Investment Multi Management

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Over the years it is clearly evident that investing is becoming more and more complex. This should not be the case in this information and technology age, but it's the classic case of information overload, which can and typically does lead to poor decision making. For most people, the focus should be on their vocation and wealth creation, with saving as a natural by-product. This is especially important as investing rather than merely saving is required and as the "business" of investing becomes more specialised.

The Complexity of the Investment World

Everyday more and more funds and investment options are being added to the mix of approximately 2 000 registered funds locally and some 275 000 globally. Then one needs to consider the massively growing range of ETF's (exchange traded funds) estimated at close to 25 000, segregated investment options, hedge funds, the numerous types of structured products offered, listed investment trusts, currencies and now also thousands of crypto currencies being added into the mix.

Independence of A Multi Manager

As an investment advisor, Seed has always been structured as multi manager. Essentially this means that we independently assess the range of investment options, conduct analysis on these options and then look to select and structure investment portfolios from the range of available options.

We like to think that we are simplifying the complex in order to best satisfy the needs and requirements of our clients. This involves :

Screening & Monitoring of Funds

Given the huge and growing complexity of the available investment universe, and what appears to be the tendency for financial services providers to overly complicate their investment offerings, it is important for all investors to adopt a rigorous due diligence process. Due diligence involves more than reviewing past performance. We need to consider the people behind the business, their investment philosophy, how they adhere to this in their investment process, and then how they combine to construct their portfolios. From these components we can then test if this matches to how they have achieved their past performance.

Introduction of Specialists

In a world of greater specialisation, it stands to reason that there are more and more niche or concentrated fund managers that can and should be used. Equity investment styles alone include value, growth, growth at a reasonable price, quality bias, large cap, small cap, thematic, socially responsible, low volatility, momentum, income bias etc. These naturally include active managers but are increasingly passive in the drive to reduce costs. A multi manager looking to blend a specialist mandate may for example introduce a bespoke fund that only focuses on credit in the renewable energy space.

Diversification of Investment Funds

It is often quoted that diversification is the only “free lunch” with investments, because it reduces risk of loss, while giving up less on the expected return. Risk reduction comes through the power of low and in some cases negative correlation of investment returns. To put it very simply – an investor wants to have exposure to a range of funds that as a whole can cater for all types of economic scenarios – including the notorious “black swan” event. Seeking out proven specialist managers, but at the same time having the ability to properly size their position in a well-diversified investment portfolio can be incredibly powerful.

Conclusion

The necessity for independent investment managers is becoming more and more relevant in a highly complex investment world as investment funds and products are evolving at a rapid rate. While much of the “innovation” can be discarded as additional “noise”, there are the occasional gems which should be considered for inclusion into a portfolio.

Navigating this complexity, remaining relevant, tracking the people, philosophy and process components – these are all critical to independent multi management.

Would you like more information?

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