

How to be an investment winner, consistently

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Winning the Rugby World Cup 2023, for a second time in a row, has been a tremendous boost for South Africa, one that was the result of years of planning, hard work, innovation (think Bomb Squad), and determination. And while it may not seem that winning at rugby and winning at investing have anything in common, they actually share several similarities. In fact, the fundamentals of winning apply to almost every endeavour. In this article, we take a look at some of the most important of these.

A solid gameplan wins

Both rugby and investing require a solid strategy. In rugby, you need to have a game plan that takes into account the strengths and weaknesses of your own team and those of your opponents. Similarly, in investing, you need to have a game plan over time that is tailored to your investment goals and risk tolerance. Investing without a plan is like running onto the field without a game plan.

Teamwork is needed to score

To score points in rugby, the team must work together to move the ball down the field beyond the try line, avoiding tackles, winning lineouts and scrumming to get possession of the ball. Of course, it's never straightforward, as your opponent is fighting you every step of the way, making the game volatile and unpredictable. Financial markets can also be volatile and unpredictable, which is one of the reasons that successful investing also requires teamwork backed by a strong coach and support staff. Consider your financial adviser to be a coach, helping you develop a winning investment plan in line with your financial goals and risk tolerance. Another key component to investment success is partnering with an investment team backed by research and analysis to make prudent investment decisions and build portfolios that deliver consistently.

Play to your team's strengths

Just as a rugby team needs forward and backline players with different skills and attributes to play to their strengths at different times in the match, an investment portfolio needs a diversified mix of assets. In the same way that each player has a different role on the field, so each type of asset plays a different role in your portfolio. Equities provide long-term growth and inflation protection yet are more volatile, while bonds and cash provide more safety, with lower but less volatile returns. Having sufficient diversification in your portfolio helps smooth out the ups and downs that so often characterise returns.

Stick to your game plan

Rugby players need to be disciplined both on and off the field. They need to stick to their game plan and avoid making mistakes that could cost the team the game. Similarly, investors need to be disciplined and stick to their investment plan, even when there is a major upset that appears to derail their plan in the short term.

Risk management is key

Rugby players need to manage risk on the field by avoiding injuries and minimising costly mistakes. Similarly, investors need to manage risk by diversifying their portfolio and avoiding investments that are too risky. Investing across multiple asset classes that don't react to the same factors in the same way, is a cornerstone of risk management. Investing with an asset manager that has a good reputation and a long-term track record of producing consistent, risk-adjusted returns is another way to minimise risk.

Playing the long game

Rugby is a game where over the course of 80 minutes the fortunes of each side can change dramatically, and the last few minutes of the game can alter the outcome. When losing, it's essential to keep focusing on your longer-term objective and not let that setback distract you. In the same way, having a long-term perspective in investing means not over-reacting to news headlines and trying to time the market. At M&G Investments, we focus on asset class valuations and dig deeper to uncover whether the negative news has already been priced into markets. We rely on our many years of experience and in-depth research and analysis to determine an optimal asset allocation under the prevailing market conditions. This approach has helped our M&G funds achieve a remarkable long-term track record of delivering consistent performance, making our clients long-term winners. As investors, the most valuable lesson from the Rugby World Cup final is to stick to your strategy and play the long game.

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