# MET Managed Fund

**December 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)

## Asset Allocation

| | Current | Benchmark |
|---|---|---|
| Domestic Stocks | 37% | 55% |
| International Stocks | 22% | 14% |
| Total Stock Exposure | 59% | 69% |
| Preference Shares | 0% | 0% |
| Property | 2% | 0% |
| Domestic Bonds | 7.40% | 10% |
| Domestic Cash | 30% | 10% |
| International Cash & Other | 1.40% | 11% |
| Total Fixed Income Exposure | 39% | 31% |

## Portfolio Information

| | |
|---|---|
| Portfolio value: | R170.2million |
| Original buying price: | 95.00 cents |
| Minimum Investment: | R2 000 lump sum or R300 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 |
| 2012 distribution: | 3.68 cpu |
| Benchmark: | CPI + 5% over a 2 year rolling period |
| Risk: | Moderate |
| Fund Classification: | SA Multi Asset High 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: 1.73%

Please note: the TER has been calculated using data from 1 October 2011 until 30 September 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.

## Top Holdings

| | |
|---|---|
| Anglo American | 5.9% |
| Tesco PLC | 4.9% |
| Supergroup | 4.6% |
| Sasol | 4.5% |
| Kagiso Media Limited | 3.5% |
| Steinhoff International Holdings | 3.0% |
| Anglo Plat | 2.7% |
| ING Groep NV | 2.6% |
| Reunert | 2.4% |
| MTN Group | 2.3% |

## Annualised Performance

as at 31 December 2012

| | Fund | Benchmark |
|---|---|---|
| 1 year | 13.70% | 10.72% |
| 3 years | 8.63% | 10.00% |
| 5 years | 5.00% | 11.76% |

## 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) 441-4100. 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.

met
collective investments

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## Fund Managers Commentary

Despite all the macro pessimism regarding debt ceilings, sovereign debt defaults and growth concerns that kept the journalists occupied throughout 2012, stocks generally delivered exceptional performances across the globe. Looking in a global context it is clear that the larger, global, staple-type businesses are gaining traction amongst investors, while the appetite for cyclical businesses is very limited.

The strategy of the Federal Reserve Bank in particular has been explicitly aimed at reflating and stabilizing asset prices post the 2008 crash by keeping monetary policy as loose as possible and thereby forcing investors to take on more risk than what their normal risk appetite might allow. Investors earning close to zero percent on a money market investment offshore have reluctantly been searching for higher yielding alternatives, even if it means entertaining more risk of capital loss.

Low interest rates globally have therefore clearly played its desired role in lifting asset prices and we are generally at a point where investors should expect limited additional returns from a further rerating in global businesses.

In other words we expect limited further increase in a price-to-earnings ratios. We therefore expect returns to come mainly from a combination of growth in per-share profits and dividends.

Part of the growth in per share profits will be derived from share repurchases which in some cases are significant contributors to growth, and have been funded by very strong balance sheets. We would argue that the sustainable growth rate from most of these higher quality companies should be enough to compensate investors for the 16 or 17 P/E's they are currently paying for them.

Domestically, the story is not that much different. Ratings of industrial companies, and to a lesser extent financial companies, have seen very strong support from the record low interest rates, to the point where they are now, in some cases, more expensive than their offshore peers. While interest rates remain at the current low level, ratings of companies that are most sensitive to interest rate changes are likely to remain expensive. From a valuation perspective we prefer to look for investment opportunities in areas where normalization (increase) in the interest rate cycle is already discounted and/or where the market is excessively sceptical on the long-term growth rate that is achievable by a company.

All in all we expect the drivers of domestic returns, especially in the industrial sector, to be more or less similar to those in the offshore markets mostly growth in per-share profits and dividends. We are well aware that bubbles are created by complacency, and in an environment where interest rates could stay low for a very long time, we would not be surprised to see bubbles developing (further) in certain parts of the domestic market. There is already some anecdotal evidence of loosening credit criteria by "non-banking" institutions and this in a consumer sector that is not particularly underleveraged post the 2007 debt-bulge. Bad credit is written in good times and for some, 2006 and 2007 does not hold very happy memories.

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