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Celebrating twenty years of ETFs

Exchange Traded Funds were first introduced in Canada in 1990, and in the US in 1993. South Africa had to wait until 2000, when Mike Brown, who was then at Gensec Investment Bank, together with his colleague, Adam Bunkell, approached the JSE to propose the listing of an exchange traded fund.

Both Brown and Bunkell had studied the experiences gained in the US from the listing of the American Stock Exchange's ETF named SPDR (known as 'spider') that tracked the S&P500.

Mike Brown, Managing Director, etfSA

"We took some listing documents, which replicated the SPDR in America, to the JSE for a top 40 index, and the JSE told us that it was thinking of doing something similar," says Brown, who today is Managing Director of etfSA.

The JSE had also been approached by another investment bank, Corpcapital, with the same proposition, and consequently suggested that the three parties work together on an ETF product.

Structuring the product within the JSE Listing Requirements required "a lot of panel beating", Brown adds. "The new ETF differed so materially from the normal single company shares traded on the JSE. In those days you could only list a single company, you couldn't list a portfolio of shares – and now you were tracking a basket of 40 companies that was an index."

On Monday, 27 November 2000, South Africa's first ETF – a joint venture between Gensec, Corpcapital and the JSE – was listed. "The market capitalisation of the Satrix 40 ETF on issue was R2.7bn, and as at December 2019, we ended up with R101bn, so there's been steady progress in the industry," says Brown.*

"I'm often asked how the name 'Satrix' came about. The three parties used to have committee meetings every week, which I chaired. We were quite keen on using 'trix' in the name as this refers to an index tracker. I liked the name 'Matrix' but someone told me that this was the name of a movie, and we couldn't call the product after a movie.

"We went through the alphabet and then came up with 'Satrix' – for South African Index Trackers – and no one objected. This name is now probably one of the best known in the local investment industry."

Over the past twenty years, ETFs have evolved to become popular investment vehicles for both retail and institutional investors.

In November 2004, Absa Capital introduced the NewGold ETF. The product tracked the spot price of physical gold bullion on the London gold market and was 100% backed by physical bullion held with a custodian, originally in South Africa, but later in London. "South Africans couldn't own gold bullion – and still can't – so the NewGold ETF was the closest they could get to this," Brown says.

Up until the inward investment regulations pertaining to ETFs were introduced in 2015, the only company listing foreign denominated assets on the JSE was Deutsche Bank, South Africa. In 2005, Deutsche listed ETFs on the FTSE 100 and Eurostoxx 50 indices, followed in due course by ETFs referencing the MSCI USA, MSCI Japan and MSCI World indices.

"It was very difficult getting exchange control approval to buy and bring in foreign investments, particularly if you were issuing and redeeming units on an almost daily basis, but Deutsche Bank had the advantage of employing a whole lot of ex-Reserve Bank foreign exchange specialists," Brown says.

The more sophisticated smart beta index tracking funds originated with the listing of the Satrix DIVI Plus

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ETF in 2007. Smart beta funds differ fundamentally from vanilla index tracking funds in that they do not follow a market capitalisation weighting scheme, but rather derive the weights of their stocks from alternative criteria.

"I was still involved in Satrix at that stage," Brown adds, "and we called it a Smart ETF – we hadn't yet thought of the term 'smart beta'."

The Satrix DIVI Plus tracked the FTSE/JSE DIVI Plus index, which selected shares for inclusion in the index, based on expectations of future dividend yields. The compilers of the index utilised the consensus forecasts of investment analysts for all companies included in the JSE All Share index.

The Satrix DIVI ETF therefore had the benefit of providing a relatively high dividend yield. In addition, the market often rates shares with good prospective dividend yields highly, so this ETF was expected to provide alpha type returns, Brown explains.

At the time, they undertook an extensive marketing campaign, doing roadshows around the country to launch this innovative new product, which raised more than R250m in an Initial Public Offering (IPO).

"As no institutional money was raised by the IPO programme, the acceptance of this product by the retail public was quite exceptional and got smart beta investment off to a good start in South Africa."

In 2008, so-called 'fundament indexation' was introduced to the local market by the listing of ETPS, using methodology developed by Research Affiliates in California. The Research Affiliates Fundamental Indexation (RAFI) method was franchised globally and rated shares for inclusion in an index based on fundamental analysis criteria.

Fast forward to the end of 2019, when fifteen smart beta products, with a total value of R4.3bn under management, were listed on the JSE. This amounts to only 4,3% of the total market capitalisation of all ETFs/ETNs on the JSE Board.

"This hasn't been particularly rewarding," Brown says. "A great factor driving smart beta is it's really a value play, and South Africa has been a momentum or a growth market for many years. Only when value is more attractive will a number of these ETFs become worthwhile. But we have a number of smart beta ETFs, which will hopefully stay listed and could be very usable going forward."

ETFs HAVE EVOLVED TO BECOME POPULAR INVESTMENT VEHICLES FOR BOTH RETAIL AND INSTITUTIONAL INVESTORS

The first Exchange Traded Notes (ETNs) listed on the JSE in 2010 and there are now 29 of them. The major difference between ETFs and ETNs is that the former structure requires 100% physical backing at all times of securities in issue, which negates the need for the creditworthiness of the issuing house to be taken into account, as liabilities of the ETF are fully covered at all times. With an ETN, which does not seek to be 100% physically backed, the balance sheet of the issuer is critical.

"The total market capitalisation of ETNs stood at R11bn in 2019 and we've seen a flurry of new ETNs in 2020. I believe this is a very important part of the industry, and I would expect to see more activity in this area," Brown says.

Looking ahead, he believes that foreign referenced exchange traded products will remain dominant and that the users of ETFs will typically be local investors looking for offshore exposure. There's also word that new issuers will come into the market where there are presently 11 issuers. In addition, Brown would like to see more focused and themed ETFs in the future, which could assist in expanding the user base.

He points out that money and investments are globally becoming digitalised as large companies, like cell phone providers, promote money products. "ETFs fit into this digitalisation. They're easy to market and easy for people to understand." Meanwhile, investment platforms are seen as future growth engines. "You can buy your ETFs from a stockbroker and a lot of people do, but investment platforms can take smaller amounts."

**The market capitalisation figure will be updated for 2020 at end-December 2020 on etfSA's website, https://www.etfsa.co.za/.*
More about ETFs in SA on Page 11.

EDITOR'S NOTE

In April last year, it was thought that a coronavirus vaccine would take years to develop. When the successful trial of the Pfizer-BioNTech COVID-19 vaccine was announced late last year, with Moderna and Oxford-AstraZeneca shortly afterwards reporting equally good news, one could almost hear the world heave a sigh of relief.

The efficacy rates achieved by the Pfizer-BioNTech and Moderna vaccines have been remarkably high. Oxford-AstraZeneca's vaccine had also achieved high levels of efficacy, though it varies markedly by dosage. The latter is the vaccine that will most likely be used in the less developed world as it is cheaper and can be stored in standard refrigerators. In contrast, the Pfizer-BioNTech and Moderna products require special cold storage, something that presents a challenge to emerging economies. As 2021 progresses, more vaccines will be rolled out.

While there has been a COVID-19 surge in the northern hemisphere during the winter months, the vaccines are expected to ensure that during the course of 2021, the world will see a stronger economic rebound than was expected prior to the vaccine trial results.

Here in South Africa, a vaccine will be available by the middle of this year for 10% of the population through the Covax initiative, according to the Health Department. It has been suggested that our government may also buy vaccines from Johnson & Johnson, Novavax and Oxford-AstraZeneca. How we're going to pay for all this is anyone's guess, and a topic for another day.

On behalf of the Money*Marketing* team, I wish you a peaceful and prosperous New Year.

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PROFILE

GILES HEEGER
EXECUTIVE: ASSET MANAGEMENT, STANLIB

How did you get involved in financial services – was it something you always wanted to do?

It started with a series of random decisions and then a lucky break or two. I had chosen to do a BBusSci as my undergrad – it was the most general commerce degree I could find – not having any idea of what I wanted to do. Towards the end of the degree I was really keen to see if I could study overseas for a bit as a life experience. South Africa was just opening up then, and studying internationally was not yet common. To do that required funding and, given what I had studied thus far, it meant that the obvious source of funding for me was in pursuing an MSc in Finance. I ended up doing this in London, and within three months of being there, the rand depreciated rapidly and my funding wasn't going far, so I had to find a job to supplement it. A series of lucky breaks allowed me to turn an internship on the trading floor at Standard Bank London into a part-time job. Once I had been exposed to the crackling energy of a trading floor, I was hooked and actively pursued a career in that direction.

What was your first investment – and do you still have it?

My first investment was a stock in a company called Brainware. I had just started working full-time and a friend was working for their IT department and through him I bought some pre-listing shares. It was during the listing frenzy in the late 90s and it became one of those faddish stocks that everyone loved for a few months before it crashed. I sold 50% every time it doubled and blew the proceeds from what was a very modest initial investment for my first island holiday and went scuba diving.

What have been your best – and worst – financial moments?

My best and worst were the same – buying my first house. It was the worst because it was such an enormous financial commitment. I bought it on a 105% bond (including transfer duty). Knowing that I needed housemates to afford the bond, I didn't sleep the night before, worrying about both whether I could pay it off and whether it was too permanent a commitment. It turned out to be one of the best investments I made as, in retrospect, it was just in time for the early 2000s boom in South African house prices.

What do you tell investors who are worried about their investments due to SA's current economic environment and COVID-19?

Diversifying, matching and not trying to be a timing hero has worked for me so far. I try and match my investments to future needs and a lot of what I invest for is priced in hard currency these days. I try to match with investing a reasonable portion of my portfolio in a hard currency. I don't try and time the markets, unless it's in the middle of a crisis, and rather steadily invest when I have the savings to do so. As a result of that strategy, my investment portfolio is averaged in over a long period of time, and the offshore component will offer protection against some of the current economic challenges being experienced in SA. We have enjoyed a lot of exchange control relaxation and have access to many international choices, so there is no reason not to diversify offshore anymore.

What's the best book on investing that you've ever read – and why would you recommend it to others?

I don't have a single book that is 'the best book'. I was fortunate that a big part of my London post-grad was spent comparing textbooks on finance with real-world data, which showed how little pure maths explained market prices. That experience resulted in me taking a big interest in how humans add a complexity to investing that maths find hard to model. This has led me to reading a series of authors that I guess forms a mosaic type view for me.

I really enjoy Malcolm Gladwell, especially his teachings on the importance of luck, and how sometimes luck in itself depends on a set of factors – that helps me think about industries and trends. Jim Collins's books have led me to think about culture and people, and that helps me think about individual firms in an alpha context. I know Michael Lewis focuses largely on stories, but his books really do help me think about markets and people's behaviour because, in that sense, they are very accurate. I find then that *Winning the Loser's Game*, by Charles Ellis, helps me bring all of that together with my own personal behavioural biases.

VERY BRIEFLY

PortfolioMetrix CEO, Brandon Zietsman, says he is delighted to announce the appointment of Philip Bradford and Riccardo Peretti to the firm's asset management team in South Africa, starting 2 January. "Phil is currently Chief Investment Officer at Sasfin Asset Management, where Ricci is a portfolio manager. Their appointments add significantly to the momentum we are building in our business."

Bradford has previously chaired the board of the CFA Society of South Africa and has over 20 years' experience in the industry. "Not only is he an extremely talented investment professional, but he also has a strong public profile and is an energetic, positive, all-round good guy. He, with Ricci's support, is currently the manager of several funds at Sasfin, which have received numerous industry awards," Zietsman adds.

Sasfin has announced that Arno Lawrenz will join the Sasfin Asset Managers team as Chief Investment Officer. "Backed by a track record within the biggest names in asset management, Lawrenz has been managing fixed income funds since the 90s," the firm said in a statement. "As Head of Fixed Income at Coronation, he launched the Coronation Strategic Income Fund, which was the first flexible income fund in South Africa, as well as running fixed income at Old Mutual. Later, he founded and built Atlantic Asset management as the Chief Investment Officer, which was ultimately sold to Ashburton, where he managed global multi-asset strategies until recently."

Ashburton Investments has announced that Dr James Cooke has been promoted to Head of Global Equities (International) and, subject to regulatory approval, to Director of Investments (International) Ashburton Investments. He will join the Board of Ashburton (Jersey) Limited in due course.

"This promotion is in recognition of James's significant contribution to the business over the last year and a half," Ashburton says. "Since James joined Ashburton Investments as Head of Equity Research, he has been responsible for managing Ashburton Investments equity strategies, including Ashburton Investments International flagship fund, Global Leaders, where he and his team have delivered strong performance."

James Cooke

GERRIE VAN DER MERWE
Lecturer, School of Financial Planning, Milpark Education

Setting up your business for successful harvesting

Founders of South African Small and Medium Enterprises (SMEs) often struggle to put realistic exit strategies in place. In this article, three building blocks of setting a business up for harvesting (selling) are introduced.

The first building block is to set up a process system for every action that takes place in the business. You have to document every process and standardise the way each business action is performed. The simpler this system is, the better; and it can be done with any tool – from a basic Word document to a digital enterprise management system with dashboards. The systems should focus on achieving uniform service delivery, regardless of which employee the client deals with.

There are numerous benefits to creating such a process system: it can improve client satisfaction, free up time for the owner, make the business more attractive for prospective purchasers, and create certainty and confidence among personnel. In the context of setting a business up for harvesting, it facilitates the operational transfer from the founder to a new purchase.

The second block is to identify potential partners from the current employee pool that can eventually take over the business from the founder. This will not be relevant to every business exit strategy, and in some cases the only available purchaser will be an outsider. Still, it is one of the easiest ways of selling a business, particularly as the phased approach, which is outlined below, overcomes the challenge of sourcing funding for the sale of a business.

According to the phased approach, the founder should search for competent individuals that share the values of the founder and are interested in running their own business. The founder makes small portions of ownership (shares, member interest or other) available for purchase to the prospective partners. The purchase can be structured with a loan account, and new partners can repay the loan by using profit distributions that they now receive as owners.

The third building block is a buy and sell agreement. In financial planning circles, buy and sell agreements are often considered synonymous with the life and disability policies that fund a buy-out in the case of the untimely death or disability of one of the partners. The policies are an important risk-mitigating measure to ensure business continuity, but the agreement itself should also consider aspects such as repayment conditions on loans, the envisaged timeline for sale of ownership, and methods of determining the value of the business. It creates an orderly transition of ownership, which enables partners to realise the value of the effort that has gone into growing the business.

The founder can use these three building blocks to structure the business in a way that facilitates harvesting. Some may be reluctant to embrace these concepts. However, once they start working on their exit strategy, they should find that the new challenge of enterprise building invigorates them and creates excitement for the next phase of their lives.

RICHARD RATTUE
Managing Director,
Compli-Serve SA

Key compliance tips for 2021

A new year begins and this time, it is 2021. For some, the tradition associated with turning 21 is to present a key. Accordingly, and as with each new year, I have some key compliance tips to share with you, to assist with the year ahead.

1. Keep client-central

Staying in touch with clients has really changed as the work-from-home revolution gains momentum. Lockdown certainly tested financial services and, because of technology, we were largely well prepared. Keeping client contact a regular fixture online is important, but don't forget about meeting in person too (with safe social distancing included). Some elements of business aren't necessarily better through the screen.

Also keep Know Your Customer (KYC) and Anti-Money Laundering (AML) practices in mind, particularly to keep FIC fit on the journey.

2. Be 'fantas-tech'

Keeping pace with how tech develops isn't just a hobby. In today's business environment, tech is a ticket to the game. To stay on top of what your business needs to survive and thrive will likely mean integrating tech in some way. Keep your ear to the ground on developments in the Fintech, Regtech and Suptech spaces, as these continue to shape financial services on a global scale.

3. Prepare for POPIA

An information officer is required for all businesses and must be registered by 31 March 2021. POPIA comes to the party this winter too. The compliance deadline of 30 June 2021 will be here before you know it. Ensure you are following the POPI Act rules, particularly treating your customers' data as fairly as you should be.

4. Clean up your cybersecurity

As technology advances, so do cyber criminals, and COVID-19 has been a breeding ground for increasing crime. As working from home continues, so do the risks. Be clean and safe interacting online, insisting on properly removing or storing private data. Ensure your employees understand this process as well by not clicking on, or answering, emails that sound too good to be true.

5. COFI is coming

While comments on the second version of the Bill only wrapped up at the end of October last year, you should keep a close eye on any changes that could suddenly come up. The sleeping giant (COFI) will soon wake.

6. Data management matters

Any risk management plan should include Data Management Risk. Management Information (MI) enables you to reach TCF outcomes. Interpreting data at the right level, so it can be used to better the customer experience, is how you should be thinking.

The year 2020 will be remembered for many reasons, albeit few of them good ones. Keeping a clear head in 2021, with the correct mindset to match the challenges we are likely to face, will hopefully make for a productive year ahead.

I wish you all the best.

Van der Spuy wins 2020 FISA Chairperson's Award


Phia van der Spuy, Founder: Trusteeze

At the 10th Annual FISA Conference held at the Sandton Convention Centre in November last year, the annual FISA Chairperson's Award was presented to Phia van der Spuy, in recognition of her significant and major contribution in educating and guiding consumers and trust practitioners about trusts and estate planning.

Van der Spuy is a Chartered Accountant with a Masters degree in Local and International Tax, a Fiduciary Practitioner of South Africa®, a Master Tax Practitioner (SA)™, a Trust and Estate Practitioner (TEP) and the founder of Trusteeze®, a professional trust practitioner. She also holds a BCom honours degree in Industrial Psychology.

Van der Spuy is a regular media commentator, guest lecturer and professional conference speaker on trusts and estate planning. She has also published a book called *Demystifying Trusts in South Africa.*

In 2014, she co-founded Trusteeze, a disruptive digital solutions provider in the fiduciary space, which led the way in digitising trust administration and accounting.

Her expertise in fiduciary matters is, however, only one element of her remarkable multi-faceted career of 30 years, founded on a strong legal and financial background.

> **IN 2014, SHE CO-FOUNDED TRUSTEEZE, A DISRUPTIVE DIGITAL SOLUTIONS PROVIDER IN THE FIDUCIARY SPACE**

She has worked in various capacities in some of the largest financial institutions in South Africa, including roles in structured finance, property finance, property development, risk management and private equity. Her strength is a diverse background of understanding and managing risks across various sectors.

Van der Spuy holds memberships of the South African Institute of Chartered Accountants (SAICA), the Fiduciary Institute of South Africa (FISA), the Society of Trust and Estate Practitioners (STEP) and the SA Institute of Tax Professionals (SAIT).

The FISA Chairperson's Award is given annually to the person who, in the estimation of the FISA Chairperson and the FISA Council, has made a remarkable and significant contribution to the fiduciary profession. Nominations are called for in the months leading up to the FISA Conference. No sitting FISA Councillor or any employee of or contractor to FISA is eligible.

BOBBY WESSELS
Consultant, AJM

Deducting fees from income received on investments

With most South Africans facing high levels of strain on their pockets, following months of hard lockdown and ongoing economic malaise, one way to achieve a measure of relief is deducting fees from income received on investments. Crucial to claiming such a deduction is ensuring that the expense was incurred in the production of income, for the purposes of trade, and was not capital in nature.

These are three key hurdles to overcome, which form part of the general deduction formula and, if not satisfied, will result in the deduction being disallowed.

Whether an expense is capital in nature or not has possibly become one of the most contested questions in tax law today. Our courts have laid down a variety of tests that aim to solve this complex problem. Common to any enquiry as to the capital nature of an expense is the principle that the true nature of the expense needs to be considered. Where the expense is part of the cost incidental to the performance of the income-producing operations, it will not be regarded as being capital in nature. Where shares are traded frequently – although not decisive – it may be indicative of those shares not being capital in nature.

Fortunately, for those investing in shares, the legislature has stepped in to provide more certainty on the matter. Where you hold an equity share for three years, section 9C of Income Tax Act No. 58 of 1962 deems that share to be capital in nature and would automatically exclude you from including these expenses as deductions.

For most investors, the next biggest hurdle in the deduction of fees incurred on investments held, is whether or not they can be seen as carrying on a trade. While section 1 of the Act provides for a definition of trade, difficulties arise where an activity does not fall within the ambit of that definition.

Whether a person is carrying on a business as an investor of money will depend on the facts and circumstances of the particular case. Much will depend on the scale and nature of its activities. The fundamental principles of when a person is carrying on a trade is thus determined based on the facts and the nature of the entity's activities. It is a question of degree.

"WHETHER ONE QUALIFIES FOR THE DEDUCTION OF ADVISER FEES IN TERMS OF THE GENERAL FORMULA CAN BE TRICKY TO ASCERTAIN

The final requirement as part of the general deduction formula is whether the expenditure was incurred in the production of income. The South African courts have confirmed that such expenses are deductible expenses, provided they are so closely linked to such acts as to be regarded part of the cost of performing them. From this, two questions arise: (a) whether the act to which the expenditure is attached is performed in the production of income and (b) whether the expenditure is a necessary concomitant of the trading operations.

Section 23 of the Act makes provision for cases in which deductions will be disallowed. Among those are any expenses incurred in respect of amounts received or accrued which do not constitute income as defined in the Act (such as a portion of local interest income and local dividends).

Provided all the requirements of the general deduction formula are met, the example below can show the deduction to be afforded to investors:

Consider Mr X, who is under 65 and has paid R1 500 in adviser fees. He earned local interest on his investments of R50 000, local dividends of R20 000 and foreign interest of R50 000 during the tax year.

First, subtract the income tax exemptions received from his taxable income.

The local dividends would be completely exempt, while the first R23 800 of local earned interest will be exempt. The foreign interest will be wholly taxable. This leaves Mr X's taxable income at R76 200.

The taxable income must be calculated as a percentage of total amounts received to get what is called the apportionment percentage. The apportionment percentage is calculated as follows: R76 200/ R120 000 x 100= 63.5%.

This means that of the R1 500 paid in adviser fees, only 63.5% (or R952.50) can be deducted.

Whether one qualifies for the deduction of adviser fees in terms of the general formula can be tricky to ascertain, yet if applied correctly, some healthy savings can be achieved.

SANISHA PACKIRISAMY
Economist, Momentum Investments

HERMAN VAN PAPENDORP
Head: Investment Research & Asset Allocation, Momentum Investments

Financial markets in 2021: Virus or vaccine victorious?

The ebb and flow of COVID-19 infections around the world and developments on the vaccine front are likely to be hugely influential in determining the outlook for the economy and financial markets in 2021. The reality of a flare-up in COVID-19 cases during the northern hemisphere winter is likely to cause some near-term pressure on global economic growth associated with renewed lockdown measures.

However, the near-term negative growth impact of rising COVID-19 cases should fade during 2021. In this regard, the successful approval, mass production, global distribution and widespread administering of virus vaccines is a prerequisite for the sustainable normalisation of economic activity. Firstly, this will limit the risk of sporadic economic lockdowns in response to rising pressures on health systems. In addition, it could also increase the likelihood of enhanced fiscal spending on vaccine production, which could provide an additional boost to the global economy.

In our view, whether or not the COVID-19 virus can be tempered successfully in 2021 will largely determine the risk appetite in global financial markets in the year. In turn, this will determine whether riskier asset classes or safe-haven asset classes will prevail in 2021. Although the balance of probabilities is in favour of a positive vaccine outcome and hence a conducive environment for more risky asset classes in 2021, we acknowledge that there could be sporadic downside risks for these asset classes during the year in case of disappointments on the vaccine implementation front.

Riskier asset classes

The reality of a divided US government after the recent election implies uncertainty about the timing and magnitude of further fiscal stimulus. Although a split Congress likely suggests a smaller Biden fiscal stimulus package and thus higher risk for fiscal drag hindering the magnitude of US economic recovery, it also means a lower likelihood for increased regulation and taxes, which could offset some of the negative growth impact from a smaller fiscal package. A Biden presidency with legislative gridlock can indeed be regarded as a goldilocks environment for equities, with smaller fiscal stimulus also enhancing the necessity for ongoing monetary support.

Furthermore, the envisaged transition from President Trump's unilateral and confrontational approach to international relations to Biden's likely more multilateral and cooperative approach, should imply less volatility and probably more predictability in geopolitics. This would be good for risk-asset valuations and returns.

Ultra-easy money to remain

A drifting up of inflation towards trend should be expected in 2021 as economic recovery ensues, while loose policy remains and previous structural disinflationary forces like globalisation, technology deregulation and technology price declines start reversing. Upward pressure on minimum wages can also be expected in the coming years as policymakers seek to redress wide inequality gaps.

Research by Morgan Stanley shows that rising inflation periods historically provided the best absolute and relative equity returns as higher growth prospects and inflation expectations during these periods lifted nominal returns. While equities do best when inflation is below trend and rising, bond returns are the lowest during these periods.

Against the backdrop of many global risks and uncertainties, central banks are likely to remain firmly committed to ultra-easy money to counter rising inequality even as a growth recovery takes hold. One should thus expect interest rates to remain low and quantitative easing (QE) support measures to remain firmly in place even as inflation starts drifting upwards, particularly with the shift to average inflation targeting among global central banks. As such, the risk is low that rising policy rates will derail the profit recovery from the trough, as has often been the case historically.

General risk-on environment in 2021

A likely move towards trend growth and inflation in 2021 point to a dual positive effect on global nominal GDP and, hence, companies' top-line revenue and profits. This prospect is currently evident in profit expectations, with a net 20% more corporate earnings upgrades than downgrades experienced in the US. Furthermore, as companies become more confident in the operating environment, this should reflect in higher pay-outs – dividends and share buybacks – in 2021. All of this should be unequivocally positive for global equity markets.

In general, an improved picture of global growth, together with still ultra-easy policy settings, should reward less risk-averse investment behaviour in 2021. In such a risk-on environment, investors should be positioned for a weaker US dollar, a drift higher in US bond yields, expect general support for more risky asset classes such as equities and credit, and be prepared for some equity style rotation from growth to value and, regionally, should favour non-US equity markets (including EM) over the more defensive US equity market. In contrast, safe-haven asset classes

" A DRIFTING UP OF INFLATION TOWARDS TREND SHOULD BE EXPECTED IN 2021

like global bonds, cash and gold are likely to face headwinds in a cyclical recovery phase, with bonds facing the additional challenge of somewhat higher inflation. The recent steepening in the US yield curve is a telling sign that the bond market is starting to discount economic recovery.

Future absolute returns likely to be lower

Valuations look expensive in most global asset classes, with low yields implying lower-than-historic forward returns across the board, if there is some reversion towards longer-term valuation means. As such, the absolute return outlook is not an appealing one for investors. It then becomes a relative asset class choice story to defend overall portfolio returns for investors.

At the outset, cash exposure in a very low-interest rate environment should be limited. Secondly, global bond exposure would be at risk if global growth and inflation drift higher towards trend as expected in 2021. It makes sense to rather exploit the risk premia available in other asset classes to give some better absolute returns in a diversified balanced portfolio. Growth asset classes historically perform best around growth troughs in the global economic cycle, while safe-haven bonds do best when data deteriorates from the peak in the cycle.

> **VALUATIONS LOOK EXPENSIVE IN MOST GLOBAL ASSET CLASSES**

Within equities, the positive relative profit trends in favour of both growth stocks and the US over the past decade already seem to be fully discounted in their respective valuations. As such, value stocks and non-US equity markets now offer more compelling long-term risk/reward profiles than growth stocks or the US equity market.

Global risks in 2021

Problems with containing the COVID virus and a delay in the production, distribution and practical rollout of vaccines globally, leading to renewed restrictions on activities to curb hospitalisation levels, would be a major risk to global economic recovery and a higher risk appetite in financial markets in 2021.

Furthermore, a Democratic sweep, should the Georgia Senate reruns go in favour of the Democrats in early January 2021, would increase the likelihood for more regulation and higher taxes, which would be negative for equities.

Risk assets would also come under pressure from any peak in policy stimulus momentum, in case US political gridlock prevents further fiscal stimulus to be forthcoming, and should there be proactive, rather than reactive, monetary policy tightening as inflation drifts higher towards and eventually above target in the coming years.

Are the stars finally aligning for the SA equity market?

Although the SA economy will remain trapped in a low-growth quagmire until structural policy reforms are successfully implemented, the fortunate reality for investors in the SA equity market is that the local economy is only a secondary driver for the overall local stock market. Indeed, analysis done by RMB Morgan Stanley shows that less than one-third of the aggregated operating performance of the companies in the JSE Top 40 index originates from SA. Shares like Naspers, Prosus, British American Tobacco, Anheuser Busch InBev, BHP Billiton and Richemont generate the bulk of their production, revenue and profits outside SA and hence are more linked to global driving factors than those pertaining to the SA economy.

It should, therefore, be no surprise that the SA equity market historically has followed the lead of global equity markets, particularly the US, over time, with non-US equity market factors only explaining 23% of local equity market movements in recent decades. SA idiosyncratic factors have thus only been of secondary importance to determine the local equity market's direction. Based on the current level of the US market, the SA market seems around 13% undervalued. The latter should also benefit from the envisaged global risk-on environment playing out in 2021.

There should also be fundamental support for SA equities from a strong expected profit recovery in 2021, driven mainly by an improving global operating environment on top of a decimated 2020 earnings base. SA earnings revisions already bottomed in June 2020, with upward earnings momentum since then mainly driven by Naspers and the resource sector, with further positive revisions likely to be forthcoming in the coming months.

After years of poor absolute and relative performance, the SA equity market now also has a more favourable valuation underpin that should enhance potential return upside from an improving fundamental backdrop.

SA real bond yields compelling

The carry trade remains alive and well in global fixed income markets, with funding rates close to zero or negative in developed markets and the nominal and real bond yields available in emerging markets far above those offered in developed markets. In addition, many EM currencies still look undervalued on fundamentals, adding to the attractiveness of EM assets for global hard-currency investors. Within the EM world, SA real vanilla bond yields remain one of the highest – more than compensating prospective investors for the high local fiscal risk premium required. Current SA real bond yields and yield spreads are indeed multiple-sigma attractive events against their respective historical averages.

> **THERE IS ALWAYS A STRATEGIC RATIONALE FOR GOLD AS A PORTFOLIO RISK DIVERSIFIER**

In the ILB space, the expected rise in SA inflation as 2021 progresses should provide a positive fundamental underpin for the asset class going forward. More specifically, the meaningful positive monthly inflation accruals expected to be banked by ILB investors from the second quarter of 2021 should be particularly favourable for the asset class in coming months.

Due to a combination of aggressive SA Reserve Bank rate cuts in 2020 in response to COVID-19, as well as expectations for higher local inflation in the next year, prospective SA real cash yields have fallen close to zero, which is more than one standard deviation below its historical average. This makes the real return available to investors from local cash unappealing, in contrast to the high real yields available from SA ILBs and vanilla bonds.

Listed property fundamentals

The SA commercial property sector experienced a further rapid weakening in its fundamentals in 2020 due to the destructive effect of COVID-19-induced lockdowns on the economy and its tenant base. As a result, rental holidays had to be instituted, negative rental reversions became the norm and vacancies started to rise. While this trend is likely to continue in the immediate future, share prices of the listed companies have been decimated, with valuations at rock-bottom levels relative to history. As such, it can be postulated that the weaker fundamental environment has already been discounted by share prices in the sector.

Although we anticipate property values to decline in the coming years as the reality of a weaker operating environment is reflected, our research shows that current share prices already discount a 30% decline in property values in the coming years. We see this as a worst-case outcome and think that a 25% decline in property values is a more realistic, but still conservative, outcome.

Balance sheet strengthening remains the main interim priority in the listed property space as property value declines push loan-to-value ratios up. As regulators will not allow real estate investment trusts (REITs) to retain dividends to bolster weak balance sheets, some companies in the sector will have little choice but to do capital raises, which are likely to dilute existing shareholders' interests.

Gold price

With the fundamental driver for the gold price being the opportunity cost of holding a non-interest-bearing asset, it is unsurprising that US real interest rates have been the dominant determinant for the US dollar gold price in the last two decades. More surprising has been that movements in the US dollar no longer provide additional explanatory power for the behaviour of the dollar gold price.

Based on the current level of US real interest rates, the predicted value of the dollar gold price is very much in line with its current actual spot level, providing a neutral tactical signal for gold exposure. However, we maintain that there is always a strategic rationale for gold as a portfolio risk diversifier, due to its safe-haven characteristics during risk-off global bouts, as well as its limited correlation with other asset classes in a portfolio.

Financial Sector Transformation Council close to finalising retirement fund BEE scorecard

Transformation in the investment management sector has been slow, and this limits black managers' participation in the economy. That's the word from Deputy Minister of Finance, David Masondo. He was speaking last month at a Black Business Council roundtable discussion on transformation in the financial services and asset management sectors.

According to the latest 27four BEE economics Annual Survey, the market share of black asset managers is estimated to be 9% of the total South African savings and investment pool total assets. "This figure shows a disappointing state of affairs in the sector, which requires a deliberate effort from all stakeholders for it to change," Masondo said.

He added that pensions funds, being the primary source of assets, have a key role to play in changing the transformation landscape in the assets management sector as part of the ESG (Environmental, Social and Governance) principle contained in Regulation 28.

"However, access to private sector pension funds for black asset managers has been challenging. This, according to 27four BEE economics Annual Survey, is because of the intermediation of the umbrella funds where the majority of assets are concentrated directly in the asset portfolios managed by the sponsors themselves.

"Not only does this affect transformation in the assets management sector, it also affects the entire value chain, including procurement of support services such as compliance, stockbroking and administration from external service providers."

The Deputy Minister added that to change the transformation landscape in the sector, the Financial Sector Transformation Council is close to finalising the retirement fund BEE scorecard that will include concrete transformation targets for retirement funds. Among the targets being proposed is a target on pension fund's procurement of black asset managers' services.

"Government supports setting of targets as they will fundamentally improve the percentage of assets managed by black managers, thereby improving their participation in the economy. However, it is important that these targets are applied gradually to allow the smooth transition of existing asset management contracts and to avoid disruption of existing investments."

Masondo noted that, in South Africa, the COVID-19 pandemic had led to a steep economic decline, worsening the already vulnerable economy.

The successful implementation of the Economic Reconstruction and Recovery Plan developed by Government – together with its partners in business, labour and civil society – requires, among others, capital investment into productive and employment-creating sectors of the economy.

"The pension fund industry with its accumulated assets of around R4.5tn has a significant role to play in this regard. Through its investments in capital markets, the pension funds industry has the ability to stimulate economic activities through better allocation of capital."

Infrastructure development is identified in the plan as a key area that will play a leading role in South Africa's economic reconstruction and recovery. "The objective is to pursue infrastructure-led economic reconstruction and recovery with investment in infrastructure that will stimulate the various sectors of the economy," Masondo added.

"The pension fund industry can play a key role in this regard, by investing more in infrastructure projects that will boost economic development. To create an enabling environment for this to happen, National Treasury is in the process of reviewing Regulation 28 of the Pension Fund Act, to make it easier for pension funds to increase investment in infrastructure, should their board of trustees opt to do so."

He said that it was important to note that this review was not intended to prescribe which assets the pension funds should invest in, and this decision will remain the responsibility of the boards of trustees.

ANTHONY GOVENDER
Founder and CEO,
ASI Financial Services

SA's financial services sector isn't close to being transformed

The South African financial services industry, and in particular the asset management sector, is not even close to being transformed enough to reflect the country's population and to respond to the needs and interests of the majority of the country's people.

Furthermore, at present, the vast majority of financial advisers are 'tied' to one of the 'Big Five' insurance institutions, with significantly less than 20% of brokers in South Africa being able to give truly independent financial and retirement advice to clients, without the spectre of conflicts of interest compromising the integrity of their advice.

When it comes to the stockbroking industry, a tiny minority of the market share is held by black stockbrokers, and the barriers to entry in this sector are the same as in other parts of the financial services industry: it's impossible to launch into this space without significant capital and investment in technology.

While the playing fields in the sector may have been levelled on paper in 1994, the truth is that the five big insurers that dominate the market had already had decades – and international injections of capital – to establish their positions, while black individuals who wanted to launch into the sector had to start from scratch. The playing field may have been level, but the starting line certainly wasn't even close to being the same.

There are a number of black-owned players in the industry now – but they're fragmented and isolated, and tend to protect their own interests rather than adopting a more inclusive approach to transforming the industry.

I believe that the currency of financial advisory is trust – trust between an adviser and their client, and trust between the adviser and the asset managers they engage with. It's time for transformed, transforming, and black-owned asset managers and financial services advisory firms to find ways to collaborate more, to come together in a more meaningful way.

> **INDEPENDENT BLACK ADVISERS CAN HELP THE COUNTRY'S MAJORITY LEARN HOW TO MAKE THE MOST OF THEIR FINANCES**

This could be by several smaller players coming together to consolidate their businesses to build stronger voices in the industry – building potential competitors to the legacy players.

It's also important to remember that transformation is about so much more than ownership. How transformed is a business, really, if it is 100% black-owned, but its board of directors doesn't represent the demographics of the country? How meaningful is that transformation if the board doesn't have an intimate understanding of the issues that impact on the daily lives of its customers and investors? And how transformed is a business if it doesn't have a preferential procurement policy that prioritises transformed businesses? Because we can only lift South Africa if we work together, lifting one another. Government has a significant role to play in transformation in the sector too, and I urge the Department of Trade and Industry to reconsider current planned interventions in our industry that are going to lead to the extinction of independent financial advisers.

Our industry can only offer true value to South Africa's people if there is space for independent advisers – and this is truly an industry where an emerging and growing cohort of independent black advisers can help the country's majority learn how to make the most of their finances, plan for the future, and create generational wealth.

We do welcome Deputy Finance Minister Dr David Masondo's commitment to look at ways that retirement funds are also held accountable to the financial sector's B-BBEE scorecard requirements when they appoint asset managers, which should in turn promote transformation in the sector.

This is important because, sad though the truth of it is, policy won't drive transformation on its own; policies need to be enforced. That, along with a commitment by black asset managers, stockbrokers and other players in the sector to work together – whether by coming together to build bigger firms, by appointing truly representative boards, or by procuring everything possible from black-owned businesses – is the only way we will see true transformation in the South African financial services sector.

Restarting the global economy depends on tackling vaccine journey's 'last mile'

Restarting the global economy for billions of people will depend on successfully overcoming logistical challenges in the 'last mile' of a COVID-19 vaccine's journey to immunisation stations, according to a new report.

Using cargo drones, mobile cold rooms, portable vaccine micro-chillers and other innovative means of delivering temperature-sensitive vaccines to remote towns and villages may make the difference between life and death in low-income countries.

Halting the spread of COVID-19 and safely reconnecting countries to international trade will also kickstart the global economy, but this will only be possible with an effective rollout of vaccines to the billions of people who need them.

Universal vaccine access is already a major challenge in low-income countries, due to the lack of robust refrigerated cooling networks, especially to remote communities. Mass vaccination for COVID-19 will need to deliver vaccines globally at scale and speed never before considered.

Supported by UK Research and Innovation (UKRI), University of Birmingham experts at the Centre for Sustainable Cooling are working with researchers at Edinburgh's Heriot-Watt University, BRAC University, Bangladesh, and Bangladesh University of Engineering and Technology to design a blueprint for in-country COVID-19 vaccination cold-chain design for low- and middle-income countries – using Bangladesh as a case study.

As part of the project, they have produced the report 'Understanding the cold-chain challenge for COVID-19 vaccination' which identifies, among other things, that:

- There is an urgent need to strengthen vaccine cold chains in low-income countries – particularly into rural and remote areas; it is estimated that nearly 3 billion of the world's 7.8 billion people live in areas that lack temperature-controlled storage to deliver the COVID-19 vaccines
- Existing vaccination must continue alongside COVID-19 programmes – some 80 million children may already miss vaccinations against preventable diseases due to the pandemic
- Strengthening cold chains must not come at an environmental cost; this is a major opportunity to address gaps in the wider cold economy and use sustainable technology
- A lack of qualified engineers will lead to long response times to equipment malfunctions and broken cold chains
- Waste management will be a major challenge; alongside vaccines, disposable syringes, personal protective equipment and other vaccination supplies will require disposal
- High-income countries getting vaccines first would avoid 33% of preventable deaths, but equitable global distribution would stop 66% of such deaths.

Project developer Toby Peters, Professor of Cold Economy at the University of Birmingham, comments, "The COVID-19 pandemic is a major human tragedy rooted in a crisis of health, economy and social justice, but we must ask ourselves a key question: How do you kickstart a global economy without vaccinating the world?

"We can't 'build back better' if lack of access to vaccination has condemned some countries to isolation because they remain COVID-19 hubs. We must reach everyone who needs a vaccine and the real challenge lies in overcoming that 'last mile'.

"Cold chains are energy intensive and rely on planet-warming refrigerants. Rapid expansion must not be based on environmentally harmful technologies and we are leading a fast-track research programme to design novel methods and instruments to support the cold-chain for COVID-19, but also to provide a lasting logistics legacy."

HOW DO YOU KICKSTART A GLOBAL ECONOMY WITHOUT VACCINATING THE WORLD?

Child vaccination programmes typically reach around 115 million infants each year, but the COVID-19 vaccine would need to be available to as many as 750 million people in Africa alone.

The scientists are working in Bangladesh to create a blueprint to help ensure that medics can get a COVID-19 vaccine to everyone who needs it across the Global South.

Bangladesh has one of the world's largest pharmaceutical and vaccine industries, with a vaccination framework supported by Gavi, the Vaccine Alliance and the World Health Organisation (WHO), but, like many countries, still lacks the capacity to deliver unprecedented, fast-track mass vaccination.

Co-investigator Professor Farzana Munshi, of BRAC University, comments, "Like many developing countries, Bangladesh must balance protecting its people and sustaining the economy. While we are experiencing positive economic growth in the short run, this may not be sustained if the pandemic prolongs.

"Fear of the unknown is an important factor causing lack of demand, which can continue as long as the virus is with us. Availability of a vaccine can remove this fear and stimulate economic activities. Rapid, efficient mass vaccination is the only way forward."

Professor Ijaz Hossain, Dean of Engineering at BUET, adds, "It's vital that we understand and overcome the challenge of that last mile on the ground in countries like Bangladesh, which have remote rural populations. We must ensure that vaccines are available at every vaccination site and outreach channel.

"This is a major opportunity to use innovative, yet affordable, new technologies to create a lasting legacy from COVID-19 investment that could help save millions of lives and support economic growth for years to come."

The University of Birmingham is ranked among the world's top 100 institutions. Its work brings people from across the world to Birmingham, including researchers, teachers and more than 6 500 international students from over 150 countries.

Toby Peters, Professor: Cold Economy, University of Birmingham

HELENA CONRADIE
CEO, Satrix

How to invest using ETFs

Exchange traded funds have enjoyed a lot of media attention in the past few years as the tide has been slowly turning from investing all your money with active managers to perhaps using a few index tracking portfolios to diversify your exposure.

Investing in ETFs has many advantages, not least their cost. They are also 100% transparent, in that you can view all the holdings in the portfolio daily. You're able to trade them intraday on a stock exchange if you wish to. There are many, many ETFs to choose from, either giving you very focused exposure, or allowing you to just hold a broad market index.

Traditionally the playground of traders and very sophisticated investors, ETFs are now available to everyone and, with the onset of digital platforms like SatrixNOW and EasyEquities, you can invest any amount you like as there are no minimums and you are able to invest in fractions of shares – meaning if you don't have enough capital to purchase a whole share, you can hold just a percentage or fraction of it. After all, an ETF is simply a share which trades on an exchange.

"INVESTING IN ETFs HAS MANY ADVANTAGES, NOT LEAST THEIR COST

In South Africa, ETF investing has also been implemented on some LISPs, viz Glacier and Momentum. This means that you can hold unit trusts and ETFs in the same portfolio, whether it be discretionary money like your tax-free account or your preservation fund or retirement annuity.

But why are these factors making investors sit up and take notice of index tracking, and why now? You've probably seen many articles written over the past few years cautioning that your returns are going to be lower going forward, further impeded by the economic devastation wrought by COVID-19. Although most analysts had been premature in this prediction, it really seems that the time is now upon us. The past 30 years have been a heyday for global asset class returns. Inflation declined precipitously and real interest rates fell to levels we had not seen before. Favourable demographics saw a rise in the number of people of working age and thus an increase in employment. Productivity also grew as the pendulum swung from agricultural pursuits towards manufacturing and services. Increased automation allowed nimble businesses to steal market share from competitors, making big contributions towards global GDP growth. And all this while corporates were able to elevate after-tax profits by taking advantage of the growing global consumer, especially in emerging markets. This saw bond and stock market returns surge.

Currently we are sitting at a watershed where it will be difficult for inflation and interest rates to fall further, especially as the world is awash with debt. In some instances, countries already have negative real interest rates. An aging world population means the working pool is shrinking, which is stalling employment, and corporates are facing a far more competitive environment than before, fuelled largely by technology and now a newly financially constrained consumer. All of this leads to lower asset class returns, which means investors need to adapt their expectations about investment returns. It also means they need to be nimbler about their investment choices.

One way to do this is to seek out cheaper alternatives to active management with no performance compromise – hence the increase in money flowing into indexation. ETFs also allow you to be extremely focused about your exposure, whether it be technology you are after (think Nasdaq 100) or niche country-specific exposure (for example China). Or perhaps you just want a well-diversified fund exposed to global developed or emerging markets. Satrix has eight global ETFs to choose from and 12 local ones – more than enough to build a portfolio or satisfy the fussiest of investors.

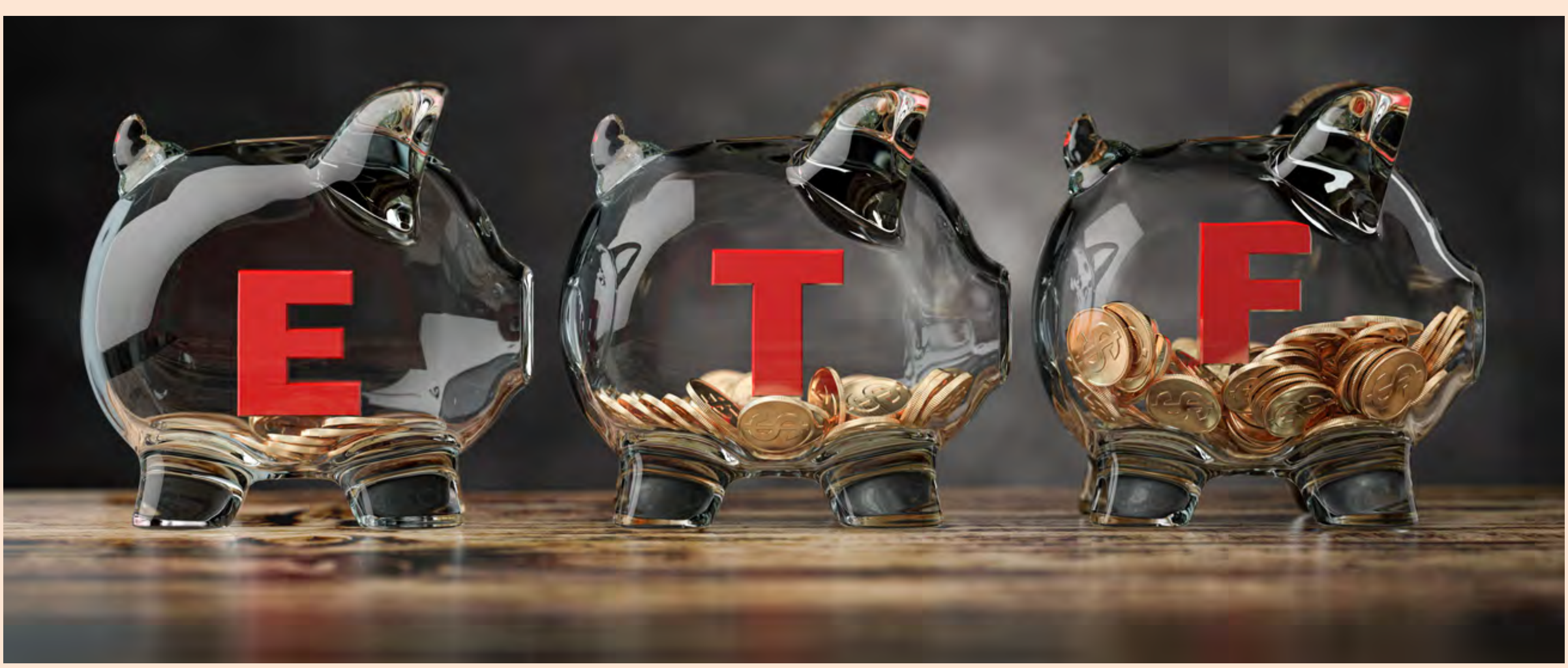
To leave you with some points which we are reminded of when we spend time with clients:

- Investing isn't gambling. There are returns you can expect for a level of risk you are willing to take if you do the time. There are no guarantees, but if your decisions are considered and informed, the odds are in your favour. Use what you now know about ETFs and make informed choices.
- ETFs are 100% transparent. If you know the index your ETF is tracking, you know exactly what shares you are holding in real time. This means that you can hone your investment decisions to a target. There are so many different ETFs available that any slice of the market you wish to invest in (while excluding the rest) is probably possible. This acute and targeted exposure means you have more control over the outcomes.
- Access – for too long investing has been shrouded in mystery (and costs). Many still believe it is only the domain of the super wealthy. This is absolutely not the case. Anyone can play. One thing index tracking managers globally seem to agree on (as do we) is that investing needs to be democratised and opened up to anyone through online access, low costs and in the case of www.SatrixNOW.co.za, no minimums. There really are no more excuses for why you aren't saving and investing. Satrix has made sure of this.

Whilst ETFs may seem like just another new kid on the block, we would guard against that stance. Whilst they are no longer new – Satrix is in fact celebrating its 21st birthday this year – they may not be well understood.

Seth Godin said, "In a world where we have too many choices and too little time, the obvious thing to do is just ignore stuff." We would urge you not to do this and spend some of that precious time learning about ETFs. We can almost guarantee you that the time will be well spent and your clients will thank you in the long run.

Disclaimer: Satrix Managers (RF) (Pty) Ltd (FSP no. 15658) is an authorised financial services provider and a registered and approved manager in terms of the Collective Investment Schemes.



DR JAMES COOKE
Head: Global Equity Research, Ashburton Investments Jersey

Stocks that are well placed to benefit from post COVID-19 trends

We have identified three major secular trends catalysed by the coronavirus (COVID-19), and have invested in the stocks that are expected to benefit most in the Ashburton Global Leaders Equity Fund. The fund invests in a concentrated portfolio of the world's most prominent mega-cap companies.

The trends are:

1 The further rise of e-commerce

How we are playing it: Alibaba Group, a Chinese multinational tech company specialising in e-commerce and often referred to as the 'Chinese Amazon'.

The coronavirus has accelerated the move to e-commerce, introducing many new consumers by necessity. Established consumers also increased their spending on online retailers for the sake of convenience and safety. Our belief is that the company will successfully navigate new Chinese antitrust guidelines by rapidly adapting and complying.

> **THE CORONAVIRUS HAS ACCELERATED THE MOVE TO E-COMMERCE**

Last year, Alibaba set a new sales record for Singles Day, which is typically a 24-hour shopping event that takes place on the 11th of November in China, commencing with their huge discounts from the 1st of that month.

The firm is expected to report revenues north of $100bn for the financial year, up around 43% from the previous year. Its reported revenue for the quarter ended June 2020 was $21.7bn.

2 Far greater concern for health and hygiene

How we are playing it: Reckitt Benckiser, an Anglo-Dutch multinational consumer goods company that sells well-known household hygienic products such as Dettol, Finish and Harpic.

The firm is under new management and has successfully begun several internal self-help initiatives aimed at recovering market share and returning to growth.

Growth in its products have been accelerated by the demand for greater hygiene in response to the pandemic. We expect structurally higher levels of demand longer term as cleaning and sanitation habits become entrenched.

3 Greater demand for data

How we are playing it: Samsung Electronics, South Korean cell phone maker and technology conglomerate.

Samsung is the world's largest supplier of semiconductor memory, where growth over the medium-longer term will be supported by new technologies such as 5G, autonomous systems, artificial intelligence, 3D sensors, data centres, cloud services and e-commerce.

The increase in speed that 5G offers could result in a shorter replacement cycle and increase in demand for new handsets. Around 60% of global smartphones have organic light-emitting diode (OLED) displays and Samsung dominates this market with a 90% market share. This means Samsung benefits from growth in smartphone sales as a whole and not just under its own brand.

RUAN KOCH
CA (SA) CFA, Industrial/ Property Analyst, Laurium Capital

Are we working from home or living at work?

As we start 2021, hopefully well rested from a good December break, we approach the New Year with trepidation for what it may hold from a personal and work perspective.

The COVID-19 pandemic forced most industries to quickly adopt working from home (WFH) policies. Some industries were better suited to this adoption than others, and there were growing pains for all in the process, but technological advancements over the last few years at least made the shift possible. For many it just accelerated adoption of existing technologies. For example, Laurium was already using Zoom to integrate our Johannesburg, Cape Town and London offices with real-time video walls, which made our transition to virtual staff meetings, and eventually client webinars, seamless. The larger looming question is how the world of work looks when the dust settles.

Is work something we do or somewhere we go? Are we working from home or living at work? We at Laurium cannot opine on the broader impact on all industries, but we can comment on the impact on our own industry and some aspects that are closer to home.

The investment management industry was fortunate to be able to adapt quite easily to WFH. Our management interactions and investment conferences all shifted online to virtual forums with great success. In fact, it's likely that, upon reflection, our management access has indeed improved, as virtual meetings are far less disruptive to all parties involved. The days of management teams from offshore companies flying to SA to do multiple roadshow meetings in Johannesburg and Cape Town, traversing airports and rush-hour traffic, might be behind us. Many of the corporates we engaged with also confirmed they have substantially reduced their travel budgets, not just for 2020 but possibly forever. While we enjoy the convenience, we are concerned about the long-term impact on business flights, car rentals and hotels.

An additional negative is that it's difficult to build and maintain human connection over a screen. Onboarding of new staff and inculcating a team culture without physical engagement is hard, as is managing marketing and networking events without the potential for serendipitous discussions between strangers. Allocators and investment managers also had to navigate the process of due diligence practices without face-to-face interaction.

As we mentioned, some of the impacts are also quite literally closer to home. With schools and universities adopting online tuition, and companies allowing WFH, the impact on residential real estate markets could be material. Gone are the days where proximity to good schools and office nodes were the main attractions for a residential area and could command a premium. And if physical proximity to an office is not important anymore, and employers fully adopt WFH, does this also mean firms could recruit top talent from other geographies? The best or cheapest skills might not be in their current city or even country.

Some of the impacts of WFH will merely be ephemeral, while other changes will endure, and it remains to be seen which is which. For now, all of us that can productively work from home should be grateful for the industries and technologies that enable this, while remaining cognisant of the heavy toll the pandemic is taking on the broader economy.

RAZIQ CHRISTIANS
National Manager:
Business Development,
PPS Investments

Offshore investing vital for diversifying investment portfolios

In the current market conditions, offshore investing has become vital in diversifying your investment portfolio, as it offers an opportunity to adequately benefit from a greater investment universe.

When you have offshore exposure, it means you're spreading your risk – or diversifying – geographically. Diversification across different asset classes, asset managers, geographical locations or investments strategies means that at any point in time you have exposure to an element in your portfolio that, when optimally combined, should act in a complementary way. Your portfolio is therefore better able to withstand fluctuating market conditions, creating smoother returns over the long run.

But investing offshore can be a difficult landscape to traverse with various ways to access. Some of the common approaches are through opening an offshore bank account, or investing in unit trusts that offer offshore asset class exposure. When selecting unit trusts, an important aspect to consider is choosing an asset manager with extensive knowledge and experience to navigate the large universe of stocks and markets available, while having a keen understanding of the global marketplace and where to find value.

As a multi-manager, we spend a substantial amount of time finding exceptional asset managers through our extensive quantitative and qualitative research screening and selection process. We embarked on this process to find a partnership manager for our newly launched offshore solution, the PPS Global Equity Fund, as part of our PPS Partnership Fund range. The manager selection for this fund bears testimony to our process, having partnered with one of the largest and oldest managers in the world.

"WE SPEND A SUBSTANTIAL AMOUNT OF TIME FINDING EXCEPTIONAL ASSET MANAGERS THROUGH OUR EXTENSIVE QUANTITATIVE AND QUALITATIVE RESEARCH SCREENING AND SELECTION PROCESS

Introducing Capital Group – partnership manager for the PPS Global Equity Fund

Capital Group was founded in the United States in 1931, during the great depression. Today, they are one of the world's largest active managers, with $2.1tn under management (as at December 2019) in equity, fixed-income and multi-asset portfolios. They are an employee-owned private company that is solely focused on investment management. They have a strong focus on global equities, which they have been managing since 1953, and they started managing the first emerging market equity fund in 1986. Global equities account for the majority of their assets under management.

Backed by an in-house research team consisting of more than 400 investment professionals globally, a dedicated team of experienced portfolio managers oversee the strategy for the PPS Global Equity Fund. These portfolio managers are based across the globe, making the team truly global focused.

What makes Capital unique?

Capital employs a multi-councillor approach to investing by allocating a portion of the fund to each of the portfolio managers, and a portion to the research team. This approach seeks to achieve the best of both worlds: the high conviction of individual managers and the diversification of a team approach.

Collectively, the portfolio managers have a median of 29 years' industry experience, and 28 years of experience with Capital Group (as at December 2019). Due to the long tenure of the portfolio managers, the Principal Investment Officer has an excellent knowledge of the individual portfolio manager's investment philosophies and style, ensuring the portfolio is diverse in terms of style and allocations. Each portfolio manager is given the freedom to express high convictions in their allocations. The multi-councillor approach can be likened to the way we, as a multi-manager, approach combining the skills and expertise of managers.

How this manager creates wealth

Capital Group is a well-established manager with a strong performance history through various market cycles. Their time-tested strategy has uncovered opportunities from changing patterns of world trade for 45 years. Using a bottom-up, research-driven approach that focuses on a combination of early-stage and established multi-nationals, has fared well over the years. A multi-councillor approach to investing helps to diversify the fund to ensure smoother returns over the investment horizon, reducing factor and style biases.

Capital Group has an established track record across different strategies, delivering long-term growth through the market cycles. We believe we have found an exceptional manager who shares a passion for creating wealth, who understands the value of multi-management and how diversification can ensure smoother returns over the long term.

Offshore investing made accessible

As an investor, you may not have the resources or appetite to research offshore investment options. Investing in the PPS Global Equity Fund gives you access to a top international investment manager with a proven track record through various market cycles. Speak to your financial adviser about diversifying offshore within your holistic financial plan.

Disclaimer:
Collective Investment Schemes in Securities (CIS) should be considered as medium to long-term investments. The value may go up as well as down and past performance is not necessarily a guide to future performance. CISs are traded at the ruling price and can engage in scrip lending and borrowing. A schedule of fees, charges and maximum commissions is available on request from the Manager. A CIS may be closed to new investors in order for it to be managed more efficiently in accordance with its mandate. Performance has been calculated using net NAV to NAV numbers with income reinvested. There is no guarantee in respect of capital or returns in a portfolio. Prescient Management Company (RF) (Pty) Ltd is registered and approved under the Collective Investment Schemes Control Act (No.45 of 2002).
For any additional information such as fund prices, fees, brochures, minimum disclosure documents and application forms, please go to www.pps.co.za. *PPS Investments Group is a division of PPS, a Licensed Insurer and Financial Services Provider.*
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FRANCOIS LOMBARD
Head: Strategic Relationships & Deal Making, Momentum Investments

Where do you invest a lump sum in 2021?

While 2020 will go down in history for a virus that knew no geographic boundaries, it also could be remembered as the year of cancellations (from movies to vacations), the controversial US elections, lockdowns and social distancing. Fortunately, your clients have come through it all with a lump sum to invest but, given the uncertainty of 2020, where should they invest their hard-earned money?

Let's consider the three (broadly classified) types of investments.

Short-term investments

The past couple of years have been great for investors who invested in money markets pre-COVID. Many achieved positive real returns without having to take on too much risk. However, those days are gone. Interest rates that averaged 12.29% from 1998 until 2020, now sit at a record low of 3.50%. These yields will likely remain below inflation and are projected to trend around 3.50% in 2021 and 3.75% in 2022.

In stark contrast to a money market investment, the South African bond market currently offers the highest real yields in the world. Many believe that these high yields are factoring in certain risks, with the government defaulting on its local currency debt at the top of the pile. This scenario (high as it may be), is unlikely as the government would put the entire financial system at risk of collapsing. Against this backdrop, expect increased volatility in the bond market, but with scattered opportunities.

Long-term investments

Over the past five years, local shares have barely produced positive returns. Where will equity returns come from?

- Local equities: Most SA shares are pricing in a dreadful outcome for SA, and a merely bad outcome could see SA Inc. shares do quite well.
- FANG: The technology stocks consisting of Facebook, Amazon, Netflix and Google have driven returns in many client portfolios. At the time of writing, FANG stocks, which have flourished in the low-interest-rate environment, have delivered returns in excess of 230% over a five-year period, or an annualised return of about 27% in dollar terms. While there are some regulatory concerns from the US, Europe and China, the FANG stocks still have some value.
- China and India: Both China and India could continue to do well as components in a diversified portfolio. With the Biden administration, the relations between the US and China are likely to get better. There will also be considerable continuity in (favourable) American policy towards India.

Alternative investments

These type of investments, as part of a portfolio, potentially involve a very high level of risk and require a better understanding of the markets. Investing in gold is one of the most well-known options. Investors looking to invest in gold have two choices: purchase the physical asset (gold coins), or purchase gold shares through a collective investment scheme (CIS) or exchange-traded fund (ETF) that replicates the price of gold. Gold's demand, especially in an environment of low interest rates and unending uncertainty and turmoil, remains the singular driving force in its price, which is up (at the time of writing) above 30% for the year. However, factors such as the development of a coronavirus vaccine could change the fortunes of the precious metal.

Give it time and stay invested

Investing is personal, and there is no single form of investment that is suited for every investor.

While there are many options to invest a lump sum, the most important consideration is time. Most attempts at timing the market will fail and missing out on some of the market's best days during the early stages of a recovery can significantly affect your client's investment returns.

There is no crystal ball when it comes to investing, but following a consistent investment process and staying invested in a diversified portfolio will help your clients achieve their financial goals.

NESI CHETTY
Listed Property Senior Portfolio Manager, STANLIB

Opportunities in South Africa's retail property sector

After several challenging years, SA's property sector appeared to be facing a promising outlook at the start of 2020. However, the COVID-19 pandemic amplified the industry's difficulties and altered retail property fundamentals. Despite this, the sector presents opportunities to those companies that can adapt to changed operating conditions.

Online retail activity

The pandemic and resulting lockdowns of non-essential retail stores resulted in an increase in online retail activity. The FMCG basket categories in South African retail have held up well.

Although SA's ecommerce activity has grown steadily from 0.5% about eight years ago, it remains low at just under 3% of all sales. Globally, online sales flourished as a result of COVID-19, especially in developed markets, where they represent around 15% of total sales and continue to rise. In the US, 18% of total sales are through online platforms, while China continues to dominate with 25%.

SA has to overcome three key challenges to grow online sales:

- High data costs and limited internet access
- Insufficient adequate payment selections
- Trust in the distribution or delivery process.

Retail shopping space

Trading density has grown in rural and township shopping centres since the outbreak of COVID-19. This is mainly due to a larger share of spending being allocated to essentials such as food, and a slight increase in social security grants.

In contrast, trading densities in SA's super regional shopping centres have come under pressure, as some were previously over-rented. The situation is starting to improve, with both footfall and spending levels improving in the third quarter of 2020.

Over the next few years, there will be a deliberate focus on less space, as there will be an oversupply of retail space at both the regional and super-regional levels. This should increase competition and drive trading density growth.

We expect future retail development in SA will probably fall into the 10 000m^2 to 30 000m^2 category, with reduced office exposure, since working from home has created a surplus of office space. SA has a large informal retail market that is still growing, and we expect developers will be able to raise capital at attractive yields to fund these developments.

Subsectors bucking the recessionary trend

Apart from retail shopping, sub-sectors like data centres, towers, storage, and logistics have experienced very little disruption in rental collections and continue to maintain their long-term secular growth drivers.

Within our South African listed property portfolio, we find good value in Equites Property Fund, with its strong pipeline of logistics opportunities in SA and the UK. Offshore, and on the back of the surge in demand from e-commerce, which increased the need for quality distribution centres, we continue to back the long-term growth prospects of Prologis, a logistics real estate business. The firm rentals in some of these sectors mean we would also expect some capitalisation rate compression.

Outlook for local and global REITs

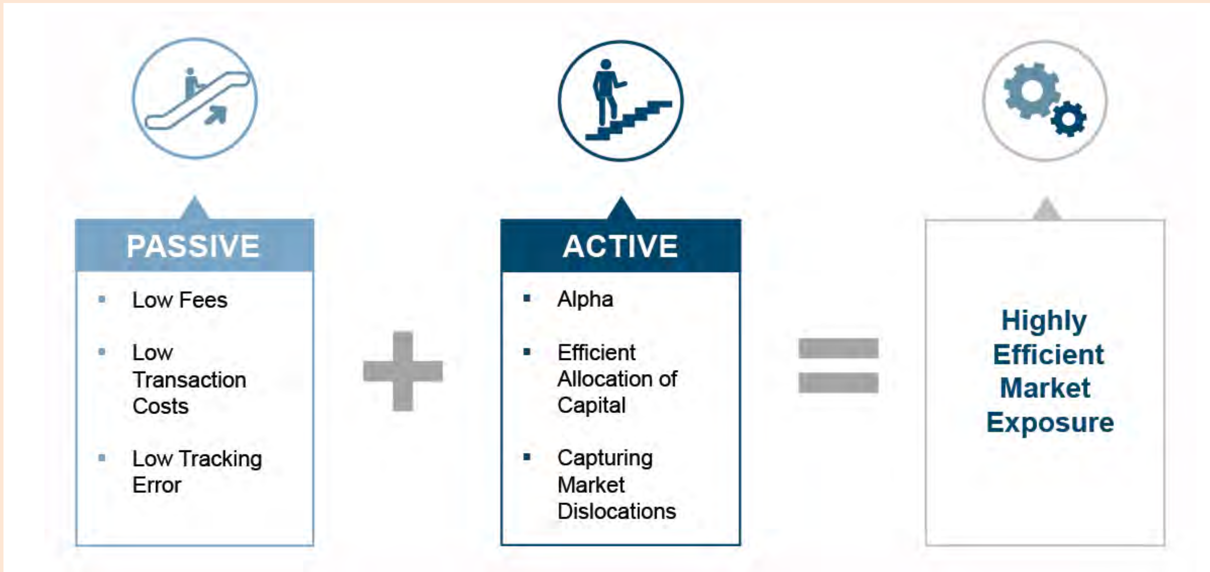
We are cautious about property funds with retail exposure. A few years of underperformance in the retail sector have put pressure on company balance sheets and increased gearing, which is evident primarily in rising loan-to-value (LTVs) rates.

Retailers with diversification across multiple jurisdictions will do well, but some will need to raise capital to bring down debt and repurpose their businesses. In the short term, we may see further impairments of retail assets as companies reset and re-base. The retail exposure in global property benchmarks is significantly lower than it was a decade ago. We expect the global REIT market will deliver sustainable 10% US dollar growth over the next five years. Despite the lacklustre growth seen in retail, growth sectors like storage, logistics, residential and data centres continue to support this upward trajectory.

In SA, REITs will emerge from COVID-19 with much stronger balance sheets and a focus on resuming normal distribution growth. We expect 15% total returns on a compounded basis will be delivered by the SA listed property sector over the next five years.

RUPERT HARE
Portfolio Manager,
Prescient Investment
Management

Investing your lump sum in 2021 – the most suitable options



Lump-sum allocations often occur in the first few months of the calendar year, with investors taking advantage of annual TFSA allowances, bonuses and possibly even a cheque from Santa. But what are the most suitable investments in such uncertain times, and with so many options on offer?

It's important to understand that, in this type of environment, there are whole armies on the move, rather than just minor skirmishes taking place. That means it's crucial to establish where to position a portfolio to capture all eventualities – enabling you to move when opportunities arise, earn stable premiums while the odds are stacked against you, and not burn through your capital base while waiting for the tide to turn.

Investing a lump sum in a single asset class such as equities using your TFSA allowance would run the risk of mistiming the market through yet another selloff – a problem that lends itself to a multi-asset solution, enabling portfolio managers to capture the moves of asset classes (like taking an overweight in equities) only when those assets are deemed attractive. Once the style of fund is picked (for instance, a multi-asset fund), the choice remains as to which manager to pick.

> **"IT'S CRUCIAL TO ESTABLISH WHERE TO POSITION A PORTFOLIO TO CAPTURE ALL EVENTUALITIES**

That brings us to the benefits and costs of holding passive and active investments. In general, the trend towards passive investments has been a result of their low fees (especially during periods of flat markets) and more of a 'get-what-you-pay-for' approach. The downsides are that during dislocations where opportunities arise, passive funds can't rise to the occasion, and you underperform the benchmark by design through the fees you pay. For active funds, the upside is that there's significant opportunity to capture alpha from market dislocations, but you generally pay away that alpha through the higher fee loads.

At Prescient, we believe investment nirvana can be achieved when you combine the best of both worlds through the Prescient Balanced Fund, emulating passive products with low fees and maximum certainty of outperforming the peer group, while harnessing an innovative method of earning back the fees usually paid away by passive investors vs their benchmark. All the while, the Fund is still able to outshine passive funds by capturing market dislocations – such as a slowdown in global growth – through both a robust base portfolio allocation, and a systematic method of capturing and tilting into market dislocations in measured amounts, should they arise – aligning with investor needs, and making sense of the noise.

About Prescient:
Prescient Holdings (Pty) Ltd is a diversified, global financial services group with a 21-year track record of providing solutions to our clients in Asset Management, Investment and Platform Administration, Retirement Solutions, Stockbroking and Wealth Management. As at 31 December 2019, the group had R98.4 billion client assets under management (AUM) and administered R478 billion client assets (AUA), split between asset admin (R328 billion) and unitholder admin (R150 billion). Prescient has established operating businesses in the following main jurisdictions: Prescient has successfully operated for 21 years in South Africa, 12 years in Ireland & the UK and 6 years in China. Prescient Management Company (RF) Pty Ltd (the manager) is approved under the Collective Investment Schemes Control Act (No.45 of 2002). Prescient Investment Management (Pty) Ltd is an authorised Financial Service Provider (FSP 612) under the Financial Advisory and Intermediary Services Act (No.37 of 2002).
This document is for information purposes only and does not constitute or form part of any offer to issue or sell or any solicitation of any offer to subscribe for or purchase any particular investments. Opinions expressed in this document may be changed without notice at any time after publication. We therefore disclaim any liability for any loss, liability, damage (whether direct or consequential) or expense of any nature whatsoever which may be suffered as a result of or which may be attributable directly or indirectly to the use of or reliance upon the information.
There are risks involved in buying or selling a financial product. There are no guarantees provided.
Collective Investment Schemes in Securities (CIS) should be considered as medium to long-term investments. The value may go up as well as down and past performance is not necessarily a guide to future performance. CIS's are traded at the ruling price and can engage in scrip lending and borrowing. A schedule of fees, charges and maximum commissions is available on request from the Manager. A CIS may be closed to new investors in order for it to be managed more efficiently in accordance with its mandate. Performance has been calculated using net NAV to NAV numbers with income reinvested. There is no guarantee in respect of capital or returns in a portfolio. For any additional information such as fund prices, fees, brochures, minimum disclosure documents and application forms please go to www.prescient.co.za.

MICKEY GAMBALE
CEO, INN8

The power of an adviser-inspired investment platform

If 2020 has taught us anything in the investment platform industry, it's that we need to be flexible, insightful and able to respond rapidly to ever-changing adviser and client needs.

Technology is the great enabler that can get us there. However, it can't just be any technology.

Historically, investment platforms have been created from rehashed banking systems and have not been specifically designed for the purpose – a model that's ripe for change.

The pivot towards a FinTech proposition will unlock real value that an investment platform can provide to both advisers and clients.

It's a mindset

Investment platforms are a true enabler of business; a facilitator of choice for the adviser and their clients. Platforms are not an asset manager – and nor should they be. True investment platforms focus solely on what it takes to help advisers run their business more efficiently, serve clients better, and ultimately free up time for the adviser to do what they do best: advise clients.

Adviser inspired

Building a business that puts the adviser at the centre fundamentally changes the way a platform works. It results in a platform fitting into the way an adviser does business, rather than forcing advisers down an archaic, inflexible route that suits the platform and not the adviser's business.

An adviser-centric platform builds a relationship of trust with the adviser, empowering them by putting the power in their hands to support and to respond to clients' needs.

> **WE WERE ABLE TO CONTINUE SEAMLESSLY EXECUTING INSTRUCTIONS DURING LOCKDOWN**

Purpose-built technology

Responsive, purpose-built technology means that when a world-changing event like COVID-19 happens, the platform is able to respond quickly and effectively to challenges.

With our FSCA-approved process, which means no wet signatures are required from clients for instructions, we were able to continue seamlessly executing instructions during lockdown and responding to the needs of clients and advisers without interruption.

An end-to-end secure digital platform should continually evolve and support the changing world in which we live.

A purpose-built, technology-driven investment platform facilitates transparency throughout the investment journey and drives efficiency within an adviser's business and ultimately makes investing simple – like it should be.

Never forget the human touch

A truly powerful platform creates an ecosystem of collaboration and partnership. It combines the power of human connection with the enabling power of technology and delivers a service experience that is real-time, supported by deep knowledge and understanding of the client's investment journeys.

The bottom line? The investment platform of the future is a powerful, flexible technology and value proposition that truly understands advisers' business and delivers a solution that empowers them to serve their clients better.

Chasing platforms on cost alone misses the point: Full functionality

Price is only an issue in the absence of value. Yet many offshore platforms seem to compete on price alone – but how useful is that if everything else fails? Too many investors have been let down by limitations or failures from 'low-cost providers'.

There is nothing wrong with low cost, but Credo Wealth believes other factors are the key to making or breaking a client's platform experience. Credo has been providing wealth management services to South Africans wishing to invest abroad for over 20 years. This has demonstrated that market access, modelling, a robust trading structure, client support, secure custody arrangements and reporting are all critical components for wealth managers and investors alike.

In the first instance, there is nothing more frustrating than not finding the fund or security you want – and even worse if it is on a cluttered, disorganised platform. Credo's wealth platform provides a clean, smooth interface that accesses markets globally. While some platforms only offer funds, Credo provides access to equities, fixed income, funds, hedge funds and ETFs from more than 60 global markets.

One of Credo's key features is the ability for advisers to create tailored, model portfolios for clients and manage them as a model: drift analysis, trading and re-balancing simultaneously rather than for each investor individually.

Resilient trading infrastructure is critical for platform performance. No investor wants to find that the platform has gone down because of tech issues or high volumes, especially on days when the market is volatile. You need a platform that is there when you want to trade. As the graph indicates, the Credo platform can effortlessly absorb 'peak' flows when volumes spike, as experienced during COVID-19, US elections and periods of high market sentiment.

Client support from the platform is equally important. No matter how much information is in a FAQ, there will always be situations that require clarification or assistance. Credo's experience with high-net-worth individuals and some of South Africa's leading wealth managers has proven time and time again the value of having trained and knowledgeable support staff on call for investors. Credo also offers dedicated relationship and account managers whose primary role it is to facilitate a superior client and wealth manager experience.

Credo's custodian is Pershing, part of BNY Mellon, which is the world's largest custodian and literally the benchmark for market best practice. In the event of a default or market failure, there is no safer global custodian available, full stop.

The Credo platform offers a flexible reporting structure that can be tailored for bespoke requirements, including reporting in 11 different currencies. Combining a seamless integration with life wrappers such as Old Mutual International, Glacier International and Momentum Wealth International, investors using Credo get far more than just a trading execution gateway: they benefit from a whole-of-market, multi-asset class, multi-currency technology enabled wealth platform.

Louise Usher, Head: SA Relationship Management, Credo Wealth


See clearly.
Invest globally without restrictions.
We do.
The Credo Wealth platform offers a holistic, digital view of the international investment universe. More than just funds, Credo also offers whole of market access to global equities, bonds and ETFs.
Manage your clients' portfolios – and your own positions – effectively with portfolio modelling, research, trade execution and global custody services.
We will go the extra mile with investor reporting that can be white labelled, helping you to grow your business and giving your clients a seamless investment experience.
Talk to us. Today.
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DARYLL WELSH
Head: Product, Ninety One Investment Platform

SCOTT CARR
Head: Client Digital Experience, Ninety One Investment Platform

Harnessing the power of technology key to business and client relationships

Investment administration is a complex business, which demands interaction with multiple, sophisticated counterparties in a highly regulated landscape that is constantly evolving.

In this environment, technology is key to our efficiency, the security of investor assets and keeping costs down for everyone. While it doesn't solve every problem, it enables us to continually enhance our service offering, helping ensure better financial outcomes without increasing costs. It also assists our clients, assuring compliance with regulations at every step of the investment process.

Technology evolves rapidly and we need to continually embrace new tools and practices well in advance of obvious needs. This is because the benefits of new technology are not always immediately apparent. For example, when we introduced digital approval in 2015, we could not have foreseen just how powerful a force it would be in 2020. As we all retreated to our homes due to the pandemic, moving paper back and forth between people became challenging. Thanks to a tenfold increase in the use of our digital approval technology, advisers could continue with the submission of client instructions in a seamless manner.

While a lot of progress has been made on the technology front over the last couple of years, much of what has been delivered has been to lay the groundwork for what is to come down the line. Looking ahead, we believe that integration between third-party software suppliers will be a key priority as advisers look to consume best-of-breed technology for different aspects of the advice process. Using one supplier for client reporting, another for customer relationship management and a third for data aggregation, will all become possible as data sharing becomes widespread. We believe that platforms are the nerve centre of this, and only those platform businesses with an open mindset and a willingness to interconnect will be the ones that ultimately survive.

While it is expensive and resource intensive, technology forms an integral part of everything we do at Ninety One Investment Platform. Technology by itself will not set us apart as the provider of choice – it is a vital, minimum requirement. What matters is how it powers the relationships we enjoy with our adviser clients, the value it adds to their clients, and the ability to save time for them. In short:

- Ongoing technology enhancements enable us to spend more time and energy on our people and their relationships with our advisers, helping our mutual businesses thrive. To maximise this impact requires that we maintain an open dialogue, sharing our needs and frustrations.
- These initiatives are aimed at helping our advisers be better at what they do best, rather than wasting precious time to get the basics done. We understand the importance of being in front of clients, rather than in front of a screen. Their business was built on personal meetings and handshakes, not on reports and emails.

Fully harnessing the power of technology is key to our business and our client relationships. It helps us and our clients be better at doing the things we do best. And we like to think that every day we are getting better at helping our advisers help their clients.

BARRIE VAN ZYL
Head: Account Management,
Iress South Africa

What do advisers want from platforms?

Effective and secure end-to-end financial planning platforms give today's financial advisers an edge in complex markets.

Advisers need to balance competing priorities in these challenging times – retaining a personal touch while empowering clients with digital channels, driving higher levels of profitability, yet enhancing service levels, and driving efficiencies as the regulatory compliance burden becomes heavier.

To get this right, advisers are turning to their technology provider for comprehensive financial planning and wealth management software, says Barrie van Zyl, Head of Account Management for Iress South Africa. Such a platform enables an adviser to simplify operations and streamline processes, while offering a richer client service.

"COVID-19 has accelerated digitalisation across every industry, and personal financial advice is no exception," says Van Zyl. "Advisers and their clients alike were plunged head-first into a digital world of paperless signatures, online banking, remote working and contactless payments. Whether they were ready for it or not, even those hesitant to adopt digitisation have needed to embrace technology in some shape or form."

Many advisers have used digital transformation as an opportunity to re-evaluate how they do things. Those that have long relied on an assortment of different planning tools, CRM systems and Excel spreadsheets to run advice and administration have realised that end-to-end financial planning and wealth management software enables them to simplify operations and streamline processes, while offering a richer client service experience.

Addressing the pain points

Fully hosted and web-based financial advice software, Xplan, enables advisers to offer their clients a consistent and complete service, from onboarding clients, to offering self-service, to providing ongoing financial advice and investment reports. All data and documentation are stored in one central system with full workflow management capabilities that support the entire advice spectrum, backed by a powerful Client Portal that provides secure communication between adviser and client, wherever they may be located.

> **COVID-19 HAS ACCELERATED DIGITALISATION ACROSS EVERY INDUSTRY, AND PERSONAL FINANCIAL ADVICE IS NO EXCEPTION**

Xplan financial planning and wealth management software is trusted by more than 9 000 advice businesses of all sizes and 500 000 users globally, including FPI Financial Planner of the Year winners for 2018 and 2019. These advisers chose Xplan to streamline workflows, and consistently deliver high-quality financial advice.

Flexibility and convenience

Xplan allows advisers to provide their clients with the convenience of viewing their live, consolidated investment and insurance portfolios online at any time. Advisers can use the Client Portal to stay in touch with clients directly through instant messaging and broadcast news and updates to the entire client base – enabling personalised, meaningful correspondence that provides peace of mind with secure two-way communication.

With a focus on client experience, Xplan takes practice management to new levels of efficiency and time management with audit trails, guidance to meet regulatory requirements and tools to streamline advisory workflow.

According to Van Zyl, these features save advisers time, allowing them to focus on connecting with clients rather than compliance and administration, and saving up to 10 hours in onboarding per client at large advisory firms.

DEANE MOORE
CEO, Just SA

Will the COVID-19 vaccine reverse retirement fears?

An increased need for certainty in times of uncertainty is a retirement trend that gained momentum in the wake of the pandemic. Latest research shows that 70% of South Africans in or approaching retirement prefer a guaranteed retirement income for life that will never decrease over an income that fluctuates depending on investment performance. Dig deeper and you'll find that almost 90% want to know exactly how much they will receive from one month to the next.

Yet, in the race to bring a vaccine to the market, will these sentiments still ring true once it is readily available and the associated risks of the disease are no longer top of mind? Is it possible that retirees may revert to pre-pandemic attitudes towards retirement planning?

We don't think so, and here's why.

The existing retirement risks stay the same

Irrespective of the pandemic, many retirees run the risk of depleting their retirement savings too soon. This risk may have been masked behind rose-tinted expectations of future returns or by not carefully considering financial needs in retirement. But Just Retirement Insights 2020 reveals that almost two thirds of retirees took the opportunity to look more closely at their risks following the COVID-19 market crash. And perhaps in response to a much-needed wake-up call, an increasing number of respondents now attest to putting greater thought into their financial planning.

There is less wiggle room

Approximately one third of respondents admit to dipping into their retirement savings as a result of the ramifications of COVID-19. Of this group, 40% viewed it as a permanent disinvestment. When asked how much they could afford to lose in a market crash before it seriously impacted their retirement plans, almost 40% of respondents say they can't afford to lose any money at all. The research also indicates that almost three quarters of people would have been seriously affected following the 10% market decline earlier last year. The stark reality is that many retirees are not in a position to take on unnecessary risk due to the financial hardships suffered at the hands of the pandemic. This is unlikely to reverse in the short to medium term.

Increased longevity is sinking in

Retirees are slowly getting to grips with the reality of longevity and its implications for retirement. Nine out of 10 respondents say the most important use of retirement money is to generate an income to pay their regular bills for the rest of their lives – up 6% from last year. While the preference for known and reliable income is perhaps not a new trend, it has been rising steadily since Just's first retirement tracking study in 2015.

Leaving a legacy is becoming less important

The ability to leave retirement capital to dependents was once an important factor for retirees in the argument for living annuity solutions. However, research responses indicate that this need is becoming gradually less important, possibly due in part to increased longevity awareness. What is more important is that retirement money should last (at least) as long as they do.

The retirement product market has evolved

Many players in the South African retirement industry have worked together to address the shortcomings in the annuity market and it is refreshing to see other insurance companies prioritise the increasing need for guarantees. The conversation used to be an 'either-or' choice between the flexibility provided by living annuities or the security of life annuities. But retirees now have access to new-generation annuity solutions that better suit retirees' growing need for security *and* flexibility.

A blended annuity provides this type of flexibility without losing any income security. It comes in the form of a living annuity, but within that, a portion of capital is allocated to an insurance-based life annuity, enabling retirees to obtain a guaranteed income for life to cover essential expenses. The living annuity portion remains invested in the market, meaning retirees get the benefit of investment participation and, depending on future market performance, a higher income, while still being able to leave something behind.

New focus on bolstering existing pension pots: Survey

Retirees' focus on purchasing luxury goods, such as holidays or new cars, has plummeted over the past three years, Schroders' Global Investor Study 2020* has found.

This study of more than 23 000 people who invest from 32 locations globally, revealed that just 7% of retirees would prioritise luxury items, compared with 24% in 2017.

Instead, 21% of retirees globally would invest their disposable income back into their retirement savings, significantly up on 5% three years ago. A further 26% of retirees would invest in another type of investment vehicle, such as equities, bonds or commodities.

This new focus on bolstering existing pension pots is perhaps reflected by 41% of investors expressing concerns that their retirement income will not be sufficient. This is despite their average return expectations over the next 12 months being 8.8%. Investors in Belgium, Taiwan and Japan were the most worried their retirement incomes will not be sufficient.

Those in Russia, Chile and Canada were the least concerned they had enough saved.

Indeed, 41% of non-retired people expect to be working the same or even an increased number of hours per week in their 'retirement'. Many investors cited that the consistent changing of rules around retirement by their government was hindering their ability to save, with investors in Thailand, Austria and China most disillusioned.

On the positive side, people's retirement savings from their income continues to be stable at 15.2%. This comes as 55% of people globally agree that state provisions alone will not be enough to support them in retirement. Specifically, investors in the Americas are putting away the most at 16.8%, compared with those in Europe at 13.8%.

Worryingly, 38% say they do not understand the options available to them with their retirement savings. In fact, those who class themselves as 'expert' or 'advanced' investors were more likely to feel this way (41%) than their 'intermediate' (35%) and 'beginner/ rudimentary' (39%) counterparts.

Interestingly, retired people are almost twice as likely as non-retired people to have the perception that sustainable funds will fail to deliver higher returns, indicating that they may be missing an opportunity.

"Following a year of significant investment and geopolitical uncertainty, it is perhaps unsurprising that retirees are reining in their retirement ambitions and instead opting to channel their disposable income back into their pensions to boost their pots," Rupert Rucker, Head of Income Solutions, Schroders, says.

"It is a rational and sensible approach to take, particularly bearing in mind that 41% of people are concerned their retirement income will not be sufficient. This is not helped by many investors globally saying that their respective governments' continual changing of the rules around retirement savings leads them to not see the point in saving specifically for retirement. There is no silver bullet to successfully building up a sufficient retirement pot apart from commitment, patience and time in the market. So, it is reassuring to see that the average savings ratio is a healthy 15.2% globally."

Carolina Minio-Paluello, Global Head of Product, Solutions & Quant, Schroders, adds, "Clarity and understanding are key for people to build up sufficient retirement savings, whether that be through their general investment savings or, indeed, a specific retirement plan.

"So, it is concerning to see that even the most advanced investors struggle with the retirement options available to them and, perhaps even more worryingly, many retirees are disregarding the role sustainable funds could ultimately play in delivering their retirement plans.

"It is imperative to continually emphasise that sustainability and robust returns in retirement do not have to be mutually exclusive. We as an industry must look to do more to help people on their retirement pathways to better navigate the challenges and decisions they face."

**In April 2020, Schroders commissioned an independent online survey of over 23 000 people who invest from 32 locations around the globe. This spanned countries across Europe, Asia, the Americas and more. This research defines people as those who will be investing at least €10 000 (or the equivalent) in the next 12 months and who have made changes to their investments within the last 10 years.*

Rupert Rucker, Head: Income Solutions, Schroders

Carolina Minio-Paluello, Global Head: Product, Solutions & Quant, Schroders

PETRI GREEFF
Head: Investment Advisory, RisCura

Why you need to know your funding level when saving for retirement

Very few people saving for retirement in a retirement fund have clarity on their investment objectives and understand the primary risks to their eventual retirement income. The main risks that could have an impact on the income of members (and the purchasing power of this income) are interest rates, inflation and longevity.

In the traditional defined benefit (DB) funds, members have little say over these objectives and, according to the rules of the fund, only focus on replacing an income in retirement. As a result of this clear investment objective, liability-driven investment (LDI) strategies have been effective in ensuring that members' retirement objectives are met.

In the more modern defined contribution (DC) funds, members have the freedom to choose what they want to do with their retirement savings. Some members may still choose to replace an income in retirement, either using a risky living annuity or riskless life annuity, while others may decide to use their savings for another purpose and not focus on protecting their income, but their capital instead.

These different objectives force trustees of retirement funds to consider different investment strategies. Funds were faced with the challenge of making choices on behalf of members when it came to selecting default annuity strategies, as they struggled to select one strategy when the default regulations were introduced in 2018.

WE ENCOURAGE TRUSTEES TO CAREFULLY CONSIDER THE DIFFERENT INVESTMENT OBJECTIVES THAT MEMBERS MAY HAVE

In an ideal world, every member's investment strategy should be based on their unique objectives. Advances in investment and administration technology allow for more customisation, but economies of scale and our herd mentality have historically driven the investment industry to certain norms on how investment strategies should look, and how their performance should be benchmarked.

Unfortunately, there is no right or wrong answer here to the perfect investment strategy that will suit every member in a DC retirement fund. We, as modern-day advisers, have certain beliefs about what we feel is the most appropriate investment strategy to help members replace their income with little risk, i.e our belief about income protection investment strategies. Capital protection thinks up to retirement, and income protection thinks through retirement to death. However, we recognise that the trustees of a fund represent their members' retirement objectives and may therefore have different beliefs.

We encourage trustees to carefully consider the different investment objectives that members may have, and to ensure that the fund's consultant has clarity on these. This may result in the fund having several investment strategies catering for those members who want to focus on the protection of their retirement income or capital.

LOURENS COETZEE
Investment Professional,
Marriott

What does history teach us about living annuities?

Retirement can be a daunting prospect. Not only is it a time of personal adjustment but it is also a time to make financial decisions that will impact your lifestyle for the rest of your life. Retired investors commonly face the dilemma of either maintaining a certain lifestyle or adjusting it in order to preserve their savings. Typically, the more income one draws and spends today, the less is available to create future income. When inflation is added to this quandary, it becomes important to also grow that income over time to retain one's buying power. Marriott has researched the sustainable levels of income that retirees were able to draw historically, to better understand the difficulties retirees face and why, in retirement, you should spend the income and not the capital.

Historic analysis of living annuities in South Africa

Marriott's research – using returns for South African asset classes going back to 1900 – tested how much retirees could safely draw from their savings without running out of capital for 30 years. We assumed each retiree invested R1m in a typical balanced fund (comprising 60% equities, 30% bonds and 10% cash) and drew an annual income that kept up with inflation.

Living annuities are popular retirement products used by retirees to meet their income needs, and the major advantages of these products are choice, flexibility and retention of ownership. Their shortcoming, however, is that they place the responsibility of guarding against longevity risk – the risk of outliving one's saving – in the hands of the retiree.

The graph below shows the maximum initial safe withdrawal rates retirees were able to draw and not run out of capital over a 30-year period.

Initial safe withdrawal rates have fluctuated significantly over time. Some retirees were able to start with a withdrawal rate as high as 13%, grow their income in line with inflation and still have a successful retirement (capital lasted for 30 years). A closer look at the data revealed that the maximum safe withdrawal rates correlated with the first 10-year annual real returns the investor experienced. In other words, lower maximum safe withdrawal rates coincided with lower real returns and vice versa. This seems obvious, but the difficulty retirees face is that future returns are very hard to predict.

The table below summarises the percentage of retirees who failed (failure rates) using different drawdown rates for all 88 retirees with a 30-year investment horizon.

Drawdown Rates	Failure Rates (+100yrs)
4%	6%
5%	27%
6%	47%
7%	64%

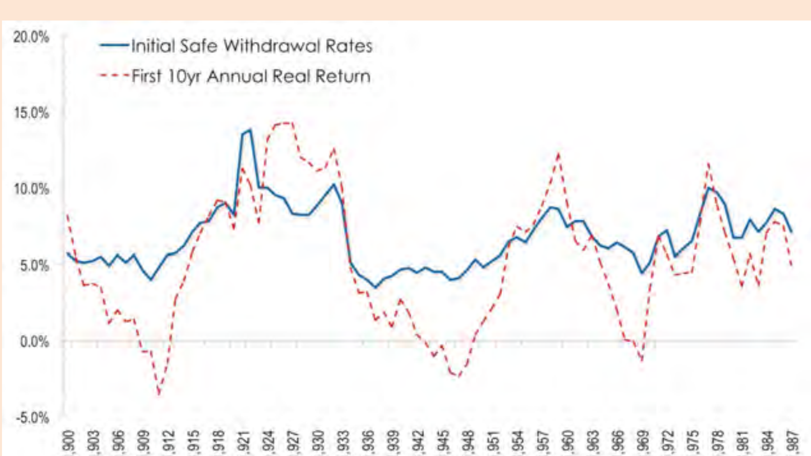
A drawdown rate of 6% is common in the marketplace but our research shows that at that rate, almost half of retirees would have failed. The concern for retired investors today is that market returns are expected to be below average for the next decade, due to demanding valuations combined with lower growth expectations. This suggests many living annuities will come under pressure in the years ahead.

Marriott has two suggestions for retired investors:

1. Match the income drawn with the income produced

Investors should be aware of how much income their portfolio is generating and try to draw no more than the income produced, thus avoiding capital erosion. Investments that produce reliable and consistent income streams assist investors to avoid capital erosion over time. If an investor can avoid capital erosion, they can secure their future income. It is especially important in the early stages of retirement that capital is preserved as far as possible. If investors wish to draw more income than what their investment is producing, it should be with the knowledge that they are eroding their capital.

Marriott funds are managed with an income focus – to produce a certain amount of income, as well as income and capital growth. This investment style is in contrast to many others where the investments are managed with a capital growth objective. The basis of a capital growth objective is that investment growth will offset the income withdrawals. This appears to work well when capital values are increasing because capital erosion is masked by the market rise. When markets decline, however, the value of the investment will decrease sharply due to the twin effects of an eroded capital base and decreasing capital values.



Source: Calculations: Marriott, Data: I-Net and Professor C. Firer's studies on the history of capital markets

2. Choose investments that produce consistent income streams that grow over time

Investors not only need to preserve capital but also need to ensure they protect themselves against the impact of rising living costs over time. Investments that produce a reliable income stream that grow over time, like equities, are critical for a successful retirement as the income produced from these investments tends to grow ahead of inflation. By including equities with a reliable growing income stream, investors will be able to ensure growth in income over time. The trade-off of including equities, however, is that an investor's portfolio will produce less income initially. Investors need to find the appropriate level of exposure between the different asset classes that will give them enough income and income growth over time.

> **THE CONCERN FOR RETIRED INVESTORS TODAY IS THAT MARKET RETURNS ARE EXPECTED TO BE BELOW AVERAGE FOR THE NEXT DECADE**

Preserve capital, be conservative

At Marriott, we suggest that investors examine their situation carefully when considering using capital to supplement their income. We strongly urge investors to preserve capital until they reach a stage in their retirement years when it may become safer to draw down on capital. While investors may find it challenging to restrict their annuity income to the income produced in the current low-yielding environment, it is preferable to finding that one's capital has been partially or even completely eroded. Rather be conservative now than risk having to find another source of income, such as going back to work or having to reduce one's standard of living at some point in the future.

The simple truth is, if you spend more than you earn, you will erode your capital and ultimately erode your income. When it comes to investing, particularly in retirement when capital preservation is paramount, this age-old wisdom rings true even today.

CRAIG KENT
Head: Risk Management,
Aon South Africa

What we learned from the pandemic

The world is still reeling from the enormity of the impact of the COVID-19 pandemic on our seemingly 'normal' operations and lives. For businesses, there have been significant disruptions in how strategic, operational and external risks are viewed and handled, many of which have been amplified by the influence of the pandemic. No matter which way you approach it, COVID-19 has fundamentally changed the parameters for business of what constitutes success in the future, and how risks will be measured and mitigated.

What is very clear is that leaders and risk managers have been given a big dose of reality and lousy-tasting medicine about what they may have thought are likely risks to be faced in their business operations. Not discounting the known and 'typical' business risks that were with us before the pandemic started and will continue to be relevant; however, their rating on our risk registers and their influence over our medium- to long-term plans have very likely changed. The realisation that no risk is too far-fetched or unlikely to occur is rapidly settling in.

Winston Churchill once said, "Never let a good crisis go to waste." There is much correlation with where Churchill found himself, and indeed the world as it emerged from the devastation of World War II, and how we navigate our way forward as we emerge from this globally synchronous pandemic disaster.

> **THE REALISATION THAT NO RISK IS TOO FAR-FETCHED OR UNLIKELY TO OCCUR IS RAPIDLY SETTLING IN**

A business response to risk should be based on a solid, resilient and flexible risk framework that is supported from the top to the bottom. The success of the reaction process to a perceived or imminent risk hinges firstly on how informed the risk framework is in terms of operational, strategic and financial factors related to the business, which requires reliable data in real time; and, secondly, requires a structure that efficiently interrogates and interprets this data once placed in the framework for processing and appropriate response.

Well-formulated risk programs – that complement the business structure – and plans, underpin the information required for the board to make timeous and informed decisions on both known and unknown exposures. This is where risk transfer starts to play a significant role as the business identifies what risks it is comfortable facing on its own through self-insurance tools, and what risks need to be transferred to an insurer. It's a delicate balance that requires serious discussion with expert brokers and risk advisers in the field.

Long-term risk management and strategic planning

Going into 2021, it is wise to interrogate the many important lessons learned in 2020, and how these will influence short, medium and long-term business planning in the face of an unprecedented crisis.

Lesson #1: Legal and compliance

- Changes to ongoing transactions and construction Force Majeur (FM) and Material Adverse Change (MAC) clauses in contracts should by now have materialised, leaving the business to navigate and amend future approaches
- Occupational Health and Safety (OHS) Act: What was the demonstrated response to commitment of health, safety and wellness of staff, tenants and the community and to what extent emergency measures adopted during the pandemic become permanent, and to what cost versus benefit
- Environmentally-friendly approach to cleaner, greener and smarter properties: Revise all Capex plans to dovetail into a centralised risk and procurement approach that is eco-friendly.

Lesson #2: Stakeholder disclosures and guidance

- The impact of COVID-19 is likely to be long-term, so businesses need to determine how to communicate the impact of COVID-19 on upcoming earnings through managing expectations relating to share buybacks and dividends.

Lesson #3: Strikes, riots, civil commotion, malicious damage

- The socio-economic implications of COVID-19 are significant and far-reaching, creating complex security challenges in the long term. Organisations should consider whether their operations have the potential to be affected by widespread protest action and civil unrest, review the potential impacts and how their insurance programmes will respond.

Lesson #4: Cost management / reductions

- If there is a need for discernible cost reductions, identify where and to what extent, and what the implications are of such reductions across the business
- Re-appraise Capex expenditure by evaluating non-core assets, lease agreements and planned developments, in addition to interrogating associated risk factors.

Lesson # 5: Relief, insurance and alternate risk transfer

- Identify possible government relief funds to be accessed
- Investigate potential business interruption claims and adjust the insurance portfolio's future outlook
- Identify alternate risk transfer methods available in the market, allowing the business to take ownership of smaller risks with an overarching insurance band that will respond if larger losses are triggered.

Lesson #6: Liquidity

- The pandemic intensified the negative financial impact on businesses, with more and more organisations failing to meet their financial obligations, filing for business rescue proceedings or liquidation. Ensuring business continuity is crucial, and one means of achieving that goal is to protect the business against defaulting debtors with trade credit insurance.

Lesson #7: Mergers and acquisitions

- Identify possible windows of opportunity and inherent risk factors as the market is likely to condense and consolidate to stave off the effects of a shrinking economy.

Lesson #8: Cyber risk

- If there wasn't a big cyber exposure before the pandemic, there may very well be now in the rapid shift from 'brick to click' and remote working, which are likely to be ongoing trends for many businesses
- The pandemic has fundamentally changed the way we conduct business in respect of mobile, cloud and remote working, and this has significant cyber-risk implications that need astute planning, risk mitigation and business continuity planning.

Lesson #9: Changing property market

- Rental space and changes to occupancy rate classes: Identify property rentals or triple net lease exposures where the space is utilised for operations other than intended use of the space – this can have a material impact on liability exposures as far as health & safety and due diligence matters are concerned
- Rent collections and growth: Many businesses are downsizing amid the work-from-home movement in addition to businesses closing their doors – fundamentally impacting the property rental, development and construction markets
- Land rights: With ongoing uncertainty relating to land rights in South Africa, identify the potential of properties exposed to this risk and a suitable course of action.

Lesson #10: Failure to innovate and meet customer needs

- Identified as one of the top 10 risks facing businesses in Aon's 2019 Global Risk Management Survey, this risk took centre stage during 2020, focusing an uncomfortable spotlight on business agility and ability to digitise, change business models and offer readily available alternative products and services. Is your business ready for 2021?

"The only certainty is that the future is uncertain," has been the clarion call for 2020, and with 2021 promising its fair share of uncertainty, it is crucial to take what we have learned from the pandemic and apply it to our long-term risk management and strategic planning. The world is a very different place in so many fundamental ways. This makes it crucial to interrogate the risks and to put a flexible, robust and adaptable risk framework in place.

COVID-19 – and future pandemic risks – will without a doubt continue to test every organisation's resilience planning, and there is still much unchartered water to cross. What is not unchartered is our response to it.

It is here where Aon's fact-based insights, processes, skilled people and technology platforms ensure optimal decision making and functionality to provide a solutions-based management approach to insurance and advice, combined with a risk-management strategy to help protect people, assets and brand, now and into the future, with certainty and stability.

A PROMISED LAND

BY BARACK OBAMA

In the stirring, highly anticipated first volume of his presidential memoirs, Barack Obama tells the story of his improbable odyssey from young man searching for his identity to leader of the free world, describing in strikingly personal detail both his political education and the landmark moments of the first term of his historic presidency – a time of dramatic transformation and turmoil.

Obama takes readers on a compelling journey, from his earliest political aspirations to the pivotal Iowa caucus victory that demonstrated the power of grassroots activism, to the watershed night of November 4, 2008, when he was elected 44th president of the United States, becoming the first African American to hold the nation's highest office.

Reflecting on the presidency, he offers a unique and thoughtful exploration of both the awesome reach and the limits of presidential power, as well as singular insights into the dynamics of US partisan politics and international diplomacy. Obama brings readers inside the Oval Office and the White House Situation Room, and to Moscow, Cairo, Beijing, and points beyond. We are privy to his thoughts as he assembles his cabinet, wrestles with a global financial crisis, takes the measure of Vladimir Putin, overcomes seemingly insurmountable odds to secure passage of the Affordable Care Act, clashes with generals about US strategy in Afghanistan, tackles Wall Street reform, responds to the devastating Deepwater Horizon blowout, and authorises Operation Neptune's Spear, which leads to the death of Osama bin Laden. *A Promised Land* is extraordinarily intimate and introspective – the story of one man's bet with history. He is frank about the forces that opposed him at home and abroad, open about how living in the White House affected his wife and daughters, and unafraid to reveal self-doubt and disappointment. Yet he never wavers from his belief that inside the great, ongoing American experiment, progress is always possible. This beautifully written and powerful book captures Barack Obama's conviction that democracy is not a gift from on high but something founded on empathy and common understanding and built together, day by day.

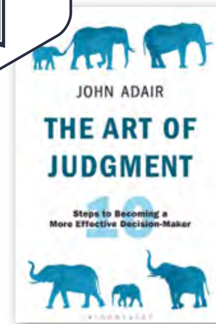
THINK LIKE A MONK: TRAIN YOUR MIND FOR PEACE AND PURPOSE EVERY DAY

BY JAY SHETTY

Social media superstar, Jay Shetty, distils the timeless wisdom he learned as a practising monk into practical steps anyone can take every day to live a less anxious, more meaningful life.

Over the past three years, Shetty has become a favourite in the hearts and minds of millions of people worldwide. One of his clips was the most-watched video on Facebook last year, with over 360 million views. His social media following totals over 32 million, he has produced over 400 viral videos, which have amassed more than 5 billion views, and his podcast, *On Purpose*, is consistently ranked the world's #1 health-related podcast.

In this inspiring, empowering book, Shetty draws on his time as a monk in the Vedic tradition to show us how we can clear the roadblocks to our potential and power. Drawing on ancient wisdom and his own rich experiences in the ashram, *Think Like a Monk* reveals how to overcome negative thoughts and habits, and access the calm and purpose that lie within all of us.The lessons monks learn are profound but often abstract. Shetty transforms them into advice and exercises we can all apply to reduce stress, improve focus, improve relationships, identify our hidden abilities, increase self-discipline and give the gifts we find in ourselves to the world. Shetty proves that everyone can – and should – think like a monk.



THE ART OF JUDGMENT

10 STEPS TO BECOMING A MORE EFFECTIVE DECISION-MAKER

BY JOHN ADAIR

The success of any organisation or individual depends upon making good decisions, arrived at through the use of sound judgment. Too often, this elusive characteristic has been misperceived as an unchangeable, entrenched element of our character, over which we have little control. In fact, judgment is an art – one that can be honed, developed and mastered.

In *The Art of Judgment*, John Adair draws upon his decades of experience to provide a practical and fascinating insight into how you can harness the full potential of your judgment. These in-depth methods are summarised in 10 key principles, which include: Thinking to Some Purpose, Experience – the Seedbed, Truth – the Leading Star, How to Share Decisions, The Role of Values.

With the divisiveness of public discourse and the complexities of modern business, it is more difficult than ever to be sure that you're making the right decision. Adair provides a clear pathway to improving your judgment, beginning with an exploration of the machinations behind decision-making, before demonstrating how you can develop a stronger understanding and control of your judgment. This is an essential companion for business leaders interested in making the best decisions for them and their organisation. Good judgment is the secret behind any success, and also has the potential to accelerate one's own career. This book provides insight, expertise and inspiration for anyone looking to cultivate and develop their art of judgment.

SUDOKU

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