



CMEFS WEEKLY NEWS AND VIEWS NEWSLETTER – FRIDAY 10/12/2021

In this edition: It's Christmas/Thank You/ Changes Coming/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	4.77
09/12/2021	20.55	22.44	4.73	5.22	2.45	2.67	



It's Christmas!

Thank goodness Liza, the person in our offices who prepares the monthly statements we send out to our investment clients every month, reminded me that I need to keep in mind that this would be the last weekly newsletter before we close for the Christmas break.

I was so caught up in all that I still need to get done before this happens that the thought never occurred to me!

So here we are. At the end of yet another year. And Covid-19 is STILL with us! BIG UGH!

I SOOOOO look forward to whenever it will be that we see the back of this thing. We have woken up every morning for nearly two years now knowing that today might be the day that this very nasty fella might find its way into our homes. We might not talk about it every day, but the thought is there all the time. And the unseen stress that this has placed on all of us has been more telling than many of us might want to admit. And we have ALL lost someone near and dear to us prematurely to this virus. And how this virus has changed all our lives. Remember the days when you simply reached out your hand and shook someone else's without having to worry about sanitizing immediately before/after etc. Or simply giving someone a really BIG HUG without worrying if this hug is the one that will kill you, or worse still, if you have just killed the person you've just hugged. And so on. Like I said, a very big UGH! But we have prevailed and prevail we will. As resilient as it is, we are where we are after millennia simply because we are more so.

Two more things. (1) Just below this newsletter is a link to a newsletter I receive occasionally from political commentator and analyst JP Landman. They are always well researched and well worth the read. In this edition he talks about Eishkom and renewable energy. Enjoy. (2) We will be posting important information to our website, under the news and views tab, that may assist you during our annual shut-down, such as direct contact names and numbers of our staff, annuity payment dates etc. Please don't forget about it.

Thank you

Outside of the virus and the July looting, we have been through some very challenging times over the last number of years in so far as the business is concerned. But I am happy to say that the good ship lollipop has now righted itself and is now ready to set sail for real again as we move into the next few years. And for all of you who have shared this journey with us, and continue to do so, a VERY BIG, HEARTFELT and SINCERE thank you to you all for hanging in there with us. We cannot tell you just how much your ongoing loyalty and support is both appreciated and valued. Words fail.

Changes coming

None of us enjoys change. Ironic, as if change were not a constant we would not even be here, I guess. But here we are so let's get on with it.

We will be revisiting, in earnest, all our various service offerings in the new year as the burden of compliance has now grown so heavy that it is becoming/has become impossible to continue doing what we have been doing, in the way that we have been doing it, in the past.

It is simply impossible to adequately describe within the pages of this newsletter just how negatively these additional regulatory requirements have impacted on our **ability** to provide you with the various services we have up until now been providing you with.

Save to say that it has now gotten to the point where, if changes are not made, we simply will not survive. (Nor will others in this industry as they are faced with the same challenges)

It is ironic that the very regulation that is being put into place to protect you from unscrupulous operators within this industry, is on its way to shutting down your access to these very services that you need, as the burden of compliance simply makes it uneconomic to deliver the service required and comply with all this regulation at the same time.

And as a just “by the way”, the unscrupulous in this industry pay no attention to this (or any other) law anyway, so it has zero positive effect on those at who it is aimed and brings to their knees those that are required to comply with all of these additional laws just to deliver the service they were delivering anyway.

Indeed, the law of unintended consequences strikes once again.

And it is all about TIME. Whereas, to bring you on board and deliver a requisite service to you in the past might have used up an hour of our time, to do this same thing now takes not less than 5 times as long due to all the paperwork that now needs to be put in place just to comply.

So the “spare” time we had in the past to add value-add services for “free” or for “less than value received” has evaporated almost entirely, if not entirely.

For example, I recently did a costing exercise on what it costs us to bring a new medical aid client on board. Without boring you with all the details, the “pay-back” period just to recover COSTS was around 7 years on average, and then ONLY if that person remained with us for the full 7 years. (It costs us, on average, being fully compliant along the way, about R6 500 all-in to bring a new medical aid client on board. Our average actual commission received is around R76 per month. $R6\ 500/R76 = 85\text{months}/12 = 7.12$ years). Of course, after that comes all the servicing demands which costs yet more and is not included in this costing.

Like I said, compliance costs.

Please however do not think that this applies to medical aids alone as we are experiencing similar things across all other divisions and product offerings due to the increasing burden of compliance.

SARS, for example, now require that we as tax practitioners spend more and more time on work they used to do. Net result being that where it took 30 minutes to e-file a return, it can now take 1 ½ to two hours (or more) to file the same return.

Of course, we do not want to frighten anyone away, and we are going to do everything we can to absorb as many of these additional costs as possible so as to have minimum impact on you as possible in so far as our continued service offerings to you are concerned, but this being said, there is only so much we can do, so some changes will be necessary.

Please also know however that no radical overnight changes will be made. They need to be carefully thought through and equally as carefully implemented, and we need to keep you as fully informed as possible prior to any change being made, so I can assure you there is no need for panic, either now, or at any point in the future.

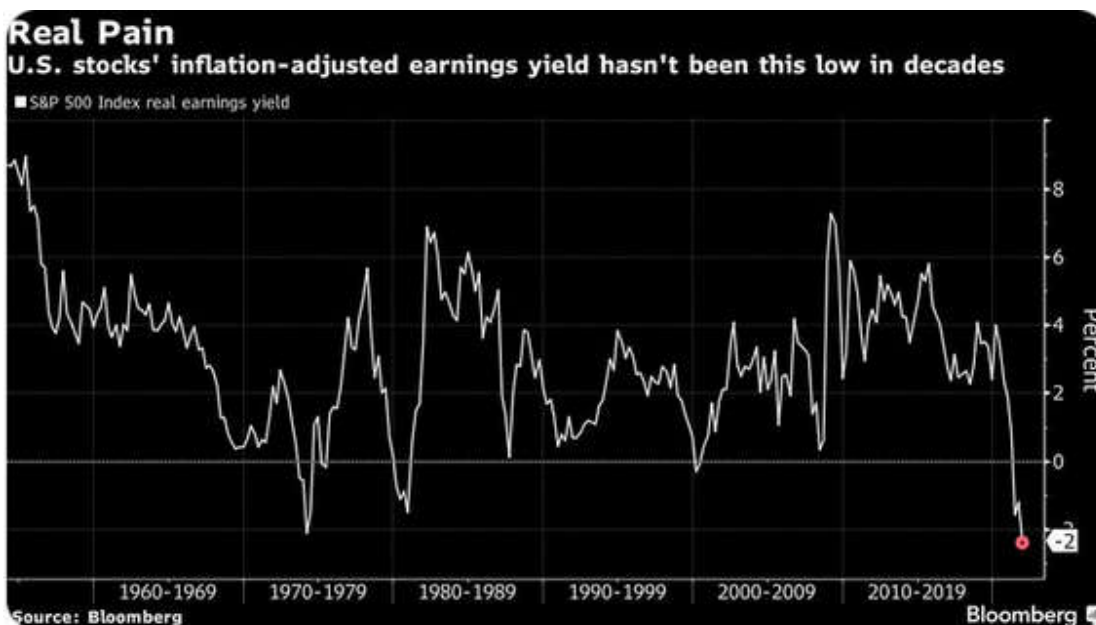
I have set aside the next three months (Jan/Feb/Mar) to give my full attention to ensuring that we have a sustainable business model, that meets both your and our expectations and budgets going forward, so I will be pretty much “out of commission” during this time other than giving my time over to completing work that I am already committed to. Please accept my apologies for any inconvenience this might cause but I can assure you it will be well worth it for all concerned once this exercise has been completed. Thank you for your understanding in advance.

The markets

I did say to you in last week's newsletter that I would talk more on what happened to interest rates, and why, over the last number of years, and the asset price inflation this has resulted in. But that was before I became aware that this was my last newsletter for the year. I am also fast running out of time in so far as getting everything done is concerned, so I will talk more about this next year rather than now. But last week if you recall you saw how valuations had risen to unsustainable (never seen before) levels as a direct result of the massive money printing exercise that has taken place over the last number of years. This by the way to remind you, is all debt that needs to be paid back, but I digress.

So, to finish off this newsletter for this week and for this year, let's look at the opposite side of the same coin this week and see what has happened to earnings yields over this same period of time.

This post appeared on the 8th December 2021, 18:54. *"The real earnings yield for the SPX (S&P500) hasn't been this deep into negative territory **since 1947**. Happened only 4 times before all of which resulted in bear markets. I mean guys, this is what you are buying right now"*



I remain conservatively invested. Wishing you much love and happiness over the festive season any may you be surrounded in and by the love of friends and family, and may the new year bring with it renewed hope, and an abundance of love, light, happiness, good health, happiness and success to you all.



Nine, Charles and the rest of the team.

Happy Christmas!