



# Buy when there's 'blood on the streets': Investment front-runners for 2023

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2022's market bloodbath will have many investors hunkering down in the new year. It's not a smart move for 2023, says Sygnia.

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From war to record-level inflation rates, crypto crashing and energy and climate change crises, it's been a brutal year for global markets, which have either teetered on the brink or fallen deep into the red.

If this is where you expect me to say the worst is over or to slap a flimsy silver lining over the bleak economic predictions for 2023, prepare to be disappointed...

Next year is likely to be equally tough, with the World Economic Forum's recent Chief Economists Outlook Survey predicting scaled-back economic growth across the globe, leading to 64% of economists surveyed agreeing that a global recession is "somewhat likely" in 2023.

With predictions like this filtering into news feeds daily, many South Africans already battling the cost of living crisis are weary to risk investing more — or anything at all — in what may be another year of market bloodbaths. It's an understandable reaction, but it's the wrong response.

## Buy when there's 'blood in the streets'

Rothschild banking empire heir Baron Rothschild, who made a fortune buying in the market panic that followed the Battle of Waterloo in 1815, is credited as saying "the time to buy is when there's blood in the streets".

The markets may be unrecognisable from Rothschild's heyday and there's an entirely different war driving volatility, but more than 200 years on his investment strategy holds strong: smart investors are not scared off from investing when there's "blood on the streets"; they make smart and strategic investments to capitalise on these conditions.

In 2023 a smart, strategic investment strategy is not about gambling on individual stocks that may (or may not) be big winners. The trick is to invest diversely and according to specific investment themes that are the most likely to withstand market volatility and deliver the highest growth.

## Thematic investment front-runners for 2023

Comprehensive market research by investment firm Sygnia shows there are three clear thematic investment front-runners for the New Year:

### 1. Global health care and medical innovation

Recent history has proved, yet again, that health care is the one sector that can survive even plagues and pestilence.

Mankind has been practising health care and pioneering medical innovations since at least the times of Ancient Egypt, 2600 BCE. That's not about to change in 2023, recession or no recession.

In fact, as our global population ages, a record number of people are going to require health care and the demand for new treatments, cures, medical devices, vaccines and elderly care is only going to accelerate, with this year's Future of Healthcare Report from global adviser Healthcare Information and Management Systems Society finding that 80% of healthcare providers plan to increase investment in technology and digital solutions over the next five years.

"We will continue to see growth in areas including telemedicine, personalised medicine, genomics, and wearables, with organisers leveraging artificial intelligence (AI), cloud computing, extended reality (XR), and the internet of things (IoT) to develop and deliver new treatments and services," the report noted.

This makes funds tracking innovations in health care a recessionproof investment with high potential growth, which is why Sygnia has been a front-runner in health innovation since launching the Sygnia Health Innovation Global Equity Fund unit trust fund in 2020.

Sygnia then made investment into global healthcare innovation even more accessible with the introduction of the Sygnia Itrix Solactive Healthcare 150 ETF. This offshore exchange-traded fund (ETF) offers global exposure to blue-chip health stocks, including heavy-hitters such as Johnson & Johnson and Pfizer alongside lesser-known companies pioneering medical advancements with huge growth potential.

### 2. The fourth industrial revolution

Much like the first industrial revolution changed the way we lived, worked and interacted in society from the 1830s, the fourth industrial revolution is continuously and fundamentally changing the way we live, work and relate to one another, albeit at a more rapid rate.

The fourth industrial revolution is characterised by the coming online of a range of new technologies that fuse the physical, digital and biological worlds and affect all disciplines, economies and industries. These technologies range from autonomous vehicles to clean energy technology to drones, 3D printing, robotics, nanotechnology, smart buildings, virtual reality, cyber security, space and wearables, among others.

Like most sectors, tech and innovation has struggled against high interest rates in 2022, but the fourth industrial revolution won't be slowed down by volatile markets. Short-term dips like those experienced in 2022 must, therefore, be viewed as exactly that; mere blips on the radar. This is borne out by the steady uptick over the long-term across Sygnia's fourth industrial revolution funds.

All this leads to my "hottest tip" for 2023: investors have a rare opportunity to buy low in the high-growth tech innovation market. Take advantage of it.

### **3. Accelerated sustainable investment**

2022 was a breakthrough year for sustainable investment, which is broadly defined as the practice of using environmental, social and governance (ESG) factors when making investment decisions about which stocks or bonds to buy. While I'd love to say a collective realisation of the need to invest in the future of Planet Earth's people and environment drove the rapid growth of this trend, the reality is that a convergence of market-changing factors in 2022 forced governments and industry to radically accelerate sustainable investments.

A key driving factor is individual nations' race for energy independence, spurred by the realisation that they, too, can be held to ransom by energy-producing nations. The most obvious example of this is how Europe ramped up renewable energy investment as a direct result of President Vladimir Putin weaponising Russia's natural gas supplies in his war against the Ukraine.

On a less dramatic scale, the US's antagonistic relationship with oil-producing monoliths such as Saudi Arabia played a key role in pushing through legislation in 2022 that fast-tracks sustainable investment, such as the Inflation Reduction Act that allocates \$369bn in spending on energy and climate change. Another contributing factor is governments worldwide ramping up ESG mandates for institutional investment policies, largely due to the rush to meet UN sustainable development goals (SDG). This is evidenced by the fact that by early 2022 mandatory ESG reporting requirements had increased to 600 globally, a jump from 383 in 2016 when the SDGs were introduced.

Lastly, the prevailing high inflation, low-return global economic environment has pushed many major manufacturers to embrace cost-optimising and waste-reducing technologies, such as 3D printing, robotics and machine learning.

All three of these driving factors will not wane in 2023; if anything they will intensify. For the strategic investor this trend represents an opportunity to invest in assets driving the transition to sustainability.

Sygnia has long been a front-runner in thematic sustainable investment. While many of its funds already include an ESG element, it now has two dedicated sustainability funds: the Sygnia Itrix S&P Global 1200 ESG ETF, which tracks the S&P Global 1200 ESG Index; and the recently launched Sygnia Itrix Sustainable Economy ETF fund, which invests in more than 300 industrial and energy stocks from companies developing technology to help fight climate change.

Investing during uncertain and turbulent market conditions is nerve-racking, but I hope that the veracity of the three investment themes I've outlined here will give you the confidence to overcome fears and capitalise on the "blood on the streets" in 2023 and beyond.