Dear Client

We have pleasure in enclosing your latest quarterly investment review.

The first quarter of 2018 saw significant drops in stock markets around the world, with our local market being no exception. The reasons included Trump and China, interest rates and other news-capturing headlines, but in reality, global equity markets were probably simply due for a correction. Corrections always happen in markets from time to time, and they will continue to happen. Diversification remains key, but most importantly it is critical to stick to a sound long term investment strategy.

Human emotion makes investors prone to over-confidence after times of strong market performance, and to panic when markets fall. Inexperienced or emotional investors extrapolate trends and are strongly affected by what they hear around them. The correct response to market movements is to resist buying after strong runs, and to resist selling after market falls. If at all possible, buy low and sell high.

One of our key functions as your financial advisor is to coach you through these emotions, to try and eliminate the mistakes of investor behavior, and to stick to the long-term strategy that was put in place for you. Sticking to a long-term investment strategy should not be confused with making changes within portfolios, and we monitor this continually on your behalf. A sound long term investment strategy may include using Listed Property to cater for your income needs, and a Balanced Unit trust for long term growth for excess funds, but the choice of listed property stocks, or the shares within the unit trust will change over time as relative valuations play out.

Market weakness is also a clear reminder as to why we at Plexus Wealth focus on income as a key part of investment return. We feel it is important to re-iterate again the merits of our investment philosophy - in our Plexus Wealth Funds, we focus on stocks that yield a reliable and growing dividend, whether it be in the Listed Property sector or general equities.

The effect of flat markets is especially felt by retired investors who seek to fund their retirement by selling off units of investment each month. When normal or average capital growth occurs, this works, but when markets are down, a larger number of units are sold to achieve the same Rand value of income, and the capital depletes. Investors seldom recover from this scenario. By contrast, if your expenses match your income, then you don't have to sell units of investment, and your investment capital remains intact, irrespective of short term market fluctuations. Higher yielding investments enable you to do this.

On average, we expect income from Listed Property Portfolios to increase in line with inflation (bearing in mind that official inflation rates are at 3.9% at present). The yields on many Listed Property Stocks are now very attractive, and we note that the prime overdraft interest rate has fallen as we have been predicting consistently over the last year and a half. Falling interest rates present a tailwind for property.

Our offshore portfolios are run on the same philosophy as the local ones, and we remain of the view that geographical diversification is important from a risk management perspective.

We look forward to continuing to assist you through challenging times.

Kind Regards

Eric, Connie, James and Don