

Investment Focus: M&G Balanced Fund

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M&G Investments

Amid market volatility and uncertainty, investing in well-diversified balanced funds is a good option, especially for longer-term investors looking for steady returns over time. Our flagship [M&G Balanced Fund](#) has proven to be an excellent example of a balanced fund having produced excellent risk-adjusted returns over time.

Asset allocation – a key success factor

The [M&G Balanced Fund](#)'s success is due to its strategic asset allocation, tactical asset allocation and stock selection, as well as the proven investment philosophy and process consistently applied during the Fund's successful 25-year history.

The Fund is diversified across a broad range of global and local asset classes, including equities, bonds, property, and cash instruments. As a valuation-based investment manager, we believe that South African equities and bonds offer compelling value and the risks associated with investing in these local assets are being adequately compensated. We find SA bonds to be particularly appealing due to the high real yields on offer and the potential for capital appreciation as interest rates are likely to be reduced later this year. The Fund's exposure to developed and emerging markets adds further diversification to its returns.

Looking to global assets, we're finding value in global equity markets outside the US, which we currently view as expensive. In addition to a diversified portfolio of global bonds, we hold 30-year US Treasury bonds because of the attractive yields on offer, as well as its diversification benefits for the South African equity exposure. The Fund is also invested in emerging market sovereign bonds and global inflation-linked bonds, providing downside protection against inflation risks. Additionally, we're maintaining elevated levels of global cash, which offers liquidity and risk mitigation amid uncertain global growth.

Delivering steady returns over the long term

The [M&G Balanced Fund](#) has outperformed its benchmark, the ASISA SA Multi-Asset High Equity Category Average over the medium to long term. The Fund returned 9.8% p.a. (A class, net of fees) versus the benchmark's 8.5% over three years and outperformed its benchmark by 1.5% p.a. since its inception in 1999*.

This type of performance is typically what longer-term investors are looking for: growing capital faster than inflation and with fewer and less dramatic downturns along the way than a 100% equity portfolio.

Resilient throughout market cycles

The key is balancing the many different sources of risk associated with each instrument to create a portfolio that is resilient in different types of investment environments. Resilience can be reinforced through the price paid for an investment as well: purchasing an asset at a discount to fair value provides a margin of safety for unexpected market outcomes.

The [M&G Balanced Fund](#) is a good example of how M&G's team of experienced portfolio managers has managed to successfully navigate the investment environment. The long-term performance also bears testimony to the value of balanced funds during periods of volatility, including the Global Financial Crisis and the COVID market crash,

among others.

With a proven track record of 25 years achieved through consistently applying our investment process, this fund has delivered steady returns and is poised to continue delivering superior returns over the long term, making it a good option for retirement provision and investors seeking steady long-term growth.

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