



14 AUGUST 2020

Dear Fellow Investor

STAYING AHEAD WITH BUFFETT AND CO

Although Olympiad focusses on four asset classes (property, bonds, cash, and equities) not sub-classes/sectors like mining, retail, financial, etc. we decided to invest 5% of the Olympiad Funds in gold shares (Old Mutual Gold) with 23.8% exposure to foreign gold mines. This should act as an insurance policy against a serious economic downturn like the US experienced from 1964 to 1980. During this 17 year period the Dow was flat whilst the price of gold increased from \$43.48 (1971) to \$589.75 (1980). The main causes were the US inflation rate increasing from 1% pa (1964) to 14% pa (1980) coupled with interest rates moving from 3.5% pa (1/1964) to 20% pa (1980). This in turn resulted in low economic growth and high unemployment with investors turning to gold as a safe haven.

According to Investopedia “Nixon (US President late 60’s/early 70’s) wanted cheap money: low interest rates that would promote growth in the short-term and make the economy seem strong as voters were casting ballots.” Is this not what is happening in the US today? No wonder Warren Buffett increased Berkshire Hathaway’s cash holding to a record \$146.6 billion, at the end of June, by selling more shares than he bought during this quarter.

Last but not least a word about ‘creative destruction’ often used by economists. An example of this would be to demolish an old building and rebuilt a new, modern building in its place. On a larger scale capitalism needs creative destruction to generate growth based on competition. In other words unsuccessful companies should be allowed to perish. If authorities like the US Government/Central Bank keep unsuccessful companies afloat, like they did since March, then they are wasting society’s resources (manpower, capital, natural resources, etc.) which in turn will result in a poorer society.

As the fear of Hell keeps Christians straight so the fear of bankruptcy should keep companies straight i.e. prudent and careful in trying to control the risk they take. If not then capitalism and freedom will lose its edge.

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

REGARDS

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