



HARVEST

FINANCIAL CONSULTANTS

Client Letter

First Quarter 2025

Dear Client

The first quarter of 2025 (and into early April) has been marked by the draconian implementation of the US administration's tariff policy, in an attempt to reset global trade rules. In previous letters I cautioned against the possible negative outcomes of such a policy but did not comprehend the extent to which Trump was prepared to go. The US is faced with a growing fiscal deficit and high debt levels, which at some point need to be addressed, and as such these moves can be viewed in a positive light. Tariffs do raise taxes and will also likely dampen growth and concomitant inflation and interest rates. This will help reduce debt and lower debt servicing costs. However, the notion that the US is getting the raw end of the deal in the trade of physical goods fails to account for the massive servicing income that the US earns. It is true that the US has de-industrialised and lost many manufacturing jobs, but this is the natural progression of a successful nation whose work force moves from blue to white collars. This of itself has catapulted the US into a successful and wealthy nation which has gained, not lost in the process. By alienating friend and foe alike, the US could well find that they lose their influence over the global discourse and that there could be unintended consequences.

The concern and uncertainty reflected in the fall of markets are real, but I still feel that the US remains an attractive investment destination (which has top companies operating globally) - and now with share prices that are cheaper. We should also be mindful of the great returns over the past few years. Trump is likely to follow through on his promise of large tax cuts, which should result in a big boost to markets, and his tariff "experiment" might just have some positive effect. Although this market fall is for different reasons, we have recently been through the Covid 2020 drop and the Russia/Ukraine 2022 drop, and we have recovered from them. We will recover from this as well.

The following article published by CNBC clearly expresses my sentiment:

'Keep your head' if you're spooked by tariffs: Warren Buffett once suggested reading a 19th century poem when stocks fall

Published Thu, Apr 3 2025

Ryan Ermey

Over the years, Berkshire Hathaway chairman and investing legend Warren Buffett has recommended staying calm in times of volatility.

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: +27 864 552 000 | 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

In his 2017 letter to shareholders, Buffett wrote: “There is simply no telling how far stocks can fall in a short period.” But should a major decline occur, he continued, “heed these lines” from Rudyard Kipling’s classic poem “If,” circa 1895.

“If you can keep your head when all about you are losing theirs ... If you can wait and not be tired by waiting ... If you can think — and not make thoughts your aim ... If you can trust yourself when all men doubt you ... Yours is the Earth and everything that’s in it.”

Why keeping your cool pays off

It’s worth noting that Buffett was writing about major declines in the stock market, such as periods like the 2007 to 2009 bear market during which the S&P 500 lost more than 50% of its value.

Those are quite a bit rarer than what’s happening now. In fact, corrections in the stock market are pretty standard fare. There have been 21 declines of 10% or more in the S&P 500 since 1980, with an average intra-year drawdown of 14%, according to Baird Private Wealth Management.

Of course, investors often don’t know if things are going to go from bad to worse until they do.

“No one can tell you when these will happen,” Buffett wrote in 2017. “The light can at any time go from green to red without pausing at yellow.”

But whether a decline is modest and short-lived or seemingly long and painful, the message to individual investors is the same: Stick to your long-term plans and continue investing.

Buffett writes that he views downturns as “extraordinary opportunities.” Why? Because, historically, it’s never been all that long before the market resumes its upward trajectory.

Since 1928, the average bear market — defined by a decline of 20% or more from recent highs — has lasted less than 10 months, according to data from Hartford Funds. In the scope of the several decades you likely plan on investing, that’s practically no time at all.

And even if living through it can be scary, keep your eyes on the prize: your long-term goals. By continuing to consistently invest as the market declines, you effectively buy stocks when they’re selling at a discount. As long as you take a well-diversified approach to investing, you’ll get a better and better deal the further stock prices fall.

As Kipling says, keep your head, ignore breathless headlines and keep doing your thing. Will the Earth and everything in it be yours? Maybe not — but you’ll likely do a good job of boosting your long-term wealth.

The whole attitude recalls another quote of Buffett’s, about taking advantage of bargain-priced investments, this time from his 2009 shareholder letter: “Big opportunities come infrequently. When it’s raining gold, reach for a bucket, not a thimble.”

Regards

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: +27 864 552 000 | 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.