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Stranger Things

It is almost inconceivable but the JSE is about to round off its strongest quarter in almost two decades! However, the logic behind this rally is clearly the influence of the coronavirus pandemic when one takes a closer look at the shares most responsible for driving the market higher. Strange but true.

The FTSE/JSE Africa All Share Index has climbed 22 percent since the start of April, its best performance over any quarter since 2001. Emerging-market shares, heading for their biggest gains since 2009, are up 18 percent . South Africa's benchmark ranks eighth over the period among 93 major global indexes tracked by Bloomberg as of Monday's (29 June) close. It's within 5 percent of erasing 2020's losses.

AngloGold Ashanti Ltd. and Gold Fields Ltd. are among the leading index-point contributors to the gains, as the uncertain times push traders toward the haven of bullion. Tech investor Naspers has prospered as the Covid-19 lockdown strengthened the hand of partly owned Chinese online giant Tencent Holdings, spurring it to record highs in Hong Kong.

Mining behemoth Anglo American has benefited as central bankers around the world release massive stimulus to revive battered economies.

"If the global economy continues to recover, combined with the money printing that is happening and with central banks cutting interest rates in most markets, there is a lot of stimulus that should support higher valuations," said Peter Takaendesa, the head of equities at Mergence Investment Managers in Cape Town.

Sasol has outpaced all other gainers over the quarter, jumping almost fourfold as some investors bet that asset sales, cost-cutting measures and recovering oil prices will reduce the need for a painful rights offering by the fuels and chemicals producer.

Sasol has also been among the shares to benefit from buying by first-time mom-and-pop traders who, with an unprecedented amount of time on their hands during the national lockdown, were lured to the market by beaten-down valuations.

"We have seen an increase in appetite for stock broking-type of accounts, where people have discretion to purchase shares like Sasol," according to Renzi Thirumalai, the head of investments at FNB Wealth & Investments. "Quite a few shares were at depressed levels, so there were a lot of opportunities there."

However, the fact that the economy and the stock market seem to be singing from different hymnals is something to be wary of in these uncertain times. Longer term the stock market may react to an economy plagued by unemployment and business bankruptcies. Just be careful out there people.



Just Peachy

Buying a used car is one of the best ways to save a lot of money. Yet many people are really concerned that they will purchase a lemon. The truth is that even a new car could be a dud so applying these tips, and buying a great used deal, should improve your chances of saving a fortune and parking a real peach in your driveway.

Buying a good pre-owned car is a fairly easy thing to do if you know what you are doing. There are a several things to look for and a couple of checks to be made and you should be well on your way to reasonably priced motoring. With so many choices, finding that one right car for you will be easy. Here is a list of steps to help make finding and buying your perfect used car a breeze.

Step 1: Picking a Peach

The first step is often the hardest; don't fall in love with a car. For a used-car dealer, a smitten customer makes for easy pickings and they will easily sell you a rolling disaster. It could be the vehicle you dreamt of owning as a child, the car of your first kiss, or that sports car you loved when it came out... don't think with your heart. Traditionally the best 2nd hand buys come from brands like Toyota and Honda. However, more recently, brands like Kia and Hyundai increasingly make a lot of sense because they are reliable and have excellent manufacturers warrantees of 5 years and more. Make a list of the cars that interest you and then dive a little deeper and do a bit of research on what prices to expect and what to look for in terms of potential problem areas with the models you have in mind. Two internet sites that will get your research started are www.bookvalue.co.za and www.honestjohn.co.uk for model history and possible issues.

Step 2: Keep it simple

If you're buying new, by all means go berserk and purchase something exotic but if you're searching the second-hand market, mainstream is safer. Here's why; You may have minimal or no factory warranty so the cost of maintenance will come straight out of your pocket. An oil filter for a Toyota Corolla can cost as low as R60 but for a Renault more than R200. This escalates if you own a high-performance model. As a rule of thumb, the pre owned car buyer would do well to stay away from high-performance cars because it is unlikely that a little old lady bought it for a drive to the shops. Performance cars also cost considerably more to insure.

Step 3: Dr Phil for cars

Watch the seller while you talk about the car. Shifty behaviour is usually a sign that



Best pre-owned buys in South Africa

In the second-hand vehicle market, 35% of sales recorded by Transunion were for vehicles under two years old, and 10% were demo models, which indicates consumers are continuing to opt for newer previously owned cars. According to Auto Trader SA the following are the best used car buys in South Africa:

1. Volkswagen Polo Vivo
2. Hyundai i10 (incl. Grand i10)
3. Kia Picanto
4. Ford Figo
5. Toyota Etios
6. Suzuki Swift
7. Nissan Micra
8. Honda Jazz
9. Renault Kwid
10. New Hyundai Atos







What to watch

This globe-spanning docuseries brings the smart, stylized storytelling of Adam McKay's **The Big Short** to a quirky and compelling exploration of the global economy.

In each episode, host Kal Penn - with the help of some celebrity friends - explores topics like: *International money laundering, How scared should we be of a rubber apocalypse? And A Global Corruption Tour.*

It is clever and funny. An enjoyable and interesting series for anyone with even the slightest interest in how the financial world goes around.

there's something dodgy with the car. Walk around the car and point out anything of concern. Watch the sellers body language. Look for signals that the seller is uncomfortable and follow your gut. There's no harm in walking away, rather than being stuck with a lemon.

The car itself can give you clues about the type of owner it had. One of the great tell tale signs of how the previous owner treated the car is the condition of the mag wheels. Mag wheels that are in perfect condition are usually the sign of a careful and fastidious owner that more than likely treated the rest of the car with the same care.

Step 4: Due diligence

Get the seller to talk about the car's good points – and be sure to check the things he doesn't talk about. Specifically, check brake discs for uneven wear and check the oil filler cap. With the engine cold remove the oil filler cap to inspect for brown milky goo that has collected on the bottom of the cap. This is an indication that coolant is leaking into the oil. This leakage could be generated by a cracked cylinder head, block or a leaking intake manifold (in some cases) the intake gasket is also prone to this kind of failure. Battery terminals should be clean, tyres should be in good condition with even wear, and the body should be straight. Check the body seams in the engine bay and boot to see whether it was repaired after a smash.

While the handbrake is up, give the car a mighty heave. Of course it should not move. Watch out for paint on body panels that may appear to be a different shade to the rest of the vehicle - this indicates the car has been in a crash. Find out when the car will need a cambelt service and if they have been done according to schedule. If a cambelt service is due, bear in mind that it is a vital but very costly job. Either walk away or negotiate a discount to help pay for the service.

Step 5: How to test drive

Let the vehicle idle. Walk around the car and test the wipers, lights and listen to the engine noise. Once it has been at idle for awhile, switch it off. Attempt to start the car with the headlights still on. If it doesn't start immediately there may be an electrical problem. Check all light, aircon, electric window and mirror switches. During your test drive, make sure you test all the gears, and include some kind of incline on your route. Feel for any "flat spots" in acceleration. *(Flat spots are where the acceleration momentarily stops, and picks up again. It could indicate ignition or injector issues).* Listen for strange noises. Grinding sounds when you brake or change gear may indicate a serious mechanical fault and it's best to walk away from a car that makes those sounds. There should also be no high-pitched squealing from V-belts.

Take a couple of minutes after the test drive to see if any fluids have leaked onto the ground. Oil or coolant could indicate a serious issue with oil seals, engine or cooling system. Finally, does the vehicle "feel right" to you (this is where your gut comes into play)? If yes, do the deal.



Entrepreneurial spirits

It may be because we are natural optimists, but it is remarkably common for entrepreneurs not to take out life insurance. Without proper life insurance protection, the sudden death or disability of a founder could derail a company, resulting in layoffs, bankruptcy and possibly the collapse of the business itself.

According to insurance industry studies, 41 percent of business owners and individuals do not have life insurance, meaning they likely don't have the necessary funds earmarked to support their business, employees and their loved ones in the event that something happens to them.

Mind over matter

Entrepreneurs have a unique mindset and perspective that sets them apart from other professionals or even artists. Their company is born with a mission in mind, and this creates individuals who tend to be both persistent and impatient, yet disciplined. When launching a business, entrepreneurs are supported by investors, teams and their families who all share in their company's vision, but these groups are also the most at risk should that vision be cut short by an unforeseen event. Without proper life insurance protection, the sudden death or disability of a founder could derail a company, resulting in layoffs, bankruptcy and possibly the collapse of the business itself.

There are various reasons that entrepreneurs may neglect to take out an adequate life insurance plan. Establishing protection for themselves is rarely a top priority when starting a business, as finances are stretched and owners are subject to a never-ending to-do list.

Penny wise, Pound foolish

Most new entrepreneurs will know that, at the onset, their income will be virtually non-existent. As with most small business owners, they'll be drilling down into their own savings in order to invest in their venture. In order to feel comfortable about risking their short-term financial future, they should know that they are putting their family at risk. No one likes to think about the unexpected events that could occur, such as an injury, disability or even death, to yourself or a business partner, but a good business person should anticipate all possibilities whether they are positive or negative. However, we should as entrepreneurs recognize that from the onset we are putting ourselves, our business and our family at risk if we fail to take out adequate insurance.

Protection racket

From a business perspective, it's a smart idea to take out life insurance, which can protect your company from financial loss, liabilities or instability in the case of death.



Buy-and-Sell Agreement: Key points

- Buy and sell agreements stipulate how a partner's share of a business may be transferred in the event of the partner's death or departure.
- Buy and sell agreements may also establish a method for determining a business' value.
- Cross-purchase buy and sell agreements allow remaining owners to buy the interests of a deceased owner funded by life assurance.
- Redemption buy and sell agreements require the business entity to buy the interests.



Quarter 3 2020

Financial Informer

What is FAANG?

Facebook, Apple, Amazon, Netflix, and Google make up a group of shares so popular that Wall Street has given them a name: FAANG. This group of tech giants have transformed the markets, their industry, and the way that we live. Five shares having such



an extreme presence makes for an unusual market. With such high market caps, they control a significant portion of the index and therefore can move it significantly.

These five shares have significant influence in the markets and investors feel the effects of them whether they own shares in them or not. With the never-ending string of controversies and criticism that these companies face, many smaller tech companies have been able to make a mark in the tech sector. Only time will tell if FAANGs many rising competitors will be able to overthrow them and replicate the stunning growth that these five companies have achieved.

It can also assist you in maintaining your business through turbulent times, by providing short-term cash flow, keeping your operations running and suppliers happy.

From a personal perspective, life insurance is one of the best decisions you can make on behalf of your family, yet Deloitte found that only 59 percent of family-owned businesses have a detailed contingency plan in the case of death or disability. A detailed plan, funded with life insurance, will give the entrepreneur great peace of mind as they build their business knowing that their family and legacy will be protected should the worst happen.

Get a good fit

Just like buying a tailored suit, a life insurance policy should be a good fit, reflecting the scope and scale of your business. To that end, when purchasing life insurance, business owners need to evaluate their individual insurance needs based on a number of factors, including their level of debt, income replacement and future obligations. One of the main reasons business owners are underinsured and 41 percent don't have life insurance is that they do not know how to adequately measure their financial risk. This is where entrepreneurs should seek help, as being unaware of vital financial measurements, including the value of their business, leads to business owners receiving inadequate cover or no cover at all. What's worse, when a company is underinsured, any claims pay-outs will be insufficient to help get the business back on its feet.

Luckily, advancements in technology and big data now provide business owners and advisors with accurate and reliable business valuations that help to identify an adequate level of insurance coverage. Using digital valuation tools, the industry now has the means to evaluate business valuation data with actual underwritten insurance policies, historical insurance trends as well as the industry's best practice, generating a holistic report.

Better understanding

Just as no entrepreneur is the same, no startup is the same. It begins with a thorough understanding of how much insurance is actually needed based upon the business value and their equity stake in that business. Armed with this information, entrepreneurs can accurately incorporate vital components into their insurance plan, including buy/sell, key person, life, disability, and property and casualty, to help establish a safe and secure business.

This will also give entrepreneurs peace of mind that their business and loved ones are covered, and provide them with the satisfaction of being able to cross off one more task on that never-ending list of jobs to be done.