

TIME IS THE ENEMY: 1917, OR 2020?



Spoiler Alert: The film 1917 follows two First World War soldiers on a nightmare mission to halt a doomed attack before its scheduled start at dawn the next day - hence the film's strapline "***Time Is The Enemy***".

As long term investors, trustees are often told that time is on their side. However, just as in the film, taking too much time can be disastrous.

STRATEGY VERSUS TACTICS

Trustees are encouraged to focus on getting the big decisions right. They should spend their time and effort on strategy, rather than trying to time markets - which is seen by many to be an almost impossible task. Surely then, once a strategic decision has been taken in principle, it is a toss of a coin whether immediate implementation adds or detracts value. We don't agree.

Here's why.

There *are* sound reasons why trustees should not expect the time taken to make, and then implement, a strategic decision to be a zero sum game: here are some of them:

- Once a decision is taken but not yet implemented, subsequent events create a feedback loop which potentially impacts the decision itself
 - Rather than being seized on as an opportunity to transact at better terms, a short term "benefit" from non-implementation may cause additional delay (*"if the terms are moving in our favour, what's the rush?"*), and may strengthen the hand of stakeholders who did not agree with the decision in the first place (*"I always said this decision was a mistake..."*)
 - A short term "loss" from non-implementation meaning that transactions will now be on less favourable terms leads to immediate regret risk (*"have we missed the boat?"*) and possibly even reconsideration of the whole strategy (*"is there any point in implementing a strategy to mitigate a risk which has now materialised?"*)

- In an attempt to get all stakeholders onside, “analysis paralysis” can set in. For pension funds with a journey plan of finite length, taking a long time to put in place an appropriate strategy can materially reduce the time over which the strategy can contribute to improving return or reducing risk

CONCLUSIONS

Delays in deciding strategy and/or implementation tend to pull the focus away from strategy back towards tactics, the very opposite of the intention. Here’s our advice to trustees:

- **Whilst thorough analysis is essential, too much can be a hindrance not a help**
- **Respect the value of the strategic decision, and implement it at the earliest opportunity**
- **Don’t fall into the trap thinking that *time is always your friend***

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This is the first of a series of occasional PiRho pieces on how boards and committees can make better investment decisions.

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