



Philipp Wörz

How we get the odds in our favour to deliver superior long-term returns

Philipp is the Co-Fund Manager of the PSG Global Equity and PSG Global Flexible Funds.

We apply our investment process and philosophy consistently

At PSG Asset Management, we have been investing directly in global equities since 2006.

We have a team of 16 investment professionals who analyse both local and global investment opportunities and who adhere to a simple yet structured and disciplined investment process and philosophy. We look for contrarian long-term investment opportunities that satisfy our 3Ms (Moat, Management and Margin of Safety) criteria for investment. The process and philosophy applied to global investing is identical to that used in our local funds.

We create buy lists to make the investment universe more manageable

The global investment universe can seem overwhelming at first. The key question to ask is: can we find enough investment opportunities globally, in which we can build an equal amount of conviction as our best local ideas, to populate a portfolio? In our view, the answer is a resounding yes.

We are bottom-up managers and have designed our process such that the primary output of our research efforts is the construction of a local and global buy list that consists of 25 stocks each. Limiting the number of companies we invest in based on our best ideas ensures that we stay focused. This allows us to know these companies intimately. Before a company makes it onto the buy list, the investment case is thoroughly scrutinised by a number of our team members. This ensures that we don't miss key issues and allows us to build conviction collectively. We can allocate up to five analysts to a specific stock idea – our recent top 10 holding in Brookfield Asset Management is a good example.

Context is essential to make informed, rational decisions

We read, screen and travel widely. We attend global investment conferences throughout the year where we get to meet with company management teams and other global investors. Quarterly reporting and regular conference appearances by companies, with the help of technology, also allows for continuous learning and engagement.

We recently spoke to an emerging markets fund manager based in Europe who was of the view that South African fund managers tend to be too pessimistic about their country's prospects. In his world of investing in China, Russia and Brazil, our issues seem relatively minor. I guess it all depends on context and sometimes being too close to the action can have its pitfalls.

As mentioned, our analysts look at both global and local opportunities and are not sector specific. In our view, this

provides us with the right amount of context to make informed, unbiased, long-term investment decisions. It also gives us enough distance from the day-to-day noise to think rationally and remain unemotional.

We look for great partners in the companies we invest in

By investing into the stockmarket we are in fact buying stakes in real companies. In our view, the easiest way to ensure that the capital we have allocated to companies is looked after, is to partner with management teams that have strong track records and material personal shareholdings in their respective businesses, that is, 'skin in the game'. (Greg Hopkins writes more about this in his article 'What it means to be stewards of investors' capital'.)

Neither under- or over-diversification will lead to good investment outcomes

We are strongly of the view that you should not have all your eggs in one basket. But we also believe that many investors end up over-diversifying, diluting the impact of successful investment calls. An example is Berkshire Hathaway, a company we have held in our portfolios for many years. It is a single company but, it is made up of various businesses ranging from insurance to tomato sauce.

While the focus of our research efforts is to find the best risk-adjusted investment opportunities globally, we ensure that our portfolios are not unduly exposed to a particular sector, geography or theme.

We believe there are more opportunities abroad than locally

In our view, we are still finding more opportunities abroad than in the domestic market. Some of our global ideas are significant holdings across all our portfolios.

At the time of writing this, news flow around Greece, China and US monetary policy is fluid and we construct our portfolios in the knowledge that we do not know whether Greece will remain in the Eurozone nor what the shape and timing of US interest rate rises will be.

We have deployed our investors' money for the long term in businesses where we can find a significant Margin of Safety. What happens in the shorter term might cause significant fluctuations in share prices. However, history has shown that the impact on underlying intrinsic values tend to be more limited.

Our fund range is designed to accommodate various risk profiles and time horizons. It is important that the investor's time horizon is similar to that of the fund to make sure decision-making is aligned.