PRUDENTIAL
INVESTMENT MANAGERS

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JUNE 2020

Investing in difficult markets: 5 ways the professionals help you

With the huge swings in financial markets we've seen around the world in March, April and May amid the Coronavirus pandemic, investing conditions have changed substantially. Asset valuations are very different from the start of the year, with some SA equities and bonds falling to very cheap levels, and risks increasing in light of South Africa's credit rating downgrades and deteriorating economic growth prospects. Many asset prices haven't accurately reflected the new reality: for example, some SA corporate bond valuations haven't fallen enough, while some government bond and equity valuations have fallen too far. Amid all the heightened uncertainty, successful investing requires the attributes professional investment managers bring to the table – those that individuals may lack.

What can professional investment managers do for you that you may not be able to do for yourself? Here are five ways we at Prudential Investment Managers are helping our clients by navigating the tricky market conditions brought on by the Coronavirus pandemic and lockdown.

1. Professionals are brave

Professional managers like Prudential know that you need to be brave when conditions are difficult in order to take advantage of the excellent investment opportunities that arise when markets overreact and prices fall further than they should. We will do the analysis to determine whether a company's share price is under- or over-valued, and buy it for clients if the potential returns are worth the risk involved. Experience, in-depth knowledge and special insights into a company and its management give the professionals the ability to make an informed decision and successfully exploit the great-value opportunities that arise. This gives clients the potential for excellent above-market returns going forward.

An individual investor is likely to be too afraid to buy stocks during a market crash, or to have the knowledge to choose the best companies among a multitude of cheap stocks. Human instincts tell us to avoid losses and flee falling markets, making us miss the best opportunities. Inexperienced investors may move their funds to "safe-haven" assets like cash and keep them there at just the wrong time. Meanwhile, Prudential ensures that their client portfolios are appropriately exposed to the right assets at the right time: building up exposure to assets that offer the best risk-adjusted return prospects when they are cheap and trimming down holdings when they have become too expensive.

For example, during the Coronavirus market sell-off Prudential bought more SA equities and bonds even as some investors continued to sell them, despite the higher risks. And now that interest rates have been cut so deeply and cash is offering returns that are not likely to beat inflation going forward, we are holding very little cash even as others are buying more.

2. Professionals are prudent

In times when conditions present high risks, like the present, professional investment managers like Prudential know how to avoid the riskier assets and manage client portfolios prudently. For example, listed property stocks have been exceptionally cheap on both an historic basis and relative to other sectors, and an individual investor might choose to simply buy a fund tracking a property index because of that cheapness. Or they might decide to buy the cheapest stocks. After all, as humans we do feel the urge to "do something" out of greed when we know something is a bargain. But in the current conditions, these could both be the wrong choice, as you could end up with exposure to some very risky companies. As a professional investment manager, Prudential is instead being very selective in the listed property sector. We are buying well-valued companies with strong balance sheets and excellent potential return upside

-- those we have determined can weather an extended period of tough market conditions. In this way we create client portfolios with the most appropriate risk-return characteristics.

3. Professionals ignore short-term distractions

Individuals are prone to worrying about the bad news they hear every day, like the latest unemployment numbers, higher food and petrol prices or the latest corruption scandal, and they may decide to act on this by changing their portfolios. This is a natural reaction, especially when times are tough, but can often prove to be detrimental to investment performance.

Professional investors, on the other hand, are able to ignore the daily news, which is likely to be just a blip on the radar. They are able to understand the news and put it in perspective, and then decide if it really will impact on the long-term value of a stock or bond. Markets will over-react in general, but Prudential will not. Prudential will determine if a stock or bond is reflecting a short-term mispricing compared to its longer-term fair value and, if so, take advantage of this for our clients. A long-term focus is essential in successful investing.

4. Professionals focus 100% on investing

Individuals have many competing priorities in their daily lives; it is simply impossible for them to focus on their investment portfolios all the time. At Prudential, however, we devote 100% of our time to managing our clients' portfolios to the best of our ability. We consistently focus on ensuring we do the right things right, every day, to deliver the best possible returns.

5. Professionals are consistent

In difficult times, when investments are losing ground, inexperienced investors will be tempted to switch tactics, abandon the investment that's not working for them, and try the latest popular fund. By acting inconsistently, not only are they likely to lock in losses up front, but they then risk choosing an inappropriate investment solution.

As we know, a consistent investment approach is key to investment success. At Prudential we have a long-standing, proven investment process that we use every day, no matter what the conditions. Our aim is to continually produce steady wins that add up significantly over time, and result in long-term investment outperformance for our clients.

These are all important ways investment professionals help individuals get better returns from their hard-earned savings over time. They are able to be brave, prudent, consistent and maintain a steady, long-term focus on investing when individuals may not be able to. And they come with all the knowledge and experience possessed by a large team of experts, anchored by a successful investment process.

To take advantage of Prudential's professional team, open a **new investment online** in under 10 minutes. Alternatively, for more information call our Client Services Team on 0860 105 77, or email us at **query@prudential.co.za**.