

MARKET COMMENTARY

The month of May saw the Chinese market tumble, as government owned investments sold its shares in state-owned banks, negatively impacting investor sentiment. This was further exacerbated, as investor's credit restrictions were tightened. Russian markets dropped, as the central bank implemented measures to weaken the Rouble in an attempt to boost exports. In addition, lower oil prices and geopolitical tensions, saw the market close at -4.25%. The JSE weakened, primarily as a result of the impending US interest rate hike. This, coupled with the expected rise in the US housing market, saw the Rand drop to a five-week low against the Dollar, following suit of other emerging markets.



YEAR TO DATE: 31 MAY 2015

SA	• 6.44%	CASH	• 2.58%
PROPERTY	• 7.00%	BONDS	• 1.71%
INDIA	• 1.20%	RUSSIA	• 18.13%
CHINA	• 16.18%	BRAZIL	• 8.76%
INDONESIA	• (0.20%)	GERMANY	• 16.40%
LONDON	• 9.30%	USA	• 1.05%



PONZI SCHEMES: WHAT THEY ARE AND WHAT TO LOOK OUT FOR

Recent claims against the Belvedere Group have uncovered an alleged Ponzi scheme that is estimated to be managing assets worth over R 200 Billion. In light of this, it is highly relevant that investors remain informed and are able to identify a Ponzi scheme. The below information highlight the characteristics of these schemes, as well as ways in which you could protect yourself.

WHAT ARE PONZI SCHEMES?

- ◆ Fraudulent investment operation that promises high returns with little or no exposure to risk
- ◆ Returns to *existing* investors are funded by monies from *new* investors

Very High Returns

- Ponzi schemes often promise regular above market returns i.e. "3% return for every month of your investment"

Vague Business Models

- Information regarding how returns are generated is often unclear
- As a potential investor, one should take heed if investment information does not make sense to you

Guaranteed Returns

- Guaranteed returns are promised
- With investments, even the most conservative of investments carries some risk

FINAL WORDS

An investor should take ALL the following steps to ensure that they are protected :

- ① Seek advice or consult a reputable Financial Advisor or Financial Institution (e.g. a bank)
- ② Conduct your own research and be wary of companies that do not have a physical footprint or proven track record
- ③ Use sound judgement when making investment decisions
- ④ Verify that the institution is registered with the FSB

It is important that all 4 steps are taken as there have been rare instances of Ponzi schemes being registered with the FSB, thus highlighting the necessity of following every step.

Questioning and applying sound judgement to investment products which seem too good to be true, could save investors millions of Rands. Investments are a waiting game and just like most things in life, perseverance and patience yield great benefits (in this case, returns). Your advisor should have this at the back of his mind when providing you with advice that aligns with your long term goals. There are no shortcuts in life and as the old saying goes : *if something is too good to be true...*



Viren B. Garach