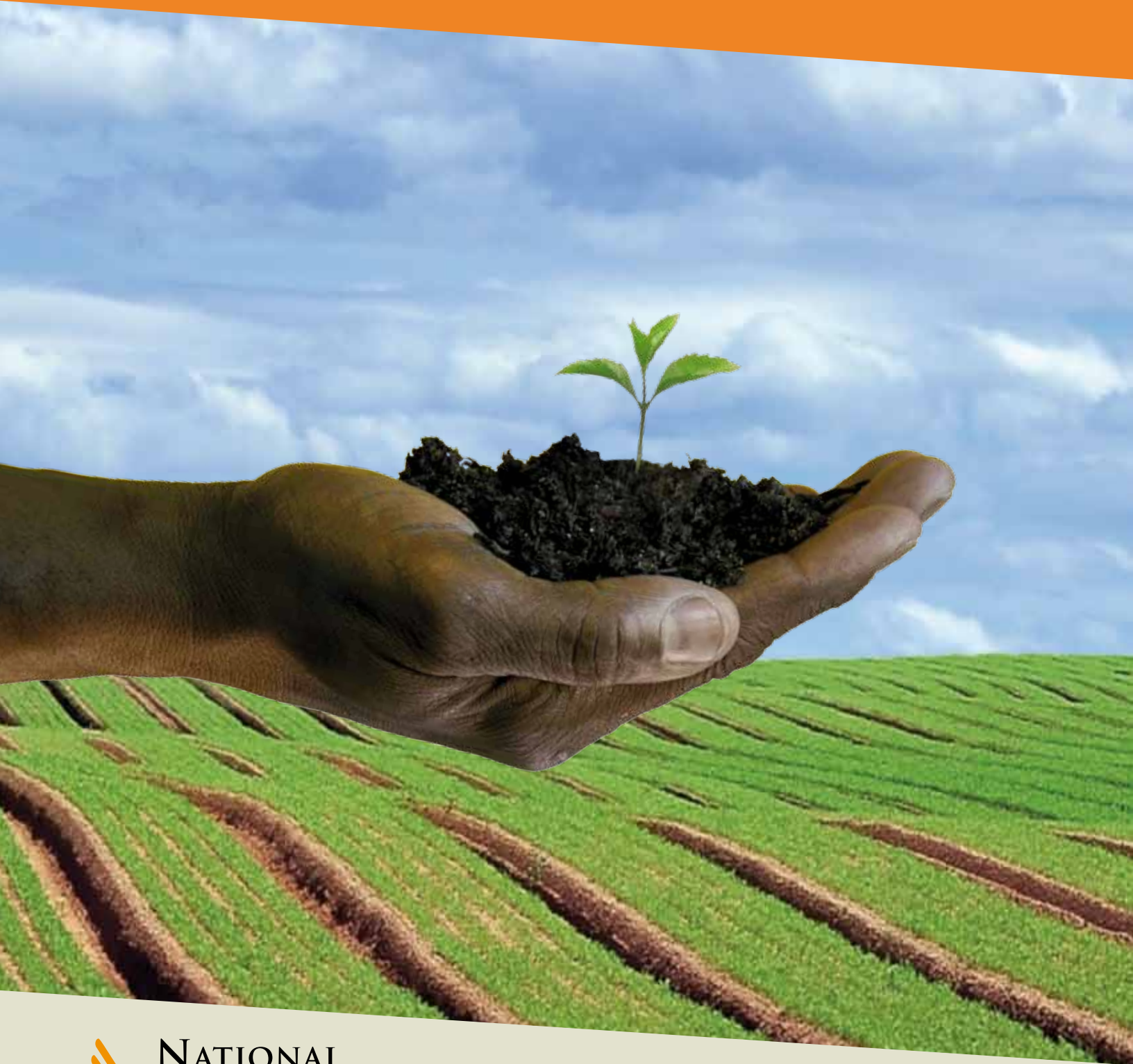


It's in your hands

Grow your wealth with savings and investments



**NATIONAL
EMPOWERMENT
FUND**

Growing Black Economic Participation

Contents



NEF Mandate

Established by the National Empowerment Fund Act, No. 105 of 1998, the NEF is a driver and a thought-leader in promoting and facilitating Black economic participation through the provision of financial and non-financial support to Black empowered businesses, as well as by promoting a culture of saving and investment among Black People.

www.nefcorp.co.za



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Foreword by the Chief Executive Officer



Ms Philisiwe Buthelezi

"One of our roles as the National Empowerment Fund (NEF) is to bring more and more Black South Africans, who are defined by the law as Africans, Coloureds and Indians, into the economic mainstream by encouraging them to embrace a culture of savings and investment."

Many will remember the NEF Asonge Share Scheme as the successful and historic initiative that saw more than 87 000 Black South Africans growing their investments by meaningful amounts, regardless of the recession, including earning bonus shares for having stayed invested after the first two years of the investment period. Many of these wise investors were members of stokvels, church savings clubs, burial societies, co-operatives and other investment groups who came together to use their collective muscle by investing together to grow their wealth.

This they did by prudently taking advantage of the attractive 20% discount which was being offered by the NEF when the offer opened in July 2007.

The NEF today is proud to offer yet another important tool to help fulfil the dream of savings and investment in order to achieve greater Black participation in the economy. That tool is the booklet in your hands, which provides information necessary to make prudent investment decisions in the many opportunities which our national economy has to offer. These opportunities are open not only to the rich, but indeed to any South African interested in becoming a shareholder in the South African economy. This booklet asserts the rights of all to full economic citizenship.

This booklet, which has been translated into all of South Africa's official languages, will be distributed at the various community investor education discussion groups countrywide and is an expression of the NEF's patriotic commitment towards deepening financial literacy and investor education for all, so that the dream of freedom from hardship may be brought into the homes and the hearts of those who are determined to build our economy and to share in the fruits of its wealth.

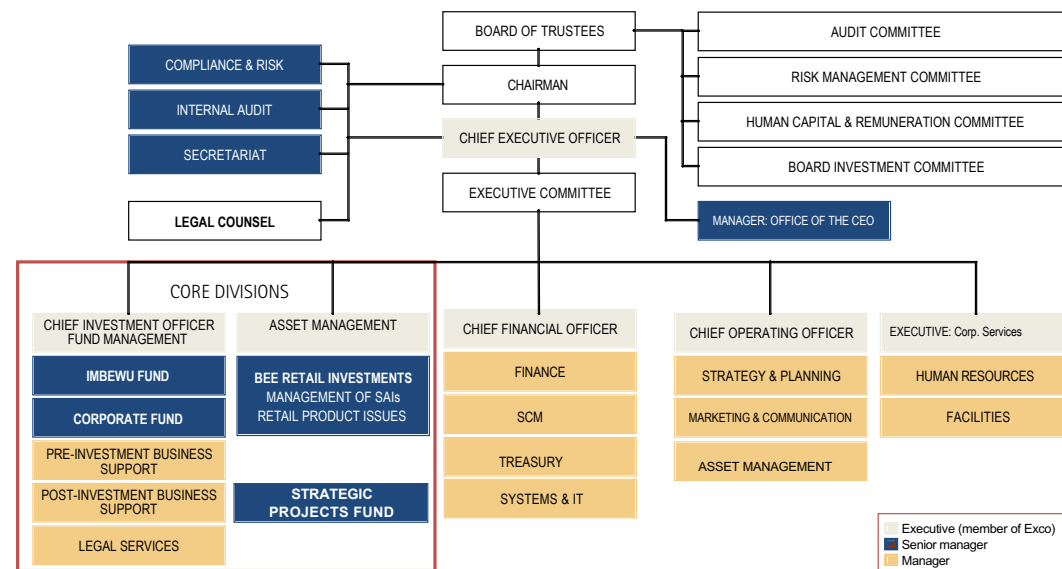
I hope you will use it well and urge you to pass on the wisdom of its contents to those that you come into contact with. It's in your hands.

Ms Philisiwe Buthelezi
Chief Executive Officer

April 2010

Corporate information on the NEF Trust

Organisational structure



NEF mandate

The NEF was established by the National Empowerment Fund Act, No. 105 of 1998, ("NEF Act"). The NEF is a driver and a thought-leader in promoting and facilitating Black economic participation through the provision of financial and non-financial support to Black empowered businesses, as well as by promoting a culture of savings and investments amongst Black People.

NEF objectives

- To provide Black People with the opportunity of, directly or indirectly, acquiring shares or interest in State Allocated Investments (SAIs) that are being restructured or in private business enterprises.

- To encourage and promote savings, investments and meaningful participation by Black People.
- To foster and support business ventures pioneered and run by Black enterprises.
- To improve the universal understanding of equity ownership among Black People.
- To encourage the development of share ownership inclusive of all persons in South Africa.
- To contribute to the creation of employment opportunities.
- To generally employ such schemes, businesses and enterprises as may be necessary to achieve the objectives of the NEF Act.

Vision

Our vision is to become the leading provider of innovative finance and investment solutions for an inclusive economy.

Mission statement

The National Empowerment Fund (NEF) Trust is the catalyst of Broad Based Black Economic Empowerment in South Africa.

We enable, develop, promote and implement innovative investment and transformation solutions to advance sustainable economic participation amongst Black People.

Values

- Service excellence
- Results orientated
- Innovation and continuous improvement
- Ownership and accountability
- Recognition and reward
- Respect, empathy and fairness
- Honesty and integrity
- Open and honest communication
- People development

Asset Management Division

The Asset Management Division develops and offers retail saving instruments to broad-based groups of Black People.

The division is tasked with:

- carrying out government's objectives of encouraging a savings and investment culture among Black People;
- providing opportunities for Black People to acquire shares or interests in private or public companies;
- creating awareness of and educating Black People on equity investment; and
- helping to develop an effective equity market in South Africa that has meaningful Black participation.

Contact details

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Board of Trustees: R Ntuli (Chairman), P Buthelezi (CEO), N Fakude, A Halstead, A Makwetla, L McPatie, N Mosala, Z Ntlangula, A Raiz, G Rakesh, K Thaver, T Tlelai, A Wright (Executive).

This booklet aims to inform would-be investors about the stock market, the influences on share prices, explain shares and dividends, and also talks about a broad understanding of investments. This will enable YOU, the investor to make informed decisions from the investment choices available.

Many people have been exposed to the stock exchange with little or no knowledge about the stock market. In the past people have purchased their shares through **Special Purpose Vehicles (SPVs)**.

Our stock exchange, the JSE (Johannesburg Stock Exchange), is licensed as an exchange under the Securities Services Act, No. 36 of 2004, as amended, and has been Africa's leading exchange for 123 years. Companies list on the JSE or other exchanges in order to raise money to expand their business.



Special Purpose Vehicle (SPV)

A type of corporate entity created for a specific transaction or business, especially one unrelated to a company's main business. A company can use such an entity to finance a large project. The SPV is usually a subsidiary company with an asset/liability structure and legal status that makes its obligations secure even if the parent company goes bankrupt.

This book will **EMPOWER**
YOU

the investor, to make informed decisions from the investment choices available.

TIPS when making an investment plan

- Make use of a **registered financial advisor** throughout the life of your investment(s).
- Avoid taking loans to buy shares. You may end up with a **debt trap** where the value of your shares is less than the loan amount and you may be forced to sell at a loss. The same cannot be said in the case of SPVs as they are differently packaged to protect you.
- Request electronic or **hard copy statements** showing the market values (performance) of your investment(s) at least once a year.
- Ask for a **full explanation** of the fee as prescribed by the Financial Services Board (FSB).
- **Shop around** for the best rates and seek more advice.
- **Look** at your financial requirements over the short, medium and long term and plan accordingly.
- Stick to your **investment plan** and do not panic during challenging times when markets fall.
- **Do not rush** into signing. Look for more opinions and advice.
- Maintain **good relationships** with your bank, insurance company or financial institution.
- Ensure that your valuable documents like your investment certificates and insurance policy documents are kept in order and are **filed in a safe place**.
- Review and **update your beneficiary** nomination as and when necessary to do so.



DON'T
rush into signing

Let's take a look now, at investments, shares and dividends as seen through the eyes of the Lehae family and their financial advisor, Thabo Ndlovu...

The Lehaes are a small family who live and work in a small village. Mr and Mrs Lehae are proud of what they have achieved during their life together. Their son, Tshepo is in his second-last year at the local high school and has big dreams of attending university when he matriculates. Their daughter, Boitumelo, is currently in Grade 7 and wants to serve her apprenticeship in hairdressing when she finishes school.



Through hard work and enterprise the Lehaes own a small house and operate a store that is well located within their village. The store stocks a range of consumable items, from bread and paraffin, to torches and blankets, which provide for the daily needs of their local village. The villagers are regular visitors to the store as the prices are reasonable and they are keen to support the local businesses in the area.

Mrs Lehae is concerned as to how they will be able to earn enough money needed in order to send their son to university and to help their daughter achieve her career goals. She and her husband have considered expanding their shop to include beer and other liquors but feel that, in order to keep their children on a good path, they must avoid the types of behaviour sometimes seen at local shebeens.

The Lehaes found themselves without a solution to their financial problems ... until one day; Mr Lehae was eating his lunch and listening to the radio when the DJ began interviewing a financial advisor named Thabo Ndlovu. Thabo had many interesting things to say including tips on how people can invest their money wisely and watch it grow and offer good returns. He even said that listeners could invest as little as R100 a month and still see that small amount grow quite quickly!

The Lehaes immediately phoned and booked a meeting to see Thabo, making arrangements to stay with a cousin during their visit to Johannesburg.

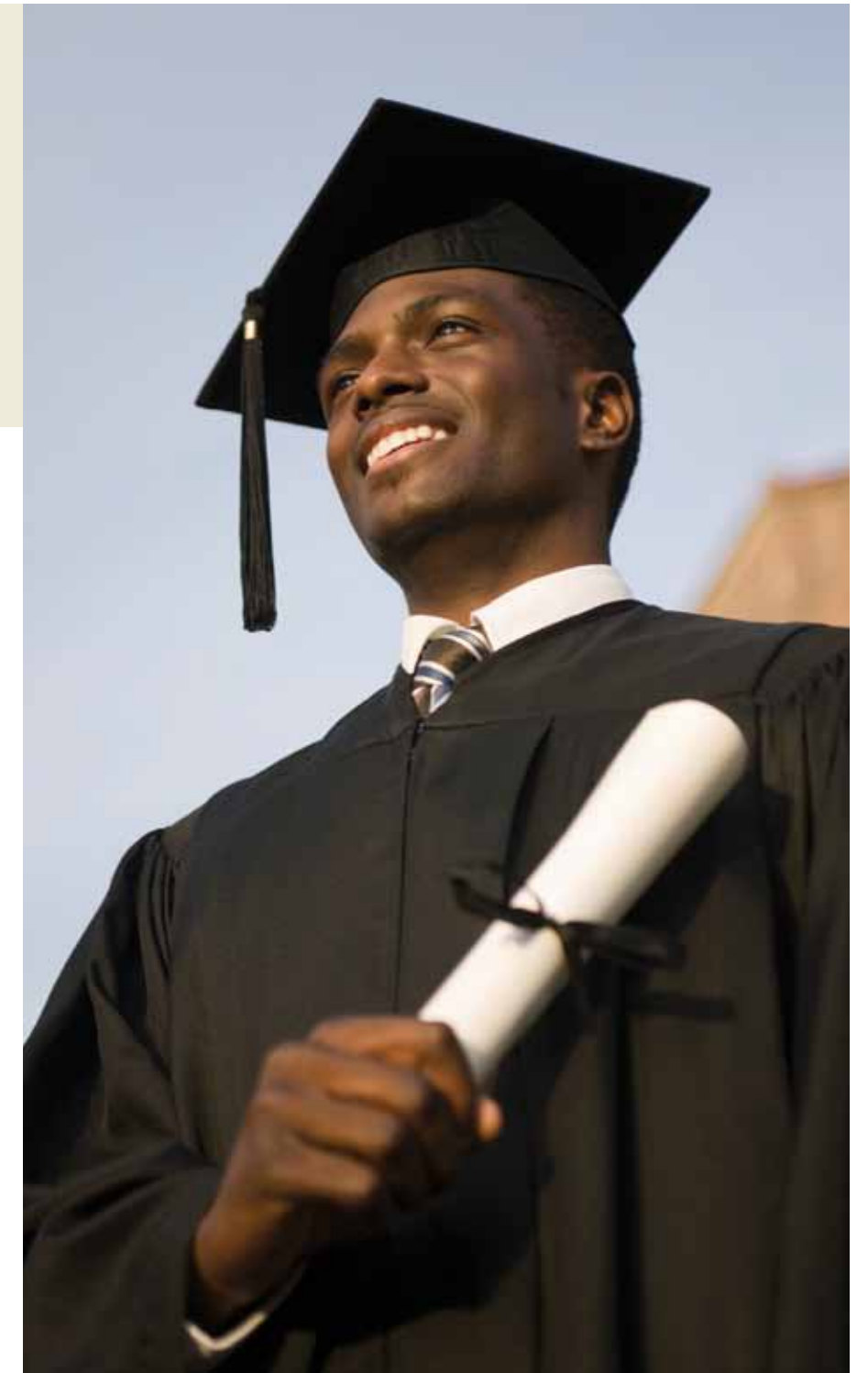
When the Lehaes met with Thabo he first showed them his qualifications, which affirmed that he was a registered financial advisor. *He explained that it is important to only work with registered financial advisors as otherwise they could be exposed to fraud and would be given unsound investment advice.*



"Education is not only a ladder of opportunity, but it is also an investment in our future." Ed Markey

Mr and Mrs Lehae felt reassured and explained the reason for their meeting, saying they wanted to put plans into place that would take care of the tertiary education needs of their children while creating a small nest-egg for them to retire on.

Thabo was very helpful and answered all of their questions, which began with them asking him what an investment actually is. This is what Thabo had to say.





What is an investment?

This is when you place your money with a financial institution for a return on your money like interest or a dividend that you can use in the future.

Dividend

The portion of a company's profit which is divided among shareholders based on the profits of the year. Normally, dividends are paid out in two instalments – interim (when the company's performance for the first six months of the financial year is known) and final (when the company's performance for the full 12 months of the financial year is known).



You have a choice of placing your money into investment classes known as assets.

Examples of different investment classes are:

1. **Shares** (equities)
2. **Bonds**
3. **Properties**
4. **Cash/money market**



What do I need to know before making an investment?

- Capital growth i.e. ensuring that your initial investment increases in value.
- Inflation beating returns i.e. achieving dividends that are higher than the inflation rate.
- Consider investing in something which you can identify and relate to within your own life such as supermarkets, newspaper houses, cellphone companies, transport companies and leisure and sporting activities such as fishing and soccer, etc.

WEALTH





What does personal financial discipline mean?

- **Avoid pyramid schemes.**

These are illegal investment schemes and are not approved by the Financial Services Board (FSB), but designed by "fly-by-night operators" who wish to take your money and disappear. They usually promise to pay excessive returns over a short period hence are referred to as "get-rich-quick schemes". Examples of these include SUN MULTISERVE, MONEYSKILLS and the recent PONZI scheme.

- Be sensible and invest only by **buying into financial products that are regulated by the FSB or other regulatory bodies**, with the help of your financial advisor.

The role of the FSB is to supervise and enforce compliance with laws that regulate financial institutions and the provision of financial services. It also regulates the ways in which members of the industry such as stockbrokers, insurance companies and fund managers are allowed to provide advice.

- **Comply with the Financial Intelligence Centre Act (FICA).**

This means that you must provide positive identification through your identity document or passport, give proof of residence through your utility bill such as your Eskom or Telkom statement and supply proof of banking details through your bank statement or cancelled cheques. Ideally, FICA is designed to protect you against fraudsters and to eliminate money laundering which is the abuse of the financial systems in order to hide and/or disguise the proceeds of crime.

- **Have a financial plan.** Make sure that the investment decisions that you make form part of your financial plan. Financial planning involves careful planning with regard to spending the available money to ensure that it is used for proper purposes only.
- Take full **responsibility** and careful **control** of your funds. This ensures that you will remain in a good financial position at all times.

MAKE INFORMED



DECISIONS

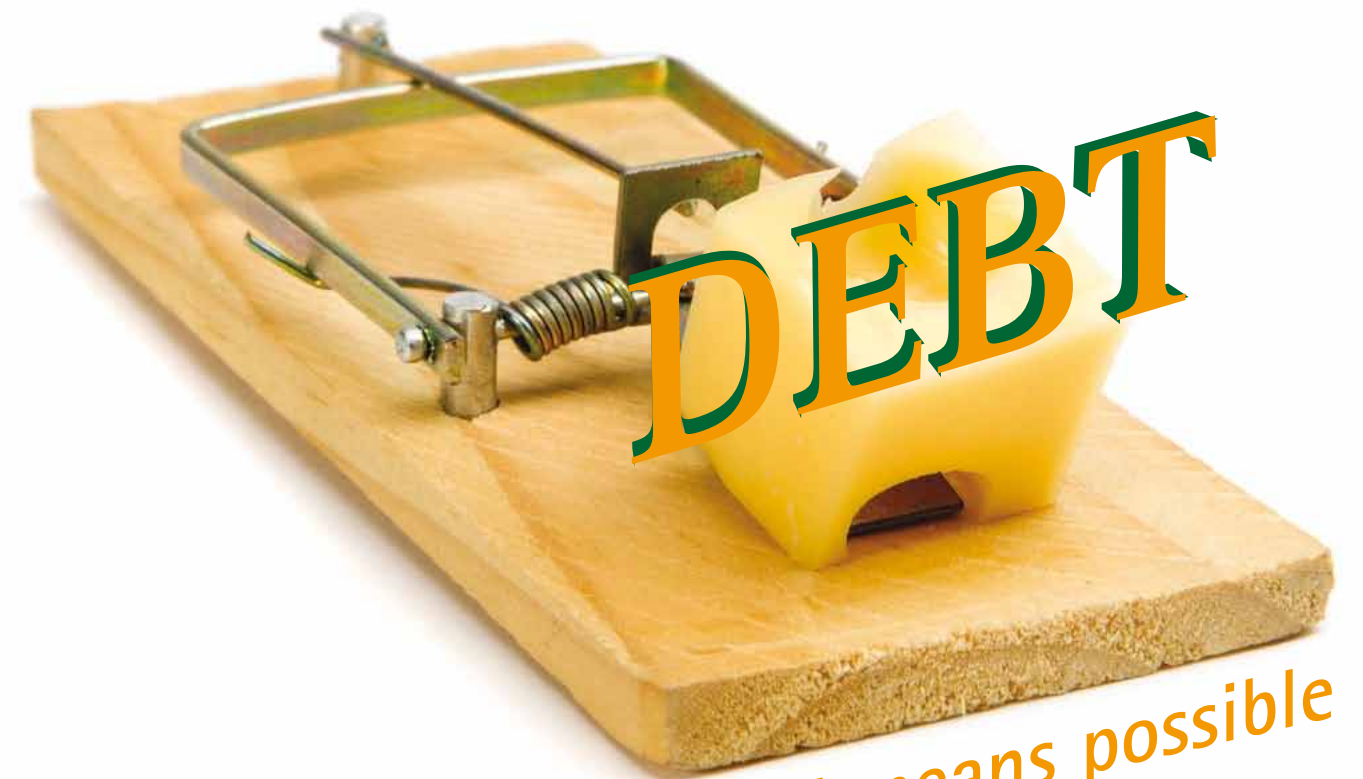


How do I apply personal financial discipline?

- **Avoid debt by all means possible** and pay off your existing debts. Live within your means which means that you need to make sure your expenses are less than your income.
 - **Manage** your money well and know how to spend it.
 - **Shop around** for the best prices to suit your pocket before buying or committing yourself to any purchases.
 - **Save for the future** especially for emergencies such as death, hospitalisation, or retrenchment.
- Whilst it is important to save for emergencies, it is also important to save for the education of your children, a comfortable home, clothing, transport and time away with family and friends.
- It is important to do an affordability test on yourself before committing to any agreement such as insurance and retirement annuity premiums or unit trust investment contributions.**
- Your financial advisor will help you to draw up a budget plan in order for you to meet the monthly payments required to fund your investment.

"Debt is like any other trap, easy enough to get into, but hard enough to get out of." Henry Wheeler Shaw

Avoid



by all means possible

1. Shares



What are shares?

Companies need capital to grow and expand. In order to raise funds for financing their projects, **public companies** sell shares to members of the public or to selected individuals and groups. An invitation to the public called a **prospectus** is made available which gives full details of the company and the nature of its business in order to encourage the public to buy shares in it.

Public company

A company listed on the stock exchange that has permission to offer its stocks for sale to the general public through a stock exchange, thereby enabling the company to be publicly owned.

Prospectus

The purpose of the prospectus is to ensure that members of the public who wish to buy the shares on offer are aware of certain key information concerning the company and its directors. Such information can include the company's business operations, properties, competition, officers, directors and their compensation (wages or salaries) including audited financial statements.



When you buy a share in a company it means that you buy and own part of a company and therefore you become a shareholder.

Example:

If you buy 100 shares in a company at R2 on the JSE today, your shares are worth R200.

If in five years' time the company's shares are trading at R6, then your shares will be worth R600.

This situation may differ in the case of **Special Purpose Vehicles (SPVs)** that are designed for empowerment purposes.

Ensure
THAT
your
INVESTMENT
INCREASES
VALUE



Special Purpose Vehicles (SPVs)

An SPV is a legal company used to fulfil certain goals or objectives set by the parent company for financial transactions such as providing security for a loan and has a registered name, i.e. Inzalo, Eyethu and Khulisa. For example:

- Sasol Inzalo
- NEF Asonge
- Nedbank Eyethu
- Telkom Khulisa



Some of the SPVs have cash or funded offers. A cash offer means you the investor must use your own money or cash to buy the shares, while with a funded offer you put down a certain percentage and the company selling you the shares puts together a funding structure from which you can borrow to pay for the balance.

What are the benefits of Special Purpose Vehicles (SPVs)?

- They empower small communities by giving them the opportunity to invest on the stock exchange.
- They can sometimes offer better returns than buying shares directly from the parent company because of how they are structured e.g. such as offering guarantees on your money invested as in Eyethu.
- Investors are given the opportunity to make decisions at the annual general meetings.
- They are one of the best tools to create wealth for the poor over a long term.



More about shares

- There is no fixed term as you can buy shares anytime. Ideally you'll buy when the share prices are low and sell when the share prices are high in order to make a profit.
- Dividends are paid to the shareholders if the company makes a profit. These dividends are tax free but this can change depending on the financial policy direction that the government is taking.
- They are risky and returns can vary dramatically owing to market fluctuations or movements that are driven by supply and demand i.e. buyers and sellers and on other factors such as a lack of investor confidence.
- The returns are usually much higher because the level of risk is high (high risk, high return) as compared to other investments.

Golden rule

A golden rule is usually to buy when share prices are low and sell when share prices have risen.



Why do share prices go up and down?

- **Global environment:** world financial crisis, wars, poverty, corruption and recession causing low investor confidence resulting in job losses/retrenchments and company closures.
- **Social environment:** poor health, the safety and education system of the country which can discourage trade and investments.
- **Political environment:** continued strikes or unfair elections can discourage foreign direct investments and lead to poor productivity.
- **Economic environment:** poor market, poor economic conditions and high inflation can result in poor growth and low returns.
- **Company performance:** poor financial performance coupled with poor management style discourages investors which results in low profits or losses.
- **Supply and demand:** this is when buyers and sellers negotiate share prices. The more buyers you have and the less supply; the higher the prices. The more sellers you have and the less demand; the lower the prices.



What are the rights of shareholders?

- The right to buy and sell shares.
- The right to dividends if and when declared by the board of directors and approved by the majority of shareholders.
- The right to information regarding the company such as changes in the board of directors and profit warnings.
- The right to vote at shareholders meetings in proportion to the number of shares you own.
- The right to maintain your proportionate share of the company's assets, earnings and control in terms of remuneration and voting powers.
- The right to attend, participate and vote at the AGM of a company.



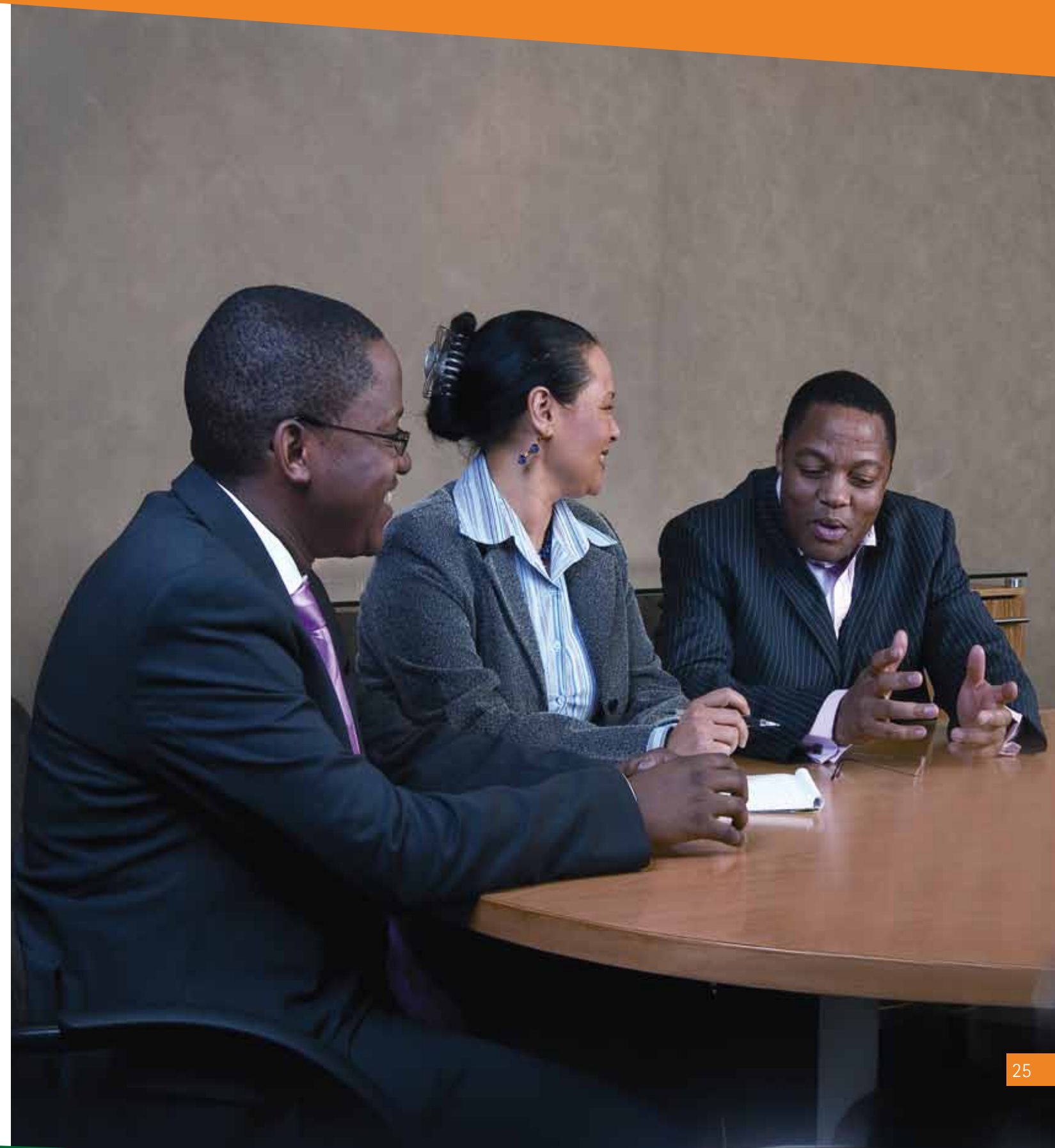
What is the role of the Annual General Meeting (AGM)?

As a shareholder of a listed company you do not become involved in the daily management of the company's affairs, however, you are entitled to attend the annual general meeting and vote in proportion to the number of shares which you hold in the company.

When voting takes place, usually on important issues and company policies, shareholders are invited to the meetings. You will also be kept up-to-date about the company's affairs by receiving copies of financial statements and other developments through the press.

It is important for you to attend the AGM of the company in which you are a registered shareholder.

An AGM is a platform for discussing and reviewing the transparency, disclosure, accountability and direction of the company that you are a shareholder of. A written notice of the meeting will be sent to you by post together with the agenda and a proxy form.



A proxy is the voting right that you as a shareholder have whereby you appoint someone else to represent you and vote at the AGM. This usually happens when you are not able to attend the AGM but wish your views to be represented.

You must therefore complete the proxy form and the person who you have appointed as your proxy must present the form at the AGM no later than ten minutes before the start of the meeting. The proxy is not effective unless it is signed by the shareholder.

The following items are usually discussed at the annual general meeting:

- Dividends declared but subject to approval by shareholders.
- Approval of the reappointment of external auditors.

- Business performance of the company and new acquisitions if any.
- Financial performance of the company.
- Regulatory approvals of new initiatives if any.
- Broad Based Black Economic Empowerment (BBBEE) policy.
- Approval of the reappointment of the chairman and other board members.
- Future plans to grow or expand the business.

The agenda items above are all very important for you to participate in.

They may differ from company to company but are usually the points of discussion in most AGMs as informed by **corporate governance**.



Corporate governance

Simply put, corporate governance is doing what is right, decent, honest and proper in order to hold a balance between, on the one hand, economic and social goals and, on the other hand, between the goals of individuals and the community. The aim of corporate governance is to align, as nearly as possible, the interest of individuals, corporations and society.



What are dividends?

When a company makes a profit shareholders receive dividends as a **return on their investments**, subject to approval by the majority of shareholders. It is the return earned in proportion to the number of shares you hold.

Your income can be either fully or partly reinvested with the company. The balance of the profit is ploughed back into the company for further growth and expansion purposes.

Example:

If you own 10 000 shares and the dividend per share is R2,50 then your dividend income is R25 000.

Dividend

May be defined as that part of the company's profits which is distributed to the shareholders with the rights attached to their shares.

Return on investment

The amount of money gained or lost on an investment relative to the amount of money invested.



"If a little money does not go out, great money will not come in." Confucius

More about dividends

- The manner in which profits are divided amongst the shareholders is determined by the **memorandum and/or the articles of association**.



Memorandum and/or the articles of association

A document that regulates a company's external activities and must be drawn up on the formation of a registered company.

- A shareholder has no right to any dividend on his shares until a dividend has been declared in the manner laid down in the company's articles.
- Once a dividend has been declared, it becomes a debt due by the company to its shareholders.
- The articles of many companies provide that either the company in general meeting or the directors may declare dividends.
- Most large companies declare two dividends a year at intervals of six months payable to shareholders; one an interim dividend and the other a final dividend.



Dividend payment date

The payment date is the date on which shareholders become entitled to the dividend proceeds.



How do I buy and sell shares on the JSE?

You have several options here. Let's look at each one in turn.

- 1. Your first option** could be to open a Private Account with your stockbroker where you decide which shares you want to buy or sell and when you want to do this. The stockbroker simply follows your instructions regarding the management of your account.
- 2. Your second option** is to open a managed account with your stockbroker. If you have a lot of money to invest in shares and cannot make well informed decisions about investments then this will work best for you. In this case you will approach a stockbroker with a minimum of R100 000 to invest and he will advise you and help you decide which shares are best to buy.

All stockbrokers or investment managers have to prepare a document of permission for you to sign. This is a contract which registers the shares in your name and states the roles and responsibilities of the stockbroker as well as your roles and responsibilities (as the investor); including all fees to be charged.

- 3. Your third option** is to buy unit trusts. When you invest in unit trusts, you are indirectly investing in the JSE. This is a very simple way of buying many units of a variety of shares on the JSE for as little as R200 a month or a lump sum of R1 000. Unit trusts are affordable, easy to access and they are managed by a professional investment manager.

2. Bonds

Bonds

In finance, a bond is a debt instrument; it is a loan by the investor. When you buy a bond you become the lender or the bondholder of a certain sum of money called the principal.

The issuer is the borrower who owes you money which must be repaid to you at an agreed later date together with interest depending on the terms of the agreement. The interest is called a coupon and is the remuneration earned by you at fixed intervals.

For example if you buy a government bond with a principal value of R100 000, it means that you are lending R100 000 to the government for a certain period of time – let us say one year.

The borrower, who is the government, then agrees to pay you a coupon of 10% per annum which is interest of R10 000 per annum payable at half-yearly intervals of R5 000.

At the end of the one year period you will receive a total of R110 000 which is your initial investment of R100 000 plus R10 000 interest.

Investors can buy retail bonds from South African Post Office outlets which are offered at a minimum R1 000 lump sum. Most South Africans participate in this offer as bond-holders.

What are the characteristics of bonds?

- This type of investment is usually for a longer term – more than one year – as opposed to a money market investment which can be shorter.
- Fixed regular taxable interest payments (coupons) are usually made half-yearly depending on the agreement between the parties.
- The capital you initially invested will be repaid to you at end of the term, thus the risk is much lower as compared to shares but higher than that of the money market.
- Bond yields (or returns) have low volatility (or risk) as compared to shares.

3. Property

What if I want to invest in property?

The most widely accepted methods of investing in property are:

- Physical or direct investment by way of ownership either as an individual or member of an organisation.
- Buying shares on the JSE in real estate holding and development property companies such as Colliers South Africa Holdings Limited and Hyprop Investments Limited.
- Buying linked units on the JSE in property loan stock companies which invest in industrial, commercial and retail properties. There are residential, commercial, industrial and hospitality (B&B) categories available in the property market.

What are the characteristics of the property market?

- There is no guarantee on your capital or money invested because of market fluctuations which are driven by supply and demand, i.e. buyers and sellers.
- It is not easy to buy and sell property owing to lack of liquidity (or cash).
- Property attracts rental or interest income which is taxable.
- The property market is a higher risk market than bonds, but a lower risk market than shares.



4. Cash/money market

Cash/money market

Money market investments are also called cash equivalents or cash investments such as your **fixed deposits** and **call accounts**. Investors like them specifically because they can put their money in a safe place and access it very quickly on request. When you deposit your money into any bank or financial institution you are actually lending your money to this institution.

The institution or bank will then take your deposited funds and lend them to a company or government body that needs them. The financial institution or bank will earn interest from this money and will also receive back the initial borrowed sum. Part of this interest will be paid into your account at fixed intervals and you are able to access your money as you wish.



Fixed deposits

Monetary deposits with a bank that must remain in the bank for a fixed period.

Call accounts

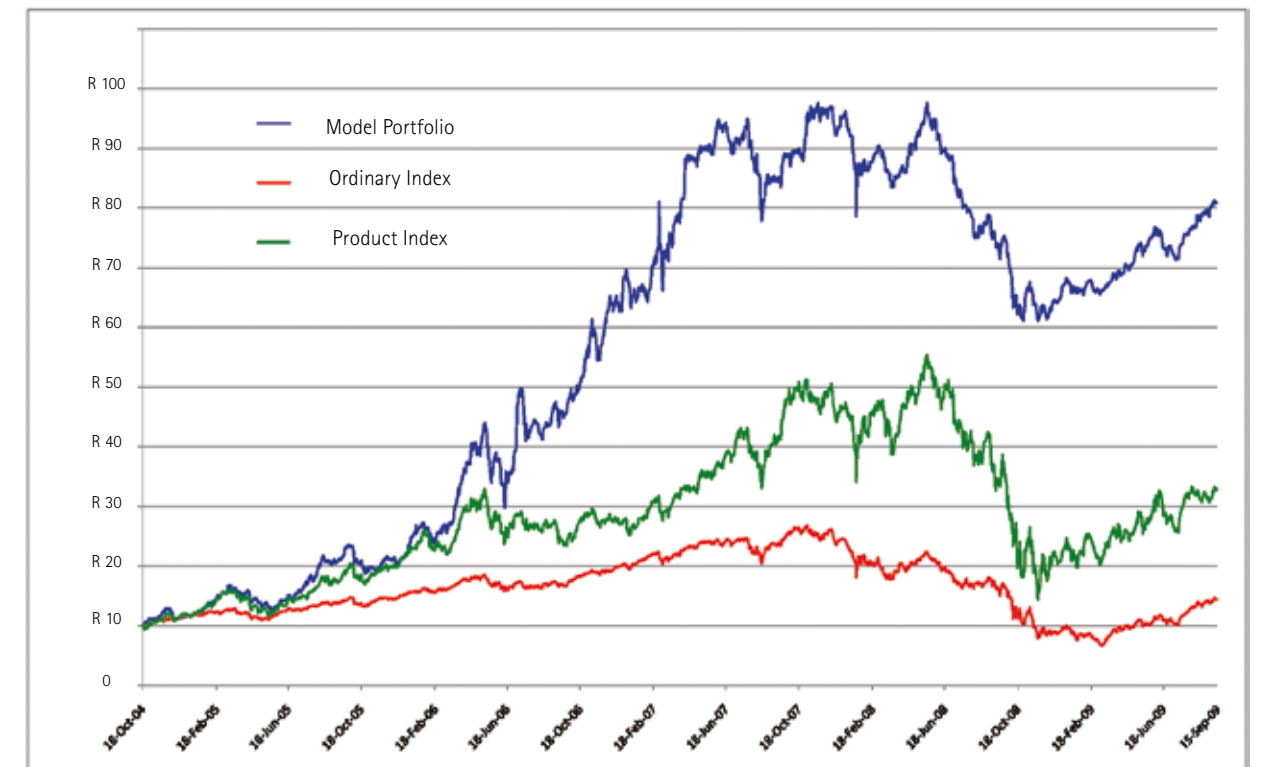
Monetary deposits with a bank that is instantly accessible.



What are the characteristics of the cash/money market?

- Your capital is guaranteed – so this form of investment is best suited to investors who are disinclined to risk and need capital protection, i.e. those who dislike risk.
- Interest received is normally fixed but investors can opt for a market-linked interest rate.
- The capital is not protected against inflation and the interest is taxed according to the tax table.
- The returns are low because the level of risk is low but you have the advantage of the certainty that you will receive the capital you first invested.
- Your investment is stable in comparison to other asset classes.

MARKET



FLUCTUATIONS

*are driven by
SUPPLY AND DEMAND*

Frequently asked questions

What is capital preservation?

This is a way of protecting your capital by ensuring that when you invest your money there is certainty that you will receive the capital amount back. For example: when you buy bonds there is certainty that you will receive your capital invested because the borrower must have a plan on how to repay it to you.

What is capital growth?

When you have an investment through shares, bonds, property or money market, your investment must go up in value and also earn a dividend or interest.

What does Section 157 of the Companies Act demand?

This Act gives companies the right to sell shares to the public through a prospectus which is an invitation to buy shares. Companies often make offers of shares to the public without fully educating such target markets about the share market but concentrate on selling only. Some of these

companies sell for compliance purposes only to meet their targets as defined in Broad Based Black Economic Empowerment (BBBEE) policies.

What is inflation?

The decline in the purchasing power of the currency like the Rand in the South African context. For example: a year ago you were able to fill up your trolley with groceries worth R1 500. The same cannot be said in 2010 as you pay R2 000 for the same groceries. The prices rose by R500 in this instance, that's why inflation can also be defined as the increasing cost of living.

What is Gross Domestic Product?

Gross Domestic Product (GDP) is the total value of goods and services produced in a country. It is used to measure the economic performance of a country for a certain period. Economic sectors such as mining, manufacturing, agriculture, real estate, financial services, and building and construction must be measured in terms of their performance to see how much they contribute towards the overall growth of the economy.

What are exchange rates?

This is when you trade one currency for another. The rate of conversion is the exchange rate. For example: South African Rand to the US Dollar. When South Africa buys oil from the oil producing countries (OPEC), we pay in Rand and OPEC sells to us in US Dollars so we need to know how much each Dollar costs in Rand terms.



Example:

When you buy 100 barrels of oil at \$50 per barrel, the total cost is \$5 000.

In Rand terms – assuming that the Rand is worth R9 to one US Dollar – the cost will be R45 000 i.e. \$5 000 x R9=R45 000.

What is the difference between listed and unlisted companies?

Listed	Unlisted
A listed company is one whose shares trade on a stock exchange such as the JSE. Trades (purchases and sales) are done through stockbrokers who are members of the JSE. In order to be listed, a company has to meet strict financial and performance requirements.	An unlisted company is one whose stock does not trade on a stock exchange but may be traded Over The Counter (OTC). OTC trading is when you buy or sell shares over the counter through a stockbroker or directly from a company. If you choose to trade in the securities of unlisted companies, you do so entirely at your own risk. Anyone who trades in unlisted companies will not be subject to the investor protection legislation that applies to companies listed on the JSE.

Can I use my shares as security with my bankers?

Yes, the bank can take your shares as collateral security up to 50% of the value of your shares. This is because shares by their nature do not offer guarantees. Sometimes banks can use the three year profit history of the company as a condition before accepting the shares as security.

Example:

If you bought Asonge shares for R50 000 and wish to use them as security this can be done for up to R25 000 only.

Can I borrow money against my shares?

No. Ideally you have to make a partial sale or take profits of your shares for the amount of money that you need. Of course this will depend on the market value of your shares.

What will the value of my shares be in two year's time?

Owing to the daily movement of shares as a result of supply and demand, it is difficult to predict the value of shares. Factors that influence market movements include politics, recession and performance of the company you have invested in.

Can I transfer my shares to someone else?

Yes, you can visit a bank or a stockbroker who will assist you in preparing the necessary forms for submission to a transfer secretary like Computershare.

What happens if I die before my shares mature?

Your shares will form part of your estate after the winding up. The market value payable will be as at the date of death. Your dependants will receive the proceeds (money) after the winding up of your estate.

Can I increase my shareholding in a company?

Yes, you can. Call your bank or stockbroker and place an order to buy more shares in the company.

Am I entitled to my underlying investment after the payment of dividends?

Yes, remember dividends are remunerations payable – like when the bank pays you interest on your investment – therefore your underlying investment is payable according to the market value at the time of selling.



Where do I find a stockbroker?

You can call the JSE for assistance. They keep a list of authorised stockbrokers or you can choose one from the list on page 42.

"Before you invest, investigate." William Arthur Ward

Terms and concepts

Various financial terms, concepts and references have been used throughout this brochure which have, as far as possible, been defined and/or explained in the relevant copy.

The list below is by no means comprehensive for all terms, concepts and references used in the financial and/or stockbroking environment, but merely those used, or referred to in the document, or which might be useful to you as investor.

- **BBBEE Act**
The Broad Based Black Economic Empowerment Act, No. 53 of 2003, as amended.
- **Bond**
A financial instrument issued by the government or semi-government like the South African Post Office or Eskom for purposes of raising capital. Examples of this include SA Retail bonds and Jozi bonds. These bonds give you an ideal opportunity to invest in the country's economy. By making retail bonds available to the general public, the government also hopes to create an awareness of the importance of saving.
- **Call accounts**
Monetary deposits with a bank that is accessible instantly.
- **Capital**
Money invested in the bank, stock exchange or other financial institutions. It is also known as money that is needed when starting a new business or growing existing business.
- **Capitalisation issue or bonus issue**
This is a free issue of new fully paid shares by a company. The shares will rank the same as those currently in issue and are sometimes called a bonus issue. These shares are issued to existing shareholders in proportion to their holdings at a specific date.
- **Companies Act**
Companies Act, No 61 of 1973, as amended, re-enacted or substituted. The legal act regulating, amongst others, the formation, dissolution and management of companies.

- **Corporate governance**
The practice by which companies are managed and controlled.
- **Dividend**
The portion of a company's profit which is divided among shareholders based on the profits of the year. The directors decide to pay out to shareholders after approval by the same shareholders. Normally, dividends are paid out in two instalments – interim (when the company's performance for the first six months of the financial year is known) and final (when the company's performance for the full 12 months of the financial year is known). Along with the increase in value of a stock or share, the annual dividend provides the shareholder with a return on the shareholding investment.
- **Dividend payment date**
The payment date is the date on which shareholders become entitled to the dividend proceeds.
- **Fixed deposits**
Monetary deposits with a bank that must remain in the bank for a fixed period.
- **Inflation**
General increase in prices or the rising cost of living. This is also known as the fall in the buying power of the currency like the Rand.
- **JSE**
JSE Limited (Registration number 2005/022939/09), a company licensed to operate as an exchange under the Securities Services Act, No. 36 of 2004, as amended.
- **Market capitalisation**
Total number of shares in issue multiplied by the current share price.
- **Memorandum and/or the articles of association**
A document that regulates a company's external activities and must be drawn up on the formation of a registered company.

- **Odd-lot offers**

An odd-lot offer is one where the listed company intends reducing administrative costs resulting from a large number of "odd-lot" shareholders. An "odd-lot" is a total holding of less than 100 shares.

- **Portfolio**

A number of different shares held by the shareholder.

- **Price-to-earnings ratio (P/E ratio)**

The P/E ratio of a company tells you how cheap or expensive the current share price of the company is. You can calculate the P/E ratio of a company as follows:

Price per share

Annual headline earnings per share

The higher the P/E ratio of a company, the more expensive its share price.

- **Private account**

The investor makes his own call as to which shares to buy, at what prices and times.

- **Prospectus**

This is a Companies Act requirement for every offer made of shares to the public. It must be lodged with the Companies and Intellectual Property Registration Office (CIPRO). The purpose of the prospectus is to ensure that members of the public who wish to buy the shares on offer are aware of certain key information concerning the company and its directors.

- **Public company**

A company listed on the stock exchange that has permission to offer its stocks for sale to the general public through a stock exchange, thereby enabling the company to be publicly owned.

- **Recession**

Two consecutive quarters or six unbroken months of negative growth from economic sectors such as mining, manufacturing and real estate (property). Also known as a cyclical period of lower economic activity, occurring at regular intervals. As opposed to depression which is a period of major economic downturn with high unemployment and declining Gross Domestic Product (GDP).

- **Return On Investment (ROI)**

The amount of money gained or lost on an investment relative to the amount of money invested.

- **Scrip dividend**

An award of capitalisation or bonus shares in terms of which a shareholder may elect to receive shares instead of a cash dividend.

- **Shareholder**

Any person, company, or other institution that owns at least 1 share in a company. A shareholder may also be referred to as a stockholder.

- **Special Purpose Vehicle (SPV)**

A type of corporate entity created for a specific transaction or business, especially one unrelated to a company's main business. A company can use such an entity to finance a large project. The SPV is usually a subsidiary company with an asset/liability structure and legal status that makes its obligations secure even if the parent company goes bankrupt.

- **Stock exchange**

A place where stocks, bonds or other securities are bought and sold according to fixed regulations.

- **Stock market**

A place where buyers and sellers meet to negotiate for share transactions with a view to making a profit.

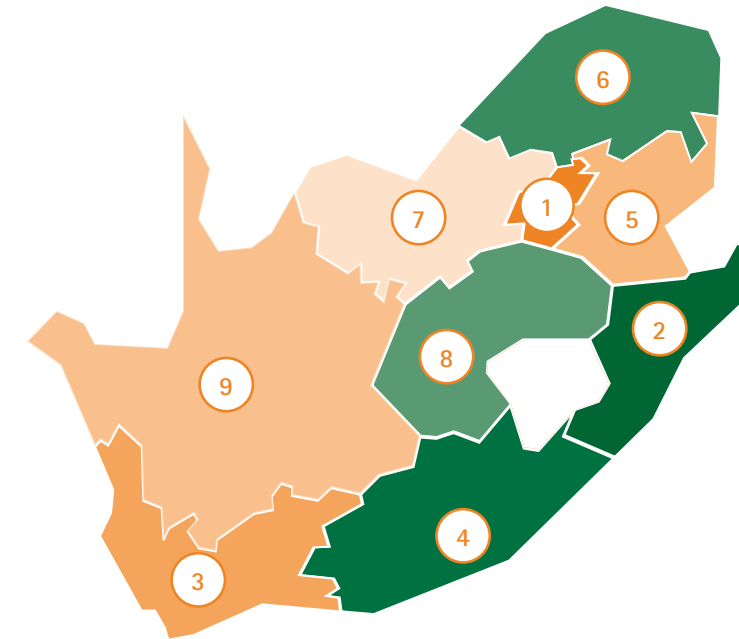
*"An investment in knowledge always pays the best interest. "
Benjamin Franklin*

Transfer Secretaries

Computershare Investor Services (Pty) Limited
Email: nefinvestor@computershare.co.za

Listed below are some of the qualified investment entities that are able to assist you in understanding and making decisions:

- **S.M. Mohapi Financial Services (Pty) Limited**
Accredited by the FSB and Bank SETA
Tel: 011 472 8427
Fax: 011 472 5423
www.smm.co.za
- **Legae Securities (Pty) Limited**
Broker – A member of the Johannesburg Stock Exchange
Tel: 011 551 3601
Fax: 011 551 3635
www.legae.co.za
- **Share Direct**
Provide stock market education and guidance to investors on how to trade in shares, on how to buy shares and how to put trading plans in place.
Tel: 0861 SHARE D (742 733)
Fax: 012 644 2899
www.sharedirect.co.za
- **Thebe Securities Limited**
Broker – A member of the Johannesburg Stock Exchange
Tel: 011 375 1000
Fax: 011 375 1100
www.thebesec.co.za
- **Afrifocus Securities (Pty) Limited**
Broker – A member of the Johannesburg Stock Exchange
Tel: 011 290 7800
Fax: 011 290 7850
www.afrifocus.co.za
- **National Treasury – RSA Retail Savings Bonds**
Tel: 012 315 5888
Fax: 012 315 5675
www.rsaretailbonds.gov.za
- **The JSE Limited**
Tel: 011 520 7000
Fax: 011 520 8583
www.jse.co.za



1	GAUTENG	Soweto Benoni	Soshanguve Mamelodi	Pretoria CBD Bronkhorstspuit	Randfontein Germiston
2	KWAZULU NATAL	Pietermaritzburg Port Shepstone	Richards Bay Ulundi	Newcastle Vryheid	Estcourt
3	WESTERN CAPE	Khayelitsha Langa	Gugulethu Bellville	Cape Town Strand	Hermanus Paarl
4	EASTERN CAPE	Port Elizabeth East London	King Williamstown Umtata	Mount Frere Fort Beaufort	Butterworth Grahamstown
5	MPUMALANGA	Nelspruit Burgersfort	Witbank Middleburg	Barberton Badplaas	Carolina Belfast
6	LIMPOPO	Thohoyandou Giyani	Polokwane Lebowakgomo	Thabazimbi Tzaneen	Nylstroom Bela-Bela Phalaborwa
7	NORTH WEST	Mafikeng Zeerust Rustenburg	Klerksdorp Potchefstroom	Hammanskraal Taung	Itsoseng
8	FREE STATE	Qwaqwa Bloemfontein	Welkom Kroonstad	Botshabelo Ladybrand	Thaba Nchu Maluti
9	NORTHERN CAPE	Kimberley Kuruman	Upington Kakamas	Keimoes Barkley West	Kathu Prieska



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This booklet is published in the public interest for the purpose of promoting a culture of savings and investments among Black People.

"Now is always the most difficult time to invest, so just do it, save." Anonymous



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Growing Black Economic Participation

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