INVESTING YOUR LUMP SUM IN 2021 – THE MOST SUITABLE OPTIONS

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With 2020 almost in the rear-view mirror, the US elections concluding with a relatively market-friendly outcome and promising Covid-19 vaccines on the horizon, investors are starting to look towards the new year and a return to normal.

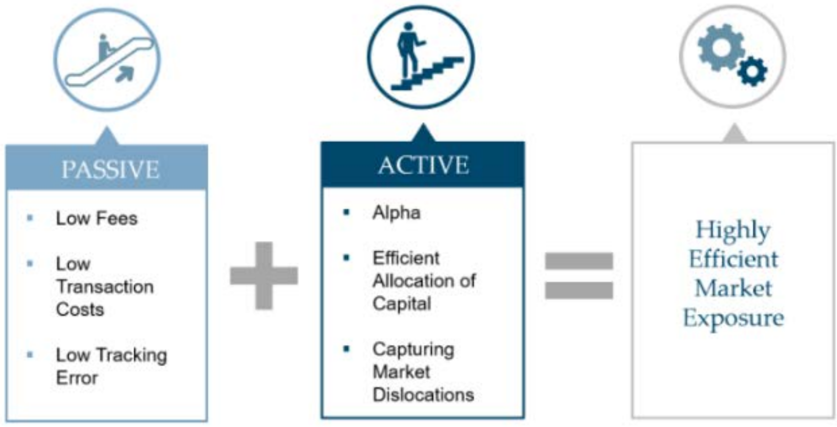
Lump-sum allocations often occur in the first few months of the calendar year, with investors taking advantage of annual TFSA allowances, bonuses and possibly even a cheque from Santa. But what are the most suitable investments in such uncertain times, and with so many options on offer?

It's important to understand that in this type of environment, there are whole armies on the move, rather than just minor skirmishes taking place. That means it's crucial to establish where to position a portfolio to capture all eventualities – enabling you to move when opportunities arise, earn stable premiums while the odds are stacked against you, and not burn through your capital base while waiting for the tides to turn.

Investing a lump sum in a single asset class such as equities using your TFSA allowance would run the risk of mistiming the market through yet another selloff – a problem which lends itself towards a multi-asset solution, enabling portfolio managers to capture the moves of asset classes (like taking an overweight in equities) only when those assets are deemed attractive. Once the style of fund is picked (for instance a multi-asset fund), the choice remains as to which manager to pick.

That brings us to the benefits and costs of holding passive and active investments. In general, the trend towards passive investments has been a result of their low fees (especially during periods of flat markets) and more of a "get-what-you-pay-for" approach. The downsides are that during dislocations where opportunities arise, passive funds can't rise to the occasion, and you underperform the benchmark by design through the fees you pay. For active funds, the upside is that there's significant opportunity to capture alpha from market dislocations, but you generally pay away that alpha through the higher fee loads.

At Prescient, we believe investment nirvana can be achieved when you combine the best of both worlds through the Prescient Balanced Fund emulating passive products with low fees and maximum certainty of outperforming the peer group, while harnessing an innovative method of earning back the fees usually paid away by passive investors vs their benchmark. All the while, the Fund is still able to outshine passive funds by capturing market dislocations such as a slowdown in global growth through both a robust base portfolio allocation and a systematic method of capturing and tilting into market dislocations in measured amounts should they arise – aligning with investor needs and making sense of the noise.



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