

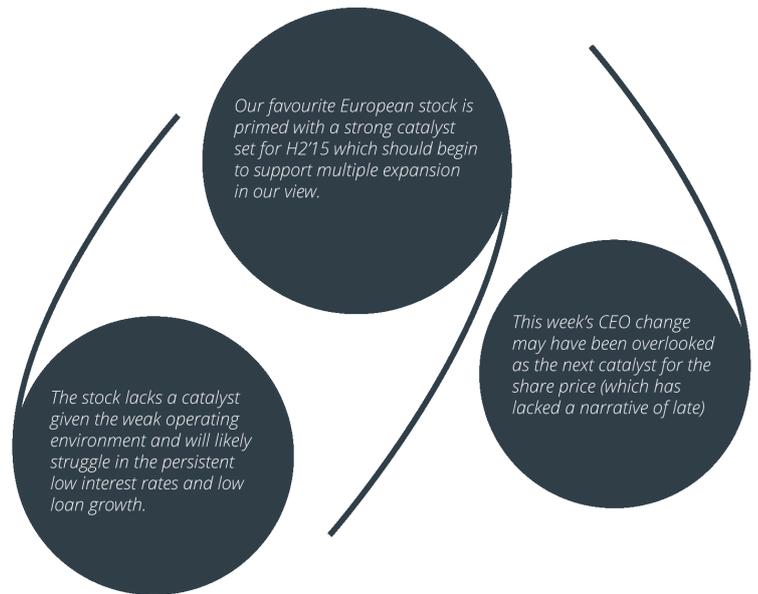
The investment catalyst myth

These are all examples of recent research notes from other firms that have crossed my desk, featuring one of the most over-used and over-rated words in the investment industry: CATALYST!



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Mitchell Fraser-Jones, 21 August 2015, 10:29



Catalysts, in an investment sense, are like unicorns. Everyone has heard of them but nobody has ever found one. The prospect of ever finding a genuine performance 'catalyst' is extremely remote – if you think you've found one, you can bet your bottom dollar that a lot of other people have too, so effectively, it is already in the price.

The obsession with catalysts is a manifestation of short-termism – many analysts feel the need to provide evidence of potential stock drivers on a three-to-six month view. We don't subscribe to this view – we focus on the long term.

Investing over longer time periods can be an optimal way of delivering attractive returns. And rather than hunting for catalysts, we focus on investing in businesses that are undervalued. Eventually, something will happen (which analysts call a catalyst) that helps the valuation of that business start to normalise.

Sometimes it may require a helping hand, through active engagement, to realise that change but either way, as long as we are vigilant about the starting price, we believe that our investors will benefit.

We believe that successful outcomes for investors are achieved by doing the groundwork, focusing on the long term and investing with conviction – it has nothing to do with catalysts... or unicorns for that matter.

What are the risks?

- The value of the fund and any income from it may go down as well as up, so you may get back less than you invested
- Past performance cannot be relied upon as a guide to future performance
- The annual management charge is charged to capital, so the income of the fund may be higher but capital growth may be restricted or capital may be eroded

Important Information: We do not give investment advice so you need to decide if an investment is suitable for you. Before investing in a fund, please read the Key Investor Information Document and Prospectus, and our Terms and Conditions. If you are unsure whether to invest, you should contact a financial adviser.