

Reviewing your portfolio

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You need to review your investments to ensure that your financial plan is on track, but focus on your needs rather than short-term performance

While it may be interesting to review your investment portfolio's performance regularly, remember that investing is a long-term game. True performance generally appears over the long-term: in the short-term, fluctuations in the market and sentiment driving prices make it difficult to assess the true skill of a fund manager.

For example, no fund manager could have predicted planes being grounded due to volcanic ash, or that Greece would go bankrupt. While in the shorter-term these events will have an impact on investment returns, in the longer-term they will be blips on the returns graph. What is important is that you are invested in the correct portfolio for your financial needs.

How do I choose the right portfolio?

Important investment decisions should be made based on whether your financial needs or circumstances have changed, rather than what the investment returns are doing in the short-term.

Let's look at two examples:

Financial needs and circumstances	What to consider for your portfolio
You are close to the end of your investment period and want more certainty about how much it will be worth when your investment matures.	You may want to move your investment into a more conservative portfolio with less equities (shares) and more cash or bonds.
Your income drops and you have less money to invest.	You may need to invest in a higher-growth fund to achieve your targeted lump sum

Should I buy a new investment product?

Investors often make the mistake of believing that new is always better.

Before you cancel your investment policy and buy a new one, make sure that you are actually better off with the new product. There could be costs such as surrender penalties for cancelling the existing policy, and initial fees and charges for your new investment.

Also, make sure you are comparing apples with apples: there may be benefits in your existing product that are not included in the new product.

Using a portfolio fact sheet

Portfolio fact sheets are useful in helping you consider whether your portfolios are still appropriate. You can find these fact sheets on Liberty's web site: www.liberty.co.za – click on the **Fund Performance** tab. You can find information about the portfolio like:

The investment profile of the portfolio

The portfolio of assets that make up your fund should tie in with your investment objective. For example, a shorter-term investment would have a portfolio made up of fixed interest assets such as cash and bonds. A portfolio that aims to beat inflation will have exposure to growth assets such as equities, property and inflation-linked bonds.

The fact sheet includes information on what type of investor would fit the profile of the portfolio.

The risk profile of the portfolio

The risk profile is based on the variability (gains and losses) of the fund's returns and relates to the risk of losing capital over the shorter-term. Growth assets that outperform inflation, such as equities and properties, carry a risk of capital loss in the short-term but outperform inflation over the longer-term. The longer your investment horizon, the more appropriate it is to invest in aggressive portfolios.

Fund manager performance

The performance of a fund (portfolio) manager is important, as it will affect how much money you have at the end of the investment period.

You need to give the fund manager time for his or her investment strategies to play out, especially in longer-term funds. Look at the performance of the fund over a three- or five-year period for an indication of performance over the longer-term. Remember, though, that past performance is not necessarily an indicator of future performance and short-term out performance is normally followed by short-term underperformance.

Underlying investments

The fact sheet contains information about the fund manager as well as the underlying investments in the portfolio. The list of investments is an important indicator of whether the portfolio is well positioned to achieve returns in the future, and hopefully also confirms that the manager is remaining true to the stated fund objective. If, for example, a fund manager has a mandate to run a low-risk fund and suddenly increases the equity exposure of the fund, he or she may be chasing returns rather than managing risk - which would be a warning sign to consider changing funds.

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