

MARKET COMMENTARY

The month of February saw the Rand tumble to a near 13 year low¹ against the Dollar, due to the bleak economic prospects addressed at this year's SONA. This was compounded by the ongoing political turmoil in Ukraine, resulting in investor's looking to Developed Markets as a safe haven. The JSE closed the month on a high, despite the likelihood that proposed tax increases would reduce consumer spending. The US Federal Reserve's announcement that interest rates hikes may only occur later this year saw the Dow Jones close higher, while the BSE closed at a low of 0.12% due to uncertainty and raised governmental concerns over the Delhi election results.

¹FiFi Peters BDlive.co.za



YEAR TO DATE: 28 FEBRUARY 2015

SA	+7.27%	CASH	+0.46%
PROPERTY	+3.16%	BONDS	-2.76%
INDIA	+6.25%	RUSSIA	+24.95%
CHINA	+5.16%	BRAZIL	+0.06%
INDONESIA	+4.27%	GERMANY	+16.27%
LONDON	+6.44%	USA	+1.73%

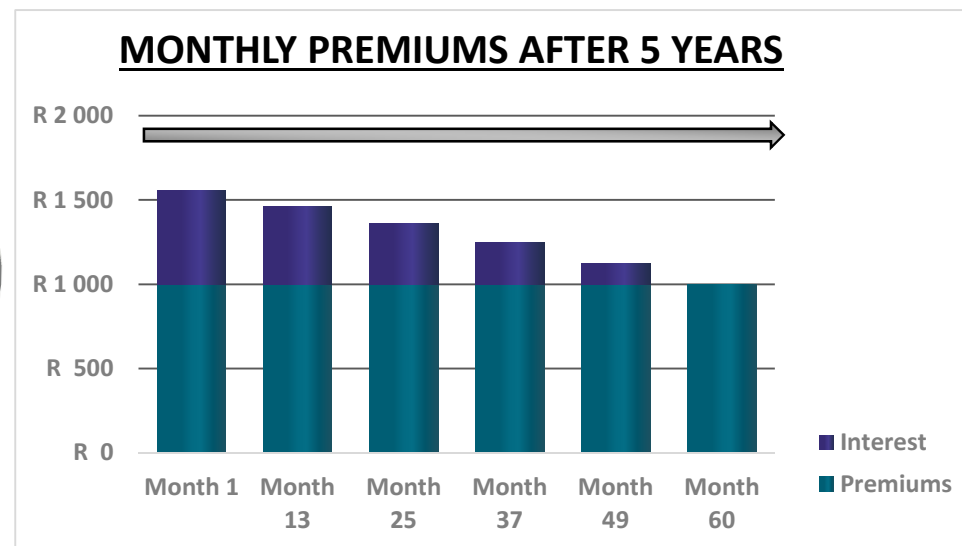


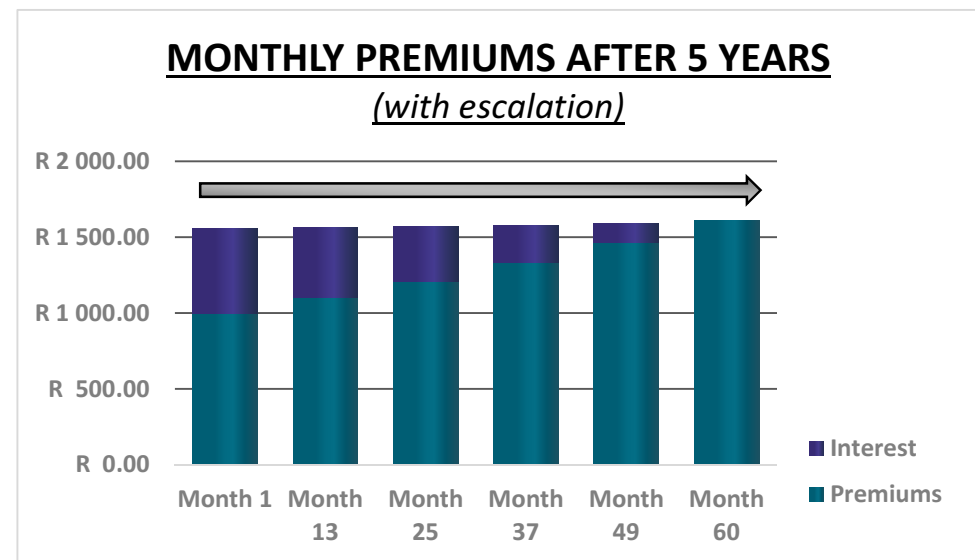
THE MONTHLY INVESTMENT DISAPPOINTMENT

Understanding the Return/Growth on a monthly investment over time may leave a client wondering why their investment appears to have under-performed. The below examples illustrate the important factors to consider with monthly investments, as well how performance figures appear to be affected by the timing of monthly investments.



The graph to the right highlights the fact that only the 1st month's premium is invested for the full 60 month period, with the last month's premium (month 60) not being invested at all. The actual growth is 9% p.a, which is not apparent on the graph as only the 1st month's premium is invested for the full 60 months. The **WEIGHTED AVERAGE TIME** of the investments is **actually** 2.5 years.





When there is an annual escalation on a monthly investment, the effect is magnified. The 1st month's premium (*the lowest premium*) is invested for the full 60 month period. The last month's premium (*the highest premium*) is not invested at all. The actual growth is 9% p.a, which is not apparent on the graph as only the 1st months premium is invested for the full 60 months. The *WEIGHTED-AVERAGE TIME* of the investment is *less than 2.5 years*, because the largest inflow is the last month's premium.

When looking at the Return/Growth of a monthly investment, a true reflection of the performance cannot be judged after a mere 5 years. It is only after Year 10 that the compounding effect of the monthly investments are properly illustrated. In years 5 to 10, the compounded monthly premiums are grown as a lumpsum for a further 5 years, to reflect an investment growth that is more in line with expectations.

The key to a recurring monthly investment is to be *patient* and *not* to judge your investment returns *too early*.



Viren B. Garach