



M&G Investments
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Diversity: A strength both culturally and in investing

Boasting 11 national languages and a host of different cultures and creeds, our Rainbow Nation of South Africa was founded on the principle of diversity. Every year on Heritage Day we are afforded the opportunity to celebrate our differences and reflect on our past, as well as the years to come.

Declared a public holiday in 1996 by President Nelson Mandela to promote a rich cultural heritage that would rebuild the country after apartheid rule, it continues to be a day that represents – and celebrates – what it means to be South African. Instead of being a dividing factor, our cultural differences should be celebrated, and considered positive assets in terms of how we go about life. This same approach, including diversity for a better outcome, applies to investing.

In honour of Heritage Day this year, we're taking a closer look at how diversity can bring strength to your investment portfolio.

Find your perfect blend

In investing, diversification, i.e. having a wide range of assets in your portfolio, is a golden rule. In this way, investors can spread risk because each asset class comes with a different risk-return profile, with the potential of reducing risk while enhancing returns: when one asset class is underperforming in certain market conditions, often

another is doing well.

But what does diversification actually look like? It's important to note that the optimal investment mix will be unique to you and based on three primary factors: your tolerance for risk, your investment goals and your time horizon.

An example of a well-diversified portfolio might be one that invests in a combination of bonds, cash, equities, and listed property for exposure to different asset classes that achieves a certain balance of risk and return characteristics most suitable for you. For example, if you have a slightly longer investment time horizon (seven years or more) and you feel comfortable with a bit of volatility, you may want more equities in your portfolio compared to bonds and cash. Conversely, if you have a shorter investment timeframe and a lower tolerance for risk, your portfolio would most likely have a lower weighting to equities and a higher holding in fixed-income assets, like cash and bonds. Blends such as these should enable you to weather some market volatility through exposure to both safer assets like bonds, while riskier assets such as equities can help boost returns when markets are more stable. Although a blended approach would still see some volatility, it could also unleash the potential for excellent returns over time.

Cultural heritage drives investment choices

A global study by [Credit Suisse](#) on patience and risk aversion in investing revealed that one's cultural background plays an undeniable role in determining an individual's investment behaviour. While we all have different investment horizons and financial needs, our culture, or heritage, is therefore likely to play a vital role in the decisions we make about money. This could include where and how to invest, your views on earning interest, or perhaps what may be considered a 'secure' investment environment. For example, in Islamic culture, the interest charged on loans and deposits is known as *riba* and is prohibited. A more appropriate option for those investors wanting to comply with their Islamic heritage would be to invest in a *Shari'ah*-compliant investment, which takes into account Islamic laws and traditions.

Another more general option is to invest in a vehicle that draws strength from others and benefits from a collective and diverse pool of resources. An example of this would be to invest in a [unit trust](#), which uses pooled capital to gain access to assets that would have otherwise been too difficult or costly to access individually.

Unit trusts serve the specific purpose of generating wealth by growing your money over time. They are also highly regulated, which means there are sound controls in place to protect your money. For more information on unit trusts, or to narrow your search for a unit trust that suits your risk appetite and investment horizon, take a look at M&G's [Fund Selector Tool](#).

Rely on a diverse investment team

Equally as important as asset class diversity, is the benefit of investing with a team of investment professionals with varied backgrounds and capabilities to build your investment portfolio. At M&G Investments, for example, each of our portfolio managers and analysts bring their own unique experience and education to bear on managing our clients' money, with our investment views and decisions debated by our teams. And apart from our diversity within South Africa, our many global teams also debate and benefit from each other's expertise and perspectives.

Ultimately, cultural diversity builds strength by fostering innovation and forcing stakeholders to view things from different points of view. In this same way, diversification in investing builds market resilience, lowers risk, enhances returns and enables a more robust investment case for each asset and portfolio.

For more information on investing with M&G Investments, please contact our Client Services Team on 0860 105 775 or email us at info@mandg.co.za.