Standard

Online Share Trading

Education newsletter

Issue # 25
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If you're an investor, you're looking on what the asset is going to do, if you're a speculator, you're commonly focusing on what the price of the object is going to do, and that's not our game.

Warren Buffett
1997 Berkshire Hathaway AGM

The JSE Exchange Traded Funds Showcase

You are invited to attend the JSE Exchange Traded Funds (ETF) Showcase on Thursday **4th September 2008 in Johannesburg** and Thursday **11th September in Cape Town**. At this showcase, you will have the opportunity to learn more about the different ETF's and the specific benefits of these investment products to the investor in South Africa. Following the showcase, you will have the opportunity to meet the managers of these ETF's face to face.

Book soon if you would like to attend as places are limited. There is no charge to attend this event.

To book and check who is presenting log into the Standard Online Share Trading website and you'll see the link under the Special Announcements on the home page.

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

- Introduction to technical analysis (part 2) (23 Aug)
- Introduction to Futures (26 Aug)
- Half day detailed warrants course (30 Aug)

Pretoria

- Understanding Share Instalments (9 Sep)
- Introduction to Futures (10 Sep)

Cape Town

- Introduction to technical analysis (part 1) (30 Aug)

Durban

- Understanding company financials and announcements (23 Aug)
- Introduction to investing (6 Sep)

TALK
From the editor

Local and global markets remain volatile with commodities under pressure meaning we're also seeing the resource stocks under pressure. Whereas early in the year resource stocks seemed to be saving the day.

One important commodity is oil which has fallen from almost US$150 to be trading at under US$115 as I write this, while this may not be good news for Sasol, it is excellent news for motorists as the petrol price falls and with any luck will trade below R10.00 soon?

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

INVESTER
Annual General Meeting

The annual general meeting (AGM) is an important part of any listed company as it is when the company reports back to investors and when investors get to have their say, asking questions and vote on issues.

This AGM must be held at least once per year and is generally held after the release of the final results.

All share holders are invited to attend, in fact all share holders have a right to attend and can not be barred from the AGM. At the AGM directors will give a presentation of operations and take any questions from the floor. Some companies request that questions are submitted in advance, but generally questions from the floor are welcomed.

Another important part of the AGM is voting, standard issues are to elect directors (or re-elect directors) and issues such as issuing of new shares etc. Voting goes along the lines of 1 share 1 vote (some companies have low value shares such as NaspersN).

If you are unable to attend (or do not wish to attend) you can vote by proxy, in other words the chairman of the meeting will vote on your behalf as per your request.

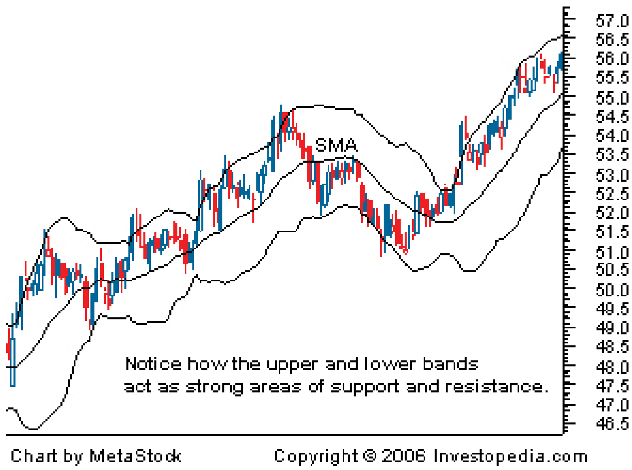
Before the AGM share holders will be sent a proxy form, this gives all the issues that are to be voted on and share holders can fill it in and return it to Online Share Trading or the company and your votes will be recorded. Very important is that if you do not give instructions on how to vote, then your shares are not voed.

The date (or tentative date) for the AGM is listed on the website. When on a companies quotes page click on the Company Profile (P) link (top right) scroll down the age and you'll find the information under Corporate Events.

Simon Brown
Standard Online Share Trading

TRADER
Bollinger Band

A band plotted two standard deviations away from a simple moving average.



In this example of Bollinger bands, the price of the stock is banded by an upper and lower band along with a 21-day simple moving average.

Because standard deviation is a measure of volatility, Bollinger bands adjust themselves to the market conditions. When the markets become more volatile, the bands widen (move further away from the average), and during less volatile periods, the bands contract (move closer to the average). The tightening of the bands is often used by technical traders as an early indication that the volatility is about to increase sharply.

This is one of the most popular technical analysis techniques. The closer the prices move to the upper band, the more overbought the market, and the closer the prices move to the lower band, the more oversold the market.

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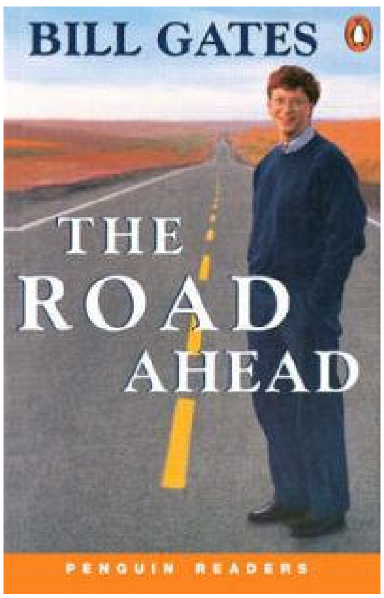
REVIEW - BOOK
The road ahead

The Road Ahead – Bill Gates

The Road Ahead was written by Microsoft chairman and CEO, Bill Gates, in 1996. Bill Gates co-founded Microsoft, the multinational computer technology corporation, with Paul Allen in 1975.

One would expect a book written by a “computer guy” to be rife with jargon and complex explanations, in general really difficult for the average person to read, understand and much less, enjoy. However “The Road Ahead” is devoid of jargon and Mr Gates uses simple examples to illustrate his point.



The content of the book is engaging and it is written in a manner that allows the reader to feel as if though the author is having a casual conversation with you.

“The Road ahead” is Bill Gates vision on the effect the internet would have and the importance it would play in day to day life. He goes as far as to mention that people reading the book 10 years into the future would regard some of the ideas he mentions as obvious while others might be scoffed at.

While his attire and appearance may lack imagination, he is passionate about his idea of making software cheaper and more easily accessible to people. This ideal manifests itself in the book and it is easy to see why he has attained the success he has.

Mr Gates refers to the internet as the “information highway” and enthuses about how information technology will revolutionise the way we think and live.
A passage in the book refers “New technology will offer people a new means with which to express themselves. The information highway will open undreamed-of artistic and scientific opportunities to a new generation of geniuses”

Although he stresses the positive implications of technological progress he does warn us of the pitfalls he foresees.

This book was not written for those who are seeking the secrets of Bill Gates success or advice on how to make multi million dollar company from a dream. What it will provide is insight into an innovative mind and a peek into the future filled with wonderful possibilities.

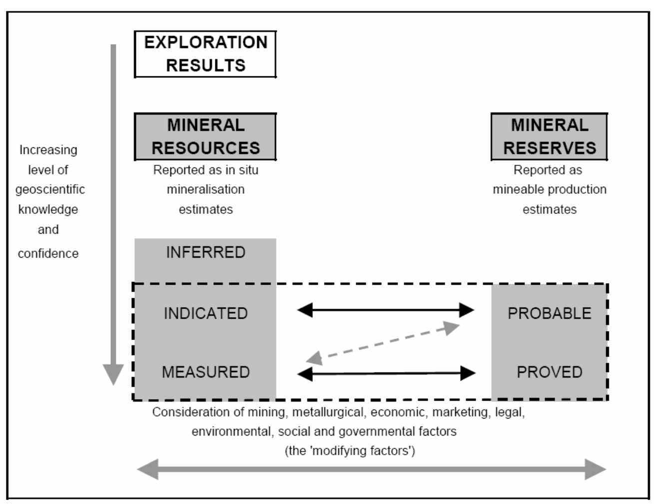
Marcia Nair
Standard Online Share Trading

REVIEW - WEBSITE
SA Minerals Code

www.samcode.co.za

This is the website of the South African Minerals Code. This is the organisation that ensures that when mining companies publish results or announcements on exploration or valuations of assets (gold, platinum etc.) still in the ground they have to use the SAM Code to ensure transparency and consistency.

In other words when an exploration mining company (or in fact any mining stock) refers to inferred or measured gold in the ground what do they actually mean? Well a quick look at the SAM Code will help you understand what they mean.



Further protecting the investor is the fact that this code is a part of the JSE listing requirements, so listed companies have to comply with the code. In fact it goes a step further in that the company needs to use a registered 'competent' person to do the study and then SAM Code reviews the information before it is published.

So the bottom line is that if you're interested in understanding mining company jargon (and this is a must if you intend to invest in these stocks), head over to the website and suddenly you'll understand all what they are saying.

Simon Brown
Standard Online Share Trading

COLUMNIST
Who wants to live to be 100?

Does anyone really want to live to be a hundred? Death used to be reliable. Like the man said, as dependable as taxes. The time was your financial advisor would look over your portfolio and give you the reassuring news that 'yes, Mr Principle, you'll be dead before you go broke', and I'd smile serenely at the news, and ignore the relatives doing a high-five behind me.

It's no longer like that. Now, you have to really work at dying - smoke a pack a day, or drive around downtown Jo'burg in a BMW.

My advisor no longer paints a picture of me heading towards the light with distant kin gathered round, ready to pocket the silver; instead, his spreadsheets include a chart of the price of Whiskas, adjusted for inflation over decades hence. The family draws straws to see who gets stuck with spooning soup into my toothless gums and shopping online on my behalf for cut-price adult nappies.

Sure, some day I'll trigger my last stop, but I'd rather go out with rib-eye steak clogging my arteries, not pilchards in brine. So it means adjusting my risk profile. Actually, adjusting it quite a lot. Risk used to be for the young, along with skateboarding and drinking box wine. With age, we're supposed to downshift steadily from high, to medium to low risk. If we break bones past 40, it's because we slip on a damp floor shuffling to the fridge for a jar of prune juice, not from riding on the roof of a mate's Golf Gti with a bottle of Captain Morgan.

But, things change, and now, if 30 is the new 40, that makes 60 a stand-in for 70. Soon we'll be counting a human lifespan in dog years, only backwards. And all that has to be paid for in cash. Replacing body parts ain't cheap.

Maybe if I'd begun investing early, say, about nine years before conception, I could hope for a retirement nest egg to last as long as my organs do.

Right now, with the market the way it is, there's every reason to sit on my stake and content myself with a few plodding investments, unit trusts, even a fixed deposit.

I do have sensible investments, of course, my D. B. Cooper portfolio, the parachute that will take some of the edge off the risk. But unless my long term strategy includes the Storm's river bridge without the bungee cord, chances are, I will end my days buying meals in the pet food aisle of Pick n' Pay. A friend of mine who works in advertising told me that marketers believe as much as a third of pet food is consumed by humans; so they pitch their ads not just at middle-class doggy lovers, but at people, 'educated enough to understand nutrition, but not enough to have stayed employed into old age'.

There is a risk of loss in actively participating in the market. But there is a bigger risk in not taking part - it's just as much about lost opportunities and what may not be gained.

So I've kept actively trading, in spite of the current market volatility. I have no choice but to embrace the risk. I've taken a few knocks both long and short - lately kicked out of BAW and SAP, with a small loss, but a loss nonetheless. In the meantime I've started to gather banks, like ASA.

Assuming risk does not mean being crazy. I'm still mostly in cash now, and my trades are modest. But I cannot afford not to be in. Ultimately taking on the risk is the difference between sunset years entertaining myself with Sudoku, or hiring energetic young women in prison guard uniforms who are handy with a riding crop.

So who does want to live to be a hundred? Just ask anyone who is 99.

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

JARGON BUSTING
Efficient Market Theory

The (now largely discredited) theory that all market participants receive and act on all of the relevant information as soon as it becomes available.

If this were strictly true, no investment strategy would be better than a coin toss. Proponents of the efficient market theory believe that there is perfect information in the stock market. This means that whatever information is available about a stock to one investor is available to all investors (except, of course, insider information, but insider trading is illegal).

Since everyone has the same information about a stock, the price of a stock should reflect the knowledge and expectations of all investors. The bottom line is that an investor should not be able to beat the market since there is no way for him/her to know something about a stock that isn't already reflected in the stock's price.

Proponents of this theory do not try to pick stocks that are going to be winners; instead, they simply try to match the market's performance. However, there is ample evidence to dispute the basic claims of this theory, and most investors don't believe it.

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JARGON BUSTING
Bull/bear market

Bull market
A prolonged period in which investment prices rise faster than their historical average.

Bull markets can happen as a result of an economic recovery, an economic boom, or investor psychology. The longest and most famous bull market is the one that began in the early 1990s in which the U.S. equity markets grew at their fastest pace ever.

Bear market
A prolonged period in which investment prices fall, accompanied by widespread pessimism.

If the period of falling stock prices is short and immediately follows a period of rising stock prices, it is instead called a correction. Bear markets usually occur when the economy is in a recession and unemployment is high, or when inflation is rising quickly. The most famous bear market in U.S. history was the Great Depression of the 1930s. The term "bear" has been used in a financial context since at least the early 18th century. While its origins are unclear, the term may have originated from traders who sold bear skins with the expectations that prices would fall in the future.

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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 –04 Sep
- Durban – 27 August
- Cape Town – 28 August
- Pretoria – 16 September

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

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