

# Galileo Quarterly Newsletter



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## CONTENTS

### 1. General news

Breaking news – the next SA president is...

Investment advice – Too late to panic - Too early to become bullish

Short term insurance – What are the most hijacked vehicles in SA

Are your friends unhappy with their advisors?

### 2. Galileo Capital News

You too can go to the Amazon

## BREAKING NEWS – JZ IS THE NEXT PRESIDENT

The NPA have just confirmed that they are dropping the charges against Jacob Zuma. Whilst this news is going to concern many people, it seems that the stock market and the currency market has already discounted this news. The rand and the JSE All Share Index barely reacted to the announcement which means that they were expecting this outcome.

## TOO LATE TO PANIC – TOO EARLY TO BECOME BULLISH

As with all stock market phenomena, sentiment (emotion) plays a big role in the short term price movements of shares during a Bear market. As a result, it is very difficult for rational investors to predict what will happen next, because speculators are making irrational decisions based on their emotions and not on investment fundamentals. These speculators can change their minds within a short period of time and therefore there is little benefit to be gained from trying to predict what they will do. As a result, rational investors (we tend to place ourselves in this category) can only use hard data to make strong investment decisions and then wait for the irrational speculators to get out of the market. Strangely enough, this tactic tends to work very well over longer periods of time, as the market is ultimately a rational pricing tool. The real opportunities for investors lie in the ability to ignore the emotion driven events and to determine underlying value based on proper information. The real skill for investors is to wait for the short term “noise” to subside and not to become part of the madness.

In the current Bear market we feel that most speculators have still not fully capitulated (i.e. moved out of the market) nor have they completely adjusted their expectations – some speculators still feel the world is going to end whilst other speculators feel the market could double in the next month or two!

Our own view is that the markets are still going through a period of uncertainty (volatility) which should hopefully clear out the final group of speculators from the market – this is called capitulation. Given the current valuations of the market and the continued stability of our financial sector, we are starting to become more comfortable that the worst may have passed but the good times have not arrived yet.

### The Good News

The sustained reduction of interest rates that we are seeing from our Reserve Bank will start to place increasing pressure on investors to move from cash back into the stock markets. Our domestic banks (including Investec) have started reporting their results and we have seen none of the dramatic losses experienced by international banks. At some point in the near future the domestic banks will start to feel comfortable that they are in a strong enough financial position to weather the economic storm and they will start to lend again.

The massive spending by the US Government on their financial system has started to unclog the US financial system. This is the vital cog in the global financial system which has been frozen over the last 12 -18 months. Once the system starts to unclog, we will see some normality return to the global financial system.

If you have any financial planning questions please contact your advisor or you can email: warren@galileocapital.co.za

*"Our dilemma is that we hate change and love it at the same time; what we really want is for things to remain the same but get better." Sydney J. Harris*

## WHAT ARE THE MOST HIJACKED VEHICLES IN SA?

On an annual basis we receive statistics from Netstar detailing the most hijacked vehicles in South Africa. In the table below, we provide a list of the 20 most hijacked vehicles for your information. As you can see Toyota certainly tops the list! What is important to note is that the breakdown is per model so for example they don't group together all VW Citi Golf's, they would distinguish between a Chico Golf and a Citi Golf.

### MOST SOLD IS MOST HIJACKED

Closer inspection of the statistics shows a strong correlation between the most popular vehicles (i.e. greatest number sold in a year) and the most hijacked. It also shows us that bakkies and minibuses are very risky compared to sedans. The niche brands are conspicuous by their absence from the hijack list. Brands such as Subaru, Saab, Jaguar, Alfa and Hummer are rarely hijacked. In addition, specific kinds of cars such as two door sports vehicles are also unpopular.

<b>NAME OF VEHICLE</b>	<b>NUMBER OF HIJACKS IN 12 MONTHS</b>
TOYOTA HIACE	1119
NISSAN 1400	507
TOYOTA HILUX	497
TOYOTA VENTURE	270
TOYOTA COROLLA	209
NISSAN HARDBODY	141
NISSAN MITS COLT	125
ISUZU KB280	122
ISUZU KB250	114
VW CITI GOLF	103
TOYOTA CONQUEST	88

BMW 318	77
VW CHICO GOLF	75
TOYOTA	
STALLION	69
VW MICROBUS	67
FORD COURIER	65
AUDI A4	62
NISSAN 1 TON	61
TOYOTA DYNA	60
VW POLO	
CLASSIC	59

#### HOW CAN THIS HELP YOU

This list is certainly not comprehensive as it comes from one vehicle tracking company but the SAPS provide no information and so this is the best we have. Whilst the list may be slightly alarming to Toyota drivers, it may also help you make a decision on a replacement vehicle in future. It also shows us that hijackings are still prevalent and we should maintain an awareness when driving. If you would like the comprehensive list please contact Hayden on [Hayden@galileocapital.co.za](mailto:Hayden@galileocapital.co.za)

## ARE YOUR FRIENDS UNHAPPY WITH THEIR CURRENT FINANCIAL ADVISORS?

We have been very fortunate to enjoy tremendous support and understanding from our clients during these difficult times. We fully appreciate how difficult it can be for investors to watch their investments decline in value. It takes a tremendous amount of understanding and trust in your advisor to maintain your investment strategy. Many investors are starting to realise that they have been poorly advised over the last few years and are starting to look for alternative opinions. If you have any friends who are unhappy with their current advisors, please feel free to provide them with our details. You can provide the details of your existing advisor or they can contact [warren@galileocapital.co.za](mailto:warren@galileocapital.co.za)

## GALILEO CAPITAL NEWS

We were involved in a fly fishing competition in Dullstroom late last year and the winner of the competition won a trip to fly fish in the Amazon jungle. Here is a photo of the winner and a quote from him after he returned from the trip.



*"You can achieve this sort of thing in your retirement if you had invested properly with Galileo Capital" Mr Paul Cunningham, winner, with a 6.5lb Peacock Bass that he caught in the Amazon.*