

## Ultima News

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**Lifelong peace of mind**

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### **FPI/Personal Finance Financial Planner of the Year Competition**

“The Financial Planner of the Year Award is the highest accolade a professional financial planner can obtain. Jointly sponsored by the Financial Planning Institute of Southern Africa and Personal Finance magazine, the adjudication process starts with the completion of an application form which includes a sample case study submitted by the applicant. The competition consists of 3 rounds (case study, site visit and panel interview) during which entrants must qualify to go through to each round. Independent judges range from academics, industry experts and FPI Board members who participate in each round.” [www.fpi.co.za](http://www.fpi.co.za)

Gerrit Viljoen received the prestigious award in 2003. During 2007 Jan-Carel Botha worked under Gerrit’s personal supervision for 12 months.

“This year we had 3 finalists who attended the final round panel interviews. It was a very close race which is a tribute to the high quality of financial planners we have in SA.”, said FPI Awards Committee Chairperson, Mr Paul Rabenowitz. [www.fpi.co.za](http://www.fpi.co.za)

One of the 3 finalists in the 2010 competition was our own Jan-Carel Botha. As we strive to help personnel reach the pinnacle of their own abilities we are delighted. Jan-Carel we are incredibly proud of you!

### **Whose Advice Should You Trust?**

Recently, some people phoned us to ask whether we had heard about the financial adviser who was advising listeners to summarily cancel their investments with a large fund manager. The adviser publically announced that people should take their money away from the fund manager as “the company is busy going under and they have underperformed over the last year”. The day after these instructions were given on radio, the company in question won the “Fund Manager of the Year” competition for the 4<sup>th</sup> consecutive year.

So, why is it necessary to look at this example?

Many people become very concerned when they hear someone “in authority, on radio” make such suggestions. The above mentioned incident also affords us the opportunity to re-look different strategies.

1. Investors become worried when so-called investment experts warn them that a company “is going under”. We have had numerous examples in the recent past of dubious companies that did go belly-up. Almost daily, we read about investment schemes where people lose all their hard-earned savings, and investors want to be warned in advance if something is not right with the company or fund manager they invest with. So, investors cannot be blamed if they get anxious and worried when public figures make such statements.

As mentioned earlier, this company is fundamentally sound and was subjected to the very stringent scrutiny of the Plex Crown investment survey before it was awarded this prestigious award for the fourth year running. Its long-term track record is outstanding and its flagship equity fund had a compound return of more than 22.1% over the past 10 years while its benchmark, the JSE All-Share Index, returned 15.8% over this period.

2. If investors are chasing returns as their investment strategy, they will always be at the beck and call of market analysts and commentators speculating on whether you should be in the market or not. Radio, TV and the printed media sell or attract audiences if they broadcast and publish bad news or offer short-term solutions. No one will buy or listen when they publish something like, “don’t worry or get perturbed, remember that your money should last until you reach the age of 95”. This is absolutely boring news and won’t sell one newspaper. We have often commented that investors should use appropriate benchmarks when analysing their investments over time. Comparing one fund with another over a short period could lead to disastrous results.

What this particular radio commentator implied was that you should move your investment to last year’s winning fund. This is also disastrous advice as analysis proved that this is normally the next year’s loser. No, you have to have a robust investment process and strategy and must make sure that you achieve your own defined goals over time. A critical benchmark is beating inflation consistently over time as inflation is the investor’s biggest enemy over time.

Evaluating your strategy and financial plan regularly and using appropriate benchmarks is much more productive than choosing a strategy where you chase returns.

Incidentally, this particular fund in question beat inflation by 15.7% last year. If anybody looks at this in perspective, they should be elated. The irony is that this fund performed consistently for almost 20 years while others failed dismally but had “flash in the pan” out performances for short periods of time.

Don’t ever be coaxed into abandoning a robust strategy without getting all the relevant facts.