Metropolitan Managed Fund

December 2011

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:	R73.6 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):	0.00% (incl. VAT)
Annual service fee:	1.54% (incl. VAT)
Formation date:	13/02/1998
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 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: 1.40%

Please note: the TER has been calculated using data from 1 October 2010 until 30 September 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.

Investment Objective

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

Asset Allocation

	Current	Benchmark
Domestic Stocks	28%	55%
International Stocks	12%	14%
Total Stock Exposure	**40%**	**69%**
Preference Shares	0%	0%
Property	0%	0%
Domestic Bonds	7%	10%
Domestic Cash	48%	10%
International Cash & Other	5%	11%
Total Fixed Income Exposure	**60%**	**31%**

Top Holdings

Microsoft	3.8%
Supergroup	3.6%
Anglo American	3.5%
Kagiso Media Limited	3.2%
Steinhoff International Holdings	2.9%
MTN Group	2.6%
Sasol	2.5%
Reunert	1.8%
Tesco PLC	1.8%
EOH Holdings	1.6%

Annualised Performance

as at 31 December 2011

	Fund	Benchmark
1 year	0.47%	9.77%
3 years	5.22%	10.55%
5 years	5.30%	11.98%

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 ABSA Bank

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

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 Managers Commentary

2011 was characterized by exceptionally wild swings in stock prices returns from week-to-week and even day-to-day, but measured over the full year we went nowhere, slowly with a total return of 2.6% for the All Share Index on the JSE. Speculators that thrive on macro noise had a lot of news to chew on. Sentiment swung between extreme pessimism, centred on talks of a Eurozone break-up and Chinese growth deceleration, to extreme optimism that was typically fuelled by empty promises after each of the different Eurozone summits held during 2011. It was one of those years though where doing less generally ended up adding more value to portfolio returns.

After the sharp adjustment of the Rand to levels above 8 to the dollar, the urgency to convert rands to dollars has dissipated, and our focus is on the valuation of the assets that can still be acquired in dollars and euros. Because we can find attractively valued stocks in the US, Europe and the UK, we have maintained a maximum offshore exposure in our multi-asset funds.

Further deterioration in economic conditions abroad and increased risk aversion will result in continued rand depreciation. This will have negative ramifications for inflation, which is already breaching the upper band of the inflation target and is likely to sustain these elevated levels in the short to medium term. Accordingly, the risk to inflation remains to the upside.

While current indications are that interest rates will stay lower for longer than previously thought, we find bonds relatively unattractive. We are likely at the bottom of the rate cycle and there are risks to the upside on a medium term view. We do not view the spread above cash and inflation to be attractive enough to warrant large exposure to conventional government bonds.

We go into 2012 unexcited about the investment opportunities in the domestic stock market, but very optimistic about the opportunities available offshore, specifically in developed markets. The stocks we own offshore are all companies that have proven themselves over many decades as very strong franchises and with excellent dividend track records. Most of them are cheaper than their South African peers and are offering higher dividend yields.

The core of our SA-listed stock selection comprises companies that have strong moats or sustainable competitive advantages over their competitors. We tend to hold these businesses for very long periods of time and allow the management team to exploit this competitive advantage to our benefit by compounding the high returns they generate on capital. Typical characteristics of these companies are:

1. They generate high returns on each rand that is reinvested in the business. This reinvestment of profits entrenches the moat even further and long term shareholders benefit from the power of compounding.
2. These businesses tend to generate strong cash flow and if managed by shareholder-centric management will consistently pay out a portion of the cash as dividends.
3. The share prices of these businesses tend to be more stable than the average market, albeit not immune to economic downturns and bear markets.
4. The valuations are still reasonable and growth in profits should be reasonable.

Given the wide range of global economic scenarios that could potentially unfold (with none offering exciting growth potential), and the limited number of opportunities in the domestic market, we are sitting with sufficiently liquid portfolios to enable us to use any significant weakness in stock prices to add to new or existing positions of high quality businesses at more attractive prices.

We expect to bolster asset allocation-portfolio real returns through maintaining, and potentially increasing, exposure to inflation-linked bonds, and through maintaining exposure to companies with reasonable pricing power, or businesses with moats.

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