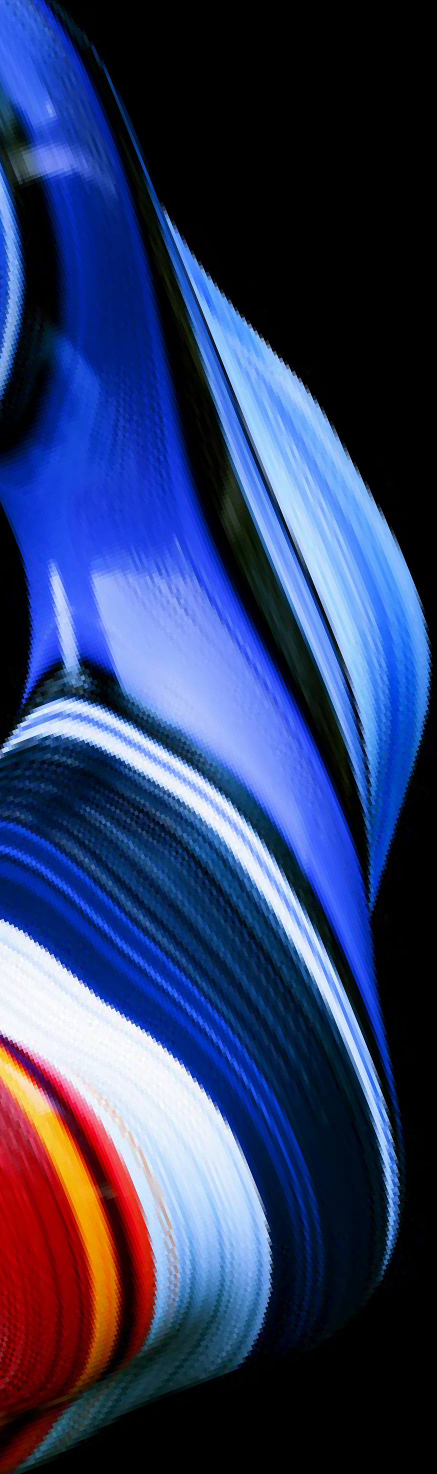

QUARTER 2, 2021 MARKET REPORT

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Closer to the truth

The right price?

Adrian Clayton, CEO
Rachel Finlayson, Portfolio Manager

We apply some simple, but far from fool-proof tools to assess whether investors might be overpaying for stocks, with the majority of our focus being the US.

At the heart of this article is one of Warren Buffett's famous quotes: ***"For the investor, a too-high purchase price for the stock of an excellent company can undo the effects of a subsequent decade of favorable business developments."***

Investor returns hinge on three simple factors – the price the business was purchased at (often expressed as a Price/Earnings (P/E) multiple), the sustainable earnings growth or profit generation that the company can produce over time, and the extent to which it pays out cash along that journey.

Future profitability and cash payments are largely unknown, the easiest known starting point is today's price. We fully appreciate that inflation levels, and thus interest rates, have a major bearing on P/E levels, and comparing P/E levels at different periods can be flawed without accounting for the discount rate (interest rate). That said, interest rates should normalise through a cycle and we also acknowledge that this analysis is rudimentary.

Forward P/E multiples

This first table, to a large extent, eliminates the earnings collapse experienced by companies during COVID-19. It shows the forward P/E multiple that various markets are trading at one year from now (when earnings would largely be back to 'normal') and compares this to historical forward P/E's.

Table 1: Market forward P/E's versus history

Market	1 Year FWD P/E	20 Year Median FWD P/E	FWD P/E vs. Median
US	22.7	15.3	48%
World	20.7	14.8	40%
Eurozone	18.2	12.7	43%
EM	15.1	10.8	39%
Japan	16.9	15.1	8%
UK	13.3	12.6	6%
France	18.4	12.5	46%

Source: UBS. Date: May 2021

With the exception of the UK and Japan, markets are trading at elevated levels relative to their historical averages. Although this says nothing about specific companies, it tells us a lot about aggregate valuations in markets.

Bull markets – do they begin when P/E multiples are high?

A different approach is to gauge whether bull markets are created off high P/E ratings. The challenge once again with this analysis, is that P/E multiples in their simplest form can give false negatives. In other words, at times P/E multiples look very high – a sign of a very expensive market, but are being distorted by artificially low earnings or a depressed "E" as is typical in recessions. In table 2 below, this occurred in 2003, 2009 and over the past year. As a launchpad, the 2020 P/E multiple started off a higher base than the 1960 and 1974 bull markets.

Another insight is that all the bull market periods since 1960 have ended at lower P/E multiples than the present rating of the S&P. Currently, Bulls would argue that the "E" is depressed and we need to look through this slump, which we agree with. Even so, the 1 year forward P/E multiple would still be higher than the bull market exit P/E multiples in 1968 and 2007.

Table 2: S&P 500 bull markets since 1960

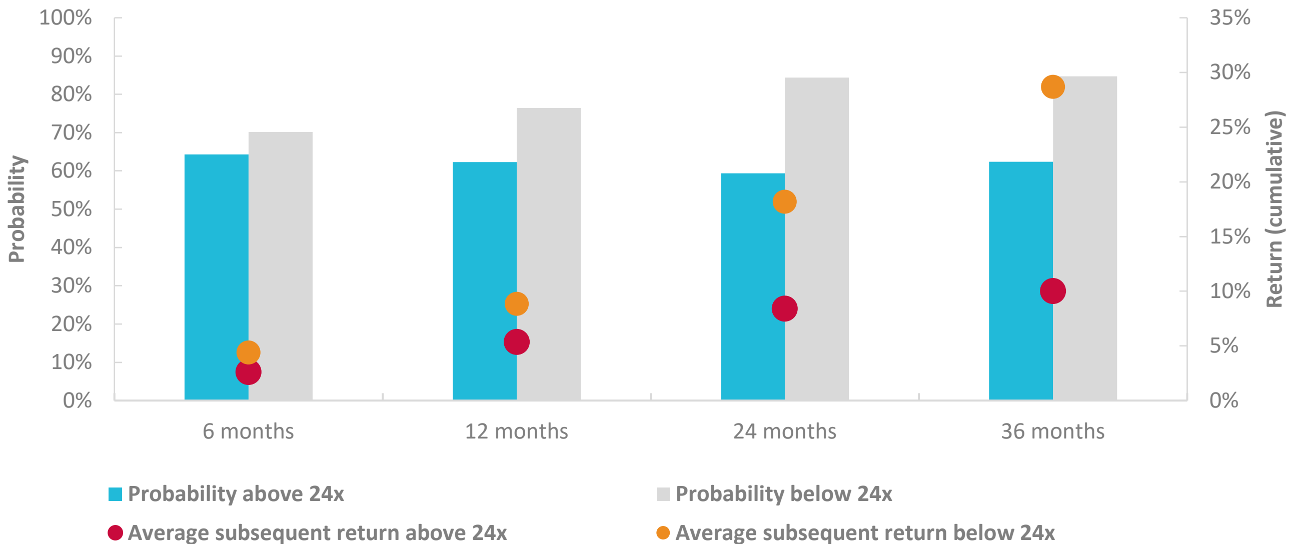
S&P 500	Date	P/E	Cumulative Price Return	Years
Start	1960/10/31	16.43	98.2%	8.2
End	1968/12/31	18.49		
Start	1974/12/31	7.54	2114.8%	25.7
End	2000/08/31	27.97		
Start	2003/02/28	28.46	83.9%	4.7
End	2007/10/31	20.68		
Start	2009/03/31	110.37	333.0%	10.8
End	2020/01/31	24.88		
Start	2020/03/31	22.80	57.0%	1.2
End	2021/05/31	33.58		

Source: Shiller website, Northstar Asset Management. Date: 31 May 2021

Cheaper markets are better predictors of higher future returns

Our final piece of analysis simply assesses whether an investor is better off buying a market on a lower or higher P/E multiple. Again, the data is noisy, but conclusive: lower P/E multiples provide a margin of safety so that future returns are simply better and more predictable.

Chart 1: Probability of positive returns & average historic subsequent return from a P/E of 24



Source: Shiller website, Northstar Asset Management. Date: 31 May 2021

Nominal GDP growth is an important driver of sustainable corporate profitability

Future returns also depend on sustainable profit growth. In Chart 2, we show nominal GDP growth in the US economy over 3 decades and we compare it to the profit growth of the S&P. The following are worth noting:

- A strong relationship exists between nominal GDP growth and S&P earnings growth over time.
- Since the Global Financial Crisis (GFC) in 2008, it has been a challenge to grow nominal GDP, despite all the stimuli. In fact, growth was lower during the two preceding decades.
- Concurrently, earnings growth has been muted since 2009.
- After each crisis, GDP and earnings growth surged back. However, after the 2020 COVID-19 crisis, the extent of the rebound has exceeded anything seen before – a function of uber stimulus.
- Nominal GDP growth is expected (market consensus) to return to benign levels post 2022, similar to post GFC growth numbers.

Chart 2: S&P earnings vs United States of America nominal GDP

S&P 500 Earnings Growth (LHS) US Nominal GDP (RHS) Est. US Nominal GDP (RHS)

Source: S&P Capital IQ, Shiller website, Northstar Asset Management. Date: 31 May 2021

Chart LHS scale cuts off 793% outlier peak in 2010.

NORTHSTAR

If both GDP and earnings growth have been muted over the past decade, why has the US market done so well? The answer lies in historically low inflation and interest rates. Without persistently low interest rates in the years ahead and assuming that future GDP growth rates (consensus) will be suboptimal, it is likely that corporate profits after this initial rebound will be muted. This poses risks to overvalued components of the equity market.

Navigating equity valuation risks

Right now, central bankers and governments have created an environment conducive to risk taking. Consequently, investors have driven and been rewarded by elevated market levels. Going forward, threats to this paradigm exist, which require mitigating actions. Our approach on behalf of our clients relies on the following interventions:

- Utilise investment products that allow flexibility to reduce risk as appropriate.
- Reduce overall equity exposure within our Northstar Global Flexible strategy when our bottom-up valuation work clearly indicates that stocks are not offering value on our Buy List.
- Produce analysis that deeply appreciates the drivers that sustain earnings and ensure that these profits are fairly accounted for by the market.
- Remain proactive and nimble to position portfolios in securities adhering to our ‘quality at a reasonable price’ philosophy.

Northstar’s offshore funds have generated market leading returns for many years, we anticipate a tricky investing landscape after the current euphoria subsidies, but believe that our investing framework is well placed to account for this.

Is your fund manager taking enough risk?

Rory Spangenberg
CIO and Director Global Equities

Loss aversion and risk aversion are powerful cognitive biases that affect everyone, even professional fund managers. The returns delivered by global flexible funds over the last decade suggest that the experience of the Global Financial Crisis and a number of other complicating factors led to the average fund managers being too conservatively positioned. Northstar's fundamental analysis process and emphasis on quality assets help to create asymmetric returns by enabling our portfolios to participate in most of the market's upside, while avoiding large drawdowns, generating superior risk-adjusted performance.

People tend to think about risk in investments in a negative sense, focusing on capital loss, drawdown or downside risk. While this is extremely important and entirely correct, less attention is paid to opportunity cost or upside risk i.e. the risk of losing out on even better returns.

Humans are cognitively hardwired to avoid losses and the behavioral finance literature covers the topic of loss aversion, a tendency to prefer avoiding losses to acquiring equivalent gains, quite extensively. Risk aversion is also distinguishable from loss aversion and refers to our preference for outcomes with higher certainty, while our experience of loss tends to inform our approach to risk.

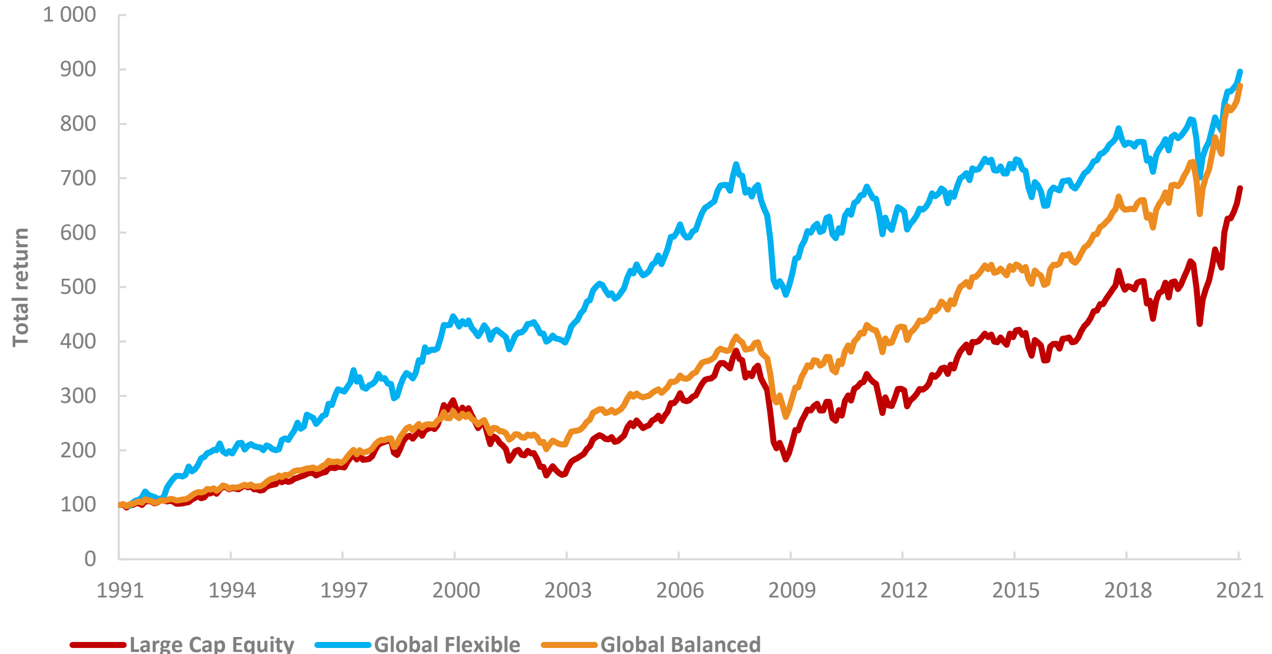
This relationship also highlights the difficulty investors have with probability and the trade-off between highly probable, low returns and lower probability, high returns. This is true even if the average pay-off profile of the lower probability/high return scenario is the same or significantly better.

While one would expect dispassionate, professional fund managers to be immune to these mere human frailties, it turns out that (on average) this may not be the case. However, our analysis and experience indicate that following a robust research process focused on quality assets can skew the odds in investors' favour by balancing risk and return to create superior risk-adjusted performance.

Global Flexible Funds showed strong outperformance to early 2009...

One area where this risk or loss aversion might be most evident is in the multi-asset global flexible fund category, although we acknowledge that any broad analysis must be caveated by the disparate nature of the strategies of the funds in this category.

Chart 3: 30 years to 30 April 2021 – Total return in US dollars (indexed to 100)



Source: Morningstar and Northstar Asset Management. Date: 30 April 2021

Multi-asset flexible fund managers have a broad range of asset classes and return streams at their disposal from which to offer their investors a suitable risk-adjusted return proposition. Therefore, the full benefit of active management should arguably be available in this fund category.

From chart 3 above, it is apparent that this was very much the case in the 20 years leading up to and through the Global Financial Crisis (GFC) of 2008/9.

In fact, the average global flexible fund outperformed the MSCI World Index in both the 10 years to April 2001 (annualised total return in US dollars of 15.4% vs 10.6%) and the decade to April 2011 (5.1% vs 4.4%). Importantly, this was also achieved with less risk, as reflected in the volatility of the respective returns.

The full benefit from diversification and active management is also evident in the higher returns relative to the average large cap global equity fund and a passive 60:40 balanced portfolio of global equities and bonds.

… followed by a post-GFC malaise

While the average large cap equity fund has perennially underperformed the MSCI World Index, the underperformance from multi asset flexible funds over the past 10 years (2.7% p.a. vs 10.5% for the MSCI) stands in stark contrast to the strong outperformance in the preceding 20 years.

This phenomenon is no doubt a result of a multitude of factors. The rise of a cohort of disruptive, internet-enabled growth companies, meaningful structural shifts in market cap weighted benchmarks, and the shift into passive investing have all played a part in complicating the investment landscape and valuation of asset classes. This complexity has been further compounded by the enduring deflationary pressures arising from advances in technology and automation as well as slack in the labour market, combined with unorthodox monetary policy.

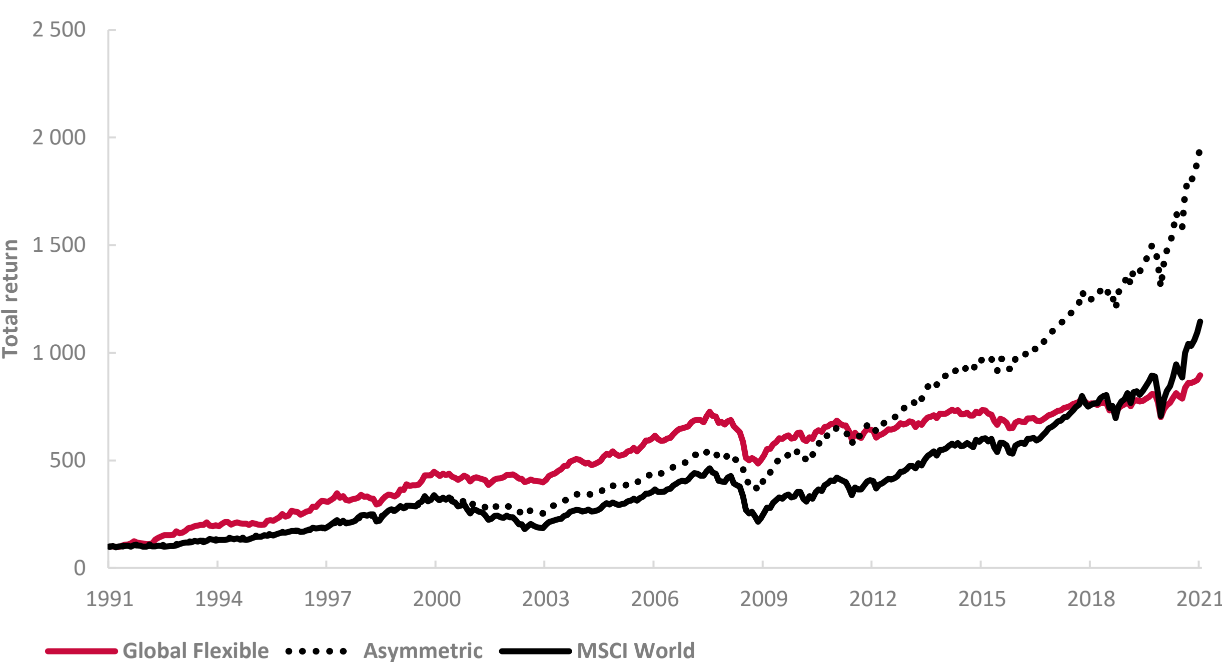
However, the experience of loss through the GFC has clearly played an important role in reducing risk appetite, resulting in significant upside risk or opportunity foregone over the subsequent 10 years.

Asymmetric returns can lead to substantial outperformance over time

If the objective of active management is to skew the likely outcome in investors' favour by balancing risk and return, then an asymmetry in returns is required for superior risk-adjusted performance.

The Northstar Global Flexible Fund is an equity-centric flexible fund that aims to participate in most of the market's upside, while avoiding large drawdowns, as is evident in an upside/downside capture profile of 78% vs 58% since inception[1]. Modelling the target 80% vs 60% asymmetric return profile against the MSCI World Index over the past 30 years highlights the compounding effect of this simple rules-based asymmetry and puts into context the difficulty the average global flexible fund manager has faced in keeping pace with the equity benchmark.

Chart 4: 30 years to 30 April 2021 – Total return in US dollars (indexed to 100)



Source: Morningstar and Northstar Asset Management. Date: 30 April 2021

Sources of asymmetry

The desired return profile is a function of Northstar's fundamental research process rather than an objective. The primary source of asymmetry lies in our insistence on only investing in the relatively small group of companies able to demonstrate the benefit of an inherent competitive advantage. This is evident in sustainably high returns on invested capital (ROIC) and free cash flow (FCF) growth.

We avoid companies that employ excessive leverage and/or display a high degree of cyclicality, which reduces our exposure to downside risk.

Our disciplined, probability-weighted scenario approach to valuation and the integration of fundamental risk limits and valuation into position sizing are equally important sources of asymmetry.

Before we invest, we establish proprietary Bull, Base and Bear Case scenarios, with probabilities ascribed to each, to ensure an appropriate level of risk taking. Regular review of performance and developments against these scenarios results in longer holding periods of companies with positive fundamental momentum and quicker corrective action where the Bear Case scenario plays out.

Not having to be fully invested and the Fund's ability to diversify across asset classes are further sources of asymmetry, if informed by valuation.

Many active managers have been too risk averse

Active managers have experienced a poor decade since the GFC. Global flexible funds, on average, have been too conservatively positioned, ex-post, squandering much of the strong record of superior risk-adjusted returns established in the 20 years prior.

With signs of rising inflation and higher interest rates on the horizon, active managers face the prospect of greater dispersion in returns. Only those able to synthesise all the inevitably conflicting sources of information and opinion into a sensible and robust risk management framework are likely to achieve the appropriate level of risk tolerance to generate superior risk-adjusted returns, whatever the next decade may hold.

[1]Defined as the Fund's average participation in the benchmark's monthly positive or negative performance. An 80% vs 60% upside/downside equity capture ratio means that the Fund returns, on average, 80% of the benchmark's performance in months where the market moves up, and only participates in 60% of the decline when the benchmark moves down. Based on the average rolling 3-year equity capture ratio against the MSCI World Index since inception 11th January 2016 – 30th April 2021

South African Industrials: COVID-19 dynamics further entrench competitive strengths

Marco Barbieri
Director SA Equities

Domestically-focused South African industrial companies have lagged other sectors in the market over the last five years, despite signs of recovery in the last six months. In this article, we explain the reasons for this underperformance and why we believe certain quality industrial stocks are set to benefit from the dynamics arising from COVID-19.

While South African industrial companies have shown signs of recovery over the past six months as local macroeconomic conditions have improved, they have significantly underperformed other sectors in the market. Over five years, they have lagged the JSE All Share Index and been marked underperformers compared to resources companies.

South African industrial companies are the largest active exposure in the Northstar SCI* Equity Fund compared to the JSE Capped Swix Index. This article analyses the recent poor performance of industrials, explains why we believe the recent rebound is sustainable and discusses three quality businesses the Fund currently holds that we believe are likely to continue to outperform.

Locally-focused industrials have struggled

Our analysis shows that only 30 of 61 stocks in the industrial index managed to produce positive share price growth over the past five years. While the JSE All Share Index generated a return of 9.8% per annum over the same period, the simple average return of all constituents in the JSE All Share Industrial Index (excluding rand hedges) was close to 0%. This paltry return contains a very large breadth of outcomes with compound annual growth rates (CAGRs) for companies in the index ranging from +23% to -31%. With a few exceptions, large- and mid-cap companies outperformed their smaller counterparts and significant rand weakness over the period assisted locally domiciled companies doing business abroad (rand hedges).

The main reason for this underperformance stems from the general weakness in the South African macroeconomic environment, characterised by muted GDP growth, weak consumer confidence and underinvestment. These factors limited the ability of local industrials to expand production and grow their top line. Across the board, the sector saw returns and margins decline as competition and an inability to pass through costs impacted businesses. Companies with more diversified revenue streams and flexible balance sheets were better positioned to navigate these conditions.

The lack of growth and returns locally prompted several companies to expand operations overseas. Underestimating the competitive landscape in most instances proved disastrous and the past few years have seen significant impairment of assets and loss of capital for numerous listed South African companies. Examples include Shoprite and Tiger Brands in Nigeria, Woolworths in Australia and Imperial in Europe.

Over the past six months, the relative performance of South African industrials has improved significantly with retailers and general industrials benefitting most from a stronger rand and improving consumer conditions after the hard lockdown in the second quarter of 2020.

High quality companies were better positioned for COVID-19

While the recovery has been fairly broad-based, we believe that higher-quality industrials have fundamentally benefitted the most from COVID-19 dynamics and have been able to entrench their competitive advantage further

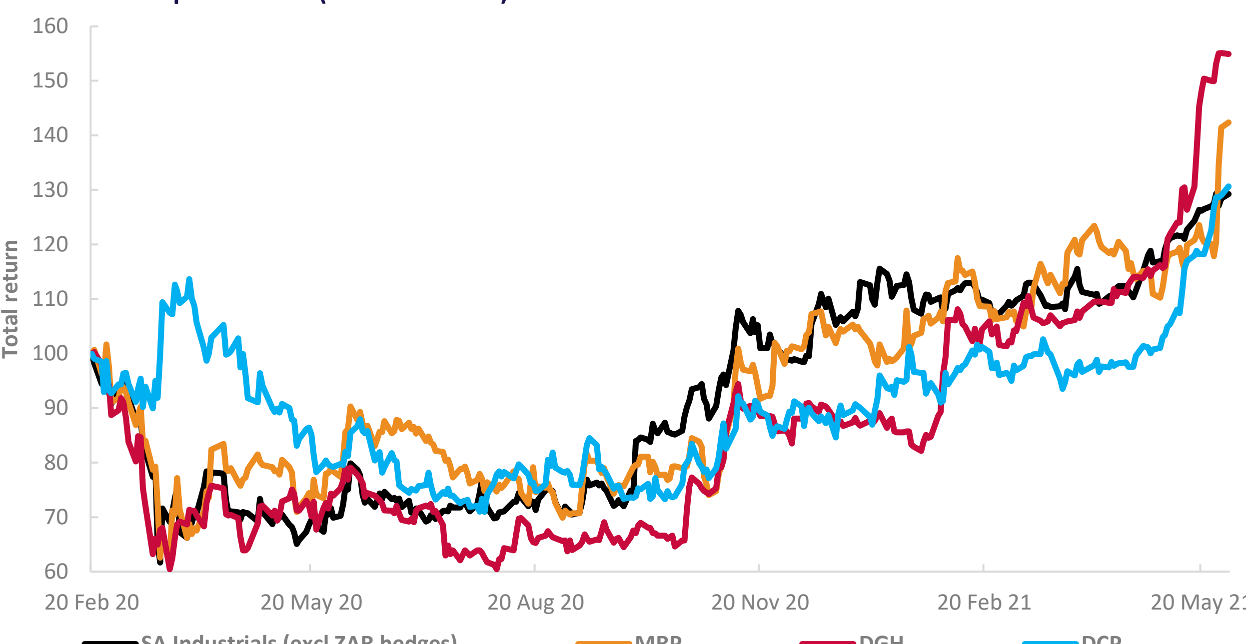
*SCI refers to Sanlam Collective Investments.

and consolidate their dominant market position. The outlook and sustainability for such businesses in our opinion is far better than highly operationally and financially geared businesses.

Northstar's investment approach focuses on high quality companies with inherent competitive advantages that enable them to generate good returns on invested capital and free cash flows. The market pullback at the start of the COVID-19 pandemic provided us with an opportunity to buy good businesses that generally trade at a premium to their peers. The section that follows discusses three industrials held in the Northstar SCI Equity Fund – Mr Price, Dis-Chem and Distell – that demonstrate the benefits of good management, effective strategy and strong balance sheets.

All three stocks have recovered to above pre-COVID-19 levels and outperformed the Industrial Index (excluding rand hedges).

Chart 5: Share price return (indexed to 100)



Source: S&P Capital IQ, Northstar Asset Management. Date: May 2021

Mr Price (MRP)

While clothing retailers came under significant pressure during COVID-19, and particularly during the hard lockdown, Mr Price's strong value proposition and distribution capability allowed it to capture market share (+1.8%) as a result of down-trading in the market. While not acquisitive by nature, the group also smartly used the crisis to acquire Power Fashion, further entrenching their value footprint, and Yuppiechef, which represents a move up the value spectrum and further solidifies their online footprint.

Mr Price also re-thought their strategy and diversified into baby and school wear which is likely to pay dividends in the years ahead.

Northstar acquired a holding in Mr Price when the price pulled back in the second quarter of 2020. While we took some profits during the first quarter of 2021, we still hold a significant position in the company.

Dis-Chem (DCP)

Retail pharmacy group Dis-Chem's skew towards mall-based stores hurt its performance during hard lockdown as the group lost market share across all categories. The resilience of its business model and financial flexibility allowed it to do well despite the difficult times and it soon recaptured the business lost. Like Mr Price, Dis-Chem took advantage of market distress to make a number of strategic acquisitions, including:

- Baby City (R422 million), which enables them to gain share in the highly profitable baby category;
- Medicare (R282 million), which allows Dis-Chem to expand their footprint of smaller stores; and

- Healthforce (R48 million), which adds a further 50 community-based pharmacies in geographies where Dis-Chem was under-represented.

The Fund acquired shares in Dis-Chem following COVID-19 and realised some of the holding after the price rallied, but still holds a large active position.

Distell (DGH)

Alcoholic beverage producer and marketer Distell has been in the news recently due to Heineken's interest in acquiring the company. Distell was one of the worst affected businesses in South Africa as the lockdowns impacted both on-site alcohol consumption and direct sales. This resulted in a complete halt of sales for months and cost the company 22% of their trading days in the first half of their 2021 fiscal year (to Dec 2020). Despite this, revenue was only down 0.5% in South Africa, increased 2.5% at a group level and the company managed to grow market share in all operating categories. This performance is largely attributable to panic buying and stocking up before and after the alcohol bans in South Africa, combined with the excellent performance in the rest of Africa, where revenue grew 12%.

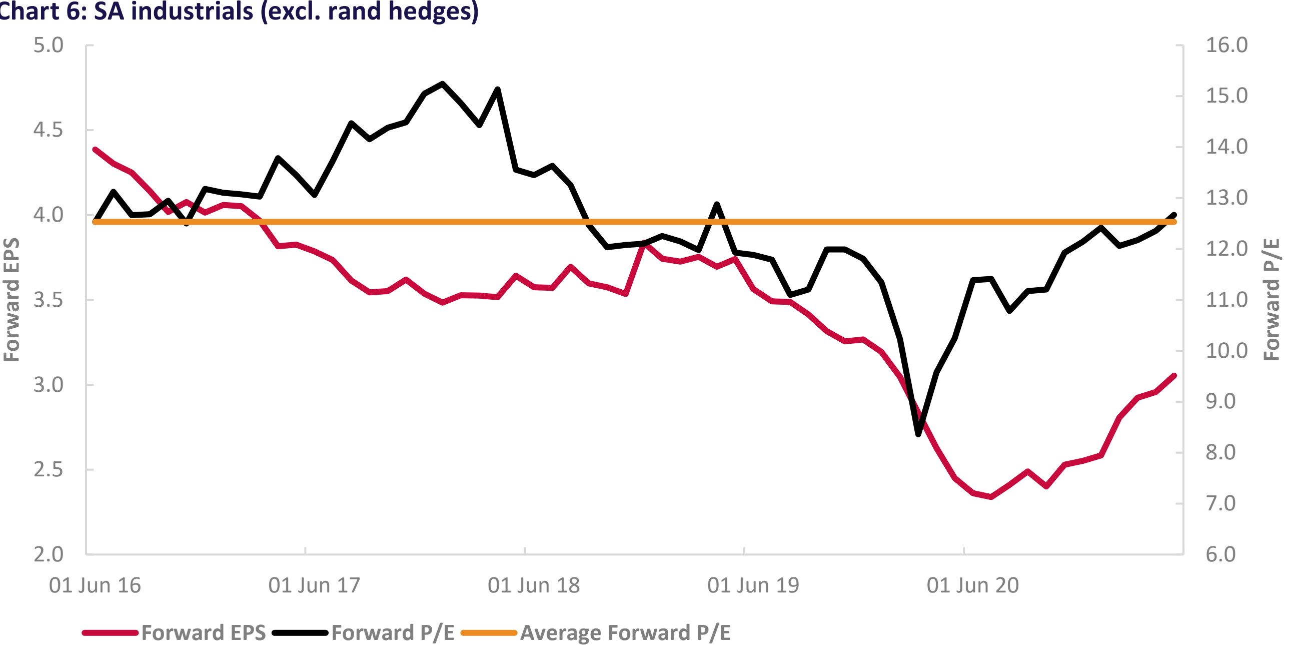
This performance highlights the group's product and geographic diversification, the strength of its brands and the efforts of the management team to improve the route to market of the African operations, which are clearly paying off.

Northstar was a holder of Distell going into COVID-19 and maintains a large position in the company.

Forward valuations and earnings prospects suggest scope for further returns

South African Industrials are currently valued in line with their five-year average on a one-year forward P/E basis. Although the sector has seen something of a recovery in earnings over the past quarter (shown as one-year forward EPS in the chart), it remains 10% to 20% below pre-COVID-19 levels. Normalisation of earnings is only likely to happen over the next two to three years, implying that on a medium-term normalised P/E perspective there is still significant value.

Chart 6: SA industrials (excl. rand hedges)



Source: S&P Capital IQ, Northstar Asset Management. Date June 2021

We recognise that, although improving, the South African macroeconomic recovery will be long and fragile. However, we believe that high-quality domestically-focused companies such as Mr Price, Dis-Chem and Distell, that made the most of the conditions precipitated by COVID-19, will be better positioned to grow.

Meet the team

Alex Holmes
Business Development Manager - North

When did your interest in financial markets start?
My interest in financial markets prompted me to enter the financial services industry in 2015. Their appeal is their complexity, the result of numerous factors, largely outside of any particular individual's/entities control.

What did you study and why?
At University I studied a BA in Law. After entering the industry I completed my Postgraduate Diploma in Financial Planning and followed by a Post Grad Diploma in Investment Planning.

What do you think equips you to do this job properly?
I have a natural affinity for building strong relationships. That, aligned with my technical knowledge in financial planning and having been on the other side of the fence as a private wealth manager, gives me quite unique insight into the needs of the advisor. In turn, I am able to position how we as an asset manager can best add value to advisor clients and their businesses.

What do you love about investing?
I love the history and behavioral psychology of investing. By combining the two we can better understand how people react to different market and investment cycles. I think that by understanding how people react we can better engage around their investment needs and manage their expectations.

What do you find the most challenging part of your role to be?
I would say the most challenging aspect of my role is positioning an exciting, growing brand against the, often-blind, loyalty that is shown to the established investments brands that have dominated the market historically.

Why do you think clients will do well at Northstar?
Northstar has assembled a robust team with each individual being an expert in their position, knowing their role and how best to do it. We understand our responsibility to our clients and this means that with every investment decision made, every client process we handle, every query that we answer, we do so with our clients at the forefront of our mind, and to the very best of our ability.

Northstar South African funds

Returns are to the period ended May 2021

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 (Mar 2021)	77% / 20% / 3% Maximum of 10% equities.			22% / 10% / 69% Maximum of 75% equities.			5% / 95% Minimum of 80% equities.			4% / 96% 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. (Mar 2021)	Mgmt. Fee	TER	TIC	Mgmt. Fee	TER	TIC	Mgmt. Fee	TER	TIC	Mgmt. Fee	TER	TIC
	0.98%	1.02%	1.06%	1.27%	1.78%	2.04%	0.98%	1.02%	1.66%	0.97%	1.83%	2.03%

ANNUALISED INVESTMENT RETURNS (Period ended May 2021)

	Fund	Bmk	Fund	Bmk	Fund	Bmk	Fund*	Bmk*
1 Year	7.22%	3.94%	15.16%	20.74%	30.10%	34.94%	20.13%	32.18%
3 Years	8.09%	6.03%	7.14%	7.44%	0.29%	6.62%	4.57%	4.64%
5 Years	7.86%	6.64%	5.14%	5.22%	NA	NA	3.94%	4.44%
Since Launch	7.22%	6.62%	7.81%	8.56%	1.23%	6.40%	10.28%	9.43%

Highest annual return over a 12 month rolling period.
SCI Income: 10.57% (Oct 2018 - Oct 2019); SCI Managed: 22.05% (Mar 2020 – Mar 2021); SCI Equity: 38.60% (Mar 2020 – Mar 2021); Prime General Equity: 31.21% (Mar 2020 – Mar 2021).

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).

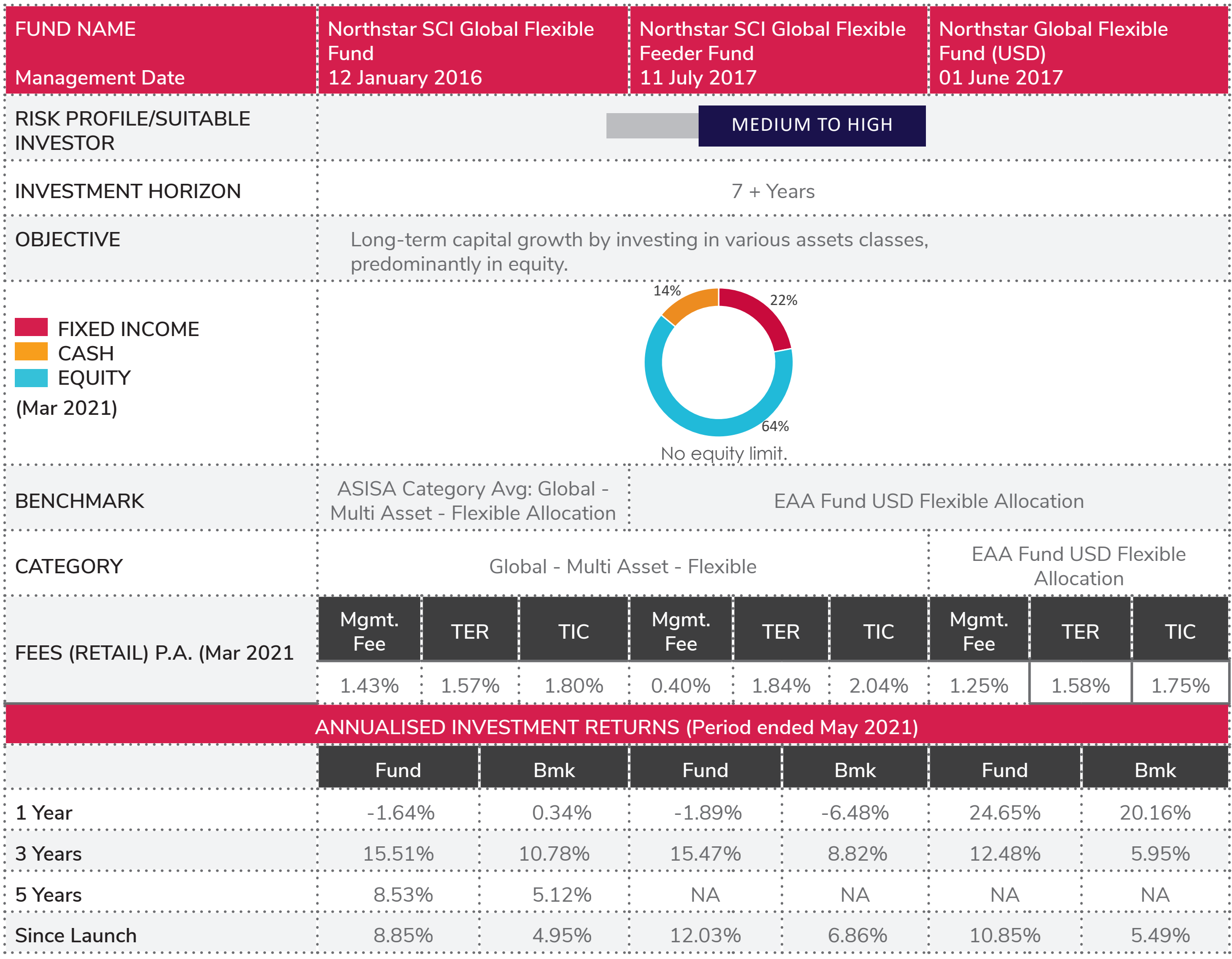
SCI refers to Sanlam Collective Investments. All our onshore funds are on the SCI Manco.
*Prime General Equity annualised investment returns are for the period ended April 2021.

Northstar global funds

Returns are to the period ended May 2021

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 (Mar 2021)	22% 14% 64% 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. (Mar 2021	Mgmt. Fee	TER	TIC	Mgmt. Fee	TER	TIC	Mgmt. Fee	TER	TIC
	1.43%	1.57%	1.80%	0.40%	1.84%	2.04%	1.25%	1.58%	1.75%

ANNUALISED INVESTMENT RETURNS (Period ended May 2021)

	Fund	Bmk	Fund	Bmk	Fund	Bmk
1 Year	-1.64%	0.34%	-1.89%	-6.48%	24.65%	20.16%
3 Years	15.51%	10.78%	15.47%	8.82%	12.48%	5.95%
5 Years	8.53%	5.12%	NA	NA	NA	NA
Since Launch	8.85%	4.95%	12.03%	6.86%	10.85%	5.49%

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): 29.82% (Mar 2020 – Mar 2021).

Lowest annual return over a 12 month rolling period.
SCI Global Flexible: -5.99% (Feb 2016 - Feb 2017) ; SCI Global Flexible Feeder: : -1.89% (May 2020 – May 2021); 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

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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.

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