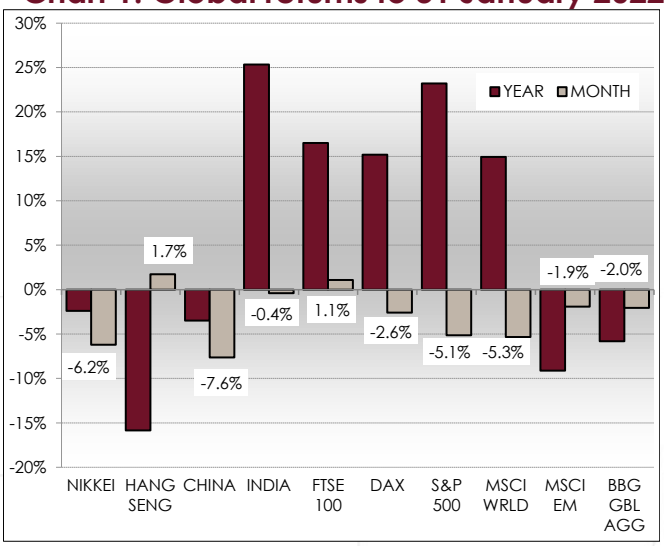
January in perspective – global markets

Any thoughts that investors, including ourselves, had of putting the awful year that 2021 was behind us, were unceremoniously shattered during January. The month will go down as one of the worst starts to any year on global equity markets.

Chart 1: Global returns to 31 January 2022



The primary reason behind the carnage was concern about the effects of high, and rising, inflation on central bank policies. Central banks' mandates include the maintenance of price stability, so it was only a matter of time that their thoughts and comments turned from supportive (monetary) policies, to more restrictive ones, which means little more than planning to increase interest rates. The uncertainties implicit in this supposedly simple process were the reasons behind the volatility that markets experienced in January. Is inflation transitory or not, how much higher will prices go, how long will the global supply chain bottlenecks – the primary reason for higher prices – last, are markets correctly anticipating the extent of interest rate increases; these are but some of the questions investors are seeking answers for. Like so many aspects of the investment process, the answers will only become evident in months, perhaps years, to come.

What is certain though, is that investors voted with their feet before waiting for the answers. Bond yields rose (and thus prices declined) and equity markets, especially developed ones, declined sharply. Within equity markets themselves, those that had delivered great returns during 2021 were hardest hit. Within market and sector styles, those whose valuation relied most on lower (for longer) interest rates, namely growth shares, and those not yet profitable, were severely punished. Given the reduced appetite for risk, small and mid cap (sized) companies suffered badly. The prospect of higher interest rates (yields) supported the dollar, yet strangely the commodity price complex saw a number of prices end the month higher. There was a lot of disparity across various markets and regions, but weakness was a common theme across the board. Investors were left significantly worse off at the end of what can only be described as a brutal month, the nature of which was similar to March 2020, the onset of the global pandemic and multiple national lockdowns, when markets underwent one of the fastest declines in history.

Turning to the numbers then, the MSCI World index declined 5.3% in January, led by the 5.2% decline in the US equity market (it was down 11.4% at its lowest intra-month trough). The NASDAQ index, home to the largest tech and growth companies, declined 9.0% (-16.3% at its worst) which is a more accurate reflection of the pain endured during January. The S&P Mid and Small Cap indices declined 7.3% each. The German equity market lost 2.6% and the Swiss market, traditionally a defensive market, lost 5.0%. The Japanese market lost 6.2% although

Hong Kong rose 1.7%, but off a very low base; the Hong Kong market has lost 15.8% during the past year. Within the Emerging Market space, the MSCI Emerging Market index lost "only" 1.9%, although its annual return to end-January is now -9.1% versus the World index (Developed markets) gain of 14.9% over the same period; still a very wide difference. The Chinese equity market lost 7.7%, India 0.4%, and Russia 10.1% on the back of the tensions between Russia and the rest of the West over the situation in Ukraine. The Brazilian equity market rose 6.9%, but its currency lost 5.0% against the dollar. So all in all equity markets were very weak, and within that space, growth, and mid and small cap companies fared the worst.

Mature comatricha – Barry Webb

Source: South China Morning Post

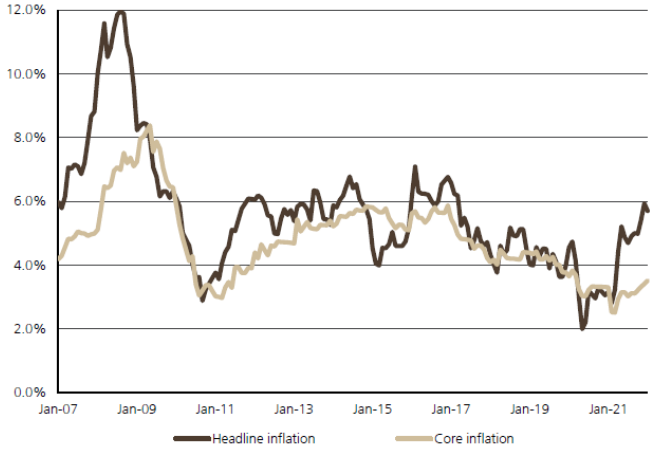
The bond market didn't escape the rout, although it fared better than equities. The Bloomberg Global Aggregated Bond Index lost 2.1%. The dollar was firm, rising 0.9% during the month, while most other developed market currencies weakened. Within the commodity space, the oil price rose 12.0%, bringing its annual increase to 61.5%. The palladium price rose 23.2%; its price was heavily influenced by concerns over the possible Russian invasion of Ukraine and the consequent sanctions that may be imposed – Russia is the world's largest supplier of palladium.

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 headline inflation declined slightly in January, to 5.7% from December's 5.9%. While it provided some reprieve from rising prices, the slowing is likely to prove transitory, as oil and food prices continue to rise strongly. Retail sales in SA though, continue to recover; they rose at an annual rate of 3.1% in December, following the two previous months' annual increases of 1.9% and 2.7% respectively.

Chart 2: SA headline and core inflation



Source: UBS

- *US economy:* Arguably the most important data release in the US, and world for that matter, during February, was the January inflation data. Annual US headline inflation rose to 7.5% (from 7.0% in December), the highest reading since 1982 – refer to Chart 3. Core inflation i.e. excluding food and energy prices, rose to 6.0% from 5.5% in December. Soaring energy prices, a robust

labour market, strong consumer demand, and ongoing supply chain constraints – something we have been alluding to for many months now – all contributed to escalating prices.

Chart 3: US headline inflation (%)

Source: FT.com

The US economy added 467 000 new jobs during January, much higher than expected, while the previous months additions were revised sharply higher (by an astonishing amount of 709 000). The unemployment rate rose slightly from 3.9% to 4.0%. Average hourly earnings have risen at a rate of 5.7% during the past year. A statistic that always intrigues me is the average number of hours worked in a week in the US – of course this is an average, but it is spread over a wide universe so must be a meaningful number. It currently stands at 34.5 hours per week; it is fair to say that US labourers are not quite the "hardest workers" out there. In China, the average number of hours per week worked is around 47.8 hours.

- *Developed economies*: The UK economy grew 1.0% quarter-on-quarter during the last quarter of 2021 (Q4). Despite the growth, the economy remains 0.4% lower than its pre-pandemic (Q4 2019) level, showing just how poorly the UK economy has fared through the pandemic. The economy grew 6.5% for 2021 as a whole. At its January meeting, the Bank of England (BoE) raised the official interest rate by 0.15% to 0.5% and announced the immediate end to Quantitative Easing (QE), replacing it with Quantitative Tightening (QT).

Teamwork – Roman Willi

Source: South China Morning Post

- *Emerging economies*: Starting in Latin America, the Mexican central bank, known as Banxico, continued along their tightening policy by increasing interest rates by 0.5% to 6.0%. The annual inflation rate declined from 7.4% in December (close to a 20-year high) to 7.1% in January, while the core inflation rate moved from 5.9% to 6.2%. Remember that the Mexican economy shrank by 0.1% during Q4. Moving on to Brazil, the official Selic interest rate was increased by 1.5% to 10.75%, and the annual headline inflation rate in January moved to 10.0%. The Brazilian central bank has now increased the Selic rate by 8.75% this tightening cycle. The annual headline inflation rate in Colombia rose to 7.0% in January, rising 1.67% month-on-month, the highest increase since 2001. The annual core inflation rate rose to 4.5%.

Not surprisingly the Colombian central bank raised interest rates by 1.0% to 4.0%. The Columbian economy grew at a rate of 10.3% during 2021, after a healthy 7.3% growth rate in 2020.

Moving on to Turkey, the buffoon of the global economic community these days, the annual headline inflation there rose to 48.7% in January, a new 20-year high. The core annual inflation rate rose to 39.5%, showing just how endemic inflation has now become in Turkish society and the lives of consumers. Producer price inflation (PPI) rose to 93.5% in January, driven by cost-push pressures, recent wage adjustments, currency volatility and higher commodity prices.

The Philippine economy grew at an annual rate of 7.7% in Q4 (3.1% quarter-on-quarter), bringing full year (2021) growth to 5.6%. The annual headline inflation rate declined from 3.2% to 3.0% in January. Turning to Indonesia, its economy grew 3.2% quarter-on-quarter in Q4 (5.0% year-on-year) bringing its full year growth to 3.7%. Indonesia's government is targeting an economic growth rate of 5.2% for 2022. Its annual rate of headline inflation rose to 2.2% in January, from 1.0% in December.

Obituary: Lata Mangeshkar, 1929 - 2022

No, I hadn't heard of Lata Mangeshkar before her death either. However, she was clearly known by more than a billion people i.e. more than 13% of the planet's population, and was dearly loved, admired, and appreciated by all. Here is the obituary of this remarkable woman, per kind favour of the Financial Times.

The soaring, silvery voice of a Bollywood playback singer was the soundtrack to millions of lives, a thread that bound generations across the 75 years following India's independence in 1947.

Source: FT.com

Lata Mangeshkar, who has died aged 92, was bigger than The Beatles and Beyoncé in her home country. Often referred to by the respectful term "Lata-ji", her fame eclipsed that of Michael Jackson or Madonna. She wore her trademark white saris at most of her performances, holding audiences in thrall everywhere from Las Vegas to the Sydney Opera House. Crowds of homesick Indians flocked to pay tribute as she walked barefoot on to the stage of London's Royal Albert Hall in 1974.

By the time of her death, she had recorded a legendary number of songs — somewhere between 25 000 and 30 000 — in at least 14, or some said 20, of India's 22 official languages and in several others from English and Dutch to Swahili. The numbers are debated. But they matter less than the place she occupied in the hearts of Indians. For decades they listened to her on shellac gramophone records, then vinyl, cassette tapes, Walkmans, CDs, until a new generation summoned her on Alexa.

Lata was born Hema Mangeshkar in 1929 in the city of Indore. Music was in the air she breathed. She was the oldest daughter of Pandit Deenanath Mangeshkar, a Marathi and Konkani theatre actor and classical musician, and his wife, Shevanti. At nine, she asked her father if she could sing Raga Khambavati during one of his concerts. She wore a white frock, she recalled later, opened the performance, then fell asleep on her father's lap as he sang late into the night. He died when she was just 13, and she took small roles in theatre and films to support her family. She recorded her first film song in Marathi for the movie Kiti Hasaal in 1942. Her voice was both girlish and assured — as it would remain thereafter.

Blue Beauty Mornin – Roelof de Hoog

Source: South China Morning Post

The family moved to Mumbai in 1945, when the partition of the country into India and Pakistan also split the world of Hindi film singers. Noorjehan, one of the greatest singing stars of the time, moved back to Lahore and, in 1948 and 1949, Lata had her first big hits in the movies Majboor and Mahal. A torch had been passed on. Years later, when Lata was travelling in the northern state of Punjab, she and Noorjehan would meet — poetically, in the unclaimed territory between the borders.

Her four siblings, Meena Khadikar, Asha Bhosle, Usha Mangeshkar and Hridaynath Mangeshkar, are all musicians. Lata and Asha, also a cherished playback singer, often denied Bollywood gossip about their relationship: "How can we be rivals? I can never sing what she can," Lata said.

The sisters dominated the songs of Hindi cinema. As another singer, Alka Yagnik, recalled in an interview in 1990: "In the beginning, music directors would say . . . 'give us the same magic as Lata-ji, give us the same magic as Asha-ji'. I tried . . . but that magic is only in them."

Lata brought the rigour of *riyaz*, the steady practice of classical musicians, and a strict professionalism to her recording sessions. "I always find faults with my singing," she said once. "If I don't like what I've sung, I put my fingers in my ears and run away." Bade Ghulam Ali Khan, another great classical musician, proclaimed: "*Kambakht, kabhi besura gaati hi nahi!*" — loosely, "that woman never sings out of tune!"

As her biographer Harish Bhimani noted, she was "all steel beneath her lovely, rustling silks and half-smile", negotiating the often ruthless world of Bollywood with iron professionalism. She remained both deeply religious and independent throughout her life, never marrying. When a journalist had the temerity to castigate her for playing the slot machines in Las Vegas, she retorted that she was gambling with her own money, not his father's cash. She wore gold anklets, thought to be the prerogative of royal families, and enjoyed collecting cars and state of the art cameras.

Her most loyal listeners were at home. Delhi and Mumbai were much smaller cities in the 1970s and 1980s. On summer evenings, people would sit outside their homes listening on tinny transistor radios as her perfectly pitched voice floated above the open windows of Mumbai's *chawls*, or rose from a score of Delhi's bungalow rooftops.

India changed. Those cities became giant metropolises and democracy would veer away from the post-partition dream of pragmatic pluralism. But throughout, you could travel anywhere and hear Lata's latest Hindi film hit, or one of her devotional *bhajans*, or a lilting romantic duet in the toddy shops of Kerala or the bus stands in Bihar. Her songs belonged to every Indian, wherever they were.

Diderma Floriforme – Barry Webb

Source: South China Morning Post

Quotes of the month

Don't gamble… buy some good stock

Will Rogers, an American film star and humourist of the 1920s and '30s, provided what he may have thought was a comprehensive roadmap for success in the pursuit of wealth: "Don't gamble" he said. "Take all your savings and buy some good stock and hold it till it goes up, then sell it. If it don't go up, don't buy it"

Isn't that just wonderful?! So simple and clear! This quote was brought to my attention by Howard Mark, co-founder of Oaktree Capital. Refer to his latest Memo "Selling out" in a section below.

Charts of the month

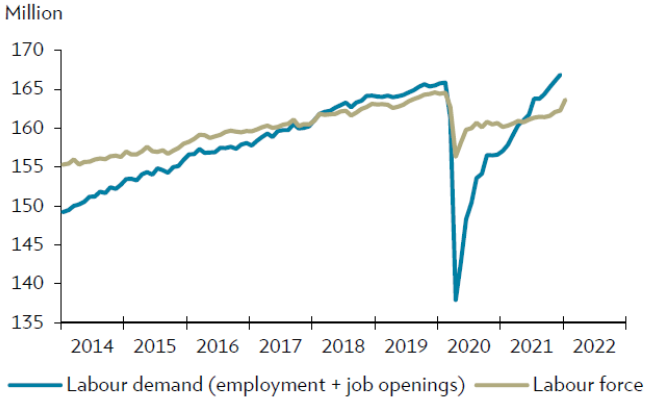
The US Labour market

The US labour market appears to be in better shape than feared. Despite a visible drag from the spreading of the Omicron variant, the number of new jobs created in January surpassed expectations. There were also strong upward revisions of the nonfarm payroll growth in November and December 2021. This suggests that the pandemic had less impact on US employment than initially thought, which increases the pressure on the US Federal Reserve (the Fed) to normalise its monetary policy more promptly. It is the real economy that has given the Fed the green light to normalise its monetary policy by ending its asset purchases and raising interest rates.

At the same time, there are positive indications that the US labour supply is increasing. The share of the population in the labour force (the participation rate) has increased; past figures have been revised upwards. While this mechanically increases the unemployment rate, it is an important contributor for addressing the labour shortage that has appeared in the past

few months. A further increase in the participation rate has the potential to reduce the considerable upward pressure on wages that is currently visible by bringing the US labour market back into balance.

Chart 4: Labour demand now ahead of supply



Source: Julius Bär

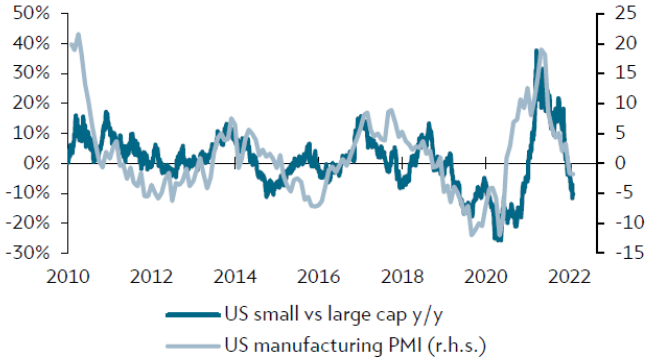
Chart 4 illustrates this point nicely: who would ever have thought that, as the world careened into the trough of the Covid-19 pandemic in March 2000, within two years there would be more job vacancies than supply (people) to fill the vacancies?

US Small caps and economic momentum

US small caps have had a wild ride since the start of the pandemic outbreak. In the year following the pandemic lows of mid-March 2020, small caps outperformed the S&P500 by a stellar 45%, only to give back most of the relative gains thereafter.

Due to their above-average exposure to cyclical sectors, small caps tend to outperform in an environment of above-trend growth, favourable liquidity conditions, and a steepening of the yield curve. However, the continued surge in US inflation has led the Federal Reserve to pivot to a more aggressive policy stance to combat price increases. At the same time, growth expectations in the US have been revised down considerably.

Chart 5: US Small caps versus the economy



Source: Julius Bär

Chart 5 illustrates that, when US economic momentum increases – shown in the chart as the US manufacturing Purchasing Managers' Index (PMI) – smaller companies tend to outperform their larger counterparts, and vice versa of course, as it currently the case. For US Small caps to outperform again, one would require an increase in US economic momentum, relief from the current supply chain bottlenecks (which are at the forefront of pushing prices higher – an environment unfavourable for small caps), and a lowering of expectations relating to the rate of increase in US interest rates.

German Wasps – Alan Clark

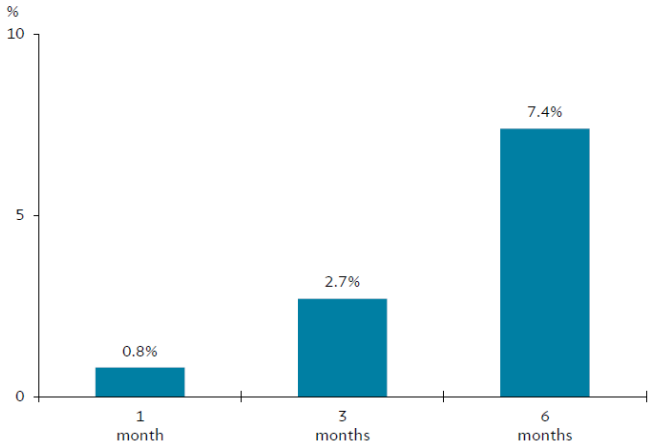
Source: South China Morning Post

Selling at the start of War?

Sadly, in my career I have seen the start of a few wars, as well as financial crises. The answer we are always asked is, what should investors do now? Should they sell? This is a complex question to answer, not least because each set of circumstances is different. However, provided one doesn't have an immediate need for one's capital, the almost universal fact is that, in due course, investment markets rise to new peaks once the crisis passes.

Chart 6: The Dow following the start of war

Dow Jones performance after the start of war



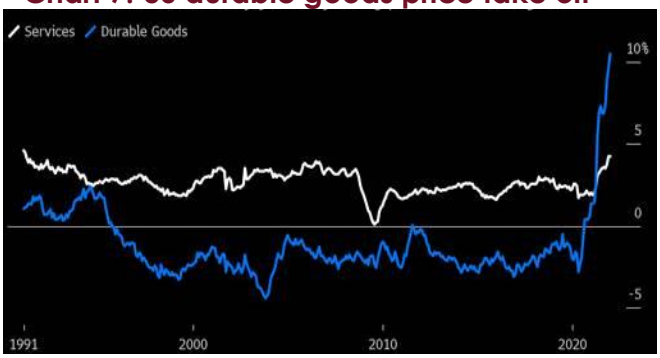
Source: Julius Bär

I appreciate that one cannot simply rely on the past as a predictor of the future. But I did find the following Chart instructive – and I'm sure many more will follow it in due course. It shows the start of war or conflict has historically not been a great time to sell one's investments. Chart 6 shows that, since 1914, the Dow Jones Industrial Average (not my favourite US equity market index, but it has a long track record) has been a strong performer once a conflict has begun. Six months after the start of the conflict, the Dow Jones has on average risen by 7.4%.

US durable goods prices take off

For about a quarter of a century before the pandemic, the price of US durable goods had been steadily declining year over year. Even though these products, such as cars, TVs and household appliances, account for a fraction of total consumer expenditures, they helped keep inflation at bay as the price of services rose. That is certainly no longer the case. With the Covid-19 crisis forcing millions to stay home and curbing spending on restaurants and travel, durable-goods inflation has surged ahead of the increase in the prices of services. Chart 7 shows the annual increase in the prices of durable goods and services since the early 90s.

Chart 7: US durable goods price take off



Source: Baader Bank

A careful and considered view of markets

You don't need me to tell you that, as far as global equity markets are concerned, the start of this year has been one of the worst I can recall. Just when we thought that "sector rotation" i.e. the switch out of so-called growth shares into value shares, was coming to an end, events in Ukraine caused volatility to go through the roof.

The question that we ask ourselves and which is – understandably – directed at us throughout these periods is simply "what should we do?" The most tempting action is just to sell one's investments and sit on the sidelines. However, we

know from experience that this is probably one of the worst actions to take, and in any event, it relies on that perfect of sciences, hindsight, to arrive at one's view. Of course no one, not even investment managers, has the benefit of hindsight when having to decide what to do in the heat of the moment.

So much has been written about selling out of markets. In recent weeks a great deal has been written about what to do in the current investment climate. A casual survey of returns will show that there is no one who can predict the future, and very few managers who "get their timing right", assuming that is their objective. Of course Maestro has its own approach in times like this: as sacrilegious as it sounds, we generally take little or no action, as our experience has taught us that this is the most appropriate stance. We are not alone in this regard.

One of the most interesting and valuable articles we have read on this subject in recent weeks, comes from Howard Marks, the founder and co-chairman of Oaktree Capital Management. I am sure many of you are avid followers of his by-now famous "Memos". If not, I can recommend them highly. I would like to direct you to his recent (13 January) Memo entitled "Selling Out" which you can access by clicking here.

To whet your appetite, I quote a section from his "Selling Out" Memo: "Everyone wishes they'd bought Amazon at $5 on the first day of 1998, since it's now up 660 times at $3 304.

- But who would have continued to hold when the stock hit $85 in 1999 – up 17 times in less than two years?
- Who among those who held on would have been able to avoid panicking in 2001, as the price fell 93%, to $6?
- And who wouldn't have sold by late 2015 when it hit $600 – up 100 times from the 2001 low? Yet anyone who sold at $600 captured only the first 18% of the overall rise from that low.

"This reminds me of the time I once visited Malibu with a friend and mentioned that the Rindge family is said to have bought the entire area – all 13 330 acres – in 1892 for $300 000, or $22.50 per acre. It's clearly worth many billions today. My friend said, 'I'd like to have bought all of Malibu for $300 000.' My response was simple: 'you would have sold it when it got to $600 000.'

"The more I've thought about it since writing (a March 2015 Memo) Liquidity the more convinced I've become that there are two main reasons why people sell investments: because they're up and because they're down. You may say that sounds nutty, but what's really nutty is many investors' behaviour."

Two of a kind – Alex Pansier

Source: South China Morning Post

Rather than quote further excerpts from the Memo, I leave you with his final paragraph. Maestro identifies with, and has a similar mind set to the one espouses, which is succinctly contained as follows:

"Because we do not believe in the predictive ability required to correctly time markets, we keep portfolios fully invested whenever attractively priced assets can be bought. Concern about the market climate may cause us to tilt toward more defensive investments, increase selectivity or act more deliberately, but we never move to raise cash. Clients hire us to invest in specific market niches, and we must never fail to do our job. Holding investments that decline in price is unpleasant, but missing out on returns because we failed to buy what we were hired to buy, is inexcusable."

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	**Jan**	**-2.1%**	**-2.1%**	**19.1%**
JSE All Share Index	*Jan*	*0.9%*	*0.9%*	*23.9%*
Morningstar sector ave	*Jan*	*1.0%*	*1.0%*	*24.0%*
Maestro Growth Fund	**Jan**	**-2.6%**	**-2.6%**	**5.4%**
Fund Benchmark	*Jan*	*0.0%*	*0.0%*	*17.3%*
Morningstar sector ave	*Jan*	*-1.4%*	*-1.4%*	*15.6%*
Maestro Balanced Fund	**Jan**	**-2.6%**	**-2.6%**	**4.9%**
Fund Benchmark	*Jan*	*-0.1%*	*-0.1%*	*15.3%*
Morningstar sector ave	*Jan*	*-1.4%*	*-1.4%*	*13.3%*
Maestro Global Balanced Fund	**Jan**	**-11.4%**	**-11.4%**	**-13.8%**
Benchmark	*Jan*	*-7.1%*	*-7.1%*	*9.3%*
*Sector average **	*Jan*	*-7.3%*	*-7.3%*	*6.8%*

* 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 31 January, 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 - January 2022						
	3 mths	6 mths	1 year	3 years	5 years	10 years
Maestro Equity Prescient Fund	***5.6%***	***9.8%***	***19.1%***	***11.0%***	***4.1%***	***7.4%***
Maestro Equity Fund benchmark	10.2%	10.9%	20.6%	13.7%	9.9%	12.8%
SA Peer Group Average	6.6%	10.8%	24.0%	11.8%	7.5%	9.5%
Maestro position within Group	107	102	119	81	102	54
Number of participants	167	167	163	146	117	65
Quartile	3rd	3rd	3rd	3rd	4th	4th

Table 3: The Maestro Growth Fund

Morningstar (ASISA) South Africa Multi-Asset High Equity - January 2022						
	3 mths	6 mths	1 year	3 years	5 years	10 years
Maestro Growth Fund	***1.0%***	***3.2%***	***5.3%***	***9.5%***	***5.9%***	***7.8%***
Maestro Growth Fund benchmark	7.0%	7.6%	17.3%	13.1%	10.2%	10.9%
SA Peer Group Average	3.1%	6.4%	15.6%	10.4%	7.4%	8.8%
Maestro position within Group	189	185	198	128	132	52
Number of participants	205	205	204	184	153	66
Quartile	4th	4th	4th	3rd	4th	4th

Table 4: The Maestro Balanced Fund

Morningstar (ASISA) South Africa Multi-Asset Medium Equity - January 2022						
	3 mths	6 mths	1 year	3 years	5 years	10 years
Maestro Balanced Fund	***0.8%***	***3.0%***	***4.9%***	***8.3%***	***5.3%***	***7.3%***
Maestro Balanced Fund benchmark	6.1%	6.7%	15.3%	12.2%	9.8%	10.3%
SA Peer Group Average	2.9%	5.5%	13.3%	9.5%	7.2%	8.3%
Maestro position within Group	94	94	96	71	68	32
Number of participants	97	97	97	88	73	38
Quartile	4th	4th	4th	4th	4th	4th

Table 5: Maestro Global Balanced Fund

Morningstar (ASISA) Global Multi-Asset Flexible - January 2022						
	3 mths	6 mths	1 Year	3 Years	5 Years	10 years
Maestro Global Balanced Fund	***-9.6%***	***-8.0%***	***-13.8%***	***9.8%***	***N/A****	***N/A****
Global Balanced Fund benchmark	-1.4%	3.6%	9.2%	15.5%	10.9%	13.5%
SA Peer Group Average	-2.7%	1.9%	6.8%	13.6%	10.2%	12.4%
Maestro position within Group	45	45	41	27	N/A	N/A
Number of participants	46	46	42	30	22	12
Quartile	4th	4th	4th	4th	N/A	N/A

Book Review: The Chief Witness

Those who have known me for many years will appreciate that I have long been a "China bull" i.e. positive about the prospects of, and investment opportunities in, China – since the late 90s in fact. Clients have benefitted over the years from this positive view, but truth be told it cost them – and us – some return during 2021 (the first half of the year in particular). With the benefit of hindsight, we had too much exposure to China when the investment environment there turned hostile.

Harlequin Shrimps – Adriano Morettin

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

Source: South China Morning Post

Over the years I have read a number of books on China and its history. I remain fascinated by the history – modern and ancient – of this mighty nation, and continue to have a deep respect and admiration for a nation that has achieved so much, and influenced our lives, even in ways we don't necessarily appreciate. But as the tide started turning against "private" capital in China, during the end of 2020, and the authorities became more aggressive in their policies and regulation, I started thinking it was time to read some of the books that were starting to appear on a topic that had long concerned me, namely the treatment by the Chinese government of minority tribes and people, specifically in the huge western province of Xinjiang.

I am always wary of so-called "whistleblower" books. Each of us in our way human way has an agenda and points to make. Truth can be misrepresented or lost in our inherent though understandable biases as we navigate through a world increasingly dominated by the free flow of information – and its manipulation. Nevertheless, putting my skepticism aside, and assisted by the pain we were experiencing on the investment front, I began reading *The Chief Witness*, by Sayragul Sauytbay.

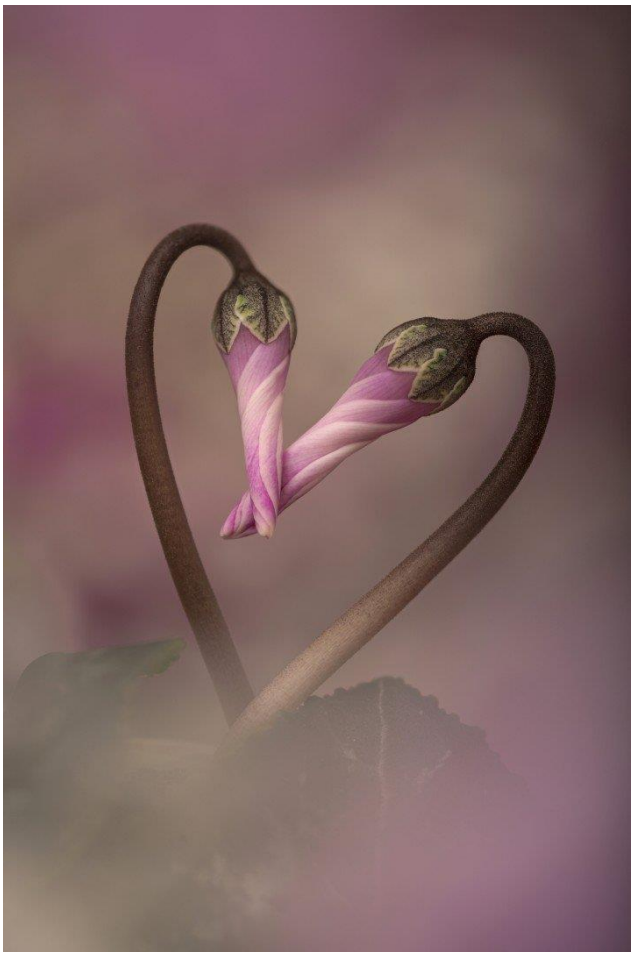
The book is, to say the very least, shocking and disturbing. The authoress starts off with a delightful introduction, summary, and history of her culture. A Kazakh, emanating from what, prior to its annexation by the Chinese in 1949, was known as East Turkestan, Sayragul is married, has two children and is a trained medical doctor. I now regard her as one of the strongest, bravest, and most determined woman I have ever come across and believe, sadly, it is likely only a matter of time before she is "silenced". I am amazed it hasn't happened already.

In the Chief Witness, published in 2020, she describes the slow but inexorable takeover of the region by the Chinese, to the point where she describes the region as the largest surveillance state in the world. Here exists a network of more than 1 200 internment camps, above the ground, and an increasing number of subterranean camps, where a total of 3m people are being detained, not having ever committed a crime nor having stood trial. She describes the situation as being the largest single systematic internment of a single ethnic group since the Third Reich.

At first I thought such a description was a wild over-statement, but having made my way through the book, which is heavy and deeply disturbing in places – particularly her description of the treatment of those interned, and her first-hand experience of ordeals these people, and herself, are subjected to – I found it increasingly difficult to differentiate between what is happening in Xinjiang, and what happened during the Holocaust. If you think I am being overly dramatic, I encourage you to read the book and decide for yourself.

Are we comfortable investing in a country, where the single party authority meters out such policies on minorities? What will future generations think of us and what will they accuse us of in the years to come? In the age of ubiquitous information, I feel increasingly uncomfortable with a response of "well, I never knew about it".

The Kiss – Angi Wallace



Source: South China Morning Post

The book chronicles Sauytbay's life and experiences. She is separated from her family at some point, lands up in an internment camp and eventually makes a remarkable escape to Kazakhstan, then through Germany and on to Sweden, where she now resides.

Allow me to share an extract from the book, which as I said is harrowing in places, terrifying in others, and scarcely believable. The cruelty and depravity metered out to the minority groups beggars belief.

In an extract entitled Subterranean camps, she writes as follows: "As I'm telling you this, I am wondering how I can bear to make myself remember it. Every time I have a conversation with a journalist about the camps, it's like I'm bringing the past back to life, and it's just as unendurable as it was at the time. It feels like I'm back in the same situation. My heart pounds, and my sweat-drenched shirt clings to my skin. The images in my head spin and whirl until I'm too exhausted to go on…

"Countless other statements testify to prisoners being deliberately infected with tuberculosis and hepatitis in the camps, and pregnant women being forced to have an abortion. These reports have been verified by human rights organizations. Most recently, stories have been circulating about subterranean camps. International human rights organizations have been using satellite images to gather information about the number of camps, and on this basis estimate that between 1.2m and 1.8m people are in concentration camps in East Turkestan.

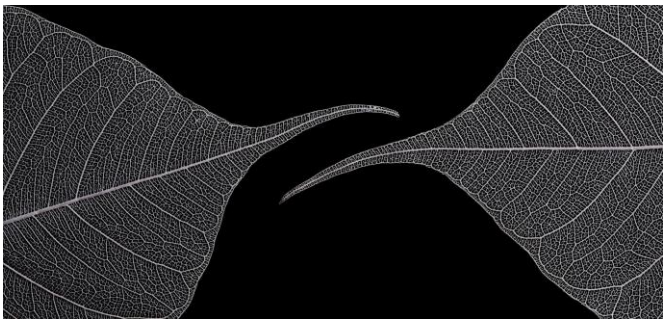
"In reality, there are numerous hidden and underground concentration camps that cannot be seen by satellite. The Bingtuan – the Production and Construction Corps in East Turkestan – run several underground camps that are not so easily discovered.

"I heard about two underground camps from a friend who visited his parents in Guliden last year. When he went to visit his parents in Tougztarau, a

county in the Ili Kazakh Autonomous Prefecture, he heard from his family and other witnesses about a subterranean camp there in Guliden. Apparently, 14 000 are being detained there. My friend drove to Sumen, Qapqal County Number 6, to find out from a policeman friend where exactly his own relatives were incarcerated. The policeman explained that his relatives were held in an underwater prison in Sumen, and gave him additional, horrifying inside information.

"The guards there kept the prisoners in chains attached to the ceiling. They hung side by side in water that reached up to their mouths, their hands shackled to the ceiling. Any attempt to stretch out their legs and alleviate the pain soon became unbearable because they would swallow water and be unable to breathe. Any urine and faeces they passed was left swimming in the same water. They were only allowed to get out of the water three times a day, for meals. They would be kept there for weeks at a time. I don't know how long a person can bear such a thing. I don't if there were many survivors. I only heard that were are several such underwater prisons.

Leaves of lace – Julia Briggs



Source: South China Morning Post

"Based on reliable witness testimony from numerous prisoners kept in subterranean camps, I and other activists estimate that the true number of detainees held in East Turkestan is close to 3m.

"When I hear these stories, I feel like I'm a prisoner again myself. I feel like an invalid."

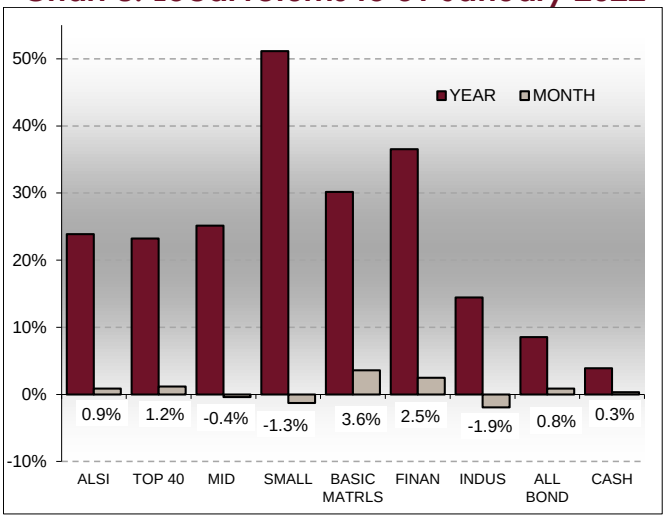
The above extract covers a second-hand account, but the bulk of the book covers Sayragul's first-hand, personal experiences at the hands of the Chinese. In most cases, both her and the other "prisoners" only "crime" is that they are minorities. There are terrible and uncomfortable parallels between what I read in this book and what we know about the Nazi concentration camps, where, there too, the "prisoners'" only "crime" was being of a certain ethnicity and culture. It is even more disturbing to know that this is happening right now, in our lifetime, under our very noses.

Sayragul Sauytbay was awarded the 2021 Nuremberg International Human Rights Award, and the US State Department's International Women of Courage Award in 2020. Alexander Cavelius assisted Sauytbay in writing the book in German, originally, and it was translated into English by Caroline Waight in 2021. At 300 pages long, it is an easy read, but it is a harrowing and ghastly journey to undertake. However, it is a timely yet shocking reminder of what happens when a powerful regime drives its own agenda and disregards the rights of minorities. It has forever changed my views of the Chinese authorities, and I would strongly urge you to read this book and be better informed about what will eventually become the largest nation on the planet. You can order the book through Exclusive Books here, or on Amazon by clicking here.

January in perspective – local markets

Turning to the South African markets, they held up remarkably well, as did the rand, given the significantly reduced appetite for risk. The All Share Index rose 0.9%. The Basic Materials index rose 3.6% and the Financial index 2.5%, while the Industrial index lost 1.9%. The Large Cap index rose 1.2%, but the Mid and Small Cap indices lost 0.4% and 1.3% respectively. The All Bond index rose 0.9%, and was supported by the rand, which firmed 3.4% against the greenback. The rand has now only lost 2.7% against the dollar during the past year.

Chart 8: Local returns to 31 January 2022



File 13: Info almost worth remembering

Time to lighten up in the midst of market gloom

Without detracting from the severity of the current market woes, the following "insults" were brought to my attention by a client, and were simply too good not to share. I hope you enjoy them as much as I did.

- "He had delusions of adequacy." *Walter Kerr*
- "He has all the virtues I dislike and none of the vices I admire." *Winston Churchill*
- "I have never killed a man, but I have read many obituaries with great pleasure." *Clarence Darrow*

The "Pear-fect Pair – Heidi Egerman

Source: South China Morning Post

- "He has never been known to use a word that might send a reader to the dictionary." *William Faulkner* (about Ernest Hemingway)
- "Poor Faulkner. Does he really think big emotions come from big words?" *Ernest Hemingway* (about William Faulkner)
- "Thank you for sending me a copy of your book; I'll waste no time reading it." *Moses Hadas*
- "I didn't attend the funeral, but I sent a nice letter saying I approved of it." *Mark Twain*
- "He has no enemies, but is intensely disliked by his friends." *Oscar Wilde*
- "I am enclosing two tickets to the first night of my new play; bring a friend, if you have one." *George Bernard Shaw* to Winston Churchill
- "Cannot possibly attend first night, will attend second... if there is one." *Winston Churchill*, in response

- "I feel so miserable without you; it's almost like having you here" *Stephen Bishop*
- "He is a self-made man and worships his creator." *John Bright*
- "I've just learned about his illness. Let's hope it's nothing trivial." *Irvin S. Cobb*
- "He is not only dull himself; he is the cause of dullness in others." *Samuel Johnson*
- "He is simply a shiver looking for a spine to run up." *Paul Keating*
- "He loves nature in spite of what it did to him." *Forrest Tucker*
- "Why do you sit there looking like an envelope without any address on it?" *Mark Twain*
- "His mother should have thrown him away and kept the stork." *Mae West*
- "Some cause happiness wherever they go; others, whenever they go." *Oscar Wilde*
- "He uses statistics as a drunken man uses lamp-posts ... for support rather than illumination." *Andrew Lang*
- "He has Van Gogh's ear for music." *Billy Wilder*
- "I've had a perfectly wonderful evening. But I'm afraid this wasn't it." *Groucho Marx*
- The exchange between *Winston Churchill* and *Lady Astor*: She said "If you were my husband I'd give you poison." He said, "If you were my wife, I'd drink it."
- "He can compress the most words into the smallest idea of any man I know." *Abraham Lincoln*
- "There's nothing wrong with you that reincarnation won't cure." *Jack E. Leonard*
- "They never open their mouths without subtracting from the sum of human knowledge." *Thomas Brackett Reed*
- "He inherited some good instincts from his Quaker forebears, but by diligent hard work, he overcame them." *James Reston* (about Richard Nixon)

So what's with the pics?

I follow the photo blog on South China Morning Post. Recently they listed the winners of the Close-up Photographer of the Year Challenge. Given that most of the photos feature a "couple" I thought it was worth sharing, given the recent celebration of Valentine's Day.

Dysdercus Concinnus Coitus – Hugo Camacho

Source: South China Morning Post