

A Traveller's Perspective

Recent holiday travel took my wife and I through a large part of South Africa. With hours to kill and a stop here and there, I took time to reflect on a few observations. Sometimes one can liken markets to a road trip - we just need to stay on the course intended and be prepared for the occasional detour to explore something new. In hindsight, 2023 turned out to be better than feared. Looking ahead, 2024 has its own risks that must be navigated. Nonetheless, let us enjoy the drive.



**Willie
Pelser**

For the first time in about 20 years my wife, Eunice, and I found ourselves driving through South Africa between Christmas and New Year. Normal holiday travel, including ours, does not typically overlap with this period as most holidaymakers get on the road around 15 December and then venture home in early January. What a pleasure it was with low traffic volumes, a fourteen-hour

audiobook and “Roundtripping music” to kill the hours in the car. The first leg of the trip took us from Hilton to Cape St Francis, with an overnight in the Colesberg district. The second leg (in the new year) from Cape St Francis took us to Cape Town, and finally home again to Hilton with an overnight at Beaufort West.

Last year left many of us feeling bruised, worn out, burnt out and “lights out” – after the worst year of loadshedding ever. Nonetheless, we avoided loadshedding for the second half of December, and despite all the challenges faced over the year, the JSE recorded solid, inflation-beating total returns of 9.3%. In addition, listed property, in reference to last week’s article by Robin, delivered all the necessary goods directly to portfolios - no courier company was required to deliver this dose of Christmas cheer. The hours on the road helped to heal the bruises from 2023.

Apologies if that was a slight detour, but it sets the tone for the rest of this article. How often have we encouraged clients in meetings and presentations to stay the course. The Pelser’s road trips often include detours - we explore, find something new, yet we return and stay on the intended course to get to the destination in mind. I believe it is the same with investments – map out the destination and stay the course. Also remember that there are always risks. We

SPEED READ

- 2023 left many of us feeling bruised and burnt out as SA’s series of own goals – think extreme loadshedding and Transnet – drove us all nuts.
- My holiday trip, with many hours to kill in the car, brought some insights into the nature of South Africans.
- Entrepreneurship is key, and when we are faced with hardship, South Africans tend to stand up, make a plan and go forward.
- 2024 does come with some positive expectations, despite the ever-present risks. The good news is that we will manage again.

could not find a great cup of coffee at a specific padstal - they closed at 5pm and we got there after 7pm. Eish!

Our trip left me with 3 thoughts:

1. **Entrepreneurship.** South Africa has numerous excellent examples. We each might have a story to tell – either yourself or that of a friend.
 - a. We stayed at a friend’s B&B facility in the Colesberg district. Their aim, after acquiring the farm about 2 years ago, was to make it a “prime” stopover at the halfway mark between Cape Town and Johannesburg. Word of mouth, top service, and funnily enough, no social media marketing has resulted in an occupancy rate of more than 95% for December and January. (Other months range between 60-70% occupancy.)
 - b. A detour took us into Trompsburg. The main street is paved, all the others are gravel. The school is great according to the owner of Snobs Coffee, a roastery and coffee shop. Here is a young couple with two primary school children who did semigration differently - escaped the city, roasting coffee and can’t keep up with demand for his coffee from all over the

country.

2. **When the chips are down.** I teamed up with a schoolteacher from Beaufort West for a cycle into the district before heading home. He told me the story of his friend on a farm between Beaufort West and Loxton. Ten years of drought left people on their knees, but this farmer picked himself up and is now processing a ton of meat a month baking and suppling pies. He is now expanding his facilities to keep up with demand. The Afrikaans saying “’n Boer maak ’n plan” is literally appropriate.
3. **Enhancing income streams.** Two hours before we reached Beaufort West, we took out the phone, clicked on the app and booked accommodation at a little place online. On arrival, we were met by a very friendly older lady. Living alone, she converted her garage into the most beautiful one-bedroom overnight place. An additional and new source of income allows her to save for a rainy day. (By the way, there are hundreds of B&Bs in Beaufort West. That didn’t stop her from starting another one!)

The moral of my short travel story is that South Africa, and South Africans, can do it. There is no shortage of skill or conviction. We just need good governance, sound service delivery and will power at all levels of society.

I believe that Harvard House Investment Management’s company research processes and portfolio construction methodology overlap these 3 observations. The company leadership teams are the entrepreneurs that steer through the maze that is our economic and political landscape. When the chips are down – like loadshedding and Transnet failures, businesses are quick to install “alternatives” so that their income streams do not dry up. Alternatively, they branch into new forms of income. And remember, we as investors need that income to be translated into dividends.

My last observation as we go into 2024 suggests that managing risk will again be priority number one. Our summarised view is for inflation to abate globally. Central Banks will react to this by moving to a rate-cutting cycle, resulting in a positive undertone to equity and bond markets. Cash will lag as interest rates decline.

Yet risks abound and will come from:

1. **Elections.** 2024 is an historical election year with



Beaufort West, where Willie went exploring during the holidays.

elections in 50 countries. More than 2 billion people will head to a polling station in countries as diverse as the United States, India, Mexico and South Africa. What surprises and changes to economic policy will the outcomes of these elections bring?

2. **Inflation cycle.** The trend has been set for lower inflation. However, how quickly will it reach the target rate, especially given logistics flare-ups affecting both the Suez and Panama Canals. Piracy (Suez) and drought (Panama) are forcing ships to take longer routes, pushing up transport costs. But this is nothing relative to the disruptions seen during the pandemic. Nonetheless, expect “detours” on the route to low inflation to cause volatility in financial markets, but see them

for what they are.

3. **Interest cycle** - the pace of cuts and when they will start is dependent on the inflation cycle. Has too much already been priced in? I believe the weaker start to 2024 is a result of over-exuberance on the rate cutting cycle. But be patient. Rate cuts will come in 2024.

Thank you for journeying with us. We will stay the course and keep our minds focused on the destination. There is no doubt that the year will throw up its fair share of detours. When it does, we will use the opportunity to hunt for fresh alternatives for portfolios, without losing sight of our end goal.



Our schedule for 2024 will be published early in due course.



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Topic: **To Be Announced**

Natal Midlands

Date:	TBC
Venue:	Oasis Conference Centre, 72 Main Road, Howick
Morning Time:	10am for 10.30am
Evening Time:	5.30pm for 6pm

Johannesburg

Date:	TBC
Venue:	Rosebank Union Church, Cnr William Nichol and St Andrews Road, Hurlingham
Time:	7am for 7.30am

Cape Town

Date:	TBC
Venue:	ABRU Motor Studio, Lourensford Wine Estate, Somerset West
Time:	5.30pm for 6pm

HARVARD HOUSE GROUP



3 Harvard Street, Howick, 3290, South Africa



P.O. Box 235, Howick, 3290, South Africa



+27 (0) 33 330 2164



+27 (0) 33 330 2617



@ admin@hhgroup.co.za



W www.hhgroup.co.za

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