TABLE TALK

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KEY TAKE-AWAYS

- Following the Coronavirus market crash, investors need to avoid any impulsive selling or buying, acting out of fear or greed.
- Some portfolio rebalancing may be necessary to account for the large market moves.
- A financial adviser can help with rebalancing and identifying both new opportunities and risks to avoid

Q I'm worried about the Coronavirus market sell-off and its impact on my investments. What can I do to protect my portfolio and help it recover?

A At Prudential we know that investors are concerned about their portfolio values following the sharp market downturn in March, and we fully understand the anxiety this has caused. While you may be feeling helpless about the situation, there are certainly steps you can take – and importantly also not take – to help increase the potential for your portfolio to recover.

As human beings we are wired to protect ourselves and run away from the pain. However, as investors that might not always be the best choice. Therefore, you should resist panicking and selling your holdings while they are at very low valuations in order to protect your portfolio. History has taught us that this is exactly the point where investors inflict the most damage on their own portfolios - which is the last thing you'd want to do to yourself. If you do sell, you lock in your losses and lose any chance of benefiting from a potential rebound. Patience is a key attribute in making the best of any recovery.

For example, during the March sell-off, the South African equity market lost over 35% of its value compared to the beginning of the year, but then recovered by some 27% from this bottom in the following four weeks up to 15 April. Had you sold during the bottom in March, your portfolio would have experienced a permanent capital loss and you would have missed out on this recovery, as well as any further gains that could follow.

You should also resist acting out of greed and buying up any "cheap" assets without careful analysis. Although we have certainly seen many high-quality assets driven down to bargain basement prices, many others have become more risky due to the dire economic conditions the country is facing. It takes expertise to know if the price of an asset is compensating you for the risk involved – an asset may be cheap for a very good reason. So be sure to do your homework before deciding to buy.

What else can you do proactively to protect and help your portfolio recover?

If you're unsure about what to do, or feel the urge to make large changes to your portfolio, it could be a good idea to consult a financial adviser. Research informs us that investors' emotions can overpower their rational thinking during times of financial stress. Taking a rational and realistic approach to investing is essential. One of the biggest advantages that a good financial advisor brings is to help you navigate through tough market conditions like we're facing now, without making irrational changes to your portfolio that you're likely to regret later.

You should make sure you're invested with reputable investment managers with successful, long-term track records who have sufficient expertise and infrastructure to continue managing your money through multiple crises like the present. Your chosen managers must have sufficient depth of resources to continue to operate smoothly and safeguard client funds, no matter what the conditions. Business continuity is critical.

For retired investors, if you are drawing an income, try to temporarily reduce your withdrawals as much as possible, as you don't want to have to sell your assets at depressed levels. The government is working on measures to allow those with living annuities extra flexibility to change their withdrawals temporarily to cope during these difficult conditions.

If you are investing on your own, you should ensure that your portfolio remains appropriately diversified and positioned to achieve your investment goals. By investing in multi-asset funds, you enable the investment manager to make both asset allocation and stock selection decisions on your behalf. There have been large swings in market values, in both absolute and relative terms, so your funds' holdings will likely need to be rebalanced across asset classes, both local and offshore. At the same time there are numerous excellent valuation opportunities on both the asset class and individual security levels that your investment manager can take advantage of on your behalf.

So in conclusion, we fully understand that you are concerned about your investment portfolio as a result of the Coronavirus market sell-off. But there are steps that you can take to help ensure it has the best chances of recovery going forward. Be patient and proactive, and consult a financial adviser to see if you are correctly positioned given your investment goals. At Prudential we are actively managing our client portfolios to include high-quality assets at very attractive valuations that we believe will mitigate risk, allow client portfolios to recover and help our clients meet and beat their investment goals over time. You can find articles and videos detailing what Prudential has been doing at www.prudential.co.za/insights. ■

Pieter joined Prudential in 2105 as Managing Director of Prudential Unit Trusts and Head of Retail Business. In November 2019 he was appointed as Chief Client and Distribution Officer. He has 21 years of industry experience, having previously worked at another large investment manager in various senior roles. Pieter holds a B.Comm degree in Mathematics and is a qualified actuary (holding a fellowship with the Institute of Actuaries in the UK and the Actuarial Society of South Africa). He also completed a General Management Program at Harvard Business School.