

# platinumportfolios

thoughtful investing for private clients

## **The right bus driver is key to success**

- Stuart Green

The upcoming Comrades Marathon is described as the ultimate human race. The annual event is a run approximately 90km between Durban and Pietermaritzburg and is considered the world's oldest ultramarathon. Stuart Green, Analyst, Multi-Manager Solutions, at Platinum Portfolios, a boutique fund management company, looks at the similarities between the marathon and fund management.

"Firstly, it is important you select the right 'bus driver' – this is the person who leads a group of runners due to their sufficient knowledge and experience of the course. Much like a fund manager, it is the bus driver's responsibility to get participants to the finish line and meet their goals."

It takes months of training and careful planning. It is truly a proud South African tradition, and something my family and I have participated in a number of times over the years. One of the most important aspects of completing the run is having an appropriate strategy and a personal goal. More importantly, runners need to be able to stick to this strategy through all the unforeseen obstacles they may face. Many talented runners have failed during the race over the years, mainly from deviating from the strategy and trying to run a faster race to reach the finish line quicker. This is not unlike investing for a specific long-term goal.

Next, it is about selecting the right strategy for you.

### **What are Multi-asset Funds?**

Multi-asset funds have always been one of the most popular investment groups among financial advisors and investors, making up nearly half (49%) of the total R2.65trn in unit

trusts in South Africa, according to the latest statistics released by the Association for Savings and Investments of South Africa (ASISA). The bulk of these assets sit in the high equity category.

These funds have a flexible mandate that allows the investment manager to invest across all traditional asset classes (equities, bonds, property, or cash) and will generally be able to invest offshore, up to a maximum of 45% of their assets outside of South Africa.

**The Peer Competitor**

A large number of the multi-asset high equity funds assign themselves a peer-based benchmark, with almost all being the average of the SA multi-asset high equity category. The argument for this benchmark is that it is an appropriate measure within similar risk parameters in which managers can "run the same race." While this may be one measure to broadly show how a similar composite of asset classes may have performed, the investment style and strategy can produce a vast difference in returns for funds in the same benchmark that effectively have the same tools to generate returns. This is evident when we look at return periods up until April 2023:



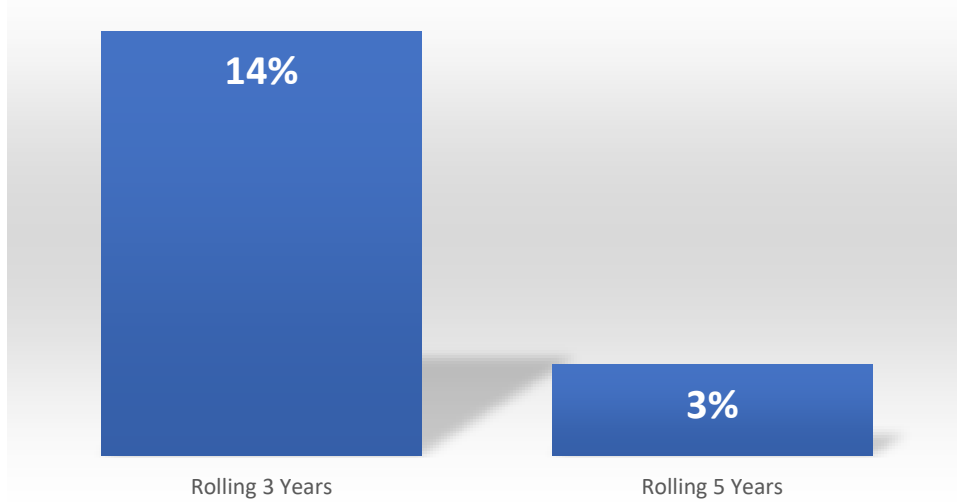
Source: Morningstar, Platinum Portfolios

This is akin to the club runner who is more interested in how other club members are running, what race strategy they will employ, what equipment they are using and their recent race results. Their main aim is only to beat their fellow runners in the club and not focus on their own unique skills and strategy in order to achieve a long-term goal, such as finishing Comrades. This strategy can prove costly as they strive to always keep ahead

of their peers and not plan to achieve the overall goal, often running out of steam and falling short of the target.



How many of these funds actually complete the race? In this category over the long term an investor should expect returns of CPI+5%. The number of funds that have achieved this through time is staggeringly low, shown below by the number of funds achieving this target at least half of the time:



Source: Morningstar, Platinum Portfolios

Performance is measured net of fees of all current funds in existence, from March 2001 (inception date of CPI data)

### ***Why partner with Platinum Portfolio as your investment manager?***

We see ourselves as a personalised 'bus driver', often seen in the field with a flag on his back. An experienced campaigner who has completed his Comrades marathon task several times before and is the right companion to help guide the runners across the line in their own personal timed goal, with them every step of the way.

The strategy is carefully researched and implemented with the suitable solution through a combination of underlying manager selection. It is a measured and calculated approach, applying the appropriate time management and pace (risk exposure and

targeted return) through the up and down hills, always in pursuit of the goal, such as a Bill Rowan medal (CPI+5%), a Robert Mtshali medal (CPI+4%), a Bronze medal (CPI+3%) or simply to finish the race (capital preservation).



Green says, "Our portfolios are constructed to achieve a specific goal that is relevant for the end investor. This is important as we do not aim to beat our peers but strive to solve for a specific outcome. Every step in our investment process is tailored to increase the probability to achieve this. Our asset mix is dynamic, which

means we will act on our views by overweighting or underweighting certain asset classes and underlying managers as market circumstances change. However, we are not traders. The asset mix moves we make are incremental and deliberate, but over time they are significant.

"We are truly independent, using the right strategy to achieve the best possible outcome. Not all investment strategies can solve for every need in the portfolio, so we will use all tools possible to meet the end goal."

*Disclaimers:*

*\* Past performance is not necessarily indicative of future returns.*

*\* The information is provided for information purposes only and should not be construed as the rendering of investment advice.*

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