

PWM CONNECT

WHERE WEALTH AND LIFESTYLE MEET

FIVE REASONS TO BE CHEERFUL

TIMING THE RAND

WHAT LESSONS CAN RETIREES LEARN
FROM CRISES?



CELEBRATING 25 YEARS

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A WORD FROM PIETER

As we reach the midpoint of the year, it's a good time to pause, review your financial progress, and plan ahead.

In the rush of daily life, important financial matters can easily be delayed. I encourage you to take action now rather than waiting for year-end:

- **Retirement Annuities & Tax:** Speak to your financial planner about the potential tax benefits of contributing to your retirement annuity before the tax year-end.
- **Investment Review:** Ensure your portfolio is still aligned with your goals and remains well balanced across local and global markets.
- **Estate Planning:** Don't postpone updating your will – make sure your estate plan reflects your wishes.
- **Short-term Insurance:** Review your cover ahead of the holiday season. Our in-house Short-Term Hub is here to help.

Proactive planning now can make a real difference later. Please reach out to your financial planner for guidance.

We're also pleased to share that our National Business Conference in May was a great success. It provided valuable insights from our product providers – insights that will benefit the advice we offer you.

All the presentations by our product providers were invaluable. The presentation on cybercrime was a great reminder of how important it is to use strong, unique passwords, especially for our banking apps. We were also reminded to be cautious about using public Wi-Fi, which can leave our devices vulnerable to hackers. It was pointed out how convincing scam emails can appear, reinforcing the importance of never clicking on suspicious links, staying vigilant and safe online.

Enjoy this edition of **PWM Connect**. We hope you find it both useful and inspiring.

Kind regards

Pieter Bester
CEO



ECONOMIC AND MARKET OVERVIEW

FIVE REASONS TO BE CHEERFUL

By Izak Odendaal | Chief Investment Strategist | Old Mutual Wealth

We're halfway through 2025, and it has already been a year for the history books, as US President Donald Trump has shaken the foundations of the global order that America itself has built over the past 80 years. Back home in South Africa, it took three attempts to pass the National Budget, almost collapsing the Government of National Unity (GNU) in the process. These are uncertain times, and it's easy to get caught up in the noise and feel very pessimistic. If we stand back a bit, however, there are still many reasons to be optimistic about the longer-term investment outlook. Here are five:

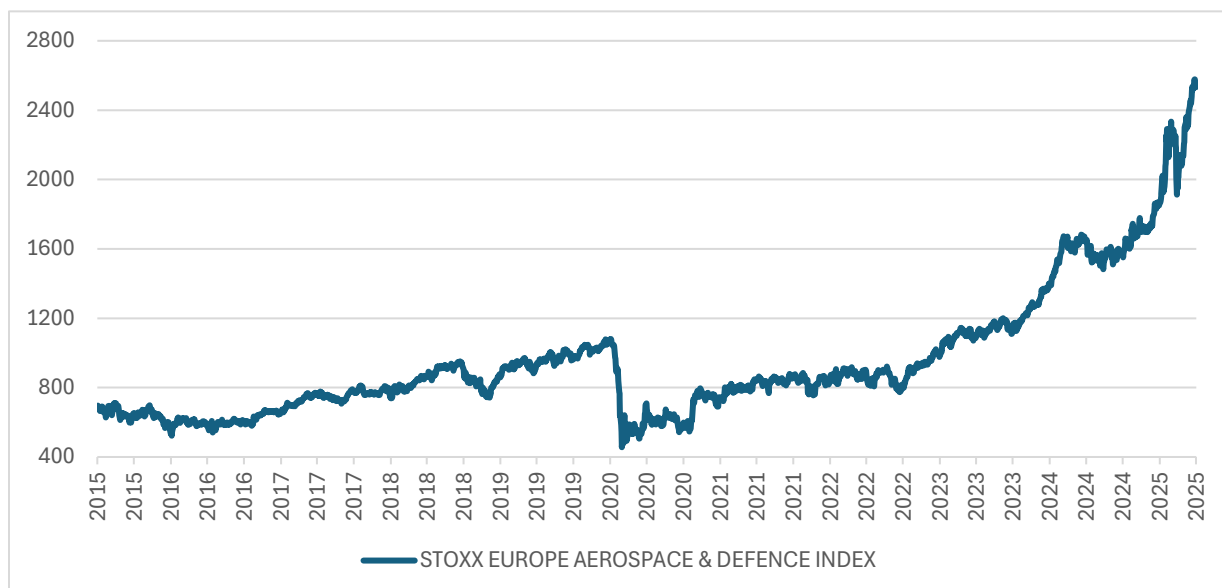


1. CRISIS AND OPPORTUNITY

It is not true that the Chinese character for “crisis” is made up of “danger” and “opportunity,” as is often claimed. The correct translation seems to be closer to “danger” and “turning point”. Nonetheless, both interpretations carry an important truth. Times of turmoil create gaps for enterprising individuals to take. When one door closes, others do tend to open up.

An obvious example is the European defence industry. With the US seemingly pulling away from its NATO obligations and with the Russian threat looming menacingly, European leaders have finally gotten the message that they must spend more on their own military capabilities. This is particularly true in Germany, where a constitutional “debt brake” is being reformed to make more money available for defence and critical infrastructure.

CHART 1: EUROPEAN DEFENCE SHARES



SOURCE: LSEG DATASTREAM

2. UNSTOPPABLE TRENDS

Some trends are simply too powerful and well entrenched even for Donald Trump to halt.

The one is technology, which continues to advance with great speed, in ways that we cannot yet fully comprehend. This is true of artificial intelligence (AI), which has really come to the fore in the past two years, but also extends to robotics, healthcare, drones, self-driving vehicles and much more.

One must be careful with technological hype, since history suggests the big winners are not always who you think they are. With AI, the winners might be the current leaders such as OpenAI and Nvidia, but the bigger winners might eventually be very boring companies who learn how to use AI really effectively in their day-to-day operations. Or they might be new companies altogether.

History also suggests that we are bad at predicting how technology will ultimately be used. We inevitably project off what we know. When cell phones first became widespread, the idea was simply to serve as a portable landline. The ability to send text messages was an afterthought. Today it is almost the inverse. Phones are handheld computers that we only occasionally use for voice calls.

Again, the point is not to rush out and buy a technology fund today, but rather saying exciting things will happen in the future. Our inability to predict exactly what will happen means broad exposure makes sense.

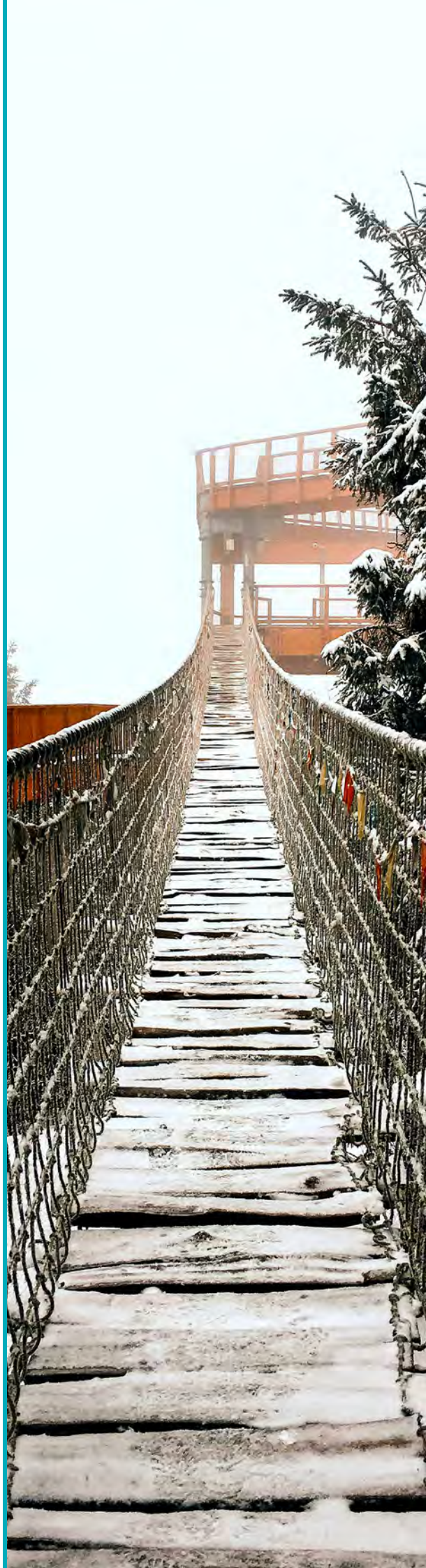
Another trend is demographics. Birth rates in rich countries (and China) are declining relentlessly, and populations continue to age. Spending patterns will inevitably shift towards the care economy, but also to automation and robotics to make up for a lack of young workers.

A third trend is sustainability. Just because Trump believes climate change is a hoax and has turned the screws on ESG (assessing environment, social and governance risks in running companies and investing), doesn't mean the rest of the world will follow. Other countries are moving ahead, not just because they believe in the threat posed by climate change, but also because they see the opportunities in the green transition. China is a case in point. Almost half of new cars sold there are electric while renewable energy already matches the output from coal, and will soon surpass it. Global progress is likely to be uneven, but green energy, electrification and decarbonisation remain massive growth areas and will require significant amounts of raw materials like copper, nickel and aluminium.

3. TWO STEPS FORWARD, ONE STEP BACK

South Africa took a big step forward as a maturing democracy, with the creation of a coalition government last year. Coalitions are always a bit unstable, as we've seen, and this is South Africa's first experience at the national level.

The current coalition, styled as a government of national unity (GNU), has placed a strong emphasis on economic reforms to



raise the country's growth potential. There is a long list of changes in the works, but in a nutshell, it is about bringing private capital and expertise into the running of key network sectors, notably electricity generation and transmission, ports and rail, and water. Some of this reflects a big shift in policy thinking that predates the GNU. The crisis of persistent stage 6 load shedding forced the then ruling party into accepting more private sector involvement in sectors previously monopolised by the state. Other reforms reflect a new sense of urgency under the GNU, such as the great strides the Minister of Home Affairs has made in improving visa access for tourists and skilled workers.

Progress in South Africa is never going to be in a straight line, and no one will get exactly what they want. The late French President Charles de Gaulle once complained of the difficulty of running a country with 257 kinds of cheese. In South Africa, our cheese is mostly of the yellow variety, but we are incredibly diverse across race, religion, language, ethnicity, age, ideology and lived experience. Exact agreement is hard to come by, but broad consensus is possible. For instance, there was a clear consensus that VAT increases are unwelcome. The political establishment took that message on board. There is a similar consensus that we cannot afford another decade of economic stagnation.

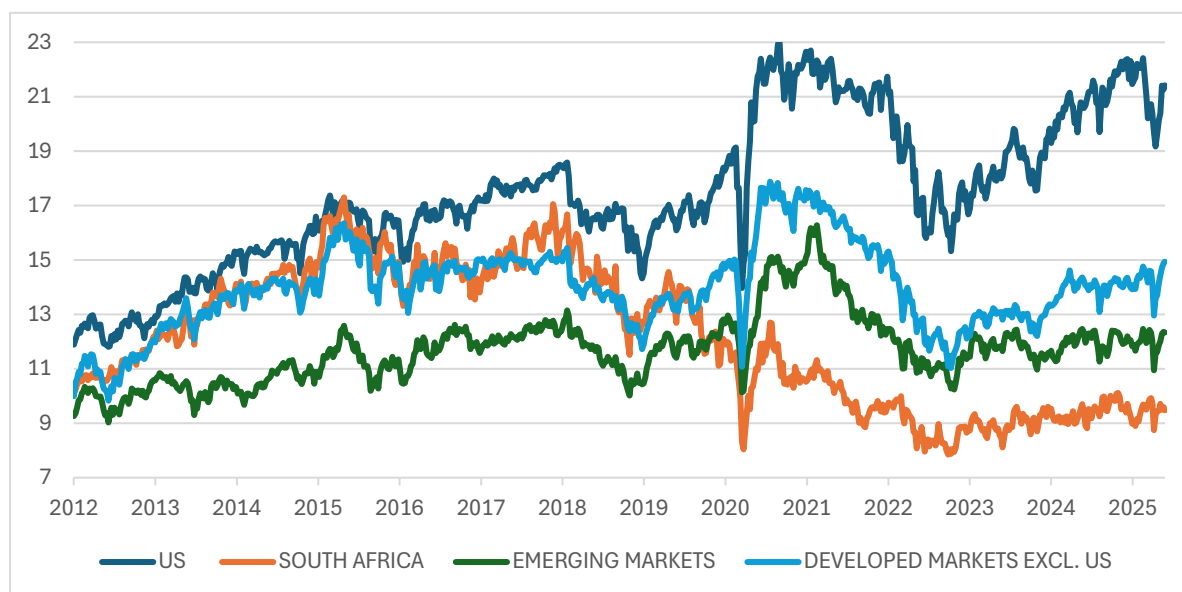
4. VALUATIONS

The best prediction of future returns is not made by gazing into a crystal ball, or determining whether an investment is high quality or low quality, or exciting or boring. Rather, it is based on the current valuation. Put very simply, what is the price paid for the cash flow the investment will generate? If you're paying too much, you should expect below-average returns, and vice versa.

Scanning global equity markets, valuations suggest we should expect decent returns over the longer term (5 to 10 years) even if the near term is incredibly uncertain. The US is the one obvious outlier. No one doubts that the US is home to the best companies, but they are seemingly priced for perfection. This implies a lot of room for disappointment.

But beyond the US, price:earnings ratios – the workhorse valuation metric for equity markets – are reasonable across Europe, Japan and China, and on the cheap side in South Africa. In South Africa, the disappointment is already priced in. This means there is room for upside surprise.

CHART 2: FORWARD PRICE:EARNINGS RATIOS



SOURCE: LSEG DATASTREAM



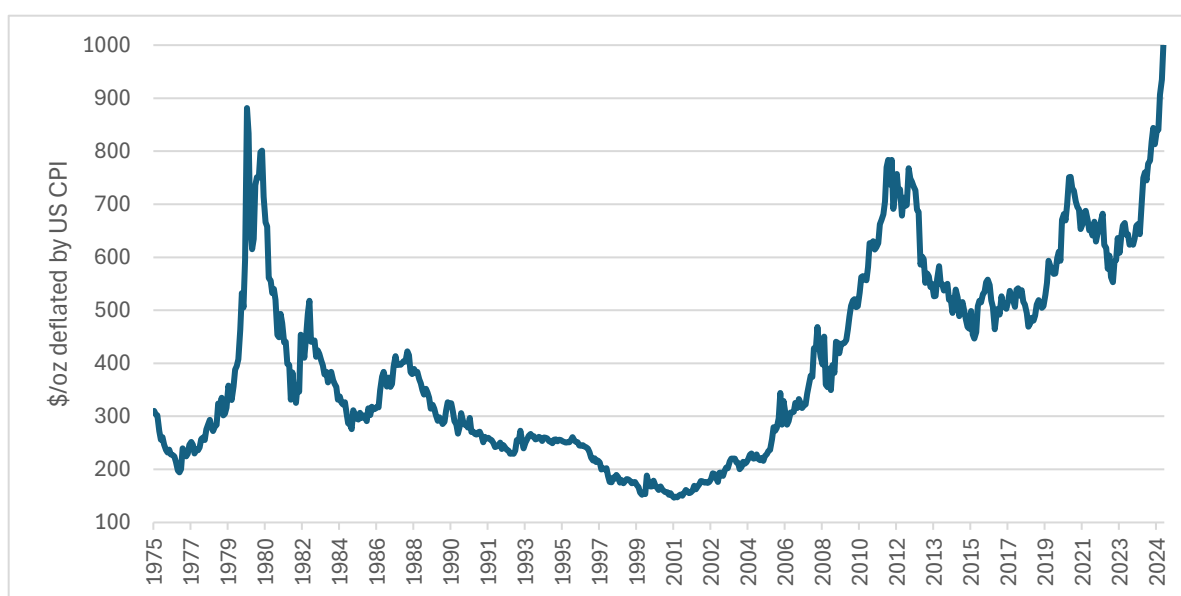
5. VOLATILITY IS NOT RISK

It is standard practice in the investment industry to use “risk” as shorthand for “volatility”. For instance, a typical scatterplot of returns against volatility is usually called a “risk-return chart”.

However, volatility – excessive price movements – is only risky if the investor responds by selling out at a lower price or is forced to mark to market. If you can sit out the volatility, there is no reason to worry much about wild swings in share price. In fact, if you are a long-term saver, short-term volatility is a good thing since market pullbacks provide opportunities to buy more for less. If you contribute monthly to a pension fund, for instance, you can benefit from rand cost averaging. Drawing income is a different story. Volatility is painful if you are selling at regular intervals. The good news here is that relatively high interest rates can be used to manage annuity strategies.

Therefore, the biggest risk facing most investors is not movements in capital values. Rather, it is that investors either don't save enough, that their savings don't grow faster than inflation, or that they overly expose themselves to a single asset that fails to deliver. For instance, amid all this global uncertainty, it might be tempting to use all your savings to buy gold. While the gold price has surged recently, it has suffered deep and prolonged drawdowns before and might do so again. The same goes for bitcoin. Sensible diversification is crucial as always.

CHART 3: REAL GOLD PRICE IN US DOLLARS



SOURCE: LSEG DATASTREAM

HISTORY IS NOT A STRAIGHT LINE

None of this is to diminish the fact that big changes are underway. The US-led world order that we've become used to is changing in ways we cannot yet predict. What lies ahead is uncertain, also for the local economy. But there will always be opportunities for astute investors to generate returns. And irrespective of these changes, sound investing principles like appropriate diversification, paying attention to valuations and seeking expert advice on tax, estate and financial planning will remain important. In fact, it might become even more important.



MAKING SENSE OF CURRENCY EXCHANGE RATES: WHAT EVERY INVESTOR NEEDS TO KNOW

By Saska Le Grange | Marketing Manager | Currency Partners

When you move money across borders, whether for investing, paying for services, or managing your wealth, currency exchange rates come into play. But what exactly drives these rates, and why do they change so often?

As leading foreign exchange specialists, we at Currency Partners believe that while currency markets can seem complex, understanding the key forces at work can help you make smarter decisions and protect your financial interests.

WHAT ARE EXCHANGE RATES?

At its core, an exchange rate tells you how much one currency is worth in another. For example, if you're exchanging rands for US dollars, the rate determines how many dollars you get for your rands. But this number doesn't stay constant; it moves every day, sometimes every minute.

Why? Because exchange rates are influenced by many economic, political as well as emotional factors all over the world.



WHY DO EXCHANGE RATES CHANGE?

Exchange rates are always on the move because they reflect global confidence in a country's economic strength, government stability, and monetary policy. Here are the major factors that influence these movements:

1. ECONOMIC HEALTH

When a country's economy is doing well, its currency tends to be stronger.

- **GDP growth:** A growing economy increases demand for its currency. Investors want to buy into strong economies.
- **Jobs and employment:** Low unemployment means people are working, spending, and driving growth. This builds confidence and supports the local currency.

2. INFLATION AND TRADE BALANCE

- **Inflation:** A little inflation is normal and signals growth. Too much, however, erodes the buying power of money and can weaken a currency.
- **Balance of trade:** If a country exports more than it imports (a trade surplus), demand for its currency increases. If it imports more (a deficit), the opposite is true.

3. INTEREST RATES AND CENTRAL BANKS

Interest rates are one of the biggest drivers of currency value.

Central banks, like the South African Reserve Bank (SARB), adjust interest rates to keep inflation in check and the economy stable.

- **Higher interest rates** attract foreign investment, which increases demand for the local currency.
- **Lower interest rates** can boost economic activity but often weaken the currency.

Sometimes central banks also step in directly to stabilise their currency, using tools like:

- **Foreign exchange reserves** – buying or selling foreign currencies
- **Quantitative easing** – injecting money into the economy to stimulate growth
- **Quantitative tightening** – pulling money out of the economy to reduce inflation

These actions ripple through the currency markets.

4. POLITICS AND MARKET SENTIMENT

Markets don't just respond to numbers; they respond to confidence levels too.

- **Political events** such as elections or sudden leadership changes can create uncertainty, often weakening a currency.
- **Market sentiment** (i.e. the mood of investors) can drive big moves, especially during global shocks or economic surprises.

WHY IT MATTERS TO YOU

If you're investing offshore, buying property abroad, managing an inheritance, or running a business that deals with other countries, exchange rates affect you. They impact:

- How much you receive from overseas income.
- What you pay for goods and services in other currencies.
- The value of your offshore investments.

Let's say the SARB raises interest rates. The rand may strengthen as a result. That's good for importing goods and sending money abroad, but it can make exports more expensive.

If the US Federal Reserve cuts rates, global investors may move money to other markets, including South Africa, strengthening the rand in the short term.



WHAT YOU CAN DO

The truth is, no one can predict currency movements with certainty. However, understanding the key drivers will help you to plan ahead and reduce your risk.

Here are a few practical tips:

- **Stay informed:** Keep an eye on SARB announcements and global news.
- **Use experts:** Work with a currency partner who can help you navigate changes and find the best time to make your transfers.
- **Consider hedging:** Lock in future exchange rates to protect large or regular transactions from volatility.

WE'RE HERE TO HELP

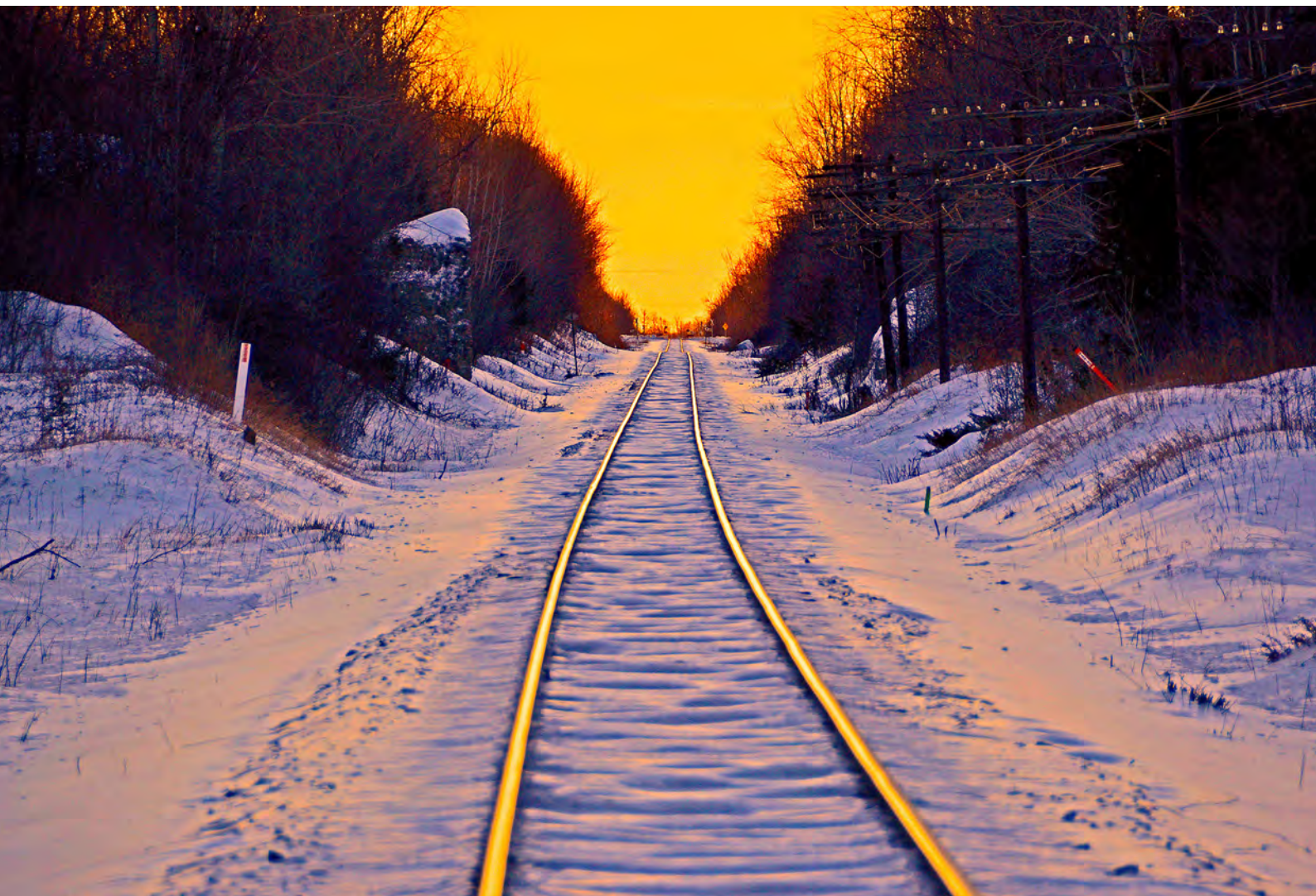
At Currency Partners, we specialise in helping individuals and businesses make the most of their foreign exchange. Whether you're moving funds for investment, inheritance or business needs, we will guide you through the process and help you make decisions that align with your goals.

We believe foreign exchange doesn't have to be complicated. Partnering with professionals who understand the landscape will give you peace of mind and the freedom to focus on what matters most: growing and protecting your wealth. For expert guidance and tailored foreign exchange solutions, speak to your financial planner, who can put you in touch with us.

Visit www.currencypartners.co.za for more information.

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INVESTMENT INTELLIGENCE

TIMING THE RAND

By Cornelius Zeeman | Equity Portfolio Manager | Fairtree

The South African rand is one of the most volatile currencies in the world, more so than many of its emerging market peers. In fact, over the past decade, only the Russian rouble and Argentinian peso have been more volatile. The currency's movements are often driven by global developments, ranging from shifts in investor confidence to major economic events.

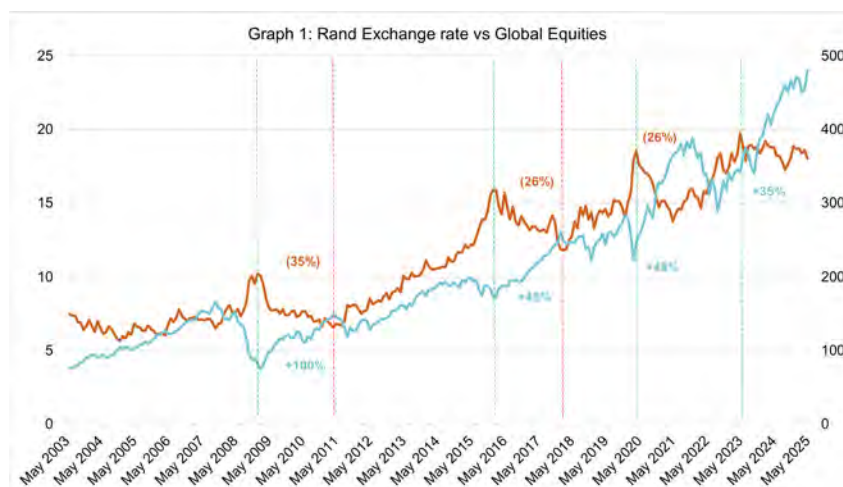
Given this unpredictability, many investors worry about when to take money offshore. What if the rand strengthens after you invest, and your international holdings are worth less in rand terms? It's a fair concern, but history shows that trying to perfectly time the exchange rate is rarely necessary to build long-term wealth.

COUNTERBALANCE OF EXCHANGE RATE AND EQUITY MARKETS

Over the past 25 years, global equity returns have typically outweighed the impact of exchange rate fluctuations. In fact, global equities tend to perform strongly when investor sentiment is positive – often at times when the rand is under pressure. This means that the rand and global stock markets don't usually move in the same direction.

Even during the four occasions in the past two decades when the rand was severely undervalued (as shown by the green dotted lines in Graph 1), investors still ended up with positive returns in rand terms. In those instances, the rand strengthened by 12-35%, yet global equities surged by 35-100%. This underlines a key point: *investing offshore just before the rand recovers is not ideal – but it's far from disastrous.*

GRAPH 1: RAND EXCHANGE RATE VS GLOBAL EQUITIES



SOURCES: FAIRTREE AND BLOOMBERG AS AT 31 MARCH 2025

LOOKING AT THE OPPORTUNITY COST

The offshore equity investment outperformed the STeFI (benchmark for a low interest short-term savings



vehicle) in three of the four periods despite the rand strengthening significantly. So, what's the alternative? If you wait in a money market account, your capital may grow slowly, often below inflation. You could consider local equities – but investing in them over the short term comes with its own risks, especially in a volatile domestic environment.

Our local challenges – including energy supply constraints, logistics bottlenecks and policy uncertainty – make it difficult for South Africa to fully benefit from a weaker currency through increased exports. At the same time, our growing fiscal deficit adds another layer of concern, with investors demanding a risk premium to hold South African assets.

At its current level of R18.25/US\$1 (as at 12 May 2025), the rand appears undervalued, although a sustained recovery lacks clear catalysts. This creates an opportunity: instead of waiting for the “perfect” moment, consider focusing on *building your wealth over the long term* by diversifying across geographies and economies.

By investing a portion of your portfolio offshore, you reduce your dependency on a single country's economic outlook and give your retirement savings a better chance to grow in more resilient global markets. Global equities not only provide access to innovative industries and established economies, but also to selected emerging markets with growth strong potential.

HOW TO POSITION YOUR PORTFOLIO WISELY

1. Diversify across regions and asset classes – Don't put all your eggs in one (local) basket. Offshore investments offer exposure to a broader range of opportunities.
2. Take a long-term view – Strategic asset allocation aligned with your goals can help you ride out short-term currency fluctuations.
3. Review your plan regularly – Speak to your financial adviser to ensure your portfolio still aligns with your goals for wealth creation and retirement security.

Offshore investing isn't about calling the rand – it's about giving your money the best possible chance to grow. By a disciplined, long-term approach, you can navigate currency movements while staying focused on the bigger picture: *securing your financial future*.

Disclaimer:

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RETIREMENT PLANNING

HAMMER AND SPANNER: WHY RETIREMENT NEEDS BOTH INSURANCE AND INVESTMENT TOOLS

By Jacques Theron | Business Development Manager | Just SA

In today's world of longer lifespans and unpredictable markets, securing a stable income for retirement is more important than ever. One financial tool that offers peace of mind and long-term security is a life annuity. Life annuities provide a unique and valuable benefit: guaranteed income for life. To fully appreciate their value, it's helpful to understand how they differ from traditional investments – and why both have a place in a well-rounded financial plan.

WHAT IS A LIFE ANNUITY?

A life annuity is a contract between an individual and a life insurance company. In exchange for a lump sum, the insurance company will pay you a guaranteed monthly income for the rest of your life. The starting income is calculated by using your age, gender, purchase sum and chosen annual increase amount. Some insurers will also consider health and lifestyle factors, which could boost your starting income.



THE CORE BENEFIT: LIFETIME INCOME

The primary advantage of a life annuity is its ability to provide income that lasts as long as you live. This addresses a major concern in retirement planning: longevity risk, which is the possibility of outliving your savings. With a life annuity, you can rest assured that your income won't run out, no matter how long you live.

INSURANCE VERSUS INVESTMENT: DIFFERENT TOOLS FOR DIFFERENT JOBS

To understand the role of life annuities, it's useful to think of retirement income planning like maintaining a home. You wouldn't use a hammer to fix a leaky pipe, and you wouldn't use a spanner to hang a picture. Each tool has a specific purpose. Similarly, insurance and investment have different roles in your financial toolbox.

Insurance, such as a life annuity, is designed to protect you from specific risks – in this case, the risk of outliving your money. It pools risk across many people, allowing insurers to provide guarantees that you can't achieve on your own. When you buy a life annuity, you're essentially trading a portion of your wealth for the security of a predictable income stream.

Investments, on the other hand, are growth-oriented tools. They can build wealth over time through exposure to markets. Equities, bonds and other investment vehicles offer the potential for returns, but they also come with risks like market volatility, inflation, and the challenge of effectively managing income withdrawals for the rest of your life.

WHY YOU NEED BOTH

A blended annuity is like a well-stocked toolbox. It combines the strengths of insurance and investment to address different financial challenges, offering both protection and growth.

A blended annuity includes two components for your financial toolbox:

- Insurance (life annuity component) as your safety gear – it protects you from the unexpected.
- Investment (living annuity component) as your power tool – it helps you build and grow wealth, but it comes with risks that need skillful handling.

If you only have one tool for all your home maintenance, you’re unlikely to get the job done. In the same way, if you only rely on investments to fund your retirement, you’ll also be limited – you might run out of money if markets underperform or you live longer than expected. If you only rely on insurance, you might miss out on growth opportunities that could enhance your lifestyle or leave a legacy.

A blended annuity gives you both: the safety of guaranteed income and the power of market-linked growth.

Here’s how a blended annuity addresses multiple retirement challenges:

CHALLENGE	TOOL IN THE BLEND	HOW IT HELPS
Outliving your savings	Lifetime income (insurance)	Guarantees income no matter how long you live.
Inflation eroding purchasing power	Living annuity (investment-linked growth)	Offers potential for income to grow over time.
Market volatility	Lifetime income (protection against market downturns)	The monthly income you receive from a life annuity can never decrease.
Need for flexibility	Living annuity (flexible withdrawals)	You can increase your withdrawal in line with regulations.

Life annuities offer a powerful way to ensure financial stability in retirement. By understanding the distinct roles of insurance and investment – like using the right tool for the right job – you can build a retirement plan that balances growth with guaranteed income. When used together, these tools can help you live with financial confidence and security in your later years.

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RETIREMENT PLANNING

WHAT LESSONS CAN RETIREES LEARN FROM CRISES?

Marc Lindley | Product Specialist | Ninety One

Market crashes, political shocks and the global pandemic have taught us one thing: uncertainty is unavoidable. For retirees who depend on their investments for income, navigating turbulent times can be especially challenging. But what if the best move during a crisis is simply to stay the course?

Recent analysis from Ninety One, based on data from the 2008 Global Financial Crisis (GFC) and the Covid-19 crash, shows that remaining invested – even through the worst drawdowns – delivers better long-term outcomes than switching to cash.

WHAT'S AT STAKE FOR RETIREES?

Retirees' income requirements mean that they must make regular withdrawals from their investments – even at times when the capital value may have reduced significantly. Uncertainty about the impact of the tariff war and concerns over further market declines have caused many investors to consider switching into “safer” assets like cash.

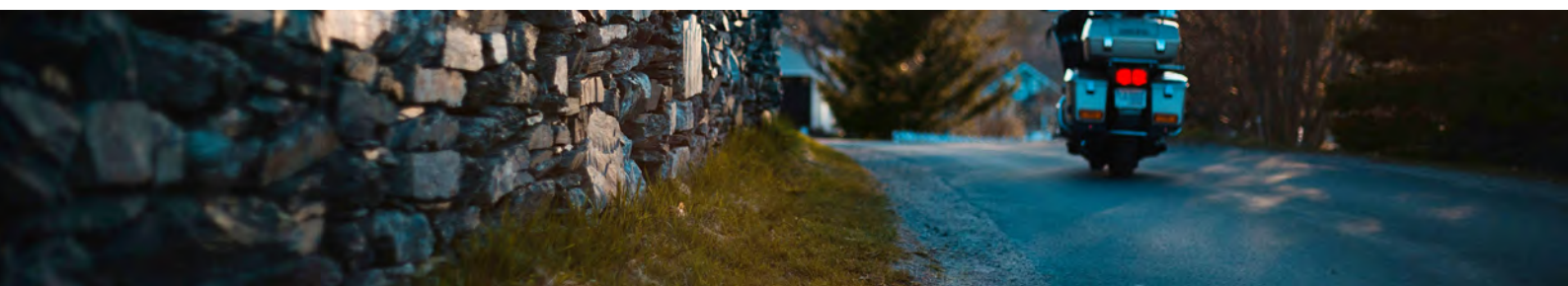
The instinct to preserve capital by moving to cash may feel right in the moment, but it can undermine the long-term sustainability of a pensioner's income. That's because inflation quietly erodes the value of cash, especially when income is being withdrawn regularly.



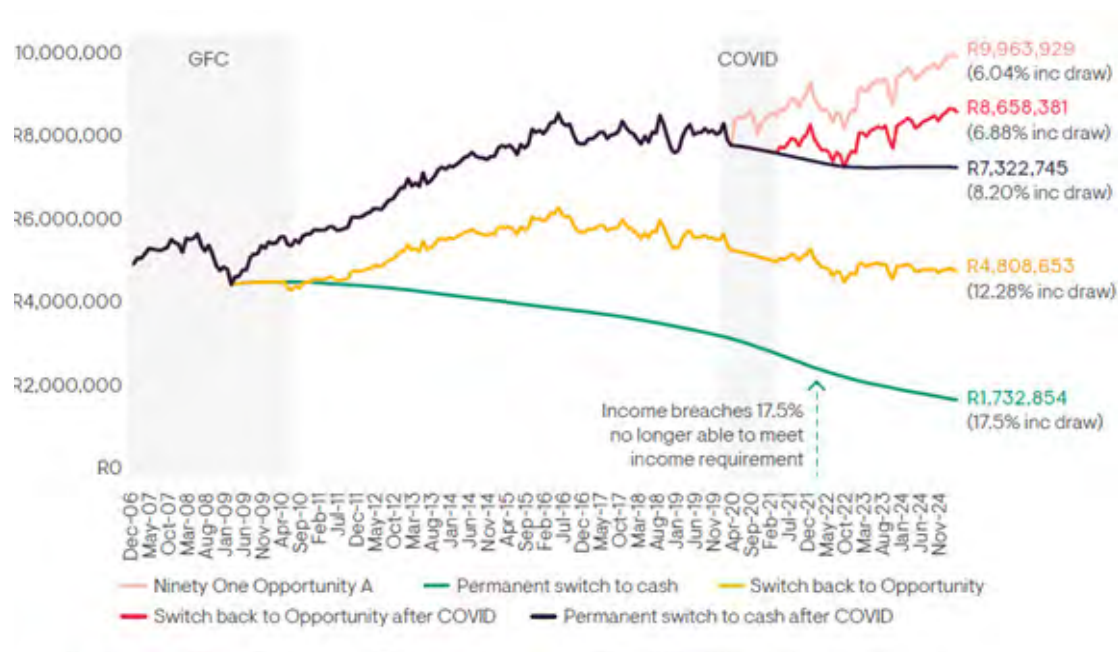
FIVE SCENARIOS, ONE CLEAR STANDOUT

We considered five retirement investment scenarios where a client retired at the beginning of 2007, the year in which the GFC began. The client invested R5 million into a living annuity, using the [Ninety One Opportunity Fund](#) (the Fund) as the underlying investment. In each scenario, the client draws a 5% income with the rand value of the income escalating by inflation each year. Each scenario reflects a different client strategy:

1. Remain invested in the Fund throughout
2. Permanently switch to cash at the bottom of the GFC
3. Switch to cash during the GFC, then back to the Fund a year later
4. Stay invested through the GFC but switch to cash for one year during Covid, then switch back
5. Stay invested through the GFC but switch to cash during Covid and remain there



REMAINING INVESTED DELIVERED THE BEST OUTCOME



Source: Morningstar and Ninety One Investment Platform, performance net of fees, NAV to NAV, gross income re-invested, R5 million invested from 1.01.07 to 31.03.25, 5% income drawn from inception, with a 5% p.a. escalation on the rand value implemented at the anniversary each year. Annualised performance figures, which are the average return per year over the period, used. The rand value of income drawn has been matched in all three scenarios. For scenarios 2 and 3, the switch to cash is assumed to have taken place at the bottom of the market on 1.03.09 and in scenario 2, the client remained in cash for the rest of the illustration. In scenario 3, the switch back to the Fund is assumed to have taken place on 1.03.10 and 01.04.25 respectively. In scenario 4 the switch back into the Fund is assumed to have taken place on 1.04.21. The A class of the Ninety One Opportunity Fund was used in all the scenarios. The investment performance is shown for illustrative purposes only.

The difference in final portfolio values and income drawdown levels is stark, as can be seen in the chart:

- **Scenario 1 (staying invested)** would have resulted in a final portfolio value of nearly R10 million and the last income drawn would equate to 6.04% when expressed as a percentage of capital.
- **Scenario 2 (permanent switch to cash)** would have resulted in the end value shrinking to R1.7 million and the income drawn already exceeding 17.5% in 2022, so future income needs would not be met.
- **Scenario 3 (timing the market)** would have resulted in an end value of only R4.8 million with an income drawdown of 12.28% of the capital value.
- **Scenario 4** would have led to an end value of R8.6 million, still down about 13% compared to staying invested, with an income drawdown of 6.88%.
- **Scenario 5** would have resulted in a value of R7.32 million (>25% lower than staying invested) and an income drawdown of 8.2%.



WHY STAYING INVESTED MAY BE PRUDENT

Recoveries often happen faster than expected. During Covid, markets rebounded in just three months – meaning those who switched to cash likely missed the upswing. Even a short stint in cash can be costly for retirees, as withdrawals eat into already reduced capital. This may result in a higher drawdown rate, threatening long-term income sustainability.

BUILT FOR TOUGH MARKETS

For living annuity clients in particular, a fund with more dependable returns is far more desirable than a fund with volatile performance. Balancing risk and reward, the [Ninety One Opportunity Fund](#) aims to deliver steady returns to patient investors, even as markets fluctuate.

Retirement can last for decades – long enough to ride out several crises. Starting with the correct investment strategy means that the best course of action during periods of volatility is to sit back and do nothing. Lessons from past crises indicate that by following this discipline, retirees will be rewarded by improved outcomes over the long term.

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INVESTMENT WRAPPERS DEMYSTIFIED: WHAT, WHY AND HOW?



Investment jargon can often seem daunting, and “investment wrapper” is one such term that leaves many investors puzzled. Despite sounding technical, understanding wrappers is crucial for making informed, strategic decisions about your wealth.

At its simplest, an **investment wrapper** is a legal structure or “vehicle” used to hold various investments. Much like a safe protects its contents, a wrapper creates a regulatory and tax-efficient shell around your assets. This influences how your investments are taxed, accessed, and treated from an estate planning perspective.

Not all wrappers are created equal. Some are designed to reduce tax liabilities, others support retirement planning, and some are ideal for intergenerational wealth transfer. Choosing the right wrapper for your goals and financial situation is just as important as the underlying investment itself.



WHY WRAPPERS MATTER

Investment wrappers play a fundamental role in shaping your overall investment outcome, impacting the following:

- **Tax treatment:** Wrappers can drastically alter how much tax you pay on returns, dividends and capital gains.
- **Access to funds:** Some allow immediate liquidity while others encourage long-term saving by restricting access.
- **Estate planning:** Certain wrappers can ease the process of transferring assets to beneficiaries.
- **Regulatory protection:** Regulated wrappers offer investor safeguards, especially over the long term.

When used thoughtfully, wrappers can improve after-tax returns, assist in legacy planning, and help meet specific savings objectives, whether for retirement, education, or offshore diversification.

COMMON WRAPPERS IN SOUTH AFRICA

South African investors have access to a variety of wrappers, each serving a distinct purpose. The most commonly used wrappers include:

- **Retirement Annuities (RAs):** Designed for long-term retirement savings. Contributions are tax-deductible (within limits), and growth is tax free. However, funds are locked in until age 55 and subject to drawdown rules at retirement.
- **Living Annuities:** Typically used post retirement to draw an income from previously accumulated retirement savings. Investors control the investment strategy and income levels (within regulatory bands). Withdrawn income is taxable, but growth remains tax free.
- **Endowments:** Five-year contractual investments that appeal to high-net-worth individuals or those with estate planning needs. They offer tax advantages for those in high marginal tax brackets and can simplify estate administration.
- **Tax-Free Savings Accounts (TFSAs):** Allow tax-free growth on contributions within annual and lifetime limits. While relatively modest in scale, they are powerful long-term vehicles due to the compounding benefits.
- **Offshore Wrappers:** Enable investment in hard currency assets, offering geographic and currency diversification. These wrappers carry specific tax and regulatory implications and are often used under the guidance of a financial adviser.



CHOOSING THE RIGHT WRAPPER

To select the most suitable wrapper, investors need to reflect on their personal objectives:

- What is the purpose of the investment, such as retirement, income, growth, or capital preservation?
- How long are you willing to commit your capital?
- What is your current tax position?
- Do you require liquidity, or are you planning for long-term capital retention?
- Are you looking to invest locally or offshore?

Consulting with a qualified financial adviser is key to navigating this landscape effectively. Advisers can help ensure the chosen wrapper aligns with your goals, timeframes and tax profile.

FINAL THOUGHTS

Though they may seem complex, investment wrappers are essential tools in the modern investor's toolkit. When understood and applied correctly, they not only enhance returns but also support broader financial goals, from retirement planning to legacy building.

At INN8, we are committed to helping advisers and their clients navigate this space with clarity and confidence, because in investing, structure matters just as much as selection.

Disclaimer:

This communication is for information purposes only and does not constitute financial advice in any way or form. It is important to consult a financial planner to receive financial advice before acting on any information contained herein.



COMPANY NEWS

By Michelle Matthews | Portfolio Manager | Old Mutual Wealth Private Clients



JOHN DEERE

Deere & Company delivered a resilient second-quarter performance despite softer demand in agriculture and construction. Solid profitability was maintained through disciplined execution, cost control and pricing strategies. Leadership credited the strength of its dealer network and workforce for sustaining high levels of customer service. All three equipment segments posted lower sales due to weaker volumes. Production & Precision Ag sales fell 21% with a 30% drop in operating profit, while Construction & Forestry saw a 23% decline in sales and 43% in profit, both pressured by weaker volumes and pricing. Small Ag & Turf was more resilient, with sales down 6% and a flat operating profit, supported by effective cost and pricing actions. Financial Services held steady, with net income down just 1%. Deere remains confident in its long-term strategy, continuing to invest in innovation, manufacturing and precision technology to support future growth. Management acknowledged that while the near-term macro environment remains uncertain – marked by high interest rates, trade policy volatility, and pressure on customer sentiment – they remain focused on disciplined execution and long-term strategic investments. For the remainder of fiscal 2025, they expect large agricultural demand in the US and Canada to decline by approximately 30%, driven by elevated used inventory and tighter farmer budgets. Small Ag & Turf is projected to decline by 10% to 15%, while Construction & Forestry demand is expected to contract by 10% to 15% as well. Despite ongoing headwinds, Deere is maintaining its full-year net income guidance of US\$4.75 billion to US\$5.5 billion, supported by proactive management of costs, inventory and production. Looking ahead, management see opportunity in unlocking further value through their precision tech stack and SaaS-based solutions. They are cautiously optimistic that stabilising agricultural fundamentals, new trade agreements (like the UK deal) and falling input costs could help support customer investment over time. Used equipment inventory remains a key focus area, especially for large ag, with Deere and its dealers working to rebalance the market. Overall, while 2025 is framed as a transitional year, the company remains confident in its strategic positioning and ability to capitalise when market conditions improve. Management have communicated recent macro headwinds transparently and continue to execute effectively, helping Deere maintain profitability and deliver value to both customers and shareholders. As a result, our investment case remains strong, with the share price responding positively to the latest results.

RICHMONT

Global luxury goods company Richemont delivered a stronger than expected full-year performance, with sales growth rebounding to 4% after a flat first half. Double-digit sales growth was achieved across the Americas, Europe, the Middle East and Africa, and Japan offset continued weakness in Asia Pacific, where sales declined due to ongoing softness in China. Jewellery (+8%) remained the standout performer, while specialist watches declined by 13%. Profits were impacted by the steep increase in precious metals prices, as the group did not increase pricing by the same magnitude. As a result, the group's operating margin contracted by 240 basis points. However, it remained robust at 20.9%. The state of geopolitics makes for an uncertain operational outlook. However, management take comfort in the group's strong financial position, with net cash of EUR8.3 billion, allowing the group to maintain its investments and operational capacity through the cycle. Supported by the strength of the balance sheet, management proposed a dividend of CHF3.00 per A share (equaling 10 B shares), representing a 9% increase. Looking ahead, management are responding cautiously to the sharp slowdown in luxury goods consumption, which has impacted specialist watches more severely than jewellery. However, Richemont is well positioned and well funded to navigate this volatile environment and capitalise on potential investment opportunities. We remain optimistic about the group's long-term growth potential, though acknowledge that the recent share price rally has pushed the stock above our fair value range.



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