

FOMO: Not so fast

FOMO, it's a word of the younger generation, but we do all kind of use it. It means the "Fear of Missing Out". Even if you don't use the expression, you have had the emotive experience. It is an established and widely studied psychological phenomenon. Research papers go back to 1954. Social Comparison Theory, Scarcity Bias, Herd Behaviour, Loss Aversion, Regret Anticipation, Belonginess Need are all terms to describe the same feeling. Essentially, being left out! In the investing world you could define FOMO as the emotional tax investors pay for seeing other people get rich faster! If you know anyone seriously invested in Gold or Nvidia, you will undoubtedly be paying severe emotional tax right now.



Robin Gibson

In the last three years gold and Nvidia have gone stratospheric. Gold has effectively delivered a compound annual return of 41% per annum, moving from \$1,854 an ounce in March 2023 to the recent peak of just under \$5,500 per ounce. Of course, Gold investors may be paying emotional tax to Nvidia investors who have seen the Nvidia share price move from \$23.19 to \$177.19 over the same time. That's a crazy 97% per

annum. (To match that would imply a gold price of \$30,400 an ounce).

While we all may have knowledge of some individual who benefited from these crazy price swings, it's unlikely that we will know a multitude. What we will also never know is what risk they took to get that return. It is really not the kind of wise investment choice that would be appropriate for a retired investor or someone who has built reasonable assets over a sustained period. This is the behaviour of the gambler or the wealthy who knows failure with a portion of his money will not derail his future. His investment may be substantial in monetary terms, but not so in relative terms.

I was recently reviewing two clients' portfolios. Both are retirees but each has a different dynamic. One has substantial wealth and can draw under 3% of the market value of their portfolio to sustain their lifestyle. This means that this portfolio has very little property in it (less than 10%), since there is no need to sweeten the yield. The other has assets but to sustain their lifestyle draws just in excess of 5% from their portfolio per year. This portfolio has close to 30% in property and endured a torrid time between 2018 and

SPEED READ

- FOMO is the emotional tax investors pay when others get rich faster - often ignoring the risks those investors took.
- Gold and Nvidia's extreme returns distort perspective, tempting investors to imagine unrealistic "what if" scenarios.
- Diversified, income aligned portfolios still delivered strong long term results, despite missing flashy performers.
- History shows that staying invested beats chasing winners, proving that steady, disciplined strategy consistently outperforms short term hype.

2020 with the well-publicized events of those years. In both cases these portfolios have had a stunning last 3- and 5-year return, in both cases delivering at the higher 6% over inflation we expect for growth portfolios. The higher yield portfolio has done substantially better, but that is only because property has staged a stunning recovery since the Covid lows.

COMPARISON OF PERFORMANCE

	Listed Property Exposure	Last 3 Years Return (Annualised)	Last 5 Years Return (Annualised)
Portfolio 1 (Income draw less than 3%)	<10%	10.50%	11.10%
Portfolio 2 (Income Draw over 5%)	Approx 31%	16.30%	16.10%

The performance over the last three and five years for two selected income portfolios

Now the nature of FOMO is that we look at our current investments and estimate the value had they been invested

elsewhere in something like Gold or Nvidia, the two instruments recently hogging the limelight. The numbers are staggering. One million Rand invested in Gold three years ago would be worth around R3,395,606. Yet that's child's play, because the same million Rand in Nvidia would be R16,399,856! Sadly, that's how our mind leads us. However, the reality is a little different. It is highly unlikely that we would have taken a single investment bet with our core savings, so even doing the calculations is merely taunting yourself. The prudent investment philosophy proved over time is diversification. (Note: As professional money managers, when it comes to diversification, we will be far more uncomfortable with the large weighting of a single stock than an individual investor running his own portfolio. My own example is perfect in this regard. I have a personal portfolio which I manage myself and then a 'family' portfolio managed by the Harvard House team. My single biggest holding in the Harvard House portfolio is Richemont at 8.9%, whereas in my self-managed portfolio it's 38% in NEPI!).

Nonetheless, let's assume we had in prior years chosen to diversify into some Gold and Nvidia in our two portfolios (not highly likely as they are income portfolios, but we are exploring context here so please grant me some latitude). I have run the example on pure percentage changes in the base asset, which means I have not taken into account redemptions to pay income, nor the movement of the Rand, so this exercise is unlikely to be auditing accurate, but it will nonetheless demonstrate the point. The table below illustrates how the addition of a small portion of these super performers lifts performance over the existing portfolio returns.

COMPARISON OF PERFORMANCE: INCL GOLD & NVIDIA		
	Last 3 Years Return (Annualised)	Last 5 Years Return (Annualised)
Portfolio 1 (3% Gold 3% Nvidia)	23.4%	20.40%
Portfolio 2 (5% Gold 5% Nvidia)	17.9%	18.4%

This table highlights the improvement in returns from having a small exposure to either Gold or Nvidia over the past three or five years.

Once again, it is a little normal to feel some righteous indignation at this point, or should I say pay a heap of emotional tax at a missed opportunity, but maybe it is actually a good time to stop and take a more sober look at history. The horrendous thing about history is that when we look back at it, we are perfectly aware of the key events and the obvious thread that connects it. That empowers us to criticize investment decisions very easily. The reality though is that as we live through it there



Gold has performed very well in the last 20 years as investors seek safe havens from geopolitical instability and inflation has risen across the world.

is significantly more information and varied opinions to sift through. Let's use a very real modern-day example. Currently Israel and the US are pounding Iran, and any return fire has been largely shot down by sophisticated weaponry. There is a fierce debate as to who might run out of armaments first. On one side there is opinion that Iran is deplete and is on the canvas, while on the other there is a well-constructed argument that the price differential between the cheap Iranian drones and the exorbitant defence missiles means it's just a matter of time before Iran has its day. History will decide, but right now the correct side is unclear. Yet the answer will have very different outcomes for assets prices and markets, that's for sure.

Having positioned that, let's try and transport ourselves back to early 2021 and reconsider how we may have acted at the time. There was no indication at the time that Gold or Nvidia were going to experience this massive rise. Gold has been driven more by Geopolitics on Donald Trump's re-election which didn't appear until 2024. In addition, in early 2021 you might just as easily have invested in chip maker AMD which had outperformed Nvidia and seemed like the likely key competitor to Intel. In fact, the two chipmaker performances pretty much moved in parallel right up until late 2023. If you are honest with yourself, you would be much more likely to have wished that we had added some Bitcoin or Tesla to your portfolio (Please Note: I am aware that there are some perennial Gold Bulls out there, who have waited more than 10 years to be proved right by current events, I specifically exclude you from these comments!) If we had taken that more likely route, how would it look? The results are in table 3.

I was very surprised by these results and had to check them multiple times to ensure I hadn't missed something. The investment industry talks about the search for a "10-bagger" – the share that multiplies ten times over the period you own it. Having it in a portfolio can turn average to exceptional, two in a portfolio creates euphoria. Finding it is the very hard part.

In closing I want to return to the two Harvard House portfolios

**COMPARISON OF PERFORMANCE:
INCL BITCOIN & TESLA**

	Last 3 Years Return (Annualised)	Last 5 Years Return (Annualised)
Portfolio 1 (3% Bitcoin 3% Tesla)	14.1%	11.50%
Portfolio 2 (5% Bitcoin 5% Tesla)	10.5%	15.6%

How some exposure to Bitcoin and Tesla five or three years ago would have impacted existing portfolio performance.

I have used for comparison. Both suffered greatly during the decade of woes in South Africa and the Covid crisis. Gratefully, in both cases the investors see us as partners and stayed the course. The portfolio drawing lower income didn't suffer as badly during the listed property collapse, obviously because of lower exposure. Nonetheless, the portfolio still went sideways for close to 6 years, but when we consider the

portfolio back to 2009, then through the cycle the investor has enjoyed a substantially better return than inflation plus 6% per annum - a target we reserve for equity performance without income withdrawal. The portfolio drawing higher income took much more pain, at points during the peak of Covid they were barely above an inflation beating return and the portfolio went sideways for 9 years. Patience has been rewarded however, and this portfolio has returned just under the inflation plus 6% mark over the period. This portfolio has benefited from the exceptional recovery in the property sector over the last three years. Both collected their income consistently through the poor times. They are prime examples that poor periods don't determine long-term outcomes and that sometimes solid and boring are just as good as flash and exciting. Isn't that a concept we learned during story time in our very formative years, something about a hare and a tortoise?



Tesla's electric vehicles have changed the shape of the global car industry.



Our next seminar will be held in June. As usual, we will review the first six months of the year and update our outlook for the remaining six months.



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Topic: **2026: The first six months**

Natal Midlands

Date: 4 June 2026

Venue: Christ Church Howick, 23 Mare Street, Howick

Morning Time: 10am for 10.30am

Evening Time: 5.30pm for 6pm

Johannesburg

Date: 9 June 2026

Venue: Rosebank Union Church, Cnr Winne Mandela Drive and St Andrews Road, Hurlingham

Time: 7am for 7.30am

Cape Town

Date: 11 June 2026

Venue: Kelvin Grove Club, The Brodie Room, 144 Campground Rd, Newlands

Time: 7.30am

Venue: ABRU Motor Studio, Lourensford Wine Estate, Somerset West

Time: 5.30pm for 6pm



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Performance figures quoted for the portfolio is from Morningstar, as at the date of this document for a lump sum investment, using NAV-NAV with income reinvested and do not take any upfront manager's charge into account. Income distributions are declared on the ex-dividend date. Actual investment performance will differ based on the initial fees charge applicable, the actual investment date, the date of reinvestment and dividend withholding tax. Performance fees do not apply to any funds managed by Harvard House. The manager does not provide any guarantee either with respect to the capital or return of the portfolio. A schedule of fees, charges, and maximum commissions are available on request from the manager.

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