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The Psychology of Money: How My Past Shaped My Investment Philosophy

If there is one quality that defines a good fund manager, it is not intelligence. It is the ability to live with uncertainty.

BY MEL MELTZER



People often think investment philosophy comes from textbooks, models, or complex theories. In my experience, it doesn't. It comes from life.

Research in behavioural finance supports this. The way individuals manage money is strongly influenced by their personal background, especially their early experiences with financial security or loss. People who have lived through financial hardship tend to be more cautious. They focus more on protecting capital and are less likely to take speculative risks. Family environment also plays an important role. How money is treated at home shapes how it is treated later in life. These influences are not temporary. They are deeply embedded and tend to stay with a person throughout their career.

There is also evidence that risk tolerance is not entirely learned but partly ingrained. Fund managers bring their own experiences, biases, and instincts into their decision-making. This shows up clearly in returns. More aggressive managers often perform well in strong markets but suffer larger losses when conditions turn. More conservative managers tend to focus on capital preservation and often protect investors better over time. A manager's personal history is not just background—it is a strong indicator of how they will behave under pressure.

Block F, Pinmill Farm, 164 Katherine Street, Strathavon, 2031
PO Box 782755, Sandton, 2146

T 011 262 4820 F 011 262 4870 www.platinumportfolios.com

Directors M. Meltzer, C Pedlar Company Registration No 2000/003145/07

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I grew up in a middle-class household. We weren't poor, but there was never a sense of abundance. Money was always in the background, and to me it often felt like there was not enough of it. When I went to boarding school, I remember being aware that my school account was often in arrears. That stayed with me.

My father was a professional. He worked incredibly hard and took great pride in what he did. He always wanted to do his best. But he was not driven by money. In fact, he largely ignored it. That contrast always intrigued me. I saw discipline and integrity in his work, but very little focus on managing money itself.

Then, when I was young, our family experienced a significant financial loss. It changed everything. It wasn't just numbers on a page. It was stress, uncertainty, and tension. It affected the whole family in ways that are difficult to describe but impossible to forget. That happened more than 50 years ago, but it has never left me.

It taught me something that has stayed with me throughout my career. Money is not abstract. Loss is not theoretical. It is deeply human.

At university, I studied law, and one of the first things that struck me was a case in the law of delict, Administrator, Natal versus Trust Bank. The court was reluctant to award damages for pure financial loss. The reasoning was that they did not want to open the floodgates. I remember feeling strongly that this missed the point. I had seen firsthand how devastating financial loss can be. It affects families, relationships, stability, and dignity. In many ways, it can be more damaging than physical harm. That case stayed with me.

Early in my career, I had another defining experience. I worked at a firm that did not manage money properly. There was a lack of discipline, a lack of consistency, and, most importantly, a lack of care for clients. The focus was not on protecting and growing clients' capital, but on short-term profit. It was a clear example of what happens when stewardship fails.

That experience reinforced something I already believed. When you are entrusted with someone else's money, you are not just managing assets. You are carrying responsibility. That responsibility is absolute.

Around that time, I was introduced to the thinking of Warren Buffett and Charlie Munger. What stood out to me was not just their success, but their simplicity. They spoke about owning businesses rather than trading shares. They spoke about patience, discipline, and, above all, not losing money. I attended my first Berkshire Hathaway shareholders meeting, and that experience had a profound impact on me. It confirmed that you do not need complexity to succeed. You need clarity, discipline, and consistency.

I remember feeling excited listening to them. It made sense. It aligned with what I had already come to believe. The goal is not to chase returns. The goal is to preserve capital and allow compounding to do the work overtime.

There is a common belief that fund managers are objective, that with the right models and data you can remove emotion and bias. I don't believe that. Every fund manager brings their life with them into their work. Their upbringing, their experiences with money, their exposure to loss, and their tolerance for risk all shape how they think and how they act. These factors do not disappear when you sit at your desk. They become part of your decision-making process, especially under pressure.

Some managers are naturally aggressive. They are comfortable taking big risks and can perform well in rising markets. But those same traits can lead to significant losses when markets turn. My experience has led me to a different mindset. I have learned that recovering from losses is far harder than making gains. Capital, once lost, is not easily rebuilt. And most importantly, you do not gamble to get even.

I have never been a trader. I do not buy shares based on tips or short-term expectations. Every decision I make is driven by long-term thinking. Getting the big decisions right makes the rest much easier.

Over time, all these experiences have shaped a simple principle that guides everything I do. Capital preservation comes first. Always. This does not mean avoiding risk entirely, but it does mean respecting it. It means thinking like an owner, focusing on downside protection, being willing to do nothing when there is nothing to do, and maintaining discipline when others lose theirs.

If there is one quality that defines a good fund manager, it is not intelligence. It is the ability to live with uncertainty. Markets are unpredictable. There are no guarantees. There is constant pressure to act. But often the right decision is to be patient.

The challenge is not just making decisions. It is making the right decisions while knowing you may be wrong. That requires conviction without arrogance, patience without complacency, and discipline without rigidity. Above all, it requires avoiding greed. This is not a short-term race. It is the tortoise that wins.

Looking back, my journey into fund management was not planned. It developed over time through my family experiences, my early career, and what I observed in others—both good and bad. There was no single defining moment. It was a gradual process, shaped by experience and reinforced over time.

In the end, investment philosophy is not just about how you think. It is about who you are. Your history, your successes, your mistakes, and your experiences with loss all become part of your process.

The most important lesson for me is this: The best fund managers are not those who try to be everything to everyone. They are the ones who understand what they are good at, stick to their process, and have the discipline and patience to follow it through. I found that good Fund Managers are inquisitive, have a wide understanding, can invert and understand risk.

Because in this business, it is not just about intellect. It is about attitude.

As Simon Marais, Chief Investment Officer at Alan Gray once said, do not buy the companies you hear about around the braai. The herd often gets it wrong. In investing, doing the opposite of the crowd is often what protects you.