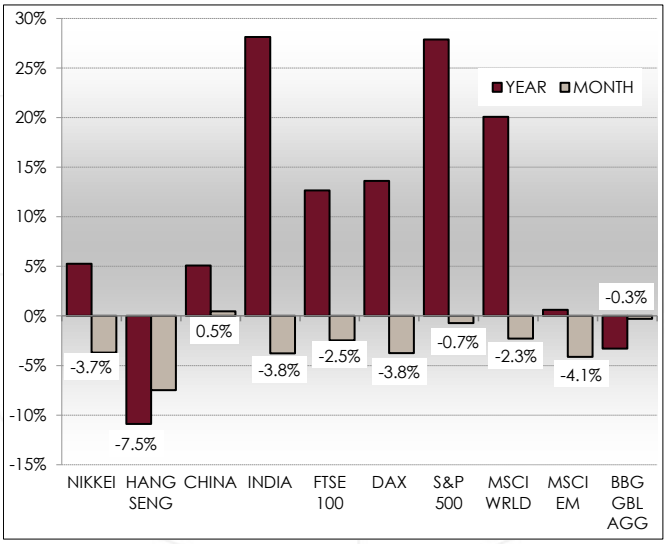
November in perspective – global markets

After the strong markets experienced during October, it was unsurprising to see them take a breather during November. There are so many variables influencing global markets at the moment one could choose any number of them to describe why markets moved as they did. Markets were holding up rather well under the circumstances until news of, and concern about, the Omicron variant of the Covid-19 virus rattled markets late in the month, causing them to end the month lower.

Chart 1: Global returns to 30 Nov 2021



As is frequently the case during times of investor nervousness the dollar strengthened, rising 2.0% against a trade-weighted basket of currencies during the month. That caused commodity markets to end the month lower; they were also weighed down by concerns that a new variant induced slowdown might reduce demand for commodities. Within the commodity complex, the oil price was a major casualty, falling 19.7% on the month. The oil price has nevertheless still risen 42.0% during the past year.

Within the equity market complex, the MSCI World index lost 2.3%, trimming its year-to-date gain to 15.3%. The MSCI Emerging Market index lost 4.1% and has now lost 6.1% so far this year. The Russian equity market lost 10.7% - its fortunes are closely tied to the oil price – while the Indian market lost 3.8%. The Chinese market rose 0.5% but Hong Kong continued to decline sharply, losing 7.5% on the month, bringing its year-to-date decline to 13.8%. Investors continue to flee the region on the back of the aggressive regulatory action on the part of the Chinese authorities. The UK and German equity markets lost 2.5% and 3.8% respectively, while the US market lost only 0.7%. The latter is still 23.1% higher than it was at the beginning of this year. The Swiss equity market rose 0.4% and the tech-heavy NASDAQ market 0.3%, bringing their respective year-to-date gains to 13.6% and 20.6%. The Bloomberg Global Aggregate Bond index declined 0.3%, showing that bonds didn't really provide any protection against the equity market declines.

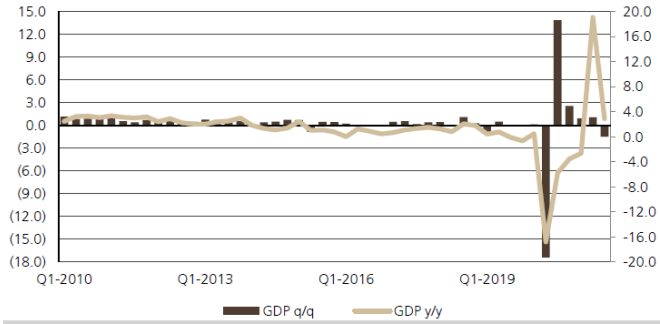
What's on our radar screen?

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

- *The SA economy:* The SA economy shrank by an un-annualized rate of 1.5% during the three months to September (Q3), following a downwardly revised 1.1% expansion in

the previous period (Q2) – refer to Chart 2. This was the first contraction after four consecutive quarters of growth, reflecting the twin impact of social unrest during July and tighter lockdown restrictions to curb a third wave of Covid-19 infections.

Chart 2: SA economic growth (%)

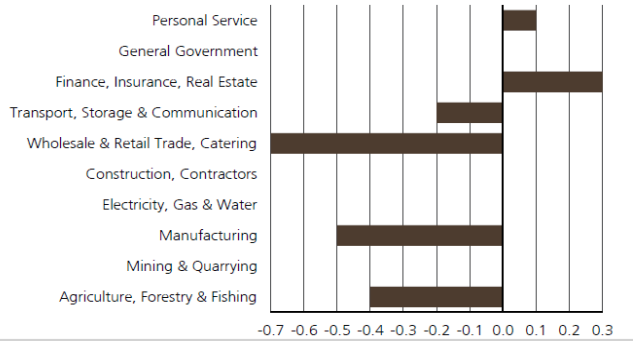


Source: UBS

Six out of ten industries recorded a decline in Q3production, with agriculture (-13.6% vs 6.2% in Q2), and the trade (-5.5% vs 2.2%) and manufacturing (-4.2% vs -1%) sectors the hardest hit. Year-on-year, the economy advanced by 2.9%, slowing from a revised record 19.1% annual growth to the end of June. UBS forecast an annual 2021growth rate of 4.8%, and 3.2% and 2.4% for 2022 and 2023 respectively.

Chart 3: SA Q3 production contribution

Quarter-on-quarter (%)



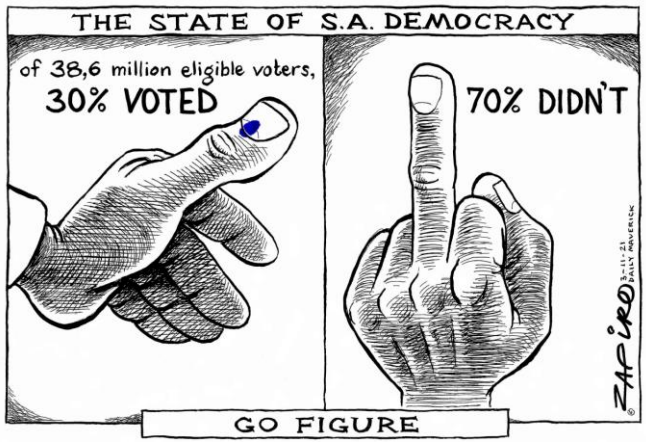
Source: UBS

SA retail sales rose 1.8% during the year to November, a reduction from the 2.1% annual rate in October. South Africa's unemployment rate rose to 34.9% during Q3, up from 34.4% during Q2. If one includes people who have given up looking for work, arguably a more realistic definition of unemployment, the rate rose from 44.4% in Q2 to 46.6%. Youth unemployment i.e. job seekers who are between 15 and 24 years old, rose to the astonishing record rate of 66.5%. As we head into the Silly Season, there are officially now 12.5m unemployed people in South Africa (although the real rate is probably a lot higher than this). To place this in perspective, consider that there are only 14.2m people employed in this country.

The annual headline inflation rate rose to 5.5% in November, up from 5.0% in October, the highest rate since March 2017 and the 7th consecutive month it registered above the SA Reserve Bank (SARB's) inflation target midpoint. Key drivers of higher prices (not that we need reminding) were price rises in transport, fuel (the annual increase in the fuel price is now 34.5%, off an already high base), food and non-alcoholic beverages, house and

utilities, and electricity. The annual core inflation rate rose to 3.3% from 3.2% in October. Given further fuel hikes already in the wings, inflation is likely to continue to increase in the coming months, possible exceeding 6.0% during the first quarter of 2022. Not unrelated, the SARB increased interest rates by 0.25% to 3.75%, although quite frankly there are few economists or commentators out there who believe this will achieve anything other than hurt the economy further. That said, they are being true to their mandate and their credibility remains intact and impeccable (unlike Turkey's, for example, as you will see shortly). A number of further rate hikes are likely in 2022.

- *US economy:* The US labour market delivered a surprising result in December, highlighting once again how much "noise" there is in some of the data releases these days. Low bases, problems experienced in the collection of the data and lockdown measures are undermining the integrity of the data at a time when we really need it most. It is worth bearing this in mind when considering all data but in particular outlying data points, or ones that don't make too much sense initially. The US labour market generated 210 000 new jobs in November, far less than the 550 000 expected. The unemployment rate though declined to 4.2%. US average hourly earnings have now risen by 4.8%, a critical consideration in the outlook for US inflation. Speaking of which, headline inflation rose to 6.8% in November, the fastest increase in prices for the past 40 years. The October rate was 6.2%. The core inflation rate was 4.9%, from 4.6% in October.
- *Developed economies*: The European Central Bank (ECB) confirmed that it will reduce its monetary support in March 2022, and signalled an increase in its inflation expectations. The region has been hard hit by dramatically higher energy prices. Its inflation forecast has been revised higher to 3.2% for 2022, but the ECB projects it to decline to 1.8% again in 2023 and 2024. Clearly, on that basis interest rates in the Eurozone are likely to remain at current levels until late 2023. The Bank of England (BoE) increased its interest rate by 0.15% to 0.25%. A surge in inflation to a 10-year high of 5.1% (energy price increases were a factor here, too) and strong growth in the labour market laid the foundation for the rate increase. Australia's economy contracted less than expected during Q3; the major reason behind the slowdown being the renewed mobility and restrictions during the quarter. It contracted at a quarterly rate of 1.9%, bring the annual economic growth rate to 3.9%, from 9.6% in Q2. The Central Bank of Norway increased their interest rate for the second time in three months, by 0.25% to 0.50%, and signalled three further rate hikes in 2022. It is worried by the strong wage increases which will feed into higher inflation.



- *Emerging economies:* The Mexican central bank continued on their hiking path, raising interest rates by 0.5% to 5.5%. Annual headline and core inflation remain elevated, at 7.4% and 5.7% respectively. In Brazil, the central bank continued to raise their (Selic) interest rate, this time by 1.5% to 9.25%; it has now raised rates by 5.75% since March. Inflation there is rising too, having reach an annual rate of 10.7% in November. In keeping with other central banks in Latin America, the Chilean central bank raised their policy rate, too, by 1.25% to 4.0%, on the back of rising inflation. The annual rate of headline inflation was 6.7% in November, which compares unfavourably with the official inflation target of 3.0% with a 1% range either side.

  Moving to Europe, the Hungarian central bank raised its policy rate by 0.3% to 2.4%, the high annual inflation rate of 7.4% in November being part of their motivation for tighter monetary policy.

  The Indian economy grew at an annual rate of 8.4% in Q3, down from 20.1% in Q2. On a quarterly basis the economy rebounded from a contraction of 8.0% in Q2 to a growth rate of 6.6% in Q3 as private consumption and investment picked up following the re-opening of their economy. The Sri Lankan economy shrank by 1.5% on an annual basis in Q3, being hard hit by its third Covid wave and related restrictions. Inflation reached a 12-year high of 9.9%, driven in part by a 17.5% increase in food prices. The country is experiencing a foreign exchange (forex) crisis; its forex reserves declined by $683m to only $1.6bn in November, the equivalent of only one month of import cover.

  Turning to China, the People's Bank of China cut its reserve ratio requirement for banks by 0.5%, an indication that it is aware of slowing growth in that economy. Its well-publicized property sector woes have not contributed to the well-being in the economy; the authorities' tone seemed to be more supportive of late as it started to appreciate the magnitude of the crisis. November's economic data confirmed the slowdown: fixed asset investment improved from an annual decline of 2.4% in October to a decline of 2.2%, but it remains negative. Annual retails sales slowed from 4.9% to 3.9%. Industrial production improved slightly, lifting its annual rate of growth from 3.5% to 3.8%, partly as a result in the easing of energy supply constraints.

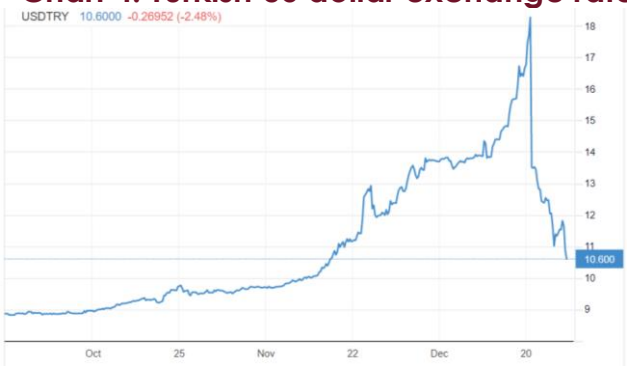
  Similar to last month, I have saved the "best" for last. Yes, we return to the fiasco that is playing out in real time in Turkey. If you thought October and November were dramatic on Turkey's financial markets, and their currency markets in particular, "you ain't seen nothing yet"! Let's start with

the data: November headline inflation now stands at 21.3%, up from 19.9% the month before, the pressure coming from higher energy prices and the effects of the lira's collapse, which we have documented for a few months now. November's annual core inflation rate is now 17.6%, while its producer price inflation rate is an astonishing 54.6%! Turkey also has a deep forex crisis – the latest estimate of its forex reserves stands at a negative $5.1bn – which should hardly come as a surprise when you think of all the money they have thrown at markets in support the collapsing currency.

At its December 17 meeting, Turkey's central bank's response was to cut interest rates by 1.0% to 14.0%, exactly the opposite of what any credible central bank would have done. President Erdogan continues to meddle in the central bank's affairs and decisions; the effects have been devastating.

Although the equity market has tended to be supported by the weaker lira, on the day that rates were reduced by 1.0%, the BIST100 index declined by the maximum allowed before a circuit breaker stopped trade. When trading resumed, the market promptly collapsed by a similar amount, resulting in the circuit breaker being imposed for a second time within a matter of hours. Needless to say, the lira went into freefall, reaching a low point of 18.40 to the dollar, a collapse – at least at that rate - of 59.6% so far for the year and 51.7% in the past three months along. Chart 4 provides the movements of the lira in recent months.

Chart 4: Turkish US dollar exchange rate



Source: tradingeconomics.com

But the fun didn't stop there. Not one to go down easily, Erdogan then tabled a raft of support measures for the economy and the currency, which included a new savings scheme to encourage people to switch their savings away from the US dollar and gold, and into the lira. At the same time the central bank continued its massive forex market intervention, resulting in a dramatic appreciation in the lira (shown as a decline on the Chart 4) albeit in thin trade. The volatility in the lira was the most that has ever been recorded in history. At the time of writing, the lira was quoted at 10.6 to the dollar, at which rate it is still 29.9% lower for the year-to-date, albeit 25.3% up on the month. So, the fun and games in Turkey continues – we will surely write in future years about the devastating cost to the local economy and citizens caused by the demented illusions of a megalomaniac president.

Quotes of the month

Why do we hold VAT in our portfolios?

We have long held the VAT Group in our global portfolios. In a recent interview, CEO Michael Allison had the following to say. "One thing is certain in the semiconductor market: the use of silicon chips will more than double in the next five

to eight years. About 14% of the cost of a Volkswagen Golf comes from silicon chips. For a high-end car that can drive semi-autonomously, this figure is 20%. When fully autonomous cars are on the market in five to ten years' time, 30% of the cost will come from silicon chips. This requires a massive infrastructure of servers and sensors. And this development takes place in every industry. Investors want companies in their portfolios that are market leaders, have strong technologies, are in the right place and have the right mix of customers. The VAT Group meets this profile completely".

Chart 5: The VAT share price history (CHF)

Source: FT.com

Charts of the month

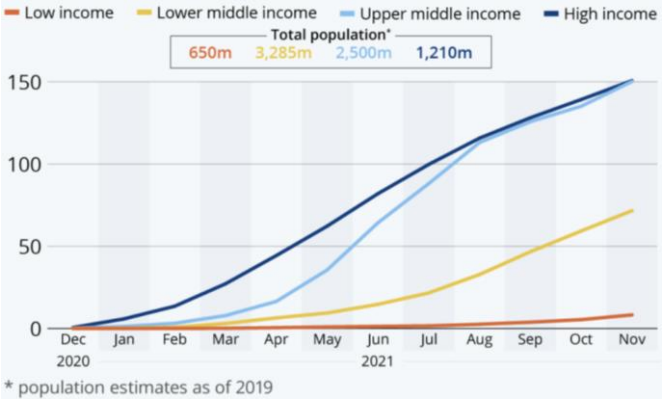
A chart for the anti-vaxxers

One of the most shocking aspects of the past two years, at least for me, has been the number of people who refused to be vaccinated; here I am excluding those who for medical reasons have been advised not to get vaccinated. Perhaps it is the unpleasant hangover of the Trump era, or the general but increasing distrust of any governing authority (which I get 100%), but whatever the cause I have been amazed to see the skepticism displayed towards science and the general progress mankind has made during the past 5 or 6 centuries (I accept that the latter comment can be regarded as a contested one).

Rather than spout forth and share my view on the anti-vaxxers here, I share the chart below, which is self-explanatory.

Chart 6: Global Vaccine gap

Vaccine doses administered per 100 people by income group



Source: Statista

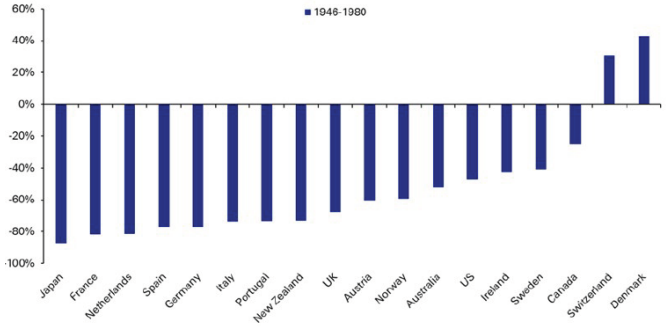
Don't buy bonds as a Xmas present for loved ones

From *Deutsche Bank's Jim Reid*, we had this prescient piece of advice just ahead of the Christmas break: "(1946 saw the start of) the last sustained serious period of phenomenally negative real returns in global government bonds. Chart 7 shows that for a selection of major government bond markets, the total real returns over the 35 years to 1980 were between -40% to -90% for the vast majority. So massive financial repression and awful real returns.

"I can't help think we're in the early stages of a repeat of this period given the huge global debt pile. If defaults are not an option to de-lever the financial system, a long period of financial repression and negative real returns are likely in order.

"So don't buy Developed Market government bonds as a present to your loved ones this Xmas if you want long-term returns that keep pace with inflation."

Chart 7: Real government bond returns 1946 - 1980



Source: Deutsche Bank

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**	**3.0%**	**19.0%**	**22.6%**
JSE All Share Index	*Nov*	*4.5%*	*23.3%*	*28.5%*
Morningstar sector ave	*Nov*	*1.2%*	*21.9%*	*26.9%*
Maestro Growth Fund	**Nov**	**1.7%**	**8.4%**	**8.9%**
Fund Benchmark	*Nov*	*3.2%*	*17.1%*	*20.5%*
Morningstar sector ave	*Nov*	*1.3%*	*16.6%*	*19.5%*
Maestro Balanced Fund	**Nov**	**1.6%**	**8.0%**	**8.7%**
Fund Benchmark	*Nov*	*2.8%*	*15.0%*	*17.9%*
Morningstar sector ave	*Nov*	*1.5%*	*14.1%*	*16.3%*
Maestro Global Balanced Fund	**Nov**	**2.3%**	**1.5%**	**-0.4%**
Benchmark	*Nov*	*3.8%*	*16.8%*	*15.1%*
*Sector average **	*Nov*	*3.4%*	*16.5%*	*14.8%*

* Morningstar Global Multi Asset Flexible Category

Notwithstanding the returns listed in Table 1, our longer-term returns for our investment solutions are listed in the table below. 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 2021						
	3 mths	6 mths	1 year	3 years	5 years	10 years
Maestro Equity Prescient Fund	***5.5%***	***8.9%***	***22.6%***	***11.4%***	***4.0%***	***7.6%***
Maestro Equity Fund benchmark	7.5%	6.7%	24.2%	14.3%	10.0%	12.6%
SA Peer Group Average	3.4%	5.5%	26.9%	11.4%	7.2%	9.4%
Maestro position within Group	28	31	120	72	99	52
Number of participants	167	167	161	142	116	64
Quartile	1st	1st	3rd	3rd	4th	4th

Table 3: The Maestro Growth Fund

Morningstar (ASISA) South Africa Multi-Asset High Equity - November 2021						
	3 mths	6 mths	1 year	3 years	5 years	10 years
Maestro Growth Fund	***2.9%***	***5.4%***	***8.9%***	***9.6%***	***6.3%***	***8.2%***
Maestro Growth Fund benchmark	4.4%	6.2%	20.5%	13.5%	10.3%	10.7%
SA Peer Group Average	3.3%	6.7%	19.5%	10.5%	7.5%	8.9%
Maestro position within Group	131	164	197	126	124	46
Number of participants	205	205	202	179	151	66
Quartile	3rd	4th	4th	3rd	4th	4th

Table 4: The Maestro Balanced Fund

Morningstar (ASISA) South Africa Multi-Asset Medium Equity - November 2021						
	3 mths	6 mths	1 year	3 years	5 years	10 years
Maestro Balanced Fund	***2.9%***	***5.3%***	***8.6%***	***7.9%***	***5.7%***	***7.7%***
Maestro Balanced Fund benchmark	3.9%	5.7%	17.9%	12.5%	9.9%	10.2%
SA Peer Group Average	3.0%	6.4%	16.3%	9.6%	7.2%	8.4%
Maestro position within Group	51	80	94	78	67	28
Number of participants	97	97	96	86	73	38
Quartile	3rd	4th	4th	4th	4th	4th

Table 5: Maestro Global Balanced Fund

Morningstar (ASISA) Global Multi-Asset Flexible - November 2021						
	3 mths	6 mths	1 Year	3 Years	5 Years	10 years
Maestro Global Balanced Fund	***4.3%***	***7.1%***	***-0.4%***	***13.9%***	***N/A****	***N/A****
Global Balanced Fund benchmark	9.0%	18.8%	15.1%	16.2%	11.8%	13.9%
SA Peer Group Average	7.9%	16.1%	14.8%	14.6%	11.2%	13.2%
Maestro position within Group	44	43	39	19	N/A	N/A
Number of participants	46	45	41	30	22	12
Quartile	4th	4th	4th	3rd	N/A	N/A

Obituary: Desmond Tutu 1931 – 2021

There is something profound, not to talk of sad, about listing obituaries in two consecutive months, both on South African leaders, both Nobel Peace laureates (refer to last month's Intermezzo for the obituary of FW de Klerk).

It is with great sadness that we learnt of the passing of "The Arch" as he was effectively known, Archbishop Emeritus Desmond Tutu. The more one looks at this humble man, the more one becomes aware of what a giant he really was, in every measure other than stature. I am sure the coming days will be full of moving tributes, sadness, reflection and appreciation for this great "Child of Africa", arguably on a par with Nelson Mandela in

terms of his stature, the esteem with which he was held around the world, and the profound impact he had on the lives of so many South Africans, across the cultural barrier. What a loss to humanity, but what a legacy he left for the country, for the world. Here follows the Financial Time's tribute to this great man.

Desmond Tutu, who died on 26 December, aged 90, brought a searing moral authority to South Africa's traumatic transition from apartheid to democracy. Throughout that tumultuous process and beyond, the devout Anglican was revered as a beacon of honesty, conviction, inclusiveness and sheer human decency.

Tutu was thrust on to the political stage in the turbulent last decade or so of white rule because of the enforced absence of other black leaders. Nelson Mandela and his African National Congress colleagues were in jail or in exile in the 1980s, when it was dawning on the white minority government that change would have to come, by whatever means.

His activism was as spirited as it was principled. And his oratory – a mix of humour, humanity and indignation – was as moving and effective at a political funeral in a football stadium as in the cathedral pulpit.

In 1984, Tutu's moral leadership and his outspoken condemnation of violence by any party earned him South Africa's second Nobel Peace Prize, after the ANC leader Albert Luthuli in 1960. Two years later he was made archbishop of Cape Town, a perch he used to intensify his opposition to the government of the hardline PW Botha.

In 1994 it was Tutu who coined the phrase "Rainbow Nation", which Mandela embraced to help bring the divided country together. But the "Arch", as he was known, also lost no time in establishing his independent credentials in the new democratic order, chiding the ANC in its early years in power over its sometimes profligate ways.

By 1999, when Mandela stepped down after a five-year term, Tutu had gained even broader moral authority, having presided over the country's Truth and Reconciliation Commission in the late 1990s. The TRC held lengthy and fraught hearings across the country looking at several decades of human rights abuses. It then offered amnesty to perpetrators if their crimes were deemed to have had a political purpose. The commission would provide a model for transitional nations worldwide.

Desmond Mpilo Tutu was born on October 7 1931, in Klerksdorp in what was then the Transvaal, and was educated at Johannesburg Bantu High School in the Western Native Township. His father was a teacher, his mother a domestic servant. The young Tutu was astonished when a white man doffed his hat to her one day as she swept someone's veranda. The man was Trevor Huddleston, a British priest who later guided Tutu towards his calling. A spell in the US strengthened Tutu's embrace of liberation theology.

Trained as a teacher, he was ordained in 1961 and worked and studied in England for six years. He was made dean of Johannesburg in 1975, bishop of Lesotho the following year and general secretary of the South African Council of Churches from 1978 to 1985.

Loathed by the ruling National party under Botha, he was periodically denied a passport to travel and routinely demonized by the state broadcaster as a wily and sinister politician. Attempts were made on his life. But few could resist his charm in a face-to-face meeting. Within minutes, his combination of self-deprecating jokes and obvious sincerity could transform an audience of suspicious whites into a crowd of admirers. "I love to be loved," he said, acknowledging that as a weakness.

"He sparkled in company," said John Allen, his biographer – but was all without artifice. "Who he was publicly was exactly who he was in private."

Tutu ensured this craving for affection did not mute his willingness to express unpopular opinions. On the contrary, he coupled it with an audacious line in "provocations" – a word that appeared in the subtitle of the collection of his sermons God Is Not a Christian.

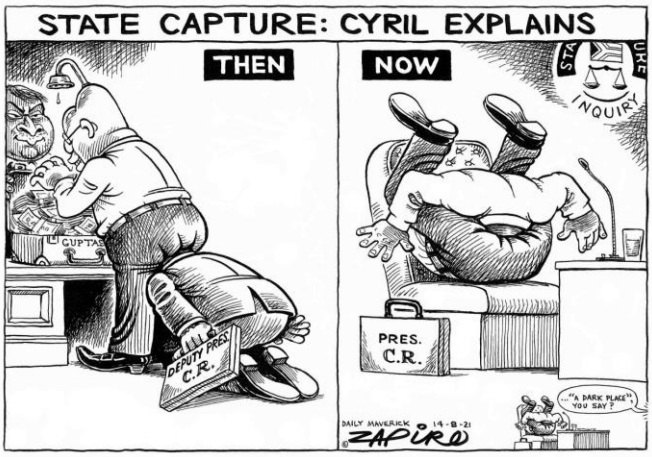
His support for international economic sanctions infuriated not just the Botha government but many of the white Christians he represented. Yet it simply reflected his stance that boycotts and foreign embargoes were the last remaining non-violent options to the oppression he abhorred.

Though he recognized the primacy of the ANC in the fight against apartheid, he remained outside that organization – and angered the fiery young priests in his fold by insisting that their role too precluded membership of a political party. And when his mentor Huddleston wanted to attend an ANC plenary, he was told firmly to stay away.

Tutu was as ready to condemn brutal methods used by the ANC's supporters as he was for those of the white security police. When he intervened to save a suspected police informer from "necklacing" (death by burning with a tyre around the neck) near Johannesburg in 1985, he told the mob it was wrong for the justifiably aggrieved to sink to the level of their oppressors. Columnist Barney Mthombothi called Tutu "the closest thing South Africa has to a sage".

For the next decade, as head of the entire Anglican Church in southern Africa, Tutu played an important part in securing his country's path to democracy. At his Cape Town residence in 1990 it was Tutu who hosted Mandela on his first night out of jail – and who later dubbed his compatriots "the rainbow people of God". Whenever that rainbow became clouded by scandal, Tutu spoke out. After Thabo Mbeki, Mandela's deputy at the time, tried to block the release of the TRC's five-volume report because it contained references to human rights abuses by the ANC in exile, Tutu said tartly: "I have struggled against a tyranny. I didn't do that in order to substitute another." The account was duly published.

While chairing the TRC, Tutu was diagnosed with prostate cancer. Relinquishing his archdiocese, he spent two years in Atlanta, combining further medical treatment with a visiting professorship at Emory University before returning to South Africa in 2000. "I have come home to sleep," he said then.



Yet what followed was anything but somnolent, as he embraced a variety of causes. Tutu opposed the 2003 invasion of Iraq, lobbying the White House and, nine years later, refusing to share a conference podium with Tony Blair, who had taken the UK into the war alongside George W Bush. He was at least as scathing about Robert Mugabe, saying the president of Zimbabwe had to be toppled, by force if necessary.

Within the church, the man who from the early 1990s had pressed for the ordination of women extended that campaign to include gay equality — telling George Carey, his spiritual leader as Archbishop of Canterbury, that discrimination on the grounds of sexuality made him "ashamed to be an Anglican". He also became a prominent religious voice in favour of assisted dying for the terminally ill.

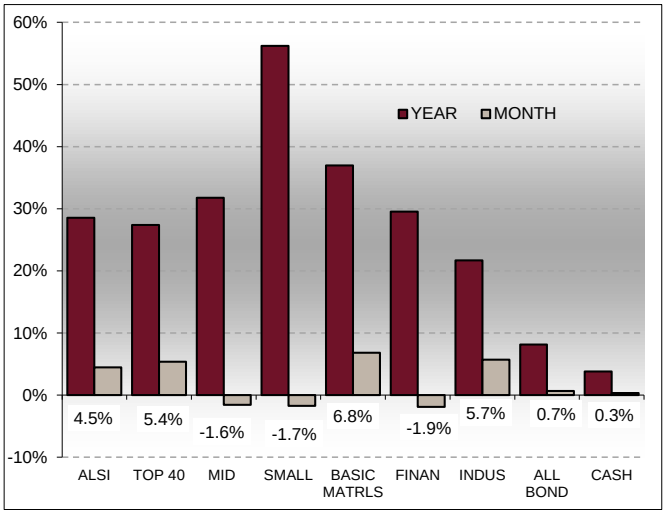
Tutu married Leah Nomalizo Shinxani in 1955; she survives him along with a son and three daughters.

"Here was a man," wrote Mandela in his autobiography, "who had inspired an entire nation with his words and his courage, who had revived the people's hope during the darkest of times."

November in perspective – local markets

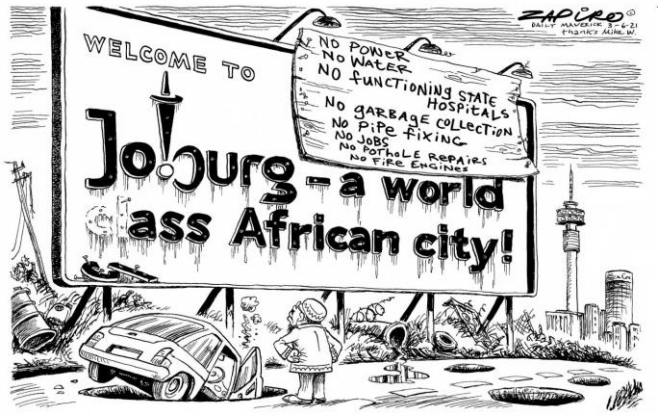
The South African equity market registered a strong performance. It was driven largely by the Basic Material sector, which rose 6.8% on the back of a weak rand – the latter declined 5.1% against the firmer dollar – and a 26.4% rise in the price of Richemont, which is a big component of the Industrial index; the latter rose 5.7% during November. The weak rand helped pull the Financial index down 1.9%, all of which resulted in the All Share index rising 4.5% on the month, bringing its year-to-date return to 23.3%. The Large cap index rose 5.4% but the Mid, and Small cap indices lost 1.6% and 1.8% respectively. The All Bond index rose 0.7%, and is now 5.6% higher on the year so far.

Chart 8: Local returns to 30 Nov 21



As we head into the Silly Season and all attention turns to the coming year, we are conscious that there are widespread fears amongst many investors that global equity markets are on the

verge of a sharp decline. While the reasons underlying this popular view are beyond the scope of this letter, it is important to note that *we do not share that view*. We acknowledge that markets are not cheap, but we are cautiously optimistic they will continue to grind higher in the absence of more attractive alternatives. Interest rates are likely to remain low for a long time, notwithstanding the fact that they are likely to start rising next year and that inflation is above most central bankers' comfort zone. The corporate sector in general is in remarkably good shape, and there are many secular changes that are transforming the world in so many ways, most of which are supportive of certain sectors of the market. In truth, we are rather excited about the future holds. None of us within the team have ever lived in such exciting times, notwithstanding the economic damage and tragedy that is so evident all around us, following the devastating effects of the global pandemic. For that reason our view remains that the bulk of one's investable assets should be exposed to global equity markets.



Light reading for the Festive Season

I am sure like me, you use the Festive Season to catch up on reading as much as possible. I came across the following story in the Financial Times, which I thought, to a large extent, summed up the past year. It is both interesting, significant and informative. It was written on November 12 by *John Gapper, the FT Weekend Business Columnist* and was entitled *Rivian and Tesla have inherited Thomas Edison's power to thrill.*

Rivian, the US electric vehicle maker, went public this week with a valuation of $86bn and a compelling story. "For as long as I can remember, I've been obsessed with cars," its 38-year-old founder, RJ Scaringe, confessed in its IPO prospectus. "I had hoods under my bed, windshields in my closet and engine parts on my desk."

That sounds familiar. "A simple young man, attired in the homeliest manner, using . . . the plainest and simplest language," was how the New York Herald described the great entrepreneur of the original electric age. A 32-year-old Thomas Edison was showing off his latest invention — the carbon filament incandescent lightbulb — in 1879 at his laboratory in Menlo Park, New Jersey.

As Rivian's value surpassed those of Ford and General Motors, General Electric said it would break into three parts. The conglomerate founded in 1892 by the merger of the Edison General Electric Company and a power transmission rival conceded defeat after struggling since the early 2000s to regain its former glory. Cause of death: boredom.

This should be an opportune time for a company founded on electrical ingenuity, as sales of battery-powered vehicles surge. But while GE is a world-class maker of wind turbines, aircraft engines and medical equipment, with sales of $54bn in the first nine months of this year, it no longer generates excitement.

GE was once a popular stock with a charismatic leader in Jack Welch, who convinced investors that it ran businesses from media to financial services better than others. Investors could "look forward to the brightest of futures for GE in its third century", Welch declared in the 1999 annual report, as its valuation neared a peak of more than $480bn. He retired in 2001 and, for GE, nemesis swiftly followed hubris.

Today's heroes are not management gurus, but technology founders who ignore the doubters and raise billions to disrupt many industries. "We are a company with an extremely limited operating history and have not generated material revenue," Rivian's prospectus admits. But it has a mighty vision and investors who do not care.

Elon Musk's Tesla is named after Nikola Tesla, an employee of Thomas Edison who became a rival inventor and was on the other side in the "war of the currents" that culminated in the General Electric merger. Musk is a master of mixing a cocktail of technology and celebrity: by running a poll among his 63m Twitter followers on whether to sell 10 per cent of his Tesla stock, he made the company's shares drop sharply.

Edison realised that a founder could be a brand in the mass media era he helped to unleash, and named many ventures after himself, from the Edison Electric Light Company to the Edison Kinetophone Company. He was not a natural performer, but excelled at putting on a show.

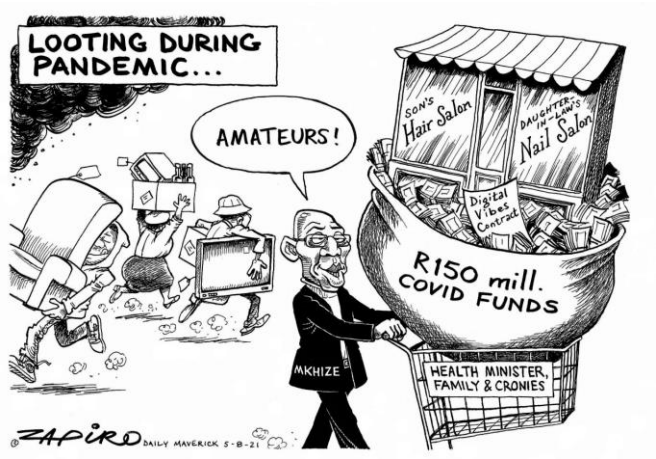
He transported his newly invented phonograph to the offices of Scientific American in New York in 1877, set it on a desk and cranked its handle. "How do you do? How do you like the phonograph?" the device asked the editors, who were so amazed that they held the presses and launched his reputation.

"Any sufficiently advanced technology is indistinguishable from magic," is the third law of the science fiction author Arthur C Clarke, and inventors were feted as magicians in the late 19th century. Randall Stross notes in his book The Wizard of Menlo Park that it was "a time when technology seemed to be both overwhelming and increasingly incomprehensible" so "it was entertaining to view [Edison] as endowed with extraordinary powers".

Steve Jobs imitated Edison's phonograph trick at the launch of Apple's Macintosh computer in 1984, when the machine spoke to the audience. He knew consumers were happy to let the technology remain mysterious if it was marketed with elan: the 1976 Apple-1 computer auctioned for $400,000 in California this week was the first in a line of machines that Jobs made increasingly minimalist and thrilling.

Such wizardry suits the meme stock times, when investors form fan clubs around inspiring companies. It follows that it works best for consumer products: few will line up for the launch of a new wind turbine or medical imaging

machine. No matter how innovative a technology, it grabs less attention if it is hidden within a power plant, rather than being on sale to everyone.



GE products, from lightbulbs to appliances, were dotted around many homes, but were overwhelmed by Asian competition. Welch turned it into a conglomerate and told his management story instead. It took skill to sell it, but he kept a line to the public by acquiring NBC (which GE later sold), and appearing on its cable network CNBC.

Musk's approach is simpler: he makes electric cars and has a Twitter account. Scaringe, who tried to compete with Tesla before switching to pick-up trucks, has absorbed the lesson. Investors love the tale of a humble inventor who overcomes enormous odds to build a magical device. Edison pioneered the formula and it gains power at times when capital is plentiful and excitable.

But excitement eventually begets ennui. The extraordinary thing about GE is not that it came to bore investors, but that it took more than a century to do so. Rivian and Tesla can only hope to remain thrilling for so long.

Data that dazzles

A shocking indictment of our society and culture

This data hardly "dazzles" but I include it as a somber reminder of the challenges we face in this country. Given the time of the year, the shocking tragedy of it hit me afresh, and brought home the harsh reality and difficulty we face in restoring this country and society to anything that we could remotely be proud of. Despite the Season of Hope it was, after hearing this kind of news, I really thought that there is no hope for the culture in question, and thus also for the future of South Africa.

On 26 December the SA national broadcaster led their news with the story that the first "Christmas baby" in Limpopo to have been born was a boy, born to a 15-year old girl. Shortly after that a second Christmas baby was born in the same province – this time to a 14-year teenager. Let that sink if for a while.

How much is enough? R1.2bn for doing nothing?

This is a perennial question we return to in *Intermezzo* over the years, but this time there is a twist: how much is enough for doing, well, nothing?

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

A Madrid court has ruled that Spanish bank Santander must pay Andrea Orcel €68m (R1.2bn) in compensation after the bank did a U-turn on its offer to employ Orcel as CEO. This is a long-running battle but the court has now had its say.

After initialing courting Orcel as its next CEO, the bank withdrew its offer, and the Italian banker, who is now the CEO of Italian bank Unicredit, took Santander to court. The irony of this matter is that Orcel has been awarded this amount for doing, well, er … nothing! Now that is what I call a good day in the office! The award by the court included €10m for moral and reputational damages, €5.8m for two years of salary, a €17m sign-on bonus and €35m compensation for loss of long-term incentives at UBS, where he was employed at the time of Santander's approach.

How safe is your password?

I found the following table rather challenging; given that we all use so many passwords these days, and that cybercrime is the greatest threat to most of us, I wonder how your passwords stack up against the table below?

Table 6: How safe if your password?

Time it would take a computer to crack a password with the following parameters

Number of characters	Lowercase letters only	At least one uppercase letter	At least one uppercase letter +number	At least one uppercase letter +number+symbol
1	Instantly	Instantly	-	-
2	Instantly	Instantly	Instantly	-
3	Instantly	Instantly	Instantly	Instantly
4	Instantly	Instantly	Instantly	Instantly
5	Instantly	Instantly	Instantly	Instantly
6	Instantly	Instantly	Instantly	Instantly
7	Instantly	Instantly	1 min	6 min
8	Instantly	22 min	1 hrs	8 hrs
9	2 min	19 hrs	3 days	3 wks
10	1 hrs	1 mths	7 mths	5 yrs
11	1 day	5 yrs	41 yrs	400 yrs
12	3 wks	300 yrs	2,000 yrs	34,000 yrs

Source: Statista

Perhaps it is worth adding in an uppercase letter, or a number, or symbol, to those hardy passwords we have all been using for the past few years?

The shape of things to come

I wonder what your response would be if I asked you what the latest market share of plug-in i.e. electric vehicles was in across the world. We'll exclude South Africa here, given that there is no certainty of a reliable source of electricity!

In a recent research note Julius Bär reported the following market share of plug-ins, in October, expressed as a percentage of total new car sales:

- Germany: 30.4%
- France: 22.9%
- United Kingdom: 23.1%
- Switzerland: 24.9%
- United States: 4.4% (September)
- China: 19.5% (September)

File 13: Info almost worth remembering

I close with three examples of the crazy world in which we find ourselves – not that any of us really need reminding!

Involved in the funding of terrorist activity – really?

Those who know me well will appreciate how much I loathe regulation – not because I am anti-regulation or don't believe (some of) it to be necessary. No, what really pushes my buttons is the brainless, irrational requests we are peppered with, and have to respond to, when it comes to matters that twenty years ago would not have even raised an eyebrow. I provide one example.

Six years ago we opened a bank account at the client's request, in the name of a Charitable Trust. All the necessary documentation was lodged with our bank at the time. Since then however

the account has rarely been used – I don't think more than R1 000 was deposited into it five years ago and *there has been no activity on the account since then*.

You can imagine my surprise when I recently received an email from the bank, which read as follows: "Client (XYZ Charitable Trust) has been referred for further investigation due to a potential match against our Anti-Money Laundering and Counter Financing of Terrorism databases. We will advise on the decision to take on this client via email shortly".

An event like this would be funny if it didn't involve so much work. The account was immediately frozen and we now have to revisit the documentation, which is more than 5 years old now. Everything must now be renewed and resubmitted to the bank. All for, well, nothing!

Now you can perhaps appreciate why I just love regulation so much. Sadly, this sort of thing happens far too regularly, and is pushing up the costs of providing a decent client service, not to talk of the distraction it causes when simply trying to provide our service in a professional manner.

Show me the money!!

On a lighter note, you just have to laugh at the Danish artist who quite literally ran off with the money! Perhaps I should start by asking "what is a blank canvas really worth?"

Danish artist Jens Haaning was commissioned by the Danish Kunsten Museum to reproduce two of his works representing the annual salary in Denmark and Austria. He was paid $82 000 and the idea was that he would incorporate the actual money into the canvas. But when the work was delivered, it was totally blank. Haaning had pocketed the money, and he has no intention of giving it back. To add insult to injury, he called his artwork *Take the Money and Run*.

Despite the Museum expecting the money to be repaid, the artist has openly stated he has no intention of repaying the money. "The work is that I have taken their money. I encourage other people who have just as miserable working conditions as me to do the same," he said.

After reading Hanning's comments about working conditions, I was reminded that my frame of reference is that of an emerging market. I was tempted to send the artist money for a plane ticket to SA, so that I can show him exactly what "miserable working conditions" *really* are. However, I thought twice about it. After all, he might just keep my money and not come and visit!!

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

So what's with the pics?

This has been such a crazy year for just about all of us I suspect, so I thought that, given that we are in the middle of the Silly Season, we can afford a laugh at some of the ridiculous instances our government has dished up during the past year, as seen through the eyes of Zapiro, the renowned South African cartoonist. Truth be told, I suspect most readers would rather cry than laugh at the underlying events these cartoons allude to, given how the ANC government has decimated this country during the past 25 years, and how treacherous our society has become over this period.

Be that as it may, may I express my sincere gratitude to all of you for being such loyal and regular readers? I appreciate the comments and feedback I receive; it is always gratefully received and most welcome.

The Maestro team is only too aware of how tough a place the world is right now. Daily we count our blessings that we still have a profession, as difficult as it is, and that our livelihoods remain intact, unlike so many of our friends and family.

Of course, none of it would be possible, were it not for your kind and ongoing support and business. So as we head into this coming time of reflection and take a break from the bustle of our daily lives, may I on behalf of Melody, Sue and Shane, express our sincere gratitude for your kindness and support.

May you be blessed with good health in 2022, safety (especially if you live in South Africa), a sense of contentment and peace, and many happy times with friends and family.

We wish you everything of the best for 2022 and look forward to continuing to be of service to you in the year ahead.