



HARVEST

FINANCIAL CONSULTANTS

Client Letter *April 2020*

Dear Client

A luta continua

We are almost two weeks into the lockdown in South Africa and face a rather insulated Easter Weekend. Whilst life might have become somewhat boring, it has also become more introspective and calmer, even spiritual. Those long delayed chores have been seen to and pleasure perhaps found in some of the simpler things of life. A friend shared with me that we have realized how little we need, how much we have and what the true value of human connection is. There are of course those that are not as fortunate, being at the frontline or not having the means to get by. Perhaps social distancing will lead to greater awareness of social responsibility?

Whilst health is of paramount importance, our life savings and investments are particularly valued and needed to help us get through times like these. I have always held that offshore investing (from a South African point of view) reduces one's risk and this has certainly held true under what is an unprecedented situation in modern times. Markets all came off their highs by about 35% to 40% as countries one by one locked down their citizens. When the world goes through difficulties the Rand always reacts negatively and has lost over 30% of its value, largely offsetting market losses. Therefore from a local perspective those of you who have followed an offshore strategy will find your total investment value has been left largely intact. The weak Rand could well result in higher inflation, meaning that the real value will not hold. However, with the oil price off by so much and a consumer base now under more pressure than ever, I think it will be difficult to pass on any price increases of significance.

There are those that are invested locally for various reasons, one of them being that compulsory money (retirement funds) are compelled to have a large percentage in South Africa. Whilst many of our local counters have Rand hedge qualities, they have not fared well at all. The percentage drop has been similar to foreign markets, but when one adds the currency depreciation it has been significantly worse. It is interesting to note that even fixed interest securities experienced some downturn. The flight to safer currencies, Moody's downgrade and fear of local default saw yields kick up, thereby dragging bond values down.

China seems to have got through the pandemic (although reporting might be questionable) and their market was far less affected. Europe is still in a bad way, but signs of the virus peaking are there or in the case of the UK expected in the next week or two. The US (mostly in the north) is also being hit hard, but also expected to peak before month end. The expectation of the beginning of the end of the crisis has led to a general rally in markets, recovering almost 40% of losses (as of 7th April). First world countries have the means to throw massive amounts of funds at their economies, which together with pent up demand will in my opinion lead to a rapid return to relative normality. As such I advocate buying into these markets, although to do so with the Rand at over R19 to the US Dollar becomes questionable. I feel the Rand did over do things and has already come back to almost R18 to the USD. I think at below R18 (and with foreign markets still off their highs) it is viable to buy in.

Unit 4 | 6 Rydall Vale Crescent | Rydall Vale Park | La Lucia Ridge | 4019 | South Africa

PO Box 1776 | Umhlanga Rocks | 4320 | South Africa

Telephone: +27 31 566 1522 | Facsimile: +27 86 455 2000 | www.harvestconsult.co.za

Members: CJ Harbottle, AM van der Linde | Registration No. 2004/065571/23 | FSP No. 17372

Harvest Financial Consultants CC is an authorised Financial Services Provider licensed with the Financial Sector Conduct Authority. The information contained in this communication, including attachments, is not to be construed as advice in terms of the Financial Advisory and Intermediary Services Act 37 of 2002 unless specifically referred to as such.



HARVEST

FINANCIAL CONSULTANTS

Assuming correct or complete reporting, South Africa's infection rate is remarkably low. Whether this is related to a successful lockdown, rigorous infant vaccination program or even a warmer climate, it is good news. However, it does not allow us to escape the fact that the country will now be even more financially broke and the recovery take a long time. There might be positives if the dire situation allows the powers to dispense with political expedience in favour of pragmatic decision making – however I suspect they will find it difficult to elevate themselves above party and personal patronage. I continue to advocate the accumulation of your wealth offshore.

As always, please do not hesitate to get in contact with me should you wish to discuss your personal financial circumstances. Whilst our office is closed, the full team is hard at work from home and available to assist.

I wish you well over Easter – which might be different from the usual recreation, but perhaps one in which contemplation of the greater good will be at the fore.

Unit 4 | 6 Rydall Vale Crescent | Rydall Vale Park | La Lucia Ridge | 4019 | South Africa

PO Box 1776 | Umhlanga Rocks | 4320 | South Africa

Telephone: +27 31 566 1522 | Facsimile: +27 86 455 2000 | www.harvestconsult.co.za

Members: CJ Harbottle, AM van der Linde | Registration No. 2004/065571/23 | FSP No. 17372

Harvest Financial Consultants CC is an authorised Financial Services Provider licensed with the Financial Sector Conduct Authority. The information contained in this communication, including attachments, is not to be construed as advice in terms of the Financial Advisory and Intermediary Services Act 37 of 2002 unless specifically referred to as such.