

The Balanced Investor

Edition 3 – April 2023

“Far more money has been lost by investors trying to time corrections than in the corrections themselves...”

Peter Lynch

Regulation 28 of the Pension Funds Act now allows up to 45% of a portfolio to be invested offshore. This gives balanced fund1 managers greater flexibility, however, coupled with continuous market volatility over the past 12 months, it has resulted in a vast performance dispersion between balanced funds, especially over the short term.



Choosing the right asset manager is now more crucial than ever

The way a manager applies their offshore allocation during times of volatility will separate ‘the masters from the apprentices’. As at 31 December 2022, there was a 35% difference between the best- and worst-performing balanced funds1 in the ASISA High Equity sector, which has over 200 funds. Even though this percentage difference decreases with investment tenor, the rand value differences grow substantially: Over 20 years, your R1 million initial investment would have grown to R6 million with the worst asset manager, and R12 million with the best manager.



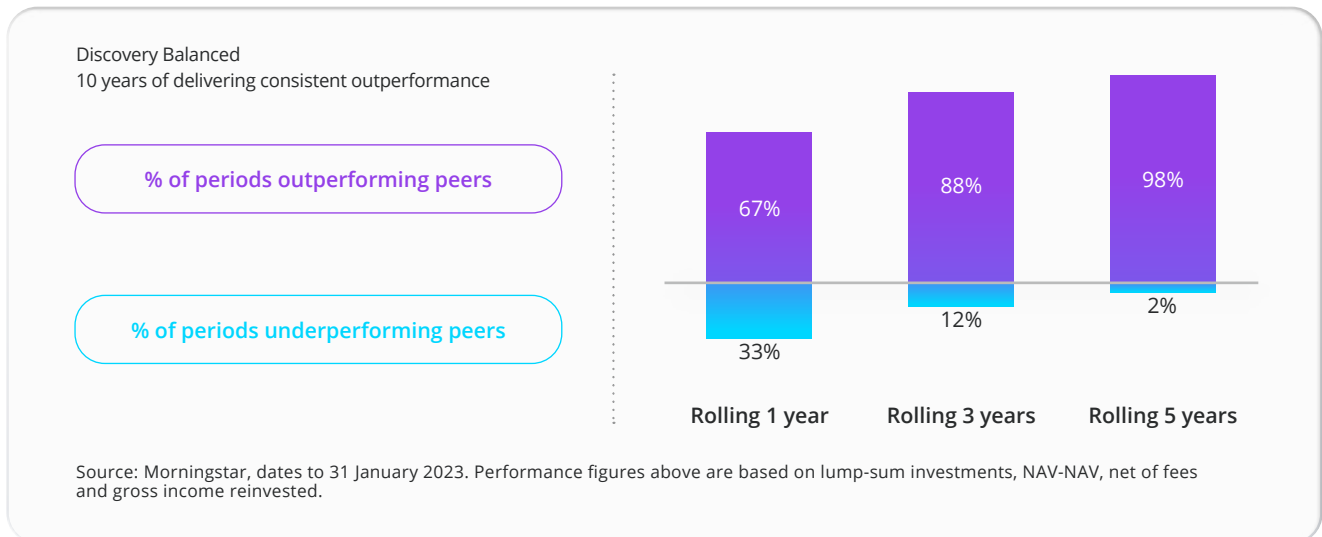
Source: Morningstar dates to 31 December 2022; ASISA (SA MA High Equity sector)

However, staying the course and staying invested is just as important as choosing the right manager. Short-term performance can be materially affected by the return environment and can result in significant dispersions. The longer you invest, the greater the certainty of what you can expect.

“Most people overestimate what they can achieve in a year and underestimate what they can achieve in five or 10 years...”

Bill Gates

Where do you want to be 10 or 20 years from now? Now work backwards from there. Thinking about next year is great for short-term goals, but not sustainable for long-term change.



Looking at the spread of the Discovery Balanced Fund returns relative to its peers¹, not only is it clear that keeping your money invested for longer is more rewarding, but it shows that choosing the right manager can change your return experience significantly.

We see the current market volatility as an exciting time to capture exciting domestic and global investment opportunities. Our truly globally integrated investment team, with their unique philosophy and investment track record of more than 30 years, is ideally positioned to continue outperforming peers and inflation over the medium to long term.

In our next edition we'll take a deep dive into the team behind the Discovery Balanced range of funds.

“Successful investing takes time, discipline and patience. No matter how great the talent or effort - some things just take time...”

Warren Buffet

¹ASISA High Equity Multi Asset sector



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