

30 June 2026

Dear Fellow Investor,

We trust that you are well and keeping warm at a time when the shadows are long in the Southern Hemisphere.

Speaking of winter, let me tell you about Sir Isaac Newton's own winter of discontent. In 1720, Newton invested £3,500 in the South Sea Company.

Founded in 1711, the South Sea Company's *raison d'être* was to restructure Britain's huge national debt – holders of UK government debt could swap this debt for shares in the South Sea Company. In return, South Sea was awarded the monopoly on British trade with Spanish colonies.

Newton's investment did spectacularly, making 100% in a matter of weeks, at which point, he sold out!

But the 1720 speculative bubble of South Sea had legs and shares eventually soared by over 1000%. Sir Newton, suffering from colossal levels of FOMO (fear of missing out) watched his friends get rich, so he dived back in.

Of course, there is often a wide gap between market price and business value. South Sea's prospects were greatly exaggerated, little trade was taking place, and its share price was driven by hype, greed, and speculation.

Newton committed £20 000 to the market and sadly for him, he did so close to its peak. What followed was an immense stock price collapse of 80%, wiping out \$4m of his capital, in today's money terms.

In our first article in the Northstar Market Report for Q2, 2026, we write about the 2000 technology bubble and how price and value diverge. Investors see price, and can, like Newton, feel extreme levels of FOMO when world markets soar as was the case leading into the dot-com mania and is equally the case in 2026.

Research-focused investment managers value businesses. The best managers have the discipline to look beyond the price on the screen and focus instead on what a business is truly worth. This is what we do at Northstar.

But of course, price seems absolute, it is perceptually right, as against value which is effectively an enigma and invisible. Value is only real when it meets price and this becomes very obvious when a bubble bursts and for unfortunate holders at this time, price tends to converge onto value.

The problem with price being different to value is that it creates a natural tension between investment professionals and some of their clients and this tension rises as share prices rise, it is natural, FOMO is a powerful motivator of behaviour. At these moments trust and time are the currencies the manager needs most!

JP Morgan has some incredible research that shows that the average retail investor in the US only benefits to about a third of the returns that most markets deliver over time.

This is not due to fees, or bad advice, it is actually because investors have the bad habit of perpetually switching out of managers when they have bouts of underperformance and into managers having periods of

outperformance. Quite clearly, the data demonstrates that this behaviour is performance damaging, but it is human and it is real.

Our article on the dot-com bubble is not coincidental as 2026 feels remarkably similar to the lead-up to 2000. If we had to hazard a guess, we are in 1998 or 1999 in 2026! At Northstar, we are in capital preservation mode for our clients, when it comes to navigating this current period.

Against an overvalued market, the companies we own are cheap and despite our stocks being exposed to the short-term vagaries of the market, over the long term these businesses will generate enormous wealth for our clients.

Q2's Market Report also contains a great article written by Marco Barbieri on the platinum industry and why we believe that in the long term, these companies could prove relatively good investments.

Finally, Josh Reed discusses Disney, how undervalued it is and why we believe it is a great example of a world class asset that is being overlooked by the market at a time when AI is considered the only party in town.

2026 has to date been a slower year for Northstar's investment performance, we acknowledge this. But we will always choose the path of fact, driven by our research findings as against the prices on the screen.

This is no time to blink!

Yours sincerely,



Adrian Clayton and the entire Northstar Team