07/08/2024

MARKET UPDATE:

ASSESSING THE GLOBAL CORRECTION

AUGUST 2024

Interactive PORTFOLIOS

Intelligent Investing

Note to investors

There has been much noise and speculation in the financial media regarding the recent sell-off and volatility in global stock markets. It is essential for investors to view this volatility with a long-term perspective and to understand that short-term fluctuations are inherent to stock performance, as evidenced throughout history. Despite this, stocks or growth assets have consistently provided investors with the highest returns on capital compared to other traditional asset classes, and they are expected to continue this trend over the long term.

Investors are rewarded for:

- Ignoring the short-term noise
- Remaining committed to a long-term investment horizon
- Understanding that stocks are inherently volatile in the short term but offer the best growth potential over the long term

Investor behaviour is what counts—not short-term performance

The most crucial aspect in the recent drawdowns is not the performance of the assets but rather the investor's behaviour. Typically, a failed investment is not due to the investment portfolio itself but rather to the investor's knee-jerk reactions to short-term fluctuations in asset prices.

Reason for the sell-off

The recent sell-off is attributed to a combination of the Japanese central bank raising interest rates and U.S tech giants reporting earnings that did not meet the market's expectations regarding the future of AI, causing ripples across global markets.

> "The stock market is a device to transfer money from the impatient to the patient."
>
> ***Warren Buffett***

Let’s zoom out & put things into perspective

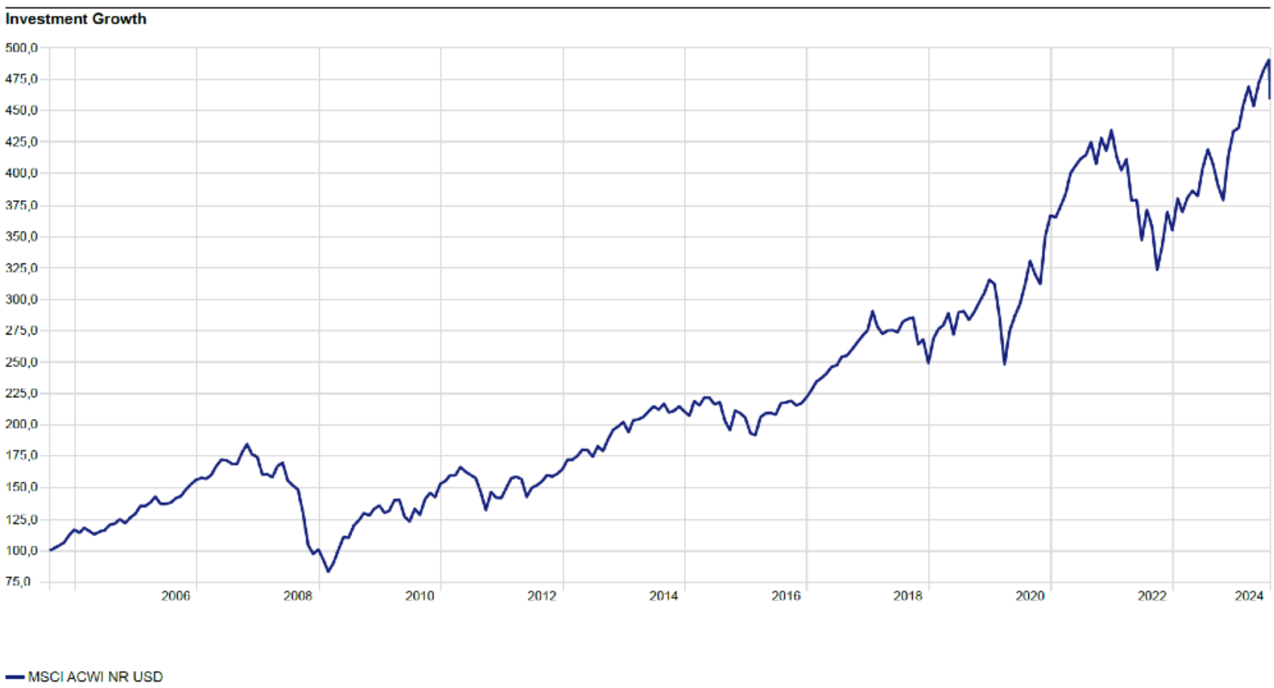
Over the past 20 years, global equities, as measured by the MSCI All-World Index, have delivered a cumulative return of 381% in USD or 1216% in ZAR.

R1,000,000 invested 20 years ago would be roughly R14,820,000 today.

During that period, there was a financial crisis in 2008, which resulted in a 55% drawdown and lasted three years and seven months before returning to pre-crisis levels.

More recently, in December 2022, fears of inflation and rising interest rates (reaching unprecedented levels) saw a 25% drawdown that lasted two years and recovered at the beginning of 2024. The recent drawdown has been 7%, which puts the current uncertainty into perspective.

“Investors are encouraged to remain committed to the investment plans set out by their financial advisors.”



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