Sterling Times

May 2022 Edition

In this edition

Merchant West

Sterling Private Wealth

Introductory message from our Managing Director

By Graydon Morris, Managing Director, Sterling Private Wealth

Dear valued clients and friends

The end of the first quarter has come and gone and what a 3 months we have had.

Our thoughts are with those families in Ukraine who have lost loved ones and had their lives turned upside down. It is a truly devastating war (all wars are) and completely unprovoked. The world is in shock and the event had a big impact on global markets and economies

The extent to which this has a long-lasting impact is yet to be determined, but global inflation is spiralling, supply disruption escalating, and markets are jittery.

The Rand strength has confounded many, the beneficiary of resilient commodity prices. Believe it or not, SA markets have provided a safety net for investors during this turbulence. Long may this continue.

As always, our diversified strategies have weathered the storm well. The combination of value strategies, hedged equity and in many cases balanced equity exposure means we have held up well, Of course, those with material offshore exposure have felt the impact, but in most cases these global strategies are imperative and have been additive over many years. We expect that to continue.

Our wealth managers and their teams have worked tirelessly again to ensure all clients are well positioned and up to date in terms of planning and strategy, whether in retirement, or still in the phase leading up to ultimate retirement.

The below is an extract from our December Newsletter:

We continue to advise careful risk management and diversification, as one must always be aware of downside protection and wealth preservation. Many miss the importance of holding some cash and other diversified assets. Equities are not the only game in town.

Our business is 20 years old in June, and we are very proud of the journey we have had. With our partners at Merchant West, we look forward to the next 20 being as fulfilling, successful and meaningful, in the lives of our clients and our team, as well as our broader community.

We have included some interesting pieces in this Sterling Times.

Our first piece that we have included is from Joe Wiggins, an international behavioural economic expert. Joe highlights a few key points that investors should guard against in terms of strategy and fund selection. These are issues that our wealth managers are well versed in and spend many hours discussing.

Our second article has been kindly provided by Fundhouse, our Fund Research partners.

The article addresses the evolution of Facebook to Meta, discusses the Metaverse, the investment case and the future evolution of this business. The Metaverse is something us more mature citizens are less comfortable with but is becoming more and more mainstream for younger generations. We need to stay on top of developments.

We follow this in keeping with the technology theme, with an introduction to NFT's, non-fungible tokens, and how they are fast becoming the new art form.

Finally, we highlight the recent Budget Speech change whereby SA retirement funds can increase their offshore exposure from a maximum of 30% to 45%, and the impact this may have on portfolios.

We hope you enjoy the read.

Graydon Morris

Managing Director

Via Negativa (What Should Fund Investors Not Do?)

JoeWiggins

As fund investors we spend a great deal of time deliberating the positive steps we can take to achieve better investment results. This is undoubtedly an important endeavour, yet there is something easier and more effective that should come first – deciding what we should not be doing. .

Nassim Nicholas Taleb highlighted the benefits of a focus on eliminating errors in his book Anti-Fragile where he describes the theological idea of via negativa, which is a means of explaining God by virtue of what it is not, rather than what it is. Taleb broadened this concept to contend that it is easier and more beneficial to stop negative activities than to attempt to identify new, constructive behaviours:

"You know what is wrong with more certainty than you know anything else."

We can eliminate the mistakes that we know are damaging and costly far more easily than discovering positive behaviours that might improve our fortunes. The more complex and unpredictable the environment, the more likely this is to be true.

This is an approach that should be adopted by fund investors, who face an unfathomable array of choices and decision points. Rather than obsessing over how to define the precise allocation to the right funds at the right time – an incredibly difficult task – it would be more productive to first concentrate on the actions. Prioritise omission over commission.

So, what is it that fund investors should not do?

1) Don't buy into a fund after extreme positive performance: Abnormally strong performance on the upside is highly unlikely to persist, investing after a spell of stellar returns is a horribly asymmetric bet.

2) Don't be concentrated by fund, manager, style or asset manager: Concentration is the surest path to severe losses, it implies we know far more about the future than we actually do.

3) Don't predict short-term market movements: We cannot predict the short-term behaviour of markets or funds that invest in them. We should not make decisions that suggest that we do.

4) Don't check short-term fund performance: Short-term fund performance is typically nothing more than random noise, checking it frequently encourages poor decisions.

5) Don't use performance screens: Given that strong fund performance tends to mean revert, it is hard to think of a worse way of filtering a universe of candidate funds than by ranking on the strength of historic returns.

6) Don't keep selling underperforming funds to buy outperforming funds: A common behavioural trait which feels good at the time we do it, but compounds into a pernicious tax.

7) Don't buy thematic funds based on strong backtests: If a fund is being launched based on an in-vogue theme with a stellar backtest the chances are we are already too late.

8) Don't invest in active managers if we cannot bear long spells of poor performance: Even skilful active managers will underperform for long periods, if that is unpalatable invest in index funds.

9) Don't invest in funds if you don't understand how they make money: Investing in things we don't understand is a recipe for disaster.

10) Don't persist with an active manager when they start doing something different: A circle of competence for a manager is usually incredibly narrow, if they are venturing outside of this we should avoid them.

Each of these prohibition is attempting to do the same thing - establish a simple heuristic that is generally effective in a highly uncertain environment. Although most investors prefer to embrace positive actions, putting a stop to poor behaviour is a much easier win.

A Dive into the Metaverse

by Fundhouse

> "This is the Oasis. It's a place where the limits of reality are your own imagination. You can do anything, go anywhere." - Wade Watts, Ready Player One

Set in a dystopian world 40 years in the future, Ernst Cline's magnus opus, Ready Player One, captivated readers when it was first released as a novel in 2011 and then again eight years later when Steven Spielberg brought it to the big screen.

The story starts in the year 2045 and follows the protagonist Wade Watts as he searches for an Easter Egg hidden in a virtual reality game world called The Oasis.

In many ways, Mark Zuckerberg's vision of the metaverse closely resembles Ernest Cline's of the Oasis. If you're familiar with Spielberg or Cline's take on the Oasis, you won't be chastised for thinking that Facebook's business plan looks like a copy-paste job from the plotline of Ready Player One – the similarities are stark. And, once you've reached that realization, you may yet reach the far gloomier conclusion that the corporate strategy of one of the world's largest companies is bound in science fiction.

Indeed, the world is becoming a stranger place. Within the context of the metaverse, that strangeness starts with the definition.

The formal definition of the metaverse is a "virtual-reality space in which users can interact with a computer-generated environment and other users". However, that probably doesn't come close to what Zuckerberg, Cline or even Spielberg had in mind when considering the concept.

While the idea may seem too abstract to take seriously, consider the following.

Most people can agree that when the iPhone was first released in the 2007, not many fully appreciated the extent to which it would change daily life. In the space of 15 years, diaries, torches, calculators, iPods, standalone cameras and compasses were all made redundant by a device that fits into the palm of your hand.

Against that backdrop, it is important not to discount the metaverse as a passing fad no matter how abstract it sounds.

Maybe then, to take the concept seriously, consider the fact that your children have probably already been in the metaverse.

An example of the metaverse

One of the world's most popular games is Fortnite, which is an online multi-player video game developed by Epic Games. The game had over 350 million monthly active players and generated revenue of $ 5.1bn in 2020.

Fortnite is an incredibly popular video game. In fact, in April 2020, Epic Games announced that players spent 3.3bn hours in-game during that month alone. To put that in perspective, that's one person spending about 30 minutes a day, every day, playing Fortnite for a month!

But if people are spending so much time playing this game, what are they actually doing and why is Fortnite one example of the metaverse?

For starters, players log in to Fortnite from a PC, PlayStation or Xbox. They can then choose between two game modes – Save the World, which is a single-player game or Battle Royale, which is the more popular multi-player game.

In Battle Royale, up to 100 players are dropped onto a game map and must compete to be the last one standing by killing all the other players. While the game is running, players can collect weapons and build structures to keep safe from a storm that damages all players outside a safe zone. Players in the game can also talk to each other live through headsets.

In addition to this, you can also use the in-game currency called v-bucks to create your own skins (outfits/costumes) which has become hugely popular.

However, a big part of the reason why the game is so successful is because it allows people to interact socially with other users while gaming. In fact, the game has been such a hit that pop singers like Ariana Grande and Travis Scott have performed live concerts inside of Fortnite.

It is no wonder people are spending billions of hours in front of a screen. Fortnite offers you the ability to log in to a game, with all your friends, wearing a virtual costume you have made while listening to your favourite artist perform in the background.

With that in mind, if you can envisage your child playing Fortnite after school or on weekends, then you probably have a decent backdrop to comprehend what the metaverse looks like.

But if the idea is so popular, why is it only becoming popular now? Well, as it turns out the metaverse has been around for a lot longer than you may think.

Giving the metaverse a Second Life

For starters, the metaverse isn't the first attempt at developing a fully immersive virtual world.

In 1999, Phillip Rosedale formed Linden Labs that eventually went on to develop a user-centered digital world called Second Life. The name is quite appropriate because Second Life is an online multimedia platform that allows people to create an avatar and have a second life in an online virtual world.

In that virtual world users can explore, socialize, shop, build, create and trade virtual property with other users. In addition, Second Life has its own virtual currency called the Linden Dollar, which is tradeable for real world currency.

The idea was successful and by the end of 2017, Second Life had over 800 000 active users. And, interestingly, in 2015, users cashed out around $60m and, according to the company, Second Life had anestimated GDP of $500m.

The hype didn't stop there. In May of 2006, Second Life appeared on the cover of BusinessWeek and companies including Reebok and Dell invested in virtual stores as they braced for a new era of commerce. The platform even got a mention on the US hit comedy series 'The Office'.

But then, things started to go downhill for Second Life. Growth started to grind to a halt as users struggled to on-board into the virtual world. And, when they eventually were able to get in, they would drift around abandoned cities with empty stores. One by one, companies started to pull out and the plan to build a thriving virtual economy became another weird anecdotal piece of millennium pop culture.

However, Second Life wasn't abandoned entirely – today the platform still has thousands of active users and there is talk that the founder, Rosedale, is planning to restore the platform to its former glory following the hype that Zuckerberg has created with the metaverse.

Nonetheless, it does make one wonder whether users of the metaverse are one day destined to meander aimlessly around abandoned cities with virtual pockets full of cryptocurrency that isn't worth anything.

The Investment Case – An evolution to a revolution

Before getting too excited, we need to bring the concept of an all-encompassing, harmonious virtual world back to reality.

What most of us imagine the fully-fledged metaverse will look like is based on fictional renderings built by Facebook, Linden Labs, Ernest Cline or even Steven Spielberg. In fact, the fully-fledged metaverse today is about as real as Middle Earth.

A large part of the success of the metaverse hinges on the ability of different platforms to integrate with one another so that users can move seamlessly in and out of different virtual environments.

For instance, it doesn't help if Facebook/Meta, Google and Tencent all create their own versions of the metaverse. The concept only really works if the metaverse becomes one space for users to move between different environments.

This is a large part of the reason why the metaverse as Meta currently envisages it doesn't exist yet. Previous iterations like Second Life and even Fortnite fall short at this hurdle.

Back in October 2021 when Facebook announced that it was changing its name to Meta Platforms and Mark Zuckerberg debuted an avatar of himself that looked more like Zuckerberg than Zuckerberg looks like Zuckerberg, he also noted that the metaverse should take around 5 to 10 years to build out into a workable format. However, he also noted that it would probably be a lot longer before the company started to turn a profit from the metaverse.

To this day, we haven't seen a fully integrated version, and according to Meta, only expect profits from the virtual world in the 2030s.

It is also important to note that 'metaverse' has become a buzzword freely thrown around by would-be technologists and meme-stock investors. Naturally then, it has been confused with other hot topics in the world of big tech. For instance, you may have heard that terms 'metaverse' and 'Web3' used in the same sentence before. However, the two concepts don't actually speak to the same thing. While the metaverse refers broadly to a virtual reality world as we've described it; Web3 is a more specific topic that deals with the next generation of the internet that follows Web2.

It is easy to see why the two topics have been confused with one another given their relation to the internet but they aren't the same thing. Misconceptions like this are commonplace when it comes to talking about the metaverse, and it is important to bare that in mind when trying to understand the investment case.

Towards the end of 2021, a piece of real estate was sold in Ethereum's metaverse for $2.4m worth of cryptocurrency. The plot of land is located in a place in the metaverse called 'Decentraland' where users can buy land, visit buildings and interact with others. It is also important to understand that Decentraland doesn't exist yet and neither does the virtual land it is being built on. This raises an important point that we mentioned earlier, the metaverse is in fact a vision and not yet a reality.

The concept of the metaverse is being embraced by some of the world's largest companies, but it is going to take time to build. Don't expect to wake up tomorrow in a virtual reality game world. The metaverse is an evolution, not a revolution.

But don't lose hope in the investment case – it's definitely there. Think of the Second Life example. Essentially, the concepts of supply and demand are recreated within the metaverse – this allows companies to sell the same products in two different places.

Earlier we noted that companies like Reebok were considering opening stores in the Second Life virtual world. Essentially, if Second Life turned out to be a success you would want to wear Reebok sneakers in the real world and the metaverse, right?

The possibilities really are endless and the idea of developing a fully functioning virtual economy isn't too farfetched. But it is important to recognize that there is still a lot of development that needs to take place.

More World Building

The metaverse and the success thereof is closely linked to the convergence of two things – social media and gaming. But it's not the first time that these two things have converged. Companies like Nintendo and Epic Games successfully combined these two concepts together before the metaverse became a thing. According to Grayscale, the virtual gaming industry generates around $180bn in revenue a year and this could surpass $400bn by 2025.

But, what if the metaverse could appeal to more than just virtual gamers. If it truly does become an all-encompassing place then it doesn't matter what background anyone comes from in the real world they can live an entirely different life in the metaverse. What the metaverse is really selling is the ability to escape the current world and live in an entirely different one, where you choose to be whoever or whatever you want. That is the real investment case.

Bearing that in mind, is there any real interest from companies apart from Facebook to built out the metaverse?

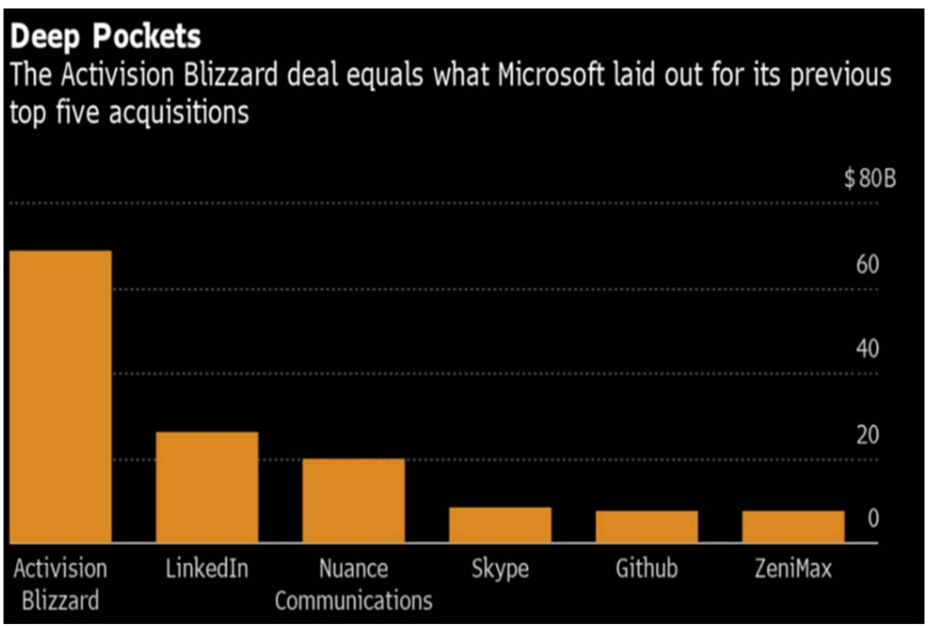
The short answer is yes.

Corporate Interest

Earlier this year, Microsoft bought Activision Blizzard for $70bn. The company owns some of the most iconic video games ever created like Call of Duty, World of Warcraft and Candy Crush. When chatting through the acquisition, Microsoft's CEO Satya Nadella was quick to mention the metaverse, and analysts generally agree this is Microsoft's first formal move geared towards establishing a profile in the metaverse.

This is also a massive transaction for Microsoft. Not only is it the company's largest deal by total value, it is worth more than its previous five largest deals combined, which includes LinkedIn and Skype.

Microsoft Activision Blizzard – Deal Value – January 2022



Source: Bloomberg.com

Another company investing in the metaverse in a slightly different way is Nvidia, the US game chip manufacturer. In a statement in January the company announced that its virtual world-building software, Omniverse would become freely available to artists and creators looking to build out parts of the metaverse.

Quite clearly, a company like Nvidia stands to benefit greatly from a world that lives inside a video game. Another US tech company that also stands to benefit from a fully-fledged metaverse is Qualcomm, the semiconductor manufacturer, which has also committed to building out the digital world. A number of other listed US companies like Unity Software, Roblox and Autodesk all have something to do with the metaverse and are keen to take advantage of the growing trend.

Below, we show the metaverse broken down into different elements and all of the companies that are involved in building it – the list is extensive.

The Metaverse Ecosystem – November 2021 - Concept

Source: Medium

Gaining exposure to the metaverse

Global equity funds that invest in companies like Microsoft or Meta have technically already bought an indirect stake in the metaverse.

In fact, most people that invest in the JSE will have already gained exposure to the metaverse through Naspers and Prosus.

As we know, Naspers/Prosus' largest investment is in the Chinese technology giant – Tencent. Tencent is also the owner of Epic Games which owns Fortnite. In addition to this, Tencent owns a host of companies that all fit into its version of the metaverse.

It is easy to see why companies view the metaverse as a massive growth opportunity. However, the first company to really take advantage of the trend was Facebook, even going so far as to change its name to Meta Platforms. So, if we really want to understand why companies find the metaverse such an attractive growth opportunity we need to understand Meta' motive.

Towards the end of last year, Baillie Gifford's Long Term Global Growth team met with Mark Zuckerberg and Meta's Chief Product Officer, Charlie Cox, to discuss the metaverse and the rationale behind it.

Reading through their summary of that meeting, it is interesting to note that the company had been clearly designing and planning its concept of the metaverse for over a decade.

Another interesting point is that focusing on the metaverse and changing its name to Meta has given the company a break from dealing with the anti-trust regulation that has plagued it over the past few years, giving it a chance to re-invent itself to a certain extent.

Overall, Baillie Gifford believes that the shift to focusing on the metaverse is indicative of the company's adaptability, but clearly it also seems like an effort to reinvent its own narrative – moving away from the scrutiny it has faced in recent years.

Virtual food for thought

Ultimately, whether it exists or not, the concept of the metaverse is here to stay and already forms an explicit part of the corporate strategy of many companies.

It is also important to note that the concept is not new, it has been around for some time and attempts to build it out have been tried before.

It seems likely that over the next decade we will see versions of the metaverse being commercialised. The key to creating value will be getting foot traffic into the world you have created. Outside of another ad-based revenue model it is hard to see the other drivers. We may start to see this when Ariana starts charging for tickets.

But who knows, the idea of having future IC meetings or meeting with an asset manager in the metaverse seems a little less farfetched today than it did a few years back!

Non-Fungible Tokens (NFT's)

NFTs are certainly gaining ground in the art world — but they're more than just a fad for the rich and tiring. They are tools every digital artist can use to sign their work and ensure it's never plagiarised — whether or not you're just starting out, determined to remain indie, or have "made it" to the mainstream and are getting pats on the back for work like a blank piece of paper you've stared at (yes, that really happened).

Here's an easy way to understand what NFTs are, how they work and why they are so darn useful.

What are NFTs?

Simply put, NFTs (Non-Fungible Tokens) are a way to prove digital ownership. Here are the top 3 things we think you should know about them, so you can use them safely and easily as an artist or art collector.

1. **They are built on blockchains.** These are distributed public ledgers that record transactions. Each NFT is stored on the blockchain with an identification code and metadata that makes it as unique as a fingerprint. In this context, "metadata" means "data about data" and is simply a bit of extra information that describes the NFT and is stored alongside it.
2. **They're an excellent way to mark digital assets and control their supply.** Whether you've created a piece of music, a digital artwork or video, "minting" it as an NFT means that you can prove ownership over it (as each NFT is distinct and traceable). Previously, digital assets were fairly easy to steal. This is huge as it means artists can't be cheated out of royalties anymore and collectors don't have to worry about investing in something that's a fake or a forgery.

   This is also an excellent way to control supply of digital content, which is key to driving up its price. Because it attributes one owner to one piece of content, even if others can see the NFT, only one person can own it.
3. **Think of them as digital receipts or signatures.** If you're a collector, NFTs can be considered the digital equivalent of the kind of receipt you'd get after you've bought something physical (like clothing or food) from your favourite store. As an artist, turning your work into an NFT is a way of adding a digital signature that can never be forged or removed.

So whether you're able to purchase limited first edition prints for large sums or starting up your collection with a piece that costs $1, working with NFTs makes sure that everybody wins. The artist is credited for their work (and are paid royalties in perpetuity), you're credited as the rightful owner, and nobody is being priced out of the market by (or losing money to) elitist intermediaries.

How NFTs work

When an artist chooses to mint their work and turn it into an NFT, they turn it into a digital collector's item.

So whether you're minting a one-of-a-kind piece of content or sharing a limited edition of 25 prints, you're able to create digital scarcity — allowing your work to gain in value. So, if you've minted a digital artwork, someone who has a copy of it they've pulled from a Google Image search may enjoy it privately but they won't be able to sell it and cut you out of the royalty chain (or claim the work as their own). Unless their copy is an NFT, it's immediately identifiable as a fake — NFTs can only have one owner at a time, and each one is unique.

Can NFTs be copied, stolen or hacked? Copied? No. Hacked? Unfortunately, yes they can. But that's only if your NFT platform suffers from slack cybersecurity measures or user accounts aren't properly protected with strong passwords.

Foreign Exposure increase in Pension Funds

Introduction

The FSCA recently published Communication 8 of 2022 confirming the increase in the foreign portfolio investment limits as set out in Regulation 28 of the Pension Funds Act No.24 of 1956.

We take a closer look at the impact thereof on retirement funds and their members. This impacts retirement annuities, preservation funds and employer sponsored funds.

Regulation 28

Section 36 (1) (bB) of the Pension Funds Act provides that the Minister of Finance may make regulations limiting the amount and the extent to which a retirement fund may invest in particular assets or in particular kinds or categories of assets, prescribing the basis on which the limit shall be determined and defining the kinds or categories of assets to which the limit applies.

Currently, these limitations are set out in Regulation 28. The main purpose of Regulation 28 is to mitigate excessive concentration risk to member savings and to ensure protection by limiting the extent to which retirement funds may invest in a particular asset or asset classes.

This is echoed in the preamble to Regulation 28 which clearly states that "*a fund has a fiduciary duty to act in the best interest of its members whose benefits depend on the responsible management of fund assets... This duty supports the adoption of a responsible investment approach to deploying capital into markets that will earn adequate risk adjusted returns suitable for the fund's specific member profile, liquidity needs and liabilities*."

The Change

Regulation 28 (3) (i) states that the aggregate exposure to foreign assets must not exceed the maximum allowable amount that a fund may invest in foreign assets as determined by the South African Reserve Bank ("SARB"), or such other amount as may be prescribed.

On 23 February 2022, following the 2022 Budget announcement by the Minister of Finance, the SARB issued Exchange Control Circular No. 10/2022, indicating that the foreign investment limits of 30 per cent and 40 per cent respectively - as well as the African allowance of 10 per cent – applicable to institutional investors (*for example, retirement funds, long-term insurers and CIS managers)* have been combined into a single limit of 45 per cent of total retail assets under management.

Consequently, on 18 March 2022, the FSCA published Communication 8 of 2022 which confirmed the increase in foreign investment limits as set out in the SARB Exchange Control Circular 10/2022.

In a recent Citywire article, the MacroSolutions team within the Old Mutual Investment Group has established that the optimal offshore allocation for a local high equity mandate is 35%. (pictured).

This is based on extensive modelling, using asset class performance data going back 50 years.

'Using this data, we modelled a host of portfolios through time, systematically looking at what different allocations could be used,' Desai said during a webinar hosted by Batseta. 'We then assessed hit rates – how often the required return of the portfolios is achieved – as well the risk metrics of the portfolios, and, for more conservative funds, the capital preservation hit rate.'

MacroSolutions then looked through the top 2% to 3% of portfolios that would have historically delivered the required outcomes, to see which asset allocations worked.

'This is a more manual approach, but we ideally want to avoid a mechanistic optimisation approach. Those tend to target corner solutions that often throw up odd results because of some peculiarity of history that pushes that particular portfolio.'

The result of this process was the below strategic asset allocation:

ASSET CLASS	LONG TERM ALLOCATION
SA Equity	40.0%
SA Listed Property	2.5%
SA Bonds	15.0%
SA Cash	5.0%
Offshore Equity	25.0%
Offshore Property	2.5%
Offshore Bonds	7.5%
Offshore Cash	0.0%
Gold	2.5%
Total	**100.0%**
Total Equity	65.0%
Total Growth	70.0%
Total Bonds	22.5%
Total Offshore	35.0%

Source: Old Mutual Investment Group (MacroSolutions).

‘This is the allocation that would have the best chance of meeting our return and risk objectives if we knew nothing else about valuations or the investment environment,’ Desai said. ‘Even though global exposure can now go up to 45%, this optimal exposure sits at around 35%. We’ve found that going beyond 35% compromised the risk-return characteristics.’

This is primarily because of the influence of the currency.

Firstly, the volatility of the rand means that funds with a capital preservation mandate, cannot be over-exposed to international assets.

‘An often-overlooked point is that you can only preserve capital in one currency. If you are trying to invest with a protection level in mind, that level must be expressed in a particular currency. As soon as you invest in a different currency, you are now exposed to those currency swings, which can be quite substantial.’

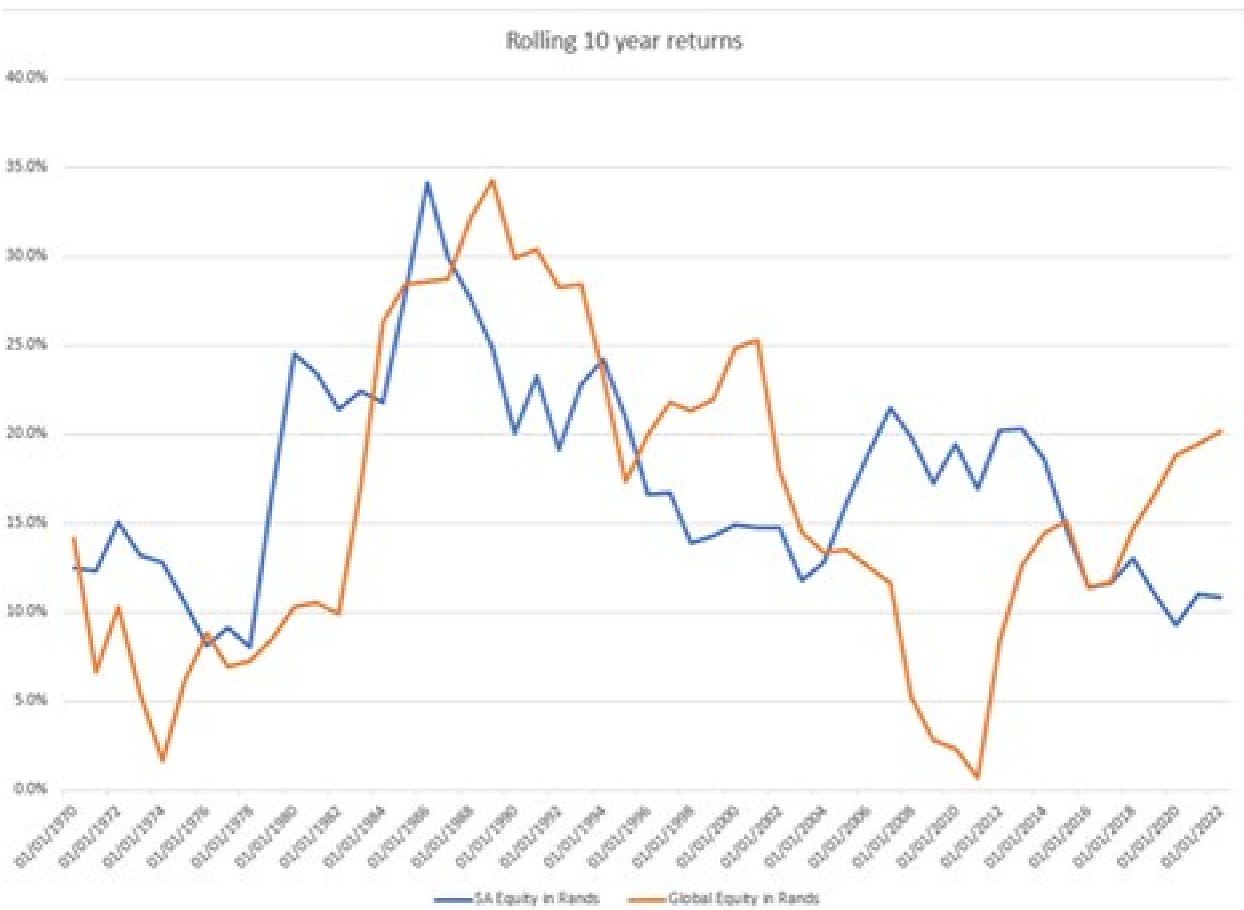
‘It’s partly because of this that we’ve found that, in the more conservative portfolios, the optimum global allocation is much lower even than the 30% we were previously allowed.’

Secondly, the rand is such a significant contributor to global asset class returns for a local investor, that the volatility introduced by larger offshore allocations substantially increases the risk of asset allocation errors.

This is illustrated in the two graphs below.

The first shows the returns of South African equity in rands against the returns from global equity in rands also over the past five decades.

The second, compares the return of local equity in rands again, but now against the return of global equity in dollars.



Source: Old Mutual Investment Group (MacroSolutions).

This shows how the rand has boosted global equity returns for South African investors, but has also made them significantly more volatile.

‘Being able to allocate a larger proportion of assets globally definitely increases the flexibility that our portfolios have,’ Desai said. ‘But the volatility created by the currency can also make this more rope with which to hang ourselves through a bad asset allocation decision.’