met
collective investments

MET Managed Fund

May 2012

The management team of this fund changed on 01 August 2011.

Fund Managers

PSG Asset Management

Neels van Schaik

B.Com (Econ) (Stel); CFA

Adrian Clayton

B.Soc Sc. (UCT); PDM (UCT); MBL (UNISA)

Portfolio Information

Portfolio value:	R126.5million
Original buying price:	95.00 cents
Minimum Investment:	R5 000 lump sum or R500 monthly debit order
Manager's upfront charge (max):	0.00% (incl. VAT)
FSP upfront comm (max):	0.00% (incl. VAT)
Annual service fee:	1.54% (incl. VAT)
Formation date:	13/02/1998
Date of income declaration:	31 Dec/30 June
Date of income payment:	7 Jan/7 July
2010 distribution:	4.98 cpu
2011 distribution:	3.50 cpu
Benchmark:	CPI + 5% over a 2 year rolling period
Risk:	Moderate
Fund Classification:	Domestic Prudential Variable Equity
Valuation and Transaction time:	15h00

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 and high water mark 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: 1.83%

Please note: the TER has been calculated using data from 1 April 2011 until 31 March 2012. The TER is disclosed as % of the average Net Asset Value of the portfolio that were incurred as charges, levies and fees related to the management of the portfolio and underlying portfolios. 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.

Investment Objective

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

Asset Allocation

	Current	Benchmark
Domestic Stocks	31%	55%
International Stocks	19%	14%
Total Stock Exposure	50%	69%
Preference Shares	0%	0%
Property	0%	0%
Domestic Bonds	4%	10%
Domestic Cash	43%	10%
International Cash & Other	3%	11%
Total Fixed Income Exposure	51%	31%

Top Holdings

Tesco PLC	5.2%
Supergroup	4.3%
Anglo American	4.1%
Steinhoff International Holdings	3.7%
Sasol	3.5%
Kagiso Media	3.5%
Microsoft	2.9%
MTN Group	2.3%
Brimstone	2.1%
Encana	2.0%

Annualised Performance

as at 31 May 2012

	Fund	Benchmark
1 year	2.86%	10.75%
3 years	7.11%	10.22%
5 years	4.01%	11.98%

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.

Deposits can be made at any ABSA Bank

Account Number:	360 000 931
Bank Code:	31 21 09
Bank:	ABSA
Please fax deposit to:	(021) 940 4856

Custodian: Standard Executors & Trustees: Tel (021) 401-2286. MET Collective Investments Limited Parc du Cap Mispel Road Bellville, PO Box 925 Bellville 7535 Tel (021) 940-5981

Fax (021) 940-5885 Call Centre, Tel: 0860 100 279 Registration No 1991/03741/06.

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Fund Managers Commentary

The ongoing game of Russian roulette that Germany is playing has caused absolute havoc in financial markets recently, with US and German stock markets losing 6% and 7% respectively during May, in local currency terms. Domestic industrial stocks have experienced a marginal de-rating and are still trading close to record high valuations in some instances.

Prices of global cyclical companies have been under the most pressure as the sustainability of their profits is questionable in the current environment where Chinese economic growth is slowing down and the European Currency Zone in its current form is unstable and it could even be argued, is teetering on the brink of collapse.

There has been a relatively muted 4% sell-off in the domestic market at a headline index level since the recent high in early-May, but this belies the serious collapse in various areas of the market, particularly diversified miners. Anglos has lost 26% of its market value since mid May. The temptation is to constantly seek buying opportunities in the quality domestic franchises, particularly the industrial large cap companies and use market pull-packs to acquire these businesses, but unfortunately, when stock prices are compared to the long term earnings power of the underlying companies, the valuations are not looking that compelling. There is clear value emerging in the Resource sector, but the potential for it to become a medium-term value trap cannot be understated.

We are confident that the best approach to long-term wealth creation is for investors to own high quality industrial companies with strong competitive market positions that reinforce their moats over time. Fortunately, South Africa has no shortage of good quality industrial businesses that have been around in various forms for many decades and in many instances are run by world class management teams. As mentioned above, most of these companies are overvalued at current prices and because of this, the fund is cash flush in anticipation of finding attractive entry levels in the companies we want to own.

One mistake we made in the past when opportunities were scarce was to invest in lower quality opportunities that looked ostensibly cheap in what was at the time an overvalued market. These low quality investments lived up to their low quality status when the market collapsed in 2008. We will avoid repeating this mistake!

The fund is maintaining its high exposure to offshore stocks, despite the economic and political chaos in Europe. Our reasoning here is that in general, most developed market companies are already reflecting dire economic conditions in their share prices and not much improvement is required for these companies to deliver significant returns. The large capitalization quality businesses offshore have already delivered very good returns over the last twelve to eighteen months but given their superior business models, we believe they will continue to go from strength to strength.

Approximately 4.4% of the fund is retained in bonds, with most of the exposure in inflation-linked bonds. We will look to add to shorter maturity government and corporate bonds at the appropriate yields.

In conclusion, the fund is conservatively positioned but is exposed to the correct mix of assets based on our view that these investments stand the best chance of delivering sound inflation beating returns over time. Exposures do take account of the current global turmoil but not in an unbalanced fashion. We remain firmly of the view that that this fund is designed for long term investors, and we own assets based on their valuations taking account of their long-term earnings power as against the sentiment and fear nuances represented in markets right now.

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