Metropolitan Managed Fund

January 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:	R75.1 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	14%	14%
Total Stock Exposure	**42%**	**69%**
Preference Shares	0%	0%
Property	0%	0%
Domestic Bonds	7%	10%
Domestic Cash	44%	10%
International Cash & Other	7%	11%
Total Fixed Income Exposure	**58%**	**31%**

Top Holdings

Microsoft	3.8%
Supergroup	3.7%
Anglo American	3.6%
Kagiso Media Limited	3.1%
Tesco PLC	2.6%
Sasol	2.5%
MTN Group	2.4%
Steinhoff International Holdings	2.1%
JPMorgan	2.0%
Reunert	1.8%

Annualised Performance

as at 31 January 2012

	Fund	Benchmark
1 year	3.91%	10.00%
3 years	6.49%	10.46%
5 years	5.27%	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

Global Markets enjoyed a sensational rally for the first month of the new calendar year and in so doing improved returns on a 12 month rolling basis after 11 relatively weak and volatile months.

Whilst the JSE surged in January, producing dollar returns of 7%, it ended up being the worst performing component within the MSCI Emerging Markets index; it had to compete with the likes of India that bolted 21%! But month on month figures, albeit impressive, do not tell the remarkable asset class return story that has unfolded in South Africa since 2003!

All major asset classes have outperformed inflation with ease over the last decade. Headline CPI in SA has averaged 5.8% for 10 years; cash has shown compound annual average returns of 9.2%, the ALBI 11.2%, the ALSI 15.9% and property unit trusts an impressive 22.8%. Of real interest with respect to the equity returns, is that the best performing area within the domestic market has been Industrials, producing ten year total annual returns of 19.7%. This does not surprise us and reflects our continued assertion that well established industrial companies in South Africa are the most representative of possessing strong moats or competitive advantages within their respective industries. Financials are the second best performing sector class and here too one can ascribe this to local banks enjoying little competition within a highly regulated and concentrated market. Our portfolios have always been biased towards Industrials and Financials but at times, meander into the cyclical areas when valuations demand a shift away from overpriced compounding stocks and into cheaper, less dependable profit producers that are simply undervalued and unloved. Resources, have delivered 12.6% annualized over the past decade.

Currency weakness together with poor market performance meant that over the last year, most markets produced negative returns when assessed in dollars. The JSE returned -7.9% over a year in dollars, slightly better than most emerging markets, those being usually in double digit negative territory. The worst area of returns was developed Europe, the epicentre of financial woes. Consequently, the January rally came as a dose of relief and noteworthy is that it occurred mostly in cyclical companies and lesser quality businesses and these were the very same companies whose share prices had underperformed in 2011. Sizeable January gains came through in troubled financials, cyclical infrastructure stocks and commodity producers.

Investors that understand our investment approach and style will be aware that our portfolio has remained focused on finding high quality companies, those with excellent business models and strong management teams. We also demand buying at the right price so as to ensure a margin of safety for our clients and this allows us to own businesses for an extended period of time. This intense focus on owning quality companies with moats, good management and with a margin of safety has to a large extent prevented our active participation in the domestic market since we started managing this fund. Simply put, companies that cover our requirements are aggressively priced and have been ever since we began to manage the Metropolitan Managed Fund in late 2011. As a result, we remain defensive and cash flush and unfortunately we have no idea as to when the market will correctly price the businesses we want to be invested in.

Whilst quality at the right price is in short supply, we have owned some cheap or underappreciated cyclical companies which include Steinhoff, JP Morgan, ING Group, BP and Alstom. These did particularly well in January as market participants rotated out of quality franchises and purchased lesser quality companies. It should be noted however, that our preference for cyclical exposure has been abroad and the rally in the rand has curtailed the returns generated by these stocks.

We never comfortable with equity exposure of around 42% in a portfolio where it ideally should be closer to 70% but our discomfort would be significantly if we were presently at 70% equity exposure whilst our preferred companies are being valued for perfection. With respect to the balance of our portfolio, the healthy cash and bond holdings and the significant weighting in offshore assets we deem appropriate considering the environment.

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