

Monthly Newsletter – February 2015

Message from Theo and Warren

Last week's winner

One of the biggest problems in the investment industry is the propensity for investors to chase the most recent best performing investment. People believe that a fund that was number one in the rankings last year will do the same the following year. Sadly, this type of decision-making costs investors about half their potential growth over the long term.

Rankings are a waste of time

We don't like it when the best performing unit trust of last year gets massive exposure in the financial media, and we become especially grumpy when the fund manager is profiled as some sort of genius who has a unique insight into the investment world.

In most instances, the top performing fund from last year will have had the benefit of enormous luck. For example, the best fund manager in SA might be managing a Mining and Resources Fund, but there is no chance that his fund will have performed well last year, because the whole sector imploded.

In contrast, nearly every Listed Property Fund did well, so even the most average fund manager in that sector will have looked good. Investors who allocate all their new money to Listed Property at the expense of Resources might be making a major investment error.

Our advice is to ignore rankings – very often last year's losers might be this year's winners.

Some awards do matter

We don't attach too much significance to awards given to fund managers and would certainly not allocate money to a fund simply because it won an award. However, if you are trying to determine the quality of an investment company, some awards do matter.

For example, awards that are based on consistency of performance across a range of different funds over long periods of time are a good bet. Fund managers who can objectively prove that they consistently do well across different sectors (eg. General Equity, Resources, Financials, etc.) and over different market conditions are showing you that their success cannot be attributed only to luck.

A good objective measure of this type of consistency would be an award from an independent industry body or publication.

Focus on diversification

When deciding which fund to select for your investments, we would ignore last week's winners and focus on a few other factors. These include fund costs, asset class diversification and geographical diversification.

We would not be rushing to send all your money offshore now that the rand is so weak, nor would we only invest in financial shares at the expense of all mining shares. It is important to have a good spread of investments across a range of different asset classes and sectors.

Having some exposure to international investments makes sense, but you should always have local investments if you are planning to live in SA.

- Theo and Warren

Early warning signs of burnout

Burnout is one of those things that sneaks up on you and catches you unawares – even this early in the year. So it helps to recognise some of the early warning signs so that you can take the appropriate steps to prevent progressing to full-blown burnout.

1. High levels of stress or anxiety, where you feel like you're always on edge.
2. Lack of engagement, motivation and focus.
3. An attitude that is mostly negative and cynical.
4. Always eating on the go – at your desk, in the car, standing up...
5. Less than seven to eight hours of sleep per night.
6. Low energy and exhaustion.
7. Time-drought – you're always in a hurry and your list is never done.
8. Your inner voice is self-critical and worried.
9. Constant physical illnesses of various types.
10. A tendency to self-medicate with drugs, alcohol, food, television or social media.
11. A decline in productivity.
12. Little to no time to exercise.

Go through the list and circle your top three symptoms, and then find strategies to change them. Come up with an action step and implement it – don't just think about it, give yourself a deadline and write it down somewhere. And get a burnout buddy who will support you in your efforts and make you accountable for taking the necessary self-care steps.

Getting things done

We all know people who seem to move mountains on a daily basis, and get things done at a rate of knots. They use some simple techniques that anyone can learn: here are some ideas.

1. Get to work immediately – don't get sucked into email, social media or reading the news on the internet. Pick a task, finish it and set the tone for the rest of your day.
2. Start – how often have you put something off for ages and then, when you've tackled that task, realised it wasn't all that hard? Don't intend to do the job, actually do it. The more often you start, the more often you'll finish things.
3. Refine your systems – find the best scheduling and communication apps and programs for work and home, and then use them. That way you don't have a brain that's so overloaded that things fall out.
4. Define your tasks clearly – break them down into smaller chunks if necessary, but be specific. It might make your task list longer, but you'll ensure you cover all the steps, and as an added bonus, you'll get to tick more things off!
5. Build your own fire walls – take whatever measures are necessary to ensure you're focused. Close the door, turn off alerts and notifications, move to a coffee shop if necessary, and log off social media and other web distractions. Work in focused blocks, and batch your activities.
6. Be sure of your purpose – if you don't give a damn about what you're doing, you're not going to do it. Know what's important to you, and why, and then align everything you do to those values.

SA second on Lonely Planet travel ranking

Lonely Planet has put South Africa near the top of their list of top 10 travel destinations that give you bang for your buck – in second place. So if you can't afford an overseas trip, that's an excellent reason to explore your country this year. Get off the beaten track and visit somewhere you've never gone before instead of visiting the same tired resorts.

Ahead of us on their list is Tunisia, where the conversation has moved on from safety to recovery for tourism. Tunisia is home to both the eastern end of the Atlas Mountains and the northern reaches of the Sahara desert, and its coastline includes the African conjunction of the western and eastern parts of the Mediterranean Basin, which means it's a short hop to Europe. It's also home to a number of Roman remains in the northern part of the country, which will delight those with an interest in history.

And in third place is Shanghai, where you can stay in a range of affordable accommodation from no-nonsense dorms at less than US\$10 a night, right through a range of budget and mid-range hotels, as well as the uber-expensive big name hotels. But out on the streets there is delicious street food, and the best way to see this ever-changing, buzzing city is on foot, which is good for both the waistline and your pocket!