

# Staying invested in challenging markets

## An investment professional's perspective on current market conditions

In recent months, the markets have seen a sell-off which has resulted in declines in the level of various stock exchanges worldwide. History has shown that these are often followed by a strong recovery. *Sherwin Govender, Business Development Manager at Glacier by Sanlam*, provides some insight into the reasons for the current market and what it means for investors. It is important to remember that no market cycle is forever, he says, and that we shouldn't panic or make any rash decisions. It is always important to engage your adviser before making any investment portfolio adjustments

## What the research specialists say

According to Glacier Research, *"the main reason for the sell-off in global markets, year-to-date, has been around the inflation outlook, which informs the trajectory of interest rates and therefore global growth. The war in Ukraine and additional lockdowns in China have just served to exacerbate the outlook. The sell-off during the week of 13 June 2022, can be explained by the US headline inflation being reaccelerated, causing concerns in the market that the Fed will tighten quicker and more aggressively, which will negatively impact the global growth outlook."*

With this backdrop, it is important for an investor to look at their investments in the context of the environment. Firstly, most living annuities are down in these adverse markets. So are some of the risk-controlled [Glacier Invest Real Income Solutions](#). However, the negative returns experienced by these solutions will be less pronounced than normal market-related funds. While a negative is never a good thing, if the decrease is small, this means that when recovery does occur, the investor will benefit. Secondly, if we consider an investment solution like the [Glacier Sustainable World Enhancer](#), the initial capital is guaranteed. This means that at maturity, you will never receive less than what you have invested, regardless of negative markets. However, the guarantee falls away if you cancel before maturity.

## Long-term investing could involve multiple market cycles

What investors are currently experiencing is very common in the industry. Concern is inevitable as it is scary to see your retirement savings decrease during bad market conditions. In long-term investing, you have to accept that your investments are likely to be exposed to good as well as bad market cycles. In an article years ago titled, [\*You either sleep well or you eat well\*](#), which centred on this very topic, I also made the point that the investor will realise a loss if they disinvest or cancel in the middle of a market storm.

What you really should ask is whether experienced investment professionals and advisers in the industry would make the same decisions that you as an investor are tempted to make when the going gets tough. I believe the answer is 'no'.

## Keep calm and do nothing – for now

At a personal level, a relative of mine has a living annuity that is invested in the Glacier Invest Real Income Solution 5%, and right now, this investment is exposed to the current negative market conditions. Although he might feel inclined to switch his underlying solution in this environment, it is important for him to consider the implications that such an action could have on his investment funds in the long term. Likewise, I have to consider the implication of disinvesting or switching funds for my own investments as my investments have decreased by much more than his. Generally, disinvesting or switching out of investments during down markets is not in an investor's best interest, and given the cyclical nature of the markets, we might instead consider increasing our growth assets.

## Look back and then ahead

We need to take a historical view – and a circumspect one – when we consider the current environment. These types of conditions have happened many times in the past. They have been followed by a strong and positive recovery (remember the returns after the COVID market crash in 2020?). Given the cyclical nature of the markets, clients with a long-term investment strategy will typically benefit from “riding out” the rough patches and rather consider changes to their investment strategy at a stage when markets have recovered or become stable. I've done it repeatedly in the past and always been the better for it.

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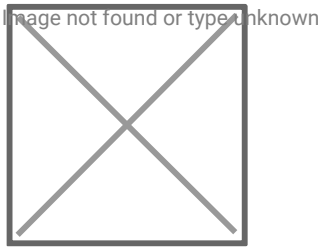
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## Sherwin Govender



Sherwin has been a business development manager at Glacier since 2016, when he relocated to Cape Town from Kwa-Zulu Natal, where he had joined Glacier in 2011. He is responsible for developing and maintaining an investment intermediary portfolio of Sanlam tied agents and independent planners. This involves growing relationships with intermediaries through his support with technical expertise and planning. His career in financial services spans over 15 years, having fulfilled roles at Old Mutual Wealth, Nedbank Financial Planning and Alexander Forbes. Sherwin holds the following qualifications:

- Bachelor of Business Science in Finance and Economics, University of Kwa-Zulu Natal, 2004
- Postgraduate Diploma in Financial Planning, University of Free State, 2007
- Senior Management Development Programme, University of Stellenbosch, 2015
- MBA, University of Stellenbosch, 2021
- He is a Certified Financial Planner®

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