

Monthly Newsletter – July 2013

A Message from Theo and Warren

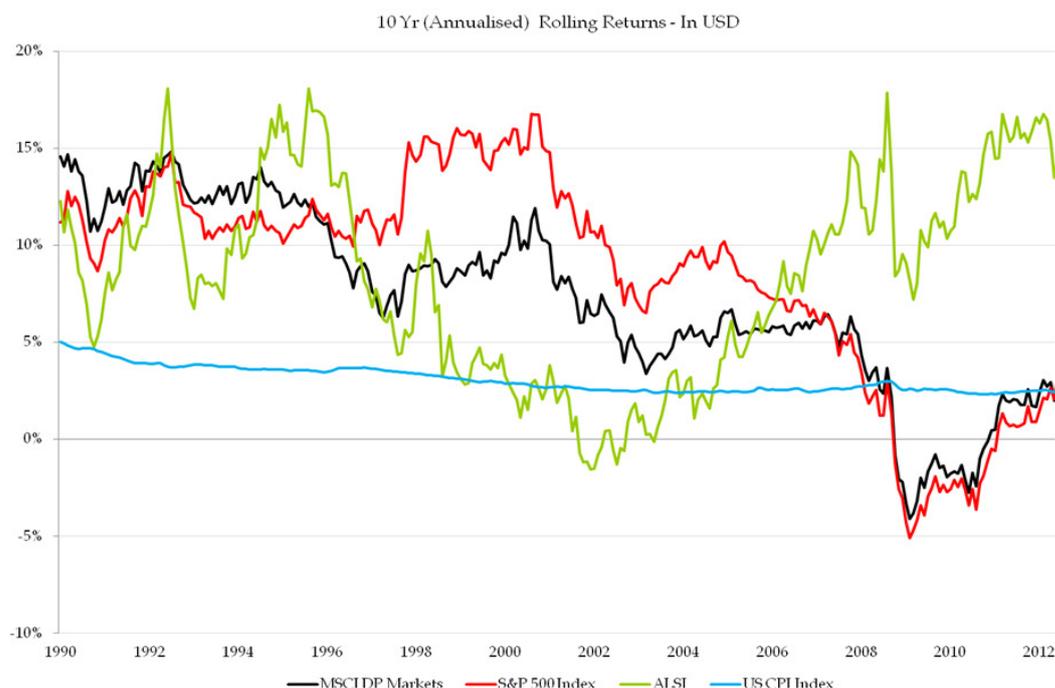
Given the way the rand has fallen and all the negativity surrounding the South African economic and political situation, investors could be forgiven for wondering if it is not better to simply invest all their money overseas. This is a completely understandable, but it might not be a great investment strategy.

Unless you think 'Zumanomics' will destroy the SA economy, it's important to maintain a sizable investment in the JSE to ensure long-term investment success.

Many of the biggest companies on the JSE earn the majority of their money from outside of SA. This means that any depreciation in the rand will actually increase their profits, which is positive for their share prices in the longer term.

One of the fund managers in SA that does great research on investments is Cannon Asset Managers, and they provided us with the graph below. It shows the return of the JSE in US\$ (green) against the US inflation rate (blue) and the US stock market (red). As you can see, even with the recent blowout in the rand and the sharp drop in the JSE, SA investors are still handsomely beating the US inflation rate and the US stock market over the last 10 years.

The graph is interesting because it shows that the JSE has beaten US inflation and the US stock market over all the preceding 10-year periods from 2006 to now. You can also see that the JSE underperformed in the 10-year periods from 1997 to 2006.



Given this information, even the most hardened afro-pessimist would have a hard time arguing that it is always better to invest outside of SA. It also further illustrates the value of a properly diversified portfolio of shares where you have exposure to the JSE and offshore markets. The primary reason for this diversification is to protect against stock market events that are totally unpredictable but massively damaging to investors.

-- *Theo and Warren*

Mentoring could make you cleverer

Most of us think of the act of thinking as being a solitary pursuit – but it appears that it's actually a two-way street.

In the Brilliant Report (<http://bit.ly/1cQdLEX>), Annie Murphy Paul observes that “students enlisted to tutor others, work harder to understand the material, recall it more accurately and apply it more effectively”. And the result is something called the protégé effect: students who teach their study material to others perform better on tests than kids who are simply learning for the sake of learning.

Other researchers – who have built a virtual pupil for kids to teach – have found that when students are more motivated to learn their material, they study it more consciously. And as they try to pass on the information, they find gaps in their own understanding, and have to find a way around that.

The factor the most accelerates the learning in a teacher is a kind of emotional intelligence. As Paul explains, there's an ecstatic empathy that arises: “Student tutors feel chagrin when their virtual pupils fail; when the characters succeed, they feel what one expert calls by the Yiddish term *nachas*.”

“Don't know that word? I had to learn it myself: ‘pride and satisfaction that is derived from someone else's accomplishment’.

Bottom line – if you're reaching out to help someone and mentor or teach them, you're helping yourself too.

Five tips for better business writing

We all write more than ever – emails, presentations and reports being the most common things that need to be written. Here are five great tips for better business writing:

1. Never use big words when simpler, everyday words will do, or many words where one or two would do. Write ‘use’ instead of ‘utilise’ or ‘buy’ instead of ‘purchase, for example. Be ruthless – if you don't need a word, cut it out.
2. Never use a foreign phrase, a scientific word, or any kind of jargon if you can think of an English equivalent. And watch out for business buzzwords – why revert back when you can simply revert? Why a ‘joint agreement’ when ‘agreement’ will do?
3. Say what you need to say, and move on. If your big idea isn't in the first paragraph, move it there. If you can't find it, rewrite.
4. Use plain English, and be specific and concrete. Instead of mentioning “the current situation,” explain exactly what it is, whether it's low company morale, or a SARS audit.
5. Curb your enthusiasm. Avoid overusing exclamation marks – you should almost never need them. Choose professional sign-offs like ‘best wishes’ and ‘regards’ rather than the too-cute ‘xoxo’.

Cancer and inflammation

There seems to be a strong link between cancer, autoimmune disease and chronic inflammation in our bodies – according to a team of researchers from the Broad’s Metabolite Profiling Platform.

It works like this: to convert food into energy, our bodies rely on a complex network of molecular pathways, which we know broadly as metabolism. Along the path from food to energy, intermediate molecules emerge, and these molecules form the starting materials for the next step.

Traditionally, these intermediates were viewed simply as building blocks – they were essential for the process of metabolism, but otherwise inert. However, it seems that one of metabolic intermediates, known as succinate, plays a key role in alerting the body’s immune system, and could provide a crucial link between chronic inflammation, autoimmune disease, and cancer.

Succinate is an important danger signal that works as a marker for cell stress. High-levels of succinate seem to be linked to the production of an immune protein that triggers inflammation. Because succinate can be measured in blood, this finding may open the door to new diagnostics that measure immune responses.

One of the hallmarks of cancer cells is their ability to break down glucose at a vastly higher rate than normal cells. While most cells rely on oxygen to break down food, cancer cells can also ferment glucose – a less efficient process that does not require oxygen – to generate fuel. This metabolic shift allows them to adapt to the oxygen-deficient conditions inside tumours.

The phenomenon, known as the Warburg effect, enables rapidly dividing tumour cells to generate the essential biological building blocks they need to grow – but they also exhibit level of succinate. The study found that these high levels led to an increase in the production of interleukin 1-beta, an immune protein linked to pain, inflammation, and autoimmune disease.

Multiple studies have shown that chronic inflammation is a pre-cursor to several kinds of cancer. This study shows that some of the same pathways that accelerate the progression of tumours are also operational in innate immunity, and that link will require further research to explore its significance.