



INVESTMENTS

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# THE POWER OF MULTI-MANAGEMENT: TURNING CONSISTENCY INTO LEADERSHIP

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No investment style or philosophy works all the time, so relying on one investment manager's skill is like putting all your eggs in one basket. While some investors are comfortable taking this risk, we believe that partnering with the right multi-manager is a safer bet. This is because exceptional multi-managers tend to deliver more consistent risk-adjusted returns over the long term.

Let's look at our flagship Fund of Fund (FoF) in the ASISA Multi-Asset Low Equity category, the PPS Conservative FoF, as an example. Since its inception in January 2013, the PPS Conservative FoF has been the most consistent fund in the category when it comes to delivering high risk-adjusted returns, relative to the ASISA category average.

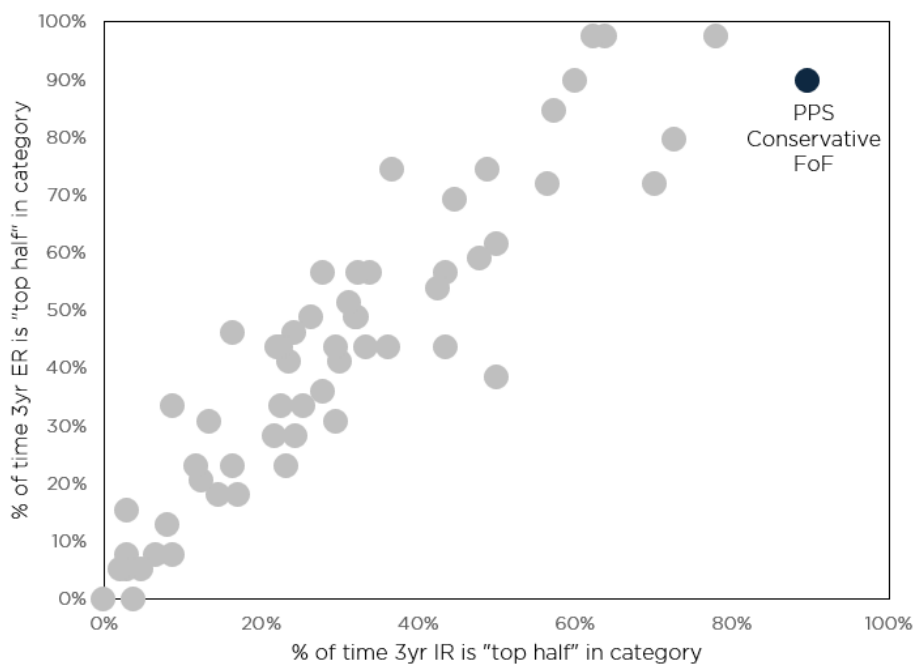
We measure risk-adjusted performance using a fund's rolling 3-year information ratio (IR) relative to its ASISA category average, where IR is computed by dividing excess return by tracking error. In simple terms, this measures how much extra return is generated for each unit of active risk, compared to a benchmark.

On a rolling 3-year IR basis, the PPS Conservative FoF has been in the top half (i.e. either first or second quartile) in its ASISA category for a remarkable 90% of the time. No other fund in the category, with such a long track record (for their primary share class), has been more consistent in delivering high risk-adjusted returns.

PPS Conservative FoF is in a league of its own. The graphic below shows it plotting furthest to the right compared to its peers in grey, where the horizontal axis plots the percentage of time that funds in the category delivered "top half" risk-adjusted performance, on a rolling 3-year basis.

Furthermore, as the vertical axis shows, excess returns versus the category have also been outstanding, highlighting that compelling risk-adjusted returns are not simply due to low tracking error.

## ASISA MA Low Equity Universe



Source: ASISA

This is not by chance. It is a common theme that extends to our flagship medium and high equity Fund of Funds as well, the PPS Moderate FoF and PPS Balanced FoF. These multi-manager solutions also rank amongst the most consistent in their ASISA categories when it comes to delivering high risk-adjusted returns, as the charts at the end show.

How have these multi-managed solutions been so consistent in delivering strong risk-adjusted returns for over a decade? And, more broadly, why does investing in a multi-managed solution leave investors better off?

At its core lies the simple truth that no single manager stays on top forever. Therefore, blending the strengths of multiple hand-picked managers leads to more predictable outcomes, provided it's done correctly.

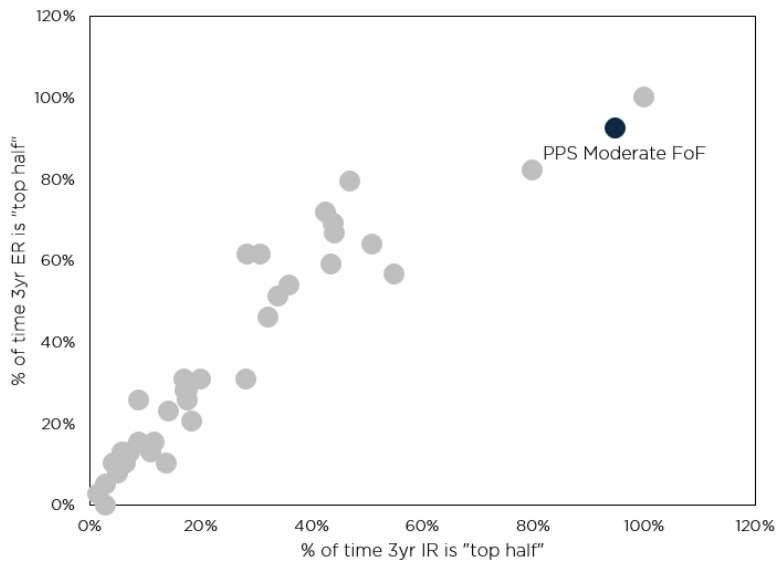
These diversified sources of return are key to achieving consistently strong risk-adjusted portfolio returns, but do not ensure success when taken in isolation. To increase the odds of success, good multi-managers rely on a rigorous and repeatable process, while being skeptical when it comes to differentiating between luck and skill.

Entire books have been written about the merits of multi-manager investing, but one underappreciated reason why good multi-manager solutions rise to the top over the long term is purely mathematical.

Well-constructed multi-managed solutions tend to be more successful over the long term because they steadily compound smaller, consistent gains rather than swing between extreme outperformance and underperformance. This matters because returns grow through compounding, not simple addition. It is therefore not uncommon for consistently second-quartile solutions to end up in the first quartile over the long term.

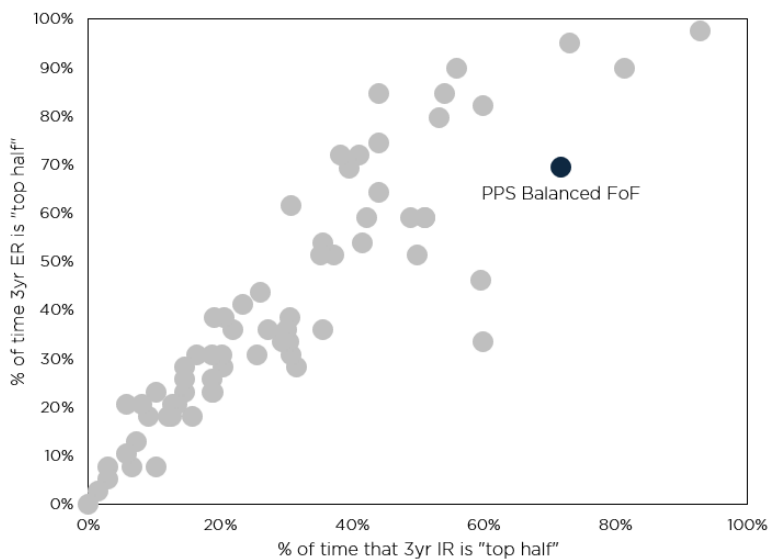
One should always guard against reading too deeply into past performance. However, in our view, a decade-plus of returns history lends credibility. That said, all of the above are merely preconditions for success, but they do not guarantee it. Selecting the right multi-manager is crucial for investors, as it can significantly impact their long-term risk-adjusted returns.

### ASISA MA Medium Equity Universe



Source: ASISA

### ASISA MA High Equity Universe



Source: ASISA

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