May in perspective – global markets

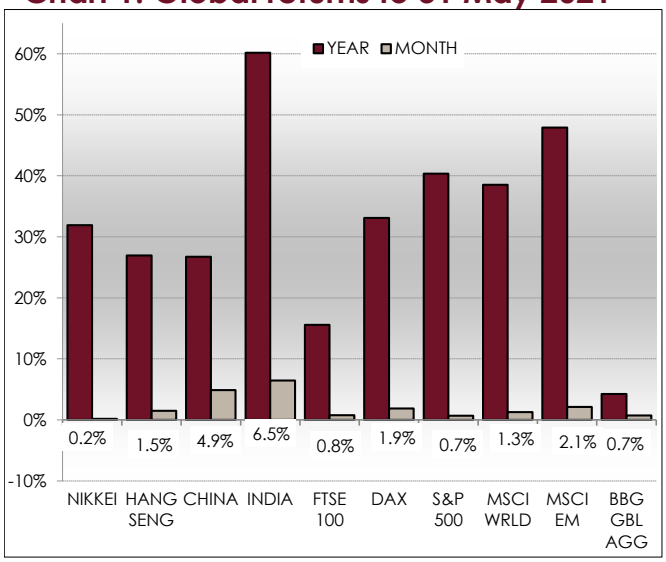
May came and went rather quickly, surrounded by the usual "sell in May and go away" adage. Although there is a lot "going on" in the markets, the month actually turned out to be rather quiet and uneventful. Investors seem to have taken the robust economic growth forecasts and increased corporate earnings projections to heart, and are now "sitting back" and waiting to see if they materialize as has been forecast.

The Niagara Falls, Ontario, Canada

Source: @dailyoverview

All eyes are on rising levels of global inflation. The increases in prices are clear, but diverging opinions exist as to whether or not the increases are a temporary phenomenon. Most policy-makers are of the view the increases will be temporary, but investors still seem to be making up their minds. Only time will tell what the reality is. In the interim investors remain on edge and markets are likely to mark time in an environment of volatility in the coming months.

Chart 1: Global returns to 31 May 2021



The Bloomberg Global Aggregate Bond index rose 0.7% while the respective US Bond index rose 0.3%. A weaker dollar was quite a feature of the month, with the trade-weighted DXY dollar index falling 1.6% in May. Most other currencies firmed against the dollar, other than where there were country-specific issues. The rand firmed another 5.7% against the dollar, bringing its year-to-date and annual increase against the greenback to 7.1% and 28.5% respectively. The rand remains one of the top performing emerging market currencies in recent months, with its fortunes closely related to the dramatic increase in the commodity price complex. The oil price rose 3.8%, bringing its annual gain to 94.0% (no prize for identifying some of the upward pressure on inflation), while gold and silver rose 7.8% and 5.1% respectively. The platinum group metals took a breather, but their annual gains remain close to 50%. Rhodium's annual return to end-May is an astonishing 275.4%! Copper rose 4.6% (for an annual gain of 91.0%), iron ore rose 6.6% (97.0%), and nickel and aluminium 3.3% (47.3%) and 3.8%

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

(62.3%) respectively. Given these annual increases in commodity prices it is not hard to see where the upward pressure is coming from in terms of inflation.

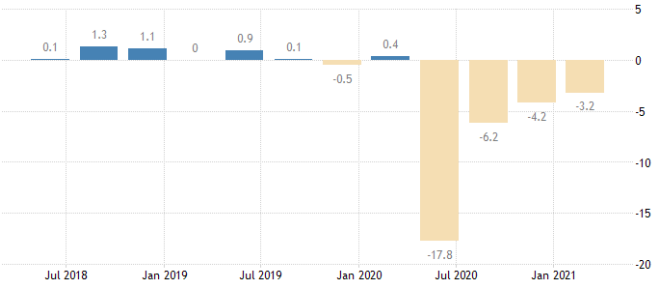
Turning to equity markets, the MSCI World and Emerging market indices rose 1.3% and 2.1% respectively. While the 0.7% rise in the S&P500 index was relatively tame, the Hong Kong market rose 1.5%, Germany 1.9%, and Switzerland 3.1%. The tech-heavy NASDAQ index *declined* 1.5% but is still up 44.9% over the past year. Amongst emerging markets, the Chinese market rose 4.7%, Russia 5.0%, India 6.5%, and Brazil 6.2%. The South African All Share index rose 7.4% in dollar terms.

What's on our radar screen?

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

- *The SA economy:* The South African economy grew at an annualised rate of 4.6% during the first quarter of this year (Q1), down from the final quarter of 2020 (Q4's) growth rate of 5.8%, and at an un-annualised rate of 1.1% versus 1.3% during the final quarter of 2020. The Q1 growth rate brought the annual growth rate for the year to end-March to -3.2% i.e. despite the strong recovery since the initial pandemic in March last year, the economy is still shrinking, as shown in Chart 2.

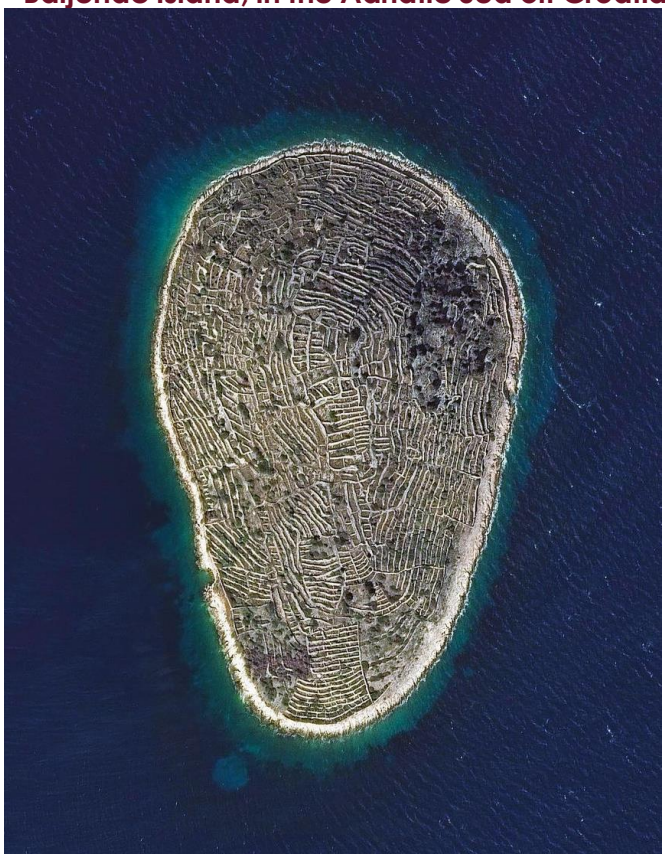
Chart 2: SA annual growth rate (%)



Source: Trading economics

The annual headline inflation rate rose to 4.4% in April, from 3.2% in March, showing a similar pattern to the rising inflation in other parts of the world. Headline inflation rose further in May, at an annual rate of 5.2%, although the monthly rise was only 0.1%, the higher annual rate largely a function of the low base of a year ago. The core rate of inflation i.e. excluding food and energy prices, rose to 3.0% in April from 2.5% in March; it rose further to 3.1% in May. The country's unemployment rate in Q1 rose to 32.6%, from 32.5% in Q4, while its youth unemployment rate rose to a record and astonishing 63.3% (for further comment in this regard, refer to the Quotes section, below).

Baljenac Island, in the Adriatic Sea off Croatia

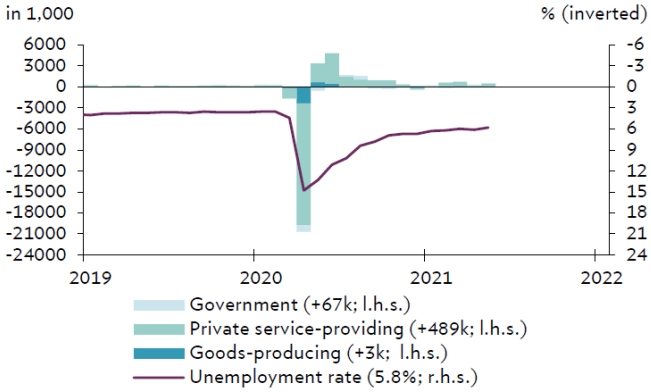


Source: @dailyoverview

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

- *US economy:* The labour market continued to improve during May although for a number of reasons the data has become quite volatile. 559 000 jobs were added during May while the unemployment rate declined from 6.1% to 5.8%. It seems the substantial Covid-related benefits are still a factor deterring workers to renew their search for, or return to work. The number of job openings rose to a record 9.286m in April, demonstrating the extent to which firms are struggling to hire. Furthermore, the *quits rate*, which shows the number of voluntary departures, rose to a record 2.7%, another sign that worker bargaining power seems to be increasing. Chart 3 places these developments into perspective.

Chart 3: US labour market



Source: Julius Bär

You will be aware that all eyes are on the increase in inflation around the world, particularly in developed countries. Headline inflation rose at a monthly rate of 0.6% in May, bringing the annual headline inflation rate to 5.0%, from 4.2% in April. The last two monthly increases have registered the strongest increase for headline inflation over the last decade. The annual rate of core inflation i.e. inflation excluding food and energy prices, rose to 3.8%, which was the highest level since June 1992. Many of the price increases have been influenced (in an upward direction) by the pandemic; it remains to be seen what the sustainable inflation rate will be in the fullness of time. US retail sales declined 1.3% in May although April's increase in monthly sales was revised higher, to 0.9% (remember, March's monthly increase of 11.3% was exceptional).

Fish farms, from the Aquaculture series

Source: @tomhegen.de

- *Developed economies*: The Swiss economy contracted by 0.5% during Q1, versus its 0.1% growth during Q4. The Q1 decline brought its annual growth rate to -0.5%. Not surprisingly, given the nature of the Swiss economy, the decline of 3.3% in private consumption and a 5.2% decline in the export of services weighed heavily on the

economy during Q1. Within the Euro area, headline inflation rose to 2.0% in April, the first time it reached this level since 2018, and the annual rate rose even further to 2.3% in May. Core inflation rose at an annual rate of 1.2% in April and 1.3% in May. April producer price inflation (PPI) rose 1.0% on a monthly basis, bringing the annual producer inflation rate to 7.6%, bearing testimony to the pricing pressure on the "factory floor". Eurozone unemployment declined from 8.1% in April to 8.0% in May. Japan's PPI rose at an annual rate of 4.9% in May, even though its headline inflation rate remains negative, at -0.1%. German retail sales declined 5.5% in April from March's levels, but that followed March's remarkable 7.7% monthly increase.

Fish farms, from the Aquaculture series

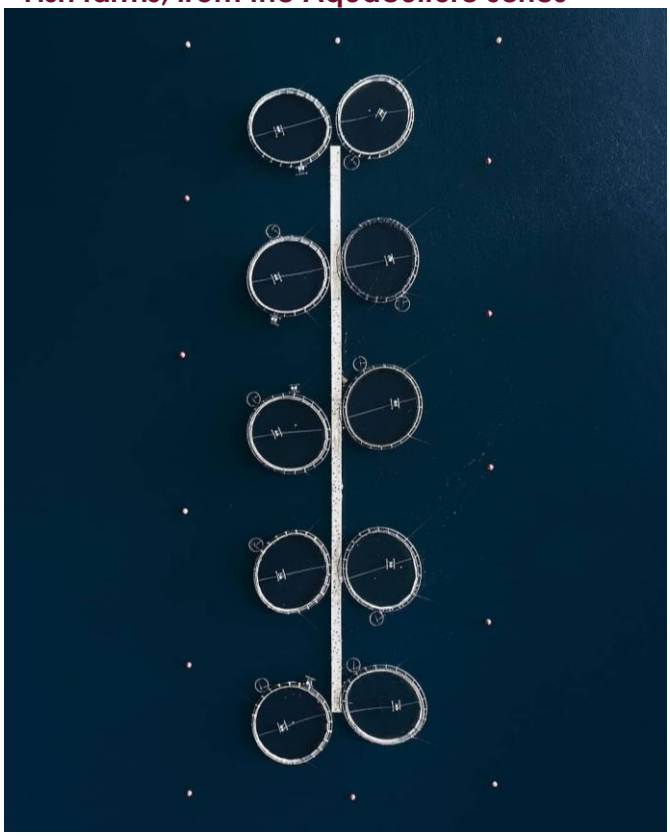
Source: @tomhegen.de

- *Emerging economies:* The Indian economy grew at an annualized rate of 1.6% in Q1, from 0.5% in Q4, ending its 2021 fiscal year with an annual contraction of 7.3%. India struggled with a huge second wave of the Covid-19 pandemic, the effects of which latter will only be felt in Q2. The Brazilian economy grew at a greater than expected annualized rate of 1.0% during Q1 (-1.1% in Q4). The inflation rate rose in May to 8.1%, significantly higher than the official (Selic) interest rate of 4.25%, which was raised 0.75% by the Brazilian central bank. The latter expects the Brazilian inflation rate to be around 5.8% in 2021 and is targeting 3.5% for 2022, with additional interest rate hikes expected in the coming months. Talking of interest rates, the central bank of Russia raised its official interest rate by 0.5% to 5.5% and it looks very likely further rate hikes are not far off. Inflation there rose to 6.0% in May, from 5.5% in April. Turning to Turkey, inflation there remains elevated, at 16.6% in May, slightly lower than April's 17.1%. The Turkish central bank affirmed its commitment to reduce the inflation rate to 5.0% by 2023. At its recent meeting, it decided to maintain the official interest rate at 19.0%. The central bank of Mexico (Banxico) also raised its interest rate by 0.25% to 4.25%, catching most investors by surprise.

Moving on to China, headline inflation in May rose at an annual rate of 1.3%, up from 0.9% in April and 0.4% in March. However, it was the producer price index (PPI) that grabbed the headlines, rising to a 13-year high of 9.0%, up from April's 6.8%. The authorities noted that 3% of this increase came from base effects while the

remaining 6% emanated from price increases. This nevertheless confirms a global trend which is now very evident: rising headline inflation and surging, much higher produce inflation. For now the markets seem to be taking it in their stride, but it is clear why inflation has become one of the most watched indicators so far this year; this is like to continue for many months to come. It is also interesting to note that this trend is evident in both developed and emerging markets. Moving on, Chinese retail sales rose at an annual rate of 12.4% in May, down from April's 17.7%, while industrial production rose 8.8%.

Fish farms, from the Aquaculture series



Source: @tomhegen.de

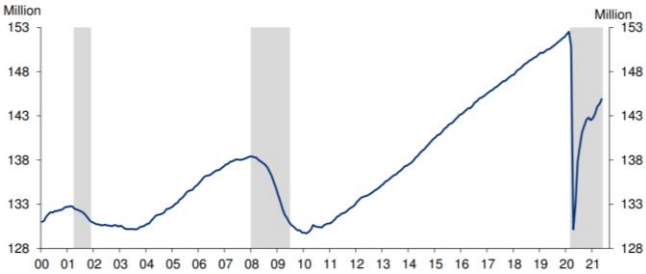
Charts of the month

Improving – but still a long way to go

Earlier in this letter I alluded to the improvement in the US labour market; 559 000 jobs were created in May. Chart 4 places recent labour market developments into perspective. Notwithstanding the notable improvement from March last year, it is worth recalling that in the two months after the pandemic hit 22.4m jobs were lost. Since then, only 14.7m have been recouped, meaning that a net loss of 7.6m jobs still haunts the market. The labour market has no doubt recovered somewhat, but there is still a long way to go before it recoups all the jobs that were lost since the pandemic struck in March last year.

Chart 4: Total Nonfarm employment in the US

Shaded areas represent recessions



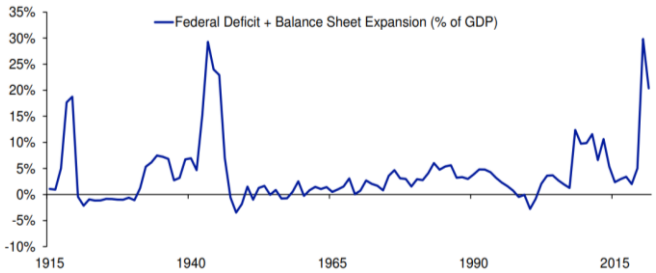
Source: Deutsche Bank

US government role now bigger than ever…

Chart 5 shows just how "big" the US government has got in terms of its role in the US economy. The Government and Central Bank (the Fed's) role in the US economy has shifted completely from where it was 40 years ago. Back then Fed Governor Paul Volcker was appointed on the basis of his inflation fighting credentials, while President Reagan had a mandate to reduce the role of the Government in the economy. Fast forward 40 years, and President Biden has placed big government at the heart of the economy. The Chart shows that if you combine the annual US fiscal deficit with the increase in the Federal Reserve's balance sheet, and express it as a

percentage of GDP, the only time we have seen anything like the current level of stimulus was briefly during the Second World War. The Great Financial Crisis of 2007/9 and 1930s Great Depression hardly feature as high levels.

Chart 5: Fiscal and monetary policy extremes

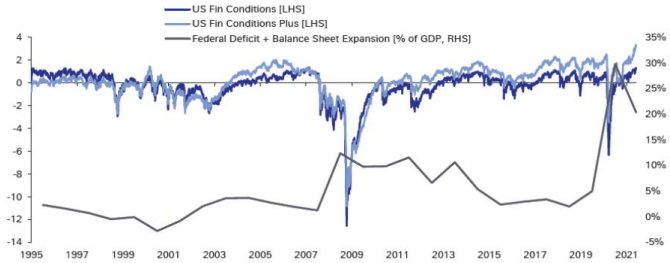


Source: Deutsche Bank

… Leading to easiest financial conditions in years

You might ask, so what? Well, there are a number of answers to that question, but one of the more important answers is that it is fueling a sense of economic and financial well-being that may well only last as long as the extreme policy implementation. Chart 6 illustrates this very well.

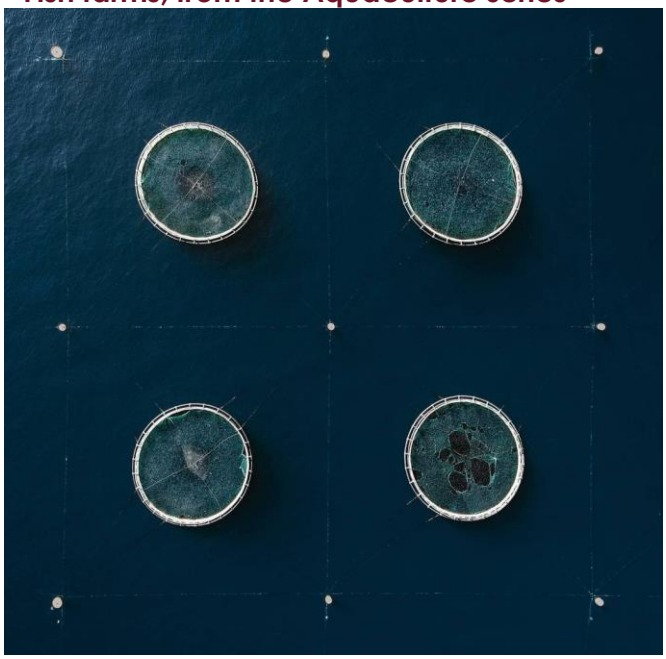
Chart 6: US financial conditions easiest in years



Source: Deutsche Bank

Bloomberg compiles an index of "Financial Conditions", which looks at conditions in money markets, and various credit (bond) and equity markets. It also compiles a "Financial Conditions Plus" index, which in addition includes indicators of asset-price bubbles incorporating shares of technology companies, housing markets and additional bond yield deviations from the historic averages. Both these indices are shown in Chart 6, together with the "size of government", which we examined in Chart 5, above, and found it to be at levels last seen after WWII. The "Plus" index has moved sharply higher over the last few weeks and is now at record highs. When we super-impose combined fiscal deficits and Fed balance sheet expansion as a percentage of GDP i.e. the same indicator shown in Chart 5, it is easy to see why financial conditions are so loose and bubbles have appeared in various places during the past few months. The question remains as to whether or not policymakers will come to regret such extreme stimulus in the months ahead.

Fish farms, from the Aquaculture series



Source: @tomhegen.de

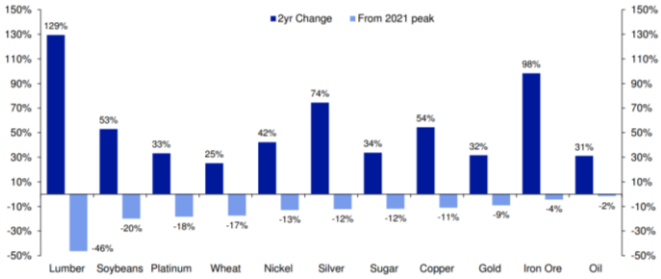
Off record highs, but commodity prices remain elevated

Commodities have retreated notably from their recent peaks. This has enabled bond prices to recover from their low levels of a few weeks ago and helped alleviate some of the concern over the rising but still elevated levels of inflation. Chart

7 depicts recent commodity price declines but also depicts how much they have risen over a 2-year period so as to eliminate the Covid base effect distortion.

For example, although the lumber (timber) price has nearly halved since early May, it still costs 129% more than it did this time two years ago. Indeed, most other commodities are still well above where they were two years ago, which places the recent sell-off into perspective. Prices remain a lot higher than they were pre-pandemic.

Chart 7: Change in commodity prices (%)



Source: Deutsche Bank

Obituary: Edward de Bono (1933 – 2021)

The late Edward de Bono's website describes him as "one of the very few people in history who can be said to have had a major impact on the way we think". What is undeniable is that de Bono bequeathed to the English language a phrase, "lateral thinking", that is part of common parlance today, more than 50 years after he coined it in the 1967 bestseller that made his name.

The Use of Lateral Thinking was published when de Bono, who has died at the age of 88, was teaching medicine at the University of Cambridge, where he had been exploring the physiology of "self-organizing systems".

"I was looking at the glands, kidneys, circulation and respiration," he recalled in 2007. "I realized that the same principles could be adapted to the neuron brain."

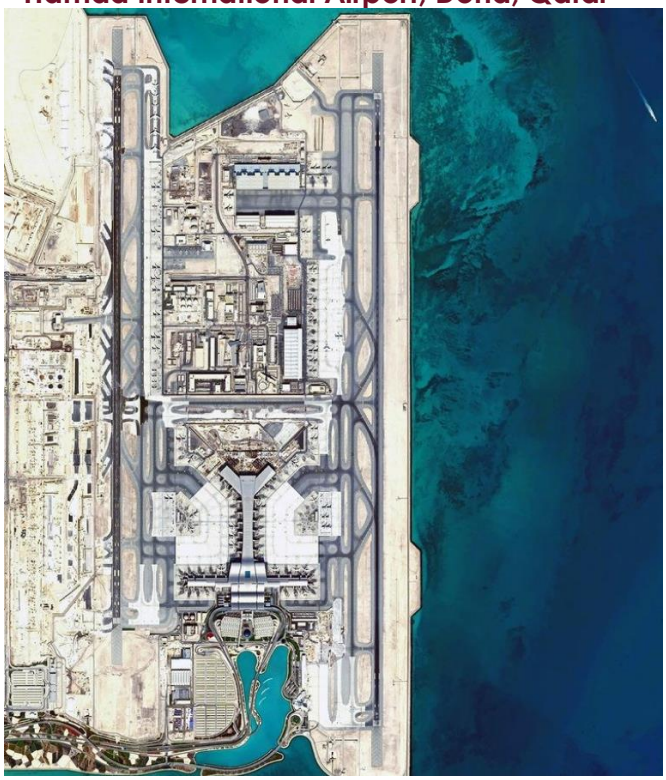
The human brain, de Bono believed, operates in two distinct ways, one analytical, and the other creative. What he called "lateral thinking" is a series of techniques to loosen the grip that those established analytical patterns — which are effective at dealing with familiar situations but much less well suited to dealing with new ones — have on the way we try to understand the world.

De Bono believed that the techniques of lateral thinking could be taught and, just as importantly, sold. Today, the company bearing his name markets his courses in creative thinking to schools and businesses around the world.

Edward Charles Francis Publius de Bono was born in 1933 in Valletta on the Mediterranean island of Malta, then a British possession. His father, Joseph Edward Debono, was a professor of medicine. His mother, Josephine, was a journalist who played a leading role in the campaign for universal suffrage in Malta, where women were finally granted the vote in 1947.

On account of its strategic importance to the British, Malta was bombed frequently by German and Italian forces during the Second World War. "Every night," his son Caspar says, "he would put on his pyjamas and dressing gown and go to bed in an air raid shelter" dug into the garden of the family home at Rabat in the north of the island. Piers Dudgeon, author of a 2001 biography of de Bono, has suggested that these wartime experiences were formative. "As there were no new toys," Dudgeon writes, "he began looking at his old toys and eventually at everything . . . with an eye to alternative ideas for delivering better value."

Hamad International Airport, Doha, Qatar



Source: @dailyoverview

After the war, at the age of 15, de Bono entered the Royal University of Malta, from which he later graduated with a degree in medicine. In 1955, he went to Oxford University on a Rhodes scholarship. He completed an undergraduate degree in psychology and physiology in two years, then stayed on to do a doctorate, which he completed in 1961.

While at Oxford, de Bono played polo and rowed for the university. His wife Josephine, whom he married in 1971 and subsequently divorced, remembered that he once accepted a challenge to canoe all the way from Oxford to London. "A challenge which later cost the lives of two men who tried to better Edward's feat," she said.

In 1963, after a two-year stint teaching at University of London, de Bono moved to Cambridge, where he wrote the book on lateral thinking, setting off what one British newspaper called the "biggest craze since Scrabble". Two years later, he published *The Mechanism of Mind*, a book Caspar de Bono describes as "the essence of Edward and his ideas".

That same year, 1969, de Bono founded the Cognitive Research Trust, which offered "practical training in creative thinking skills". He was a prototype of the modern intellectual entrepreneur. A 1981 American newspaper profile described him as a hybrid of the media theorist Marshall McLuhan, the journalist and critic of consumerism Vance Packard, and Ray Kroc, the McDonald's hamburger mogul.

De Bono left Cambridge in 1982 and "succumbed", as Dudgeon puts it, "to the call from big business". As well as marketing his ideas to corporate clients, he continued to write and broadcast. And in 1985 he published *Six Thinking Hats*, his most successful book yet. The method of "parallel thinking" he developed there is still used by companies around the world.

Some critics have pointed to de Bono's debts to other thinkers and intellectual traditions. But he always insisted on the originality of his insights. "The Six Thinking Hats method," de Bono wrote, "may well be the most important change in human thinking for the past 2 300 years."

More needed than Ramaphosa's gimmicks

I recently read an article by *Duma Gqubule*, which struck many familiar bells within our own thinking. I have therefore taken the liberty of quoting the whole article for your enjoyment. Gqubule is the *Founding Director at the Centre for Economic Development and Transformation*.

Tyger Falls office complex, Cape Town

Source: dronetojoy

"In the face of soaring unemployment, which has created an unviable society, and brutal energy blackouts in the middle of winter, President Cyril Ramaphosa has announced two structural reform gimmicks that will do little to resolve the country's immediate economic and power crises.

"According to Stats SA's latest survey, the expanded unemployment rate for black Africans was 47.9% during the first quarter of 2021. For black African females it was 51.5%. In the Eastern Cape and Limpopo, the unemployment rates for people of all races were 49.6% and 49.5% respectively. The expanded youth unemployment rate was a staggering 74.7%.

"Since December 2008, the economy has created only 226 000 jobs yet the labour force has increased by 5.7m people. The number of unemployed people has soared by 5.5m to 11.4m.

"Ramaphosa's gimmicks for the crisis have delivered nothing. The jobs summit agreement of October 2018 was supposed to created 275 000 jobs a year. The Youth Employment Scheme was supposed to create 1m jobs. It has created 55 000 so-called work opportunities. We do not know how many of these people are still working.

"The decision to increase the licensing threshold for the embedded generation projects to 100MW was billed as a game-changer that would kick-start the economic recovery and help with the energy crisis. The

decision will create investment of R75bn and new power capacity of 5 000MW between 2022 and 2024. That is equivalent to only 0.5% of GDP a year. This is no game-changer.

"Austerity measures of R264.9bn over the next three years – 0.5% of GDP in 2021/22, 1.5% of GDP in 2022/23, and 2.5% of GDP in 2023/24 – and leakages through imports will cancel out the impact of the small increase in investment.

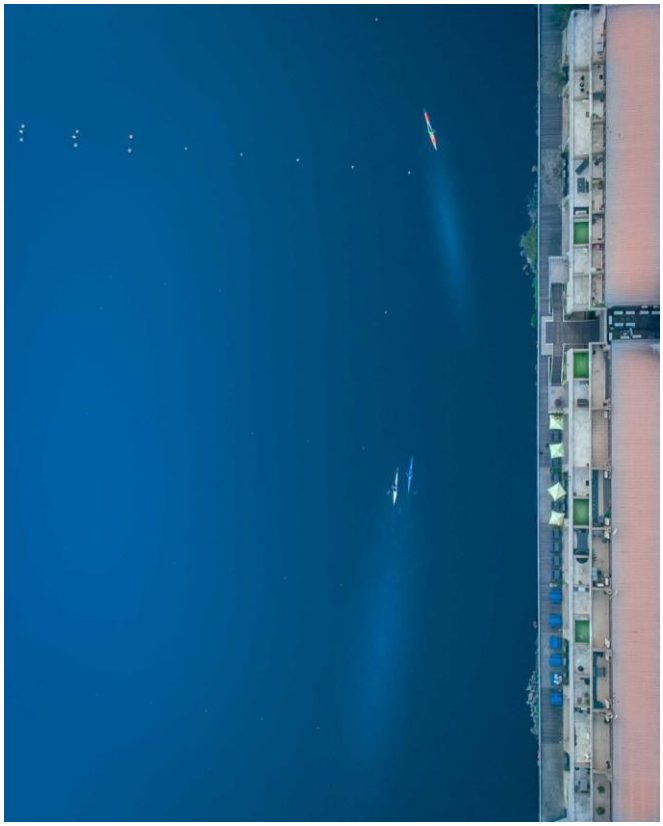
"Let us be clear: the government does not have an infrastructure-led recovery plan. It has committed only 0.1% of GDP a year for the next three years to a R100bn infrastructure fund announced in 2018.

"Since the new capacity will be available only in 2024 or 2025, the president's announcement will not tackle the immediate crisis of energy blackouts. Eskom's year-to-date energy availability factor has collapsed to 60.78%. Regularly, about a third of the utility's capacity is down. The announcement will accelerate the utility's death spiral.

"What the government has given to the private sector, it will take from Eskom, which will lose its key customers. The decline in sales revenue, which have collapsed by 12.5% since 2014, will accelerate. There will be higher price increases to cover for the reduced utilization of generation capacity. The government will have to increase its bailouts to Eskom. The liberalization of the sector will increased energy inequality in a country where the rick have already left public services such as health and education.

"A few large companies will be able to exit the grid, but 224 000 formal small and medium enterprises will not have the option. There will be two energy systems: one for the rich households and a few large companies, which will have 24/7 power, and another one for millions of South Africans who will continue to rely on a mismanaged Eskom.

Kayakers on Tyger Falls quarry, Cape Town



Source: dronetojoy

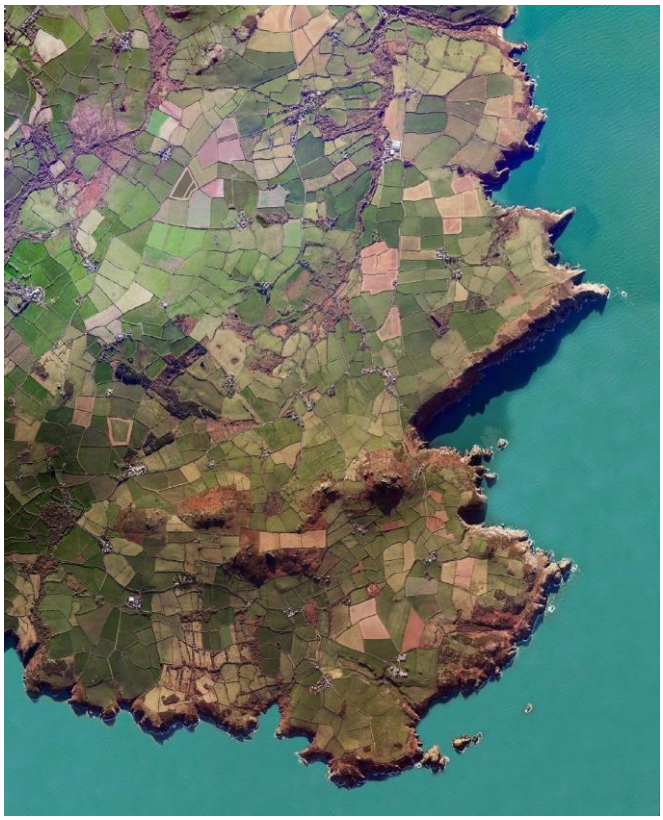
"Since there are so few details about Takatso's purchase of a 51% stake in SAA, I can only conclude that there was political pressure to make an announcement at the

same time as the energy sector reforms. So far, there is no purchase price. Takatso has committed to invest R1bn a year in working capital for the next three years.

"I do not have to be an aviation expert to understand that we are talking about a small airline that is less than 10% of the size of the former SAA. In 2017, the last time SAA published financial statements, it was a R30bn-a-year business.

"SA must get serious about developing an economic recovery plan."

Pembrokeshire County, South-west Wales

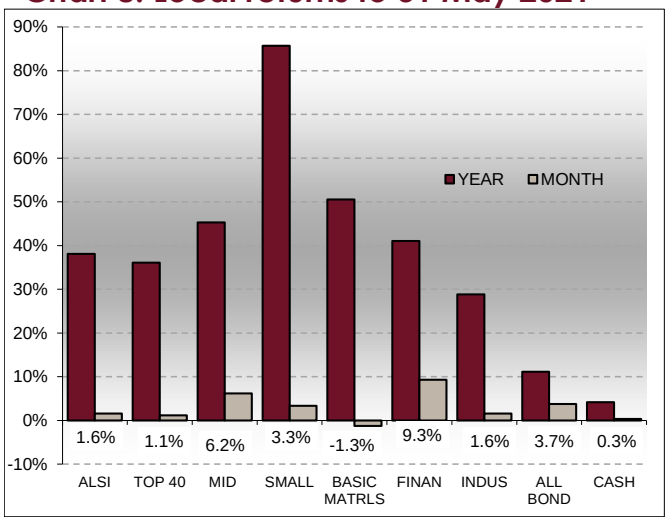


Source: @dailyoverview

May in perspective – local markets

Turning to the South African market, the All Share index return was relatively sedate – at least in rand terms. Given the firm (5.7%) rand though, the dollar returns were nothing short of spectacular. The Financial, Basic Material, and Industrial index returns were 9.3%, -1.3%, and 1.6% - a real dispersion across these sectors. The All Bond index rose 3.7%, testimony to the attraction SA bonds hold for foreign investors.

Chart 8: Local returns to 31 May 2021



Looking ahead with regard to markets in general, we continue to expect strong economic growth to manifest itself during the second half of the year, as the effects of the vaccines start becoming evident. This is likely to give rise to strong consumer demand right at the time that the unprecedented government fiscal stimulus begins to have an effect on the global economy. This combination is likely to lead to a number of distortions in markets and economies, including a temporary rise in the inflation rate. In this environment, you wouldn't want to invest in bonds. Rather, you would want to be owners of companies i.e. equity holders, and reap the

benefits of the strong macro-economic environment. That reinforces our view that for the foreseeable future we should remain committed equity investors, and avoid the bond market.

Having said that, we are conscious of how hard many share prices have run, particularly last year and into the early part of 2021. Consequently, we expect global equity markets to move sideways for a while as they "grow into" their expensive ratings. To a large extent, the "easy money" has been made in this cyclical upturn; the going is likely to get a harder from here on.

Our view of the local economy has not changed: we continue to be as negative as before, and remain disillusioned by the endemic corruption and incompetence within all levels of government, and the complete disregard for the law. We believe that, over time, South Africa will go the same way as all other African countries, where corruption, poverty, and a breakdown in law characterize the country and constitute the order of the day – South Africa is already well down this path. If we are only half-correct in our view, one would not want to invest in an environment such as this.

However, as has been the case in the past, the rand's movements are driven largely by foreign investor sentiment and (the currently very positive) movements in commodity prices. It is therefore very likely that the rand will remain firm and possibly even get stronger. However, when the tide turns, as it most surely will, and the global investment glass becomes half-empty, we suspect the rand is going to look vulnerable. For that reason, we will retain a healthy offshore exposure in all our local funds and continue to seek out more attractive returns in offshore equity markets.

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	**May**	**0.4%**	**9.3%**	**25.9%**
JSE All Share Index	*May*	*1.6%*	*16.0%*	*38.1%*
Morningstar sector ave	*May*	*1.9%*	*15.3%*	*35.3%*
Maestro Growth Fund	**May**	**-1.0%**	**2.8%**	**7.8%**
Fund Benchmark	*May*	*1.3%*	*10.2%*	*24.3%*
Morningstar sector ave	*May*	*0.4%*	*9.2%*	*20.7%*
Maestro Balanced Fund	**May**	**-1.0%**	**2.6%**	**7.6%**
Fund Benchmark	*May*	*1.1%*	*8.8%*	*20.9%*
Morningstar sector ave	*May*	*0.3%*	*7.2%*	*15.9%*
Maestro Cautious Fund	**May**	**-0.8%**	**0.9%**	**4.2%**
Fund Benchmark	*May*	*1.7%*	*6.5%*	*15.9%*
Morningstar sector ave	*May*	*0.4%*	*5.3%*	*11.7%*
Maestro Global Balanced Fund	**May**	**-6.8%**	**-5.3%**	**-6.2%**
Benchmark	*May*	*-4.4%*	*-1.7%*	*-4.1%*
*Sector average **	*May*	*-3.8%*	*0.5%*	*0.3%*

* 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 May, 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 - May 2021						
	3 mths	6 mths	1 year	3 years	5 years	10 years
Maestro Equity Prescient Fund	***2.3%***	***12.5%***	***25.9%***	***5.4%***	***1.3%***	***6.6%***
Maestro Equity Fund benchmark	3.2%	16.4%	32.8%	8.4%	6.5%	12.3%
SA Peer Group Average	6.1%	19.9%	35.3%	7.0%	4.6%	8.7%
Maestro position within Group	151	153	133	99	100	50
Number of participants	168	165	160	145	113	59
Quartile	4th	4th	4th	3rd	4th	4th

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

Table 3: The Maestro Growth Fund

Morningstar (ASISA) South Africa Multi-Asset High Equity - May 2021						
	3 mths	6 mths	1 year	3 years	5 years	10 years
Maestro Growth Fund	***-1.1%***	***3.4%***	***7.8%***	***6.4%***	***4.1%***	***7.8%***
Maestro Growth Fund benchmark	2.8%	13.4%	24.3%	9.9%	8.4%	10.5%
SA Peer Group Average	3.2%	11.9%	20.7%	7.4%	5.2%	8.6%
Maestro position within Group	208	201	192	125	115	43
Number of participants	209	206	200	178	147	62
Quartile	4th	4th	4th	3rd	4th	4th

Table 4: The Maestro Balanced Fund

Morningstar (ASISA) South Africa Multi-Asset Medium Equity - May 2021						
	3 mths	6 mths	1 year	3 years	5 years	10 years
Maestro Balanced Fund	***-1.2%***	***3.2%***	***7.5%***	***5.2%***	***3.6%***	***7.3%***
Maestro Balanced Fund benchmark	2.4%	11.5%	20.9%	9.6%	8.2%	10.1%
SA Peer Group Average	2.4%	9.3%	15.9%	7.1%	5.2%	7.9%
Maestro position within Group	98	97	90	79	66	26
Number of participants	99	98	94	86	71	36
Quartile	4th	4th	4th	4th	4th	3rd

Table 5: The Maestro Cautious Fund

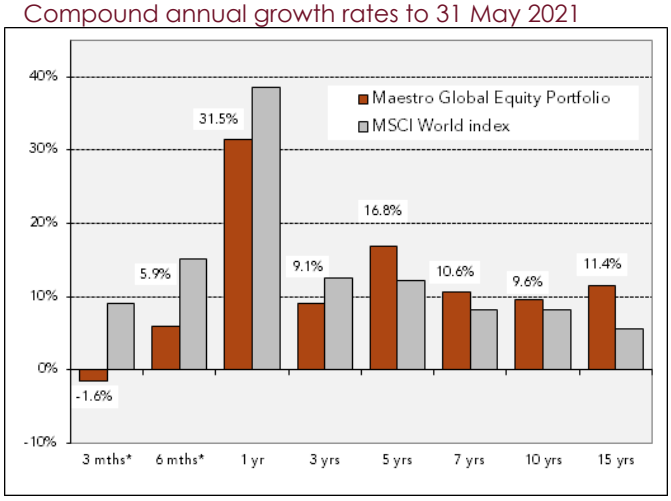
Morningstar (ASISA) South African Multi-Asset Low Equity - May 2021						
	3 mths	6 mths	1 year	3 years	5 years	10 years
Maestro Cautious Fund	***-0.6%***	***1.7%***	***4.2%***	***6.2%***	***5.3%***	***7.7%***
Maestro Cautious Fund benchmark	2.5%	8.7%	15.9%	8.3%	8.3%	8.6%
SA Peer Group Average	2.0%	6.8%	11.7%	6.7%	5.5%	7.8%
Maestro position within Group	156	153	149	90	66	30
Number of participants	159	156	154	134	112	55
Quartile	4th	4th	4th	3rd	3rd	3rd

Table 6: Maestro Global Balanced Fund

Morningstar (ASISA) Global Multi-Asset Flexible - May 2021						
	3 mths	6 mths	1 Year	3 Years	5 Years	10 years
Maestro Global Balanced Fund	***-9.4%***	***-7.0%***	***-6.1%***	***8.3%***	***N/A****	***N/A****
Global Balanced Fund benchmark	-4.5%	-3.1%	-4.1%	14.5%	8.9%	14.0%
SA Peer Group Average	-3.3%	-0.8%	0.3%	11.2%	5.9%	12.3%
Maestro position within Group	46	43	33	24	N/A	N/A
Number of participants	46	43	38	28	21	12
Quartile	4th	4th	4th	4th	N/A	N/A

Chart 9: Maestro global equity returns

Compound annual growth rates to 31 May 2021



Ciudad del Carmen, Campeche, Mexico

Source: @dailyoverview

File 13: Info almost worth remembering

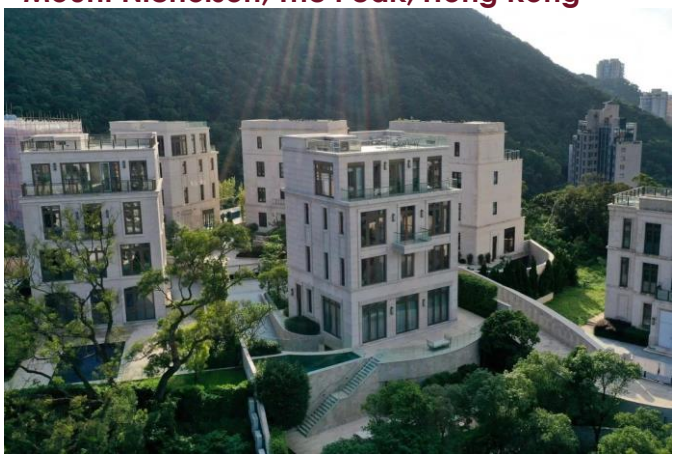
The world's most expensive parking bay

Maestro has many property developers as clients, or at least "friends of the Maestro family" who know so much more about property than I do. However, I have always been fascinated at the valuation process of property, and ultimately how the asset can be priced. I guess you can say the same about me and every asset class, which is why I do what I do. However, here are two property-related instances that occurred during June, which I found fascinating and certainly worthy of sharing with you.

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

The first has to do with a parking bay that was sold in Hong Kong, which now has the dubious distinction of being the most expensive parking bay in the world. It recalls fond memories of my time at Investec Asset Management, when we moved to a new building and were outraged that we were expected to pay R500 a month for our parking bays!!

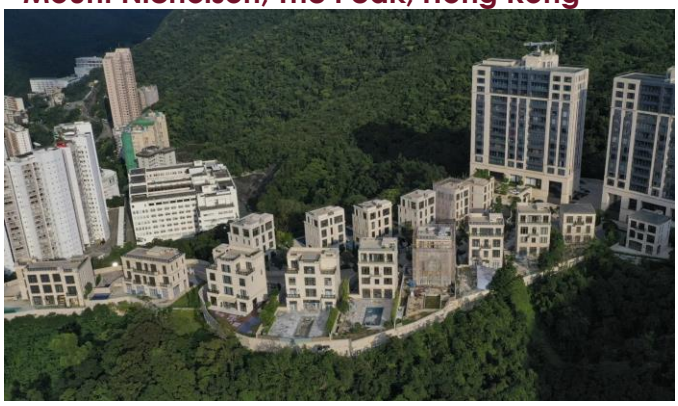
Mount Nicholson, The Peak, Hong Kong



Source: South China Morning Post

In this instance, a parking bay at the prestigious Mount Nicholson complex on The Peak in Hong Kong, pictured above, fetched just over HK$10m ($1.3m or R18.9m). The previous world record for a parking bay was also in Hong Kong, when it went for HK$7.6m in October 2019. Let's be clear here: the parking bay is around 12.5m^2, so we are talking of a valuation of $104 000 (R1.5m) per square meter. Er … and that's just for the garage. One of the best comments I read surrounding this story was that because the flats in the complex go for between $52m (R753m) and $78m (R1.3bn), paying $1.3m for the parking garage "was not a big deal". Yeah, right. I wonder if my bank manager would agree?!

Mount Nicholson, The Peak, Hong Kong



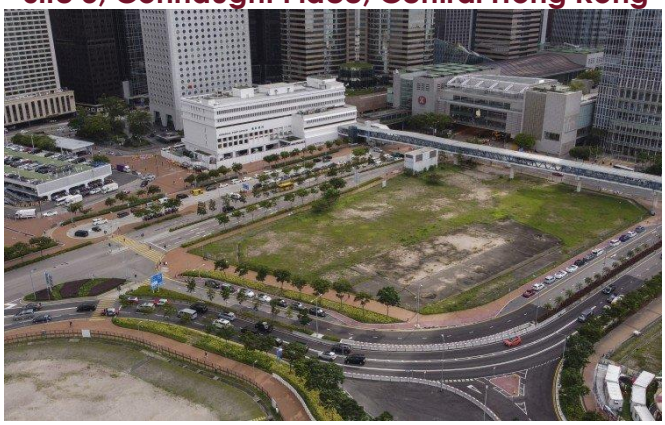
Source: South China Morning Post

And for the ultimate bit of useless information, the proud owner of the parking bay is the Director of a Hong Kong-based business called Texwinca Holdings, Mr Poon Ho Tak. Not that that is so important, but you might also like to know that Mr. Poon Ho Tak didn't just buy one parking bay; he actually bought three bays, for a total of $4.6m.

What's an open piece of ground worth?

Well, now that I've told you what you'll have to pay for an upmarket parking bay in Hong Kong, you won't be surprized by the next example of expensive real estate. This time it has to do with an open piece of land that has come up for sale in, yes, Hong Kong again. One would think that with all that Hong Kong has gone through and is still going through, what with increasing authority being established by the Beijing government, prices in Hong Kong would be under some pressure. However, the facts tell a different story.

Site 3, Connaught Place, Central Hong Kong



Source: South China Morning Post

The Hong Kong government has just released a piece of land for sale, in the central district of the city, described as "one of the largest plots of harbour-front commercial land". The plot is situated at Site 3, Connaught Place, Central, and measures 47 970m^2 and can yield about 150 000m^2 of gross floor area. It has been valued at between $4.8bn and $7.1bn. I don't know much about property, but that sounds like a lot of money to me for an open plot of land.

Site 3, Connaught Place, Central Hong Kong

Source: South China Morning Post

Elephants on the move in China

No, you aren't imagining things. There are elephants in China, and on this occasion elephants that are doing something rather strange. I am not sure if it has come to your attention yet, but a herd of 15 elephants, that left its forest home in Xishuangbanna prefecture in the southwest of the Chinese province of Yunnan in April, has ventured north far beyond its usual range. How far? Well, the herd is still going at present, having put more than 500km behind it already.

Chinese state media has set up a live feed on the herd, to help protect it but also manage the elephants, as they have left a trail of destruction behind them, picking through barns, homes and crops in the Yunnan province.

Kensico Reservoir, Valhalla, New York

Source: @dailyoverview

The elephants have been closely monitored by authorities as they lumber through lush countryside. Numerous people have been mobilised to ensure public safety, and dozens of drones follow their every step. The governments of Kunming and its neighbouring city Yuxi have deployed 675 policemen, 62 emergency trucks,

12 drones and 10 tonnes of food to block and divert the herd's route. Convoys of trucks have lined roads in a bid to keep the herd away from densely populated areas, including the more than 8m people living in Kunming.

In this crazy Covid-world, the herd has created a useful distraction. You can view some of the herd's antics on videos by clicking here, here and here. I wonder just how far this herd will travel and what will eventually come of them, given that they are now literally homeless and simply on the move.

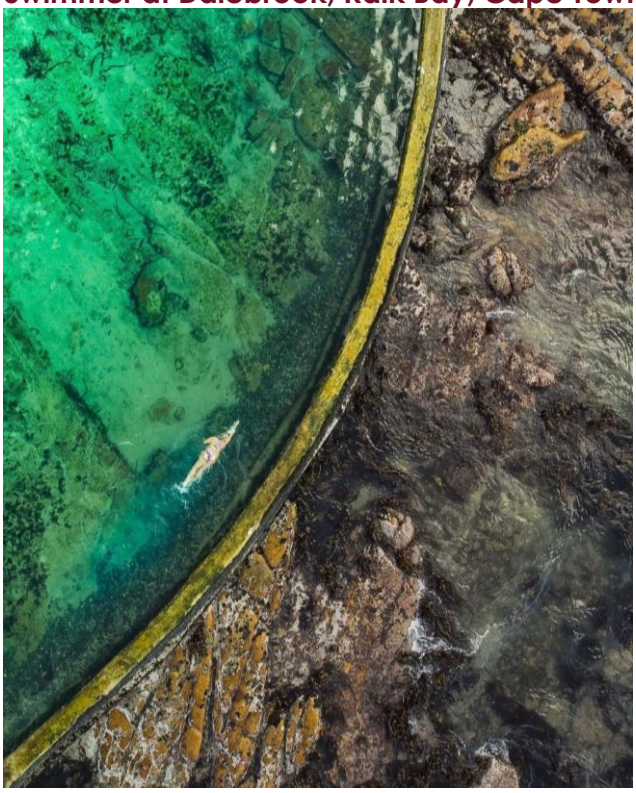
Swan family

Source: @chaitdeshphotography

So what's with the pics?

This month I have again dipped into my "Aerial" album, and shared some remarkable photos taken "from the top, down". In case you haven't noticed it, there was an underlying theme of water running through all the photos this month. I hope you find the pictures enjoyable and I encourage you to follow the photographers and their remarkable work on Instagram, using the handles as shown.

Swimmer at Dalebrook, Kalk Bay, Cape Town



Source: @dronetojoy