



Less is More

What is the best toothpaste product? With so many products available with minimal differences, it's hard to choose the right one for you. Simon Sinek, the author and inspirational speaker on business leadership, was critical of Colgate's thirty-two varieties. They had two in the 1970s, but as competition increased and sales dipped, new products helped to temporarily boost sales.

This appears to be a case of shiny new objects encouraging sales, (i.e. novelty disguised as innovation). It is debatable whether significant improvements have been made or if more people have been motivated by these products to brush their teeth.

A similar pattern has developed in the investment industry. In South Africa, there are roughly 1,800 Rand denominated locally domiciled funds. This makes fund selection difficult for any investor. Since 2018, roughly 100 new funds are launched into the market every year. The question is whether the new funds offer something significantly different.

Over the same period, 732 funds have been terminated or had fee classes liquidated or merged. In an industry where consistency matters, these turnover statistics are concerning.

Some things that come to mind in assessing this turnover:

1) Business – running sustainable businesses is challenging given muted investor inflows and increased costs. Asset managers are looking for avenues to attract investors.

2) Growing Specialised Investor Needs – there is increased demand for differentiated products from professional investors. Time will tell whether this helps to improve outcomes for clients.

Furthermore, the intense focus on fees and performance has heaped pressure on asset managers. Unintended consequences like short-termism, fear-of-missing-out, and undue risks taken lead to sub-optimal outcomes for investors - again, contributing to turnover.

Navigating this complex market is hard, and times like these require a strategic rethink. The industry could do with that to reduce complexity. Less is more sometimes. What matters most is delivering on client objectives - and doing that in the least complex environment possible, is first prize.



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