

## Investment Objectives and Strategy

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 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.

## Fund Statistics

Inception Date	1998/03/01
Manager Inception	2011/11/01
Fund Size	R 478 699 769
NAV	2.01
Ticker	METP
Benchmark	CPI +5%
ASISA Sector	SA MA High Equity
Risk & Investment Term	Moderate, 3yrs - 5yrs
Portfolio Manager	Northstar Investment Team
Annual Management Fee	1.54% (incl. VAT)
Manager's Upfront Charge (max)	0% (incl. VAT)
FSP Upfront Comm (max)	3.42% (incl. VAT)
Total Expense Ratio (TER)	3.58
Date of Income Declaration	30 Jun / 31 Dec
Minimum Lumpsum Investment	R10 000
Minimum Monthly Investment	R500
Valuation Time	15h00
Transaction Time	14h00

## 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:	
Ann. Man. Fee	1.54%	Ann. Man. Fee	1.54%
Performance Fee	1.71%	Performance Fee	1.69
Other Costs	0.05%	Other Costs	-0.08%
<b>TOTAL TER</b>	<b>3.30%</b>	<b>TOTAL TER</b>	<b>3.15%</b>

Please note: the TER has been calculated using data from 1 October 2013 to 30 September 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 futu...

## Investment Growth Since Manager Inception

Time Period: 2011/11/01 to 2014/11/30



	YTD	1 Year	2 Years (ann)	Manager Inception (ann)
Northstar MET Managed A	5.8	7.5	14.1	13.5
CPI +5%	10.7	11.2	11.0	11.0

## Risk Statistics Since Manager Inception

Time Period: 2011/12/01 to 2014/11/30

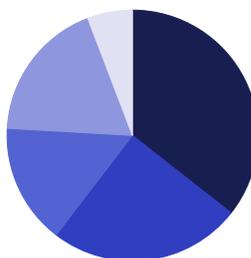
	Fund	ASISA Sector
Std Dev	4.8	5.3
Sharpe Ratio	1.7	1.6
Up Period Percent	86.1	77.8
Max Drawdown	-1.9	-3.5

## Income Distribution

Date	Class A	Class A1
2012/01/03	1.21 cpu	-
2012/07/02	1.93 cpu	1.03 cpu
2013/01/03	1.75 cpu	1.83 cpu
2013/07/01	1.65 cpu	1.71 cpu
2014/01/02	0.67 cpu	0.73 cpu
2014/07/01	0.09 cpu	0.08 cpu

## Asset Allocation

Portfolio Date: 2014/11/30



	%
Domestic Equity	35.6
Domestic Bonds	24.8
Domestic Cash	15.5
Foreign Equity	18.3
Foreign Cash	5.8
<b>Total</b>	<b>100.0</b>

## Top 10 Equities

Standard Bank	4.8%
British Am. Tobacco	4.0%
Sun International	3.9%
Sasol	3.5%
Anglo American PLC	2.9%
Illovo	2.8%
MTN Group	2.3%
Ericsson LM ADR	2.2%
Chase Manhattan Group	2.1%
Supergroup	2.1%
<b>TOTAL</b>	<b>31.2%</b>

## Regulation 28 Compliance & Intended Maximum Limits

Compliant	Equity	Property	Equity & Property	Foreign	Africa	Cash	Debt
YES	75%	15%	90%	25%	5%	50%	50%

### Investment Philosophy

'Long-term exposure to quality assets where value exceeds price' - Northstar Asset Management's investment philosophy drives our investment process which involves undertaking rigorous domestic and offshore screening 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 have calculated to be their true worth.

### 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 Collective Investments (RF) (Pty) Ltd, 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 0.15%  
Northstar Asset Management: Up to 1.00%  
Distributor/LISP: Up to 0.25%  
**Total Management Fee: 1.35%**

### Contact Details

**Custodian:**  
Standard Executors & Trustees: Tel 021 441-4100

**Administrator:**  
MET Collective Investments, 268 West Avenue,  
Centurion, 0157; PO Box 7400, Centurion, 0046  
Call Centre Tel: 0860 111 899, Fax (012) 675-3889  
Email: ci.clientservice@momentum.co.za  
Registration No: 1991/03741/06

**Fund Manager:**  
Northstar Asset Management  
Tel: 021 810-8400  
Email: admin@northstar.co.za  
Address: Suite 1A, Ground Floor, Madison Place,  
Alphen Office Park, Constantia Road, Constantia,  
7806

### Deposit Details

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: First National Bank  
Please fax deposit slip to: (012) 675 3889  
or email to: ci.clientservice@momentum.co.za

### Monthly Commentary

The benefit of a long stay in markets is that cycles can be observed and this can act as a platform for decision making. Being privy to cycles can also lead to an investment style that at times can be perceived to be too cautious.

2014 has been an interesting year for our investment team at Northstar, our equity mandates have performed superbly, we have picked stocks well and worked tirelessly to be positioned in places in the market where we deem risks lower and where share prices do not reflect what we calculated companies to be worth. Our fixed income calls have been rock solid too!

In the beginning of 2014, we were contrarian, deciding to be exposed to bonds and at the long end of the curve. This worked well, bonds rallied hard and we subsequently de-risked by shifting exposure to shorter-term instruments. We also avoided African Bank due to sound credit work; our funds are presently not exposed to Edcon debt, paper that concerns us. Our property call has been less impressive. At the start of 2014, we felt that property companies were too richly priced, our main fear being the wide yield gap between bonds and property, which we viewed as unjustified as property distributions were too low. As the year unfolded, property rallied hard as bonds rallied and the yield gap remained intact, our thesis has thus not unfolded yet!

Long stays in markets also teach us that hard work is not always rewarded each year - it is not a linear pay-off. We worked incredibly hard in 2014, but our work-reward pay-off in our Reg. 28 fund was low. We ascribe this to one overriding outcome from our bottom-up work - the majority of companies that we have analyzed have been trading above what they are worth. Consequently, we could not fill our fund with enough equity exposure in South Africa - we ran a very light equity position throughout 2014. We also chose to be overweight offshore equities versus domestic equities. Considering the SA market returned more than 11% year-to-date, our positioning detracted from performance.

It is imperative to assess performance critically and to understand what proportion of returns originates from style as against errors. One way of addressing this is to ask the question: 'If we faced the same set of variables again, would we make the same decisions?' We can affirm that our decision making in 2014 was consistent with our long-term investment style and congruent with the rules which we set for ourselves when investing our client's capital. Our goal is to deploy capital to assets where the price is lower than our calculated value, where quality is high and returns predictable. Most stocks on the JSE in 2014 simply did not cover all three criteria to a degree that gave us peace of mind that we could invest our client's capital with a real sense of capital preservation.

In conclusion, we have undertaken 'bear case' and 'fair value' scenarios on all the companies which are held within the Northstar Met Managed Fund. From this analysis, it is quite apparent that the fund contains companies which are worth substantially more than their current prices. The late-year sell off in markets, more in tone with what we had anticipated to occur throughout the year has also created opportunities to selectively acquire assets. This stands in stark contrast to a year where we have watched overvalued company share prices march higher!

### Disclaimer

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