

Investing for the Long Term: A Word on Performance

BY PAUL KLEINSCHMIDT ON *NOVEMBER 5, 2018*

We live in a short-term, short-attention-span world dominated by relentless news cycles. In few places is this more apparent than within financial circles, where these powerful trends have combined to increase the collective anxiety of the investor community. Performance has come to be measured in days and weeks; returns are examined monthly and usually without long-term context. Throw in the siren song of performance fees, and investment managers often have the incentive to take outside risks in search of returns that will boost their own rewards and get them noticed in the financial media. We've seen the result: The dismal returns of many hedge funds over the past several years have provided an object lesson in the perils of overreaching.

At Tocqueville, we have a different, more time-honored perspective when it comes to performance: We focus on the needs of our clients, rather than the gyrations of the market. We emphasize long-term capital preservation through value investing, which benefits from the group psychology of short-term investors (a letter from our president, Robert Kleinschmidt, provides an illuminating look at this approach). Whether you seek to preserve your family estate's capital for future generations, or look to generate income for living in this generation, our objective is the same: to tailor a strategy that works for you over the long run, meeting your unique tax, cash-flow, and risk parameters.

Given the investment climate mentioned above, some prospective clients are wary of such a nuanced approach, and ask us to illustrate measurable returns as a part of their due diligence. The chart below illustrates our "bespoke" account-management approach. The account shown is our largest and oldest, and over time it has been invested across a myriad of different asset classes. The graph shows how this account has fared against its related market benchmark.

Representative Value Account (Private Client)
Net of Fees



DISCLOSURE: The returns discussed in this slide are based upon the annual returns for each of the past 18 years for a single representative account managed by Tocqueville Asset Management. This account is our largest and oldest, and over time, has been comprised of domestic, international, and gold equities, as well as fixed income. Other accounts managed by Tocqueville during the same period may have had different investment objectives and achieved different results. A new account with similar investment objectives and style may not achieve similar results. Performance data quoted represent past performance and do not guarantee future results. The returns were calculated using a time-weighted monthly rate of return formula, and are presented net of advisory fees, commissions, and trading expenses, and assumes reinvestment of capital gains and dividends. The accounts are valued monthly, and transactions are recorded on a trade-date basis. Dividend income is recorded on a cash basis. Cumulative rates of return for multi-year periods are calculated by linking the annual rates with such periods. The annualized rate of return is equivalent to the annual rate of return, which, if earned in each year of the indicated multi-year period, would produce the actual cumulative rate of return over the time period.

Of course, past performance is no prediction of future performance, and some other accounts fare better, some worse. To paraphrase Groucho Marx “These are our returns. If you don’t like them, I have others.” But the key point concerning the accounts in our care: None follows a cookie-cutter model for asset allocation; all are built from the ground up to meet the clients’ needs.

We are proud of our performance over the long term, and because we invest alongside our clients, we have profited from these returns. However, we do not tout our returns as a matter of course, because we realize that performance is more than a number, and that reaching for ever-better numbers is a classic mistake that can lead to financial catastrophe. Our overriding goal as asset managers is to preserve capital against the ravages of taxes and inflation, and enhance it when conditions permit, without undertaking undue risk.

Ten years into a bull market, coupled with a period of relatively quiescent inflation, this may sound like a modest goal. It is not. It requires diligence and patience, along with a skeptical eye toward whatever is currently fashionable in investment circles. At Tocqueville, we have found that, over many decades of investing, this approach works far better for our long-tenured individual and family clients than does the roller coaster ride provided by more-aggressive managers. It enables our clients, and us, to drown out the hyperbole and sleep well – an underappreciated luxury in the investment world.

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