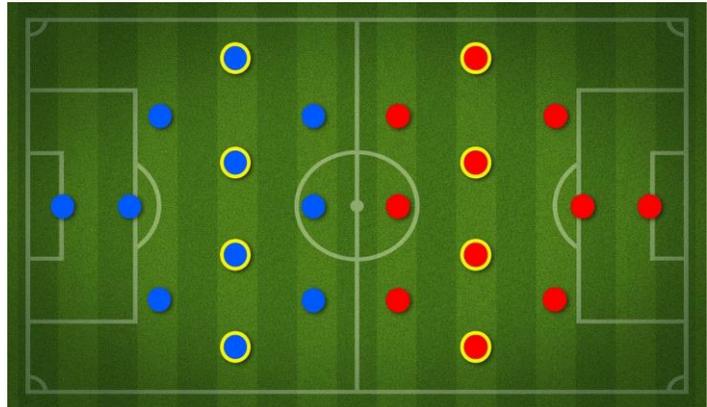


# Is your investment portfolio performing like a balanced team?

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Most people love sport! Statisticians claim that more than half the world's population see themselves as football fans. That is more than 3.5 billion people! Like a good football game, played with passion and cheered on by a roaring crowd, a good investment portfolio brings all the excitement of a win to its owner.



A quick take on what is to follow:

- Consider the similarities between how a football team is structured and the way you construct your investment portfolio. Balance is key!
- Experts are of the opinion that a balanced investment portfolio should consist of roughly 15% to 20% of REITs.
- Choose a manager you can trust and ground that trust in the manager's performance.

Similarly to a football team, an investment portfolio has certain characters and roles to be filled. We need a solid defensive structure we can rely on and an attacker that can take some risks to score glorious goals! We also need a goal keeper to defend our pride and a clever coach who can outsmart the general coach that makes excuses after every loss. We will look at these characters in some more detail below.

## The defensive structure

A good football game is played strategically: You don't want to lose all you have gained by letting through attackers who can score against you. Similarly, a well-planned investment portfolio will have a defensive structure, comprising those players that don't slip up. They don't make mistakes and provide stability to your portfolio. These stable players should make up a fair amount of your portfolio.

Playing with a high appetite for risk, like playing with 10 strikers and a goal keeper, might help you score lots of goals – but might likewise let you concede some easy goals. From here you can build a team that can compete and bring back the trophies.

### **The fearless attacker**

Moving from the back to the front of the field is where you will find most of the excitement (and disappointment at times) on the football field. These investments are possibly higher risk players. They will score some goals. In their peak they might even score in every game they play or be the top scorers for a season. Like the playing field, the market is also not stable. On the upside, a higher risk might bring better returns, but on the downside, there is no guarantee.

In the game of football, the aim is to find an attacking player or two that has the characteristics of adding value to the team consistently. In investment terms, we look for those opportunities that could generate excess returns for your portfolio compared to benchmarks and market trends. You might even have to take a chance on these players at certain stages when other players might also be down on form.

### **The goal keeper**

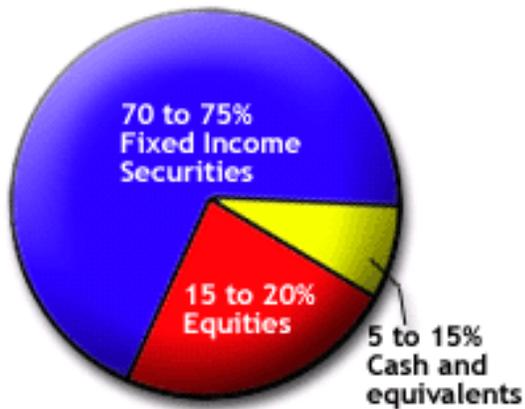
In football, the goalkeeper provides the last line of defence. In investment terms, the goalkeeper is the part of your portfolio that tries to hedge against the worst-case scenarios. This player on your football team would be the player you keep on your side to prevent you from conceding a goal should the ball move towards your goal post. In your investment portfolio, the goal-keeping investment is one you utilise to align a part of your portfolio with the market trends or benchmark names.

### **The team**

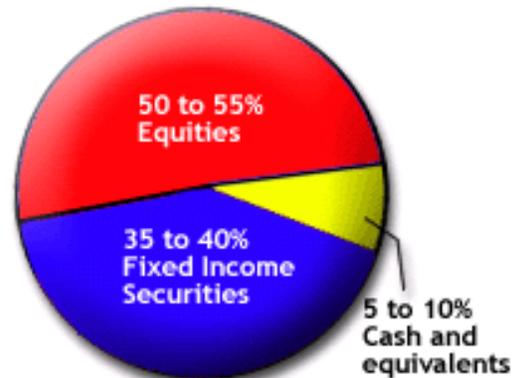
The selection of products that make up your investment portfolio is as important for the growth of your wealth as the selection of players is for the strength of a football team.

Investopedia describes a 'Balanced Investment Strategy' as *"a portfolio allocation and management method aimed at balancing risk and return. Such portfolios are generally divided equally between equities and fixed-income securities."* Your investment options should however be aligned with the risk you are willing to take.

## Conservative Portfolio



## Moderately Aggressive Portfolio



*Accepted Standards on portfolio construction – Investopedia.*

The players and roles mentioned in the article are individually important, but **nothing is more important than the team**. The weakest player in your investment portfolio will most likely leak some returns you could have gained with a stronger product, or a more balanced portfolio.

According to Ralph L. Block, author of Investing in REITS, a balanced portfolio contains 15-20% of REITs. Block also stated that by increasing your portfolio's exposure to REITs up to 20% you will have less volatility and better returns. There are basically two types of REITs, equity and mortgage REITs, and these have unique characteristics that make them great portfolio diversifiers.



## The coach

The team coach plays an important role in influencing players and motivating them to perform as a team, above their individual abilities. The team coach is the driver of the team... When choosing your team coach for your portfolio, choose wisely. Be careful not to get hung up by the big names, but choose a coach you can trust. In football, a good choice is made when the coach is chosen on performance. Similarly, in choosing the coach to manage your portfolio, choose a portfolio manager whose past performance speaks for itself.

## Conclusion

So, where to play and who to play? That is the question!

You are the manager of your portfolio. You should make the decision on whom to play. Remember that your investment portfolio must be balanced and diversified, and the careful selection of products is critical in building a strong portfolio that outperforms other investment opportunities. Assess the products you choose. Look at their performance statistics and choose wisely.

Reitway Global will gladly answer any questions you might have on allocating a portion of your portfolio to REIT investments. [REITWAY](#)

### References:

Investopedia

The Motley fool – “How much of your portfolio should you put in REITs” by Brian Richards

Forbes.com – “REITs and your portfolio” by Rick Ferri

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