

**June 2024**

Dear Fellow Investor and Client

Halfway through 2024 we trust that the year is going well. I suspect that you, like us, have been on tenterhooks seeking certainty around the future of SA's government. Following the creation of what is seen as a stable government of national unity, the markets have responded well and there have been positives out of this past election. Despite this there remains uncertainty as to how the collation will work out, and we may be in for a period where markets express this uncertainty.

Over the past year and the five months ended May 2024 client portfolios have all done well. Albeit that the rand dollar is broadly unchanged, offshore investments have benefitted from the US economy's strength, despite rising debt levels and stubborn inflation. These factors have delayed interest rate cuts.

South African inflation has been steadily but slowly declining, and the South African Reserve Bank appears to be broadly following the FED in terms of cuts, mindful of our exchange rate and its impact on inflation. Local markets have been on a decent trot given the progress on loadshedding, and pricing in a neutral to positive government outcome. This of course is currently being tested, and the days and months ahead will be crucial for capital markets.

The best-laid plans of mice and men often go awry (Robert Burns). Trying to predict the ultimate form or longevity of any government and its impact on both markets and the real economy is of course a game of probabilities. Consequently, less focus on short-term gyrations is key and instead, a smart long-term strategy to wealth creation must be implemented. This is precisely how we manage your investments at Northstar, all our clients have been positioned within investment strategies that target inflation beating returns based on long-term asset allocation models. We believe that this approach has worked well through various macro shocks and tremors examples being Ukraine, Gaza, and Covid.

With this approach as the foundation, Northstar's investment team focuses its research on high impact opportunities that will grow our clients' wealth. Our research is granular in that we aim to build valuation models on every security, be it shares, bonds or property and we do this, both in South Africa and on global markets. This detailed approach, allows us to have strong views on which asset classes offer value and when to buy and sell them.

Being based in South Africa, we are not blinded by value traps – assets that are cheap but never seem to realize their true value over time. This is precisely why we moved significant sums of your capital abroad over the past 12 years despite supportive local valuations. That said, improving political dynamics as witnessed in the latest election, could create a launchpad for improvement from the JSE in the years ahead. We certainly are hoping for this outcome.

Marco's article, in this quarterly, succinctly addresses some of the levers, risks and opportunities in SA, in an easy to digest form. It is quite possible that these could play out in the remainder of the year ahead.

The big picture and first article, written by Lo Giyose (First Avenue), is an analytical piece that dives deep into the importance of management focusing company energies on what they are good at. It uses the well-publicized BHP bid for Anglo and draws in Woolworths and Richemont as case studies. We are active shareholders that encourage management teams to place their capital providers' (shareholders) interests at the forefront of their value creating strategies.

Finally, we introduce Refiloe, a relatively new member of the investment team who is passionate about what she does.

We remain grateful for your ongoing support.

Kind regards,

Matt Bertram on behalf of all of us at Northstar Asset Management