What’s Your Investment HRV?

So I got myself a new Garmin watch a couple of months ago. I figured a new gadget with a few new features would provide good motivation for me to train properly through our typically horrible Cape Town winter. The watch’s features and insights have also been rather insightful, and it’s been quite addictive trying to improve my various metrics.

One of these metrics (please stick with me) is your Heart Rate Variance (or HRV). I’m an investment person who has done a reasonable amount of exercise, not a biologist that’s a budding semi pro athlete, and so when I saw a ‘heart rate’ metric I immediately knew that an improvement in this metric would result in it falling. A lower resting heart rate is a byproduct of getting fitter, and by extension my logic followed that a lower HRV would be something that I could try and target (I mean who would want a highly volatile heart rate?) as my fitness improved. Imagine my surprise when Garmin told me that a lower HRV is a sign that my body was under higher stress/strain?

Without getting too technical, having a low HRV is your body’s way of allocating resources toward dealing with an immediate challenge, whereas a high HRV is when your body is optimising for long-term recovery and flexibility. This got me thinking, a high or low HRV in and by itself isn’t necessarily a good or bad thing, each state is useful in its own right, protection or recovery and growth.

In the same way, when we look at investments, an investment with high volatility isn’t necessarily better or worse than an investment with low volatility, but each has its own purpose.

There are times when we require a low volatility (low HRV) investment where we need to build an emergency savings pool. This investment doesn’t have the luxury of being optimized for long-term flexibility, and hence returns, as the potential need is immediate without much margin in terms of return requirement.

Equally, when saving for retirement one wants it to be optimized for the long term, and flexibility is a desired trait. This is the high HRV investment, built to absorb short-term stress in exchange for long-term flexibility and growth.

Ultimately, each person’s needs will differ when it comes to the balance between low HRV and high HRV investments. Investors with healthy savings habits will likely be able to focus more on longer term investments, while those in a more financially stressed position will rightly prioritise preservation of capital first.

Unfortunately, we don’t get watches (at least in my knowledge) that can assess your ‘investment HRV’, and this is where a quality advisor can help to assess how much stress your investments are under. The result of the assessment should include how much of your portfolio ought to be invested in a low HRV solution like the Seed Income Prescient Fund and then how much should be invested for the long term in a solution like the Seed Balanced Prescient Fund, Seed Global Fund, Seed Global Equity Fund (or their feeder versions). Neither solution is “better” than the other, but each has its own purpose.

PS: For those wondering, the watch and mild winter have been useful in helping me get healthier, in much the same way that having an investment advisor will generally help improve your investing habits.

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If you have any questions, Mike and our team would love to hear from you on investmentteam@seedinvestments.co.za.

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