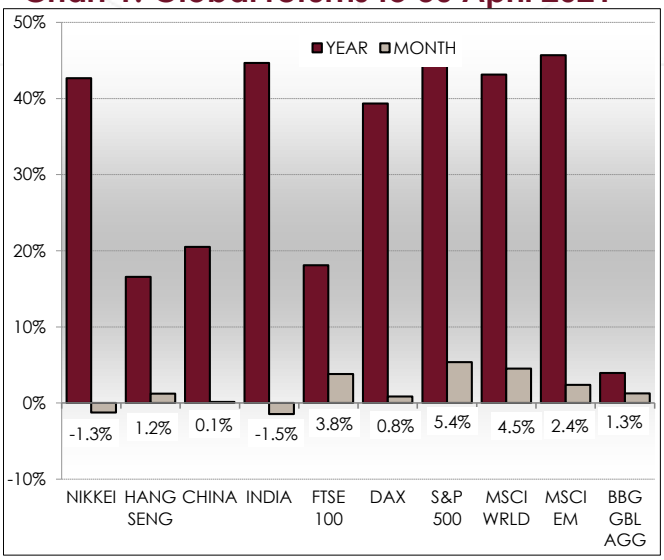
April in perspective – global markets

Another month has passed and it affords us the opportunity to look back and assess all that has happened in recent weeks. As usual, there is a great deal to share. What follows is a simple summary of far more interesting, at times inexplicable, events in the market.

Perhaps the two most influential factors on the markets' activity during April were firstly, the material roll-out of the Covid-19 vaccines in developed countries and secondly, the corporate earnings season. With regard to the former, Israel, the US and the UK distinguished themselves in the rapid roll-out of their vaccines, although – and this is a big topic for another day – we foresee a backlash from the emerging world in due course regarding how first world countries used their strength to grab all the available vaccines, without consideration for less fortunate, wealthy or able countries.

Chart 1: Global returns to 30 April 2021



With regard to the second factor, namely corporate earnings, one should at all times remember that the earnings currently being reported are measured against the period of maximum pessimism, or as we say "off a very low base", given that this time last year the world was experiencing the worst of the lockdowns and their resultant economic effect. That said, the earnings that have been published so far, have, by and large, been nothing short of spectacular. The most impressive earnings have been reported by the large global tech giants – the likes of Alphabet (Google's parent), Amazon, Apple, Microsoft, Facebook and the like. The relevance of this is that in recent months market sentiment had drifted away from these "growth and tech" companies in favour of value-oriented companies, which lagged badly through the bulk of the market recovery since March last year. With the remarkable earnings now being reported by these "growth" giants, they have again assumed market leadership and were influential in driving many of the indices higher during April.

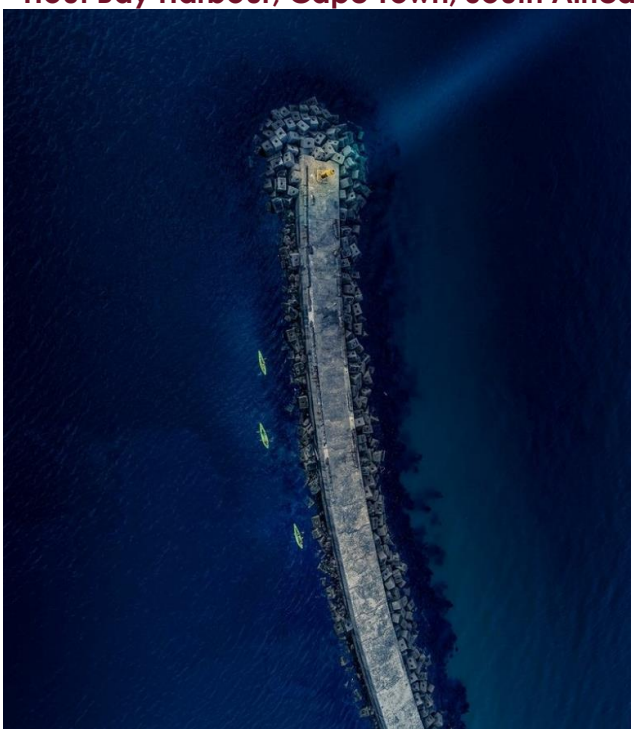
Despite more than sufficient evidence of robust economic activity, US bond yields (interest rates) ceased to rise as strongly as they did in earlier months this year. Rising bond yields were a significant headwind for many well-known growth companies. So it was with some relief that we saw bond yields decline during April, leading to a positive return from the Bloomberg Global Aggregated Bond index of 1.3% for April. However, the year-to-date return is still -3.3%,

remembering that rising yields (interest rates) generate negative returns. In light of the strong tech giant earnings, falling bond yields, and less aggressive "sector rotation" away from growth companies towards value companies, the NASDAQ index, which is dominated by tech companies, rose 5.4% in April, bringing its year-to-date return to 8.3%. US Mid and small cap indices, which had benefitted from the sector rotation and rising bond yields, posted lower, though still positive, returns. The S&P Mid and Small Cap indices rose 4.4% and 2.0% respectively, versus the S&P500 i.e. large cap index return of 5.4%. The respective year-to-date returns on these three indices are now 18.1%, 20.3% and 11.9% - one can see just how strongly smaller companies' share prices rose during the first quarter of 2021.

While the US equity markets were strong, other equity markets were less robust. The Japanese equity market fell 1.3% and that of India 1.5%. China rose only 0.1% and Hong Kong's market 1.2%. The German equity market rose 0.9% while the Swiss market declined 0.2%, culminating in the MSCI World and Emerging market indices rising 4.5% and 2.4% respectively. Their respective returns for the year so far are now 9.3% and 4.4%.

The dollar weakened during April. The dollar DXY index fell 2.9% but the euro rose 2.4% against the greenback. The strong economic activity and expectations of even stronger growth in the second half of this year, together with the weaker dollar, set the commodity complex alight. The gold price rose only 4.7% in April, but the palladium price rose 15.5% during April alone. Copper, which is an accurate good barometer of future economic activity, rose 11.6%. The iron ore price rose 13.2%, bringing its return during the past year to 122.1%. The price of copper is up 89.1% during the past year. The soft (food) commodity price complex was also firm, evidence of the expectations of robust economic activity to come.

Hout Bay Harbour, Cape Town, South Africa



Source: @dronejoy

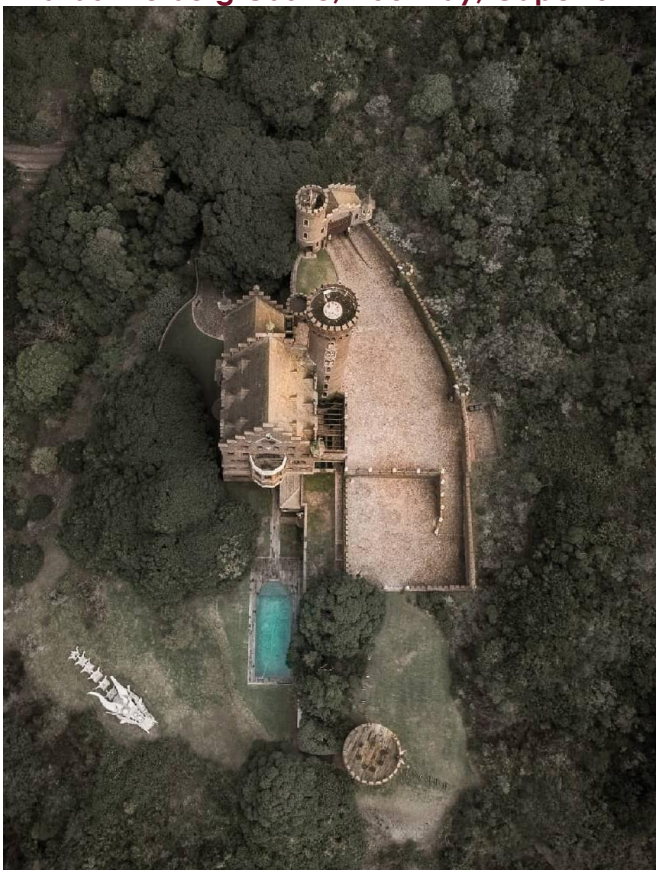
What's on our radar screen?

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

- *The US economy:* The Conference Board's April consumer confidence reading of 121.7 was a post-pandemic high, making the past two months' rise the strongest since 1974. We make the point, as we will

surely do again in the near future, that "it hardly gets better than this". One should bear in mind that the direction of the numerous indicators that measure the health of the consumer and economy, is likely to be down from here onwards, even if it takes a long time to manifest in the real economy.

Karbonkelberg Castle, Hout Bay, Cape Town



Source: @dronejoy

The US economy expanded at a quarterly annualized rate of 6.4% during the first quarter of 2021 (Q1). Of course the base is low; one should bear this in mind with all indicators being released right now. Personal consumption grew 10.7%, while residential and non-residential investment expanded by 10.1%. Fiscal stimulus in the form of tax credits and stimulus checks, and the reopening of the economy due to the fast roll-out of vaccinations, are currently the main drivers of the expansion. Given that the opening of the economy only started in March, and fiscal stimulus accelerated in April, personal consumption and residential investment are likely to remain the growth drivers and lift the economy even higher in Q2; the economy is on its way to surpass its pre-pandemic level during Q2.

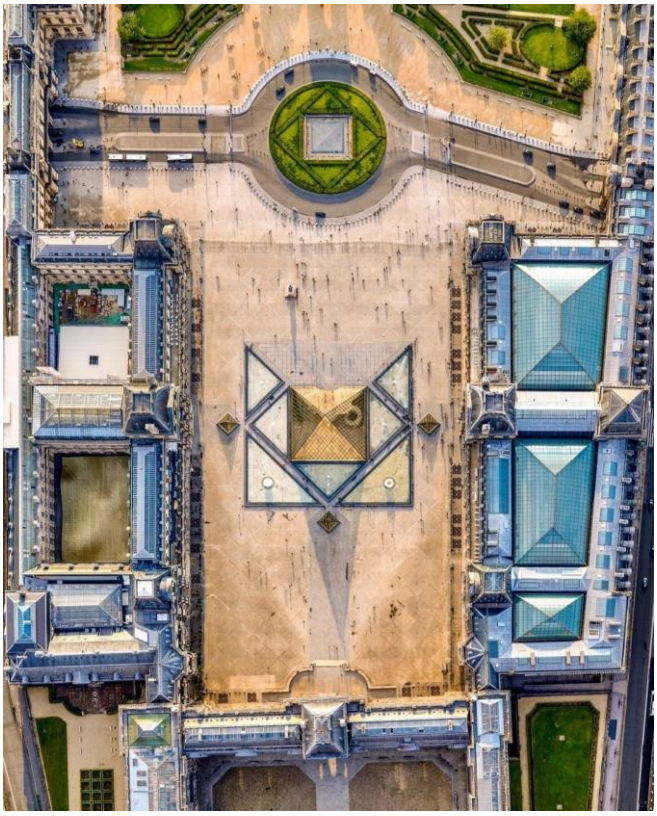
On the labour front, the economy added 266 000 jobs in April, far below the expectation of 1m jobs being added. The initial jobs added number for March was revised down from 918 000 to 770 000. An interesting but relevant factor emerging from anecdotal evidence is that businesses are experiencing difficulty in finding suitable labour. By way of example, the small business "jobs hard to fill" index was at a record high last month. This might seem counter-intuitive, with 10m jobs still having being "lost" due to the pandemic, but it shows that the generous fiscal support offered to citizens, in the form of enhanced unemployment benefits and stimulus cheques, has discouraged many from seeking employment. One way to look at this is that companies need to outbid the government to get workers. A secondary effect of this phenomenon is that it seems to be driving wages higher. For example, wage growth in the leisure and hospitality sector has risen at an annualized rate of more than 25% during the past three months. Given the market's sensitivity to inflation right now, this is an important trend to watch.

Speaking of inflation, consumer inflation rose at an annual rate of 4.2% in April, above expectations of 3.6%, and the highest reading since September 2008. The month-on-month increase was 0.8%. Core inflation was 3.0%, rising 0.9% month-on-month, the greatest increase since 1996. The point to be made here again, is that there is a great deal of noise in all economic indicators, including low base effects, constrained supply, suppressed demand, and difficulty in collecting data, to mention but a few. It is going to be hard for the market, investors and policy makers alike, to establish the real sustainable trend in the coming months. The Fed has taken a cautious approach, and views the recent sharp increase in inflation as a temporary phenomenon. Federal Reserve Governor Powell's comments are instructive at this point: "The outlook in the United States has clearly brightened, but it has been slower for those in lower paid jobs," noting that nearly 20% of workers in the lowest earnings bracket are still unemployed after a year from last February.

On the topic of rising housing prices, Powell cited a sharp increase in demand fuelled by low mortgage rates and fiscal stimulus. He expects that "it is going to be a tight housing market for some time now because demand is just very, very high". Whether or not the Fed is right in its assessment of inflation as a temporary phenomenon will be an increasing source of concern and debate amongst investors for many months to come.

Finally, April US retail sales were weaker than expected, at 0.0% i.e. completely flat. March's stimulus-fuelled monthly increase was revised higher to 10.7%. April industrial production rose 0.7% after March's 2.4% monthly increase.

The Louvre Museum, Paris, France



Source: @jeffreymilstein

- *Developed economies*: The Hong Kong economy grew 7.8% during Q1, the fastest growth rate in 11 years. The economy sank 9.1% a year ago at the outset of the covid-19 pandemic. Monthly Eurozone retail sales rose by a stronger-than-expected 2.6% in March, while February's increase was revised up to 3.8%.
- *Emerging economies:* The Russian Central Bank increased their official interest rate by 0.25% for the second consecutive month, taking the official rate to 4.0%. In Brazil, the monetary policy committee hiked their Selic rate by 0.75% to 3.75%, the second

rate hike in 2021, having hiked the rate by 0.75% in March. Brazil's rising inflation rate remains a concern and is placing upward pressure on interest rate expectations; the central bank expects inflation to average 5.1% during 2021. The increase in interest rates comes at a difficult time, as Brazil struggles with high Covid-19 numbers and a slowing economy. Moreover, fiscal space is limited, as last year's pandemic-induced stimulus measures resulted in a weak fiscal position and a high debt burden, which is being further compounded by a sharp rise in local bond yields.

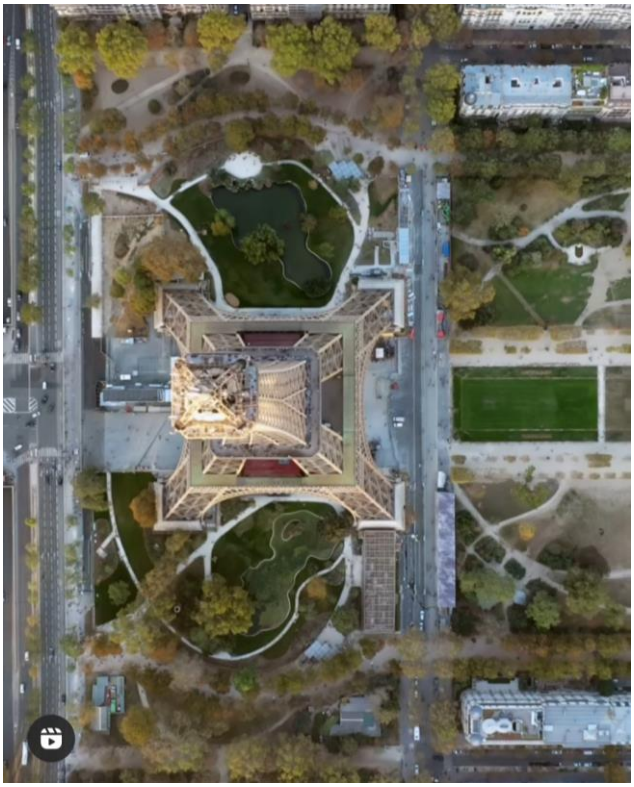
The Arc de Triomphe, Paris, France

Source: @jeffreymilstein

Indonesia's economy contracted at an annual rate of 0.74% in Q1, its fourth consecutive contraction. The Indonesian government nevertheless retained its 2021 economic forecast for growth in a range between 4.5% and 5.3%, and a budget deficit of 5.7% of GDP. The Thailand economy shrank at an annual rate of 2.6% in Q1. On a quarterly basis it grew at a rate of 0.2%. Thailand is struggling to cope with the blow to its tourism sector. Their National Economic and Social Development Council reduced its 2021 growth outlook to between 1.5% and 2.5%, from between 2.5% and 3.5% earlier, while the central bank has reduced its growth range to between 1% and 2%. Headline inflation is expected to be within a range of 1% to 2%.

Turning to China, April retail sales rose at an annual rate of 17.7%, which while very high (but off a very low base) was well below the expected rate of 25.0%. Industrial output rose at an annual rate of 9.8% and year-to-date fixed investment at a rate of 19.9%. The Chinese unemployment rate was 5.1% in April. Exports out of China increased at an annual rate of 32.3% while imports rose 43.1% - these rates are exceptionally high, but remember the base off which they are being measured is low, having been distorted by the early effects of last year's pandemic. As we have seen in the US, the inflation rate is picking up in China as well: headline inflation rose by 0.9% in April, while core inflation rose by 0.7% from an average rate of 0.0% in Q1. Of great concern was the rate of producer inflation: it rose at an annual rate of 6.8% in April, driven largely by the ongoing surge in commodity prices. The Bloomberg Commodity Index has risen 65% during the past year.

The Eiffel Tower, Paris



Source: @bachir_photo_phactory

Charts of the month

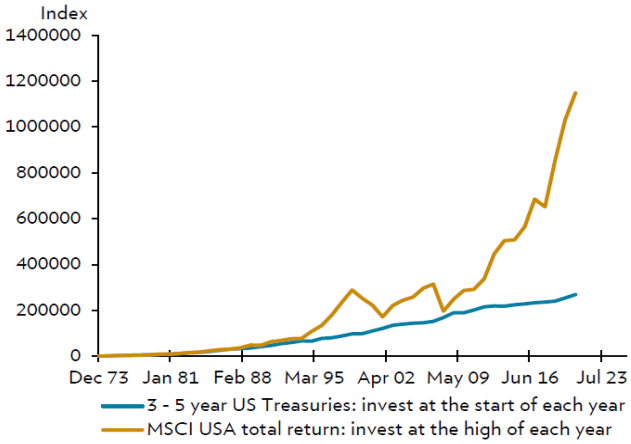
It's "Time in the market" not "Timing the market"

I have lost count of the number of times we have highlighted this adage to readers, but I will never tire of it, given its profound importance in the realm of investment, and quite frankly, its relevance to improving the quality of life for everyone who invests, and who does so early.

Of course I am referring here to the power of compounding, and the wonderful effects of investing in the share (equity) market over a long period of time. We still find ourselves being asked "when should I invest?" or more currently "should I sell in May (and go away)?" We are also finding a reticence on the part of investors to invest in markets due to their elevated ratings at present; there is a widely accepted view, which we at Maestro share, that the market is not that cheap at present, but rather expensive, or as we say in the profession, it is currently "highly rated".

This month we have two wonderful examples of the power of long-term investment in equity markets. The first compares a simple investment in December 1973 of $48 000 in US short-term (3 to 5-year) bonds to that of a similar investment in the US equity market. The former investment would now be worth $269 849, while the investment in the US equity market would be worth $1 149 129. The power of investment in equities over the long-term is simply staggering, as shown in Chart 2.

Chart 2: The power of long-term equity investment

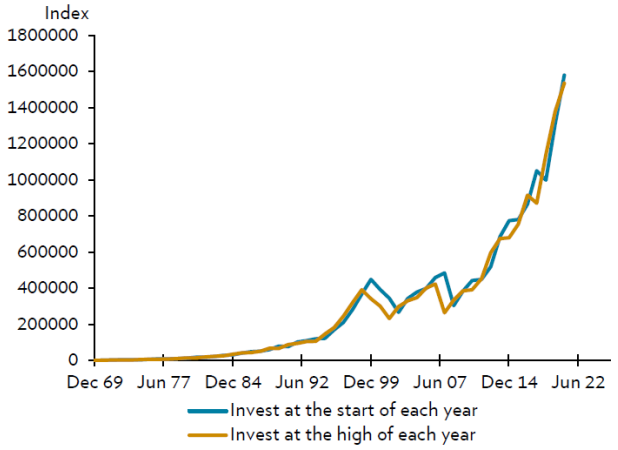


Source: Julius Bär

If that is insufficient to convince you of the merits of investing in the equity market *for a long time*, here is further motivation: Julius Bär compiled a chart based on what would have happened had you invested at *the peak of the market* in each year i.e. you got your timing perfectly wrong every year, but you nevertheless still invested in the market throughout the period. Investing $1 000 each year since 1969 i.e. for 52 consecutive years into the US equity market, *at the peak of the market each year*, would have turned your $52 000 into $1 535 255. Chart 3 plots

that course of action against investing your $1 000 *at the start of each year*. It is clear from the chart that the timing aspect of each year's investment was only a side-show. The "secret" of course is that one simply needed to stay invested throughout the period to reap the full benefits of compounding. As they say in the US, "Go figure".

Chart 3: Terrible timing but still time in the market



Source: Julius Bär

So what about "selling in May"

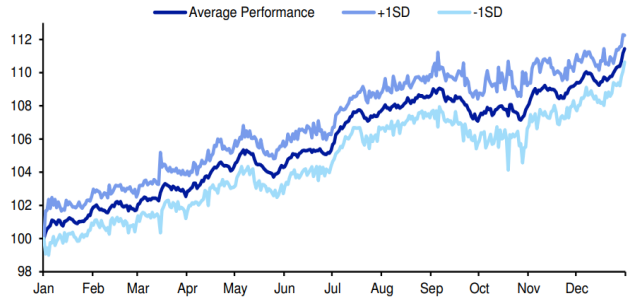
Seeing that it is "that time of the year" again, let me share some of the more interesting charts I have seen relating to this question; a question which never seems to arrive at an acceptable answer – probably because there isn't one!

Chart 4 was produced by *Jim Reid of Deutsche Bank*, so let me share his comments directly. He wrote "As it's now May, it's worth examining the 'sell in May and go away' adage. Today we look at the average daily path of the S&P500 using data back to 1928. It shows that using 93 years of data, the 'average' year does see its first notable correction in mid-May with the index only surpassing these levels again by early July. However, by early August the upward trend seen between January and April seems to have been restored. This carries on until mid-September when the second notable yearly correction occurs. This 'pause' seems to last longer with the market not clearing these levels again for the last time until mid-December. The Santa Claus rally then takes hold and we power back close to the January to mid-September trend line into year-end.

"In terms of volatility, there is no doubt that the 'average' year sees volatility pick up most between mid-September and mid-November with October historically quite extreme.

"So there is a little bit of truth to the adage with May on average seeing the first correction of the year but then again July is historically one of the best months of the year".

Chart 4: Average daily S&P500 path since 1928

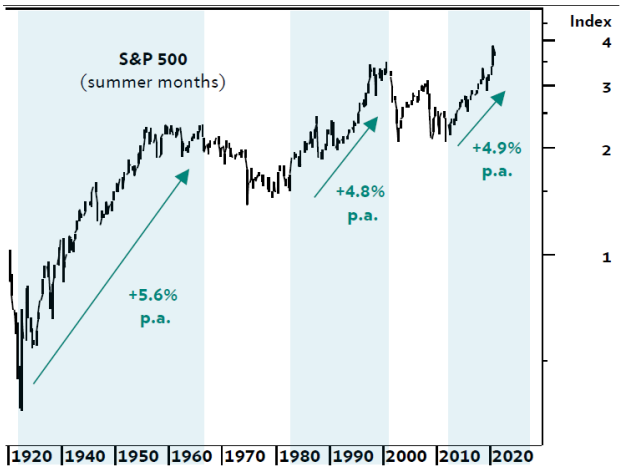


Source: Deutsche Bank

Still on the topic of "Sell in May …" we had the following bit of information and advice from *Julius Bär*: "One of the most popular investment sayings is 'Sell in May and go away'. Its popularity is due to its simplicity and effectiveness. Returns in the (Northern hemisphere) winter months are indeed substantially higher than in summer months. Looking at US equities since 1927, we see that the annualized return during the (Northern hemisphere) summer months was 2.8%, compared to a whopping 9.3% during the winter months. Therefore, yes, the winter months are substantially more profitable for equities.

"But is this a reason to sell equities now? Looking at a long-term chart of the (Northern hemisphere) summer months' performance – refer to Chart 5 – we see that the summer months turn into negative performance during bear markets. In bull markets, on the other hand, they show decent returns. In the current secular bull market, the summer months have returned 4.9% per annum. Since equities remain in a healthy bull market, investors should therefore ignore the 'Sell in May and go away' saying this year".

Chart 5: S&P500 returns during summer months

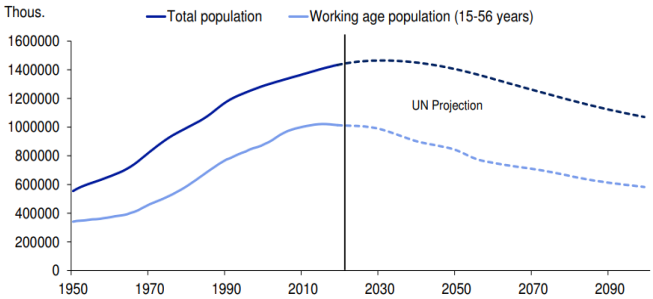


Source: Julius Bär

China's population revisited

Late in April *Deutsche Bank's Jim Reid* put out Chart 6, together with the following comment: "There was an interesting article in the FT this week suggesting that China's population is set to decline for the first time since the 1950s when the national census data is released soon. However, the Chinese National Bureau of Statistics (NBS) released a statement saying that the population continued to grow in 2020 ahead of the official release.

Chart 6: China: total and working age population



Source: Deutsche Bank

"Using UN population forecasts, China's population is predicted to peak in 2031 at around 2% above 2019 levels, so expectations were already that the population was plateauing. With normal margins of error the peak could come notably before (maybe even now) or indeed after. For the record, on the UN's data, India's population is expected to climb above China's in 2027 - to be the largest in the world - and will be 17% above by 2050.

"Perhaps more interestingly, the working-age population peaked in China around 2015 (but in 2013 using NBS data) having surged in the globalization era. In the forty years to 2015 this increased approximately 97% but is predicted to fall about 12% over the next 20 years.

"In terms of its biggest impact, we can speculate whether this changes the global inflation outlook. Over the last few decades the surge of global workers and the integration of originally very cheap Chinese labour into the global system has had a depressing impact on inflation. As workers become relatively scarcer across the world, including the now much higher-paid Chinese, will there be more pricing power for labour in the years ahead?"

The Palace of Versailles, Paris, France

Source: @jeffreymilstein

Subsequent to Jim Reid's comment, the National Bureau for Statistics (NBS) released the results of the 2020 census, which made for interesting reading. The big concern here of course, is that the Chinese population is ageing, and that may cause significant demographic problems in time; declining populations creates numerous social problems, not least because there are insufficient young people to "fund" the elderly and look after them. Put another way, a rapidly ageing population means there are simply insufficient people of a working age, and this in turn has significant implications for aspects such as the generation of sufficient taxes, wage rates and thus also inflation, and general levels of productivity and social harmony. An ageing population has been a real problem in Japan for many years already. China woke up to the problem some time back already, when in 2016 they relaxed their "one child policy" which prescribed that each set of parents could only have one child in their family. On 31 May, China announced the introduction of a 3-child policy to cope with an ageing population.

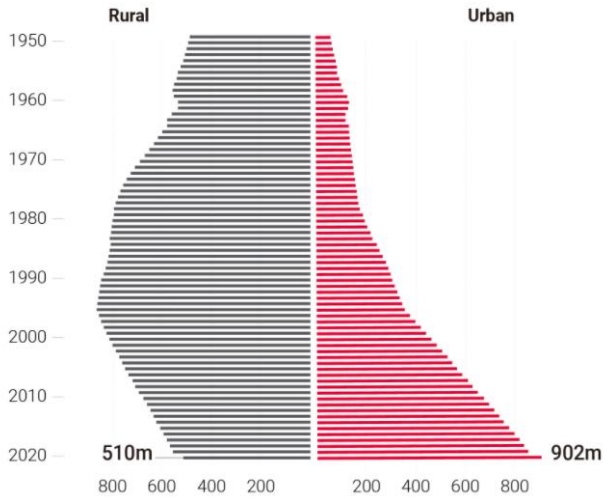
Moving on to some of the interesting snippets of information that emanated from the China 2020 census, the official mainland Chinese population is now stands 1.412bn from 1.4bn a year earlier, and Chinese mothers gave birth to "only" 12m babies last year, an 18% decline on the 14.65m born in 2019. The decline in babies born is at a six decade low, underlining the significance of China's ageing population problem.

Other interesting aspects of the census included:

- China's fertility rate was 1.3 children per woman, below the replacement ratio of 2.1 needed for a stable population. The average number of children a Chinese woman was willing to have last year was 1.8.
- While the increase in the total population was slight, China's population has grown each year since 1961. The annual growth rate in the population was 0.53% during 2010 and 2020, down from 0.57% between 2000 and 2010, and the slowest growth rate of any decade since the census first began in 1953.
- Children 14 years old or younger constituted 17.95% of the population, or 253.38m children.
- There were 894.38m people in the age group between 15 and 59, or 63.35% of the population, down 6.79 percentage points from the previous census in 2010.
- The share of Chinese senior citizens expanded: there were 264.02m citizens aged 60 and older, equivalent to 18.70% of the population, 5.44 percentage points higher than in 2010. Of the latter group, 190.64m people were aged 65 or older, 13.50% of the population.

- The gender ratio of males to female was 105.07 in 2020; there were 723.34m males (51.24% of the population) and 688.44m females (48.76%).
- China's urban population grew over the last decade, boosted by Beijing urbanization efforts – refer to Chart 7 in this regard. The percentage of urban residents rose to 63.89%, up 14.21 percentage points, while the rural population fell to 36.11%. The country's "floating population", largely migrant workers, also increased over the decade. Those living in places other than their household registration area rose 375.82m, up 69.73% from 2010. "China's continued economic and social development has facilitated the population migration and mobility, the trends of which have become increasingly evident, and the size of the floating population has further grown," the NBS said.

Chart 7: Living in the city: rising urbanization

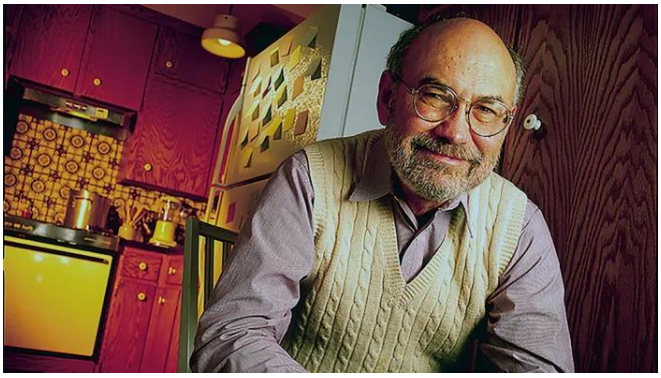


Source: South China Morning Post

- In response to its ageing population, the central government confirmed earlier this year that it will start to raise the retirement age by a few months every year. China's mandatory retirement age has remained unchanged at 60 for men and 55 for women, or 50 for blue-collar female workers, for the past 40 years.

Obituary: Spencer Silver (1941 – 2021)

Spencer Silver? Have you never heard of him? Nope, me neither. However, I guarantee you, you have used his most famous invention, not once but many times each year. Read on – I hope you enjoy the following, which comes per kind favour of the Financial Times.



The career of Spencer Silver, the American chemist at 3M who created a unique adhesive that brought the Post-it note into being, is a glowing example of how important serendipity and persistence are to innovation. Silver, who has died aged 80, set out to make a strong adhesive for aircraft production. Failing in that, he co-created one of the most ubiquitous office products ever conceived. Silver's achievement has an honoured place among accidental inventions and discoveries that include penicillin, cornflakes and the microwave oven. The not-too-sticky adhesive was, he acknowledged, a "solution waiting for a problem to solve". The breakthrough came when fellow 3M employee Art Fry saw a use for it to anchor a bookmark in his hymn book. Altogether it took 12 years from Silver's invention to the launch of the Post-it note.

The City of Florence, Italy

Source: @dailyoverview

The original small, square, canary-yellow notes, billions of which are sold annually, are available today in fuchsia, green, orange, pink and blue, some with much stickier adhesives. Variants include "Post-it Extreme Notes", more durable and water-resistant, and even Virtual Post-it notes created for computers in the form of desktop notes.

Spencer Ferguson Silver III was born in San Antonio, Texas, on February 6 1941. His father was an accountant and his mother a secretary. He graduated from Arizona State University with a bachelor's degree in chemistry in 1962 and four years later earned a PhD in organic chemistry from the University of Colorado, Boulder. Soon he joined 3M, working on pressure-sensitive adhesives.

Failing in his aim to develop a super-strong adhesive, in 1968 he devised one that stuck lightly to surfaces. Based on acrylate copolymer microspheres, tiny bubbles that "kind of sparkled in the light", it was strong enough to hold paper together but could be removed and stuck again — repeatedly — without damaging the paper.

Silver was certain it was a breakthrough, but for what he did not know. "I felt my adhesive was so obviously unique that I began to give seminars throughout 3M in the hope I would spark an idea among its product developers." He promoted his adhesive so assiduously that he was known as "Mr Persistent".

Fry, a chemical engineer in the tape division lab, heard about Silver's adhesive in 1974 from a colleague and attended one of his seminars. Later, he thought it might stop his page marker from falling out while singing in a church choir. He used Silver's adhesive to create a bookmark that stuck but did not tear pages when removed. After testing this on co-workers, he sent a report to his supervisor with a note on the front written on a piece of the bookmark; the supervisor wrote his answer on the same paper, stuck it back on to the front, and returned it. "It was a eureka, head-flapping moment," said Fry. "I can still feel the excitement."

The two men tested a prototype product at 3M offices. The pale yellow was chosen by chance, from the colour of scrap paper used by the lab next door. The product was tried out unsuccessfully in 1977 under the name Press 'n Peel, but it was boosted a year later when 3M flooded offices in Boise, Idaho, with free samples; 90% of recipients said they would buy them. In 1980, 3M introduced Post-it notes nationally, and in Canada and Europe soon after.

"The Post-it notes took off so rapidly," Silver told CNN in 2013, "that I think it left a lot of people in marketing and sales gasping a little bit. It was always a self-advertising product," he added, because customers would put the notes on documents they sent to others, arousing the recipient's curiosity. The Post-it even became a cultural emblem. Artists have used it and it has appeared in films and television dramas. Post-its have also been exhibited at the Museum of Modern Art in New York.

The City of Venice, Italy

Source: @dailyoverview

Silver spent 30 years at 3M, rising to be corporate researcher, its top technical title, before retiring in 1996. He earned 37 patents and won awards including the 1998 American Chemical Society Award for Creative Invention, according to the company. He was inducted into the National Inventors Hall of Fame and the Minnesota Science and Technology Hall of Fame.

Silver is survived by Linda, his wife of 56 years, his daughter Jennifer and two grandchildren. The invention did not make him or Fry extremely wealthy, though Silver said in 2013 he enjoyed a "comfortable retirement", and added: "The fact that the Post-it notes just exploded as a product is more than I could ever hope for."

Quotes of the month

For some time now I have wanted to begin a "Book Review" section in *Intermezzo*, but have not got around to doing it yet. I think it might be a great idea to invite readers to submit their own book reviews. So if you have a book you would like to review and share with other *Intermezzo* readers, please feel free to send your review to me at any stage.

In the absence of having got around to starting the section though, I will continue to share quotes from books, such as the following one. I am reading 2002 Nobel Economics laureate Daniel Kahneman's *Thinking, Fast and Slow* at present. It is heavy-going, and is akin to a text book. It doesn't make for easy bed-time reading, but I can recommend it highly. It is about intuition and decision-making, and how easily we can "get it wrong". I am sure you will appreciate why I am sharing the following extract from the book, taken from a chapter entitled "The Illusion of Understanding". Here we go then …

"I have heard of too many people who 'knew well before it happened that the 2008 financial crisis was inevitable'. This sentence contains a highly objectionable word, which should be removed from our vocabulary in discussions of major events. The word is, of course, *knew*. Some people thought well in advance there would be a crisis, but they did not know it. They now say they knew it because the crisis did in fact happen. This is a misuse of an important concept.

In everyday language, we apply the word *know* only when what was known is true and can be shown to be true. We can know something only if it is both true and knowable. But the people who thought there would be a crisis (and there are fewer of them than now remember thinking it) could not conclusively know it at the time. Many intelligent and well-informed people were keenly interested in the future of the economy and did not believe a catastrophe was imminent; I infer from this fact that the crisis was not knowable. What is perverse about the use of *know* in this context is not that some individuals get the credit for prescience that they do not deserve. It is that the language implies that the world is more knowable than it is. It helps perpetuate a pernicious illusion…

"Hindsight bias has pernicious effects on the evaluations of decision makers. It leads observers to assess the quality of a decision not by whether the process was sound, but by whether its outcome was good or bad. Consider a low-risk surgical intervention in which an unpredictable accident occurred that caused the patient's death. The jury will be prone to believe, after the fact, that the operation was actually risky and that the doctor who ordered it should be have known better. This outcome bias makes it almost impossible to evaluate a decision properly – in terms of the beliefs that were reasonable the decision was made.

"Hindsight is especially unkind to decision makers who act as agents for others – physicians, CEOs, *financial advisors* (my italics), politicians, social workers. We are prone to blame decision makers for good decisions that worked out badly and give them too little credit for successful moves that appear obvious only after the fact. There is a clear *outcome bias*. When outcomes are bad, the clients often blame their agents for not having seeing the handwriting on the wall – forgetting that it was written in invisible ink that became legible only afterwards. Actions that seemed prudent in foresight can look irresponsibly negligent in hindsight…

Manhattan, New York, USA

Source: @dailyoverview

"Although hindsight and the outcome bias generally foster risk aversion, they also bring undeserved rewards to irresponsible risk seekers, such as a general or an entrepreneur who took a crazy gamble and won. Leaders who have been lucky are never punished for having taken too much risk. Instead, they are believed to have had the flair and foresight to anticipate success, and the sensible people who doubted them are seen in hindsight as mediocre, timid, and weak. A few lucky gambles can crown a reckless leader with a halo of prescience and boldness".

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

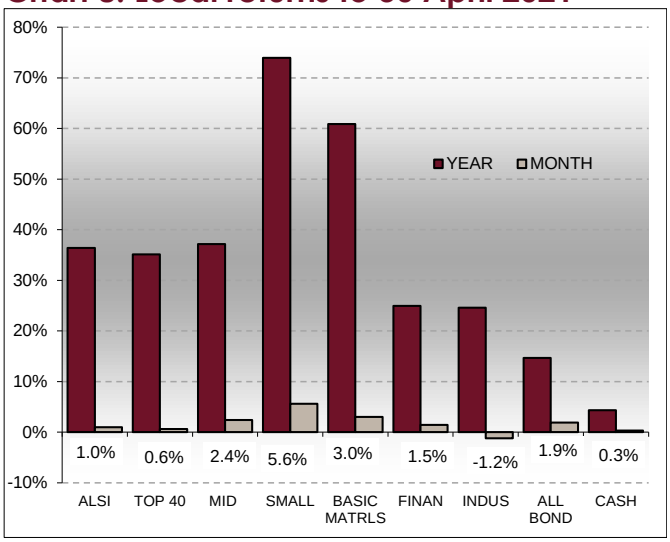
From The Tulip Series, The Netherlands

Source: @tomhegen.de

April in perspective – local markets

With regard to the local markets, while equity markets were positive, they lacked the strong momentum of the US markets. The rand firmed 1.8% against a weak dollar, bringing its annual gain against the latter to an astonishing 26.6%. The firm rand retarded the equity market gains, given that many of the index components (think Naspers) are driven by global and dollar considerations.

Chart 8: Local returns to 30 April 2021



The All Share index rose 1.0% during April, with the Top40 (large) cap index up 0.6%, the Mid cap index up 2.4%, and the Small cap index 5.6%. The Basic Materials index rose 3.0% and the Financials index 1.5% (aided by the firm rand), but the Industrial index lost 1.2% on the month. The All Bond index rose 1.9%, bringing its annual gain to end-April to 14.7% versus the All Share index return of 36.4% over the same period.

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.

Notwithstanding the returns listed in Table 1, our longer-term returns for our investment solutions are listed in the table below. All returns are for periods to 30 April, 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 1: The returns of funds in Maestro's care

	Period ended	Month	Year to date	Year
Maestro Equity Prescient Fund	**Apr**	**1.1%**	**8.9%**	**27.1%**
JSE All Share Index	*Apr*	*1.0%*	*14.2%*	*36.4%*
Morningstar sector ave	*Apr*	*0.7%*	*13.2%*	*32.6%*
Maestro Growth Fund	**Apr**	**1.6%**	**3.9%**	**9.7%**
Fund Benchmark	*Apr*	*1.1%*	*8.9%*	*24.7%*
Morningstar sector ave	*Apr*	*1.3%*	*8.8%*	*20.8%*
Maestro Balanced Fund	**Apr**	**1.5%**	**3.6%**	**9.5%**
Fund Benchmark	*Apr*	*1.1%*	*7.5%*	*7.5%*
Morningstar sector ave	*Apr*	*1.4%*	*6.9%*	*16.7%*
Maestro Cautious Fund	**Apr**	**1.1%**	**1.8%**	**5.8%**
Fund Benchmark	*Apr*	*1.0%*	*4.7%*	*16.7%*
Morningstar sector ave	*Apr*	*1.3%*	*4.8%*	*12.5%*
Maestro Global Balanced Fund	**Apr**	**3.5%**	**1.7%**	**0.5%**
Benchmark	*Apr*	*1.4%*	*2.8%*	*-0.2%*
*Sector average **	*Apr*	*1.4%*	*4.4%*	*2.8%*

* Morningstar Global Multi Asset Flexible Category

Table 2: The Maestro Equity Prescient Fund

Morningstar (ASISA) South Africa Equity General - April 2021						
	3 mths	6 mths	1 year	3 years	5 years	10 years
Maestro Equity Prescient Fund	***6.3%***	***20.6%***	***27.1%***	***4.6%***	***1.5%***	***6.5%***
Maestro Equity Fund benchmark	8.6%	31.6%	36.4%	8.1%	8.0%	10.7%
SA Peer Group Average	9.1%	28.6%	32.6%	5.0%	4.9%	8.4%
Maestro position within Group	139	146	120	87	97	51
Number of participants	170	168	163	147	114	62
Quartile	4th	4th	4th	3rd	4th	4th

Table 3: The Maestro Growth Fund

Morningstar (ASISA) South Africa Multi-Asset High Equity - April 2021						
	3 mths	6 mths	1 year	3 years	5 years	10 years
Maestro Growth Fund	***1.7%***	***7.4%***	***9.7%***	***7.2%***	***5.0%***	***7.9%***
Maestro Growth Fund benchmark	5.2%	20.1%	24.7%	8.6%	8.5%	10.4%
SA Peer Group Average	5.9%	18.3%	20.8%	6.5%	5.7%	8.6%
Maestro position within Group	204	204	190	82	126	47
Number of participants	211	208	203	179	147	59
Quartile	4th	4th	4th	2nd	4th	4th

Table 4: The Maestro Balanced Fund

Morningstar (ASISA) South Africa Multi-Asset Medium Equity - April 2021						
	3 mths	6 mths	1 year	3 years	5 years	10 years
Maestro Balanced Fund	***1.5%***	***7.2%***	***9.5%***	***5.9%***	***4.4%***	***7.4%***
Maestro Balanced Fund benchmark	4.5%	17.0%	21.4%	8.5%	8.4%	10.0%
SA Peer Group Average	6.5%	14.3%	16.7%	6.5%	5.7%	7.9%
Maestro position within Group	96	93	87	57	60	26
Number of participants	99	97	94	86	70	36
Quartile	4th	4th	4th	3rd	4th	3rd

Table 5: The Maestro Cautious Fund

Morningstar (ASISA) South African Multi-Asset Low Equity - April 2021						
	3 mths	6 mths	1 year	3 years	5 years	10 years
Maestro Cautious Fund	***1.2%***	***4.4%***	***5.8%***	***6.3%***	***5.3%***	***7.8%***
Maestro Cautious Fund benchmark	2.7%	11.5%	16.7%	7.2%	8.0%	8.4%
SA Peer Group Average	3.2%	10.0%	12.5%	6.3%	5.9%	7.8%
Maestro position within Group	150	152	149	70	76	28
Number of participants	160	156	155	135	111	54
Quartile	4th	4th	4th	3rd	3rd	3rd

Table 6: Maestro Global Balanced Fund

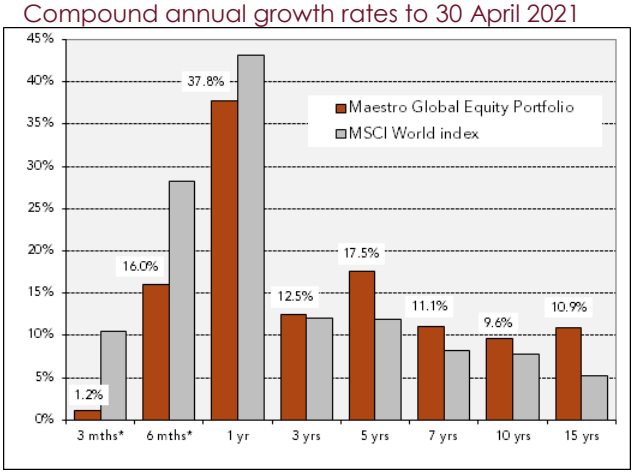
Morningstar (ASISA) Global Multi-Asset Flexible - April 2021						
	3 mths	6 mths	1 Year	3 Years	5 Years	10 years
Maestro Global Balanced Fund	***-2.1%***	***1.2%***	***0.5%***	***13.5%***	***N/A****	***N/A****
Global Balanced Fund benchmark	1.4%	3.2%	-0.8%	14.5%	8.9%	14.0%
SA Peer Group Average	1.4%	5.9%	2.8%	12.9%	8.8%	12.9%
Maestro position within Group	41	35	21	14	N/A	N/A
Number of participants	44	42	38	27	21	11
Quartile	4th	4th	3rd	3rd	N/A	N/A

From The Tulip Series, The Netherlands

Source: @tomhegen.de

Chart 9: Maestro global equity returns

Compound annual growth rates to 30 April 2021



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

From The Tulip Series, The Netherlands

Source: @tomhegen.de

File 13: Info almost worth remembering

Non-Fungible tokens – is it really worth it?

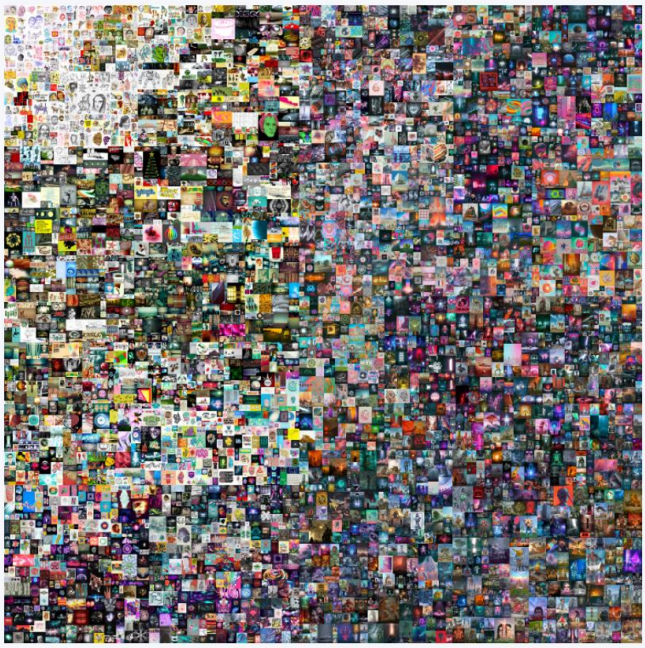
Non-fungible tokens (NFTs) are units of data stored on a digital ledger, referred to as a blockchain, which certifies the asset to be unique and not inter-changeable. NFTs can be used to represent items such as photos, videos, audio and other types of digital files. While anyone can view a NFT, they provide the owner with proof of ownership.

Having established what an NFT is, let me ask a question: have you heard of Beeple? Or Mike Winkelmann? No, me neither. But hopefully after reading this we will not forget Mike or Beeple.

The art auction house, Christies, informs us as follows: "On 1 May 2007, Mike Winkelmann, aka the digital artist Beeple, posted a new work of art online. He did the same thing the next day and the next, and the next one after that, creating and posting a brand-new digital picture, or 'everyday' as he called it, every single day for 13-and-a-half years. Now those individual pieces have been brought together in *Everydays: The First 5 000 Days*, a unique work in the history of digital art.

Minted exclusively for Christie's, the monumental digital collage was offered as a single lot sale, and realised $69.4m. The auction price was heralded as a "record" although it was the first and only NFT to be auctioned so far, so I'm not quite sure if that record is too meaningful. However, I am sure you will agree $69.4m it is a lot of money to pay for digital code, no matter how unique. Christie noted that it was the first auction house to offer a purely digital work with a unique NFT – effectively a guarantee of its authenticity – and the first to accept crypto-currency, in this case Ether, in addition to standard forms of payment for the singular lot.

Everydays: The First 5 000 Days. Beeple (b.1981)

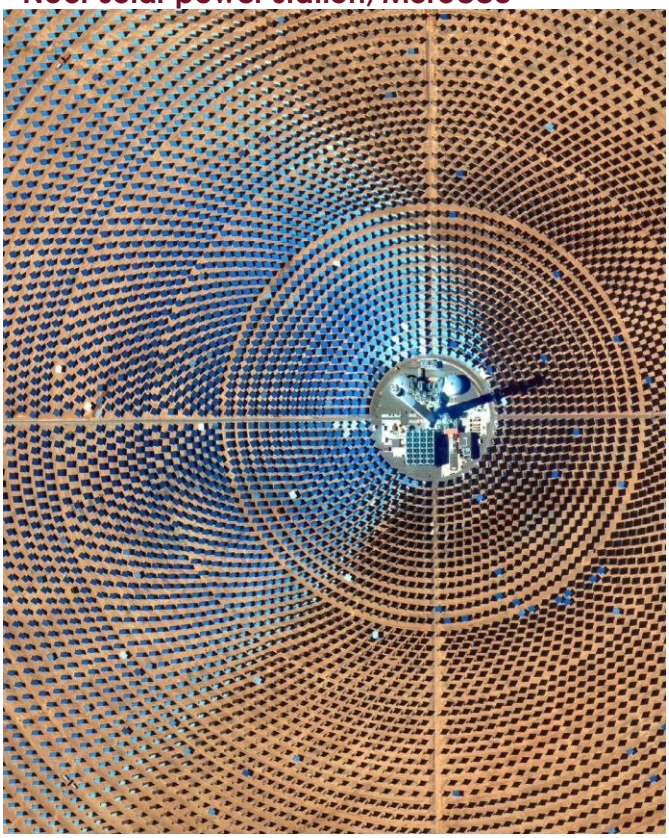


Source: Christies.com

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

You can decide for yourself if the work is worth the price, but I should note that its value places it alongside other auction works such as '*Untitled*' by Mark Rothko and '*L'Allée des Alyscamps*' by Vincent van Gogh. If nothing else, it shows how ubiquitous the digital world has become, and how rapidly society is changing.

Noor solar power station, Morocco

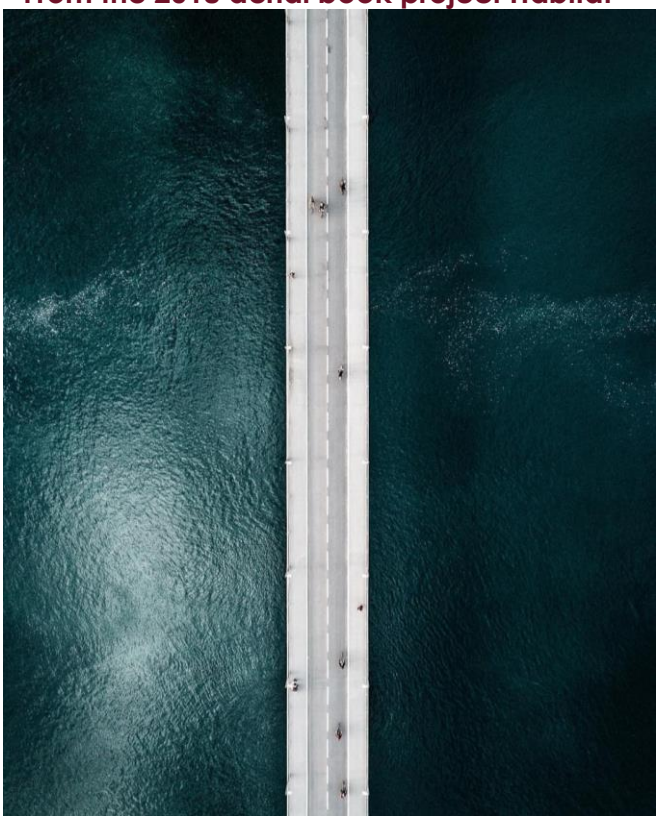


Source: @dailyoverview

So what's with the pics?

Last month I promised to be less random in the photos I share; I hope I have lived up to my promise? This month I dived into my "Aerial" album, and have shared some remarkable photos taken "from the top, down". I hope you find them enjoyable and I encourage you to follow the photographers and their remarkable work on Instagram, using the handles as shown.

From the 2018 aerial book project Habitat



Source: @tomhegen.de