

Monthly Newsletter – October 2013

A Note from Theo and Warren

Since January 2012, the JSE has risen 38.7%, which is a staggering return in the context of the poor state of the global and South African economies. It is only natural for investors to wonder how long this trend will carry on.

Some fund managers and other investors are starting to anticipate a market correction (a nice word for a crash) as they feel there is a disconnect between the stock markets and the economic reality.

What is really fascinating is that most of the excellent returns on the JSE have been generated by three shares: SABMiller, Richemont and Naspers. If you owned all the other shares in the market, but not these three, you would have earned a return of 13.7% since January 2012.

This seems more realistic in the context of current events.

What does this mean for you?

We think this reinforces the point that our stock market is not very expensive when you look at all the companies in the market. Rather, there are a few companies that are horribly expensive and they are skewing the whole picture at present. This is one of the reasons why we are not avoiding South African shares: many of them are trading at fair value and some sectors are still offering good value.

What do we do to navigate these tricky conditions?

We are of the firm view that you should phase new money into the stock market over longer periods of time, ie. 12 months, to limit the impact of market volatility. In addition, you need to have a properly diversified portfolio of investments, which means a combination of shares, commercial/listed property, government bonds and cash.

Within these asset classes, you should have a wide spread of investments, ie. if you invest in shares, ensure that you have a range of shares across a range of industries.

-- Theo and Warren

New drug may cure skin disease

A report out of the UK says that skin cancer sufferers could be cured of the advanced malignant melanoma in the next few decades. Breakthrough drugs are being hailed as the beginning of a new era for those suffering from this devastating disease.

Advanced melanoma is diagnosed when the disease has spread and can no longer be surgically removed, and until now, the prognosis has been poor. Many patients die within months of diagnosis.

But Professor Peter Johnson, chief clinician at Cancer Research UK, says new drugs are being tested that can turn the body's own defences against a tumour, and they're beginning to show real promise for melanoma and other types of cancer.

The new cure contains two types of drug: ipilimumab (known as ipi) and anti-PD1s which break down the defences of cancer cells and are still in clinical trials. Doctors can effectively reboot a patient's immune system by combining the two.

One in six patients are already being saved by the ground-breaking treatment, the European Cancer Congress has been told, and a new combination of drugs could mean more than half are cured of the deadly condition.

Scientists are so hopeful that Professor Alexander Eggermont, of the Institut Gustave Roussy in France has been quoted as saying that advanced melanoma could become a curable disease for perhaps more than 50% of patients within five to 10 years.

Music boosts your brain

If your parents sent you to music lessons, you might want to thank them – new research has shown that individuals who play a musical instrument are better at identifying errors and correcting mistakes, and that these benefits apply to amateurs and professionals alike.

The study, led by Dr Ines Jentzsch for the University of St Andrews, tested the cognitive abilities of musicians and non-musicians, with the research concluding that learning an instrument could “slow or even prevent” the mental decline associated with ageing.

The research was published in the journal, *Neuropsychologia*, and draws particular attention to the skills learnt in musical performance. When playing pieces to an audience or to themselves musicians must demonstrate heightened awareness of their actions: continually monitoring their playing through auditory feedback and rapidly adjusting their movements to anticipate possible mistakes.

The psychological and mental benefits of learning to play an instrument have been shown in previous studies, with research highlighting musicians' improved reaction times and their increased capacity to stay focused. It's also noteworthy because unlike previous studies, it focuses on amateurs rather than professionals, and shows that even moderate levels of musical activity can boost cognitive performance.

Forget wind power – use child power!

Imagine a school where children are encouraged to run and jump rather than walking in an orderly fashion – well, that's just what's happening at Langton Boys' Grammar School in Canterbury, England.

The instruction to run, not walk, is the result of special kinetic tiles that have been laid in one of the corridors – many footsteps on them create sustainable energy.

Just 12m of tiles have been laid, but over a year, they could generate enough energy to fully charge 853 mobile phones, power one mobile for two and a half years, keep a light bulb illuminated for more than two months or power an electric car to drive seven miles.

The tiles are the brainchild of Laurence Kemball-Cook, a former pupil at the school, who is now chief executive officer of his own company, Pavegen Systems. The tiles were originally piloted at the school and in the UK's Science Museum, as well as being trialled at the Paris Marathon and the Olympic Games before their installation at the school.