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is a client-focused Trust and Investment Management company that is dedicated to servicing the individual requirements of its clients – a professional investment service with a personal touch.

We offer a full range of financial services, providing our clients with the convenience and comfort of having their business affairs conducted under one roof.

Our services include:

- Investment & Portfolio Management
- Retirement Planning
- Offshore Financial Services
- Tax Services
- Money Market
- Wills
- Estate Planning

Personal Trust has been in successful operation for more than 35 years, and has offices in Cape Town (Rondebosch and Noordhoek), Somerset West, Knysna, Port Elizabeth and the UK.

For more information, please contact Belinda Danks on 021 689 8975
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2018 promises to be a most interesting year with politics and economics again inevitably interwoven. The new incumbent of the ANC presidential office has an unenviable task ahead of him – that of trying to cohere a fractured political party, while attempting to introduce positive economic policies. However, recent developments by our law enforcement authorities suggest that the threat of further corruption has been minimised.

A couple of weeks ago my wife and I, having watched the videos of Invictus and The Sixteenth Man, decided to re-view the official recording of the 1995 World Rugby Cup final. The African-themed Opening Ceremony, the Jumbo jet seemingly skimming the rooftops, the goose-bumpingly emotional rendition of ‘The World in Union’ by PJ Powers and Ladysmith Black Mambazo, Madiba’s appearance in Francois Pienaar’s No. 6 jersey, the chants of “Nelson! Nelson! Nelson!” as the President disappeared up the tunnel – and then the match itself played in a wonderfully sporting spirit and refereed admirably by Ed Morrison. Japie Mulder’s try-saving tackle on Jonah Lomu, Stranksy’s drop goal, the Ellis Park crowd exhorting their weary warriors with their continuous chorus of “Shosholoza” throughout the final seven minutes of extra time, and, at the end, the team clenching their knees, realising that they had achieved the impossible. Still we were not done – Francois correcting the news reporter and saying that not 65,000 but 43 million South Africans had supported the team. And then the finale – the captain holding the William Webb Ellis trophy aloft and our State President, fists clenched in the air, jumping around the podium like a little boy.

The Rainbow Nation was on its way. Sadly, however, the last ten years in particular have seen us lose what momentum we had. Perhaps I am being too optimistic but I feel that we are now beginning to find the correct path once more and the economy will in due course recover and develop.

A possible solution to, but also a problem for, economic advancement is AI (Artificial Intelligence) – the addition of a degree of inanimation of economic knowledge and experience would naturally be advantageous! The introduction of new technologies resulting in increased automation is likely to lead to job losses – and yet, once the new technological processes have been mastered, modern technicians will be able to undertake professional responsibilities formerly not even considered as being feasible. The disadvantage is that there may well be the creation of a widening gap between the new technocrat class and those left behind.

Cyril Ramaphosa is a successful businessman who understands the importance of a thriving economy and the necessity to attract investment, both local and overseas, in the country. The increasingly strident calls for ‘land expropriation without compensation’ directly oppose the above policies. In his meeting with Zulu King Goodwill Zwelithini on 7 January the new ANC President showed mature pragmatism in explaining to the King: “… taking land should not be equal to destroying our economy … as we take land we do not harm the economy, we do not harm agricultural production, and we do not sacrifice food security … it is possible for us to begin the process of working the land and improving the land and making agriculture a successful economic sector in our country … we can make this country the Garden of Eden.” The final statement is perhaps a somewhat hyperbolic hope but certainly, in Ramaphosa, we have a man who is committed to overseeing economic growth and prosperity. At the ANC Conference in East London he again highlighted the need for land expropriation but, again, with the caveat that food security and agricultural production should not be threatened.

There are a number of interesting articles in this edition of Personal Opinions. One, in particular, is relevant to all our clients – Jacqui Meyer’s exposé of Cybercrime. Apart from explaining the difference between phishing, smishing and vishing she lists 15 pointers of what we should or should not do to avoid becoming a victim of cybercrime. There are some excellent words of advice which we should all take to heart.

Below are some useful tips from Personal Trust staff on what they are doing to save water.

**KITCHEN**
- Only use the dishwasher and washing machine when completely full
- Only wash clothes when really dirty to reduce the number of loads per week
- Wipe down dishes with a paper towel to clean dirt and then run the dishwasher on a shorter cycle
- Use paper plates where possible and recycle them or burn them if breaking
- Reuse all excess water on the garden or as grey water for toilets
- Assign each family member a cup or water bottle to use for the day to cut down on washing up
- Collect the washing machine water from the rinse cycle to use on the garden and for flushing toilets
- Use bottled water for drinking and cooking

**BATHROOMS**
- Turn off the water supply to the toilets and only use greywater via the cistern
- Use baby wipes or hand sanitizers for washing hands
- Have containers in all basins and sinks to catch excess water to be used in the garden or for flushing toilets
- Capture all shower water and use for flushing
- Reduce shower time to less than 1 minute by wetting, soaping and then rinsing
- Change to 1-ply toilet paper as it takes less water to flush (and saves money!)
- Use a cup with a little water to brush and rinse teeth

**OUTSIDE**
- Install water tanks to capture rain water from the down pipes
- Connect a plastic pipe to the down pipe to fill the pool

These are just some of the many things we can and should be doing. Be the change and make a difference. Ed.
2017 proved to be a much better year for the South African equity market than was predicted at the beginning of the year, with the JSE All Share Index increasing by 17.5% – the best return in three years.

One needs to refresh one’s memory as to what happened in 2015. With poor world economic growth, commodity prices had started to fall in 2014 and the decline accelerated in 2015. In 2015 the gold price fell 11.4%, the platinum price fell 27.2% and the oil price fell 35.0%, having already fallen 48.2% in 2014. The oil price declined from a price of over $130.00 per barrel to below $30.00 per barrel.

To compound South Africa’s problems, President Zuma fired Minister Nene as the Minister of Finance in December 2015. The Rand plummeted and lost 32.8% against the US Dollar, 24.8% against the Pound and 20% against the Euro for the year. The fall in the value of the Rand saved the day for the JSE All Share Index with the non-commodity Rand hedge shares performing well. The JSE All Share Index was up 1.9% in 2015. World markets also performed poorly and the FT 100 Index declined 4.9%, the Dow Jones Index declined 2.3% and the S&P 500 Index declined 1.8%. The Nasdaq and the Japanese Nikki Dow managed to increase 4.0% and 5.9% respectively.

2016 was a very difficult year for South Africa with very low economic growth. Commodity prices did improve with the gold price up 8.0% and the platinum price up 3.4%. The big increase was the oil price which was up 46.1% from a very oversold situation in 2015. The Rand also improved from a very oversold position and was up 11.3% against the US Dollar and 14.4% against the Euro. The Rand improved 25.2% against the Pound but this increase was a result of the Pound falling post-Brexit.

Given the above, the JSE All Share Index lost 0.1% in 2016 while world equity markets had a good year on the back of good world economic growth and improved company earnings. The FT 100 Index was up 14.4% driven by a weaker Pound, the Dow Jones Index was up 13.4% and the S&P 500 Index was up 9.5%.

2017 was a good year for world equity markets, especially the United States, driven by good company results and President Trump’s tax reduction bill being passed. The Dow Jones Index was up 25.1%, the S&P 500 Index was up 19.4%; Eastern markets were also up strongly. As mentioned the JSE All Share Index was up 17.5%. The FT 100 was only up 7.6% as a result of the uncertainty over Brexit. Commodity prices improved with the gold price up 13.9%, the platinum price up 2.0% and the oil price up another 22.7%.

For the JSE All Share Index 2017 was very much a year of two halves. During the first half of the year the market traded in a band of between 51000 and 54000 points. For one day in June the market closed above 55188 points, which was the previous all-time high reached in April 2015. The market only moved convincingly above this level in August and continued to move higher for the rest of the year, resulting in a very good annual performance.

On the currency front the US Dollar declined 14.6% against both the Pound and the Euro. The Rand remained weak for most of the year but improved dramatically in December with the news that Cyril Ramaphosa had been elected president of the ANC – its final appreciation was 9.8% over the year.

One of the main drivers of the JSE All Share Index was Naspers which was up 71.3% for the year. Naspers now constitutes over 20% of the All Share Index. Commodity shares also helped the index with big improvements in earnings as a result of better commodity prices and an increase in volumes sold. The commodity companies used the increase in profits to pay down debt and de-gear their balance sheets.

On the negative side there were also some huge losses with Steinhoff being the leader, but other large companies were also losers, EOH Holdings losing 58.8% and Brait losing 52.4%. At the current time we are still waiting for the final audited annual financial statements for Steinhoff to be published so that we can see the correct situation of the company.

Looking forward to 2018, we are forecasting that the major world economies will all continue to grow in the range of 2 to 3%, with China being the exception at 6.5%. The concern is that all world markets will continue to reach new highs and appear to be fairly fully priced and only anticipating good news.

### Market Review

**John Falconer, Director and Trust Officer, reviews the equity markets over the last three years.**

<table>
<thead>
<tr>
<th></th>
<th>2017</th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>JSE All Share Index</strong></td>
<td>17.5</td>
<td>-0.1</td>
<td>1.9</td>
</tr>
<tr>
<td><strong>FT 100 Index</strong></td>
<td>7.6</td>
<td>14.4</td>
<td>-4.9</td>
</tr>
<tr>
<td><strong>Dow Jones Index</strong></td>
<td>25.1</td>
<td>13.4</td>
<td>-2.3</td>
</tr>
<tr>
<td><strong>S&amp;P 500 Index</strong></td>
<td>19.4</td>
<td>9.5</td>
<td>-1.8</td>
</tr>
<tr>
<td><strong>Nasdaq Index</strong></td>
<td>29.0</td>
<td>9.2</td>
<td>4.0</td>
</tr>
<tr>
<td><strong>Shanghai Index</strong></td>
<td>7.7</td>
<td>2.7</td>
<td>-9.8</td>
</tr>
<tr>
<td><strong>Hang Seng Index</strong></td>
<td>37.3</td>
<td>12.4</td>
<td>-16.7</td>
</tr>
<tr>
<td><strong>Nikki Dow Index</strong></td>
<td>19.1</td>
<td>0.2</td>
<td>5.9</td>
</tr>
<tr>
<td><strong>Gold</strong></td>
<td>13.9</td>
<td>8.0</td>
<td>-11.4</td>
</tr>
<tr>
<td><strong>Platinum</strong></td>
<td>2.0</td>
<td>3.4</td>
<td>-27.2</td>
</tr>
<tr>
<td><strong>Oil</strong></td>
<td>22.7</td>
<td>46.1</td>
<td>-35.0</td>
</tr>
<tr>
<td><strong>R/$</strong></td>
<td>9.8</td>
<td>11.3</td>
<td>-32.8</td>
</tr>
<tr>
<td><strong>R/£</strong></td>
<td>0.8</td>
<td>25.2</td>
<td>-24.8</td>
</tr>
<tr>
<td><strong>R/€</strong></td>
<td>-3.2</td>
<td>14.4</td>
<td>-20.0</td>
</tr>
<tr>
<td><strong>$/€</strong></td>
<td>-14.6</td>
<td>3.5</td>
<td>9.7</td>
</tr>
<tr>
<td><strong>$/£</strong></td>
<td>-14.6</td>
<td>18.8</td>
<td>6.2</td>
</tr>
</tbody>
</table>

Looking forward to 2018, we are forecasting that the major world economies will all continue to grow in the range of 2 to 3%, with China being the exception at 6.5%. The concern is that all world markets will continue to reach new highs and appear to be fairly fully priced and only anticipating good news.
We live in a continuously evolving and growing electronic world, where each of us can have multiple electronic devices (laptops, cell phones, tablets) that are all inter-linked and on which we place daily reliance to manage the administrative side of our lives. The ever-growing utilisation of such devices to administer and as a means of communication is increasing the exposure of each of us to cyber fraudsters, with the risk of our falling victim to cybercrime events. Anybody can become a victim and we need to continually guard ourselves against these risks.

There are many publications (which I am sure comes as no surprise) that report that the industry with the highest target for cybercrime attempts is the financial service industry. Financial services, including banking, are targeted on a large scale by organised cyber criminals. That’s where the money is and most cyber fraudsters are looking to target information that can be monetised for their own illicit gain.

There are security measures that one can put in place on the devices that we use, but the best defence is to arm ourselves with the knowledge of fraudsters’ methods and to always exercise caution. Some of the methods that fraudsters can use to elicit your personal or account details:

**Phishing** These are emails received on a legitimate-looking email (e.g. from your bank) asking you to click on a link in the body of the email that requests an update or verification of information.

**Smishing** Instead of an email, this is where fraudsters text messages to your cell phone containing a link to update information.

**Vishing** This entails social engineering over the telephone. Fraudsters phone you to elicit personal or account information that they can use to defraud.

**Email Hacking** Cybercriminals manage to access your email account and passwords, allowing them to access sensitive information on your email that can be used to create authentic looking correspondence to convince others or an institution to act in a way so as to defraud.

In order to protect ourselves as much as possible from cyber fraud, we need to:

- Be suspicious of emails or text messages asking for personal information or banking details (banks and financial institutions regularly advise that they would never do this).
- Never click on links contained in emails or sms’s.
- Website addresses that start with “http” rather than “https” are not secure and you should not load your personal or banking details onto such sites.
- Be suspicious of emails/texts received with a sense of urgency to provide information. Fraudsters try to pressurise you by claiming accounts will be frozen, etc. if action is not taken as soon as possible.
- Be suspicious of poorly worded or misspelt emails claiming to be from your bankers or financial service providers.
- All “https” websites should have a lock icon displayed. If it is a “http” site and has a lock displayed – it is a fraudulent site.
- If you hover your mouse over the email or web address, it shows the true email or domain address. If this reflects anything other than the text displayed, do not access or reply.
- Keep your anti-virus and anti-spy software and firewalls up to date.
- Do not use the same passwords for all your devices or services.
- If you know that your personal information has been compromised in a phishing, smishing or vishing attempt, make sure you change your passwords and PINs immediately.
- Not all computers are secure – be careful of using computers in hotels, internet cafes, conference rooms etc. Fraudsters can install keylogger devices to record your key strokes and then use this to access your services.
- If you have the means, use a password manager to generate your password/s. These are passwords generally stronger in quality than those we derive ourselves. We will often choose something that is easy to remember and therefore can be easily deciphered.
- Enable two-factor authentication (password and PIN/OTP) on sensitive accounts such as email and banking.
- Password protect as many devices as you can. i.e. on your smartphone/tablet/laptop. If any of them are lost or stolen, the ‘password protect’ is an added barrier to would-be cyber criminals.
- Check and reconcile your statements of account and investments regularly.

Disclaimer: Please note that this is purely a guideline on the basic types of cybercrime and we are not experts in this field. Should you have any concerns regarding your personal electronic security please contact your own service provider.
Davos is a small Swiss alpine town of some 12,000 inhabitants and the Davos-Klosters ski resort is popular amongst the skiing fraternity. In 1971 Klaus Schwab, a German-born business professor at Geneva University, founded the World Economic Forum (WEF) as a non-profit organisation, based in Geneva. The initial convention, held in Davos and originally drawing business leaders from Europe, has now become an independent international organisation attended by business, political, academic and other leaders to discuss and develop global, regional and industry agendas. The annual January conference, now in its 48th year, drew 3,000 delegates from all over the world. The forum was opened by India’s Prime Minister Narendra Modi and, amongst the other 44 world leaders who attended were Angela Merkel, French President Emmanuel Macron, Theresa May, Canada’s Justin Trudeau, Israel’s Benjamin Netanyahu, IMF head Christine Lagarde, Italian Prime Minister Paolo Gentiloni, Zimbabwe’s new president Emmerson Mnangagwa, and Donald Trump, the first sitting US president to attend the forum since Bill Clinton in 2000. For the first time, this year the forum was chaired by an all-female group of seven co-chairpersons.

The event took place from 23 to 26 January and our South African delegation was led by ANC President, Cyril Ramaphosa; accompanied by Minister of Economic Development Ebrahim Patel, Minister of Trade and Industry Rob Davies and Finance Minister Malusi Gigaba, other ministers and business and industry leaders, bankers and leaders of top companies. The theme for this year’s conference was “Creating a shared future in a fractured world.”

The WEF provides a very real opportunity for our delegates to promote our country and to persuade countries and companies that South Africa is a viable investment destination. The recent appointment of Reserve Bank governor, Lesetja Kganyago, as Chairman of the International Monetary Fund and Financial Committee (IMFC), the appointment of a new Board at Eskom under the chairmanship of Jabu Mabuza; the refusal by Finance Minister Gigaba to pay any further monies from Treasury to the ailing SOE; and what can only be described as the ‘Cyril factor’ provided the South African delegates with a new confidence and a positive approach when meeting with their world counterparts. The four day convention provided our delegation with the opportunity to ‘sell’ South Africa on the world market. On day two Ramaphosa met with WEF founder, Klaus Schwab, to whom he expressed his appreciation for the WEF’s support of development in Africa.

Patel stated that he would be focusing his discussions with investors on six Is:
- Investment in infrastructure – energy, urban rail and water
- Industrialisation – modernising the manufacturing sector
- Integration – connecting African economies
- Innovation – artificial intelligence
- Inclusion – youth and entrepreneurship
- Integrity – in government and business.

He added that investors, naturally, would only invest in South Africa provided that they were convinced that the country had a long-term sustainable future. The question regarding corruption, well-nigh endemic in South Africa’s public and private sectors, would have been asked. Hopefully the answer would have been that, though corruption was not yet dead and buried, the prosecuting authorities had been rudely awoken and charges and prosecutions were being prepared – not at minnows but at the big fish responsible for corruption and state capture.

Narendra Modi warned members of the convention of the increasing threat to globalisation. Protectionism, isolationism and extremism were being espoused, especially by the United States under Donald Trump in the policy of ‘America First’ – advocating American businesses to invest in the US instead of overseas. Most affected by this policy would be emerging economies.

And now to the nitty-gritty. What was discussed at Davos 2018?

- On the agenda for days one and two was the question of when the next Financial Crisis could be expected. Would it be in 2018? Within a fortnight of the meeting the bubble had burst, stock markets worldwide nose-diving $4 trillion in four days – a severe correction.
- Concern was raised, as would have been expected, regarding cryptocurrencies. Valuations of Bitcoin have multiplied beyond all expectations. There are now nearly 1,000 different crypto-assets available – while the US dollar is showing signs of potentially declining as the world’s reserve currency. Are cryptocurrencies coming into their own or are they the seed of the world’s next financial crisis? Christine Lagarde drew the delegates’ attention to the amount of energy consumed by Bitcoin mining – “as much energy as a G20 economy.”
- The widening gap between the rich and the poor was a topic raised, as it is annually. The rich and powerful meet in Davos – do they genuinely and sincerely empathise with the destitute and impoverished in Africa, in the Indian subcontinent, in Central and South America and in areas of the Middle East? Canada’s Justin Trudeau, in his address, emphasised the drastic situation that exists throughout the world – while the rich get richer the poor suffer from a lack of basic necessities.
- Day Three proved to be one of accomplishment and triumph for South Africa. After Goldman Sachs announced that South Africa was 2018’s best emerging market, world business leaders showed increased interest in, and support for, our plans for economic revival. Cyril Ramaphosa left Davos that evening, saying: “I am leaving Davos tonight with bags full of investment commitments from our new global partners – investments that will deliver great dividends to our people back home, dividends that will create jobs.”
- The third day also saw Cape Town as a main talking point amongst the delegates. Our city’s water crisis, mirroring similar critical situations in Papua New Guinea and Chad, emphasised to convention members the increasing dangers of climate change. Al Gore, present at the forum, added a warning that governments and business leaders must accept the imminent danger, and cost, of climate change.
- The anticipated Trump fireworks on the last day turned out to be something of a damp squib. Instead of being on the offensive his approach was conciliatory, especially in his meetings with Theresa May and Rwandan president Paul Kagame, the new head of the African Union. However, with regard to his policy of ‘America First’ he urged that every country should put its own interests first. Protectionism – perhaps – but still sage advice to leaders of countries worldwide.
Have you ever wondered why the return on your investment in a specific fund differs from the returns mentioned in that particular fund’s fact sheet and other media sources, such as Morningstar and Bloomberg, and what on earth the different return terminology actually means?

The first and oftentimes the only part of the fund fact sheet that is scrutinised by investors (and believe me numerous advisors as well), are the annual performance figures. Below are two examples of typical performance tables you will encounter in fund factsheets. Published performance figures are standard calculations that apply to all unit trust funds in South Africa with the primary objective of enabling the investor to compare the performance of the different funds to each other.

<table>
<thead>
<tr>
<th>Performance (%)</th>
<th>Qtr</th>
<th>1 Year*</th>
<th>3 Year*</th>
<th>5 Year*</th>
<th>10 Year*</th>
<th>Since Inception*</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fund</td>
<td>4.13%</td>
<td>13.34%</td>
<td>8.80%</td>
<td>12.58%</td>
<td>10.44%</td>
<td>10.94%</td>
</tr>
<tr>
<td>Benchmark</td>
<td>5.76%</td>
<td>16.46%</td>
<td>9.85%</td>
<td>12.36%</td>
<td>10.94%</td>
<td>11.34%</td>
</tr>
<tr>
<td>CPI+6</td>
<td>2.35%</td>
<td>11.15%</td>
<td>11.64%</td>
<td>11.73%</td>
<td>12.98%</td>
<td>12.28%</td>
</tr>
</tbody>
</table>

*Annualised. The compound annual growth rate over the performance period measured. Past performance is not indicative of future performance.

The two terms that you will find on most fund fact sheets referencing returns are:

1. **Year-to-date return (YTD):** This refers to the period beginning on the first day of the current calendar (1 January 2018) up to the end of the reporting month. The year-to-date return is used for reporting periods shorter than a year and is especially useful for comparing performance data of funds in the same risk category.

2. **Annualised total return:** This is the average amount of money earned each year by an investment, over a given time period, taking compound growth into account (also known as the geometric average return). If your response is: What? – do not be concerned! It is just the application of compounding, also referred to as the “eighth wonder of the world”, which is the process of reinvesting earnings to generate additional earnings. The most published time periods are usually 1 year, 3 years and 5 years.
So what would have an impact on your returns in comparison with published performance figures? The answer lies in four factors, namely 1) how declared income is treated 2) the timing of the investment 3) taxes paid and 4) applicable fees.

1. How declared income is treated:

Unit Trust Funds declare income at different intervals, for example: quarterly, bi-annually or annually. For publication purposes all declared income is regarded as re-invested. So, if your earnings are distributed to your account and not re-invested, this would be the first explanation of the difference in performance figures.

2. Timing of the investment:

To illustrate the timing effect let us use a typical year-to-date performance table:

<table>
<thead>
<tr>
<th>Jan</th>
<th>Feb</th>
<th>Mar</th>
<th>Apr</th>
<th>May</th>
<th>Jun</th>
<th>Jul</th>
<th>Aug</th>
<th>Sep</th>
<th>Oct</th>
<th>Nov</th>
<th>Dec</th>
</tr>
</thead>
<tbody>
<tr>
<td>3.00%</td>
<td>0.60%</td>
<td>4.60%</td>
<td>-0.30%</td>
<td>0.60%</td>
<td>-4.10%</td>
<td>2.10%</td>
<td>-2.00%</td>
<td>-3.00%</td>
<td>2.10%</td>
<td>1.80%</td>
<td>2.00%</td>
</tr>
</tbody>
</table>

If we evaluate the six-month performance from January to June, the performance would be 4.4%. However, if you invested in April, your six-month return would be -6.7%! A very significant difference indeed and this clearly illustrates the reason why it is beneficial to remain invested over longer periods to benefit from positive return cycles.

3. Dividend Withholding Tax (DWT)

Dividend Withholding Tax was introduced in 2012 and, as from 22 February 2017, DWT is levied at 20% in respect of declared dividends. So every time the unit trust fund in which you are invested declares an income, 20% withholding tax on the dividend portion is paid to SARS. When performance figures are calculated for fund fact sheet purposes, no deduction is made for DWT and the full income distribution amount is applied for the purchase of additional units.

4. Applicable Fees

Finally, and maybe the most important factor we need to consider, are fees. The fees that you as an investor may typically encounter when investing in unit trust funds are fund management fees, investment platform fees (Lisp fees), and annual administrator fees – which can include initial or upfront fees and annual management fees.

The fund management fee is deducted before any performance calculation is effected and is therefore already deducted from the performance figures being published. Subsequent to the deduction of the fund management fee, all other applicable fees and expenses will be deducted before the performance figures for the individual investor are calculated: this clearly emphasises why fees are such a contentious and important issue in the financial service industry.

To summarise the various factors you need to consider when comparing performance data:

<table>
<thead>
<tr>
<th>Factors affecting performance figures</th>
<th>Individual Client</th>
<th>Fund Factsheet</th>
</tr>
</thead>
<tbody>
<tr>
<td>Declared Income</td>
<td>Paid Out / Re-invested</td>
<td>Re-invested</td>
</tr>
<tr>
<td>Timing of Investment</td>
<td>Internal Rate of return</td>
<td>Pre-determined time periods</td>
</tr>
<tr>
<td>Fund Management Fee</td>
<td>Deducted</td>
<td>Deducted</td>
</tr>
<tr>
<td>DWT</td>
<td>Deducted</td>
<td>N/A</td>
</tr>
<tr>
<td>Initial / upfront Charges</td>
<td>Deducted</td>
<td>N/A</td>
</tr>
<tr>
<td>Lisp fees</td>
<td>Deducted</td>
<td>N/A</td>
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<tr>
<td>Other Fees / Expenses</td>
<td>Deducted</td>
<td>N/A</td>
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Veronica Joyce Lawson, known to us as Ronnie, decided to formally retire at the end of 2017. Years ago, Ronnie retired from the South African Revenue Service (SARS), but was approached by Personal Trust to join us as a tax consultant in 1999. A couple of years ago Ronnie decided it was time to semi-retire, so she reduced her working hours to three days a week at our Personal Trust office in Rondebosch.

She has been married to Brian for 50 years and certainly does not look her age of 75! Brian is not sure Ronnie will enjoy retirement and suspects that she will soon be bored. By her own admission, Ronnie runs on adrenaline, but the time has come to slow down and spend time with her children and grandchildren. We asked Ronnie what she wants to do in 2018 and her answer was: “I want to go on a long road trip through South Africa, or maybe an extended holiday in the Kruger National Park, or a trip to Canada to visit family. Oh, and to visit all the national parks in South Africa, but I’ll need more than one year!”

The camaraderie is what Ronnie will miss most about Personal Trust, and the many clients whom she has serviced over the years. Some clients have become like family and many were disappointed when Ronnie had to advise them of her retirement.

Ronnie, we wish you a happy retirement and will miss your presence and efficiency in the office.

Dis nou tyd om te rus!

Malibuye Tom, Trust Officer, advises us on the implications of owning an Airbnb, and Retirement assumptions that need to be “retired”.

**AIRBNB – THE TAX SIDE OF THINGS:**

- Owners of Airbnb properties must declare all rental income received during the tax year. Expenses incurred in earning this income can be deducted, and therefore only net profit is taxable.
- Where a property is jointly owned, the income and expenses are shared equally for tax purposes regardless of who received the income, or who paid for the expenses.
- Because only part of the entire property’s expenses relates to Airbnb income, owners can only claim a portion of bond interest equal to the number of days for which the property was rented out. For example, if the bond interest was R100,000 for the year, and the property was rented out for 14 days in the year, the deduction that will be applicable to Airbnb income will be: R100,000 × 14/365 days = R3,835.
- SARS will accept a ‘reasonable’ portion of the owner’s holiday accommodation expenditure to be deducted against income. Consult a tax practitioner before making a claim.

**THE GOVERNMENT EMPLOYEES PENSION FUND (GEPF): THE PRE-1998 BENEFIT:**

- Before 1 March 1998 a lump sum benefit received by a taxpayer from the GEPF was tax free. Since then, benefits have been taxable. To preserve a member’s right to a tax-free benefit prior to 1 March 1998, the taxation of public sector pension fund lump sums is subject to a phase-in provision. This means that a portion relating to pre-1998 service can be taken free of tax. For example, an employee planning to resign in 2018, with a benefit of R1,000,000 and who has been a member of the fund since 1990, can take a tax-free benefit of up to: R1,000,000 × 8 (years served pre-1998)/28 (total years’ service) = R285,714.
- Consult a tax practitioner and/or a financial advisor.

**WILLS AND FOREIGN COUNTRY ASSETS:** Different legal systems, banking practices, heirship rules, and tax provisions present an estate planning minefield, especially where an individual owns foreign immovable property. It is important for South Africans with offshore assets to seek professional advice regarding their Will requirements to cover assets they own in the different jurisdictions. Remember, the Republic of Ireland, the Isle of Man, Jersey and Guernsey are separate jurisdictions from the United Kingdom.

**UNEARTHING SOME RETIREMENT ASSUMPTIONS THAT NEED TO BE “RETIRED”:**

<table>
<thead>
<tr>
<th>Assumption</th>
<th>Remedy</th>
</tr>
</thead>
<tbody>
<tr>
<td>Expect retirement savings to last for 10 years post retirement</td>
<td>Plan on making your retirement capital last for at least 20 years</td>
</tr>
<tr>
<td>Saving 15% of your salary will be enough to see you through your retirement years</td>
<td>Save more than 15% of your salary – you can receive a tax deduction of up to 27.5% of taxable income (to a limit of R350,000 per year)</td>
</tr>
<tr>
<td>A drawdown rate of 5% per annum is enough to meet your needs.</td>
<td>Retire on less than 75% of your final income. Reduce your withdrawal rate to one that is aligned with the appreciation of your capital.</td>
</tr>
<tr>
<td>When you retire at age 65, all your debts will be settled</td>
<td>Delay your retirement</td>
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</tbody>
</table>
Why does the price of a unit trust drop after distributing income?

The price of a unit trust is made up of two components – a capital component and an income component. The capital component is equal to the market value of all the assets the fund holds; the income component is the sum of any income earned in the fund, which can be in the form of interest earned, bond coupons and dividends received etc.

Every quarter a unit trust will pay out any income earned in the fund, to its investors. This means that any income in the fund on the distribution date is removed from the fund, bringing the income component of it down to zero and therefore causing a drop in the overall price the day after distributions.

Will I have extra capital when selling the family home to move into a smaller home in a security complex?

When looking at downscaling your primary residence there are a couple of important factors to take into consideration.

It’s important to remember that just because you are moving into a smaller house doesn’t necessarily equate to buying a cheaper house. Depending on where the complex is situated and the amenities on offer, you may end up paying more for your new, albeit smaller home.

Another factor to consider is that when moving into a complex you will have to start paying levies. Thus, even if you did have some surplus capital from the sale of your old home, it’s highly likely that your fixed monthly expenses will increase as a result of your move to the complex. This excess capital will then likely be needed to help cover the higher expenses.

Knowledge of your financial affairs and investment capital will become increasingly more important as you will need to ensure that you will be able to cover your new higher monthly expenses in a sustainable manner. This is a big decision to make and one needs to conduct thorough due diligence before making such an important decision.

Is it better to hold a share portfolio versus an equity unit trust?

There is no wrong or right answer here. The choice will vary from investor to investor, based on their personal circumstances and preferences.

Some important points to consider are the following:

- Equity unit trust funds are generally very peer group aware and benchmark cognisant, and this may have some influence over some of the shares the manager will choose to hold

- Most equity unit trust funds have a broad range of shares and holdings, often in excess of 30 or 40 shares in a portfolio, with limited exposure to underlying shares – even shares that fund managers really like

- Share portfolios offer a capital growth solution based on a higher concentration of shares, and higher conviction at play with fewer shares held in the portfolio (holdings can be between 10 and 15 shares in some portfolios)

- Unit trust funds with large share holdings and large assets under management will often find it difficult to actively manage funds and are often limited in terms of flexibility, whereas share portfolios that hold fewer shares can be nimbler around trades and exposure

- Large equity unit trust funds can often behave much like an index because of the number of shares in the fund or the size of the fund, but a direct share portfolio can offer bespoke growth solution with greater emphasis placed on stock selection

- There are generally no performance-based fees on actively managed share portfolios, while some equity unit trust funds may charge a performance-based fee

- Equity unit trust funds offer clients the opportunity to make regular, monthly contributions and lump sum investments on the path to creating and accumulating wealth over the long-term, whereas direct share portfolios are often the domain for investors with larger lump sums to invest

Share portfolios may be less tax efficient than unit trusts when it comes to active trading. If the investor buys and sells shares regularly within a share portfolio, those sales will trigger capital gains tax (CGT) if the investor has made a profit. If the investor were to trade the portfolio actively, portfolio gains could be deemed to be income, and would be subject to income tax.

When shares are traded within a unit trust portfolio, there is no CGT or income tax implication. The investor will only become liable for CGT once he/she exits the fund. From this perspective, there may be some tax benefit for the investor – although he/she will have to cede all investment decisions to the fund manager.

One could argue, though, that an investor in a share portfolio is able to mitigate CGT liability better over time as it is easier to do tax planning with a share portfolio than with a unit trust.

All of these factors should be discussed with a financial advisor and understood before an investor can make an informed decision on the matter.
Anne Macdonald, Client Wellness Advisor, highlights the different options to consider in retirement.

When we are asked about our retirement plans, most of us naturally start thinking about financial considerations. But in reality there are many more aspects of planning and preparation for retirement. The definition of retirement is also vastly different from the previous generation and maybe we need a new understanding of retirement altogether?

- Will we continue to work, maybe part time?
- How will we continue to be sociable and have a sustainable well-developed support system?
- How will we find meaning and purpose in our lives?
- How will we stay healthy and fit?
- How can I replace my work identity?

Perhaps one of the biggest questions is: Where will we retire to?

In our 50s we rarely give much thought to where we will spend our retirement years; ‘old age’ seems far off and may seem so removed from our present life that planning is relegated to ‘sometime in the future’!

Like everything in life, things are not as they used to be, including ageing. We are living longer and, as they say, ‘60 is the new 40’; maybe because of that, we are vastly under-prepared for our later years.

We worry about the “quality of life” that retirement will bring and subjectivity is fundamental to our understanding of this. For some, just the thought of a retirement village makes them nervous, while for others it offers a chance to successfully downsize, worry less about large gardens and pool maintenance and have more time to pursue hobbies and travel.

The reality is that if you choose to buy into a retirement village, you have to think ahead as waiting lists are now absurdly long and applicants are looking at possibly a 10-15 year waiting period. Much depends on where you wish to live and the type of accommodation you would like. Many villages have an age limit in place, often not allowing applicants over 60 to put their names down on a waiting list!

When you are choosing a place to which to retire, find out as much information as possible in order to make a good choice. Advance planning means that you do not have to make a choice or decision in a hurry. The pressure to find a suitable facility quickly can mean that things that would be important if you were moving under different circumstances, get pushed aside.

You will have greater choice and more control over the situation if you start considering options long before you move.

The Sales consultant at one retirement village in the Southern Suburbs says that people often put their names down for a three bedroom, double garage cottage – but by the time they are ready to retire they are happy with two bedrooms and a single garage!

Types of retirement living:

- Remaining in your family home with homecare
- Downsizing as a short term answer before moving to a residential facility
- Secure townhouse complex offering independent living
- Retirement village
- Retirement home

The Senior Service website of retirement places has the largest directory for retirement facilities in South Africa. Their website address is www.seniorservice.co.za.

However, due to the growing demand for upmarket retirement housing in South Africa, consistent with the rise in life expectancy, newer residential estates are springing up, offering a lifestyle community that provides all amenities in one place.

Healthcare

It is very important that, when considering moving to a retirement facility, you are able to access the correct health care option that you may need, as health issues loom large in later years when illnesses linger and can result in loss of control over daily living. There are many types of care available and you need to understand exactly what is on offer and what additional costs may occur.

It is important to know the difference between Medical Care and Frail Care and what your Medical Aid will cover.

- Some villages have no healthcare facilities
- Some offer home-based care
- Some have only a frail-care centre and possibly an on-duty nurse
- Others offer a full range of health services from assisted living to frail care, and even offer separate facilities for dementia sufferers.

Life is unpredictable, so sadly is health. While we are able to be in control of our lives maybe planning ahead makes sense?
Belinda Danks, Associate Director and Marketing Manager, provides useful tips on moving to a smaller home.

A Guide to Moving and Downsizing

Once you have made the decision to downsize and have found a suitable new home, you will be faced with the issue of what to do with the things you no longer need or use. The thought of eliminating clutter or excess material goods can be quite liberating, but the reality is that your possessions often come with sentimental or financial value and discarding them can be overwhelming and emotionally challenging, not to mention physically exhausting. Below are some tips to starting the process:

1. Get organised early and allow for sufficient time for the work needed in preparing for a move. Create a list of what needs to be done week by week and stick to it.

2. Before you decide what you need to give away, decide where it will go – relatives, friends, charities, auction or discarded. Make a list and then, as you go through the house, start making piles or use coloured stickers to differentiate.

3. Decide what large furniture items you are going to need in your new space and label them accordingly. If you have family that may want items of furniture or things you don’t need in your new home, offer these to them first.

4. Give sentimental items that you no longer need to people that you care about.

5. Sort one small space at a time; clearing out every room can seem totally overwhelming. Choose one cupboard or drawer to sort through at a time – sort, clean, remove unwanted items and pack as you go. The key is to physically remove items regularly to avoid building up piles of things sitting around elsewhere. Donate unwanted books to libraries or schools, clothes to shelters etc.

6. As you go through each room, be practical about what you have and whether you will need it in future. Ask yourself some questions:
   a. Do I need it or want it?
   b. When was the last time I used this?
   c. Can I live without it?
   d. Does it need to be repaired and, if so, is it worth it?

7. If you are unable to pack for yourself, sort your belongings into piles or label as mentioned above and then hire outside help to assist you. There are many companies and professional packers that can assist with packing.

8. Prepare for the emotional side of moving and make sure that you plan time-out from sorting and packing. Even a coffee break with a friend puts things in perspective!

9. Create a move-day suitcase for the items you will need in the first 24 hours of moving.

10. Enlist help with unpacking and getting settled in your new home – cleaning, making beds etc.

11. In addition to sorting and packing, there are additional administrative issues that need to be resolved ahead of moving:
   - Inform your utility providers – banks, subscriptions, etc. Rates, electricity and water will need to be paid upfront and refunded later. These accounts will need to be transferred into the name of the new owner.
   - Either transfer your landline number to your new home (if in the same area) or take over the existing telephone number from the old owners.
   - Obtain quotes from removal and/or packing companies.
   - Hire and schedule cleaning services to clean your ‘old’ house and to prepare your new home on moving day.
   - Contact your insurance provider to ensure you have cover from the day you move in.
   - Organise dates for the installation of services such as telephone, DSTV etc.

Downsizing can be a difficult and sometimes painful decision but once the stress of the move is over, it is time to enjoy the benefits of a simplified life.
How long have you been with Personal Trust and what made you apply to join the company?

I joined Personal Trust in September 2016, so I am still relatively new to the company. My father has worked for the company for a number of years and, being the humble man that he is, I was always made acutely aware of the fact that Personal Trust was in a league of its own when it came to personal service and fund performance. I was working for another financial services company in Cape Town in 2016 and, when the opportunity arose to apply for a job at Personal Trust, I jumped at it.

What department do you work in and what is your role in Personal Trust?

I work under the guidance of Mark Gibbs and Anine Theron in our small yet vibrant branch in Somerset West. Ronelle Foster and Lyndall Adonis also form part of the dream team. I am currently a Junior Trust Officer working under supervision. This means that I assist Mark and Anine with investment reviews, proposals, client queries and research. After I have completed three years of supervision and gained the necessary experience, I am eligible to become a fully-fledged Trust Officer. I plan to write my Board exam this year and qualify as a Certified Financial Planner (CFP).

What was your first impression of the company?

Coming from a very strict and impersonal environment at my previous company, my first impression of the Somerset West branch was that the staff were warm, caring and forthright (nobody is afraid to voice their opinion). I found that everybody looks out for one another and assists where they can. A high degree of professionalism is achieved while maintaining a relaxed environment and having fun.

Tell us about yourself

I grew up in Plettenberg Bay with four other siblings. I studied for a degree in Accounting and a post-graduate diploma in Financial Planning at Nelson Mandela University (NMU). I moved to Cape Town in 2016 and I am loving every moment of it – other than the taxis on the N2 and the prospect of soon living without water. I have a twin brother named Michael and we live together in an apartment in Pinelands. We are often mistakenly regarded as being identical twins even though we are not. I cannot speak to him telepathically.

What are your interests – music, art, books, films, garden, sport?

Reading: A few nerdy interests of mine include reading the news religiously, politics and general history.
Food: Although I hardly cook, I enjoy eating food and lots of it. Cape Town is full of markets and interesting restaurants to try out. I want to learn to cook in the near future.
Animals: I love animals and dogs in particular. I have a stinky basset hound named Daisy back in Plett that I adore.
Movies/Series: In winter you will find me cooped up in my bedroom binge-watching the entire season of Game of Thrones.
In one sentence how would you describe yourself?

I would describe myself as a kind-hearted and considerate person who tries to have a positive impact on those around me.
On 11 and 12 January 2018 the Hermanus Bowling Club hosted the 91st Ayala Men’s Fours Tournament, sponsored by Personal Trust. There were 144 players, divided into 36 teams. After two very hot and gruelling days of Bowls, the winners of the various sections were:

Section A:
First – The team skipped by Mark Beviss-Challinor
Second – The team skipped by Lionel Verwey
Third – The team skipped by Joggie Mentz

Section B:
First – The Personal Trust team skipped by Kevin Nash
Second – The team skipped by Brian Ikin
Third – The team skipped by Gavie du Toit

Section C:
First – The team skipped by Basie Louw
Second – The team skipped by Piet Conradie
Third – The team skipped by Alwyn Smit

Pictured is the winning team with the Sponsors from Personal Trust. From left to right: Mark Gibbs (Personal Trust), Peter Quinn, Mark Beviss-Challinor, Edwil Adonis, Bräsler van Schoor and Greg Nasson (Personal Trust).
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PERSONAL OPINIONS MARCH 2018