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CMEFS WEEKLY NEWSLETTER – FRIDAY 19/11/2021

In this edition: Old Mutual & others & the great Vax debate /More on the Covid pill/Back to the office – when? /Viruses – Did you know? /The markets

Hello everyone and welcome to this week's edition of our newsletter. Before we go into this week's news, let's see how the CMEFS Flexible fund has done for the year to date as compared to the All-Share Index (ALSI), Money Market Funds, and inflation, bringing all fees to account.

From 1 Jan to	ALSI actual return to date as %	ALSI projected annual return for the full year as %	CMEFS Flexible Fund actual return to date as %	CMEFS Flexible Fund projected annual return for the full year as %	Money Market actual return to date as %	Money Market projected annual return for the full year as %	Cost of Living Increase for the period as %
End Jan	5.04	82.90	0.55	6.95	0.21	2.52	0.34
End Feb	11.33	95.02	1.05	6.78	0.39	2.34	1.02
End Mar	11.83	47.32	1.27	5.47	0.61	2.45	1.71
End Apr	12.00	36.00	1.91	6.15	0.83	2.48	2.39
End May	12.27	29.45	1.99	5.09	1.05	2.53	2.47
End June	10.58	21.16	2.31	4.90	1.26	2.52	2.73
End Jul	14.66	25.12	3.03	5.47	1.47	2.52	3.84
End Aug	11.45	17.17	3.64	5.72	1.68	2.53	4.26
End Sep	6.90	9.20	3.76	5.25	1.91	2.54	4.52
End Oct	12.36	14.83	3.94	4.94	2.14	2.57	
18/11/2021	18.21	21.86	4.51	5.32	2.34	2.80	

Covid-19 Old Mutual &others & the great Vax debate

A snippet from an email just received from Old Mutual Life. ***Please note that what follows applies to new business only and not to existing policy holders.***

"While we respect individuals' freedom of choice, ***data has made it clear that unvaccinated individuals are approximately 20 times more likely to pass away as a result of the virus.***

From a business perspective, ***Old Mutual and the entire industry have been affected by increased claims*** so it is not a decision that we took lightly.

For this reason, ***Old Mutual has decided on loadings for unvaccinated customers until they choose to vaccinate from an effective date to be confirmed.***"

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In so far as existing unvaccinated retail life policy holders are concerned, in order to protect their book from claims that might not otherwise be made, Old Mutual are incentivizing existing clients on risk who have not been vaccinated to get themselves vaccinated by offering them a cash incentive to do so. (See below) From their perspective R11 000 000 is a drop in the ocean compared to the claims they will otherwise have to pay based on their current claims experience, so it just makes good business sense.

If you are an Old Mutual Policy Holder and you do have any further queries regarding either of the offers spoken of below, please call Andrew at our offices on 063 321 7399 as he is best placed to help you in this regard.

"**Existing retail protection customers** who are not vaccinated should be encouraged to do so. This can be done by encouraging them to enter the **Vax and Win Competition where they could win their share of R11 million!** The competition is open to all customers with at least one vaccination.

Every week one vaccinated customer wins R100 000 and 12 others win R50 000 each. A single entry provides multiple chances to win, as all entrants are automatically entered into every weekly draw until the closing date on 17 December 2021.

We have also rolled out a **concierge vaccination service** and **World Health Passport** to selected customers. The World Health Passport differs from the Government Digital Certificate as it offers:

- Validity for five years whereas the Government certificate is only valid for one year
- Worldwide acceptance with a good uptake in African countries while the Government certificate is mainly accepted within SA
- A great value-add for customers who are going to start travelling internationally again soon"

More on the Pill 

We spoke last week about the Covid-19 pill which has been shown ***to reduce the risk of hospitalization and death by up to 89%*** for those unvaccinated people in the high-risk group.

Further news in this regard is that the patent is going to be made available to SA generic pill manufacturers before year-end so they can begin manufacturing hopefully as early as January next year, but if not January, then very soon after that. So, here's hoping that we can get back to a modicum of normality early in the first half of next year rather than late in the second half. What a day that will be when the lockdown is able to be lifted entirely!

Back to the office – when?

With this virus and its various variants, nothing can be written in stone. This being said, at our end of year staff meeting held in our offices today, and not virtually, but with all precautions taken, we set a tentative date for all of us to be back at the office on 1 March next year. What an incredibly great feeling it was for all of us to be able to spend some time together, in person, as a team again. My goodness, it is now nearly 2 years on since we were last together like that. A real WOW experience of the very best sort. Roll on next year and let's get the pill spoken of above into every hospital and pharmacy ASAP!

Viruses…did you know.

Two interesting snippets out of John Mauldin's weekly newsletter I though I would share with you. Did you know…

1. That we live every day with an estimated 10 nonillion (or 10 to the 31 st power, or 10 000 000 000 000 000 000 000 000 000 000) individual viruses that exist on our planet, enough to assign one to every star in the universe 100 million times over…So every now and then I guess one of them is going to be a problem.

2. One of the four major flu viruses that circulate in humans might have gone extinct thanks to the COVID-19 pandemic. The Yamagata virus has not been detected since April 2020 anywhere in the world. Together with the Victoria virus, it used to be responsible for somewhere between 290,000 and 650,000 global deaths every year.

Some interesting dinner table talk.

The Markets:

On the back of rising inflation in SA, the SA Reserve Bank has just upped the repo rate by 0.25%.

This is NORMAL practice in an economy with rising inflation, so nothing strange about that.

Rising interest rates are however bad for both property and stock markets as they NORMALLY exert significant downward pressure on both property and share prices.

On property because raising a bond just becomes more expensive, making it harder to sell property at the price asked for before the rise in interest rates.

Interest on a R1 000 000 property at 10% equates to monthly interest payments of R8 333, and at 10.25% equates to monthly interest payments of R 8 541

To get the interest payment amount back to R8 333 (if that were all the buyer could afford and you were a desperate seller) you would need to drop your asking price from R1 000 000 to R975 609 because R975 609 X 10.25% = R8 333 per month.

On the share market as people are by nature risk averse, always seeking to maximise their risk-free returns given the opportunity to do so.

So, the moment interest rates rise, people start the process of taking some money at risk off the table and redirecting it towards safer investment havens.

With interest rates in the developed economies having been either at or near zero (in some cases even negative) for umpteen years now, there is a LOT of money that has found its way into the markets simply out of DESPERATION by investors to enjoy some sort of yield on their capital.

The MOMENT interest rates start rising, a LOT of this money is going to be pulled out of the market, which will have a dampening effect on the demand for shares.

Rising interest rates ALSO have a DIRECT impact on the profitability of the companies whose shares investors own.

This is because most companies borrow money to run their businesses, and when the cost of borrowing goes up, as it will with interest rates rising, profitability goes down, leading to investors share of profits (dividends) declining.

SOME companies however, apparently, some say as many as 20% of the companies listed on the S&P500, are only surviving BECAUSE OF being able to borrow at near zero or zero rates of interest.

Rising interest rates will therefore threaten the very survival of these companies currently know as “Zombie” (the walking dead) companies.

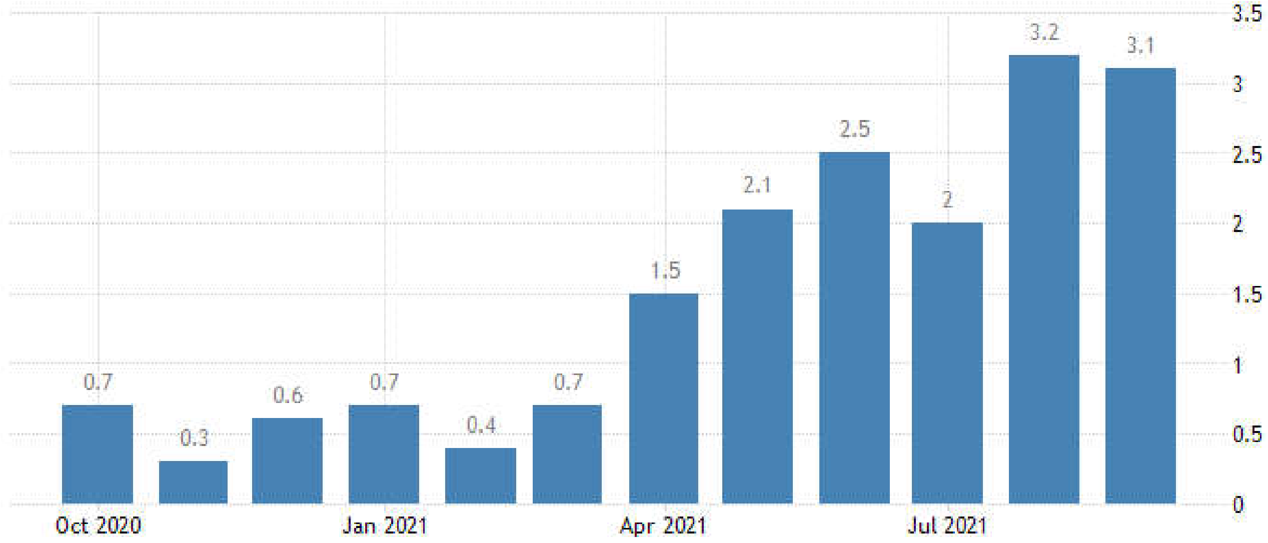
And if you own these shares and the company does go belly-up, well, you basically wave your money that you have invested in these companies’ “goodbye”.

And so it goes.

Now let us look at what is happening with inflation in some of the major developed economies over the last 12 months and let’s guess at what SHOULD happen to interest rates.

Just by the way, before we go there, it is interesting to note that without exception, all of the countries and regions shown below are denying that inflation is now a problem and that it is merely a passing phase, so they are not looking at raising interest rates. What can I say?

UK

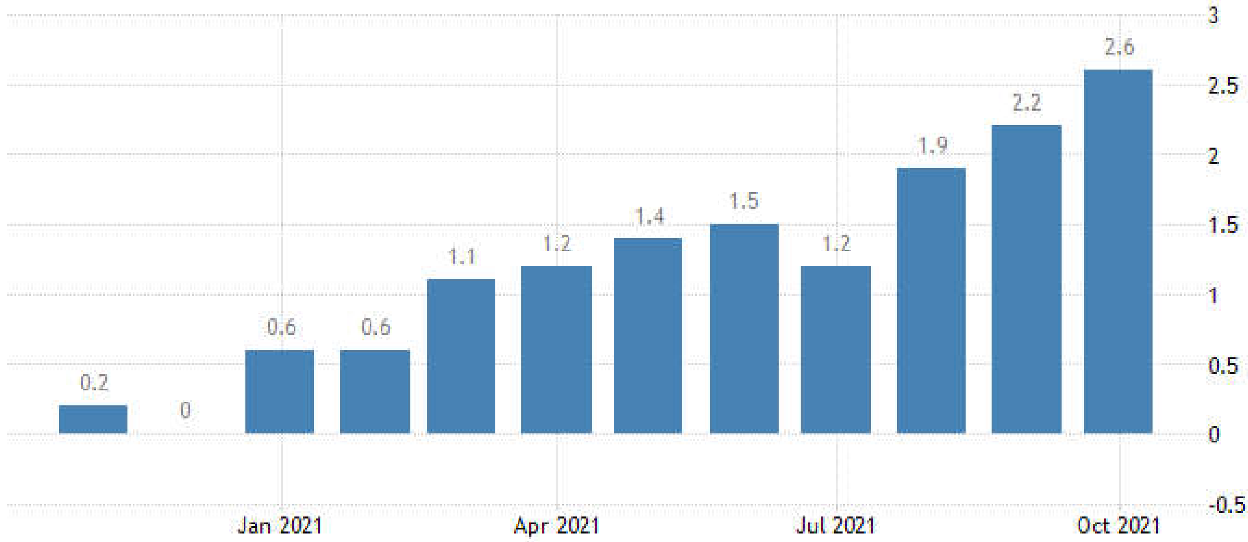


3.5
3
2.5
2
1.5
1
0.5
0
0.7
0.3
0.6
0.7
0.4
0.7
1.5
2.1
2.5
2
3.2
3.1
Oct 2020
Jan 2021
Apr 2021
Jul 2021

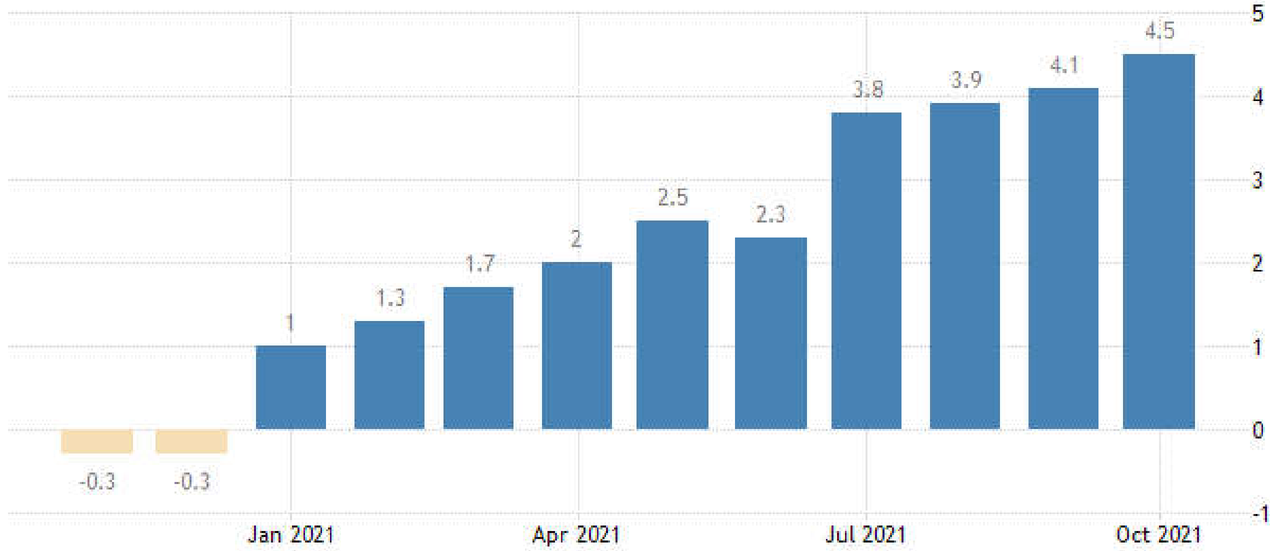
Eurozone

5
4
3
2
1
0
-1
-0.3
-0.3
0.9
0.9
1.3
1.6
2
1.9
2.2
3
3.4
4.1
Jan 2021
Apr 2021
Jul 2021
Oct 2021

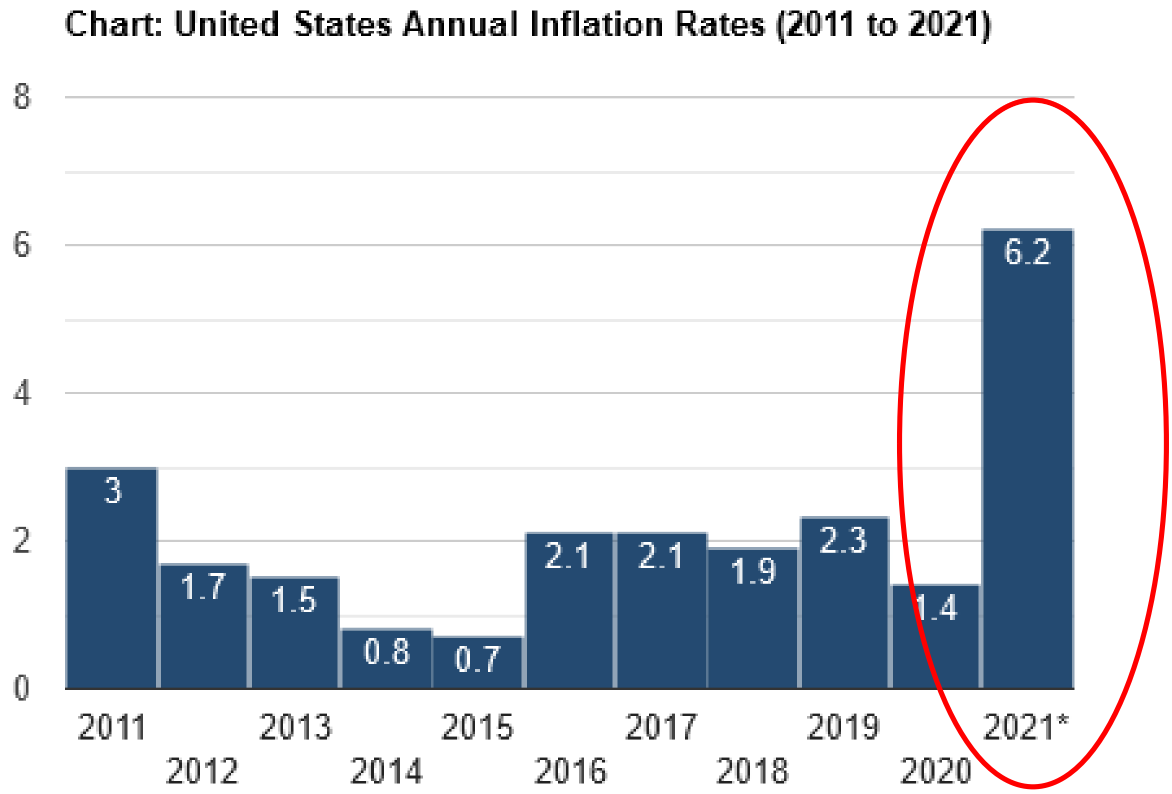
France



Germany



And finally, the great grandaddy of then all, the good old US of A.



Time to get out the umbrellas?

I remain conservatively invested. Things are not looking good. I trust you enjoyed the read. Until next time then, do take good care of yourselves. Kind regards. Nine, Charles and the team at CMEFS.