PSG | Asset Management

August 2011

Metropolitan Absolute Provider Portfolio

Portfolio Information

Portfolio value:	R33.8 million
Original buying price:	95.00 cents
Minimum Investment:	R5 000 lump sum, or
	R500 monthly debit order
Manager's upfront charge (max):	0.00% (incl. VAT)
FSP upfront comm. (max):	3.42% (incl. VAT)
Annual service fee:	1.14% (incl. VAT)
Formation date	13/02/1998
Date of income declaration:	31 Dec/30 Jun
Date of income payment:	7 Jan/7 July
2010 distribution:	4.98 cpu
2011 distribution:	2.29 cpu
Benchmark:	CPI + 5%
Risk:	Moderate
Fund classification:	Domestic Prudential Variable Equity
Valuation and Transaction time:	15h00

Performance Fee:
20% (sharing rate) of out performance above the portfolio benchmark (hurdle rate) of 10% p.a on a high water mark principle. The fees are accrued on a daily basis and paid out on a monthly basis. Any shortfall to the hurdle rate and high water mark is carried forward for set-off against future positive out performances. Fee example: 0% performance fee if portfolio performs in line with its benchmark.

Total Expense Ratio: 1.36%

Please note: the TER has been calculated using data from 1 July 2010 until 30 June 2011. The TER is disclosed as % of the average Net Asset Value of the portfolio that were incurred as charges, levies and fees related to the management of the portfolio and underlying portfolios. 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 TER's.

Asset Allocation

Cash & Money Market	56.11%
Basic Materials	10.12%
Consumer Goods	7.50%
Industrials	6.07%
Financial	5.64%
Oil & Gas	4.60%
Consumer Services	4.59%
Technology	2.46%
Interest Bearing	1.88%
Telecommunications	1.03%

Top Holdings

Anglo	5.41%	Kgmedia	3.63%
Sasol	4.60%	Reunert	3.31%
Standard Bank	4.55%	Tongaat	2.53%
Steinhoff	4.16%	EOH	2.46%
Billiton	3.69%	Nampak	1.66%

Investment Objective

In selecting securities for this portfolio, the Manager seeks, where possible, positive returns regardless of stock market and bond market trends.

Investment Strategy

The Metropolitan Absolute Provider Portfolio will be a portfolio investing in selected securities, non-equity securities, assets in liquid form and will make use of derivatives to reduce risk that a general decline in the value of stock and bond markets may have on the value of the portfolio. The portfolio may also invest in participatory interests and other forms of participation in portfolios of collective investments schemes, registered in South Africa and other similar schemes operated in territories with a regulatory environment which is to the satisfaction of the manager and trustees 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. In selecting securities for this portfolio, the Manager seeks, where possible, positive returns regardless of stock market and bond market trends. Depending on the view of the Manager the portfolio may vary the combination of assets as well as being fully invested in any of the above-mentioned securities, subject that the portfolio investment limitations will be in line with the investment structure of a retirement Portfolio and that the portfolio adhere to the statutory investment limitations. It is anticipated that the listed securities would mainly be large cap securities. The use of derivative strategies will be pursued actively and will only be limited by the statutory limitations placed on the inclusion of financial instruments in portfolios.

Performance

as at 31 August 2011

	Cumulative		Annualised	
	Fund	**Benchmark**	**Fund**	**Benchmark**
1 year	7.93%	8.98%	7.93%	8.98%
3 years	7.87%	37.86%	2.56%	11.30%
5 years	31.95%	75.82%	5.70%	11.95%

Fund Managers

Neels van Schaik
B.Com (Econ) (Stel); CFA

Adrian Clayton
B.Soc Sc. (UCT);
PDM (UCT);
MBL (UNISA)

Deposits can be made at any ABSA Bank

Account Number:	360 000 931
Bank Code:	31 21 09
Bank:	ABSA
Please fax deposit to:	(021) 940 4856

METROPOLITAN COLLECTIVE INVESTMENTS

Custodian: Standard Executors & Trustees: Tel (021) 401-2286. Metropolitan Collective Investments Limited Parc du Cap Mispel Road Bellville, PO Box 925 Bellville 7535 Tel (021) 940-5981 Fax (021) 940-5885 Call Centre, Tel: 0860 100 279 Registration No 1991/03741/06.

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Fund Manager Commentary

This is our first commentary as the managers of the Metropolitan Absolute Provider fund.. Until August, this fund was managed by a previous management team.

The Metropolitan Absolute Provider fund is being converted to a conventional balanced fund and will in time undergo a name change which is more representative of its new mandate. Balanced funds are the prescribed legal investment vehicles in South Africa for pension and retirement annuity monies and hence extremely popular amongst investors. We, as the new management team of the fund feel very comfortable managing this type of portfolio – it is precisely the same mandate as another fund which we have managed for 12 years. This parallel fund which we have managed since its inception exceeds R1bn in size and has been the winner of a Standard and Poors award.

August was a tricky month to manage a fund in transition and whilst holding very large quantities of cash and remaining very light on equities worked, the very large cash outflows and then subsequent inflows that always occur when managers change, made our lives difficult. With collapsing markets earlier in the month, we managed to build exposure to some of our preferred companies at favourable prices. We targeted what we perceive to be a neutral equity position of 40% - we base this neutral position on present turbulent times and markets that are not dripping roasts. Further purchases of equities will more than likely be directed offshore as we finding more value in developed market equities.

Over time, we foresee two equity themes populating this portfolio. The first being businesses with a strong Moat (competitive position within its market), Management and reasonable Margin of safety (fairly priced) where the competitive position of the company is of such a nature that it fortifies its market positioning to a point where its gains are almost unassailable. Sometimes the market takes a while to fully appreciate such a competitive market positioning and when it does, the response can be to overzealously overprice these companies. We intend owning great companies that entrench themselves with superior business models until the market becomes aware, then enthralled with the business and begins to overvalue it.

The second type of investment that we will actively pursue is where a good company with quality management is facing tough times, usually caused by a poor operating environment. Often, in these situations, the market can disproportionately punish a company's share price, treating it as if the temporary 'cyclical' business conditions will become permanent of nature. Long time horizons are required before normal levels of profitability return and concomitantly, it takes time for the market to value these businesses more fairly again. These are 'special situations' and we would seldom regard such companies as long-term core holdings in our portfolios. They are instead value reversion cases that demand a value mindset and patience.

There is a large amount of empirical evidence that new funds, well managed, have a superb chance of outperforming their peers. Our research process is diligent, thorough and extensive. We believe that unit holders with a reasonable investment horizon are likely to enjoy excellent long-term returns within this fund.

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