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Midyear
Outlook



Why Successful Investors Position Themselves with the Wind at Their Back

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Perhaps more than ever, investors need direction. I find that in providing that direction, advisors should emphasize the importance of not being thrown off course by the day-to-day news and distractions of the media.

When I was a child, I went fishing with my father. Eager to cast my rod, I did so, but mistakenly into the wind. “You can’t do that!” he said. “It’s just like investing. You have to position yourself with the wind at your back.”

I learned this valuable lesson in money management early on in life. And to this day, it reflects how I think about managing client assets.

It’s crucial to think long-term and to position a portfolio so that it can benefit from a durable tailwind. That way, one is inclined to focus on what matters most to building and protecting wealth, rather than on the tweets and headlines that so many obsess about.

And fortunately, there are some powerful trends that can outweigh the effects of 140 characters on one’s portfolio. Take, for example, the growth of the middle-class population in Asia, or the greying of America.

According to the Organisation for Economic Co-operation and Development, the global middle-class is growing rapidly in Asia, as is the spending power of that demographic.

The Asian middle-class is expected to increase from 525 million people in 2009 to 3.3 billion people by 2030; its wallet power should also soar by more than six-fold.

Since the population in Asia is rising along with disposable incomes, I like companies that are positioned to benefit from an increasing number of people consuming protein or dining out.

But one doesn’t have to look all the way to the Middle Kingdom to find a tailwind.

The number of Americans aged 65 and older is expected to double from 46 million today to over 98 million by 2060.

This is another durable trend that advisors can leverage to benefit their clients.

Not only is the elderly population growing but seniors take about three times as many prescription drugs as the average American. Consequently, I like pharmaceutical middlemen that are situated to capture increasing prescription



spend and don’t have the type of patent risk that drug manufacturers typically face.

In conclusion, there are powerful, long-term trends that can provide a tailwind to a portfolio. Take advantage of that, and focus on what matters most to building and protecting wealth. ■

Christopher Tsai is President & Chief Investment Officer of Tsai Capital Corporation, a registered investment adviser that focuses on high-quality, growth companies the offer significant upside potential and a margin of safety at the time of purchase.

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