PROCEDURE FOR PLACING AN ORDER

Should your team experience problems with the trading app, please notify the NSX and AIESEC immediately.

When placing an order, please state the following:

- University / School name + Team name
- Team leader
- Share name + Share Code
- Sell or Buy
- Number of shares

For enquiries on orders, please state the following:

- University / School name + Team name
- Team leader
- Share name + Share Code
- Sell or Buy
- Number of shares

SHARE CODES

Share codes for companies listed on the NSX are listed below:

Company Name	Share Code
Agra Limited	AGR
AfricaPalladium Debs NM	ENXPLD
Afrox	AOX
Anglo-American plc	ANM
Astoria Investments Ltd	ARO
B2Gold Corporation	B2G
Bannerman Resources Limited	BMN
Barloworld Limited	BWL
Bidvest Namibia Limited	BVN
Bravura Holdings Ltd	CMB
Capricorn Investment Group Ltd	CGP
Celsius Resources Limited	CER
Clover Industries Limited	CLN
Deep Yellow Limited	DYL
Firstrand Limited	FST
FirstRand Namibia Ltd	FNB
Forsys Metals Corp	FSY
Investec Limited	IVD
Letshego Holdings (Namibia) Ltd	LHN
Marenica Energy Limited	MEY
Mediclinic International Plc	MEP
MMI Holdings Limited	MIM
Namibia Asset Management Ltd	NAM
Namibia Breweries	NBS
Nedbank Group Limited	NBK

Company Name	Share Code
New Gold Issuer Ltd NM	NGNGLD
New Gold Palladium ETF	NGNPLD
New Gold Platinum ETF N	NGNPLT
Nictus Holdings - Nam	NHL
Nimbus Infrastructure Ltd	NUSP
Oceana Group Limited	OCG
Old Mutual Ltd	OMM
Oryx Properties Limited	ORY
Paladin Energy Limited	PDN
PSG Konsult Limited	KFS
Sanlam Limited	SLA
Santam Limited	SNM
Satrix MSCI EMG Markets NM	SXNEMG
Satrix MSCI World Feeder NM	SXNWDM
Satrix Nasdaq 100 Prtf NM	SXNNDQ
Satrix S&P 500 Feeder NM	SXN500
Shoprite Holdings	SRH
Standard Bank Group	SNB
Stimulus Investments Limited - Pref	SILP
Tadvest Limited NM	TAD
Trevo Capital Limited	TRVP
Trustco Group Holdings Limited	TUC
Truworths	TRW
Vukile Property Fund Limited	VKN

WHY DO SHARES EXIST?

Companies began issuing shares to the public during the Industrial Revolution. At that time, technology took great strides forward and it suddenly became possible to undertake huge projects such as building a railroad across America. These large projects could not easily be financed or managed within the organisations existing at that time which consisted of sole traders, partnerships and guilds. A new type of organisation had to be found which could access the savings of the public at large. You will understand that large corporations can never be financed by one person or even a group of partners. So the finance has to come from tens of thousands, or even millions, of people. Most of these people would not be willing to put their money into such an organisation if they had to be involved in its management, or if they were responsible for its debts.

To avoid these problems, companies had to become 'people' in their own right so they would then be responsible for their own debts and their own management. Thus the concept of a 'legal persona' evolved which refers to an organisation having rights and obligations in the same way as a natural person.

Imagine the chaos that would occur for all Anglo American shareholders if they were involved in its management? Ask yourself, also, if you would be prepared to buy shares in Anglo if, by doing so you became fully responsible for all its debts. As a result of this, companies are treated as separate persons by the law, totally responsible for their own debts and their own management. Otherwise nobody would risk helping them to raise the capital they need for their extensive operations.

The situation with a partnership or sole trader is very different. If a partnership liquidates (i.e. becomes bankrupt) then the partners are responsible for its debts to the full extent of their assets. It's easy to see why people are more willing to invest in companies. The financing of a company is thus broken down into small parts called shares – these may be a million, or there may be several hundred million shares.

Shares exist for two reasons: (1) their primary function is to raise capital by offering investors a share of the future profits of the company in return for their purchase of the shares. (2) Once their primary function is fulfilled, they have a negotiable value, depending on other people's perception of the likely future profits of that company.

Shares in public listed companies are traded on a securities exchange, which is the marketplace where buyers and sellers are matched.

AUTHORISED AND ISSUED SHARE CAPITAL

When a company is formed, the founders have to decide how much money they will need to get the company going. For example, they may decide that they need N$1 million. The founders themselves may be able to come up with only half this amount and then decide to raise the other half by offering shares to the public.

Before such an offer can be made, however, the founders must approach the Registrar of Companies to obtain permission to offer shares to the public. Usually they will ask for permission to raise more money than they actually need. So if N$1 million shares then become the company's authorised capital', and if they are successful in selling one million shares, these then become their 'issued capital'. If you look in one of the JSE handbooks you will find the authorised and issued capital for each dual listed company.

The price at which each share was sold (in our example, N$1) is the 'par value' of the share. More of the shares may be sold later at a 'premium' to par, because the company will then be much stronger and better established, making its shares more valuable.

Whenever a company issues shares to the public, it is required by the Companies Act to publish a 'prospectus'. This is a lengthy document setting out the business of the company, the amount it is seeking to raise, the purpose for which the new funds are required and many other details. You will often see summaries of the prospectus published in your newspapers (especially Business Day and Business Report)

WHAT AM I BUYING WHEN I BUY A SHARE?

When you buy shares, you are buying:

1. The right to attend and vote at general meetings of the company;
2. The right to receive the annual and interim reports of the company.
3. A share of the portion of the company, which is called a 'dividend';
4. The right to get a return of your share of the underlying assets, if the company ceases operating.

Of all of these factors, the third is usually the most important when selecting a share. It is the expectation of the future profitability of the company which, more than anything else, determines the price of a share.

It is important to distinguish between public (unlisted) and private (listed) companies. A private unlisted company is precluded from offering its shares or debt securities to the general public and cannot have more than 50 shareholders. A public unlisted company may raise capital by offering shares to the public and must have a minimum of seven shareholders but may have as many shareholders as it wants. Private unlisted companies have to have '(Pty)' in their names as well as the 'Ltd' which shows that they have limited liability. Public unlisted companies only have 'Ltd' in their names.

When reading through American literature, you will find that what we call 'shares', they call 'stock' or 'common stock'. In South Africa, however, the word 'stock' usually refers to bonds and semi-bonds, hence the terms 'stocks and shares'. The term securities refers to the various types of equities and debt instruments which may be used by firms to raise capital.

Another name for ordinary shares is 'equities', which refers to the fact that owning an ordinary share involves you in both the risks and the profits of the company.

EARNINGS, DIVIDENDS AND DISCOUNTING

Earnings

When assessing whether a share is cheap or expensive, the first thing that the investor should ask is:

"How profitable is the company?"

This question is really the beginning of what analysts call 'Fundamental analysis'. In fundamental analysis we strive to find out as much about the future prospects of the company as we can. The best place to begin is with the company's actual profit in relation to its current share price.

In the share market, profits are called 'earnings' and the profitability of a company is normally expressed as '**earnings per share'** or '**EPS'.**

Earnings per share is an extremely important ratio, so let's devote some time to analysing it. You may find that you need to go over the explanation several times to understand it clearly.

Earnings per share is most simply calculated as the after-tax profits of the company divided by the number of shares in issue:

$$EPS = \frac{\text{Net profit}}{\text{Number of shares in issue}}$$

Dividends

Once you have established a fair picture of the company's earnings per share, another question that you will ask yourself is 'how many dividends does a company pay?

Preference Share Dividends

Preference shares, as the name implies, are shares that have first preference when dividends are being distributed. Dividends on preference shares are normally a fixed amount determined as a percentage of the issue price or, as has become more common, as a fixed amount in terms of cents per share.

Sometimes the company will have participating preference shares which, as the name implies, participate in the profits of the company. This means that when the profits of the company increase, the dividend on participating 'prefs' does likewise and vice versa. It is common practice for participating preference dividends to have a fixed element and a variable element. The variable element fluctuates with the profitability of the company and, more particularly, with the ordinary dividend.

Ordinary Share Dividends

Dividends on ordinary shares are usually only paid out of current profits of the company. This means that unless the company makes a profit, no dividends will be paid for that period.

Interim's, Finals and important dates

It is common practice for companies to pay dividends twice a year. The first dividend is known as the interim and the second the final dividend.

The total dividend is the sum of the interim and the final dividends in any particular financial year.

From time to time, companies pay special dividends when they find that they have more cash on hand than they need for their ongoing business. Such a special dividend is not a good sign because it indicates that the directors feel that they cannot employ the additional funds as effectively inside the business as the shareholders can outside it. In effect they have lost confidence in their ability to make a good return on shareholders' funds.

Each dividend has four important dates associated with it:

1. The 'Date of Declaration' - when shareholders are told by the company's directors how much the dividend will be;
2. The 'Last Day to Register', or LDR, - the day on which you must own the shares in order to receive the dividend, or the day by which you must have sold the shares in order not to receive the dividend. Up until the LDR the share is described as 'cum' dividend (i.e. 'with' the dividend), which indicates that holders qualify for a pending dividend pay out.
3. The 'First Trading Day' after the last day to register - the first day on which the shares trade 'ex-dividend'. On this day the price normally drops by the amount of the dividend because people buying on this day will have to wait at least six months for the next dividend;
4. The 'Date Payable' - the day on which dividend cheques are posted. You will find each company's most recent LDR's and dates payable for both interim and final dividends in any of the available handbooks or the JSE Monthly Bulletin.

Dividend Cover and Retained Income

Dividends are normally only a portion of the earnings of a company. The earnings are usually two to three times the amount paid out in dividends and one wonders what happens to what is left. The answer is simple: the amount left is known as 'retained income'. This ensures that the company has the resources to expand and build up the business. Typically, the higher the level of retained income, the faster the growth of the company.

The actual level of retained income depends on the dividend policy, which is usually normally set out in the annual report. This policy can be measured by calculating the company's dividend cover' which is the number of times that the dividend could have been taken out of earnings. Dividend policies vary considerably from company to company. Some companies pay out very little (10% or less) and a company which is doing badly may pay out nothing. Other companies

pay out 100% of the profits or, by drawing on the profits of previous years, more than 100%. When assessing this you must remember that the profits that a company has made are often tied up in shares or debtors, and there may not be cash available to pay out a dividend.

Earnings Relationships

The term 'earnings yield' can be loosely compared to the interest rate that you receive on your bank deposits. It is calculated by expressing the earnings per share as a percentage of the current share price.

$$\text{Earnings yield} = \frac{\text{Earnings per share}}{\text{Market price of share}} \times 100$$

For example, if a certain share has earnings per share of 200 cents and is currently trading in the share market for 1000 cents, then its earnings yield will be 20%

Price: Earnings Ratio

The PE ratio is the reciprocal of the earnings yield and is calculated by dividing the share price by the earnings per share – in our example this would be 1000 divided by 200, which is 5:1, although usually only the first part of the ratio is quoted.

Dividend Yield

The dividend yield is similar to the earnings yield except that it is calculated by expressing the dividends per share as a percentage of the share price.

Total Dividend

$$\text{Dividend Yield} = \frac{\text{Interim plus final}}{\text{Current Market Price}} \times 100$$

These ratios are used to highlight the return on your investment in relation to what the share is currently trading at. It also gives you the start of a comparison between shares to show whether they are cheap or expensive in relation to one another or the average of the industry.

Such ratios have their limitations and they may give an incomplete or unfair picture of the company.

The ratios or yield percentages may be based on earnings and dividends which are often months out of date – because they have been taken from the most recently available set of financial statements. You should realise that the financial statements may only be published two or three months after the end of the company's financial year or interim reporting period – so that the earnings per share may reflect profits made a year ago.

Most analysts use the earnings yield because the divided yield does not take into account the different dividend cover policies.

You must be very careful when you use the earnings yield to compare different companies. Where two companies have different financial year-ends, you may be comparing the earnings yield of a company that has already published increased profits with that of a company, which is just about to publish increased profits.

The different financial year-ends are particularly important in companies that are greatly affected by the business cycle such as those in the building and construction or motor industries.

Consider the following extract from the newspaper showing earning yields for some shares in the building and construction sector:

Company	Earnings Yield
Basil Read	19.1
Ceramic	7.4
Concor	8.4
Goldstein	26.8
Grinaker	11.5
Group 5	22.7
Group 5 Holdings	22.6
Italtile	5.9
LTA	8.4
Masonite	20.8
Portland holdings	23.7
PPC	7.3
Sector Average:	15.4

As an investor looking through these companies you might be tempted to choose the company with the highest yield (Goldstein with 26.8%). However, where a company published excellent results six months ago and has subsequently fallen into difficulties, the earnings per share will remain at high levels, while the price falls heavily. In such cases, the earnings yield would be very high.

On the other hand, companies with very low earnings yields are generally the blue chip companies. These shares are favourites with institutions and are often over-priced in relation to their profits. Quality can be expensive and poor shares can be cheap – your objective is to find and buy shares when they are cheap and sell them when they are expensive.

Given a share price and the earnings or dividend yield, you can then work backwards to find the earnings per share or dividend per share, which should tie up with the figures given in your newspaper. The newspaper uses the most recent earnings figures so when a company publishes its interim profit, the earnings will be calculated by adding this to the earnings of the last six months of the previous financial year. In other words, earnings from the last two six-month periods are used regardless of whether they constitute a complete financial year or not. If the figures do not match, you have either made a mistake or you are using a different figure, probably for a different period.

Discounting

In many ways, the dividend paid by a company is similar to the interest one receives on a bank deposit. This may cause you to question why you should invest in a company with a dividend yield of 4% rather than putting your money in a bank and getting 14% or more.

The difference is that a healthy, growing company could increase by at least the inflation rate and, hopefully, faster. This means that if you hold on to a share for any length of time, within a few years the dividend return on the price you paid for the share should increase beyond the current bank rate. In securities market jargon, you have discounted the future earnings of the company into the current price of the share. The more solid and stable the company the further into the future the market is prepared to discount future earnings. This explains why a blue chip company like Liberty Life trades at a 2% dividend yield. We would say that Liberty has been accorded a very high market rating. For example, early in 1988 you could have bought Liberty shares for R10.00. For argument's sake, let's say that last year you received a dividend of N$1,32. This would mean that you received a dividend, which has 13.2% of the price paid for the shares.

Net Worth

Another commonly used measure of a company is its net worth, also often called its net asset value. This is calculated by taking the total assets of the company, subtracting the total liabilities and dividing the result by the number of issued ordinary shares.

Net worth is expressed as a number of cents per share and gives an indication of the underlying assets per share of a company. At best it can only give an indication because company accounts tend to be based on historical information which is often out of date.

For example, if a company bought property 20 years ago, that property is going to be worth more today than when it was bought.

The book value of an asset is the value, which has been given in the company's books of account. Many companies show their assets at cost in the financial statements and you often have to adjust for their true up-to-date value.

One common adjustment, which is made by analysts, is that of valuing the listed shares held by a company at their market value rather than at book value. Listed shares are almost always shown at cost, and the adjustment is easy to make.

Look up the company's share capital and reserves figure, and deduct from the book value of the company's listed investment. Then add them back at their current market value – which is the last transaction price from your newspaper.

You will not find the listed investments of the companies in your Handbook and you will need to get a copy of the company's annual financial statements, usually available from its registered office and/or the NSX. The listed investments will be detailed in the notes to the balance sheet.

It is useful to compare a company's net worth with its current share price. If the share price is much higher than the net worth, investors are generally expecting good profits in the future and are therefore prepared to pay more for the share than its value on paper.

Conversely, where the company's shares are well below their net worth, this has either been eroded, since the latest financial statements published on the shares are basically undervalued and may be a good take-over prospect.

The earnings per share can be compared to the net worth to ascertain how profitable the company is. The higher the ratio of earnings per share to net assets, the more profitable the company tends to be and vice versa. This is not an all-embracing measure but will give you some idea of the relationship between earnings and assets.

Typically, when seeking growth opportunities, you should look for a company, which has a relatively high ratio between earnings and net worth. It is also important to look at a company's track record when making an assessment of it, and for this purpose you should look at the Handbook if you do not have a more detailed record available. The Handbook shows the net worth of a share over the past five years. You will find the address details of the company's registered office in it if you want to get a copy of the latest financial statement.

These are the things you should look for in particular:

1. The rate of increase in earnings per share and the dividend per share, remembering to adjust for the inflation rate;
2. Note whether the EPS or DPS has fallen.
3. Assess whether the ratio between earnings per share and net asset value per share has been increasing or decreasing and, if so, whether this has been purely as a result of a business cycle or as a result of a change in the underlying profitability of the business;
4. Whether there have been any major changes in the balance sheet or in the operations of the company in this period; and
5. Look at what has been happening to the dividend cover. A rising dividend cover usually indicates a company, which is hungry for cash because it is ploughing more of each year's, profit back into the business rather than distributing it to the shareholders as dividends. This tends to be a good sign if it is accompanied by relatively high or increasing earnings in relation to net assets. However, if it is accompanied by a decreasing return on net assets, particularly if this is not really as a result of a slide in the economy, it is a bad sign.

THE SHARE PRICE OF A NEWSPAPER

Your most useful regular source of share market information is your daily newspaper. When choosing a newspaper, you should make sure that it is easily available and, if possible, can be delivered to your home. The newspaper must have good business coverage and, from this point of

view, either Republikein, Namibia Economist, Business day or Business Report are recommended.

How real trading is reflected in the newspaper

The first thing to understand is that morning newspapers report on the state of the market at the close of trade on the previous trading day from 08:00 to 16:00 (during winter) and 09:00 to 17:00 in summer. During these periods, many transactions are made involving a wide variety of shares. To understand the report in the newspaper you need to know how transactions take place in the market.

The IRESS System is a centralised automated trading system and can be described as an 'on-screen trading floor'. Dealers enter buy and sell orders on the trading system via a remote terminal (workstation). While there are some physical differences between the mode of operation of a trading floor and an automated process conceptually, they are essentially the same.

Significant improvements arise for investors, listed companies and the NSX itself from the IRESS System through improved transparency, security and audit trails which greatly enhance investor protection. Increased capacity and real-time surveillance capabilities using comprehensive audit trail and analytical techniques are special features. The principles underlying the market trading rules ensure a fair and honest market.

Dealers manage their orders in the order book via trading workstations, which are linked to the IRESS System. The order book is divided into a buy side and a sell side.

Additional Information

Some students in outlying areas will not be able to get a copy of the Business Day and they will find that other papers do not carry the same depth of information. However some of the other papers, especially those containing Business Report (Independent Newspapers group) do have good share market reporting and will contain much, if not all.

On the pages adjacent to the price page in the Business Day and in Business Report you will find a great deal of useful and highly condensed information. You should get into the habit of looking at these pages every day and picking out the key points.

1. World Securities Markets

There are useful reports on the New York Stock Exchange (NYSE), The London European and Asian markets. The NYSE is particularly important and it is worth keeping an eye on the Dow Jones Industrial Index which is always given in the column. The Dow Jones is a simple average of the share prices of the 30 largest industrial companies in America. It is very widely followed and any major decline in it is almost certain to affect other stock markets, including the NSX. The FTSE – 100 (Financial Times) index, from the London stock Exchange, is also worth watching although it is not as important as the Dow & Satrix 40.

Satrix 40 is a new product initiated by the JSE, Gensec, and Corp Capital. Satrix is the same product as the Dow Jones. It enables an investor to purchase a single JSE listed security, which gives the same return as would be received if the incestor directly purchased shares in each company in the JSE's ALSI 40 index. This provides the investor with all the benefits of diversification, for the cost of one transaction.

2. The JSE/Actuaries Indices

These are worth charting on a weekly basis together with a 10-week moving average. Of particular significance is the earnings yield of the market as a whole, which is shown against the overall index. This index will tell you whether the market is over or under-priced. The JSE is seldom at an earnings yield of less that 5 or more than 13. The subject of earnings yields has been covered earlier in this manual.

3. Major Movements

In this section, you will see which shares have moved the most over the past day or week, either up on down. It is worth watching the “Weekly Top Ten Down” for shares, which are falling heavily because some of them might be at bargain prices before they start upward again. Obviously you must carry out your own investigations before you buy them – in particular you must find out WHY they have been falling.

4. New Highs and Lows

By scanning this section each day you will see which shares are breaking new ground and moving up or down. This should give you an idea which sectors are moving and also how the market is doing as a whole. In periods where there are more new highs than new lows you can be fairly certain that the market is in a bull phase and vice versa.

There is a lot of other interesting information on these pages, and in the rest of the papers. You should gradually expand your understanding until you know the meaning of each figure.

BASIC INVESTMENT PRINCIPLES

1. Market Cycles

You will have noticed ups and downs, or booms and busts, in the economy. These are also reflected in the share market by movements in share prices. These movements are called trends if they persist for any length of time. As early as 1900, Charles Dow observed that they fell into three broad categories.

- Primary trends which last between two and five years;
- Secondary trends which are between three and nine months;
- So-called daily fluctuations' which can be anything from a few minutes to two weeks.

Primary upward trends are known as bull trends and primary downward trends are called bear trends. If the share moves up for a while during a bear trend, we call this a rally, and if it moves down during a bull trend it is called a correction.

Your aim, therefore, is to exploit these movements in share prices to your own advantage and to sell them when they are high. Remember good quality shares (i.e. blue chips) can be expensive and poor quality shares are sometimes cheap.

2. Market sentiment

Sentiment is how investors, as a group, feel about a share of the market as a whole – are they optimistic or pessimistic?

Sentiment has an exaggerating effect on the movement of share prices, causing them to swing well above and below the share's real value. These swings can sometimes be so strong that they cancel out the effect of a minor cycle.

Be particularly aware of sentiment at turning points or at times of uncertainty in the market. To see cycles and trends, you will need to keep some charts of the NSX indices and the shares, which interest you.

3. Quality

Your best investments will generally be in good quality shares. These shares are known as blue chips. These are generally well known names such as Anglo-American, Old Mutual, etc. Look for steadiness, profit growth, a strong asset backing and accounting conservative.

4. Risk

When buying an ordinary share you take a greater risk than when you put your money in a bank or building society. You should be rewarded for taking the risk. And as you would expect, the more risky a company, the higher the return you must look for before you buy it. Risk and return should rise together.

Your return on an investment in shares is divided into capital gain (which is the difference between your buying and your selling prices) and your dividend. Usually the sum of these two is expressed as a percentage of the price you paid for the share and annualised.

For example, if you have bought a share for 1 000 cents, you sold it six months later for 1 100 and have taken a dividend of 50 cents between the two, then your total return is 150 cents or 15% made in six months – which is an annualised return of 30%.

It is much harder to measure your risk and therefore most investors leave it to their 'gut feel'.

Basic Ground Rules

At this stage you need to know about the ground rules governing investment. The following points will be of assistance to you. Refer to them frequently and ask yourself whether your actions conform to them.

Things You Should Do

1. Keep your eyes open – look at what is going on around you - indications of how the economy is doing;

2. Keep in touch with your investments through newspapers and business publications. Remember that you can't hit the ball unless you are watching it! Allocate a particular task to each team member e.g. reading all the financial newspapers, scanning each of the weekly financial magazines, keeping a file of interesting information on likely investment opportunities for future reference purposes, etc;

3. Spend a regular amount of time on your investments each day. Get into the investment habit;

4. Learn as much as possible about investment – you will never know it all, so keep studying. Everything is relevant. The share market is the world's greatest leveller – it has the ability to make the cleverest of us look foolish;

5. Treat your investment seriously, but not too seriously;

6. Become a specialist in about 15 shares and behave like a detective – dig and uncover as much as possible about them – anything could be important. These 15 will not always be the same shares but will change as the overall position of the market changes; and

7. Concentrate on how you are spending your investment time. Remember that your time is your most important asset; not money – because how you spend your time will determine how you spend your money.

Things You Shouldn't Do

1. Don't buy shares on tips, unless you have thoroughly researched the share and would have bought it even without the tip;
2. Don't aim too high at first. Accumulate wealth by steady, careful investment.
3. Don't be greedy – leave a little for the next man. A professional investor is a man who sells too soon;
4. Don't get excited when you are making money and despondent when you are losing. Your emotions are your worst enemy in the market;
5. Don't buy a share without knowing exactly why – and write down your reasons so that you can review them with the advantage of hindsight; and
6. Don't marry your winners or snub your losers;

Remember

- **Buy Low;**
- **Sell Early;**
- **Regret It;**
- **Grow Rich!**

MARKET INDICES

An index is merely an average, or sort of barometer, of share prices in a certain sector or group of sectors. There are different methods of calculating an index, some using a simple average of share prices. For instance, the Dow Jones Index, which is used widely in America, is a simple average of the 30 leading industrial shares on the New York Stock Exchange. This is not weighted at all for the size of each company making up the index. In other words, it is simply the sum of the prices of the 30 shares used and divided by 30.

Usually indices are weighted according to the market capitalisation of the shares in the sector. This is calculated by multiplying the current market price by the number of shares in issue. Let us say, for example, that Sasol had 565 million shares in issue. At current market prices (1800c),

Sasol's market capitalisation would therefore be 565m x 1800c = R10 170 million (i.e. over R10 million). If the price should drop back to 1700c the market capitalisation would be reduced to R9 605 million.

What Does the Index Tell You?

An index gives you an idea of the broad trend of the market or sector and it is a means of comparing one sector with another. It enables you to judge your performance against the market as a whole and to compare a share with its sector.

Indices, like ratios, have only relative, not absolute significance – in other words you should use them to compare other indices or shares or consider their progress over time. The actual index is an average designed to give as fair a picture of the sector's movement as possible.

The most widely used indices in South Africa are the JSE/Actuaries indices. These indices cover the whole market and break it down into its various sectors.

All securities markets make use of indices. The Financial Times index of the London stock Exchange (FTSE) shows the average performance of that market while the Nikkei Dow shows the performance of the leading securities on the Tokyo stock Exchange. It is useful to keep track of these indices so that you know what is going on in the outside world.

If you look at the share names on the price page of the Business Day you will notice that some of them have a small asterisk next to them. This means that they are excluded when calculating the relevant JSE/Actuaries index. Pyramid Companies, preference shares and debentures are also excluded.

If you look at the pages adjacent to the price page, you will see the JSE indices. The average earnings and dividend yield is supplied for each index. The average earnings and dividend yield is supplied for each index. You can compare these with the earnings yield of a particular company. Average yields for the overall index are calculated and reported daily. These are very important because they can give you an idea of whether the market as a whole is overheating or nearing the bottom of its trend.

SOURCES OF INFORMATION

There are many sources of information on individual shares, sectors, the share market, the economy as a whole, the economies of countries that affect the South African economy or those that deal in our shares. There are many of other subjects which also affect the South African share market, either directly or indirectly.

The information generated in one day would be beyond the grasp of one person in an entire lifetime so you have to be selective. It is vital to focus rather than to attempt to absorb everything.
It has been said that your most important resource in the share market is not money. It is time – because how you spend your time will determine the allocation of your money. It is very easy to become lost in the mass of information that pours out of the market daily. It is very easy to spend hours in vain studying the wrong things or doing pointless exercises. Five minutes of careful thought can save hours of tedious work.

Remember also that most of the material that comes out of the market is what computer experts call "data" – in other words, it has yet it has been processed into useful "information". For example, a moving average or marking up a bar chart turns into something that resembles information. But even then this kind of analysis still has to be interpreted – and interpretation is what makes good or bad share selections and timing decisions.

So, most importantly: don't swamp yourself with masses of material. You have to become a specialist first and then concentrate on the detail. Your decision will depend on a number of factors, especially your levels of understanding – and it will change as you learn more and become interested in new areas.

With this in mind, the information sources, which we regard as essential, have been marked with an asterisk (*).

1. DAILY NEWSPAPER

This is your most important source and some care should be taken when choosing it.

2. MAGAZINES

"Financial Mail", "Finance Week", "F&T Weekly" and "Finansies en Tegniek" all give excellent coverage of the business sector and a subscription to one or more of these is desirable – but ONLY if you find that you are able to read your daily and weekly newspapers thoroughly. New students of the share market often make the mistake of subscribing to too many publications, which they do not have the time to read. Read them one at a time and only after careful consideration of that most important resource - time.

3. NSX DAILY, WEEKLY AND MONTHLY REPORT

These are extremely useful documents and well worth receiving (you can contact the information assistant at the NSX to include your team in receiving the daily, weekly or monthly reports via email). The reports give details of the day's, week's or month's trading on all the listed securities, including preference shares and other listed instruments. In the monthly report, the section called announcements is of particular importance as it gives details of rights issues, capital issues, share splits, consolidations and other major changes in share capital. These events are often well reported in the press, but the report gives a definitive list, with the details of each clearly set out.

4. NEWS LETTERS

Newsletters depend on the business acumen and capabilities of the person who runs the newsletter. Many are one or two-man organisations with few research facilities and scarcely better able to analyse the market than you can. On the other hand there are excellent newsletters which have been available for years containing valuable sources of information and research. Initially, you do not need any newsletters. Later, when you understand more and feel that a newsletter would be useful, make use of the free trial period which most reputable newsletters offer.

5. STOCKBROKERS

These are investment professionals who have passed tough examinations in investment advice and the analysis of financial accounts. In most cases, they have highly qualified research teams to back them up. Their research papers are generally available to clients with portfolios in excess of N$25 000 but you should always enquire whether they will put you on their firm's mailing list or send you specific reports.

6. BANK ECONOMIC REPORTS

Most commercial banks generate a fairly comprehensive report on the economy each month. It is readily available and free of charge from their enquiry counters. You should read these if you have time, as they will give you a good overview of the economy as a whole.

7. SPECIALIST PUBLICATIONS

If you decide to become a specialist in a particular sector you will probably find there are regular trade publications relating to the sector. These will give you a good overview of the specific sector.

8. JSE HANDBOOK

The JSE Handbook is a useful publication. It is updated every six months and obtainable from CNA and leading newsagents. It contains brief financial information on each of the listed companies whose shares are traded on the JSE stock exchange (all dual listed companies on the NSX). It also contains a great deal of other useful information such as the address and phone number of the company's business, the structure of its share capital, its dividend dates and the amounts paid and so forth. There is an abbreviated income statement and balance sheet with five years of history, (always assuming the company has been in business for that length of time), and this is followed by some key statistics and ratios, such as the net worth per share, the earnings and dividends per share, and the highest and lowest price reached in the past years.

9. INTERNET

The NSX has its own website – www.nsx.com.na – where one can see the movements of the market indices, NSX News (announcements of NSX listed companies), Trading Days, etc.