

Everyone Has A Plan

Some of you may know that I did the Iron Man in Port Elizabeth in April – and conditions were horrendous.

Before the event I had (true to form) planned my whole race meticulously. Part of that plan was to run the first 21km of the marathon at 6 minutes per kilometre, then see how I felt to hopefully speed things up. On the first 5.25km of the run I was feeling great and had to force myself not to run quicker than the 6 minutes per kilometre that I had planned on. All of my planning, however, was confronted by stark reality at the turn, because I was suddenly pounded by a 40kmph head wind. I was reminded of that great literary giant Mike Tyson's quote, *"Everybody has a plan, until you get punched in the face"*. Needless to say, my pace dropped dramatically and my whole pace plan became irrelevant.

Many of you will be wondering what my Iron Man reflections have to do with a finance column. There are, however, a number of similarities between my Iron Man experience and financial markets over the last few years. Many investors had very well thought out and beautifully constructed financial plans, but over the last three years all investors who weren't in SA cash or offshore, have been repeatedly punched in the face.

These events peaked at the end of December 2018, where the average SA Multi Asset High Equity (Balanced) Fund was down 7.04% in four months. The returns for the last three years were only just positive, and nowhere close to inflation. On the other hand, the average money market investor had earned 2.4%, and had achieved a return of 7.5% per annum for the last three years. Even if you accounted for a 30% tax bill on the interest income, cash investors were still way ahead of the higher risk, high-equity funds. The situation was not much better in the medium- and low-equity spaces.

Name	Return 2019-01-01 to 2019-04-30 ZAR	Return 2018/09/01 to 2018/12/31 ZAR	Return 2016/01/01 to 2018/12/31 ZAR
	YTD to 30/04/2019	4 Months to 31/12/2018	3 Years to 31/12/2018
(ASISA) South African IB Money Market	2.39	2.43	7.57
70% Average Money Market	1.67	1.70	5.24
(ASISA) South African MA Low-Equity	5.74	-3.10	4.37
(ASISA) South African MA Medium-Equity	7.58	-5.78	2.91
(ASISA) South African MA High-Equity	8.52	-7.04	2.41

As a financial advisor it has been really tough trying to get clients to stick to the plan. So far in 2019 we have seen a remarkable turnaround in the markets, clients who withdrew from their high equity portfolios at the end of December last year would have missed out on 8.5% growth for the first four months of this year, even clients in the low equity funds have experienced the really good returns of 5.7% for the last four months.

Everyone Has A Plan

Now there is no way that we can say that because the last four months have been good, the next four months will be good. The point that needs to be borne in mind, is that whilst low-equity, medium-equity and high-equity funds have an inflation plus mandate over long periods, the returns in these funds are not linear. Over the short term, they can in fact be very lumpy.

So, whilst the theory of investing in inflation beating portfolios is good and most people will tell you that they do have a plan. Sometimes we need to take one on the chin and focus on the long-term goal and not the horrible red numbers on your statement.

Kind regards,



Barry Hugo CFP® CA(SA)

Wealth Manager – Hampshire Independent Advisors

Everyone Has A Plan

DISCLAIMER

All illustrations, forecasts, information and opinions provided are of a general nature and are not intended to address the circumstances of any particular individual or entity. We endeavour to provide accurate and timely information but we make no representation or warranty, expressed or implied, with respect to the correctness, accuracy or completeness of the illustrations, forecasts, information or opinions. No party should act upon such information or opinion without obtaining the appropriate professional and specialised financial, legal and tax advice based upon a thorough examination of a particular situation. Investors should at all times remain aware of the risks involved in the buying or selling of any financial product, and hereby acknowledges the inherent risk associated with the selected investments and that there are no guarantees (Paragraph 6(2)(f) of BN92).

Seed Investment Consultants will not be held liable for any direct or consequential loss or damage suffered by any party as a result of that party acting on or failing to act on the basis of information or opinion provided by or omitted from this document. The Manager retains full legal responsibility for any third-party named portfolio (Paragraph 6(1)(g) of BN92).

Prescient Management Company and the Trustee are registered and approved under the Collective Investment Schemes Control Act (No.45 of 2002). Collective Investment Schemes in Securities (CIS) should be considered as medium to long-term investments. The value of financial products can increase as well as decrease over time depending on the value of the underlying securities and market conditions and past performance is not necessarily a guide to future performance (no guarantee is provided as to the values of any financial product mentioned in this document). The collective investment scheme may borrow up to 10% of the market value of the portfolio to bridge insufficient liquidity. A schedule of fees, charges and maximum commissions is available on request from the Manager. There is no guarantee in respect of capital or returns in a portfolio. A CIS may be closed to new investors in order for it to be managed more efficiently in accordance with its mandate. CIS prices are calculated on a net asset basis, which is the total value of all the assets in the portfolio including any income accruals and less any permissible deductions (brokerage, STT, VAT, auditor's fees, bank charges, trustee and custodian fees and the annual management fee) from the portfolio divided by the number of participatory interests (units) in issue. Forward pricing is used. In the event that specific collective investment schemes in securities (unit trusts) are mentioned please refer to the relevant Minimum Disclosure Document in order to obtain all the necessary information in regard to that unit trust.

This document may not be amended, reproduced, distributed or published without the prior consent of Seed Investment Consultants. The laws of the Republic of South Africa shall govern any claim relating to or arising from the contents of this document. Seed Investment Consultants is an authorised financial services provider in terms of the Financial Advisory and Intermediary Services Act (Act No. 37 of 2002).

ADDITIONAL INFORMATION (where applicable)

Performance has been calculated using net NAV to NAV numbers with income reinvested. Full performance calculations are available from the manager on request.

DEFINITIONS (where applicable)

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