

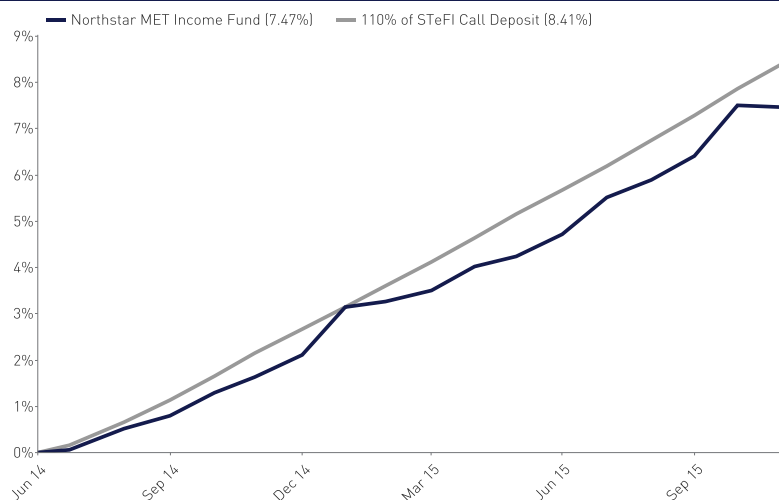
# Northstar MET Income Fund

MET Collective Investment Scheme (CIS) portfolio  
Class A | Minimum Disclosure Document (MDD) as at 30 November 2015  
Assets managed by: Northstar Asset Management



## Portfolio performance

### Since launch cumulative performance graph



Monthly (%)	Dec'14	Jan'15	Feb'15	Mar'15	Apr'15	May'15	Jun'15	Jul'15	Aug'15	Sep'15	Oct'15	Nov'15
Fund	0.46	1.02	0.11	0.24	0.49	0.22	0.45	0.76	0.36	0.49	1.03	-0.03
Benchmark	0.50	0.48	0.43	0.50	0.49	0.51	0.48	0.50	0.52	0.51	0.53	0.51

	Cumulative (%)				Annualised (%)			
	Fund	Benchmark	Cash	Inflation	Fund	Benchmark	Cash	Inflation
1 month	-0.03	0.51	0.52	0.26	-	-	-	-
3 months	1.49	1.55	1.59	0.26	-	-	-	-
6 months	3.09	3.08	3.21	2.02	-	-	-	-
9 months	4.07	4.64	4.83	5.05	-	-	-	-
1 year	5.73	6.12	6.43	4.68	5.73	6.12	6.43	4.68
Launch	7.47	8.38	8.76	6.40	5.44	6.10	6.36	4.66

## Portfolio holdings

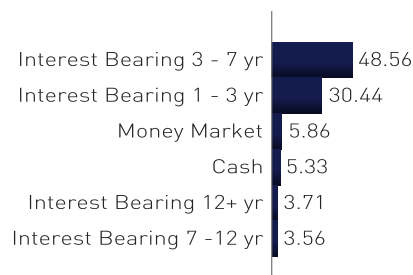
### Asset allocation (%)



### Top holdings (%)

ABSA F/R 11112020	5.05
Standard Bank F/R 12112020	5.05
Standard Bank 9.98% 14112022	4.04
ABSA 9.30% 11112020	4.01
Republic of South Africa 8.00% 21/12/2018	3.49
ABSA F/R 14052020	3.38
ABSA F/R 09042019	3.37
Emira Property Fund CP 6.717% 04022016	3.37
GrowthPoint Properties Ltd CP 6.717% 11022016	3.37
Investec F/R 26112018	3.36

### 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 (30/11/2015):	R 297.98 million
Launch:	22 July 2014
NAV price (Launch):	100.00 (cpu)
NAV price (30/11/2015):	100.59 (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
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'15	0.020	1.600	1.620
Dec'14 - Nov'15	0.020	4.610	4.630

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

## Portfolio costs

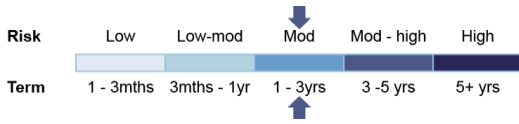
Initial fee - MetCI (incl. VAT):	0%
Initial fee - Adviser (incl. VAT):	0% - 3.42%
Annual management fee (incl. VAT):	1.14%
Performance fee:	No
Total expense ratio (TER) (incl. VAT):	N/A

## 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 likelihood of junk status.

Fundamentally, a credit rating expresses an opinion regarding the ability and willingness of an issuer, such as a corporation, state or city government, to meet its financial obligations in accordance with the terms of those obligations.

These ratings are widely used by the investor community as a tool to gauge the risk premium that is applicable to fixed income instruments issued by the rated entity. The South African government's credit rating has deteriorated consistently since the peak of 2009 due to a number of reasons, a critical reason being South Africa's twin deficit, which occurs when the country's budget as well as current account are in deficit. This is, essentially, an unsustainable position if funds do not continue flow in via the current account and growth does not improve funding the budget via higher tax revenues.

Ratings agencies, Fitch and S&P, are due to release their bi-annual sovereign ratings updates on 4 December 2015. It is widely expected that S&P will leave their rating and outlook unchanged at BBB- (stable outlook), one notch above junk/speculative status. Fitch, on the other hand, is currently rating South Africa as BBB with a negative outlook.

Given the deterioration in fiscal balances, largely due to above inflation wage settlements in the public sector and increasing political strains, Fitch is expected to downgrade its rating by one notch to BBB-, in line with S&P and Moody's. The uncertainty lies in the likelihood of outlook changes by either Fitch or S&P. If a ratings agency revises its outlook, the rating is likely to change within six months to two years, if issues highlighted by the agency are (not) addressed.

Structural and cyclical issues are plaguing economic growth in South Africa, increasing consumer frustration with the lack of job creation and service delivery at the forefront of their minds. This places the government in a tricky position as it needs to raise taxes in order to fund an increasing wage and social bill, but low economic growth decreases revenues, effectively placing increased strain on government finances.

Should these metrics deteriorate further, ratings agencies will likely move ahead and downgrade South Africa's credit rating to junk status. The immediate impact of this would be increased funding costs locally and internationally (increasing the debt burden further) and funds leaving the local bond market due to credit limits placed on international investors prohibited from holding sub-investment grade rated instruments (increasing the burden on the current account).

At Northstar, we are increasingly aware of the risks related to the probability of a sovereign ratings downgrade and its impact on the local bond market. We believe that the shorter end of the bond curve should weather the storm of a downgrade better than the long-end and we are weighting our bond positioning to that area of the bond curve accordingly.

## 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) under the Financial Advisory and Intermediary Services Act (No. 37 of 2002), 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 portfolio that derives its income primarily from interest-bearing instruments. The yield (where present) is current and calculated daily.

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 30/11/2015, 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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Registration no.: 1996/001423/07