

## Monthly Newsletter – December 2012

### Should We be Gloomy Investors?

From many of the conversations that we've had with our clients over past months, it's clear that there is deep concern about current events in South Africa. While local investments have had a great year, the government has not covered itself in glory. The very public frailties of our most senior politicians and the in-fighting within the ANC have been laid bare for all to see.

One cannot help but feel that our country is reaching another inflection point. As our democracy is still very young, so each inflection point is significant and it's easy to feel that the scales are tipping towards an unfavourable future.

While there are serious problems facing us, some of the solutions are fairly obvious and easy to implement. The ANC's elective conference in mid-December will provide some clarity on our immediate future, and many of us are hoping for improvement. As investors we need to be cognisant of the opportunities offered by these troubling times, as mass uncertainty is often fertile ground for good investment opportunities.

#### *Background*

The increasingly violent nature of the labour disputes and the political nature of these events is deeply disturbing. As with the nationalisation debate, it feels as though our government is not concerned with the long term economic impact of its actions – or inaction, as the case may be. Many of SA's biggest mining companies and farmers will be actively reducing their reliance on SA labour in the next few months. In addition, the mining companies will be allocating their capital to other countries.

This means our country will lose jobs and capital – both of which are indispensable to our country. The spending of public funds by senior politicians for their personal use and the widely documented corruption within government are also not helpful to our cause.

#### *The future*

In the last eight months the most frequent question from our clients has been: "Are we heading for a meltdown?" To date, this has not been a serious consideration, but recent events are troubling to say the least.

We have to place our current troubles in context. South Africa is a teenage democracy, and like all teenagers, is prone to mood swings and sustained periods of irrationality. All teenagers go through this and many of them grow into upstanding members of society and only a limited number become criminals.

There are still many factors that could help to launch our country into the stratosphere. Our infrastructure, mineral resources, geographical location, and our competitive and adaptable populace are real advantages. South African business leaders at home and overseas are on par with the best in the world. Even our political leadership can change very quickly if the majority of voters decide it is time for change.

#### *And investing?*

When everything is rosy, investors don't find great value. While 10 to 15 shares in our market are very expensive, there are a large number of quality companies that are currently very cheap. And as we've seen in the past, our

stock market often performs very well despite our politicians, so avoiding shares because of politics is not rational.

We are quite optimistic about our stock market for the next few years. With the enormous amount of negativity that faces us in South Africa, the Middle East and the developed world, savvy investors should be filling their boots with quality local and international investments over the next few months.

*-- Theo and Warren*

## Pack Like a Pro

It's holiday season and most of us are heading off somewhere for a short break. Here are three packing steps to ensure you have just what you need – no more, no less.

### 1. Choose the right luggage

- Size really matters – too big means crumpled clothing, and too small means more creases.
- Hardside cases are best – they are durable and scratch and shock resistant.
- Softside cases are best if you're pushed for space, though. Many of them are expandable and have lots of pockets.
- For heavy luggage, choose a case with sturdy wheels, and for even more ease of transit, go for a four-wheel spinner case.

### 2. Pack the right stuff

- List items you'd like to take and then tick off the ones you can't do without. Compare and compromise if you can.
- Create a capsule wardrobe – mix and match and choose items you can dress up or down. And yes, this applies to men too.
- Downsize toiletries.
- Find out whether towels and appliances like irons and hairdryers are supplied.

### 3. Pack the right way

- Pack larger, heavier items first and delicates on top. Ensure that you have flat, level surfaces to avoid creasing.
- Place shoes in plastic bags or shoe bags so they don't dirty clean clothes. You can push smaller items such as socks or underwear into your shoes to save space.
- Wrap electrical items in non-crease items to protect them in transit.
- Rolling clothes is best when using backpacks and holdalls. Rolling works well for trousers, skirts, shorts and jerseys, while items like shirts are better folded. Shirts and blouses will wrinkle less if you insert a sheet of tissue paper between the individual layers of clothing. Leather belts are less likely to be damaged if you lay them out along the inside walls of the case.

## Mind the Grapefruit

For many, having half a grapefruit at breakfast forms part of a healthy lifestyle, but it might not be so healthy if you are taking certain prescription drugs – the interaction with the fruit could result in an inadvertent overdose.

Canadian researcher David Bailey of the University of Western Ontario recently reviewed the literature and prescribing information of various drugs for any mention of a reaction and found of the 85 drugs known to interact with grapefruit, 43 can result in severe adverse effects.

Chemicals in the fruit destroy an enzyme in the body that normally breaks down substances like drugs. As a result, the drug keeps circulating in the body, which can lead to overdose. A glass of grapefruit juice can have the same effect.

The most serious adverse effect is a condition known as torsade de pointes, which can cause cardiac arrest and death. It can occur if you mix grapefruit and anti-cancer drugs.

## Galileo goes “Out of Africa” for Charity



We once again attended the Wits Paediatric Fund’s annual ball, and its theme this year was Out of Africa. The event was part of their fundraising, which we actively support.

The fund is our primary charity, and it does brilliant work raising funds for the three Wits teaching hospitals – Charlotte Maxeke Johannesburg Academic Hospital, Chris Hani Baragwanath Hospital, and Rahima Moosa Mother & Child Hospital.

The sole aim of the fund is to improve public health care. We have been proud to support them over the last few years as they are making a real difference to thousands of children.