



17<sup>th</sup> March 2020

Dear Fellow Investor

## STOCK MARKET CRASHES

The lesson from history is that stock market crashes occur much faster than recoveries. What we have experienced over the last month or two appear to be the start of a crash:

JSE (ALSI)	-26.71%	(18/1 to 15/3/2020)
JSE (PROPERTY INDEX)	-27.09%	(18/1 to 15/3/2020)
USA (FTSE USA TR USD)	-24.71%	(19/2 to 15/3/2020)
EUROPE (Morningstar Europe GR EUR)	-36.57%	(19/2 to 15/3/2020)
UK (FTSE 100 TR GBP)	-29.24%	(20/2 to 15/3/2020)
CHINA (Morningstar CHINA GR CNY)	-15.35%	(13/1 to 15/3/2020)

(Source: Morningstar. Note: Performances in local currencies.)

At this stage of an economic cycle it is important to remember the following:

1. Do not try to catch a falling knife.
2. Bottom of a stock market must be determined by other investors not us. Must we rush to get back in? No.  
“If this is the bottom of the market, there will be a 30 to 60 day period where equities can be purchased at these levels” – Don Brown, US Investment Manager. He has a better track record than Warren Buffett over 55 years since 1960 in underperforming the S&P 500 in only 2yrs whilst about 80% of equity fund managers cannot beat the market they invest in over most years. (Source: The gazelle of Wall Street, Fin 24, 18 Feb 2016.)
3. To recover losses from JSE crashes over last 44yrs, till end of 2019, took an average of 2.6yrs. The long term comparable figure for the S&P 500(USA) is 4.4yrs. Note however that it took the S&P 500 from 20/8/2000 to 16/9/2007 and from 16/9/2007 to 24/3/2013 to break even. JSE crashes are normally accompanied with devaluations of the Rand against the US Dollar due to Americans withdrawing their investments back home. Since 2000 significant recoveries followed these devaluations. For example the Rand recovered from R11.64(Dec 2001) to under R6 (Jan 2005) to the US Dollar.

In the meantime our Olympiad funds interrupted their steady increase every month with a drop of about 1% from 24/2/2020 to 15/3/2020 due to local bonds exposure. We are currently decreasing our local bond holdings in favour of cash and shorter dated bonds(less risky) resulting in an approximate 50/50 split. With US interest rates dropping to nil, local interest rates are expected to be reduced which in turn will be supportive of local bonds. Over the medium term the higher local interest rates should attract foreign funds and support the Rand. Cash we need because as Buffett said “cash combined with courage in a time of crisis is priceless”. Courage in getting back into stock markets like after 2009 which is a history that we shared.

Please feel free to contact me should you have any questions. Remember about 90% of my own local investable funds are invested with your funds in the Olympiad unit trusts.

Kind Regards



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