Prudential Investment Managers

JULY 2020

DIY investing: Fun but risky

With online trading platforms now freely available, it's never been easier to create your own investment portfolio. But there's a built-in risk that comes with DIY investing: just because you can do it, **doesn't mean you should**.

DIY investing is much like any other kind of DIY. You could cut your own hair, but you probably shouldn't. You could fix your home's electrical wiring, but… you get the idea. And while the risks of DIY investing don't include a bald patch or a newfound respect for high voltage, they could include missing out on significant investment returns, or even worse, facing a significant capital shortfall when you retire.

As an investor, one of the biggest risks of DIY investing is the risk of making uninformed choices. For example, many novice investors mistakenly assume that setting up a successful investment portfolio is as simple as picking the funds or stocks with the best track record. They forget that while **past performance** is a good indicator of previous success, it is by no means a guarantee of future returns.
There's another risk that DIY investors run: without the expertise of a qualified fund manager, you're likely to invest in a portfolio that lacks a clear objective, is poorly diversified and that might not be suited to your long-term goals. Inexperienced investors risk getting swayed by the media

or whatever's trendy or topical, and end up buying investments that don't necessarily align to their goals, circumstances or time horizon.

A qualified, trusted, professional fund manager builds portfolios with a clear objective and investment strategy in mind. They follow a rigorous investment process to create a **well-balanced, well-diversified portfolio** with appropriate levels of risk. They also have teams of analysts dedicated to researching investment opportunities across different asset classes, and are often able to vote at shareholder meetings to ensure that their clients' interests are always taken into account. Professional fund managers are also bound by regulatory requirements, which helps to ensure everything falls within the legal parameters and you, the investor, are protected. Crucially, an experienced fund manager also comes with a proven long-term track record.

So while DIY investors might be tempted to have exposure to "big" names, such as Google or Apple, a seasoned professional would use volumes of data to know whether those equities are trading at a fair value or if they're overpriced. They will know about macro- and micro-economic factors that might influence prospective returns, determine how those equities fit into the portfolio's risk profile and then make an informed, unemotional investment decision.

A volatile market, such as the one we currently find ourselves in, is a prime breeding ground for DIY investors, with big gains on offer, but also big losses. And while it's always a good idea to invest in order to build wealth, it's more prudent to do this with the help of a qualified, experienced fund manager who can make those investment decisions for you.

At Prudential, we have the enviable track record of having been entrusted to manage our clients' hard-earned savings for more than 26 years, winning numerous awards for performance along the way. We have a range of funds for investors to choose from, based on their tolerance for risk, investment objective and time horizon. To see which Prudential funds best suit your needs, why not try our **Fund Selector tool**? Alternatively, if you're ready to **start investing now**, you can do so online in under 10 minutes without the hassle of reams of paperwork.
For more information, feel free to contact our Client Services Team on **0860 105 775** or email us at query@prudential.co.za.