



14/10/2020

Dear Fellow Investor

WEALTH CREATION

The creation of wealth implies sustainable increases in wealth with limited losses at any time. This is our primary goal at Olympiad i.e. positive returns over rolling 12 – 18 month periods.

A fair question is whether stock market listed businesses have created sustainable wealth for shareholders over the last number of years. Reviewing the following indices, except for the Dow and S+P500, the answer is an emphatic no:

JSE	No sustainable increase since 20/4/2015
Dow Jones	+7.4% from 22/1/ 2018 with drop of 30% + in March 2020.
S+P500	New record high however it is 41% to 18% more expensive than its average over the last 20 years, depending on whether you use price to earnings ratio over the last year or over the last 10 yrs as basis of measurement.
UK Ftse 100	No sustainable increase since 1/1/1999.
Europe Euro Stoxx 50	No sustainable increase since May 1998.
China Shanghai Composite	No sustainable increase since March 2007.

(Sources: Trading Economics.com and Shiller PE Ratio gurufocus.com)

With businesses i.e. employment struggling it is unlikely that increases in global property values are sustainable.

Unlike previous economic recessions interest rates and bond yields are already very low as you can see from the following list of 10 yr Government Bonds:

USA	+0.78% pa
UK	+0.28% pa
Germany	-0.54% pa
China	+3.22% pa
RSA	+9.49% pa

(Source Trading Economics.com)

Local interest rates was reduced from 6.5% to 3.5% earlier this year. This is of course negative for money markets and saving accounts but positive for bonds. As interest rates drop bonds increase in value due to their relatively more attractive higher yields.

From the aforementioned it is clear that we currently live in a low interest/inflation World with expensive US stock and residential property values supported by record high and increasing debt levels. This situation is not sustainable. It would appear as though the US authorities are trying to

postpone the pain of the recession over an extended period of time instead of taking the medicine (crash) now and start building again like in the past.

As stated above it is important that we limit losses. After suffering losses from our property and gold holdings over the last three months, the exposure to our short term local income funds i.e. PSG Income and Absa Core Income was recently increased to 50% each. These funds yielded 9.43% and 8.02% over the last year till the end of last month. (Source Morningstar).

Hope you have a good day.

Feel free to contact me should you have any questions/comment.

Kind Regards



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