



WHAT'S IN
THIS ISSUE?

THE MEANING
OF RISK

WHAT IS THE FAMILY
OFFICE

BENEFITS OF
THE MULTI
FAMILY OFFICE

SEMINAR REVIEW

The meaning of risk

“ The meaning of risk is not quite as profound a question as the meaning of life, but is as perplexing. ”

Asset Managers understand it perfectly – risk is simply the volatility of your returns. The less that the returns fluctuate, the less risk there is in the portfolio. Thus, if a Fund Manager’s portfolio offers a smoother ride over time then there is more certainty and it is regarded as less risky than the fund manager that produces a lumpier return profile with bigger ups and downs. Makes sense? Well, sort of....

Individuals typically regard risk in behavioural terms i.e. “I prefer stable returns”, “I am adventurous”, etc. and after the completion of a questionnaire are placed in boxes such as conservative or aggressive. This could be framed as an attitude to risk and is linked to volatility which implies the choice of a smoother or bumpier ride.

Individuals are also motivated by the need for risk which emanates from their goals (to maintain a standard of living during retirement, to educate children, etc.). Thus, if their goals are modest they would not need huge returns and could therefore invest in a portfolio of low risk assets delivering pedestrian returns but without much downside. If they choose goals which are possibly beyond their means, they will require higher returns with the commensurate increase in risk. So from the individual’s perspective it’s all about the need. No need to look further then? Absolutely not.

The third and most important component of risk which should be addressed by any decent wealth manager is your capacity for loss. This is the amount of loss that an individual can absorb before suffering irrevocable financial harm.

Beyond this point of loss, it would be impossible for individuals to realise their goals. This is linked to the maximum drawdown of a portfolio. It is important that a detailed analysis is conducted to assess your capital adequacy.

The table illustrates the link of the portfolio quants to the three areas of risk:

PORTFOLIOS	RETURN	VOLATILITY	MAX DRAWDOWN
Conservative	2%	6%	-10%
Moderate	4%	9%	-20%
Aggressive	6%	15%	-40%
	NEED	ATTITUDE	CAPACITY

It is important that Wealth Managers ensure that all three aspects of risk – Attitude, Need and Capacity – are taken into account when tailoring appropriate portfolios. Each individual has a different combination of these risks which will change over time and underscores the importance of partnering with a wealth manager attuned to these nuances.

What is clear is that the preoccupation of Asset Managers with volatility is not useful as a proxy for risk for individuals. Volatility does not guarantee immunity from a black swan event such as the global financial crisis. From the individuals’ perspective what is paramount is understanding their capacity for loss.

If you feel your risk profile needs to be reevaluated or for more information contact Grant Alexander at Private Client Holdings on +27 21 671 1220 or grant@privateclient.co.za.



THE DIRECTOR'S DESK

“ 2015 sees PCH celebrating 25 years of successful operation, and we are committed to many more active years of growth and prosperity for our clients. ”

Another busy but successful year has come to an end and, at this traditional time for thanksgiving, we at PCH wish to take this opportunity to thank our clients for your faith in our expertise and knowledge. We are confident that you are enjoying the benefits of working with us and look forward to a long and fruitful future together.

On the note of benefits, in this issue of PCH Insight you can read Mark MacSymon's insights into the benefits of our multi-family office, as well as an explanation on what a Family Office is. My lead article on the front page delves into the meaning of risk,

whilst the back page provides some feedback on our recent PCH seminar and a bit of news about what the PCH sponsored UCT cycling team have been up to.

We hope that you continue to enjoy the PCH Insight and welcome any feedback or comments that you wish to make. On this note I end off with Season's Greetings and wish you a blessed and safe festive season with your loved ones.

Grant Alexander

HAVE YOU HEARD?

Rotary Cape of Good Hope Dragon boat race

The PCH power house dragon boat paddlers did us proud in this year's Rotary Cape of Good Hope Dragon Boat race held at the V&A Waterfront. This event, which is brilliantly run by the Dragon Boat Association, and coordinated by the Rotarians, raised over R70 000 for charity. Team PCH's best time was 35.6 seconds – only three seconds off the leading times. Next year we are planning a repeat of our 2007 win!



Coronation Double Century Cycle Race

PCH entered two enthusiastic teams into this year's Coronation Double Century cycle race held just outside Swellendam. The race is a relentless challenge of endurance that only the very fittest complete. Richard Paxton and his PCH team just missed the podium in fourth place. However their strength and determination meant that they achieved a personal record time of 5h14mins.

The PCH UCT team, including PCH director Andrew Ratcliffe, came in 17th overall, with a time of 5h35mins - also beating their own previous record. Well done to all the cyclists - we are extremely proud of you all!



SA's 2014 sports stars crowned at gala evening

It was a night of glitz and razzmatazz as the who's who of the South African sport and social scene descended on the South African Sport Awards recently. Triathlon South Africa walked away with top honours by being awarded Federation of the Year. Debbie Alexander, President of Triathlon South Africa, dedicated the Award to the entire Triathlon family – The TSA Leadership, Coaches, Technical Officials, Volunteers, Administrators, Stakeholders, Athletes and Supporters, all whose collective efforts made this amazing achievement possible.

This is not the first award Debbie in her role as President of Triathlon SA has received this year. The African Triathlon Union (ATU) Executive Board presented a special award in appreciation for the work Debbie does, both in SA and on the continent. Specifically the award recognised Debbie's role in bringing a World Triathlon Series event to our shores – the ITU Discovery World Triathlon, which took place in April 2014.



PCH PERSPECTIVES

Every month the PCH portfolio management team trawl through mountains of research in order to compile the PCH monthly market review called PCH Perspectives. Each edition includes a monthly summary of the markets; trading updates; company updates and results as well as other interesting snippets of information that they feel you might like to know about. It also tracks the ALSi and has useful market indicators on cash rates and dividends payable.

If you would like to be added to our email list please contact AJ van der Merwe on aj@privateclient.co.za or subscribe on the PCH website home page at www.privateclient.co.za.



What is the Family Office?



A Family Office basically provides the support of a highly qualified, multi-disciplinary team of advisers, who will look at the big picture and devise a holistic strategy for managing a family's entire wealth and ideally improving a family's overall financial welfare.

Included in the services you can expect from a Family Office are: the determination of an appropriate asset allocation and investment management strategy; portfolio management; bill paying; tax return preparation; liquidating assets for spending; enhancing the estate planning process and acting as an intermediary between the family and estate planning attorneys.

A Family Office will simplify and organise family affairs and provide expert strategies to grow and preserve wealth, define and sustain family values and create legacies at one single source by a trusted group of wealth management experts.

Benefits of a multi-family office

The capability to implement and manage customised solutions, to have specialist expertise available, and to deliver a responsive service are the cornerstone qualities of the modern multi-family office.

According to Mark MacSymon, the most obvious benefit delivered by a multi-family office is that the joint involvement and collaborative style of communication between investment advisers, fiduciary specialists, tax practitioners and the like, has a robust effect on the wealth management strategies developed for clients. "Practically, it means that tax effects are more effectively optimised as investment decisions which influence income tax and capital gains tax are better informed. It is not possible to have an effective wealth management strategy which considers investment, fiduciary and tax benefits in isolation."

"This leads to one of the most important benefits of a multi-family office, which is that the risk of making a mistake is reduced," says MacSymon. "As long as specialists are in a position to collaborate, provide opinion and share information, **mistakes over the long-run will be minimised.**"

“ Mistakes over the long-run will be minimised. ”

"Another benefit delivered by the Family Office is the simplicity, convenience and time-saving advantage acquired by clients. Periodic review meetings can be centralised and jointly coordinated and it follows that the turnaround time for active decision making and implementation is reduced."

"Finally, whilst a family's security and privacy are enhanced with arguably fewer active administrators, the real benefit of having an institution with a bird's eye view of the family's assets is that the process of inter-generational wealth transfer is carefully managed," says MacSymon.

"Having existing relationships already in place who understand subtle family dynamics is not only reassuring during difficult times, but vital in the effective transfer of wealth to future generations. The multi-family office is ideally positioned to **protect family wealth over generations.**"

Seminar Review

The last Private Client Holdings' seminar for 2014 was held recently – and was a great success as Private Client Holdings' director Grant Alexander welcomed a capacity crowd with a short presentation on the importance of understanding your risk profile. (See our cover article)

Grant spoke about differentiating between the Asset Managers' risk focus and stressed the importance of a Wealth Manager unpacking your **True Risk Profile** – something that is particularly relevant given the recent volatile markets. For more information or if you feel your risk profile needs (re) evaluating please contact Grant at grant@privateclient.co.za and he or one of the PCH wealth management team will gladly answer your questions.



Jeremy Gardiner, director of Investec Asset Management, then followed with a presentation that unpacked “why the world is feeling better but some parts are still hurting”. Jeremy’s presentation offered a brilliant balance between stark reality, brutal facts and a wonderful positivity that reminds us to view the South African economy in a global context.

Please contact Michelle van Wyk on michellewv@privateclient.co.za or +27 21 671 1220 if you are interested in attending the first seminar for 2015.

PCH UCT cycling team the first in Africa to complete the Everest Challenge



The University of Cape Town cycling team, sponsored by Private Client Holdings, is the first cycling team in Africa to successfully conquer the Everest Challenge – which entails climbing the equivalent height of Mount Everest in 36 hours – all in a bid to raise money for charity.

Team PCH UCT chose Signal Hill as their pseudo Mount Everest and had to cycle up this Cape Town landmark from the bottom of the Camps Bay Glen a total of 23 times to reach the goal of 8 848m - the height of Mount Everest. All funds raised from this incredible achievement have gone to Khayelitsha based Velokhaya (www.velokhaya.com), an organisation that uses cycling to involve children living in marginalised communities in a positive after-school activity, one which builds their self-esteem and keeps them off the streets and away from the social ills prevalent in their communities.

Season's Greetings

In lieu of sending out cards this year PCH are again donating 30 indigenous trees to Greenpop (www.greenpop.org.za) who will be planting and nurturing these trees in and around Cape Town. If you would like to Google Earth the PCH trees we have planted to date the GPS coordinates are GPS: -33.923477,18.41139
Maplink: <http://goo.gl/tYLQ1H>.

Wishing you and your family a peaceful festive season and a prosperous 2015.

WHO TO TALK TO

Our Private Client Holdings experts are available to field your questions. Don't hesitate to contact us for expert wealth management advice.

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TEST YOUR SUDUKO SKILL!

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