

07 December 2021

We hope to find you well, that you are safe, healthy and looking forward to some deserved downtime as we conclude 2021.

It is true that Covid has occupied our lives, the never-ending invasive nature of the virus across so many aspects of our existence has made it an obvious focus. Of course, with new variants taking center stage, this will continue for a while still.

One of the consequences of the pandemic is that other key developments during the year have unintentionally been watered down yet might have a long-lasting impact on society.

### **Unnoticed but important global developments**

#### Chinese Communist Party turns 100

The first of these is that on the 23<sup>rd</sup> of July 2021, the Chinese Communist Party celebrated its 100<sup>th</sup> year anniversary. It is difficult to argue against the tremendous successes that followed the civil war and 1949 Revolution.

Mao Zedong inherited a nation besieged with low levels of GDP growth, high rates of unemployment, food shortages and extreme food prices, some of these sound close to home. China is now the second largest economy on earth and although it faces its own present-day demons, none are included from the list of 1949!

One of those demons might be a leadership issue. Xi Jinping became the head of the Communist Party in 2012, and announced his intentions to drive the “great rejuvenation” of the Chinese nation. He presided over a staggering improvement in economic prosperity, a growing and wealthier middle class and escalating influence over other nations.

On the downside, he has also sought to institute tighter controls over free speech and has reinvigorated state reach into the “private sector”, most notably adjusting the business models of technology firms, and affecting where they can raise capital. He has also cracked down on minorities and his latest and certainly most concerning ploy is introducing the idea that he rules for life!

#### The end of an era – Angela Merkel

The second is the departure of Angela Merkel after 16 years of being an absolute constant in German politics and European and global foreign policy. She’s been described by allies and foes as a problem solver for Europe and the rest of the world. Merkel navigated Germany and much of Europe through the 2008 financial crisis, the influx of immigrants, sanctions against Russia for their Ukraine invasion in 2014, and lately Brexit.

She failed in one key area, finding a suitable successor. It would be dramatic to imply that the 4<sup>th</sup> largest economy in the world is now rudderless, but it is probably fair to say that some instability has been introduced into the system.

## Cop26 – saving the planet

The third and final development, which we have the time to discuss is Cop26 or Conference of the Parties where on the 17<sup>th</sup> of November this year, 147 nations agreed to a new environmental pact. Making promises for 2050 is a clear case of hurling today's problems onto the shoulders of future generations but if we give the world's leadership the benefit of the doubt then there are some tectonic potential outcomes from this conference, which will change our lives. Some of these include the following:

- The creation of a global carbon market and the further development of the carbon credit and offsets trading market. Companies that remove carbon from the environment get offsets and those that pollute must buy credits. This implies a cost to polluting and a gain for being clean.
- Cutting emissions by 45% by 2030 and being net zero by 2050. The idea of eliminating emissions is to stave-off global warming.
- Phase-out fossil fuel subsidies and reduce coal usage by avoiding the funding of coal projects.
- Allocating \$19bn to prevent deforestation.
- Several countries and 6 major car makers have agreed to phase-out the production of fossil fuel-based vehicles by 2040.

Cop26 is further legitimising much of the ESG frameworks, which serious investment firms such as Northstar Asset Management have as a fundamental pillar within their selection processes before making capital allocations. We are committed to a cleaner, healthier, and happier world.

The above three developments could have a meaningful impact on our decisions and investment outcomes in the years ahead and we will certainly be following them closely.

## **What we covered in the Northstar Quarterly Report for Q4, 2021**

I believe that this Q4, 2021 Northstar Quarterly Report is our easiest read and I encourage our clients to find a few minutes to do so. Mark and I discuss the tricky state of asset class valuations in our lead article; Marco covers Richemont, a position we have held for a long while in our portfolios; and Donovan and Joshua write on Goldman Sachs and Accor, two undervalued opportunities. We conclude by introducing Cole Zweistra, our young and energetic Business Development Consultant.

## **Winning awards – congratulations to Northstar's hard working staff**

It is very pleasing to inform our clients that Northstar Asset Management has won the inaugural, coveted CityWire Best Fund Group Award for "Mixed Assets – USD". Rory Spangenberg, our director of Offshore Equities, won the CityWire Best Fund Manager award for "Mixed Assets Flexible – ZAR" and "Mixed Assets – USD".

These are highly prestigious awards that recognise the fund managers and asset management groups within South Africa that have shown the best risk-adjusted performance in recent years. Everyone at Northstar have played their individual roles to create the environment that has led to this success, I congratulate our staff, particularly Rory, for this outcome.

## Thank you

In conclusion, but most importantly, thank you for your support in 2021, we understand that without you entrusting us with your savings we would be unable to do what we love. All of us at Northstar wish you a safe and blessed festive season and we look forward to working hard in 2022 on your behalf.

Kind regards,



Adrian Clayton and the entire Northstar Team