

## Who is your pilot?

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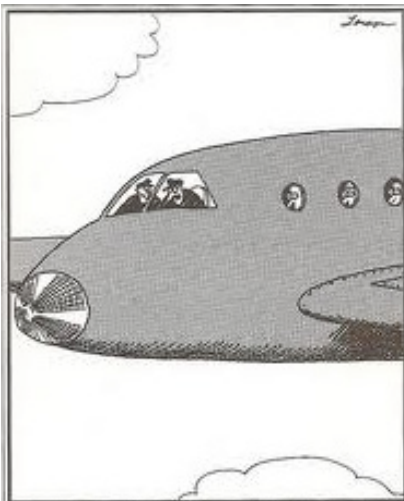
The disappearance of Malaysian Airlines flight MH370 left the aviation industry baffled and authorities without answers. The incident prompted the analogy of a pilot and aeroplane to describe the various roles during the investment and advisory process.

Bear with the example for a moment. A particular version proposed that an aircraft is being flown and guided by the asset or investment manager, the client being the passenger, while the advisor performs the role of a steward. This could lead to an interesting discussion, because sometimes we might get the roles mixed up.

Let's look at a variation on the same theme. When we examine the investment and decision-making process, we find that if someone would consult an investment advisor, the advisor will make a proposal based on specific needs and personal goals – you could say a flight plan with well-defined waypoints. Typically it is up to the advisor to review and monitor any progress in order to make sure the client or investor achieves his or her goals. In other words, would you arrive at your destination?

So when we go back to the initial version of this aircraft analogy, we could make the argument that advisors are more like control towers and clients (being their own pilots), should control and understand the aircraft or investment vehicle. Provided the aircraft is well maintained and there is enough fuel, it will usually reach its destination; however, statistics apparently pointed out that most aviation accidents happen due to pilot error, or misjudgement.

So to make the latter version more relevant to us, an investor could potentially make rash decisions during short-term market volatility, even though the investment portfolio is well constructed to weather a storm; e.g. a down-ward financial cycle. In this instance it is the control tower (or advisor) that assists the pilot (being the client) when there is no visibility and guides the plane to safety. By this we would also like to caution clients that we had great investment returns the last few



“The fuel light is on, Frank! We're all going to die! ... We're all going to die! ... Wait, wait... Oh, my mistake – it's the intercom light.”

years and you need to expect some turbulence. Fasten your seat belts!

In closing I would like to add that the challenge for many clients are always to make sure they talk to the right tower. Unfortunately our analogy can only go so far... as for the advisors, there are usually two types: those who don't know they don't know and those who know when they don't know. Which one would you like to talk to?

### KLM Flight 4805

The fatal collision between two Boeing 747s, occurred on Sunday, March 27 1977 on one of the Canary Islands. With a total of 583 fatalities, the crash remains the deadliest accident in aviation history. The irony was that the accident happened on one of Tenerife airport's runways.

On that day, the fog was so thick that neither aircraft, nor the controller in the tower could see the runway or the two 747s. As the airport did not have ground radar, the only means for the controller to identify the aircraft's location was via voice reports over the two-way radio. The investigation revealed that the primary cause of the accident was that Captain Veldhuyzen van Zanten of the KLM flight authorised takeoff without clearance from Air Traffic Control (ATC).

The accident had a lasting influence, particularly in the area of communication. Increased emphasis was placed on standardized phraseology in ATC communication. As part of these changes, the word *takeoff* was removed from general usage. Also, less experienced flight crew members were encouraged to challenge their captains and captains were instructed to consider all decisions in light of the crew's concerns.

We shall agree that aviation accidents may have many causes, but in this case the lesson learnt (interestingly I might add) was very basic communication. We hope that we encourage and foster good and constructive communication between us and our clients. We would like to hear your feedback.

### Jurie Gouwsventer



Afracin would like to welcome Jurie as a non-executive director. Jurie is also a Finsolnet associate and both our practices have grown closer together over the years. Jurie was instrumental in bringing the Finsolnet association together; a select group of nation-wide independent advisors who Skottie and

Leon are both members of.

Jurie started his career as a clinical psychologist in 1986. He then moved to Old Mutual, initially as a personnel consultant. While there, he enrolled for his MBA at the University of Stellenbosch Graduate School of Business and joined Old Mutual's investment division. He left the company at the end of 1993 as a senior investment fund manager to start his own financial planning firm called Mindfulmoney. His training as a clinical psychologist combined with extensive experience in the field of personal finance, enables Jurie to offer a unique blend of personal financial coaching.

### Mariette Scholtz

As part of our growth plans and support requirements we have appointed a permanent full-time assistant to help Nanda in the office. Mariette is an energetic person and we expect great things from her. She attended High School in Stellenbosch and lived 17 years in Pretoria before they moved to George and later to Paarl. She and her husband have 3 children who excel at sport.

