

Four considerations for financial advisers

Karl Leinberger, CIO, Coronation Fund Managers, has four pointers for financial advisers:

1. Find the long term managers, back them for the long term and don't fidget. "Fidgeting destroys value." Be wary of reducing exposure to a manager who has had one bad year.
2. Don't overinvest with one manager. Leinberger said that split funding and diversification have benefits and you don't want more than one third of any client's capital with one fund manager. "You cannot overinvest with a manager because they may be forced to cut exposure at the wrong time." He considers 3 – 5 managers a good number. More than that and you are over-diversifying.
3. Be invested in a fully flexible multi-asset class fund. Managers need to be able to take advantage of changing conditions – "the rules of the game are changing all the time."
4. Get the drawdowns right. This is critical. Our experiences of 'old age' comes from our youth but longevity has changed, and may continue to change, in a single generation. Our youth experience of retirement can be two generations out of sync – and that adds a good number of years onto retirement where capital will need to last substantially longer.