

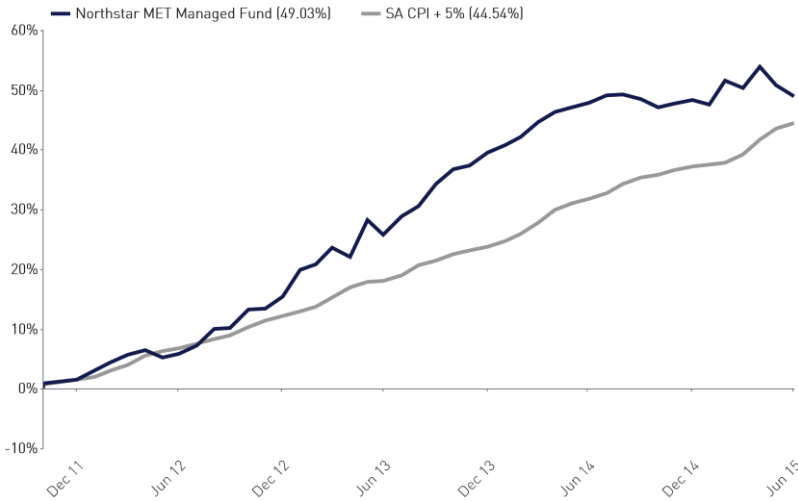
# Northstar MET Managed Fund

MET Collective Investment Scheme (CIS) portfolio  
 Class A | Minimum Disclosure Document (MDD) as at 30 June 2015  
 Assets managed by: Northstar Asset Management



## Portfolio performance

### Since launch cumulative performance graph



### Monthly (%) Jul'14 Jun'14 Sep'14 Oct'14 Nov'14 Dec'14 Jan'15 Feb'15 Mar'15 Apr'15 May'15 Jun'15

	Jul'14	Aug'14	Sep'14	Oct'14	Nov'14	Dec'14	Jan'15	Feb'15	Mar'15	Apr'15	May'15	Jun'15
Fund	0.83	0.12	-0.57	-0.88	0.36	0.39	-0.48	2.72	-0.77	2.31	-2.04	-1.19
Benchmark	0.67	1.19	0.75	0.41	0.58	0.41	0.24	0.24	1.01	1.78	1.25	0.66

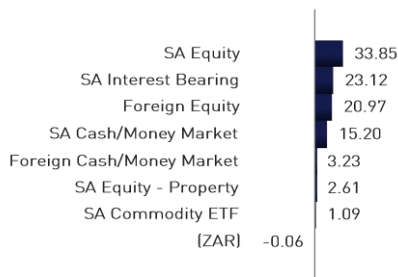
### Yearly (%) Jun 13 Jun 14 Jun 15

	Jun 13	Jun 14	Jun 15
Fund	18.93	17.52	0.71
Benchmark	10.56	11.63	9.58

	Cumulative (%)				Annualised (%)			
	Fund	Benchmark	Cash	Inflation	Fund	Benchmark	Cash	Inflation
1 year	0.71	9.58	6.27	4.57	0.71	9.58	6.27	4.57
2 years	18.35	22.32	12.03	11.50	8.79	10.60	5.84	5.59
3 years	40.76	35.24	17.95	17.70	12.07	10.59	5.66	5.58
Launch	49.03	44.54	22.33	21.96	11.50	10.57	5.65	5.56

## Portfolio holdings

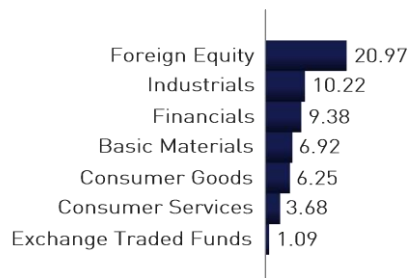
### Asset allocation (%)



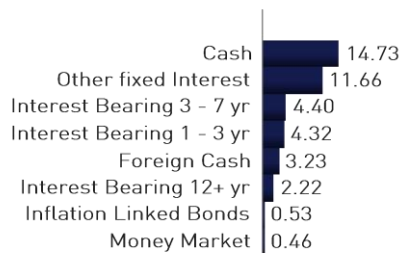
### Top holdings (%)

Northstar MET Income A	11.66
Standard Bank Group Ltd	5.53
Shinhan Financial Group Co Ltd	3.24
British Am. Tobacco Plc	2.96
Sun International Ltd	2.86
Microsoft Corp	2.82
Capital One Financial Corporation	2.48
Anglo American plc	2.45
Standard Bank F/R 240519	2.25
Metrofile	2.23

### Equity allocation (%)



### Interest bearing allocation (%)



## Portfolio profile

The primary objective of the portfolio 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. The recommended investment horizon for this fund is 5 years or more.

## Portfolio information

Portfolio inception:	1 March 1998
Portfolio size (30/06/2015):	R 457.49 million
Launch:	1 November 2011
NAV price (Launch):	142.52 (cpu)
NAV price (30/06/2015):	202.74 (cpu)
JSE code:	METP
ISIN number:	ZAE000020384
Classification:	SA - Multi Asset - High Equity
Benchmark:	CPI + 5% p.a. over rolling 2 year period
Minimum lump sum:	R 10,000
Minimum monthly:	R 500
Valuation:	Daily
Valuation time:	15h00
Dealing cut-off time:	14h00

## Portfolio income

Distribution cpu	Dividend	Interest	Total
Dec'13	0.320	0.350	0.670
Jun'14	0.030	0.060	0.090
Dec'14	0.060	0.140	0.200
Jun'15	0.730	1.030	1.760
Jul'14 - Jun'15	0.790	1.170	1.960
2014 Total:	0.090	0.200	0.290
Declaration:	30 Jun/31 Dec		
Payment:	2nd working day of Jul/Jan		

## Portfolio costs

Initial fee – MetCI (incl. VAT):	0%
Initial fee – Adviser (incl. VAT):	0% - 3.42%
Annual management fee (incl. VAT):	1.54%

### Performance fee:

Yes  
 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.

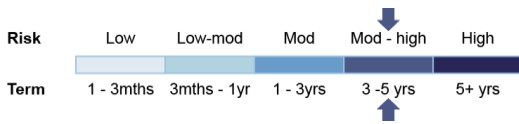
Total expense ratio (TER) (incl. VAT): 2.69%

## Portfolio managers

### Northstar Research Team

'Long-term exposure to quality assets where value exceeds price' - Northstar'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.

## Portfolio risk and term



## Regulation 28

Compliant:	Yes				
Portfolio intended maximum limits (IML's)					
Equity	Property	Equity and property	Foreign	Africa	
75.00%	15.00%	90.00%	25.00%	5.00%	

## Portfolio mandate

### Objective/investment policy

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, all to be acquired at fair market value. The portfolio may from time to time invest in financial instruments 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 may also include participatory interests or any other form of participation in portfolios of collective investment schemes or other similar schemes in the Republic of South Africa. Where the aforementioned schemes are operating in territories other than South Africa, participation in these schemes will be included only where the regulatory environment is of a sufficient standard to provide investor protection at least equivalent to that in South Africa and which is consistent with the portfolio's primary objective. The portfolio will be actively managed with exposure to various asset classes being varied to reflect changing economic and market circumstances, in order to maximise returns for investors.

### Limits and constraints

- Maximum exposure limits as per the ASISA fund classification structure.
- Maximum exposure of 25% to offshore investments plus maximum of 5% in Africa.
- The portfolio will maintain an equity exposure (incl international) up to 75% of the portfolio's net asset value.
- Maximum property exposure (incl international) 25%.
- The portfolio will be managed in compliance with prudential investment guidelines for retirement funds in South Africa.

## Portfolio commentary

June was a poor month for markets - the MSCI World Index lost 2.3% and emerging markets were down slightly more than that. Speaking in dollar terms, South Africa was one of the best performing global markets - up 2.8% - this is in terms of its MSCI constituents, which are quite different to the JSE.

Year to date, our market has gained 2.7% in dollars, which is in line with other markets - in 2014, the JSE returned 5.7% in dollars. In 2014, 11 out of 23 emerging markets produced positive returns and in 2015, 9 emerging markets have done so. In both instances, SA is in the right group! Over the past decade, the JSE is one of the top performing markets globally, returning 10.5% annualised in US\$. This performance is justified considering the high ROE's that South African stocks have generated. Our ROE is 15% which outstrips that of other emerging markets, which average 11%. After years of re-rating though, the domestic market is far from cheap, trading on a Price to Book (P/B) of 2.8 times versus the average emerging market at 1.6 times. To validate this, our P/E for 2015 is 16.4 times against the average of 12 for other markets and our earnings growth is one of the lowest for the following twelve months out of all emerging markets - the 5th slowest. We simply look and feel elevated. Our bottom-up research, the stock-specific work, concurs with this view.

As far as the currency is concerned, it is worth noting that the ZAR was hardly a stand-out negative performer in 2014 or 2015. It weakened by 9.5% against the dollar last year, being in the middle of all 45 currencies we have observed. The average depreciation was 10.5% in 2014 and in 2015 so far, the ZAR has fallen by 4.79% and the average of the other currencies, by 5.9%.

It should be clear to any longstanding market watcher that a single trade has been pervasive across markets for a year - this is to sell cyclical companies, industries and markets, irrespective of valuation. Valuations have been the impoverished cousin of Growth, in a race for 'certainty' of earnings and/or yield. In truth, this has really been quite an efficient market pattern, particularly if the investment time horizon is short term. Cyclical areas of markets have continued to disappoint and 'growth' has, in general, been justifying the confidence which investors have placed in it. However, investment time horizons should exceed 1 year and with more of a focus on valuations, then quality/growth companies look outrageously extended and need a very smooth glide path to justify their valuations. Cyclical on the other hand, are so beaten that profit expectations are now effectively non-existent.

In June, all our domestic cyclical exposure performed poorly in our fund and our quality stocks did well. The secular compounders such as Metrofile, Standard Bank and Remgro were positive contributors whilst detractors were Sun International (based on a transaction) Illovo and Anglos. Offshore, we own less cyclicals as we have managed to find quality companies at reasonable prices and have held onto these over a long period of time. On the whole, our offshore stocks delivered a positive return to our fund in June whilst our domestic stocks produced negative results.

Assessing our entire portfolio as it currently stands, we believe that taking a three-year view and assuming our shares realize their full value over this period of time, annualised upside is approximately 18% on our domestic stocks with a valuation drawdown in a bear case of less than 20%. For our offshore stocks, assuming they achieve the valuations we have calculated for each of them within three years, the annualised returns will be 15% and the potential one-year bear case draw-down 15%. We must state, that this draw-down does not reflect what the market could take a share price down to. Instead, it represents the average valuation collapse across our portfolio if, based on our research, each company's financial and operational results follow the path of our most bearish view and the valuations of the companies thus fall to a 'bear' case outcome.

What should be clear to our investors is that the return-metrics of the portfolio are high, relative to the bear case outcome. We feel investors are extremely well-placed in the shares we own and the pay-off profile is asymmetrically skewed positively - the stocks we own offer high returns relative to the risks being taken!

## Disclosures

MET Collective Investments (RF) (Pty) Ltd (the "Manager"), registration number 1991/003741/07, is authorised in terms of the Collective Investment Schemes Control Act (CISCA) to administer Collective Investment Schemes (CIS) in Securities. The Manager is the manager of the MET Collective Investments Scheme, and MMI Holdings Ltd is a full member of the Association for Savings and Investment SA. Standard Bank of South Africa Limited (+27 (0)21 441 4100 PO Box 54, Cape Town, 8000) is the trustee of the scheme. Northstar MET Managed Fund is a portfolio of the MET Collective Investments Scheme and Northstar Asset Management (Pty) Ltd, registration number: 1996/001423/07, an approved financial services provider (FSP number: 601), is responsible for managing the assets of this portfolio. CIS are generally medium to long-term investments. The value of participatory interests may go down as well as up and past performance is not necessarily a guide to the future. CIS are traded at ruling prices and can engage in borrowing and scrip lending. The CIS may borrow up to 10% of the market value of the portfolio to bridge insufficient liquidity. Different classes of units apply to portfolios, which are subject to different fees and charges. A schedule of fees and charges and maximum commissions is available on request from the Manager. The Manager reserves the right to close and reopen certain portfolios from time to time in order to manage them more efficiently in accordance with their mandate. Portfolios are valued daily at approx. 15h00, latest prices can be viewed at [www.metci.co.za](http://www.metci.co.za). Forward pricing is used. Instructions must reach the Manager before 14h00 to ensure same-day value. The Manager does not provide any guarantee, either with respect to the capital or the return of this portfolio. Additional information on the proposed investment can be obtained, free of charge, at [www.metci.co.za](http://www.metci.co.za) or may be requested from the Manager.

Northstar MET Managed Fund is a third party named CIS portfolio, the assets of which are administered by Northstar Asset Management (Pty) Ltd, registration number: 1996/001423/07, a registered financial services provider, FSP number: 601. The Manager retains full legal responsibility for all third party named CIS portfolios under the MET Collective Investments Scheme.

This portfolio is permitted to invest in foreign securities which, within portfolios, may have additional material risks, depending on the specific risks affecting that country, such as: potential constraints on liquidity and the repatriation of funds; macroeconomic risks; political risks; foreign exchange risks; tax risks; settlement risks; and potential limitations on the availability of market information. Fluctuations or movements in exchange rates may cause the value of underlying international investments to go up or down. Investors are reminded that an investment in a currency other than their own may expose them to a foreign exchange risk.

The Total Expense Ratio (TER) has been calculated using data from 01 April 2014 until 31 March 2015. The TER is disclosed as a percentage of the average Net Asset Value of the portfolio that was incurred as charges, levies and fees related to the management of the portfolio and underlying portfolios. The TER does not include transaction costs. The TER is calculated quarterly but may additionally be re-calculated with effect from any significant portfolio restructurings and/or fee changes occurring. A higher TER ratio does not necessarily imply a poor return, nor does a low TER imply a good return. The current TER cannot be regarded as an indication of future TER's. Included in the disclosed TER, is a performance fee of 1.14%.

Performance is calculated for a portfolio/portfolio class. Individual investor returns may differ as a result of fees, actual date(s) of investment, date(s) of reinvestment of income and withholding tax. Annualised returns, also known as Compound Annualised Growth Rates (CAGR), are calculated from cumulative returns; they provide an indication of the average annual return achieved from an investment that was held for the stated time period. Actual annual figures are available from the Manager on request. Performance figures quoted are from Morningstar, as at 30/06/2015, for a lump sum investment, using NAV-NAV prices with income distributions reinvested on the ex-dividend date. CPI/Inflation figures, where present, are lagged by one month.

This document should not be seen as an offer to purchase any specific product and is not to be construed as advice. Investors are encouraged to obtain independent professional investment and taxation advice before investing with or in any of the Manager's products.

## Contact and other information

### Scheme

[MET Collective Investments Scheme](#)

### Custodian/Trustee

Standard Bank of South Africa Limited

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### Management company

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### Third party manager

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