Stockbroking
what you need to know
Mark Weetman
Vunani Private Clients
The 6 W’s of Stockbroking
“Kipling Method”

"I keep six honest serving-men
(They taught me all I knew);
Their names are What and Why and When
And How and Where and Who."

Rudyard Kipling (1902)
Why

The rewards of trading!
How to make money on the stock market!
What are you trying to achieve?

“The stock market is, without doubt, one of the greatest tools ever invented for building wealth”

“What was once the domain of the rich” or the investment professional “has now turned into the vehicle of choice for everyone to grown their personal wealth.”

“.. So that nearly anybody can own stocks.”
What kind of Investor are you?

Investment Style
• Active vs Passive Investment

Time frame
• How much time do you want to spend on investing
• How active do you want to be/how involved can you be?
• When do you need your invested monies?

Risk tolerance
• Are you comfortable with short-term decreases in investment value

Reasons for becoming a trader
• Results-orientated trader vs ego-driven trader
Who

Which broker is right for you?
• professional stock traders actually outperform diagnosed psychopaths when it comes to *competitive and risk-taking behaviour*.
• traders showed a *higher degree of competitiveness* than the psychopaths
• willing to *cause harm* to their competitors if they thought it would bring them an advantage
• In 2005, a study found that traders who are unable to fully feel their emotions due to *brain damage* end up performing better on the market -- possibly because they experience *less anxiety about risky trades*.
• Another research project that concluded in 1996 found that some percentage of both stockbrokers and politicians display many traits characteristic of *psychopathic personality*, including a *willingness to take risks and an interest in wielding power*.
• In 2001, a study found that many young Wall Street stockbrokers got little sleep, often reported for work even when suffering from the flu or a virus, and were much more likely to experience symptoms of depression than average Americans.
• In fact, the study found a *23% rate of major depression* within the group of young male stockbrokers.

"Stockbrokers more competitive, Willing to take more risks than psychopaths"

University of St. Gallen, Switzerland
Historically, there are two different types of brokers:

Traditional (also known as "full service")

- work one-on-one with a personal stock broker
- offer investment ideas/ideas
- Analyse your portfolio,
- Typically a significantly higher commission

Discount brokers (On-line brokers)

- geared toward the do-it-yourself investor
- generally, they will not offer investment advice
- simply execute orders once you've decided to buy or sell
- Instead of working with the same stock broker, you will do most of your trading online, or if you decide to call in your order, with the first available broker.
- investors will be charged a significantly lower commission.

However we have seen convergence of the two models
Rating for overall quality of service

- Excellent
- Good
- Acceptable
- Below standard
- Poor

0% 10% 20% 30% 40% 50% 60%
How they find the cost of service

- Expensive
- Fair
- Affordable
- Very affordable

0% 10% 20% 30% 40%
Most common instruments traded

- International shares
- Single-stock futures
- CFDs
- Single-stock options
- Warrants
- ETFs
- Equities
Rating for quality of trading platform

- Not applicable
- Excellent
- Good
- Acceptable
- Below standard
- Poor

0% 10% 20% 30% 40% 50%
My broker my buddy!

- Research
- Cost
- Training & education
- Technical Analysis/Fundamental analysis
- Trading front-ends
- Instruments
- Access to traders
<table>
<thead>
<tr>
<th>Date</th>
<th>Time</th>
<th>Headline</th>
<th>Code</th>
<th>Vendor</th>
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</thead>
<tbody>
<tr>
<td>2011/11/22</td>
<td>05:35 PM</td>
<td>ELI - Ellies Holdings Limited - Results of Annual General Meeting Ellies Holdings Limited</td>
<td>ELI</td>
<td>JSEN</td>
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<tr>
<td>2011/11/22</td>
<td>05:25 PM</td>
<td>OML - Old Mutual Plc - Form 8.3 OLD MUTUAL plc</td>
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<tr>
<td>2011/11/22</td>
<td>04:51 PM</td>
<td>LSF - San International Limited - Citizen inDispose San International Limited</td>
<td>LSF</td>
<td>JSEN</td>
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<tr>
<td>2011/11/22</td>
<td>04:30 PM</td>
<td>LFS - London Finance &amp; Investment Group P.L.C - Annual General Meeting Results</td>
<td>LFS</td>
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<tr>
<td>2011/11/22</td>
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<td>CZA - Coal of Africa Limited - Results of Annual General Meeting Coal of Africa Limited</td>
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<td>JSEN</td>
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<tr>
<td>2011/11/22</td>
<td>04:24 PM</td>
<td>FSD - Firework Coatings Limited - Joint appointment by Firework and Kameng in relation to Results</td>
<td>FSD</td>
<td>JSEN</td>
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<tr>
<td>2011/11/22</td>
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<td>INF - Infrastructural - Results of the Annual General Meeting Prepay Group Limited</td>
<td>INF</td>
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<tr>
<td>2011/11/22</td>
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<td>PMV - Primary - Results of the Annual General Meeting Primary Group Limited</td>
<td>PMV</td>
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<tr>
<td>2011/11/22</td>
<td>04:00 PM</td>
<td>VKE - Vukile Property Fund Limited - Notice of a disposal of a beneficial interest in Vukile Limited</td>
<td>VKE</td>
<td>JSEN</td>
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<td>2011/11/22</td>
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<td>WGR - Winterstrand Consolidated Gold Resources Limited - Winterstrand Consolidated Gold Resources Limited</td>
<td>WGR</td>
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<td>2011/11/22</td>
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<td>SEP - Sun Energy Holdings Limited - Trading Statement Sunny Energy Holdings Limited</td>
<td>SEP</td>
<td>JSEN</td>
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<tr>
<td>2011/11/22</td>
<td>03:32 PM</td>
<td>TOPW - TOPW - Deutsche Bank AG - Amendment termination of trading - TOPW - indecisive (call)</td>
<td>TOPW</td>
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<tr>
<td>2011/11/22</td>
<td>03:30 PM</td>
<td>TBX - Thabes Limited - Results of Annual General Meeting Thabes Limited</td>
<td>TBX</td>
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<tr>
<td>2011/11/22</td>
<td>03:13 PM</td>
<td>FBR - Famous Brands Limited - Dealings in securities - FAMOUS BRANDS LIMITED</td>
<td>FBR</td>
<td>JSEN</td>
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<tr>
<td>2011/11/22</td>
<td>02:30 PM</td>
<td>EMN - Premium Properties Limited - Dealings in securities by directors PREMIUM PROPERTIES LIMITED</td>
<td>EMN</td>
<td>JSEN</td>
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<tr>
<td>2011/11/22</td>
<td>02:11 PM</td>
<td>PGR - Pernone Holdings Limited - Notification of disposal of beneficial interest in shares</td>
<td>PGR</td>
<td>JSEN</td>
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<tr>
<td>2011/11/22</td>
<td>02:00 PM</td>
<td>MMB - MMB Holdings Limited - Trading update for the three months ended 30 September 2011</td>
<td>MMB</td>
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<tr>
<td>2011/11/22</td>
<td>01:30 PM</td>
<td>PG - Premier Gold Limited - Dealings in securities by director Premier Gold Limited</td>
<td>PG</td>
<td>JSEN</td>
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<tr>
<td>2011/11/22</td>
<td>01:28 PM</td>
<td>INJ - Impala Limited/investors plc - Form 8 (ID) Investors plc</td>
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<td>2011/11/22</td>
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<td>INP - Invensys plc - Investors plc - Form 8 (ID) Investors plc</td>
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<td>CSO - Capital Shopping Centres Group Plc - Notification of transactions of directors and controllers</td>
<td>CSO</td>
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<td>2011/11/22</td>
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<td>2011/11/22</td>
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<td>RGT - RGT Smart Market Intelligence Limited - Trading statement RGT SMART MARKET INTELL</td>
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<td>2011/11/22</td>
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<td>CLP - Clover Industries Limited - Dealings in securities by director Clover Industries Limited</td>
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<td>2011/11/22</td>
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<td>LAB - Labal Afrika Limited - Withdrawal of cautionary announcement LABAL AFRIKA LIMITED</td>
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<td>2011/11/22</td>
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<td>ART - Argent Industrial Limited - Dealings in securities by directors Argent Industrial Limited</td>
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<td>JSEN</td>
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<tr>
<td>2011/11/22</td>
<td>01:14 PM</td>
<td>RAR - Rare Holdings Limited - Withdrawal of cautionary announcement RARE HOLDINGS LIMITED</td>
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<tr>
<td>2011/11/22</td>
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<td>SLL - Stellaris Technologies Limited - Changes to the board of directors STELLARIS TECHNOLOGIES</td>
<td>SLL</td>
<td>JSEN</td>
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<td>2011/11/22</td>
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<td>SLL - Standard Bank of South Africa Limited - Termination of Listing</td>
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<tr>
<td>2011/11/22</td>
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<td>DOO - Discover Holdings Limited - Results of the Annual General Meeting DISCOVER HOLDINGS LIMITED</td>
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<td>HEP - HEP Investments Limited - Full Capital Redemption</td>
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<td>2011/11/22</td>
<td>11:12 AM</td>
<td>VAH - VAH Investments Limited - Full Capital Redemption</td>
<td>VAH</td>
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<tr>
<td>2011/11/22</td>
<td>10:00 AM</td>
<td>SOL/SOL - Sahal Limited - Trading statement for the six months ending 31 December 2011</td>
<td>SOL</td>
<td>JSEN</td>
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<td>2011/11/22</td>
<td>10:00 AM</td>
<td>CZA - Coal of Africa Limited - Dealings in securities - Coal of Africa Limited</td>
<td>CZA</td>
<td>JSEN</td>
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<td>2011/11/22</td>
<td>10:00 AM</td>
<td>INF - Invensys plc - Investors plc - Disclosure in accordance with Rule 2 10 of the UK City Code</td>
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<td>2011/11/22</td>
<td>09:38 AM</td>
<td>AGN - American American plc - American American delivers first production from the Los Broncos expansion</td>
<td>AGN</td>
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</tbody>
</table>

**LAR - Labal Afrika Limited - Withdrawal of cautionary announcement LABAL AFRIKA LIMITED**

Incorporated in the Republic of South Africa
(Registration number: 1990/001169/07)
Share Code: LAR
ISSN: 2000116354
(Labal or the company)

WITHDRAWAL OF CAUTIONARY ANNOUNCEMENT

Shareholders are referred to the SENS announcements dated 29 August 2011 and 11 October 2011 and are advised that the negotiations mentioned therein have been terminated, the said cautionary announcements are withdrawn.

Johannesburg
29 November 2011

Sponsors
African Media Sponsors (Pty) Ltd

Date: 23/11/2011 13:55:01

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MARKET NEWS
Morning report 22 November 2011
Existing home sales rose 1.4% to an annual rate of 4.97 million during October—that's better than

Economic news for the week ahead.
economic news calendar for the week of September 12th to September 16th that highlights the main new

Share Traffic Control
Volatility remains the name of the game and becoming ever more difficult to call. Charts are really

TECHNICAL INSIGHTS
New signals
Main Marne
Time to lighten up on Resources 21 November 2011
Pairs Trade Idea 22 November 2011

PATTERSON’S CORNER
ALSI NEAR QUANT’S TRADING ... BUYERS & SELLERS CONVERGE ON 200-DAY MA

TWITTER
Vunani: Trading oscillator is oversold in its current bear/trading cycle at 20 (19). The expected trading range for today is 27068 / 28291 / 29513.
Vunani: ALSI at 28064 +1.08% working its way back to its 200-day MA at 28247. The trading BULL/BEAR ratio has found some buyers at 14/86 (10/90).
Vunani: The rand weakened further and closed lower against the major crosses as concerns over global growth hit risky assets (again). RMBFICC
Vunani: RT @Fin24Stocks: $JSEILV $JSEJ203 Illovo ups revenue, warns on output http://t.co/nUFwSlR7

VUNANI RESEARCH
Monetary aggregates for September 2011
Gamma Levels 23 November 2011
Pivots 23 November 2011
Dividend Strip result
The Foschini Group announces interim FDHEPS
**Absa Group Ltd (ASA)**

- **Price (c) at 23 Nov 2011**: 13.470
- **High/Low Price (c) (24 Months)**: 14.494/12.000
- **P/E at 23 Nov 2011**: 11.00
- **High/Low ASA P/E (18 Months)**: 13.24/10.09
- **High/Low Index P/E (18 Months)**: 14.78/11.07

**Updated 23 November 2011**

**CONSENSUS VIEW**

<table>
<thead>
<tr>
<th>BUY</th>
<th>HOLD</th>
</tr>
</thead>
</table>

Note: not all brokers who supply forecasts provide a view. The 'Consensus View' and the consensus numbers are therefore not always consistent.

### Earnings Forecasts 23 Nov 2011

<table>
<thead>
<tr>
<th></th>
<th>Dec 2011 Final</th>
<th>Dec 2012 Final</th>
<th>Dec 2013 Final</th>
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<tr>
<td><strong>HEPS</strong></td>
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<td><strong>Number of contributors</strong></td>
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<tr>
<td><strong>High estimate</strong></td>
<td>1357.0</td>
<td>1583.2</td>
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<tr>
<td><strong>Low estimate</strong></td>
<td>1117.0</td>
<td>1313.0</td>
<td></td>
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<tr>
<td><strong>Standard deviation</strong></td>
<td>75.7</td>
<td>84.2</td>
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<tr>
<td><strong>Profile Media Consensus</strong></td>
<td>1291.6</td>
<td>1498.4</td>
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<tr>
<td><strong>Pct Change prev year</strong></td>
<td>15.0%</td>
<td>16.0%</td>
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<td><strong>Prospective P/E</strong></td>
<td>10.5</td>
<td>9.1</td>
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<td><strong>Fwd price: Hi ASA P/E (13.24): Hi est</strong></td>
<td>17962</td>
<td>20956</td>
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<td><strong>Fwd price: Hi ASA P/E (13.24): Lo est</strong></td>
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<td><strong>Fwd price: Lo ASA P/E (13.09): Hi est</strong></td>
<td>13591</td>
<td>15973</td>
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<td><strong>Fwd price: Lo ASA P/E (13.09): Lo est</strong></td>
<td>11286</td>
<td>13247</td>
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### Dividend Forecasts 23 Nov 2011

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<tr>
<td><strong>High estimate</strong></td>
<td>623.0</td>
<td>794.8</td>
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</table>
My broker my buddy!

- **Research:**
  - **Cost**
    - **Brokerage** is typically between R75 to R100 min or 0.20% to 0.5% (NB. Some others are **and**)
    - **Monthly fee** circa R50 (equities)
    - **Portfolio transfer** typically R60/counter
    - **Advisory fee**
    - **JSE data cost**
    - **Platform costs** (typically waived based on volume/value traded)
    - **JSE turn** (**interest hair-cut**)
    - **Long rate** (**funding**) around SAFEY + 2% (6.76%)
    - **Short rate** (**earn**) around SAFEY - 2.25% (2.51% includes scrip borrow)
    - **Bid/Offer spread**
  - **Training & education**
  - **Technical Analysis/Fundamental analysis**
  - **Trading front-ends**
  - **Access to traders**
  - **Instruments**
My broker my buddy!

- Research
- Cost
- Training & education
- Technical Analysis/Fundamental analysis
- Trading front-ends
- Instruments
- Access to traders
Sharks Rugby Player ready to “tackle” the stock market

VPC trading desk teaching Sharks' Lionel Cronje
Join me for a beer at the Bull & Bear training pub
What trading instruments are available, and how do they work?
What do you want to invest in?

"More and more investors are waking up to the fact that investing is not just about shares, or about investing in companies listed on the JSE.

So when choosing a broking account, make sure your provider can offer what you want to buy."
Risk/reward trade off

Risk and return have a direct relationship. Generally, the greater the level of risk, the greater the expected return. However, higher risk may also lead to greater losses, so as an investor, you need to determine your own level of risk tolerance.
When

Which trading time frame is right for you?
Ultra short-term is the new “black”

- Avg holding periods continue to fall. UK < 7.5 months, US < 7 months & Shanghai < 6 months (2007)
- HFT now more than 70% of all US Equity volumes, Europe 30 – 40%, and Shanghai 80 – 90% done by day-traders (including small retail clients)
Know your trading sessions

- Determine what part of the year you are trading in. During our winter the FTSE opens the same time as our spot 9:00am). During Summer its an hour later (10am). The NYSE opens at 3:30pm in Winter and 4:30pm in Summer.
- Pre Spot Opening Bell 8:30 to 9:00 – Tugging for position, during this time the market will over sell or over buy, take note that the Top40 has to catch up when it opens at 9. Trade in the centre of the range and you’ll be safe or range trade it.
- 1st Spot Session 9:00 to 11:00 – Aggressive volatility, perfect to trade trend directional. Go with the trend.
- 2nd Spot Session 11:00 to 14:00 – Range bound, never trade breakout during this period, (except at exactly the hour.) Most profitable trades are within the range. Use support and resistance lines.
- 3rd Spot session 14:00 to 15:30 – Event driven, this session is packed with economic news and can be volatile. Trade the news can be profitable if you on the right side. Risky
- 4th Spot session 15:30 – 17:00 - The NYSE opening session and sometimes called the morning reversal. This is when traders take profit and reverse over extension. The hook period. Major moves, go with the trend but know that you’ll need to trade contrarian within the hour.
- After close session 17:00 to 17:30 – Portfolio rebalancing, position closing session, illogical trends and positioning for the next day. Lots of action at times and illiquid at others. This is a difficult session to trade but easier to scalp than a trending market.
Where

The local & international trading platforms at your fingertips today
“... They have all the tools at their finger-tips, all the connectivity, all the charting packages ... they know more about what’s going on than most stockbrokers one talks to.

... through the internet, through social media are finding out about events as quickly as any fund manager.”

*Brett Duncan - Head: Retail equities, Standard Bank.*

“... What does it mean? It means that the retail investor today has access to incredible amounts of information, sophisticated technology platforms and news engines ... but it also means that you at the end of the day have to be able to make that investment decision, and that can be a difficult space to be in ... “

*Brett McLaren – Co-CEO, Saxo Capital Markets.*
My broker my buddy!

- What do other clients think
- Research:
  - Cost
  - Training & education
  - Technical Analysis/Fundamental analysis
- Trading front-ends
  - My Dashboard
  - Iress Investor
  - Iress Trader
  - Velocity
  - Saxobank
- Access to traders
- Instruments
Exactly how to go about opening your first trading account
Know your trading sessions

Mandate:

- JSE Equity Member/EDM/YieldX/FSP/Off-shore regulated entity (eg. FSA)
- Equity mandate/SAFEX mandate/FAIS mandate (FSP)

FICA (In-terms of FAIS and internal compliance requirements)

- Proof of bank account (certified bank statement no older than three months)
- Proof of tax number (SARS document with your name and tax number)
- Proof or address (a utility bill with your name on it)
- Certified copy of your ID (passport with signature for offshore)

Original vs Fax/email

- Fax/email acceptable but we'll need the originals within 21 working days.

Make a deposit

- Once the account’s set up you’ll receive a unique account number (BDA/SAFEX/Internal ref.) and can deposit the funds.
- Once the funds have cleared you’re ready to trade!
- NB – R25, 000 cash max. (FIC), JSE rules R5,000
Trading Desk
Vunani Private Clients
tradingdesk@vunaniprivateclients.co.za
011 384 2920/1/2/3