INVESTMENT REPORT

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BRENTHURST

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THE POWER OF INDEPENDENT ADVICE

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HAPPY #WOMEN'S MONTH

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PROMISING INVESTMENT THEMES TO CONSIDER FOR REST OF 2021

By Sonia du Plessis, Certified Financial Planner® Brenthurst Wealth Stellenbosch

After what has happened in the past 18 months, you might think only a fool dares to make predictions on what the future holds and where investors can find promising opportunities. Yet, here I am, crystal ball in hand, looking at what the rest of the year holds for investors.

I have made it a little easier for myself by concentrating on investment themes rather than specific opportunities. These themes have been identified and researched by our team at Brenthurst, after which we partnered with fund managers, who share this view so that we can offer our clients the most appropriate solutions.

With that in mind we have identified opportunities that clients could leverage to maximise their returns for the remainder of the year.

1. OFFSHORE OFFERS COMPELLING OPPORTUNITIES

This is an evergreen theme for us simply because offshore markets offer a far greater universe of investable stocks compared to what is available locally.

Yes, there is a chance the rand will strengthen over the short term, but its long-term trend is to continue weakening. For this reason, and because rand-denominated offshore funds fluctuate with the exchange rate, we believe you should not measure growth in rand terms.

In fact, I encourage younger clients with a higher risk tolerance to have the bulk of their liquid money in offshore markets.

For retired or lower-risk investors, I advise offshore exposure, but also include some local bonds and cash in their portfolio for local liquidity. I have found that income funds are a solid option in this regard, although I suggest sticking to multinationals if SA counters are included in this mix.

2. THE ASIAN GIANT AWAKENS

It should come as no surprise that China's influence in global markets is rising. This was confirmed most emphatically in July when BlackRock announced that it was treating China as a standalone market rather than lumped with emerging markets.

Anyone watching global markets and news will be aware of the so-called tech crackdown that aims to quell monopolistic behaviours. That is a developing situation that needs to be taken into account when weighing China risks, but I see far greater upside potential.

The country's population, for one, harbours an increasing number of more families that will be lifted out of poverty in coming decades. This growing lower-middle class is sure to accelerate the already strong consumer-led influence on the economy. So, in short, it might not be perfect, but one cannot ignore China.

3. GREEN SHOOTS TAKING HOLD

As noted in an article earlier this year, ESG is expected to continue as one of the hottest investment themes this year.

The alarming findings released earlier in August by the Intergovernmental Panel on Climate Change (IPCC) are sure to spur governments, public and private institutions toward greener futures. The main headline from the report, in case you missed it, was that climate change is accelerating faster than had been predicted.
We can however reduce our impact on the natural environment, if the right action is taken.

Local companies like Ninety One and Old Mutual are truly making an effort to include ESG into their funds. In terms of really making ESG part of their business, South Africa is a far way behind the developed market counterparts. The good news, however is that this is a trend that will only improve. At Brenthurst we are keeping our eyes focused on this subject.

4. OUT OF THE BOX FUNDS

We have adopted the term 'out-of-the-box' to encapsulate themes that we see as perfectly placed to benefit by virtue of the future impact their industries and sectors will have.

Take the likes of robotics, AI, genomics, cloud computing, cyber security and future transport. These are all near-future technologies or developments that are going to reshape societies of the future.

Clients interested in these themes would benefit from Sygnia's newly launched Itrix Solactive Healthcare 150 ETF, Sygnia's Health and Innovation Fund, as well as its 4th Industrial Revolution Fund. Brenthurst also has US Dollar denominated funds that we use, which focus on these themes in the global space.

5. SHIFT TO VALUE STYLE INVESTMENTS

The final theme that I believe is worth noting, is the performance of value stocks. The shift to value was visible in the immediate aftermath of the market correction in March 2020 and is a trend that we believe will continue under current market conditions.

Veteran fund manager John Biccard, for one, believes this is not a passing fad but the start of something bigger. This is notable, given his pedigree as a value-investing pundit.

For our clients we have been using a range of funds, including the Counterpoint Value Fund that offers exposure to companies at a discount to intrinsic value and other mispriced assets. South African market still has pockets of potential growth, and we believe that value funds will take advantage of this.

As always, the golden rule of investing is applicable and diversification is key. Include some of the above into your portfolio, but it is never a good idea to have all your eggs in one basket.

I can only hope that this quick glimpse into my murky crystal ball sparks some ideas for you to follow up on. It is practically impossible to foretell the future, but we believe that investors will only benefit by getting early exposure to tomorrow's leading trends.

Read more about investment planning.

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ADVISORS PROFILE: SONIA DU PLESSIS, CFP® AND HEAD OF BRENTHURST WEALTH STELLENBOSCH

Sonia heads up the Stellenbosch office and has been in the financial services industry since 2001. She won the inaugural title of Top Financial Advisor in SA at the 2019 Intellidex Top Private Banks and Wealth Manager awards.

She previously worked for Magnus Heystek International as well as ABSA Private Bank where she gained valuable experience in investment and life insurance matters. Sonia obtained a BCom degree in 2001 from the University of the Free State and was awarded the CERTIFIED FINANCIAL PLANNER® designation in 2004.

Sonia is a CERTIFIED FINANCIAL PLANNER® professional, a member of the Financial Planning Institute of SA and is fully qualified to give advice on all investment matters.

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