

Trust Your Swing

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Even if I had never played soccer, rugby, basketball, or golf, I can imagine the levels of pressure that a Lionel Messi, Handre Pollard, Michael Jordan or Rory McIlroy feels in those crucial moments - on the biggest stages of all, in front of millions and even billions of people that includes their family, friends, peers, countries, and even continents. Career-defining, indeed.

Looking closely at these super athletes, the best of the best ever, they all have one thing in common – they follow a clearly defined **process**, which is unique to each player, and that they **know** works best for them. When it really mattered most, when they got their opportunity of a lifetime, as they made that final penalty kick, throw, or putt, these athletes dug deep into their muscle memory and knew to trust their own proven process. I daresay they even made it seem easy!

At the top of any competitive endeavour, raw talent can only get you so far. Top performers become top performers by deliberately practicing harder than anyone else, by working with the best mentors, by figuring out the tiniest details, and by experimenting relentlessly to keep improving their process. However, what may appear to outsiders as a flawless performance, is always produced by an individual with a deep awareness and accurate understanding of all their personal flaws that produced a unique process to overcome them – one that is **repeatable** under the most extreme pressure conditions.

Such a unique process is immensely valuable – but only to the extent it is followed every single time. Many amateur golfers will be all too familiar with the experience of making a swing change in the middle of a round. Disaster inevitably follows. Heaven forbid if I do so on the ‘friendly advice’ of another player in my fourball.

Does this notion link into the competitive endeavour of investing? Of course it does.

Global stock markets have been one-way traffic since March 2009. All market participants with less than 16 years of experience have only ever seen a bull market – the chart goes up and to the right. The S&P500 index is up an incredible 10 *times* since 2009 [including dividends]. Making money in the stock market has never been easier, and has been so-called ‘democratized’. Seemingly, everyone can be a winner, and there are no losers.

I propose that it is vitally important, at today’s point in market history, to fundamentally recognize that the last time global stock markets produced an extreme high pressure event was over 16 *years* ago. All market participants who started after 2009 have essentially been ‘trained’ on flight simulators that excluded all of the hypothetical worst case scenarios. How can anyone develop a robust process if they have *never* experienced any actual or even simulated setbacks? The answer is that it is somewhere between highly improbable to impossible. I am being overly polite. The truth is that it is the latter. Sorry.

So, what do you think is going to happen when market participants that do not have a tried and tested, repeatable investment process eventually encounter an extreme pressure event [i.e. a proper bear market]? Those are career-defining moments, indeed. If financial market history is anything to go by, and you bet it is, market participants without a trusted swing can be expected to fold.

As the saying goes: ‘forewarned is not forearmed’. It means “*Simply knowing about a potential problem or danger is not enough to be truly prepared to deal with it*”

My sense is that an unusually large number of market participants do not even seem to know they are facing a potential problem or danger, let alone what to do in order to truly prepare themselves. When the stock market index pawpaw hits the industrial fan, I suppose they could just google it, or perhaps ask a friend in their fourball? Taking one wrong answer away will not be an option.

Our work continues...

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