NORTHSTAR
ASSET MANAGEMENT

Client Letter 20 July 2005

Quarter End: 30th June 2005

Dear Investor

In the past quarter our clients' portfolios have produced satisfactory results. We have made relatively minor, but profitable, incremental changes to our clients' portfolios. As our preferred shares outperformed the market we have trimmed back exposure while at the same time deploying the proceeds of those sales in other, relatively less expensive, counters.

We have begun to build positions in our clients' portfolios in Sanlam, Peermont Global, Venfin, Firstrand Bank and Allied Electronics Corporation. All these positions remain relatively small on account of the share prices appreciating immediately after our initial purchase. While we would be pleased to increase the size of the positions in these companies, we are disinclined to invest in shares not trading at an attractive discount to our calculation of their intrinsic value.

In the quarter we sold our clients' holding in the Spar Group. We obtained these shares at "no cost", by way of their distribution from Tigerbrands. Subsequently, these shares appreciated to our estimate of their fair value. We believe that the increased cost of fuel will increase the distribution costs and retard the earnings growth of this well run but very widely spread chain.

Our clients' largest single position remains Sasol. Having again enjoyed another significant price increase in the past quarter, this share has reduced its discount to our estimated fair value to around 25%. The company recently announced that headline earnings per share for the latest financial year will be 80% higher than in the prior year. While by no means expensive, we are trimming back our clients' holdings to less extreme overweight levels. This is purely a function of our prudent risk management.

The unwinding of the compression of valuations which were referred to in our previous letter has brought the anticipated rewards to our clients' portfolios. In the months ahead we expect this process to continue, albeit less dramatically, and believe that it will further enhance the value of our clients' investments.

We remain honoured by the responsibility which our clients have placed upon us and take pleasure in vindicating their decision to do so.

Yours sincerely

Alexander Otten

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Successful investing requires in depth research, rigorous analysis, understanding, discipline and patience. The evidence shows that the 'buy-and-hold' approach to investing can not be relied upon to generate dependable returns. Actively managing a portfolio and rotating exposure from more fully priced assets and towards intrinsically cheaper ones both reduces risk and increases potential for capital gain.

Financial markets' asset prices, foreign exchange rates and interest rates are increasingly being determined by participants in the global markets. Innovation and technology create new winners and losers. Sentiments of fear and greed can cause investors to miss-price individual assets and overall markets.

To illustrate this point we list below a sample of a dozen companies. All were regarded as 'Blue Chips' at one stage or another; and some still are. The shares of each of these companies today trades at a lower price than it did between three and ten years ago. Ten years ago, when it was at its most fashionable, Murray & Roberts shares were priced at R28.00. Today they cost R14.00.

Date of record high	Company name	Record Price	Present Price	Difference
Jun-95	Murray & Roberts	28.00	14.00	-50%
Sep-96	Nampak	23.00	14.50	-37%
Jul-97	Tongaat	82.00	60.00	-27%
Apr-98	Sage Group	35.00	1.60	-95%
Apr-98	Liberty Holdings	340.00	153.00	-55%
Jan-00	Investec	290.00	202.00	-30%
Sep-00	Dimension Data	75.00	3.08	-96%
Jan-01	Nedcor	180.00	70.00	-61%
Feb-01	Old Mutual	20.00	14.75	-26%
Feb-02	Anglo American	216.00	156.00	-28%
Mar-02	Sappi	160.00	70.00	-56%
Mar-02	Richemont	28.00	23.00	-18%

Source: Northstar Asset Management

Sappi's share price is the same today as it was ten years ago. During this period it fell below R20.00 and soared above R160.00. But for all this gut-wrenching volatility, investors in this counter have made no capital gain in ten years and would have lost over half their capital in the past three. The less said about Dimension Data, the better.

Gratifyingly, not one of these twelve companies has lost money for Northstar's clients. Contrarily, as a result of our investing strategies many have, at various times, contributed generously to the growth of our clients' wealth.

Clearly, successful investing is about more than just buying "good shares" and putting them into the bottom draw. As it is more about time, than timing; so too is it a function of research, analysis, understanding and active management. No matter how 'good' or 'solid' a company, there is an identifiable (crystallised with the benefit of hindsight) time to buy and a time to sell its shares. And, in most instances it is when most investors are doing the opposite.

By the same token, we do not partake in trading for short-term gains, as these are considerably less predictable and more risky than our prudent, analytical and patient approach to investing.

It matters to the measure from where it starts. This is why our philosophy of acquiring shares trading below their intrinsic value gives us a level of comfort. In so doing we are able to accumulate assets which are both inexpensive and which have an intrinsic value. This contrasts with 'greater fool' approach of simply hoping to be able to pass them on to another investor at a higher price.

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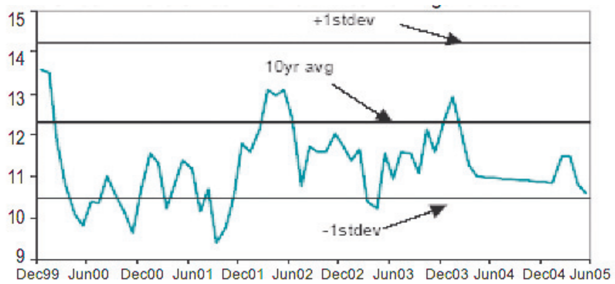
Despite its' recent gains, the South African share market remains reasonably priced. This is largely because low interest rates and strong domestic economic growth have significantly increased the earnings of local industrial and financial companies.

FTSE-JSE All Share Index –Forward Price: Earnings Valuation



Source: Nedcor Securities Research

Higher earnings justify higher share prices. The chart shows that, with the JSE's forward earnings currently being priced at virtually one standard deviation below its 10 year average, the recent stockmarket rally has still not fully discounted the expected growth in SA company earnings.

Although the overall South African stockmarket appears to be reasonably priced, within the market it remains a tale of two halves. Companies serving the local economy continue to blossom, while those (particularly resource) companies dependant on exports, struggle.

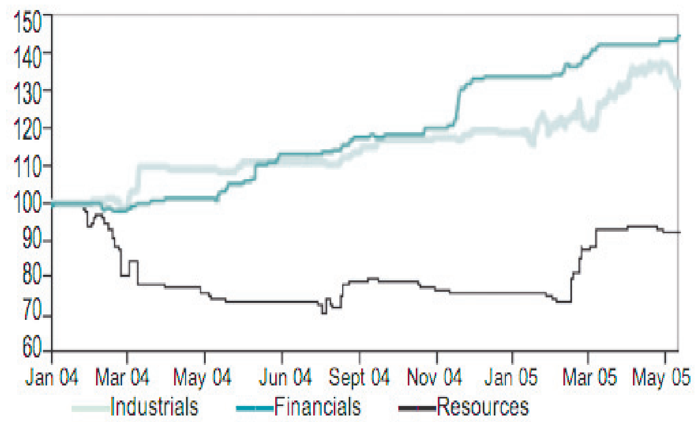
Since the start of 2004 industrial and financial companies have increased earnings by (on aggregate) between 30% and 45%. The earnings of resource companies, despite a bounce at the end of the first quarter of 2005, remain largely unchanged from eighteen months ago.

Going forward, we expect a greater convergence of the future earnings growth of the respective sectors. So while the market as a whole remains inexpensive, by our analysis, the unfashionable resource sector remains attractive both in absolute terms and relative to the overall market.

As a consequence we continue to rotate our clients' portfolios towards the, hitherto underweight, resource sector and in particular towards shares of platinum producers. These companies have rand expenses and US dollar revenues. With the continued normalisation of the currency exchange rate we expect these companies' earnings to benefit significantly. In time this will be reflected in their share price.

Additionally we have identified, and begun to build positions in, a small number of domestically orientated companies whose share price substantially understates expected earnings. We anticipate that the market will re-rate the share prices as these enhanced earnings are reported.

FTSE-JSE Sector Earnings Indices rebased to 100 as at 1-Jan-04



Source: Nedcor Securities Research