



INSIGHT

Investment perspectives from the Harvard House Group

INTRODUCTION

Understanding the Harvard House Approach

Michael Porter

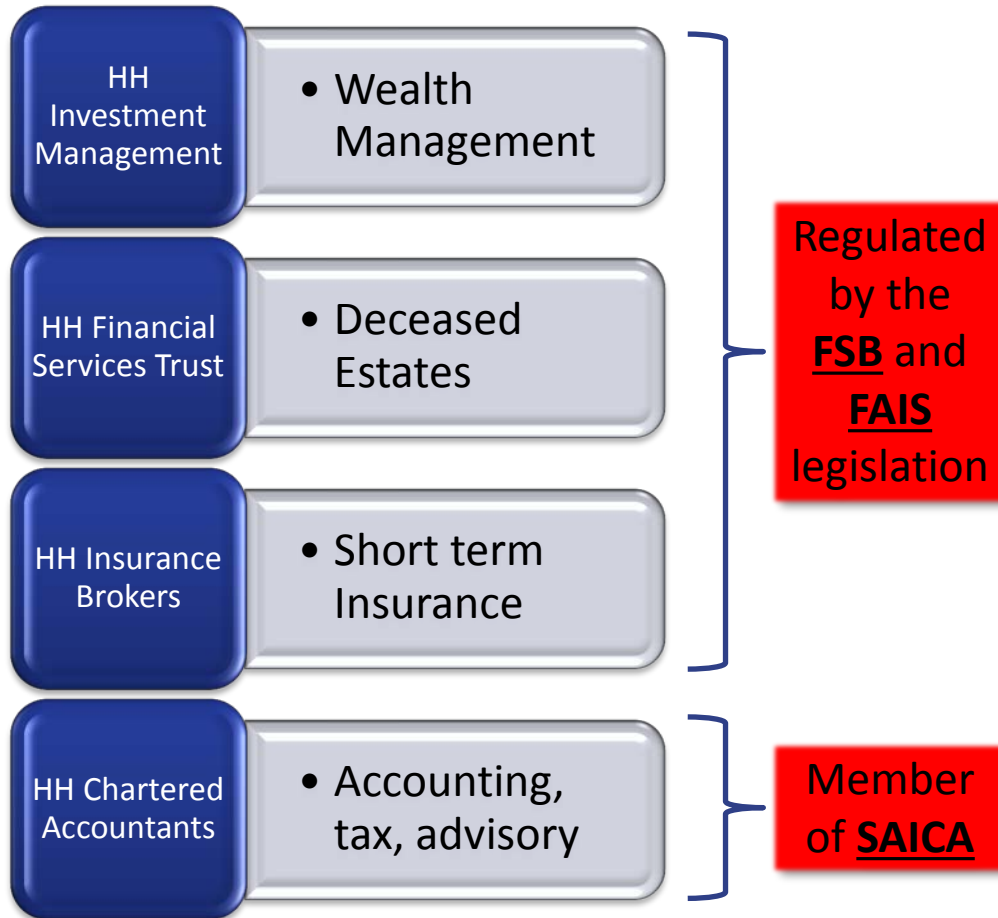
Harvard House Investment Management

January 2015



Regulation

Its there for everyone's protection



Other important points:



We only deal with 3rd parties who are fully regulated.



All client funds are segregated and invested in the name of the client.



We are an accountable institution in terms of FICA. We are obliged to report suspicious transactions.

Our investment philosophy

3 simple pillars to our strategy

Our Philosophy

1

Protect
against
inflation

2

Earn
income &
grow it

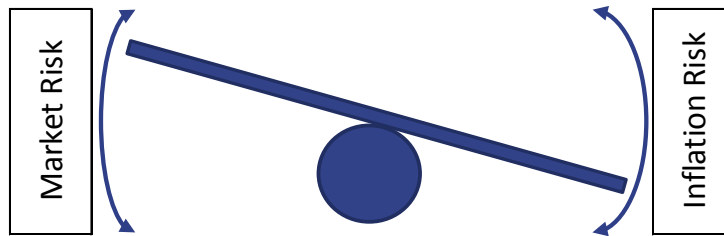
3

Minimise
investment
costs



1. Protecting against inflation

Inflation is relentless and you ignore it at your peril

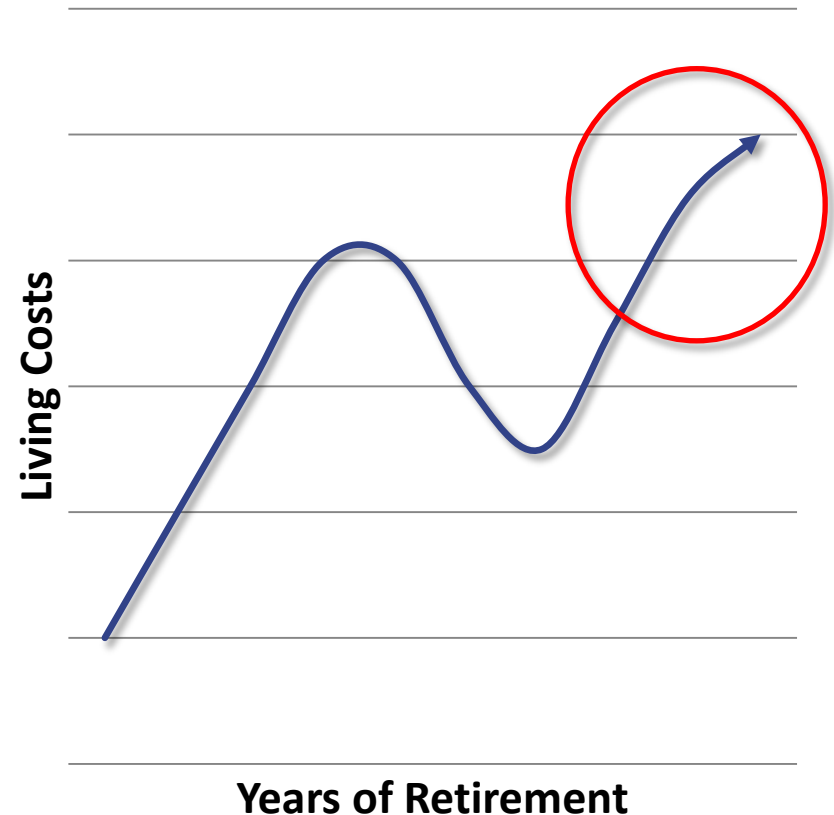
The "Risk" See-saw



Remember:

-  Inflation is a far greater risk than market risk.
-  **Longevity** has had a profound impact: retirement can last for decades.

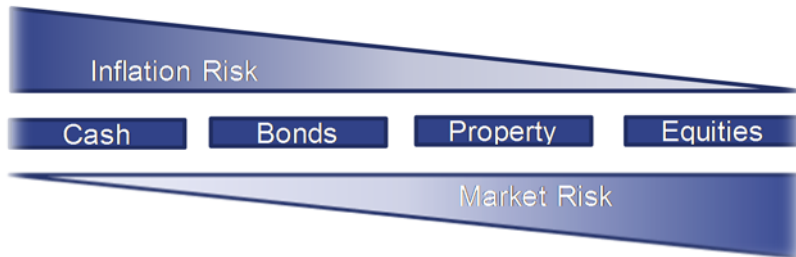
Lifecycle of Living Costs in Retirement



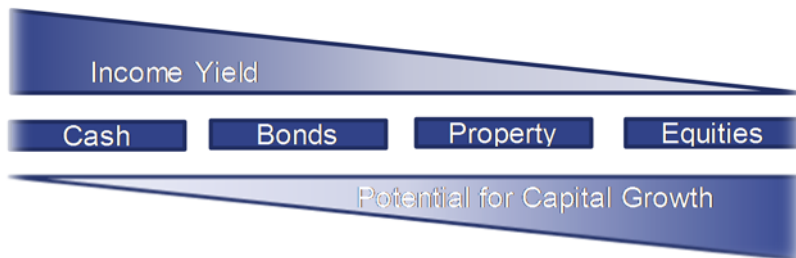
Protecting against inflation

Asset allocation is crucial: you have to be invested in growth assets

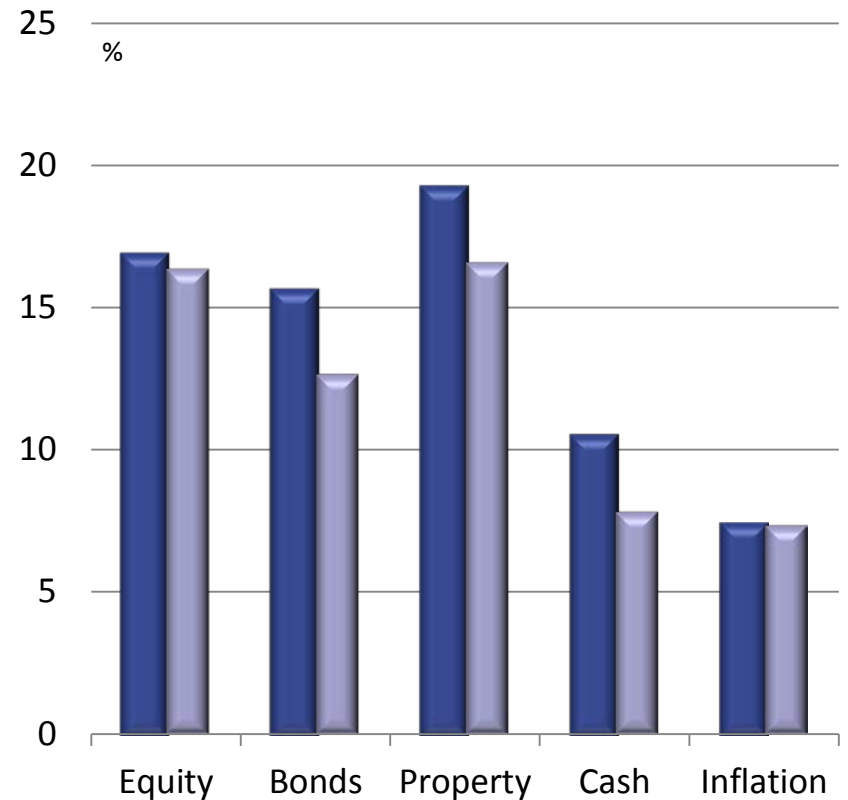
Risk Position of the Asset Classes



Growth & Income Position of the Asset Classes



Ave Annual Returns (90-14)



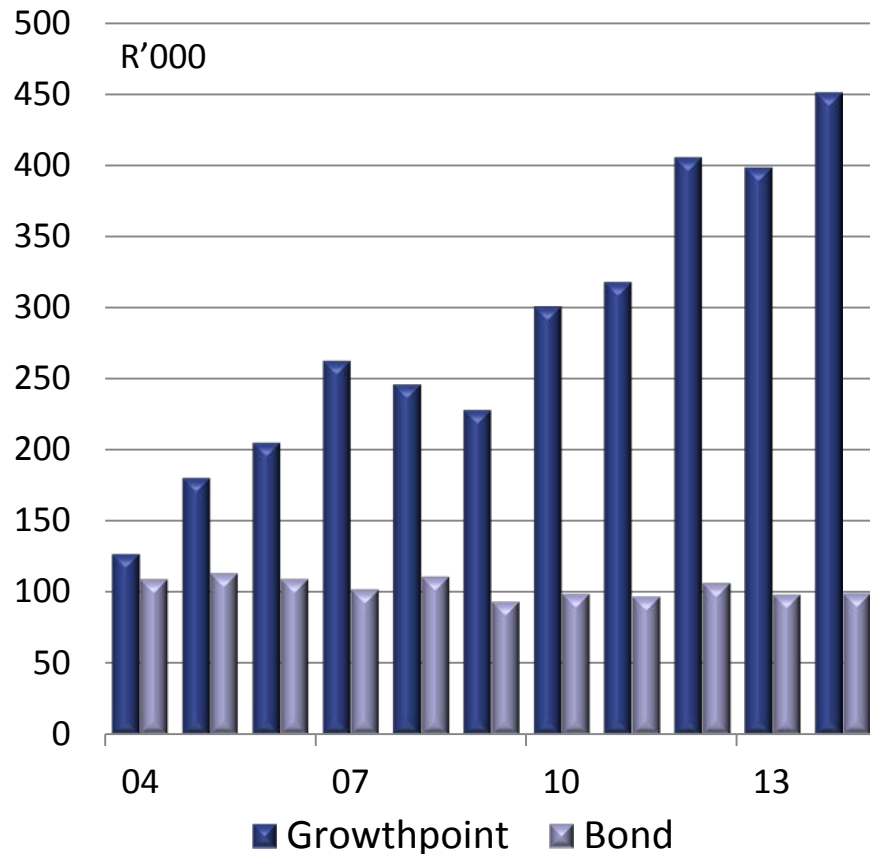
Source: Bloomberg

■ Before Tax ■ After Tax

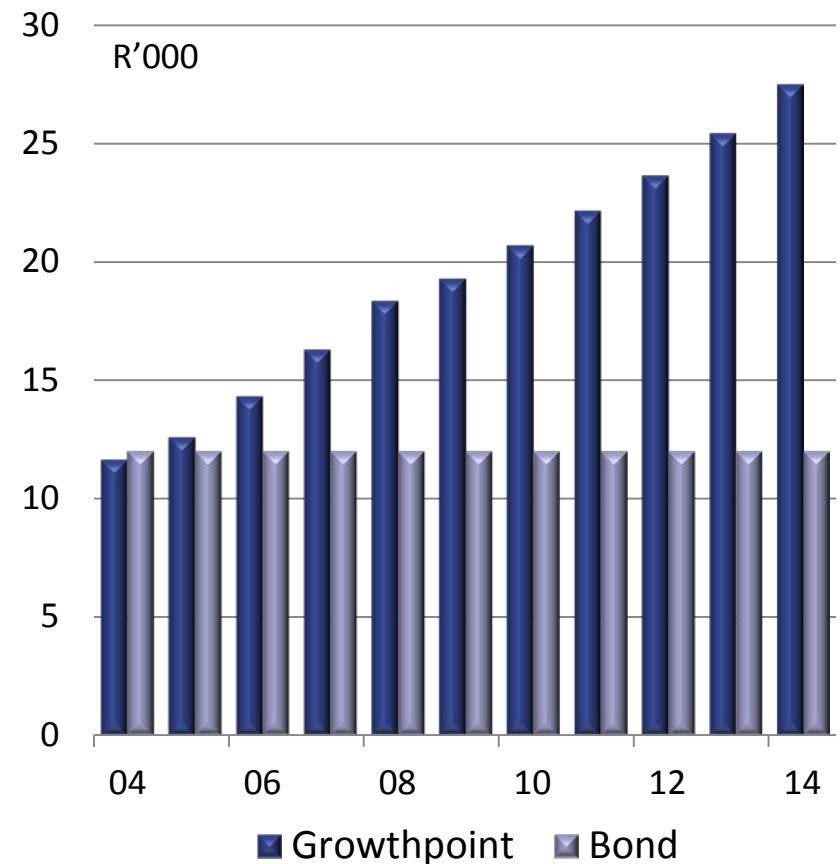
Listed property vs bonds

Illustrating the power of a growing income stream

Market Value



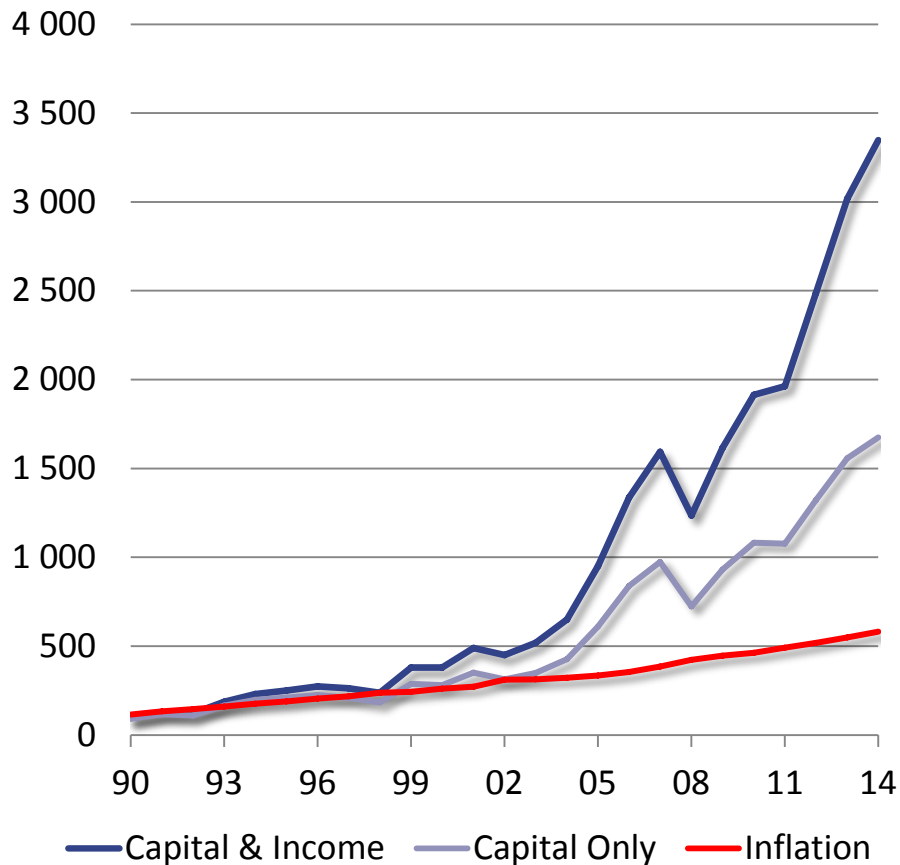
Annual Income Generated



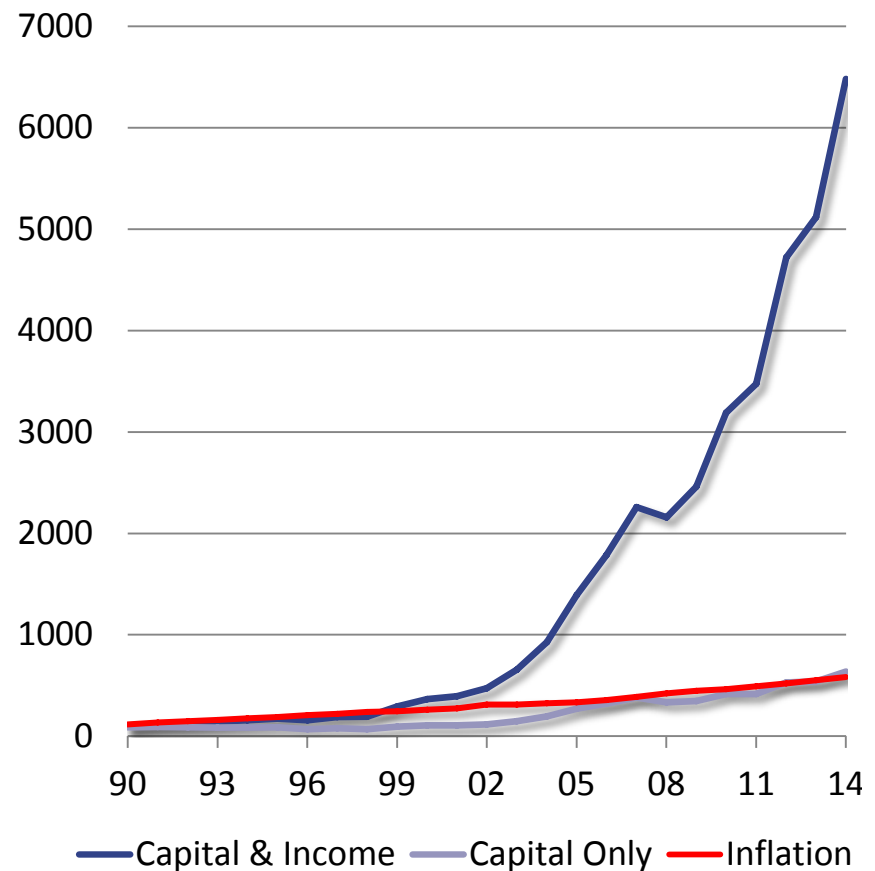
2. Earn income & grow it

Income growth is an important component of returns

Equity Returns: Incl/Excl Income



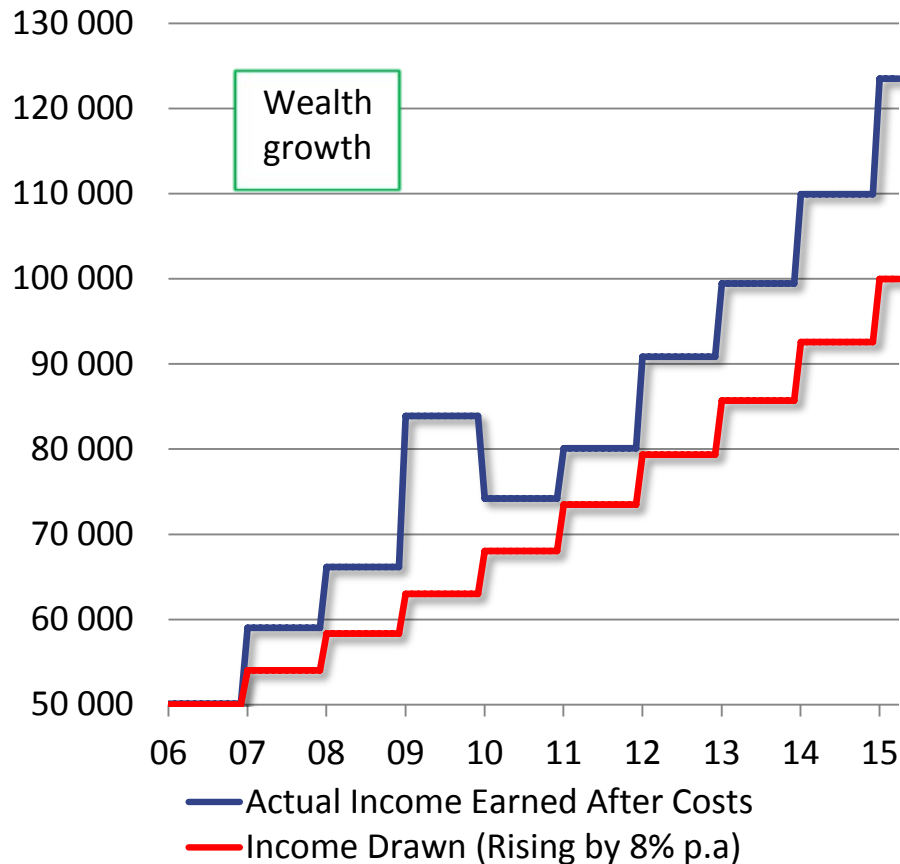
Prop Returns: Incl/Excl Income



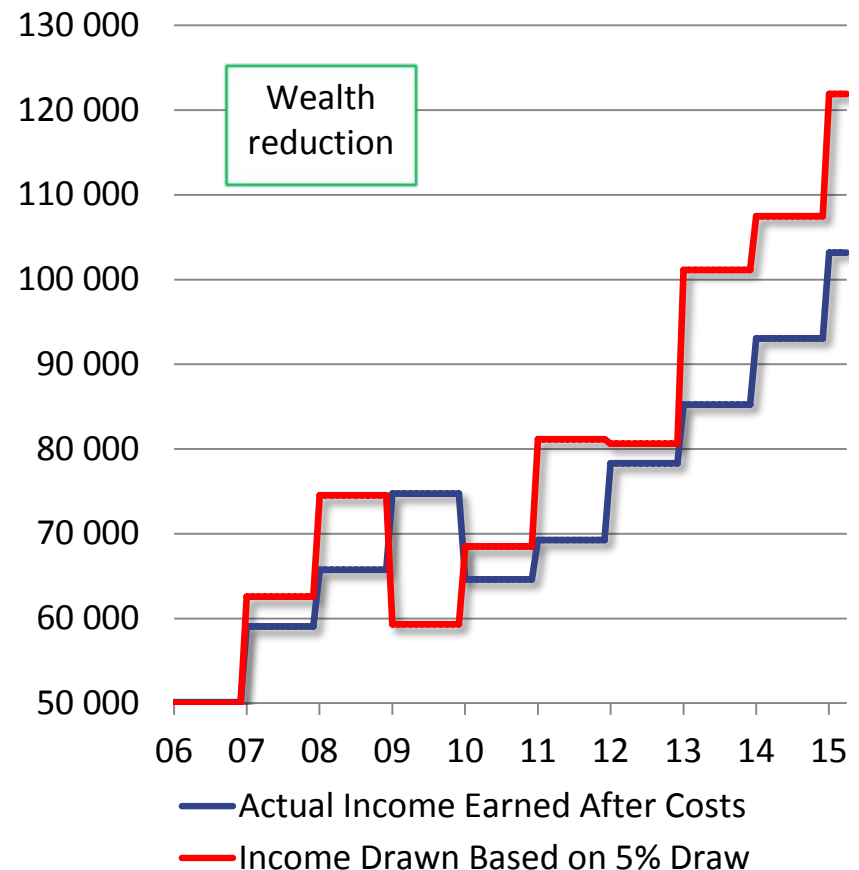
The concept of “sustainable income”

Understanding the difference in income approaches

Sustainable Strategy



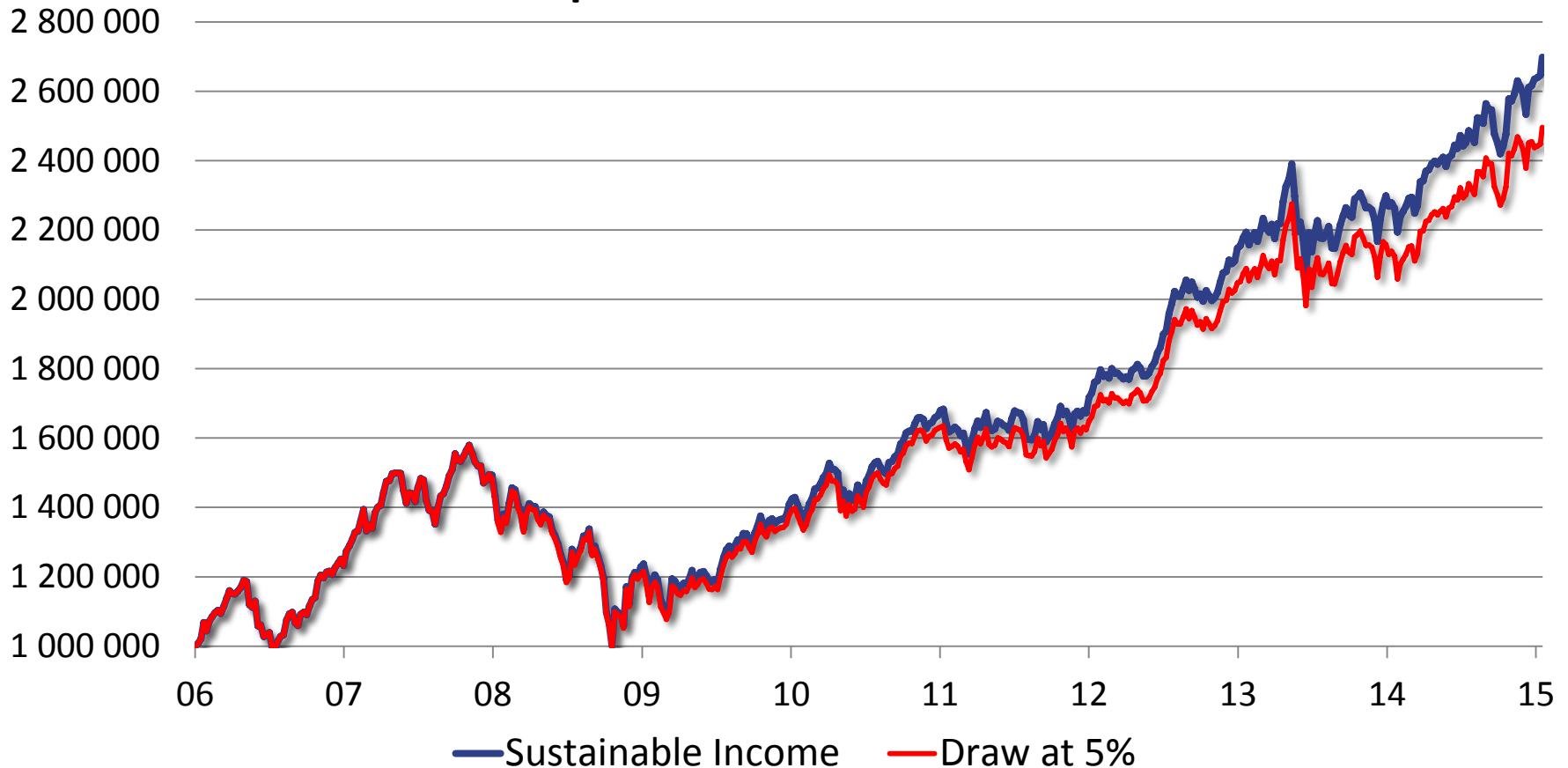
Percentage Strategy



Sustainable income (cont.)

Compounding the surplus has positive implications for capital growth

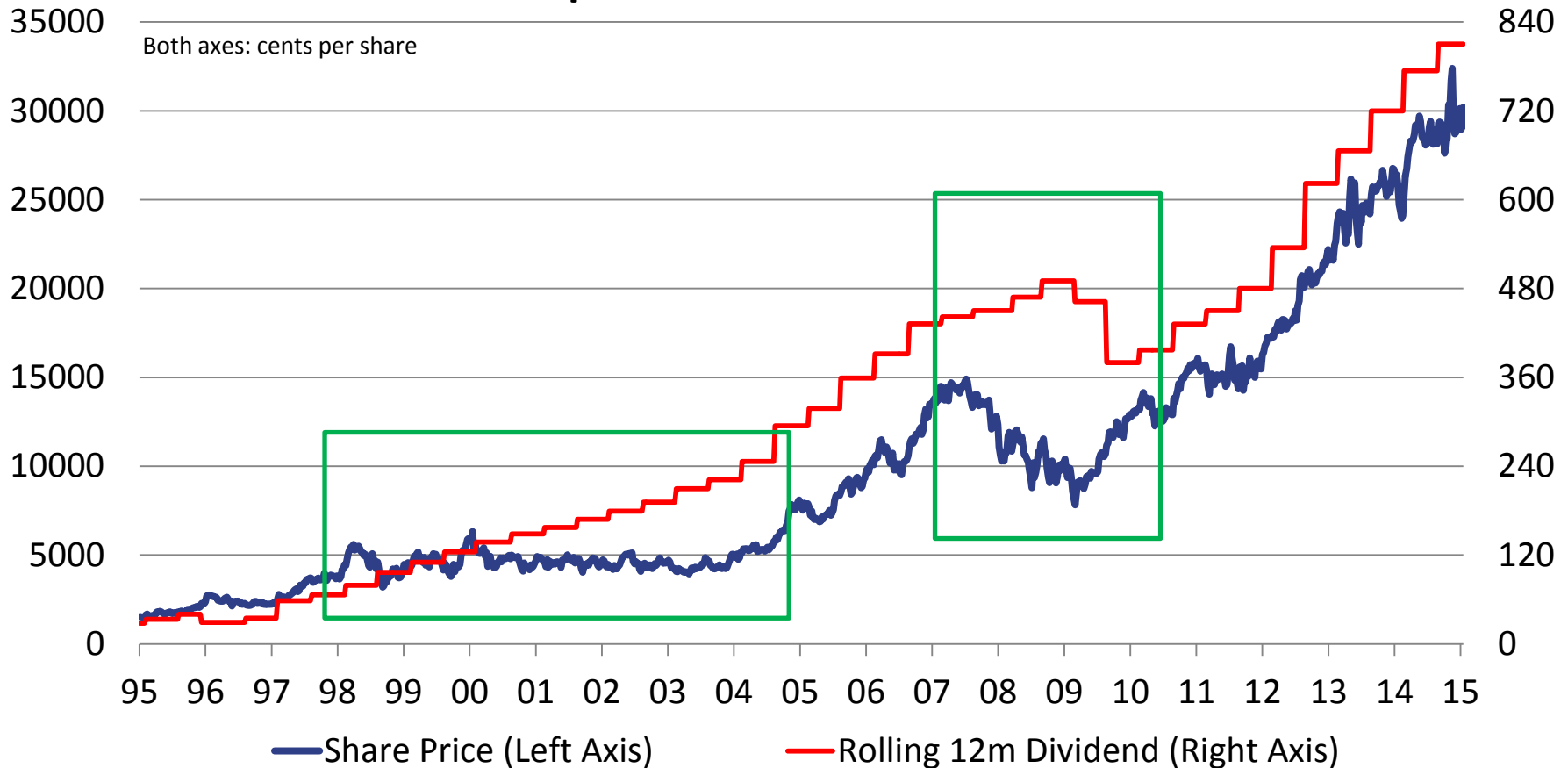
Comparison of Market Values



Putting it all together

Using Bidvest as an example of our philosophy in action

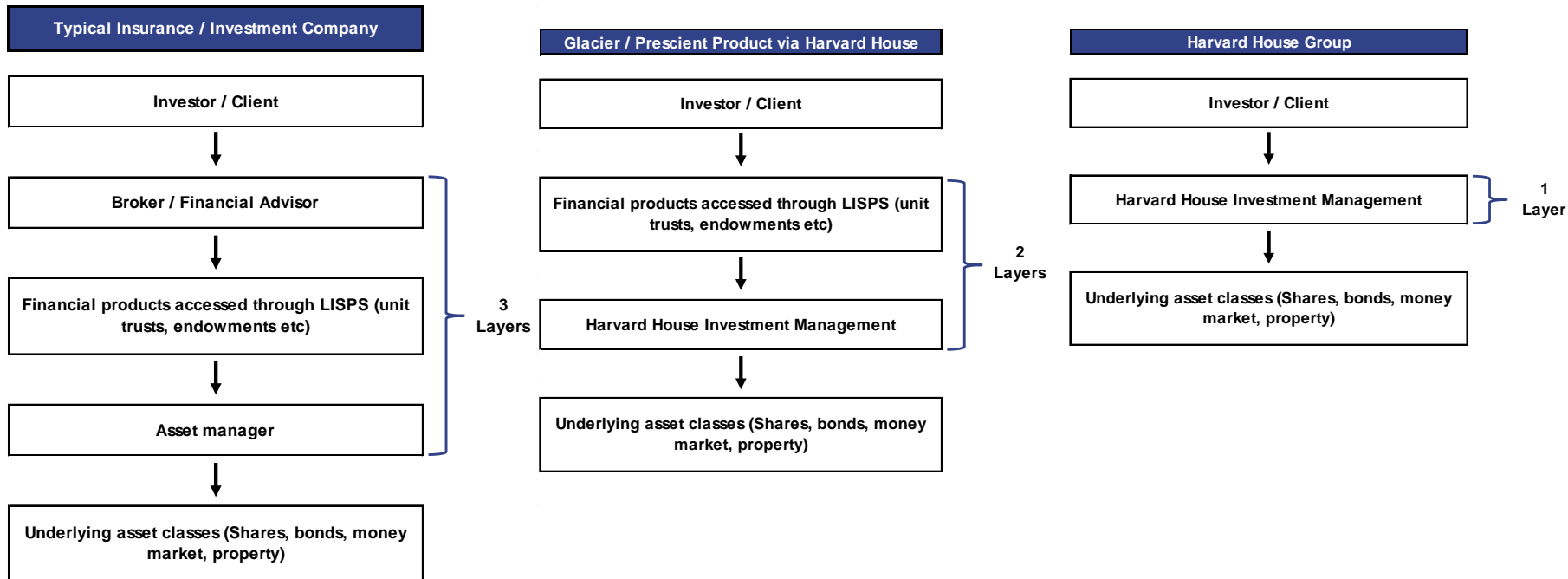
Comparison of Market Values



3. Minimise investment costs

We try to bring you as close to your money as possible

Reducing layers of fees



Deception of percentages

Small percentages can add up to big amounts



The impact of costs on any investment is substantial:



R100 invested at 12% in year 1. After 25 years, the value would be:

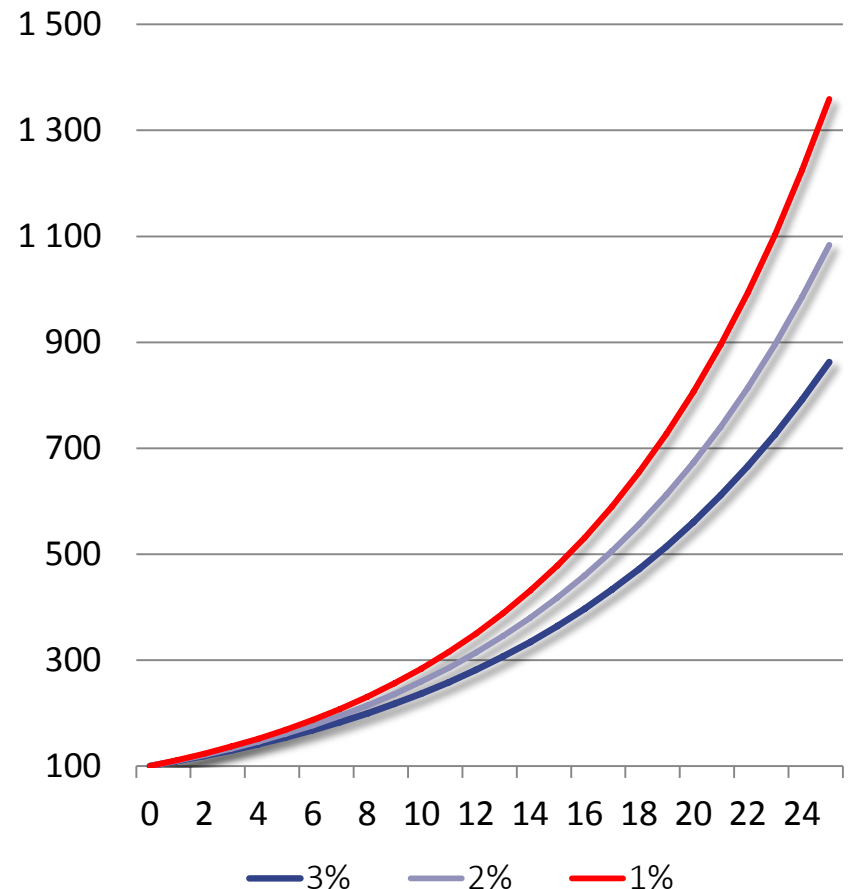
- R862 with costs of 3%
- R1083 with costs of 2%
- R1358 with costs of 1%



Put the percentage into numbers.

- 0.5% on R1.5 million sounds little
- It is R7,500.
- What would you spend that on?

Impact of Costs on Returns



Discretionary share portfolio

Simple yet effective investment vehicle



What is it?



Ability to invest directly rather than through products.



Advantages:

- Tailored to your needs
- Transparency
- Flexibility
- Accountability
- Exceptional value for money







Segregated investment



Reporting

External Service Providers

	Local	Offshore
Custody Accounts		
Cash Accounts		



Regulated retirement products



Less flexibility, but we can still do things differently

 What is it?

 Our solution

 Regulation 28

 Reporting

External Service Providers		
	Glacier 	Prescient 
Living annuity	Discretionary portfolio and / or CIS portfolio	CIS Only (HH unit trusts)
Retirement annuity		
Preservation fund		

Collective investment schemes

Gain economies of scale but still benefit from our investment philosophy



What is it?



What is “White-labelling?”



Our solution

- Harvard House BCI Flexible Income Fund
- Harvard House BCI General Equity Fund
- Harvard House BCI Property Fund*



Minimum contribution thresholds



Reporting

* Launch due in August 2015

Service Providers	
	Local
Investor Administration	
Investment Management	

Tax-free savings accounts

A worthwhile component of any long term portfolio



What is it?



Annual investment limits

- R30,000 p.a
- R500,000 per taxpayer per lifetime



Eligibility



Minimum contribution thresholds



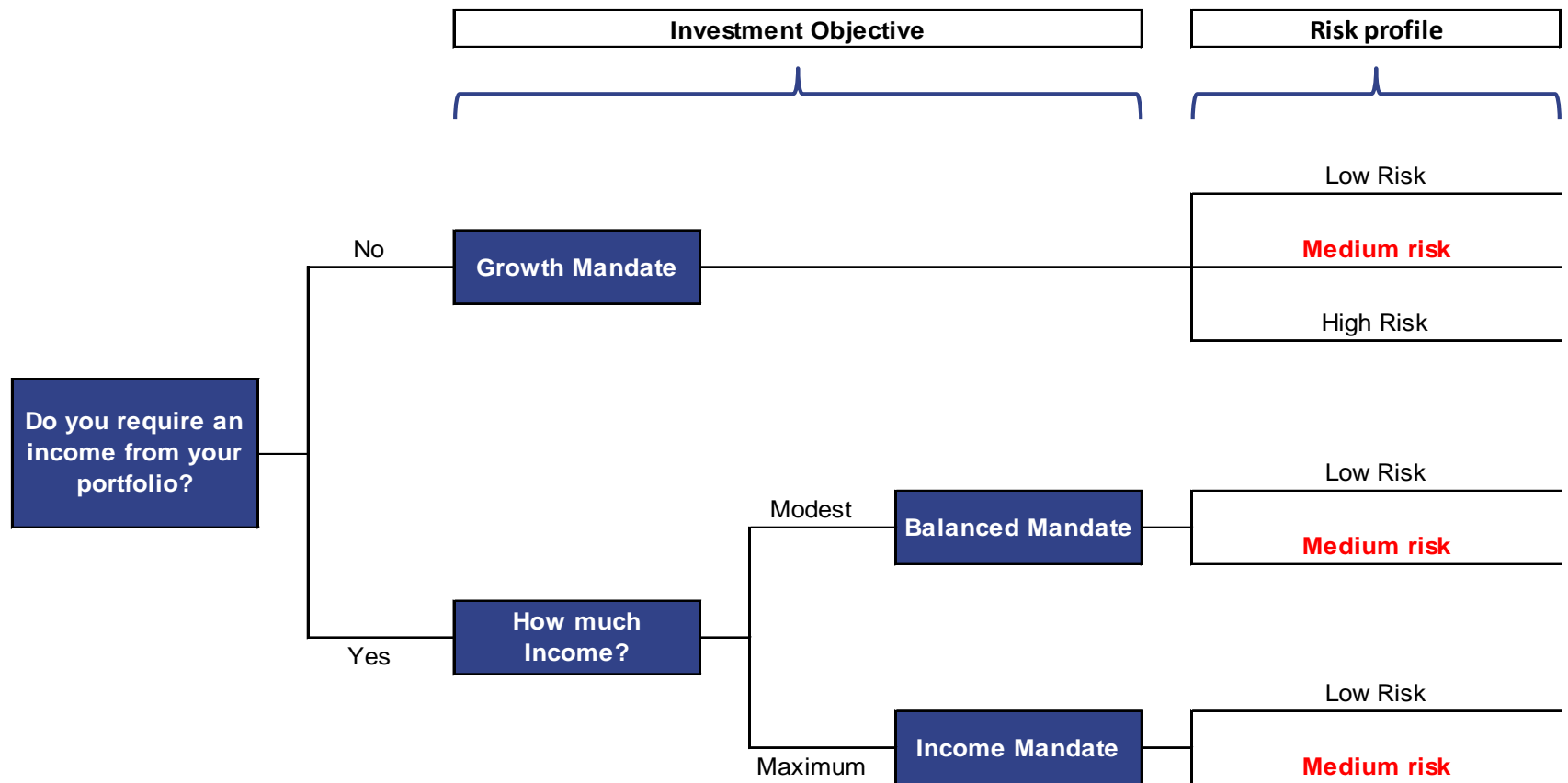
Reporting

Service Providers	
	Local
Investor Administration	
Investment Management	 We Understand Your Need for Financial Integrity



Last word: determining your risk profile

Because of our philosophy, we view risk differently to other advisors





INSIGHT

Investment perspectives from the Harvard House Group

Q & A

Please feel free to ask questions

Thank you for listening