

The season for forecasting has just finished. In Ghana, Mr Ebo Enoch, predicting in August a great flood on Christmas Day, crowdfunded hundreds of thousands of dollars for the building of a number of arks. He has announced that the flood has been delayed and has bought himself a large Mercedes. We have so often taken off the shelf and dusted down the story about the Nobel prize-winning economist Prof. Kenneth Arrow and his experience of forecasting that it is now available only on request (or by googling it).

2025 was one of the most remarkable examples of the futility of forecasting. “No one could have predicted...” is an overused phrase, because there is usually someone who could and did predict whatever it may be; but there really could have been very few people who could or did predict not only the sweep of tariff measures introduced, retracted and reintroduced by President Trump using emergency powers legislation, but also the US verbal assault on Canada and Greenland, the abduction of Maduro, the Justice Department’s investigation of the chairman of the Federal Reserve, to take just a few events. More locally, happy though we were with the valuations of companies in our portfolios and with their prospects at the start of 2025, we would not have dreamed of predicting that further large advances in AI-related share prices would coincide with such strong performance, across the board, in our value approach.

We have always felt sceptical about forecasting and we will not attempt it now. We focus on investing in essentially sound companies which, for one reason or another – it may be to do with the country in which the company is listed, or with particular problems in a sector or a company which we think temporary – are selling at low valuations. Valuations are an investor’s barometer. They describe the atmospheric conditions for investment. A barometer does not cover everything – the direction and speed of wind, for example. But it provides vital information, without conjecture.

As Sam Ziff covers in this month’s Global commentaries, echoed by Richard Oldfield in the World All-Cap commentary, the best way to deal with all the risks involved in unpredictability is diversification. We believe in concentrated portfolios – twenty to thirty stocks being typical – so that every investment contributes properly. A concentrated portfolio makes for a concentrated mind. But we also emphasise diversification, and academic studies show that it is possible to achieve diversification across sectors, countries and themes with this relatively small number of holdings. In a portfolio which aims at diversification, after the twentieth or so stock, any additional holding does little in terms of risk reduction.

The alternative is to run away from the risks entirely by keeping money in the bank or under a pillow; but that is also to run away from opportunity, and to miss out on the long-term benefits of equity investment – and to incur the risk that the value of assets held will not keep up with inflation. We feel there are plenty of opportunities in our investment arena. Many parts of stock markets are expensive, but the last few years have seen a polarisation of performance so that there are also large areas which offer good value. Charles Sunnucks’s recent piece on conglomerates in emerging markets and Christoph Ohm’s on the auto sector draw attention to some examples.

So also does Harry Fraser’s forthcoming piece on the attractions of the UK market. “Things have been tough in Britain for a while”, began Sir Keir Starmer’s Christmas message, a sentence slightly reminiscent of the first line of the Ukrainian national anthem, “Ukraine has not yet perished”. The Prime Minister went on: “Even more people will feel once again a sense of hope, a belief that things can and will get better”. It would be interesting to see that phrase in draft – a succession of drafts, one suspects, in which “even”, “more”, “once again”, “can and will”, will have had heavy debate. The Prime Minister will certainly be hoping that this is true for himself given that his approval rating is lower than the lowest approval rating achieved by any of the last eight prime ministers (yes, even that one). But part of the fascination of investment is that share prices

depend not just on how things are but on whether things are not as bad or as good as Mr Market thinks they are. Our barometer shows the atmospheric conditions for what we do are looking good.

This document has been made available only to persons who are Professional Clients as defined by the Financial Conduct Authority. It is not intended for Retail Clients. It should not be provided to third parties without the express written consent of Oldfield Partners LLP. Information contained in this communication must not be construed as giving investment advice within or outside the United Kingdom. This document is not a solicitation or offer of investment services. Any reference to stocks is only for illustrative purposes and opinions expressed herein may be changed without notice at any time. Oldfield Partners LLP does not warrant the accuracy, adequacy or completeness of the information and data contained herein and expressly disclaims liability for errors or omissions in this information and data. Past performance is not necessarily a guide to future performance. Investments and the income from them may go down as well as up and you may get back less than the amount you invested. No warranty of any kind, implied, expressed or statutory, is given in conjunction with the information and data.

© 2026 Oldfield Partners LLP. Partnership No. OC309959.