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Monthly Newsletter – August 2012

By way of introduction ...

Welcome to our latest newsletter – we hope you like the new format! We've taken a few months to rethink it and develop some new content after receiving some valuable feedback from you.

As a group of companies, Galileo continues to flourish despite the difficult economic conditions, and that's thanks to your valuable support. In fact, in the last year we've more than doubled our staff complement as we strive to improve our service levels and expand the range of services we offer.

Watch this space – we have some exciting new developments in the pipeline.

And, of course, feel free to forward this newsletter to your friends and family and contact us if you have any questions or feedback to offer.

Theo Vorster and Warren Ingram

Destination: Magical Prague

Most of us, when we think of Europe, think of France, Spain, Italy and Germany – very few venture further east. But right in the middle of Europe, just east of Germany, sits the Czech Republic and its capital city, Prague, a huge city that has served as the capital of the historic region of Bohemia for centuries, and which is widely regarded as one of Europe's most beautiful cities.

Prague is a magical place of castles, bridges, gold-tipped towers and church domes, and has an ancient past, spanning more than ten centuries. Swans colonise the Vltava River, and miraculously, the city was mostly undamaged by WWII, leaving its cobbled lanes, walled courtyards, cathedrals and myriad church spires gloriously intact, and still watched over by a majestic ninth century castle.

It's also a thriving modern city that is home to about 1.2-million people, and offers much in the way of music, cultural art, fine dining and special events.

There are a number of must-sees in Prague: Prague Castle, the biggest ancient castle in the world. Also, St. Vitus Cathedral, the Castle Picture Gallery, several palaces and museums and the beautiful Royal Garden, among others. You can also watch the Presidential Guard, and the changeover of the guards on duty on the hour.

Charles Bridge, the Astronomical Clock, the pure Gothic Týn Church, the mural-covered Storch building, and the Jan Hus monument should also be on your list, as should the Estate Theatre, a neoclassical theatre where Mozart's opera, *Don Giovanni*, was first performed. The historic Jewish ghetto of Josefov is interesting for its well-preserved synagogues.

And that's just for starters.

Travel advisory

- Ruzyně International Airport is 20km northwest of the city centre, about 30 minutes by car.
- Public transportation is very convenient in most of the areas visitors are likely to frequent, but public transport buses don't enter historic districts to prevent air and noise pollution. One must transfer to a cleaner and quieter electric-powered tram or metro before reaching historic areas.
- Prague is renowned as a very 'walkable' city, but in the older areas almost all of the streets are cobbled, so it can be difficult for disabled or elderly travellers to get around effectively. Also be aware that drivers are not as likely to yield to pedestrians as they are in other European cities.
- Prague's currency is the Czech koruna.

Anti-ageing: Activity = Longevity

You can slap as many lotions and potions on your face as you want to and swallow handfuls of supplements, but new research shows that people who exercise regularly tend to stay healthier as they age – it's all happening at cellular level.

German researchers compared the cells of elite runners with those of a group of couch potatoes and found that the runners had cells that looked much younger under a microscope. This relative youth was measured in the length of their telomeres, which is the DNA on either end of your thread-like chromosomes.

Just as those plastic tips on the ends of your shoelaces keep them from fraying, telomeres protect the chromosomes that carry genes during cell division. Each time a cell divides, the telomeres shorten. When they get too short, the cells can no longer divide and they die.

Researchers now believe that telomere shortening is critical to ageing, making people more vulnerable to diseases such as heart disease, diabetes, and cancer. When you exercise regularly, however, the authors of this study believe that you produce more telomere-stabilising proteins, and these protect against cell death.

The message is clear – if you want to live longer, you've got to get up and move on a regular basis. And not just from the couch to the fridge.

The month that was... July

The JSE finished the month at a new high, despite an abundance of negative economic news, especially out of Europe. This growth achieved by shares and bonds contributed to investors experiencing a very good three months, proving that when it comes to long-term investments and building a portfolio, there's a clear difference between what's reported in the media and what happens in financial markets.

Over long periods (12 months, five and 10 years) investment portfolios have outperformed inflation in all categories. This shows that conservative, balanced and growth portfolios both protect capital against inflation and show real growth above inflation.

Which brings us to a tragic investment story that played itself out over the past weeks – that of Herman Pretorius and the Relative Value Arbitrage Fund (RVAF), reportedly worth up to R1.8-billion from 3 000 investors. Apart from the tragic shooting of both Pretorius and his former partner, Julian Williams, it now also looks as if there aren't enough funds to reimburse the investors. The question is really whether any of us should be surprised by this.

Two lessons are to be learned from the RVAF debacle. Firstly, the promised return of more than 15% made by RVAF was unrealistic, so there always was a significant risk in investing. Secondly, a mixture of blind greed and wilful ignorance means that people make stupid, irrational decisions.

The Reserve Bank also decided – against expectations – to lower interest rates in July, with implications for both investors and debtors. For debtors it's important to use this saving in interest in order to get rid of debt faster. But for investors – who make their money from interest, this is not good news and the temptation is to fall for far-fetched promises, which can eventually lead to the permanent loss of capital.

Forecasts and unrealistic promises hold great dangers for wealth planning and investment management alike, but the underlying principles remain the same. Focus on what you know for sure and not on what you've been told will happen – it's impossible to predict how markets will behave.

And follow the golden rule – plan and then execute your plan with discipline and focus. An investor who plans rationally and with good judgment will always trump those who make decisions driven by greed and emotion.