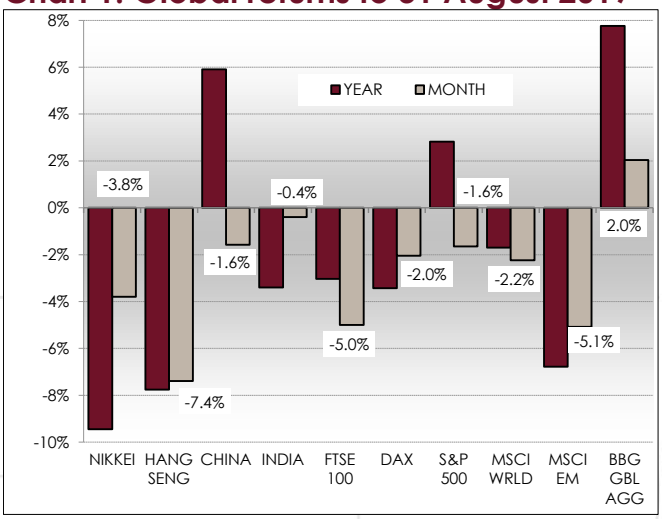
August in perspective – global markets

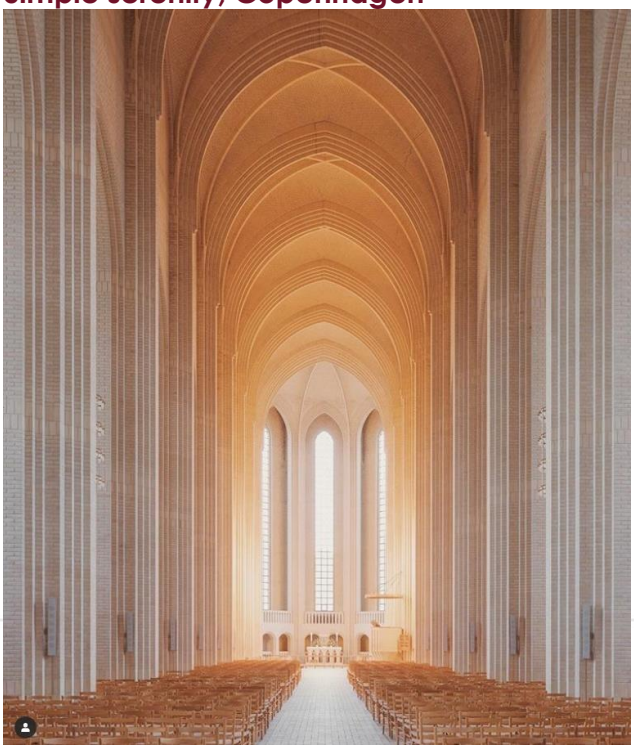
August proved to be one of the more volatile months so far this year on virtually all markets. At different times during the month, different markets were in the throes of a crisis, one way or another, and it is something of a relief that markets didn't end a lot lower than they did.

Chart 1: Global returns to 31 August 2019



The over-riding theme throughout August was the strength of bond markets, as yields (interest rates) plunged to record low levels (prices rose to new highs) in most developed markets. The yield curve, the behaviour of which we have been drawing your attention to for many months now, finally "inverted". In layman's terms, this simply means that one of the most accurate predictors of past recessions moved to a level which points to a looming recession in the US, probably in about 18 to 24 months' time. That development alone was enough to spook equity markets. However, they also had to contend with the childish tweets by the US President, as well as more serious sabre-rattling between the US and China with regard to trade between the two economic giants. The remnants of second quarter corporate reporting season also had an influence, as did the imminent collapse of the Argentinian government (and hence also the peso), more Brexit shenanigans, the collapse of yet another Italian government, ongoing mass protests and disruptions in Hong Kong, Amazon fires, G7 discord, and commodity price and currency volatility. The firm bond prices supported the dollar, which in turn put most emerging market currencies under pressure. Emerging market weakness was thus another feature of the past month's market behaviour. August had just about a bit of everything.

Simple serenity, Copenhagen



Instagram handle: @ludwigfavre

Turning to the market returns, let's start with the bond market, where the Bloomberg Global Aggregate Bond index rose 2.0% in August, bringing its year-to-date return to 7.4%. The Bloomberg US Bond index rose 2.6%, for a year-to-date return of 9.1%. The dollar, as measured by the DXY index, a basket of six global currencies, rose 0.4% and is now 3.4% higher on the year. Although they were much weaker at the end of

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

the first week of the month, equity markets managed to recover somewhat, despite all that was thrown at them. They nevertheless ended the month lower: the MSCI World index lost 2.2% and the Emerging Markets index 5.1%, bringing their respective year-to-date returns to 13.5% and 1.9%. Major equity market casualties during August included Hong Kong, which declined 7.4%, the UK down 5.0%, Turkey 5.3%, Russia 4.9% and Japan 3.8%. The US large cap index (the S&P500) lost 1.7%, but the Mid and Small cap indices fared worse, declining 4.4% and 4.6% respectively. No equity market posted positive returns during August.

Silver rose no less than 12.3%, gold 8.0% and the Baltic Dry index 27.3%. Despite all the trade concerns the Baltic Dry index has risen 50.6% during the past year! Compare those gains with the declines in the prices of iron ore of 27.5%, corn 11.8%, coal 6.0% and copper 4.4%.

Spiral staircase, London

Instagram handle: @worldneedsmorespiralstaircases

What's on our radar screen?

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

- *The SA economy:* The South African economy grew at an annualized rate of 3.1% during the second quarter (Q2), following the 3.1% contraction during Q1. Following the large Q1 decline, Q2 was always going to deliver a bounce. Perhaps a better way of looking at the state of the SA economy is to consider that it grew only 0.4% in real terms during the first half of this year. Given the sharp drop in business and even consumer confidence in recent months, due to the disappointing lack of delivery, reform and action on the part of the Ramaphosa government, it is hard to see the SA economy growing anywhere near 1.0% in 2019. The global economy is slowing and things in SA are unlikely to improve next year, so 2020 is likely to be even tougher on the economic front.
- *The US economy*: July durable goods orders excluding transport fell 0.4%, a sharp drop from the 0.8% registered in June. Final revisions to US growth data showed that the US economy grew at a rate of 2.0% during Q2, slightly lower than the 2.1% second estimate. Consumer spending remains strong though, having increased by 4.7%, thanks in part to a strong labour market. When reviewing data like this – the US economy has now grown 2.6% during the first half of 2019 - it is hard to reconcile the pending US recession that the inverted yield curve is predicting will occur within the next 18 to 24 months. The Fed's favourite inflation metric, the core personal consumption expenditure (PCE), rose only 1.6% during the past year, still below the Fed's 2% target. On the other hand, there are clear signs that the US manufacturing

sector is slowing. The ISM Manufacturing index for August dropped to 49.1 versus the 51.3 expected. That's the first sub-50 reading since August 2016 and the weakest since January 2016. Remember that any index value lower than 50 represents a contraction. The employment sub-component fell from 51.7 to 47.4 while new orders slumped from 50.8 to 47.2. The latter is at its weakest level since June 2012, while the new export orders hit a level of 43.3, the lowest level since the depths of the 2007/9 Great Financial Crisis. The message is clear – the effects of the US China trade war are starting to gain traction in the US. Watch this space…

Brown hooded kingfisher, elephant backdrop

Instagram handle: @wildlifehd

The ISM Non-manufacturing index however increased by 2.7 point to 56.4, better than the 54.0 expected. The new orders sub-component was very strong, which was something on an anomaly, and in contrast to the declining manufacturing activity.

- *Developed economies*: In Germany, the Institute for Economic Research's (IFO) Business Climate Index declined for a fifth consecutive month to a reading of 94.3 from 95.7. Based on the historic relationship between the two, a reading of this magnitude equates to a GDP growth rate of -0.6% quarter-on-quarter, showing just how sharp the German slowdown is at present. Expectations for Germany to fall into a recession are now widespread. Perhaps the most noteworthy development last week was the reduction by the European Central Bank (ECB) in its benchmark rate of -0.1% to -0.5%. Moreover, the era of Quantitative Easing (QE) re-emerged, with the ECB committing to purchasing €20bn of bonds per month. The ECB's decision to roll out QE again was by no means unanimous; the French, German and Dutch governors, amongst other, all opposed the move.
- *Emerging economies*: In keeping with the wave of global central bank interest rate reductions during July, the central bank of Indonesia (BI) reduced their interest rates by 0.25% to 5.5% amidst a relatively benign inflation outlook. Inflation there is currently 3.3% but growth has been slowing, falling to 5.05% during Q2, its slowest rate in two years. Economic growth peaked at 5.27% during Q2 2018. The BI rate cut was seen largely as pre-emptive, in order to prevent a further slowing in growth and ahead of the US Federal Reserve's cut, which was subsequently implemented. Similarly, the Central Bank of Sri Lanka reduced its interest rate by 0.5% to 8.0%, the second reduction this year. The government of Sri Lankan recently reduced its 2019 growth forecast form 4.0% to 3.0%. The Brazil

economy grew at a rate of 0.4% during Q2, therefore avoiding a recession, given the Q1growth rate of -0.1%. The annual growth rate to June in Brazil was 1.0%. In Turkey, the central bank continued to surprise, with an interest rate reduction of 3.25% to 16.5%. The bank used the declining inflation rate as the primary justification for their larger than expected reduction. In a sign that the authorities are closely monitoring the slowdown and the effects of the US China trade war, the People's Bank of China (PBoC) lowered its reserve ratio requirement (RRR) by 0.5% for all banks, which effectively releases about CNY900bn ($126bn) of liquidity into the Chinese banking system. The reasons given for the RRR reduction was to lower funding costs for the real economy and to ease liquidity conditions in the banking system.

Flamingo runway

Instagram handle: unknown

Charts of the month

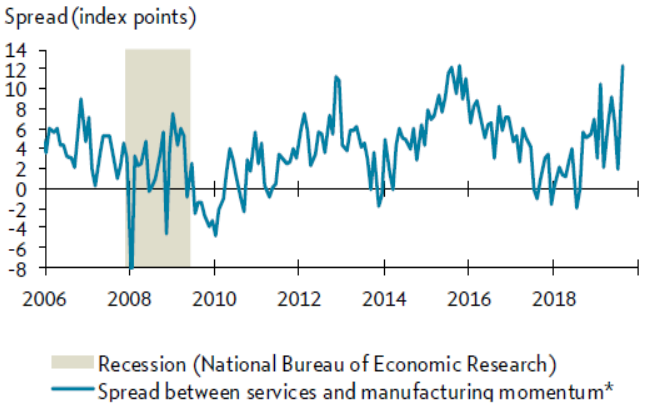
The focus remains on the US economy

With the US yield curve having conclusively inverted, albeit for only a few days, i.e. the yield (interest rate) on the 10-year government bond declined to below the yield on the 2-year bond, all eyes remain on the US economy; a yield curve inversion has accurately "predicted" all previous US recessions. While few question the accuracy of the yield curve – historically there has been a lag of between 18 and 24 months between actual yield curve inversions and the official onset of a recession – in the light of data on the US economy it is hard to imagine that economy slipping into a recession any time soon.

I found the following chart rather interesting, and sheds more light on the debate of whether or not the US is heading for a recession. Earlier in this letter we alluded to the weak US manufacturing sector as well as the stronger than expected service sector, as depicted by the ISM (PMI) Manufacturing and Non-manufacturing i.e. services, indices.

Chart 2 depicts the difference between these two indices. Julius Bär make the point that the difference, or spread, between these two indices is at its highest level in more than a decade, and as a result there is little evidence of any spillover from the weak manufacturing sector into the services sector – the service sector constitutes around 70% of the US economy. The shaded portion covering 2008/9 denotes the last recession, which coincided with a period when the spread between the two indices was actually negative – a situation very different to the one in which we currently find ourselves, notwithstanding the weak US manufacturing sector.

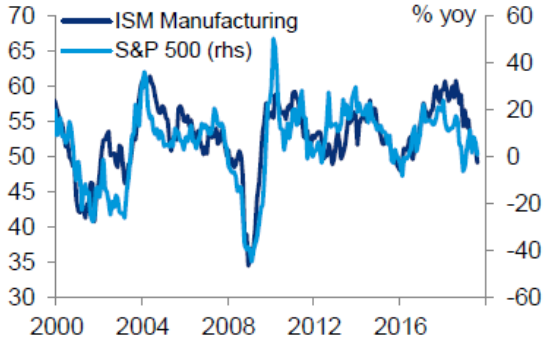
Chart 2: Limited spillover from manufacturing



Source: Julius Bär

Staying with the theme of the US manufacturing sector, Chart 3 depicts the historic relationship between the ISM Manufacturing index and the S&P500 index. From the chart it seems that the US equity market is priced in line with the current slowdown in the manufacturing sector i.e. the US equity market doesn't seem excessively valued on this basis.

Chart 3: S&P500 in line with fundamentals



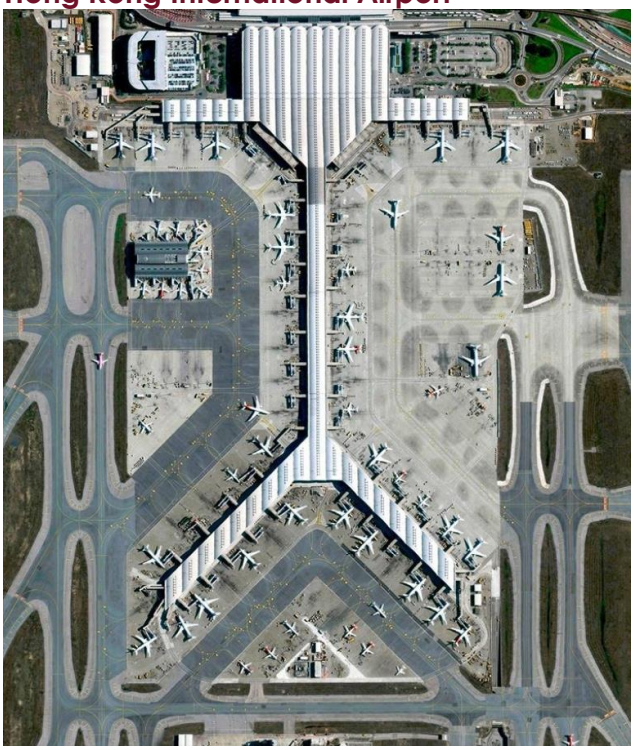
Source: Deutsche Bank

Quotes to chew on

More Factfulness

Last month I quoted an excerpt from Hans Rosling's book *Factfulness* and recommended that you read it. I repeat that recommendation – it is easy reading, enlightening, enjoyable, and uplifting. His presentation of his "view of the world" is simple, powerful and profound. At the outset he begins with 13 questions, all of which he has put to various audiences around the world, for decades. None of the audiences fair very well. Indeed, he argues that chimpanzees would do better than most who take the test. I dare you to take it. I suspect you will be shocked at your score!

Hong Kong International Airport



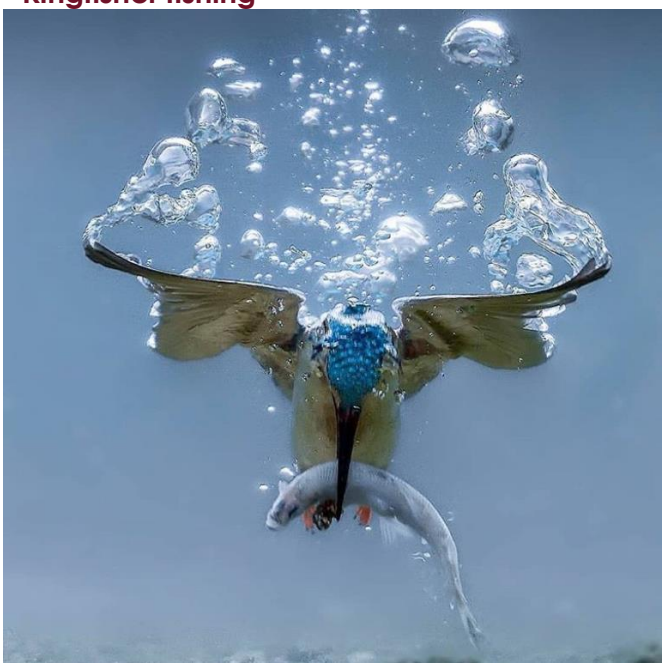
Instagram handle: @dailyoverview

Here, for example, is another comment of Rosling's that I found quite profound. Speaking about Factfulness in Practice – he unpacks "Factfulness" as the book progresses – he writes: "A single typo in your CV and you probably don't get the job. But if you put one billion people on the wrong continent (*Ed*: referring to one of his 13 questions) you can still get hired. You can even get a promotion."

"It's the economy, stupid"

One would think that a businessman like Donald Trump wouldn't need to be reminded about the importance of an economy. Love him or hate him, he is probably the most business-savvy president the US has ever had, and a lot of his initiatives have gone a long way to sustain, in some instances even improve the performance of the US economy. It is hard, therefore, to accept that he understands so little about the process of globalization. Here I am specifically referring to the manner in which companies and their respective manufacturing processes are inextricably linked and are global in nature. One would really have thought Trump would know better. Perhaps he does, but is just blinding by his ambition, inferiority complex and insecurities, or his obsession with his "Make America Great" campaign.

Kingfisher fishing



Instagram handle: @wildlifeanimall

If ever there was a sector that is globally integrated, it is the semiconductor industry. "Semis" are one of the key building blocks of the technology process and have been at the forefront of so many technological break-throughs we have experienced and have had the privilege to benefit from. There is not a device that we use daily that doesn't use a chip of some sort or another.

Of course, the global semiconductor sector has taken a lot of strain on the back of the US China trade war, and specifically from Trump's insistence that US manufacturers stop supplying Chinese companies and that they also "find alternatives" to their Chinese suppliers.

So it is interesting to hear some of the thoughts the industry itself currently has. These were shared at a conference in China, where *John Neuffer, President and Chief Executive of the Semiconductor Industry Association (SIA)* spoke. The SIA is a Washington-based trade group which represents major semiconductor firms such as Intel Corp, Qualcomm, Micron Technology and Broadcom Corp. Neuffer noted "The United States and China need to return to the negotiating table and seek an end to their trade war, (as this) would help spur more advances to be made in the highly interdependent field of semiconductors. This is now a global industry, with everyone dependent on everyone else with these amazing, sophisticated supply chains. It's very clear that no one country – no one company – can do it all. What has been very troubling for our industry are the growing calls for decoupling the supply chain … [as if the industry] can somehow survive and thrive in a bipolar global economy. We need to get back to the table to negotiate a win-win outcome in trade negotiations between China and the US".

These sentiments were share by Zhou Zixue, chairman of Hong Kong-listed Semiconductor Manufacturing International Corp, mainland China's largest contract chip maker, who urged more companies around the world to continue with their research and development collaborations. "We need to work together to create an open, inclusive and mutually beneficial environment, learning from one another and pursuing … collective growth," Zhou said. He indicated that China's semiconductor sector has already been affected by the trade dispute, with the domestic industry's outlook remaining cautious.

China's annual chip imports have surpassed that of crude oil in recent years to reach $312bn in 2018.

Great grey owl

Instagram handle: @elite_raptors

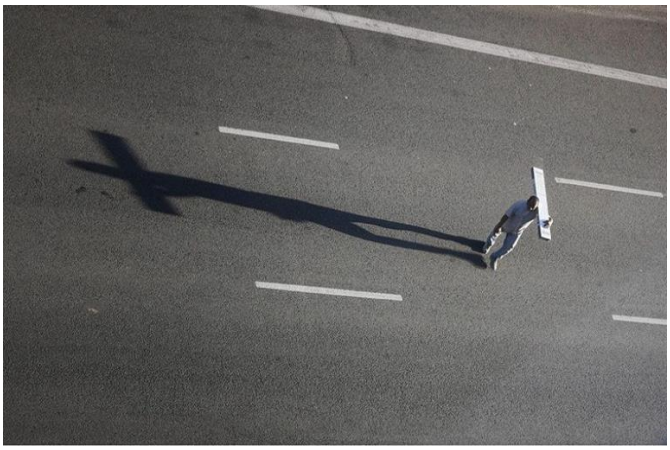
At the Shanghai conference, calls were also made for stronger intellectual property (IP) protection to support and justify the massive amounts of investments required to pursue hi-tech advances. "Respect for intellectual property is important, not just for foreign companies, but also for large Chinese companies which create significant value as a key differentiator," said Sanjay Mehrotra, chief executive at Micron. "Without protection of IP, driven progress in society will crumble."

Assuming that the trade war is not settled soon, which, incidentally, is Maestro's assumption, it is easy to see the rate of technological development we have experienced during the past three decades slowing significantly, taking with it the investment opportunities that have been available to global investors. We should all be worried about this aggressive and planned rollback of globalization that is being driven by Trump. It does not bode well for our future, or that of our children.

China revisited

In previous editions of *Intermezzo*, we have brought the writing of Stephen Roach to your attention. Currently a professor and faculty member at Yale University, he was the former chairman of Morgan Stanley Asia and their Chief Economist. He has a thorough understanding of China and the Chinese culture, so his views and insights are very relevant and accurate, at least in my opinion. Not surprisingly, his view are also very different from the traditional Western narrative on China. Roach is the author of "Unbalanced: The Co-dependency of America and China".

Pedestrian crucifixion



Instagram handle: @samp60

In a recent article in the South China Morning Post, Roach wrote an article entitled Trump's incoherent policies take aim at a China that no longer exists, he suggested that the China that the Trump Administration was pursuing was virtually non-existent, and that a "Next China" was now in place. In his arguments, he summarized the recent "China story" as I always call it, and I thought it worth sharing with you. You can read the full article by clicking here. Roach writes as follows:

"This will be the 10th year that I have taught a course at Yale called 'The Next China". The course focuses on modern China's daunting economic transitions. It frames the moving target that eludes US President Donald Trump's administration, which is taking dead aim at the Old China (a convenient target for a leader who wants to resurrect Old America).

The incoherence of Trump's trade and economic policies, with all their potentially grave consequences for the global economy, is a destabilising by-product of this disconnect.

My course starts with the urgency of the challenges addressed by Deng Xiaoping in the late 1970s. But its main focus is how the resulting Chinese growth miracle presents President Xi Jinping with four transitional imperatives: the shift from export- and investment-led growth to an economy driven increasingly by domestic private consumption; the shift from manufacturing to services; the shift from surplus saving to saving absorption to fund the social safety net desperately needed by China's rapidly ageing middle class; and the shift from imported to indigenous innovation, which will ultimately be decisive for China's goal of being a 'moderately well-off society' by the middle of this century.

The confluence of these four transitional challenges would be daunting for any country. That is especially true for China, with its blended political economy – the so-called socialist market system, with an ever-changing balance of power between the Communist Party and a vibrant private sector. It is a very tricky balancing act, to be sure.

I date the pivotal point on the path from Old China to Next China to early 2007, when then-premier Wen Jiabao correctly diagnosed the high-flying Chinese economy of the time as increasingly "unstable, unbalanced, unco-ordinated, and unsustainable".

The "Four Uns", as they famously came to be known, sparked a vigorous debate in China that led to a major rethinking of the Chinese economic growth model and a series of new strategic plans and reforms – the 12th and 13th Five-Year Plans (of 2011-15 and 2016 - 20, respectively) and the so-called Third Plenum Reforms (of late 2013).

Pigeon landing

Instagram handle: @bnwmaster

Notwithstanding all the criticism of China in the West (to say nothing of the bipartisan political angst now boiling over in Washington), progress on the road to the Next China has actually been quite extraordinary over the past dozen years.

The middle-class Chinese consumer has come to life, and the services sector has emerged as an increasingly powerful growth engine. China's outsize current-account surplus has all but vanished, a trend crucial to the saving absorption that its domestic economy requires.

And the signs of indigenous innovation are everywhere, from e-commerce and fintech to artificial intelligence and breakthroughs in the life sciences.

True, like all sagas of economic development, China's progress since 2007 has been uneven at times, and challenges have emerged along the way. Wen's "Four Uns" provide a useful way to frame the pitfalls that still lurk. Instability remains a threat, underscored by China's voracious appetite for debt, which has sparked an aggressive deleveraging campaign aimed at avoiding the dreaded "Japan syndrome".

Imbalances persist, underscored by private consumption's sub-40 percent share of Chinese gross domestic product – a shortfall that can be addressed only by a more robust social safety net (especially in pensions and health care). Persistent regional disparities, in conjunction with mounting income inequality, are visible manifestations of a lack of coordination.

And, of course, despite recent progress in dealing with air pollution, environmental degradation remains central to China's challenging sustainability agenda."

Horned beasts

Instagram handle: @geosafaris

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

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. I have inserted the sector returns for our local funds, to place our returns into perspective.

Table 1: The returns of funds in Maestro's care

	Period ended	Month	Year to date	Year
Maestro Equity Prescient Fund	**Aug**	**-1.3%**	**5.9%**	**-9.1%**
JSE All Share Index	*Aug*	*-2.4%*	*6.9%*	*-2.6%*
Morningstar sector ave	*Aug*	*-2.3%*	*2.8%*	*-5.9%*
Maestro Growth Fund	**Aug**	**1.7%**	**10.6%**	**-1.0%**
Fund Benchmark	*Aug*	*-0.6%*	*8.0%*	*2.1%*
Morningstar sector ave	*Aug*	*-0.2%*	*5.9%*	*-1.6%*
Maestro Balanced Fund	**Aug**	**1.5%**	**7.6%**	**-4.0%**
Fund Benchmark	*Aug*	*-0.3%*	*7.8%*	*3.1%*
Morningstar sector ave	*Aug*	*0.2%*	*6.5%*	*0.3%*
Maestro Cautious Fund	**Aug**	**-0.2%**	**3.6%**	**6.4%**
Fund Benchmark	*Aug*	*-0.2%*	*6.5%*	*5.6%*
Morningstar sector ave	*Aug*	*0.5%*	*6.0%*	*2.7%*
Central Park Global Balanced Fund ($)	**Jul**	**0.0%**	**17.8%**	**-2.7%**
*Benchmark**	*Jul*	*0.1%*	*11.8%*	*3.6%*
*Sector average **	*Jul*	*0.7%*	*10.5%*	*2.3%*
Maestro Global Balanced Fund	**Aug**	**5.2%**	**25.7%**	**0.7%**
Benchmark	*Aug*	*6.6%*	*17.5%*	*6.1%*
*Sector average ***	*Aug*	*4.5%*	*16.1%*	*2.5%*

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

What happens when it all goes pear-shaped?

At the risk of sowing panic and fear amongst all of, which is not my intention, I am frequently asked by clients what would happen in a worst-case scenario in South Africa. What happens when government finally realizes it has run out of money, and realizes how badly it has mismanaged and messed up the economy.

While I have my own views, it is instructive to look at what is currently happening in Argentina, where the proverbial budgie has hit the fan. This, after a number of signals that that economy was turning around and was coming to terms with years of economic mismanagement and political mayhem. Indeed after numerous debt defaults – Argentina is a serial defaulter, having defaulted on its sovereign debt eight times since independence in 1816 – it returned to the bond market in 2016. It was Argentina who only two years ago launched a 100-year bond, priced at a juicy yield of 7.9%. The bond was over-subscribed, attracting orders for $9.75bn for the $2.75bn bonds on offer. At the time of writing, the bond is trading at 40c in the dollar, while short-term (2-year) debt is trading at 48c to the dollar, equivalent to a yield of 60.0%.

Skydiving over the great pyramids

Instagram handle: @natgeoyourshot

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

Without going into all the detail, suffice is to say that the Mauricio Macri government is now on the verge of collapse. In recent days it has spent more than $12bn of scarce foreign exchange reserves trying to prop up the Argentine peso, largely without success. Not surprisingly the government has introduced capital controls in an attempt to protect foreign currency reserves and reduce pressure on the peso. Several measures have been announced to that effect. Firstly, exporters will have to repatriate foreign currency within five days. Secondly, institutions and individuals will require authorisation prior to the purchase of foreign currencies. Individuals will initially be limited to a maximum of $10 000 per month. Thirdly, the central bank will look to establish the necessary regulation to avoid the formation of a parallel foreign exchange market. Fourthly, individuals and business will be able to use holdings of sovereign debt to cancel taxes and contributions.

So, in answer to the question what do governments do when they run out of money and the chickens come home to roost, the answer is that they scramble to preserve foreign exchange by imposing capital controls, or exchange controls as call them. Of course no one likes capital controls; they increase uncertainty and cost the corporate sector dearly as it scrambles to cover its exposure. And of course, the currency collapses – at the time of writing the Argentine peso has declined 38.0% during the past year, having declining 25.9% during August alone.

I would add in closing that all of this is occurring under the watchful eye of the International Monetary Fund (IMF), which only last year provided a $57bn bailout to Argentina. So not even the presence and help of the IMF is a guarantee for stability and the non-occurrence of a sovereign meltdown. Oh, and Argentina's annual inflation rate is now 54.4%, and the economy contracted by 5.8% during Q1, its fourth consecutive quarterly decline.

So all in all, not a rosy picture; I wonder if anyone in the South African government is paying attention.

Stair well

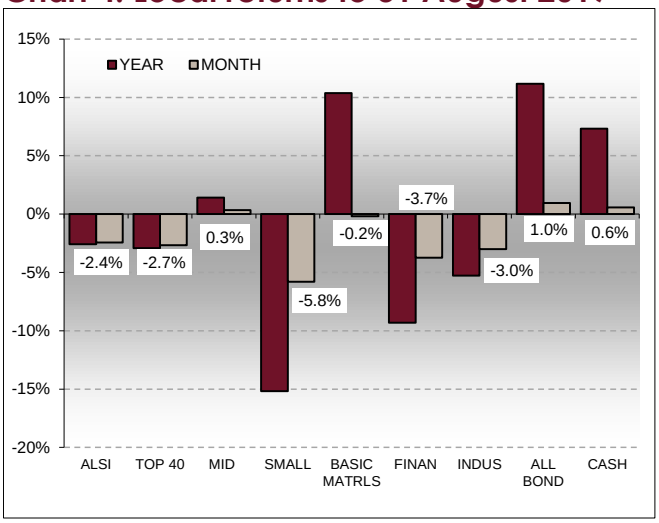
Instagram handle: @people_infinity_

August in perspective – local markets

Turning to the local markets, the rand was again a feature of the month, for the wrong reasons. It declined 6.7% against the dollar, which helped the Gold index rise 29.0% on the month, aided by the firm dollar gold price. The All Share index lost 2.4%, the Financial index 3.7%, the Industrial index 3.0%, and the Basic Materials index 0.2%. The Mid Cap index, supported by some of its gold constituents, posted a positive return of 0.4%, but the Large (Top40) and Small Cap index were not so lucky, losing 2.7% and 5.8% respectively. The All Bond index rose 1.0%, despite the weak rand. The

appetite for higher yields help the index maintain its composure. However, when you take the weak rand into account, it is worth noting that the All Share index declined 8.9% in dollar terms and the All Bond index 5.5% – a reflection of the extent to which global investors have not only shunned the local market but are also leaving in their droves, none of which bodes well for the country's future.

Chart 4: Local returns to 31 August 2019



File 13 – Information almost worth knowing

He said what??

For those who have the time and inclination, there have been many commissions of inquiry to watch on TV in recent months, as tales of corruption and abuse of state assets have been laid bare on an unimaginable scale by, it must be said, the public and private sector alike. Each commission has served up its fair share of sleaze, shocking revelations and events, some of which have stretched the bounds of credibility and understanding. The mind boggles when one thinks of how much money has been stolen and misappropriated during the past 20 years in South Africa. No wonder government has ground to a standstill and the economy has followed suite.

Some of the most remarkable comments I heard were from none other than Dr. Dan Matjila, the former Chief Executive Officer (CEO) and de facto Chief Investment Officer (CIO) of the Public Investment Corporation (PIC), the largest investment manager in the country, managing around R2.5tn and whose clients include the government employee retirement funds.

At issue in this instance was the decision, made under "unusual" circumstances by "Dr. Dan", to invest R4.3bn of client money i.e. retirement fund members' money, into a dodgy IT company, Ayo Technology Solutions.

Building in Shenzhen, Guangdong

Instagram handle: @seven7panda

Ayo went on to list on the stock exchange and still "trades" on the market, although good luck if you ever want to sell any shares; it hardly ever trades and when it does there is never any volume to speak of. The price the PIC paid for their 29% stake in Ayo was around R43.00 per

share, a far cry (81.4% to be exact) from the current price, assuming its real, of R7.99. At the latter price, Ayo has a market capitalization (size) of R2.8bn, not surprisingly some way below the R4.3bn of clients' money the PIC invested into the company for its 29% stake.

All of the above reveals another sad case of corruption and incompetence, but what really grabbed my attention was Dan Matjila's comments at the Mpati Commission, set up to examine certain of the PIC's questionable deals. Knowing full well that the Ayo price is 80% lower than what the PIC paid for their stake, and presumably having read all the media coverage surrounding the dubious character behind Ayo, Matjila insisted that the PIC "has not lost any money on its Ayo investment". He noted that the money "was still intact and earning interest at a bank".

This comment just beggar's belief, coming as it does from a man who holds a B.Sc. in Applied Mathematics from the University of Fort Hare, a M.Sc. in Applied Mathematics from Rhodes University, a Ph.D. in mathematics from University of the Witwatersrand, a Post Graduate Diploma in Mathematical Finance from Oxford University, and who has completed the Post Senior Management Program from University of Pretoria and an Advanced Management Program from Harvard University. If I was any one of those institutions I would take action or at least distance myself from their former student. His comments point to a stunning lack of understanding of how a business works, and how money flows into and through an organization. It is incomprehensible to think that the person – as educated as he is – who uttered those words and who has such a scant and incorrect knowledge of "Business 101" could head up (CEO and CIO remember?) an organization which is the custodian of R2.5tn of other people's money.

Stepping stones

Instagram handle: @friendsinperson

So what's with the pics?

As with recent editions of *Intermezzo*, I have taken to Instagram to select and share a few photos that appealed to me. I have chosen them from my "Photography" folder this month, where I save photos which appeal to me for no other reason that they are beautiful or unique photos. I hope you enjoy them.