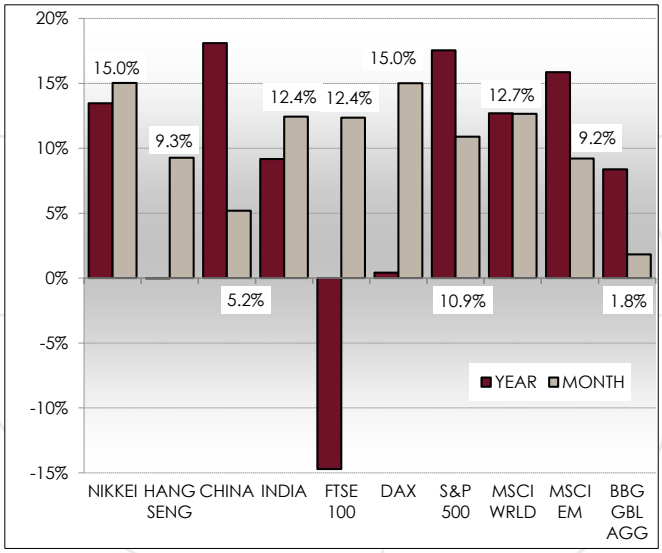
November in perspective – global markets

I have lost count of the number of times I have said that the past month was fascinating, or unprecedented, or unique. I am quite literally running out of adjectives to describe the monthly market behaviour so far this year. November has, yet again, left me stumped as to how to describe it. It is no exaggeration to simply say it was one of the most profitable months in history, by which I mean equity markets registered some of the largest monthly gains ever recorded in history.

Chart 1: Global returns to 30 Nov 2020



Let's start with the dollar, which came under some pressure in November; the DXY dollar index fell 2.3%, which meant most other currencies, and emerging ones in particular, registered strong gains against the greenback. Commodity prices were also strong, which in turn supported the strong gains in equity markets. Over and above these factors, one of the biggest drivers of markets across the world was the news of the successful trials of three Covid-19 vaccines in the Western world. At the time of writing, the UK government has become the first country in the Western world to approve the use of a Covid-19 vaccine, yet again marking a "first" in global history.

Returning to currencies for a moment, the euro rose 2.6% against the dollar, and sterling 3.2%. However, it was emerging market currencies which posted the largest gains: the rand rose 6.4% - its 7th consecutive monthly gain against the dollar – the Aussie dollar rose 5.4%, and the Brazilian *real* 8.2%. On the commodity front, it was a disappointing month for gold as investors discarded "safe havens" and set about assuming more risk in their overall investment stance. The gold price fell 4.9%, in stark contrast to the price of platinum, which rose 10.4%. Palladium rose 7.1%. The price of Brent oil rose 25.7% in November alone, copper rose 12.6%, iron ore 12.2%, and coal 33.2%. Many soft commodity prices posted double-digit gains, too.

Global bond markets also posted gains, although they were more modest. The Bloomberg Global Aggregated Bond index rose 1.8%, bringing its year-to-date gain to 7.8% and its annual gain to 7.3%.

Coastal wolf, British Columbia, Canada

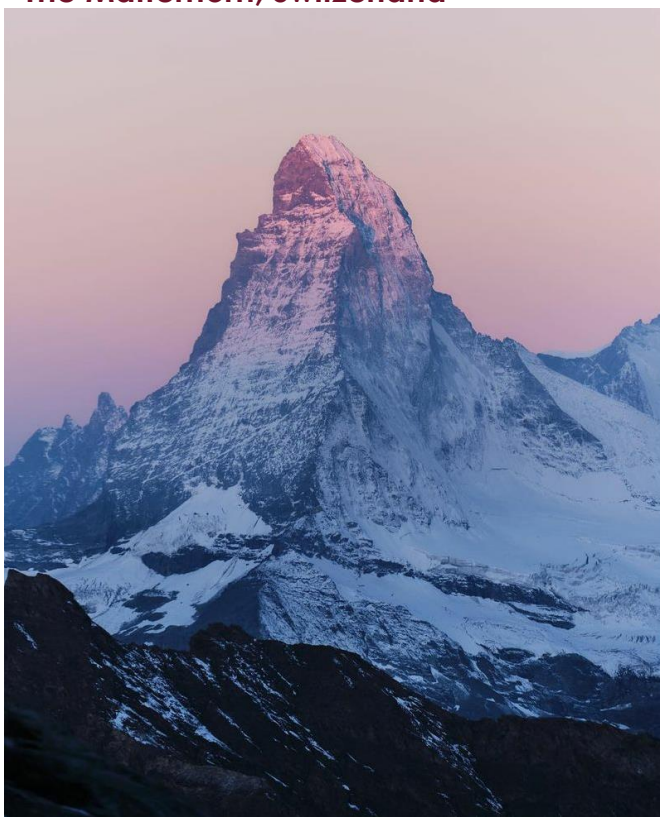
Source: @paulniklen

It was global equity markets though, that stole the limelight again. Throughout the month, shares which had performed superbly since the market troughed in late March were sold off. Those which had performed poorly, were aggressively marked

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

higher. It was the classic "sector rotation" which seasoned market participants were waiting for; tech and growth shares underperformed severely, while energy, financial, industrial, and value shares outperformed the overall indices.

The Matterhorn, Switzerland



Source: @niklas.eschenmoser

Large caps, while posting substantial gains, were overshadowed by mid and small caps. By way of example, the US large cap index, the S&P500, rose 10.9%, but the S&P Mid and Small cap indices rose 14.1% and 18.0% respectively – and those are *monthly* gains! The Russian market rose 20.2% and the Greek market an astonishing 29.4% (although it is still down 19.6% for the year-to-date). Brazil rose 15.9%, while the Japanese and German equity markets each rose 15.0%. All in all, the MSCI World and Emerging Market indices rose 12.7% and 9.2% respectively in a month that few investors will forget in a hurry.

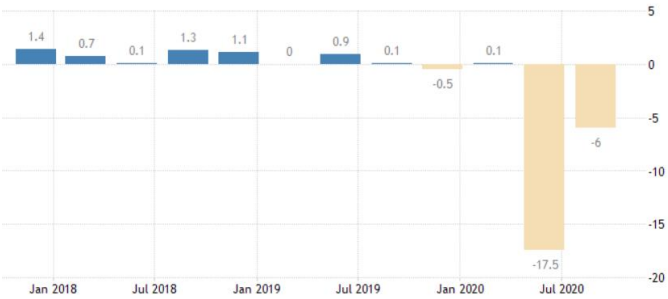
What's on our radar screen?

Here is a summary of the things we have been keeping an eye on:

- *The SA economy:* South Africa's economy grew at a quarterly annualized rate of 66.1% during the third quarter (Q3), which on the face of it looks spectacular or, at the very least, encouraging. The growth was driven from the supply side, by a 210.2% increase in the manufacturing sector, mining grew 288.3% and trade 137.0%. On the demand side, household consumption grew 69.5% and exports 201.4%. However, the strong growth rate was off a very low base. The truth is the economy is still 5.8% smaller than before the pandemic started, despite the strong growth in Q3. The absence of any structural reform and plan to reduce the debt level to a sustainable level – it increased dramatically during the lock-down from an already-elevated level – will continue to weigh on investor sentiment.

  To place the Q3 growth into perspective, the 66.1% quarterly, annualized growth rate translates into a 13.5% growth rate during the quarter in absolute terms. That compares to Q2's decline of 16.6%. On an annual basis, the SA economy *contracted* 6.0% during the year to September (refer to Chart 2), and at a rate of 7.9% during the first nine months of this year. Even after the strong Q3 growth, the economy is only back to the levels of the second quarter of 2013. Most forecasts indicate that the economy will only reach pre-pandemic levels in 2025, indicating the extent of the challenge that faces policy makers.

Chart 2: SA annual economic growth (%)



Source: Tradingeconomics.com

- *Developed economies*: The Swiss economy grew 7.2% quarter-on-quarter during Q3. Private consumption increased 11.9% and investment 5.1%. Exports also rebounded, growing by 5.3%.
- *Emerging economies:* The Chinese economy continued to show signs of recovery. Retail sales rose 5.0 % in the year to November, industrial output rose 7.0%, and fixed asset investment rose 2.6%. The unemployment rate declined from 5.3% in October to 5.2% in November. The annual inflation rate moved into negative territory, declining 0.5%, the first annual contraction since 2009. Producer inflation declined at an annual rate of 1.5%.

  The Turkish economy grew 15.6% quarter-on-quarter during Q3, following the 10.8% contraction during Q2. On an annual basis the economy grew 6.7%, up from -9.9% in Q2. The annual inflation rate in November was 14.0%, higher than expected, pushed higher by food inflation, the lira's de-valuation, and services inflation.

  The Brazilian economy grew 7.7% during Q3, driven higher by household consumption (7.6%) and fixed investment (11.0%). Brazil has fared better than the rest of the region this year, thanks to generous spending on the lower income component of the economy. This came at a high price though, with the primary deficit now 15% of GDP and gross debt close to 100% of GDP. In India, the annual inflation rate declined to 6.9%, led by a significant decline in food inflation – food inflation declined from 11.0% in October to 9.4% in November. The annual core inflation rate is now 5.8%.

An Iceberg near Greenland

Source: @ joe_shutter

Quotes to chew on

No point in dying now

One of the most refreshing and poignant Covid-related comments I read in recent weeks was uttered by one of the first recipients of the vaccine in the UK. In an interview with CNN, 91-year old Martin Kenyon, after receiving the vaccine and indicating he was planning to see his children and

grandchildren at Christmas time, said "Well, there is no point in dying now, when I've lived this long, is there?" Lovely!

Bull markets … die on euphoria

After what has been a truly remarkable year on global equity markets of developed countries, the nature of which is still disputed by so many investors who lost out of the lucrative 2021 returns, I thought it appropriate to remind ourselves of the prescient words of the *emerging market pioneer and legendary investor Sir John Templeton*, who said, simply, "Bull markets are born on pessimism, grown on skepticism, mature on optimism, and die on euphoria". You can decide whether the investment environment can be best described as pessimistic, skeptical, optimistic, or euphoric; the extent of returns speak for themselves.

"The Eagle"

Source: @michele_bavassano

The one and only Beethoven

As a lover of classical music you will surely grant me the liberty of sharing at least one quote from Beethoven, as we come to the end of the 250th anniversary year of his birth. What a legacy he has left mankind, and so much to enjoy. Viciously independent, and by many accounts a relatively obnoxious man, he left behind copious notes and scribbles, which have allowed us to study and get to know him arguably more than any other composer.

And so the story goes that he fell out with one of his patrons, Prince Lichnowsky (by then the prince was no longer one of his main sources of income), over refusing to play the piano at a function organized by Lichnowsky. Beethoven followed up the fall-out with a letter to the Prince, in which he famously wrote, "Prince, what you are, you are by circumstance and birth, what I am, I am through myself; there are, and there always will be, thousands of prices; but there is only one Beethoven".

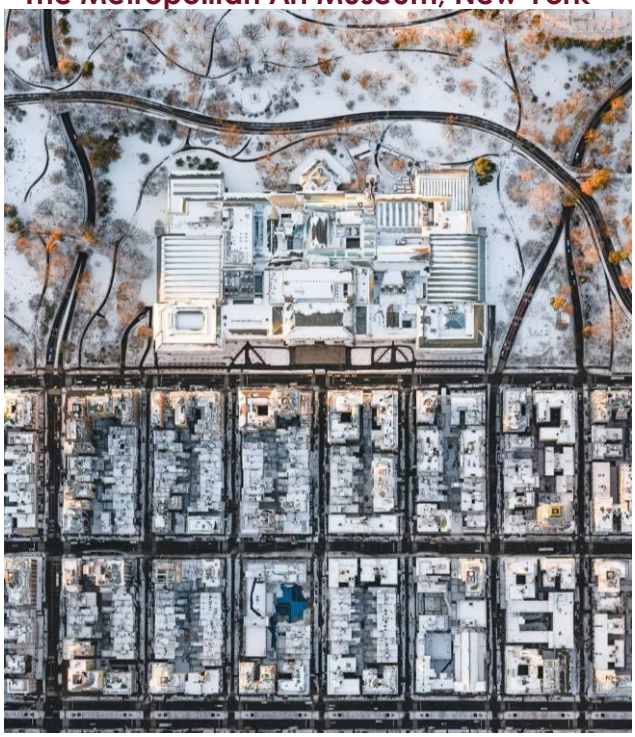
Concluding thoughts on 2020

This time of year is usually accompanied by a lot of reflection and contemplation – what should have happened, what could have happened, and what did happen. One of the summaries I enjoyed most was penned by the *Julius Bär Group Chief Investment Officer, Yves Bonzon*. I have quoted liberally from his 2020 summary, below.

"In this last issue, we would like to draw some lessons from 2020 and comment on key topics to start 2021 on the right foot. As for investment lessons, 2020 is an extremely rich vintage. We witnessed the first recession since 1945 triggered by an external shock. Some people claim that, prior to the pandemic, the economy was heading into a recession anyway. We could not disagree

more. First, major countries were easing their policy, and second, the S&P500 index was trading at an all-time high in February, which it would not have done if the economy had been about to enter a recession.

The Metropolitan Art Museum, New York



Source: @filipwolak

Accordingly, the first lesson is not to take luck for skill. As the old saying goes, 'broken clocks are right twice a day', and predictions are dangerous, especially for the future. The second lesson is that it is helpful to have a strong grip on secular trends. At the moment, investors are bombarded with sensationalist news. Modern media transforms every data point into a story, usually with a catastrophic twist; it sells better as the competition for a second of attention from an increasingly distracted listener rages on. Distinguishing noise from information has never been so difficult – and so crucial. The prudent approach is to understand the regime currently in play, as well as the structural trends, rather than to extrapolate from the latest news.

"Another lesson relates to two contemporary buzzwords, 'AI' (artificial intelligence) and 'machine learning'. The collapse in the cost of computing power and the abundance of data have led some to believe that systematic, quantitative, and active management is the answer to the challenge of making sense of the cacophony around us. On the one hand, systematic active investing has the merits of removing emotions from the process. On the other hand, when a computer is playing Chess or Go against a human, no one changes the rules in the middle of the game. In markets, governments and regulators keep on tweaking the rules. No machine, powerful as it might be, can capture such external factors. The prudent approach is a rigorous fact and statistics-based analysis coupled with a judgmental overlay. In short, dummy variables investing cannot work; you need to understand system dynamics and the meaning of data.

"In 2020, our long-standing claim that policy makers cannot let asset prices deflate was again vindicated. In the 1930s, it took US policymakers five years to reflate the economy. In 2008, it took them 18 months. In 2020, it took them just one month to act decisively. Admittedly, monetary policy is exhausted after three decades of neoliberalism and budget conservatism, but the central banks still have the means to enforce financial stability. Excessive fluctuations in asset prices are extremely destabilizing in modern advanced economies. Central banks should therefore aim to support economies by preventing financial instability rather than by stimulating activity outright. The latter i.e. stimulus, is best achieved through fiscal policy, and

Western policymakers will slowly start to embrace non-orthodox macroeconomic policies. The era of fiscal dominance has begun.

"2020 was such an exceptional year in life and markets that there are certainly many more lessons to be learned. If I were to pick a final one, though, it would be the reminder that fundamentals play out only over very long time horizons. In the short-term, technical factors, including fast money pools' positioning and excess liquidity in the system, dominate. Accordingly, market action can be dramatically disconnected from present real-economy developments. Again, do not get carried away by the news.

"Another surprise of 2020 has been the evolution of household cash flows in Europe and the US. The swift policy reaction in March/April prevented a negative wealth shock. Furthermore, government transfers have compensated (in some instances over-compensated) lost income from job losses. Meanwhile, household spending declined severely as economies went into lockdown. Interestingly, the unintended consequence of this is a record level of cash on household balance sheets. The savings rate has exploded. We expect this cash to be spent once the virus is under control and life is back to normal. This could trigger a short economic boom. This is precisely when the outlook for risk assets might become more difficult. First, excess liquidity will mechanically shrink as money is spent rather than hoarded. Furthermore, from the second quarter of 2021 onwards, the year-on-year base effect on monetary aggregates' growth will become much more adverse, and it is liquidity growth that drives financial asset valuations.

Icefalls, off Arctic glaciers

Source: @PaulNicklen

"Last but not least, we have described at length the bipolar Sino-US world of tomorrow. This is a world where understanding the economic and financial cycles of the US and China will be key in making investment decisions. Paradoxically, China features among those that have managed to benefit the most from the Covid-19 crisis this year. Its economy has already recovered the output losses from the shutdown, and the signs point to strong growth momentum. At some point next year, Chinese policymakers may want to tighten policy a bit to ensure continuation of the deleveraging policies at work before the pandemic. This could eventually weigh on cyclical assets and could also trigger an opportunity to sell the US dollar at higher levels".

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

Obituary: Diego Maradona (1960 - 2020)

Diego Maradona, all 1.65 meters of him, played with the joy of the individual beating the system. The most charismatic and unprofessional of the great footballers, he was also the only one to win a World Cup almost single-handed, with a second-rate Argentine team in Mexico in 1986.

Source: Britannica

Born in 1960, he grew up outside Buenos Aires in a shack without running water where pictures of Juan and Eva Perón adorned the walls. He shared a room with seven siblings and once survived a fall into an open cesspit. A pair of turquoise corduroys were his only trousers. When he emerged in adolescence, Argentine football fans instantly recognized him as the ideal they had carried in their heads since the 1920s: the pibe (boy) nurtured on the potrero (bumpy urban plot) who dribbled with the creativity that supposedly sprouted from a child's imagination. He debuted for Argentina aged 16, rescued his family from poverty and became the public property of his compatriots, who seemed to expect him to redeem the nation's failure in other realms.

His first World Cup, in 1982, ended with a sending-off for karate-kicking the Brazilian player Batista. It was a mistake: he meant to kick Falcão instead. He failed at Barcelona, his ankle destroyed by a Basque defender. Maradona endured fouls that would earn instant red cards today. He got through the 1986 World Cup in Mexico with painkilling injections, wearing one boot several sizes larger than the other, because his bad ankle swelled during games. Nothing stopped him. That tournament was the standout month of his career, and the quarter-final against England the standout match. Early on he scored with his hand, which he then waved to the crowd in celebration. Afterwards, with characteristic wild poetry, he attributed the goal to "the hand of God". In his defense, the English cheated too, kicking and elbowing him all through the match. Four minutes after the hand of God, he scored what is widely considered the supreme goal of any World Cup, a dribble past six Englishmen. In the showers afterwards, his teammate Jorge Valdano teased him: throughout the run, Valdano had been calling for the ball, why hadn't Maradona passed? I was watching you, replied Maradona, and kept trying to pass, but the English were in the way, and suddenly I'd beaten them all so I just scored. Valdano was awed: "While scoring this goal you were also watching me? Old man, you insult me. It isn't possible." Maradona later confessed that he sometimes preferred the handled goal: "It was like stealing the wallet of the English."

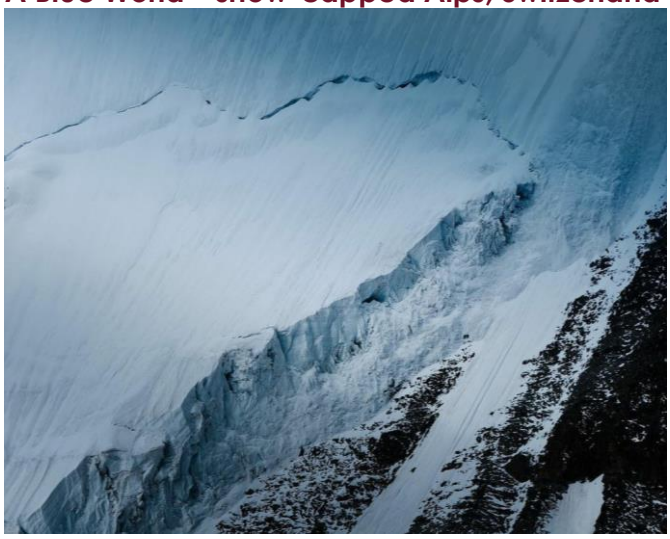
Artic striations – the passage of time

Source: @PaulNicklen

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

A nationalist, and a footballer motivated by anger, he said in his autobiography that the victory avenged Argentina's defeat in the Falklands war four years earlier, when British soldiers had killed his countrymen "like little birds". He added: "It was as if we had beaten a country, not just a football team." Maradona was adored in part because he didn't look like a great footballer. The crafty street urchin was a David beating Goliath. Winning the World Cup made him an Argentine icon. Extrovert though he was, he felt besieged by the throngs who surrounded him everywhere. He hated being touched. His dream "to return to my country and be left in peace" was never fulfilled. His club career peaked in Naples, a poor chaotic city that embraced him like a lost son. Napoli's Italian titles in 1987 and 1990 were the only ones won by any team south of Rome in the past half century. Most teammates adored him. As with Argentina, he uncomplainingly played with mediocrities, applauding even passes sent meters behind him. Once he had the ball, he could do the rest alone.

A Blue World – snow-capped Alps, Switzerland



Source: @niklas.eschenmoser

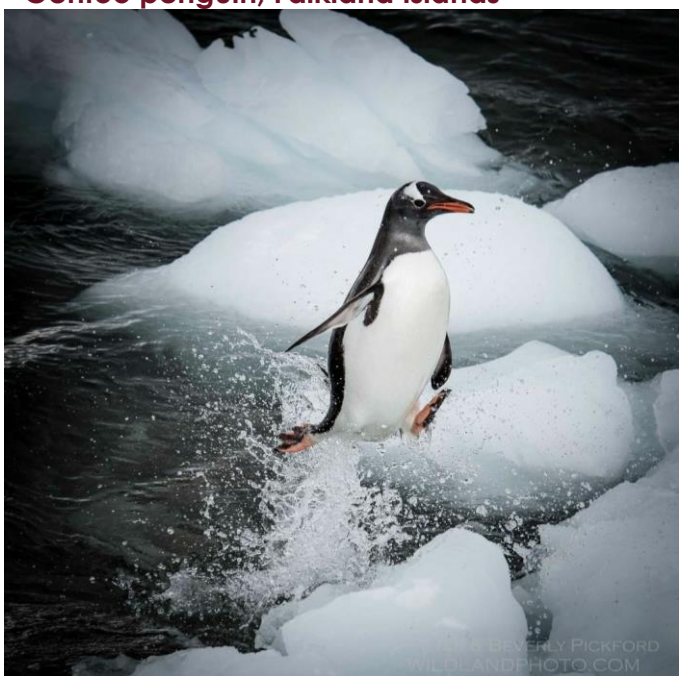
Meanwhile, he became addicted to cocaine. After losing the World Cup final of 1990, he blurted conspiracy theories about Fifa, the global football authority. Always the main character of every World Cup, in 1994 he was thrown out mid-tournament for taking the performance-enhancing drug ephedrine. His life and his weight spiraled out of control. He aspired to get up in the morning and take his daughters to school, his teammate told me, yet hardly ever could. His death had been foretold since his thirties.

An instinctive leftwing populist, who felt guilty being rich, Maradona had Ché Guevara's face tattooed on his arm, saying, "It was time the two greatest Argentines were united in the same body." He befriended Fidel Castro, and in baseball-obsessed Cuba briefly found the peace he sought. He watched the 2006 World Cup as a fan wearing an Argentine replica shirt, jumping rhythmically in the stands with his compatriots.

No other great player could have done it, but Maradona incarnated Argentina. In 2010, he coached Argentina at the World Cup. He participated in a training game while smoking a cigar, appointed a friend as an assistant, harangued journalists and slurred homosexuals at press conferences, and swore to run (or waddle) naked through Buenos Aires if Argentina won. But they crashed out 4-0 against Germany, while a baffled Maradona wept on the touchline. After that, no big club would employ him. At the end, he was coaching humble Gimnasia in Argentina. He was taking treatment for alcohol dependency and had brain surgery early this month, then suffered a fatal heart attack.

Argentine heroes are expected to die prematurely, giving their flesh for the nation: Carlos Gardel, Eva Perón, Ché and the singer Rodrigo Bueno. The pandemic denies Maradona a funeral to match Evita's. Argentina proclaimed three days of national mourning.

Gentoo penguin, Falkland Islands



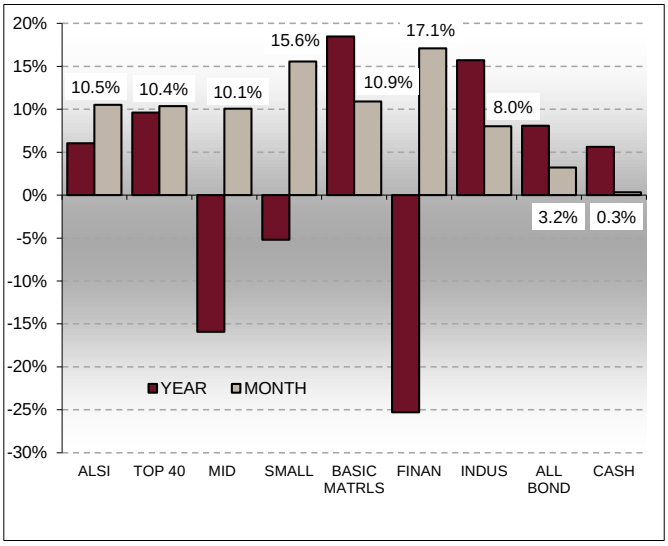
Source: @pickfordwildlifephotography

October in perspective – local markets

Turning to the local market, the global trends were mirrored in South Africa, as large cap returns (10.4%) were trounced by mid (10.1%) and small (15.6%) cap returns. The All Share index rose 10.5%, with the Basic Material, Financial, and Industrial indices rising 10.9%, 17.1%, and 8.0% respectively. The All Bond index rose 3.2% but not surprisingly the All Gold index lost 17.5%.

Before I turn to the returns of the assets in our care, let me draw your attention again to the background against which the returns should be measured. To date, and specifically through the worst of the equity market downturn and volatility, the assets in our care have performed well. However, in light of the market conditions that prevailed during November, specifically the rotation away from growth shares and towards value shares, favouring a "strong rand" view, and in the midst of underperforming tech shares, you will not be surprised to hear that our funds underperformed the overall indices during November. The returns were still sound, and positive, but they were below our own high standards and we were disappointed in them.

Chart 3: Local returns to 30 Nov 2020



However, we don't for a moment believe that the world will "return to normal" overnight, just because a vaccine has been found. Business that have failed and industries that are barely alive (and there are a lot of those) will not be resurrected in an instant, just as the "work-from-home" and secular growth stories won't change their character within a day or two. Consequently, we understand the reasons for our under-performance, and understand too that these kinds of months will inevitably occur in any investment manager's life. So we are not too distressed by the returns, and are consoled by the fact that our year-to-date and longer-term returns are still more than satisfactory, and ahead of their respective benchmarks.

As the year draws to an end, there will be much reflection on what has been a truly memorable year – in many instances for all the wrong reasons.

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

Some of those closest to us have lost their jobs and in some cases even their livelihoods, through no fault of their own. I speak to many people who are now supporting (financially and in other ways) friends and family. Sadly, some have even passed away and in this regard we are grateful to report that within the wider Maestro family, we have not heard of anyone passing away due to the virus. 2020 will go down in history as a tough year, one of struggle, frustration, anxiety, and uncertainty.

It will also be remembered as one of the most extraordinary ones in financial history, and for many investors one of the more profitable of all years. One is immediately struck at the contrast between the real world and the financial one. As we gaze into the future, we are preparing for another very tough year during 2021. While we are cognizant of the vaccines that are now being rolled out, we are also mindful of the permanent damage that has been inflicted upon economies and households, from which there will be no short cut to recovery. Tough years lie ahead of everyone, including businesses.

Adversity also brings out the best in humanity though, and we are faced – daily – with exciting new developments in the world, particularly in the world of science and technology. The global pandemic has thrust the world into a new tech era although many, particularly those less well-off, will be left behind or at least will lag badly. In South Africa we have a number of added millstones, primarily an over-indebted, systemically corrupt, and incompetent government, which will only add to the woes of South Africans. It will heighten the inequality and racial tensions which are already so evident in the country – we should all prepare for a very tough year in 2021.

As we start counting the days to Christmas and looking forward to the relaxing times with friends and loved ones, the Maestro team is only too conscious that we have been blessed with a relatively good year, thanks in large part to your support, your loyalty and friendship. We thank you for this; we never take it for granted. A year like 2020 only serves to remind us of how grateful we must remain for your kindness and support.

May you and your loved ones be blessed this Festive Season with good health, safety, and precious times with friends and family. Notwithstanding the tough year ahead, we are excited by the challenges and prospects it holds for us, and we are looking forward to continuing to be of service to you in the future.

Please remember that the Maestro offices will close on 23 December, and we reopen on 4 January. During this time you are welcome to contact us on our mobile phones and if all else fails you can reach me on 082 900 1289.

The Alphubel, canton of Valais, Switzerland

Source: @niklas.eschenmoser

"To achieve great things, two things are needed; a plan, and not quite enough time."
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For the record

Table 1 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 1: The returns of funds in Maestro's care

	Period ended	Month	Year to date	Year
Maestro Equity Prescient Fund	**Nov**	**7.5%**	**7.5%**	**7.9%**
JSE All Share Index	*Nov*	*10.5%*	*2.7%*	*6.0%*
Morningstar sector ave	*Nov*	*9.2%*	*-1.9%*	*0.5%*
Maestro Growth Fund	**Nov**	**2.8%**	**11.1%**	**10.9%**
Fund Benchmark	*Nov*	*7.2%*	*5.9%*	*8.1%*
Morningstar sector ave	*Nov*	*6.1%*	*2.6%*	*3.7%*
Maestro Balanced Fund	**Nov**	**2.8%**	**7.3%**	**10.3%**
Fund Benchmark	*Nov*	*6.2%*	*6.2%*	*8.2%*
Morningstar sector ave	*Nov*	*4.7%*	*3.1%*	*4.0%*
Maestro Cautious Fund	**Nov**	**5.4%**	**5.4%**	**5.8%**
Fund Benchmark	*Nov*	*4.3%*	*5.3%*	*7.2%*
Morningstar sector ave	*Nov*	*3.4%*	*3.4%*	*4.0%*
Maestro Global Balanced Fund	**Nov**	**1.3%**	**23.8%**	**22.4%**
Benchmark	*Nov*	*1.8%*	*19.5%*	*16.3%*
*Sector average **	*Nov*	*2.7%*	*15.9%*	*13.8%*

* Morningstar Global Multi Asset Flexible Category

Notwithstanding the returns listed in Table 1, we thought it would be appropriate to list our longer-term returns for our investment solutions, shown in the following tables. All returns are for periods to 30 November, and are taken from Morningstar's monthly unit trust survey. Returns are shown on a net basis i.e. after all fees have been deducted.

Table 2: The Maestro Equity Prescient Fund

Morningstar (ASISA) South Africa Equity General - November 2020						
	3 mths	6 mths	1 year	3 years	5 years	10 years
Maestro Equity Prescient Fund	***2.0%***	***11.9%***	***7.9%***	***-3.0%***	***-1.9%***	***5.5%***
Maestro Equity Fund benchmark	5.4%	2.5%	8.0%	0.4%	4.0%	11.8%
SA Peer Group Average	3.9%	12.8%	0.5%	-1.4%	2.1%	7.3%
Maestro position within Group	126	100	22	98	103	52
Number of participants	168	166	165	145	112	64
Quartile	4th	3rd	1st	3rd	4th	4th

Table 3: The Maestro Growth Fund

Morningstar (ASISA) South Africa Multi-Asset High Equity - November 2020						
	3 mths	6 mths	1 year	3 years	5 years	10 years
Maestro Growth Fund	***-3.2%***	***4.3%***	***10.8%***	***3.5%***	***2.9%***	***7.5%***
Maestro Growth Fund benchmark	2.5%	9.6%	8.1%	5.1%	6.7%	9.9%
SA Peer Group Average	1.5%	7.8%	3.7%	2.1%	3.9%	7.9%
Maestro position within Group	197	178	7	43	103	35
Number of participants	202	200	194	174	131	54
Quartile	4th	4th	1st	1st	4th	3rd

Table 4: The Maestro Balanced Fund

Morningstar (ASISA) South Africa Multi-Asset Medium Equity - November 2020						
	3 mths	6 mths	1 year	3 years	5 years	10 years
Maestro Balanced Fund	***-2.8%***	***4.2%***	***10.3%***	***2.8%***	***2.7%***	***7.1%***
Maestro Balanced Fund benchmark	2.3%	8.4%	8.2%	5.6%	6.9%	9.5%
SA Peer Group Average	0.9%	6.0%	4.0%	3.0%	4.2%	7.4%
Maestro position within Group	94	78	1	54	64	21
Number of participants	95	94	93	84	69	36
Quartile	4th	4th	1st	3rd	4th	3rd

Table 5: The Maestro Cautious Fund

Morningstar (ASISA) South African Multi-Asset Low Equity - November 2020						
	3 mths	6 mths	1 year	3 years	5 years	10 years
Maestro Cautious Fund	***0.1%***	***2.5%***	***5.8%***	***5.1%***	***4.6%***	***7.8%***
Maestro Cautious Fund benchmark	2.8%	6.6%	7.2%	6.5%	7.2%	8.2%
SA Peer Group Average	1.1%	4.6%	4.0%	4.1%	5.0%	7.4%
Maestro position within Group	129	141	41	38	72	21
Number of participants	158	157	156	136	107	50
Quartile	4th	4th	2nd	2nd	3rd	2nd

Table 6: Maestro Global Balanced Fund

Morningstar (ASISA) Global Multi-Asset Flexible - November 2020						
	3 mths	6 mths	1 Year	3 Years	5 Years	10 years
Maestro Global Balanced Fund	***-9.1%***	***0.9%***	***22.4%***	***N/A****	***N/A****	***N/A****
Global Balanced Fund benchmark	-6.4%	-0.9%	16.3%	10.8%	8.4%	13.9%
SA Peer Group Average	-5.0%	1.1%	13.8%	9.4%	7.7%	12.6%
Maestro position within Group	34	15	5	N/A	N/A	N/A
Number of participants	36	35	32	25	20	11
Quartile	4th	2nd	1st	N/A	N/A	N/A

Table 7: Central Park Global Balanced Fund

Morningstar USD Moderate Allocation - November 2020						
	1 Year	3 Years	5 Years	7 years	10 years	15 years
Central Park Global Balanced Fund ($)	***17.8%***	***7.2%***	***7.3%***	***4.4%***	***3.0%***	***3.3%***
Central Park Glbl Balanced Fund benchmark	11.6%	6.7%	7.2%	5.4%	5.6%	4.9%
Global Sector Average	6.5%	3.9%	4.9%	3.5%	3.9%	N/A

Eternal cascade in the Arctic

Source: @paulniklen

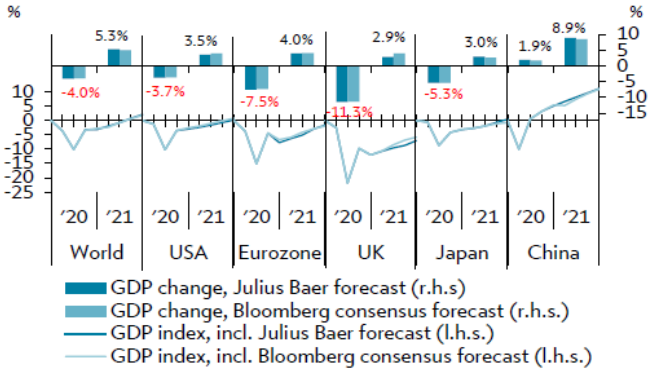
"To achieve great things, two things are needed; a plan, and not quite enough time."
- Leonard Bernstein

Charts of the month

The difference between China and the rest

Last month we spent a lot of time highlighting the strength of the Chinese economy in a Covid world, relative to the rest of the world's economies. Chart 4 illustrates this point nicely; it shows economic forecasts for this year and 2021 for five economies together with the world. The global meltdown in the second and third quarter is clear in all economies, but only China rises above the zero line in 2021, and then by quite a margin ahead of the other economies, simply because it didn't contract as much as the others during the initial lockdowns. If one looks at the histograms you will see that the Chinese economy is the only one forecast to register positive economic growth in 2020 – even if it is only 1.9%. Compound that by the 2021 forecast and you see from the linear depiction just how much larger and stronger the Chinese economy will be at the end of 2021, relative to the rest of the world.

Chart 4: China moving ahead of the rest



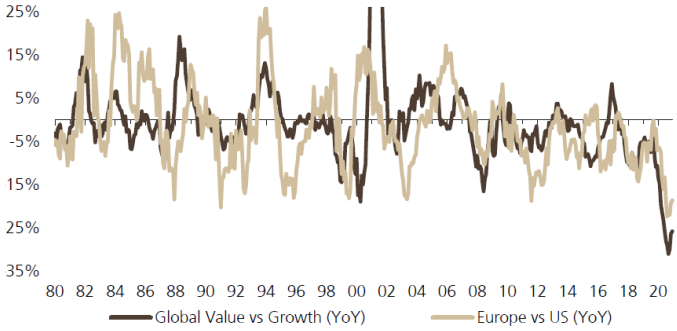
Source: Julius Bär

The old debate: growth versus value

I am not going to get into the "growth versus value" debate, other than to say that 2020 was (yet another) terrible year for value investors and managers. I recently came across Chart 5, which is worth sharing. It shows the European equity markets relative to US markets, while the dark line depicts value managers relative to growth managers. Two aspects are immediately noteworthy: firstly, that European equity markets have underperformed US ones over a long period and have done so quite consistently – the light brown line seldom moves into positive territory and is now at a level of underperformance not seen since the early 1980s (probably before that too). That makes sense intuitively when one considers how many of the tech giants are listed in the US and how they have performed in recent years.

The second aspect of the chart is how closely the value versus growth relative returns are correlated to the degree of relative returns between the US and Europe. Again, this is understandable, but what struck me is just how close the correlation is and how consistent it has been over the past four decades. The inference is clear: if you want a growth-oriented portfolio which performs relatively well, don't invest in European markets or certainly don't have too many of your assets invested there. I suspect a chart of the UK versus the US markets would look similar, so I would extend that inference to the UK, and certainly after Brexit. The other conclusion from the chart, which is glaringly obvious, is just how unsuccessful value investing has been over the past four decades.

Chart 5: Global growth vs value, and US vs EU



Source: UBS

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

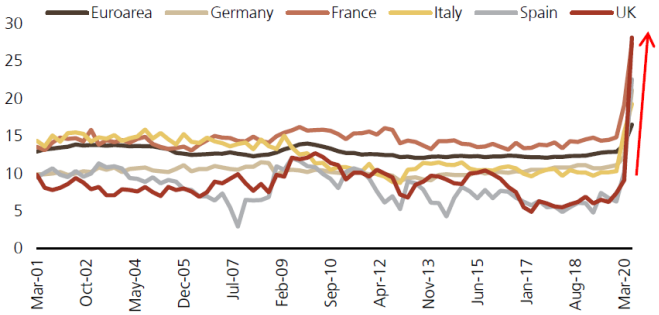
Bettmeralp, canton of Valais, Switzerland

Source: @ilhan1077

Lockdown leads to surging savings rate

One of the consequences of the unprecedented lockdowns the world experienced this year, has been the surge in savings rates.

Chart 6: Household savings rates



Source: UBS

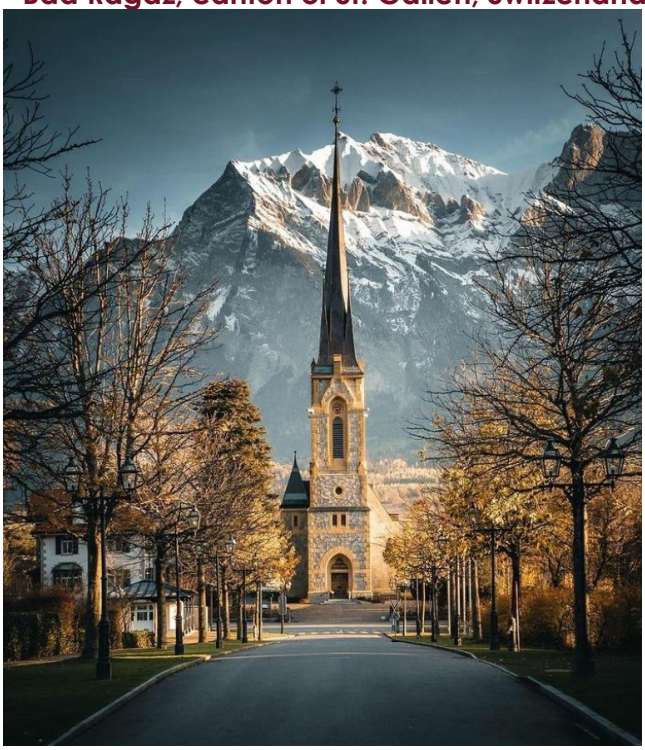
Given the uncertainty that prevailed, and the inability to get out to the shops as usual, savings rates around the world have increased dramatically. This has led to a sense of optimism regarding future economic prospects, as these savings are likely to be spent in due course.

Chart 7: US household savings rate (%)

Source: tradingecomomics.com

Chart 6 depicts the Euro area and selected European countries, while Chart 7 depicts the US, where the savings rate spike in April to 33.7%, but has subsequently declined to 13.6% in October.

Bad Ragaz, canton of St. Gallen, Switzerland



Source: @aventouro

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

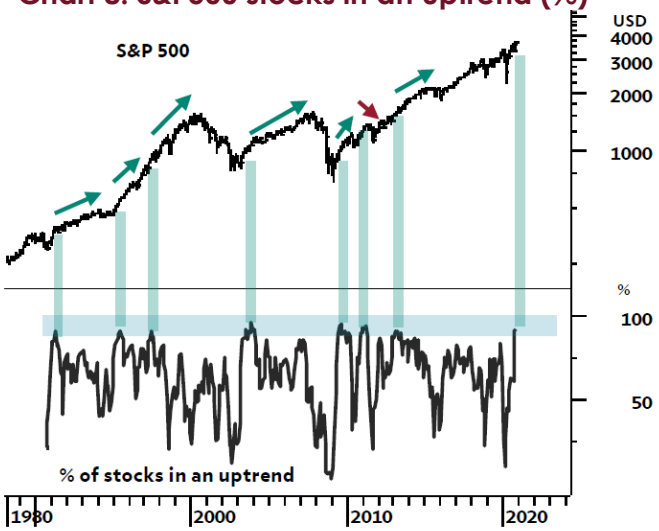
The S&P500 – climbing the wall of worry

I share more wise words from *Julius Bär's technical analyst Mensur Pocinci*: "As the year ends, US equities continue to print new all-time highs. Looking at the S&P500 we see that 91% of its members are in a medium-term uptrend. Intuitively, investors are tempted to reduce equities, as the number of up-trending stocks is going to reach its limit of 100%. Nevertheless, despite the fact that the number of up-trending stocks will definitely decline going forward, the overall market can still move higher.

"As seen on Chart 8, in the past, high readings in market breadth have tended to signal the start of a bull market rather than the end. As such, a high reading in breadth is a sign of a strong demand for equities, as investors buy all equities. As the bull market progresses it will become more selective, but overall the equity market is still likely to move higher in the upcoming six to twelve months.

"Thus, we recommend investors view the high market breadth as a sign of a healthy market with broad-based demand for equities, and to remain invested".

Chart 8: S&P500 stocks in an uptrend (%)



Source: UBS

The Chapel Bridge, Luzern, Switzerland

Source: @terra_infinitum

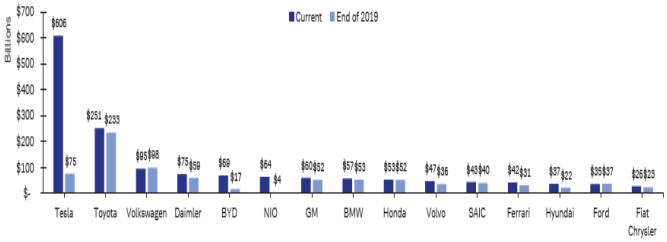
The enigma that is Tesla

Most market watchers – including the Maestro team – have watched the rise of Tesla's share price in disbelief. It defies all logic, including any sensible valuation, yet it marches relentlessly on to new highs on an almost daily basis. Well done to those investors who have benefitted; I fear its prevailing price levels are simply too rich for Maestro. It remains, though, an enigma and market reality at the same time, its recent inclusion into the S&P500 index as the sixth largest company in the index and the largest company to ever be included, is almost surrealistic.

Chart 9 shows the current market cap of Tesla ($606.5bn) plus the next 14 largest auto companies in the world, in US dollars. It also depicts their size at the end of last year. Tesla stands out; it has increased 704% and is now larger

than the next five largest global auto companies combined. The only vague comparable has been the growth seen in the Chinese Autos on the list, also focused on electrification, namely BYD and NIO. These were not close to the top 10 a year ago but are now 5 and 6 respectively, above legacy brands like GM, BMW and Honda.

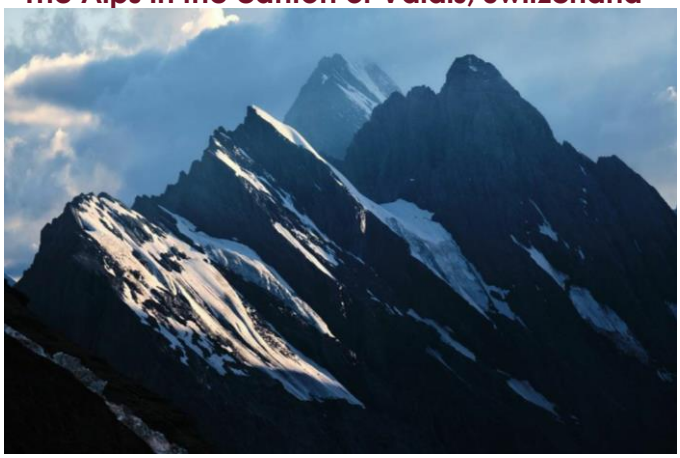
Chart 9: Market value of global auto companies



Source: UBS

In a remarkable 2020, Tesla might just be the most remarkable market story of them all. Given its colossal size and that of the tech sector, their paths in 2021 will probably be a big macro driver of markets.

The Alps in the canton of Valais, Switzerland



Source: @niklas.eschenmoser

So what's with the pics?

The theme of this month's photographs is once again of cold, ice and snow. There is no particular reason for this theme, other than those conditions make for the most remarkable subject matter, as you can see for yourself. I hope you have enjoyed the photos throughout the year – they seem to elicit the most comment from readers – and I encourage you to explore the respective websites of the photographers, such as Michele Bavassano, Philip Wolak, Paul Niklen, and many more, who have regularly enriched us with their craft, and allowed us to share in the beauty which we could see and also that which we are unlikely to ever see during the course of our lives.

The retreat of the bears …

Source: @tetontrailphotography

As we bid farewell to 2020 and the remarkable year that it was, including the bear market that never was, I thank you for your loyal readership throughout the year. I hope that you, your family, friends and loved ones, are able to have a relaxing and blessed Christmas and enjoy seeing in the New Year. 2021 will hold as much, if not more, than 2020 for us all and it is going to take more than a Herculean effort to get through it, but let's deal with that when it arrives.

For now, stay healthy, stay as sane as you are able, and may you be blessed with safety, fulfillment, contentment, and peace in the days that lie ahead.

The Matterhorn, 4 478m, Switzerland

Source: @bruederlinfotografie

Lake Luzern, Switzerland

Source: @christhof_theiler