INTERMEZZO

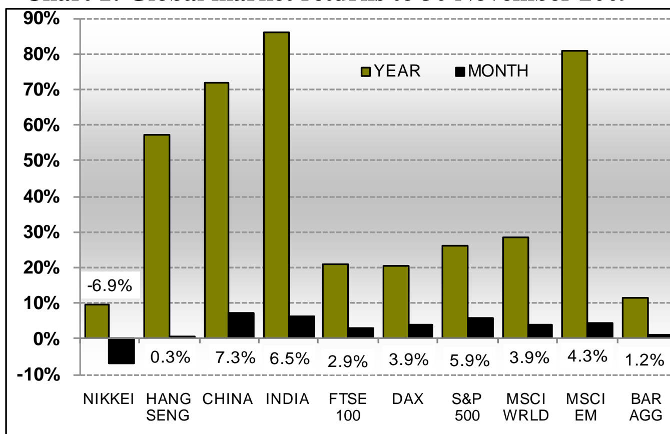
MAESTRO

Investment Letter | 9th Edition | December 2009

November in perspective – global markets

Readers of long-standing will know that I take terrible liberties in the December edition of *Intermezzo*. It is usually a lot longer than normal - this year is no exception – driven by my concern that you may not have enough to read as you head off on a well-deserved holiday (*Ed: Ja, ja, ...).* During the year we received kind comments and feedback from readers about *Intermezzo*. We are very grateful for the comments and are pleased to know that it finds its place in your busy schedule and crowded inbox. Thank you for your ongoing readership throughout the past year. I hope that in the future you continue to enjoy reading it as much as I do writing it. To get you "into the mood" we continue with our tradition of inserting photos in the December edition that are "closely aligned" to what is uppermost in our minds as the Silly Season approaches – at least for readers in the Southern Hemisphere – namely having a good break and an opportunity to recharge our batteries. Now let's get into what happened on the markets during the past month.

Chart 1: Global market returns to 30 November 2009

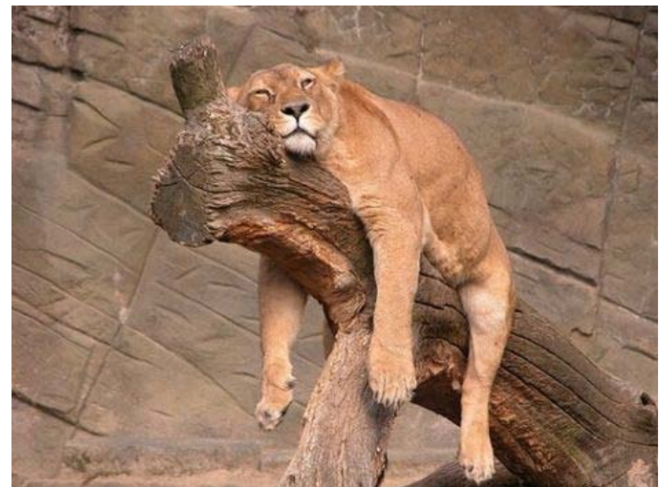


For a change let's start with the dollar. It remained weak throughout the month, declining 1.7% and 4.8% against the euro and yen respectively. The yen's strength placed the Japanese equity market under pressure; it fell 6.9% in November, a terrible return in relative and absolute terms when you consider that the US equity market gained 5.9%. Germany rose 3.9%. The MSCI World index gained 3.9% but was again eclipsed by the return from emerging markets – refer to our usual Table 4 at the end of the edition. The MSCI Emerging market index gained 4.3%, led by gains of 6.5% and 7.3% in India and China respectively. The weak dollar also launched the gold price to an all-time high of $1176. It gained 13.1% while the platinum price ended the month up 9.2%. Oil ended up only 0.6% (it rose 13.0% in October). Soft commodity (food and agricultural) prices were firm as were shipping rates – see the section on the Baltic Dry index below. Global bond markets had a positive month; the Barclays US Aggregate Bond index rose 1.2%.

What's on our radar screen?

We remain focussed on the changing economic landscape and list below a couple of developments in this regard:

- *The SA economy*: September **manufacturing output** rose 3.1% in volume terms but is still down 11.2% year-on-year. By value of sales it rose 2.4% on the month but is still down 15.7% on an annual basis. Given the very low base off which the annual number is being measured, output is likely to begin rising very strongly, which was confirmed by the monthly (September) data. September **retail sales** declined 5.1% year-on-year, bringing the quarter's annualised decline to 5.2% versus the June quarter's annualised decline of 6.2%. Although in absolute terms the declines are bad, the rate of decline is actually slowing. During the past month the third quarter growth rate was released: the **SA economy grew** at an (annualised, seasonally adjusted) rate of 0.9% versus the 2.8% contraction in the second quarter (the initial decline of 3.0% was revised up to -2.8%). Manufacturing grew 7.6% and the general government sector 4.9%, but the mining sector shrunk a further 5.8% and the wholesale and retail sector 1.1%. Table 5 at the end of this letter disaggregates the respective contributions of each sector and lists their growth – it is a useful took in understanding the dynamics of the SA economy.



- *The Greek economy:* It might sound a bit odd to be talking of the Greek economy all of a sudden, but the reality is we have been conscious of it for some time now. Why? Well, although we have commented on or alluded to the US and UK economies as being in a parlous state, Greece is actually worse. It was interesting to see how rapidly, in the latter stages of the month, global investor concern spread from Dubai to Greece. The question on everybody's minds was: after Dubai, will Greece be next? The parallel is being drawn between the tenuous assumption that Abu Dhabi

will honour Dubai's debt, and the equally tenuous but unproven assumption that the European Union will stand behind Greece if and when it defaults on its debts. Greece is largely seen as the wayward child of Europe: this year its budget deficit will rise to 12.7% of GDP. Its public debt-to-GDP ratio is estimated to be around 135% and its gross external debt – private and public debt owed to foreign creditors – was 149.2% at the end of last year. Watch this space ...

- *The US economy:* Last month we noted that the first estimate of US third (September) quarter growth was 3.5%. The authorities have an early (provisional) "stab" at the number (3.5% in this case), then revise it about a month later before the final number is released after yet another month, by which stage investors have by and large forgotten about it and its release has virtually no effect on the market. In the case of the September quarter's growth, the provisional rate of 3.5% was revised down to 2.8%. The 2.8% reflects the annualised growth on the June quarter. The major reason for the downgrade was the downward revision in consumer spending from an initial reading of 3.4% to 2.9%.
- *The Baltic Dry index:* an accurate indicator of the real global economy is the rate or cost of shipping. We have highlighted this in a couple of editions over the years, and its time to draw your attention to it again. Despite its volatility, this index is again catching certain investors' attention. After its precipitous decline between May and November last year, when it fell more than 95% (and you thought the equity market was bad!) the index has slowly been rising as world trade has begun to recover and China has begun to rebuild inventories. Although in certain areas there is still a glut of capacity (container lines come to mind) the rates for ships that carry "dry goods" such as iron ore, coal, etc have been rising for some time. It seems that a sense of normality is returning to this section of the market. Although its recovery is anything but smooth Chart 2 seems to show that a reasonable recover is now underway. It will be interesting to see just how far it rises in the next few years.

Chart 2: The Baltic Dry (goods shipping) index

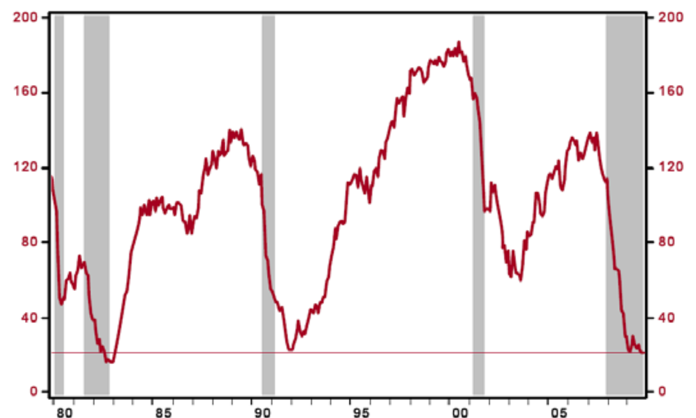
Source: Deutsche Securities

- *The Indian economy*: grew at an annual rate of 7.9% in the September quarter from 6.1% in the June quarter.
- *The European economy*: you will recall that one of our concerns for the short to medium term outlook remains the lack of pricing power, or simply the risk of entrenched deflation. Data released in November showed that the *annual* inflation rate in the Eurozone rose to a 7-month high of, wait for it ... 0.6%. This was the first positive reading since April and can be compared to the -0.1% in October.

Chart of the month

The (US) Conference Board's Consumer confidence index rose from 48.7 in October to 49.5 in November. The current conditions index moved to a 26-year low of 21.0, shown in Chart 3. You will be aware that one of our main concerns for both the current and future investment environment is the state of the US consumer. Despite the recovery we have seen in a number of other economic indicators, the chart below shows that the consumer's position remains fragile. The confidence in Wall Street, with its sharp prices gains since mid-March, has clearly not spread to Main Street yet.

Chart 3: Conference Board's current conditions index



Source: Merrill Lynch

A few quotes to chew on

There are still multiple unanswered (and possibly unanswerable at this point in time) questions hanging over financial markets: how will governments finance their ever-increasing debt burdens? When will monetary and fiscal policy start to tighten and what impact will removing this "morphine" have on the "patient" (i.e. the nascent global economic recovery)? Are we heading for a period of high inflation or equally damaging deflation? Will the US dollar be able to retain its status as the world's currency? These questions are all inextricably linked and taken together they represent a huge challenge to financial participants who are trying to profit from correctly forecasting the medium term (i.e. 6 – 12 month) outlook. Extract from Aurum Funds' October commentary.

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One of the most entertaining moments during the month came in the form of the grilling US Treasury Secretary Tim Geithner endured at the hands of his political opponents in the Congressional hearing of the Joint Economic Committee. Kevin Brady, senior House Republican on the committee launched the attack by telling Geithner that he was a failure. "*Unemployment skyrocketed . . . The deficit is becoming frightening . . . We are reduced to begging China to buy our debt and getting lectures from other nations on our financial disarray*" he said. "*The public has lost all confidence in your ability to do the job*." Geithner, never short of words, responded: "*I agree with almost nothing in what you've said.*"

More than a year after the bankruptcy of Lehman Brothers and the ensuing financial market turbulence, we are at a critical crossroads. I think the post-crisis path will be bumpy, mainly because bail-out programmes have not been implemented in the right sequence. We can see the cart has been put before the horse: money has been pumped in continuously to cover the risks and ease the panic, but we are still far from cleaning up the balance sheets of western financial institutions. Liu Mingkang, Chairman of the China Banking Regulation Commission.

We touched on Goldman Sachs last month, specifically CEO Lloyd Blankfein's comments that he was going about "God's work". Since then public criticism and condemnation of Goldman Sach's ways has increased, despite the firm moving into overdrive on a public relations and damage control exercise. Nowhere has this been more vocal than in the US amongst ordinary citizens. One former Goldman's executive was quoted as saying "*One thing has stayed the same for the past 50 years or so: the cultural worship of commercial success and a revulsion at losing money*". A competitor added that when talking about "God's work" Mr Blankfein should have added that "*in Goldman's religion God and Mammon are one and the same*".

The CRB index – some detail

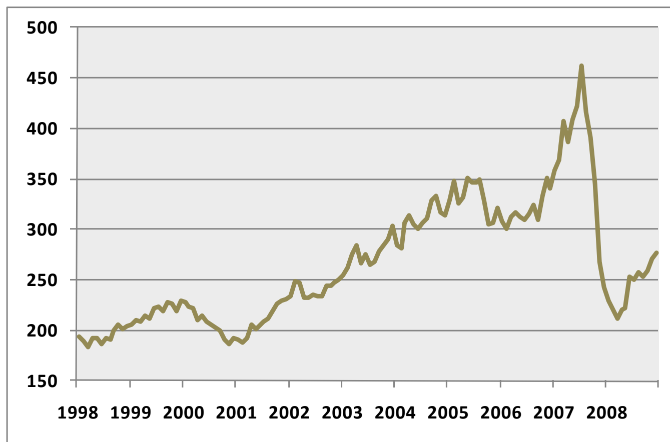
We have watched and commented on the rise in commodity prices for most of the year and frequently mentioned the CRB index as a good benchmark for the movement of commodity prices. It might be useful to list the underlying constituents of the CRB index – refer to Table 1 in this regard – and refresh our memories about how this index has moved in recent years – refer to Chart 4 in this regard.

Table 1: CRB commodity index components

Sector	Commodity	*Sector*	Commodity
Grains	Corn	*Industrials*	Aluminium
	Soybeans		Cotton
	Wheat		Copper
Softs	Coffee		Nickel
	Cocoa		
	Orange juice	*Precious metals*	Platinum
	Sugar		Silver
Energy	Crude oil		Gold
	Heating oil		
	Natural gas	*Livestock*	Lean hogs
	RBOB gasoline		Live cattle

There are a number of different CRB indices. The specific CRB index we use is the Reuters Jeffries CRB index. If you would like to learn more about the CRB feel free to visit their informative website at http://www.crbtrader.com/.

Chart 4: The RJ CRB index

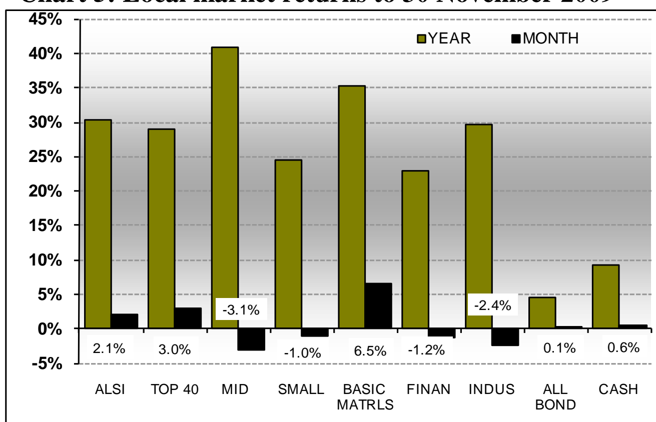


November in perspective – local markets

The past month was a strange one on the SA equity market. Whereas a firm rand would usually undermine basic material shares and boost financial and industrial shares, in November the effect was the opposite. The basic material index rose 6.5% while financial and industrial shares declined 1.2% and 2.4% respectively. Similarly the large cap index rose 3.0% but mid and small caps were under pressure, falling 3.1% and 1.0% respectively. To put it bluntly, apart from a few large mining companies, the rest of the market moved down. The gold index rose 8.8% on the back of the record bullion price, despite the firm rand, and

the fixed line telecoms, coal and construction sectors posted the largest declines, falling 15.2%, 9.7% and 9.5% respectively. The All bond index continued to go nowhere in a hurry; it gained 0.1% bringing its year-to-date return to -2.2%.

Chart 5: Local market returns to 30 November 2009



The shape of things to come

We have frequently highlighted the speed at which the world is changing. Due to the financial crises last year and the economic turmoil in which the world now finds itself, the world as we knew it only two years ago no longer exists. It is our humble view that in a couple of year's time a New World Order will exist that will be unrecognizable from the one that prevailed just a few years ago. In order to focus on this phenomenon, we highlight below some of the events indicative of this process of change.

One of the most fascinating developments to follow during the past month was US President Obama's visit to China. It epitomized the watershed between the forces at work in the world today; here was West meeting East, developed meeting developing, democracy versus autocracy, debtor meeting banker, declining superpower meeting rising superpower, the past meeting the future. The event had all the makings of a drama, from common interests to differing agendas, from the openness and transparency of Obama to the staged media conferences and selective censorship by China – the visit had it all. We could simply not do justice to this historic event, so have put together a few thoughts and quotes below, which reflect but a few of our views.

Slowly people are coming to the counter-intuitive realisation that a country with a per capita income $3 200 a year (slightly higher than that of Iraq) is assuming world leadership in industry after industry, market after market... How do we encapsulate the concept of a developing country that is leading the developed world, a nation that has arrived and yet is set to carry on arriving? James Kynge, editor of China Confidential.

Yet although China is gingerly assuming a more prominent role, Beijing remains very reluctant to take on the sort of responsibilities that Mr Obama called for this week. China enjoys the status of being a global actor but is not ready for the costs of being a global leader... Some Chinese politicians also retain a deep-seated suspicion of what the real motives of the US are in Asia, with many fearing that Washington still wants to contain China's rise through its relationship with Japan, South Korea and India. China's own foreign policy strategy is partly aimed at restraining US behaviour, reducing the space that America has for the sort of unilateral approach that the Bush administration favoured. Geoff Dyer and Edward Luce, Financial Times correspondents.

Of all the comparisons highlighted during Obama's visit to China, we found the following data, listed in Table 2 more impressive than any other.

Table 2: Unparalleled growth -the law of large numbers

	US trade deficit with China ($bn)	China's foreign exchange reserves ($bn)
1989	6.0	14
1999	67.0	151
2009	237.0	2 272

I am specifically placing the next "sound bite" in "The shape of things to come" section and not "File 13"; you can decide for yourself where it should be. While the world was fretting about the future of Dubai, in an ironic coincidence the Swiss voted, contrary to all expectations, to ban the building of minarets on any mosque in Switzerland. In an unusually high (53%) voter turnout 57.5% of voters supported the call for a constitutional amendment banning the building of minarets. Only four of the 26 cantons rejected the move, with support exceeding 65% in many cantons.

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For the record

Table 3 lists the latest returns of the mutual funds under Maestro's care. You can find more detail, including the latest Maestro Equity Fund Summary, by visiting our website at www.maestroinvestment.co.za. Returns include income and are presented after fees have been charged.

Table 3: Returns of funds under Maestro's care

	Period ended	Month	Year to date	Year
Maestro Equity Fund	Nov	**-2.7%**	**20.4%**	**23.5%**
Maestro equity benchmark *	Nov	1.6%	27.1%	28.4%
JSE All Share Index	Nov	2.1%	28.4%	30.3%
Maestro Long Short Equity Fund	Oct	**-1.1%**	**12.4%**	**-9.1%**
JSE All Share Index	Oct	6.0%	25.7%	29.2%
JSE Financial and Indus 30 index	Oct	5.3%	25.4%	24.8%
Central Park Global Balanced Fund ($)	Oct	**3.2%**	**13.2%**	**15.5%**
Benchmark**	Oct	-0.6%	12.7%	12.2%
Sector average ***	Oct	0.7%	21.0%	18.7%

* 50% JSE Top 40 Index, 50% JSE Financial & Industrial 30 Index
** 40% MSCI World Index, 20% each in Barclays US Aggregate Bond Index, Credit Suisse Tremont Hedge Index and 3-month US Treasury Bills
*** Lipper Global Mixed Asset Balanced sector ($)

Why we love this job – Example 2

Last month we began a section of *Intermezzo* in which we share with you some of the reasons we are so passionate about our job and why we believe so fervently about the merits of long-term investment. We began the series with a hypothetical illustration of Mr Really Clever, Mr Clever and Mr Stupid and the outcome of their respective decisions surrounding how much to invest and from what age. In case you missed it, I encourage you to familiarize yourself with it again – it should never be far from any long-term investor's mind. And remember any policyholder or retirement fund member is also a long-term investor, not just those who commit some of their excess income to investment markets.

This month I would like to share a real-life example with you. The facts are as follows: around mid-2004 a client of ours had a policy mature. The policy, taken out long before Maestro got involved with his affairs, paid a fixed level of income during the previous ten years, but given that interest rates had declined since its inception, he faced a decline in the income from this particular capital amount – R6m as it happened to be. He very kindly approached Maestro with the instruction to explore available options open to him. He was keen on obtaining a capital guarantee and a regular, known level of monthly income. In our humble opinion, though, he didn't need a capital guarantee as his investment portfolio far exceeded R6m.

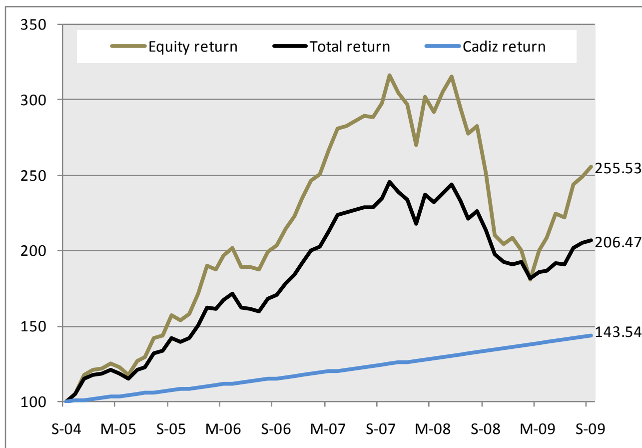
We set about our homework and secured a couple of quotes for him. Despite his explicit requirements, we took it upon ourselves to recommend an alternative plan for his capital. After much to-ing and fro-ing and debate, he decided against our recommendation, opting instead for a Cadiz structured product that paid him a fixed annual, tax-free income of 7.25%. It is worth recording here the reasons why we advised against this option. In short, we were not happy about the high level of costs in the product, we didn't like its lack of flexibility (he was unable to access his capital for a five-year period) and after five years i.e. mid-2009 he would have to start all over again with the process. We did though acknowledge the capital guarantee and the certainty implicit in the product. Our recommendation to him was to simply add it to the portfolio we already had in place for him. Although there was no capital guarantee, we were of the opinion that over a five-year period he was unlikely to lose any capital. In addition, our recommendation allowed full access to his capital if and whenever he needed it, we were hopeful that after five years the capital would have grown substantially and most importantly, we believed that *the income from his capital after the five-year period would be substantially more than 7.25%.*

It is now five years later and the wheel has come full circle. In early September he received the R6m back from Cadiz. This whole story now provides us with a wonderful opportunity (which I have been relishing for the past five years) of testing the appropriateness of our original recommendation to him. So here we go:

- Let's recap his situation: he invested R6m and received 7.25% tax-free per annum. He had no access to his funds for the five-year period - he couldn't even lodge it as security had he wanted to. At the end of five years his R6m was returned.
- We recommended that he add the R6m to his existing Maestro portfolio, on the basis of much lower costs,

access to the capital at any stage, the reasonable chance of real capital growth and a substantial increase in the income stream from the R6m. The results of our recommendation are depicted in Chart 6.

Chart 6: Local market returns to 30 November 2009



You can see from the Chart, which has based his return to 100 at the start of the five-year period (September 2004) that his selection of the fixed income product was not optimal. *Despite the fact that during the five- year period investment markets were subject to the greatest credit crisis in living memory, had he adopted our recommendation he would still have been substantially better off*. Consider the following:

- Over the five-year period his capital never grew - it remained R6m throughout the period. He obtained an annual return of 7.25%, which equates to a compound annual return (CAR) of 7.5% over the five-year period.
- During the five-year period, he received a total income of R2.2m, all of which was tax-free.
- Had he added the R6m to his existing Maestro portfolio, at the end of the period it would have been worth R12.4m despite the trauma on the markets during the past two-years, which are very clear from the Chart. I should point out here that this is not a fictitious number – it is a real number because we know exactly how his existing portfolio has behaved over the five-year period. For the record, his existing portfolio represents a combination of pref shares (we are gradually increasing the income return from his portfolio as he prepares for retirement), which constituted 6.2% of his Fund, offshore assets (25.2% of his Fund is invested in Central Park Global Balanced Fund) and cash of 8.9%. He has 8.5% invested in the Maestro Long Short Equity Fund and 51.2% invested in the SA equity market. In our opinion this is a conservatively managed portfolio and the cautious asset allocation has enabled it to weather the recent storm.
- You may be interested to know that, had we invested his R6m entirely into his equity portfolio, his R6m would have grown to R15.3m by the end of the period, having peaked at R19m in October 2007.
- During the five-year period he received a total income from the structured product of R2.175m, all of which was tax-free. Had he invested the R6m into his equity portfolio, he would have received total income of R2.227m in the form of dividends, all of which would have been tax-free. Yet again, he would have been better off accepting our recommendation.
- It is worth underscoring the aspect of our original recommendation which we attached the greatest weight to in respective of his needs: the Cadiz product was still yielding only 7.25% per annum at the end of year five. But had he invested the R6m into his equity portfolio, over and above the R6.4m in capital growth i.e. more than double his original capital, his dividend yield (income) in the final year would have been 3.5% *but on a much larger capital base*. In fact the yield in the final year would have been equivalent to 8.9%, tax-free, on his original R6m, vindicating our original contention that his income needs would have been much better served by investing into the equity market.

And that, my dear friends, provides one of the most compelling reasons to invest in the equity market over the long-term. *It secures a rising level of tax-free income over time*. When added to the power of compounding, as we saw last month, the net result is profound. We have seen it many times in our careers – that's why we love this job so much.

File 13 – things almost worth remembering

The "Silly Season" is well and truly upon is. In case you wondered what that means for a large courier service, wonder no more. FedEx recently released their estimates for the coming weeks: they expected to move more than 50m packages in the week of 14 December, their busiest week of the year. On December 14 itself, they expect to ship more than 13 million shipments, an 8% increase over last year and almost double the 7.5million packages they handle daily.

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It occurred to me the other day that the way I go on about China, you may think that it is the be-all-and-end-all of all global equity markets. Well, let's put its market movement over recent years into perspective, shown in Chart 7. Here are some stats for you to chew on, based on the Shanghai Composite index, which we use as a proxy for China:

- The index peaked at 6 124 in October 2007.
- The same index troughed at 1 665 in October 2008; that's a decline of 72.8% in one year.
- It peaked in August this year at 3 478, a rise of 108.9% off its October 2008 trough; not a bad return for a 10-month period - not that you will ever manage to hit the peaks and troughs as an investor, of course.
- It's year-to-date return is 76.5%.
- But here's the sobering part of the story: if you had invested in that market at any stage after March 2007, you would only now be breaking even.
- Worse still, if you had invested anywhere close to the peak of the market in October 2007 you would still have lost more than half your money i.e. based on the prevailing index level, you would still be showing a loss of more than 50% on your investment.

Chart 7: The Shanghai Composite index: Chinese rollercoaster

Source: Merrill Lynch

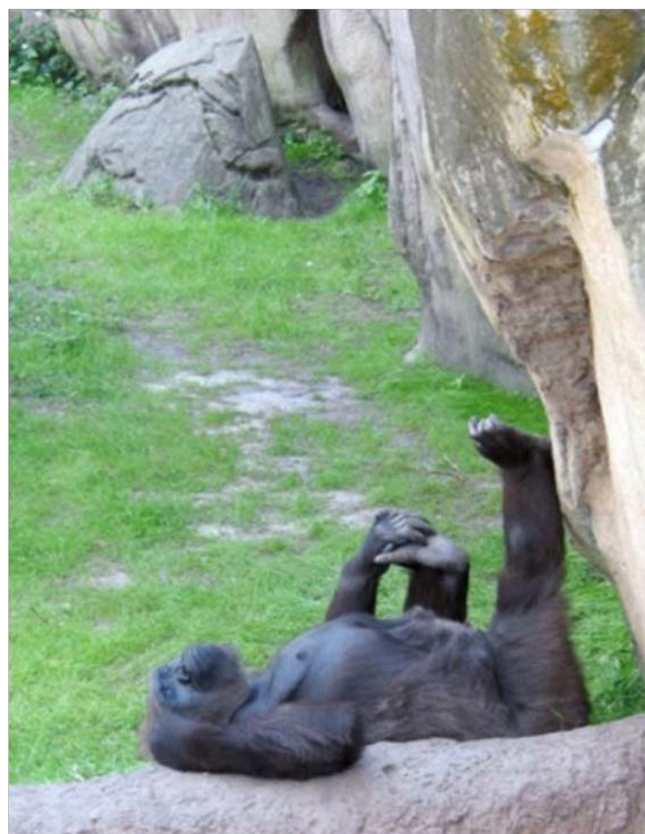
It is the time to give, and reflect

Maestro has long wanted to play a more active role in the community and in the society of this country we love so much. But the daily activities suck us in all too easily and so far we have not managed to fulfil this part of our dreams. In the past year we have made tentative plans, though, with regard to making this dream a reality and have moved it up the priority list of strategic objectives. We will be sharing more about this with you during the course of next year.

Closely associated with this aspect of Maestro, we find ourselves faced with a dilemma; we earnestly want to express our gratitude to all our clients, who place their trust and confidence in us and who support us so faithfully. Yet at the same time we are conscious of the fact that many of them enjoy a very privileged financial position. Every year we wrestle with the dilemma of wanting to express our gratitude to them with a small gift yet know that they probably have just about everything they need.

Add these two aspects of our business together and will you understand why we have arrived at the following decision: this year we have decided to donate all the funds that we would have used to buy cards and gifts for our clients to a specific charity. In future the recipient may differ, but during the course of the past few months we have got closer to the recipient of this year's funds; we are all happy that we have taken the right decision. We also see this as but a start to what will hopefully be a more active and meaningful role in our community.

This year we will donate our funds to **The Music Therapy Community Clinic**. Rather than tell you more about them myself, I asked one of the founders and current Director of the Clinic, Sunelle Fouché, to provide a synopsis of their activities – you can find it at the end of this edition of *Intermezzo*. I encourage you to visit their website for more information and commend them to you for your attention and further consideration.



And so the year comes to an end...
All that remains is for me to wrap up this letter and, for all intents and purposes, the year that was 2009. I will leave a summary of what the year meant for Maestro for next month's edition. The past year was by no means an easy one, despite the massive equity market recovery and supposed "return to good health" by the global economy. As you well know, we fear more trouble lies ahead in 2010, but let's set that aside for now. More than anything else the lingering emotion within the office as 2009 comes to a close is one of sadness. We bid farewell to a long-standing and very special mentor, friend and client, who passed away in September. And we empathized with two other clients who lost their respective spouses. We head into the holiday break sharing the sadness of the respective families who will celebrate this Christmas without their loved ones.

At the same time we wish you a good rest over the Festive Season. May you find peace, a new sense of hope and appreciation for all the many blessings we have. May the coming year be one in which you experience a contentment like never before; may many of your dreams be fulfilled and may you find in your hearts a new desire to reach out and touch, help and uplift those around you.

Hamba kakuhle ("go well" in isiXhosa) and *zàijiàn* ("goodbye" in Mandarin).

Table 4: MSCI Emerging Market November returns (%)

	Nov'09	YTD
Peru	12.0	81.2
Mexico	10.0	50.1
Poland	8.5	40.7
India	8.4	93.8
LatAm	**8.3**	**95.1**
Brazil	8.2	118.6
Israel	5.7	43.2
Chile	5.5	67.9
South Africa	5.4	46.2
Philippines	4.7	56.0
Singapore	4.7	59.2
MSCI EM Small Cap	**4.6**	**96.3**
Colombia	4.6	71.4
MSCI EM	**4.3**	**68.1**
Taiwan	3.9	61.4
Hungary	3.5	76.1
MSCI DM	**3.5**	**24.4**
Indonesia	3.2	109.2
EM Asia	**3.1**	**62.9**
EMEA	**2.9**	**56.3**
AP ex Japan	**2.6**	**62.7**
Australia	2.5	66.1
Czech	2.5	26.0
China	2.5	58.1
Russia	2.3	94.0
Malaysia	1.3	47.6
Korea	0.8	56.4
Thailand	0.6	58.4
Pakistan	-0.3	78.0
Japan	-1.0	3.7
Hong Kong	-1.6	52.1
Argentina	-1.8	54.8
Morocco	-6.5	-7.1
Turkey	-6.6	60.5
Egypt	-16.1	23.8

Source Merrill Lynch

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Table 5: SA GDP growth unpacked

Contributions of the annualised percentage change in seasonally adjusted real value added by industry to the annualised percentage change in seasonally adjusted real GDP

Industry	Relative size (%)	Q-Q growth (saar) %					Contribution to saar growth (% points)			
	Q3'09	Q3 '08	Q4'08	Q1'09	Q2'09	Q3'09	Q4'08	Q1'09	Q2'09	Q3'09
Agricultural, forestry, fishing	2.3	17.8	5.6	-3.7	-13.1	**-9.8**	0.1	-0.1	-0.3	**-0.2**
Mining & quarying	5.3	-9.5	0.1	-30.7	15.8	**-5.8**	0.0	-1.7	0.8	**-0.3**
Manufacturing	**14.6**	-5.2	-17.4	-25.5	-11.1	**7.6**	-2.9	-4.4	-1.6	**1.1**
Electricity, gas & water	2.0	6.1	-0.1	-8.1	1.9	**4.2**	0.0	-0.2	0.0	**0.1**
Construction	3.2	8.6	6.3	10.7	8.7	**6.1**	0.2	0.3	0.3	**0.2**
Wholesale, retail trade & catering	**12.0**	-5.4	-0.3	-2.4	-5.9	**-1.1**	-0.04	-0.3	-0.7	**-0.1**
Transport & communication	9.1	3.8	1.6	-2.1	-1.0	**1.2**	0.1	-0.2	-0.1	**0.1**
Finance, real estate & business services	**21.5**	8.1	7.5	-2.3	-3.8	**-1.5**	1.6	-0.5	-0.8	**-0.3**
General government	**13.6**	6.2	6.2	2.1	3.1	**4.9**	0.8	0.3	0.4	**0.7**
Personal services	5.9	3.2	1.5	2.7	3.3	**3.5**	0.059	0.16	0.17	**0.2**
Total value added	**89.5**	1.7	-0.3	-7.5	-2.3	**1.5**	-0.3	-6.7	-2.1	**1.3**
Taxes less subsidies	10.5	-2.0	-4.0	-6.4	-6.9	**-3.4**	-0.4	-0.7	-0.7	**-0.4**
GDP at market prices	**100.0**	1.3	-0.7	-7.4	-2.8	**0.9**	-0.7	-7.4	-2.8	**0.9**

1. The relative size of each industry for the third quarter of 2009 is the share of its seasonally adjusted real value added of the seasonally adjusted GDP for the second quarter of 2009. Similarly, the relative size of taxes less subsidies on products is the share of its seasonally adjusted value of the seasonally adjusted GDP for the second quarter 2009.
2. The contribution is calculated by multiplying the percentage change of each industry (and taxes less subsidies on products) by its share of GDP in the previous quarter (i.e. its relative size).

Source: Vunani Securities

The Music Therapy Community Clinic

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Profile on the Music Therapy Community Clinic

ORGANISATIONAL HISTORY

The MTCC was set up as a Non Profit Organisation in 2002 with just one project (Heideveld Music Therapy). Started by 2 music therapists, the MTCC has grown substantially and currently, in 2009, includes 4 projects and employs 6 Music Therapists, 3 Creative Music Facilitators, 5 Community Musicians and 3 support staff. Our Board of Governors meets quarterly and our accounts are audited annually by an accredited accounting firm. More information can be obtained at www.music-therapy.org.za

The MTCC runs 4 different projects offering psychosocial support to people living in previously privileged and under-resourced communities in the greater Cape Town area (Khayelitsha, Nyanga, Heideveld and Gugulethu). Each project has two components: *Music Therapy* (group and individual sessions) and *Music for Life* (long-term music groups facilitated by Community Musicians and Music Therapists together).

1. MAIN PURPOSE OF OUR ORGANISATION

The Music Therapy Community Clinic is a Non-Profit Organisation that provides Music Therapy services to previously disadvantaged communities in Cape Town, South Africa. Music is a social resource, a way to heal and strengthen communities as well as individuals. Our vision is to use active music-making to have a long-term impact on the psychosocial fabric of the communities in which we work.

2. SIGNIFICANT ACHIEVEMENTS

The annual Heideveld concert brings together our Music for Life groups in a celebration of music and dance. This is an opportunity for the children in the Music for Life programme to show off their talents and acquired skills to their families and friends.

In 2009, the MTCC was nominated for an Impumelelo Award.

3. PROJECT DESCRIPTIONS

HEIDEVELD TRAUMA PROJECT – music therapy services to children in crisis

The *Heideveld (Trauma)* project offers music therapy services to 7 primary and 3 high schools. Heideveld is ravaged by violent crime, substance abuse and poverty and there is a high prevalence of single parent families, neglect, physical and sexual abuse. The ‘gang lifestyle’ often provides the emotional support and sense of belonging, which the child's own dysfunctional family often cannot.

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Music Therapy is offered to children who have been exposed to violence, abuse or bereavement. Teachers refer children who present with behaviour problems in the classroom, such as aggression or withdrawal, which are often symptoms of more serious social or emotional issues.

The *Music for Life* programme draws children from 9 schools from the Heideveld and Gugulethu areas. It is designed to use music as a positive intervention to offer children an alternative to gang involvement. We run Educare music groups, a choir, 2 drumming circles, 3 marimba groups and an adult marimba group made up of teachers.

***MUSIC FOR HEALTH* – children and adults with various diagnoses receiving long-term hospital treatment**

The *Music for Health* project operates at the Brooklyn Chest Tuberculosis (TB) Hospital and the Sarah Fox Children's Convalescent Home. Although TB is a curable disease, complications such as co-infection of TB and HIV or resistant strains of the disease such as MDR and XDR-TB, make this illness a growing concern in South Africa. Apart from feeling ill and being hospitalized for 3 to 18 months, patients experience a sense of loss of health, income, relationship which causes great emotional stress. There is little to do at the hospital which leads to boredom, de-motivation and often depression.

Music therapy sessions offer opportunities to experience and restore physical and emotional well-being and foster a feeling of social connection. The musical space offers a place to creatively express difficult emotions of loss. Music therapy also offers nurses the supportive space to share the difficulties of working with very ill children.

The *Music for Life* group provides patients and staff with opportunities to connect with each other in an enjoyable, communal space.

SIYAPHILA PROJECT – children and women affected by HIV&AIDS

The *Siyaphila ('we are getting better')* project provides psychosocial support to vulnerable and/or orphaned children and adults affected by HIV and AIDS living in Nyanga and Khayelitsha. All have suffered loss associated with being diagnosed with a life-threatening disease: the loss of a parent or primary care-giver, a home, community and structure. The emotional damage for a child can result in a regression of childhood development, mood changes and withdrawal.

The *Music for Life* programme at Etafeni, an HIV/AIDS centre, and 'Home from Home', a children's home, provides gumboot dancing, Marimba and drumming to the educare children, women and older children in the aftercare.

COMMENTS FROM BENEFICIARIES

Keena (music therapy client): *"It means a lot to me that another person cares. Music Therapy was so FANTASTIC to me that I want to go on next year."*

Sipho (drumming): *"We became a group. We create our own music. People who have sore things like us, we turn to the music, we let go of the sore things."*

Gerwin (choir): *"It is good that I am out of trouble's way. They (therapists) teach us stuff like new songs and games. They want us to show respect to one another. Respect is the most important thing in life."*

Sihle (choir): *"Life is hard with gangsters and drugs. Without the choir, I would have dropped out of school."*

Achmad (addressing the donors):*"Thank you for the support. There where I live is a lot of gangsterism. In the evenings when I go to sleep I sing in my head: '... when you are low, life is making you lonely, you can always go … downtown'. When I am unhappy I just sing and then I'm ok."*

CREATIVE MUSIC FACILITATION TRAINING

Creative Music Facilitation (CMF) Training, facilitated by music therapists, is an experiential training in communicative play through creative music-making. It equips and empowers care-workers with the necessary skills and tools to conduct creative music-making sessions with the children/adults in their care. The objective of the music-making sessions is to enhance, empower and enrich the participants' (children/adults) emotional and social development and thus impact the psychosocial fabric of their communities.

For more information, visit our website or email info@music-therapy.org.za