and gain. The couplets of investment.

They drive the possibility of long term loss of capital value. Quite simply we want to eliminate that risk and benefit from opportunities to grow our capital.

To move from the abstract to the concrete we distinguish investors from traders. The trader, honourable as this calling is, buys or secures control of an asset seeking to on-sell that asset to another at a margin, usually within a short time frame. Repetition of the trade or similar trades is a key part of the process. The trader is essential to all markets, often setting the margin or direction of pricing. The investor is a more measured calling, seeking to own an asset for its capacity to generate regular income or value gain over a significant time. He also serves who only buys and holds.

At King Tide we are investors and concerned with the outcomes for our fellow investors.
When the capital market croupier calls for the placing of bets we prefer to take the position of the best player (Only because there is effectively no “house” in this game).
As the old saying goes, the race does not always go to the swiftest, the strongest does not win every fight…but it pays to bet as if they do.

In the capital market there are many players (traders and investors). In our experience the traders, the seekers of advantage which can be repeated, get both the best and the worst outcomes.

The investors get the product of their endeavours. That average outcome is easy to get and is volatile. For extended periods the average can be a loss.

So we go to great effort to find, monitor and engage with the best traders in our market (Australasian equities). “Best” in our view refers to those traders who themselves manage the risk of long term loss of value most effectively.

We have no interest in being party to traders who simply ride a rollercoaster. We want a driver who has both brake and accelerator at hand and a willingness to use both. In equity markets it is a lot easier to lose gains than to gain back losses.

You don’t find the best, in this sense, simply from looking at records. Luck does play a role and impacts both the direction and timing of investment outcomes. We look for traders who are disciplined in following a strategy which makes logical sense. There is a number of these, just as there is a number which make little or no sense. (Don’t worry, our traders need those to buy from and sell to). We apply another level of risk control simply by diversifying between different managers and their styles or investment logic.

On top of that we watch them closely and will be shifting between managers and searching for better managers as time moves on. No one can guarantee that the outcomes will always be positive. But spreading your bets amongst the best is as good as it gets.

Rob Campbell
Chairman