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HOW TO RECESSION-PROOF YOUR PORTFOLIO

By Renee Eagar - Certified Financial Planner®, Brenthurst Claremont

How you react to the expected 2023 recession could depend largely on what you did during the last global recession. Do you remember 2007/2009? The US entered a recession at the end of 2007, markets collapsed some nine months later after US banks over-extended themselves, and the global economy only recovered around mid-2009.

These were tough, scary times if you were invested in international markets. But just as Europe and the US entered the recession, China sparked a commodities boom which helped South Africa ride out the worst of the storm.

Can we expect a similar reprieve in 2023? That seems unlikely because of China's Covid struggles that have kept demand muted from a key trading partner. But that might change in the next 12 months. We will have to wait and see.

The World Bank certainly doesn't have high hopes for the global economy, forecasting growth in 2023 of only 1.7%, with the US forecast to grow just 0.5%. In fact, fears that the US economy will slip into a recession have risen steadily, with one poll of economists showing a 64% chance of this happening. A similar number of economists (62%) say the Fed probably won't cut rates until 2024. The outlook for SA is similar and although some commentators do not expect a recession, storm clouds are gathering.

In the face of such distressing news, it is easy to make mistakes. The trick is to not overreact and, if you have remained focused and invested this past year, now is not the time to overreact and distract from your long-term goals and trust in the experts to manage your portfolio.

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"Diversifying your portfolio will help to reduce your exposure to the risk of holding too many local or too many global stocks. And remember, the balance of your portfolio should also reflect your risk profile."

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HOLD STEADY

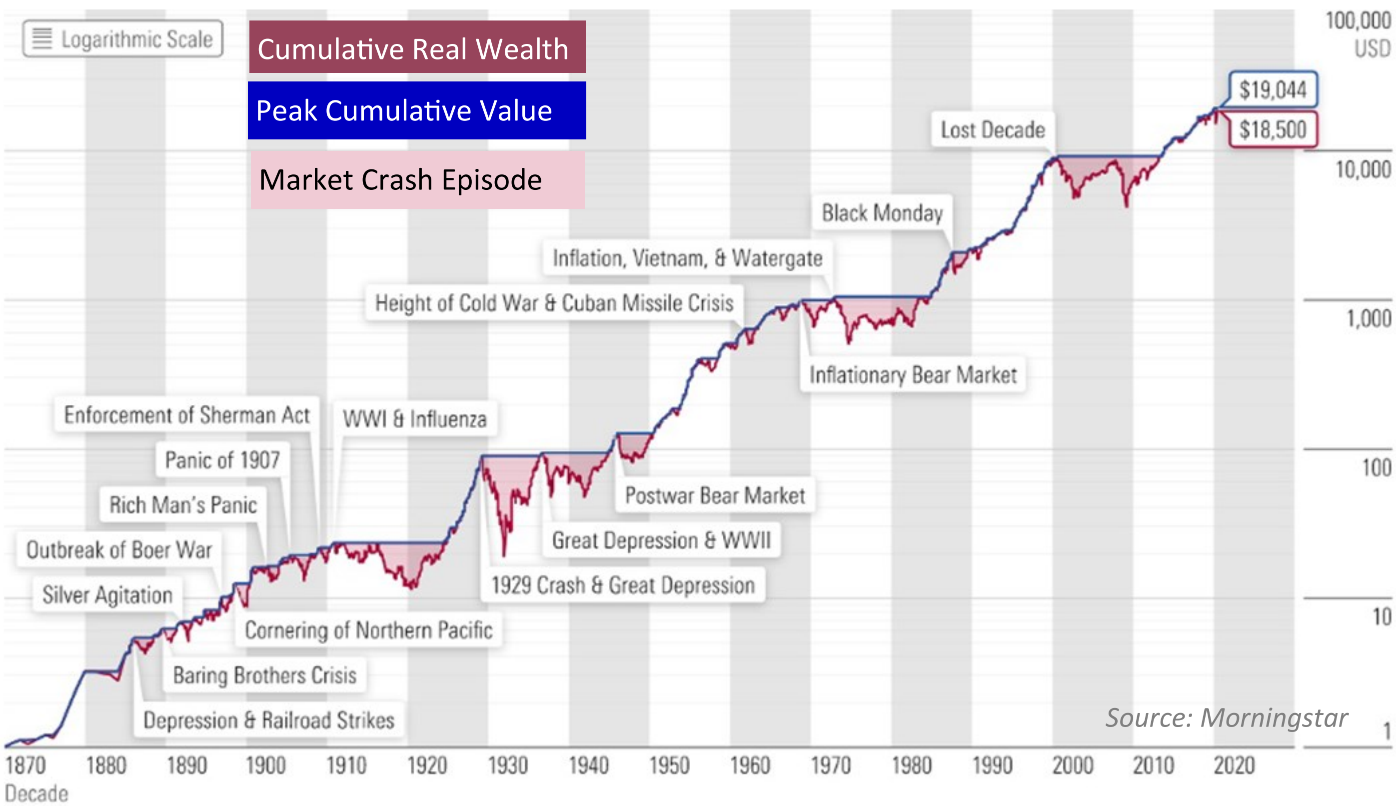
Investors the world over have already suffered through two very tough years, sparked by the pandemic. And all indications are, we should brace for tough times to continue for the foreseeable future.

Inflation is slowly creeping lower, but interest rates are expected to say elevated for a while still. So, global growth and stock market returns will continue to be subdued in the short term.

Difficult as it may seem, holding steady and ignoring the noise should be your key focus. Only a steady approach will deliver the long-term growth that you need.

Selling out at extreme lows will take years off your portfolio objectives and, although cash returns look attractive, in a high inflationary world they are not going to give you inflation-beating returns over the long term.

MARKET CRASH TIMELINE: GROWTH OF $1 AND THE U.S. STOCK MARKET'S REAL PEAK VALUE



BRENTHURST RANKS AMONGST THE BIG NAMES

Investment news website, Daily Investor, researched the most recognised brands in financial services and ranked awareness of the Brenthurst Wealth brand in sixth place, among some of the largest brands in financial services in SA. Brenthurst is the only independent financial advisory company included in the top ten.

>>BRENTHURST WEALTH ADVISERS RANKED AS THE BEST IN SA

SPREAD YOUR RISK AS FAR AS YOU CAN

Diversifying your portfolio will help to reduce your exposure to the risk of holding too many local or too many global stocks. And remember, the balance of your portfolio should also reflect your risk profile.

- **If you're under 40 then you should definitely have a higher exposure to equities than someone nearing 65.** But this is a discussion you should have with a trusted advisor who can help you stick to your long-term plan.
- **Working with an advisor removes the risk of falling for disreputable fund managers who charge high fees and aren't able to generate the returns you need.** Any financial advisor worth their salt should be able to offer you a selection of funds and fund managers that each have their strengths and weaknesses, but that collectively can help secure your financial future.
- **Working with respected fund managers also means you'll be able to get exposure to quality companies, both locally and offshore.** The world's biggest and best-run companies know how to create value and growth, even in tough times. And these are the ones that should offer some protection against a global slowdown.
- **One last reason you want to hold a combination of value and growth stocks is to avoid missing the eventual recovery.**
- **And if you're still risk averse, but committed to the long term, then an asset class that has done particularly well over the last while is SA government bonds.** These have been offering steady yields, and are always worth considering using when conditions are right and to provide your portfolio with stability.

So, if you did happen to live through the 2008 global financial crisis, then hopefully you'll know that things do improve, and markets will turn around. If you weren't fortunate enough to gain that experience, then I'd suggest using 2023 to practice your patience and commitment to your long-term financial goals.

The global markets could remain volatile for some time still, but in January 2023 there has already been a good improvement across the board, and most markets are well into the green. Long may it last!

	Level	Week	YTD
US		%	%
S&P 500	4,070	2.47	6.02
Nasdaq	12,166	4.71	11.21
Dow Jones	33,978	1.81	2.51

	Level	Week	YTD
EMEA		%	%
UAE ADX	9,737	-4.41	-4.64
KSA Taduwul	10,821	1.31	3.28
Qatar All Share	11,110	2.77	4.02
South Africa	80,791	1.92	10.60

Europe		%	%
FTSE 100	7,765	-0.07	4.21
XDAX	15,150	0.77	8.81
CAC 40	7,097	1.45	9.63

Asia		%	%
Nikkei 225	27,382	3.12	4.94
Sensex 30	59,330	-2.13	-2.48
Shanghai	3,264	2.18	5.68
Hang Seng	22,688	2.92	14.70

If you are a new investor and have a long-term view, now might be a good time to enter markets at a discount.

It won't be easy, but it will be very rewarding.

ADVISOR PROFILE

RENEE EAGAR, Certified Financial Planner®

RENEE is head of the Claremont office. She is a CERTIFIED FINANCIAL PLANNER® professional and a member of the Financial Planning Institute of South Africa.

Renee ranked as one of SA's top three financial advisors at the 2022 Intellidex Top Private Banks and Wealth Manager Awards. Renee has been in the financial services industry since 1998 and has worked for institutions such as TMA and Investec Asset Management. She obtained her Higher Certificate in Financial Markets in 2004 and attained her CERTIFIED FINANCIAL PLANNER® designation in 2006.

Renee is fully qualified to give advice on all investment matters.

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BE SMART WITH TAXES AS TAX YEAR END LOOMS | RA AND TFSA SEASON

As we approach the 2023 tax year end, you may wish to maximise your annual contribution towards your Retirement Annuity Fund (RA) and Tax-Free Savings Account (TFSA).

REASONS TO INVEST IN A RA

1. **A personal retirement savings plan that you can grow over time**
2. **Contributions are tax deductible and investment growth is tax-free**
3. **Tax relief on retirement lump sum benefits**
4. **Estate planning benefits**

FOR CONTRIBUTIONS TO BE INCLUDED IN THE 2022/23 TAX YEAR, LET YOUR FINANCIAL PLANNER KNOW TIMEOUSLY. CONTRIBUTIONS SHOULD BE RECEIVED AT THE LATEST AT COB MONDAY, THE **20TH OF FEBRUARY 2023.**

CONTACT ANY OF OUR HIGHLY QUALIFIED FINANCIAL ADVISORS AT OUR 8 OFFICES COUNTRYWIDE TO DISCUSS YOUR INVESTMENT STRATEGY

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