

Dear Fellow Investor

I hope you are well and beginning to feel some respite from a tough year!

2020 has carved-out its place in history and for all the wrong reasons. As we know, the World Health Organisation officially announced COVID-19 as a pandemic on the 11th of March and what has followed has been a procession of life changing events.

COVID-19 has been responsible for over 1.5 million deaths globally and although this is tragic, its fatality impact has been minimal relative to the carnage wrought by other pathogens historically. The Black Death caused 200 million mortalities in the 14th century, the plague of Justinian wiped out 50% of the world's population in the 16th century and Smallpox, despite a vaccine being available, resulted in 300 million fatalities in the 20th century. Spanish flu killed between 50 and 100 million people in 1918 and in recent times HIV has led to 32 million deaths.

Without trivialising the deaths that COVID-19 has been responsible for, its greatest impact has been on the world's economic and social systems. The IMF has estimated the global financial impact of COVID-19 at between US\$21 and US\$28 trillion of economic output, equivalent to the size of the annual US economy. As discussed in the [Northstar Market Report for Q4 2020](#), the economic fall-out has engendered a significant relief response from governments in the form of stimulus packages, which has in turn increased world debt to unprecedented levels. Unlike the 2008 Great Financial Crisis (GFC), which mostly affected high income families with mortgages, the COVID-19 financial crisis has had its greatest impact on the poorest sections of society – the social effects of this might well reverberate for years to come!

From a microeconomic perspective, entire industries have been crippled, particularly those where bums on seats and bodies on beds are a prerequisite for revenue generation, and this has had a significant impact on investment outcomes – the virus' effect has also not always been intuitive: take hospitals as an example, an assumed winner during a pandemic, but instead, patients have postponed operations or simply avoided medical facilities leading to imploding hospital profits. This real-life example demonstrates the difficulties savers face as they navigate the uncharted territory of investing during pandemics.

As we reflect on the year that is past, we feel that we have invested intelligently and carefully for our clients. For a niche, specialist manager, we end another year with two of our funds ranked amongst a handful of best performing funds in SA – our Northstar SCI Income Fund is ranked in the top 5% of income funds in 2020, it is also a leading performer over 2, 3, 4 and 5 years and our Northstar Global Flexible Fund (US\$) ranked in the top 20% of funds in its category over a year, is also ranked in the top 2% over 3 years and was nominated for a Raging Bull Award earlier this year. We have worked really hard for these outcomes.

Year-to-date, the only fund managed by Northstar to deliver a negative return is our Northstar SCI Equity Fund. This should be unsurprising however, as the JSE Capped SWIX, the fund's benchmark, is down 9.8% year-to-date. It also happens to be our top performing fund over the last month (up over 10%), vindicating our consistent message to our clients that SA equities are cheap and this underscores the importance of pragmatism and patience when investing – finding that happy balance between the 'solidity' of investing offshore, whilst retaining exposure to undervalued SA companies where outsized returns could be made, despite the SA market doing so little for a number of years.

I conclude by wishing you a safe and joyous festive season from all of us at Northstar Asset Management. We hope that you get to spend quality time with your family and that 2021 brings happier times to us all!

Yours sincerely,

Adrian Clayton and the Northstar Team