

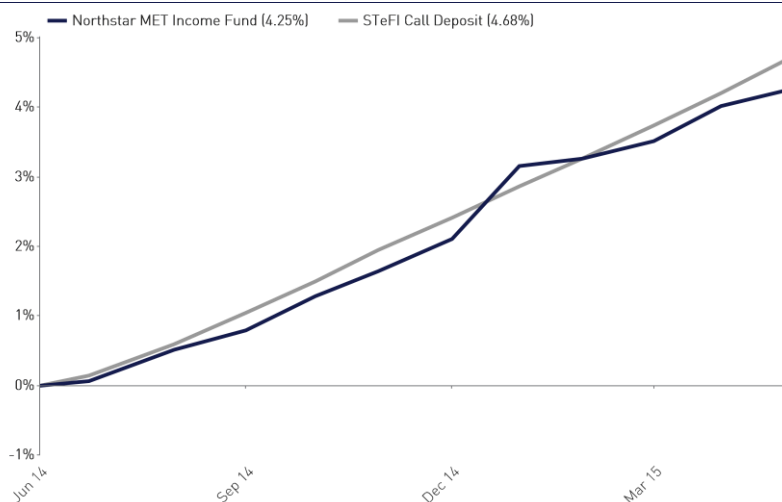
Northstar MET Income Fund

MET Collective Investment Scheme (CIS) portfolio
Class A | Minimum Disclosure Document (MDD) as at 31 May 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
Fund	0.45	0.28	0.49	0.35	0.46	1.02	0.11	0.24	0.49	0.22
Benchmark	0.45	0.44	0.46	0.44	0.46	0.44	0.39	0.46	0.45	0.46

	Cumulative (%)				Annualised (%)			
	Fund	Benchmark	Cash	Inflation	Fund	Benchmark	Cash	Inflation
1 month	0.22	0.46	0.53	0.88	-	-	-	-
3 months	0.95	1.37	1.57	2.98	-	-	-	-
6 months	2.56	2.68	3.12	2.61	-	-	-	-
9 months	3.72	4.06	4.68	3.16	-	-	-	-
Launch	4.25	4.68	5.38	4.30	-	-	-	-

Portfolio holdings

Asset allocation (%)

Top holdings (%)



Republic of South Africa 8.00% 31012030	6.85
ABSA F/R 09042019	5.03
ABSA F/R 14052020	5.02
Capitec Bank Ltd F/R 29012017	4.21
Republic of South Africa 7.25% 15/01/2020	4.04
Barclays Africa Group Ltd F/R 19112019	3.55
Standard Bank 8.87% 24/05/2019	3.24
Investec Bank Ltd. F/R 02042017	3.05
FirstRand Bank Ltd F/R 02062019	2.50
FirstRand 8.75% 01102020	2.47

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 (29/05/2015):	R 199.78 million
Launch:	22 July 2014
NAV price (Launch):	100.00 (cpu)
NAV price (29/05/2015):	100.64 (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

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%

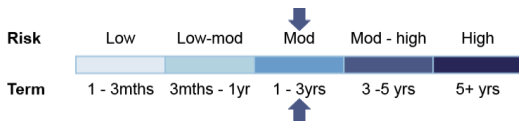
Performance fee: No
Total expense ratio (TER) (incl. VAT): N/A

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

The Northstar Met Income Fund: Adapting to a changing landscape

Fixed income fund managers in developed markets have found it increasingly difficult to generate real returns since the beginning of the financial crisis and the consequent implementation of quantitative easing measures by central banks. As central banks cut interest rates to historic lows, bond yields and money market rates followed suit – to the extent that investors of cash instruments would have earned essentially zero percent, or negative returns after adjusting for inflation.

This prompted developed market investors to search offshore in order to enhance the return of their income investments. Inflows into emerging bond markets since 2011 leads one to assume that these markets had been massive beneficiaries of these flows.

The South African bond market was no different. The RSA 10Y government bond yield traded down to record lows in 2013, largely due to portfolio flows from developed markets. The corporate bond market too benefitted from this trend as local credit spreads (the additional yield required to compensate investors for the additional risk taken above government bonds) compressed to record lows as a result of increased demand and diminished opportunities in global markets. As the era of so-called "free-money" from central banks is expected to come to an end, investors have been forced to re-assess their allocation to high yielding, riskier emerging market positions. Wider interest differentials between developed and emerging markets, and the risk of bond flow reversal are key risks that fixed income investors must take into account.

At Northstar, we place great emphasis on the quality and value of any asset in which we invest. In August 2014, when we launched the fund, we felt the risk of a bond market correction to be high and thus took a measured approach in constructing our portfolio. We deployed capital into longer dated (higher yielding) credit and government instruments in a systematic way as opportunities arose in order to avoid being locked into potentially lower yields as rates increased.

We maintain a bias towards floating-rate credit paper as the coupon rates reset higher along with an increase in rates, while in fixed rate bonds we see more value in short to medium term bonds since we expect a muted interest rate hiking cycle. Along with the fixed income market, we are also finding value in certain property stocks where quality assets should allow them to weather increasing rates (Please refer to our April MDD for our thoughts related to property stocks).

In closing, we see value returning to the market as currency weakness and speculation regarding the potential actions of the SARB cause temporary dislocations and opportunities for long-term investors. We believe that the approach we have followed in constructing our portfolio affords us the necessary liquidity to take advantage of these opportunities.

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. 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 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 31/05/2015, 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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Management company

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