



# NORTHSTAR

ASSET MANAGEMENT

## Northstar MET Managed Fund - July 2014

### Portfolio Information

<b>Portfolio value:</b>	<b>R462.9 million</b>	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:	14h00
Date of income payment:	2nd working day of July/Jan		

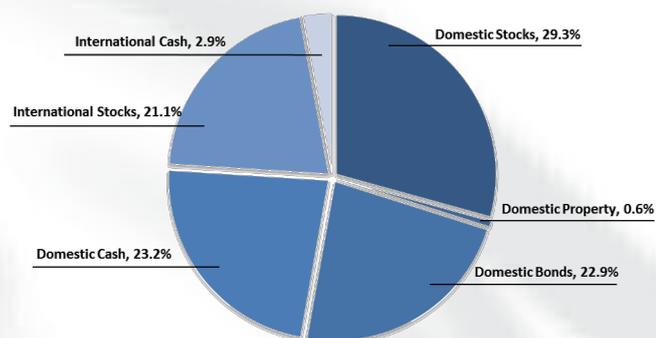
### Performance Fee:

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):	A Class:	A1 Class:	
Annual Management Fee (incl.VAT)	1.54%	Annual Management Fee (incl.VAT)	1.54%
Performance Fees	1.37%	Performance Fees	1.66%
Other costs	0.04%	Other costs	-0.03%
<b>Total TER</b>	<b>2.95%</b>	<b>Total TER</b>	<b>3.17%</b>

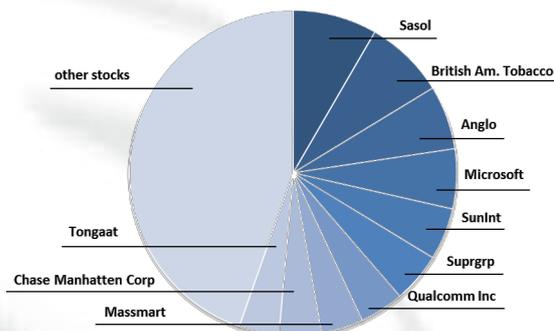
Please note: the TER has been calculated using data from 1 April 2013 - 31 March 2014. The TER is disclosed as a percentage of the average Net Asset Value of the portfolio that were incurred as charges, levies and fees related to the management of the portfolio. The TER is adjusted for significant subsequent 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.

Asset Class	Domestic	International	Total
Stocks	29.3%	21.1%	50.4%
Property	0.6%	0.0%	0.6%
Bonds	22.9%	0.0%	22.9%
Cash	23.2%	2.9%	26.1%
<b>Total</b>	<b>76.0%</b>	<b>24.0%</b>	<b>100%</b>



### Top 10 Equity Holdings

Sasol	Supergrp
British Am. Tobacco	Qualcomm Inc
Anglo	Massmart
Microsoft	Chase Manhattan Group
Sunint	Tongaat



### Annualised Performance

as at 31 July 2014\*

\* the Management team changed on 1 November 2011.

	1 year	2 years	3 years
Fund	15.69	17.90	14.39
Benchmark	11.93	11.37	11.18

#### 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

**met**  
collective investments

## Northstar MET Managed Fund - July 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.

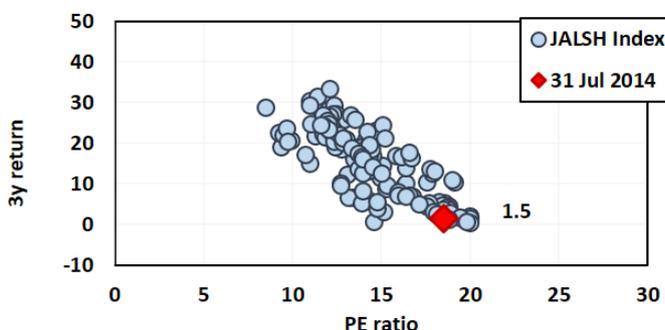
### Investment Objectives

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

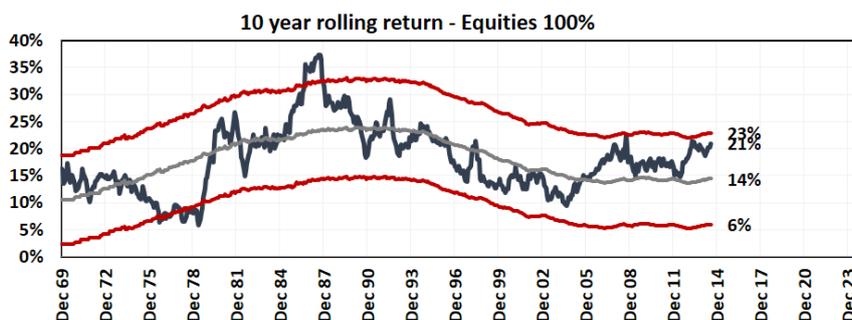
### Fund Managers Commentary

This month, we have included three pieces of our own proprietary research which will provide our unit holders with some insight as to why we have been so cautious on the markets currently.

The first of the attached graphs shows the relationship between the P/E on our market over time and three-year prospective returns that are generated by buying the market at these P/E's. For example, had an investor bought the All Share Index in the past on a P/E of about 8, the three-year prospective returns would have been approximately 30%. On the other hand, a P/E of 20 has tended to produce low returns - close to zero on a three-year annualized basis. The current P/E on the JSE is almost 18, applying the same analysis produces future returns off this base of approximately 1.5% annualized.



Our second graph shows the 10-year annualized returns which have been forthcoming from the JSE All Share Index since 1959. Each point on this graph reflects the annualized returns an investor would have received in the market over a 10-year period. An example being December 2008; the 10-year annualized returns would have been 22.6% - clearly a phenomenal period to have been invested. We also show long-term 10-year inflation, which is currently at 6%. We add to inflation, 8%, to show how the market oscillates around its long-term real return of 8%. We also show inflation plus 16% which is the outer band. At times, our market produces extreme returns that equate and even exceed inflation plus 16% on an annualized basis over a ten-year rolling period.



Currently, the JSE has produced 10-year annualized nominal returns of 21%, nearing real returns of 16%. This has only occurred twice historically, in 1987 and in 2008 - in both these years tectonic shifts occurred in markets.

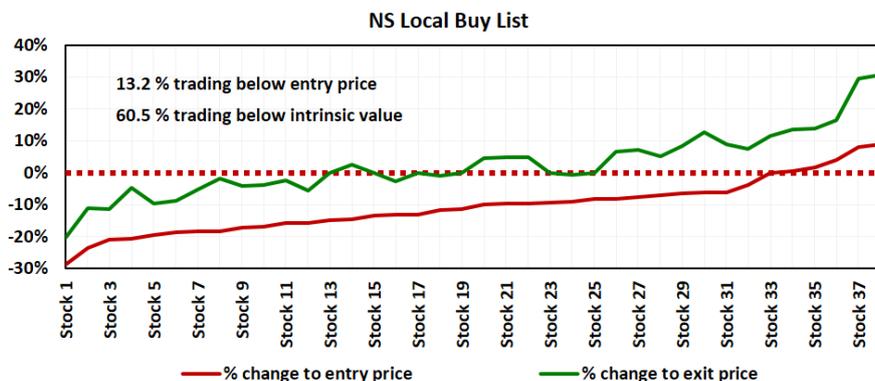
Our final graph represents a list of companies which have been on our 'Buy List' this past year and aims to assess their current prices relative to what we view them to be worth. It also shows

what discount we demand on each stock (a margin of safety) relative to the intrinsic value (our calculated fair value for the company). We believe that all rational investors should seek-out a discount or margin of safety on any investment relative to the value they place on an asset.

The area between the dotted red line and the green line shows the difference between what each company is currently trading at versus our valuations on each stock. Take company 1 as an example - we believe that the company's current share price is about 20% too high relative to its valuation. Company 4 is trading 5% above our deemed or calculated value, based on our in-depth research. All companies where the green line is below the red dotted line are at levels where their valuations are below the prevailing market price. The solid red line indicates what margin of safety we require on each stock. Stock 1 is thus trading 30% higher than the level that we view as appropriate in order to buy into the company. For all the stocks on this graph where the solid red line is below the broken red line, they represent a situation where their share prices are presently higher than our preferred entry level, which incorporates our margin of safety. From stock 33 onwards, the share prices of these stocks are lower than our deemed entry points. On a more positive note, from this analysis, it can be seen that most stocks on our Buy list have not reached their intrinsic values (our view of what they are worth) - in fact, 60.5% of companies are cheaper than their intrinsic values.

However, only 13% of companies have share prices low enough that they would include a margin of safety - the share prices are below our preferred entry prices. This should provide our readers with deep insights into our current thinking.

We claim no ability to time markets, but we assess probabilities and stack these up against deep fundamental research where we value each business independently. From this analysis, a clear case currently exists for a cautious positioning in domestic equities. Next month, we will demonstrate a similar analysis on offshore stocks where we feel much more comfortable with valuations!



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- 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 (RF) (Pty) Ltd, 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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