



Karriem & Ballim
Wealth Managers
Pure advice, Pure investment

Quarterly Newsletter - April 2020



NEWS INSIDE THIS ISSUE:

SA's credit rating downgrade, debt management, pension fund "switching" and unit trusts

South Africa's downgrade...The downgrade of South Africa's credit rating to sub-investment grade or junk status was troubling but expected. It has been generally factored in the stock market and we can expect a weaker currency in the coming weeks.

The short-term impact is that cash invested in our bonds will leave the country. Expect a weaker currency and negative economic growth. Due to our shutdowns, there will be less earnings, profits, taxes collected and therefore the government has less to spend. Government will have to borrow more, to spend more. However, they will have to pay more interest on borrowings than before.

"Never spend your money before you have it." – Thomas Jefferson

Debt management

Whilst the Reserve Bank has dropped interest rate by 1% last week there is a risk of an increase in interest rates due to government borrowings and cost of borrowings. Therefore, home loans. Overdrafts, credit cards and HP debt must be managed and the debt with the highest interest rate must be settled first.

It is important that one draws a budget and abides by it to ensure that you avoid debt. One has to live within ones means. In some instances, there has to be a lifestyle change during these turbulent times to reduce the need for expensive debt. The old adage that cash is king is so true.



Pension fund "investment switching"

A pension / provident savings is generally an individual's largest asset; therefore, one has to be very cautious in managing one's pension fund. The exposure to risk and volatility should reduce as one gets closer to retirement age. Generally, most Funds have a default portfolio which is a balanced investment portfolio which complies with regulation 28 of the pension fund Act.

The 1st Quarter of 2020 has seen an extremely volatile JSE, resulting in a 25% drop in returns, our investment grade reduced to junk status, high levels of unemployment and the Corona pandemic coming to our shores. This extreme volatility means that we have to be cautious in managing our investments and pension funds.

Each individual has his or her own unique set of circumstances, therefore one has to seek advice from one's financial advisor if you intend to switch funds from aggressive funds to balanced funds or balanced funds to income funds or vice versa. It must be noted that there is a general view that the market may have already bottomed out and that the recovery has started. This recovery will be a slow one over a prolonged period.



"Have patience. All things are difficult before they become easy." — Saadi



Unit Trusts

A unit trust is a collective investment that allows individuals to invest in the stock market and share risk and profits. KBWealth have access to unit trust portfolios from leading asset houses including Old Mutual, Momentum, Sanlam, Kagiso, Oasis and Allan Gray.

KBWealth monitors the universe of unit trusts and select the unit trust that is best suited for our clients needs. Based on a client's mandate KBWealth manage, monitor and review performance on an ongoing basis, report and switch funds on behalf of our client's needs and consent. Please feel free to chat to us as to how this range of unit trust can benefit you and your family.

Please feel free to chat to the KBWealth team for your financial and investment needs. There are a range of solutions to protect your capital and generate income and returns during these challenging times. Lets put your plan together

Yunus - 082 620 2120 | Reaz - 082 450 2023 | Nassir - 060 673 0792 | email info@kbwealth.co.za