

# Northstar MET Income Fund

MET Collective Investment Scheme (CIS) portfolio

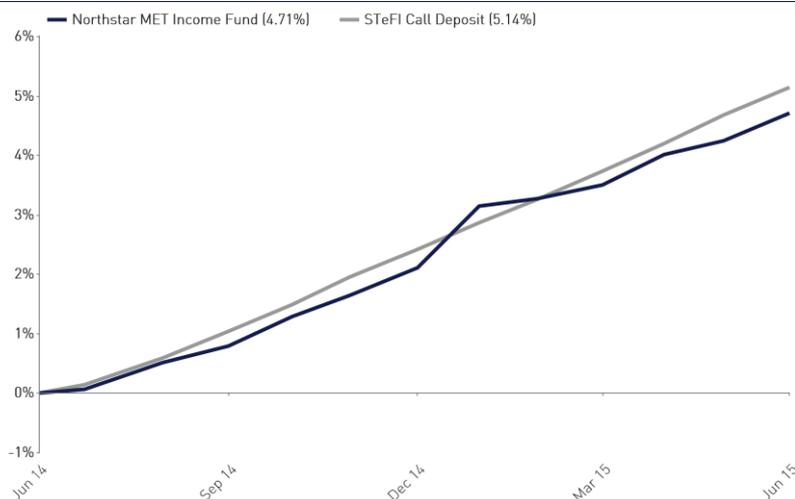
Class A | Minimum Disclosure Document (MDD) as at 30 June 2015

Assets managed by: Northstar Asset Management



## Portfolio performance

### Since launch cumulative performance graph



Monthly (%)	Aug'14	Sep'14	Oct'14	Nov'14	Dec'14	Jan'15	Feb'15	Mar'15	Apr'15	May'15	Jun'15
Fund	0.45	0.28	0.49	0.35	0.46	1.02	0.11	0.24	0.49	0.22	0.45
Benchmark	0.45	0.44	0.46	0.44	0.46	0.44	0.39	0.46	0.45	0.46	0.44

	Cumulative (%)				Annualised (%)			
	Fund	Benchmark	Cash	Inflation	Fund	Benchmark	Cash	Inflation
1 month	0.45	0.44	0.51	0.26	-	-	-	-
3 months	1.16	1.35	1.56	2.60	-	-	-	-
6 months	2.55	2.66	3.11	2.88	-	-	-	-
9 months	3.88	4.06	4.71	3.06	-	-	-	-
Launch	4.71	5.14	5.92	4.57	-	-	-	-

## Portfolio holdings

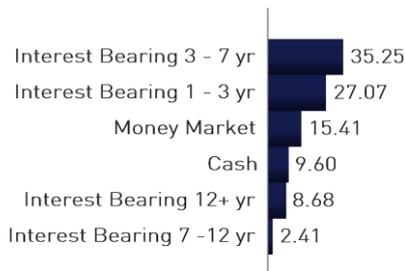
### Asset allocation (%)



### Top holdings (%)

Republic of South Africa 8.00% 31012030	6.91
ABSA F/R 14052020	5.11
ABSA F/R 09042019	5.03
Capitec Bank Ltd F/R 29012017	4.29
Republic of South Africa 7.25% 15/01/2020	4.10
Barclays Africa Group Ltd F/R 19112019	3.62
Standard Bank 8.87% 24/05/2019	3.30
Investec Bank Ltd. F/R 02042017	3.05
FirstRand Bank Ltd F/R 02062019	2.55
FirstRand 8.75% 01102020	2.51

### 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 (30/06/2015):	R 197.37 million
Launch:	22 July 2014
NAV price (Launch):	100.00 (cpu)
NAV price (30/06/2015):	101.09 (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

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

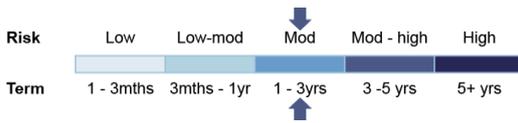
Northstar undertakes a rigorous and structured approach to analysing fixed income opportunities. We use proprietary systems to assess all instruments in our investment universe and manage our portfolios with an active bias. Our investment decision is based on detailed interest rate research (duration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



collective investments

A member of MMI Holdings

## 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

### The risk of overlooking changing dynamics in China:

With financial news flow predominantly focused on the expected future path of US interest rates and, more recently, the risk of another European crisis with a possible Greek exit from the euro zone, changing dynamics in China have, to a large extent, been overlooked.

The Chinese trade-weighted currency has steadily strengthened since 2010 – a result of the world being flooded by monetary stimulus, which led to the devaluing of currencies in countries in which these measures were being implemented. This strengthening almost mirrors the devaluing in the Japanese trade-weighted currency and, consequently, imports from Japan have become more viable than imports from China for trade partners. China, which has previously been one of the most competitive countries in terms of its export markets, has seen a direct impact on its economic growth and national accounts due to this, with the balance of payments account in deficit for the first time since 2012.

Should China decide to implement a strategy of devaluing their currency in order to ensure that its export markets become more competitive, this could have a far-reaching impact on other emerging markets, including South Africa. Economic growth in South Africa has been tepid at best and analysts expect real GDP growth to remain around 2% while the electricity crisis persists. As the South African rand has devalued, our exports have received a boost in competitiveness. However, a sharp devaluation of the Chinese Renminbi could have devastating effects on exports, which would create a further drag on economic growth.

The fragility of economic growth due to electricity constraints, higher inflation, Chinese factors and strained consumers to name a few, supports our view that the SARB's rate hiking cycle will be more muted than in previous cycles.

We see value in the short to medium part of the local bond curve as the market prices an aggressive hiking cycle, similar to previous cycles in South Africa. We believe that the probability of this is limited due to structural factors beyond the control of the Reserve Bank.

## 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 30/06/2015, 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

Standard Bank of South Africa Limited  
Telephone: +27 (0)21 441 4100

### Management company

[MET Collective Investments \(RF\) \(Pty\) Ltd](#)

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Registration no.: 1991/003741/07

### Third party manager

[Northstar Asset Management \(Pty\) Ltd](#)

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