

The way to make money is to buy
when blood is running in the streets

John D. Rockefeller

AltX presentation - 24 April

AltX, the Alternative Exchange at the JSE, invites you to learn more about the companies listed on AltX so you can decide whether to invest in them.

You will hear from AltX, as well as from the CEOs of some of the AltX listed companies, who will present their businesses to you. Thereafter, you will meet the senior leadership of these companies face-to-face.

Programme

- Introduction to AltX, Adele Karsten, Marketing and Business Development – JSE
- O-Line Holdings Limited, Graeme Smart, CEO
- Calgro M3 Holdings, Peter Waweru, CEO
- Esor Limited, Bernie Krone, CEO
- Ideco Group Limited, Vhonani Mufamadi, CEO
- Rare Holdings Limited, David Scheepers, CEO
- Rolfes Technology Holdings Limited, Erhard van der Merwe, CEO
- Brikor Limited, Alwyn Cronje, MD: Concrete Division and Group Sales and Marketing Executive
- Buildworks Group, Ivor Klitzner, Financial Director

To book log onto the website and you'll see the course on the home page under 'Upcoming courses/presentations'.

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Client courses for the next few weeks

These courses are *exclusively for Online Share clients* and *all are free*. To book for one of these courses log onto Online Share Trading and go to; Help & Education → Face to face classes Johannesburg

- The Truths of the Market and Trading Skills (23 Apr)
- Introduction to Fundamental Investing (05 May)

Durban

- Introduction to Futures (16 Apr)
- Understanding share instalments (17 Apr)
- Half day warrants (19 Apr)

Cape Town

- Understanding company financials and announcements (26 Apr)
- Introduction to investing (10 May)

TALK

From the editor

The Reserve Bank continued to hit the consumer hard with yet another rate increase last week and now the dreaded stagflation word is rearing its head, Michael Keenan has the low down.

We also have a jargon busting on the ISM US numbers and what they mean, the US pumps out huge amounts of data every day and we're going to look at the more important numbers so that you can get a handle on what matters and what doesn't.

All the best
Simon Brown
Head: Education & Media
Online Share Trading

ECONOMICS

The SA Reserve Bank's stagflation dilemma

CPIX inflation came in well above the rate the market had expected. This number overshoots the SARB's desired inflation target band of 3% – 6%, and it also means that the anticipated peak in domestic inflation will be higher than envisaged. Specifically, as a result of January's disappointing outcome and the fact that local petrol prices had increased in March and April, most economists have upwardly revised their forecast peak in the domestic inflation cycle — to around 9.5%. Standard Bank expects CPIX inflation to decline gradually from here onwards before returning to the target band in Q1:09. Although this is our base-case scenario, we believe that the risk to this view is that inflation remains stubbornly higher for longer, which would prevent the SARB from easing rates in the current year.

South African inflation has been hovering above 6% since mid-2007, and the primary cause for price pressures has been record high international food and oil prices. These two components comprise one-third of the overall CPIX basket; because both are determined in international markets, the weakness in the rand has exacerbated these heavy-weight inflation bugbears. In addition, South Africa is also now experiencing a wave of so-called second-round inflationary pressures. Because high food and oil prices affect us all (and bearing in mind that inflation has been riding high), it's hardly surprising that local inflationary expectations have started to

escalate rapidly. Evidence of these heightened inflation expectations is clearly displayed by the exponential rise in break-even inflation linked government bond yields. Increased inflation expectations have caused workers to demand higher wages to maintain standards of living. Although overall inflation currently stands at around 9%, the inflation rate for lower income groups is running at 13%; this is the income group most likely to form part of domestic labour union organisations.

The forward market is currently pricing in a 60% probability that the SARB will hike rates at the April MPC meeting. Although the SARB has a price stability mandate, Standard Bank believes that the local monetary authorities have become increasingly concerned that ongoing rate hikes will put untenable pressure on consumers who have already significantly moderated spending as a result of the SARB's 400 bps tightening campaign over the past 20 months. Indeed, the annual growth rate in local retail sales, car sales and news homes sales has also moderated substantially. The SARB's rate hikes, combined with SA's more stringent lending criteria (the NCA) and disposable income levels that are being eroded by inflation, explains the decline in domestic consumption. Consumption expenditure constitutes around 60% of overall GDP, therefore, a slowdown in spending bodes ill for SA's overall economic output. Groaning capacity constraints, such as electricity and human skills shortages, as well as declining international demand, are also weighing down local GDP. A number of international central banks are faced with an inflation dilemma, because, even though their respective inflation rates are above their desired price ceilings, their economies are slowing significantly. On balance, most of the global central banks are expected to cut lending rates. However, although we doubt that the SARB can afford to cut rates in 2008, we are confident that the next move in rates will be down.

Michael Keenan
Local market strategist
Global Markets Research
Standard Bank Corporate and Investment Banking

REVIEW – BOOK

Rich Women

Rich Women by kim Kiyosaki

Rich woman is written by real estate investor Kim Kiyosaki. Kim is married to the bestselling author of "Rich Dad, poor dad", Robert Kiyosaki. The

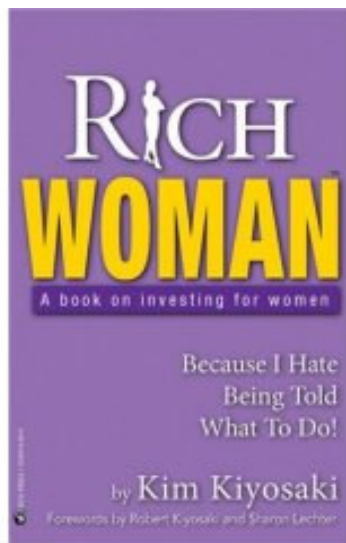
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couple are business partners and own several successful companies. While Kim has a very wealthy husband who could easily provide for her every need, she has created her own wealth and is financially independent. At the outset this book is very much for the ladies.

This story is told in simple English and revolves around a conversation between 5 friends. There is no jargon and one of the first impressions you have of the author is that she is passionate about sharing her knowledge. She effectively tells every woman's tale. This serves to highlight that regardless of where you are in your life now, it is possible to change your financial situation and take charge of your life.

Rich Woman provides a simple, yet effective guide with useful steps and advice on how to achieve financial freedom. This book does not offer a magical solution that will instantly earn you a sizeable bank account. Instead it focuses on the process involved in becoming financially free and tips on how to overcome the hurdles you may come across in this endeavour.

While the statistics used do not apply to the South Africa demographic, they do indicate a disturbing trend; women can no longer afford to wait for someone to take care of them.



Each chapter of the book begins with a quote from a remarkable woman in our history and present day. One that particularly stood out for me was that by the singer and comedian Sophie

Tucker, "From birth to age 18, a girl needs good parents, from 18 to 35 she needs good looks, from 35 to 55 she needs a good personality and from 55 on she needs good cash".

A brilliant feature is that the various advice and tips that the author offers is highlighted in the paragraphs in which they appear. This allows you

to take note of valid points without having to re-read the entire paragraph and they remain with you long after you have turned the page.

Women today face challenges that previous generations were often never confronted with. As the cost of living escalates it is imperative that households have a dual income. We have to juggle motherhood and careers while creating and managing a home. It is no mean feat. Then there are those days where after you have left your child at the school gate and turn back to say one last goodbye, you see this little tear stained face waving goodbye. It is soul destroying. Yet we have to work. Or do we?

Rich woman is an in your face wake up call. Every lady should read it, even if it is just to motivate herself and every gentleman should make sure the special women in his life reads a copy.

Marcia Nair
Online Share Trading

COLUMNIST Guru secrets

Once while back packing along the Mediterranean I met a man who offered to tell me the secret of life in exchange for a few hours with my girlfriend. A fair swap, I figured, so we struck the deal. I was young and trusted any wild-eyed man in a dress to know the answers to the Existential questions in which I indulged myself.

My girlfriend saw it differently. She refused to participate in my enlightenment, and next day swished out with a dread-locked Australian. This left me to ponder the nature of life, whose secrets had seemed so close to my grasp, and the seductiveness of Antipodeans, whom I have despised ever since.

Still, I did learn something useful. Pick your guru with care.

And no place has more gurus than the market. It's here, in the heady atmosphere of fear and greed that soothsayers thrive.

There's the steady chant of the market analysts, for instance, who show up daily on CNN, CNBC Africa and Bloomberg.

No robes of course, just earnest grey suits and the calm, steady tone of authority. Who wouldn't put their faith in the basso voice and straight-man

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delivery of Lou Dobbs? Now there's a guy who could easily have led a wagon train to Utah. It's not just television that's the pulpit. Many market gurus use the good book approach, same as they did back in the day when men with a message wanted to convince people that eternal life could be swapped for a soul and zealous commitment.

Today there are books published on trading techniques, books that offer the path to enter 'the zone', books that are the true testimony of the greatest trader who ever lived, and books that interpret the great who walk among us. I reckon the real money is not to be made in following Warren Buffett, it's in writing about him.

I figure that with so much written about Buffet's methodology there'd be a lot more like him. But still, there he sits, alone, untouchable, the world's richest guy. No-one even comes close and yet his disciples keep the faith.

For gurus who have yet established their ashram, there's the internet. No surprise here, as the net is the perfect conduit for crazies, fanatics, nutcases and worst of all, the sincerely helpful.

I won't dwell much on this, except to single out the one lone voice of wisdom I found, the US Securities Commission. The Commission has a lot to say about trading rules, regulations and insider dealing, but is very brief on day trading. "Be prepared to suffer severe financial losses," it says. It then helpfully provides a link to problem gambling counselling. That's about as bald advice as you can get from anyone, never mind a government agency.

The market itself is not immune to guru-watching. Only it's called 'direction'. The Dow watches the Fed. London watches the Dow. The JSE waits for the FTSE to do what it thinks the American market is going to do. And so on.

That makes Ben Bernanke the arch-guru. The question is, who does Ben follow? Or does he just, as do many men with great responsibility, make it up as he goes along? This is not a comforting thought. Jim Jones probably had great intentions when he took his flock to Jonestown, Guyana.

So I've come to think that at some point, trading becomes an individual pilgrimage. I know that trading without stops is a bad idea. It's the first and probably best advice in the trading shaman's handbook and yet, like anyone else who's active in the market, I've previously ignored this advice at great cost.

Today I don't trade without stops. Not because I was told not to, but because I'm afraid. Fear is the best teacher there is. In this market especially, I let fear be my guide. I've learned to live with sms alerts that tell me a carefully crafted trade has gone bust.

I'm not sure if this counts as guru-mongering, but I doubt it. Anyway, if I ever was to discover the secret to life, or even better, wealth, I think I'd keep in mind the advice of Chanakya, who said: "The biggest guru-mantra is: Never share your secrets with anybody. It will destroy you."

*Peter Principle
(a non du plume to protect future earning prospects)*

TRADER

Instalment going ex-div

What happens when share instalments go ex-dividend? This is a question that we are often asked.

As the holder of a Share Instalment you receive the full ordinary* dividend payable on the underlying share. A dividend is defined as a payment made to shareholders out of a company's profits after taxation and prior charges have been met.

The Share Instalment will have the same Declaration Date, Ex-Date, Record Date and Pay Date as the underlying.

- Declaration date: The declaration date is the day the company announces their intention to pay a dividend.
- Last Day to Trade (LDT): Date on which Instalments must be held to qualify for dividends rights or other corporate actions.
- Ex-Date: The day on which the Instalment starts trading without the right to participation in the current dividend. In other words, only the owners of the Instalments on the LDT date will receive the dividend. If you purchased Instalments after the ex-dividend date, you would not receive its upcoming dividend payment.
- Pay date: This is the date the dividend will actually be paid to the Instalment holders.

Generally a company will announce its intention to pay a dividend with its results. The stock will then trade what is known as cum-dividend (with the dividend) for a period of time until the LDT (which normally falls on a Friday unless there is a public

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holiday). As of the Monday the stock will trade ex-dividend (without the dividend) and the share price will usually fall to reflect this.

About two weeks later on the Pay Date investors will actually receive the dividend into their account. The same holds true for Instalment holders except that the Pay Date occurs one to two days later due to the administrative action of the issuer receiving the dividend from the company and processing it into the clients account.

Pricing of a Share Instalment on LDT date and Ex-Div Date

It is important to note that a Share Instalment will go ex by the same amount as the underlying, which means that in percentage terms that the Instalment will fall by a greater amount than the underlying.

The Implications of Delta and Share Instalments

In the structuring of Standard Bank Share Instalments we price in some share price protection for the purchaser. What this means is that in a worst case scenario, if a share over which a Share Instalment is issued falls below the exercise price of the Share Instalment, the maximum amount the client will lose is the amount invested in the Share Instalment. This is achieved by including a put option as part of the structure with an exercise price and expiry date the same as that of the Share Instalment. Think of the put option as built-in insurance that limits your maximum potential loss to the amount initially paid for the Share Instalment.

The embedded put results in the net delta of the Share Instalment coming out slightly less than 1 for Share Instalments that are geared two times. In the case of Turbos, their higher levels of gearing mean that the net delta at issue date will be in the region of 0,9 or 90%. In terms of Busted Instalments the Delta can be as low as 0.5 or 50% with gearings in excess of 5 times.

Delta is defined as the change in the price of an option for a 1% change in the underlying. It can range from 0 to 1, an option with a delta of 1 will move 1 cent for every 1 cent that the underlying moves, an option with a delta of 0,9 will move 0,9 cents for a 1 cent movement in the underlying. In the case of a Busted** Instalment you would get a 0.5 cent move for a 1 cent movement in the underlying.

Note that delta is not a static variable – if the share price moves up, the delta will move back up

towards 1, whilst if it falls it will move down towards a delta of 0,5 or 50% around the strike and towards zero if it falls lower. Standard Bank will publish a matrix of the price of all its Share Instalments with their deltas on its www.warrants.co.za website.

The practical result of this is that if the share price very quickly recovers and closes at the same price as the underlying that the Instalment may not move by the same amount due to the delta effect of the Instalment. This becomes particularly noticeable in Busted Instalments.

Standard Bank Derivatives
derivatives@standardbank.co.za
www.warrants.co.za

* - Please note that, where a Company declares Extraordinary Dividends, the Issuer will be entitled to treat the declaration of the Extraordinary Dividend as a Potential Adjustment Event and adjust the terms of the Instalment.

** - An Instalment where the share price is trading close to the Strike price of the Instalment.

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JARGON BUSTING

ISM Manufacturing - United States

ISM Manufacturing assesses the state of US industry by surveying executives on expectations for future production, new orders, inventories, employment and deliveries. Though manufacturing accounts for a relatively small portion of GDP, fluctuations in manufacturing tend to bear the most responsibility for changes in GDP. Consequently, developments in manufacturing often front run trends in the overall economy, making the ISM Manufacturing figure a leading indicator of economic turnarounds. A pickup in demand for manufactured products after a period of recession, reflected by a higher ISM figure, strongly suggests a reversal upward. Conversely a slowdown in manufacturing orders and production during a boom suggests a slowing of the economy.

The ISM Manufacturing Survey is valued for its timeliness, and indeed, during waning boom cycles analysts point out that ISM tends to be one of the biggest market moving economic releases. The reasoning lies within the ISM's Prices Paid and

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Employment subcomponents. These components reflect sentiment towards inflation and labor conditions - two of the market's most significant health indicators. Given that the ISM's timeliness, the information gleaned from such components precedes other market data (like Non-Farm Payrolls or CPI), making the ISM a significant indicator.

The headline figure is expressed as a diffusion index based on survey responses. For each category (production, new orders etc.), the index is calculated by adding the percentage of executive responding "higher" with half the percentage of "no change" responses, and subtracting the percentage of "lower" responses. The ISM manufacturing indicator is the aggregate of the results for all categories.

Values over 50 generally indicate an expansion, while values below 50 indicate contraction.

ISM Prices Paid

The ISM report contains a price index, the ISM Prices Paid figure. It represents business sentiment regarding future inflation, where a higher figure indicates stronger expectations of inflation.

Relevance: Tends to move markets on release
Release Schedule: 10:00 (EST); monthly, first business day after reporting month
Source of Report: Institute for Supply Management (U.S)
Web Address: <http://www.ism.ws/>
AKA: Institute for Supply Management (ISM) Manufacturing Survey

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JARGON BUSTING Sarbanes-Oxley Act

A 2002 U.S. federal law which establishes a broad array of standards for public companies, their management boards, and accounting firms. It was passed after a series of accounting scandals at Enron, WorldCom and Tyco International diminished public trust in U.S. corporations, and is designed to increase corporate accountability.

The law established the Public Company Accounting Oversight Board (PCAOB), which oversees the auditors of public companies. Sarbanes-Oxley sets forth eleven specific reporting requirements that companies and executive boards must follow, and requires the

Securities and Exchange Commission (SEC) to oversee compliance. Also called SOX, Sarbox Sabanes-Oxley, Public Company Accounting Reform and Investor Protection Act of 2002.

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ROAD SHOWS Getting started in shares

Online Share Trading and the JSE host a free one and a half hour educational seminars to the public. The seminars are designed to get you started on how to invest in shares and are open to the general public.

By attending one of the seminars, you will learn:

- Investing and returns
- Why invest in the share market
- How to develop an investment strategy
- Understanding the share market
- What determines the share price
- How to make money in the market
- How to choose companies to invest in
- How do you buy shares
- Next steps

Tell your friends and family and help them get started on the path to creating wealth.

Dates & cities

- Johannesburg – 22 Apr
- Pretoria – 24 Apr
- Cape Town – 29 Apr
- Durban – 30 Apr

To book go to <http://courses.standardbank.co.za>

All venues are central and start at 6.00pm unless otherwise stated.

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