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What golf can tell us about equity investing

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Market volatility can be unsettling, even if indexes are tracking ever higher. Drawing on more than half a century of personal ups and downs on the golf course, Peter Ashton explains how a long-term view can put highs and lows alike in perspective and thus help investors hold their nerve.

Golf's 154th Open Championship, held earlier this month on the capricious links of Royal Birkdale, produced a surprise winner in the form of Ryan Fox. The 39-year-old New Zealander had entered the tournament as a 100-1 rank outsider. Few casual observers had even heard of him before.

I play most of my golf at Bigbury, South Devon. Coincidentally, the course was designed by the great JH Taylor, who reshaped Birkdale in his time. It is another layout that can give rise to a surprise or two – for instance, whenever I happen to string together a half-decent round.

The world of investment also has a habit of springing surprises every now and then, of course. Some are pleasant, others not. At present, for instance, many investors are somewhat taken aback by the continued strength of the market in the face of significant uncertainty and volatility.

Geopolitical tensions refuse to die down. The technology sector, the principal driver of returns for some years now, is exhibiting weakness. The likely trajectories of inflation and interest rates are far from clear. Meanwhile, on the whole, the sphere of global equities is still largely unruffled.

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Naturally, what we would all love to know is whether this resilience will endure. The honest answer, I am afraid, is that nobody can truly say.

Consequently, as is often the case in such circumstances, some investors may feel tempted to take potentially drastic action. This might result in an attempt to "time" the market.

Timing the market can involve leaping out of one investment arena and into another, perhaps jumping back into the first again in due course. If investors completely lose their nerve, it can even entail cutting and running altogether.

Yet successfully pulling off such a trick is notably difficult, if not nigh on impossible. It is almost invariably more prudent to instead favour time *in* the market, as this avoids the risk of missing out on periods of strong performance and/or rapid recovery.

The travails of the average golfer-cum-hacker, of whom I consider myself something of an exemplar, can help us understand this idea. They illustrate the value of maintaining a long-term view in the midst of the surprises of which short-term events are frequently made.

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Aberrations and anomalies

At the peak of my golfing powers – such as they ever were – my handicap was in the high teens. Today it is around 24, which means that at Bigbury, whose par when tackled from the middle tees is 70, I should clatter around to the tune of approximately 94 strokes.

There are days when this ideal proves woefully out of reach and days when it turns out to be more than within my grasp. The former situation may compel me to conclude that I should no longer grace the fairways, while the latter may convince me that my game has miraculously ascended to another plane.

In reality, both reactions are misguided. Having played for over 50 years, I am likely to obtain a genuine sense of where I stand in the pantheon of golf only if I take in the full sweep of my bunker-dodging deeds across more than half a century.

This perspective – the long-term view – will make plain that the days when I play especially miserably or particularly well are aberrations. I reserve the right to enjoy the highs and lament the lows, but neither should distract me from the bigger picture – which reveals that, on average, I should experience something between these extremes.

So it is with equity investing. Markets may rise and fall, sometimes markedly so, but it is rarely wise to get too caught up in the moment when they do. What really matters is that the history of equity investing, taken in its entirety, tells us that the ups tend to comfortably outweigh the downs over time.

This means that in the final reckoning, on balance, returns have been positive – at least for investors who have held firm. Those tempted to time the market, meanwhile, might wish to note that research has repeatedly shown that missing out on the best 10 days of performance over a period of 20 to 30 years can reduce overall returns by more than 50%.

The fact is that every investment journey, like every golfing life, is punctuated by twists and turns. Some are welcome, some unwanted. In the end, with few exceptions, they do not count for much. It is the destination that is of supreme importance.

This is not to imply that portfolios should never be touched when uncertainty and volatility strike. Just as I might tinker with my swing or rethink my grip after carving yet another a drive into the Avon Estuary, there is always room for tactical adjustments.

Crucially, though, the fundamental principle should remain the same: in our view, irrespective of whether the market seems strangely upbeat or uncommonly downcast, long-term investment in good-quality companies is likely to deliver the best long-term returns. And investment, like golf, is usually best left to the professionals!

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