

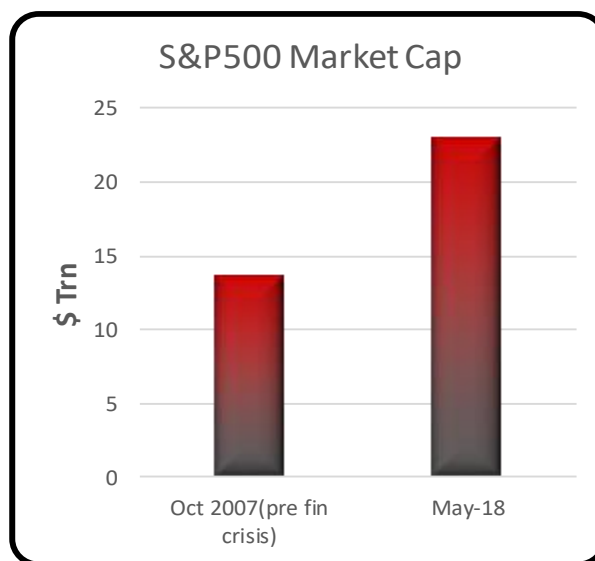
The White Elephant in the room

The picture being painted for the future generally resemble some version of a place run by Titans, with the little guy standing no chance. In the movies, an event usually leads to some brave soul attempting to bring the system to it's knees. This simply because it sells, as it resonates with most of us. In reality these battles happen daily, albeit on a much less dramatic scale.

The lower middle class live in more comfort now than the rich did as recently as 30 years ago, and this trend is set to continue due to technological advancements. This means we will need to do less and yet have more comforts, but life is a relative game and it is human nature to fight inequality, especially if you are on the wrong end of it. We see this in everyday life with niche food markets and various other personal touches being preferred over being "processed efficiently".

People naturally start allocating resources more broadly as the world becomes more impersonal, sacrificing paper efficiencies for community and a personal connection to the world. I think this is relevant now more than ever, as people are increasingly tolerant of different views and lifestyles, and many do not only wear their hearts on their sleeves, but almost advertise their deepest feelings and weaknesses to the world through social media. It's not all about efficiencies and cost savings, we naturally resist a world of mega corporations commanding hordes of virtual clones. Humans need humanity.

When it comes to economics, I am unconvinced government intervention in its current form can still help the man on the street in times of difficulty. Using the aftermath of the 2008 financial crisis as an example, when the economy became unfavourable for business, large corporations could justify cost cutting. Quantitative easing is implemented to stimulate the economy, but because of technological efficiencies these corporations don't need to re-employ all resources, or at least not at the same level. Years down the line this might not show in unemployment stats but combining this with very little real wage inflation for years, it is hidden in the foggy realms of underemployment.



*Source: Nomis

The same goes for Monetary policy, where interest rate cuts do not necessarily get passed on the end user by credit providers in times of adversity. Whichever way you slice it, Joe Soap carried the brunt of it and large corporations are better off in many aspects. The only Equalising factor that could stop this is for the entrepreneurial spirit to kick in, but barriers to entry in most markets are reaching insane levels. A truly vicious cycle if left unchecked.

The need for a personal touch is nowhere more prevalent than when dealing with people's money, as it essentially represents the security they feel about their futures, so it's hardly surprising that they are emotional about the subject. This is where the client facing sector of the market that offer financial advice play such a crucial role. In my opinion they are the backbone of the Investment industry, Investment specialists fall short in hearing their specific needs and understanding that they are all unique with diverse client bases and needs.

They provide an intimately personal service, and in turn should receive the same from whomever help them manage their client's investments. The model of getting dictated to in a cookie cutter fashion to fit the mould is no longer good enough, they rather need someone to spend the appropriate amount of time to establish a custom plan to deal with their unique needs and listen to their insights. This is near impossible for a large corporation to provide, as they need control over all their agents to ensure they act uniformly, to manage their own risks.



**Source: Dreamstime & Nomis*

Although it is tricky to provide a bespoke service whilst adhering to cost pressures, it is attainable if your overheads are not excessive. An agreed upon risk management plan can be implemented based on a business's specific attributes. Applying this consistently means controlled flexibility going forward whilst not having to guess the implications. Managing investments does not have to be rocket science if you are structured, it basically breaks down to Portfolio Construction and Risk Management, and if this is done effectively it creates capacity in the budget to pay up for alpha managers to add the incremental alpha where needed.

Brand awareness is a fact of life though as it makes for an easier sale and provides a place to hide amongst the crowd in times of volatility. Most would also insist on having that logo on marketing documents to give them ease of mind that "the big boys" are looking after their interests. The point here is not that there is a white elephant in the room that is unapproachable and oblivious to your personal needs, but rather that they fit somewhere else in the value chain.

I believe brands are incorporated in Investments solutions appropriately by holding the funds rather than have them build complete solutions, as this should already incorporate their views and is the only way to ensure truly independent investment advice.

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