



THE PAIN VS GAIN FUNCTION

Investing can feel scary when prices go up and down a lot. Many people watch their money drop even a little and get worried—they sell quickly to stop the "pain." But here's the big truth - short-term market ups and downs are normal, and trying to avoid them can result in missing out on potential much bigger long-term wins. The Pain vs gain trade-off is simple. There is no right or wrong level

How much short-term PAIN (loss) can you tolerate for a potential long-term GAIN?

- Conservative investors can tolerate very little pain (losses) and are willing to give up the potential long-term benefits (gain function) while
- Aggressive investors that have a high pain tolerance and can tolerate long periods of pain (losses) can benefit from a big potential gain.

1.1 Look at an Example

Below is the Aggressive (xAI Global Equity Strategy) vs Conservative (SATRIX TRACI) strategy over 6 months and 3 years

- In the short term (6 months) the conservative strategy is a clear winner with best returns (Gain) and extremely low losses (Pain)

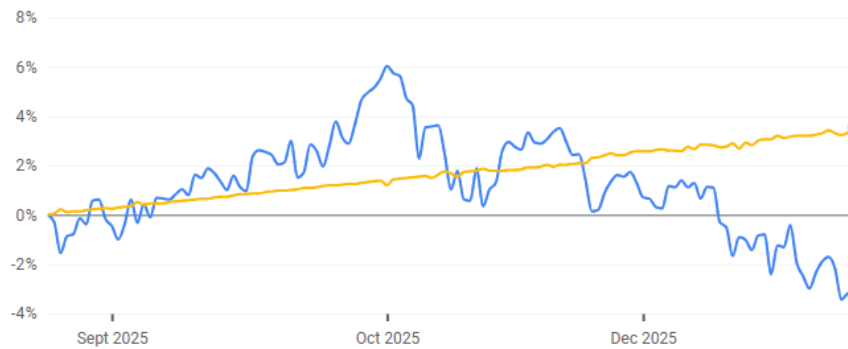


xAI Global Equity Strategy

R134,281.50 ↓3.07% -4,253.00 6 M

17 Feb, 12:46:39 UTC+2 · ZAR · Disclaimer

1 D 5 D 1 M 6 M YTD 1 Y 5 Y MAX



xAI Global Equity S...	R134,281.50	-R4,253.00	↓3.07%
Satrix TRACI 3 Mon...	ZAC 3,819.00	+ZAC 130.00	↑3.52%

- Over a longer period (3 years) the aggressive strategy is the clear winner with much **BETTER RETURNS (GAIN) EVEN THOUGH THE INVESTORS HAD PERIODS OF SIGNIFICANT LOSSES (PAIN)**. Investors that had a high pain tolerance that did not invest into this growth strategy would be significantly worse off.

xAI Global Equity Strategy

R134,281.50 ↑88.89% +63,193.00 5 Y

17 Feb, 12:46:39 UTC+2 · ZAR · Disclaimer

1 D 5 D 1 M 6 M YTD 1 Y 5 Y MAX



xAI Global Equity S...	R134,281.50	+R63,193.00	↑88.89%
Satrix TRACI 3 Mon...	ZAC 3,819.00	+ZAC 763.00	↑24.97%

Authorised FSP 55173

e: info@digiwealth.co.za | www.digiwealth.co.za

a: 13 Belvedere Street, Durbanville, Cape Town, South Africa, 7551

+ (27) 82 759 2318 | t: + (27) 21 975 2535



1.2 A Picture of How Markets Really Work

Markets tend to go up over long periods, but with lots of bumps (losses) along the way. An aggressive investment strategy (xAI Global Equity) demonstrates this

xAI Global Equity Strategy

R135,510.00 ↑ 90.78% +64,480.50 5 Y

9 Feb, 09:12:36 UTC+2 · ZAR · Disclaimer

1 D 5 D 1 M 6 M YTD 1 Y 5 Y MAX



Over 5 years, it grew from around R 70 000 to R 135 000 —that's almost +90% gain (almost doubling your money) - This is the **GAIN** function. During shorter periods, it lost money (**PAIN** function). For example, it showed big losses for 6 months in 2022 and again in 2025. **It's extremely difficult to consistently time the markets so you need to be invested during the PAIN periods to benefit from the potential GAINS.**

Compared to safer options like SATRIX SA Bond (moderate) or SATRIX TRACI (conservative). Investors felt much less painful short-term (smaller drops), but over 5 years they only grew 20-25%—way less than the aggressive one. (Gain) function

1.3 "What is your pain tolerance?"

- If you can't stand seeing your money, drop 20-30% temporarily (Pain Function), you should choose a safer conservative or moderate strategy but be aware that the potential gain will most likely be much smaller over time (Gain Function)
- If you can tolerate seeing your money, drop 20-30% temporarily (Low pain), you should choose a more aggressive option with potentially bigger gains over time (Gain)

Authorised FSP 55173

e: info@digiwealth.co.za | www.digiwealth.co.za

a: 13 Belvedere Street, Durbanville, Cape Town, South Africa, 7551

+ (27) 82 759 2318 | t: + (27) 21 975 2535



1.4 How to Make It Work for You

1. What is your goal: Is this money for next year (need safe) or 10+ years (can handle ups and downs)? Use the Digiwealth or any other risk profiling tool to give you a better idea
2. Pick the right level: Safe feels easy now but grows slowly. Aggressive hurts more short-term but can build real long-term wealth. **Clearly understand your PAIN vs. GAIN Function and invest accordingly.**
3. Stay invested: Don't check every day and don't get caught up in market hysteria. When you feel fearful, remember this pain vs gain function
4. Empower yourself with knowledge and do not rely solely on your advisor
5. Not taking on enough risk (low pain & gain) could be as bad for your future as taking on too much risk (high pain & gain)
6. Remember: Past results don't guarantee the future, and all investing has some risk.

By understanding this Pain vs Gain idea, you can invest smarter, avoid emotional mistakes, and let time work for you. Invest. Grow. Thrive.

For more information contact: Windall Bekker

e: windall@digiwealth.co.za | www.digiwealth.co.za

c: + (27) 72 191 0492 | **t:** + (27) 21 975 2535

Authorised FSP 55173

e: info@digiwealth.co.za | www.digiwealth.co.za

a: 13 Belvedere Street, Durbanville, Cape Town, South Africa, 7551
+ (27) 82 759 2318 | t: + (27) 21 975 2535