platinumportfolios

thoughtful investing for private clients

Brilliance Doesn’t Build Portfolios – Consistency Does

By Stuart Green, Portfolio Manager, Platinum Portfolios

Why consistency beats brilliance in multi-manager investing

South Africa's investment landscape has never rewarded short-term thinking. Yet the pressure advisors face - from nervous clients, volatile markets, and a relentless news cycle - constantly pulls in that direction. The challenge is not finding the best-performing fund of the moment. It is building portfolios that deliver what clients actually need - consistently, across the full cycle.

A multi-manager structure carries an additional layer of cost, and the question of what that buys is legitimate. The answer is two distinct layers of active decision-making - asset allocation and manager selection - both managed with dedicated focus within a single Regulation 28-compliant vehicle. Most advisors do not have the capacity to run that process rigorously across their book. A well-run multi-manager team does it full-time, and the net return to the client, after all fees, is the measure of whether it is justified.

The wrong benchmark

Perhaps the most pervasive misalignment in the private client investment industry is the obsession with peer comparison and maximum returns. Performance tables are seductive - they create a clear, simple hierarchy that is easy to present and easy to understand. But for a private investor with a specific goal, they are largely irrelevant.

A retired client drawing income from their portfolio does not need to beat their peers. They need their portfolio to deliver a real return above inflation - consistently enough to sustain their income, preserve their capital, and protect their purchasing power over a retirement that may last 25 or 30 years. A client still accumulating wealth needs their savings to compound at a rate that meaningfully outpaces inflation over time. Neither objective is served by chasing maximum returns, which invariably means taking on risk that has no connection to what the client actually requires.

The right question is not "how does this fund rank?" It is "does this portfolio deliver the return this client needs, at a risk level they can sustain?"

The illusion of the perfect manager

That reframing has direct implications for manager selection. Every manager has a style - value, quality-growth, macro-driven - and every style has its season. A manager at the top of the performance tables in any given year is often simply the one whose style happened to be in favour. Concentrating in that manager means the client absorbs the full impact when the cycle turns - and those cycles are often longer and more painful than anticipated.

Blending managers with genuinely complementary philosophies produces a more consistent return experience - one that is far more likely to deliver the client's required real return across a full market cycle than a concentrated bet on a single style. Key man risk adds a further dimension: when the individual behind a track record departs, that track record loses much of its predictive value. Monitoring this continuously, and acting decisively when necessary, is part of what a disciplined process delivers.

Navigating the South African environment

South Africa produces no shortage of narrative - political, economic, geopolitical - and most of it generates more heat than light. The domestic picture is more nuanced than the headlines suggest.

The advisors who serve their clients best in this environment are not those who predict outcomes most accurately - they are those who maintain conviction in a well-constructed process when clients are tempted to act on fear. A portfolio aligned to the client's required real return, rather than a peer group benchmark, is far easier to defend in difficult markets - because the rationale never changes.

In a noisy market, that clarity is the differentiator.