met
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MET Managed Fund

August 2012

The management team of this fund changed on 01 August 2011.

Fund Managers

PSG Asset Management

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

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

Portfolio Information

Portfolio value:	R143.2million
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):	0.00% (incl. VAT)
Annual service fee:	1.54% (incl. VAT)
Formation date:	01/03/1998
Date of income declaration:	31 Dec/30 June
Date of income payment:	7 Jan/7 July
2010 distribution:	4.98 cpu
2011 distribution:	3.50 cpu
Benchmark:	CPI + 5% over a 2 year rolling period
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) , over a 2 year rolling period, capped at 2% p.a. The fees are accrued on a daily basis and paid out on a monthly basis. Any shortfall to the hurdle rate 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: 1.81%

Please note: the TER has been calculated using data from 1 July 2011 until 30 June 2012. 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.

Investment Objective

The primary objective of the MET Managed Fund is to offer investors moderate to high long term total returns.

Asset Allocation

	Current	Benchmark
Domestic Stocks	38%	55%
International Stocks	24%	14%
Total Stock Exposure	62%	69%
Preference Shares	0%	0%
Property	2%	0%
Domestic Bonds	2%	10%
Domestic Cash	33%	10%
International Cash & Other	1%	11%
Total Fixed Income Exposure	38%	31%

Top Holdings

Sasol	5.4%
Tesco Plc	5.3%
Steinhoff International Holdings	5.2%
Anglo American	4.7%
Supergroup	4.3%
Angloplats	3.5%
Kagiso Media	3.4%
Microsoft	2.9%
MTN Group	2.4%
Reunert	2.2%

Annualised Performance

as at 31 August 2012

	Fund	Benchmark
1 year	12.09%	10.85%
3 years	8.26%	10.07%
5 years	4.68%	11.90%

Investment Strategy

The portfolio will be managed in compliance with prudential investment guidelines for retirement funds in South Africa. In order to achieve its objective, the investments normally to be included in the portfolio may comprise a combination of assets in liquid form, money market instruments, bonds, debentures, corporate debt, equity securities, property securities, preference shares, convertible equities, derivatives, non-equity securities and any other securities which are considered to be consistent with the portfolio's primary objective and the Act or the Registrar may allow from time to time, all to be acquired at fair market value. The portfolio may from time to time invest in financial instruments, in accordance with the provisions of the Act, and the Regulations thereto, as amended from time to time, in order to achieve the portfolio's investment objective. The manager may also include unlisted forward currency, interest rate and exchange rate swap transactions for efficient portfolio management purposes.

Deposits can be made at any First National Bank

Account Holder:	Met Collective Investments Ltd-METCI Client Deposit Trust
Account Number:	623 614 33784
Bank Code:	253 145
Bank:	FNB
Please fax deposit to:	(021) 940 4856

Custodian: Standard Executors & Trustees: Tel (021) 401-2286. MET 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 Managers Commentary

At face value, the Met Managed Fund currently contains a reasonably high exposure to stocks, particularly considering our continuous calls of caution in recent months with respect to most domestic companies.

A deeper dive does however reveal that almost 40% of the fund's 62% equity exposure is invested in offshore companies; here we have maintained a significantly more optimistic view on stock returns. As markets ebb through cycles, certain of our offshore investments have delivered rich rewards whilst others are still in the starting blocks. We still remain very confident on all our offshore holdings and are consequently not considering any major changes to our current stock exposures.

Domestic stocks are offering less obvious investment opportunities, especially in the industrial sector which is normally our preferred area of ownership. Consequently, the stock exposure we do have locally is skewed towards global cyclical businesses, an area where we find attractive opportunities. Anglo American traded at close to 40 times its average profits generated in the eight years preceding 2008 whereas, the current stock price relative to the average profits of the most recent eight years has declined to 10 times.

Another means of reflecting the value in Anglo American, is to look at the trading price versus the net asset value of the company. Anglo's stock price relative to its net asset value, declined from 4 times its NAV in 2008, to 1 times currently. This valuation we last saw in 2001.

The difficulty at the moment is that it requires a brave heart to invest in cyclical companies, the news flow is horrendous in this space and the macroeconomic environment has arguably turned against cyclical. But negative news flow has an uncanny ability to accompany low valuations and valuations are a primary focal point in our investment process. Cyclical companies now trade on very attractive valuations and we have increased cyclical exposure during price weakness.

In summary, our present position is to build levels in the cheaper and unwanted areas of the market. This is hardly a recipe for short term outperformance against peers remaining within the momentum stocks – these are the very businesses that we believe are overvalued and could lead to permanent capital loss. We very at ease with the fund's current constituents and our exposure to high margin of safety positions. This approach we view as sustaining and underpinning our very long-term track record.

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