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Heritage Day Series: How the frog became the ruler of the rivers and marshes

In last week's instalment of our Heritage Day series, we looked at the tale of how the tortoise got the markings on his shell. The story highlighted that acting out of greed and emotion can land you in a lot of trouble, especially when it comes to investing. In this week's edition we follow the story of an ancient contest between a frog and a toad that demonstrates why consistency is an important quality for these contestants - as well as investment managers - to have.

How the frog became the ruler of the rivers and marshes

Many years ago the mighty elephant ruled over all the animals in the kingdom. He was a kind-hearted king, and did what he could to help those in need. One day while strolling through the bushveld he came across a village where the humans were running low on food. The humans told the elephant that the first rains had arrived early that season and that they had missed the opportunity to plant their full harvest. The king felt sorry for the humans and wanted to help them. So he shared with them what food he had and decided to put

in place a system that would warn them in advance the next time the rains arrived early.

The king knew that the frog and the toad were best suited to help the humans, given their unique ability to predict when rain was on its way. The elephant approached the two animals and offered to make them joint-rulers over all the rivers and the marshes in return for their help. While both animals were eager to oblige, they agreed that having two rulers would eventually lead to conflict, and that the king would need to choose between the two of them. Not knowing which one to choose, the king decided that the frog and the toad should race each other and that the winner would receive the reward.

All the kingdom was abuzz with the news of the upcoming race. The toad was the favourite to win as he was strong and fast. The frog, meanwhile, was nimble and light, all of which made for an exciting race. The course was set and the two animals lined up at the start-line. The toad got off to a good start, streaking ahead and building up a sizable lead. By the mid-way point the race looked as good as done, with the toad well in front. However, the frog never gave up and continued pushing forward. Then the race route turned into an obstacle course, where the toad struggled to navigate through difficult terrain, allowing the frog to catch up to him. Given that the frog was light and nimble, he was able to pass through the obstacles without any problem, eventually passing the toad and building a sizable lead of his own. The frog crossed the finish line in first place to the applause of all the animals who looked on. The elephant kept his word, and the frog took up his new position as the ruler over all the rivers and marshes. To this day, the frog can still be heard croaking as loud as he can to let everyone know when rain is on its way.

What's the lesson for investing?

While the toad may have started off strongly, he struggled when the conditions became difficult. The frog, meanwhile, maintained a consistent pace throughout the race, regardless of the conditions. This consistency is equally important when it comes to investing. In the short term, some investments may perform strongly under certain conditions, but lose traction when the investment landscape becomes more challenging. Investors would do well to avoid these

short-term “winners”. Equally, when the market environment gets tough, the best approach is to stick with your investments in order to reach your longer-term goals, and not panic and sell.

When it comes to long-term investing, such as saving for your retirement, it’s a good idea to look for a fund manager who has a long-term track record of consistent outperformance, with a proven history of being able to navigate many different investment climates. At Prudential, our two equity funds (the Prudential Equity and Dividend Maximiser Funds) have both ranked in the top quartile of their peer group category in terms of performance over the past 15 years, delivering annualised returns of 17.2% and 17.3% respectively (to 31 August 2018). This is just one of the reasons why Morningstar has named Prudential as South Africa’s best large asset manager for the past three consecutive years – 2016, 2017 and 2018.

While past performance isn’t necessarily an indication of future performance, a long-term track record does give an indication of the quality of the investment house. If you’re interested in investing with Prudential and would like to find out more, speak to your financial adviser or contact our Client Services Team on 0860 105 775 or email us at query@prudential.co.za.