MAESTRO

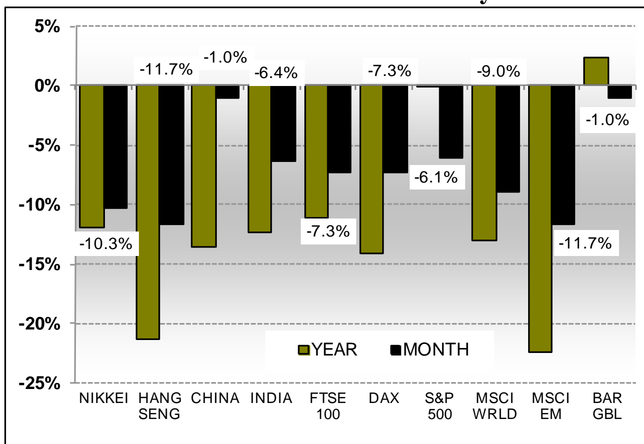
INTERMEZZO

Investment Letter | 12th Edition | June 2012

May in perspective – global markets

During the past month global investors fled from equity markets, emerging ones in particular, pulled out of commodities, out of the bonds of countries perceived as risky and out of emerging currencies. Then they piled into the bond markets of two countries, the US and Germany. Not surprisingly these countries' bonds reached record levels while other asset classes slumped unceremoniously. The MSCI World index, a proxy for developed equity markets, declined 9.0%, the major casualties being Japan down 10.3%, Germany 7.4%, the UK 7.3% and the US 6.6%. The Spanish equity market ended May at a 9-year low. Emerging market fared even worse. The MSCI Emerging market index fell 11.7% - remember this index is dollar-denominated so it implicitly includes the effects of weak emerging market currencies. Countries which experienced severe declines included Russia, down 22.1%, South Africa 12.7% in dollar terms, Brazil 11.9%, Hong Kong 11.7%, India 6.4% and Indonesia 8.3%. The Chinese equity market declined only 1.0%. These declines represent the movements in the actual local emerging market indices, so the effects of weak emerging market currencies are excluded (the exception being Russia's RTS index, which is dollar-denominated). Refer also to other emerging market returns, contained in Table 3 on page 7 of this edition.

Chart 1: Global market returns to 31 May 2012



One of the most influential forces in May was the strength in the dollar at the expense of virtually all other currencies. Relative to the dollar the euro declined 6.6%, sterling 5.2%, the Aussie dollar 6.8% and the yen 1.8%. Emerging currencies fared worse against the dollar; the Russian rouble fell 12.3%, the rand 9.5%, the Brazilian real 6.4% and the Indian rupee 6.2%. Commodities also fell victim to the strong dollar. The "safe haven" status of gold – that is how some regard the yellow metal – must now surely be in question, given its 5.7% decline on the month despite the heightened risk environment. Admittedly, it declined less than the oil price, down 14.7% or platinum, down 10.5%, palladium 10.0% or silver 9.9%. Amongst base metals copper fell 10.5%, aluminium 4.0% and nickel 8.0% and iron ore 6.9%. The CRB Commodity index declined 10.1% and the S&P Goldman Sachs Commodity index 11.9%, proving just how pervasive the declines were across the commodity complex. It is a stale cliché, but there was simply "no place to hide" from the declines during May.

Bond markets continued to defy logic and gravity; US and German bonds set records on an almost daily basis in the last week of the month as investors grew more anxious about the security of their capital. At the time of writing the 2-year German government bond yield has just gone negative i.e. investors are now paying the German government to buy their debt, as opposed to being rewarded in the form of interest for buying their debt. The Barclays Capital Global Aggregate bond index declined 1.0% while the US Aggregate bond index rose 0.9%, showing how popular US bonds were. US and German bonds continued to break records into the new month, with the US and German 10-year bonds trading at all-time record low yields of 1.45% and 1.13% respectively – refer to Chart 2.

What's on our radar screen?

Here are a couple of items we are keeping a close eye on:

- *The SA economy*: SA retail sales rose 6.8% in the year to March, ahead of consensus expectations of 6.6%; February retail sales were revised to 7.2% from 6.8%. This represents a significant feat for consumers faced with rising inflationary pressures and weakening job prospects. Economic growth in SA during the first quarter of 2012 (Q1 12) totalled 2.7%, down from Q4 3.2% but still above expectations of 2.3%. The mining sector shrank 16.8%, manufacturing grew 7.7% and the finance and business services grew 4.1%. Headline inflation rose 6.1% in the year to April, marginally higher than March's 6.0%. Food prices rose 8.7% on an annual basis. Core inflation i.e. inflation excluding food and energy prices, rose 4.5%. All of these economic updates pointed to an easing of upward pressure on SA interest rates. This was confirmed by the SA Reserve Bank (SARB), who revised their average 2012 and 2013 inflation forecasts to 6.0% and 5.0% respectively and their SA growth rates to 2.9% in 2012, 3.9% in 2013 and 4.1% in 2014. We continue to expect the SARB to leave interest rates unchanged through the remainder of this year.
- *The US economy*: As usual there was a host of US economic data to digest although most of it was disappointing. First quarter growth was revised down from the initial estimate of 2.2% to 1.9%. Labour data

was once again very disappointing (see below for a more detailed discussion of this critical component of the US economy) as was data on the housing market.

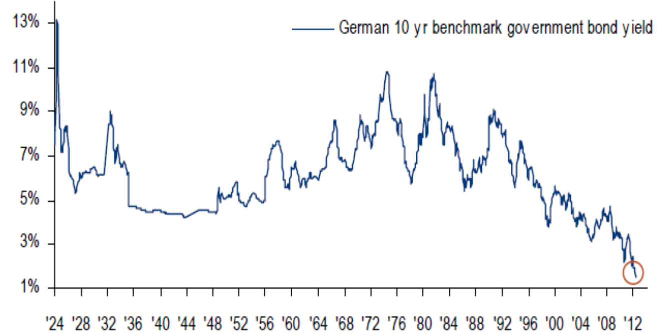
- *Emerging economies*: The **Chinese** authorities reduced the bank reserve requirement ration (RRR) by 0.5% again, the third reduction since November last year, in acknowledgement of a slowing economy. This action frees up capital which in theory allows banks to lend more. The **Indian economy** grew at an annualized rate of 5.3% during the first quarter , well below the 9.2% during Q4. This was the slowest rate of growth since 2003 and even slower than during the depths of the 2009 crisis. The manufacturing sector contracted by 0.3% (it grew 7.3% in Q1 2010) while agriculture grew at 1.7% (7.5%); these two sectors alone constitute 30% of the Indian economy and provide more than 50% of employment. **Brazil** grew at 0.2% in Q1, marginally higher than Q4's 1.0%. The Brazilian central bank cut interest rates by 0.5%, bringing their official (Selic) rate to 8.5%, which is lower even than during the midst of the 2009 turmoil, when rates troughed at 8.75%.

Source: National Geographic – [Kayaking over Toketee Falls, Oregon]

Chart of the month

I would like to share two charts with you this month. We referred earlier to the historic levels to which US and German bond yields had declined recently. Chart 2 shows the level of German 10-year bond yields (interest rates) since 1924. It puts the recent decline in yields into perspective.

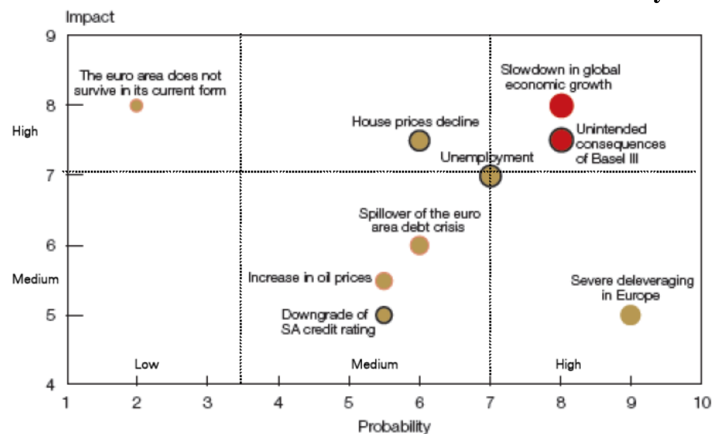
Chart 2: Historic levels of German 10-year bonds (%)



Source: Merrill Lynch

On the local front the Reserve Bank published its Financial Stability Review towards the end of March. You can find the document [by clicking here]. One of the charts it contained, depicted in Chart 3, demonstrated in a simple fashion the prevailing risks to SA's financial stability in 2012. It is easy to understand and needs no further explanation, but we thought you would find it interesting.

Chart 3: SARB assessment of risks to financial stability



Source: SA Reserve Bank Financial Stability Review March 2012

Some quotes to chew on

The cult of equities is dead. Long live equities

In an interesting piece on the current state of equity markets, *Financial Times senior investment columnist John Authers* drew a parallel to earlier periods, when commentators wrote off equities as a form of long-term investment. The following is an extract from his article.

"Emotions at market tops and bottom can be truly extreme. Timing the best entry point, with press headlines or anything else, is impossible ...The "cult of the equity" refers to the belief that equities should trade at a lower (dividend) yield than bonds because their income can grow over time while bonds' income is fixed. This belief took force after a 1954

speech made by George Ross-Goobey, manager of Imperial Tobacco's pension fund, announcing that he was transferring his fund into equities because valuation was compelling. For the previous half century, investors had demanded a higher yield from equities because they were more volatile. The critical shift was in perception of risks. At present, as I have said before, equities look cheaper versus bonds than they have in half a century. This means, more or less by definition, that the first cult of the equity is over. It also provides a necessary condition for the beginning of a new one. But it is not a sufficient condition. Equities do look cheap, relative to bonds, *because bonds are incredibly expensive*. All else equal, that should mean people start selling bonds – and buy at least some stocks with the money they release.

Source: National Geographic – Kayaking over La Paz Falls, Costa Rica

But talk to fund managers and it is obvious that they are buying bonds not because they are in the grip of a cult or bubble mentality, but because regulations force them to do so. This is financial repression – to deal with the debt they took on to quell the credit crisis, governments are forcing us all to lend to them at ruinously low rates. While artificial incentives to buy bonds stay in force, bonds could stay expensive – and equities could stay relatively cheap. In absolute terms, stocks do not look so cheap, and the backdrop is not as propitious for them as it was in 1954. Rob Buckland, Citigroup's chief global equity strategist, proclaims that the equity cult is "still dying". When Mr Ross-Goobey spoke, he points out, baby boomers were at school, not retiring, there was no inflation-protected bonds market to hedge against inflation (equities had to do that job), and equities were not heavily correlated with other assets, as they are now. Further, stocks had been doing well for 10 years, to encourage people into the market (investors now are traumatised by the 2008 crisis). And yet in absolute terms they were cheaper than they are today, yielding 1.4 per cent more than inflation then, and 0.5 per cent less than inflation now. For Mr Buckland, "basing an investment (or business) strategy around an imminent return of the equity cult looks premature". That appears to be right. Once financial repression ends and rates are allowed to return to normal, there will be another cult of the equity. Timing that can only be guesswork. I fear, however, that financial repression has a way to go."

Politicians' contribution to the current mess

In an article about the "fiscal cliff" i.e. the dramatic fall in fiscal support that the US faces at the end of the year which, incidentally, amounts to an astonishing 4.6% of US GDP (!) *Merrill Lynch North American economist Ethan Harris* ends with this poignant observation: "we also wonder whether the average politician understands how much damage they are doing to the economy". You will increasingly come to hear about references to this "fiscal cliff" which if we are honest, concerns us greatly and which has fashioned a large part of our bearish view of the US and therefore the global economy for the remainder of this year. Table 1 highlights the expiration of a list of fiscal measures, instituted in the past during previous crises as either stimulus measures or for political opportunism, which will take effect in the absence of any policy response between now and the end of the year. Our view is that US politicians will not agree to any such response, which will inevitably and *automatically* usher in a particularly harsh fiscal cutback. We echo Ethan Harris' view that US politicians simply don't understand how much damage their politicking and grandstanding is doing to the economy and hence also the lives of normal citizens.

Table 1: The "Fiscal Cliff" – the size of the shock

Pending tax increases	
Bush tax cuts	$180 bn
AMT	120 bn
Payroll tax	120 bn
Tax extenders	20 bn
Obamacare	20 bn
Business expensing	10 bn
Pending expiring programs	
Extended UI	$40 bn
Medicare doc fix	20 bn
Other programs	40 bn
Pending spending cuts	
Sequester	$110 bn
Initial debt plan	40 bn
Total	**$720 bn**
Percent of GDP	**4.6%**

Source: Merrill Lynch

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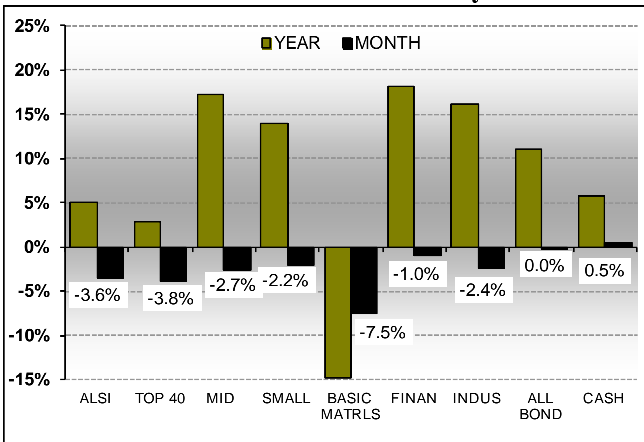
May in perspective – local investment markets

Local equity and currency markets followed the global trends. The All share index ended down 3.6%, led by the basic materials index, which ended down 7.5% despite the 9.5% decline in the rand. Financials held up well, but still ended the month 1.0% lower. Industrials declined 2.4%. In dollar terms the SA equity market declined 12.7%, making it one of the weaker emerging equity markets in May. What is not apparent from the monthly returns is the huge difference opening up between the annual returns of the three major sectors. We drew your attention to it when the difference rose above 20%, but it has opened up even further. The difference between the *annual* return of the basic material index (-14.8%) and the industrial index (16.2%) is now 31.0%, and between it and the financial index (18.2%) a remarkable 33.0%. The gold index rose 15.3% - exactly why it should have risen by this amount while the dollar gold price declined 5.7% remains a bit of a mystery to us, other than the effects of the weak rand on the dollar gold price. Most SA gold mines are highly leveraged to the gold price and even more so to the rand gold price.

Chart 4: Local market returns to 31 May 2012



Across the market cap spectrum the large cap index declined 3.8%, more than the mid and small cap declines of 2.7% and 2.2% respectively. Once again mid and small caps are turning conventional theory on its head; in a riskier environment these indices typically decline more than their large cap brethren, but this was not the case in May. We were not surprised by this unconventional movement; we continue to favour these sectors above large caps. The best performing sectors during May were the gold index, which rose 15.3%, healthcare equipment and services up 5.3% and personal goods 1.7%. On the opposite end of the scale the platinum mining sector declined 12.1%, general mining 11.8% and coal mining 9.2%. Despite the weak rand the local bond market held its own, declining only 0.01% during May.

Source: National Geographic – Kayaking over Sahalie Falls, Oregon

For the record

Table 2 lists the latest returns of the mutual funds under Maestro's care. You can find more detail by visiting our website at www.maestroinvestment.co.za. Returns include income and are presented after fees have been charged. Fund Summaries for each respective fund listed in the table are available on our website.

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

	Period ended	Month	Year to date	Year
Maestro Equity Fund	**May**	**-4.6%**	**8.7%**	**8.0%**
JSE All Share Index	*May*	*-3.6%*	*5.1%*	*5.1%*
Retirement Funds				
Maestro Growth Fund	**May**	**-2.2%**	**7.2%**	**8.7%**
Fund Benchmark	*May*	*-1.5%*	*4.9%*	*7.9%*
Maestro Balanced Fund	**May**	**-1.8%**	**6.6%**	**8.4%**
Fund Benchmark	*May*	*-1.1%*	*4.6%*	*8.0%*
Maestro Cautious Fund	**May**	**-1.5%**	**5.3%**	**8.3%**
Fund Benchmark	*May*	*-0.9%*	*3.8%*	*7.3%*
Central Park Global Balanced Fund ($)	**Apr**	**0.3%**	**8.1%**	**-7.3%**
*Benchmark**	*Apr*	*-0.3%*	*5.0%*	*-2.4%*
*Sector average ***	*Apr*	*-0.6%*	*5.6%*	*-5.0%*

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

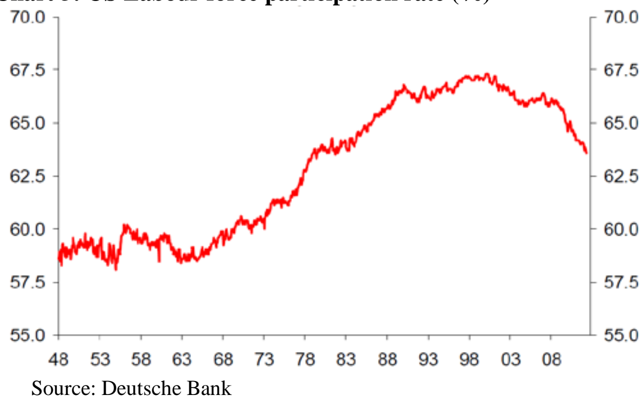
A closer look at the US labour market

On numerous times in the past we have alluded to our concern about the state of the US economy, particularly in the medium-term, say in the next five to ten years. "The Lost Decade" has long been one of our **Big Picture Themes** by which we refer to our belief that the peak of the US Empire has long past and it now faces a decade of decline in its economic and political might. Of even greater concern to us is this Big Picture theme is now nearly five years old and we now think the decline of the US will stretch over two or

three decades, making the problem even bigger than we initially thought. Most worrying for the short-term is that, at least in our humble opinion, US politicians seem oblivious to this process and carry on "playing politics" and adopting a "business as usual" stance as though there was no problem at all. Nothing could be further from the truth – we think the US economy has serious structural problems; the more they are ignored, the worse they become.

Three areas in particular have been the focus of our attention: the labour market, the housing market and the political process by which we mean the manner in which political decisions are made and implemented. These three areas are, in a word, broken. The focus of this section of *Intermezzo* will be to share with you some underlying data, in graphic form, on the US labour market. I won't comment too much, as the charts tell their own story. You can make up your own mind as to whether or not you agree with our concern about not only the US labour market but that economy in general. Let's look at the charts, then; the shaded horizontal sections represent US recessions.

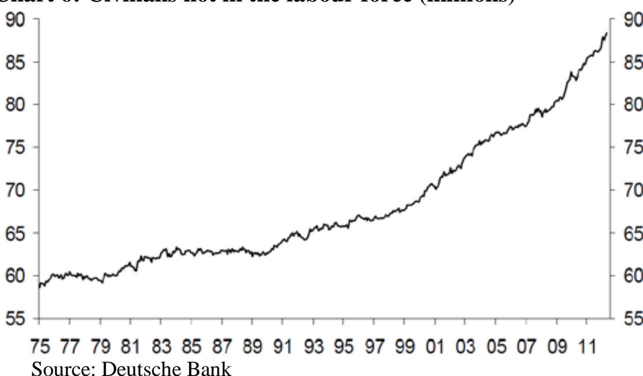
Chart 5: US Labour force participation rate (%)



Source: Deutsche Bank

Chart 5 shows that only about 63.5% of the total workforce are actually employed and that ratio has been declining steadily for the past twelve years.

Chart 6: Civilians not in the labour force (millions)

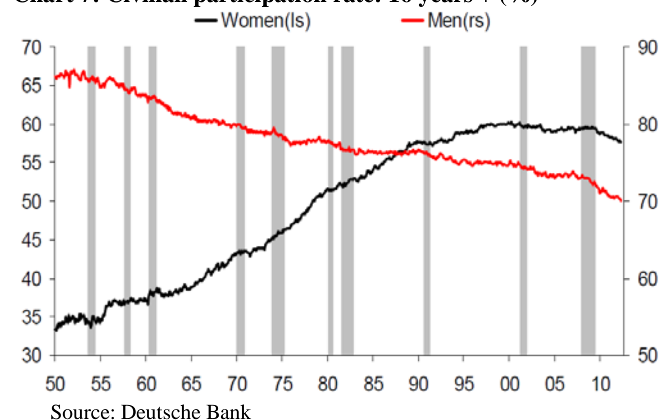


Source: Deutsche Bank

This is corroborated by Chart 6, which shows that an increasing number of US citizens are simply no longer able to find work. We know for example, that the widest definition of unemployment, the so-called U6 rate, is currently 14.8%, having peaked in October 2009 at 17.2%. The U6 rate is seldom quoted, least of all by politicians; rather the more narrowly defined unemployment rate, the U3 rate of unemployment, is used in the data releases. The U3 unemployment rate is currently 8.2%. The U6 rate counts not only people, 16 years and over, without work seeking full-time employment, but also "marginally attached workers and those working part-time for economic reasons." The "marginally attached workers" include those who are discouraged and stopped looking, but still want to work. Lest you fail to appreciate the full message of Chart 6, simply put 88m US civilians are currently out of work.

As an aside, earlier this year my extra-work related studies saw me cover the history of US Feminism in the 1970s. When I saw Chart 7 I couldn't help feeling it represented a measure of success for feminist pioneers; they would have been proud of the increase in the female participation rate over the past 60 years . But more seriously and rather worryingly, the labour participation rates across both genders are now in decline.

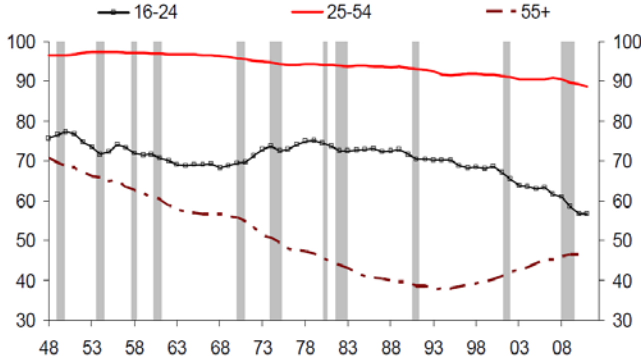
Chart 7: Civilian participation rate: 16 years + (%)



Source: Deutsche Bank

Young people and young men in particular should be worried – and there is ample evidence to show that they are increasingly worried. Chart 8 shows that within the 16 – 24-year old cohort, the age when young people graduate or at least enter the job market, work prospects are increasingly scarce. And older men are increasingly stretching their working lives, to the extent that not only are their prospects for work improving but the 55-year and over male cohort is now the most rapidly growing section of the US labour force. That cannot bode well for the future, and it is hardly sustainable.

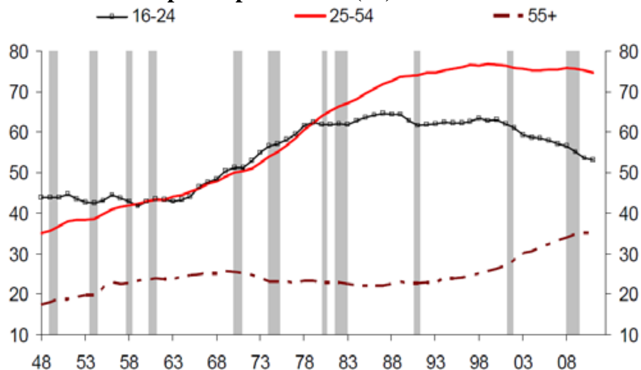
Chart 8: Male participation rate (%)



Source: Deutsche Bank

Having looked at the male labour market, the female labour market represents a slightly different profile, but the same equally worrying trends are evident. Prospects for young women in the US are declining at the fastest rate across all age groups. Even the 25 – 54-year old cohort is in a state of decline and older women are being employed for longer and are now facing improving job prospects.

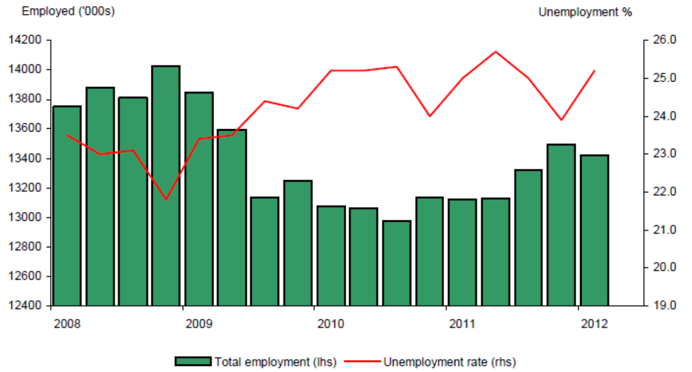
Chart 9: Female participation rate (%)



Source: Deutsche Bank

While on the topic of labour markets, it is worth refreshing our memories about the South African labour market, shown in Chart 10. Unemployment (U3) has remained steady for about two years now, between 24% and 25%, although the number of jobs that have been created has increased over this period. That said, we are still some way off the levels prior to the financial crisis of 2009.

Chart 10: SA labour market



Source: Nedbank, Statistics SA

State of the Nation: some exciting news

I know some of you have heard the good news by now but for those who haven't we were delighted to welcome the newest member into Maestro's extended family. David and Susan Pfaff became proud parents on 18 May, thanks to the safe arrival of Evangeline. David assures us there is no truth in the rumour that she came out holding onto a small surfboard or a share certificate (although I'm sure it was close). We wish them both well as they start the journey of parenthood and as they love and nurture their greatest investment to date. I am also delighted to welcome Evangeline on board as the youngest investor into the Maestro Equity Fund! Nothing quite like putting your money where your mouth is and maximizing the full benefits of the power of *long-term* investment.

Source: National Geographic – Kayaking over Outlet Falls, Washington

File 13: Information almost worth remembering

Getting the facts straight

In last month's *Intermezzo* we spent a bit of time on the art market, highlighting the fact that the record price paid for an artwork was $106m for Pablo Picasso's *Nude, Green Leaves and Bust*. I am indebted to a few of you for bringing to my attention that this is actually incorrect. Although I was aware that a higher price was paid for another work, I was uncertain whether or not it was ever consummated as an official transaction. But it does indeed seem like the sale took place, at the rumoured price – hard as it may seem that someone actually paid that much for an artwork. You can read more about it by clicking here but let me record that in February this year the Kingdom of Qatar paid more than $250m for Paul Cézanne's *The Card Players.* There is a nice article on and pictures of all five of Cézanne's paintings in this series which you can view by clicking here.

Of course the topic of record prices for art works is incomplete without the sad tale of US gaming mogul Steve Wynn, who in 2006 put his elbow through Pablo Picasso's *Le Reve*, a day after concluding a deal to sell the work for a then-record $139m. Wynn, who suffers from an eye disease that affects his peripheral vision, struck the painting with his right elbow while showing it to friends in his Las Vegas office. He left a silver-dollar-size hole in the left forearm of the painting's subject, Picasso's mistress Marie-Theresa Walter. After a $90,000 repair, the painting was evaluated to be worth $85 million. Wynn claimed the price difference from his Lloyd's of London insurers and the case was eventually settled out of court in March 2007.

Paul Cézanne - *The Card Players* (1890 - 95)

What's with the waterfall pictures?

National Geographic has been running a series of photographs on Adventure and Exploration for some time and the photographs are simply breathtaking. So too are the feats which they capture, such as the lunatics who go kayaking off waterfalls for fun. So we thought we would share a few with you; we will share more next month, too. The size of the photographs shown here don't do justice to the real thing. I suggest if you really want to enjoy them you either go to the website itself or click on the link below the photograph to look at the detail they contain.

Let me assure you, the fact that global equity markets are declining and we can identify so closely with these kayakers as they head over the edge, is purely coincidental, as is the fact that we are being swept towards the US fiscal cliff, carried by forces beyond our control.

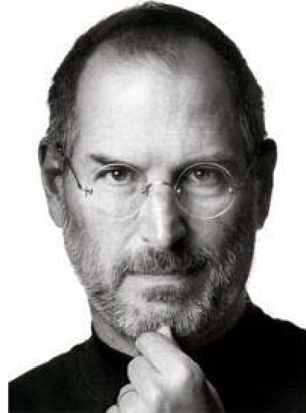
Table 3: MSCI returns to 31 May 2012 (%)

	Monthly	Year-to-date
Malaysia	-4.5	1.9
Philippines	-4.5	17.8
Taiwan	-5.0	4.2
Pakistan	-6.7	11.0
Peru	-6.9	5.4
Colombia	-7.5	15.5
Japan	-9.0	-2.9
MSCI DM	-9.0	-0.4
New Zealand	-9.2	3.8
EM Asia	*-9.8*	*1.6*
Hong Kong	-10.6	1.6
South Africa	-10.9	-1.7
AP ex-Japan	*-10.9*	*0.1*
Singapore	-11.0	6.1
China	-11.4	0.9
Korea	-11.4	1.4
MSCI EM	-11.7	-1.1
Thailand	-11.7	9.0
India	-11.9	0.6
Indonesia	-12.0	-9.2
Mexico	-12.1	0.4
Turkey	-13.0	6.5
Chile	-13.3	-0.2
LatAm	*-13.5*	*-5.8*
Australia	-13.6	-5.4
Czech Republic	-13.7	-11.0
Brazil	-14.8	-10.4
EEMEA	*-15.4*	*-4.1*
Poland	-17.1	-5.6
Russia	-21.4	-9.8
Hungary	-23.1	-5.0

Source: Merrill Lynch

Book review by David Pfaff

'Steve Jobs' - by Walter Isaacson



The book is widely available in retail books stores or can be purchased from Kalahari by clicking here.

As you may recall, at Maestro we will be taking it in turns to write book reviews. This is my second review, and it may be a while before I'm able to write another! The reason being that my first born, Evangeline Pfaff, arrived into this world on the 18th May at 06h36, and if the first week is anything to go by, I'm not sure how much spare time I'll have for reading in the next few months!

As I mentioned in my previous review (in the February edition of *Intermezzo*) of Jannie Mouton's autobiography, "And Then They Fired Me", I gravitate towards autobiographies written about people I'm interested in. So this month, we will be looking at the biography of Steve Jobs.

Over a period of 5 years, from 2004 to 2009, Steve Jobs actively pursued Walter Isaacson to write his biography for him. Isaacson had previously worked at CNN and Time magazine and written biographies on Benjamin Franklin, Albert Einstein and Henry Kissinger. When he pressed Jobs on why he specifically wanted him to write the book, Jobs replied "I think you're good at getting people to talk" - and in this book Jobs actively encouraged everyone to have their say - be it good or bad.

No one was off limits in the course of Isaacson's research, or any particular topic for that matter (as you can imagine Jobs' career was marred with controversial events). He interviewed over 100 of Jobs' friends, relatives, competitors and adversaries and conducted more than 40 conversations and interviews with Steve himself. Jobs wanted no editorial control or influence over the content; in fact he didn't even want to read the book before it was published. This is remarkable when you begin to understand how controlling and obsessive Steve actually was. It would seem that he just wanted to ensure that at least one book would be published with his side of the story in its pages and this biography is all the more credible, and incredible, for the fact that it is such an honest portrayal of a truly remarkable man and the sometimes unbelievable story of his success. Personally I think one of the reasons he gave so much leeway to Isaacson was because after he had "told his story" he trusted that Isaacson would portray his side correctly and quite frankly if people didn't like what they read, he really didn't care. Jobs' lack of influence over the book's content is important because he was known to have an ability to make the impossible seem real, and this became widely known as his reality distortion field. On various occasions he seemed to make the "impossible possible" by playing according to his own sets of rules. He was oblivious to the human shrapnel that he left in his wake because his focus was always on the end product, and the end product had to be perfect. He wouldn't tolerate anything less. To call him a perfectionist seems too weak a description, because as you read his story you realise that this quest for 'perfect' drove everything that he did, with an intensity and sometimes destructiveness that is described in the book, but that only friends, family and colleagues would fully understand having experienced it firsthand.

Isaacson doesn't beat around the bush when painting a picture of Jobs' personality. It's common knowledge that he was a difficult man, but reading about some of his 'confrontations' with colleagues, peers or employees he often comes across as simply unlikeable. But Jobs didn't seem to care or even notice at times. It was as if he didn't think he had time for the everyday pleasantries that feature in our personal and professional lives. I believe this was because Jobs always believed that he would die young and therefore always pushed hard at everything he did, with little time for diplomacy. He wanted to change the world, and as he pointed out in one of his Apple commercials from 1997: "The people who are crazy enough to think they can change the world are the ones who do".

His tantrums were legendary and his single-minded pursuit for pure excellence meant that he cared more about the product than the people making it. This couldn't have been much fun for his employees, but his motivation was to change the world by making remarkable products and his intention was never to make huge sums of money. The money he made (which was plenty) came as a by product of his successes. Perhaps Jobs' self-reliance and mistrust of others can be traced back to the fact that he was adopted, which left deep psychological scars that could have deepened his intensity and passion for matters about which he cared and could control. Certainly it seemed that parallels could be drawn between his personal and professional life. When Jobs first launched Apple with Wozniak, he was a drifting Silicon Valley genius, new college dropout, searching for life's meaning in Indian eastern religions and his well documented participation in mind altering drugs. At the time he had what many probably dismissed as a naive

belief that he could “dent the universe” with his ideas of personal computing. But In the early 70’s California was a place where experimentation was encouraged (in all aspects of life) and subsequently innovation flourished. Within a few years Apple was a well established company, but Steve's plans to dent the universe were put on hold when he was 'abandoned' for the second time in his life by John Sculley (ex president of Pepsi). Many believed that Sculley was like a father figure to Jobs. After much persuasion, he'd been brought in to manage Apple as the CEO. At first Sculley was reluctant to join Apple, but Jobs pursed him aggressively and wouldn’t take no for an answer. In a final attempt to secure Sculley’s services, Jobs said to him; "do you want to spend the rest of your life selling sugared water or come and work for Apple and change the world?"

Sculley had been someone that Jobs had trusted yet he made the ultimate call for Jobs to be shifted out of the company that Jobs founded and built up. And so, at the age of 30, Jobs found himself out of work and alone, ousted by the people that he loved and trusted. The book details how shattered Jobs was because of this betrayal. When he was finally dismissed from Apple he sold all but one share, to ensure that he was able to attend AGMs as a shareholder. However, Jobs was a serial entrepreneur, almost as if he couldn't help himself, and a large part of the book details his “comeback”. This is one of the primary reasons I believe this book will appeal to a wide variety of people, as there is nothing quite as inspirational as a comeback, especially one on this scale. Through a series of extraordinary events Steve Jobs regained control of Apple (over a decade later) and took it from virtual bankruptcy to the largest company in the world in just over a decade (1997 – 2011). This feat in itself is a remarkable one and to me the most fascinating part of the book comes between the time he was ousted from Apple and when he finally regained control. It was a time that seemed to be filled with professional challenges that matched those he dealt with on a personal level; insecurity, uncertainty and emptiness. He embraced these challenges and tackled them with a single mindedness that propelled him into the history books as arguably the most innovative technologist of our time.

Perhaps because of his abrasive personality, genius in knowing what people wanted before they did and his obsessive pursuit of perfection, Steve Jobs managed to revolutionise six industries: personal computing, animated movies, music, phones, tablet computing and digital publishing. During the process he had high profile legal battles with Google, global music artists and a fierce rivalry with Bill Gates and Microsoft. He did not always come out on top, but at the end of the day (or at the end of his life) it seemed like he won the war and did so through pure determination for excellence and a deep-seated belief that he was always right.

The story of his involvement with Pixar and Disney isn't what Jobs is most famous for and yet it made him the bulk of his personal fortune and transformed the animated movie industry beyond recognition. Isaacson's biography is filled with stories just like this. And partly because of these stories I found myself warming to and ultimately in awe of this unusual, sometimes unlikeable, complicated, yet incredible man.

Before I read this book, I owned an iPod (now I also have an iPhone, and hopefully an iPad sometime in the future!) The chances are that most of us own, have used or at the very least seen an Apple product and this book gives us an insight into and an understanding of the conception of the design and development of the Mac, the iPod, the iPhone - products that have become part of our everyday vocabulary. Being familiar with the products that feature in the pages of this book and hearing how Steve Jobs brought them to life is sometimes mesmerising because of the complexity behind the products, which on the surface appear to be so simple. By detailing the evolution of these products the book creates a great timeline of historic events that took place over the last 30 years of personal computing (amongst other industries) while revealing the true character of Steve Jobs, the visionary and genius who became the figurehead of Apple.

Jobs faced a lot of battles along the way, most created by his own stubbornness and refusal to compromise because he always believed his way was best. He lost some battles, but there's no doubt that he won the war when you consider his comeback against Apple after being ousted, his negotiations with Disney (with his company Pixar being sold to Disney), Sony (and the iPod picking up from where the Walkman left off), Nokia (where Apple took over with the iPhone from pervious popular Nokia handsets) and finally Microsoft (being ousted with the Apple Mac and its operating system dominating the creative world).

Jobs wanted to control the whole user experience, which is why he needed to control both the hardware and software of his products. Most of his products are difficult or impossible to open and allow for minimal user interference. This is not a coincidence, he believed that the final products that would be created for the world to use would be perfect and no one should tamper with them. He came across as a control freak who almost always believed he knew best and history now tells us that most of the time he was right. It is therefore not surprising that when Jobs took back control of the Apple in 1997, he managed the company in a similar way to how he

approached product design and the marketing of these products – with absolute control. He came back on his terms and ran the company as a military style operation. He believed that market research was a waste of time, as consumers didn't know what they wanted. This belief that it was part of Apple's job to show the consumer "the future" often led to disagreements. I believe deep down that this flowed through to some part of his philosophy that Apple should retain dividends as he knew where best to deploy the money in terms of acquisitions and/or organic growth. Tim Cook, who took over the leadership of Apple when Jobs passed away, recently came under enormous pressure to pay out some of the large cash contained on the company's balance sheet - something that Jobs never did during his second tenure at Apple.

The book is long, but it's a surprisingly easy read because every chapter is like a self-contained story, and each story is fascinating. In this review I've tried to resist "re-telling the story" which would make for a long book review and a poor account of what actually takes place! I would much rather and in fact would highly recommend that you take the time to read it for yourself. From the birth of iTunes store and the 99 cents songs, to Jobs' fascination with Bob Dylan, to him working for a $1 a year (for many years), to his anger at the founders of Google, to his controversial handling of his cancer diagnosis, to the controversial re-pricing of his Apple stock options after the 2000 tech meltdown, to his relationship with Gates and his friendship with Larry Ellison, the book is a genuine page-turner and an absolute must-read.

I looked forward to every chance I had to sit down and read the book. At times I would read certain sections to my wife or come back to the office and share pieces with my colleagues as they were too good not to mention. I closed the book with a respect and admiration for the products that Jobs literally dedicated his life to creating and as difficult a person as Jobs was, you come away from this book feeling slightly in awe of him. Steve Jobs was a unique, gifted individual and he succeeded in his aim to change the world ("or dent the universe" as he used to refer to it). He was the one who obsessively drove the innovation of new products. He was the one who obsessed about design and demanded perfection. He was the reason that people fell in love with Apple products and stayed loyal to them. Material success was merely a by product of how much the world loved his perfect product creations. When I see Apple shares scaling new highs (they are someway off them now) and when I have conversations with people about Apple products (and shares) and the wide belief that Apple may become the "first trillion dollar company", I find myself asking one very important question; was Steve Jobs Apple?

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