FinPlanCo

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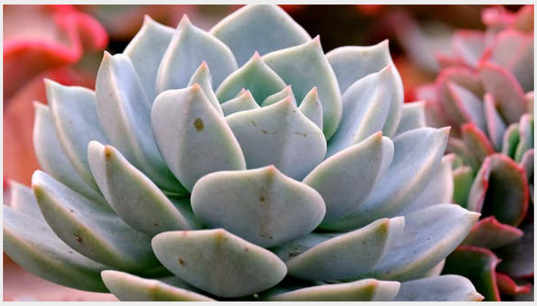
1 THE FIRST FILTER

An overview of our investment selection process and how we aim to separate the wheat from the chaff in an increasingly crowded market.



2 DEFINING YOUR GOALS

When drawing up financial plans it's vitally important to define your objectives and goals. In this article we provide some principles to help guide you in this process.

3 WHEN TO PULL THE INVESTMENT PLUG?

It is easier to know when to buy something than to know when to sell it. Objectivity is key and we run through some principles here.

4 FINANCIAL FAQ

A regular segment in the newsletter to cover some frequently asked financial planning questions that may be useful to others.

"To begin with the end in mind means to start with a clear understanding of your destination. It means to know where you're going so that you better understand where you are now and so that the steps you take are always in the right direction." – Stephen Covey.

INTRODUCTION

The longer we practise financial planning principles the better we understand what is required from an investment to be successful over time. We dig into our first steps to filter the universe down to a more manageable number.

Your choice of investment goes hand-in-hand with your goals. it is important to set goals, as achieving them breeds confidence and fuels higher ambitions, creating a cycle of positive reinforcement.

Is it even possible to write down crib notes on your financial journey in life? We think you can, and we have tried our hand at the process. In the third article of this newsletter, we share some simple financial planning concepts for you to follow for success.

Finding a great investment opportunity is important but not all of them perform according to plan. Selling non-performers is equally important and we dive into our check lists.

We have a short piece on the importance of compliance, and we answer a few quick questions from our FAQ section.

THE FIRST FILTER

The FinPlanCo Investment Selection Methodology

Carel Marx *- The investment universe is massive and daunting to most people, even for us. Where do you even begin to separate the wheat from the chaff.*

South Africa has over 1,600 registered unit trust funds which are regulated under the **Collective Investment Schemes Control Act (CISCA)** and overseen by the **Financial Sector Conduct Authority (FSCA)**. As of **October 2025**, there are **120 Exchange Traded Funds (ETFs)** listed on the **Johannesburg Stock Exchange (JSE)** and approximately **266 listed companies**. This is only part of the investment world in South Africa which is less than 1% of the global economy. We haven't even touched on the fixed income market, private equity market or even unlisted investments.

The first step would be to define what it is that you are looking for or trying to achieve. You cannot find a solution if you don't know what you need or what you are trying to achieve.

Sometimes it makes more sense to start with the things you don't want:

- Fraudulent/Ponzi schemes
- Once-off performance (one hit wonders)
- High Fees
- Opaque information/reporting
- No after sales service
- No or low liquidity
- Marked to market/Priced daily or weekly

At FPC we believe that the investment race is won over a long period of time, and the winner is most likely the investment that consistently performed above average. We also believe in selecting investments that have a proven track record with a set investment philosophy that can be replicated over and over again. We strive to select above average investment funds when building financial plans, thereby compiling a researched and trusted shortlist of funds. These funds are used as building blocks for many of our clients' investments that aim to reach specific investment objectives or needs. We believe that consistency is the key to investment success, not necessarily consistency of return but rather consistency of approach/strategy, the application thereof, and then only of benchmark outperformance.

In order for us to achieve this, we need to blend different investments that will increase our likelihood of an above average outcome. This means that we need to select funds that will stick to their philosophy and approach over time and thereby generate above average returns when their views, philosophy or positions pay off. A combination of tried and tested investment approaches has the best chance to yield an above average result.

We know that each and every investment style or approach will at certain times in the market "underperform" relative to other strategies. It is important for us to understand when these situations arise, to avoid selling those investments for the wrong reason. We try to understand the investment cycle, and we avoid selling low and buying high. We don't have the ability to "time" any investment and we believe that "**now**" is always the best time to start investing.

We will however make an active decision to avoid risk areas or overvalued areas in the market. We therefore strive not to fall into the trap of chasing performance, rather staying true to our approach that states that all good investments are likely to perform poorly at some stage, and it is more likely that a period of under-performance is on the cards after a recent period of great performance.

At FPC we strive to identify and make use of the best unit trust funds available for our clients, and we co-invest alongside our clients in the nominated funds as far as possible.

Our first Filter Criteria:

- Fund size – R1Bil plus to allow for liquidity and economies of scale.
- Age of the fund – minimum of 5 years and preferred to have undergone at least one market correction/recession.
- Fee structure – viable and fair whether performance-based or flat, rebate- or clean-class.
- Morningstar/PlexCrown/Fundhouse rating – these companies rate asset management companies in a similar manner to us and we compare our selection with their ratings.

Asset manager size and why does it matter?

Liquidity is important and investors make withdrawals and change investment funds every now and then. It is ideal then for a fund to rather fund these flows with cash on hand. You don't want to be a forced seller in the fund to create liquidity.

Secondly, the size of a fund is also an indication as to how many investors find the opportunity attractive. If you are the only investor willing to invest after 5 years other than the founders of the fund, what are we missing then?

We are all in business to make money. A unit trust fund has many expenses especially around governance and software. A small investment would need to charge proportionally more to cover those expenses.

Size also plays an important role in the SA market especially. If you run a R250 billion fund, how do you buy a significant stake in a company that has an eight billion Rand market capitalization? If you want to allocate only a 2% of fund to this stock, you need to deploy R5 billion to the stock. That means you will own 62.5% of the company which is now majority shareholder. Firstly, it would be extremely difficult to buy this stake as you need enough sellers in the market and secondly, if you are a significant shareholder, there are additional duties that asset managers don't want to get involved in.

The above point also has to do with the agility of a fund. How quickly can you buy into an investment opportunity and/or, how long does it take to sell an investment. In South Africa specifically, the market is deep but not deep enough if you start exploring the mid- and small-capitalization market.

Why is it important to use an investment with a longer-term track record?

Before you buy a new racehorse you either want to see how the horse runs before you buy it or at least know the bloodline/genes (the history of success).

New start-up asset management business could potentially take a massive amount of risk at the start of their tenure, if it pays off, the return looks great, and it is easy to attract new investors. The problem however is that the return is not likely to repeat. The risk taken will not pay off every time and at some point, the asset manager wouldn't want to take large risks because underperformance will lead to outflows.

A 5-year term in our view, will largely tell you the picture of what to expect in the future. Most of the initial problems would be ironed out and the managers will have a firm grip on their process and philosophy.

Track records are less important when you track an index as the investment should behave like the index it tracks. What you pay for an index tracker is however important and whether the passive investment has some sort of active overlay or follows a smart Beta approach.

Why is the fee you pay important?

The first point about fees is simply that the investment with the lowest fee structure has a tangible advantage over a more expensive one. There are extremely little "knowns" in the investment world, but we know that a fee of 1% is less than 2% and the investor taking the lower fee option has a 1% head start.

If we find two investments that pass our filters, with a similar process and philosophy but the price is lower on the one VS the other, we pick the cheaper investment.

Lower fees do not, however, automatically translate to a better outcome.

Why don't we just use external ratings?

The rating that business/financial analysts place on an investment is more a validation or confirmation of your own findings. There is a lot to learn in the process of analysing an investment. It is also important to understand the philosophy and strategy behind an investment as we typically blend them for diversification benefits.

Our first filter criteria result in a much smaller universe of investment choice. We do some manual filtering to remove all Discretionary and Multi fund managers and adviser led multi-manager solutions. These solutions in our view add an additional layer of fees which is part of our value proposition to clients.

Once we have our final short list we start our deep dive process. This process is a quantitative and a qualitative analysis. For this article we won't go into detail here but sufficed to say the filters only get us part of the way to the shortlist.

We hope this article about our process to select investments gives clients a small glimpse into the work we do behind the scenes. The universe of investment choices is forever changing, and it does happen that a good investment, turns bad. Once you invested, you need to monitor the outcomes objectively from there.

What makes a strong password?

In today's digital age we are all spending more time online. Sometimes being forced to rather bank via an App or complete a VISA application online only. It is therefore more important than ever to make use of safe online practices to protect your finances, data and privacy. There are many good online practices that can keep you safe, these include keeping your software and operating system up to date, not using public WIFI, ensuring you have a good antivirus and keeping it up to date, being sceptical and always checking twice before clicking on any links or completing private information, ensuring the webpage you visit is secure (HTTPS vs. HTTP), etc. One of the most important practices is to use a strong password.

A strong password should be at least 16 characters long. Make use of a combination of special characters/symbols (#, @, &, $, %, etc.), letters (upper- and lowercase) and numbers. Cyber security experts suggest using a "passphrase" to build your password, something like "to be or not to be, that is the question" then building around that: "2B_or_X2BthatI$?!" this helps you to create unique passwords, so you don't have to duplicate them. If you do end up with too many passwords, consider tools like a password manager to help store your passwords safely in a secure, accessible manner.

DEFINING YOUR GOALS AND COVERTING THEM INTO ACTION

Enrique Janjetich and Wilhelm Templehoff *– A financial plan needs objectives like an archer needs a target.*

The end of the year is looming – that means New Year's resolutions are coming. It is important to set goals because achieving them breeds confidence and fuels higher ambitions, creating a cycle of positive reinforcement. This is also true for your financial wellbeing, setting goals matter, but what matters even more is who you team up with to ensure that you don't just reach your goals but crush them, on time and without delay.

Financial goals

When setting a financial goal, you may ask yourself two questions:

"What do I want my money to accomplish?"

"How will it be accomplished?"

Concluding what you want your money to accomplish is the easy part; figuring out how to accomplish it is often where uncertainty creeps in.

That is why the financial planner-client dynamic is so important, the client supplies the planner with the raw materials – their dreams, priorities, and current financial situation – and the planner goes to work to construct a custom roadmap that will ultimately lead to the client reaching those goals. It's a team effort. Though the planner may have a specific strategy in mind based on the information received, the client's input is a crucial component in developing an adequately structured plan that meets both personal needs and the demands of reality.

Unfortunately, some goals aren't attainable, no matter how hard you try. No financial planner can whip up a plan so good that it exceeds the limits of reality. For example, an unemployed 20-year-old with student debt and zero savings to his name may want to retire within the next five years, or a 65-year-old retiree may wish to once again be a 20-year-old student – the former being highly unlikely, the latter utterly impossible.

Therefore, it is crucial to be honest with yourself when setting goals. Even if you believe your goals are attainable, your financial planner will bring objectivity to the table – and, when necessary, deliver a dose of reality that is meant to, not discourage, but keep you grounded.

How to define your financial goals for improved success

An archer needs a target and the clearer it is defined the better their chance of hitting it.

One of the largest hurdles to successful financial planning is being able to define your objectives/goals clearly. It helps a great deal to define the goal, need or objective thoroughly before you embark on setting a plan. As Dr. Stephen Covey writes, one needs to "*begin with the end in mind*".

As financial planners we usually have certain questions up our sleeves to ask and help you formulate your objectives clearly. Below we provide some tips.

Financial goals should be specific, measurable, achievable, relevant and linked to a timeframe.

Start by ensuring that your objective is **relevant** and **achievable**, else you are setting yourself up for failure or disappointment.

Does the goal fit within your lifestyle, values, income, circumstances, etc.? **Relevance** is important because it helps the goal to matter to you, and it ensures that you value achieving the goal.

Is it **achievable** and within your means to reach the objective? An objective that is achievable is much easier to stick to and helps to keep you motivated and on track. This may need you to be a bit circumspect and objectively adjust your expectations.

Next be sure to clearly define your objective and ensure you know when it has been successfully met, **don't be too vague**. An example would be to "*save R200 000 for a deposit and transfer costs when purchasing a new property*" or "*aim to retire with an income of R30 000 per month, after tax in today's terms*". Examples of what not have as your aim: "*to retire comfortably*" or "*to save enough for an offshore trip one day*".

Next link your objective or goal to a certain **timeframe** in which you would like to achieve it. Perhaps you would like to buy a new car in four years' time or retire at age 65.

Now make sure the goal is **measurable** so that your progress can be tracked. For example, if your plan is to save up R200 000 for the property over the next 2 years it means being able to invest roughly R8 333.33 per month without taking returns into account. Convert your goal into its constituent parts needed to achieve it. Remember an elephant can be eaten up if you do it bite by bite.

An example of a clearly defined objective would be: *"I would like to pay for my son's tertiary education, ideally 3 full years, starting in 10 years' time. Currently the tuition would be R68 000 per year at the ideal university."*

A clearly defined objective gives flesh to the bones of a financial plan. It helps with planning the cashflows, returns, risk profile and more.

Once you have your goals listed and defined clearly, the next step is to order them according to importance. **Prioritise** the essential objectives first, for example saving up for an emergency fund or setting a monthly budget. Your immediate goals should take precedence.

Finally, it is important to celebrate the milestones you reach. Motivation is a core need we share as humans, and it helps drive us to success.

Financial goals and the independent financial planner

Financial goals and financial planning are interdependent. Guidance helps to dictate outcomes, without proper guidance you run the risk of underestimating the discipline, time and resources required to achieve your goals. Taking advantage of the knowledge and flexibility offered by an independent financial planner gives you a meaningful chance at reaching your desired destination.

As with all goals, sticking to the plan isn't a walk in the park. There will be times when emotions run high – often during unfavourable market movements – and you may feel tempted to act on these emotions. Knowing when to act, when to react, or when to just sit on your hands doesn't come naturally. In financial decision-making it is vital to trust the plan you and your financial planner created, let your financial planner be your anchor in times of uncertainty. They should know when to recommend any necessary adjustments – not based on emotions, but on research, evidence and an objective outlook.

Why independent financial planner?

Financial products are the bricks and mortar of the financial plan's building. Suppose you are sitting at a table. Across from you sit the various financial product providers, now the question is: When your financial planner takes a seat, will they be sitting next to you or next to the product providers?

An independent financial planner – one with no obligation to any specific provider – will always sit next to you, facing the providers with you. His/her obligation is to you, the client.

Independent financial planners aren't incentivised to present you with a specific provider's range of products. Your needs and objectives come first, not the choice of provider or product. Independence allows your financial planner to investigate, scrutinize and compare various products offered by different product providers to objectively assess which of these products that are presented are appropriate solutions that align with your goals and financial situation. Ultimately this independence offers flexibility, variety, peace of mind and freedom of choice.

Conclusion

Independent financial planners are only independent on one side of the coin – free from provider influence. On the other side, they are entirely dependent on your context, your goals and your input to craft a plan that works for you. Their independence matters because it ensures your needs and goals come first, but it is your engagement that give the plan its meaning.

Setting goals establishes purpose. This requires specialised guidance, especially in times when important financial decisions need to be made that may have life changing consequences.

Financial planning is not a one-size-fits all process; it is a collaborative journey where recommendations meet unique circumstances. When approaching any financial decision make sure you team up with an independent financial planner who truly understands your context, one that is truly in it for the long haul.

Compliance – burden or boon? – Megan Du Toit

In today's fast-changing financial world, compliance plays a vital role in protecting both clients and institutions. The compliance function ensures that a Financial Service Provider (FSP) operates ethically, lawfully, and transparently, in line with legislation such as the Financial Intelligence Centre Act, the Financial Advisory and Intermediary Services Act, and other regulatory requirements. A strong compliance department helps safeguard clients by preventing money laundering, fraud, and conflicts of interest, while also promoting fair treatment and responsible advice. Compliance officers regularly monitor business activities, assess risks, provide training, and report any suspicious or unusual transactions to the Financial Intelligence Centre.

For clients, this means peace of mind, knowing their FSP follows strict rules to protect their personal information, financial transactions, and investments. Compliance is not about ticking boxes; it's about building trust, accountability, and integrity with every interaction.

Common compliance abbreviations you may come across:

- **FIC** – Financial Intelligence Centre
- **FICA** – Financial Intelligence Centre Act
- **FAIS** – Financial Advisory and Intermediary Services Act
- **AML** – Anti-Money Laundering
- **CTF** – Counter-Terrorist Financing
- **STR** – Suspicious Transaction Report
- **PEP** – Politically Exposed Person
- **PIP** – Prominent Influential Person

WHAT WOULD OUR FINANCIAL PLANNING CUE CARD SAY?

Wilhelm Tempelhoff – do you still remember those crib-notes that were passed around in biology class? Imagine you could get a crib-note for your financial affairs…

Many years ago, I came across an American financial planner who had a simple but brilliant idea: He summarised the most important financial planning principals onto a credit card sized business card which he handed out judiciously as if it held the very secret to a successful life. I am sad to say that I didn't receive a copy of this holy grail, but I have always wondered what our version would look like at FinPlanCo.

Carel and I are both nearing the 20-year mark in the industry and after much consideration here is our version of the "*Financial planning crib notes*".

FinPlanCo – The Financial Planning Crib Note.

- **Expand your lifestyle slower than your income and invest the difference. Live well within your means.**
- **Make sure to match your risk level with your investment term. Longer term allows for more risk and vice versa.**
- **Budget prudently - plan your spending and stick to it.**
- **Avoid being impulsive. Take your time to make decisions - measure twice, cut once.**
- **Credit is saving in reverse. Use credit only for a house, a car, or real assets.**
- **Be cynical - if something is too good to be true, it usually is.**
- **Insure prudently - Prioritise your insurance, cover your responsibilities first.**

- **Save early and often. Don't ever stop.**
- **Learn at least some of the financial jargon.**
- **The three free lunches in investing – Diversification, portfolio rebalancing, and long-term compounding.**
- **Protect your livelihood – continually learn and keep pace with change.**
- **Read about "behavioural finance" – you can't control what happens, but you can control how you react.**

"Little by little, a little becomes a lot." – Tanzanian proverb.

Remember your financial life is like a fruit tree. You must firstly plant the seed, then feed it, prune it, nurture it, and protect it so that you can one day sit in the shade and enjoy the fruits of your labour without having to chop down branches.

When to pull the Investment Plug?

Wilhelm Tempelhoff – *We are often faced with underperforming investments or investment doubts. When is it the right time to throw in the towel?*

When you select investments there are many factors that help you decide to invest. But what if your chosen investment is lagging alternatives or not beating its benchmark? What if the market is falling and your investment is falling too? What if everyone is selling?

Knowing when to sell an investment is equally important to knowing when to buy it. Change is a constant in our lives and often we need to make changes to our finances accordingly. The correct way to approach change is to remain objective, think strategic, and take measured steps to adjust your investment or investment plans.

In a diversified investment portfolio, one would normally expect one or two of the components to be weaker than the rest. The weaker investments might have strategy differences, differences in manager views or approach, they could be dealing with an unexpected turn of events, etc. This is normal and it's an indication of true diversification. These underperforming components may well do better when others are under pressure for some reason. Investments will ebb and flow, ideally one aims for a portfolio that does not all ebb to the same degree and at the same time.

One would not normally suggest changes to a well-diversified portfolio unless the underperforming investments have significantly or fundamentally changed. For example, the investment strategy has been amended, the investment manager has been replaced, fees have increased, the investment approach has changed, the legislative framework has shifted, etc. If one understands the reasoning behind the underperformance, and it is deemed to be temporary in nature, it is likely best to hold on and give it time to improve by itself. It helps to reevaluate why the particular investment was chosen in the first place and ask whether these selection criteria still hold true or not.

Consider why you bought or invested into a certain investment, share, portfolio or fund in the first place. Has anything fundamentally changed? If so, is the change significant enough to warrant a change or not? Also consider the cost and tax implications when changing your investment.

Good reasons to sell an investment:

- Rebalancing your portfolio.
- Selling in line with a financial plan.
- Objectively better opportunities have become available.
- Fundamental changes to the investment.
- To trigger some tax-friendly capital gains.
- Seling due to changes in your timeframe, risk profile, plans or circumstances.
- Shifting objectives.
- Etc.

Bad reasons to sell and investment:

- Panic or reacting to market fluctuations.
- Following the herd.
- Extrapolating the recent past into the future.
- Fear of missing out.
- Impatience.
- Chasing performance of the new market darling.
- Working outside of your plans or a lack of planning.
- Etc.

FINANCIAL FAQ

"I've been randomly approached with an investment offering 16.2% p.a. in guaranteed returns. It made me feel nervous and I think it is too good to be true. Where there is smoke there is fire…"– ***Recent client comment.***

Should I start my new business as a sole proprietor or a company?

Depending on the nature of the business, it is usually best to start off as a sole proprietor because the more formal route can be costly and add additional strain on a starting business. Once the business gains traction you can decide whether it is prudent to then convert to a company. Sole proprietors mean that the owner is one and the same with the business. This means that you only have one tax return, but it also means that you can personally be held liable for any business debts or problems. A company is a more formal business structure, and it separates the owners from the business activities. The company is a separate legal entity, and it has its own tax return and can be held liable for its own debts. It is easier to expand a company than a sole proprietor because shares can be issued, new shareholders can come on board, finance is easier to apply for, etc. As with everything the answer is "…it depends" because each new business has its own considerations which will guide the decision between the structure of the venture.

What is the difference between Turnover Tax and SBC tax concessions?

SBC is the abbreviation for "small business corporation", and it refers to a corporate entity (not a sole proprietor) that has a turnover of less than R20mil. Subject to certain requirements an SBC qualifies for reduced tax rates on the first R550 000 in taxable income according to a sliding scale between 0% and 27%. The requirements are that all shareholders must be natural persons, no shareholder may hold shares in another company, no more than 20% of total income may be derived from investment income and personal services (unless the business employees at least three full-time employees who are not connected persons and not shareholders).

Turnover tax allows businesses which have turnover of less than R1mil per tax year to register and thereby pay tax of between 0% and 3% of their turnover amount. This is a simplified tax system allowing new businesses to keep track of turnover only. Sole proprietors and corporates are eligible but no professional service providers, businesses earning more than 20% from investment income, and businesses with non-natural shareholders. This is particularly useful to businesses with low overheads, input costs and/or expenses. We are simplifying the requirements here, but it provides one with a good overview. Check SARS's website for more information.

When do I need to register my business for VAT?

Generally, you *may* register for VAT if the business has made more than R50 000 in taxable supplies (think of this as turnover where certain amounts will however not be considered taxable supplies, e.g. certain financial services). Where you have exceeded, or are likely to exceed, R1mil in turnover, you *must* register for VAT. Once you exceed the R1mil in turnover you have 21 business days to register. The decision to register once you have taxable supplies of more than R50 000 in any given tax year depends on your specific circumstances. Low input cost businesses would prefer to delay until they must register while high input cost or high initial cost businesses may prefer to register earlier. Again, more information is available on SARS's website.