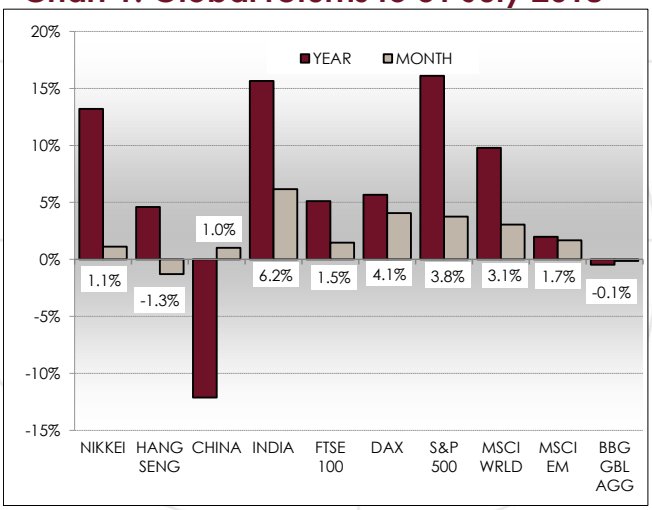
July in perspective – global markets

July was, by all accounts, a frustrating and rather unprofitable month. Full of challenges on the local and global political front, and with an increasing amount of uncertainty, it certainly didn't feel like an environment in which one could make money. However, on closer inspection, despite all the negative headlines most global equity indices ended the month higher. The global economy is growing well, despite the best efforts of politicians to undermine it, and it is this growth which is supporting the strength in global equity markets.

Chart 1: Global returns to 31 July 2018



In the face of a very healthy, cash-flush corporate sector, good earnings growth, and a favourable economic outlook, we see no reason to change our strategy of continuing to invest in quality, growing companies that are globally competitive and which operate specifically in industries that are not necessarily subject to cyclical winds. Even if we experience an economic slowdown, which will eventually materialize, we are of the humble view that sectors such as technology, education and healthcare, to which client portfolios have substantial exposure, will continue to do well.

Let's look at more specific market movements during the past month. The MSCI World index, a proxy for developed markets, rose 3.1%, while the MSCI Emerging market index rose "only" 1.7%, hinting at the trauma currently being experienced in a number of emerging markets. China was very weak, with investors there taking fright at a prolonged and deep trade war with the US. Although the Shanghai Composite index rose1.0%, the Hong Kong market lost 1.3%, bringing its year-to-date return to 4.5%. The Shanghai Composite index has lost 13.0% so far this year. In stark contrast, the Indian market rose 6.2% to a record high, having risen 10.2% so far this year. The Brazilian equity market rose 8.9% and Russian 1.4%. Amongst developed markets, the US equity market was strong, rising 3.8%. The German market rose 4.1%, but Japan managed a gain of only 1.1%. Switzerland rose 6.6%, but that was a function of the 10.2% gain in Roche, which constitutes nearly 18% of that index. The NASDAQ index rose 2.2%, thereby underperforming the broader US indices and highlighting the relatively tough time tech shares had during July. The S&P Mid and Small cap indices rose 1.7% and 1.9% respectively.

Cedar waxwings in Minnesota, USA

"To achieve great things, two things are needed; a plan, and not quite enough time."
- Leonard Bernstein

The dollar ended July largely unchanged, but certain emerging market currencies were very volatile. The rand rose 4.6% against the dollar while the Turkish lira and Chinese yuan fell 6.7% and 3.0% against the greenback respectively. On the commodity front, the oil price declined 12.0%, and precious and base metals were weak; copper declined 5.6% although iron ore rose 4.8%. Soft (food) commodities were firmer on the whole. The Bloomberg Commodity index fell 2.3% and the Bloomberg Global Aggregated Bond index declined by only 0.1%.

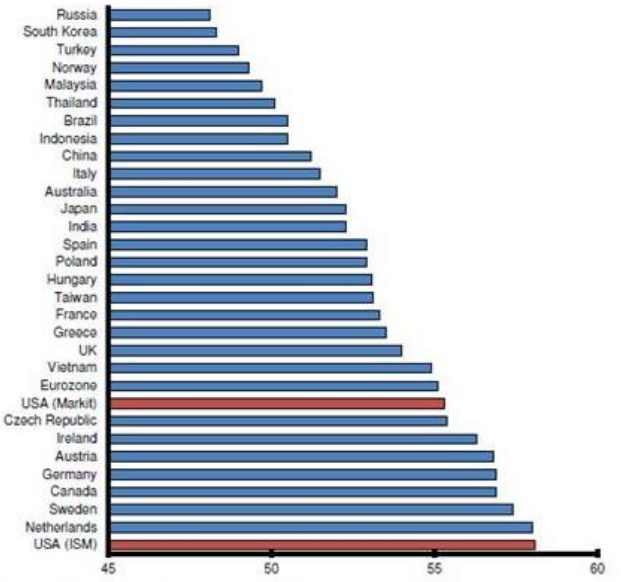
Horses in the snow – Hokkaido, Japan

What's on our radar screen?

Here are a few items we are keeping an eye on:

- *The US economy*: Last month we reported that the US economy grew at a healthy rate of 4.1% during the second quarter (Q2). The growth was driven by private consumption expenditure, which rose at an annual rate of 4.1%, and a 9.3% increase in exports. The headline inflation rate reading came in at 2.9%, while the rate of core inflation, which excludes volatile food and energy prices, was 2.4%, the higher rate since 2008. The July ISM purchasing manufacturing index (PMI) reading came in at 58.1, slightly softer than the expected level of 59.4, and down from June's 60.2. July's services (non-manufacturing) index reading was 55.7, down from 59.1. The broad level of the PMIs remains high in the context of historical levels – the current reading is still 4 points above the average of the last 6 years. The important aspect to note here is that third quarter (Q3) growth in the US is still strong based on these data points.

Chart 2: Global PMI levels as at July 2018



Source: Deutsche Bank

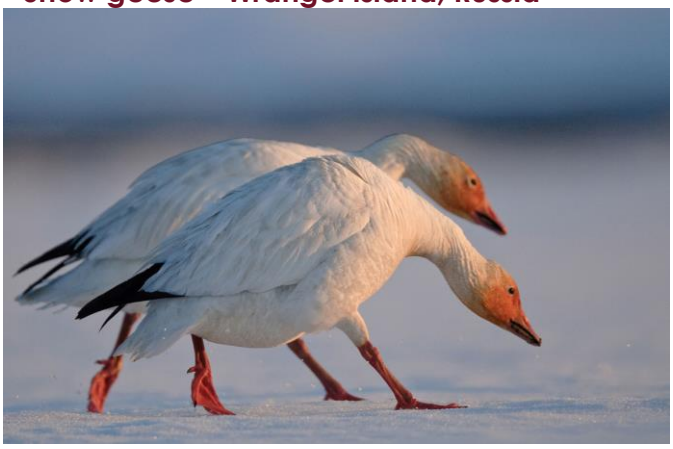
- *Developed economies*: The high PMIs in the US contrast with those in the rest of the world – refer to Chart 2 in this regard, remembering that an index level over 50 indicates growth and below 50 is indicative of an economy's manufacturing sector contracting. The broad Eurozone manufacturing PMI was confirmed at 55.1 for July, while the non-manufacturing (services) PMI was 54.2. The composite PMI was 54.3, down from 54.9 in June. Italy dropped a notable 1.6 point to 51.5 and to the lowest since October 2016, while Spain fell 0.5 points to 52.9 and the lowest since last August. The Netherlands,

down 2.1 points to 58.0, also experienced the biggest one-month drop since August 2015 while Germany was revised down 0.4 points to 56.9, albeit still representing a small increase versus June. Eurozone Q2 economic growth came in at 0.4% quarter-on-quarter (qoq), slightly lower than expected, while the annual rate was revised higher to 2.2%. July's core Eurozone inflation came in at an annual rate of 1.1%. France grew at an annual rate of 1.7% during Q2; its annual inflation rate is now 2.6%. Germany grew at a qoq rate of 0.4% during Q2, driven by consumption and investment. Its annual inflation rate is now 2.1%. In the UK, the Bank of England (BoE) increased interest rates by 0.25% to 0.75%, the highest since 2009, while the unemployment rate fell to 4.0%, the lowest in 43 years. The UK grew at an annual rate of 1.3% during Q2.

Musk oxen – Wrangel Island, Russia

- *Emerging economies*: The Chinese manufacturing PMI fell to 51.2 in July, the lowest level since February, from a previous reading of 51.4 and an expected level of 51.3. Non-manufacturing PMI dropped to 54.0 versus an expected level of 54.9, while the composite PMI declined to 53.6 from 54.4 in June. The monthly Chinese data release showed the annual increase in retail sales declining from 9.0% to 8.8%, the level of fixed asset investment declining from 6.0% to 5.5%, and the increase in annual industrial production remain steady at 6.0%.

Snow geese – Wrangel Island, Russia



The Reserve Bank of India (RBI) increased its repo rate by 0.25%s to 6.5%, while maintaining a "neutral" monetary policy stance. The RBI described growth as "strong" and maintained its forecast of 7.4% for 2019. At the same time, it projected a higher growth rate of 7.5% for Q1 of 2020. High headline and core inflation, at 5.0% and 6.3% respectively in May and above the RBI's target of 4.0%, together with a weak rupee and higher oil prices, hastened the rate hike. The RBI revised its inflation forecast to 4.8% for the second half of 2019 from 4.7% at its June policy meeting. The Philippines' Central Bank (BSP) increased its official interest rate by 0.5% to 4.0% in an effort to rein in inflation expectations. After three consecutive rate hikes the BSP maintained its hawkish tone and reiterated its commitment to policy action, if necessary, for price stability. Inflation rose to an annual rate of 5.7% in July 2018 from 5.2% in June, the seventh

consecutive month of acceleration, driven by higher prices of food, utilities and transport. This brought average year-to-date inflation to 4.5%, well above the BSP's 2% - 4% target. Core inflation increased to 4.5% in July from June's 4.3%, reflecting continued demand pressures. Inflationary pressures are expected to persist, with a pick-up in fiscal spending along with currency weakness and strong credit growth pushing domestic prices higher. BSP raised its inflation forecasts to 4.9% for 2018 and 3.7% for 2019, from 4.5% and 3.3% respectively, although it expects inflation to slow to 3.2% in 2020. Economic growth fell to 6.0% in Q2 2018 from 6.6% in the previous quarter. In an unexpected but unsurprising move, Bank Indonesia (BI) increased interest rates, bringing the 7-day repo rate up to 5.5%. This followed the Turkish crisis, which has been putting pressure on emerging markets, especially those with current account deficits, dragging down the Indonesian rupiah – the rupiah has declined 7.7% so far this year. BI's governor stressed that the action was "consistent with ongoing efforts to maintain the attractiveness of domestic financial markets and manage the current account deficit." Given high levels of foreign-owned Indonesian debt, BI is determined to regain investor confidence and a reversal of outflows through higher rates. Moreover, the central bank helps to support the government's efforts to reduce the current account deficit by fostering exports (i.e. tourism) and reducing imports (postponing investments into projects with high import content).

The Turkey crisis – a summary

I'm sure you don't need me to tell you that emerging markets (EM) are in the throes of yet another crisis, this time with its epicentre in Turkey.

Musk oxen – Wrangel Island, Russia

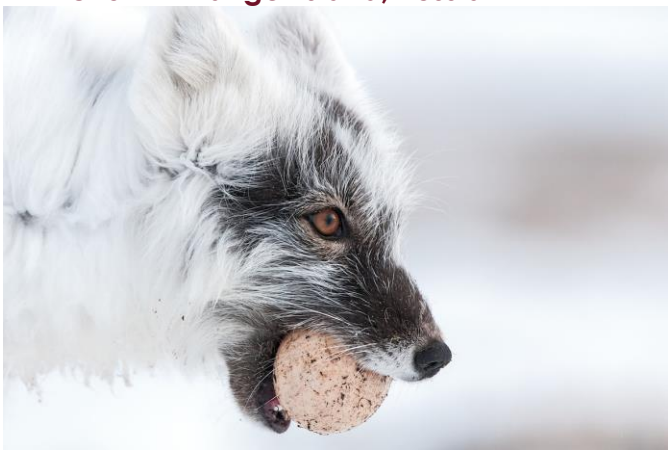
For the past couple of months, we have been alluding to it in *Intermezzo* – in the May edition we highlighted the outrageous promises that President Erdogan made ahead of the election in a blatant attempt to buy votes. The latter is "laymen-speak" for ill-advised actions. The "economist-speak" for the same actions is simply ill-disciplined and inappropriate policy implementation, wherein foreign capital inflows are used to fund current expenditure; remember Erdogan promised to spend $5.9bn on 12m Turkish retirees, and to cancel debts, erase interest payments, restructure taxes and social security obligations. Each subsequent month we highlighted the plight of the lira, which was declining at a rapid rate.

During the past few weeks all of these ill-advised actions have come to a head, the result of which has seen the lira plunge and the country descend into an economic crisis of note, taking many emerging economies with similar problems with it. Let me summarize, to the extent possible, what has happened and what the major problems with Turkey are.

The recent lira collapse and economic crisis was brought about by a confluence of three major factors: firstly, Turkey suffers from major structural

imbalances. Turkey is highly dependent on funding (capital) by foreign investors. Its corporate sector has net foreign exchange-denominated liabilities of about $300bn, the equivalent of 35% of the Turkish economy (GDP). It also runs a very large current account deficit, equivalent to 6% of GDP, and has net foreign liabilities of 65% of GDP despite having extremely low foreign exchange reserves. In addition, a combination of loose monetary and fiscal policy has seen inflation rise to a 15-year high, putting downward pressure on the currency and increasing concerns about the sustainability of the foreign exchange-denominated debt.

Artic fox – Wrangel Island, Russia



Secondly, the US dollar has been particularly strong in recent weeks, which has placed all emerging market currencies under pressure. In instances where economies are fundamentally weak and vulnerable, such as where large current account deficits, loose monetary and fiscal policy, dwindling foreign exchange reserves, and leaders of suspect repute are present, those weaknesses are compounded by a strong dollar.

Finally, deteriorating Turkey – US relations have not contributed to resolving the problem. For some time these relations have been fractious, and have been amplified by the ongoing detention of an American pastor. As demands have flown back and forth and a certain President's Twitter account gone into overtime, the situation has gone from bad to worse. And as they say in the classics … "the rest is history".

There have been other contributing factors, not least of which have been Erdogan's outrageous and stupid comments about interest rates being "evil", how interest rates cause inflation, threatening to take over monetary policy, and placing his son-in-law in charge of the Finance and Economic ministries. One wonders how so-called leaders can be so ignorant these days and be allowed to wreak so much havoc on ordinary citizens on a country. I guess South Africa has more than sufficient examples of ill-equipped and unintelligent leaders for us to know that despite all the odds, such situations not only occur but can remain in place for many years, if not decades.

Given the above events, we shouldn't be surprized at the subsequent trauma. Without doing into detail, interest rates remain elevated in Turkey (although clearly they are not high enough), inflation remains sky-high, the lira has collapsed – at the time of writing it has declined 36.8% so far this year and 22.2% this month alone – and many European banks, Italian and Spanish banks in particular, have been very weak, notably those with large interests or operations in Turkey. And of course the currencies and equity markets of countries with similar economic characteristics and weaknesses, specifically Argentina, Indonesia, Mexico, South Africa, and Mexico, have all been under pressure of late and suffered according, often in tandem with the movements of financial markets in Turkey.

Artic fox and reindeer skull – Wrangel Island

A couple of charts will illustrate recent events and highlight some of the structural factors behind the recent trauma. The most obvious casualty has been the lira, seen in Chart 3. I have drawn a chart type which displays the range of movements, from which you can see that although the lira is now quoted at 6.01 to the dollar, it reached as high as 7.05 to the dollar earlier this month.

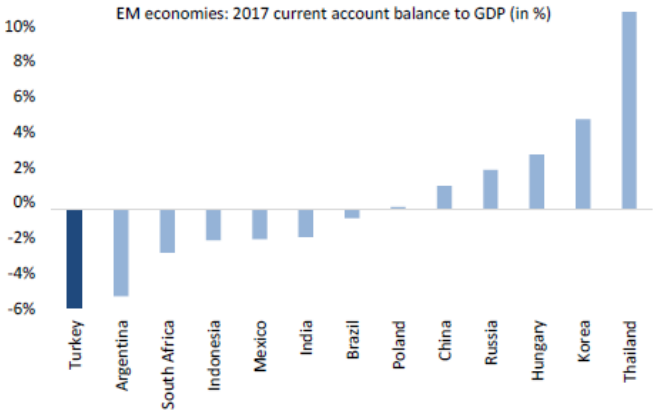
Chart 3: The US dollar lira exchange rate

Source: Deutsche Bank

Chart 4 shows that Turkey's current account deficit is around 6% of GDP, making it very reliant of foreign capital inflows to fund this deficit. Note that while South Africa's is not that bad, it is certainly still at a level that renders the country vulnerable to capital outflows, and explains why the rand has declined in tandem with the lira in recent weeks.

Chart 4: EM current account deficits

As a percentage of GDP

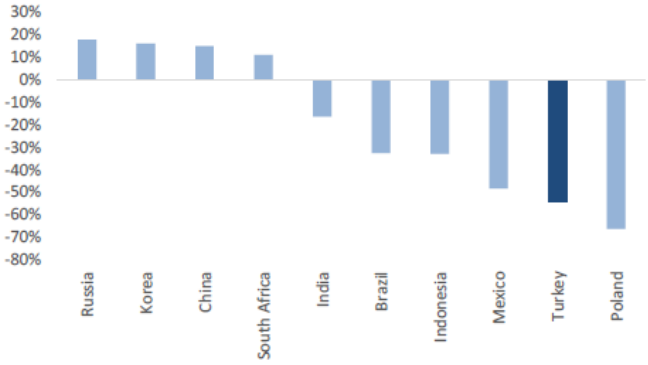


Source: Deutsche Bank

Chart 5 depicts Turkey's net external liabilities as a percentage of GDP, most of which is denominated in dollars. The more the lira declines, the greater these liabilities become.

Chart 5: EM net external liabilities

As a percentage of GDP



Source: Deutsche Bank

The loose approach by the Turkish government on monetary and fiscal issues, specifically using capital to pay for current expenses, such as salaries, debt cancellation, etc., has resulted in strong growth in recent years but it has come at a huge price, namely sky-rocketing inflation. While interest rates have risen in part to combat the inflation surge, it has been nowhere near sufficient. Indeed, this is one of the focus points of President Erdogan's venom and utterances, through which

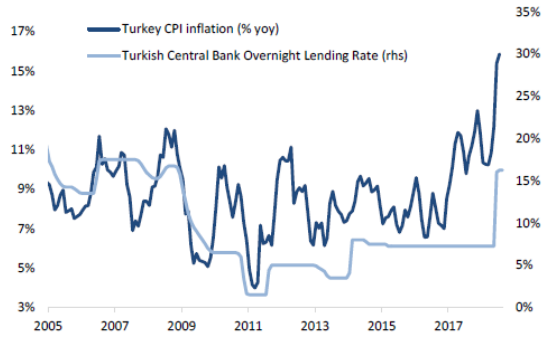
he has displayed a shocking ignorance of economics, as well as his not-too-subtle intent to control all aspects of the economy and seize absolute power at all costs.

Polar bear – Wrangel Island, Russia

Sadly, the "rules of global capital markets" will have the final say, and the "Turkish problem" is no different this time around. Erdogan will eventually learn this lesson – at least so one hopes – but the cost will be borne by the citizens and institutions of the country.

Chart 6: Turkish interest and inflation rates

Over the past two years, inflation in Turkey has risen to a 15-year high, while monetary policy has stayed loose until recently

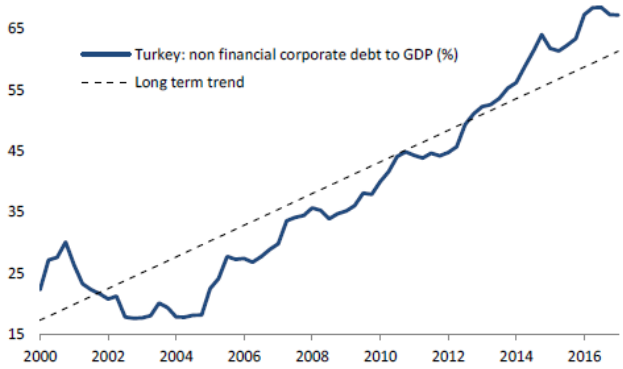


Source: Deutsche Bank

Chart 7 depicts non-financial i.e. non-banks' corporate debt as a percentage of GDP. Over the past 10 to 15 years Turkish corporates have been increasing their level of indebtedness, to the extent that it now represents more than 65% of Turkish GDP. Debt denominated in foreign currencies, mainly dollar-denominated, now totals more than $300bn in value. Once again, as the lira tumbles, so the value of this debt sky-rockets, making defaults increasingly likely. It is a good example of just how quickly the situation can spiral out of control when inappropriate economic policies are implemented, particularly when the initial framework was anything but sturdy.

Chart 7: Non-financial corporate debt

As a percentage of GDP



Source: Deutsche Bank

I apologize for Table 1 being so small, but I thought it would be useful to include in this discussion. It compares a number of emerging markets' important economic criteria, from which it can be seen in which areas the economies are most vulnerable.

Table 1: EM Vulnerability table

	Private sector debt/ GDP	Private sector debt, rel to trend	Current account balance/ GDP	NIIP/GDP	FX denominated debt as % of GDP	Reserve adequacy (Foreign reserves as % of ST debt + CAD)	Inflation
Turkey	85%	2%	-6%	-54%	70%	55%	15.9%
Malaysia	134%	11%	4%	-2%	35%	107%	0.8%
Indonesia	39%	5%	-3%	-33%	24%	153%	3.2%
Brazil	69%	-4%	-1%	-33%	27%	552%	4.5%
South Africa	71%	-4%	-4%	13%	30%	94%	4.6%
Mexico	43%	5%	-2%	-48%	29%	234%	4.8%
China	208%	13%	1%	15%	14%	263%	2.1%
Russia	65%	-6%	6%	17%	25%	770%	2.5%
India	56%	-11%	-2%	-17%	15%	261%	5.0%

Source: Deutsche Bank

I hope this discussion has been of use to you? I have gone into some detail so that you can compare South Africa's situation with that of Turkey. Sadly, even a superficial comparison shows that there are many similarities between the two, which explains why the rand has weakened so sharply, in tandem with the lira. For a number of years already, Maestro has been saying that South Africa can no longer be regarded as an attractive investment destination and for that reason investors should externalize as much of their assets as possible. Clients who heeded our recommendation are clearly better off in rand terms over this period – to put that into context, at the time of writing their offshore assets are up over 10% so far this month.

Artic fox – Wrangel Island, Russia

However, this is not the time to gloat or to be arrogant. No one wins when economies lurch from one crisis to the next, let alone when the crises are self-induced as in the case of Argentina, South Africa, Turkey, and Venezuela. With no end in sight in the Turkish crisis – indeed things are likely to get a lot worse before they get better – South African investors in particular and emerging market investors in general should prepare themselves for more market volatility in the weeks and months to come.

Finally, remember Maestro has an investment solution for any investor who wishes to externalize their assets. If you would like to contact us please do so by clicking here.

Quotes to chew on

The 11th Anniversary of the Great Financial Crisis

I thought you would enjoy the following quote from *Deutsche Bank's Jim Reid*, written on 8 August.

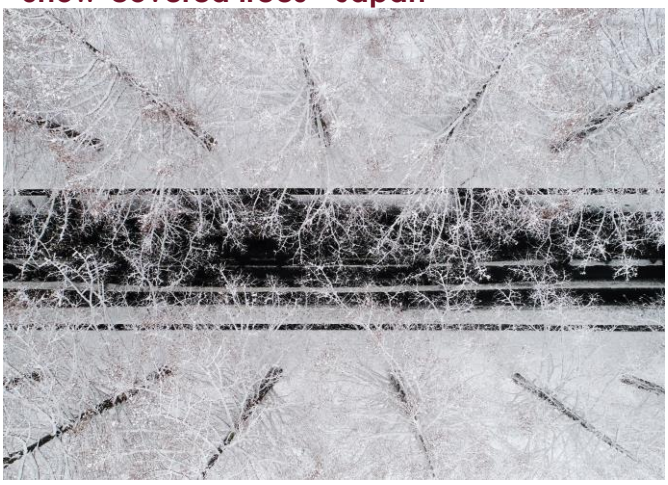
"With sleepy summer markets now in full flow it's easy to let your mind drift off and this got us thinking that tomorrow marks perhaps one of the least unhappy anniversary dates for financial markets. You'd probably get a variety of different answers if you asked which date the GFC began. However tomorrow will mark the eleven-year anniversary of when BNP Paribas froze withdrawals from three of its investment funds linked to US subprime mortgages. Money markets started to seize up shortly after which led to huge and coordinated central bank action, subsequently leading to the extraordinary period of central bank activity that we now know today.

Amazingly the S&P 500 actually rose 2.42%, 0.62% and 1.41% in the three days leading up to 9 August 2007. Talk about being lured into a false sense of security! It then fell 2.96% on August 9 and subsequently lost another 54.0% over the course of about two years until the lows in September 2009. So this day eleven years ago really was the calm before the storm for markets.

However, one of the great ironies about financial markets in the period since is that returns in major global financial assets have been incredibly healthy notwithstanding a few outliers. For example, the S&P 500 has delivered a total return of 148.8% while Euro High Yield (YH) (*Ed*: what we used to call "junk bonds") and US HY have

returned 102.8% and 98.6% respectively. Other equity markets like the Hang Seng (85.0%), FTSE 100 (86.4%), DAX (69.7%), Nikkei (61.3%) and Stoxx 600 (53.6%) have also rewarded investors handsomely. Treasuries have returned 46.0% and Bunds 59.6%. Indeed of the 39 assets in our sample, 30 have seen a positive total return. Some of the exceptions to this include the Greek Athex (-79.8%), European Banks (-60.4%), CRB Commodity Index (-37.5%), Portugal General (-22.4%) and Shanghai Comp (-26.3%). So while the general conclusion is one of very positive total returns, not every class has benefited from huge intervention and general asset price inflation."

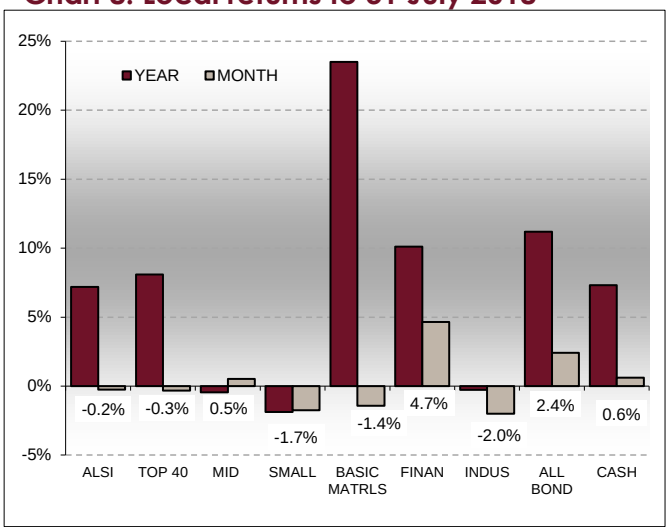
Snow-covered trees - Japan



July in perspective – local markets

Turning to the South African equity markets, the rand was again the feature of the month, although, unlike last month when it declined sharply (-7.6%), during July it firmed 4.6% against the dollar. Its strength lent support to the Financial Index, which rose 4.7%, but the Basic Materials and Industrial indices fell 1.4% and 2.0% respectively. The Large cap (Top40) index fell 0.3%, the Mid cap rose 0.5%, and the Small cap index fell 1.7%. The firm rand helped the bond market post a positive return - the All Bond index rose 2.4%, bringing its year-to-date gain to 6.5%. The All Share index has declined 2.0% so far this year, having ended July down 0.3%.

Chart 8: Local returns to 31 July 2018



To be honest, July was the kind of month we don't like – where it appears our strategy is inappropriate given market movements. However, when we look at the longer history, it is important to note that our strategy of investing as much as possible offshore has been the appropriate one, and the past month's returns should be seen in that context. As if to remind us, at the time of writing we are but one week into the new month and local politicians and markets have given us plenty of reason to be grateful that much of our clients' assets are offshore, notwithstanding the uncertainty in global markets.

Obituary: Sergio Marchionne: 1952 - 2018

Sergio Marchionne, the Canadian-Italian chief executive who saved Italy's Fiat from bankruptcy and merged it with ailing US carmaker Chrysler, was one of the boldest business leaders of his generation. The 66-year-old, who died from complications following surgery, was a consummate dealmaker, known for his nonstop work habit and razor sharp mind.

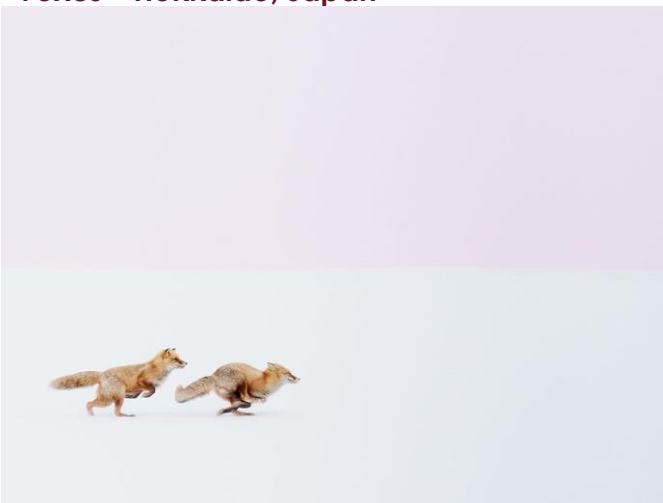
A poker player, his entourage told of sleepless transatlantic flights where their chain-smoking boss always wanted to play - and win - another hand of cards. The same passion defined his improbable rescue of Fiat via an audacious merger with Chrysler that saved both companies and created the world's seventh largest car group. He persuaded General Motors to pay $2bn to escape its alliance with a near bankrupt Fiat in 2005 before swooping on a distressed Chrysler in 2009 and executing a full takeover of the group in 2014.

He never lost his hunger for the next bravura deal — the more complicated the better — and from the start portrayed himself as a maverick ready to do the unexpected, right down to his rejection of corporate suits in favour of dark round-neck jumpers and button-down shirts. He used to say that dressing down saved time in the morning. "He was extremely tough, extremely demanding," says Luca de Meo, the former boss of the Fiat and Alfa Romeo brands who is now chief executive of Volkswagen's Seat marque. "But he always asked more of himself than he did of those around him. When you do that, you become more than a boss — you become a leader."

For Fiat Chrysler's investors, especially Italy's Agnelli family which is its largest shareholder, he made a fortune. The market value of Fiat, including spun-off entities such as Ferrari, rose more than 10-fold under Marchionne.

In recent years, the Fiat boss, whose distinctive Canadian drawl would draw crowds at car fairs and press conferences eager to hear his acerbic wit or hints of another deal, launched a clarion call for mergers among mass-market carmakers to confront overcapacity and the spiraling cost of capital. Two months ago, at what was expected to be his final Fiat Chrysler investor day before retirement, he warned about the industry's need to confront the threat posed by driverless cars and electrification. "There is nothing noble in being superior to your fellow man; true nobility is being superior to your former self," Marchionne said, quoting Ernest Hemingway, the ultimate alpha-male author.

Foxes – Hokkaido, Japan



Among the current generation of car industry leaders, only Renault's Carlos Ghosn had served longer as a chief executive. Marchionne was due to retire, having delayed it several times, in April 2019.

"To achieve great things, two things are needed; a plan, and not quite enough time."
- Leonard Bernstein

Born in 1952 in Chieti, Abruzzo, then an impoverished region in southern Italy, a young Sergio Marchionne emigrated to Toronto with his mother and father. There, aged 14, he joined family members who had fled Italy after surviving Nazi atrocities during the Second World War. Leaving school, he qualified as an accountant and lawyer, skills he would later put to use negotiating deals in person, often sending bankers from the room. He entered the Agnellis' orbit when he was spotted by Umberto Agnelli, brother of then recently deceased Fiat patriarch Gianni Agnelli, who wanted to find a manager to rescue Fiat.

Agnelli had noticed that Marchionne, who had come to work in Europe, had achieved "an enormous success" turning round Swiss industrial services group SGS. Marchionne joined Fiat's board in 2003. A year later he was made chief executive by Mr Elkann, then Agnelli's 28-year-old heir. He was the fifth Fiat chief in a chaotic two-year period. Against all odds, he managed to return the carmaker, which had lost more than €6bn in 2003, to profit two years later by cutting costs and laying off workers. The acquisition of Chrysler appealed to his appetite for complexity and high risk. In 2009, Marchionne won the backing of US president Barack Obama who handed Fiat a 20% stake in the ailing US carmaker rather than letting it go bust. Marchionne achieved full control in 2014 in getting Chrysler to pay for its own €4.35bn acquisition via a special dividend. With typical aplomb, Marchionne won the hand, arguing that the value of Chrysler and Fiat depended on him leading them. It gave the carmakers the scale they needed to survive. His next plan failed to fly. A pitch to GM to create the world's biggest carmaker was rebuffed in 2015.

Instead, he focused on building brands, turning Jeep into a global marque and spinning off Ferrari at a top-end €10bn valuation. In his last coup in June, he announced that Fiat Chrysler was debt free. One of Italy's most highly paid executives, he dominated industrial life and the national conversation, becoming a target for anti-establishment parties. He was demonized by Beppe Grillo, founder of the anti-establishment Five Star Movement for his closure of plants and job cuts. At one political rally in Milan, Grillo led the crowd in a chant: "F**k you, Marchionne".

Penguin platoon

In private, Marchionne was acutely aware of the ravages that globalization had on those left behind. At a closed-door meeting of US and Italian business leaders in Venice two years ago he challenged a stunned Mario Monti, former Italian prime minister, about Brussels' deafness to the concerns of ordinary people. "Populism, that is just a word bankers use because they want to shift the blame," recalls an executive who met him three weeks ago. "It is just inequity."

A music fan, who loved jazz, opera and Bruce Springsteen, he once used the Springsteen line "halfway to heaven and just outta hell" to describe Fiat to analysts. He worked nonstop,

ruthlessly ejecting staff who did not live up to his sky-high expectations. To fuel his relentless pace, flying weekly between Turin, Detroit, London and often also Asia, he drank countless espressos and chain-smoked Muratti cigarettes, until a year ago when on doctor's orders he quit them both.

At a lunch meeting in Turin in 2013 in Fiat's Lingotto headquarters, he mused on what he would do when he was not focused on cars 24 hours a day: "I want to study theoretical physics," he said. The attraction? "Because it is one of the hardest things there is." He then demanded a computer. In seconds it arrived and Marchionne called up a YouTube video of four-year-old Chinese piano prodigy Tsung Tsung playing Flight of the Bumblebee. "I was sitting up late last night watching it," he said. "Can you imagine what you could do with a brain like that?"

He is survived by two children from his first marriage and his long-time partner.

Polar bear - Kaziras

For the record

Table 2 lists the latest returns of the mutual and retirement funds under Maestro's care. Returns include income and are presented *after* fees have been charged. Fund Summaries for each respective fund listed in the table, as well as all the historic returns, are available on our website.

Table 2: The returns of funds in Maestro's care

	Period ended	Month	Year to date	Year
Maestro Equity Prescient Fund	**Jul**	**-2.4%**	**-5.5%**	**-7.6%**
JSE All Share Index	*Jul*	*-0.3%*	*-2.0%*	*7.2%*
Maestro Growth Fund	**Jul**	**-2.4%**	**0.2%**	**0.8%**
Fund Benchmark	*Jul*	*0.1%*	*1.3%*	*8.1%*
Maestro Balanced Fund	**Jul**	**-2.2%**	**0.6%**	**1.6%**
Fund Benchmark	*Jul*	*0.2%*	*1.9%*	*8.1%*
Maestro Cautious Fund	**Jul**	**0.2%**	**0.9%**	**2.1%**
Fund Benchmark	*Jul*	*0.9%*	*3.1%*	*8.7%*
Central Park Global Balanced Fund ($)	**Jun**	**-3.4%**	**3.2%**	**20.6%**
*Benchmark**	*Jun*	*-0.3%*	*-1.0%*	*5.9%*
*Sector average **	*Jun*	*-0.6%*	*-1.5%*	*3.4%*

* 60% MSCI World Index and 40% Bloomberg Global Aggregate Bond Index
** Morningstar USD Moderate Allocation ($)

File 13. Things almost worth remembering

An Apple a Day …

Last month in this section we reported on what we called "Facebook's faceplant", the dramatic share price decline of Facebook – losing half the total value of South Africa's economy in a few minutes – following the release of weaker-than-expected results.

As we like to use *Intermezzo* to record pieces of economic history, we would be failing in our duty were we to not draw your attention to another piece of remarkable history, namely the first company in history to achieve a total market value, or size, of one trillion US dollars; that's R14.5trn or about 65 times the total size of the South African economy. Whether you love or hate Apple, one has to acknowledge this remarkable and historic achievement. To put its achievement into perspective, consider the following: US Steel was the first company to hit $1bn in 1901. It then took 54 years for General

Motors to be the first to reach $10bn in 1955, another 32 years for IBM to reach $100bn in 1987. Microsoft became the first $500bn company in 1999 and on 2 July 2018 Apple became the first trillion dollar company.

The hard to believe…..
We have concentrated a lot of Turkey in this edition of *Intermezzo*, but let me record here that in early August the central bank of Argentina hiked interest rates again – by 5.0% to no less than 45%. Some of us have lived through interest rates of 25% in South Africa, but you will agree that an interest rate of 45% completely redefines the landscape!!

And the absolute farcical – but still real!!
If you are now feeling sorry for poor Argentinian consumers, spare a thought for the long-suffering Venezuelans. It would be funny if it was not real, but Venezuela has just devalued their currency by – wait for it – 95%! That comes on the back of the rocketing inflation rate, which is expected to reach 1 000 000% this year. You read correctly, that is an inflation rate of one million percent, making Zimbabwe look almost respectable.

So what's with the pics?

As our northern hemisphere readers come to an end of their summer holidays, many of us in South Africa are still enjoying the cold of winter. Perhaps it is the chilly political climate in our country, or the fact that the SA winter of discontent never seems to reach an end, or perhaps just the steady decline in our markets and the nation's economic fabric – whatever the cause, a selection of photographs depicting the cold seems appropriate. The scenes from Wrangel Island, north of Russia, are the work of Russian photographer Sergey Gorshkov, while the work labelled Kaziras is by Kyriakos Kaziras, who has also produced amazing work in the harshest environments.

Polar bear - Kaziras