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Dear Fellow Investor

My Story: Stock Market Euphoria and Depression

The last newsletter dealt with a short-term trader becoming rich and long-term poor. Well this is my story I wish to share with you.

Stock Market Euphoria

From 1994 to 1999 my overseas portfolio, consisting mainly of US shares in tech companies like Amazon, Amgen, Yahoo etc. increased by 1,777% in Rands. Great excitement to see the value of the portfolio increasing virtually every day or week. According to most commentators this was a New World with greater promise than at any time in history. In other words this stock market boom will continue. The Sage of Omaha (Buffett) was a lone voice when he issued a warning in middle of 1999 about poor returns from US stocks over the following 10 years. This warning was ignored. They said he was old, out of touch with the New World with no computer on his desk.

Stock Market Depression

Along came Feb 2000 and the US stock markets started to fall. Most experts said it was only temporary and that the Nasdaq (technology dominated exchange) would recover and set new record highs. This did not happen until August 2014. From February 2000 to September 2002 the Nasdaq crashed by 76,58% with Amazon shares dropping 90% in 2001.

As if not bad enough the Rand proceeded to appreciate from R13.53 /\$ (December 2001) to R5,79/\$ (December 2004) crushing my portfolio even further – EINA!

Lessons To Be Learned

- Ask a Fund Manager how much of his own money he has lost before entrusting your money to him. Temperament and experience is of utmost importance in Fund Management.
- Does the Fund Manager have all or most of his local money invested in the same unit trust he expects you to invest in? All of my local investable money is in the Olympiad unit trusts.
- Understand and agree with the investment strategy of the Unit Trust you invest in. If a Managed Unit Trust (consisting of equities, bonds and cash) with a long term investment strategy then you should expect losses of about 20% whenever a stock market crash occurs. These crashes on average happen every 7 to 8 years. Any income you draw on top of a 20% drop will make it very difficult to recoup lost capital.
- Do not invest in expensive stock or property markets. Buffett warned home buyers at the height of the 2006/07 property boom that they will be disappointed with value increases over the

following 10 years. From then to 3rd quarter of 2019 US house values increased by 18.46% or 1.42% pa over 13 years. (*Source FRED*). Some areas like Connecticut (Median price \$255,746) is still about 13% below its peak of 2007.

The Dow Jones Industrial Index consisting of 30 blue chip companies dropped by 22.6% on 19 October 1987. Upward trending stock markets normally gives you more than one opportunity to invest at favorable levels.

Last but not least the Olympiad funds are steadily increasing at about 0.63% per month or +7.54% (Olympiad BCI Managed) and +7.98% (Olympiad BCI Worldwide Flex) over the last year till 09/02/2020 whilst the urban inflation rate was 4.21%. (*Source: Morningstar*).

Please feel free to contact me should you have any questions or comments.

Kind Regards



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