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# VALUE IN FLEXIBILITY

Investors looking for offshore exposure would be well-advised to spend some time considering which kinds of offshore investment best serve their long-term interests. It is clear that not all offshore investments are created equal.

We would argue that this is particularly true in the current global investment environment. The bull market run of more than a decade indicates an increased likelihood that we are approaching a late stage in the cycle. Recession signals are flashing around the world and inverted yield curves suggest low growth ahead. Yet forward PEs on the major stock markets remain stubbornly high. Taken together, these signs suggest that prudent investors should apply their minds to ways of mitigating downside risk.

At the same time, no one wants to miss out on future upside. This implies a preference for investment managers that can show a consistent record as stock pickers and an investment that includes exposure to other asset classes.

Over the last twenty years, a period that includes the bursting of the dot-com bubble and the global financial crisis, flexible funds have been shown to match the performance of equity-only funds, while preserving capital far more effectively. Investors in these funds have enjoyed the benefit of downside protection during market corrections and equity-linked performance during the recovery.

Northstar Asset Management's Global Flexible Fund is an equity-centric fund that invests across asset classes to exploit uncorrelated investments and those that can meaningfully enhance yield in the portfolio. The Fund's equity exposure derives from the opportunities identified by our disciplined bottom-up stock picking approach.

Northstar's robust proprietary research and portfolio construction process identifies the positive fundamentals in potential investee companies that translate into superior and sustainable return on capital and free cash flow over time. The benefits of this approach are

evident in our global stock selection record, which combines high 'Hit Rate' (number of portfolio holdings outperforming the benchmark) over time and a strongly positive 'Win/Loss' ratio (returns from winning investments against losers), allowing the Fund to capture more efficiently the upside in the winners.

Since the start of 2016, the Northstar Global Flexible Strategy has matched the return of the (all equity) MSCI World Index, even while the proportion of equities in the strategy has reduced as compelling equity opportunities decreased. The strength of our stock picking and asset allocation approach allowed the strategy to capture nearly 90% of the upside in the MSCI, while limiting downside exposure to just over 70%. That this was achieved with significantly lower equity

exposure (currently below 60% of the portfolio) demonstrates that the underlying equity portfolio continues to outperform the benchmark.

With flexible funds able to produce competitive performance as well as downside protection, we

believe that the Northstar Global Flexible Fund is a compelling option for investors that do not want to sacrifice performance, but also believe in taking an informed approach to risk management at this late stage in the cycle.

**INVERTED YIELD CURVES SUGGEST LOW GROWTH AHEAD**



## Northstar SCI\* Global Flexible Fund Top performing fund in its category

This flexible, high conviction fund invests predominantly in global equities and is placed **1st** over 1 year, **2nd** over 3 years and **3rd** since inception.

To view the performance of this fund visit our website at [www.northstar.co.za](http://www.northstar.co.za)



**Closer to the truth**

\*SCI refers to Sanlam Collective Investments. Sanlam Collective Investments (RF) (Pty) Ltd is a registered and approved Manager in terms of the Collective Investment Schemes Control Act 45 of 2002 (CISCA). A schedule of fees can be obtained from the Manager. The Manager retains full legal responsibility for the third-party-named portfolio. Northstar Asset Management is an authorised Financial Services provider in terms of the FAIS Act (FSP 601). There are risks involved when buying, selling or investing in any financial product. The value of financial products can increase as well as decrease over time. The inception date of the fund is 12 January 2016, returns are measured to 30 June 2019. The fund is in the ASISA Global Multi Asset Flexible category.