

Risk Disclosure

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No statement within the website should be construed as a recommendation to buy or sell a security or to provide investment advice.

Seed's key individuals or registered representatives are authorized to render investment advice. However, no advice will be provided through the website. If investment assistance is required, the services of a Seed consultant should be sought. The hiring of a investment professional is an important decision and should not be based upon advertising. Ask for written information stating qualifications, experience and firm association before making a decision.

Neither the information, nor any opinion contained in this site constitutes a solicitation or offer by Seed to buy or sell any securities, futures, options or other financial instruments or provide any investment advice or service.

The risks explained below are not a comprehensive list but does explain some of the more prominent investment related risks that you are faced with.

1. Investment Risk

Investment risk can be defined in terms of not meeting your long term investment objective and by losing capital over the short to medium term. This risk will have a direct impact on the sustainability of your long term pension requirements.

2. Reinvestment risk

This is the risk resulting from the fact that interest or dividends earned from an investment may not be able to be reinvested in such a way that they earn the same rate of return as the invested funds that generated them. For example, falling interest rates may prevent bond coupon payments from earning the same rate of return as the original bond. At the extreme, where too high a weighting is held in cash to protect capital, then should interest rates go sideways to slightly down, the investor will have to continually reinvest at lower and lower rates of return.

Many investors have suffered from this risk over the past few years as interest rates have moved down structurally. They have suffered a double loss in that real assets, such as property and shares have moved up, and so by not investing initially, they had to invest in at later years and at higher costs.

3. Custodian or institutional risk

This is the risk which can't typically be quantified. While the percentage may be low, when it does occur, it has the possibility of seriously damaging a large portion of an investor's wealth. For this reason, we pay particular attention to this risk, and only use grade A type institutions when placing client's investment funds. Smaller institutions may offer attractive fee structures, but the higher risks are just not fully compensated for. While the regulatory environment cannot be relied upon, the advantage of placing funds with a larger institution means that the regulator will step in quicker and give their full support to clients, and ensure a smoother process, which may not happen with smaller institutions. The investment into hedge funds via an endowment policy like the Hollard Life endowment policy carries this risk.

4. Default risk (Credit Risk)

This is the risk that a bond issuer will default, by failing to repay principal and interest in a timely manner. Bonds issued by the government, for the most part, are immune from default (if the government needs money it can just print more). Bonds issued by corporations are more likely to be defaulted on, since companies often go bankrupt. Municipalities occasionally default as well, although it is much less common.

5. Currency risk (Exchange rate risk)

This is the risk that an investment's value will be affected by changes in exchange rates. For example, if money must be converted into a different currency to make a certain investment, changes in the value of the ZAR currency relative to foreign currencies will affect the total loss or gain on the investment when the money is converted back. This risk affects businesses, but also affects individual investors who make international investments.

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