PRUDENTIAL **INSIGHTS**

Prudential Investment Managers

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Bad economy, great opportunity?

South Africa's economy has really been dragged through some tough times recently. All along the way, some investors have been waiting for a sign, a signal – something! – to let them know that the coast is clear and it's safe to start investing again. Unfortunately, economics and investing don't come with little bells that ring when it's time to go.

After a run of flat years, 2018 was especially hard for local investors , with the FTSE/JSE All Share Index delivering negative returns, while experts pointed to weak growth and deteriorating economic fundamentals. Even if you don't know what all that means, you're likely to have seen the headlines and you still know that there's a generally gloomy mood around the South African economy.

But you'll also know that market volatility is a natural part of the investment landscape, and short-term noise shouldn't affect your long-term thinking. Markets and economies move in cycles, and short-term conditions shouldn't influence you into switching in and out of your investments.. While that may seem like a smart way to protect yourself, it's really not: switching funds during poor performance locks in underperformance and destroys the value of your investment over the long term.

You'll also know that your best investment decisions are usually made away from the glare of media headlines. After all, most bad news is already priced into financial markets by the time you read about it – and besides, good investments can still do well in bad economic environments. The key is to keep your long-term investment goals in mind, keep your emotions in check, and focus on what your chosen fund manager has to say, and less on what the tabloids would have you believe.

In the long run, investment valuations are the most important factor determining investment returns – and weak economies are a good hunting ground for investment assets that are priced cheaply, below what they're actually worth. If there's a lot of bad news in the market, it usually means there are good investment opportunities for investors and fund managers who know how to keep a cool head, and who know how to look for quality assets that are priced below their fundamental value.

Those are often the investors who end up doing the exact opposite of what everybody else is doing. That's what makes them different, and it's also what makes them wealthy!

Speak to your financial adviser about the state of the economy, and discuss the long-term implications for your investments. Your basic human instincts will urge you to "do something" when you see your investment value declining, but your adviser will most likely tell you to hold tight, ride out the rough patch and remember your long-term goals . And if you have the appetite for it, your adviser will also be able to point you in the direction of funds and fund managers that are seeing the great opportunities in what looks like a bad market. If you don't have a financial adviser, or if you're interested in hearing the views from our fund managers, have a look at our insights page for market commentary and other interesting articles on investing.

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