



NEWS

AFTER A MARKET CRASH

HOW FAR CAN IT GO?

In January this year, we wrote about the current levels of the stock market and whether the recovery of the JSE would continue. In line with this theme, we focus on the excellent recovery of the market since then and its prospects for further growth.

Stock market recoveries often continue for four to five years after a major crash. If we assume that the start of the recovery was in September 2008, this recovery could last until September 2012 – 2013. There are factors that mitigate against such a sustained period of growth i.e. the market is starting to approach higher valuation levels and is moving above its long term average price. It can certainly become more expensive from here but every increase from these levels reduces the chances of further growth. This means we are starting to exercise greater caution than normal with new investment decisions.

Existing investors

If you are already invested in the correct portfolio, we would not switch your money out of the markets now. The market could continue growing for another few years and we feel it would be irresponsible to miss out on this potential growth. In addition, the bulk of your growth from stock markets comes from dividend income which is re-invested over time. By switching out of the market, we would prevent you from earning these dividends. It is worth remembering that the portfolios we recommend to you are designed to protect you from the extremes of the stock market. This means that you will not participate fully in the market drops and you should have a faster recovery. As the last few years have shown us, if you remain invested, your portfolio will drop when the market drops but it does recover its losses quite quickly.

New investors

For people with new money to invest in the markets, we recommend that they phase this money into their investments over the next 6 to 12 months. This is the best way for us to ensure that new capital is protected from a big drop in the early days of the investment. If the market does continue to rise, you will participate in some of this growth as your capital phases in. We anticipate that you should have sufficient growth from interest and capital appreciation to provide good downside protection in the event of a market drop after the first year. Predictions are never reliable

As we have said before, the only certainty about stock market predictions is that you are guaranteed to be precisely wrong. When the stock markets become expensive, our best strategy is to ensure that your portfolio is correctly structured to deal with any potential market drops. It is important to remember that your investments will recover again and reward your patience. History has shown that investors who ride out the market drops tend to have better growth than those who try to time the markets. The stock market often moves very quickly and it is impossible to predict when it will change course. As an example, the market jumped nearly 4% in October and if you missed out on this growth, it is likely to have a long term impact on your performance.

Health news - YOU NEED TO DISCONNECT

TOO MUCH EMAIL AND PHONE CONNECTIVITY IS BAD FOR YOU

In this age of maximum connectivity, it is possible for us to remain connected to our friends, colleagues and clients 24 hours a day, every day. This constant stimulation of the brain might

make you feel more productive but it is detrimental to your long term productivity and reduces your ability to learn.

Constant connectivity via email, sms, cell phone and internet prevents our brain from relaxing and learning from the day's experiences. According to Dr F Loren of the University of California's physiology department, "downtime lets the brain go over experiences it's had, solidify them and turn them into long term memories". This is intrinsic to the brain's ability to learn and if we remain in a constant state of stimulation, the brain cannot switch off. To make matters worse, if the stimulation places us under emotional pressure (stress) the body releases cortisol, which has a toxic effect on the brain. Constant stress is known to cause depression, a condition which affects many. Those who operate under constant stimulation often suffer from profound restlessness and a permanent state of exhaustion – these are prime conditions for "burn out" or breakdowns.

Nicholas Carr (a well respected author on these topics) believes that the internet may be reducing our ability to read and think deeply. He says, "Google is making us stupid" because "our brains change themselves according to our experiences". By constantly flooding our brains with superficial bits of information, we are "reprogramming" them to think less. Parents of connected teenagers can attest to the fact that these children have a broad base of knowledge with limited depth. Online information sources like Wikipedia are often viewed as suitable replacements for in-depth research and understanding of topics. In short, we are being trained and stimulated to think and act in sound bites.

In order to prevent ourselves from falling deeper into this quagmire, experts suggest that we change our daily routines. Take time every day to be in a quiet, unconnected space e.g. walking or exercising in natural environments – gyms with TV and music are not ideal. In addition, take control of your mobile devices by ensuring that you don't receive emails 24 hours a day. Try switching your phone off on weekends and spend time with yourself and your family without your cell phone. Taking these steps will actually improve your productivity and give you time to rest properly.

The information for this article was sourced from the Business Day Health News.

SHORT TERM INSURANCE

AARTO –What it means to you

By: Paul Rushforth

Through our interaction with our clients we have realised that not many people are aware that AARTO and all its associated regulations – excluding demerit points – has been implemented in both the Johannesburg and Pretoria areas and is being enforced by both the JMPD and TMPD. I would like to draw your attention to one particular section of the new act as it relates to reporting of accidents; in terms of Section 61(1)(f) if you fail to report an accident in which someone was killed or injured, and give your full particulars, within 24 hours you will be liable to a fine of R1,000.00 and 3 demerit points. Whilst the act clearly states this only applies where someone was injured or killed we recently had a client who went to report an incident where their vehicle was damaged while parked and the fine was applied as it was more than 24 hours since the "accident" occurred even though there were no injuries. In light of this we recommend that all accidents no matter how minor are reported within 24 hours to avoid any unnecessary inconvenience and expense, remember it is a requirement of most insurers that accidents are reported to the authorities as soon as reasonably possible which is generally interpreted to be 24 hours in any case. So by reporting within 24 hours you will be ensuring that you do not run foul of either AARTO or your insurer. Should you be interested in reading more on AARTO you can visit the website www.aartosa.co.za.

GALILEO NEWS

OUR CEO IS APPOINTED TO THE BOARD OF AFGRI LTD

We are very pleased to announce that Theo Vorster has been appointed as a Non-Executive Director of listed company, Afgri. What makes this most noteworthy is that Theo is representing Agri Sizwe who are Afgri's empowerment partners. This is a wonderful compliment to Theo as it shows how much regard they have for him that they would appoint him to represent their interests. His role as a Non-Executive Director will not affect his day job at Galileo Capital where he is still our CEO.

PLEASE PASS THIS ON

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If you would like us to add someone's name to our monthly newsletter list please email us at: info@galileocapital.co.za

OUR SERVICES

WEALTH MANAGEMENT

We offer our clients dedicated Wealth Management and Retirement Planning services. We focus on clients who have a minimum of R1 million to invest with us either in retirement funds or in discretionary assets such as shares, unit trusts or overseas investments. We are an independent advice-based practice, which means we are not tied to a specific product supplier. This allows us to offer objective independent advice. We use world-class financial planning solutions that allow our excellent financial planning staff to provide our clients with optimal solutions.

CORPORATE ADVISORY SERVICES

The focus of this division is on developing and maintaining best practice in:

- Risk Management Analysis
- Balance Sheet Management
- Corporate Finance Advice

SHORT TERM INSURANCE BROKING

We provide full domestic and commercial short term insurance solutions as well as specialized commercial risk solutions. This means that we provide insurance broking services for companies and private individuals. We arrange insurance cover for buildings, vehicles, business risks, household contents etc.

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