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THE QUIET POWER OF BONDS
WHY THEY STILL MATTER IN MODERN PORTFOLIOS

MICHELLE SNYMAN | PARA-PLANNER, BRENTHURST WEALTH FOURWAYS

In today's investment landscape, obsessed with equity market headlines, geopolitical tensions, persistent inflation, interest rate challenges, disruptive technologies and overnight success stories, bonds rarely steal the spotlight. Bonds are often described as boring, conservative, or only for retirees. Yet, quietly and consistently, bonds continue to play a vital role in building resilient, well-balanced investment portfolios.

At their core, bonds are fixed-income securities – essentially loans made by investors to governments, municipalities or corporations. In return, the issuer commits to paying regular interest (annually or semi-annually) and repaying the original capital at a specified maturity date. They are generally less volatile than equities and produce more stable returns. Bonds are widely used to finance infrastructure, capital expansion and public projects, and they can range in duration from a few months to as long as 30 years. In South Africa, the Johannesburg Stock Exchange (JSE) has regulated the debt market since 2009, with more than 1 600 listed bonds available to investors. The market is significant, liquid and well-developed, with more than R1 trillion in nominal value.

The most common types include government bonds (generally considered lower-credit risk), municipal bonds (issued to fund local infrastructure) and corporate bonds (which offer higher yields, but carry greater default risk).

IN THIS ISSUE

Bonds may not make headlines, but they remain a core part of resilient portfolios. They provide income, help preserve capital, and add diversification when equity markets are volatile. While interest-rate sensitive, high-quality bonds can stabilise returns through changing market cycles.

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Within investment portfolios, bonds are often included in income and lower-risk funds to provide diversification across issuers, durations and currencies.

So why do bonds still matter, especially in today's volatile and uncertain markets?

STABILITY WHEN MARKETS LOSE THEIR BALANCE

When interest rates increase, bond prices fall, and when interest rates decrease, bond prices rise. This inverse relationship is fundamental to understand how bonds behave in different economic environments.

Equity markets thrive in periods of growth, but are highly sensitive to emotion and uncertainty. Sharp drawdowns, central bank decisions, geopolitical shocks and interest-rate surprises can cause share prices to decline rapidly. Bonds, by contrast, tend to move differently to equities, particularly during periods of market stress. Thus, bonds provide diversification benefits, which helps smooth overall portfolio returns and reduces the emotional strain investors feel during market downturns.

PREDICTABLE INCOME IN AN UNPREDICTABLE WORLD

One of the most underappreciated benefits of bonds is their ability to generate a reliable cash flow, making bonds especially valuable to investors who need income – whether for retirement, reinvestment or lifestyle expenses.

Most traditional fixed-rate bonds pay predetermined coupons, although floating-rate and inflation-linked bonds adjust payments based on reference rates or inflation. Most bonds have a defined maturity date at which the principal is repaid, adding a layer of predictability and supporting capital preservation objectives. However, the reliability of this income depends on the credit quality of the issuer, as lower-rate bonds offer higher yield, but carry greater default risk.

RISK MANAGEMENT, NOT RISK AVOIDANCE

Bonds are not risk-free, but they are effective risk managers. By incorporating government, inflation-linked or high-quality corporate bonds, investors can control portfolio volatility without sacrificing long-term growth entirely.

Historically, bonds have reduced portfolio volatility and cushioned equity drawdowns, although they can also experience capital losses in rising interest rate environments.

THE POWER OF BALANCE

Successful investing is not about being right all the time – it's about staying invested through all market conditions. Bonds help investors remain disciplined, reduce emotional decision-making and maintain consistency in their strategy.

A portfolio without bonds may grow faster at times, but it often comes with sharper falls and higher stress. Over the long term, balance, not reckless, wins.

In conclusion, bonds may never be exciting, but they are essential. They provide stability, income and protection – three qualities all investors need, regardless of age or market conditions.

In the end, bonds are the foundation that allows growth to endure.

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Michelle joined the Brenthurst Wealth Team in 2025 as a paraplanner assisting Iniel Van Zyl and Leslie Greyling in our Fourways office.

Michelle is a graduate of the University of Stellenbosch, where she obtained her Bachelor of Commerce (BCom) degree in Management Science, with a focal area in Financial Management, in 2024. She subsequently completed her Postgraduate Diploma in Financial Planning in 2025 through Stellenbosch Business School. Currently, she is pursuing her Postgraduate Diploma in Investment Planning through the University of the Free State to further enhance her technical expertise in the financial sector.

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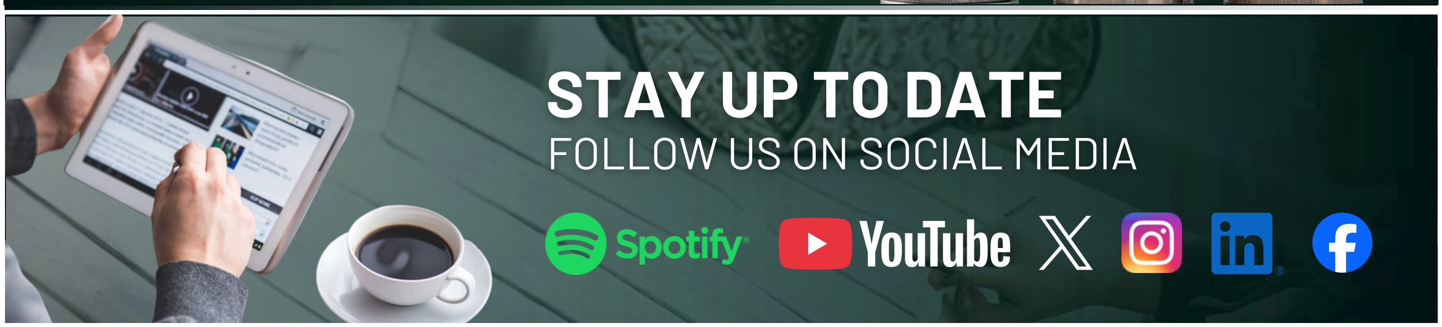

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