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IN THIS ISSUE

Investing in U.S. commercial real estate, particularly via the CRE Income Fund, offers international investors a stable, high-yielding opportunity. The fund targets Class A industrial properties in growth sectors like e-commerce and R&D, with annual cash yields of 10–12%. Investments are in U.S. dollars, helping hedge against volatile local currencies.

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IS THERE A WAY TO INVEST THAT OFFERS MORE CERTAINTY?

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Right now, markets feel anything but predictable. From interest rate swings to currency weakness to geopolitical instability, it feels as if investors face more noise and risk than ever before. For many, that creates a frustrating dilemma: Do I stay invested and accept the volatility, or pull back and risk missing out?

But what if there was another way?

Most investors are familiar with the basics – shares, bonds, property, cash. These are the building blocks of almost every portfolio. But in between those options lies a category of investments that isn't well known, yet could offer a useful way to diversify your risk and bring more clarity to your outcomes.

They're called structured products. And while the name may sound technical, the concept is surprisingly straightforward.

Structured products are pre-packaged investment solutions. They're built around a simple idea: What if you could combine the growth potential of the stock market with the kind of protection you'd expect from a fixed deposit?

HERE’S HOW STRUCTURED PRODUCTS WORK

A structured product usually ties your return to the performance of something like a stock market index – say, the S&P 500, the Euro Stoxx 50 or a basket of global companies. But unlike traditional shares or funds, a structured product is designed in advance to give you a defined outcome, depending on how that index performs.

That outcome could be:

- A fixed return if the index reaches or holds a certain level.
- A percentage of the growth of that index – sometimes even more than 100%.
- Or capital protection that ensures you don’t lose money, unless the market falls dramatically.

Structured products aren’t new, they’ve been around for decades, especially in developed markets like Europe and the UK. But in South Africa, they’ve traditionally been marketed to high-net-worth investors and institutional clients.

That’s changing. Today, you don’t need millions to get started. New platforms, tax wrappers and lower minimums are making these products more accessible. And with uncertainty high, many investors, and their advisers, are taking a second look.

HOW TO USE STRUCTURED PRODUCTS

Structured products are not a replacement for long-term equity exposure. Neither are they a substitute for emergency cash reserves. But they can add something that many portfolios lack: defined risk and reward.

They are particularly useful for:

- Investors who want offshore exposure, but are worried about short-term volatility.
- People approaching retirement who want growth without full downside risk.
- Cautious investors looking to stay invested, without timing the market.
- Anyone who wants a clearer understanding of what their money will do over 3–5 years.

They also help reduce behavioural risk – the tendency to make emotional decisions during market swings. Because outcomes are pre-agreed, there’s less temptation to panic or jump ship midway through.

TYPICAL STRUCTURED PRODUCT TYPES

Structured products come in many forms, but most fall into two broad categories: autocalls and participation notes. These may sound complex, but they’re actually just different ways to define what happens to your money over time.

Autocalls offer a pre-agreed return – for example, 10% a year – if the market index they’re linked to is flat or up at certain checkpoints (often every year). If those conditions are met, the product can “auto call”, meaning it matures early and pays out your return.

If markets don’t meet the performance trigger, the product keeps going until the next checkpoint or the final maturity date. But here’s the upside: Most autocalls include some level of capital protection at maturity, even if the market falls, unless it drops below a certain barrier, like 50%.

Participation notes give you a share of the upside if the market goes up, often more than 100%. For example, a note might offer 200% of the return on an index over five years. If the index rises 10%, your return would be 20%.

These products typically offer some level of protection too. If the index stays above a pre-defined barrier, like 70% of its starting value, you keep your full capital. If it drops below that, you may share in the losses.

Structured products come with some important caveats:

- **Liquidity:** Most have a fixed term of three to five years.
- **Complexity:** Some involve decrement indices or internal costs.
- **Conditional returns:** Market conditions must be met for returns to be paid.

That's why structured products should always be selected in consultation with a qualified financial adviser. If you've never considered this kind of structured, medium-term investment before, now may be the time to ask: What would greater certainty be worth to you?

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JOSH obtained his BCom degree in the College of Law at the University of South Africa (UNISA) and is a Financial Advisor under the direct supervision of BWM Managing Director and CERTIFIED FINANCIAL PLANNER®, Brian Butchart.

Josh is an ambitious, hard-working individual with over five years' experience in the financial planning industry. His expertise includes financial and retirement planning, offshore investing, and estate planning. He is currently studying to complete his Postgraduate Diploma in Financial Planning, which enables him to provide advice on all financial matters.

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Lloyd joined the Brenthurst Wealth Team in 2023 as a paraplanner/advisor and currently works under the direct supervision of Brian Butchart in our Granger Bay office. He obtained his BCom (Investment and Financial Management) degree from the University of Stellenbosch, as well as his Postgraduate Diploma in Financial Planning through the Stellenbosch Business School.

Lloyd previously worked in the IT Services industry as a data officer for Wyzetalk before beginning his career in financial services with Brenthurst. He is passionately driven to help individuals achieve their lifetime financial goals and, thus, is working towards earning his CFP® designation to enable him to provide advice on all financial matters.

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

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