



# NORTHSTAR

ASSET MANAGEMENT

## Northstar Met Managed Fund - January 2014

<b>Portfolio Information</b>																																			
<p><b>Portfolio value:</b> <b>R317.8 million</b></p> <p>Original buying price: 95.00 cents</p> <p>Minimum Investment: R10 000 lump sum or R500 monthly debit order</p> <p>Manager's upfront charge (max): 0.00% (incl. VAT)</p> <p>FSP upfront comm (max): 3.42% (incl. VAT)</p> <p>Annual management fee: 1.54% (incl. VAT)</p> <p>Formation date: 01 / 03 / 1998</p> <p>Date of income declaration: 30 June / 31 Dec</p> <p>Date of income payment: 2nd working day of July/Jan</p>	<p>2011 distribution: 3.50 cpu</p> <p>2012 distribution: 3.76 cpu</p> <p>2013 distribution: 2.32 cpu</p> <p>Benchmark: CPI + 5% over a 2 year rolling period</p> <p>Risk: Moderate</p> <p>Fund Classification: SA Multi Asset High Equity</p> <p>Valuation time: 15h00</p> <p>Transaction time: 13h00</p>																																		
<p><b>Performance Fee:</b></p> <p><small>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.</small></p>	<p><b>Total Expense Ratio (TER):</b></p> <p><b>Northstar MET Managed Fund: 1.55%</b></p> <p><b>Northstar MET Managed Fund A1: 1.44%</b></p> <p><small>Please note: the TER has been calculated using data from 1 October 2012 to 30 September 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.</small></p>																																		
<table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: left;">Asset Class</th> <th style="text-align: center;">Domestic</th> <th style="text-align: center;">International</th> <th style="text-align: center;">Total</th> </tr> </thead> <tbody> <tr> <td>Stocks</td> <td style="text-align: center;">32.6%</td> <td style="text-align: center;">24.5%</td> <td style="text-align: center;">57.1%</td> </tr> <tr> <td>Property</td> <td style="text-align: center;">0.8%</td> <td style="text-align: center;">0.0%</td> <td style="text-align: center;">0.8%</td> </tr> <tr> <td>Bonds</td> <td style="text-align: center;">8.3%</td> <td style="text-align: center;">0.0%</td> <td style="text-align: center;">8.3%</td> </tr> <tr> <td>Cash</td> <td style="text-align: center;">33.2%</td> <td style="text-align: center;">0.6%</td> <td style="text-align: center;">33.8%</td> </tr> <tr> <td><b>Total</b></td> <td style="text-align: center;"><b>74.9%</b></td> <td style="text-align: center;"><b>25.1%</b></td> <td style="text-align: center;"><b>100.0%</b></td> </tr> </tbody> </table>	Asset Class	Domestic	International	Total	Stocks	32.6%	24.5%	57.1%	Property	0.8%	0.0%	0.8%	Bonds	8.3%	0.0%	8.3%	Cash	33.2%	0.6%	33.8%	<b>Total</b>	<b>74.9%</b>	<b>25.1%</b>	<b>100.0%</b>	<p><b>Top 10 Equity Holdings</b></p> <table style="width: 100%;"> <tr> <td style="width: 50%;">Anglo</td> <td style="width: 50%;">Tesco PLC</td> </tr> <tr> <td>Stanbank</td> <td>British Am. Tobacco</td> </tr> <tr> <td>Sasol</td> <td>MTN Group</td> </tr> <tr> <td>Suprgrp</td> <td>ING Groep NV</td> </tr> <tr> <td>Microsoft</td> <td>Ericsson LM ADR</td> </tr> </table>	Anglo	Tesco PLC	Stanbank	British Am. Tobacco	Sasol	MTN Group	Suprgrp	ING Groep NV	Microsoft	Ericsson LM ADR
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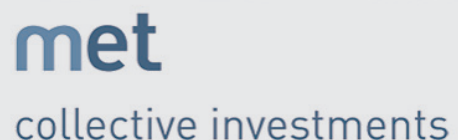
### Annualised Performance as at 31 January 2014\*

\*The management team changed on 1st of November 2011.



**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



## Northstar Met Managed Fund - January 2014

### 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

Winning starts with not losing!

What steadies us at Northstar is the knowledge that we focus on structure and process irrespective of all the crazy moving parts in the markets each and every day.

We operate in the space of being long-term asset valuers - such an approach transcends the shifty price movements with which many investors are obsessed and which drive poor decision making. We do, however, not disengage from stock market dynamics and in fact, our process focuses completely on understanding the value of each and every asset that attracts our attention relative to where it is being priced by the stock market. It's really about price versus value!

We undertake hundreds of shallow dives annually (companies that make it onto our radar but do not qualify for more work) and approximately 100 deep dives annually (each deep dive involves as much as 100 hours of research into a company). Our overall goal is to identify 25 domestic and 25 offshore companies into which we feel our clients' capital can be put to work. All our fundamental research hones in on understanding entry and exit prices, with a sizeable margin of safety to safe-guard our investors. This rigorous research process has created a framework that keeps things simple – when prices of stocks collapse below our entry prices, we buy and when prices exceed our exit prices, we sell. With deep margins of safety but also conservatively accounting for the potential future growth of companies, our entry and exit prices are usually far enough away from the market price to ensure very low levels of turnover (low levels of trading) within our funds. Such intense research drives price discovery which eliminates unnecessary trading and thus reduces costs. Most importantly, this process drives sustainable long-term investment returns whilst reducing risk! Everything we do is measured and calculated, it is rooted in an absolute mindset, with a strong view that winning starts by not losing money for our clients.

With this in mind, we found that in December 2013, the local market proved incredibly buoyant and pushed the share prices of some of our favourite companies above our exit prices. Consequently, we paired back the fund's domestic equity exposure to 30% - a level we consider very low relative to where we would normally want to operate.

A subsequent sharp sell-off in financial and industrial stocks has taken place since the beginning of 2014. The pull-backs in the prices of certain quality companies (particularly dual listed stocks) has opened new opportunities for us in spaces which we have avoided previously, as share prices have exceeded what we deem to be their intrinsic values. In January, in weakness, we lifted our equity exposure domestically to 35%. The Northstar Met Managed Fund proved rock solid during the January 2014 market retreat and whilst our latest purchases we deem to be opportunistic, they are consistent with our intention of holding high quality, reasonably priced assets in what we continue to view as lofty markets.

On the fixed income side of things, having avoided long dated bonds for a few years, we added these instruments to our portfolio at the end of January. This can be ascribed to:

- The long-end of the curve having sold off aggressively in 2013.
- The curve being very steep – as steep as it's been in previous cycles.
- Curve flattening inevitably follows such steeping episodes – hence the latest interest rate rise.
- We calculate that the long-end is pricing in long-term inflation of 6.5% against an onerous hurdle rate – we deem this to be too negative.
- The higher yields in long duration bonds allowed us to enhance our running yield on our cash and cash-like instruments by 20% despite our fund duration moving to only one – so we remain very conservatively positioned.

The Northstar Met Managed fund produced top quartile results over twelve months, despite our very conservative equity position. We were further enthused by the fund's solid relative performance in January 2014 despite strong sector rotation out of secular assets (financials and industrials) and into commodities. Our fund remained resilient in both environments. We believe markets will be persistently tough in 2014, but we are quietly confident that this is an environment that suits us perfectly – one less buoyant for beta seekers and significantly more suited to alpha generators.

### 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, 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 0.35%
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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