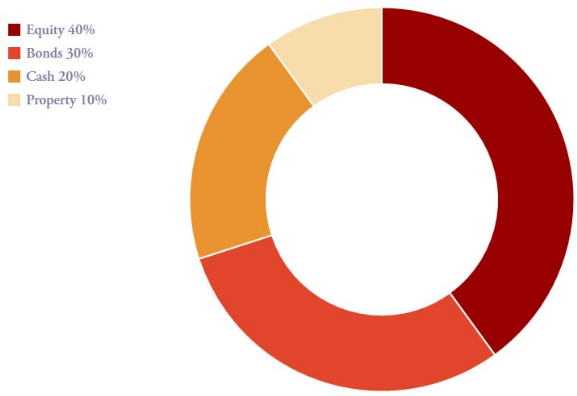
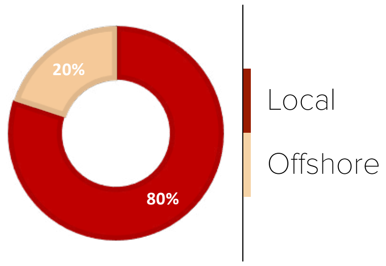
SHORT TERM INVESTMENTS

Short term investments are typically investments that are invested for a period of three years or longer. These investments are designed to provide returns that are better than inflation with a low level of investment volatility. Many investment managers seek to outperform a benchmark of inflation (CPI) plus 3% over a rolling three year period and structure their investment portfolios to ensure that there is a statistical probability of more than 85% chance of doing so.



To achieve this outcome your capital is invested into a number of different asset classes that include cash, bonds, property and equity investments both in South Africa and offshore (see the accompanying pie chart).

Investors have a choice of constructing their own low risk portfolio using (1) a "building block" approach or (2) a multi-balanced approach.



BUILDING BLOCK INVESTMENT STYLE

Investors would create their own portfolio of unit trusts (also known as Collective Investment Schemes or CIS's) where they would pick an equity fund, a property fund, a bond fund and a cash fund for local and offshore exposure to the market. Studies have shown that ±90% of your investment return will come from investing the right amount into the right asset classes over time as opposed to selecting the right manager within each asset class e.g.. it is more important to invest the correct amount into equity or share investments that selecting the best equity investment manager.

Investors who follow a "building block" approach are those with a good understanding of investment markets and have larger amounts to invest or, they are guided by experienced investment advisors.

Since the investment approach usually results in a portfolio of underlying unit trusts the strategy is better suited to lump sum investments.

MULTI-ASSET INVESTMENT STYLE

Investors may invest into one or more low risk investment portfolios where the underlying managers will take care of the asset allocation decisions for you. There is no need for you to concern yourself with how much is going into equities, bonds, property or cash investments at any point in time as the manager will make those decisions for you. Usually the manager invests your money into their own equity fund, property fund etc. so you are not necessarily getting "best of breed" in each asset class and investors are exposed to the risk that the manager himself will go through periods of under performance (referred to as single manager risk). To mitigate the risk investors may consider investing into more than one multi-asset fund.

This investment approach suits investors who are investing less than R50 000 and/ or are looking to invest monthly amounts over time.

Contact us today on 011 477 0062 and ask to speak to an advisor to asssit you in making the right investment choice. Alternatively, email wayne@cstone.co.za for more assistance.

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