

P R O V I D E N D L T D

✘ Planting The Seed Of Growth ✘

In investing, know that time is your friend, plant the seed of growth in the garden and in due season, you will reap what you sow.



“Growth has its season. There are spring and summer, but there are also fall and winter. And then spring and summer again. As long as the roots are not severed, all is well and all will be well.”

It was Monday (yes, just 2 days ago) and I was really stressed. I was due for an article submission for this column but I had absolutely no idea what I was going to write. I mean, I have been writing for years now, what have I not written that you don't already know? And as you know, there hasn't been much good news about the world economy and financial markets lately.

Sub-prime blow-up, rising oil prices, inflation fueled by rising commodity prices, writing down of losses by the banks and the latest - the collapse of IndyMac and the trouble fumes fanning at Fannie Mae and Freddie Mac, the ailing mortgage giants in US. How can I encourage you in this time of great difficulty? Financial markets have been tumbling and every expert is telling you the same story: this is a good time to invest (It is funny that financial institutions are always telling you this, whether in a bull or bear market). The problem is, whilst it is easy to say so when you are not managing your own money, try telling that to someone who has invested his lifelong savings and is seeing it disappear slowly everyday. In my moment of desperation, I remembered this story.

Chance was a middle age man living in a solitary room in a rich man's mansion, bereft of contact

with other human beings. He had two all-consuming interests: watching television and tending to the garden outside his room. When the mansion's owner died, Chance wandered out on his first foray into the world. He was hit by the limousine of a powerful industrialist who was an adviser to the president. When he was rushed to the industrialist's estate for medical care, he identified himself only as "Chance the gardener." In the confusion, his name quickly became "Chauncey Gardiner." When the President visited the industrialist, the recuperating Chance sat in on the meeting. The economy was slumping; America's blue-chip corporations were under stress; the stock market was crashing. Unexpectedly, Chance was asked for his advice:

Chance shrank. He felt the roots of his thoughts had been suddenly yanked out of their wet earth and thrust, tangled, into the unfriendly air. He stared at the carpet. Finally, he spoke: "In a garden," he said, "growth has its season. There are spring and summer, but there are also fall and winter. And then spring and summer again. As long as the roots are not severed, all is well and all will be well."

He slowly raised his eyes, and saw that the President seemed quietly pleased-indeed, delighted -by his response.

"We only need to believe that growth has its season and we must be prepared to ride through the seasons of life and stay invested for the long term..."

"I must admit, Mr. Gardiner, that is one of the most refreshing and optimistic statements I have heard in a very, very long time. Many of us forget that nature and society are one. Like nature, our economic system remains, in the long run, stable and rational, and that's why we must not fear to be at its mercy....we welcome the inevitable seasons of nature, yet we are upset by the seasons of our economy! How foolish of us.

This is a brief summary of the early chapters of Jerzy Kosinski's novel *Being There*, retold by John Bogle, the founder of Vanguard. A simple truth about nature and yet so much we can learn from it: *"growth has its season. There are spring and summer, but there are also fall and winter. And then spring and summer again. As long as the roots are not severed, all is well and all will be well."*

Do you believe in the resilience of the human race? We are after all the most powerful living things created by God. Do you believe in the sustenance of trade and enterprise? I am sure you will agree that we all have needs that can only be fully satisfied through products and services created and sold by corporations. If you believe, then our economic roots are not severed and all is well and all will be well. We have hope in the investment we have made in these companies. Yes, sometimes, it will be a more barren autumn, a colder winter. And other times, it may be a verdant spring or a hotter summer, but our economies will continue to grow, just like how it has grown in the past decades (see figure 1). We

only need to believe that growth has its season and we must be prepared to ride through the seasons of life and stay invested for the long term. In investing, know that time is your friend, plant the seed of growth in the garden and in due season, you will reap what you sow. Impulse is your enemy, react to your fears and dig out the seeds before the season is over and you may never see the fruit. Most importantly, stay the course. Let the uncertain years roll by, and face the future with faith. Do not let short-term fluctuations; fear, greed and news that have no meaning at all to your long term investing affect your judgment. The world markets too have their season but in the longer term will always grow, because their roots have remained strong and intact (see figure 2).

This article is short, not because I have nothing more to write, but because I hope in its simplicity, it has given you courage to remain invested and optimistic towards your dreams. Let me end with our story's character, Chance's final words of wisdom:

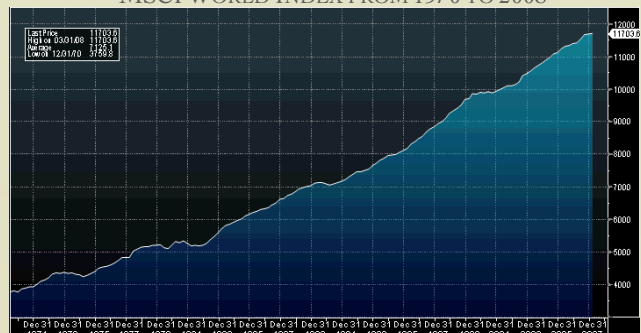
"I know the garden very well. I have worked in it all my life....Everything in it will grow strong in due course. And there is plenty of room in it for new trees and new flowers of all kinds. If you love your garden, you don't mind working in it, and waiting. Then in the proper season you will surely see it flourish."

My stress is finally gone.

FIGURE 1. THE ECONOMIC GARDEN OF US – US REAL GDP GROWTH FROM 1970 TO 2008



FIGURE 2. THE WORLD GARDEN – MSCI WORLD INDEX FROM 1970 TO 2008



This is an original article written by Christopher Tan, CEO of Providend, Singapore's sole fee-only Independent Private Wealth Management Firm. The edited copy appeared in The Business Times on 16th Jul 2008.