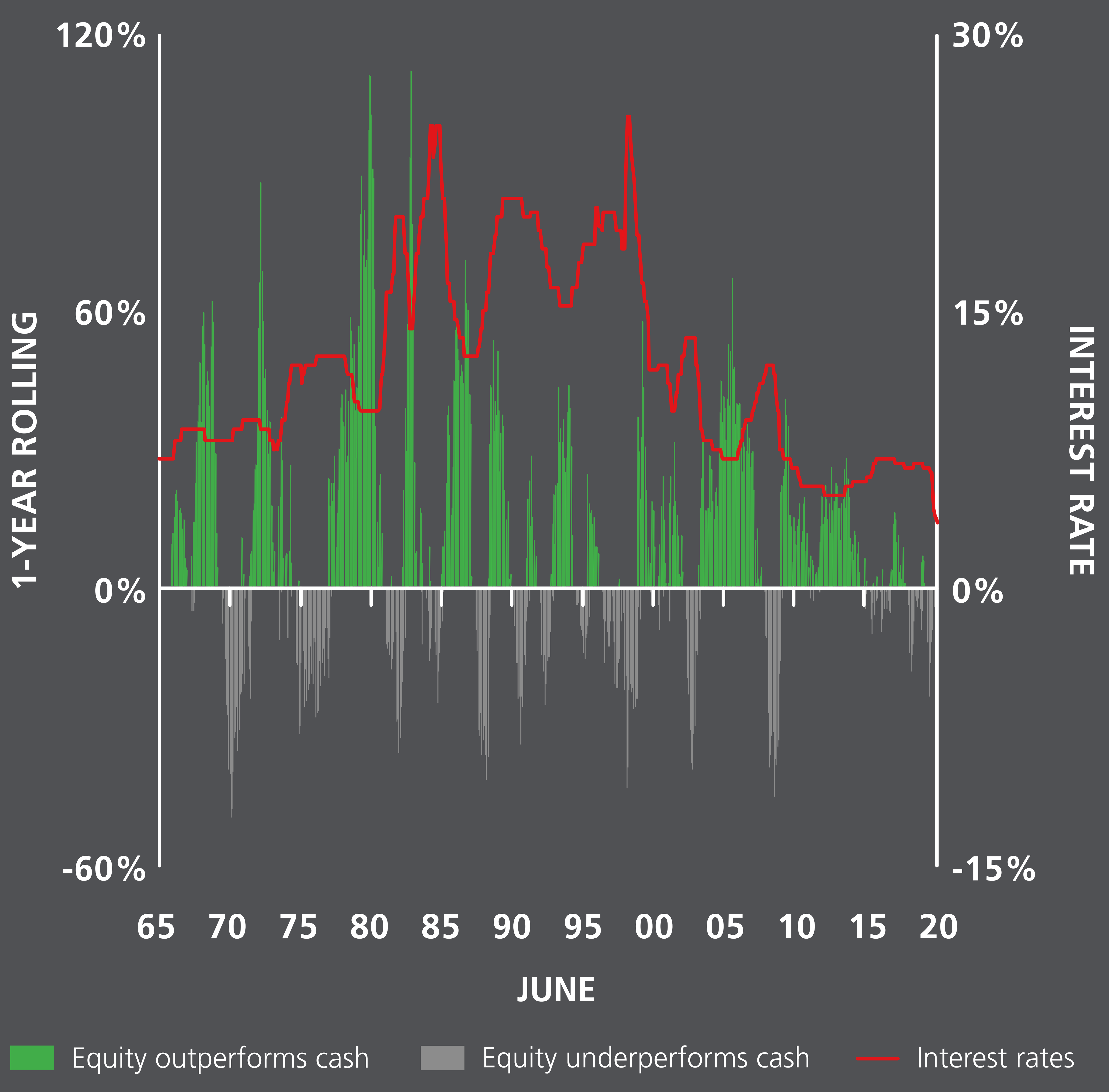
▲ Equities outperform cash when interest rates are falling ▼

Investors are understandably worried about investing in equities in this highly uncertain environment, and many are taking the "safer" option by staying in cash.

This graph shows why opting for cash is likely to be an unwise choice: equities have historically outperformed cash in times when interest rates are falling, back to 1965.



Source: IRESS to 30 June 2020

Looking at the graph, we can see how the interest rate (red line) has risen and fallen over time, depending on SA's economic cycles.

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Based on this historic pattern, we could expect equity returns to start to outperform cash returns.

The SA Reserve Bank has slashed interest rates by 300 basis points so far this year, putting them near historic lows, so that returns from cash investments are not likely to deliver above-inflation returns going forward. In the current environment, equities are likely to be a "safer" option for longer-term investors than cash.

For more information about our equity funds, or if you have any other investment questions, please feel free to contact our Client Services Team on 0860 105 775 or email us at query@prudential.co.za.