**From left to right:** Marinus Louw, Sam White, Molefi Mokheti, Grant Rossiter (FNB Securities, Regional Manager), Zviko Manyumwa, Jamie Roseveare, Richard Levesque (FNB Securities, Portfolio Manager)

The recent Berkshire Hathaway Inc. AGM saw legendary chairman Warren Buffet, aka *the Oracle of Omaha*, reaffirm his sage investment advice: *"buy a low-cost S&P 500 index fund instead."* Commencing Jan. 2008, a 10-year million-dollar bet was made: The Vanguard S&P 500 index fund against a portfolio of five hedge funds. Warren Buffet versus Protégé Partners. As of Dec. 2015, the index has outperformed the basket of hedge funds 65.7 percent to 21.9 percent (proceeds will go to charity).

This expensive experiment is no less relevant for the far less expensive trading experiment we held with our very own *International Finance postgrads*. Six teams went head-to-head in a live **FNB Securities** trading simulator. *The game*: US$ 100 000 to invest in real-time foreign exchange and global stock markets. The team with the highest return over 3 months wins. *The prize*: each winning team member receives an **FNB Securities** stock broking account at zero cost plus R 1 000 worth of FirstRand shares. *The objective*: test our economic theory in the real world, understand international macro-developments, and encourage an investment mind-set.

As if to test us, a tumultuous global economic environment set the stage this semester: monetary policy uncertainty, exchange rate volatility, Brexit, the China slowdown, and the oil price have all left macro-theorists scratching their heads. But excessive market volatility creates opportunity. By the end of February two teams saw portfolio returns of 17% and 12%. A strategy geared toward high risk and high trading volumes (over 175 trades) seemed to pay-off. Another team, however, bought stock in 13 large companies, held their nerve, held their position and ended with a 14.1% return in 3 months. We had our own Buffet vs. Protégé Partners. And like Buffet, prudence pays. Here's Zviko, the winning team's representative:

> *They say "buy low and sell high". It seems to be fictitious but it worked. Our approach was so simple: we traded stocks only and on those which were on the trough. We knew time would only improve undervalued stocks like Coca Cola, McDonalds, Abbott Laboratories, Wells Fargo, Bank of America and Berkshire Hathaway. We used trend analysis and traded the stocks we were optimistic would rise. A bit of following international news for shocks on the stock prices of giant companies like McDonalds helped too. For example, if client complaints were the source of a drop in share price, it was obviously not going to be low for long. With this strategy we saw the value of our portfolio rise and give us a good US$ 14k.*

I trust that all of us will build from these prudent investment approaches and begin a successful journey of wealth creation.

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