

BY RICHARD "JERRY" HAWORTH

The unseen...

¹ "Our critics make us strong!
Our fears make us bold!
Our haters make us wise!
Our foes make us active!
Our obstacles make us passionate!
Our losses make us wealthy!
Our disappointments make us appointed!
Our unseen treasures give us a
known peace!

Whatever is designed against us will work for us!"

"Our losses make us wealthy. "

"What is designed against us will work for us."

Seems totally counterintuitive, doesn't it?

As tail risk managers, we can only show our performance over the years which inevitably is negative, sometimes years at a time, followed by convex returns in crisis years. In the meantime, investors suffer from all the psychological biases including hedging fatigue and red ink rash.

However, we believe that well managed tail risk funds should have a positive expected return over time, making them a viable, negatively correlated strategy for most traditional portfolios. More importantly, an allocation to effective tail risk should improve a portfolio's long term compound annual growth.

What is unseen (and therefore unappreciated) is that the portfolios with an effective tail risk sleeve will generally monetize the returns in crisis years and reinvest AT OR NEAR THE BOTTOM.

The compounding effect of this rebalancing is profound.

The efficacy of a tail risk strategy should take into account the strategy returns in crisis times, PLUS the subsequent compounded returns, less the cost in negative years.

Down markets should be no longer to be feared but welcomed!

"Our losses make us wealthy. "

"What is designed against us will work for us."

For those who see the "unseen" treasures you will know peace of mind as a portfolio manager.

¹ The Great Hand Book of Quotes – Israelmore Ayivor

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