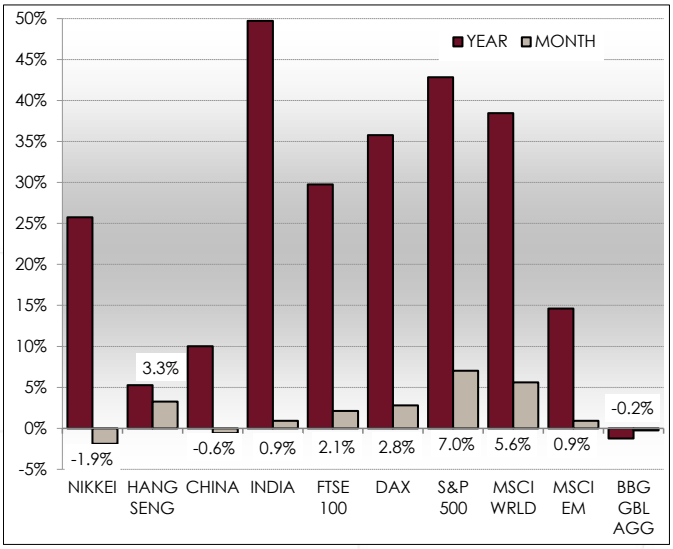
October in perspective – global markets

Despite its feared reputation of being a "bad month" for equity markets, October is not, in theory at least, the worst month in terms of historic seasonality. However, many major market meltdowns have occurred in October, which has given rise to its notoriety amongst investors.

Chart 1: Global returns to 31 October 2021



So, as has been the case so often this year, global equity markets defied expectations and staged a strong recovery during October. A real sense of nervousness about the persistence of rising inflation and the integrity of the post-pandemic economic recovery had led to considerable weakness in certain market sectors in general and growth stocks in particular. Just when many investors had thought they had seen the best equity markets had to offer in 2021, global markets went on to register new record levels.

Let's get straight to the data then: the MSCI World index rose 5.6% in October, bringing its year-to-date rise to 18.0%. The gains were led largely by the US equity market, which rose a remarkable 7.0% and is now 24.0% higher on the year. Much of these gains were driven by growth and tech shares (partly on the back of amazing results from Alphabet and Microsoft) – that much is clear from the NASDAQ's 7.3% monthly gain. The latter is up 20.3% so far this year. The S&P Mid and Small cap indices rose 5.8% and 3.4% respectively. Other reasonable gains were posted by Switzerland, which rose 4.0%, Hong Kong 3.3% (although it is still down 6.8% so far this year), and the German market, which rose 2.8% (for a 14.4% year-to-date return).

In stark contrast, emerging markets under-performed sharply; the MSCI Emerging Market index rose only 0.9%. The Brazilian, Turkish and South African currencies were relatively weak, which didn't help, although on the back of a strong (+6.3%) oil price, the Russian equity market was firm (+3.7%). The Brazilian equity market declined 6.7%, while the Turkish market rose 8.2% in local currency terms. However, the Turkish lira fell 8.2%, annulling any rise in dollar terms. Thanks to the outrageous interference by President Erdogan in the affairs and decision-making of the Turkish central bank – not for the first time – the lira has declined 15.6% in the past two months and by 22.7% so far this year. The Chinese equity market fell 0.6% but the Indian market rose 0.9%.

Let's dance - Kamchatka bear cubs

Source: Andy Parkinson

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

Global bond yields continue to rise gradually, and prices fall accordingly, resulting in the Bloomberg Global Aggregate Bond index falling 0.2% to bring its year-to-date decline to 4.3% - in stark contrast to the MSCI World index comparable return of 18.0%.

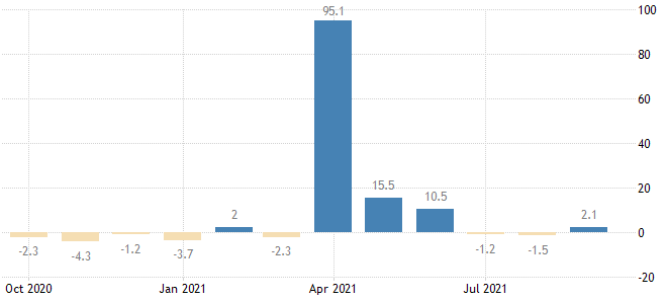
What's on our radar screen?

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

- *The SA economy:* The SA Reserve Bank (SARB) raised interest rates by 0.25% to 3.75%, the first increase in 3 years. The prime banking rate now sits at 7.75%. Interest rates have been kept at a five decade low since 2020 in an effort to support the economy through the pandemic. The SARB projected that interest rates would increase to 6.0% by the end of 2023. It seems remarkable to me that an economy that should be growing by 5.0% to just stay in the same place (who remembers the National Development Plan's projections?) is still only projected by the SARB to grow at annual rates of 1.7% and 1.8% respectively during 2022 and 2023. That is hopelessly insufficient and will certainly sow the seeds for further socio-economic misery, social unrest and general degradation of the SA economy. The annual inflation rate remained at 5.0% during October, comfortably within the SARB's target range of between 3% and 6%. Producer inflation though, is under upward pressure, rising to an annual rate of 8.1% in October, from September's 7.8%.

  Retail sales rose at an annual rate of 2.1% in September (refer to Chart 2), from an upwardly revised decline of 1.5% in August. That represented a monthly increase of 5.1%, albeit off a very low (August) base, which was distorted by the wanton looting and chaos in July. Retail sales plunged 11.2% on a month-on-month basis. On a seasonally-adjusted basis, retail sales declined by 5.4% during the third quarter (Q3) compared to Q2.

Chart 2: SA annual retail sales (%)



Source: Tradingeconomics.com

- *US economy:* One of the key topics on the economic radar screen for the better part of this year has been that of inflation. To a large extent, inflation's trajectory during the course of the coming year will determine the direction of global investment markets, and even global economies, so one cannot over-estimate the importance of inflation at this time in the world's economic history. Inflation has been rising sharply, with officials and policy-makers taking the view that the rise is transitory. We tend to agree, by and large, but clearly all eyes are on exactly how "transitory" transitory will prove to be. The next chapter in this important story came in the form of the latest US inflation release: the annual rate of US inflation rose to 6.2% in October, the highest rate since November 1990, following a 0.9% month-on-month rise. The September annual US inflation rate was 5.4%. Core inflation i.e. excluding volatile food and energy prices

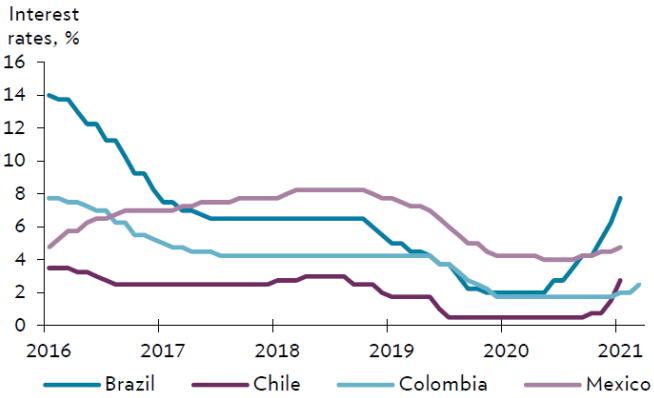
rose to 4.6%, from 4.0% in September. Higher energy prices were a driving force behind the headline data although the widely reported supply-side issues i.e. bottlenecks in the delivery of goods around the world due to pandemic-related issues, was a contributing factor.

Raccoons sharing secrets

Source: Jan Piecha

- *Developed economies*: The UK economy grew 1.3% in the September quarter, which means it is still 2.1% short of its pre-pandemic level. It is thus unsurprising that the Bank of England decided to postpone interest rate hikes at their recent meeting. The annual rate of UK headline inflation was 4.2% in October (3.1% in September), with the core inflation reading coming in at 3.4%. Higher energy prices were a key variable behind the higher inflation reading.
- *Emerging economies:* The Columbian central bank raised their policy rate by 0.5% to 2.5% in an effort to curb rising inflation. The September reading of the annual rate of inflation in Columbia was 4.5%. Last month the bank raised rates by 0.25%. The bank also increased their forecast for economic growth to 9.8% (from 8.6%) in 2021 and 4.7% (from 3.9%) in 2022. The Central Bank of Brazil raised their Selic rate 1.5% to 7.75%, the sixth consecutive rate hike. Inflation continues to deteriorate, with the annual October rate of inflation rising to 10.67% from 10.25% in September. Mexico's central bank raised their interest rate 0.25% to 5.0%. Headline inflation rose at 6.2% on an annual basis in October, and core inflation at 5.2%. It now expects inflation to peak in Q4 around 6.8% before declining to 3.1% in Q3 of 2022. The Mexican economy grew at an annual rate of 4.5% during Q3, from 19.9% in Q2 (low base effect though). Chart 3 summarizes the recent movements in interest rates across selected Latin American countries, from which is it clear that the cycle has turned and rates are now heading higher.

Chart 3: Rate hikes across Latam (%)



Source: Julius Bär

The Philippines economy grew at an annual rate of 7.1% during Q3, down from Q2's heady rate of 12.0%. The quarter-on-quarter paint a more realistic picture, less distorted by low bases: the economy grew 3.8% in Q3, rebounding from a *contraction* of 1.4% during Q2. The unemployment rate rose to an 8-month high of 8.9%, partly due to pandemic restrictions; the country has a

low vaccination rate of only 33%. Inflation slowed from 4.8% to 4.6% in October; the central bank's target inflation range is 2% to 4%. Indonesia's Q3 growth slowed to an annual rate of 3.5%, from 7.1% in Q2, due largely to tighter lockdown restrictions – less than 30% of the country's population is fully vaccinated. The Malaysian economy *contracted* at an annual rate of 4.5% in Q3, down from 16.1% in Q2, owing to the resurgence in Covid-19 cases and lockdown measures that weighed on consumption and investment activity during the quarter. By early November 76.4% of the population had been fully vaccinated, although the central bank still lowered the growth outlook to between 3% and 4% for 2021. Headline annual inflation in October was 2.9%, up from 2.2% the month before, while the core inflation reading was 1.5%, up from 0.6% in September.

How *do* you get that window open?

Source: Nicolas de Vaulx

In China, producer inflation rose at an annual rate of 13.5% in October, from 10.7% in September. October's producer inflation rate was the highest in 26 years. Headline inflation rose only 1.5%, although this was up sharply from September's 0.7%. The annual core inflation rate rose to 1.3% in October. The headline inflation rate was driven by a sharp increase in vegetable prices, while commodity prices and coal in particular drove the producer prices higher. The current energy crisis added further to prices. Industrial production rose at an annual rate of 3.5% in October, up from 3.1% in September, retail sales rose 4.9% (4.4%), while fixed asset investment declined 2.4% (-1.8%). The Bank of Korea raised their interest rates by 0.25% to 1.0% in an effort to promote financial stability, following soaring debt levels and housing prices, as well as to combat rising inflation. The Bank forecast an economic growth rate of 4.0% for 2021 and 3.0% for next year, and an inflation rate of 2.3% for 2021.

After all that news, all that remains is to deal with the "errant kid on the block", namely Turkey, or more specifically President Erdogan. Last month I referred to him as a "political clown" but with hindsight that was far too kind. If you think I am exaggerating, consider the following chart.

Chart 4: The dollar in Turkish lira terms

Source: Tradingeconomics.com

Remember, the manner in which the Turkish lira is quoted in US dollar terms, means that a rising line on the chart means the value of the lira is *declining*.

As discussed last month, Turkish President Erdogan actually believes that high interest rates *cause* inflation and has consistently meddled in the affairs of the Turkish central bank to ensure that his unconventional – more like incomprehensibly stupid – views on economic policies are implemented. As the annual rate of inflation headed up to 19.89% in October (producer inflation is running at an annual rate of 46%!) Erdogan's appointed "yes men" at the central bank cut interest rates by 1.5% to 15.0%, the third consecutive meeting where rates have been cut, now by a collective 4.5%. Suffice to say, investors voted with their feet and left little doubt as to their view on his bizarre policies.

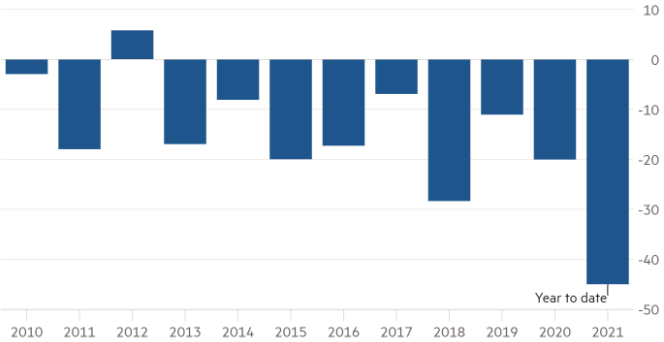
With its credibility in tatters, who could realistically believe the central bank when it says it now expects inflation to be "18.4% at the end of 2021, peaking in Q1 2022, and then gradually falling to 11.8% at the end of 2022 and to 7% at the end of 2023, before stabilising around 5% in the medium term".

How is it possible that one man can cause so much damage to an economy and all its (84m) citizens? Again, if you think I am exaggerating, consider Chart 5, which shows the annual movements in the lira relative to the dollar in recent years. Erdogan became President of the country in 2014. I would point out that the 2021 data point is old; the lira has actually declined 39.0% so far this year, bringing to 35.8% its decline during the past year. (These returns are calculated at a rate of 12.19 to the dollar, which prevailed at the time of writing. However, the lira actually rose to 13.50 at one stage, which would make these rates of decline significantly worse).

The rates of decline in the Turkish currency defy comprehension, yet Erdogan persists in his ridiculous views, driving home his policies which will cause even more havoc on the country and its people. According to the President, "there will be no return to a more orthodox monetary policy despite high inflation". He also declared "an economic war of independence". Really? Are you kidding me? You couldn't actually make this stuff up if you tried!

Stop press: Just prior to despatching this edition, Erdogan dismissed his Finance Minister, helping push the lira to a new low of R13.50. This story is not finished by a long way and the misery of the Turkish people and economy will continue for years to come. For the record, with the lira at R13.50, it is now 28.8% lower than the beginning of November, and down 42.0% so far this year.

Chart 5: Change in the lira vs the US dollar
Annual percentage change



Source: FT.com

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

Time for school …

Source: @Chee Kee Teo

Quotes of the month

"Ultra techie" takes on the "techies"

Financial Times's Gillian Tett, US Editor-at-large, writes a regular weekly column that is always a good read. Recently she began her column with a thought-provoking quote: "Last year, the powerful US data company Palantir filed documents for an initial public offering. Included was a remarkable letter to investors from Alex Karp, the CEO. 'Our society has effectively outsourced the building of software that makes our world possible to a small group of engineers in an isolated corner of the country,' he wrote. 'The question is whether we also want to outsource the adjudication of some of the most consequential moral and philosophical questions of our time.' Karp added, 'The engineering elite in Silicon Valley may know more than most about building software. But they do not know more about how society should be organized or what justice requires.' To put it more bluntly, techies might be brilliant and clever at what they do, but that doesn't make them qualified to organize our lives. It was a striking statement from someone who is himself an ultra techie and whose company's extensive military and intelligence links have sparked controversy."

We don't all want the same thing

On 7 November, *Michael Morris, head of media at the Institute of Race Relations*, wrote a thought-provoking piece I thought was worth sharing. He wrote as follows:

"Battered South Africans could be forgiven for willing the leaders of the major parties to heed President Cyril Ramaphosa's avuncular plea to "put aside our differences and work together in a spirit of partnership, co-operation and common purpose.

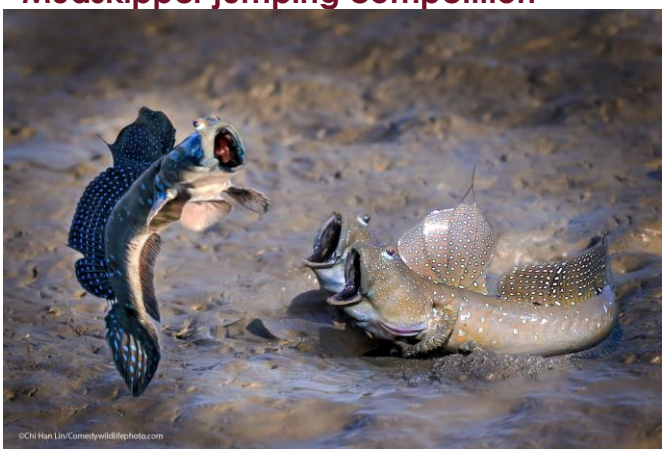
"This, he suggested, was an essential condition '(if) we are to make this a new and better era'. After all, he went on, 'we all want the same thing: to better the lives of the South African people. We need to strengthen the trust between citizens and elected representatives through competence, integrity, performance and delivery'.

"Yet, as the unmistakable backdrop to last week's election was the 2024 national poll, the pressing issue before the country is not an insufficient commitment to the common purpose — and whatever teamwork might be counted on to glue it all together — but the sharp disagreement on what the common purpose actually is.

"That the ANC last week lost the national majority for the first time since 1994 reflects the scale of the loss of faith in what the governing party regards as the 'common purpose'. The point is, we don't all want the same thing — even if we do all want 'competence, integrity, performance and delivery', and indeed even a sense of the country working co-operatively towards achieving stability, growth, prosperity and optimism.

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

Mudskipper jumping competition



Source: Chu han Lin

"None of this is possible as long as the core policy orientation remains intact: overweening statism; cadre deployment; race-based 'transformation' measures; ideological hostility to the private sector; corrupting patronage networks; and the reliance on redistributive measures in the vain and contradictory hope of generating wealth and well-being.

"Genuinely hopeful South Africans will probably need to steel themselves to endure a tough few years yet, swearing off the seemingly tantalizing promise of the 'new and better era' Ramaphosa suggests would well from joining hands in "a spirit of partnership, co-operation and common purpose", and concentrating instead on working together to defeat the bad ideas that are the real impediments to success".

Turkish delight

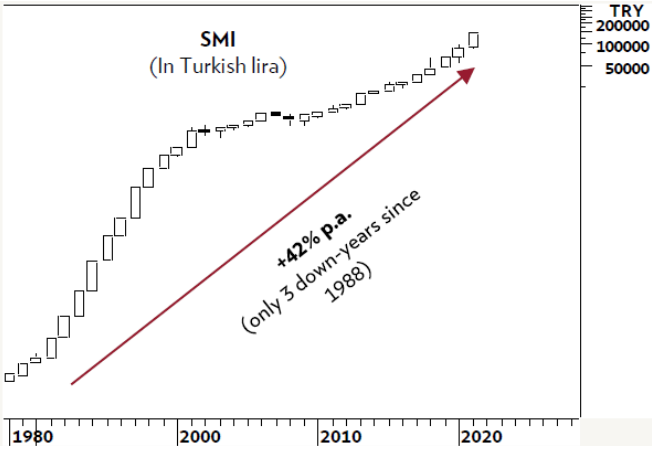
We have already alluded to the irresponsible behaviour of the megalomaniac Recep Tayyip Erdogan, President of Turkey, and how his bizarre economic beliefs have brought ruin and poverty of the majority of the nation – a bit like ex-President of South African, Jacob Zuma, I guess, just a bit worse, if that's possible?

With that in mind, I though the comment by *Mensur Pocinci, Head of Technical Analysis at Julius Bär*, had to say on 18 November.

"The Swiss Market Index (SMI) rose to a new all-time high yesterday, while the Turkish lira dropped to a record low. Swiss equities are a dream come true for emerging market investors.

"Imagine yourself living in Bodrum, Turkey, and waking up today looking forward to a mild day with 19 degrees and some sunshine. What could top that relaxed feeling? Being invested in Swiss equities, as the SMI rose to a new all-time high, and having expenses in Turkish lira. Take a look at the SMI in Turkish lira since 1988 (Chart 6). It has risen by 42% per annum, without dividends. On top of that, in 33 years, there were only three calendar years with negative returns. The special appeal of Swiss equities is not only that Swiss equities can keep up with the MSCI World in the long run, but the fact that the Swiss franc has also steadily appreciated; this is especially true in times of crisis.

Chart 6: Swiss equities in Turkish lira terms



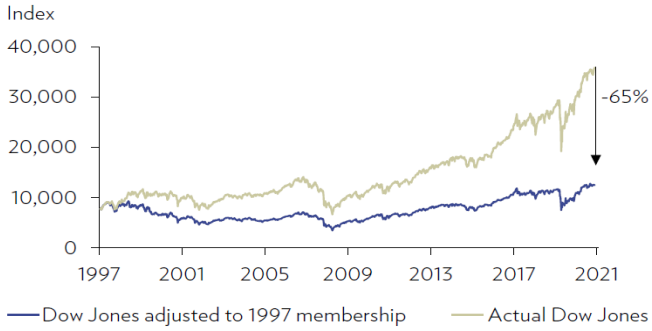
Source: Julius Bär

"Luckily, I am still too young to retire, but if I could retire and move to an emerging market country, I would love having a big part of my portfolio in Swiss equities. I cannot imagine how relaxing it must be to have earnings in Swiss francs and expenses in emerging market currencies.

Equity performance is incredibly concentrated

The following salient and important words come from *Julius Bär's Group Chief Investment Officer, Yves Bonzon*. "Financial news has commented on the fact the Dow Jones Industrial Average Index (the Dow) has hit an all-time high of 36 000 points. The reason this level is more notable than others is that, back in 1999, journalist James K. Glassman and economist Kevin Hassett published a book, 'Dow 36 000', that envisioned the flagship index, which hovered around 10 000 at the time, hitting this target as early as 2002. This was of course a very unfortunate prediction just two years before the dot.com bubble burst, marking the end of what was the longest bull market on record at the time. A 'mere' 22 years later, the forecast has finally come true.

Chart 7: Where the Dow would be if left unchanged



Source: Julius Bär

"Besides the entertainment irony of the situation, it is noteworthy that the Dow index that has hit its record high on 2 November is not the same Dow the authors were dealing with at the time. Whilst it contains the crème de la crème of the US equity market, the index is also meant to represent the broader US economy. At the turn of the century, it largely consisted of industrial behemoths and large retail companies.

Table 1: Significant change of Dow members

Dow 1997	% of market capitalisation	Dow 2021	% of market capitalisation
American Express	2.2%	American Express	1.2%
Boeing	2.6%	Boeing	1.1%
Caterpillar	1.0%	Caterpillar	1.0%
Chevron	2.7%	Chevron	1.9%
Coca-Cola	8.9%	Coca-Cola	2.1%
Honeywell International	1.2%	Honeywell International	1.3%
International Business Machines	5.4%	International Business Machines	1.0%
Johnson & Johnson	4.7%	Johnson & Johnson	3.7%
McDonald's	1.8%	McDonald's	1.6%
Merck & Co.	6.8%	Merck & Co.	1.9%
Procter & Gamble	5.8%	Procter & Gamble	3.0%
Walmart	3.5%	Walmart	3.6%
Walt Disney	3.6%	Walt Disney	2.7%
3M	2.0%	3M	0.9%
Alcoa		Amgen	
Altria		Apple	
AT&T		Cisco Systems	
Citigroup		Dow, Inc.	
Eastman Kodak		Goldman Sachs	
Du Pont de Nemours		Home Depot	
ExxonMobil		Intel	
General Electric		JPMorgan Chase & Co.	
Goodyear Tire & Rubber Company		Microsoft	
Hewlett-Packard		Nike	
International Paper		salesforce.com	
J.P. Morgan & Co		Travelers	
Motors Liquidation Companies		UnitedHealth	
Raytheon Technologies		Verizon Communications	
Sears, Roebuck and Co.		Visa	
Union Carbide		Walgreens Boots Alliance	

This table is only an illustration to show that the Dow's composition or its members' market capitalisation as calculated today differs considerably from 1997; it does not constitute a recommendation.

Source: Julius Bär

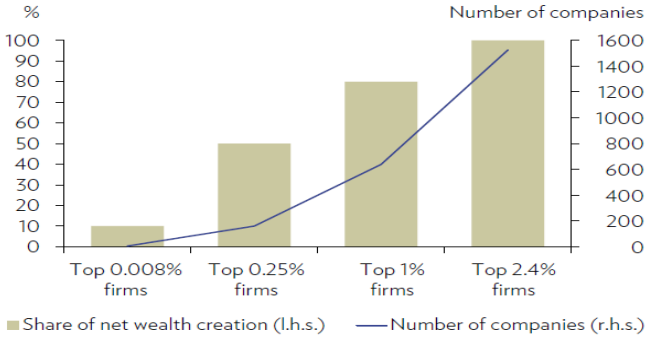
Today, US technology companies represent over half of the market capitalization of the index. Industrial companies now account for just 4% (versus 20% at the end of the millennium), while large fossil energy companies represent just 2% (11%). What happened with the leading

companies that dropped out of the index in the meantime? Well, an analysis by Rosenberg Research finds that if the constituents of the index had remained unchanged, the Dow would have been far from of the 36 000 points mark – it would rather be around 12 500, i.e. nearly 65% lower!

"A common belief is that active managers underperform the market because they choose underperforming companies that detract from their overall returns. This is only a small part of the truth. As the computation on the Dow above hints, it is very easy to underperform the market just by missing the big winners. Underpinning this fact is the extreme concentration of shareholder value creation in the market.

"A recent paper by Prof. Hendrik Bessembinder and co-authors finds that from 1990 to 2020, nearly 100% of net wealth was created by only 2.4% of firms included in the US equity universe. The top 1% created nearly 80% of wealth, and a mere five companies (or 0.008% of the universe) account for almost 10% of total value creation!

Chart 8: You can't afford to miss big winners



Source: Julius Bär

"This degree of concentration has only increased with time. What this tells you is that you cannot afford to miss the big winners on public markets – the words of one of my mentors more than 30 years ago still resonate: 'Keep your winners, sell your losers.'"

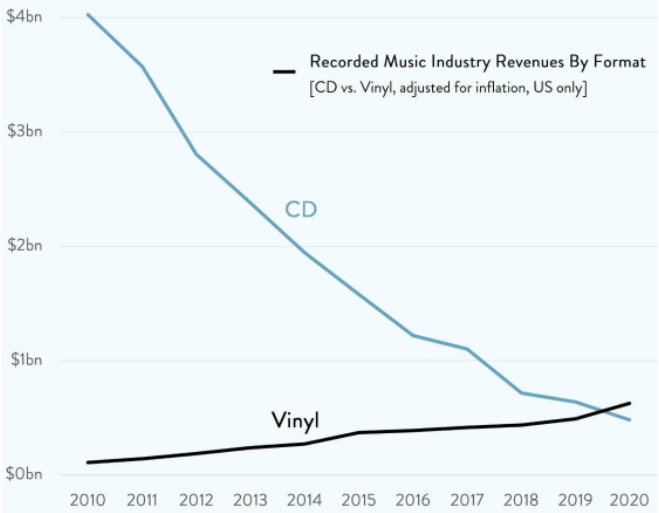
Charts of the month

And now for a bit of fun

The following charts are self-explanatory, and I include them for interest sake only. The Silly Season is rapidly approaching, and these charts introduce some light-hearted reading; I hope you enjoy them.

I can remember when I was very young, and CDs represented the latest medium for music, I wondered if I should actually start buying them, questioning how long they would last. Would it be just another fad? Well, as Chart 9 shows, perhaps I should just have hung onto my vinyl records?

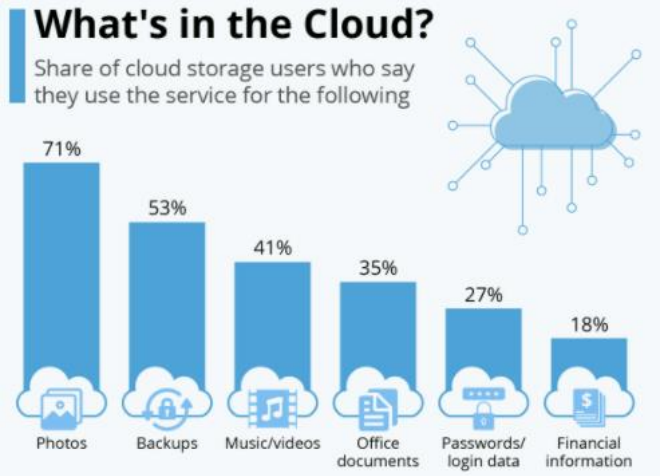
Chart 9: Vinyls are now outselling CDs



Source: Daily Maverick

As the Cloud grows in importance in everyone's life, from personal and business users, I found Chart 10 interesting. It shows the kinds of data that get stored on the Cloud – at least at the moment.

Chart 10: What's in the Cloud



Source: Statista/Daily Maverick

The last two years have arguably been like no other, at least for many of us long-standing investors and market watchers. We have witnessed the growth of the largest companies in the world accelerate i.e. the big get bigger, some at an alarming rate. Chart 11 shows the companies which now comprise the "Trillion dollar club", and their rate of ascent into this unique group. I suspect that all readers use the products or services of at least four or five of these behemoths.

Chart 11: The One Trillion dollar ($1tn) club

Source: Daily Maverick

The growth of streaming has also accelerated in recent years, with most of us now very familiar with many of the companies listed in Chart 12.

Chart 12: Lopsided music streaming model

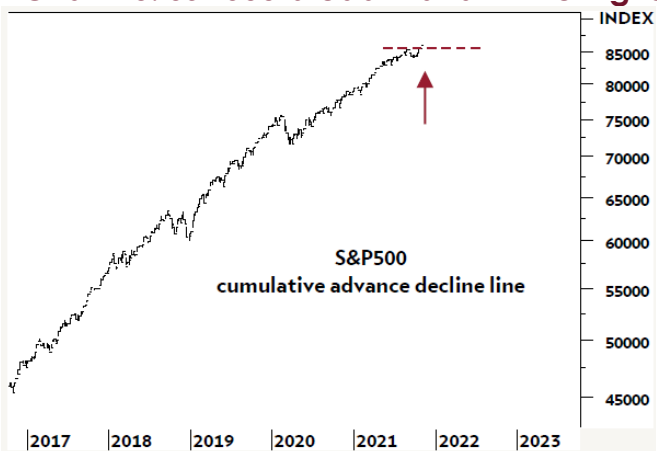
Ave amount of streams needed to reach payout of $1

Source: Statisa/Daily Maverick

Up, up and away

Although the US equity market is off its recent high (only just though, at the time of writing), I found the following chart interesting. We have reviewed it before, but it is useful to get an update. I share below it the comment that accompanied the chart, by *Mensur Pocinci, Julius Bär's Head of Technical Analysis.*

Chart 13: S&P500 breadth at all-time highs



Source: Julius Bär

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

"The S&P500 has moved to all-time highs last week. Investors might ask themselves if the new highs are sustainable. One way to have more confidence about the future-stock-price performance is by looking at the market breadth. As seen on the chart, the cumulative advance decline line of the S&P500 has moved to a new all-time high. Thus, we recommend investors staying fully invested, as new all-time highs in breadth confirm a broad based demand for equities".

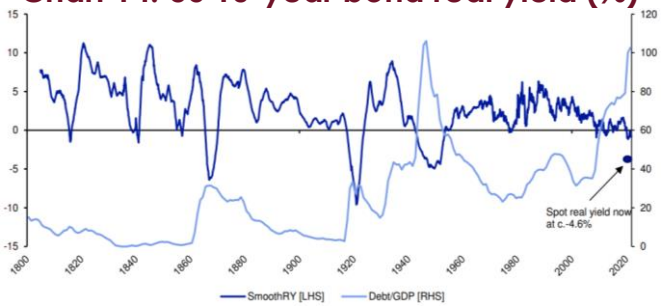
A historical perspective on real yields

I thought the following short opinion piece by *Deutsche Bank's Jim Reid* was interesting. It places the prevailing real yield into historical perspective. Real yields are the level of (bond) yields (interest rates) after inflation has been taken into account.

Jim writes as follows: "Regular readers will know my view that inflation will be structurally higher going forward and that for the rest of my career real yields will likely stay negative even if nominal yields climb. With debt so high, history suggests that heavy financial repression will be necessary to manage this. However, nothing could have prepared me for 2021 so far with US annual inflation at 6.2% in October and the 10-year US bond yields stuck below 1.6%. On a spot basis real yields are about -4.6%, and at around 70-year lows.

"If you think real yields are low however, take a look Chart 14, showing that whenever US debt has spiked historically, US real yields have moved a lot lower than even today's levels, albeit through inflation around or above 20%. Financial repression has always won out.

Chart 14: US 10-year bond real yield (%)



Source: Deutsche Bank

"The previous debt spikes occurred around the Civil War, WWI and WWII. This latest climb had been steadier (but substantial) until Covid, which may explain why real yields have steadily but consistently declined. However, the economic response to Covid has been more akin to a war time response, with debt and spot real yields both spiking in opposite directions just like that seen around and after the wars discussed above.

"What I would say is that without financial repression, real yields would likely be consistently positive at the moment given the weight of global debt. But given this global debt pile that would strongly increase the probability of financial crises across the world. So the risk to my "rest of my career" view is that something happens in the years ahead that prevents the authorities using financial repression. If this occurs then the global financial crisis may look like a dress rehearsal for a much bigger event. So the incentives for the authorities are there. Overall, these are extreme times but history offers even more extreme examples".

For the record

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

	Period ended	Month	Year to date	Year
Maestro Equity Prescient Fund	**Oct**	**3.3%**	**15.5%**	**27.9%**
JSE All Share Index	*Oct*	*5.2%*	*18.0%*	*36.0%*
Morningstar sector ave	*Oct*	*4.0%*	*20.6%*	*37.3%*
Maestro Growth Fund	**Oct**	**2.5%**	**6.5%**	**10.1%**
Fund Benchmark	*Oct*	*3.5%*	*13.4%*	*25.1%*
Morningstar sector ave	*Oct*	*2.7%*	*15.2%*	*25.3%*
Maestro Balanced Fund	**Oct**	**2.5%**	**6.3%**	**9.9%**
Fund Benchmark	*Oct*	*3.0%*	*11.9%*	*21.7%*
Morningstar sector ave	*Oct*	*2.2%*	*12.5%*	*20.2%*
Maestro Cautious Fund	**Oct**	**1.6%**	**3.7%**	**6.3%**
Fund Benchmark	*Oct*	*1.5%*	*8.1%*	*15.1%*
Morningstar sector ave	*Oct*	*1.4%*	*9.7%*	*15.1%*
Maestro Global Balanced Fund	**Oct**	**5.8%**	**-0.8%**	**-1.3%**
Benchmark	*Oct*	*4.3%*	*12.4%*	*12.8%*
*Sector average **	*Oct*	*3.7%*	*12.4%*	*13.7%*

* Morningstar Global Multi Asset Flexible Category

Notwithstanding the returns listed in Table 2, our longer-term returns for our investment solutions are listed in the table below. All returns are for periods to 31 October, 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 3: The Maestro Equity Prescient Fund

Morningstar (ASISA) South Africa Equity General - October 2021						
	3 mths	6 mths	1 year	3 years	5 years	10 years
Maestro Equity Prescient Fund	***4.0%***	***6.1%***	***27.9%***	***8.4%***	***2.9%***	***7.2%***
Maestro Equity Fund benchmark	0.6%	3.6%	30.6%	11.9%	8.6%	12.2%
SA Peer Group Average	4.0%	6.4%	37.3%	10.0%	6.9%	9.3%
Maestro position within Group	74	77	136	95	106	53
Number of participants	167	167	161	142	116	64
Quartile	2nd	2nd	4th	3rd	4th	4th

Table 4: The Maestro Growth Fund

Morningstar (ASISA) South Africa Multi-Asset High Equity - October 2021						
	3 mths	6 mths	1 year	3 years	5 years	10 years
Maestro Growth Fund	***2.1%***	***2.5%***	***10.1%***	***8.3%***	***5.8%***	***7.8%***
Maestro Growth Fund benchmark	0.5%	4.2%	25.0%	11.7%	9.5%	10.5%
SA Peer Group Average	3.2%	5.8%	25.3%	9.3%	7.3%	8.8%
Maestro position within Group	196	187	200	132	120	45
Number of participants	205	205	201	178	148	63
Quartile	4th	4th	4th	3rd	4th	3rd

Table 5: The Maestro Balanced Fund

Morningstar (ASISA) South Africa Multi-Asset Medium Equity - October 2021						
	3 mths	6 mths	1 year	3 years	5 years	10 years
Maestro Balanced Fund	***2.6%***	***4.1%***	***9.9%***	***6.8%***	***5.2%***	***7.3%***
Maestro Balanced Fund benchmark	0.6%	4.0%	21.7%	11.0%	9.2%	10.0%
SA Peer Group Average	2.5%	5.1%	20.2%	8.5%	7.0%	8.3%
Maestro position within Group	43	84	93	78	70	32
Number of participants	99	99	97	88	75	38
Quartile	2nd	4th	4th	4th	4th	4th

Table 6: The Maestro Cautious Fund

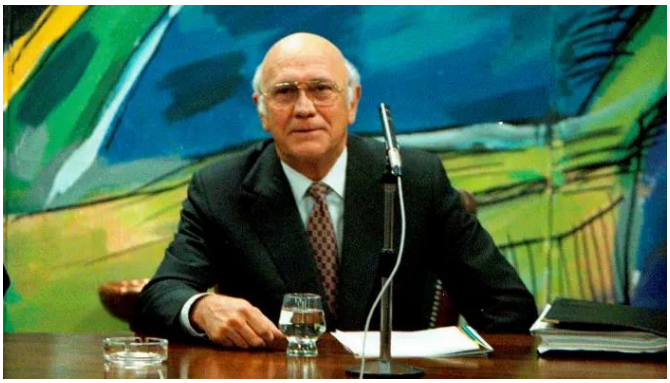
Morningstar (ASISA) South African Multi-Asset Low Equity - October 2021						
	3 mths	6 mths	1 year	3 years	5 years	10 years
Maestro Cautious Fund	***1.7%***	***1.9%***	***6.3%***	***5.7%***	***5.4%***	***7.7%***
Maestro Cautious Fund benchmark	0.2%	3.3%	15.1%	9.2%	8.2%	8.4%
SA Peer Group Average	2.0%	4.6%	15.1%	7.5%	6.7%	7.9%
Maestro position within Group	99	156	153	125	105	34
Number of participants	158	158	154	137	117	59
Quartile	3rd	4th	4th	4th	4th	3rd

Table 7: Maestro Global Balanced Fund

Morningstar (ASISA) Global Multi-Asset Flexible - October 2021						
	3 mths	6 mths	1 Year	3 Years	5 Years	10 years
Maestro Global Balanced Fund	***1.8%***	***-2.5%***	***-1.3%***	***11.8%***	***N/A****	***N/A****
Global Balanced Fund benchmark	5.1%	9.3%	12.8%	12.7%	11.8%	13.6%
SA Peer Group Average	4.6%	7.7%	13.7%	11.3%	11.2%	12.0%
Maestro position within Group	44	43	39	15	N/A	N/A
Number of participants	47	46	41	29	22	12
Quartile	4th	4th	4th	3rd	N/A	N/A

Obituary – FW De Klerk, 1936 – 2021

The following represents a summary of the Financial Times's obituary on FW de Klerk.



Source: Financial Times

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

FW de Klerk, the last South African president of the apartheid era, presided over one of the most extraordinary political events of the late 20th century: the voluntary handover of power by the white minority regime in conditions of remarkable peace.

De Klerk, who died at home in Cape Town at the age of 85, shared the 1993 Nobel Peace Prize with Nelson Mandela, the country's first democratic president, for dismantling apartheid.

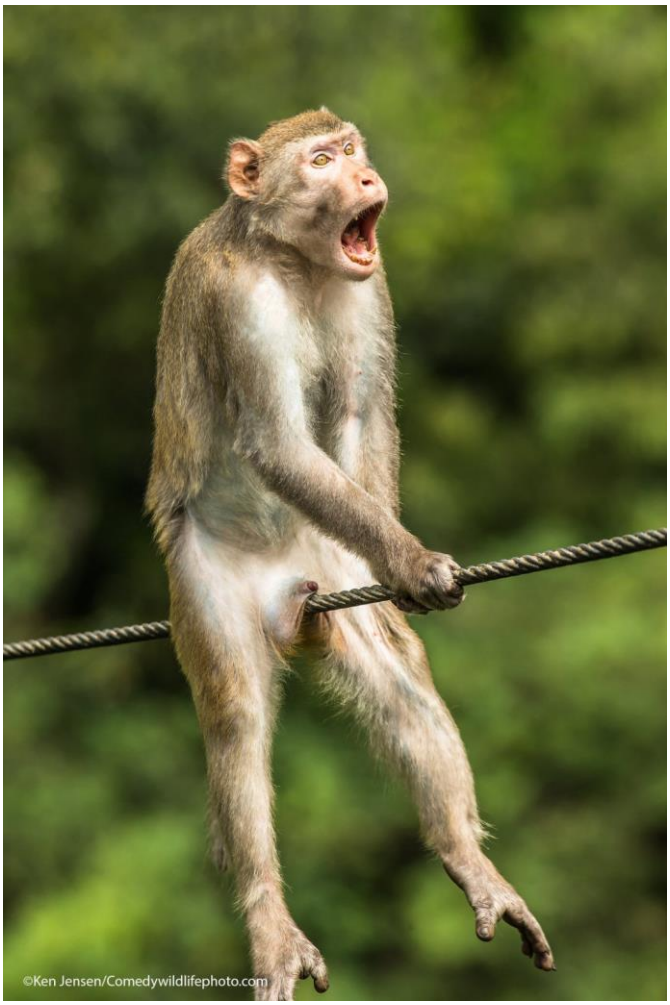
But, decades on from that peaceful transition, South Africans still have cause to reflect on Mandela's description of de Klerk, even in the midst of the peace negotiations. In his 1999 memoirs, de Klerk said Mandela called him the head of an "illegitimate discredited minority regime". Others regarded him as reluctant to acknowledge the depth of apartheid's crimes to the end.

"While de Klerk played a vital role in ending apartheid, he was never able to acknowledge the full extent of apartheid's evil," the foundation representing the legacy of Archbishop Desmond Tutu said on Thursday.

With more boldness and imagination than any previous Afrikaner leader, de Klerk transformed the political landscape of South Africa when, in 1990, he released Mandela from decades in prison and legalized the African National Congress, which took power four years later.

De Klerk had the courage and vision to do what no other white politician could even contemplate: not only to admit that apartheid, South Africa's grotesque experiment in social engineering, had not worked, but to follow this perception through to its logical conclusion — that black majority rule was inevitable and that whites would do best to accept it while they still had the power to press for a reasonable bargain. De Klerk often said that he acted when he did to avoid the threat of the kind of racial war that engulfed Rhodesia before it became Zimbabwe.

Eish – no words needed



Source: Ken Jensen

Though a devoutly religious man — de Klerk was a "Dopper", a member of the Gereformeerde Kerk, theologically the most conservative of South Africa's Dutch Reformed churches — his decision to abolish apartheid appears to have been more pragmatic than moral.

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

He acknowledged the futility of trying to keep South Africa under white control in the face of massive migration of black jobseekers to the cities from the scattered, impoverished "homelands" that had been decreed by apartheid. But he was a slow convert to the cause of reform.

Born on March 18 1936, Frederik Willem de Klerk became active in Afrikaner youth organizations allied to South Africa's National party, which took power from the previous, largely English-speaking, white-led government in 1948 and embarked on building apartheid. His NP pedigree was flawless.

Source: Financial Times

His father Jan was a senator and cabinet member under Prime Minister Hendrik Verwoerd, apartheid's main architect. His grandfather was another senior NP politician and friend of Paul Kruger, the elder statesman of Afrikanerdom. De Klerk himself held various cabinet posts from 1978 until becoming president in the last white government, elected in 1989.

De Klerk's brother, the political commentator Wimpie de Klerk, insisted that FW (as he was universally known) cultivated a conservative image to ensure a strong power base within the party. In his book FW de Klerk: The Man in his Time, Wimpie explained: "In Afrikaner politics, power is based on conservative thinking; in the long run it gains you confidence, and once you have that you can do magical things with the Afrikaner. That was FW's strategy."

Nonetheless, de Klerk found his fellow Afrikaners deeply skeptical of political reform where they were not openly hostile. He was branded a traitor by many Afrikaners and was subjected to countless death threats from rightwing extremists.

As political negotiations seemed to drag on interminably, with mounting violence, he became a hate figure for those in the white minority who feared or opposed change — and also for many supporters of the ANC, who accused him of turning a blind eye to the abuses of security forces.

Though he continued to fight for an effective white veto in a post-apartheid government, his bottom line was steadily eroded until he agreed to what was in essence a majority rule constitution.

From 1994 to 1996 he served as one of two deputy presidents under Mandela. De Klerk stepped down as leader of his party the following year. His private life brought controversy when he divorced his wife of 39 years, Marike Willemse, and married Elita Georgiades. His first wife, with whom he had a daughter and two sons, was murdered in her Cape Town home in 2001.

While founding the pro-peace FW de Klerk Foundation as well as a Global Leadership Foundation that groups former heads of state and government worldwide, he became largely detached from South African public life. In 2004 he quit the renamed New National party after it announced that it would merge with the ruling ANC.

Yet he often drew outrage, telling a CNN interviewer in 2012 that he had apologized only for apartheid's injustices, not for having promoted the concept of "separate but equal", racially based nation states in South Africa. "The Czechs have it and the Slovaks have it," he went on, seemingly blind to the absurdity of comparing eastern Europe's velvet divorce with the iniquities inherent in a system that was never intended to cede big cities, good land or significant mineral wealth.

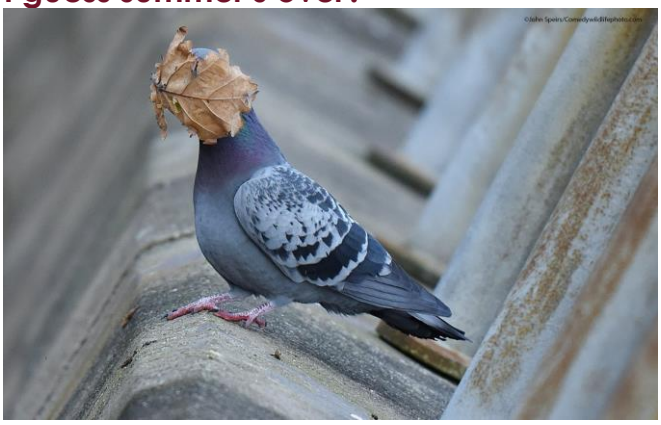
In 2020 de Klerk denied that apartheid was a crime against humanity, echoing words of defiance at South Africa's Truth and Reconciliation Commission decades earlier. He eventually backtracked and said that it was "not the time to quibble about the degrees of unacceptability of apartheid". In a video message by de Klerk released after his death, he apologized for "the pain and the hurt and the indignity and the damage that apartheid has done" to non-white South Africans.

Mandela once said that he and de Klerk "had our differences, some of them very public. Our basic respect for one another has, however, never diminished".

De Klerk could be petty and, as president, he became almost paranoid about criticism. More seriously, he can be faulted for his reluctance to clear the security forces of obstructive officers and slackness in pursuing the official perpetrators of violence.

His hopes of maintaining Afrikaner influence in a post-apartheid society may have been largely futile. But South Africa could not have escaped from the cruel vortex of its history without him.

I guess summer's over?



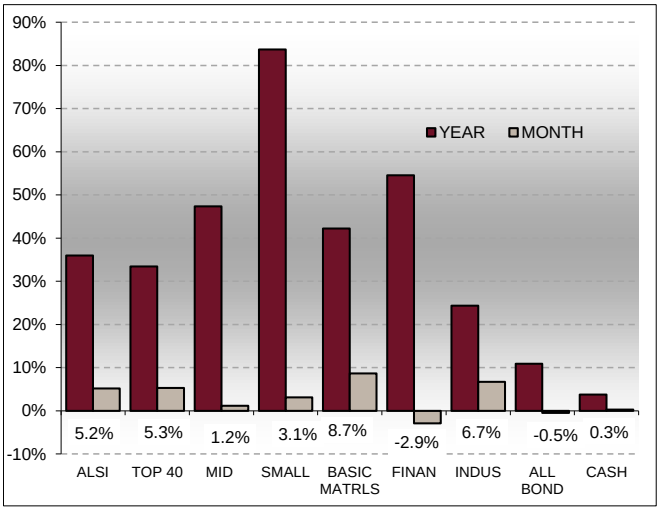
Source: John Speirs

October in perspective – local markets

Locally, South African markets put in a commendable return all things considered, particularly in the face of the parlous state of the economy, ongoing load-shedding, record unemployment, dismal service delivery by government across all levels of the economy, and the uncertainty in the run-up to the election on 1 November.

The All Share index rose 5.2%, bringing its year-to-date return to 18.0%, but the All Bond index lost 0.5%, for a year-to-date return of 4.9%. The rand lost 1.0% against the dollar and has now lost 3.4% against the greenback so far this year. The Basic Materials and Industrial indices rose 8.7% and 6.7% respectively, but the Financial index lost 2.9%. The Basic Materials index has risen 17.2% so far this year, the Financial index 21.9%, and the Industrial index 16.2%. During October the Large, Mid, and Small cap indices rose 5.3%, 1.2%, and 3.1% respectively, posting year-to-date gains of 16.3%, 25.6%, and 50.9% respectively.

Chart 15: Local returns to 31 October 2021



Markets have started November on a strong note. We are reminded that the last part of any year, and in fact well into the second quarter of the following year, is seasonally a strong period for equity markets. Although this is no guarantee of positive returns in the coming weeks and months, we retain the view that there is a lot to support equity markets into the future, and so we retain our strong preference for equity markets in general. Despite the scaling back of economic growth rates for this year, a lot of growth will extend into 2022. Corporate balance sheets remain in good shape in general and interest rates are likely to remain low for a long time to come. Hopefully politicians will get their act together and begin implementing the long-awaited fiscal stimulus, which will only increase the attraction of equity markets as the preferred investment vehicle, at the expense of bond markets.

Locally the hype and nonsense surrounding the election will subside and the harsh reality of the dire state of the SA economy and its future should focus leaders' attention on all that needs to be done. Whether or not government has the competence to implement change, or deliver on any aspect of their responsibilities, is another question entirely. The election results demonstrate a palpable dissatisfaction with the leaders of this country to successfully navigate the challenges that lie ahead of all of us. However, one could have said the same thing five years ago after the previous election, so we are not that hopeful that much change is in the offing. That said, if global equity markets remain strong, if the rand is mildly supportive, and if government doesn't score a spectacular own goal, as is their habit from time to time, there is no reason to believe that local markets will not remain firm as we head into the closing weeks of 2021.

Ninja Prairie Dog

Source: Arthur Trevino

So what's with the pics?

This month I have included photos from the 2021 Comedy Wildlife Photography Awards. I hope you enjoy them – you can see more photos by clicking here.

Majestic and graceful bald eagle

Source: David Eppley