

## 1. News

### **Predicting disaster**

On 11 May 2000, The Economist Magazine's cover story was, "The Hopeless Continent" which focussed on Africa's Woes and given the respect that people accord the publication, it was damaging. *Read further below.*

## 2. Galileo Client Profile

### **"Simply Group"**

In this section of our newsletter we profile one of our existing clients. *Read further below.*

## 3. Galileo News

### **Growing and changing**

Over the last six months, our company has continued to expand in terms of numbers of clients, staff and geographical representation. *Read further below.*

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## 1. **PREDICTING DISASTER**

On 11 May 2000, The Economist Magazine's cover story was, "The Hopeless Continent" which focussed on Africa's woes. The heading was fairly self-explanatory and given the respect that people accord the publication, it was damaging. Interestingly, the article was spectacularly wrong and Africa has proven to be the fastest growing continent over the last decade. This just proves that no matter how respected the "expert", we need to treat all predictions with deep scepticism.

### **Experts are poor predictors**

In a book called "Expert Political Judgement" the author, Philip Tetlock, shows how inaccurate political experts are at forecasting events. Ironically, the more well-known the expert, the more inaccurate the predictions! The same principle applies to investment and economic predictions. Various studies have been done in South Africa and around the world to see how accurate economists are at predicting the movement of their foreign exchange rates. More than 50% of economists cannot even predict the direction of their currency i.e. they predict that their currency will strengthen and then it actually weakens. This means that we should not rely on any predictions (otherwise known as forecasts) from experts, no matter how well respected or prominent they are. In truth, any investment planning that is based on predictions is likely to be wrong.





## With all the problems in Europe & the USA – what is going to happen to SA?

We are all concerned about the massive problems that are crippling the European and American economies. They have real problems that are not going to be resolved for years to come. The most basic solution to the problem is that Europeans need to spend less than they earn – both individuals and Governments alike. This means a change of behaviour which is most difficult for human beings to accomplish. If you are accustomed to living on R100,000 per month and suddenly have to live on R50,000 per month, it is almost impossible to do so without real emotional trauma. This is the scale of the problem facing Europe (particularly Greece, Spain, Portugal and Ireland).

South Africans are worried about how this will impact our country and our stock market. The economic impact is already being felt and will continue to be felt for some time. However, we need to understand that there is no direct relationship (correlation is the jargon) between economic growth and stock market performance. There are many instances where an economy struggles whilst the stock market flourishes. One of the reasons for optimism to counter the gloom is the growth we are seeing in Africa and other emerging markets. Over the past decade, six of the world's fastest-growing countries were in Africa. Even if one allows for Europe's problems, the IMF still expects Africa to grow by 6% in 2012. Naturally, if you have read this whole article, you should give no credence to what the IMF predicts as they are also going to be wrong. In summary, there are many reasons to be concerned but stock markets are forward looking even if they are irrational in the short term as they typically overreact to bad news. This means that our stock market has probably discounted much of the bad news in current prices and only new, unexpected problems will cause our market to decline on a sustained basis from these levels.

To paraphrase Kokkie Kooyman, one of SA's best fund managers, "Everything will be okay in the end and if it is not okay, it is not the end." As an aside, on 3 December 2011 the Economist published an article called, The Hopeful Continent about Africa. It just goes to show that the wheel always turns!

## 2. GALILEO CLIENT PROFILE

This is a section of our newsletter where we profile one of our existing clients. The idea is for you to get to know more about some of our other clients and at the same time it provides them with some profile for their businesses. We feel it is always better to deal with someone you know or who has been referred to you by someone you trust.

### Tell us about: The "Simply" Group

The "Simply" Group started out as a scuba diving concession in Durban in 1996, but migrated to Ponta do Ouro in the very south of Mozambique, in 1998. Stuart and Debbie Mather-Pike bought "Simply Scuba" in 2001 and today it is the largest and most well equipped diving company in the area, working closely with groups, friends, clubs and dive schools. The dive charter is situated in the grounds of the beachfront Motel do Mar Resort, and proudly offers an array of accommodation options from camping to value to luxury.



"Simply Scuba" also has a South African division that caters for overseas tourists visiting our shores. Most scuba diving tourists come out here for the 'Big' stuff, so our focus is on tailor-made seasonal trips to experience the various sharks of the East Coast and of course the White Sharks of the Cape area, often ending with our traditional experience of the "Big" stuff in the bush.

In 2003, we started "Simply Bookings", to cater for the needs of South Africa's travelling scuba diver. Today we are South Africa's specialist scuba diving tour operators, sending fortunate divers to some of the world's most exotic and beautiful beach and diving destinations. Non-divers and families are a large part of this business as many diving destinations are also beautiful beach holiday destinations.

"Simply Bookings" also offers company incentive programmes that include small conferences with scuba as a theme and wait for it, – snow skiing in the European Alps for some truly amazing team building and fun. Our specialist overseas destinations include East Africa (Tanzania, Kenya, Mozambique), the Indian Ocean Islands (Zanzibar, Mauritius, Seychelles, Maldives, Madagascar), the Middle East (Egypt, Oman), and the

East (Indonesia, Malaysia, Thailand, Micronesia, Philippines).

## Family run business

Stuart & Debbie have been married (to each other) for 18 years, and have two children – a beautiful 9 year old daughter called Sydney, and a naughty 1 year old son called Charlie. We value fresh air, family fun, hard work, braai vleis and rugby.

## What Galileo Capital does for you?

Galileo Capital looks after all our business and personal asset insurance requirements.

## Why Galileo Capital?

In the past, we only dealt with little grey men in grey suits. Galileo Capital brought colour, personality, knowledge and energy to a very crucial part of our business. They give us tremendous confidence to operate in a very demanding environment, and their efficiency mentors us in our game where service, knowledge and reliability is key.

They show interest in our business and have become friends. We thank them for their efforts and look forward to many more years together as a vibrant team

## 3. GALILEO – GROWING AND CHANGING

Over the last six months, our company has continued to expand in terms of numbers of clients, staff and geographical representation. In all, our group now employs nearly 30 people in Johannesburg and Cape Town – we service more than 4,500 individuals and companies across all our businesses. We have invested heavily in IT and telecommunications as well as service staff to ensure that we provide all our clients with the best possible experience.

As part of our drive to focus on our clients' needs, we have grouped our companies into two main businesses. Our short term insurance brokerage, now called Galileo Risk, has its own FSB licence with its own, focussed management team. Galileo Capital is our Wealth Management and investment holding company. Whilst we are all part of the same group, we felt it was important to keep our main businesses focussed on their core services.



Registered Financial Services Provider, FSB license number 21239

Website: [www.galileocapital.co.za](http://www.galileocapital.co.za)

Email: [ask@galileocapital.co.za](mailto:ask@galileocapital.co.za)

Telephone: (+27) 11 502 8800

Facsimile: (+27) 11 502 8830