met
collective investments

MET Managed Fund

January 2013

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:	R155.3million
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:	30 June / 31 Dec
Date of income payment:	7 July / 7 Jan
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.

Asset Allocation

	Current	Benchmark
Domestic Stocks	38%	55%
International Stocks	23%	14%
Total Stock Exposure	61%	69%
Preference Shares	0%	0%
Property	2%	0%
Domestic Bonds	8%	10%
Domestic Cash	27%	10%
International Cash & Other	2%	11%
Total Fixed Income Exposure	39%	31%

Top Holdings

Anglo American	6.1%
Tesco PLC	5.0%
Sasol	5.0%
Supergrop	4.5%
Kagiso Media Limited	3.4%
Steinhoff International Holdings	3.3%
Angloplats	2.7%
ING Groep NV	2.6%
Reunert	2.5%
Microsoft	2.4%

Annualised Performance

as at 31 January 2013

	Fund	Benchmark
1 year	16.27%	10.68%
3 years	10.06%	9.98%
5 years	6.40%	11.70%

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:	(012) 675 3889

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 (012) 675-3889
Call Centre, Tel: 0860 100 279 Email: CI.clientservice@momentum.co.za Registration No 1991/03741/06.

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Fund Managers Commentary

At PSG Asset Management we follow a bottom up approach to asset allocation, i.e. we look for compelling investment instruments rather than deriving our preferred asset class from the state of the World. The latter approach is commonly known as top down asset allocation. How do we manage our Asset Allocation Funds if we don't do asset allocation? We allocate to yields which make sense, regardless of asset class. What is a yield that makes sense? Let us elaborate.

Yield is simply the cash flow generated by an asset divided by the price. We look for assets which offer attractive yields on a risk adjusted basis. Broadly speaking, there are two risks when buying investment securities. The first is the risk of having to sell for less than you initially paid and the second is the risk of receiving less cash flow from the investment than you bargained for. Though these two occurrences will tend to go hand in hand, separating them is a good way of ensuring that your home work is thorough.

We mitigate the first risk, as far as possible, by estimating a true value for potential investments. If we can't buy it below this value, we don't buy it. Estimating the intrinsic value of an investment is not an exact science, therefore overpaying slightly can be regarded as a misdemeanour. Grossly overpaying, however, is a mortal sin. Small mistakes are inevitable and good investments can recover your mistakes, but big mistakes result in the destruction of clients' wealth. In a rising tide where all boats are lifted overpaying for an asset is an easy mistake. Buying the cheapest asset (highest yield) of a bad bunch does not necessarily make a good investment if that asset is expensive compared to its own history, or compared to the cash flow it will reasonably generate over its lifetime.

Cheapest is not the same as cheap, just like the fastest car of the 60's hardly defines fast; or the cheapest necklace before Christmas proves to have been retailer robbery when the clearance sales begin. Asset yields need to be compared not only across assets, but also across time. We recently went through an exercise of estimating the capital loss that investors will incur if the yield on certain asset classes were to revert back to more normal levels. We use rolling averages as an estimate of normal.

We found that if 10 Year Government Bond yields were to retract to longer term average levels the capital loss will be in the vicinity of 20%, in the case of 5 year bonds it is closer to 25%. The same exercise applied to listed property indicates a capital loss of about 30%. Bear in mind that these assets are regarded as safe harbours for risk adverse investors. Interestingly, the dividend yield on the JSE All Share Index is at longer term average levels, implying a smaller chance of capital loss. This is hardly the case for every individual company, but it does imply that one is more likely to find attractive risk adjusted opportunities on the JSE.

Our first priority is to not lose your money. Our portfolios therefore hold hardly any nominal bonds (the risky kind) and no property. We prefer equities and cash; the risk adjusted yields simply make more sense.

FAIS Conflict of Interest Disclosure

Please note that in most cases where the FSP is a related party to PSG Asset Management Pty (Ltd) and/or MET, the PSG 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 0.35%
PSG Asset Management:	Up to 1.00%
Distributor/LISP:	Up to 0.25%
Total Service Charge:	1.35%
Performance fees:	Accrue to the Investment Manager

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