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LIVE LOCAL, ACT GLOBAL

Although I'm British, I've lived in New Zealand with my family for nearly 6 years now and I'm soon to become a Kiwi through citizenship hopefully – if they'll have me! I love this country and although I wasn't born here, this is definitely my home. I also feel that as I've done some travelling in my time, I believe that the quality of life that many of us enjoy in New Zealand is outstanding. I am a supporter of all things Kiwi and I believe that, as a nation, New Zealanders punch well above the weight of our very modest population in many different fields of human endeavour.

Why all this patriotic fervour – and from a Brit? It's just to put what I'm about to tell you next in proper context. One of the most common challenges I face, when discussing investment strategies with my clients, is to persuade them to give New Zealand the investment allocation it is due – which is very little. Scrutinising spreadsheets showing where I am proposing their investments be allocated, clients will often peruse the extremely widely diversified list of companies operating in the USA, Europe and Asia before looking up at me in bewilderment. 'What about New Zealand?' they often ask.

It is perfectly natural to reach for things that we know. We tend to feel more secure when surrounded by the familiar. But the reality is that the capitalization of New Zealand's entire capital market was around $20 billion about a year ago. To put this in context, the capitalisation of Microsoft at that same time was $269 billion. Yes our entire stock market was worth around 7 percent of just one US company.

If we were to allocate one dollar in a way that reflected the value of global capital markets, we wouldn't invest a single cent in New Zealand, such is the irrelevance of the Kiwi economy. That's not a good thing or a bad thing – just the way things are. The difficulty with choosing to allocate more of our investments in New Zealand companies, is that we are concentrating our money in one market. Or to use the familiar cliché, we are putting too many of our eggs in the one basket.

'What's the problem?' you may think. 'At least we can keep an eye on the sharp suited executives in New Zealand.' That kind of thinking is deeply flawed. You only need to look at the number of failed finance companies in New Zealand to see that close proximity is no guarantor that company managers will do the right thing by you. Of far more importance is regulation. And the corporate environments of most developed countries are far more tightly regulated than New Zealand's.

The problem with concentrating investments in any single market is that a negative event in that market will probably adversely affect your overall wealth much more than it needs to. What if you had invested heavily in property in central Christchurch? Or in US mortgage bonds pre-2007? Right now you would be wishing you had diversified your investments, and avoided taking such a disproportionate hit arising from the tragic sequence of events.

As a wealth adviser, my job is to help clients achieve their financial goals *with minimum risk.* Concentrating your investments in one company or one market can work wonders if Lady Luck is on your side. But that form of speculation is not for most people. My advice to clients seeking the best outcome for their investment journey is to diversify. A very widely diversified portfolio has been established, both by research as well as experience, to deliver optimal returns during upswings, and to protect us from the worst effects of any downturns. In summary, live local – but act global.

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