



NORTHSTAR

ASSET MANAGEMENT

Northstar Met Managed Fund - March 2013

| Portfolio Information | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
|---|---|---------------|---------------|-------|--------|-------|-------|-------|----------|------|------|------|-------|-------|------|-------|------|-------|------|-------|--------------|--------------|--------------|---------------|---|---------|-------|-----------|-----------|-------|---------|-------|-----------|---------|---------|
| <p>Portfolio value: R181.6 million</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: 1st working day of July/Jan</p> | <p>2010 distribution: 4.98 cpu</p> <p>2011 distribution: 3.50 cpu</p> <p>2012 distribution: 3.68 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>Performance Fee:</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>Total Expense Ratio (TER): 1.51%</p> <p><small>Please note: the TER has been calculated using data from 1 January 2012 until 31 December 2012. 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: right;">Domestic</th> <th style="text-align: right;">International</th> <th style="text-align: right;">Total</th> </tr> </thead> <tbody> <tr> <td>Stocks</td> <td style="text-align: right;">38.0%</td> <td style="text-align: right;">22.0%</td> <td style="text-align: right;">60.0%</td> </tr> <tr> <td>Property</td> <td style="text-align: right;">1.6%</td> <td style="text-align: right;">0.0%</td> <td style="text-align: right;">1.6%</td> </tr> <tr> <td>Bonds</td> <td style="text-align: right;">24.7%</td> <td style="text-align: right;">0.0%</td> <td style="text-align: right;">24.7%</td> </tr> <tr> <td>Cash</td> <td style="text-align: right;">12.3%</td> <td style="text-align: right;">1.4%</td> <td style="text-align: right;">13.7%</td> </tr> <tr> <td>Total</td> <td style="text-align: right;">76.6%</td> <td style="text-align: right;">23.4%</td> <td style="text-align: right;">100.0%</td> </tr> </tbody> </table> | Asset Class | Domestic | International | Total | Stocks | 38.0% | 22.0% | 60.0% | Property | 1.6% | 0.0% | 1.6% | Bonds | 24.7% | 0.0% | 24.7% | Cash | 12.3% | 1.4% | 13.7% | Total | 76.6% | 23.4% | 100.0% | <p>Top 10 Equity Holdings</p> <table style="width: 100%;"> <tr> <td>Suprgrp</td> <td>Omnia</td> </tr> <tr> <td>Tesco PLC</td> <td>Brimstn N</td> </tr> <tr> <td>Anglo</td> <td>Reunert</td> </tr> <tr> <td>Sasol</td> <td>Microsoft</td> </tr> <tr> <td>Kgmedia</td> <td>Tongaat</td> </tr> </table> | Suprgrp | Omnia | Tesco PLC | Brimstn N | Anglo | Reunert | Sasol | Microsoft | Kgmedia | Tongaat |
| Asset Class | Domestic | International | Total | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Stocks | 38.0% | 22.0% | 60.0% | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
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| | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |

Annualised Performance as at 31 March 2013*

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

| | 1 year | 2 years | 3 years |
|------------------|--------|---------|---------|
| Fund | 16.95% | 10.49% | 10.36% |
| Benchmark | 10.56% | 10.50% | 9.97% |

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 - March 2013

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

Our clients at Northstar have enjoyed accurate positioning with respect to trends that have prevailed within markets over the last 5 years, namely the re-pricing of companies with secular earnings streams versus more cyclical businesses; being exposed to offshore developed market equities and having hard currency exposure.

Industrial franchises have heavily outperformed commodity companies in SA and this has been a global trend. Over the past 5 years, the JSE Resources Index has returned an annualized -3.4% versus the 19.5% annualized return from Industrials. This trend has remained intact in 2013, with Industrials up 10.6% and Basic Materials down 7.3%.

Much of the re-pricing of "steady stream earnings companies" is logical and has been efficient by the market, earnings have been very strong in this space, with high levels of positive earnings surprises. Against this, commodity companies have been under the whip with lower commodity prices, higher input prices and in certain cases, poor capital allocation by specific management teams. Anglo American being the most noteworthy with respect to poor use of capital, they have also had to endure high levels of political interference that has prevented rational business decisions. Consequently, many commodity companies have missed earnings estimates by analysts or been pairing back the market's profit expectations.

Although we concur with the market's efficiency in respect of the above mentioned trade, we must confess to believing that various domestic commodity counters look cheap, this by most standardized measures. We also sense that a herd mentality has set-in within this space; with the view that commodities will perpetually underperform industrials and that industrial companies are risk free trades. The ability (as we have just seen from SAB in the last week) for blue chip industrials to raise debt capital at extremely low rates is fuelling this "risk-free trade" perception.

Over the long-term, our favoured positioning in our portfolios is to own companies with regular earnings streams. This we consider imperative, as our style is not to trade in and out of the market, but to instead, hold onto companies where profitability can be measured and relied on with a degree of regularity.

Currently though, we are marginally reducing exposure to certain of our core large-cap industrial holdings where their prices and valuations have reached stratospheric levels and we are selectively purchasing commodity stocks where depressed prices offer us an opportunity over a five year view. Our main purchases have been of Anglo American and the platinum counters.

SA listed platinum operators are certainly facing severe headwinds at present, but it is worth noting that palladium and platinum are two of the only commodities that have shown positive price gains in dollar terms, year to date. As we have mentioned previously in our commentaries, platinum is one of the only commodities/precious metals, where South Africa has the ability to control the supply to the market. Since the labour disputes of 2012, production has been lost in the industry, resulting in the market swinging from oversupply to being undersupplied. The price reacted accordingly. Further permanent production cutbacks are likely if the industry is allowed to restructure as planned – that is if political intervention does not wreck havoc.

We favour Anglo American Plc as it is well represented by underlying commodity exposure which is 'late cycle' in nature. What this means, is that it contains commodities in its portfolio which will re-price later during the commodity cycle. Diamonds and platinum being the most obvious, these do well when industrializing nations begin to redirect their economies towards consumerism.

The Northstar Met Managed fund continues to retain cash which we believe will allow us the luxury of purchasing select counters when the market retreats. We have for a while felt that the heady heights from a rating perspective which is present in our market, will be unsettled by valuation concerns, this seems to have started in April.

Some of this cash we aim to deploy in mid cap opportunities we are in the throws of researching. Again this comes down to committing the cash only when we deem prices to be at fair levels – even these mid cap companies are not dripping roasts, but it is true that they have not all been pushed as hard and as high as certain of the large cap industrials.

Our standard response to clients is that greed is pervasive at present and patience is lacking. We are at the cold face of markets and are constantly assessing the valuations of the opportunity set at our disposal (the SA listed universe and large-cap global stocks); we believe that cash is to some extent a default option rather than a value trap. On a stock-by-stock basis we will be selectively purchasing companies when their prices fall below their actual intrinsic values. For many industrial companies at the moment, this is not the case.

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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