



Investing: Mental toughness.

By Saftar Sarwar, Chief Investment Officer, Binary Capital Investment Management

Hindsight is great, it is a great leveller. With hindsight everyone is a successful investor, forecaster and strategist. It becomes easy. Everyone becomes an expert. The real skill that often goes unappreciated is looking forward and making forecasts about the future, often bold forecasts. Not only making such forecasts but *positioning* the relevant investment portfolios as such to take into account such forward views, positioning portfolios with views aligned. This is challenging when such views are broad and bold and away from consensus – indices or peer groups, these views can often be long-term in nature. It may look easy to invest like this, in reality it is very difficult.

To general positive returns, returns significantly better than benchmarks, the peer group, other ‘active’ competitors takes considerable effort, intelligence and conviction. It is not easy. It is very easy to follow what others are doing, how they invest or look at the world. It is hard to be different. It is easy to be a ‘closet index-tracker’ or indeed invest via indices themselves.

It takes mental strength, resilience and great confidence to stay the course, it also requires having a low ego and a sense of humility to always be looking to be doing the right thing day by day, over days such actions will lead to results. Daily making sure our investment views and investment positions are completely aligned, always looking forward.

Having a patient investment capital mindset takes on a strong level of mental agility. Mental strength to have an ability to have full confidence that the investment thesis will play out as it is developed. Mental strength to ignore the prevailing general consensus and be different, different for the *right* reasons. Look at the uncertainty out there and make intelligent and long-term decisions around this. Mental strength if things change, if the thesis changes, you changed. This is not dogmatic investing, this is real investing.

In any such investment strategy there will be periods of under-performance, this is a given, the period could be short or even prolonged. We actually expect under-performance from time to time, it is indeed a *validation* of our investment strategy. It is during that time that mental resilience and toughness needs to be maintained



and a resolve that the right strategy is being executed. As the saying goes: everyone is clever after the events. It is before the events, during the events that the real cleverness and insight occurs. With hindsight the good work seems apparent to others and obvious, it was never obvious years ago.

We at Binary Capital have a long-term approach to investing, amongst many people in our industry it is a fairly unique way of investing: high conviction, long-term, ignore periods of under-performance and only make changes when they need to be made, and not for the sake of 'action' or short term insights that are often not market material and usually random. It is in the long-term that the real investment winners arise. It is by undertaking all the investment research that we can look to deliver on such investment winning opportunities whether that be with investment fund choices or indeed our equity investing within our 30 best ideas proposition.

To the above end we do need to have a very focused and disciplined mindset. Monthly, quarterly numbers are relatively useless. We are not index managers, we do not watch the index closely (if at all) we care for making money for clients in a clear, consistent and transparent manner. Our investment returns bear out this investment philosophy and validates what we do.

The choice in our industry is very clear, do you want a level of uniformity surrounded by marketing and sales speak, or do you want something genuinely different, radical and prepared to look forward at all times and make a different to clients in the investment landscape for the short-term and long-term.



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