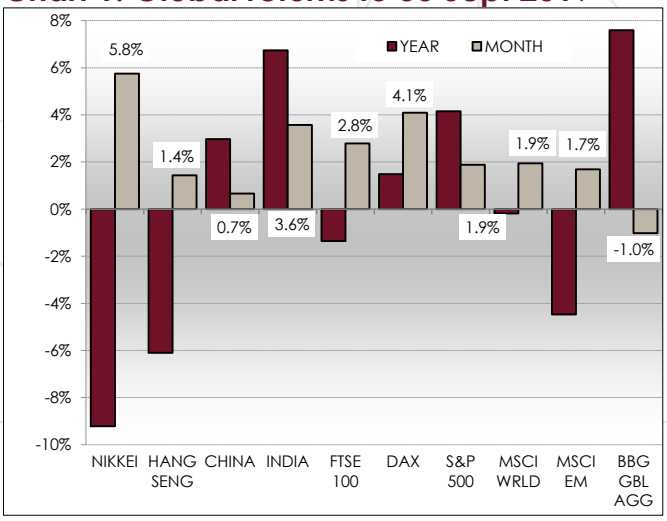
September in perspective – global markets

As we head into the final quarter this year, it is appropriate to reflect on market behaviour for this year so far. I will refrain from any lengthy "reflections" but point out that, for all of Brexit, Trump (and all that that means!), the US China trade war, and global economic slowdown, to mention but a few major issues, global, US and Chinese equity markets have risen 15.7%, 20.3%, and 16.5% respectively during the first nine months of this year. The global bond market is 6.3% higher over the same period. Most equity market returns are well up in the teens, with Greece leading the charge, up an astonishing 41.6%. The South African equity market is 7.1% higher.

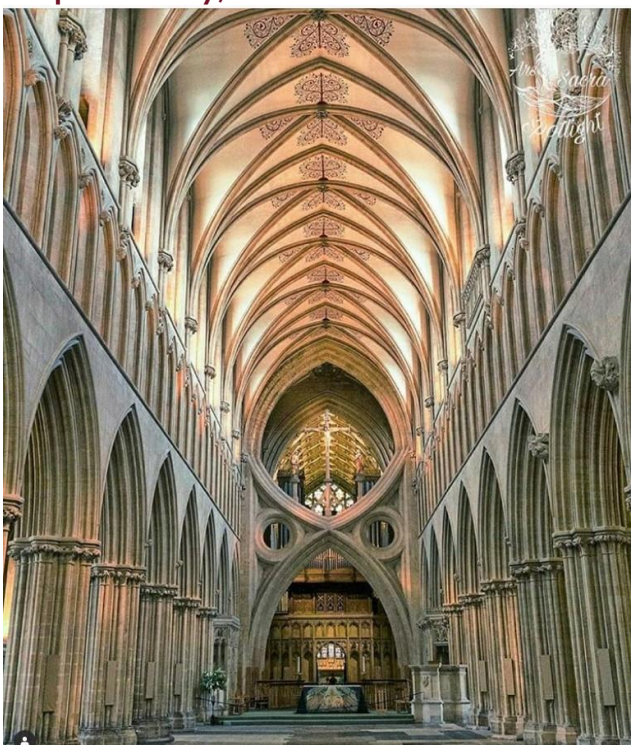
Chart 1: Global returns to 30 Sept 2019



So for all the volatility, negative interest rates, and political bad news and sabre-rattling that dominates the headlines, investors who placed their assets at risk in global markets – for that is what equity investing entails – at the end of December, which you will recall was one of the worst months in equity markets on record, have reaped rich rewards so far this year. Yet for all that, it doesn't feel like it. We find a pervasive blanket of negativism and concern all around us.

And that blanket stretches across the entire world – it is not only found in South Africa. The times in which we find ourselves are interesting indeed, and continue to provide much to be concerned about. And at the same time, markets continue to rise and climb the proverbial "wall of worry".

Simple serenity, Wells Cathedral in the UK



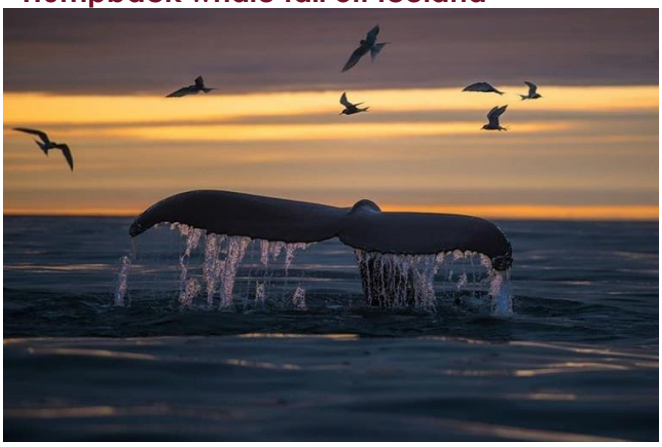
Instagram handle: @ars.sacra

Turning to specific data on September's market behaviour, the MSCI World and Emerging Market indices rose 1.9% and 1.7% respectively. The Japanese, German, UK and US markets led developed markets higher, with respective monthly returns of 5.8%, 4.1%, 2.8%, and 1.9%. The US Mid and Small cap indices were particularly strong, rising 2.9% and 3.2% respectively. Within the emerging market space, returns from India (3.6%), Brazil (3.6), Russia (3.1%), and Turkey (8.6%) were notable.

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

Global bond markets retreated 1.0% but that must be seen in the context of their robust (2.0%) August returns. The dollar rose 0.5%, adding to the pressure on the euro, which fell 1.0% against the greenback. Within the commodity complex, monthly gains in palladium of 12.6% and iron ore and coal markets (8.6% each) were notable. Despite it being a volatile month, but less volatile and unprofitable than August, September ended with most markets higher.

Humpback whale tail off Iceland



Instagram handle: @koen_hoekemeijer

What's on our radar screen?

Here are a few items we are keeping an eye on:

- *The SA economy:* The annual headline inflation rate increased from 4.0% in July to 4.3% in August, although the monthly increase was only 0.3%. The annual core inflation rate is also 4.3%. As is often the case, the Western Cape saw the highest inflation during the past year, at 4.9%, versus the North West Province, where the inflation rate is only 3.8%. Retail sales in the year to July rose 2.0%, down from 2.4% the month before.
- *The US economy*: The US Federal Reserve (the Fed) lowered their benchmark interest rate by 0.25%, as expected. The Fed's target rate is now between 1.75% and 2.00%. The rate cut was widely expected, but what was of interest – no pun intended – was the fact that there were some of the Fed Committee that did not support the rate cut. Even more surprising was the fact that some members are expecting interest rates to rise by as much as 0.5% next year. Clearly, not everyone on the Committee is that bearish about the outlook for the US economy. That said, the ISM Purchasing Managers Index (PMI) may have changed their minds; the ISM manufacturing PMI eased to a decade low of 47.8, down 1.3 points. Only 3 of the 18 sub-components registered increases. Of the 380 monthly observations on this data series, the index has only been lower on 6 occasions. The non-manufacturing PMI index also declined more than expected, to 52.6. One has to go back to 2012 to find a lower number. September headline inflation was flat month-on-month, bringing the annual rate to 1.7%. The core inflation rate, which excludes volatile food and energy prices, rose 0.1% month-on-month, bringing its annual rate to 2.4%.
- *Developed economies*: We wouldn't naturally comment on it, but it stands out for its uniqueness: a day after the Fed cut its interest rate by 0.25%, the Norwegian central bank, the Norges Bank, raised its rate by 0.25% to 1.5%, the fourth increase so far this year. Relatively strong economic growth, thanks in part to a robust oil sector, and rising inflation, due to some extent to the weak krona, were given as reasons for the increase. Core inflation in Norway is now 2.1% while the Norges Bank expects the economy to grow 2.7% this year. The Swiss National Bank decided to leave their official interest rate unchanged at -0.75%.

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

The Bank downgraded their 2019 and 2020 inflation rates to 0.6% and 0.7% respectively, and their expectations for 2019 economic growth from 1.5% to a range of between 0.5% and 1.0%. Bad economic news continued to be the order of the day in Germany: its non-manufacturing PMI declined 2.3 points to 51.4, a nine-month low. The manufacturing index declined 2.1 points to 41.4, its lowest level for ten years. The composite PMI declined to 48.5 – the first sub-50 reading in this economic cycle and the lowest reading in 83 months. We reiterate our concern about the economic slowdown and outlook in Germany, which has traditionally been the engine of growth for the European Union. In France, the services PMI fell to 51.1 – remember anything below 50 denotes a contraction – while for the Eurozone region as a whole the manufacturing PMI declined to 45.6 and the services PMI declined to 51.6 – the lowest reading in 83 and 8 months respectively. The composite PMI reading in the Eurozone is now at 50.1. The Reserve Bank of Australia (RBA) reduced their interest rates by 0.25% to 0.75%, citing global interest rate declines and softening household consumption as the reasons behind their actions. Not surprisingly, the RBA action led to further weakness in the Aussie dollar, which has not declined by 6.8% against the US dollar in the year to end-September (ironically, the rand has also lost 6.8% against the dollar during the past year).

A herd of chital deer in India

Instagram handle: @shaazjung

- *Emerging economies*: Shortly after the Fed lowered rates by 0.25%, the Central Bank of Brazil (BCB) lowered its benchmark Selic rate by 0.5% to 5.5%. Encouraged by lower inflationary expectations, to below their 4.0% target inflation rate, they cited the global economic slowdown and their rather gradual domestic economic recovery as the primary risks to Brazil's economic growth. One day after the Fed cut its rates, Bank Indonesia (BI) lowered its rate by 0.25% to 5.25%, its third consecutive interest rate reduction. Inflation there is 3.5% and the economy grew at 5.0% during the second quarter of this year. The Indian government cut the effective corporate tax rate from 30% to 25% and introduced various lower, concessionary tax rates for new manufacturing entities, in an effort to increase India's global competitiveness and stimulate the slowing economy, where growth has fallen to a 6-year low. The tax cuts are worth around $20bn, which

explains the equity market's 5.3% on the day. The Reserve Bank of India (RBI) also reduced its official interest rate to 5.15%, its fifth consecutive rate cut. It lowered its 2020 economic growth forecast from 6.9% to 6.1%; the Indian economy grew at 5.0% during the second quarter (Q2). The Chinese September manufacturing PMI came in at 49.8, its fifth continuous month of contraction, while the Services (non-manufacturing) PMI came in at 53.7, bringing the composite PMI reading to 53.1, still in expansionary territory but clearly slowing down. In Mexico, the central bank cut interest rates by 0.25% to 7.75%. The reduction was widely expected; Q2 economic growth was flat quarter-on-quarter, but declined 0.8% on an annual basis. The Mexican economy grew 2.0% during 2017 and 2018. Inflation has slowed to 3.8% from 4.2% at the start of this year, providing room for further rate cuts in due course.

Stairs in Brazil, designed by Oscar Niemeyer

Instagram handle: @simonnorfolkstudio

The Thinker

Instagram handle: @eleonora_brusco

Charts of the month

A reminder why the US China trade war matters

Given the US China trade war and its influence on global equity markets, it would be good to remind ourselves why this topic is so important. Chart 2 depicts global trade as a percentage of global activity (gross domestic product or GDP). It must be clear to all that the increase in the size and importance of global trade during the past six decades is now under serious threat.

Chart 2: The end of a golden era?

Source: Deutsche Bank

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

Tea harvest, Son La, Vietnam

Instagram handle: @natgeoyourshot

The debate that won't go away

The following chart is for my friends – yes, I still have a few, but perhaps not after showing them this – who are believers in "value investing" as opposed to "growth investing". Without revisiting the definitions of each style – and admittedly it is preferable to adopt a combined approach rather than stick to the extremes – Chart 3 shows that the growth style of investing is enjoying its longest period yet of outperformance of investments managed on a value style.

Chart 3: MSCI Value versus Growth indices ($)

Source: Goldman Sachs

Speaking of extremes …

Speaking of extremes, we have long preferred US equity markets over European ones, although to be honest, broadly speaking we prefer Chinese equities over both. The US equity market has surprized investors with its robust performance despite all the political shrapnel flying around. The chart below depicts just how extreme the outperformance of European markets by US markets has been in the context of the past 70 years.

Chart 4: US equity returns vs European ones ($)

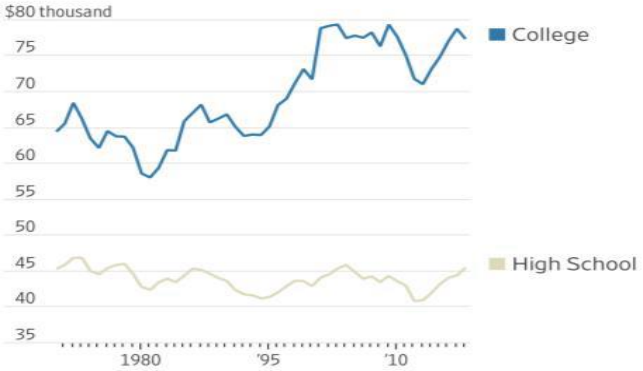
Source: Deutsche Bank

And here is a chart for parents …

I am always on the lookout for charts to show my children, or young people in general, the benefits of studying. Of course, financial benefit is only one of the benefits of studying; it is also the easiest to quantify. Chart 5 depicts the difference in wages between US college (university) students and non-graduates. As one would expect graduates are paid much more although I note that neither graduate nor non-graduate wages have exceeded their peak levels from 20 years ago. That said, the significant premium of graduates over non-graduates cannot be ignored. All the more reason to work hard while you are still at school.

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

Chart 5: US gradate vs non-graduate wages



Source: Skenderberg Investment Management

A reminder why we keep on looking at PMIs

In the *What's on our radar screen* section above, we focussed a lot on Purchasing Managers Indices (PMIs). We have done this in the past, and you may wonder why we are so obsessed on this economic indicator. Well, seeing that a picture paints a thousand words, let's use charts to provide the answer. Chart 6 depicts the ISM manufacturing index, which is a US Manufacturing PMI, on the left-hand scale, and the annual percentage change in the US equity market (S&P500) on the right-hand scale. The relationship is close, established, and important.

Chart 6: US ISM index and the US equity market

Source: Deutsche Bank

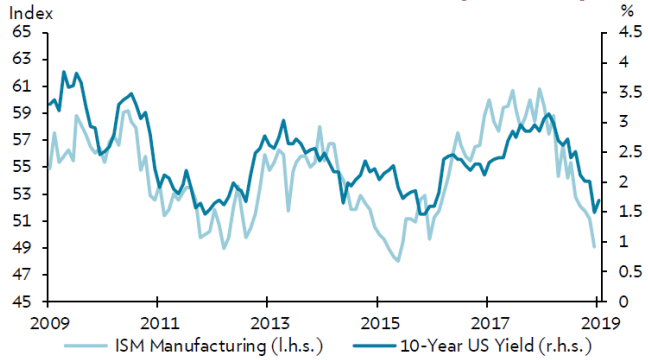
Speaking of PMIs, and the global manufacturing one in this case, and relationships, I came across the following interesting chart, which depicts the global PMI against the net number of central banks whose last move was to reduce their respective interest rates, shifted forward by 8 months, which is another way of saying it takes about 8 months for their action to affect the global PMIs. Once again the relationship seems well-established over a long time, leading us to believe, based on the chart below, that the global PMI is likely to start moving higher in due course due to declining official interest rates around the world. We know from Chart 6 that a rise in PMIs would be supportive of equity markets, which is why we pay close attention to them, both in respect of manufacturing and non-manufacturing (services) ones.

Chart 7: Global Monetary Policy Stimulus

Source: Topdown Charts

Not surprisingly, PMIs have a close relationship with bond yields (interest rates). As an economy slows down, evidence of which will be found in a declining PMI (remember that any PMI reading below 50 depicts a sector in contraction, as opposed to growth, mode), so the bond market will start pre-empting the lowering of official interest rates. Chart 8 depicts the yield (interest rate) on the 10-year US government bond on the right hand scale, against the US (ISM) manufacturing PMI on the left-hand scale. The relationship is clear, reliable and well-established.

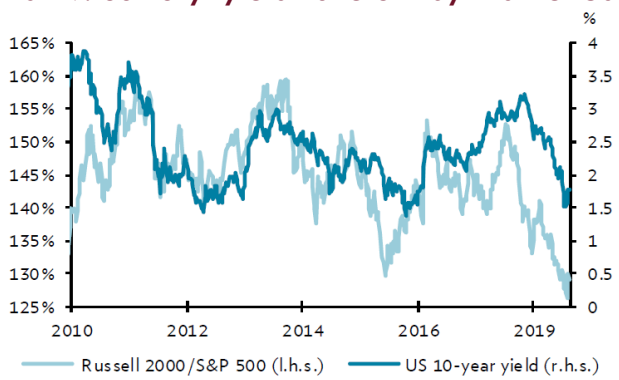
Chart 8: US ISM index and US 10-yr bond yields



Source: Julius Bär

Finally, the relationship between US bond yields and the performance of smaller US companies is also interesting to observe. Chart 9 depicts the yield (interest rate) on the 10-year US bond on the right-hand scale, and the performance of US small caps i.e. smaller companies (in this case the Russell 2000 index of small companies) *relative to* that of large companies (the S&P500 index) on the left-hand scale. As the economy slows and bond yields decline ahead of lower official interest rates, so smaller companies tend to perform worse than larger ones. If this well-established relationship is anything to go by, it looks as though the underperformance of small caps has gone a bit too far. Either that, or the US 10-year bond yield is too low. Time will tell which indicator is more accurate in its assessment of the future.

Chart 9: US 10-yr yield vs return by market cap



Source: Julius Bär

Spiral staircases, Nanning, China

Instagram handle: @nicholasku_

Obituary: Jessye Norman (1945 – 2019)

Among the memorable moments of Jessye Norman's career, one stands out: in 1989, to mark the bicentenary of Bastille Day, France presented a huge, open-air opera-ballet with a cast of 8 000 people and 100 sheep in the centre of Paris. The climax of the event came when Norman, wrapped in a French tricolour dress, was driven around the Place de la Concorde on a huge platform singing the "Marseillaise". Heads of state from 40 countries looked on. The global television audience was said to have topped 500m. From that day, Norman metamorphosed into something more than a singer. She had already spent a decade at the top of her profession but now she was an icon – or at least a performer who had outgrown the usual boundaries of her art.

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

The inimitable Jessye Norman

Source: FT.com

Norman's grand voice and imperious manner made her a natural for performing at official events. She sang at the second inaugurations of US presidents Ronald Reagan and Bill Clinton. She was invited to appear at Queen Elizabeth's 60th birthday celebrations and at the funeral of former US first lady, Jacqueline Kennedy Onassis. In 1996, she sang at the opening ceremony of the Atlanta Olympics. A life as a megastar was hers for the taking, but Norman had decisive views on this subject, as she did on everything else. For a while she was on the books of Herbert Breslin, the public relations company that propelled Luciano Pavarotti to stardom. Despite promoters getting her on NBC's Today show and into the pages of Life magazine, Norman decided to call it a day. Being marketed, she declared, "doesn't suit me".

With fame came a new sense of social responsibility. As the most prominent African-American opera singer of her time, Norman was keenly aware of her debt towards the previous generation of African-American singers and her duty to the next. "It would be completely impossible for me to have any kind of career if it hadn't been for people like Leontyne Price and Marian Anderson," she said. Recalling how a hotel manager had sent Anderson outside into an alley to press her own dress before a concert, she said she could not be sure she would have had the same strength of character. "[They did] more than anybody imagined and those of us who have sense are very grateful. And very proud". Later, speaking in a televised masterclass to young American singers, she warned them that it was unrealistic to pretend that racial prejudice did not still exist in all countries. Her memoir *Stand Up Straight and Sing!* was written, she told the Financial Times in 2015, because "there are not enough stories about African-American families in the Jim Crow south, where I grew up . . . feeling their worth in the world".

Jessye Norman was born in Augusta, Georgia, on September 15 1945. Her family was musical – her grandparents owned a harmonium which, she wrote in her memoir, was "the most exotic thing I had ever encountered" – and at the age of 10 she discovered Nat King Cole, James Brown and the Metropolitan Opera's Saturday afternoon broadcasts. Her passport to the Met, where she was to sing 90 performances, came in the form of a rich, voluminous, deeply textured voice. As much a mezzo as a soprano, its unique quality was immediately recognisable. It was, as one critic aptly put it, "a mansion of sound". Norman was as likely to be found singing the mezzo solo in Verdi's *Requiem* as Strauss's high soprano *Four Last Songs*. She increasingly favoured off-the-beaten-track operatic roles by Schoenberg or Janáček over standard fare. One of her favourite sayings was, "Pigeonholing is for pigeons".

Norman truly was a singer whose voice defied categorisation. The thrilling power of her upper register was matched by an opulent middle and chest-voice which enabled her to take on mezzo-soprano roles such as Bizet's Carmen (which she recorded in 1989 but never sang on

stage), Jocasta in Stravinsky's *Oedipus Rex* and Judit in Bartók's *Bluebeard's Castle*.

Her concert repertoire included numerous works which are usually the province of contraltos, such as Mahler's Symphony No. 3 and *Das Lied von der Erde*, the mezzo parts in Beethoven's *Missa solemnis,* and Verdi's *Requiem*. Later in her career she made numerous jazz and crossover recordings, including a disc of songs by Michel Legrand in 2000 and an album of Great American Songbook classics with John Williams and the Boston Pops Orchestra, and appeared with artists including Jon Bon Jovi, Bruce Springsteen, Billy Joel and Elton John. Norman sat on the board of the Elton John AIDS Foundation, and also worked closely with charities including the Lupus Foundation, NYC Meals on Wheels, and the Partnership for the Homeless.

Above all, there were song recitals. The perfectly schooled young soprano who arrived in Europe in the late 1960s already had the cultural appreciation to sing French melodies and German lieder as if to the manner born. "It's the most demanding thing I do," she said of giving song recitals, and she restricted her opera appearances to keep space for them in her diary.

Towards the end the engagements thinned out. There were one-off shows with choreographer Bill T Jones and a new work by the artist and director Steve McQueen at Tate Modern, when she processed through the cross-legged audience in a flowing white robe, like some formidable angel come to dispense awe from on high. "I'm very serious about studying and knowing about what it is I'm singing," she said once, summing up what performing meant to her. "And I'm afraid I do have an awful lot to say."

Little Thai child on big beast

Instagram handle: @wildlife_focus

Among her many awards and honours were honorary doctorates from universities including Harvard, Yale and Cambridge, the Legion d'honneur in 1989, the Lifetime Achievement Award at the 2006 Grammys, and the National Medal of Arts in 2009. Norman died in New York on 30 September aged 74, from long-term complications from a 2015 spinal injury. She is survived by two siblings, Elaine Sturkey and James Norman.

Quotes to chew on

The Chinese way of looking at it

Charles Li is the *Chief Executive of the Hong Kong Exchange* (HKEx), which recently launched a bold £32bn bid for the London Stock Exchange (LSE). He has an amazing life story, having been assigned to work on an oil rig in freezing temperatures in the northern Bohai Bay during Mao Zedong's Cultural Revolution – the alternative was to till the land in the arid northwest of the country. In a recent interview with Asiamoney, wherein he commented on the

reforms in China, he said the following: "China is so big and so different and no longer willing to change itself to fit into the rest of the world because they have their own ecosystem and own logic … The work is now going to have to change itself to fit into China." Now you know exactly how the Chinese see the world.

Ice cream in London

Instagram handle: @heroesforsale

The way it was …

Speaking of China, I am reading a book at present and thought you'd be interested in the following extract, which specifically deals with China: "China … was not only the most populous and politically unified empire on earth, but also the most prosperous. The standard of living in its wealthy eastern and southern cities was easily a match for the companion regions of Western Europe, as was life expectancy. To measure by the consumption of luxury goods such as sugar and tea, the quality of life in eastern China … appears to have left Europe behind. At the same time however, due to the … government's tight strictures on foreign trade and residence, China was also seen from the outside as impossibly guarded and remote, 'the only civilized nation in the world' as one British writer put it, 'whose jealous laws forbid intrusion of any other people'. The immense riches of the empire were – to the eternal frustration of westerners – always just out of reach".

You might think this is an accurate description of modern China – *except that this extract is a description of China in the mid-eighteen century!*

Within the Maestro office we hold the view that unless one fully understands the history of China, and takes it into account when dealing with that nation, you will never achieve any material progress through negotiating with them. This lesson is utterly lost on US President Trump, which in turn informs our view as to the long-term outcome of the US China trade war.

Armed with the historical context of the above extract, you will find this section from the same book of interest, too: "There were good reasons why the East India Company did not do anything else that might put their little foothold in China at risk. In the eyes of the Europeans in the late eighteenth century, the empire of the Qing dynasty was an unequalled vision of power, order, and prosperity. It had long been, as Adam Smith described in 1776 in *The Wealth of Nations*, 'one of the richest, that is, one of the most fertile, best cultivated, most industrious, and most populous countries in the world'. Smith believed China to have been at a stable climax of development for eons – at least as far back as Marco Polo's visit in the thirteenth century –

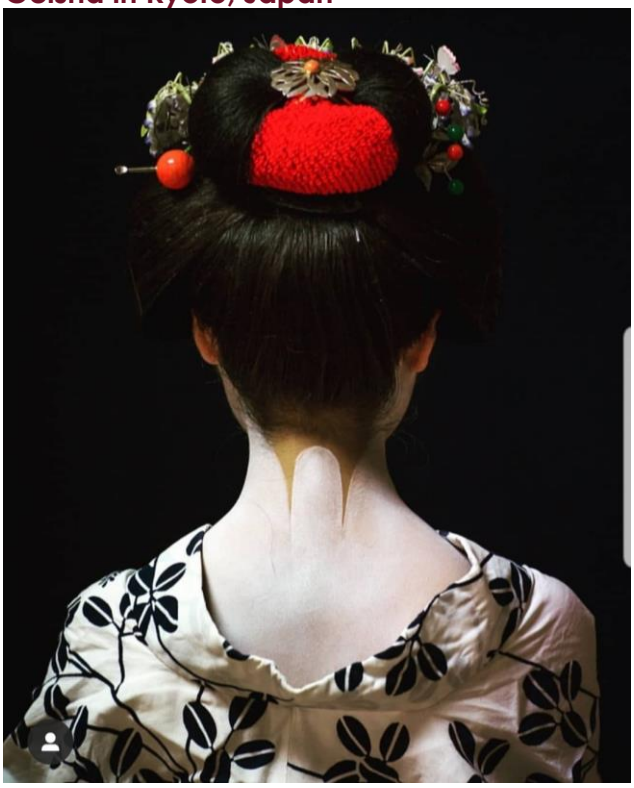
which meant that although it did not have the capacity to develop further (an advantage he reserved largely for Europe), it nevertheless showed no signs of retreating from its pinnacle of prosperity. 'Though it may perhaps stand still' he insisted, 'China does not seem to go backwards'.

"Enlightenment champions of reason saw in China the model of a moral and well-governed state that needed no church – a secular empire, founded on rational texts and ruled by scholars. 'Confucius' wrote Voltaire with admiration in his *Philosophical Dictionary* of 1765, 'had no interest in falsehood; he did not pretend to be a prophet; he claimed no inspiration; he taught no new religion; he used no delusions'. In reading extracts from Confucius's works, Voltaire concluded: 'I have found in them nothing but the purest morality, without the slightest tinge of charlatanism'. The state that had been founded on those works was, he believed, the oldest and most enduring in the world. 'There is no house in Europe', he observed, 'the antiquity of which is so well proved as that of the Empire of China'".

It is intriguing to look back from our vantage point early in the twenty first century, at the subsequent development of China. Irrespective of our individual respective conclusions and thoughts on China, as the NBA recently discovered to their detriment if you ignore the cultural cohesion and historical perspective of China, you are doomed to failure "from the get go". In China's view, their rise during the past four decades is nothing but a return to the position of global supremacy they enjoyed for centuries prior to the catastrophic era of Mao Zedong and the first half of the twentieth century. Donald Trump and many others might not see it like that, but history shows that you ignore the lessons from and perspective on China's culture at your peril.

For those interested in the book from which these quotes are taken, it is Stephen Platt's *Imperial Twilight – the Opium War and the End of China's Last Golden Age*.

Geisha in Kyoto, Japan

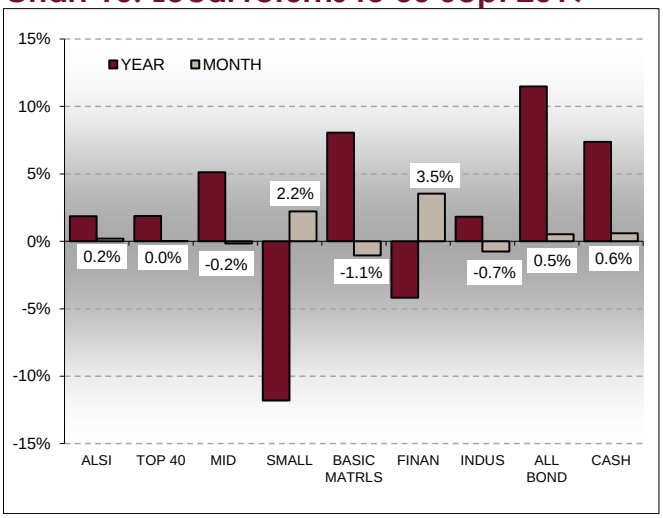


Instagram handle: @ericlafforgue

September in perspective – local markets

Turning to South Africa, the equity market eked out a gain of 0.2% while the bond market rose 0.5%. The rand firmed 0.1% but that hides a latter half of the month during which the rand weakened substantially. Unusually, the Small cap index rose 2.2%, out of step with the decline of 0.2% in the Mid cap index and a flat Large cap index. The Gold index collapsed 14.9% during the month, but it is still 127.4% higher than September last year.

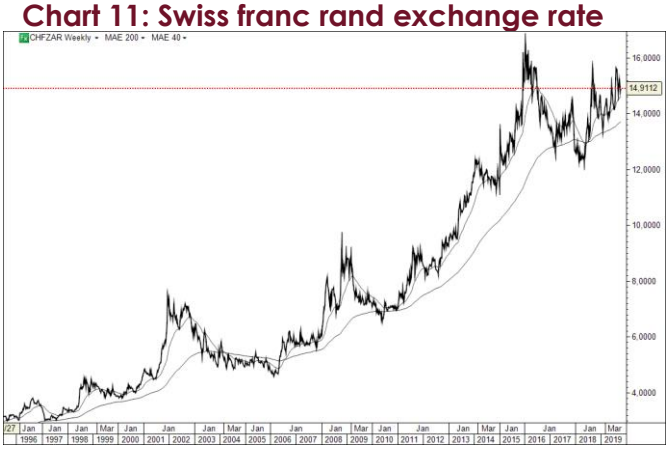
Chart 10: Local returns to 30 Sept 2019



Economics over Politics 101

For many years now Maestro has been bearish on the rand i.e. we hold the view that *over the long-term the rand will continue to weaken*. We are unable to predict the short-term movements of the rand but are certain the rand will continue to weaken against most major developed world currencies in the decades to come.

Chart 11: Swiss franc rand exchange rate



Source: Saxo Bank

Our short-term focus, indeed frustration and despair, may be on the political and governance environment, but despite what many think, our negative view on the rand is based on the country's economic outlook, relative to stronger, developed countries like the US or Switzerland.

The other day I came across a summary of economic data between countries. When I compared the data for Switzerland and South Africa, it was so obvious why the rand would remain an inherently weak country that I have to share it with you. We discussed the data as a team, and reiterated our long-held view that, in the long-term a country's economic environment and attributes far outweigh its political environment as the most influential variable on its currency. It is a moot point whether a political environment leads to an economic one, or the other way round – here I think of Venezuela or Zimbabwe, but I do think those are extreme cases – but the fact remains that economic considerations are the key driver of currencies in the long-term. We are not experts of politics, but we understand economics, which is why we concentrate on the economic factors when taking a long-term view on a currency. Consider the Table below and compare the data between the two countries: it is hard to disagree with our simple adage "economics over politics", and appreciate why the Swiss franc is so firm relative to the rand (Chart 11). As they say in the US … go figure!

Table 1: Switzerland vs SA: data dependent

	2018	2019	2020E
Switzerland			
Consumer Price Inflation (%)	0.9	0.5	0.9
Current account bal. (% of GDP)	8.0	8.5	10.1
Budget balance (% of GDP)	0.9	0.7	0.5
Gross public debt (% of GDP)	28.0	26.8	25.8
South Africa			
Consumer Price Inflation (%)	4.6	4.0	5.0
Current account bal. (% of GDP)	-5.9	-6.2	-6.5
Budget balance (% of GDP)	-4.4	-5.6	-6.3
Gross public debt (% of GDP)	56.7	61.3	64.1

Source: Julius Bär

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	**Sept**	**-0.7%**	**5.1%**	**-5.6%**
JSE All Share Index	*Sept*	*0.2%*	*7.1%*	*1.9%*
Morningstar sector ave	*Sept*	*0.9%*	*3.7%*	*-1.5%*
Maestro Growth Fund	**Sept**	**-0.5%**	**10.1%**	**2.2%**
Fund Benchmark	*Sept*	*0.3%*	*8.4%*	*5.4%*
Morningstar sector ave	*Sept*	*1.0%*	*6.9%*	*2.0%*
Maestro Balanced Fund	**Sept**	**-0.4%**	**7.2%**	**-1.1%**
Fund Benchmark	*Sept*	*0.4%*	*8.3%*	*6.0%*
Morningstar sector ave	*Sept*	*0.8%*	*7.4%*	*3.4%*
Maestro Cautious Fund	**Sept**	**0.6%**	**4.2%**	**6.6%**
Fund Benchmark	*Sept*	*0.5%*	*6.9%*	*7.1%*
Morningstar sector ave	*Sept*	*0.7%*	*6.8%*	*4.9%*
Central Park Global Balanced Fund ($)	**Sept**	**-1.1%**	**14.5%**	**-1.0%**
*Benchmark**	*Sept*	*0.8%*	*12.1%*	*3.2%*
*Sector average **	*Sept*	*0.9%*	*10.4%*	*2.4%*
Maestro Global Balanced Fund	**Sept**	**-1.3%**	**24.0%**	**7.3%**
Benchmark	*Sept*	*0.6%*	*18.3%*	*10.6%*
*Sector average ***	*Sept*	*0.9%*	*17.4%*	*7.6%*

* 60% MSCI World Index and 40% Bloomberg Global Aggregate Bond Index
** Morningstar USD Moderate Allocation ($)
*** Morningstar Global Multi Asset Flexible Category

Alibaba at 20

In mid-September 60 000 people gathered together in a sports stadium in Hangzhou to celebrate a birthday. Alibaba, one of the largest holdings in our global portfolios, celebrated its 20th birthday and used the occasion to officially bid farewell to its founder and chairman Jack Ma, the humble English teacher who in 1999 was still earning $20 per month, but today is listed as the world's 20th richest man, with a net worth of at least $40bn. At the time of writing, Alibaba, which did not exist 20 years ago, is worth $440bn (yes, that's R6.6 trillion and 30% larger than the total South African economy) and easily one of the most profitable companies in the world.

In bidding farewell to the company that has so dominated his life, Ma said "today isn't about Jack retiring but the beginning of a succession system. Today isn't about one person's choice, but the success of a system. Alibaba is just one of my many dreams. I still feel I'm young, there are many places I want to go visit, to challenge. After tonight, I will start a new chapter of my life." A highlight of the occasion was the by-now familiar act of Ma, now aged 55, donning his "rock star" outfit and entertaining staff and friends.

A Chinese Elvis? No, Jack Ma at his farewell.

Source: South China Morning Post

I have followed Alibaba's progress for years, and am particularly interested in its humble beginnings. Over the years you would have read in *Intermezzo* about the remarkable event known as Singles Day on 11 November, which has just about rewritten every record in the ecommerce world. If you would like to read an inspiring story I can recommend Porter Erisman's book *Alibaba's World* highly. It tells the remarkable Alibaba story from inception to its September 2014 listing.

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

There is much to be written about the company, but what struck me in all the articles I read of the 20th celebration was the reiteration of the values they espouse. Prior to that, their simple but profound mission statement was reaffirmed: to make it easy to do business anywhere. Their core values, which strike a familiar chord within Maestro's own ethos, are:

- Focus on customers first, employees second, and shareholders third
- Know that trust makes everything simple
- Remember that change is the only constant
- Today's best performance is tomorrow's baseline
- If not now, when? If not me, who?
- Live seriously, work happily

Ma has consistently aimed to keep Alibaba going for at least 102 years, by which stage it would have spanned three centuries. The company has set itself the objective of serving 2 billion customers, help create 100 million jobs, and enable 10 million small- to medium-sized firms be profitable by 2036.

Thoroughfare in Roermond, the Netherlands

Instagram handle: @patrickdreuning

File 13 – Information almost worth knowing

He said what??

Amongst the most unpleasant characteristics of the Trump Administration, at least in my opinion, have been its incoherence and arrogance. If you think I am exaggerating, let me remind you that we have already heard from Trump himself that he is a "very stable genius", that he is "the chosen one", and that he is "so great-looking and smart". Most decent people would regard such comments as outrageous, and they are so unbecoming of a person occupying the high office of the President of the US. In September we had to endure more verbal garbage (or should that be garbled verbiage?) when he spoke of his "great and unmatched wisdom".

Those comments might be avoidable, but when comments from the Whitehouse pertain to policy, they become hard to ignore, or in some cases, harder to even understand. Many are simply untrue, nothing more than blatant lies, while other are so contradictory it is hard to know exactly what is being said. We had a prime example of one such instance in September, when US Treasury Secretary Steven Mnuchin spoke ahead of upcoming trade talks. Reminding his audience that the US had formally labeled China a currency manipulator on August 5, he immediately followed that up by saying the Trump administration doesn't intend to intervene in the dollar market "right now" but added, "situations could change in the future, but right now we are not contemplating an intervention".

So let me get this right: China is a currency manipulator, presumably because it intervenes in its currency market, but the US isn't, even though it intervenes in the dollar market? Have I missed something? Can someone please explain this contradiction to me? As I said at the outset,

nothing like a bit of hypocrisy and "contradictory speak" to keep us all guessing.

Church of San Girolamo die Croati, Rome

Instagram handle: @the_dream_of_venus

Where not to keep your most expensive artwork
The picture, alongside, of the luxury yacht has been included in for a reason. This is no ordinary yacht – it is the *Serene* and belongs to none other than the Saudi Arabian prince and *de facto* ruler of the Kingdom, Prince Mohammed bin Salman, or "MBS" as he is commonly referred to. To place its size into perspective, think of the 100m distance on an athletics track, then imagine how far 134m is – that is how long this yacht is. You can also get some perspective of its size when you see the man standing on the back deck.

But the yacht is not the subject here – it is what hangs inside the yacht that is causing some concern and raising eyebrows; a few weeks ago it was revealed that the *Salvatore Mundi*, the most expensive artwork in the world, hangs inside the Serene. Bought in 2017 for a record $450m (R6.8bn) – ostensibly by an unknown buyer but it was long speculated that MBS was the buyer – the *Salvatore Mundi* is regarded by most as the Leonardo da Vince masterpiece whose whereabouts had until recently remained a mystery.

Just a thought: if you paid R6.8bn for a painting, would you hang it inside a yacht? Probably not?

MBS's Serene: It's what's inside that counts

Edmond Belamy – welcome to 2019
I appreciate that it might be sacrilegious to speak of Da Vince and computers in the same breath, but seeing that we periodically comment on the weird and wonderful in the world of art, I have to bring this to your attention. The work pictured below is the portrait of Edmond Belamy. I am no artist but I suspect if you or I had sufficient training we could probably create a work slightly "easier on the eye". There is an easy explanation for this apparent paradox though; the answer lies in the signature of the artist, which can be found on the bottom right of the work: no, you are not seeing things, the signature really reads "min G max D Ex [log D (x)] + Ez [log (1 — D (G (z)))]".

What it more shocking, this "artwork" was auctioned by Christie's for $432 500, 45 times its initial estimate. The artist was none other than a computer algorithm, set in place by a Paris-

based collective known as Obvious, who are "exploring the interface of art and artificial intelligence". If you are interested in reading more you can do so by clicking here.

Portrait of Edmond Belamy, created by GAN

Source: Quartzy

Which country has the most wealth per capita?
I am always fascinated by the wealth that exists in various countries, or for that matter, how poor the average person in a particular country is. Statistics can provide all sorts of responses to the same question, but Table 3 summarizes it well. If you would like to review the underlying source, you can do so by clicking here.

Without getting too technical, a "mean" refers to the average, whereas a "median" refers to the "middle number" in the list. So, if you have 11 samples, then sample number 6 would be the median. In the case where outlier, or extreme, sample values co-exist, for example 5 similar sample values combined with one significantly greater than the others, that scenario would distort the mean (average) value, in which case it would be better to use the median (the middle value).

So what's with the pics?

I have again taken to Instagram to select and share a few photos that appealed to me. I hope you enjoy them as much as I do.

Table 3: Countries ranked by per capita wealth

Rank	Country	Mean wealth per adult	Country	Median wealth per adult
#1	Switzerland	$530,244	Australia	$191,453
#2	Australia	$411,060	Switzerland	$183,339
#3	United States	$403,974	Belgium	$163,429
#4	Belgium	$313,045	Netherlands	$114,935
#5	Norway	$291,103	France	$106,827
#6	New Zealand	$289,798	Canada	$106,342
#7	Canada	$288,263	Japan	$103,861
#8	Denmark	$286,712	New Zealand	$98,613
#9	Singapore	$283,118	United Kingdom	$97,169
#10	France	$280,580	Singapore	$91,656
#11	United Kingdom	$279,048	Spain	$87,188
#12	Netherlands	$253,205	Norway	$80,054
#13	Sweden	$249,765	Italy	$79,239
#14	Hong Kong	$244,672	Taiwan	$78,177
#15	Ireland	$232,952	Ireland	$72,473
#16	Austria	$231,368	Austria	$70,074
#17	Japan	$227,235	South Korea	$65,463
#18	Italy	$217,727	United States	$61,667
#19	Germany	$214,893	Denmark	$60,999
#20	Taiwan	$212,375	Hong Kong	$58,905

Source: visualcapitalist.com