



WHAT'S IN THIS ISSUE

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OFFSHORE INVESTMENT
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CLEAN PRICING

PERFECT MATCH BETWEEN
FOREX & CORPORATE CASH
MANAGEMENT

Stop the treadmill of life – just for a moment – and consider your will.

David Knott, a new Director in Private Client Holdings' Trust Division says that most of us are guilty of being so caught up in the day to day chores of life, of running a business, maintaining a household, educating children and surviving the traffic that we fail to spare sufficient time for our own affairs, and that when we do - it is normally the dismal state of our investments that receives attention whilst our Will is always at the very bottom of the to-do list.

“ Knott advises that after your ante nuptial contract, your Will is the next most important document you require. ”

Many trust companies and law practices will draft a Will for you on the completion of an application form. This may be sufficient for a very basic Will, however, PCH believe that a meaningful Will can only be prepared after a comprehensive interview with a skilled Wills Specialist. This Specialist must probe and understand fully what an application

form can never divulge and there are many aspects that should be considered when drafting an effective Will.

Above all, the terms of the Will must be clear and practical to administer without imposing onerous and sometimes costly conditions. At Private Client Trust, we have the necessary team of specialists, led by Sarah Love who is competent to draft that well-grounded Will for you – without you having to complete an application form!

MEET DAVID KNOTT

David Knott has recently joined Private Client Trust as a non-executive director. He recently retired as the Head of Fiduciary Products at BoE Trust, having had some 43 years in the fiduciary field.

David was responsible for the creation of the fiduciary offering of The Board of Executors in Johannesburg in 1981 and has since then played a leading role in setting standards and establishing policies and procedures across the various fiduciary activities conducted by that company (The Board of Executors of course over time became a merger of BoE, Syfrets and Old Mutual Trust).

In addition, he has negotiated with and given recommendations to Government over many years with regard to the formulation of the Matrimonial Property Act, Trust Property Control Act and the

total re-writing of the Administration of Estates Act. He has sat on the Exco of the Fiduciary Institute of SA in various capacities over the last 30 years. He is recognized by FISA as a Certified Fiduciary Practitioner which certification covers law and ethics, wills consultation, deceased estate administration, estate planning and trust administration.

David, who is a veteran of 11 Comrades Marathons, fulfills his other passions by sitting on the Operations Board of the National Sea Rescue Institute and he is also a trustee of the Cape Leopard Trust. A warm welcome from the PCH team.



THE DIRECTOR'S DESK



OFFSHORE INVESTMENT OPPORTUNITIES

What is the latest thinking with regard to asset class diversification offshore? Have South African investors missed a window of opportunity for some offshore asset classes? If so, where do the pockets of opportunity still exist, and what kinds of returns could we expect?

What's the best way to take advantage of them?

At the close of trade today, at 40800 points, the JSE All-Share is trading close to all-time highs, and is 24% above its pre-recession high and 133% above its recession low. While valuations range from very expensive to very cheap, the average consensus valuation attached to our local share market is neutral.

However, when you look beyond our shores, equity valuations are a fair bit more attractive. Equity markets in developed nations such as the US and Europe have only recently started to stand up and get noticed, after investors initially ventured predominately towards cash and bonds in the wake of the financial crisis of 08/09. However, with the latter delivering negative real returns, as ever increasing central bank liquidity starves off the return potential for these asset classes, equities have become the destination of choice for investors.

The more sanguine mood from the investment community around the somewhat rosier prospects for developed economies, especially in the US, has improved risk appetite and fuelled this trend even further, as global investors search for more attractive returns.

In the past local investors have had to contend with the litany of fees attached to the unit trust route of gaining offshore equity exposure, but that has changed with the arrival of direct global share trading platforms.

Private Client Holdings has partnered with Saxobank to give clients a simple, direct route to ordinary share ownership in household-name companies such as Google, Microsoft and Samsung, and at a minimal cost. Thus with access to nearly 1400 stocks and ETF's on stock exchanges across the globe, a local investor is able to not only widen his or her scope of possible investment returns, but also diversify investment risk.

The first quarter of 2013 has proved to be a clear example of the benefits of international diversification. The easy money has been made but our clients are asking us whether it is too late. The answer is an emphatic No! We feel the best way to capture global investment opportunities is to favour the large, mega-cap companies, with world-renown and far-reaching brands, within your direct equity exposure, as they are attractively priced and best placed to benefit when global growth accelerates.

There are still pockets of value – but be prepared to go where others fear to tread. The European economy is not fixed and the economic growth story in China has stumbled. Astute investors recognise these headwinds as opportunities due to the fact that equity markets often overreact to news flow. In our view, such opportunity exists – European markets are still 30% below their previous peak and the Chinese market is 65% below its previous peak. We expose our clients to these themes through iShare ETF's and certain direct equities.

These opportunities should merely be played as tactical shifts in portfolios which should remain appropriate for each investors risk tolerance levels.

Grant Alexander

HAVE YOU HEARD?

Rotary Golf Day

Bryan Leach and Alan Ferguson proudly represented PCH at the annual Rotary Golf Day which was held on a truly magnificent day at Westlake golf club at the end of April.

Cheetah Outreach Golf Day

PCH was pleased to once again take part in this year's Cheetah Outreach charity golf day at De Zalze Golf Club on 10th May 2013. Bryan Leach and Jeremy Burman represented PCH and we are delighted to continue to support this vital conservation work.



PCH strategy day at the OM house – informative and inspiring

Dale Williams very ably facilitated our annual PCH strategy day held at OM House in Bishopscourt. This event is a wonderful opportunity for the PCH team to unpack how they are going to support and contribute towards the company's goals and initiatives. Hard work was followed by a delicious lunch and a few, very competitive, games of boules and croquet on the lawns.

Bon Voyage

We bid a sad farewell to Gloria Burger, who was the receptionist at PCH for the past eight years, as well as to Victor Steyl who has worked for PCH since 2006 as a client account supervisor. We wish them all the best in their future endeavours and thank them for the years of loyalty and service.

PCH continue to support UCT cycling

PCH is committed to the ongoing support of the UCT cycling team and the cycling committee has worked hard to define the future objectives of the club – including growing and restructuring the club, creating

sustainable links within the cycling industry and professionalizing the approach taken by UCT's top riders to the club's major goals.

The committee has done an exceptional job and have secured a great many positives going forward into the second half of the year.

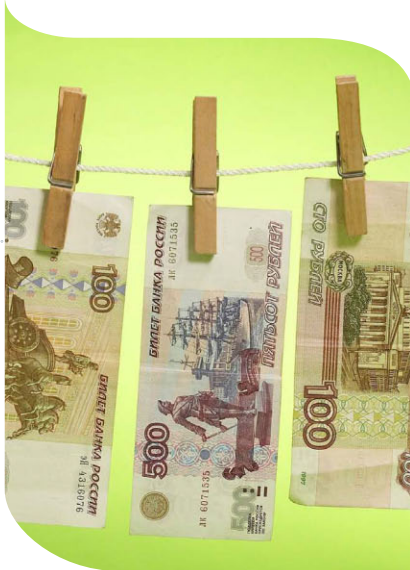


PCH Powerhouse 6 down team

The PCH Powerhouse 6 down team stormed the Villagers fields last spring. In our new sky blue kit, the boys were focused from the get go and remained fired up all season. An epic season came to a bitter sweet end as the 1st and only loss of the season came in the final. After 11 consecutive wins, the Powerhouse 6 played and lost to the Western Cape "Sand Warriors" team (current inter provincial winners) and finished 2nd on the Super League log.

SA wealth managers embracing Retail Distribution Review (RDR) reforms and clean pricing

Written by Andrew Ratcliffe
Director at Private Client Holdings



Recent developments in the United Kingdom as a result of a drive to increase transparency for investors, has led to the implementation of the Retail Distribution Review ("RDR"), which became effective from 1 January 2013. The objective of RDR is to enable investors to know how much expert investment advice will cost, know what they are paying for (independent or restricted advice), and to improve professional standards.

Investors will now move from paying built-in fees and commission, which has long been criticised as unclear and overly lucrative for advisers and administrators, to pre-set service fees or other set administration and management charges.

It is obvious that one of the surest ways of improving and optimising investment returns is by minimising costs and so it is felt that South African regulations will soon follow the UK. Private Client Holdings have

been proactive and we have implemented unbundled pricing and are investing in clean fund classes to promote transparency and disclosure.

'Clean funds' are the same as traditional ones except they include no commissions, fees, or rebates for financial advisers or LISP platforms - just the fee levied by the fund manager.

An example would be the introduction by Investec Management Services, a division of Investec Asset Management, of their iSelect pricing model. This was launched on 1 April 2013 and what Investec has essentially done is unbundle the combined cost of the unit trust manager fee from the platform fee. Previously the fund manager would rebate a fee to the platform for being listed on the iSelect platform.

Now, investors on the iSelect platform have been switched to "clean classes" by the unit trust asset management companies. Clean classes are lower priced unit trust fee classes where the unit trust company does not pay a rebate. For example, if a unit trust was charging a fee of 1.25% and paying a rebate of 0.40% the clean class fee would be 0.85%. The advantage of a clean class is that the funds published Total Expense Ratio (TER) will correctly reflect the true cost of that fund.

Investors will now know exactly what they are paying for and establish where they are receiving value in the wealth management chain.

Another example would be an 'all-in pricing' model, used by certain platforms, where the advisor fee and the platform fee are wrapped up into one amount of say

1.50%. This fee would be collected by the platform and split, with the advisor. The fund manager would then charge their fee over and above this. Again there appears to be a considerable move within the industry to unbundle this 'all-in pricing' model and introduce more transparency to the process.

However, this does not mean you necessarily get out of paying the charges. The system will be more transparent but not necessarily less costly. Funds are not going to suddenly cost 0.85% rather than 1.25%. What is happening with RDR is that fees are unbundled and various elements are separated out and made clear - but they still exist.

At Private Client Holdings we embrace this shift and urge investors to demand unbundled prices and clean asset classes. We welcome the objectives of RDR which will be to modernise the industry and establish a resilient effective market where consumers can have confidence and trust at a time when they need more help and advice.

“ ‘Clean funds’ are the same as traditional ones except they include no commissions, fees, or rebates for financial advisers or LISP platforms - just the fee levied by the fund manager. ”



Private Client Holdings Your Partner for the Future

Private Client Holdings offers a number of strategic partnership options to Private Bankers, Wealth Managers, Asset Managers, Trust Officers, Share Portfolio Managers, Accounting and Tax Practitioners, Independent Stockbrokers and Independent Financial Advisors.

Our Strategic Partnership offers effective solutions to those who are looking to retire or wanting a lifestyle change; for those wanting to put a succession plan in place or to escape the pressures of administration, regulation and compliance; and for those that would like to offer their client greater services, earn more, work less and increase the value of their businesses.

For more information on our strategic partnership options please contact Grant Alexander - grant@privateclient.co.za or Andrew Ratcliffe - andrew@privateclient.co.za at Private Client Holdings on 021 671 1220 or see our website www.privateclient.co.za for more details.

PCH Seminar series - South Africa's 'inconvenient truth'



Private Client Holdings were delighted to host Professor Matthew Lester of the Rhodes Business School in Grahamstown, who presented an insightful interpretation of Pravin Gordhan's National Budget for 2013 to guests at Old Mutual House in Bishopscourt.

Lester, who has a BCom CTA HDipTax CA(SA) and is an associate Professor at Rhodes University Business School and author of the Sunday Times weekly "Tax Talk" column, delved into whether we can expect more of the same for our local economy in 2013.

Since the 2009 recession we've stumbled over 13 quarters of unexciting and rather pedestrian growth, which equated to a total GDP recovery of 10.3%. That's about 3% per annum, and while better than the anaemic growth numbers from the likes of the US, UK, Europe and Japan, it's never quite allowed us to cut free from the threat of falling back into recession.

During the seminar Lester unpacked and provided fascinating insight into a myriad of topics, amongst them: RSA's vulnerability to oil and energy prices, our growth rate, unemployment rate, house price index, tax issues, social grants, unemployment, Eskom and the looming energy crisis, interest rates, imminent carbon taxes and relevant social trends – to name but a few.

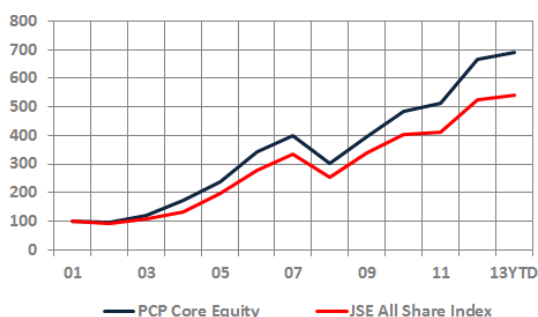
Should you be interested in attending our next seminar please contact Michelle van Wyk on 021 671 1220.

Numbers are limited so please contact Michelle as soon as possible.

PCH performance consistently outperforming the JSE indices

Private Client Holdings' single-minded, results-driven approach of minimising risk and maximising performance has enabled us to consistently outperform the JSE indices. (As seen in this graph)

We source growth shares at excellent value relative to their peers and adopt a combination of a Bottom Up and Top Down macro-economic investment philosophy.



The objective of the PCP CORE EQUITY PORTFOLIO is to provide long-term capital growth through a diversified portfolio of JSE-listed shares. The PCP Core Equity Portfolio invests in quality businesses at reasonable prices with the aim of holding for the long term.

PCH FOREX and Corporate Cash Management, a perfect match!

It is important for any individual or business to maintain a certain level of cash for a number of reasons. This cash is often neglected in terms of maximisation of returns and minimisation of costs because it is being held in a traditional transaction or business cheque account.

Private Client Holdings' Cash Management Services allows individuals and businesses to maximise returns on their readily available funds. The corporate cash account is more than just an investment account - it facilitates Foreign Exchange Transactions for both individuals and businesses alike.

The Foreign Exchange service is particularly effective for small to medium sized businesses that import and export a substantial volume of goods or services every year, as PCH are able to negotiate and facilitate the purchase or sale of foreign currency at preferential (institutional) rates. In order to ensure the best rates, the PCH FOREX department, which has direct access to a number of corporate banking FOREX desks, handles the entire administration process including the obtaining of tax clearance certificates for individuals and the balance of payments requirements of the South African Reserve Bank Exchange Control Department.

To take advantage of these services please contact Trevor Meehan on 021 671 1220.

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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