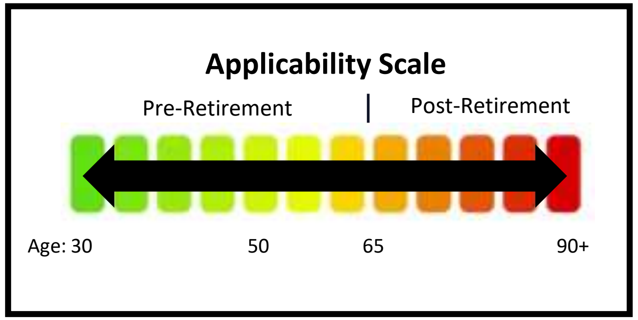


GAP MAYNARD

Personalized Investment Advice

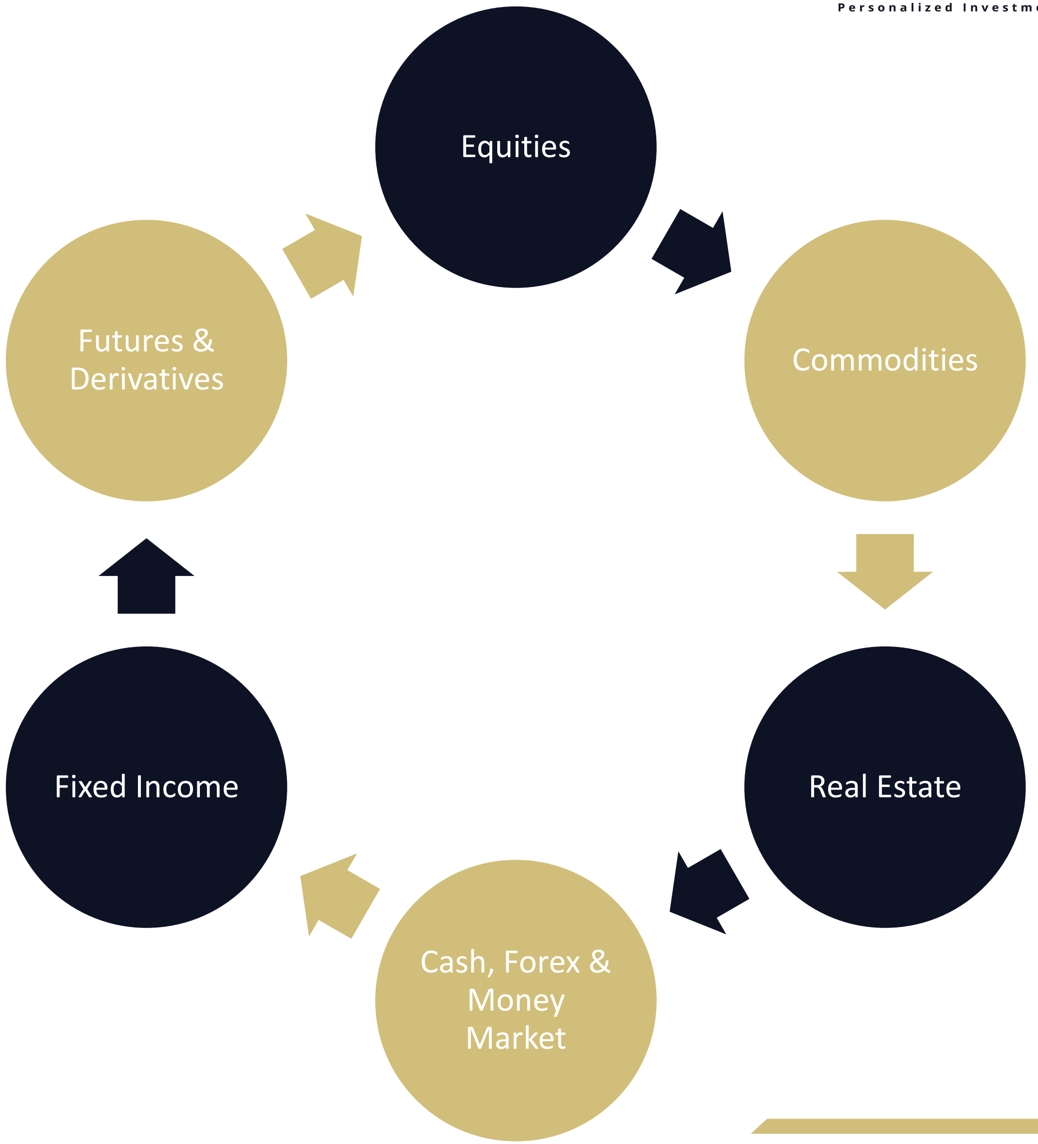
TOPIC: Asset Classes

Asset Classes

An asset class is a grouping of investments that exhibit similar characteristics and are subject to the same laws and regulations. These are made up of instruments which often behave in the same manner in the marketplace. Depending on who you speak to there are various opinions as to what constitute different asset classes, however the most common are:

1. Equities
2. Commodities
3. Real Estate
4. Cash, Forex & Money Market
5. Fixed Income
6. Futures & Derivatives

The reason investors need to understand the different asset classes has to do with the fact that different asset classes have different risk ratings. As such they are used by investment professionals to balance the risk exposure to a client's investment portfolio.



Asset Classes

GAP MAYNARD
Personalized Investment Advice

Equities	• **Equity** in the trading world refers to stock. In the accounting and corporate lending world, **equity** (or more commonly, shareholders' **equity**) refers to the amount of capital contributed by the owners or the difference between a company's total assets and its total liabilities.
Commodities	• A **commodity** is a raw material or primary agricultural product that can be bought and sold, such as copper or coffee.
Real estate	• **Real Estate** is property consisting of land or buildings or both. The two main types of **real estate** include commercial (business premises) and residential (homes).
Cash, Forex & Money Market	• **Cash** is money that is freely available to procure goods or services. **Forex** is the trading of different currencies (i.e. cash) and **money market** is short term loans between banks and other financial institutions.
Fixed income	• **Fixed Income** is an income from a pension or investment that is set at a particular figure and does not vary like a dividend or rise with the rate of inflation.
Futures & Derivatives	• A **futures** contract is a standardized legal agreement to buy or sell something at a predetermined price at a specified time in the future, between parties not known to each other. The asset transacted is usually a commodity or financial instrument. • A **derivative** is a financial security with a value that is reliant upon or derived from, an underlying asset or group of assets—a benchmark. The **derivative** itself is a contract between two or more parties, and the **derivative** derives its price from fluctuations in the underlying asset

Asset Classes

Why are Asset Classes Important:

- Understanding the different types of asset classes is important, as each behaves very differently from the others in different economic market cycles. We call this behavior "correlation", and having low levels of correlation between asset classes, when constructing a portfolio, is good.
- When we construct an investment portfolio, we try and diversify the portfolio in order to reduce risk. If one asset class is doing really badly, we need to make sure that there are other asset classes doing well. The skill comes in trying to have more good asset classes than bad ones, to ensure you maximise your returns.

- The diagram to the left is called a "Smartie Box" and shows how different investments have performed over time.
- Historically, equity has been the best performing asset class. Whether local or foreign equity, they have far outperformed any other group. However, they are also the most risky and volatile.
- The worst performing asset class, unsurprisingly, is cash. Having money in the bank or under the mattress means it is not growing.

Source: Old Mutual – Sunday Times 2019.03.31 - https://www.pressreader.com/south-africa/sunday-times-1107/20190331/282578789400614

GAP MAYNARD

Personalized Investment Advice

CONTACT DETAILS

Website: www.gapmaynard.com
Email: info@gapmaynard.com
Tel: +27 72 157 1234

DISCLAIMER