

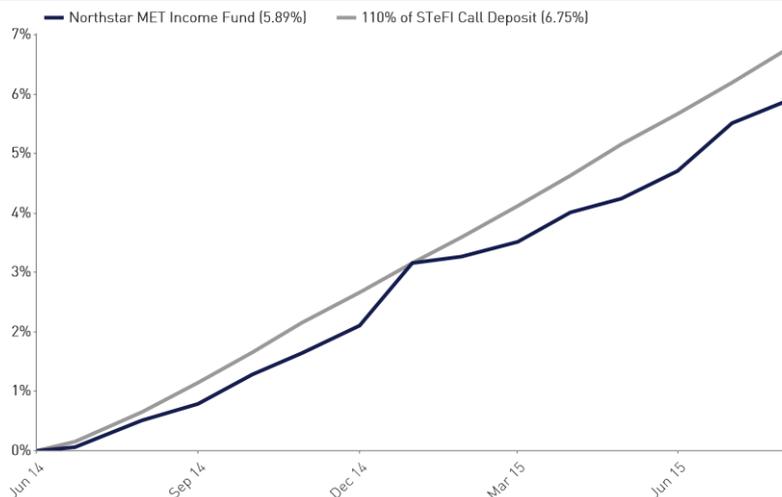
# Northstar MET Income Fund

MET Collective Investment Scheme (CIS) portfolio  
 Class A | Minimum Disclosure Document (MDD) as at 31 August 2015  
 Assets managed by: Northstar Asset Management



## Portfolio performance

### Since launch cumulative performance graph



Monthly (%)	Sep'14	Oct'14	Nov'14	Dec'14	Jan'15	Feb'15	Mar'15	Apr'15	May'15	Jun'15	Jul'15	Aug'15
Fund	0.28	0.49	0.35	0.46	1.02	0.11	0.24	0.49	0.22	0.45	0.76	0.36
Benchmark	0.49	0.50	0.49	0.50	0.48	0.43	0.50	0.49	0.51	0.48	0.50	0.52

	Cumulative (%)				Annualised (%)			
	Fund	Benchmark	Cash	Inflation	Fund	Benchmark	Cash	Inflation
1 month	0.36	0.52	0.54	1.04	-	-	-	-
3 months	1.58	1.51	1.59	1.75	-	-	-	-
6 months	2.54	3.04	3.19	4.78	-	-	-	-
9 months	4.18	4.50	4.76	4.41	-	-	-	-
1 year	5.35	6.04	6.35	4.97	5.35	6.04	6.35	4.97
Launch	5.89	6.73	7.05	6.12	5.28	6.04	6.32	5.49

## Portfolio holdings

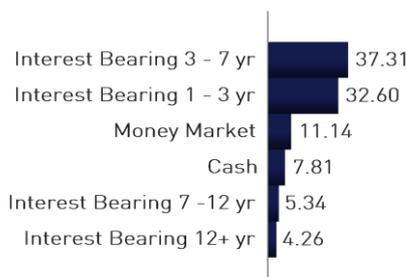
### Asset allocation (%)



### Top holdings (%)

ABSA F/R 09042019	5.02
ABSA F/R 14052020	5.01
Republic of South Africa 8.00% 31012030	4.26
Capitec Bank Ltd F/R 29012017	4.18
Republic of South Africa 7.25% 15/01/2020	3.94
Investec Bank 7.335% 02042018	3.89
Barclays Africa Group Ltd F/R 19112019	3.54
Standard Bank 8.87% 24/05/2019	3.32
Investec Bank Ltd. F/R 02042017	3.05
Republic of South Africa 7.75% 28/02/2023	2.92

### Interest bearing allocation (%)



## Portfolio profile

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. The recommended investment horizon for this fund is 1 year or more.

## Portfolio information

Portfolio inception:	22 July 2014
Portfolio size (31/08/2015):	R 200.23 million
Launch:	22 July 2014
NAV price (Launch):	100.00 (cpu)
NAV price (31/08/2015):	100.72 (cpu)
JSE code:	NMIF
ISIN number:	ZAE000193132
Classification:	SA - Multi Asset - Income
Benchmark:	110% of STeFI Call
Minimum lump sum:	R 10,000
Minimum monthly:	R 500
Valuation:	Daily
Valuation time:	15h00
Dealing cut-off time:	14h00

## Portfolio income

Distribution cpu	Dividend	Interest	Total
Sep'14	0.000	0.000	0.000
Dec'14	0.000	0.170	0.170
Mar'15	0.000	1.350	1.350
Jun'15	0.000	1.490	1.490

Sep'14 - Aug'15: 0.000 Dividend, 3.010 Interest, 3.010 Total

Declaration: 31 Mar/30 Jun/30 Sep/31 Dec  
 Payment: 2nd working day of Apr/Jul/Oct/Jan

## Portfolio costs

Initial fee – MetCI (incl. VAT):	0%
Initial fee – Adviser (incl. VAT):	0% - 3.42%
Annual management fee (incl. VAT):	1.14%

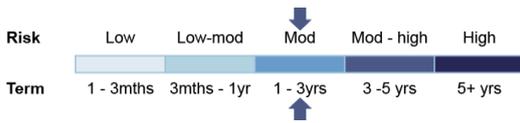
Performance fee: No  
 Total expense ratio (TER) (incl. VAT): N/A

## Portfolio managers

Northstar Research Team

Northstar undertakes a rigorous and structured approach to analysing fixed income opportunities. We use proprietary 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.

## Portfolio risk and term



## Regulation 28

Compliant:	Yes				
Portfolio intended maximum limits (IML's)					
Equity	Property	Equity and property	Foreign	Africa	
10.00%	15.00%	25.00%	20.00%	5.00%	

## Portfolio mandate

### Objective/investment policy

The Northstar MET Income Fund is an income portfolio with an objective to provide investors with a regular and stable income that targets inflation beating returns over the long term, while actively managing the risk of capital loss in the short term. Investments to be included in the portfolio 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 which are considered consistent with the portfolio's primary objective and that the Act may allow from time to time. The portfolio's equity exposure will be limited to a maximum of 10% of the portfolio's asset value. The portfolio may from time to time invest in financial instruments in order to achieve the portfolio's investment objective. The manager may also include forward currency, interest rate and exchange rate swap transactions for efficient portfolio management purposes. 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 of a sufficient standard to provide investor protection at least equivalent to that in South Africa and which is consistent with the portfolio's primary objective. The Fund will be managed within the requirements of retirement funds prudential investment guidelines to the extent allowed by the Act (CISCA). The Trustee shall ensure that the investment policy is carried out. For the purpose of this portfolio, the manager shall reserve the right to close the portfolio to new investors. This will be done in order to be able to manage the portfolio in accordance with its mandate.

### Limits and constraints

- Maximum effective equity exposure (including international equity) of up to 10%.
- Maximum effective property exposure (including international property) of up to 25%.

## Portfolio commentary

Exploring the two sides of the SARB's stagflationary bind: Part 1, GDP.

With the latest Q2 GDP data printing being worse than expected at -1.3% (quarter on quarter), concerns regarding the likelihood of a recession in South Africa has intensified. The 2% real growth rate expected at the beginning of 2015 now seems unlikely to materialise. Slower domestic growth can be attributed to a number of factors, both domestically and globally.

The biggest detractor to global growth is the changing economic landscape in China. As the economy rebalances towards a service- and consumer-orientated economy, the manufacturing sector (and the largest consumer of resources worldwide) is contributing less to China's overall gross domestic product. Due to the decreased demand for resources, countries whose principal exports are related to commodity products will no doubt experience a contraction. South Africa, as a small open economy whose GDP growth relies on large contributions from its commodity and manufacturing sectors, will be hard-pressed to avoid the effect of a reduction in growth of the world's second largest economy.

Secondly, as the world markets speculate about the likely timing of the first rate hike by the US Federal Reserve Bank, one has to remain cognisant not of when this will occur, but the likely implications thereof. The US has seen unemployment decline to levels last seen in 2008 while other indicators of growth, such as PMI's and leading indicators, also signal continued economic expansion. These conditions will no doubt force the Federal Reserve to raise the benchmark interest rate to stem the likelihood of increased inflation. For South Africa, the direct market adjustment will come via a weaker exchange rate as funds leave local financial markets for investment in safer and now higher-yielding instruments in the United States.

Domestically, many structural factors are detracting from the achievement of growth objectives set by the government in the National Development Plan, the most pressing of which is the lack of electricity supply. This has ramifications on both the demand and supply side of the economy as evidenced by multi-year lows in consumer and business confidence indices. Service delivery protests and works stoppages due to strikes for increased pay levels also highlight the plight of the struggling consumer. The data validates the fragility of the domestic economy, with PMI's pointing towards a contracting manufacturing sector, vehicle sales plummeting and retail sales having remained mostly flat since 2008. With little tailwinds in the medium to short term, these conditions are likely to remain the same or even worsen.

The immediate adjustment seen in financial markets in response to expectations of meagre growth is an increased risk premium which manifests in higher CDS spreads and a significantly weaker currency. The Rand has lost 17% of its value against the dollar year-to-date. The South African Reserve Bank is likely to respond with increased interest rates to stem Rand depreciation, albeit a mild cycle, in an attempt to minimise the impact of growth.

Due to the factors discussed, we believe there is still value in the domestic bond market as the SARB will likely be forced into a mild hiking cycle, and have to reverse this soon after in order to stem the decline in domestic economic growth.

## Disclosures

MET Collective Investments (RF) (Pty) Ltd (the "Manager"), registration number 1991/003741/07, is authorised in terms of the Collective Investment Schemes Control Act (CISCA) to administer Collective Investment Schemes (CIS) in Securities. The Manager is the manager of the MET Collective Investments Scheme, and MMI Holdings Ltd is a full member of the Association for Savings and Investment SA. Standard Bank of South Africa Limited (+27 (0)21 441 4100 PO Box 54, Cape Town, 8000) is the trustee of the scheme. Northstar MET Income Fund is a portfolio of the MET Collective Investments Scheme and Northstar Asset Management (Pty) Ltd, registration number: 1996/001423/07, an approved financial services provider (FSP number: 601), is responsible for managing the assets of this portfolio. CIS 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. CIS are traded at ruling prices and can engage in borrowing and scrip lending. The CIS may borrow up to 10% of the market value of the portfolio to bridge insufficient liquidity. Different classes of units apply to portfolios, which are subject to different fees and charges. A schedule of fees and charges and maximum commissions is available on request from the Manager. The Manager reserves the right to close and reopen certain portfolios from time to time in order to manage them more efficiently in accordance with their mandate. Portfolios are valued daily at approx. 15h00, latest prices can be viewed at [www.metci.co.za](http://www.metci.co.za). Forward pricing is used. Instructions must reach the Manager before 14h00 to ensure same-day value. The Manager does not provide any guarantee, either with respect to the capital or the return of this portfolio. Additional information on the proposed investment can be obtained, free of charge, at [www.metci.co.za](http://www.metci.co.za) or may be requested from the Manager.

Northstar MET Income Fund is a third party named CIS portfolio, the assets of which are administered by Northstar Asset Management (Pty) Ltd, registration number: 1996/001423/07, a registered financial services provider, FSP number: 601. The Manager retains full legal responsibility for all third party named CIS portfolios under the MET Collective Investments Scheme.

No Total Expense Ratio (TER) for this portfolio/class of participatory interest is disclosed; due to the length of time that this portfolio/class has been in existence the TER cannot be accurately determined. The TER of this portfolio/class of participatory interest will be higher than the quoted annual service charge.

Performance is calculated for a portfolio/portfolio class. Individual investor returns may differ as a result of fees, actual date(s) of investment, date(s) of reinvestment of income and withholding tax. Annualised returns, also known as Compound Annualised Growth Rates (CAGR), are calculated from cumulative returns; they provide an indication of the average annual return achieved from an investment that was held for the stated time period. Actual annual figures are available from the Manager on request. Performance figures quoted are from Morningstar, as at 31/08/2015, for a lump sum investment, using NAV-NAV prices with income distributions reinvested on the ex-dividend date. CPI/Inflation figures, where present, are lagged by one month.

This document should not be seen as an offer to purchase any specific product and is not to be construed as advice. Investors are encouraged to obtain independent professional investment and taxation advice before investing with or in any of the Manager's products.

## Contact and other information

### Scheme

[MET Collective Investments Scheme](#)

### Custodian/Trustee

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