

It's a Cruel, Crazy, Beautiful World

And it was a cruel, crazy 2022.



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Florbela Yates is the head of Equilibrium in the Momentum Metropolitan group. Equilibrium is an independent discretionary fund manager that partners with financial advisors to help them enable their advice outcomes. Equilibrium brings balance to an advice practice by delivering services and investment solutions to help clients achieve their defined investment goals.

Johnny Clegg was one of my favourite South African artists, and as I sat down to write this month's column, his song "Cruel, Crazy, Beautiful World" came to mind. The song depicts how I felt about investment markets in 2022.

I started the year faced with hope for what lay ahead, Covid was behind us and the future seemed bright. South African equities and bonds were well priced and there seemed to be some renewed optimism from both investors and asset managers alike.

On 25 February 2022, it all changed when Russia invaded Ukraine. More broadly, we started to see signs of rising global inflation and the potential for a recession in the US. Suddenly our beautiful world morphed into a crazy one, filled with increased volatility, lost hope and pessimism. Locally, this was exacerbated by Eskom's issues and another period of rand weakness.

Uncertainty nearly always results in investors unable to make any new investment decisions. For some, it could even lead to disinvesting or de-risking by moving to perceived risk-free assets. This time was no different. As volatility increased, South African investor flows moved out of balanced funds into fixed income and money market solutions. This trend continued for most of 2022. We also saw a decrease in the demand for offshore investments.

History has taught us that investors wishing to meet their investment objectives should be more concerned about "time in the market" than "timing the market". By disinvesting when markets are down, investors lock in those negative returns. And then they miss out on the upside when markets once again begin to perform. In a world where people are living longer and saving too little, seeing this erosion of wealth is heartbreaking for financial advisors and asset managers alike, who are both set on helping clients to achieve their financial goals.

Despite all the evidence and conversations pointing to the need to remain invested, many clients would have ended the year with reduced investment amounts – ignoring the advice of

their trusted financial advisors and destroying their personal wealth.

Looking back, it is sad to see clients who chose to disinvest who are now faced with insufficient capital for their needs. However, we can help them by continuing to manage portfolios that cater for those outcomes. I cannot predict when the market will turn, but I do know that only those who stay invested will reap the rewards of market performance. It is reasonable to say that the current market offers value, so now might be the time for clients waiting on the sidelines to start considering getting back in. For clients who continue to be cautious, it's not necessary to invest everything at once – you could consider a phasing-in approach.

At Equilibrium, we make it easy for you to help your clients achieve their goals and stay invested. We are here to help you get your clients to their goals with more certainty and less anxiety, keeping them on their journey to achieving their investment outcomes. Our purpose is to create a sustainable investment proposition built with your clients' objectives in mind. We know you and your clients are unique, and investing is personal. That's why we offer purposefully built solutions capable of achieving particular and defined investment outcomes.

We really do live in a world that is, at times, crazy or chaotic (2022 is a prime example of this), it can be cruel (especially to those whose capital has been eroded or who haven't saved enough) but most of the time, it's beautiful.

At the beginning of a new year, I am filled with optimism and excitement. Most of all, I am confident that our partnership with our advisors will continue to help us get their clients to their financial goals. I am grateful for the opportunity to make a difference in people's journey to financial freedom and I am blessed to work with a team of investment professionals who truly care about making a difference in their clients' lives.

The best that I can hope for is that logic prevails, clients stay invested (or start investing if they haven't yet) and that together we can build a better financial future for all. ■