

Monthly Newsletter – November 2015

A Message from Theo and Warren

Some good news mixed with some bad news ... for a change

We were very relieved to receive news that the South African government had amended its laws regarding tourist visas into South Africa. The new set of rules is much more rational and appropriate for a country like ours.

It is enormously frustrating however to see how long it took for the government to correct its mistake but we are very relieved at the result.

You might wonder why this is such a big deal for us. We felt that the economic destruction caused by the original regulations was so obviously harmful and the fact that government seemed to ignore the harm spoke to a wilful ignorance of economics and the fragile business environment that South Africa operates in at present. Therefore the change of policy is more about a signal that Government is willing to listen (eventually) and we hope this is the start of a new trend.

The large-scale protests by students against the high fee increases certainly made the whole country take notice. These protests have not ended at the time of writing, so we continue to watch events unfold with some optimism and fear.

It is important that government gets the message that voting age youngsters are unhappy with the way that money is being allocated in SA and that a better job needs to be done. The concern is that these protests morph into something different that results in more violent protests and radical demands: our own version of an Arab Spring.

Another concern is that Government tries to appease the students with very populist policies that harm the economy in the long run. It is our view that a simple reallocation of funds from the inefficient SETAs and some parastatals could resolve the issue to the entire country's benefit. We agree with the protestors that your financial situation should not be the sole determinant of your access to education, but caution against purely raising taxes to achieve this goal.

Finally we note a research report from the Chief Investment Officer of UBS Wealth Management in Switzerland dated 22 October where they highlight that they will increase investments in emerging markets in favour of an over-investment in European equities. UBS is not exactly famous as a high risk taker, early adopter in the investment markets, and therefore we view this as a signal of a broader change in mind set by global investors towards emerging markets. To quote Mark Haefele from UBS,

“We believe that emerging market equities have fallen far enough that it may only require incremental good news to lead to stronger performance.”

We have been saying for the best part of 18 months that investors need to temper their portfolio growth expectations. This has proved the case if we look at the past 12 months where most asset classes gave investors single digit returns. We still believe returns will be low in the medium term, but are more comfortable with current valuations than we were 12 to 18 months ago.

Two major stories will most likely play themselves out in the next six to 12 months – the slowdown in the Chinese economy resulting in big falls in commodity prices and the momentum in the US economy making it possible for the Federal Reserve to raise interest rates in the US. It is difficult to predict how these themes will unfold and one needs to understand that the markets will not be surprised by moderately bad news, as most of the effects of these anticipated events have already been discounted in current prices and valuations.

- Theo and Warren

How to travel alone

Many people want to travel, but aren't so keen on doing it alone, and so, when no-one can join them in that villa in Croatia, they start to doubt themselves.

But there are ways to ensure you have a great time and make friends along the way. It doesn't have to be lonely or silent, if you keep a few simple tips in mind:

1. **Stay local** – ignore the cookie-cutter generic hotels and look for small B&Bs or even a hostel. Hostels are really not what they used to be anymore. Some even offer private rooms. And don't discount AirBnB – the Uber of accommodation. Just check out the suburb you're renting in so you don't end up in the dodgy part of town.
2. **Ask around** – travel doesn't have to mean trudging around all the tourist sites alone with only your map for company. When you talk to the locals, you'll discover all kinds of other experiences off the beaten track. Talk to someone in a coffee shop and ask them for their favourite book shop, art gallery, or restaurant. Find out what's showing at the theatre. Ask the waiter about local jazz clubs or cabaret. Just explore a little.
3. **Ditch the phone** – disconnect from Facebooking and Instagramming. The data charges are ruinous in any case. And while you're looking down, you'll miss what's going on around you. Just get a map and talk to people. And check your phone when you get back to your accommodation in the evening.
4. **Be prepared** – there's no-one to watch your back, so be extra vigilant about pickpockets and people who'd like to separate you from your stuff. And if you're a woman travelling solo, be vigilant about personal security and follow basic safety precautions like not walking alone in dangerous areas. Ensure you make photocopies of your passport, credit cards, and plane ticket and keep them separate from the real versions. Leave them back in your room, ideally in the safe, so that if anything happens you'll have the proper

documentation with which to get replacements.

5. **Pack smart** – always keep at least one change of clothes and some basic toiletries in your carry-on luggage in case the airline loses your luggage, since you won't be able to borrow from a friend.

Signs you're not drinking enough water

Forget the eight glasses a day myth – that was invented. If you want to know whether or not you're drinking enough, check your urine, which should be a pale straw colour. But here are some other things that might be resolved if you drank more water:

- Your mouth is dry
- Your skin is dry
- Your eyes are dry
- You experience joint pain
- You feel fatigued and lethargic
- You experience hunger pangs
- You experience digestive problems or constipation

If drinking water doesn't solve any of those, do go and see your doctor.