



NORTHSTAR

ASSET MANAGEMENT

Northstar Met Managed Fund - March 2014

Portfolio Information			
Portfolio value:	R370.3 million	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:	13h00
Date of income payment:	2nd working day of July/Jan		

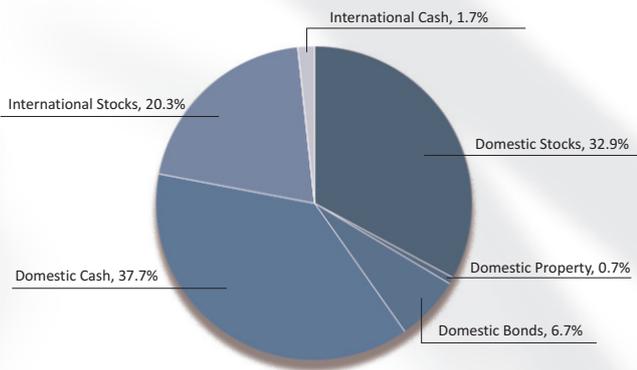
Performance Fee:

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:	A 1 Class:
Annual Management Fee (incl. VAT)	1.54%	Annual Management Fee (incl. VAT) 1.54%
Performance Fees	0.78%	Performance Fees 1.08%
Other costs	0.04%	Other costs -0.09%
Total TER	2.36%	Total TER 2.53%

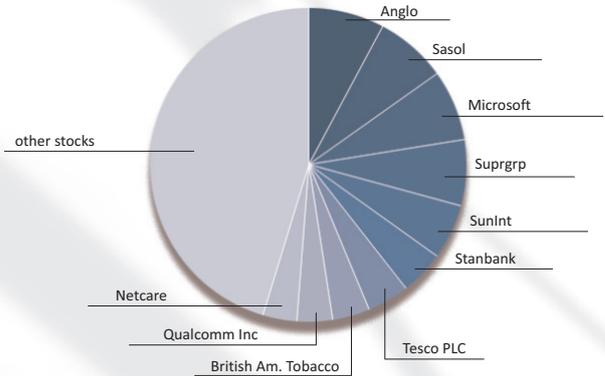
Please note: the TER has been calculated using data from 1 January 2013 to 31 December 2013. The TER is disclosed as a percentage of the average Net Asset Value of the portfolio that were incurred as charges, levies and fees related to the management of the portfolio. The TER is adjusted for significant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

Asset Class	Domestic	International	Total
Stocks	32.9%	20.3%	53.2%
Property	0.7%	0.0%	0.7%
Bonds	6.7%	0.0%	6.7%
Cash	37.7%	1.7%	39.4%
Total	78.0%	22.0%	100.0%



Top 10 Equity Holdings

Anglo	Stanbank
Sasol	Tesco PLC
Microsoft	British Am. Tobacco
Suprgrp	Qualcomm Inc
SunInt	Netcare



Annualised Performance

as at 31 March 2014*

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

	1 year	2 years	3 years
Fund	16.99%	16.97%	12.62%
Benchmark	11.21%	11.18%	11.26%

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



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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

2014 has, to date, been a good period of absolute and relative performance for the Northstar Met Managed Fund and we ascribe this to the following:

Firstly, the high flying stocks and their respective sectors in 2013 have, in general, tapered off in 2014. We do not own many of these companies as we consider them to be overvalued.

Secondly, basic materials and in particular the subsector 'Mining', which delivered returns of less than 60% of the ALSI over the past year, has had an outstanding first three months of 2014. We have exposure to selected companies in this space.

Thirdly, inter-month market volatility has been high and this has required nimbleness. Our complete obsession with the concepts of 'value' versus 'price' and embedding a 'deep margin of safety' into our entry prices usually results in long waiting periods to get into a company (we are stingy with what we are willing to pay). Once invested, we are patient in waiting for the stock to reach our intrinsic value or exit price.

Following the above-mentioned approach usually leads to low levels of trading in our fund. However, in the last few months, individual stock price volatility has been so high that our predetermined and conservative entry and exit prices are often being activated within days, as opposed to months or years. This has resulted in a few opportunities to make unexpected returns, although we stress that our conventional approach is low on trading activity and high on research activity!

Some comment must be made about the current asset allocation in our fund. As our clients are aware, we set hurdle rates (expected minimum returns) for each major asset class as well as hurdle rates for specific instruments within those larger asset classes. We calculate the level of return (hurdle rate) we demand on each instrument by accounting for the risk we believe our investors face within that asset class or instrument. Whilst we must acknowledge that few SA asset classes currently satisfy our hurdle rate returns, the above mentioned price volatility has been pervasive across asset classes and has led to hurdle rates being met at times, which has allowed for opportunistic investing.

As an example, we purchased SA bonds at the end of January and at this point in time, the R2048 was trading at a yield of 9.39% and the R214 at 9.34%. Based on our proprietary fixed income models, these instruments offered excellent entry points. We viewed the curve as incorrectly shaped at the time of purchasing these bonds, with rates anticipated to rise. Our view was that the curve would flatten as the short-end would lift relative to the long end.

The sudden SARB rate hike this year accelerated this change in shape of the curve, leading to a windfall gain for our bonds. Longer duration bond yields rallied even faster and with more intensity than we had anticipated based on all our modeling work, giving us an excellent opportunity to take profits on both of these bonds. We sold the R2048 at a yield of 9.03% and the R214 at a yield of 8.90% which led to a welcome return of 5% on the R2048 and 6% on the R214 in less than two months.

We have continued to actively bid at bond auctions for both inflation-linked bonds and nominal bonds, but we are very demanding with respect to our required entry yield (we want a low enough price with a deep margin of safety) before we take on exposure. Yields are too low at present and we have, consequently, not added any further bond exposure. We are however, actively monitoring this space should opportunities arise.

With respect to property exposure, we believe that in general, SA property companies are being overvalued relative to government bonds. We do not think the market has adequately accounted for the lower distribution growth (single digit distribution growth) over the last few years, from SA property companies. We view the discount yield to SA bonds as largely unwarranted and our base case return expectation for most of the property stocks does not meet our expected hurdle rates. As such, we have close to zero property exposure in the Northstar Met Managed Fund.

As far as our equity weighting in the fund is concerned, having driven exposure to close to 60% in the last few months, our weighting has subsequently declined as we are being forced to exit companies whose share prices are exceeding their intrinsic values. In past fund fact sheets, we have made reference to our findings that many of the quality companies on the JSE trade above their intrinsic value and this view has not changed. A side-effect of the market's obsession with big and blue is that it is underpricing other quality, but second tier companies. We have been able to acquire some of these businesses at healthy discounts to our view of their true worth over the last quarter.

In conclusion, most SA asset classes are not well priced, but price volatility is presently high. We are long-term holders of assets, but the extent to which price gyrations are occurring is enabling us to make money for our clients as we diligently apply our process.

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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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