



Prudential Investment Managers

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Looking for the perfect investment may be your biggest mistake

Mark Twain said that the secret of getting ahead is getting started, and this is particularly apt when it comes to investing. First-time investors often get stuck with trying to find the perfect investment to maximise their returns. And if this sounds familiar, you could be in for a very long search. The reality is that there's no such thing as the perfect investment, only investments that do a really good job of meeting their very specific objectives. So if trying to find that elusive perfect investment is holding you back, here are three guidelines to get you on the right track.

Manage your expectations

We've all heard of a friend of a friend who doubled or tripled their investment in an incredibly short time frame thanks to an amazing investment in some little-known hedge fund. It's important to understand at the outset that these stories have more in common with winning the lottery than sensible investing. And we've also all heard of someone who lost their life savings in a similar fashion. If you're looking for a quick way to make a buck, investing is probably

not for you. However, if your objective is to grow your savings to keep up with inflation in the short term, and outpace it in the long term, you've come to the right place.

Begin with your objectives in mind

You need to understand what you're investing for – your investment goal – to understand what your timeline or investment horizon is. Once you've established this, our [Goal Calculator](#) is a great way to find out how much you should invest on a monthly basis to achieve your investment goals.

If you are saving towards a short-term goal and need to access your savings within the next three years, your main objective is to avoid losing money, while earning interest. In this case, an interest-bearing investment like the [Prudential Money Market](#) or [Income Funds](#) may be an appropriate choice.

If you are saving for the long term (7 to 10 years or more), you have time to put your money to work and enjoy the benefits of compounding. You can afford to take on more risk through higher equity exposures, which should ultimately result in higher returns over time. The [Prudential Equity](#) or [Dividend Maximiser Funds](#) are great equity funds to consider, alternately, try our [Fund Selector tool](#) to help you find the Prudential fund that's best suited to you. The biggest risk for long-term investors is usually their own behaviour, rather than what happens in the market. For example, many investors were scared off by the sharp drop in their portfolios when Covid-19 first hit markets earlier this year. If they reacted to this by withdrawing their equity investments and moving to cash, they would have missed out on subsequent recoveries. A calm, non-reactive temperament is essential in long-term investing.

Avoid analysis paralysis

Sitting on the sidelines and not investing because there are too many options can be costly in the long run, since time in the market is one of the best advantages available. To overcome this, one of the best pieces of investment advice is managing those parts of the process that are within your control and recognising which ones aren't. Market performance certainly isn't controllable, and obsessing over the best way to achieve maximum returns is probably just going to prevent you from getting started. The truth is,

at any one time there will be many investments that outperform yours, and many that underperform. Because of market cycles, different strategies will deliver higher returns at different times. Markets are always unpredictable thanks to news flow and human emotions.

What can you control? Choosing an established and reputable fund manager. When you start investing and how much you set aside every month. How much risk you take on and how you react to market movements. Being sensible and consistent in your approach to these aspects is the best way to become a successful investor. There is no such thing as the perfect investment; any fund or solution that has delivered the return and risk objectives it says it will over the appropriate time period, and that is in line with your investment goals, is one that is likely to work successfully for you.

For more information, please feel free to contact our Client Services Team on 0860 105 775 or email us at query@prudential.co.za.