

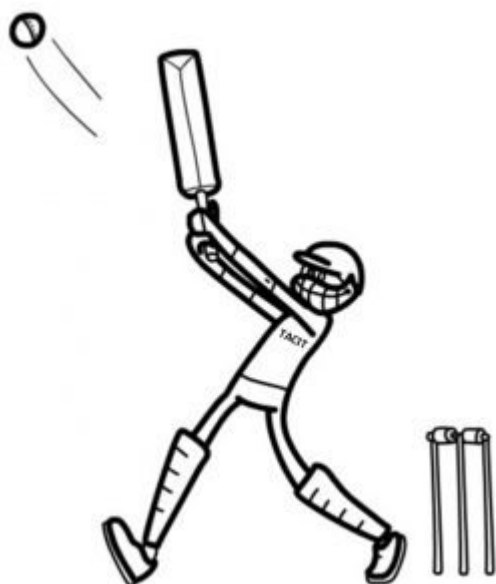
Good Active Management

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Some call it “the gentleman’s game.” Others say it reflects life itself. Whatever your view, the sport of cricket paints a picture of a typical English summer.

In its Test Match format, you have unlimited overs. A batsman can take time to score runs and isn’t penalised for not hitting the ball. Good decision making is a key part of his approach. Indeed, choosing when to hit the ball is as important as when to leave it alone. So, you use experience and judgment to determine when you can score your runs.

Active management is like a game of test cricket. Every day, the stock market throws different prices at us. At Tacit, we evaluate every opportunity, just like the cricketer, but we only act when we believe the new opportunity is better than what we already have in our portfolio.



And it has to be more than slightly better. We need to be totally convinced that this new ‘hit’ is a significant improvement on our current holdings. This sometimes means that we will hold cash until the right opportunity presents itself.

The batsman who always strikes certainly looks busier than one patiently waiting for the good ball. While he steadily strikes at every ball, he becomes physically and mentally fatigued. In investing, this is analogous to excessive trading which erodes returns for clients.

The impatient batsman puts huge effort into every ball, assuming each one is equally good. However, every opportunity is not equally good and in a game where one is not penalised for inaction, being more selective about decisions is the smart thing to do.

Every day the market will pitch different prices for different assets. We can’t predict what the market will do and we don’t need to. All we can do is to patiently wait until the right opportunity presents itself before we decide to strike.

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