STAYING THE COURSE — WHY TIME IN THE MARKET STILL MATTERS MOST

15 JANUARY 2026

Foord's investment philosophy, shaped over more than four decades, rests on a simple, if uncomfortable, truth: the surest way to build investment wealth is to give your investments time. Investment executive LINDA EEDES writes that staying invested creates the space for compounding to work.

Long-term data from the Foord Flexible Fund shows why the time horizon matters. Over any one year, returns can vary widely. Over five and ten years, the range of outcomes narrows and shifts upward. Even the leanest ten-year stretch since 2008 has beaten inflation by more than two percent annually; the best — by nearly ten percent per annum.

A disciplined focus on capital protection is what makes compounding possible. Aggressive funds often sprint ahead in buoyant markets. The catch comes when markets reverse, since more risk typically means deeper losses. The mathematics of recovery is punishing — a 50% loss requires a 100% gain to reach parity. Funds that lose less don't need heroic recoveries, so compounding can restart sooner. Over a full cycle, that steadiness usually wins.

Valuation discipline is another pillar. Over long periods, dividends and earnings growth drive almost all investment returns. In contrast, changes in valuation tend to wash out over time. However, valuations matter more over shorter periods. When markets are expensive, the risk of future underperformance rises sharply.

The US equity market, particularly its technology giants, continues to trade at very elevated valuations. This suggests a higher risk of low — or even negative — returns over the coming decade. Buying high and selling low has never sat well with us. Elsewhere, European and emerging Asian markets offer more attractive valuations. This is reflected in Foord's global positioning, with a more balanced allocation across the US, Europe and emerging Asia.

Technology is an important long-term theme. But tech valuations remain frothy, especially in the US. We therefore favour other markets and sectors, including healthcare and consumer staples. Quality companies such as Tencent, Roche and Fever Tree combine resilient earnings with valuations that don't stack the odds against investment success.

Structural challenges persist in South Africa, but select 'SA Inc.' businesses still offer compelling value. Midcap valuations are attractive, and improving fundamentals have allowed us to increase exposure to domestic names across financials, consumer staples, healthcare and construction. Many shares still trade below their five-year average valuations, which could add upside if sentiment improves.

The recent experience of the Foord Flexible Fund reinforces the need for a long-term view. Midway through 2024, returns trailed its inflation-plus-5% objective and investors were concerned. Yet, at the time of writing, the fund has moved back ahead of its target over almost every timeframe.

Real wealth creation is not found in the noise of the day, but in the discipline of the decade. For the patient investor time is not an obstacle — it is the greatest asset of all.

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