

## Working to lead and shape the investments industry

By Leon Greyling, Chief Executive Officer of Alexander Forbes Investments

Working South Africans cannot retire comfortably – this is the reality our industry and our country is dealing with. The 2016 Alexander Forbes Member Watch™ Survey shows that only 6% of retirement fund members can retire at their current standard of living. This is a statistic we're on a mission to change at Alexander Forbes Investments.

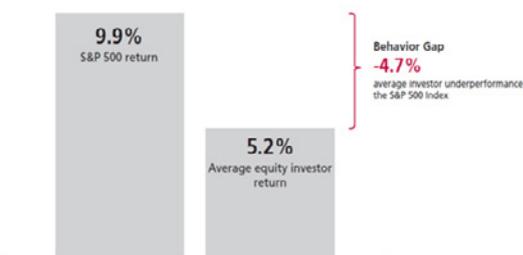
On 1 July 2017, Investment Solutions officially became Alexander Forbes Investments. The strong and respected Alexander Forbes brand will allow us to further improve our service offering to clients. As Alexander Forbes Investments we will now integrate our advice and investment excellence capabilities throughout the group to work towards securing our clients' financial well-being.

### Investor psychology should be managed to achieve better outcomes

Investors' own natural instincts often let them down and the emotions of fear and greed are the primary drivers of the biggest behavioural mistakes we make. The pain of loss is felt twice as much as the pleasure from gains, and it is this fear of loss that often results in investors selling after markets have dropped - causing them to capitalise the losses already incurred, instead of holding out until the cycle works in their favour. In Carl Richard's book, *The Behavior Gap*, he uses some quirky illustrations to prove this.

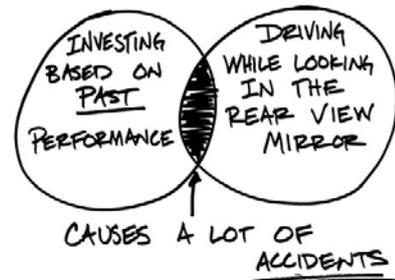


The Dalbar study, conducted in the US, compares the investment returns of an index against the actual returns an investor achieves. Investors, on average, underperform the index by 4.7% because of their propensity to buy high and sell low.



Source: Annual Lipper/DALBAR study of average equity investor returns for the period ending December 31, 2016.

Basing investment decisions on past performance is another common mistake. The search for the best portfolio or investment manager consumes much time, as investors anxiously compare their investment against what their peers are doing. Investors not with the best performing investment managers experience regret and anxiety when comparing their portfolio against the top ones. Instead of focusing on the long-term game plan they use their most recent painful experience to inform long-term decisions. They switch to the next best thing driven by the fear of suffering more pain. The old disclaimer "past investment performance is no guarantee of future investment performance" is there for a reason.



### Top performing asset managers from December 2008 to December 2017

The graph below shows how the best performing managers change each year. Even good asset managers go through periods of underperformance. However, investors' behavioural biases often result in switching to yesterday's top performers, in the hope they will be tomorrow's top performers.

2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Allan Gray	Investec	STANLIB	Allan Gray	Foord	Coronation	Momentum	Investec	Allan Gray	Prudential
Foord	Coronation	Coronation	Foord	STANLIB	Momentum	Investec	Allan Gray	Sanlam	OMIGSA
Coronation	IS*	Foord	IS*	Momentum	IS*	Oasis	Momentum	Prudential	Coronation
IS*	Sanlam	Momentum	STANLIB	Prudential	Allan Gray	OMIGSA	IS*	Oasis	Investec
Prudential	Cadiz	Prudential	Prudential	Coronation	Prudential	Coronation	Foord	IS*	Sanlam
Investec	Momentum	IS*	Oasis	Cadiz	Foord	Prudential	Coronation	ABSA	Allan Gray
Momentum	Prudential	Cadiz	Coronation	Oasis	Investec	IS*	Prudential	Coronation	AF Investments*
OMIGSA	OMIGSA	Sanlam	Momentum	IS*	Oasis	Sanlam	OMIGSA	OMIGSA	ABSA
Cadiz	Foord	Investec	OMIGSA	Investec	STANLIB	Foord	ABSA	Momentum	STANLIB
Oasis	STANLIB	OMIGSA	Sanlam	Sanlam	Sanlam	Allan Gray	STANLIB	Investec	Foord
Sanlam	Allan Gray	Oasis	Investec	OMIGSA	OMIGSA	STANLIB	Sanlam	Foord	Oasis
STANLIB	Oasis	Allan Gray	Cadiz	Allan Gray	Cadiz	Cadiz	Oasis	STANLIB	

GLMW Annual Performance, sourced from Alexander Forbes Global Large Manager Watch™ and Alexander Forbes Investments

\*Alexander Forbes Investments Performer

### **An approach to address these issues**

There are many exceptional asset managers in the country who focus on delivering investment excellence. The gap, however, lies in the fact that no one, until now, is focusing their efforts on a complete solution to deliver investor excellence. As the world changes so too should our approach to ensure investors are able to achieve the outcomes they need - without the nasty surprises. Alexander Forbes Investments is evolving our multimanager approach to one that is more adaptive and actionable. We call this Living\*Investing. This approach aims to achieve investor excellence by integrating a clients' goals with investment excellence - while also focusing on the client experience. We believe this is the only way to achieve holistic financial well-being, ending the cycle of disappointing investment outcomes as well as the associated fear and anxiety. We do this in pursuit of the holy grail of investing: certainty. Certainty for our clients, helping them achieve their ambitions. Our new mantra is "In Pursuit of Certainty".

### **Our approach balances the tension between investment excellence and investor behavior**

Alexander Forbes Investments is boldly stepping forward to lead and shape the industry. We will challenge perspectives to focus on the most important aspect of investing, which is the outcome for our clients. The industry needs a holistic solution – one that integrates the investment journey, investment excellence as well as client comfort levels – to meet investors' goals.