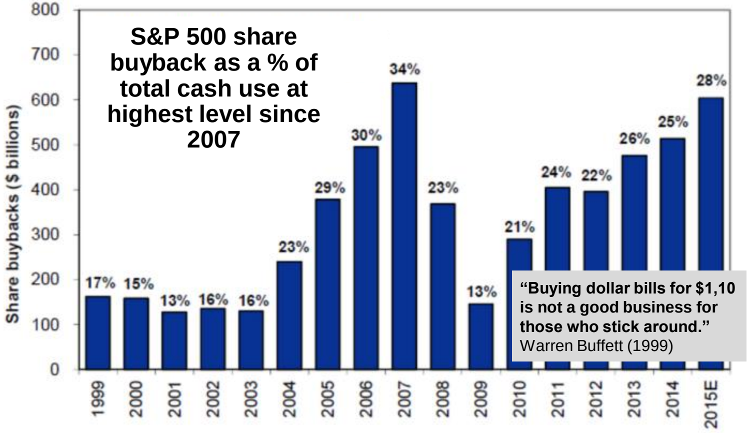
Buybacks are not well timed

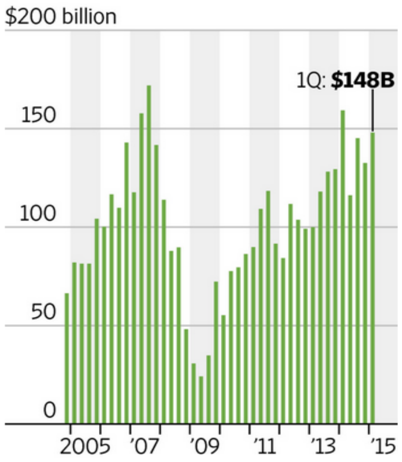


Source: Compustat and Goldman Sachs Global Investment Research

"As a firm, you would much rather buy back your stock when it's trading at lower P/E multiples and get a better price. But as it turns out, corporate managers (much like investors) are pretty bad at timing the stock market. Using history as a guide, the last time buybacks were this high was in 2007, right before equities crashed during the financial crisis."
(Bloomberg and Goldman Sachs, June 2015)

Stocking up

Value of stock buybacks by S&P500 companies



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Source: S&P500 Dow Jones Indices

"The increase in buybacks is an unintended consequence of excessively accommodative monetary policy in the US. In essence, it is a response to today's extraordinarily low interest rates, which have translated into abundant liquidity for corporations seeking to borrow cheaply in the capital markets."
(Financial Times, 15 June 2015)

"In effect, the chief executives are incentivized to take extreme risks with their market share in the knowledge that their tenure is so short nowadays that a collapse in competitiveness will be their successor's problem."
(Financial Times, 21 June 2015)

At SIM Global we rate rational allocation of capital by managements as very important, hence the behavior described is worrying and a negative.