



# Cape Peninsula University of Technology Retirement Fund

## MARKET IMPACT RE: COVID-19 “CORONAVIRUS”

Dear members

The Coronavirus has unfortunately had a severe impact on the financial markets both locally and internationally. This in turn is causing panic and despair amongst people world-wide and of course our very own members.

We understand that this is a trying time for you. These are undoubtedly one of the toughest market conditions we have had in many years. At the start of 2020 the overwhelming consensus by the experts was a positive one – believing that equity markets would start performing strongly.

With the outbreak of the coronavirus, many experts believed that this may be the catalyst for a major market setback. However, what was thought to possibly be a low probability event has turned into a reality, although more time needs to elapse before one can assess whether this indeed represents a more long-term decline in asset prices.

What makes this time even more difficult is that it has been preceded by a six-year period of low returns for South African funds. Furthermore, there has been no place to hide in the current downturn, as equities across the board are down.

Despite this, the trustees are firm believers in the case for long-term investing, and so we remain in the camp of the optimists.

With regards to the actual investment strategy, our view **at this stage**, is to stick with a long-term view and not to make changes to the strategy in reaction to the market turbulence right now. This broadly remains our view, and we caution against a reduction in exposure to risk assets for those investors with a long time horizon.

Protection of your capital generally becomes more acute as you approach retirement. For members that are close to retirement, our life stage model ensures that you move from a high risk portfolio to a low risk portfolio over a period of 7 years. So members in that category and who are in the life stage model, especially members within 2 to 3 years of retirement are indeed in a low risk portfolio.

We consider that there are (with patience) reasonable prospects for attractive returns from the current level of markets for such investors. Note we are not saying that things cannot get worse. In fact we think the news-flow is likely to get worse in the coming days and weeks, but the market is forward-looking and may already be pricing this in; we also don't think it is realistic to believe that one can get out of the markets and then judge when to get back in, in time to capture the recovery.

Experience shows that some members believe that they can “time” the share market. The reality is that the vast majority of expert investment managers cannot “time” the market effectively. Expressed another way, it is very difficult to get the market “timing” right consistently.

While it may be tempting to head for the exit, long term investors (members a long way from retirement) should remember that it is the time in the market that is important rather than trying to time the market.

### **The Board of Trustees comment**

As a board, along with our advisors, we are monitoring our investments closely. As mentioned earlier, we intend sticking to our existing investment strategy for now, though we will, in consultation with our professional advisors, consider whether any changes need to be made.

We urge members once again not to make any hasty decisions. There is no doubt that, trying to stay calm in these situations can be difficult to do. It is perhaps important to remind yourself what your original investment objectives and time horizon were and decide whether the current situation really changes those.

We understand the concern and disappointment that this event is causing. If you have any specific questions or concerns after reading this, please let us know and we will respond.