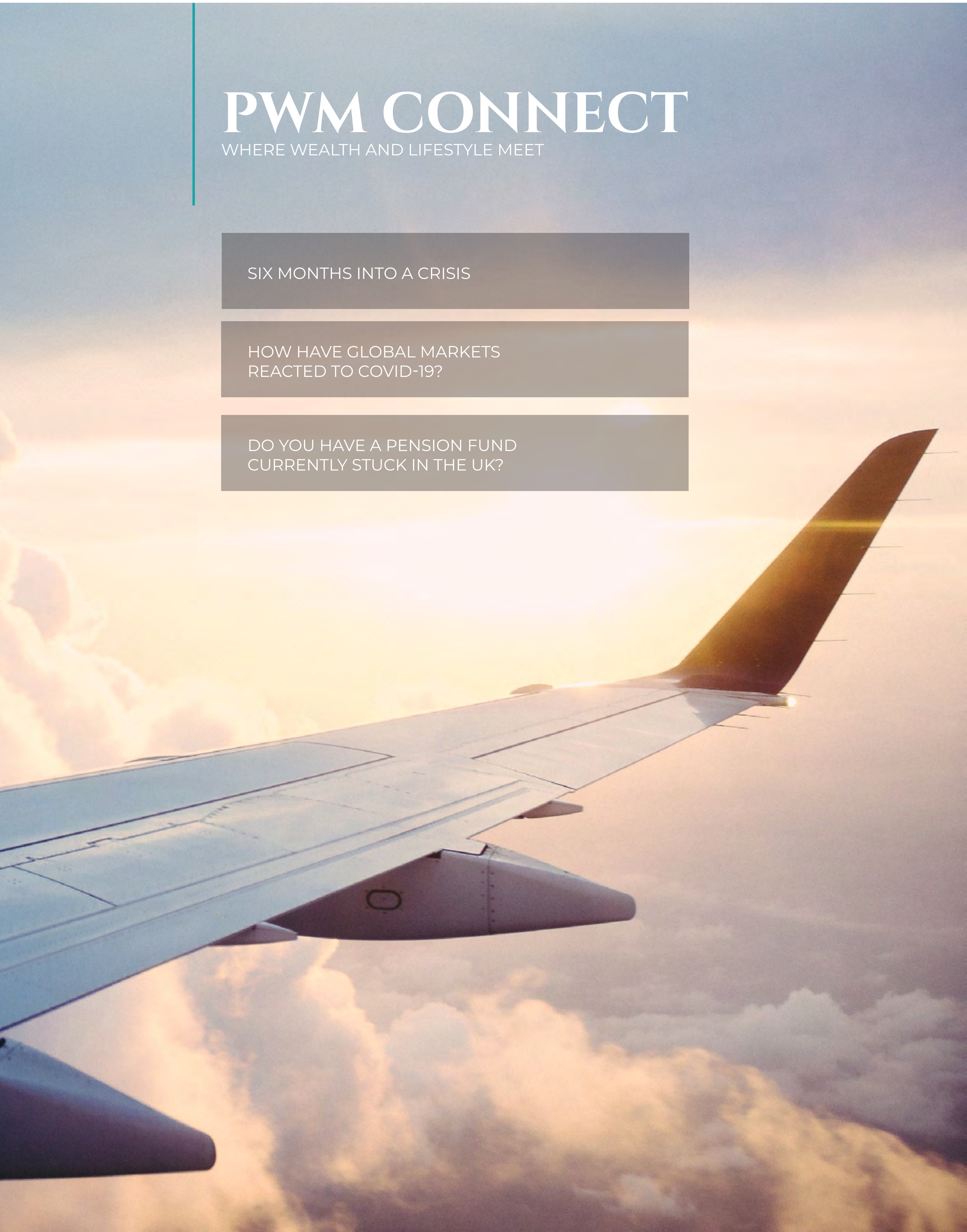
PRIVATE WEALTH
MANAGEMENT



PWM CONNECT

WHERE WEALTH AND LIFESTYLE MEET

SIX MONTHS INTO A CRISIS

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A WORD FROM RUDOLPH

Welcome to the second edition of the PWM Connect newsletter.

It is hard to believe that we are already heading towards the second half of 2020, a year that will be remembered forever, for various reasons. While setting up New Year's resolutions towards the end of last year, nobody expected the level of change, hardship as well as sacrifices we would all have to endure or make as a result of COVID-19. During the past three months, the impact of the COVID-19 pandemic and the national lockdown prompted Private Wealth Management to adapt its operating model. With the clever use of technology, supportive and dedicated staff, we have operated remotely and effectively engaged, serviced and supported our clients.

The safety of our clients and staff is important to us and we have put measures in place to ensure that we have done everything possible to protect anyone visiting our premises. I would, however, for the safety of everyone, still like to encourage the use of online technology as a tool to facilitate online consultations and other engagements. Thank you to our valued clients for your understanding and patience during this difficult time. We value our relationship with you and assure you of our continued support.

As communicated previously, Private Wealth Management became an independent business on the 1st of March this year. This is an exciting time for us, as we continue to build a business of value. All our outsourced support functions onboarded into the business are adding value and are fully operational. The only outstanding matter is the approval of our independent financial services provider licences, which we hope will be approved by the Financial Sector Conduct Authority (FSCA) before the end of the second quarter of this year. Although the lockdown caught us off-guard, I can confirm that our business model is sound and on track.

APPOINTMENT OF SENIOR PORTFOLIO MANAGER

To enhance our value add to clients, and to facilitate the operationalising of our Category II FSP business, Andrew Salmon was appointed as a Senior Portfolio Manager in our business on the 1st of May. Prior to joining us, Andrew was the Chief Investment Officer at Old Mutual Multi-Managers. He has extensive investment experience with an in-depth understanding of portfolio management and the broader investment industry. Andrew holds a BEcon and a BCom (Hons) degree. Welcome to the team, Andrew.

In this edition, we largely look at the impact of COVID-19 on the local and global economies. Izak Odendaal, Investment Strategist at Old Mutual Multi-Managers, discusses the economic damage caused by lockdowns. I am excited to include an article by Canaccord Genuity, an offshore investments partner, who will explain the impact of the pandemic on the global economy and shed some light on the long-term outlook for investors. For those clients who have pension fund money in the United Kingdom, we discuss possible tax advantages and investment solutions when utilising the International Self-Invested Personal Pensions Scheme. We include an interesting article about staying healthy and how it compares with sound financial planning.

I trust that you will find the articles shared in this newsletter interesting and informative.

Kind regards and stay safe

Rudolph van Eck

CEO

SIX MONTHS INTO A CRISIS

By Izak Odendaal | Investment Strategist | Old Mutual Multi-Managers

It was roughly six months ago that the Chinese government officially confirmed the existence of the novel coronavirus that causes COVID-19. We all know what happened subsequently.

Fast forward to now, and China has largely eased its quarantine measures. Europe and the US are in the process of doing so, while Japan never implemented a full-blown lockdown. The world's four largest economies should therefore be on the road to recovery as we approach the midway point of 2020. If this is the case, it will likely be the shortest but deepest global recession on record.

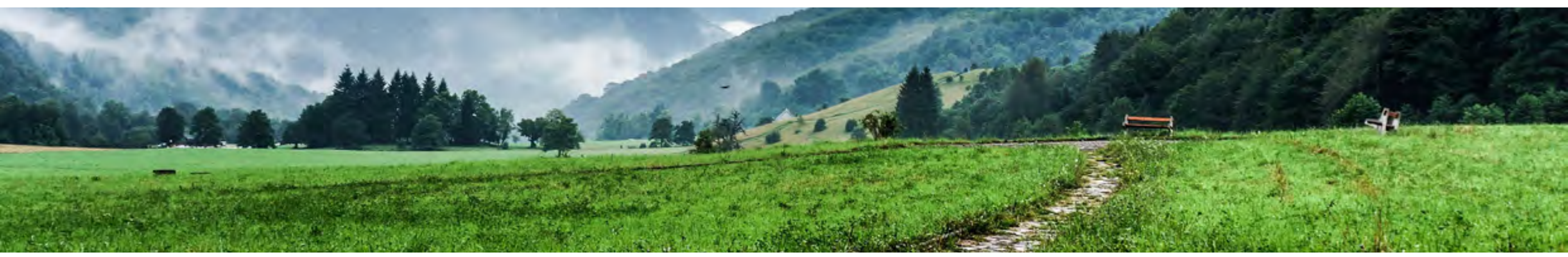
There is, of course, still considerable uncertainty about whether we will see renewed viral outbreaks. Either way, nationwide lockdowns seem unlikely, but localised quarantines remain a possibility. It is unlikely to be a smooth recovery, and borders will likely remain shut for some time, as the pandemic is still raging in large emerging markets including India, Brazil, Argentina and, unfortunately, South Africa.

All the economies have suffered greatly from the lockdowns, but less developed countries have been caught between a rock and a hard place. Economic hardship is forcing a reopening of these economies even before the pandemic has been convincingly contained. Arguably, even in Europe, and especially America, reopening might be premature from a pure public health point of view.

DAMAGE DONE

There is no shortage of economic data points to illustrate the economic damage caused by lockdowns. US unemployment benefit claims have the benefit of being both timely and accurate. A total of 40 million Americans – a quarter of the work force – claimed these benefits between mid-March and end of May. Whether this represents permanent or temporary job losses is crucial for gauging the potential strength of the recovery. As businesses such as restaurants reopen in the US and elsewhere, some workers will come back to their old jobs. But if a substantial number don't, either because the employer has gone out of business or doesn't require a full staff component, unemployment can remain high for some time. This will weigh on consumer spending, which is the main engine of economic growth in developed countries. Consumers might also maintain higher savings rates than pre-crisis, having seen the importance of building a buffer against life's uncertainties. Companies could similarly maintain higher cash and operational buffers, which could weigh on spending.

At least developed countries have been able to support household incomes through various transfer schemes, and businesses through grants, loans and bailouts. The IMF estimates a total fiscal response of US$9 trillion, a number that was utterly unthinkable five months ago. For obvious reasons, poorer nations have not been able to spend as much as their richer counterparts, both in absolute and relative terms.

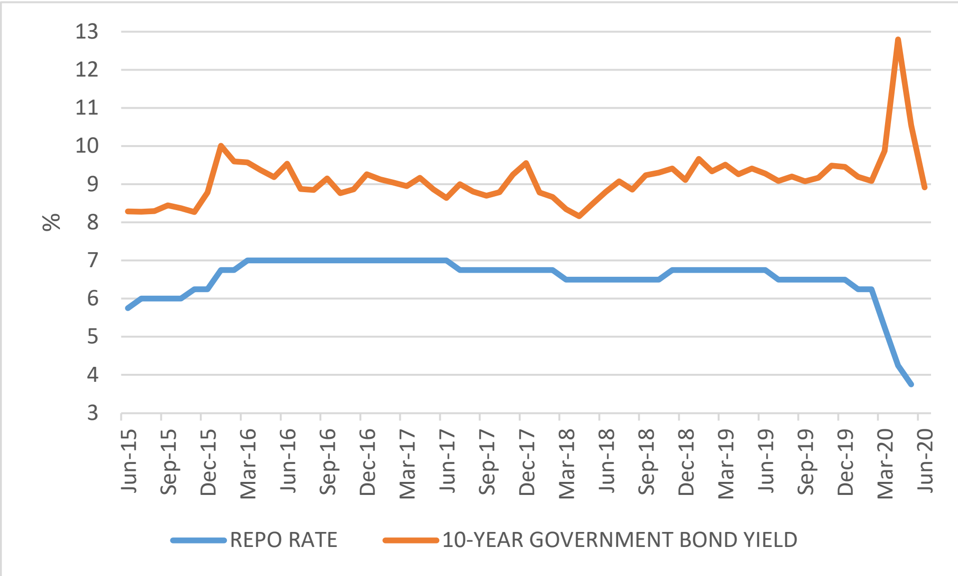


DIVERGENCE IN BORROWING COSTS

Developed country governments have the additional benefit of having seen bond yields decline sharply, such that all the additional borrowing they are undertaking will hardly raise their long-term interest payment burden. The considerable amount of new debt is essentially free. On the other hand, emerging markets experienced a capital flight and rising bond yields, particularly in March and April, which made fresh borrowing more expensive. Fortunately, it appears that the capital flight has halted and global investors are returning to emerging markets, albeit tentatively.

As a result, South Africa's post-downgrade bond rally continued. The SA All Bond Index delivered more than a year's worth of money market returns (7%) in the month of May.

THE GOVERNMENT BOND YIELD



SOURCE: REFINITIV DATASTREAM

The 10-year government bond yield is almost back to pre-crisis levels. However, with global borrowing costs having declined substantially, the gap between South African and US bond yields remains near a record high. And with the Reserve Bank having cut short-term interest rates by 275 basis points since the start of the year, a wide gap has opened up between short and long bonds (the yield curve is very steep, in finance jargon). More rate cuts can be expected. All this means that there is still an opportunity to generate real returns from South African bonds; in fact, it might be the only asset class that offers obvious value.

EQUITIES REBOUNDED

Meanwhile, equity markets reacted positively to unprecedented fiscal and monetary stimulus, and also to the easing of lockdown restrictions. Added to a renewed sense of optimism has been news of early successes in vaccine trials. It is clear that without the global roll-out of an effective vaccine or at least an effective treatment of COVID-19, life cannot completely return to normal.

Our preferred global equity benchmark, the MSCI All Country World Index, returned 4.4% in May, and was down only 9% from the start of the year in US dollar terms.

THE MSCI AC WORLD U$

SOURCE: REFINITIV DATASTREAM

Not bad given the worst global recession since the 1930s. The headline return hides a large divergence between sectors and countries. The rally was led by healthcare, IT and communication services companies – defensive sectors that have generally benefited from more healthcare spending and people working, playing and eating from home. The hardest hit sectors have been cyclical in nature, particularly energy (fuel demand has collapsed, along with the oil price) and real estate (since no-one is quite sure when humanity will return in large numbers to shopping malls and office buildings). On a country basis, the US leads the pack, being home to the top IT companies, while emerging markets such as South Africa have seen much lower dollar returns, largely due to currency weakness.

The flipside is that global equity returns in rands are nothing to be scoffed at. Local equity returns in rand, down about 10% in the first five months of the year, are also not bad considering we are experiencing the worst economic contraction in the 75 years that we have been measuring economic growth. The Reserve Bank now expects the local economy to contract by 7% in 2020.

THE NEW AND OLD REALITY

While our new reality is only a few months old, there are three important conclusions. Firstly, the worst seems to be over globally, even as we are about to enter the most painful phase of the pandemic at home. Needless to say, there is still considerable uncertainty. Secondly, investors are looking beyond the current economic devastation to a recovery. This might be overly optimistic, but it is a reminder of how difficult it is to time the market, since it usually hits bottom long before the economic recession is over.

Finally, global interest rates are going to remain near zero for a long time, while South African short-term rates, now at 50-year lows, continue declining. Sitting in cash is increasingly unattractive. So, stay safe, and stay invested.

HOW HAVE GLOBAL MARKETS REACTED TO COVID-19?

By Justin Oliver | Deputy Chief Investment Officer | Canaccord Genuity Wealth Management

The speed with which financial markets reacted to the escalating coronavirus crisis was unprecedented. From a peak of 3,386 on 19 February 2020, the US S&P 500 had fallen 33.9% by 23 March, with UK and global equities registering similar declines. To put this into context, it has typically taken around 10 months for US equities to move from a bull to a bear market. On this occasion, it happened in just 16 trading days; even during the Wall Street crash of 1929 it took 44 days for the market to register a 20% fall. Against the background of an economic shock which arguably surpasses the financial crisis of 2008/2009, government bond yields tumbled, with the 10-year US Treasury offering its lowest ever yield of 0.54% in mid-March, a level from which it hasn't notably rebounded.

The coronavirus pandemic is an evolving situation and, as we write, vast swathes of the global economy are in economic lockdown, with little certainty surrounding how quickly restrictions will be lifted. Governments across the world are having to make difficult decisions between containment efforts and their economic cost, and there is no doubt that we are in the midst of a global economic recession. We can expect to see some truly staggering economic data releases in the weeks ahead, with the surge in US initial jobless claims from 282,000 on 13 March to 3.28 million on 20 March being just one notable example. Even this likely underestimates the economic damage from the virus in terms of jobs lost. The full economic impact of the outbreak depends on how quickly the contagion is brought under control – which is impossible to quantify at this stage.

WHAT IS THE LONG-TERM OUTLOOK FOR INVESTORS?

Our focus is always on making the best long-term investment decisions for our clients and sometimes this means that we must refrain from making short-term, reactive moves, which are purely in response to extreme levels of volatility. By mid-March, our sense was that financial markets had begun to focus too much on the short-term damage being wrought and were not prepared to consider that the current situation will not persist indefinitely. Difficult though it may be to witness such a brutal decline in valuations, we felt that it would be detrimental to reduce equity exposure with undue haste, purely as a reactionary move. With stock markets rising or falling by anything up to 12% in a day, it would have been near impossible to target an appropriate exit point in advance. Instead, in this environment, our first aim must be to ensure that none of the investments held is likely to suffer a permanent loss in capital value.

HAVE GLOBAL MARKETS UNDERESTIMATED THE ECONOMIC HIT OF COVID-19?

As things stand, it is possible that financial markets have moved from one extreme to another. Equity markets have rallied meaningfully from their March lows on a revised assumption that the current shutdown will persist for a relatively short period, following which there will be a slow but persistent economic recovery. This may indeed be the case, but we are currently concerned that this relatively sanguine assumption may be unrealistic. We have concluded that the lockdowns in Europe, and especially the US, could last longer than now expected by markets and that, as a result, the economic hit could be deeper and more extended than currently perceived. This is particularly the case in the US, where the policy response has been slow, confused and sometimes contradictory.

We therefore took the opportunity to raise cash following equity markets' relief rally towards the end of the quarter. However, it is important to stress that we are continuing to look for opportunities to redeploy this liquidity and will do so when we believe the time is right.

HOW ARE BUSINESSES AND GOVERNMENTS DEVELOPING?

The world may have changed irrevocably as a result of the crisis. Or it may not. But even if it has, this isn't necessarily a bad thing. The adage that necessity is the mother of invention may yet be proven correct, exemplified by the fact that companies and governments have had to quickly develop and implement new ways of working in the face of social distancing and economic lockdowns.

Let us not forget that, prior to the crisis, there were concerns that certain economies had reached a plateau in terms of their efficiency and productivity. But what if the working-from-home revolution is the catalyst which is needed to spark renewed gains in productivity? Many companies have now found that they can operate perfectly well with all of their staff working remotely, and in many cases, there have been clear benefits from doing so. From our own perspective as a company, there has never been more communication between colleagues, teams and offices than there is now.

HOW DO WE IDENTIFY WHO WILL BE THE WINNERS AND LOSERS IN THE 'NEW NORMAL'?

Whether the world broadly returns to 'normal' once the crisis has passed, or whether the global economy evolves as a result, there will inevitably be winners and losers in this future paradigm. Our role, therefore, is one of identifying the potential investment opportunities which will be presented, and we are already actively considering many such candidates. Some of these are areas which are already well represented across our investment strategies and which could become more intrinsic in the weeks and months ahead. It may be the technology companies which allow workers to communicate more easily and operate more effectively. It could be the healthcare stocks which will be at the vanguard of protecting against any future viral outbreak. Or it could be those companies which will benefit from the significant increase in government spending which is sure to come as policymakers take this opportunity to finally invest in and upgrade crumbling infrastructure networks.

In the midst of what seems to be unrelenting doom and gloom, and media output which is full of the heart-breaking human tragedy which this virus has unleashed, it is often all too easy to lose sight of some of the positives which may yet emerge. In no way would we wish to downplay the very real impact of the virus on families and societies across the world. However, from a humanitarian viewpoint we can perhaps take some comfort from the fact that it is likely to spur a renewed focus on all aspects of the healthcare system, with the aim of trying to prevent such widespread future outbreaks, and that it may lead to greater resources being given to front-line medical practitioners.

So too, there are economic and financial benefits which will eventually be felt. The size and speed of the response from governments across the world is unmatched in peacetime economic history. An estimate of the fiscal stimulus announced by the US, China, Japan and Europe's largest nations has been calculated as US$53.6 trillion, or 8.6% of combined GDP. This is twice the level of the 2008 fiscal spend in nominal terms, or a 2.2% larger share of global GDP. Equally impressive is the speed of the response – in 2008 it took 68 days from the start of the S&P bear market for the Troubled Asset Relief Program to pass Congress; and in previous episodes it has taken an average of 300 days from the first 20% market correction for the US Federal Reserve to sanction the first interest rate cut. There has been no such delay on this occasion.

It therefore remains more than likely that, when the current crisis has passed – and it will – the global economy will be boosted by unparalleled stimulus, which will allow equity markets to resume their advance. While acknowledging the many challenges we may yet have to overcome, there are many reasons why the future can continue to be viewed with optimism.

DO YOU HAVE A PENSION FUND CURRENTLY STUCK IN THE UK?

By Rory Shea | Financial Planner | PWM Cape Town

We have a solution for you that will save you both hassle and money. It is called an ISIPP.

WHAT IS AN ISIPP?

It is an International Self-Invested Personal Pension.

International Self-Invested Personal Pensions (ISIPP) are a type of UK-registered personal pension scheme that was introduced by the UK's Finance Act 1989. They facilitate the transfer of a UK pension without incurring a tax charge. You may benefit from substantial tax advantages as well as local, qualified investment advice. Think of it as an international or offshore pension scheme.

WHO CAN BENEFIT?

It is possible for both UK residents and international clients to establish an ISIPP.

It is suitable for individuals with UK pensions who become non-UK tax residents and remain so for at least five complete and consecutive tax years. Typically, this would be British expats and South Africans who have worked in the UK and returned to South Africa.

The Sovereign International ISIPP is designed for non-UK tax residents who wish to plan for their retirement.

WHAT PENSIONS CAN BE TRANSFERRED?

Personal pensions (retirement annuities), whether in payment (living annuities) or not. Company pensions not in payment can also be transferred.

UK state pensions or lifetime annuities cannot be transferred. Some pensions from outside the UK can also be transferred.

CAN THE MONEY STAY OFFSHORE?

Yes, but it remains in the UK jurisdiction. Due to ongoing costs, the amount transferred should be at least £50 000.

Once your UK pension fund has been transferred to an ISIPP, your pension fund may be invested via an investment platform such as the Momentum International Investment Option (a linked investment option).

CAN THE MONEY BE TRANSFERRED TO SA?

No (not allowed anymore).

WHY TRANSFER TO AN ISIPP?

There are potential UK tax savings on death (44%) and you can receive local advice from a trusted source. An ISIPP offers reporting currency options, greater investment choices, investment flexibility, opportunity to consolidate pension arrangements, and possible lump sum flexibility at the time of retirement.

CAN I STILL TRANSFER TO A QUALIFYING RECOGNISED OVERSEAS PENSION SCHEME (QROPS) INSTEAD?

Yes, but if you are not an EU resident, you could potentially pay HM Revenue and Customs (HMRC) 25% of your pension fund value when you do the transfer.

LOANS

No loans are possible, nor can you access any capital prior to age 55.

TAX ADVANTAGES

For individuals who have been non-residents in the UK for the past five tax years the key advantages of an ISIPP are:

- Pension income may be paid without deduction of UK tax (though these pension payments need to be reported to HMRC to ensure that the level of payment is in accordance with UK rules).
- The ability to leave your pension to your family free from UK inheritance tax (potentially saving up to 44%).
- No requirement to purchase an insurance annuity.
- Greater freedom and control over your investments.
- Up to 25% of the fund can be taken as a tax-free lump sum.
- Investment flexibility.

AN ISIPP IS POTENTIALLY FREE FROM TAX FOR NON-EU RESIDENTS. THAT MEANS:

- Income tax is potentially deducted in the UK (if UK tax resident).
- Trustees can pay income gross when HMRC confirms to the trustee that a nil tax coding is to be applied.
- Income is not taxed in SA if accumulated as a result of overseas employment.
- No capital gains tax in your own hands.
- No UK inheritance taxes; no probate if beneficiaries have been nominated.
- No VAT.

INVESTMENT OPTIONS

The ISIPP is an open-architecture product. You can choose from collective investment funds, equities, bonds, ETFs and cash (min 5%). Advisory, discretionary and self-investment options are available, as well as multiple currency options. You can also have a bespoke discretionary portfolio (min £80 000).

INCOME AND BENEFITS

You can start taking benefits from age 55. You can access up to 25% as a lump sum, with the remainder providing an income (similar to a living annuity), which would be taxed in the UK at your marginal rate of tax.

If the pension scheme member lives overseas, they may be entitled to apply to receive their pension income without tax and instead pay tax in their country of residence.

WHY AN ISIPP FROM SOVEREIGN TRUST AND MOMENTUM INTERNATIONAL?

Because of the first-class service, planner support, financial strength and the 20-year history of working with the South African investment and adviser community. But let us not forget the competitive fees, as well as the investment and currency flexibility.

Speak to your financial planner for more information.

INCREASE YOUR IMMUNITY – PHYSICALLY AND FINANCIALLY SPEAKING

By Chris Grobler | Financial Planner | PWM Bryanston

I would like to share with you some ideas inspired by the Harvard Medical School, Healthline and Scripbox Financial Blog websites, as well as input from my clients, and my own experiences and studies as a financial planner.

I believe you cannot always choose what happens to you, but you can choose how you react to it. Life often happens without us having any control over it – sometimes without any direct impact on us, for example an earthquake in a faraway country. And then, in some cases like the coronavirus outbreak, it does impact us personally and may leave us feeling depressed and helpless. Instead of being overwhelmed, let's rather focus on what we can control. I believe there is actually a lot we can do.

The first line of defence is, of course, to avoid infection. Whatever precautions we take, there is a very good chance that we will physically and financially encounter a virus at some time. What can we do to be prepared for it? What can we control? I believe the answer lies in increasing our physical and financial immunity.

BUILDING YOUR PHYSICAL IMMUNITY

AVOID STRESS

Research has proven that stress weakens your immune system. We have the amazing ability to produce our own healing happy hormones by having fun, laughing more and trying to see the lighter side of a situation. Activities that may help you manage your stress include meditation, exercise, journaling, yoga and other mindfulness practices. It may be a good time to improve your IT skills, as it will increase your contact with the outside world through virtual meetings and visits, helping you to maintain your sanity.

REGULAR MODERATE EXERCISE

Another way of producing happy hormones is through exercise. Although prolonged, intense exercise can suppress your immune system, moderate exercise can give it a boost. It promotes good circulation, which allows the cells and substances of the immune system to move through the body freely and do their job efficiently. Studies indicate that even a single session of moderate exercise can boost the effectiveness of vaccines in people with compromised immune systems. What is more, regular, moderate exercise may reduce inflammation and help your immune cells regenerate regularly.

Examples of moderate exercise include brisk walking, steady cycling, jogging, swimming and light hiking. At least 150 minutes of moderate exercise per week is recommended.

EAT WELL AND HEALTHY

We also get comfort foods that can produce these happy hormones, like dark chocolate (in moderation, of course – we are all aware of the dangers of sugar). Our immune system army cannot march on an empty stomach. Healthy immune system warriors need good, regular nourishment. Several studies showed that whole plant foods contain antioxidants, fibre and vitamin C, which may lower your susceptibility to illness. Healthy fats like olive oil and omega-3s are highly anti-inflammatory and may naturally combat illnesses. Fermented foods and probiotics may bolster your immune system by helping it identify and target harmful pathogens.

If you suspect your diet is not providing you with all your micronutrient needs — if, for instance, you don't like vegetables — taking a daily multivitamin and mineral supplement may bring more health benefits. However, taking mega doses of a single vitamin does not. More is not necessarily better.

SLEEP WELL

As difficult as it may be to sleep well as you are getting older, lack of sleep can affect your immune system. Studies show that people who don't get quality sleep (or enough sleep – six hours or more) are more likely to get ill after being exposed to a virus. Lack of sleep can also affect how fast you recover if you do get ill. Sleep supports the proteins and cells of your immune system to detect and destroy bugs and germs – it also helps the system to remember them, so they can fight them off even quicker in the future. Sleep strengthens your body's immune response, and at times like these it is more important than ever that we are getting enough of it.

If you're having trouble sleeping, try limiting screen time for an hour before bed, as the blue light emitted from your phone, TV, and computer may disrupt your circadian rhythm, or your body's natural wake-sleep cycle. Other sleep hygiene tips include sleeping in a completely dark room or using a sleep mask, going to bed at the same time every night, and exercising regularly.

AVOID COMFORT DRUGS

If you can avoid/quit smoking during this time and avoid excessive alcohol intake it will help to boost your immune system.

BUILDING YOUR FINANCIAL IMMUNITY THROUGH THE BASICS OF LIFESTYLE FINANCIAL PLANNING

DIVERSIFY YOUR INCOME (EAT WELL AND HEALTHY)

Diversification and discipline are the pillars of financial immunity. Try to create more than one income stream – for example, actively participating in more than one job or venture, earning passive income from a variety of investments, etc. Now may be a good time to learn new skills and start new hobbies. Think about new business opportunities like the manufacturing of face masks, shields, sanitisers, etc.

SAVE MORE (REGULAR EXERCISE)

Save more and start as early as possible. If you are fortunate enough to earn an income, it's a good idea to take a serious look at your expenses and ensure that your budget is agile enough to provide for savings in good times and to be cut to the bone in the lean years. Ideally, build up a financial cushion by saving enough to maintain your lifestyle when your income stops at retirement. When retired, you should be able to cut back on your withdrawals from investments in the lean years, to prevent drawing down even further during challenging times.

AVOID DEBT (AVOID COMFORT DRUGS)

We are all tempted to adopt a lifestyle where 'image' is paramount, regardless of the costs, instead of adopting a lifestyle that suits our income. Avoid unnecessary and even unaffordable debt by staying away from big (or expensive) loans. If you have debt, settle it as soon as possible. The money you earn is then all yours. A little can go a long way without debt. Debt can completely destroy your financial immunity.

BE FINANCIALLY AWARE (AVOID INFECTION)

Another important aspect of financial immunity is to ask the right questions and be financially aware. Do not make your financial decisions based on what others are doing. Avoid 'water cooler' and 'braai' advice. Stay well informed, do some research, and stay close to your financial planner and financial planning coach. Don't forsake your financial plan, unless your circumstances require it to change. The worst mistake investors can make is to sell out after the market has fallen, and then buy again 'when the dust settles' – effectively locking in their losses and buying at high prices.

REVIEW YOUR DREAMS AND GOALS (SLEEP WELL)

To have dreams and goals is what makes us get up in the morning and is the heartbeat of our lifestyle financial plan, creating our financial happy hormones. We need to spend quality time and effort on goal setting and visualisation exercises. It is important to then prioritise these goals and ensure they are agile enough to be modified when a financial virus hits us. New circumstances may require the revision of our lifestyle goals.

THE VALUE OF A DIVERSIFIED INVESTMENT PORTFOLIO (AVOID STRESS)

This brings us to the value of a scientifically balanced, diversified investment portfolio, addressing your individual lifestyle goals and needs for growth and income. Understanding the risk-return balance is an important aspect of financial immunity. If you want to create wealth and grow your money, you will have to take on some risk. But how much? This can be addressed through suitable asset allocation and diversification to provide downside protection in your portfolio.

Your money should be spread between appropriate investment instruments (e.g. direct share portfolios, collective investments, endowments, retirement annuities, bank accounts, living Annuities, etc.) and asset classes (e.g. local and offshore shares, bonds, properties, etc.). It is advisable to seek professional advice in creating your personalised portfolio.

BOTTOM LINE

Looking after your financial immunity is as important as looking after your physical immunity.

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COMPANY NEWS

MEDTRONIC'S BALANCE SHEET REMAINS STRONG

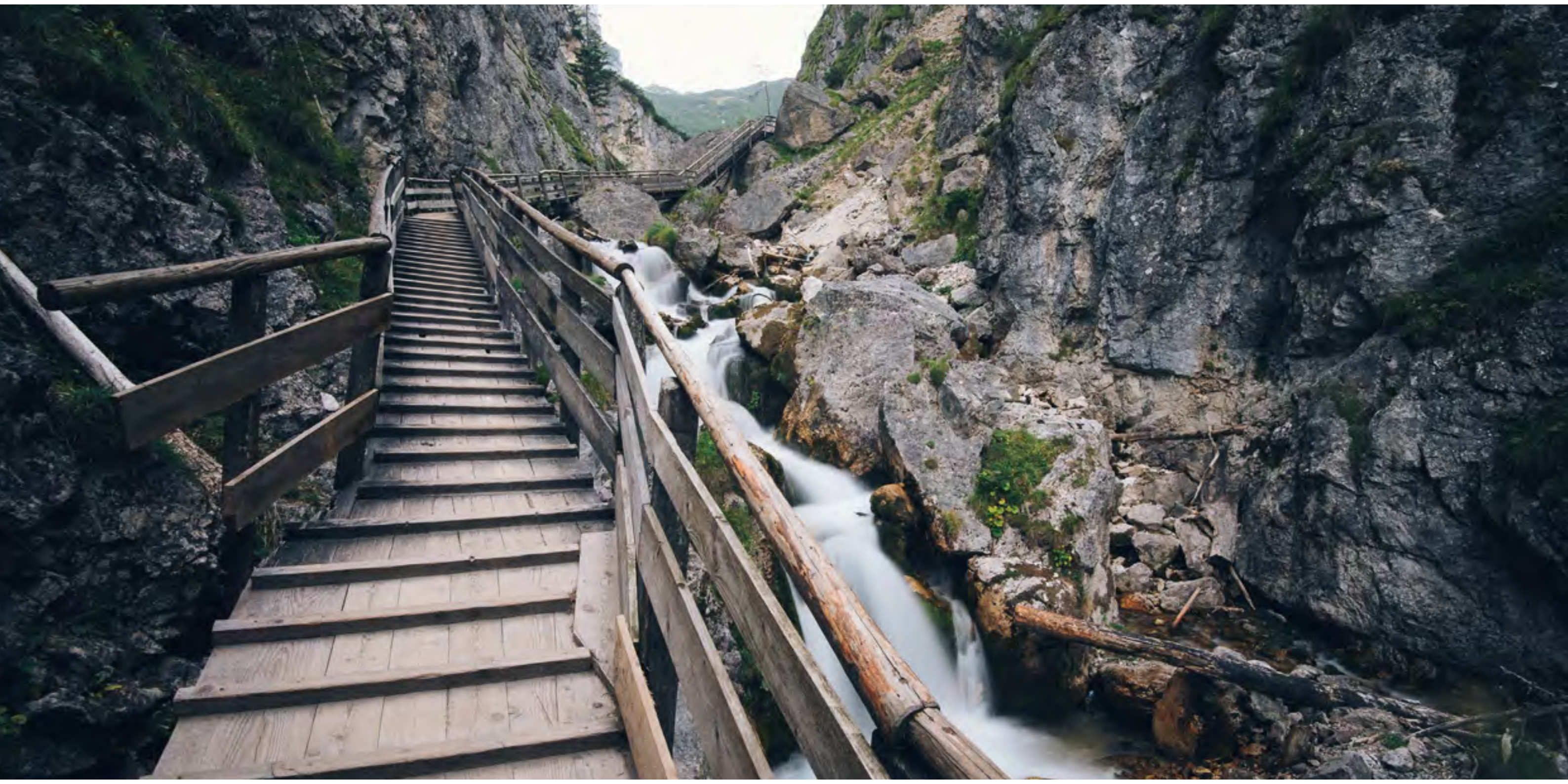
By Paul Steven | Portfolio Manager | Old Mutual Wealth Private Client Securities

Leading medical device manufacturer Medtronic delivered Q4 2019 results that saw a decline by 5.4% to US$28.9 billion while earnings per share declined by 12.1% to US$4.59 per share. Fourth quarter results were materially impacted by COVID-19, as healthcare resources were diverted to respond to the pandemic.

As the world's largest medical device manufacturer, Medtronic is fast growing into holistic patient treatment. With a geographic footprint that spans 150 countries and a treatment range that covers Cardiac, Minimally Invasive Therapies, Spinal and Brain ailments/procedures and Diabetes care, we believe Medtronic is suitably positioned to benefit from the demographic trends driving global healthcare demand.

Innovation is key to Medtronic's growth, with organic growth achieved via internal research and development as well as acquisitions. Medtronic targets growth across the largest emerging markets including China, India and Brazil. Emerging markets make up 16% of total revenues, with double-digit growth recorded over recent years. This is expected to continue into the foreseeable future as these markets are far from maturation and there is significant potential for penetration. The company's balance sheet is strong and it maintains attractive cash generation characteristics. This provides flexibility for acquisitions, research and development and marketing support for product launches.

Medtronic



COPING WITH HEALTH-RELATED ANXIETY:

The continued spread of the coronavirus is likely to cause anxiety and stress for you and your family.

WHAT ARE THE SYMPTOMS OF STRESS AND ANXIETY?

SOME PHYSICAL RESPONSES COULD BE:

Difficulty sleeping and eating, headaches and general upsets or infections, racing heartbeat and excessive perspiration.

PSYCHOLOGICAL RESPONSES COULD BE:

Pessimism and symptoms of depression, a lack of concentration, constant worry about past, present and future, and not being able to relax or enjoy life.

WAYS TO MANAGE ANXIETY AND STRESS:

- Adopt a healthy lifestyle. If we eat a healthy diet, exercise regularly and ensure we get adequate sleep and rest, our
- body is better able to cope with stress should it occur.
- Know your limitations and do not take on too much. We cause ourselves a great deal of stress because we like peopleto like us and don't want to let people down. Learn to be assertive so that you can say no without upsetting or offending. This might me an changing your holiday plans or cancelling social engagements.
- Accept the things you cannot change. Changing a difficult situation is not always possible. If this is the case, recognise and accept things as they are and concentrate on things you do have control over.
- Find time to talk to friends. Friends can ease troubles and help us see things in a different way.
- Try to see things differently. Develop a positive thinking style. If something is concerning you, try to see it differently. Often, talking to someone else such as a friend or colleague will help you see things from a different and less stressful perspective.
- Learning to relax is also important. It breaks the cycle of anxiety and has a very positive effect on your mind and body.

ICAS

Member of the Global AXA Group

A SIMPLE RELAXATION SUGGESTION:

If you are feeling particularly anxious it may take several tries at this exercise before you feel the benefit.

- Make sure you are sitting or lying down in a warm and calm environment.
- Stretch out, yawn.
- Allow yourself time to quieten your mind and feel at ease.
- Start to breathe very slowly and become aware of rise and fall of your chest.
- Begin to tense then relax your muscles, starting from your feet and legs upwards.
- Whenever you feel any tension do this once or twice.
- Block out any intrusive thoughts and try to make your mind a blank.
- As you relax imagine your most favourite peaceful place - a beach, a countryside scene, a desert landscape, a courtyard with a fountain - anything which has a positive and calming effect.
- 15-20 minutes relaxation like this everyday has been proven to help reduce anxiety and help our powers of resilience.

If you find that you or a family member are feeling overwhelmed by your anxiety, consider talking to a psychologist or counsellor.

LIFESTYLE EVENTS

CONTACT PRIVATE WEALTH MANAGEMENT

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