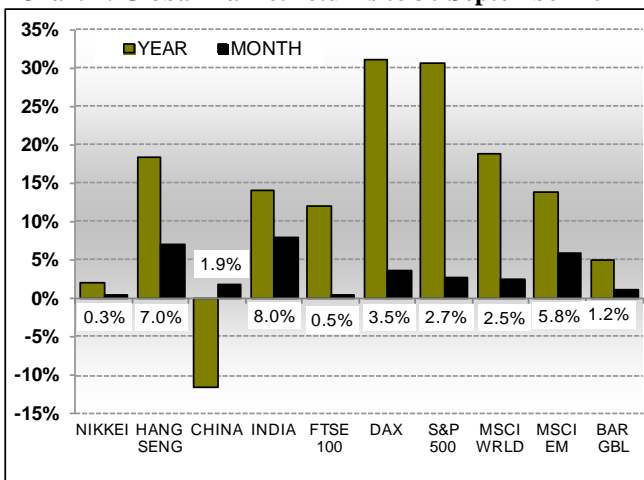




September in perspective – global markets

After a quiet August in terms of news flow September provided investors with a lot to digest. Most important was the news of further monetary easing by the three largest central banks, which led to all major world equity markets rising during the month. European Central Bank (ECB) Governor Mario Draghi was first to act by announcing a new bond buying program called Outright Monetary Transactions or OMT whereby shorter dated (1 to 3 year) government bonds are to be bought with the aim of lowering the borrowing costs of peripheral European countries. Although the ECB left interest rates remained unchanged they left the door open to further action at a later stage. Ben Bernanke was next; he announced that the US Federal Reserve would embark on *yet another* round of Quantitative Easing (QE3). This time the QE came in the form of an open-ended \$40bn per month buying spree of Mortgage Backed Securities (MBS). Later in the month the Bank of Japan surprised the market by announcing an increase of its asset purchase programme by ¥10trillion (\$126bn) to ¥55trillion (\$697bn); the program was also extended to the end of 2013.

Chart 1: Global market returns to 30 September 2012



The announcements of further liquidity being flushed into the global financial system drove many developed and emerging markets to new year-to-date peaks. On the global front, equities (the MSCI World index rose 2.5%) again outperformed bonds (the Barcap Global bond index rose only 1.2%). Emerging markets (MSCI Emerging market index rose 5.8%) were the prime beneficiaries of the additional monetary stimulus and bounced back from their August declines to outperform developed equity markets (MSCI World up 2.5%). Amongst developed equity markets German and US markets rose 3.5% and 2.7% respectively. Within the US market cap spectrum, the S&P mid (1.8%) and small (2.2%) caps lagged the large caps (2.7%). The Japanese and UK markets lagged, gaining only 0.3% and

0.5% respectively. The BRICs, with the exception of China, were particularly strong in the emerging market universe. India rose 8.0%, Russia 6.1% and Brazil 3.5%. China rose only 1.9%. Hong Kong and Indonesia also posted impressive performances, gaining 7.0% and 5.0% respectively.

Over the last couple of years, we have become accustomed to commodity prices (in particular base and precious metals) being the short-term beneficiaries of monetary stimulus by central banks; this month was no different. Precious metals were strong; gold rose 7.7%, platinum gained 10.0%, helped by labour unrest in local the platinum industry. Silver was particularly strong, rising 13.5%. After running into headwinds for most of 2012 base metals saw big gains in the commodity universe; iron ore rose 19.2% (it fell 24.7% last month), nickel 16.2%, aluminium 13.7% and copper 8.7%. After rising strongly in July and August the oil price gave up 0.2% during the month. Soft commodities were weaker on the month led by cotton which fell 9.6%. Corn and soya beans were weak, declining 5.8% and 9.3% respectively. Given the volatility in commodity prices, it is surprising to see the CRB commodity index returning only 0.9% during September. On the currency front, the dollar was the biggest loser amongst the major currencies, falling 2.1%, 1.7% and 0.6% against the euro, pound and yen respectively. After a disappointing performance in August, the rand held its own, gaining 2.2% against the dollar and posting marginal gains against the euro and pound respectively during September.

What's on our radar screen?

Here are a couple of items we are keeping a close eye on:

- *The SA economy:* The SA Reserve Bank (SARB) kept interest rates unchanged at its most recent meeting, but revised down its growth and inflation and outlook. It revised its forecast for peak inflation in the fourth quarter (Q4) of 2012 from 5.4% to 4.9% and now sees 2013 and 2014 inflation at 4.6%. Growth forecasts for 2012 and 2013 were also revised lower, by 0.1% and 0.4% respectively, to 2.6% and 3.4%. The SARB Quarterly Bulletin revealed that the Q2 current account deficit rose sharply to 6.4% of GDP, although there were a few once-off distortions such as higher oil imports and surging dividend payments abroad. Expectations were for a 4.8% deficit. The household and consumer sectors seem to be in reasonable shape, with household demand excluding the demand for services rising 5.4% in Q2 from 4.1% in Q1. Refer to Table 1 for more detail (as for the "econspeak" on the chart, "yoy" represents "year-on-year" percentage increases, while "qoq saar" means "quarter-on-quarter seasonally adjusted annual rate" expressed as a percentage).



INTERMEZZO

MAESTRO

Investment Letter | 12th Edition | October 2012

Table 1: SA GDP expenditure breakdown

| | yoy % ann ave | | qoq % saar | | |
|-------------------------------|---------------|------------|------------|------------|------------|
| | 2010 | 2011 | 2011 Q4 | 2012Q1 | 2012Q2 |
| Household consumption | 3.7 | 5 | 4.6 | 3.1 | 2.9 |
| Durable | 18.1 | 15.7 | 16.6 | 8.2 | 8.1 |
| Semi-durable | 2 | 7.0 | 7.3 | 2.9 | 7.8 |
| Non-durable | 1.3 | 2.9 | 2.2 | 3.5 | 3.8 |
| Services | 3.4 | 3.8 | 2.9 | 1.6 | -0.3 |
| Investment spending | -1.6 | 4.4 | 7.2 | 5.3 | 5.7 |
| Private | -0.8 | 5.3 | 6.2 | 1.8 | 2.4 |
| General government | -9.5 | 0.8 | 7.8 | 9.3 | 15.7 |
| Public corporations | 1.8 | 4.2 | 9.6 | 13.1 | 9.1 |
| Government expenditure | 4.9 | 4.5 | 7.3 | 2.2 | 4.1 |
| Change in inventories (Rbn) | -1.8 | 4.8 | 4.9 | 5.9 | 7 |
| Domestic expenditure | 4.2 | 4.3 | 5.1 | 4.3 | 4.7 |
| Exports | 4.5 | 5.9 | 4.4 | -1.4 | -6.2 |
| Imports | 9.6 | 9.7 | 11 | 4.8 | 0.9 |
| GDP | 2.9 | 3.1 | 3.2 | 2.7 | 3.2 |

Source: SARB

Source: Deutsche Securities

- *The US economy:* data emanating from the US was mixed in recent weeks. Perhaps the most telling was that second quarter (Q2) US economic growth was officially reduced from an initial estimate of 1.7% to only 1.3%. Durable goods orders were also weaker than expected but certain sentiment indicators were better than expected. Judging by equity market movements though, it seems that nothing fazes the markets at present; they seem to be intoxicated on “QE”. The unemployment in the US declined from 8.1% in August to 7.8% in September, although this belies that fact that more and more job-seekers are giving up and leaving the “job pool”. Despite the slight improvement, the US labour market remains in dire straits and is likely to remain a large drag on US – and global, for that matter - economic growth.
- *The European economy:* Although we comment extensively on the US labour market, you should not be under the impression that it is any better in other developed economies. The Eurozone for one is struggling with record unemployment. The jobless rate is currently 11.4%, up from 10.2% a year ago. Joblessness amongst those aged under 25 is at a remarkable 22.8%. There are now, officially at least, 18.2m without jobs in the Eurozone, which equates to the population of Sweden, Denmark and Ireland combined. You will now understand why we are a bit sceptical of countries, like Spain and France, which aim to reduce their budget deficits through increased tax revenue and growth. Yeah, right!
- *The Japanese economy:* grew at just 0.7% in Q2, down from 4.7% in Q1. Their annual deflation rate stood at 0.4% in August i.e. prices declined 0.4% in the year to

August. Industrial production decreased 4.8% - and you thought *you* had problems☺!

- *Emerging economies:* The **Chinese** economy grew 7.6% during Q2 versus 8.1% in Q1 while the annual inflation rate in August rose to 2.0% from 1.8% the month before. Retail sales rose 14.1% in the year to August and industrial production rose 8.9%. In **Hong Kong** inflation is running at 3.7%, retail sales at 3.8% and the unemployment rate is 3.4%. The **Indian** economy tells a different story though: annual inflation in August was 10.0%. Industrial production rose only 0.1% in the year to July albeit an improvement on the decline of 1.8% the month before. **Indonesia** grew at 6.4% in Q2 and their inflation rate is currently 4.6%. Their foreign exchange reserves stood at \$109bn in August. **Malaysia** grew 5.4% in Q2, up from 4.7% in Q1, inflation rose 1.4% in the year to August and their foreign exchange reserves now stand at \$135.3bn.

Unprecedented central bank actions

Two of the most eagerly awaited features during September were the respective meetings of the ECB and the US Fed’s Open Market Committee (FOMC), at which stage they were expected to underwrite the short-term prospects for the global economy. In most respects, they did not disappoint.



Source: Ingram Pinn; FT.com

The Fed announced that it would buy \$40bn of mortgage backed securities (MBS) each month until the US labour market improves. We have consistently alluded to the fact that the US labour market is broken i.e. significant damage has been inflicted upon the labour market as a result of the global crisis that broke in 2007. What made the Fed’s action so unique was the fact that it tied its monetary (QE) activity to the labour market i.e. to an area which is traditionally seen as the preserve of politicians. This is yet another



MAESTRO

INTERMEZZO

Investment Letter

12th Edition

October 2012

indication of Fed Governor Bernanke's frustration at the lack of action on the part of politicians, a factor we have repeatedly highlighted as a grave threat to the future well-being of the US economy. In addition, the Fed indicated it will extend its zero-interest rate policy well beyond 2014 as it had indicated previously. The statement of the Fed is worth quoting verbatim: "If the outlook for the labour market does not improve substantially the Committee will continue its purchase of agency mortgage-backed securities, undertake additional asset purchases, and employ its other policy tools as appropriate until such improvement is achieved in a context of price stability... The Committee expects that a highly accommodative stance of monetary policy will remain appropriate for a considerable time after the economic recovery strengthens".



BOOSTER JOB

Source: Ingram Pinn; FT.com

Some quotes to chew on

Views on the unprecedented recent monetary expansion
 Ethan Harris, Merrill Lynch North American economist, writes as follows: "Many commentators are treating the Fed's new policy as just another quantitative easing – QE3. We disagree: we think it is QE3, QE4 and perhaps QE5 combined. The Fed has promised to continue buying assets until there is a 'substantial' improvement in the labour market, and it will remain 'highly accommodative ... for a considerable time after the economic recovery strengthens.' In our view this means the Fed will continue to buy assets until 'full employment' in the job market is on the horizon. Given our weak growth forecasts, we estimate that implies a two-year buying program totalling more than \$2 trillion." (Ed: this amount needs to be seen in the context of the current size of the Fed's balance sheet, namely \$2.6trn.)

Warm sentiments expressed towards politicians

FT columnist Wolfgang Münchau: "The main lesson I have drawn from the crisis resolution process is that you can never overestimate the complacency of European policy makers".

FT columnist Edward Luce: "America has never before gone through a situation in which politics is as consciously likely to wreck the nation's economy as it is to save it – even flirting publicly with the benefits of the former."

For the record

Table 2 lists the latest returns of the mutual funds under Maestro's care. You can find more detail by visiting our website at www.maestroinvestment.co.za. Returns include income and are presented after fees have been charged. Fund Summaries for each respective fund listed in the table are available on [our website](#).

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

| | Period ended | Month | Year to date | Year |
|------------------------------|--------------|-------------|--------------|--------------|
| Maestro Equity Fund | Sept | 0.3% | 14.6% | 20.7% |
| <i>JSE All Share Index</i> | Sept | 1.7% | 14.8% | 24.4% |
| Retirement Funds | | | | |
| Maestro Growth Fund | Sept | 0.4% | 11.9% | 16.2% |
| <i>Fund Benchmark</i> | Sept | 1.6% | 14.3% | 21.4% |
| Maestro Balanced Fund | Sept | 0.4% | 11.1% | 14.5% |
| <i>Fund Benchmark</i> | Sept | 1.0% | 11.8% | 18.1% |
| Maestro Cautious Fund | Sept | 0.5% | 10.7% | 14.4% |
| <i>Fund Benchmark</i> | Sept | 1.0% | 10.0% | 14.6% |
| Central Park Global | | | | |
| Balanced Fund (\$) | Aug | 1.1% | 4.6% | -4.8% |
| <i>Benchmark*</i> | Aug | 1.3% | 5.0% | 3.2% |
| <i>Sector average**</i> | Aug | 1.2% | 4.5% | 0.6% |

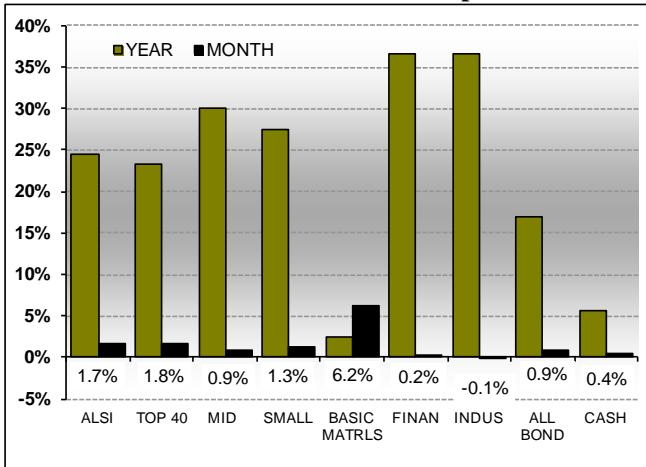
* 40% MSCI World Index, 20% each in Barclays US Aggregate Bond Index, Credit Suisse Tremont Hedge Index and 3-month US Treasury Bills
 ** Lipper Global Mixed Asset Balanced sector (\$)

September in perspective – local investment markets

The SA equity market posted its fourth successive monthly return in excess of 1.5% in September. However September was very different to prior months as far as the underlying drivers of the market were concerned. The All share index rose 1.7% due to a very strong performance in the basic materials index, which rose an impressive 6.2%. The financial and industrial indices lagged during the month, returning 0.3% and -0.1% respectively. However, there remains a glaring difference between the *annual* returns of the basic materials index (2.5%) on the one hand and the financial (36.5%) and industrial (36.7%) indices on the other! The mid and small cap indices rose 0.9% and 1.4% respectively during the month, while the large cap index rose 1.7%. The best performing sectors in September were the forest and paper sector, which rose 9.5%, coal mining 8.96% and gold mining 8.7% (the latter index is still down 14.2% for the year-to-date despite its rise in September). The worst sectors were those of fixed line telecoms (Telkom), which declined 8.4%, tobacco 4.8% and industrial transport down 4.7%.



Chart 2: Local market returns to 30 September 2012



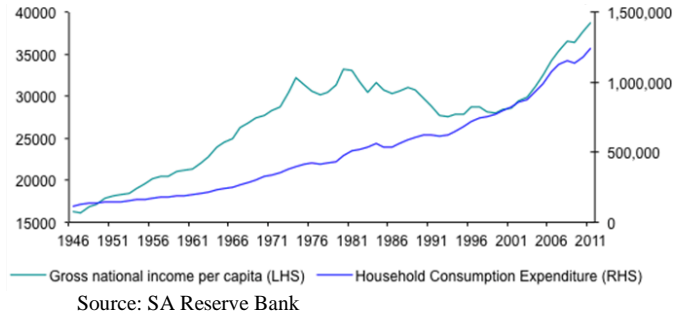
A primer on the SA economy

Investec’s Group Economist, Annabel Bishop, recently wrote an article entitled “It’s true, South Africans are better off” which we thought provided particularly useful insight into the SA economy’s development over the past few years. In our experience many people don’t really appreciate or understand fully how the economy works or what the effects of sustained growth over a long period of time are on the average citizen. So we would like to share an edited version of her article. The entire article can be read by [clicking here](#).

“The good news is that South Africans have, on average, become more affluent since the ANC came to power in 1994. This cheering fact may appear at odds with the bearish views sometimes dispersed on SA, but the hard data confirms it. On average South Africans have seen their incomes rise from R27 521 per person in 1993, to R38 734 in 2011 and this is in real terms. In other words, the distorting impact of inflation has been removed to give a picture of whether South Africans have really become better-off.

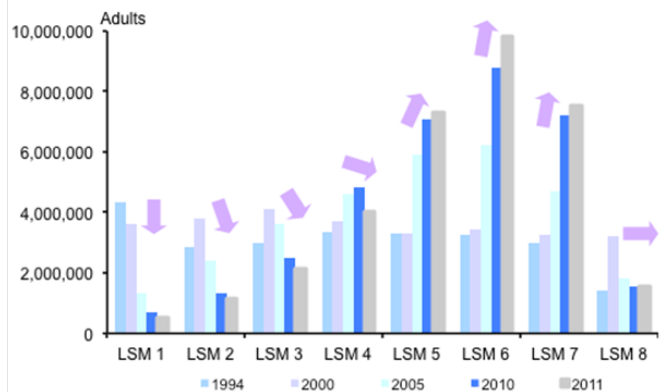
And if inflation is included then the estimated income per person in South Africa has risen almost four times since 1993. This explains the proliferation of shopping centres and upmarket housing estates, the rise in property prices and the ongoing good performance of the retail sector over this period. Indeed, the SA economy has virtually doubled (excluding the impact of inflation) in the last eighteen years - a compounding effect where growth begets growth.

Chart 3: Gross national income per person vs household consumption, in rand and in real terms



While GDP growth has only run around a very modest 3.3% year-on-year over the ANC’s tenure of 1994 to date (still an improvement on the average growth of around 1.6% year-on-year between 1976 to 1993), the net effect of the last 18 years of virtually uninterrupted economic expansion has been to substantially raise incomes, and the size of the economy, to the point where not only has inflation been consistently combated but South Africans have typically experienced a continuously higher standard of living each year. Indeed, there are now substantially fewer individuals in the lowest income and living standard measures than there were in 1994.

Chart 4: Ongoing migration through the LSMs

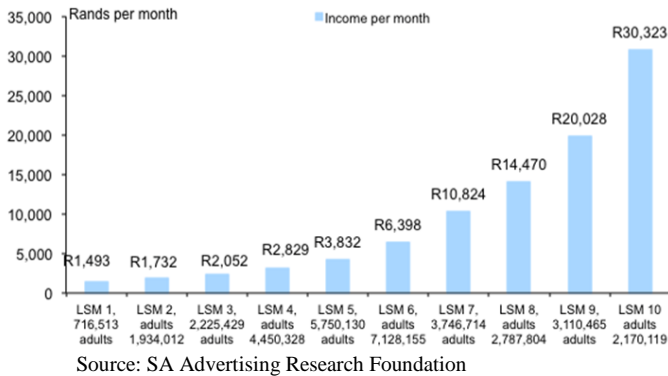


The poor have benefited from welfare payments and a massive rollout of services under the ANC’s tenure (although further rollout and improved quality is outstanding in areas) which has been responsible for lifting most out of the lowest living standard and income measures. Living standard measures (LSMs), as calculated by SAARF (SA Advertising Research Foundation), look at whether the individual owns certain items/has certain services and not what the different income levels are, although incomes have been matched to LSM groups in later years. The items/services range from motor vehicle, TV and fridge/freezer



ownership to whether the household is connected to running water and electricity, has a domestic worker and uses the internet. Changes in technology/services have been updated through the years and additional items/services included. The data shows most South Africans have enjoyed an increasing, as opposed to decreasing, standard of living since 1994 (there has been ongoing migration to higher LSM brackets). This is consistent with a country where incomes tend to rise each year in real terms, most particularly in the public sector, a characteristic that is likely to continue as the middle class increases substantially further in size, while population growth remains below 1% year on year.

Chart 5: Breakdown of LSMs, with corresponding monthly income estimates, in rand, for 2011

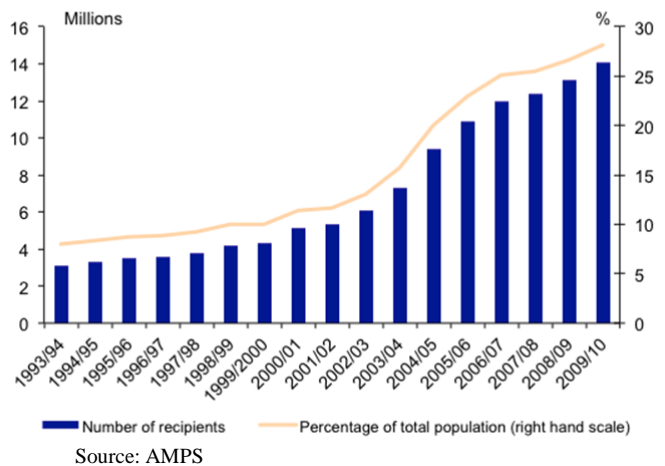


Prior to the global recession of 2009, SA experienced its longest recorded expansion in the business cycle beginning in 1999. However, individuals continued to move to higher LSMs during the recession and income per person only fell by R141 in real terms. Including inflation meant income per person actually rose in 2009. It should be noted that part of this marked rise in incomes has been due to the significant downward trend in population growth, to only 1% year on year in 2011, as fertility levels fell back noticeably (from 5.8 children per woman in 1970 to 2.3 children), while life expectancy has declined on the back of Aids. Population growth is likely to remain at less than 1% (excluding cross border migrant labour and illegal immigrants) over the next 10 years, meaning that real economic growth faster than population growth will push real income per person noticeably higher. South Africans are therefore expected to become even better off on the back of a real economic growth rate of 4.5% over the next five years.

Stubbornly high levels of unemployment in SA and attendant poverty do seem to belie this positive income story. However, one should remember that income per capita is an artificial measure: it is total income divided by the total population for any one year. A large proportion of the population in SA earn below R38 734 a year in real terms, or

R57 234 if the impact of inflation is not removed. They survive instead on welfare grants funded by tax payers, along with the provision of other social services ranging from housing and electricity, running water and sanitation to health care and education. Rising incomes in SA mean government tax revenues are expanding as well, allowing for a deepening of the welfare net. Arguments against the welfare payments include the sustainability of such expenditure, but such arguments are difficult when confronted both by the huge need of many destitute people, particularly young children and the elderly, and the clearly very significant growth that has occurred in gross national income per capita in SA. SA's unemployment rate is high for structural reasons, particularly the skills mismatch.

Chart 6: Social grants: 15.6m recipients vs 6m taxpayers



Continued significant real growth in incomes will very slowly reduce unemployment, but achieving low, single digit unemployment (currently above 20%) in the next 20 to 30 years will require a number of factors. Education is k: SA cannot rectify the skills deficit if the standard of education from start to finish is inadequate, nor can it be done if children are not sufficiently housed, fed and supported, which is why child welfare grants are vital. In the interim, the proper implementation of government's proposed R3 trillion infrastructure rollout is essential to create jobs for the multitude of unskilled, or severely under skilled. Labour market inflexibility needs to be urgently reduced, not escalated, to encourage youth employment, while uncertainty over property rights must be resolved and the proliferation of wastage and inefficiency in service and infrastructure provision eradicated. Enabling the business environment will enable job creation (and raise government revenue). Effective implementation of government's planned infrastructure rollout has the potential to become a virtuous cycle, doubling GDP and lifting living standards for all, if effectively and consistently implemented, as corruption is



MAESTRO

INTERMEZZO

Investment Letter

12th Edition

October 2012

eliminated along with other wastages of state resources. The triple challenges (of poverty, inequality and unemployment) can essentially be removed within 30 years. In the meantime rising incomes benefit all either directly, or indirectly through rising tax revenues. There will continue to be a broadening of the social welfare net, and hopefully also an improvement in the quality of social services, where necessary. However, the funds accruing from tax revenues need to be wisely spent; any wastage of government revenues will impact the poor most substantially and will slow the growth potential of the economy, and hence the potential for incomes to rise faster than their current rate.”

More focus on current developments in South Africa

We received quite a few comments and responses to the “Growing discontent” section in [last month's *Intermezzo*](#), wherein we shared some of our frustration at the failure of government in so many areas. We could write so much more, good and bad, about the current situation. Even at the time of writing, we are, as a collective nation shooting ourselves in the foot - like so many times in the past - with each passing day. The dollar is weak and the euro and sterling have been strengthening against it. The rand should be strengthening, too, but of course it is not. Foreigner investors must be leaving our equity and capital markets in droves, unable to understand the reasons behind, or the dynamics of, the current wave of strikes, industrial action and the lack of government response and leadership.

But rather than share my own view, may I, at the risk of creating the impression that I live off the writings of others, share an article I thought was particularly insightful and relevant, written by one of the great thinkers and most globally-minded leaders in SA at the moment, Dr Mamphela Ramphele, who also happens to be the Chairperson of Gold Fields South Africa? Before I share it, let me explain that just in case you get too depressed reading the article, I have punctuated it with some pictures of Africa, all sourced from [National Geographic](#), to remind you how beautiful it is and how privileged we are to live in this part of the world. Here then, is Dr Ramphele's article.

Wanted: bold leadership to guide SA out of this mess

The violence at Marikana and the turmoil in the mining industry over the past few weeks are a shocking reminder of the inequities that remain in our society. Most important, the crisis has revealed that South Africa desperately lacks the bold leadership needed to succeed. We have slowly lost our moral compass and progressively lowered our standards and expectations of leadership. Marikana has brought this failure into sharp focus.

What is happening in the mining industry is a microcosm of the general failure of leadership in South Africa. In the past few years, we have wasted so much time being preoccupied with ownership of the mining industry that we have lost focus on the issues we should have turned our attention to: the more fundamental socioeconomic transformation to effect shared benefits between all the stakeholders in the industry, with a major focus on the sustainable development of the employees and communities affected by mining.



In the process, we have ended up in the worst form of conflict of interest. Caught in the middle, the government is trying, and failing, to play the role of owner and regulator at the same time. The business interests of the African National Congress (ANC) through its investment vehicle, Chancellor House, constitute a textbook example of a conflict of interest. With all its noble intentions, the Department of Mineral Resources is woefully under-resourced to adequately regulate the mining industry. It has made a hash of regulation by imposing rules and changing them or reinterpreting them as it sees fit.

While mining countries around the world enjoyed average growth of more than 5% during the commodity boom of the past decade, our mining industry shrank by 1%. So instead of creating another 300,000 jobs, the mining industry shed thousands.

The government's lack of focus on development challenges affecting the poorest people has created a vicious cycle of unequal access to the fruits of freedom such as quality education, healthcare and decent housing, growing inequality, poverty and marginalisation. The new elite black economic empowerment (BEE) ownership of the mining industry has also failed to use its muscle to bring about wider changes. These owners have missed out on the



MAESTRO

INTERMEZZO

Investment Letter

12th Edition

October 2012

transformative effect of their investment by narrowly focusing on financial returns. Why have black shareholders not raised their voices against the shocking conditions under which workers live in Marikana and elsewhere? Are they not supposed to be agents of change?



The mining industry itself has made good progress in addressing its responsibility for the socioeconomic wellbeing of its employees and communities and in terms of compliance with the Mining Charter. But the legacy of past failures by the industry to provide adequate housing, skills training and investment in surrounding communities, as well as labour-sending areas, weighs heavily on its shoulders. Amid sharp increases in input costs, the ability of the industry to further invest in large-scale socioeconomic development projects is limited.

Still, the industry is the first to admit it has not yet fully addressed the legacy of decades of exploitation, unsafe and unhealthy work and living environments and the underdevelopment of labour-sending areas.

The trade unions, too, have to take their share of the blame, with a strong focus on the monetary rewards of their members without always being a force for transformation by looking holistically at the wellbeing of employees. Unions' insistence that their members receive a living-out housing allowance, rather than direct housing payments, has spawned shack settlements such as Marikana that litter the mining landscape.

What we desperately need now is bolder leadership that recognises that the tide of resource nationalism is pushing across the globe. SA, with its troubled past, is at higher risk, but also has the most to gain from creating a shared sustainable value proposition for all stakeholders.

That leadership has to come from all stakeholders - the government, trade unions, the industry and its shareholders, particularly the newly empowered BEE groupings. The government needs to be at the forefront of this effort, with a strong focus on encouraging the industry, not punishing it, as seems to be its guiding principle at the moment. The Mining Charter is a sound, workable document but the government must now commit to its principles and not change it again. If we are to grow this industry, regulatory certainty is an absolute minimum. The government and the ANC must also once and for all silence the continuing noise about nationalisation, otherwise they will deter the few foreign investors who are still interested in investing here. I also believe that the tax regime governing the industry needs to be reviewed with the aim of lessening the burden on mining companies.

Trade unions need to take a broader view of their responsibilities as stakeholders in the mining industry. Clearly, the welfare of their members must remain a priority, but this must no longer come at the expense of creating jobs in the industry. Trade unions also need to widen their scope and ensure that the deals they negotiate for their members are implemented in such a way that they create wider socioeconomic benefits in the communities in which they live.



The mining industry must remain committed to creating sustainable work and living environments for its workers and communities. It is in the long-term interests of the industry to invest in enhancing training and community sustainability. The cost of the social licence to operate can only increase the longer the process of transformation takes. But there also has to be recognition by the government and other stakeholders that the economic room to manoeuvre by the industry is limited.



MAESTRO

INTERMEZZO

Investment Letter

12th Edition

October 2012

Clearly the financial investors, who outlay significant sums of money in a capital-intensive industry fraught with long payback times and large risks, must be rewarded. But the industry's sustainable future will depend as much on the buy-in from communities and governments as it does from the support of equity and debt markets. As such, creating shared value for communities, governments and other stakeholders is inextricably linked to the industry's social licence to operate.

The industry also needs to pool its socioeconomic development resources to have a more significant effect in the infrastructure and social development of neighbouring communities and those in the labour-sending areas. A major co-ordinated high-impact intervention is needed to address the challenges highlighted by Marikana.



File 13: Information almost worth remembering

More records from Apple

You are probably tired of hearing about records set by Apple, but we are witnessing history in the making and it is worth recording it as it happens. Firstly, with the launch of the iPhone5, more than 2m phones were pre-ordered within 24 hours of the official announcement of the new phone, which is virtually double the previous record of 1m, set at the launch of the iPhone4S. To put that into perspective, that equates to turnover of about \$1bn or R8.5bn, close to the half annual turnover of Aspen or one and a third times the entire turnover of Cashbuild - and that's in only the 24 hours before the official launch!

While some observers were disappointed at the sales data on the official launch of the iPhone5 in 21 countries, it remains a truly remarkable achievement; more than 5m phones were sold over the weekend, which, yes, equates to an additional \$5bn (R43bn) or about a third of MTN's entire turnover for last year!

Given these kinds of numbers, you will not be surprised that Apple singlehandedly constitutes around 2.4% of the value of all companies listed on any stock exchange in the world. And how is this for a remarkable statistic: at the end of August the market cap (size) of Apple exceeded the combined total of the entire stock exchanges i.e. all the companies listed on the exchanges of Austria, Chile, Czech, Egypt, Finland, Italy, Norway, Peru, Philippines, Portugal and Turkey. At the time of writing, Apple's current market cap is \$612bn. And while on the topic of phones, I came across the following photograph ... don't you think it is wonderful?



For far too long, South Africans have been passive participants in the fortunes of the country. The elites have enjoyed the benefits of freedom without a corresponding willingness to be responsible for ensuring justice and prosperity for the least fortunate among us. Mineworkers are also citizens and voters and, through the ballot box, can make their voice heard. I find it astounding that we continue to vote for those leaders who have glaringly failed to use their powers to bring about change in our lives and our communities.

South Africans must hold the government accountable by insisting on performance against the commitments of our constitution to equality and social justice. As citizens, we deserve better; we deserve a bold, accountable, selfless and financially disinterested government if we are to succeed.



INTERMEZZO

MAESTRO

Investment Letter

12th Edition

October 2012



Source: Unknown; FT.com

And don't forget Google...

And finally, in what may yet prove to be symbolic, given the current turf war between the leaders of the internet and the PC, at the beginning of October the market cap of Google, at \$251bn, exceeded that of Microsoft. This happened very briefly once before in 2007. It is hard to believe Google only listed in 2004 – feels like it has been around forever, not so?

For the record, Apple and Google represent two of the largest direct equity holdings in our offshore unit trust, Central Park Global Balanced Fund. At the end of September they constituted 2.9% and 2.8% of the total Fund, respectively.

Chart 7: Recent Google price history (\$)



Source: Saxo Bank

And finally, something on Facebook

Whilst on the subject of records and tech companies, let me record for the sake of completion that Facebook has just announced that it has reached the 1bn user mark. Of course, great companies, assuming for a moment that Facebook is one, don't necessarily make for great investments, as the chart below indicates.

Chart 8: Facebook price history since listing (\$)



Source: FT.com

Table 3: MSCI returns to 30 September 2012 (%)

| | YTD | MTD |
|--------------|-------|------|
| ACWI | 10.7 | 2.9 |
| DM | 10.9 | 2.5 |
| Asia Pacific | 5.2 | 2.2 |
| Australia | 10.0 | 2.1 |
| Hong Kong | 18.2 | 7.5 |
| Japan | 0.1 | 1.3 |
| New Zealand | 18.0 | 4.9 |
| Singapore | 23.1 | 2.9 |
| GEM | 9.4 | 5.8 |
| EM Asia | 11.6 | 7.1 |
| China | 5.4 | 6.0 |
| India | 23.6 | 14.6 |
| Indonesia | 1.7 | 5.2 |
| Korea | 14.7 | 7.0 |
| Malaysia | 7.5 | 1.0 |
| Philippines | 29.1 | 4.8 |
| Taiwan | 11.7 | 7.2 |
| Thailand | 23.6 | 7.3 |
| EMEA | 11.6 | 4.2 |
| Czech | 0.8 | -3.1 |
| Egypt | 61.9 | 9.1 |
| Hungary | 20.5 | 8.5 |
| Morocco | -17.5 | -6.0 |
| Poland | 18.2 | 8.5 |
| Russia | 7.4 | 5.3 |
| South Africa | 8.8 | 3.7 |
| Turkey | 35.6 | -0.1 |
| LATAM | 2.0 | 3.8 |
| Brazil | -5.6 | 2.7 |
| Chile | 6.6 | 2.9 |
| Colombia | 17.1 | 2.9 |
| Mexico | 20.6 | 6.8 |
| Peru | 9.8 | 7.0 |

Source: Merrill Lynch

Issued by: Maestro Investment Management (Pty) Ltd, Box 1289, Cape Town, 8000. Maestro Investment Management is an Authorised Financial Services Provider operating under Licence number 739 granted by the Financial Services Board on 12 November 2004. The information and opinions in this document have been recorded and arrived at in good faith and from sources believed to be reliable, but no representation or warranty is made to their accuracy or correctness. Maestro accepts no liability whatsoever for any direct, indirect or consequential loss arising from the use of this document or its contents. Please do not reproduce wholly or in part, distribute or publish this document without the consent of Maestro.