

## Investment Objectives and Strategy

The Fund aims to provide regular and stable income that targets long term inflation beating returns, while managing the risk of capital loss in the short term. Investments to be included may, apart from assets in liquid form, consist of equity and non-equity securities, fixed interest instruments (including, but not limited to, bonds, corporate bonds, inflation linked bonds, convertible bonds, cash deposits and money market instruments), debentures, preference shares and property securities as well as any other income enhancing securities consistent with the objective. Equity exposure will be limited to a maximum of 10%. The Manager may include participatory interests and other forms of participation of local and global collective investment schemes, or other similar schemes operated in territories with a regulatory environment which is at least equivalent to that in South Africa. The Fund will be managed within the requirements of retirement funds prudential investment guidelines.

## Fund Statistics

Inception Date	2014/07/22
Fund Size	R55 753 096
NAV	0.99
Ticker	NMIF
Benchmark	110% of STeFi Call
ASISA Sector	(ASISA) South African MA Income
Risk & Investment Term	Low, 3mths - 1yr
Portfolio Manager	Northstar Fixed Income Team
Annual Management Fee	1.14% (incl. VAT)
Manager's Upfront Charge (max)	0% (incl. VAT)
FSP Upfront Comm (max)	3.42% (incl. VAT)
Total Expense Ratio (TER) *	
Date of Income Declaration	31 Mar / 30 Jun / 30 Sep / 31 Dec
Minimum Lumpsum Investment	R10 000
Minimum Monthly Investment	R500
Valuation Time	15h00
Transaction Time	14h00

\* No TER has been calculated due to the fund not having been in existence for a minimum of 12 months. The TER is disclosed as a percentage of the average Net Asset Value of the portfolio that were incurred as charges, levies and fees related to the management of the portfolio. The TER is adjusted for significant subsequent portfolio restructurings and/or fee changes. A higher TER ratio does not necessarily imply a poor return, nor does a low TER imply a good return. The current TER can not be regarded as an indication of future TERs.

## Disclaimer

Collective Investment Schemes (CIS) in securities are generally medium to long term investments. The value of participatory interests may go down as well as up and past performance is not necessarily a guide to the future. All CIS are traded at ruling prices and can engage in borrowing and scrip lending. A schedule of fees and charges and maximum commissions is available on request. Commission may be paid and if so, would be included in the overall costs. Forward pricing is used. Fluctuations or movements in exchange rates may cause the value of underlying international investments to go up or down. MET Collective Investments (RF) (Pty) Ltd reserves the right to close and reopen certain portfolios from time to time in order to manage them more efficiently. The Fund may borrow up to 10% of the market value of the portfolio to bridge insufficient liquidity. Different classes of participatory interests apply to certain portfolios, which are subject to different fees and charges. Performance figures quoted are from Morningstar, as at the date of this factsheet for a lump sum investment, using NAV-NAV prices with income distributions reinvested. Service charges and investment manager charges are calculated and accrued on the daily marketed value of the investment and paid out monthly. MET Collective Investments (RF) (Pty) Ltd is the Manager of the MET Collective Investments Scheme, and a full member of the Association for Savings and Investment SA. Although reasonable steps have been taken to ensure the validity and accuracy of the information in this document, MET Collective Investments (RF) (Pty) Ltd does not accept any responsibility for any claim, damages, loss or expense, howsoever arising, out of or in connection with the information in this document, whether by a client, investor or intermediary. This document should not be seen as an offer to purchase any specific product and is not to be construed as advice or guidance in any form whatsoever. Investors are encouraged to obtain independent professional investment and taxation advice before investing with or in any of MET Collective Investments Limited (RF) (Pty) Ltd's product.

## Performance

Performance data is not displayed as regulations governing the content of this factsheet preclude the publication of performance data for any fund/class that is less than 6 months old.

## Monthly Returns

Performance data is not displayed as regulations governing the content of this factsheet preclude the publication of performance data for any fund/class that is less than 6 months old.

## Risk Statistics (3 Years)

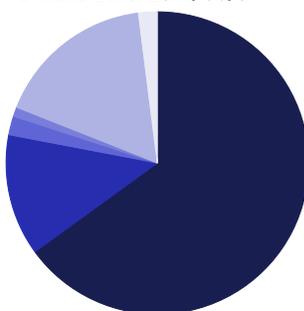
<b>Time Period: 2011/09/01 to 2014/08/31</b>	
	<b>Fund Benchmark</b>
<b>Std Dev</b>	<b>0.11</b>
<b>Sharpe Ratio (arith)</b>	<b>4.68</b>
<b>Max Drawdown (12 months)</b>	

## Income Distribution

The first income distribution will be on the second working day of October 2014

## Asset Allocation

Portfolio Date: 2014/08/31



Modified Duration: 0.26

Effective Yield: 5.85%

## Regulation 28 Compliance & Intended Maximum Limits

Compliant	Equity	Property	Equity & Property	Foreign	Africa	Cash	Debt
YES	10%	15%	25%	20%	5%	100%	100%

## Investment Philosophy

Northstar Asset Management undertakes a rigorous and structured approach to analysing fixed income opportunities. We use propriety systems to assess all instruments in our investment universe and manage our portfolios with an active bias. Our investment decision is based on detailed interest rate research (duration management and curve positioning), prudent fundamental credit analysis and vigorous liquidity management.

## FAIS Conflict of Interest Disclosure

Please note that in most cases where the FSP is a related party to Northstar Asset Management Pty (Ltd) and/or MET Collective Investments (RF) (Pty) Ltd, the Northstar Asset Management Pty (Ltd) and/or distributor earns additional fees apart from the FSP's client advisory fees. It is the FSP's responsibility to disclose additional fees to you as the client. Such fees are paid out of the portfolio's service charge and range anything between (excl VAT):

CIS Manager: Up to 0.15%  
 Northstar Asset Management: Up to 0.60%  
 Distributor/LISP: Up to 0.25%

**Total Management Fee: 1.00%**

## Contact Details

**Custodian:**  
 Standard Executors & Trustees: Tel 021 441-4100

**Administrator:**  
 MET Collective Investments (RF) (Pty) Ltd, Parc du Cap Mispel Road, Bellville, Call Centre Tel: 0860 311 899, Fax (012) 675-3889  
 Email: ci.clientservice@momentum.co.za, PO Box 925, Bellville 7535, Registration No 1991/03741/06

**Fund Manager:**  
 Northstar Asset Management  
 Tel: 021 810-8400  
 Email: admin@northstar.co.za  
 Address: Suite 1A, Ground Floor, Madison Place, Alphen Office Park, Constantia Road, Constantia, 7806

## Deposit Details

Deposits can be made at any First National Bank:  
 Account Holder: Met Collective Investments Ltd - METCI  
 Client Deposit Trust  
 Account Number: 623 614 33784  
 Branch Code: 253 145  
 Bank: First National Bank  
 Please fax deposit slip to: (012) 675 3889  
 or email to: ci.clientservice@momentum.co.za



Source: Morningstar Direct

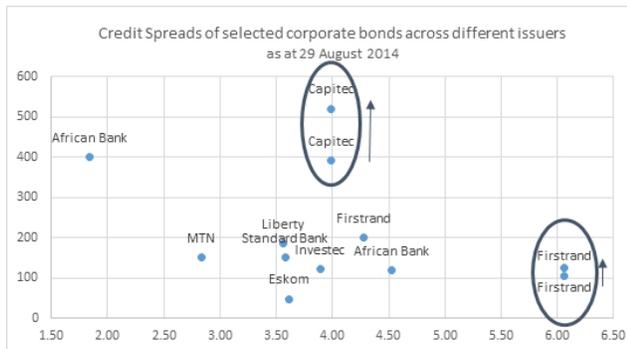
## Monthly Fund Commentary

### Is the corporate bond market in SA correctly priced....for liquidity risk?

African Banks' default last month has placed a renewed focus on the valuation and assessment of the risks inherent in corporate debt. Traditionally these risks are captured as a spread over and above the risk-free rate (usually the nominal yield on bonds issued by the government) which reflects the compensation to an investor for assuming additional risk. This risk premium can be subdivided in various components, of which credit and liquidity risk are generally its main components. In South Africa, however, liquidity risk is often neglected by investors despite the fact that secondary market liquidity is very limited as seen in limited spread movements and trade volumes relative to nominal government bonds.

As one would expect, African Bank's bonds prior to its default in August 2014 were trading at a significant yield premium to other issuers (the market was trying to account for credit risk) as investors demanded a higher yield for these investments relative to other issuers. Whilst this spread is reflective of a higher degree of risk we would argue that this premium did not account for the bond's increasing liquidity risk. As the perceived problems within African Bank intensified, investors that wanted to sell out of their holdings were hampered by the lack of liquidity in the secondary corporate bond market.

This lack of liquidity is also evident in the minimal spread movements seen since Capitec and the other banks' were downgraded by Moody's (indicating probable increased riskiness), as well as the slow pace of adjustments in credit spreads as interest rates have risen since the start of the year. (see Figures below).



Source: Northstar, JSE



Source: Barclays, JSE

Investors buying a corporate bond must therefore not only be satisfied that the issuers credit quality is adequately priced but also that the bond's liquidity is carefully considered, particularly during periods of market distress. At Northstar, we follow a rigorous investment process, scrutinising all factors affecting the risk of a corporate bond. We conduct in-depth bottom-up company research, analyse in detail rating agency reports to assess the potential impact/likelihood of a change in ratings and carefully assess market liquidity. This process will be prudently applied over time.

### Definitions:

**Liquidity Risk:** The risk stemming from the lack of marketability of an investment that cannot be bought or sold quickly enough to prevent or minimize a loss.