BRENTHURST
THE HOME OF WEALTH

THE POWER
OF INDEPENDENT ADVICE

www.bwm.co.za

TWO STRATEGIES TO RIDE OUT MARKET VOLATILITY

BY RUAN BREED | FINANCIAL ADVISOR AT BRENTHURST STELLENBOSCH & GEORGE

Are you feeling nervous because of recent swings in major stock markets? You're certainly not alone. Many of us watch our investment portfolios with a mix of concern and confusion during these times of high volatility.

Understanding the dynamics of the market's ebbs and flows, and learning how to navigate them, can not only ease your concerns, but also place you in a stronger financial position. Here's a closer look at what causes market fluctuations and two key strategies that can help you manage your investments more effectively during these times.

WHAT IS MARKET VOLATILITY?

Market volatility is basically how often and by how much stock prices go up and down. Think of it like the weather – it changes often and can be hard to predict. These changes can happen for many reasons, such as world events, how companies are doing, and how professional investors are feeling.

It's important to know that these ups and downs are a normal part of investing, similar to expecting sunny days and rainy days. Understanding this helps you be better prepared, psychologically, for the ups and downs. It also helps to know that factors beyond your control will move markets – sometimes for the better, and sometimes for the worse. **Indicators such as inflation, interest rates, economic growth and the state of the rand vs the US dollar all have an influence on people's confidence regarding investing and how well the market performs**.

This year, elections in South Africa and the US will no doubt add more intrigue to how markets are going to perform in 2024.

IN THIS ISSUE

A well-diversified portfolio spreads the risk across different investment types, sectors and geographical regions. While some investments might be underperforming, others could be making gains, helping to offset losses and stabilise your portfolio.

INVESTING WITH SA'S
LEADING BOUTIQUE WEALTH MANAGER
WINNER 2020 & 2017 | RUNNER-UP 2023 & 2018
TOP 3 2022 & 2021 | TOP 4 2019
RANKED AMONGST THE TOP WEALTH MANAGERS FOR 7 CONSECUTIVE YEARS

JHB (HQ)	+27 (0) 11 799 8100
JHB (SANDTON)	+27 (0) 10 035 1391
PTA	+27 (0) 12 347 8240
CAPE TOWN	+27 (0) 21 418 1236
BELLVILLE	+27 (0) 21 914 9646
CLAREMONT	+27 (0) 21 100 3901
STELLENBOSCH	+27 (0) 21 882 8706
PAARL (VAL DE VIE)	+27 (0) 21 100 3901
GEORGE	+27 (0) 44 050 6057
MAURITIUS	+ 230 5843 5215

INVESTOR SENTIMENT AND MARKET REACTIONS

How investors feel and act also affects the stock market. Good news can make everyone want to buy stocks, which makes prices rise. But bad news can do the opposite, making people sell which leads to price drops.

This kind of group thinking can make the stock market act like a rollercoaster, going up and down, sometimes not even matching what's actually happening in the economy.

This was clear to see when looking at the major stock indices over the last few years. The S&P 500, for example, started with a big drop of 30% at the start of the pandemic, recovered and then grew 27% in 2021. However, the following year it fell 20% and then last year grew by 20%.

This pattern of highs and lows is a classic example of market volatility in action, showing how quickly things can change in the world of investing.

Understanding these swings is key to developing strategies for navigating market volatility. It's about finding ways to stay steady and make informed decisions, even when the market feels like a wild ride.

TWO STRATEGIES TO HELP NAVIGATE MARKET VOLATILITY

1. RESIST THE URGE TO SELL IN PANIC

When the market dips, it's common to feel a sense of panic and consider selling your investments to prevent further losses. However, this is often a short-sighted move. Historically, markets have shown a tendency to rebound over time.

By reacting hastily to short-term fluctuations, you risk making temporary downturns permanent. Instead, view these market dips as part of the investment journey – a test of patience and resolve. Staying invested through these periods can allow your portfolio to recover and potentially grow in the long run.

2. THE POWER OF DIVERSIFICATION

A well-diversified portfolio is like having a balanced diet for your finances. It spreads the risk across different investment types, sectors and geographical regions. While some investments might be underperforming, others could be making gains, helping to offset losses and stabilise your portfolio.

Regularly reviewing and adjusting your investments to align with your long-term financial goals and risk tolerance can make a big difference in how market volatility affects your portfolio. This doesn't mean you won't experience fluctuations, but it can make the ride less bumpy.

In volatile markets, it's vital to revisit your financial goals and risk tolerance. This exercise can help you understand whether your current investment strategy is still aligned with your long-term objectives. It's about staying true to your financial course, even when the waters get rough.

Dealing with the ups and downs of the stock market can be tricky. It might be a good idea to talk to a financial advisor who can give you impartial advice that fits your specific situation.

I find that, whenever markets get choppy, it's best to remind yourself that investing, like any journey, comes with good and bad times. If you keep focused on your long-term goals, you can get through the rough patches. Being patient and having a plan can help you handle the tough times and even benefit from them. It's not about avoiding rough weather, but learning how to handle your boat, no matter what the weather's like.

ADVISOR PROFILE: RUAN BREED, FINANCIAL ADVISOR, BRENTHURST AT GEORGE & STELLENBOSCH
BCOM. FIN SCIENCE | CIMA ADV DIP MA | PGDIP INVESTMENT PLANNING

Ruan joined Brenthurst Wealth, a leading financial services company in South Africa, as an advisor/paraplanner in 2021. Before that, he gained valuable experience in the tax and advisory industry at Crowe Tax and Advisory Services in Stellenbosch. He obtained a BCom (Financial Sciences) degree from the University of Pretoria and a Postgraduate Diploma in Investment Planning from the University of the Free State. He is also pursuing his CGMA designation from CIMA (Chartered Institute for Management Accountants), a prestigious financial qualification based in the UK.

Ruan is a wealth manager at Brenthurst Wealth in the Stellenbosch and George offices and provides expert advice on all investment matters, including portfolio management, retirement planning, estate planning and tax optimisation.

Phone: +27 21 882 8706 | **Mobile:** +27 82 551 3299 | **Email:** ruan@brenthurstwealth.co.za

BRENTHURST OFFICES:

Johannesburg	+27 (0) 11 799 8100	**Claremont**	+27 (0) 21 100 3901
Sandton	+27 (0) 10 035 1391	**Bellville**	+27 (0) 21 914 9646
Pretoria	+27 (0) 12 347 8240	**Stellenbosch**	+27 (0) 21 882 8706
Cape Town Waterfront	+27 (0) 21 418 1236	**Val de Vie Estate**	+27 (0) 21 100 3901
George	+27 (0) 44 050 6057	**Mauritius**	00 230 5843 5215

BRENTHURST SATELLITE OFFICES:

KWAZULU-NATAL | FREE STATE | MPUMALANGA | NORTH WEST