



NORTHSTAR

ASSET MANAGEMENT

Northstar Met Managed Fund - February 2014

Portfolio Information			
Portfolio value:	R338.5 million	2011 distribution:	3.50 cpu
Original buying price:	95.00 cents	2012 distribution:	3.76 cpu
Minimum Investment:	R10 000 lump sum or R500 monthly debit order	2013 distribution:	2.32 cpu
Manager's upfront charge (max):	0.00% (incl. VAT)	Benchmark:	CPI + 5% over a 2 year rolling period
FSP upfront comm (max):	3.42% (incl. VAT)	Risk:	Moderate
Annual management fee:	1.54% (incl. VAT)	Fund Classification:	SA Multi Asset High Equity
Formation date:	01 / 03 / 1998	Valuation time:	15h00
Date of income declaration:	30 June / 31 Dec	Transaction time:	13h00
Date of income payment:	2nd working day of July/Jan		

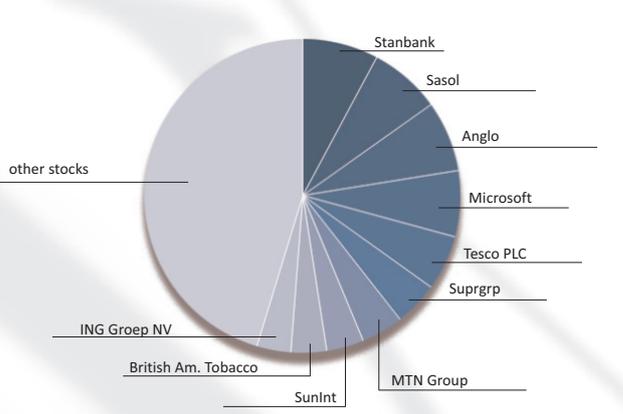
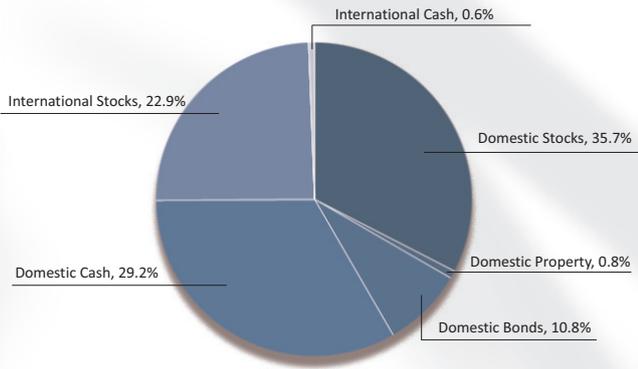
Performance Fee:
 20% (sharing rate) of out performance above the portfolio benchmark (hurdle rate), over a 2 year rolling period, capped at 2% p.a. The fees are accrued on a daily basis and paid out on a monthly basis. Any shortfall to the hurdle rate is carried forward for set-off against future positive out performances. Fee example: 0% performance fee if portfolio performs in line with its benchmark.

Total Expense Ratio (TER):	Northstar MET Managed Fund:	Northstar MET Managed Fund A1:
	Annual Management Fee (incl. VAT) 1.54%	Annual Management Fee (incl. VAT) 1.43%
	Performance Fees 0.78%	Performance Fees 1.08%
	Other costs 0.04%	Other costs 0.02%
	Total TER 2.36%	Total TER 2.53%

Please note: the TER has been calculated using data from 1 January 2013 to 31 December 2013. The TER is disclosed as a percentage of the average Net Asset Value of the portfolio that were incurred as charges, levies and fees related to the management of the portfolio. 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 Class	Domestic	International	Total
Stocks	35.7%	22.9%	58.6%
Property	0.8%	0.0%	0.8%
Bonds	10.8%	0.0%	10.8%
Cash	29.2%	0.6%	29.8%
Total	76.5%	23.5%	100.0%

Top 10 Equity Holdings	
Stanbank	Suprgrp
Sasol	MTN Group
Anglo	SunInt
Microsoft	British Am. Tobacco
Tesco PLC	ING Groep NV



Annualised Performance *The management team changed on 1st of November 2011.
 as at 28 February 2014*



Deposits can be made at any First National Bank
 Account Holder: Met Collective Investments Ltd - METCI Client Deposit Trust
 Account Number: 623 614 33784
 Branch Code: 253 145
 Bank: FNB
 Please fax deposit to: (012) 675 3889
 or email to: ci.clientservice@momentum.co.za



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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. The portfolio will maintain an equity exposure (incl international) up to 75% of the portfolio's net asset value.

Investment Objectives

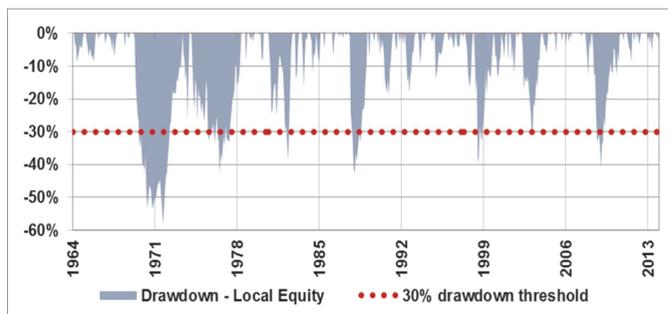
The primary objective of the Northstar Met Managed Fund is to offer investors moderate to high long-term total returns.

Fund Managers Commentary

As our investors know, we are strongly in favour of a low turnover portfolio and prefer to hold positions for extended periods of time in order to realize the inherent value within an asset. Over our sixteen-year track record of managing Reg. 28 Collective Investment Schemes (although we have only managed the Northstar Met Managed Fund for 24 months, we were the managers from inception of another well-known balanced fund from 1 June 1999 to December 2012), our portfolio turnover was 15%, which implies a holding period for stocks of 6.66 years.

The aggressive momentum in the domestic market towards the end of 2013 and particularly in late December, forced us to increase our level of activity in the fund. A few of our preferred stocks exceeded our intrinsic values and we lightened their positions over the course of the month. January 2014 saw sizeable sell-offs in many counters, many of these being the very stocks which we reduced in December 2013. This enabled us to re-invest in companies that we deem high quality businesses such as MTN, Standard Bank, Remgro and SAB.

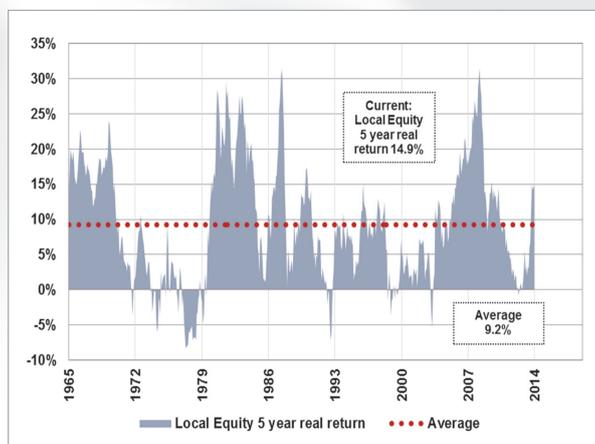
Whilst trading opportunities are presenting themselves on the JSE due to increased volatility this year, we maintain the view that the type of company we deem superior quality and which we favour in our portfolios as a 'permanent fixture', continues to be highly priced by investors. We seek businesses with cash flows backing earnings, a persistent high quality moat and management that utilize capital appropriately, with the goal being to purchase these companies at prices that do not overstate these qualities. Naturally, the question should be asked, "Do high quality assets ever trade cheaply?" Well, they do and this occurs when market confidence vaporizes. In the adjacent graph, we show how the JSE undergoes corrections (bear markets) approximately once every seven years – the focus is on corrections in excess of 30%. At these points in time, quality stocks trade at basement price levels.



As we plough our way through local companies, our research unearths a high degree of consistency in that higher-quality South African businesses are trading at high margins and high valuations. In cases where we discover locally listed stocks that do offer value and where margins are at acceptable levels, these are predominantly more cyclical businesses – lower quality companies or 'old school' South African companies that historically operated in protected markets with artificially high levels of profitability. Many of these businesses now live in an industry undergoing a structural metamorphosis.

An example being Sun International, a domestic gaming franchise. The competitive landscape in gaming has seen a sea-change – government has accepted many more entrants, has relaxed the requirements for alternative gaming options and has allowed for gaming to migrate into our largest cities. In the past, gaming was restricted to the 'homelands' and Sun International has, historically, positioned itself powerfully in these areas.

Consequently, the incumbent's margins have come under severe pressure, but so too has the share price and company rating. Sun International looks very reasonably priced, but forecasting risk is high. In these situations, we embed a high margin of safety (deep discount) into our entry price relative to intrinsic value – we have begun buying Sun International in the portfolio.



To provide further insights to our view that the local market offers sketchy value at best, an analysis of our Northstar Buy List reveals that we currently have no stocks rated as 'High conviction buys'; 33% of our stocks are 'Low conviction buys' and the other 67% are 'Medium conviction buys'. This is abnormal and telling of the current environment. Our offshore buy list has significantly higher levels of conviction!

Although we spend nearly all our time on bottom-up analysis, we do keep abreast of market statistics to anchor our bottom-up work. For investors who enjoy contextualizing current market levels versus long-term trends, the present-day bull phase is lengthy relative to historical norms. Since the 1960's, there have been four calendar bull markets lasting five years, one of which lasted eight years. We are within the fourth of these bull markets and, whilst not completely abnormal, it is certainly moving into relatively uncharted waters. To the left, we show in graphical format the extent to which this latest market has produced outstanding real returns. Whilst we believe that, over the long-term, real returns are going to persist, we are concerned that the JSE must inevitably retreat and better price domestic stocks. Having said this, we do not know when this change will occur.

In conclusion, we continue to generate healthy positive returns in our fund, albeit in volatile markets. The Northstar Met Managed fund consists of companies where, we believe (and on which we have undertaken extensive proprietary research), intrinsic values are higher than the current share prices. We are comfortable that our holdings have sound investment merits in a relatively expensive market. This year, during rand weakness, we also acquired long duration bonds as we feel these do offer value against what the SARB targets as a level for domestic inflation. We purchased these in late January 2014, following the sell-off which occurred from May 2013 and extended into 2014.

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FAIS Conflict of Interest Disclosure

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Such fees are paid out of the portfolio's service charge and range anything between (excl VAT):

CIS Manager:	Up to 0.35%
Northstar Asset Management:	Up to 1.00%
Distributor/LISP:	Up to 0.25%

Total Management Fee:	1.35%
Performance fees:	Accrue to the Investment Manager

Custodian: Standard Executors & Trustees: Tel (021) 441-4100 MET Collective Investments Limited, Parc du Cap Mispel Road, Bellville, Call Centre Tel: 0860 111 899, Fax (012) 675-3889, Email: ci.clientservice@momentum.co.za, PO Box 925, Bellville 7535, Registration No 1991/03741/06

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