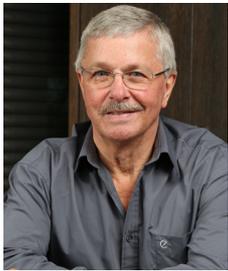




# ecsponent news

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## The value of good advice



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Sometimes, investors panic and make impulsive decisions in times of economic uncertainty and unfavourable market conditions.

Then, fearing investment losses, they withdraw from the market, without basing their decisions on facts.

At the moment, it is especially the threat of South Africa's possible junk status that is causing investors to scramble. Some believe that if the country is downgraded, it will be detrimental to local investment markets and reduce the value of JSE-listed equities and as result, unit trust values. Others believe that we have been grappling with the issue for so long that the market has already absorbed the news into equity prices.

The value of good advice during these times of crisis is critical and research has shown that investors who work with financial advisors/planners are more disciplined and earn better returns on their investments.

The question is whom you can trust? According to the Global Consumer Survey about 70% of South Africans -- compared to about 66% in the rest of the world -- do not know whom they can trust when it comes to financial advice.

There is a general perception among local investors that financial products sold to them in the past, failed to live up to promises made and investment costs were higher than anticipated.

This perception contributes to the fact that investors generally want to be assured of three things: the security of the money/capital invested, the investment yield/returns and liquidity of the investment. All three these issues are addressed by Ecsponent's investment products which offer a clear-cut solution, should there be any doubt on the merits of the advisors' recommendations:

### 1. Investment security with Ecsponent

One of the benefits an investment in preference shares of a listed entity offers, is that the company trades under the watchful eyes of investors, regulators and various other stakeholders. Not only is our holding company, Ecsponent Limited, listed on the JSE, but also our income and capital growth products as preference shares.

The JSE has been named as one of the world's best regulated security exchanges and has stringent requirements and regulations that govern companies listed on the exchange.

The JSE has approved Ecsponent's preference share programme of R5 billion and all the details are set out in its memorandum. For investors invested in the income classes (A and C), preference share dividends are paid out monthly, directly by a JSE approved paymaster and a dividend calendar is issued, indicating exactly how much will be paid.

Furthermore, we comply with legislative and other requirements amongst others from investment governing bodies, like the South African Revenue Service and Financial Services Board. The company maintains positive customer relations and has a long history of consistently fulfilling its dividend payment obligations.

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## 2. Stable investment returns

Unlike ordinary unit trusts that fluctuate with changing markets, Ecsponent preference shares offer a fixed rate, regardless of what happens to the movement on the JSE. The yield is therefore not linked to sentiment, China's status or other global incidents.

As an example, Class B offers a compounded capital growth rate of 11.2% per annum, which translates to a rate of 70% over a five-year term. Class A provides income at a rate of between 8.5% and 9%, depending on the amount invested. Ecsponent also offers a prime linked product to investors with larger portfolios. By offering fixed rates, investors know exactly what their return on investment will be.

## 3. Liquidity

These investments are listed on the JSE and have similar features to other securities traded on this platform. Ideally, the investment term should be regarded as five years. After five years, Ecsponent automatically buys back the preference shares at the agreed amount of capital and return, which is confirmed in the Applicable Pricing Supplement (APS) presented to investors.

The nature of Ecsponent's products ensures that investors have a secure plan, knowing their financial risks are managed prudently. They can rest assured, knowing these instruments meet all three of investors' main requirements: safety, above-average returns and liquidity.

# Heart or head? How emotion affects investments

Too often investors make decisions based on public sentiment about an investment or a company's shares. Be warned however, that if you are slavishly led by popular opinion, it can cost you dearly.

Sentiment is characterised by volatility and variability - a strategic interaction that is like a game with specific rules that can be played smartly or foolishly.

## Outsmarting the masses

Smart investors like Warren Buffett use the sentiment of the

masses to their advantage. They determine what investments are out of favour with the majority of investors, and then purposefully invest exactly in those instruments. Buffett is one of the world's top investors and understands that most people want the same investments as their peers, because it makes them feel secure. He believes that if everyone wants to invest in a particular share or investment, the investment will become expensive and that is contrary to the investment adage, "buy low, sell high." He invests precisely in what is contrary to the general sentiment.

The current situation in South Africa offers several opportunities. The current economic pressure is leaving many investors panic-stricken and with a theory about what doom the future holds. Yet, despite the challenges in our economy, the rand strengthened last month, commodity prices lifted and the JSE overall index firmed and smart investors made money.

## Follow good investment principles and keep your eye on the prize

We live in an age where information is available 24/7. In addition, we are inundated with information mostly focused on our emotions to evoke sensation. Then, when we think our investment plans will be derailed, we love to blame others: the politicians, the rand, the economy, and even the Guptas and Zuptas!

The pattern is repeated every time the market corrects itself. However, it is important not to get carried away with emotional "information" and take irrational investment decisions. Emotional detail and popular opinion rarely lead to a sober assessment of the value of our investment decisions.

Rather limit the intake of such "information" and focus on facts - an investment's characteristics and yields. Consider the value offered and adhere to an investment strategy that ensures sustained growth and low risk.

This is precisely what Ecsponent preference shares offer: fixed returns, regardless market volatility. You know exactly what the return will be, at ease knowing that JSE-listed preference shares offer you security.

This value-based approach ensures that investors will not have to scramble to get the timing of their investments right and that they get an above-average investment return. 