

# FINESSE: USING ‘THE 5 STEPS TO SUCCESS’ FOR INVESTORS – CREDIT RISK

At ithought, we pride ourselves in being keen observers. Finesse is about making financial moves swiftly and smoothly. **This means anticipating problems before they occur.** Through 2017 and 2018, the industry aggressively pushed credit funds onto investors. Everybody was chasing high returns, when we were taking extra precaution to keep money safe. When the NBFC crisis materialized, a AAA rated (highest rating) company was the first to default. A default means permanent loss of capital. This caught many investors by surprise who thought that their money was safe.



Credit funds have a dual responsibility – they must invest in lower rated bonds, and they must return money to investors on demand. What happens if the demand for investors’ money is greater than the demand for these bonds in the market? Portfolio values will decrease and become riskier to hold onto. 2020 is proof of this problem.

We steered clear of the problematic areas in credit from 2017 until late 2019. Towards the end of 2019, credit valuations looked attractive. And even then, only 3 credit funds passed our quality filters. Selectivity matters so much in credit. Our ultimate objective is to keep your money safe. We did this by investing only a small portion slowly into credit, when the rewards were in the investor’s favour. We managed risk well by balancing credit with safer investments. Today, credit is one of the best performing categories.

[Finesse](#) is about adding an edge to your investing. [Pick the winners of tomorrow with us.](#)