

A decade of discipline: how appropriate risk delivers enduring returns

Over ten years, markets have tested every strategy. See how Sasfin Asset Managers disciplined, risk-aware approach has consistently delivered top-ranked returns.



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In the world of fixed income asset management, a decade is a true test of strategy. It's a period long enough to encompass multiple economic cycles, market manias, and moments of panic.

Any observer of South Africa's markets and economy will have experienced an above average number of those moments over the past 10 years! To deliver consistent, chart-topping performance over such a timeframe is not a matter of luck, it's the direct result of a deeply ingrained and disciplined investment philosophy. With the number one ranked fund in the SA Multi-Asset Income category over the past ten years, **our success at Sasfin Asset Managers has been built not on continuous, aggressive, and high-stakes bets, but on a clear and unwavering mantra: "Take the appropriate risk at the appropriate time in the investment cycle."** continuous, aggressive, and high-stakes bets, but on a clear and unwavering mantra: "Take the appropriate risk at the appropriate time in the investment cycle."

This philosophy is best captured by Warren Buffett's famous observation: "Only when the tide goes out do you discover who's been swimming naked." In buoyant markets, when credit is cheap and yields are compressed, **excessive risk-taking can be easily masked by positive returns which can make many strategies and funds look brilliant for a season.** However, our focus has always been on building a solution prepared to deliver for all seasons, not just for sunny days.

By conducting rigorous, bottom-up credit analysis, comprehensive quantitative modelling and stress-testing our positions against adverse scenarios, we ensure our approach is appropriately clothed for when "the tide" inevitably recedes. This approach prioritises the preservation of capital, which is the bedrock upon which long-term performance is built.

Our approach to market cycles is guided by another of Buffett's profound insights: "We simply attempt to be fearful when others are greedy and to be greedy only when others are fearful." When markets are complacent and credit spreads are at historic lows, that may well be the "inappropriate time" to be reaching for yield through exposure to lower credit quality assets. This is when we exercise fear - or rather, prudence - by reducing exposure to lower-quality assets and shortening duration. Conversely, when panic grips the market and fear lead to indiscriminate selling, we see opportunity. This is the "appropriate time" to be selectively greedy, deploying capital to acquire high-quality securities at higher yields that offer a significant margin of safety.

This contrarian discipline requires immense patience, a quality often in short supply in our industry. The pressure to constantly be 'doing something' can lead to unforced errors. Here, we again draw on Buffett's wisdom regarding investor activity: "You do things when the opportunities come along... If I get an idea next week, I'll do something. If not, I won't do a damn thing." **Our performance is not the result of constant portfolio churning to prove that we are active investors.** It is the result of patiently waiting for the right opportunity to present itself. There are prolonged periods in the fixed income markets where the most prudent action is to do little, and not take extreme positions, thus preserving capital and liquidity for the moment when a compelling, risk-appropriate opportunity presents itself.

Our ten-year record is a testament to the **compounding power of prudence**. We operate with the acute awareness that, as Buffett warns, "It takes 20 years to build a reputation and five minutes to ruin it." That single thought governs our decision-making process. By focusing on taking the right risks at the right time, we have not only delivered superior returns but have also built a foundation of trust with our clients. As we look forward to the next decade, our commitment to this disciplined, cycle-aware philosophy remains the cornerstone of our strategy, ensuring we are prepared to navigate whatever tides may come.