Seed Weekly

28 August 2019

Advisor Value Add

Financial Advisors do not merely recommend an asset to clients without having a full picture of the clients' current circumstances, future planning and rational financial saving abilities. A long-term objective is what should be foremost in mind. To integrate financial planning into asset management is extremely important and, ultimately, an art cultivated over many years of experience.

Of all the different benefits that Advisors offer clients, be it asset allocation or building a financial plan, probably the most challenging is managing client behaviour in response to market fluctuations. Ill-considered client behaviour undercuts his/her economic strengths through emotional responses to external events.

A Financial Advisor should offer their client clear communication and explanations of what is really going on.

What kills bull markets is excess investor sentiment and growing concerns about inflation by a central bank that over-tightens. A large part of an Advisor's job is to debunk the nonsense that investors are being fed every day, whether it is information fed through social networks or the main-stream media (or even over the braai). There is so much noise in our current media, attempting to affect the way people think and, in particular, to stir up emotional thinking with massive negative ramifications.

Risk and reward are two sides of the same coin. If you want more reward (and thus more upside) you have to assume more risk. However, there is always a possibility (and perhaps a probability) that you will not get your expected returns - not in the short haul.

It is not a question of if there will be another recession or whether there will be another crash. The question is when that will take place. Your portfolio has to be robust enough to withstand it. Some investors can afford to have a 100% equity portfolio, and it is probable that this might generate better returns than a 60/40 allocation. It is, however, doubtful whether or not these same investors would be able to tolerate being down 50% like in the Great Recession of 2008.

The best portfolio is not always (and often is not) the one with the highest returns, but rather the one that allows clients a well-deserved casual retirement without worry about money. That is, after all, what our clients spent their lives working for. It is all about the long haul.

It is a marathon, not a sprint.

Kind regards,

Nico Wegner *B.Econ*

Wealth Manager

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Past performance is not necessarily a guide to future performance. Performance has been calculated using net NAV to NAV numbers with income reinvested. The performance for each period shown reflects the return for investors who have been fully invested for that period. Individual investor performance may differ as a result of initial fees, the actual investment date, the date of reinvestments and dividend withholding tax. Full performance calculations are available from the manager upon request.

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Please note that there are stipulated cut-off times for all documents, notifications of deposit, investment, redemption and switch applications. These cut-off times are product or fund specific and the applicable guidelines have been stipulated on the relevant supporting or transaction documents, application forms and Minimum Disclosure Documents. Where all required and supporting documentation is not received before the stated cut off time no service provider shall not be obliged to transact at the net asset value price as agreed to. Prices are published daily and are available on the Prescient website at www.prescient.co.za.

Investors should at all times remain aware of the risks involved in the buying or selling of any financial product. Where foreign securities are included in a portfolio there may be potential constraints on liquidity and the repatriation of funds, macroeconomic risks, political risks, foreign exchange risks, tax risks, settlement risks, and potential limitations on the availability of market information. The investor hereby acknowledges the inherent risk associated with any selected investments and that there are no guarantees (Paragraph 6(2)(f) of BN92). The Manager retains full legal responsibility for any third-party named portfolio (Paragraph 6(1)(g) of BN92).

For any additional information please visit our website on www.seedinvestments.co.za.

GLOSSARY OF TERMS

Annualised Return — Annualised return shows longer term performance rescaled to a 1 year period. Annualised return is the average return per year over the period. Actual annual figures are available to the investor on request.

Annualised Volatility — The deviation of the calendar month return stream, since launch, relative to its own average.

Highest and Lowest Annual Return — The highest and lowest returns, since launch, for any rolling 1 year period have been shown.

Maximum Drawdown — The maximum calendar month peak to trough loss, since launch, suffered by the Fund.

NAV — The net asset value (NAV) represents the assets of a Fund less its liabilities.

Positive Months — The percentage of calendar months, since launch, where the Fund has delivered a positive return.

Return Horizon — Minimum investment period to have a reasonable probability of receiving the benchmark return.

Risk Horizon — Minimum investment period to have a reasonable probability of receiving a positive nominal return.

Total Expense Ratio (TER) — The Fund's Total Expense Ratio (TER) reflects the percentage of the average NAV of the Fund that was incurred as charges, levies and fees related to the management of the Fund. A higher TER does not necessarily imply a poor return, nor does a low TER imply a good return. The current TER cannot be regarded as an indication of future TERs.