

and investment performance," says Friedrich.

The new business unit is aligned with the greater Sanlam investment cluster's move toward driving an entrepreneurial culture without departing from its pragmatic value investment philosophy.

Johan van der Merwe, Chief Executive of SIM, says: "By and large we succeed in satisfying our people's entrepreneurial aspirations within the business philosophy of sharing, but in exceptional cases we have to depart from our proven business model to allow talent to chase their dreams."

He explains that together with the equity team, Friedrich and Van Cuyck have repeatedly proven their skills and insight. "This, along with over 20 years of loyalty to Sanlam convinced us to follow this route," says Van der Merwe.

The SIM platform will continue to benefit from the insight of the two managers and the unconstrained team will be responsible for managing the SIM Value Fund under the direction of Friedrich.

"We are confident that the end result will allow us to grow the collective intellectual capital which can only benefit both the group as a whole and our clients," Tyer concludes.

# Motherhood and apple pie – is it just cliché?

IN evaluating the achievements of various investment houses, one is struck by the fact they all boast success, possibly quite rightly so according to its own specific criteria.

Neville Chester of Coronation Fund Managers explains that each investment house has its own view of the world, but that one characteristic all investment houses ought to have in common is a long-term investment horizon – and almost all claim they do so.

"That's motherhood and apple pie in the world of investing – yet it is patently not followed by everyone." He says the way to achieve a long-term vision is to align incentive structures with your philosophy.

"We empower our people to do so." So successful has Coronation been in this regard, that it has had no turnover of investment staff in seven years, except the odd emigration. In fact, this is one of the most important features of an investment house looked at by multi-fund managers when selecting them. It signifies far more than mere loyalty, but goes to the root investment philosophy.

Another way that Coronation reinforces its investment values is by generally not recruiting from other investment houses, but instead recruiting graduates straight from university and training them from scratch.

Chester describes investing as something that is "simple, yet not easy". The simplicity comes from removing all the 'noise' from investing.

If a fund manager selects a stock for valid reasons but it promptly falls, he isn't regarded as a fool as it is well understood that the emotions associated with money and investment markets produce just such anomalies with alarming regularity. The stock is only looked at as to whether it was a successful call in three to five years' time.

He cites the example of the Japanese earthquake and aftermath, which prompted a lot of noise and market selloff. Yet within a month the Japanese market was back to where it was before the selloff.

The patient fund manager views such noise as buying opportunities of equities for

which he has done a valuation, and which has now fallen below that level.

Where markets go wrong is where it pays attention to the noise. "Access to the media today is so much more ubiquitous that one can easily get caught up in it. One hundred years ago, we wouldn't have heard about Japan for a week," says Chester.

However, that does not mean Coronation buys stocks and sits on them for five years. It makes regular tactical moves based on whether or not the stock or other asset still represents value, and is therefore constantly taking profit and shifting towards value.

"In our global balanced portfolio we are skewed towards offshore equities. In South Africa, we feel that for an economy where growth won't be particularly exciting the valuations on the JSE are full. We are therefore underweight local equities and have a high weighting towards general offshore investments. However, we are probably ready to start buying back into local equities," says Chester.

"We are underweight fixed interest investments, and in particular government bonds which are mispriced both locally and globally. We have been big buyers of corporate credit as well as inflation-linked bonds, as we have concerns about inflation.

"We are overweight cash domestically, though rather than in pure cash we buy instruments that give us some yield enhancement," he adds.

Chester justifies Coronation's offshore over-weighting in the face of considerable anxiety and concern in many parts of the world: "There are macro concerns in most parts of the world – but equity valuations account for those risks already."

He also points out that investing in South Africa does not mean you're free of those risks. "You're kidding yourself if you think you're protected from global risks if you're invested just in South Africa. A global slowdown would affect South Africa just as much through our export levels – just as the global financial crisis and recession proved," he adds.