



THE POWER
OF INDEPENDENT ADVICE

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BENEFITS OF VOLATILITY

Riding out market downturns is seldom comfortable, but experienced investors recognise these times for what they really are: **BUYING OPPORTUNITIES.**

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GLOBAL MARKETS FIGHT OR FLIGHT?

By Mags Heystek, Certified Financial Planner®, Brenthurst Wealth

The latest rumblings about a possible market correction in the final quarter of 2021 are enough to spook investors wanting to avoid any further damage from [volatile markets](#). The bruises of March 2020 would have healed for those who rode out the storm, but investors who panicked may still be feeling the pain of selling when the markets were down 30%.

This time round, however, it's not only COVID, but uncertainty about the recovery in the US through to China's latest crackdowns that have given investors cause to pause. With the trade war between the world's two largest economies now dialed back, these domestic pressures are seen as new threats to the global recovery.

In the US, cost pressures may stymie growth as the Federal Reserve has indicated it will hike rates by yearend. And the possibility of Trump-era low corporate tax rates coming to an end may be enough to justify concerns about future earnings.

China, on the other hand, has ruffled feathers by throttling back the ambitions of its tech sector, while fears about property giant Evergrande has investors wary of a wider fallout should the firm collapse.

This level of uncertainty abroad is hardly comforting for South African investors who've been looking there for investment growth.



IN THE FACE OF THESE PROSPECTS NOW WAVERING, HERE'S HOW TO NAVIGATE THE LATEST MARKET MOVEMENTS.

GLOBAL OUTLOOK

Both 2020 and 2021 have been outliers because of their divergence from the norm. The economic impact of the coronavirus pandemic has decimated industries, from travel and tourism to property, while strengthening the case for the tech sector.

Rather than a wholesale reshaping of society, the changes over the past 18 months have accelerated many trends that had just begun manifesting.

However, the changes are undeniable and inescapable and will undoubtedly feature prominently in our future. The investment case for these trends, therefore, remains strong and will only become stronger as they come to dominate how we live, work and play.

And as we always point out, the investment universe outside of South African is far broader and richer in opportunity than what's available locally. So, our faith in the investment case for global stocks remains undented.

BENEFITS OF VOLATILITY

Riding out market downturns is seldom comfortable, but experienced investors recognise these times for what they really are: buying opportunities.

Even the best run companies suffer in times of a market rout, although not always as severely as their uncompetitive counterparts. So, a downturn later in the year could be the ideal time to load up on quality stocks that should rebound strongly.

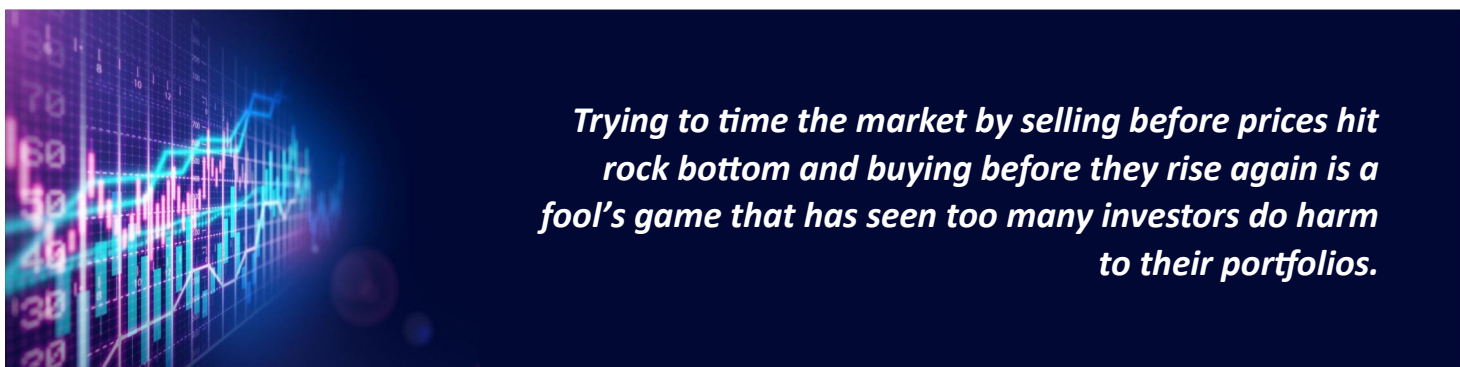
Volatility, it turns out, is needed to profit.

LOCKING IN LOSSES

Booking those profits, however, is only possible if investors don't panic and sell off their assets when markets fall.

[Trying to time the market](#) by selling before prices hit rock bottom and buying before they rise again is a fool's game that has seen too many investors do harm to their portfolios.

Statistically speaking, investors who try to time the market are financially far worse off than those who spend time in the markets. Time in the market is always a better investment strategy than timing the market.



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The chart below shows how \$10,000 invested in the [S&P 500 index](#), for the 20-year period of 1999 through 2018, would have performed under various scenarios.

GOING TO CASH

Scenario	Ending Value	Average Annual Return
Fully invested	\$29,845	5.6%
Missed 10 best days	\$14,895	2.0%
Missed 20 best days	\$9,359	-0.3%
Missed 30 best days	\$6,213	-2.4%
Missed 40 best days	\$4,241	-4.2%
Missed 50 best days	\$2,985	-5.9%
Missed 60 best days	\$2,144	-7.4%

SOURCE: JP Morgan



S&P 500 TOP 10 BEST DAYS AND WORST DAYS: 1970 - 2020

BEST 10 DAYS

Date	1 Day Return
13 October 2008	11.6%
28 October 2008	10.8%
24 March 2020	9.4%
13 March 2020	9.3%
21 October 1987	9.1%
23 March 2009	7.1%
06 April 2009	7.0%
13 November 2008	6.9%
24 November 2008	6.5%
10 March 2009	6.4%

WORST 10 DAYS

Date	1 Day Return
19 October 1987	-20.5%
16 March 2020	-12.0%
12 March 2020	-9.5%
15 October 2008	-9.0%
01 December 2008	-8.9%
29 September 2008	-8.8%
26 October 1987	-8.3%
09 October 2008	-7.6%
09 March 2020	-7.6%
27 October 1997	-6.9%

In the financial markets I find it easy to predict what will happen and very difficult to predict when it will happen. I think that things were clear during the bubble as to what would happen eventually.

— Warren Buffett —

**INVESTING WITH SA'S
TOP BOUTIQUE WEALTH MANAGER 2020 & 2017
IN THE TOP 3 IN 2021, TOP 4 IN 2019 & RUNNER-UP IN 2018**

**YOUR PARTNER IN
WEALTH CREATION**

ENJOY THE RIDE

Riding out [volatile times in the markets](#) is hardly easy to do. But that's exactly what's needed if you wish to preserve your long-term wealth.

With some forewarning about a possible correction late in 2021, now is the time to come to terms with that possibility and to commit to riding out the storm. After all, we know there will be a recovery and the only way you will lose money is if you sell while markets are down.

It may seem totally irrational to leave your portfolio untouched and not shift into more defensive assets, but past experience shows that this has disastrous consequences for the long-term value of investors portfolios.

Instead, if you have liquid assets available, this would be the perfect time to pick up quality assets at depressed prices. Even though the markedly V-shaped recovery of 2020 surprised many investment professionals, it's hopefully still sufficiently fresh in investors' memories to encourage them not to panic whenever we see another dip.

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