Diary of a Private Investor – Update 1, 1 March 2018

I have been asked for updates on the companies mentioned in my "Diary of a Private Investor" column, which was published in the Sunday Times between September 2015 and March 2016. I mentioned just five companies in my column, two of which were "sells" (Carclo and CRH). Updates on the other three are as follows:

Renishaw featured twice, on 4 October 2015 and on 7 February 2016. Its share price increased from £18.80 at end 2015 to £25.28 by end 2016 and then more than doubled, to £52.45 by end 2017. In my column of 7 February 2016, I said that Renishaw accounted for over 25% of my equity holdings. The proportion is much the same today.

Apple was the subject of my column on 6 December 2015, when its share price was $117. At end 2017 the price had increased to $169.27 and it has increased still further since then, to $178 at time of writing. It accounted for 18% of my equity holdings at end 2015; that proportion has now fallen to 9%.

Phoenix Group Holdings, the third company to get favourable mention in my Sunday Times column, might seem at first glance to be the black sheep of the family. Its price was £9.17 at end 2015, then fell to £7.35 by end 2016 and increased to £7.56 by end 2017. But movements in share price only tell part of the story. I do not invest in bonds: I think they're too expensive. Phoenix is my bond proxy. The dividend yield over the last couple of years has averaged over 7%; I believe it's a safe 7%. The 7% from Phoenix compares with barely over 1% that I could get from a government bond. A second reason why share price movements don't tell the full story is that the sharp price fall in 2016 was mainly due to a rights issue in October 2016. This entitled me to buy 7extra shares for every 12 I already held, at a discounted price of £5.08 per share. Any shares I didn't take up in the rights issue, I could sell the rights in the open market. The third factor to be considered is movements in the Euro/ Sterling exchange rate over the period. As we know, sterling fell sharply following the Brexit vote in June 2016, but I had shielded my Phoenix exposure from movements in the sterling exchange rate two ways: (1) by borrowing in sterling to invest in a portion of my shareholding - borrowing at (say) 3% to invest in something yielding 7% seems smart – and (2) by taking out a sterling hedge for the balance of my exposure to Phoenix. Taking all these factors into account, I reckon that I lost about 3% (in euro terms) on Phoenix in 2016 but gained close to 12% in 2017.

I still like those three shares and plan to hold onto them for the foreseeable future. I recognise however that it will be difficult if not impossible to do as well on them in future - Apple and Renishaw in particular - as I have done over the last couple of years.

Given my low-turnover, "buy and hold" strategy, I'm happy to add one good share to my portfolio each year. Last year, I added Samsonite, the luggage company, as a core holding. I bought my first shares in Samsonite in May 2017, at HK$29.30 each, and increased my holding in July, at HK$30.83, in November at HK$33.98 and in January 2018 at HK$34.70 a share. It is now my fourth largest holding, marginally behind Apple. The current share price (1 March 2018) is HK$34.70. It's worth adding that the share purchases were made by borrowing in Hong Kong dollars. This reduces the exposure to currency risk but, as the best magicians say, it's not a trick to be tried at home without careful consideration of the risks involved. I'm hoping that Samsonite's results for 2017, to be announced within the next few weeks, will justify my confidence in the company."