



NORTHSTAR
ASSET MANAGEMENT

Northstar Met Managed Fund - October 2013

Portfolio Information																																					
Portfolio value:	R290.8 million																																				
Original buying price:	95.00 cents																																				
Minimum Investment:	R10 000 lump sum or R500 monthly debit order																																				
Manager's upfront charge (max):	0.00% (incl. VAT)																																				
FSP upfront comm (max):	3.42% (incl. VAT)																																				
Annual management fee:	1.54% (incl. VAT)																																				
Formation date:	01 / 03 / 1998																																				
Date of income declaration:	30 June / 31 Dec																																				
Date of income payment:	2nd working day of July/Jan																																				
Performance Fee:	<p>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.</p>																																				
Total Expense Ratio (TER):	<p>Northstar MET Managed Fund: 1.53% Northstar MET Managed Fund A1: 1.42%</p> <p>Please note: the TER has been calculated using data from 1 July 2012 to 30 June 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.</p>																																				
<table border="1"> <thead> <tr> <th>Asset Class</th> <th>Domestic</th> <th>International</th> <th>Total</th> </tr> </thead> <tbody> <tr> <td>Stocks</td> <td>39.7%</td> <td>20.5%</td> <td>60.2%</td> </tr> <tr> <td>Property</td> <td>1.0%</td> <td>0.0%</td> <td>1.0%</td> </tr> <tr> <td>Bonds</td> <td>5.0%</td> <td>0.0%</td> <td>5.0%</td> </tr> <tr> <td>Cash</td> <td>30.6%</td> <td>3.2%</td> <td>33.8%</td> </tr> <tr> <td>Total</td> <td>76.3%</td> <td>23.7%</td> <td>100.0%</td> </tr> </tbody> </table>	Asset Class	Domestic	International	Total	Stocks	39.7%	20.5%	60.2%	Property	1.0%	0.0%	1.0%	Bonds	5.0%	0.0%	5.0%	Cash	30.6%	3.2%	33.8%	Total	76.3%	23.7%	100.0%	<p>Top 10 Equity Holdings</p> <table border="1"> <tbody> <tr> <td>Anglo</td> <td>Stanbank</td> </tr> <tr> <td>Sasol</td> <td>Kgmedia</td> </tr> <tr> <td>Microsoft</td> <td>British Am. Tobacco</td> </tr> <tr> <td>Tesco PLC</td> <td>MTN Group</td> </tr> <tr> <td>Suprgrp</td> <td>ING Groep NV</td> </tr> </tbody> </table>			Anglo	Stanbank	Sasol	Kgmedia	Microsoft	British Am. Tobacco	Tesco PLC	MTN Group	Suprgrp	ING Groep NV
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Annualised Performance
as at 31 October 2013*

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



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 - October 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 investment team at Northstar is quite intrigued by the extent to which 2013 has hatched large numbers of experts on the topics of QE, tapering and prospective central bank interest rate changes.

We feel that we have no insight into the ebb and flow of central bank thinking. Let's take the latest 25bp ECB rate cut (0.5% to 0.25%, which occurred on the 7th of November 2013) as an example - this was not expected by most talking heads and was, undoubtedly, a surprise to markets in general. We are firmly of the opinion that rate prognostication is a waste of time and we have yet to encounter anyone who has demonstrated any form of consistency in either minor or major macroeconomic forecasting.

It is for this very reason that we choose to focus our attention and efforts on two key productive tasks, both of these are measurable and will, ultimately, drive long-term performance for our clients.

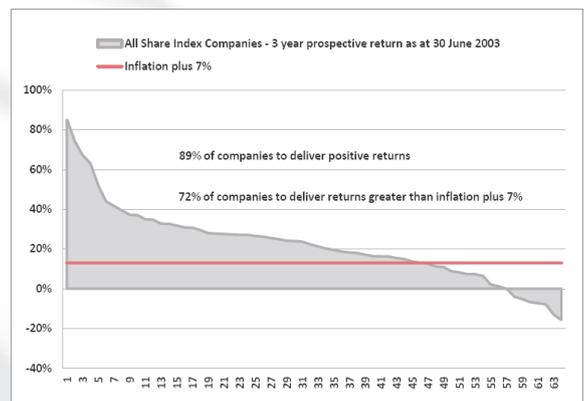
The first is top-down asset allocation. We do not discount the importance of macroeconomic shifts on investment decisions and hence investment returns, but we choose to adopt a logical framework that leads to quantifiable outputs as opposed to guesswork. Hence, instead of playing interest-rate-Russian-roulette, we undertake simple scenario analysis. We take each asset class and value it using current inflation and interest rate levels and then adjust these valuations based on a scenario where interest rates surprise on both the upside and the downside. We then create a template of outcomes for each asset class – a white swan (best case scenario), a fair value (most likely scenario) and a black swan (worst case scenario). In so doing, we come to understand which asset classes offer a 'margin of safety', even if market consensus on rates is wrong. Approximately 10% of our time is allocated to top-down scenario planning.

The second task is detailed research which is instrument-specific. We analyze anything that captures our attention, but most of our research is into corporate bonds, parastatal bonds, preference shares, property instruments and equities with common equity being the most researched area for Northstar. Our goal is simple - to understand, in detail, what we are investing in on behalf of our clients. This focuses on potential rewards relative to the risks being taken. Approximately 90% of our time is allocated to proprietary bottom-up research.

With this in mind, we thought it would be illuminating to conclude this month's commentary with a graphical depiction of why we have allowed our equity exposure within our fund to slowly drift lower. These two attached graphs emanate from our proprietary (Northstar produced) screens which provide an idea of prospective returns that investors could enjoy from stocks for the three years ahead.

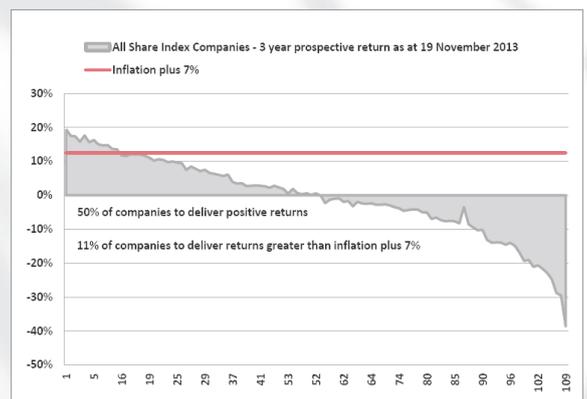
The graphs relate to two periods - the first is 2003, the second is current. Based on the first graph, which is a prospective returns screen in 2003, these observations could have been made at the time:

- We have a sample group of 63 companies.
- 89% of these companies should produce positive three-year annualized returns.
- 72% of these companies should produce three-year annualized returns which will exceed inflation plus 7%.
- The best performing stock should produce three-year annualized returns of approximately 80%.
- The worst performing stock should produce three-year annualized returns of approximately -18%.
- The accumulative positive returns exceed the accumulative negative returns; the shaded area above the x-axis exceeds the shaded area below the x-axis.
- Based on these odds, there was little doubt that future returns were likely to be exceptional and heavily in favour of equity investors in 2003!



Based on the second graph, which is a current prospective returns screen (2013), the following observations can be made:

- We have a sample group of 109 companies.
- 50% of these companies should produce positive three-year annualized returns.
- 9% of these companies should produce three-year annualized returns which will exceed inflation plus 7%.
- The best performing stock should produce three-year annualized returns of approximately 20%.
- The worst performing stock should produce three-year annualized returns of approximately -40%.
- The accumulative negative returns exceed the accumulative positive returns; the shaded area below the x-axis exceeds the shaded area above the x-axis.
- Based on these odds, there is a real chance that equity returns will disappoint investors with high expectations in the three years ahead. However, careful stock selection should still produce positive nominal returns over a three year period.



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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