

Factors to Consider When Choosing a Fund Manager

The journey of venturing into investments calls for a lot of knowledge and research. Before venturing into any investment, conducting your due diligence is very important. For most people, the investment selection process involves picking mutual funds based on their past performance and future potential, but performance alone is not enough indication. A fund manager is required to keep a close eye on the markets, economic trends and policies to ensure that your hard-earned money does not go down the drain but instead yields attractive returns.

Below are key factors to keep in mind when choosing a fund manager:

Personal investment goal

As an investor, you ought to have established the intended investment goals that you wish to achieve before authorizing a fund manager to hit the ground running. This involves determining the level of returns you are aiming for, understanding your risk appetite, and an idea of how long you are willing to hold on to that investment fund. This is because there are short-term investments and long-term investments that affect access to cash. These concerns deserve to be the key considerations in choosing the appropriate fund manager.

Competitive Edge

A fund manager's competitive edge is only an advantage if it can be repeated consistently. Although past performance is not a measure for the future, it still remains an important component in selecting a consistent performing fund manager. Analyzing a fund manager's track record and assessing their performance is key before making the decision of working with them. Performance is a product of both skill and luck. A shrewd investor needs to investigate fund managers to distinguish the skilled from the lucky.

A fund manager who exhibits a constant performance over market cycles demonstrates the experience and expertise to navigate a collection of investments and holdings like stocks, bonds and mutual funds through tough times as well as generate superior returns when markets are high.

Investing technique

Different fund managers have different investment styles. They may opt for long-term investment or short-term positions in different investment vehicles such as stocks and bonds. Some managers may completely ignore the benchmark composition and create a portfolio according to their views on the market while others may align the portfolio in line with the underlying benchmark. Another manager may liquidate part of the portfolio and invest it in cash equivalents while the other may remain fully invested in the market nearly all the time. Your fund manager is supposed to guide you on the best investment to venture into depending on your short-term or long-term goals.

Benchmark index performance

A benchmark index is a standard that measures the performance of mutual funds, stocks, bonds and securities in the stock market. Benchmarks enable investors to evaluate the performance of their investments. Each investment has a benchmark index that it intends to outperform. If a fund manager



seems consistent in outperforming the benchmark index, then they may be worth investing with. However, it is important to check out a manager's achievements during a market downturn. This is because many fund managers tend to better their benchmarks when markets are rocketing, which might make it a bit difficult for you as a potential investor to determine whether the outperformance is out of skill or sheer luck. Investors should choose a skilled manager and not one who rides with the tides of the markets.

If you are looking for a fund manager, Orient Asset Managers Limited is your reliable investment partner. Our teams have applied a risk-based approach to asset allocation and a disciplined investment process all in the quest of holding your hand through all your investment and wealth creation journey.

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