



CLIENT CORNER AND NORTHSTAR NEWS

RISE OF THE MACHINES

STAFF MEMBER HIGHLIGHT RORY SPANGENBERG

By Matt Bertram

The rise of the machines

Matt Bertram, COO responsible for client servicing, operations and finance

The millennial, technology mix

You can finally buy Nike's 'Back to the Future' sneakers, 30 years after the film was released. On 21 October 2015, which you might recall as the date that Marty McFly (Michael J Fox) travelled into the future, Nike presented him with the "real" self-tying sneakers that he received on that date in the movie. Today the new buzzwords are disruptive technologies, the block chain (or distributed ledger), artificial intelligence and machine learning. Examples of direct applications of these include bit-coin, self-driving cars, robo-advisors and Alexa (Amazon's home assistant). Tech's "Four Horsemen" Amazon, Apple, Alphabet (Google) and Facebook are all investing heavily in these technologies.

The millennials, born roughly between 1980 and 2000, are the largest and most educated generation in Western history. They have embraced the tech boom and are characterised as, among other things, challenging paradigms and wanting to do things quicker and better (smarter). It is clear that this generation is likely to have an accelerative effect on the digital revolution. One only has to look at the disruptive, or worded differently, innovative and ground breaking technologies of Uber and Airbnb to see how rapidly the rules are changing.

These are also examples of millennial thinking coming head-to-head with long established industries, heavily populated by previous generations.

Asset management impact

Assets available in the investment management space continue to grow, yet the industry has a relatively narrow moat, or barrier to competition. This, along with the following makes it attractive to 'disrupters':

- High profits.
- Technology arbitrage opportunities.
- The political, social and economic landscapes and factors overlaid across these, including changes to regulation, Brexit, Trump, the rise of the BRICS economies and the millennial generation.

Immediate examples of potential disruptions would include robo-advisors and the growth in exchange traded funds (ETFs).

The jury is still out

Marty's sneakers, albeit a marketing ploy by Nike, took 30 years to become a vibrant reality, but my personal favourite - the flying car - is unfortunately not widely available yet. These things take time to evolve, it is difficult to predict time frames accurately and often they do not turn out quite the way they were originally conceived. Then, of course, there will always be adopters and dissenters. Examples include: robo-advisors and ETFs, seen as potential over simplifications by previous generations might be viewed as no-brainers, although potentially naively, by a more broadly educated and tech savvy millennial generation.

How Northstar uses technology

What makes Northstar unique is our proprietary deep research model and our personal approach to clients. Technology is at best a long way off in terms of replacing these and we do not think it will. However, used intelligently technology can enhance both significantly. My focus is on the operational aspects of running the business and critically on client service delivery.

To maintain our edge, we stay relevant and seek to adopt those advancements that:

- Help us understand client needs on an ongoing basis.
- Continually improve client service and delivery.
- Free up and better equip the investment team to focus on delivering returns to our clients.

We use technology to improve the quality of time spent on clients by, for example, automating the administrative aspects of our business. Our personal angle is critical to us as we do not want to evolve into a large institution with a client factory floor. With this in mind we have:

- Invested in a new portfolio management system - our clients will benefit from better access to information and it will enhance our ability to implement our investment ideas.
- We have upgraded our digital presence - have a look at our new website which reflects our business.
- We are using podcasts to communicate our market views directly to you. We have also created video footage to explain our values and approach to market noise. We will build these over time to continually improve our communication with you.

In summary, we exist in a rapidly evolving digital era where we must remain relevant. This means keeping abreast of the numerous solutions presenting themselves, and cherry-picking those that align with our values of servicing clients and producing returns. Self-tying shoes do not meet our criteria!

Staff member highlight – Rory Spangenberg

Rory Spangenberg joined Northstar on 1 January 2017 as an analyst to bolster our offshore capabilities.

Rory, where have you worked?

I joined Northstar from SignalHill Investment Management, where I was the managing director and portfolio manager, with a focus on global research and investments. Before establishing SignalHill, I spent ten years with Investec managing value and income growth strategies in the Wealth & Investment division. Prior to joining that division, I was head of the South African research sales desk at Investec in London, with previous experience in research sales for Barnard Jacobs Mellet and as the equity portfolio manager of the Sasol Pension Fund.

What do you enjoy the most about investing?

I enjoy the process of understanding the drivers of different companies and the industries in which they operate. It feeds my natural curiosity about the world, and the interconnectedness of all the things that impact on the investment case for any particular company. Seeing the positive impact this work has on growing client's capital is very rewarding.

How do you best allocate your time for the highest impact?

I try to read as widely and as much as possible. Over time I have defined a set of investment criteria and a mental framework within which to recognise and evaluate potential investment ideas. This means I can cover quite a lot of ground pretty quickly, discarding things I am unlikely to invest in, leaving more time to develop a deep understanding of the investments that do make it into the portfolio.

What will your focus be at Northstar?

My focus is on researching offshore investment opportunities for the various client portfolios and funds, and to manage these as part of the broader team.

Why choose Northstar, you could have worked anywhere?

Since Adrian and I have known each other for over 18 years, I had a good idea of what the team and the Northstar culture would be like. Equally, having spent most of my career with large institutions where the demands on your time are often quite peripheral to investments, I was attracted by Northstar's focus on, and commitment to, research and investment excellence.

What do you hope to add to Northstar in the years ahead?

An enduring interest in investing in its purest form, and a healthy dose of scepticism about some of the conventions and conventional wisdoms in our industry.