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"Everyone needs some SWAG"

Against the current backdrop of underperforming equities and bonds, Joe Roseman, former economist at Moore Capital Management, argues that investors should prop up their portfolios with a new style of asset class: SWAG. This latest financial acronym stands for silver, wine, art and gold - assets which have all outshone equities over the last decade. (Read his Investment Week feature [here](#).)

According to Roseman, the SWAGs' success can be attributed to several common characteristics. These have been listed below.

- 1) *They are all physical assets.*
- 2) *They all have longevity – Lafite will last for 50 to 100 years.*
- 3) *There is no incumbent debt associated with the asset.*
- 4) *They are transportable and relatively easy to store/hold.*
- 5) *There is scarcity – a finite supply.*
- 6) *There is no income stream – so no income tax liability.*
- 7) *Asset performance seems relatively uncorrelated to equity markets.*
- 8) *A sovereign default would not alter any of the above traits.*

An ideal investment is one that combines low risk with high return. Our analysis of the SWAGs' individual fortunes over the last decade reveals that fine wine (as represented by the **Liv-ex Fine Wine Investables Index**) has performed well on both counts. The Liv-ex Fine Wine Investables Index has recorded the lowest volatility - a broad measure of risk - and the second-highest return in the ten years to August 2011, making it one of the group's strongest performers.

The chart below shows the annualised standard deviation (risk) and the compound annual growth rate (return) of each asset class. Art prices are based on the **Art Price Global Index** and all benchmarks have been converted to GBP to remove the effects of currency movements.

SWAG (and FTSE 100): Risk vs return in the ten years to Aug 2011

