

Looking back, 2011 will no doubt be remembered as a year of extremes. Global financial markets have displayed classic signs of bipolar disorder with manic, depressed and mixed episodes. The debt problems in the USA and Europe have exposed a lack of leadership in the developed world and business conditions have generally been very tough. Rubbing salt into the wounds were; natural disasters (Australian floods and Japanese earthquake & tsunami), terrorist attacks in Norway and violent riots that shook Britain – just to name a few. When you throw in the deaths of well known people like Steve Jobs¹, Muammar Gadaffi², Osama Bin-Laden² and Amy Winehouse³, it's hard to believe how much has happened. And we still have a month or so to go.

With professional doomsters adding their voice into the mix, it is little wonder that the nerves of many investors are more than just a little frayed. The fact of the matter is that the obstacles facing investors today are significant, and likely to be with us for a while. One of the greatest challenges is that investment returns, when measured against inflation, are generally lower. Balancing this with drawing income is a particularly delicate balancing act for retired investors, many of whom feel understandably vulnerable.

But the obstacles are not insurmountable. Winston Churchill once said that *"The farther backward you can look, the farther forward you are likely to see"*, a statement that I believe is relevant in the current economic environment. History shows us that wealth is generally transferred from nervous short-term investors who run for cover in every storm, to long-term ones with the resilience to stay on course. Investors who stick with an investment strategy that is appropriately planned around their personal needs, circumstances and objectives have a far higher chance of reaching their investment goals than those who don't. History also shows us that the more profitable investment opportunities tend to materialise when the mood is gloomy. Take the world's largest technology companies for example. In 2000, these companies were nowhere near as profitable as they are today, yet the extreme optimism at the time pushed their share prices to insanely high levels, only to come crashing down when the tech bubble burst. The current pessimism however has the pendulum swinging to the other extreme and many of the same companies are now trading at a discount. The majority of our clients have some exposure to these kinds of opportunities and should be handsomely rewarded over time.

Finally, 2011 hasn't been all doom and gloom – it's had its bright moments. Over 40% of the world's population watched Prince William marry Kate Middleton. The Rugby World Cup was a huge success on and off the field ... the Springboks elimination aside. Table Mountain has just been provisionally included in the New Seven Wonders of Nature. But the clincher for me has to be the Currie Cup final - go Lions!

Best wishes for 2012,
Sam Robson

1. Will be missed, 2. Won't be missed, 3. Will/Won't be missed? You decide.

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