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The Empire Conference & Event Venue

Insights into unlocking your personal wealth

How investors should be navigating the uncertain investment climate was the focus of much of the second annual *Business Day/Financial Mail* Investment Summit, this year brought to you by Old Mutual Wealth.

South Africa is in the precarious position of experiencing weaker economic growth at a time when the global economy is strengthening. Discussing the local and geopolitical investment landscape, STANLIB Chief Economist, Kevin Lings said the country will ultimately have a smaller share of the global economy.

The single biggest initiator of economic confidence is job creation. In South Africa, however, the politics of the country have destroyed our confidence. “When consumer confidence is low it feeds into weak business confidence with the result that investment disappears because businesses only invest when they are confident.”

South Africa needs to provide policy certainty and grow business confidence, he said, advising that the country needs to leverage off the business sector’s balance sheet to grow the economy. He predicted that China will inevitably become the largest economy in the world. Despite a shift in the power balance, he said Europe and the US were experiencing positive economic sentiment.

Peter Brooke, Head of MacroSolutions at Old Mutual Investment Group discussed the risks versus the reality of current investing. “Markets tend to react in fear after events such as 9/11, Nenegate, Brexit and the election of Donald Trump,” he said, advising investors to ignore the noise. “Volatility often creates opportunity to buy investments at a cheaper price,” he said. Despite all the uncertainty, South Africa still offered investment opportunities, he said, adding that the trick was to diversify in order to mitigate against any risks.

A panel discussion on how technology and innovation is changing the rules of investing concluded that technology is allowing more access, transparency and efficiency. Blockchain in particular, promises to deliver a whole new layer on which to offer financial services, said Farzam Ehsani, Blockchain Lead at Rand Merchant Bank. Despite their volatility, he maintained that cryptocurrencies are the most undervalued asset class in the world. “Why do we pay banks for the luxury of keeping our money,” he asked, adding that it was time to start questioning our monetary systems. “Cryptocurrencies perform better as money than any form of money ever used.”

Despite the fact that over 50% of JSE trades taking place via algorithmic trading, we still need brokers, said Shaun Nicholson, Head: SA Financial Markets IRESS. Similarly, it’s premature to assume that financial planners will become defunct.

Charles Savage, Founder of EasyEquities & Group CEO of Purple Group explained that his company was established in recognition of the fact that technology would disrupt traditional trading practices. His advice to those wishing to start investing is to start the journey early and learn how to invest on your own behalf.

Fees do matter as they destroy value you could be creating, said Sygnia Group CEO, Magda Wierzycka. Considering the low growth environment, she urged investors to relook the fees they were paying. She

conceded that the current economic environment is a tricky one for investors and advised short term decisions before 'recalibrating' after December. Politics and economics have converged and what happens in short term is going to be pivotal, she said, adding that it is paramount that we all step up and start talking against corruption.

Sygnia, she revealed, was sitting at lowest possible domestic exposure and was looking to invest in companies shaping the Fourth Industrial Revolution.

Discussing the power of passive investing, CoreShares MD, Gareth Stobie, said the reality is that 76% of active managers underperform. The best way to accumulate wealth, he advised, was to buy and hold for the long term. Stobie predicted that passive indexes would ultimately overtake the active sector.

On the topic of offshore investing Magnus Heystek, Director at Brenthurst Wealth Management argued that given the poor performance of the local markets in the past five years, and structural problems relative to political issues – a situation he predicts will be ongoing – offshore investing is the only solution.

John Kennedy, Director and Regional Head: Cape Town for Citadel Wealth Management, disagreed with Heystek's assessment. "Don't rush to take your investment offshore. In today's world you need a balanced view: it's not an either/or situation."

Evaluate why you want to invest offshore, advised Senior Portfolio Manager at Sasfin Wealth: Nesan Nair. "If it's with the aim of diversifying, having exposure to different aspects of the global economy and protecting against long term rand weakness, then it's a good idea."

It's important to understand the tax consequences of your investment decision, pointed out Trevor Garvin, Head: Multi-Management at Nedgroup Investments. "I agree that offshore should be a component of every portfolio, but it's important to think before you act."

Olga Constantantos, Credit & Equity Process Manager at Futuregrowth Asset Management explained the hidden risks of investing in bonds. The bond market is very different to the listed equity market, she said, arguing that investors should disabuse themselves of the notion that bonds are risk free. Not only do bonds default but bond investors risk lack liquidity. The current rules governing bonds are very lax, she said, and provide insufficient protection for bond investors.

A panel discussion on the most appropriate strategies for investing in various life stages concluded that there needs to be more education around financial planning and budgeting. Less than 1% of people actually save, revealed Cy Jacobs, Co-founder of 36ONE Asset Management.

They need to be wary of how much they are paying in fees, pointed out Fatima Vawda, Founder and MD of 27four Investment Managers, as this can eat into their capital. The danger is that many people make irreversible decisions while transitioning between life stages, pointed out retirement planning specialist Craig Gradidge, Executive Director at Gradidge Mahura Investments. It's important to have clear savings and investment objectives, said Bruce Fleming, FPI Financial Planner of the Year 2016.

Concluding the summit, Founder and Chief Executive of 10X Investments, Steven Nathan, revealed that more than 90% of South Africans fail to save sufficiently for their retirement. "It's getting more expensive to retire as we are living longer," he said. His advice was to save 15% of your salary for 40 years in a high growth, balanced fund; ensure you pay low fees; and to remain invested.