

Finding certainty in the unpredictable

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For investors to be successful at investing, it is essential to be aware of how our own human behaviours and biases affect our decision making. Nothing is more personal than our own human behaviour, and being aware of that behaviour makes investing personal.

As human beings, we are often biased by information or our experiences. Anchoring bias occurs when people rely too much on pre-existing information or the first information we find. While certain economic and political factors are important, some issues in South Africa, in particular, might anchor us toward negativity and bias us away from investing locally. It is important to remember that these factors are not the only driving forces of potential growth over the longer term. Often, with uncertainty comes opportunity.

The decision to have exposure to one specific geography, asset class, or sector is to some extent a function of future economic conditions. As perfect foresight is impossible, it is vital to remember that we cannot with any degree of certainty predict the turning points in any economic event.

Investing decisions should therefore be based on a rational and pragmatic assessment of the facts at hand. Markets evolve, and economic conditions change, and therefore it is important to regularly reassess those facts to determine a realistic range of possible future outcomes. A greater focus on a rational evaluation of investment markets can equip you for a greater chance of success at investing through time.

It helps to think of possible future scenarios that a couple of broad macroeconomic themes will predominantly define. These themes would lead to natural consequences for the key economic and financial variables. Each of the possible



scenarios would lead to probable return implications for the different asset classes. A scenario-based approach helps remind us that we need a robust solution under many different possible outcomes.

The current environment is particularly difficult. What should you do when confronted with a difficult investing environment? Remain patient, disciplined and diversified. Patience, as this is a long-term problem. Disciplined, because emotions can lead to bad decisions. Diversified, because your solution must be robust in many possible future scenarios.

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Not knowing exactly what the future holds, it is important to remain focused on the end goal that the investment is trying to achieve for you. Investing is personal, and successful investors

know that success is measured against their own goals and objectives and not relative to what other investors are doing. They avoid making mistakes due to the fear of missing out and are disciplined in terms of sticking to their clearly defined financial plan. They know that their goals depend far more on saving enough money and controlling the risk of their portfolios than trying to predict the next winner. Disciplined, patient and steady decision making is what wins the race. Focus on the end goal and maintain a diversified approach to choosing your investments and your managers.

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