Northstar MET Managed Fund

NORTHSTAR ASSET MANAGEMENT

February 2015

Investment Objectives and Strategy

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

Fund Statistics

Inception Date	1998-03-01
Manager Inception	2011-11-01
Fund Size	R 498 601 693
NAV	2.06
Ticker	METP
Benchmark	CPI +5%
ASISA Sector	SA MA High Equity
Risk & Investment Term	Moderate, 3yrs - 5yrs
Portfolio Manager	Northstar Investment Team
Annual Management Fee	1.54% (incl. VAT)
Manager's Upfront Charge (max)	0% (incl. VAT)
FSP Upfront Comm (max)	3.42% (incl. VAT)
Total Expense Ratio (TER)	3.16
Date of Income Declaration	30 Jun / 31 Dec
Minimum Lumpsum Investment	R10 000
Minimum Monthly Investment	R500
Valuation Time	15h00
Transaction Time	14h00

Performance Fee (Historic)

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 (Historic)

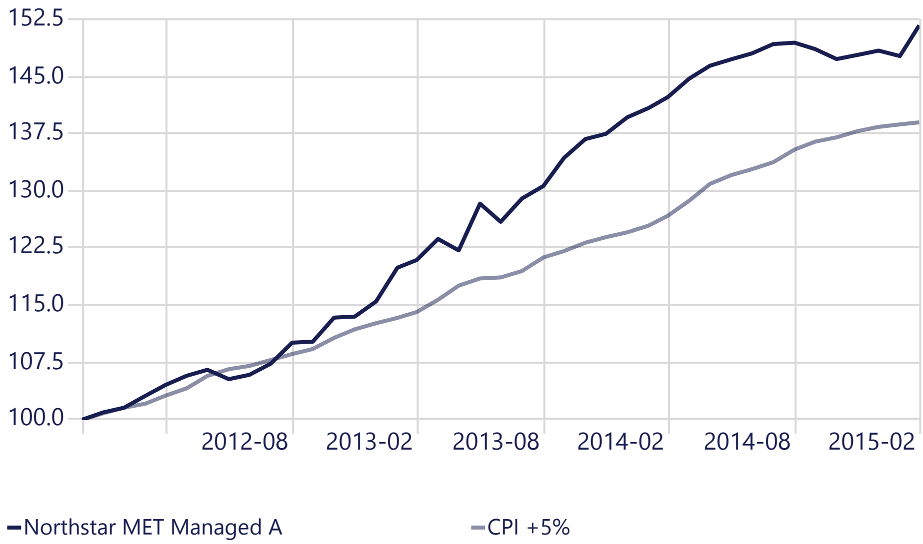
A Class:		A1 Class:	
Ann. Man. Fee	1.54%	Ann. Man. Fee	1.42%
Performance Fee	1.59%	Performance Fee	1.49%
Other Costs	0.03%	Other Costs	0.03%
TOTAL TER	3.16%	TOTAL TER	2.88%

Please note: the TER has been calculated using data from 1 January 2014 to 31 December 2014. 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.

Source: Morningstar Direct

Investment Growth Since Manager Inception

Time Period: 2011-11-01 to 2015-02-28



	YTD	1 Year	2 Years (ann)	Manager Inception (ann)
Northstar MET Managed A	2.2	6.6	12.0	13.3
CPI +5%	0.4	9.6	10.4	10.4

Risk Statistics Since Manager Inception

Time Period: 2012-03-01 to 2015-02-28

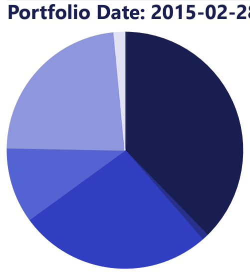
	Fund	ASISA Sector
Std Dev	5.0	5.3
Sharpe Ratio	1.5	1.7
Up Period Percent	83.3	77.8
Max Drawdown	-1.9	-3.5

Income Distribution

Date	Class A	Class A1
2012/01/03	1.21 cpu	-
2012/07/02	1.93 cpu	1.03 cpu
2013/01/03	1.75 cpu	1.83 cpu
2013/07/01	1.65 cpu	1.71 cpu
2014/01/02	0.67 cpu	0.73 cpu
2014/07/01	0.09 cpu	0.08 cpu
2015/01/02	0.20 cpu	0.43 cpu

Asset Allocation

Portfolio Date: 2015-02-28



	%
Domestic Equity	37.7
Domestic Property	0.9
Domestic Bonds	26.4
Domestic Cash	10.3
Foreign Equity	23.2
Foreign Cash	1.5
Total	**100.0**

Top 10 Equities

Standard Bank	4.17%
MTN Group	4.85%
British Am. Tobacco	3.55%
Sun International	3.53%
Anglo American PLC	3.21%
Sasol	2.83%
Illovo	2.49%
Remgro	2.47%
Microsoft	2.43%
Supergroup	2.14%
TOTAL	**30.67%**

Performance Fee and Total Expense Ratio (Current)

The current daily Performance Fee on the portfolio as at 31 January 2015 is 0.002%, annualised equates to a Performance Fee of 0.152%. This implies a prospective Total Expense Ratios of 2.27% and 2.15% for the A and A1 classes respectively. These prospective Performance Fees and Total Expense Ratios are NOT guaranteed, they only give an indication of what the fees could be on the portfolio based on current information.

Regulation 28 Compliance & Intended Maximum Limits

Compliant	Equity	Property	Equity & Property	Foreign	Africa	Cash	Debt
YES	75%	15%	90%	25%	5%	50%	50%

NORTHSTAR
ASSET MANAGEMENT

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Investment Philosophy

'Long-term exposure to quality assets where value exceeds price' - Northstar Asset Management's investment philosophy drives our investment process which involves undertaking rigorous domestic and offshore screening of assets on the basis of value and quality criteria together with prospective returns. From this screening process we identify the best opportunities for detailed fundamental analysis focusing on business model sustainability, industry dynamics and value versus price. A selected list of investable instruments make it onto our select 'buy list' and then into our portfolios as a consequence of this intense research process. Ultimately, our goal is long-term ownership of quality assets that are trading below what we have calculated to be their true worth.

FAIS Conflict of Interest Disclosure

Please note that in most cases where the FSP is a related party to Northstar Asset Management Pty (Ltd) and/or MET Collective Investments (RF) (Pty) Ltd, the Northstar Asset Management Pty (Ltd) and/or distributor earns additional fees apart from the FSP's client advisory fees. It is the FSP's responsibility to disclose additional fees to you as the client. Such fees are paid out of the portfolio's service charge and range anything between (excl VAT):

CIS Manager: Up to 0.15%
Northstar Asset Management: Up to 1.00%
Distributor/LISP: Up to 0.25%
Total Management Fee: 1.35%

Contact Details

Custodian:
Standard Executors & Trustees: Tel 021 441-4100

Management Company:
MET Collective Investments, 268 West Avenue, Centurion, 0157; PO Box 7400, Centurion, 0046
Call Centre Tel: 0860 111 899, Fax (012) 675-3889
Email: ci.clientservice@momentum.co.za
Registration No: 1991/03741/06

Fund Manager:
Northstar Asset Management
An authorised financial services provider, FSB No. 601
Tel: 021 810-8400
Email: admin@northstar.co.za
Address: Suite 1A, Ground Floor, Madison Place, Alphen Office Park, Constantia Road, Constantia, 7806

Deposit Details

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: First National Bank
Please fax deposit slip to: (012) 675 3889
or email to: ci.clientservice@momentum.co.za

met
collective investments
A member of MMI Holdings

Source: Morningstar Direct

Monthly Commentary

February was a solid month for the Northstar Met Managed Fund.

Positions that were under pressure in the last quarter of 2014 and detracting from returns as a result, have begun to re-rate this year and we remain steadfast in our view that our portfolio consists of reasonably priced investments, trading at discounts to intrinsic value. Examples of our offshore stocks that were struggling in Q4 2014 but have enjoyed large gains in 2015 include Carlsberg (19.2% in Danish Krone), BP (9% in Sterling) and Tesco (30% in Sterling) – we bought Tesco in November 2014 at £1.85 and it is currently £2.40. As a grouping, the offshore stocks in our portfolio have done very well in 2015 and we ascribe this to markets abroad that offer research-focused investment managers sensible opportunities. We do, however, feel the domestic environment is not in this space. In 2014 and even more so in 2015, our bottom-up analysis of domestic stocks is presenting the same result as our top-down quantitative analysis of prospective returns from the JSE. Taking into account earnings, dividend yields and the current rating of the domestic market (P/E's), our base-case reveals single-digit annualized returns from the JSE over a 3-year period. It is for this reason that we have remained underweight South African stocks and focused on companies in which we view operating margins as low relative to their histories, balance sheets resilient and where terrible news is priced into their share prices. From our analysis, the upside in our portfolio is higher than the potential downside – unfortunately, we do not feel that this is applicable to many stocks and sectors of JSE. It is our strong contention that risks on the JSE are elevated and that these risks are not being fully understood by many investors.

Our investment style leads us to focus on companies in which current operating margins are depressed relative to their histories, although we prefer to avoid industries that we deem to be in permanent structural decline or structurally damaged with little obvious chance of recovery. Hence, our portfolio is not clogged by so-called 'deep value' stocks existing in deeply damaged industries and facing multi-decade challenges. Our approach is more pragmatic – we prefer better quality companies where share prices are at a discount to our calculated values, but are in stable industries. The bulk of our portfolio is invested in these types of businesses and our two largest holdings, namely Sun International and Standard Bank, speak to this approach. Unfortunately though, the JSE is not offering too many quality companies at reasonable prices at this point in time.

With certain local commodity stocks at decade low share prices, we feel at ease owning specific names in this space. Here too though, our approach is cautious, favouring companies that have robust balance sheets and can pull multiple self-help levers to address a depressed macro-environment. We also favour commodities that are rapidly consumed, with oil being a prime example. Sasol ticks many of our boxes - the company has responded rapidly to the oil crisis, it has cut capex, cut costs (potentially as much as R50bn on these line items) and is pairing back its gearing relative to previous forecasts. Anglos is our other point of commodity exposure – although it concerns us that Anglos has increased its exposure to iron ore, which we view as having entered a protracted period of consolidation, the company does offer the upside of owning late-cycle precious metals and diamonds. We view the platinum price as unsustainably low, but should our call of a higher price not unfold, Anglos through Amplats is focusing its future on low cost production – a lever we favour.

Presently, the market is disinterested in reasonably priced companies without exciting earnings in the immediate future. In truth, all the price action has focused on highly rated companies with strong short-term earnings momentum – this is a replay of many past cycles. We also prefer visible earnings, but refuse to pay exaggerated prices for profits. Our view is that high ratings are being paid for short-dated earnings with little attention being paid to the high forecasting risk being taken when companies are bought on multi-year high ratings. The Northstar Met Managed Fund has a portfolio that will outlive its unit holders. We view this as a credible positioning considering the risks that are deeply present in our market.

Disclaimer