Rothschild & Co
Wealth Management

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Looking to the long term

Foreword

Few concepts are as versatile as time in the English language. It can be spent, borrowed, wasted, saved or bought. You can have time on your hands, yet watch it slip through your fingers. And while everyone knows that time flies when you're having fun, it's easy to forget time can also swim – if you're having a whale of it.

When we're not turning time into objects or animals, we're making it human, and Father Time can be a friend or foe. They say time heals all wounds, for example, and sometimes it's on our side. More often than not, however, we find ourselves racing against the clock. Time is both a great teacher and a cruel mistress.

At Rothschild & Co Wealth Management, our goal is to preserve and grow your wealth over the long term. But since time is such a slippery concept, what does 'long term' mean from a wealth management perspective? We believe two centuries of managing wealth have given us a rare vantage point that few others can match when answering this question.

For this *Quarterly Letter*, we'd like to re-emphasise what 'long term' means to us, and how it shapes our approach to wealth management and investing. If you'll allow me one last temporal metaphor, it's an approach that we're confident has stood the test of time!

Thank you for reading.

Helen Watson
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Cover: A painting of Nathan Mayer Rothschild (1777-1836), founder of the London banking house. The picture hangs at New Court.

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Looking to the long term

Furuvik Zoo in Sweden once had a rather famous resident. Santino the Chimpanzee hit global headlines in the late 2000s after zookeepers noticed him displaying a peculiar habit.

Every day, he would launch rocks and other missiles at spectators who came to visit his enclosure. This in itself isn't unusual – primates often fling projectiles at perceived threats as a show of dominance. However, the zookeepers saw that Santino was preparing his 'hail storms', as one employee called them, well in advance.[1]

Before the zoo opened, and when no one was watching, the chimp collected small rocks, chunks of concrete and balled-up hay into stockpiles. He would then patiently await the arrival of the day's first visitors to torment.

Santino was giving the zoo's staff a major headache, but he was also giving scientists revolutionary insights into animal behaviour. The level of long-term planning needed for his aerial bombardments was once thought to be a uniquely human trait.

Squirrels, chipmunks and many birds store food for the winter, but this preparation is largely instinctive and driven by an essential need – survival. Santino's mischief was an example of planning that involves imagining and anticipating a specific future in your mind's eye and then working towards it.[2] What's more, he seemed to be doing it primarily for his own entertainment.

Sadly, the 44-year-old Santino died in 2022 after absconding from his enclosure. How much time he spent planning his daring escape remains a mystery.

FOCUSING ON THE FUTURE

Santino's story shows that animals can plan ahead in ways that we never knew before, but their capacity to think long term still pales in comparison to ours. A chimp might prepare for a future that is hours or days away; we can plan years, decades and even generations ahead.

One of the best examples is the Clock of the Long Now. Deep inside the Sierra Diablo Mountain Range in Texas, engineers are building a 200-foot solar-powered mechanical clock that will tick only once a year, but is designed to do so for the next 10,000 years. A century hand will move every 100 years, and a cuckoo will emerge once a millennia.

Designed by computer engineer and inventor Danny Hillis, the 10,000-year clock is one of several Long Now Foundation initiatives that hope to encourage a greater focus on humanity's long-term future. It has also inspired similar efforts around the world.

In Norway, for instance, the Future Library Project is asking esteemed writers, including Margaret Atwood, Elif Shafak and David Mitchell, to write manuscripts that will remain unread for a century. The project is so secretive, even Katie Paterson, the Scottish artist who conceived of it, hasn't read the texts.[3]

Across these projects is a shared goal: the desire to preserve something valuable – culture, tradition or ideas – for future generations. Preservation isn't the only aim of these long-term projects, however. They are also often about growth; building towards a common future, not in leaps and bounds, but through the steady contributions of many hands over time.

Take the Letters of Utrecht, for example. Every Saturday at 1pm in the Dutch city, a single letter is carved into a cobblestone in the street, adding to a poem that has been slowly growing since 2012. A stanza takes an average of three years to complete.

"None of us will see the completed poem, but we help build and transmit it to the readers who come after us. The poem thus links us to the future, reminding us of the importance of nurturing that future,"[4] the project's website states.

[1] 'Hail' from the chimp: zoo ape stockpiles stones to throw at visitors, CBC News, 9 March 2009

[2] Spontaneous planning for future stone throwing by a male chimpanzee, Current Biology, Volume 19, Issue 5, 10 March 2009

[3] The Future Library in Nordmarka, Visit Norway, Accessed 19 March 2025

[4] Long Poetry: The Letters of Utrecht, Long Now, 29 March 2012

Every family's circumstances and goals are different, which is why we believe having a clear strategy in place is the best way to achieve continued prosperity.

Preservation, growth and legacy are concepts we hold dear as a wealth manager. While we would not be as bold as to say that we plan 10,000 years ahead, our goal is nevertheless to safeguard our clients' wealth and help it grow over the long term.

As we explain in our Foreword to this letter, however, 'long term' often means different things to different people, so let's start by explaining what it means to us.

LONG-TERM WEALTH MANAGEMENT

Our view of the long term is indelibly shaped by our 200-year history as a business. We feel very fortunate to be part of such a lasting legacy, and our family-owned structure gives us the freedom to think in terms of years and decades rather than months and quarters. It is, after all, these longer time horizons that matter most when managing wealth over generations.

In a world where it's common for 'long-term' business plans to look ahead as little as three to five years, we want to help our clients build multigenerational wealth plans that provide financial security for them, their children and their children's children. Every family's circumstances and goals are different, which is why we believe having a clear strategy in place is the best way to achieve continued prosperity.

A long-term perspective is also at the heart of our investment philosophy. When we invest, we aim to own those investments for as long as possible – at least 10 years, but preferably longer. Several companies and third-party funds have already been in our portfolios for more than a decade, and a few are closer to the 20-year mark. Meanwhile, the average holding period for investors in the New York Stock Exchange is just 5.5 months.[5]

Before investing, we must be convinced that a company has strong business fundamentals, an adept management team and an attractive price. The extensive research and analysis we conduct prior to investment, as well as regular ongoing reviews of our holdings, give us confidence that the companies we choose to own have good long-term prospects.

We also favour businesses that share our values and long-term approach. Often, like us, they have a deep-rooted heritage, and many are more than 100 years old. Longevity is a sign of a resilient business, one that has successfully weathered the recessions, wars and disruptive technologies that have seen others fall by the wayside.

That said, our goal is to invest in great businesses, and great business can be any age. Their ability to adapt is what sets them apart, and it's what makes them worth owning for the long haul. As such, we are not just looking for companies that have already endured, but those that are built to endure, whatever the market conditions.

It's also crucial that we ourselves adapt to market movements. Our strategy team continually monitors macroeconomic trends, geopolitical events and other factors that could affect portfolios. These insights may influence some of our investment decisions, and we are ready to act quickly when this is the case, while remaining mindful that day-to-day market noise can often be a distraction.

Indeed, remaining focused on the long term is easier said than done. As investors, we must always be conscious of the fact that humans are biologically hardwired to chase short-term rewards over long-term gains.

[5] The decline of long-term investing, World Economic Forum, 17 December 2021

FIGHTING YOUR INSTINCTS

In a society with fast food, fast fashion and fast entertainment, it's easy to argue that we live in an era of instant gratification that makes it difficult to think long term.

There is some truth to this theory. A long-term study into attention spans found that people could focus on a screen for 150 seconds on average before losing interest in 2004. Within eight years, this had dropped to 75 seconds, and by 2021 it was just 47 seconds.[6]

Dr Gloria Mark, a professor of informatics who conducted the research, says that while technology shoulders some of the blame for our dwindling attention spans, it doesn't take much for our minds to wander, even without modern distractions.

"We are determined to be interrupted, if not by others, then by ourselves," she wrote in the Wall Street Journal.

"Simply choosing to check our email is a major reason for interruptions. Our research found that, on average, people check their inboxes 77 times a day. More than 40% of the time, they do it of their own volition, without being spurred by any alert."

Much of this behaviour can be explained by our penchant for procrastination, but there is a reason why our brains are so easily distracted by immediate payoffs. We have a tendency to lend more weight to the risks and rewards that are in front of us than imagined future ones, a behavioural bias known as 'hyperbolic discounting' because we discount the value of future events.

In fairness, prioritising the present is an impulse that served our ancestors well. Why save resources for a tomorrow that may never come when you can fill your stomach today? After all, a bird in the hand is worth two in the bush. These behaviours helped us survive when life-threatening dangers lurked in every corner.

Yet, in his best-selling book 'A Short History of Progress', Canadian author and archaeology expert Ronald Wright argues that cultural and technological advances have rapidly outpaced our physical evolution. As he so deftly puts it:

"We are running 21st century software on hardware last upgraded 50,000 years ago."

Our minds and bodies simply haven't evolved quickly enough to deal with the realities of a modern world. Unfortunately, no one is immune to hyperbolic discounting or other behavioural biases, including us, so how can we counteract these effects when investing?

Unlike our prehistoric peers, we have the knowledge and tools to help us fight our latent instincts. Our investment processes and systems are designed to cut through short-term market noise to ensure our decision-making is always made through a logical, rather than emotional, lens. We also strive to create an environment where intellectual curiosity, rigorous debate and critical thinking are respected and encouraged.

Taking a long-term perspective can be beneficial for clients too. Research has shown that people who monitor the performance of their investments every day will see a loss 41% of the time. On the other hand, someone who checks their account once every five years will only be down 12% of the time.[7]

Those who have the discipline to wait 12 years between checks will likely never see a loss. Of course, few investors can be expected to show this level of restraint, but it nevertheless emphasises the clarity that a long-term view can bring.

INVESTING IN LONG-TERM SUSTAINABILITY

Like many investing trends, the popularity of 'ESG investing' is highly cyclical, ebbing and flowing in line with the market's mercurial moods. Our approach to sustainability, however, has remained consistent – we view it is a fundamental investment issue.

Environmental, social and governance factors affect every company's performance, and management teams that fail to appropriately address these issues could experience problems that endanger the business's future. Put simply, a company that ignores long-term risks may struggle to deliver long-term value.

[6] How to restore our dwindling attention spans, The Wall Street Journal, 6 January 2023

[7] The Behavioral Investor, p104 (Kindle Edition), Daniel Crosby, 2018

Sustainability considerations are therefore firmly embedded into our investment process. Our research gives us a deep understanding of the sustainability risks and opportunities facing our investments, and we seek assurance that investee companies are not only aware of them, but also taking the necessary actions.

Our New Court portfolio invests in businesses that are adapting to sustainability risks and opportunities in this broader sense, while our Exbury strategy goes a step further. For clients who prioritise sustainable investing, Exbury has an additional focus of investing in companies that enable the long-term goals of the Paris Agreement and support the transition to a lower-carbon world.

A key benefit of being a long-term investor is that our relationships with companies grow stronger with each passing year. We see ourselves as partners of these businesses, and the mutual trust that develops means that we can (and regularly do) engage on issues that are important to us and our clients, including sustainability. This active dialogue can result in material changes that have a positive impact on returns.

Ultimately, our aim is to help companies maintain resilient business models and sustainable business practices, as we believe these are essential for delivering reliable returns over the long term.

But investment returns aren't the only way we measure success as a wealth manager – just as important are the strong, long-term relationships we build with our clients over time.

HOW PERSPECTIVES SHAPE THE FUTURE

The Aymara people live in the high plains of the Andes mountains in South America. It's a harsh and unforgiving environment up to 12,000 feet above sea level, and the locals have adopted inventive agricultural methods and developed greatly increased lung capacity to cope with the challenges of living at high altitudes.

What makes the Aymara particularly unique, though, is the way they perceive the passage of time. In the West, we commonly view time as a landscape that we are travelling through. This shapes our language and metaphors.

We talk of 'looking back' on the past and 'stepping forward' into the future. Our memories can be distant, while deadlines fast approach. We're encouraged to focus on the 'here and now', and no one wants to feel like their best years are already behind them.

The Aymara also conceptualise time spatially, but flipped in the opposite direction. In their language, the word for past literally translates to 'eye', 'sight' or 'front', while the word for future means 'behind' or 'back'. To our ears, this may sound odd but it makes logical sense.

They perceive the past as ahead of them because they have already seen it unfold, whereas the future remains a mystery – and none of us have eyes in the backs of our heads. In fact, Aymara elders usually refuse to speak in depth about the future, as they believe little of value can be said about something so unknowable.[8]

[8] With the future behind them, Cognitive Science 30 1–49, Rafael E. Núñez and Eve Sweetser, 2006

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Mandarin speakers, meanwhile, often speak of time vertically, with the past above and the future below. Examples of this exist in English, but are much rarer, such as an important meeting 'coming up' or the 'handing down' of wealth over generations.[9]

What these examples hopefully illustrate is that the future looks different to everyone – it's simply a matter of perspective. If you're embarking on a new career or starting a family, your priorities and motivations will look very different from those of someone nearing retirement. But whatever your long-term goals may be, we want to help you achieve them.

Our client advisers can act as a sounding board for your ideas, discuss borrowing options or explore avenues for selling your business. Many families also value our assistance when the time comes to start conversations about wealth and the next generation.

We do not claim to have all the answers, however, and when a matter falls outside our areas of expertise, we are always happy to introduce you to experienced experts and professionals from across our global network who are better positioned to help.

We recognise that entrusting your wealth to someone else is a difficult decision and remain honoured that you trust us to be your long-term custodians. That's why we will always work hard to learn more about your unique view of the future, whether that future is ahead, behind, above or below you.

[9] Does language shape thought? Mandarin and English speakers' conceptions of time, Cognitive Psychology 43, p1–22, Lera Boroditsky, 2001

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Notes

At Rothschild & Co Wealth Management we offer an objective long-term perspective on investing, structuring and safeguarding assets, to preserve and grow our clients' wealth.

We provide a comprehensive range of services to some of the world's wealthiest and most successful families, entrepreneurs, foundations and charities.

In an environment where short-term thinking often dominates, our long-term perspective sets us apart. We believe preservation first is the right approach to managing wealth.

Important information