

4 April 2023

Dear Investor,

I hope you are well.

If you find the world complex, you are not alone. More so than ever, these times call for a structured and disciplined approach to investing.

2023 is full of moving parts; on the international scene, we have witnessed the first signs of trauma as the era of easy money fades. In March, the US Federal Reserve increased the Fed Funds rate to 5%, the highest since 2007.

Ill-conceived management of the balance sheets of smaller regional banks in the US resulted in depositors fleeing to larger rivals and money market accounts. Like the three witches in Macbeth – 3 US banks captured headlines, unsettling the appcart by toppling – Signature, Silicon Valley Bank, and Silvergate. As an aside, speculation is that these institutions were exposed directly to crypto or financed crypto firms.

But regional banks were not the only earth tremor. Unlike the Leaning Tower of Pisa, Credit Suisse did not stay upright indefinitely and came tumbling down in March – after 166 years. The institution's significant bribery scandals in Africa, tax evasion ploys, and its relationship with Archegos Capital Management and Greensill Capital created a toxic brew that broke the Alpine Chamois' back.

Global news was not limited to banks. Bond markets traded like meme stocks over the past month. Between the 8th and the 17th of March, the US 2-year yield rallied from 5% to 3.8%, the largest one-month move since 1998. The bank sell-off catalyzed a view that we at Northstar have had for quite some time, that the US economy will start to slow down materially, and this could shock markets – equities are not priced for a recession, yet the bond market is telling us that one is on the way!

On the domestic front, we move from mortified to paralyzed. Andre Marinus de Ruyter gave us all a clear picture of ANC alchemy – Eskom is a feedlot, and hard-working South African citizens are the funders of the debauchery. It is a system that begs for change, and in a normal political environment, 2024 would evidence this.

Against a local economy that is growing at a glacial pace, the South African Reserve Bank raised interest rates by an unexpected 0.5% in March - this is the 8th consecutive rate increase since November 2021 which means that the South African Prime interest rate has moved from 3.75% to 10.75%.

So clearly, much has happened this year, and not much of it makes us feel like frolicking amongst the daisies. But as a Northstar client, we are pleased to inform you that stock markets have been remarkably resilient in the face of all this news. Our research team continues to find investing opportunities amongst income-yielding and growth assets in South Africa and foreign markets. The negativity mentioned above is already baked into the prices of certain assets.

In addition, Northstar funds are performing outstandingly relative to peers. For example, the Northstar SCI Income Fund is a top performer in South Africa since its launch eight years ago and is a natural destination for client money sitting lazily in a bank account. Its success has meant that we are launching a dollar international version of the fund – this will be available to our clients in the months ahead.

It is also worth mentioning that the Northstar SCI Global Flexible Fund was the runner-up for the Raging Bull award again this year – our third year as runner-up! In this space, we are the perpetual bridesmaids. Still, Northstar is proud to be a giant global slayer, a testament to a robust investment process aligned with hard-working and dedicated analysts.

In conclusion, I hope you enjoy the Northstar Market Report for Q1, 2023. We cover some fascinating investment topics, inform you of a research cooperation agreement which we have chartered with First Avenue Investment Management, and introduce you to Shimeez, one of our stars in client operations and services.

Thank you for your loyal support of Northstar!

We look forward to working tirelessly to achieve your financial objectives.

All the best,



Adrian Clayton, on behalf of the Northstar Team