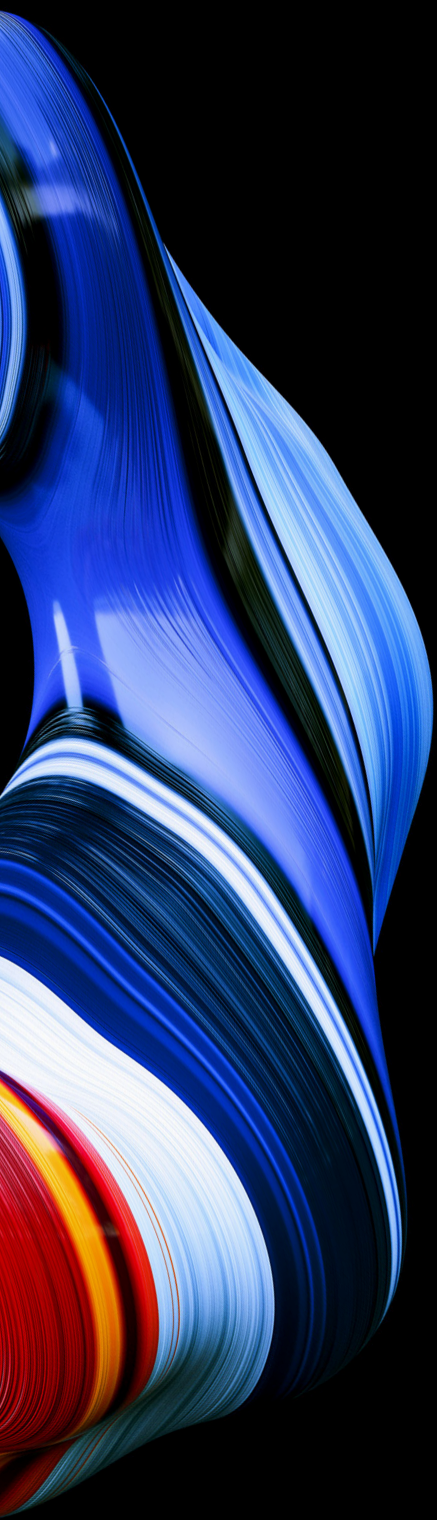
NORTHSTAR
ASSET MANAGEMENT



QUARTER 4, 2020 MARKET REPORT

Closer to the truth

Global debt - the elephant in the room

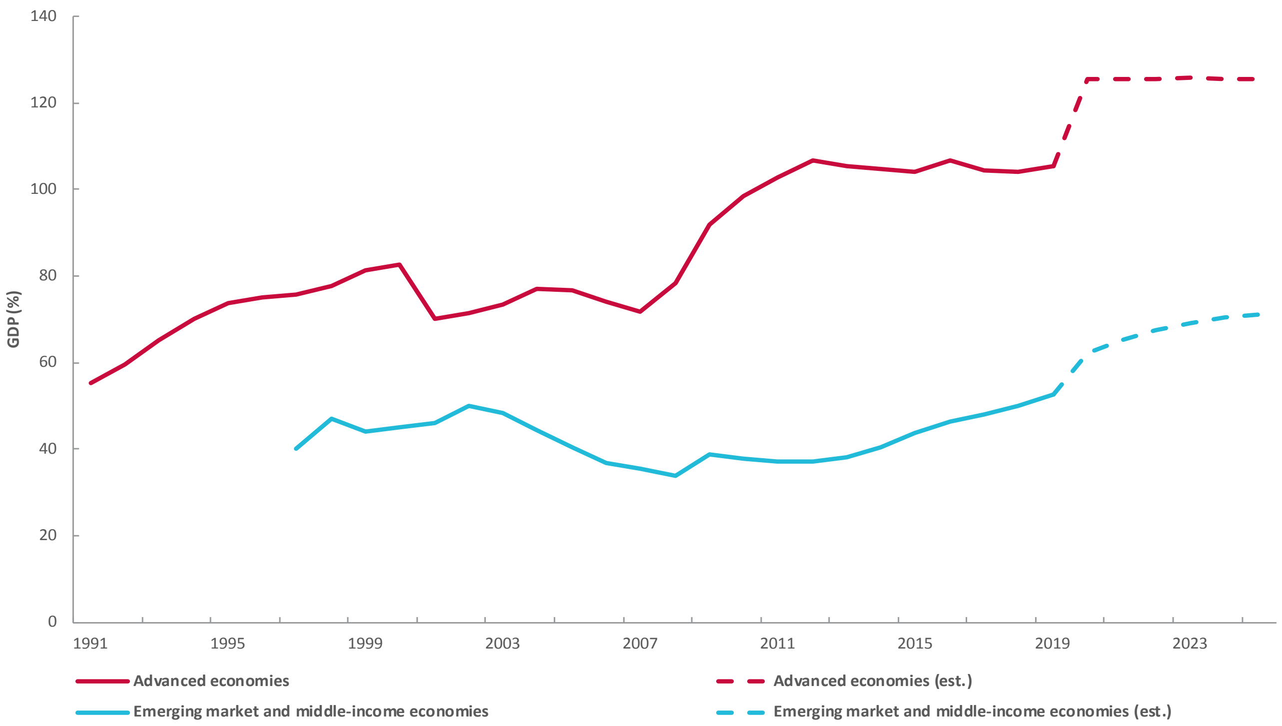
Adrian Clayton, Managing Director and CEO
Rachel Finlayson, Analyst

There are no free lunches in financial markets. We analyse more recent debt cycles against the current one and unpack some of the indicators to look out for, together with lessons learnt.

"If there's not enough money in the bank account, you don't spend it." Charles Schwab

It is not coincidental that the International Monetary Fund (IMF) Deputy Managing Director, Geoffrey Okamoto (while speaking at the Peterson Institute for International Economics Conference in Washington DC), in October 2020 focused his opening speech on Global Debt and the importance of immediate and urgent collective action.

Chart 1: Gross Government debt as % of GDP

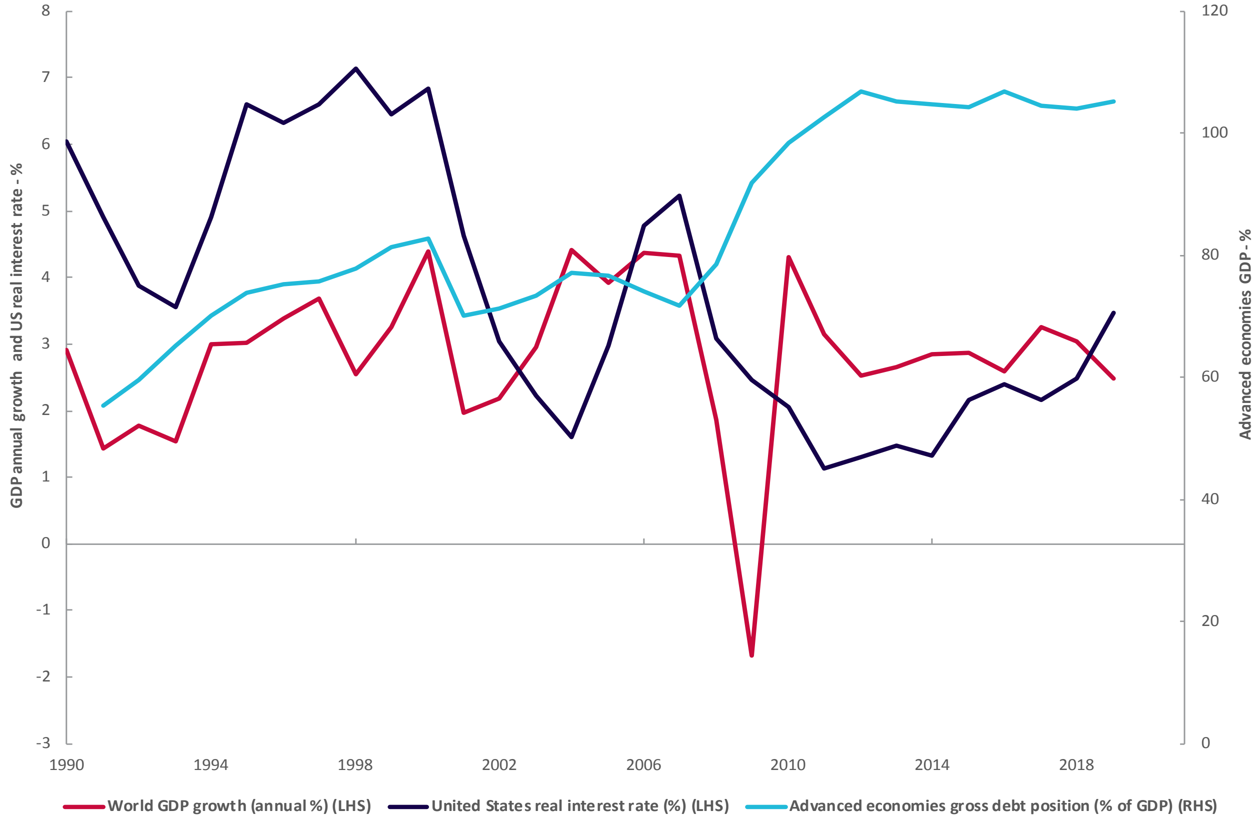


Source: IMF (26 Nov 2020), Northstar Asset Management (1991 to 2025)

The size of the problem

According to the Institute of International Finance (IIF) who sample key mature and emerging markets, global debt at the end of 2019 reached US$255 trillion, 322% of the world's collective GDP, 40% higher than at the onset of the Global Financial Crisis in 2008. In 2020, due to COVID-19, governments have been issuing debt at a multiple of 3 times the monthly rate seen between 2017 and 2019. The IIF predict that by the end of this year, global debt will rise to 342% of GDP.

Chart 2: GDP growth versus gross debt positioning and interest rate levels



Source: IMF (26 Nov 2020), The World Bank, Northstar Asset Management (1990 to 2020)

Some key points from the IIF's Debt Monitor Report of April 2020

- Governments have been the largest contributors to rising debt.
- The US and Chinese governments were responsible for more than half of this increase.
- Emerging market debt is at 220% of GDP, a new high, up from 147% in 2007.
- Over 85% of the countries have higher debt-to-GDP ratios in 2019 than they did prior to the 2008 financial crisis.
- Spain, the UK, Japan, France, Italy and the US have been significant originators of debt in developed markets.
- South Africa, Chile, Brazil and Argentina have led the pack in emerging markets.
- Global household debt has also surged since 2007, with Chinese households showing the largest growth.
- Non-financial corporate debt, being debt raised by non-financial sector businesses, increased from 70% in 2007 to 92% of global GDP.
- Over US$20 trillion of bonds and loans are due for repayment by the end of 2020, with emerging market debt accounting for 23% of this. The IMF is calling for debt relief!

The history of the world's debt since 1950

According to Ayhon Kose, Peter Nagle, Franziska Ohnsorge and Naotaka Sugawara in their book titled Global Waves of Debt, Causes and Consequences, the world has experienced four waves of debt accumulation since the 1950's. Their chronology and geographic nucleus being as follows:

Wave 1 (20 years) - 1970 to 1989	Latin America, the Caribbean and Sub-Saharan Africa
Wave 2 (12 years) - 1990 to 2001	East and Central Asia, the Pacific and Europe
Wave 3 (8 years) - 2002 to 2009	Europe and Central Asia
Wave 4 (11 years) - 2010 to date	Broad based – all corners of the globe

What similarities did these debt waves have?

- Periods of very low interest rates whilst investors searched for yield.
- Changes in financial markets (such as the development of subprime prior to 2007) that contributed to rapid borrowing.
- Susceptible economies had some or many of these characteristics: fiscal weaknesses, poor revenue collection, widespread tax evasion, public and pension indexing, energy and food subsidies, managed exchange rate regimes, weakly regulated banks, poor corporate governance and protracted political uncertainty.
- The first three waves all ended in a financial crisis.
- All caused or resulted in a global recession.

How is the current wave more concerning?

- It is unprecedented in terms of its size, speed and reach both in emerging and developed markets.
- It has been fueled by close to zero nominal interest rates, providing no room for manoeuver.
- The private sector has played a prominent role fueling the increase.
- China has become highly indebted.
- A shadow banking sector has emerged as a key participant with its own creditor rules.
- The non-resident share of government debt, foreign debt, in 2005 was 37% and is now 45%.
- The foreign currency component of corporate debt, which introduces currency risk, in 2005 was 15% and is now 25%.

Positive buffers introduced since the last crisis include:

- Improved fiscal management, albeit unfortunately diluted by COVID-19 interventions.
- Inflation targeting, which has smoothed economic cycles.
- Flexible exchange rate regimes, which allow for currencies to become shock absorbers during a crisis.
- Central bank transparency has reduced uncertainty for market participants.
- Stronger financial sector regulations and standards have been adopted globally.

So what are the lessons learnt from three previous debt waves?

Firstly, high global debt, low interest rates and subpar economic growth are a lethal mix that creates systemic vulnerabilities catalysing a crises. Secondly, economic shocks originate from unexpected sources, are unpredictable and other than avoidance, no effective antidote exists. Thirdly, these crises unfold with similar glide paths – a shock, followed by higher borrowing costs, reduced capital flows and a decade of weak economic growth. Fourthly, high debt limits the scope for countercyclical fiscal stimulus when an unexpected crisis does unfold. Think of SA's response to COVID-19, our indebtedness even before the onset of the virus was already so elevated that our government's financial intervention was utterly underwhelming. Lastly, that debt accumulation is not healthy unless it is very well spent to finance output-enhancing purposes – particularly export activity.

Northstar's approach

We acknowledge that we do not have the abilities to predict the time and date of the next financial crisis. This article highlights our awareness of the conditions that create crises and that some are evident currently. Whilst being cognizant of the risks at play, our approach is to operate within a framework that ensures successful long-term investment outcomes for our clients.
This involves:

- Diversifying our portfolios across asset classes, geographies and currencies with a deep appreciation of each component's contribution towards returns and risks within a portfolio.
- Owning competitively advantaged businesses that can sustain themselves through challenging times.
- Avoiding deeply indebted business as they are not masters of their own financial destinies.
- Applying security (fixed income, property and equity) valuations in a 'normal world' – as an example very low interest rates often overprice assets.
- Communicating to our clients the importance of time versus randomness – market movements are random in the short-term, outcomes over the longer-term (ten years and more) are not.
- Appreciating that it is impossible to manage money engulfed in a perpetual state of fear whilst waiting for a pending crisis to unfold. The focus must be on the facts at hand in the present.
- Being in tune with markets and key hazard gauges, which include excessive risk taking, overpriced assets and debt accumulation, to name but a few.

Conclusion

Since 1970, governments, businesses and households have borrowed from the future – in effect front-loading their consumption. Using debt to consume now, must mean lower prospective consumption and growth. As Charles Schwab rightly points out, there are no free lunches in financial markets.

Rotation to value - is it sustainable?

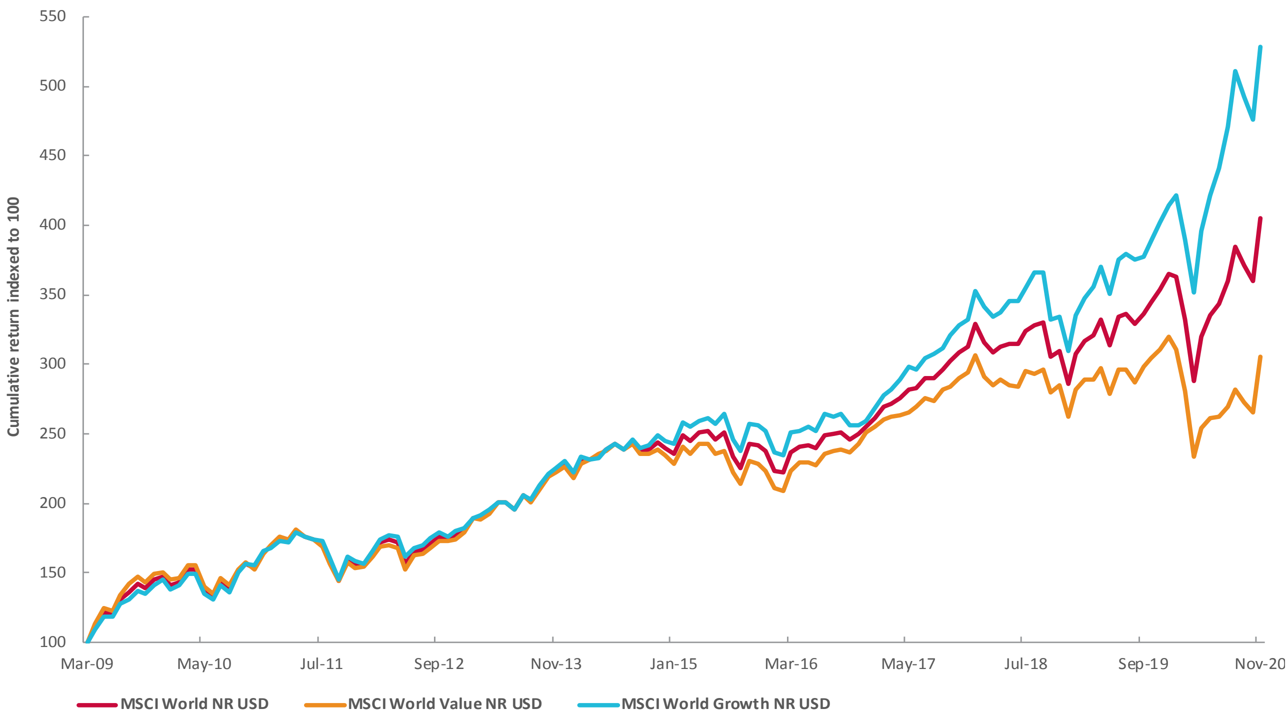
Rory Spangenberg
CIO and Director Global Equities

Recent developments have provided a breakout opportunity for Value stocks from a point of extreme multi-decade underperformance against Growth. In this article, we analyse the reasons for this underperformance, explain why we are sympathetic to some of the arguments made against traditional measures of Value and reveal how Northstar portfolios are positioned in response.

The US election outcome, notably the legislative gridlock in Congress, combined with positive news on the COVID-19 vaccine developments, has provided a breakout opportunity for Value stocks from a point of extreme, multi-decade underperformance.

Having underperformed the MSCI World Index by 2.87% on an annualised basis since March 2009, the MSCI World Value Index[1] posted its best monthly gain since the Global Financial Crisis (2007/2008), rising 15.01% in November against broader market gains of 12.79% and in so doing registering the largest factor shift between Value and Growth on record.

Chart 3: MSCI World Index - Value versus Growth (net return, USD)



Source: Morningstar (Mar-09 to Nov-20 | Indexed to 100)

Marked outperformance by economically sensitive sectors, emerging markets and cyclical sectors is typical in reflationary periods, driven by the prospect of synchronised global growth and greater risk appetite. More pronounced in the current cycle is the shift out of so-called structural Growth or Momentum stocks, which have outperformed meaningfully and benefitted greatly throughout lockdown.

Why has Value underperformed?

The underperformance of Value against Growth as an investment style is generally ascribed to a multi-decade secular decline in interest rates. Lower interest rates boost the terminal value (on a present value basis) of high-growth companies at the expense of low-growth companies, as, for the former, a greater proportion of the value resides over a more discrete and shorter forecast timeframe.

Chart 4: US 10 year treasury yield (%) constant maturity

Source: S&P Capital IQ (Jan 1970 to Nov 2020)

Near-zero interest rates have therefore had the effect of bringing forward the value of long-duration structural Growth companies, since the opportunity cost of waiting for the growth to be delivered has been so greatly reduced.

This relative performance dynamic has been pronounced since the Global Financial Crisis, a period which has been characterised by unorthodox monetary policy, relatively meagre global growth and the rise of a group of companies, many with internet-enabled business models, which have achieved significant scale and market dominant positions in record time.

The valuation dispersion between Growth and Value stocks is now as wide or wider than at any time since the Tech Bubble in 2000, with North American Growth stocks trading at 5 times Value stocks on a price-to-book basis, according to data compiled by Sanford C. Bernstein.

Is Value structurally challenged?

While remaining committed to investing within a disciplined valuation framework, we have sympathy with many of the arguments posited for the structural challenges faced by traditional measures of Value. Notably, the growing importance of intangible assets and the extent to which these are not reflected on company balance sheets poses a challenge to asset-based measures of Value, such as price to book.

Consider **Alphabet**, the holding company for Google, with a brand value of US$323 billion according to the BrandZ Top 100 Most Valuable Global Brand Rankings for 2020. Alphabet has a market capitalization of US$1.2 trillion, yet under current accounting rules only recognises intangible assets of US$24.5 billion on its balance sheet.

Alphabet therefore trades on a price to book ratio of about 5.9 times on its reported balance sheet. However, if we were to assume the BrandZ valuation of the Google brand is accurate (for simplicity ignoring the value of the other brands owned by Alphabet, which include YouTube, Android etc.), we could make a reasonable argument for a price to book ratio of closer to 2.3 times.

By making additional adjustments to **Alphabet's** asset base to reflect economic as opposed to accounting reality, we could capitalise a portion of research and development spend to reflect intellectual capital or a portion of the company's employee compensation to reflect the human capital and know-how built up over the 22 years since its founding, deriving a cheaper valuation still.

Extrapolate this phenomenon across a number of large, predominantly technology-focused companies, such as **Apple**, **Amazon** and **Microsoft**, which dominate market capitalisation-based indices and the argument for the Value discrepancy becomes a little more tenuous. In fact, a number of studies, most notably by Research Affiliates[2], have shown that Value indices adjusted for intangible assets have performed far better than the traditional Value indices.

Is the current Value rally sustainable?

Despite the structural challenges, there is no doubt that relative valuations remain stretched and therefore the rally in Value stocks could be sustained. Further improvements in the global economic backdrop will result in higher bond yields, which should also translate into a greater dispersion of returns, generally a good environment for active stockpickers, such as Northstar. However, the environment is more likely to favour areas of the market, such as Industrials, Energy and Banks, where we have traditionally not invested, due to the relative scarcity of companies which exhibit durable competitive advantages.

How are Northstar portfolios positioned to benefit?

Over the course of the past six months, but more specifically in the wake of the market correction in February and March, we have been able to make investments in a number of companies, which had been on our watchlist but for which the valuations were prohibitive. We highlighted investments in two of these, namely **Goldman Sachs** and **Transdigm**, in previous editions of the Northstar Quarterly.

By broadening our Global Flexible Fund selection, we achieved greater diversification, which in turn enabled us to introduce a greater number of more cyclically-exposed companies, which have delivered very strong performances over the course of the past quarter. Examples of these include **Jones Lang LaSalle** the property service company, **Accor**, a French hotel operator, **L3Harris Technologies**, an aerospace and defence contractor, and **Charles Schwab**, a brokerage.

In this way we have ensured that our portfolio continues to participate in the market gains without sacrificing our criteria for only investing in companies with durable business models and exhibiting a sustainable competitive advantage. As always, we only deploy funds when the companies we like are trading at a meaningful discount to our assessment of the fundamentally derived intrinsic value, a more nuanced and realistic assessment of the true business value.

[1]MSCI defines the value investment style characteristics for index construction using three variables: book value to price, 12-month forward earnings to price and dividend yield. The growth investment style characteristics for index construction are defined using five variables: long-term forward EPS growth rate, short-term forward EPS growth rate, current internal growth rate and long-term historical EPS growth trend and long-term historical sales per share growth trend.

[2]https://www.researchaffiliates.com/en_us/publications/articles/reports-of-values-death-may-be-greatly-exaggerated.html

Hidden gems

Andrew Randles
Analyst

While exposure to South Africa's beleaguered economy now seems something of a curse, local companies with business segments that are able to realise growth in new markets can still do well. We analyse two examples of these hidden gems to tease out their potential and explain how the value that could be unlocked will benefit Northstar investors.

With South Africa's economy facing a significant growth challenge, many companies on the JSE are destined to follow the same path unless they can gain market share or find growth elsewhere. For investors, slow growth generally equals low returns.

One way active managers can add value is by identifying segments or businesses within companies that are not currently the main driver of profits, but that are growing fast enough to drive growth in the future. A rather extreme example of this, which has been very kind to shareholders, is Naspers's investment in Hong Kong listed Chinese tech conglomerate Tencent. Sometime in 2015 the market value of Naspers's holding in Tencent surpassed the market value of Naspers itself, effectively according the rest of Naspers's businesses a negative value.

The remainder of this article discusses two holdings in Northstar funds that we believe contain hidden gems. Of course, we don't expect these to turn out as well as Tencent did for Naspers, but would be delighted if they did.

Growth for Life Healthcare in medical scans and neuropharmaceuticals
Life Healthcare (LHC) is South Africa's second largest private hospital operator with more than 8 000 hospital beds in 49 facilities across Southern Africa. LHC's share price has been hit hard since March as the wave of COVID-19 patients has largely decreased, and regular hospital admissions have been slow to return to normal.

Going forward, South Africa's healthcare industry faces slow growth in insured lives due to the challenges in our job market. However LHC's international business, Alliance Medical Group (AMG), offers a far more attractive medium-term growth vector for the group.

AMG is a vertically-integrated imaging supplier providing medical scans such as MRI, CT and PET-CT scans in the UK and Europe. PET-CT scans analyse changes at the cellular level allowing them to pick up evidence of diseases such as cancer at an earlier stage than other scans. AMG provides around 70% of NHS PET-CT services in the UK by contract, and with volumes increasing and pricing largely fixed for the next six years, this creates a steady revenue stream for growth.

Life Molecular Imaging (LMI), which sits in AMG, is another potential profit generator for the group. It is a research and development company dedicated to the development and global commercialisation of innovative molecular imaging agents used in PET-CT diagnostics. LMI has a pipeline of novel imaging agents that help diagnose neurological, oncological and cardiovascular diseases, all of which have potential markets that are in the billions of dollars and growing fast.

LHC bought LMI for US$1 in 2018, with an agreement to bring it to breakeven and thereafter share up to 50% of the cash generated up to a maximum of US$200 million over the next 10 years. LMI broke even in 2020 and from here on out LHC has a free option on future growth in the company.

The early detection and treatment of neurodegenerative diseases, and Alzheimer's Disease in particular, represent a significant opportunity. LMI already has a diagnostic radiotracer to visualise β-amyloid plaques in the brain that is FDA approved and has the second largest market share in the US. They also have a next-generation tau tracer in phase II of clinical development. The presence of β-amyloid plaques and tau proteins in the brain are two early markers of Alzheimer's and potentially other neurodegenerative diseases.

The value of the LMI optionality was demonstrated early in November when it seemed likely that a new drug to treat Alzheimer's would be approved by the FDA, which would increase demand for scans using LMI's products. The news caused LHC's share price to jump 25% in two days, although the share retraced when the drug subsequently seemed unlikely to be approved after being reviewed by an independent panel of experts. We believe that AMG on its own is well-placed to grow strongly while a breakthrough in treatment for Alzheimer's could mean a pay-off for LMI that would eclipse the current LHC share price.

Growth in Africa looks good for Distell

Another company ravaged by COVID-19 for obvious reasons is Distell, which produces ciders, wines and spirits predominantly for the South African market. However, our analysis suggests that the current share price could be undervaluing the opportunities present in the rest of Africa.

GDP per capita in sub-Saharan Africa is growing strongly off a low base, economies are formalising and alcohol consumption increasing, particularly in the emerging middle class. Distell's proactive investments in routes to market in the region and the quality of their in-country strategic partners in certain geographies has seen strong growth in the rest of Africa, with organic volumes growing 28.6% in 2019. Although the impact of COVID-19 in the short term is uncertain, Distell's management previously indicated that the region could contribute R1 billion in profit by FY2024. Our research suggests that this growth opportunity is not yet fully reflected in Distell's share price.

Quality at a reasonable price

Northstar owns both Distell and Life Healthcare across all domestic equity and balanced fund mandates. Our research identifies sustainable quality businesses operating in bountiful industries with entrenched competitive advantages over their peers. We look to invest when these quality companies are available at a reasonable price. Teasing out the potential optionality within a business like LMI or the strong growth profile of Distell's African operations, provides far deeper insight into the price we are willing to pay and what value could be unlocked in the future.

Meet the team

Andreas Procopos
Fund Controller

When did your interest in financial markets start?
My interest in financial markets was catalysed by my relationship with my grandfather, which was to a large extent orientated around his fascination of the subject. I elected to study a BCom in Investment Management to appreciate the theoretical and practical components of the markets, and in so doing, I developed my own fascination with them.

What did you study and why?
I took two steps prior to my investment management degree, assessing architecture, which did not work out, followed by a business management degree, which I found to be too general. My thirst for knowledge in investment management was spurred on by a recognition that understanding business from an investors point of view is crucial.

What do you think equips you to do this job properly?
Having read about and been in the industry for some years I have grown familiar with industry-wide compliance and operational best practices. I have also developed an ability to perform under pressure.

What do you love about investing?
It is stimulating and challenges perceived ideas about markets. It requires a structured, well informed approach where risk can be calculated and appropriate action taken.

With this in mind, we have an opportunity to express our views on the future in the stock choices we make but within a smart, calculated risk framework.

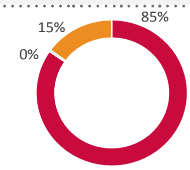
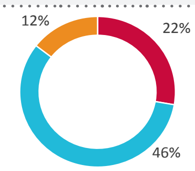
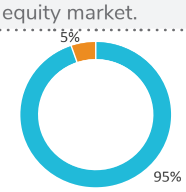
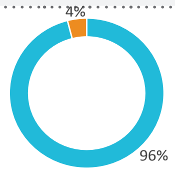
What do you find the most challenging part of your role to be?
Dealing with multiple service providers simultaneously requires high levels of due diligence within a regulated environment. That said, the relationships and connections made with these service providers makes the job more rewarding.

Why do you think clients will do well at Northstar?
Northstar's investment strategy is orientated around gaining exposure to the highest quality companies at a reasonable price. Northstar has put a great deal of research into understanding what constitutes a high-quality investment. As a result, investor assets are exposed to great companies, which provide long-term benchmark beating capital growth and protection.

Northstar South African funds

Returns are to the period ended November 2020

We offer four domestic funds that cover the full risk-return spectrum which financial advisors normally utilise as building blocks for their clients. The Northstar SCI Income Fund and the Northstar SCI Managed Fund have Regulation 28 compliant asset allocations, making them suitable for both lump sum and ongoing retirement contributions. The Northstar SCI Equity Fund only invests in companies listed on the JSE and consequently, is suitable for investors seeking exposure to the South African market. Northstar is also the investment manager of the top performing Prime General Equity Fund, an equity fund which invests in both South African and global equities.

FUND NAME Management Date	Northstar SCI Income Fund 22 July 2014	Northstar SCI Managed Fund 01 March 1998	Northstar SCI Equity Fund 05 July 2017	Prime General Equity Fund 01 June 2016
RISK PROFILE/ SUITABLE INVESTOR	LOW	MEDIUM	HIGH	HIGH
INVESTMENT HORIZON	1 - 3 Years	5 + Years	7 + Years	7 + Years
OBJECTIVE	Regular and stable income return. The fund is Regulation 28 compliant.	Moderate to high long-term total return. The fund is Regulation 28 compliant.	Maximum capital growth over the long-term through investments in predominantly the equity market.	Capital appreciation through investments primarily in equity and listed and unlisted financial instruments.
FIXED INCOME CASH EQUITY (Sep 2020)	 Maximum of 10% equities.	 Maximum of 75% equities.	 Minimum of 80% equities.	 Minimum of 80% equities.
BENCHMARK	110% STeFI Call Deposit	ASISA Category Avg: SA - Multi Asset - High Equity	ASISA Category Avg: SA - Equity - General	ASISA Category Avg: SA - Equity - General
CATEGORY	South African - Multi Asset - Income	South African - Multi Asset - High Equity	South African - Equity - General	South African - Equity - General

FEES (RETAIL) P.A. (Sep 2020)	Mgmt. Fee	TER	TIC	Mgmt. Fee	TER	TIC	Mgmt. Fee	TER	TIC	Mgmt. Fee	TER	TIC
	0.97%	1.02%	1.07%	1.26%	1.76%	2.03%	0.97%	1.05%	1.67%	0.67%	1.83%	2.03%

ANNUALISED INVESTMENT RETURNS (Period ended November 2020)

	Fund	Bmk	Fund	Bmk	Fund	Bmk	Fund	Bmk
1 Year	9.41%	5.26%	4.32%	3.83%	-9.26%	0.46%	0.19%	0.46%
3 Years	8.72%	6.62%	3.60%	2.12%	-6.05%	-1.56%	0.15%	-1.56%
5 Years	8.04%	6.99%	4.14%	3.80%	NA	NA	NA	NA
Since Launch	7.48%	6.83%	7.25%	7.70%	-3.55%	1.84%	1.43%	0.97%

Highest annual return over a 12 month rolling period.
SCI Income: 10.57% (Oct 2018 - Oct 2019); SCI Managed: 21.84% (Sep 2012 - Sep - 2013); SCI Equity: 5.41% (Jun 2017 - Jun 2018); Prime General Equity: 12.61% (Oct 2016 - Oct 2017).

Lowest annual return over a 12 month rolling period.
SCI Income: 3.94% (Dec 2014 - Dec 2015); SCI Managed: -6.19% (Mar 2019 - Mar 2020); SCI Equity: -28.71% (Mar 2019 - Mar 2020); Prime General Equity: -14.71% (Mar 2019 - Mar 2020).

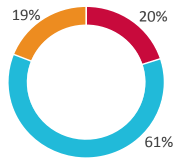
SCI refers to Sanlam Collective Investments. All our onshore funds are on the SCI Manco.

Northstar Global funds

Returns are to the period ended November 2020

Northstar's global fund offering is suitable for investors seeking long-term capital growth, through exposure to a broad range of asset classes, without having to assess the relative attractiveness or risk of each asset class themselves. By utilising their foreign investment allowance, South African investors are able to access the US dollar denominated Northstar Global Flexible Fund directly. Alternatively, Northstar offers two Rand denominated offshore funds – the Northstar SCI Global Flexible Fund, available for investors with capital commitments exceeding R5m and the Northstar SCI Global Flexible Feeder Fund.

The Northstar SCI Global Flexible Fund received a nomination for the best (SA-Domiciled) Global Multi-Asset Flexible Fund over three years in the 2019 Raging Bull awards.

FUND NAME Management Date	Northstar SCI Global Flexible Fund 12 January 2016			Northstar SCI Global Flexible Feeder Fund 11 July 2017			Northstar Global Flexible Fund (USD) 01 June 2017		
RISK PROFILE/SUITABLE INVESTOR	MEDIUM TO HIGH								
INVESTMENT HORIZON	7 + Years								
OBJECTIVE	Long-term capital growth by investing in various assets classes, predominantly in equity.								
FIXED INCOME CASH EQUITY (Sep 2020)	 No equity limit.								
BENCHMARK	ASISA Category Avg: Global - Multi Asset - Flexible Allocation			EAA Fund USD Flexible Allocation					
CATEGORY	Global - Multi Asset - Flexible						EAA Fund USD Flexible Allocation		
FEES (RETAIL) P.A. (Sep 2020)	Mgmt. Fee	TER	TIC	Mgmt. Fee	TER	TIC	Mgmt. Fee	TER	TIC
	1.43%	1.58%	1.84%	0.40%	1.90%	2.11%	1.25%	1.61%	1.82%

ANNUALISED INVESTMENT RETURNS (Period ended November 2020)						
	Fund	Bmk	Fund	Bmk	Fund	Bmk
1 Year	16.85%	12.74%	17.65%	11.98%	12.23%	6.02%
3 Years	14.17%	8.29%	13.89%	7.54%	9.58%	3.12%
5 Years	15.11%	9.43%	NA	NA	NA	NA
Since Launch	10.21%	5.63%	14.58%	9.27%	9.43%	3.95%

Highest annual return over a 12 month rolling period.
SCI Global Flexible: 33.24% (Jan 2019 - Jan 2020); SCI Global Flexible Feeder: 32.63% (Jan 2019 - Jan 2020); Global Flexible (USD): 21.35% (Dec 2018 - Dec 2019).

Lowest annual return over a 12 month rolling period.
SCI Global Flexible: -5.99% (Feb 2016 - Feb 2017) ; SCI Global Flexible Feeder: 3.58% (Nov 2017 - Nov 2018); Global Flexible (USD): -3.60% (Dec 2017 - Dec 2018).

SCI refers to Sanlam Collective Investments. The SCI Global Flexible Fund and SCI Global Flexible Feeder Fund are on the SCI Manco. The Global Flexible Fund (USD) is on the Sanlam Ireland platform.

The Northstar Global Flexible Fund (USD) is a Section 65 approved fund.
The Northstar SCI Global Flexible Feeder Fund is a rand denominated fund that feeds directly into the Northstar Global Flexible Fund.

NORTHSTAR

CIS DISCLOSURES

Sanlam Collective Investments (RF) (Pty) Ltd is an approved Manager in terms of the Collective Investment Schemes Control Act, 2002. Collective investment schemes in securities are generally medium- to long-term investments. The value of participatory interests or the investment may go down as well as up. Past performance is not necessarily a guide to future performance. Sanlam Collective Investments (RF) (Pty) Ltd (the manager) does not provide any guarantee, either with respect to the capital or the return of a portfolio. The manager has the right to close certain portfolios to new investors, in order to manage it more efficiently, in accordance with its mandate. Collective investment schemes are traded at ruling prices and can engage in borrowing and scrip lending. The collective investment scheme may borrow up to 10% of the market value of the portfolio to bridge insufficient liquidity. Annualised returns are period returns re-scaled to a period of one year. This allows investors to compare returns of different assets that they have owned for different lengths of time. Actual annual figures are available to the investor on request. Performance is based on NAV to NAV calculations with income reinvestments done on the ex-div date. Performance is calculated for the portfolio and the individual investor performance may differ as a result of initial fees, actual investment date, date of reinvestment and dividend withholding tax. Investment performance calculations are available for verification upon request by any person. Different classes of participatory interests apply to these portfolios and are subject to different fees and charges. Forward pricing is used. The portfolio valuation time is 08h00 for fund of funds and 15h00 for all other portfolios and the transaction cut-off time is 14h00. The transaction cut-off time should be 14h00, for portfolios except fund of funds, but execution is not always guaranteed. If execution could not take place on the same day, it will take place the next business day, or at the earliest possible opportunity. For fund of funds, the cut-off time for the execution of trades is 14h00 on the day preceding the pricing date. Foreign securities within portfolios may have additional material risks, depending on the specific risks affecting that country, such as: potential constraints on liquidity and the repatriation of funds; macroeconomic risks; political risks; foreign exchange risks; tax risks; settlement risks; and potential limitations on the availability of market information. Fluctuations or movements in exchange rates may cause the value of underlying international investments to go up or down. Investors are reminded that an investment in a currency other than their own may expose them to a foreign exchange risk. The terms and conditions, a schedule of fees, charges and maximum commissions, performance fee frequently asked questions as well as the minimum disclosure document (MDD) and quarterly investor report (QIR) for each portfolio are available on Sanlam Collective Investments' website at www.sanlaminvestments.com. Associates of the manager may be invested within certain portfolios and the details thereof are available from the manager.

THE FINANCIAL ADVISORY AND INTERMEDIARY SERVICES ACT, 2002

Northstar Asset Management Proprietary Limited is an authorised financial services provider in terms of the Financial Advisory and Intermediary Services Act 2002. All information contained in this document should not be construed, or relied upon, as advice. If you require financial and/or investment advice, please engage the services of an independent financial adviser.

INFORMATION AND CONTENT

The information and content (collectively 'information') accessible in this document are provided by Northstar as general information about the company and its products and services. Northstar does not guarantee the suitability or potential value of any information or particular investment source. Any information in this document is not intended nor does it constitute financial, tax, legal, investment, or other advice. Nothing contained in any service or any other content in this document constitutes a solicitation, recommendation, endorsement or offer by Northstar. Nothing contained in any service or any other content in this document constitutes a solicitation, recommendation, endorsement or offer by Northstar. Illustrations, forecasts or hypothetical data are not guaranteed and are provided for illustrative purposes only; returns or benefits are dependent on the performance of underlying assets or other variable market factors; there are risks involved in buying or selling a financial product; past performances are not necessarily indicative of future performances; and no guarantees are provided.

NORTHSTAR ASSET MANAGEMENT

Northstar Asset Management (Pty) Ltd
Registration No. 1996/001423/07 | FSP number 601
Suite 1A, Madison Place, Alphen Office Park, Constantia Road,
Constantia PostNet Suite #784, Private Bag X16, Constantia 7848
Tel +27 (0)21 810 8400 | Fax +27 (0)21 794 2885
info@northstar.co.za | www.northstar.co.za

SANLAM COLLECTIVE INVESTMENTS

Sanlam Collective Investments (RF) (Pty) Ltd
Registration No. 1967/002865/07
2 Strand Street Bellville, 7530 PO Box 30, Sanlamhof, Bellville, 7532
Tel +27 (0)21 916 1800 Fax +27 (0)21 947 8224
service@sci.sanlam.com, www.sanlaminvestments.com
Please refer to our website for directors & company secretary details

DISCLAIMER

The Management of portfolios is outsourced to Northstar Asset Management (Pty) Ltd, (FSP) Licence No. 601, an Authorised Financial Services Provider under the Financial Advisory and Intermediary Services Act, 2002. This information is not advice, as defined in the Financial Advisory and Intermediary Services Act (No. 37 of 2002). Please be advised that there may be representatives acting under supervision. The manager retains full legal responsibility for the co-named portfolios. Legal Information http://northstar.co.za/page/legal-information/