Metropolitan Absolute Provider Portfolio

September 2011

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:	R44.99 million
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):	3.42% (incl. VAT)
Annual service fee:	1.14% (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:	2.29 cpu
Benchmark:	CPI + 5%
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) of 10% p.a. on a high water mark principle. 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: 1.36%

Please note: the TER has been calculated using data from 1 July 2010 until 30 June 2011. 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

In selecting securities for this portfolio, the Manager seeks, where possible, positive returns regardless of stock market and bond market trends.

Asset Allocation

	Current	Benchmark
Domestic Stocks	38%	55%
International Stocks	0%	14%
Total Stock Exposure	**38%**	**69%**
Preference shares	0%	0%
Property	0%	0%
Domestic Bonds	1%	10%
Domestic Cash	56%	10%
International Cash & Other	5%	11%
Total Fixed Income Exposure	**62%**	**31%**
	100%	100%

Top Holdings

Anglo	5.41%
Sasol	4.60%
Standard Bank	4.55%
Steinhoff	4.16%
Billiton	3.69%
Kagiso Media	3.63%
Reunert	3.31%
Tongaat	2.53%
EOH	2.46%

Annualised Performance

as at 30 September 2011

	Fund	Benchmark
1 year	1.64%	9.13%
3 years	4.13%	11.07%
5 years	5.30%	11.95%

Investment Strategy

The Metropolitan Absolute Provider Portfolio will be a portfolio investing in selected securities, non-equity securities, assets in liquid form and will make use of derivatives to reduce risk that a general decline in the value of stock and bond markets may have on the value of the portfolio. The portfolio may also invest in participatory interests and other forms of participation in portfolios of collective investments schemes, registered in South Africa and other similar schemes operated in territories with a regulatory environment which is to the satisfaction of the manager and trustees of a sufficient standard to provide investor protection at least equivalent to that in South Africa and which is consistent with the portfolio's primary objective. In selecting securities for this portfolio, the Manager seeks, where possible, positive returns regardless of stock market and bond market trends. Depending on the view of the Manager the portfolio may vary the combination of assets as well as being fully invested in any of the above-mentioned securities, subject that the portfolio investment limitations will be in line with the investment structure of a retirement Portfolio and that the portfolio adhere to the statutory investment limitations. It is anticipated that the listed securities would mainly be large cap securities. The use of derivative strategies will be pursued actively and will only be limited by the statutory limitations placed on the inclusion of financial instruments in portfolios.

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. Metropolitan 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

Benjamin Graham in his seminal work on investing called “The Intelligent Investor”, cautions that price fluctuations on the stock market serves long-term investors only to the extent that they should buy wisely when stock prices drop significantly and sell stocks only when prices rise above what is deemed to be fair value of the businesses they are invested in. Investors therefore gain nothing from worrying about the day to day fluctuations in stock prices. September was a month of heightened price volatility for most asset classes as markets continue to grapple with an increased recession risk in developed economies and the impact that sovereign debt defaults can have on the global banking system. There is also clear evidence that Chinese monetary tightening is starting to have the desired impact on Chinese property prices and artificial investment demand in various parts of the Chinese economy. How this plays out is uncertain though and basing investment decisions on any extreme outcome in this regard is to say the least, unwise.

Our strategy has always been to buy companies where ratings are fair to cheap, and where growth prospects are reasonable based on sound industry dynamics. We have not applied too much attention in the past to whether the US and/or Europe is going into a recession, or any other macro factors. We intend staying our course of being micro, bottom-up managers rather than macro orientated as this simple strategy is what we believe in and it has served investors in the fund well over the last twelve years.

Your fund has held considerable levels of cash these past eighteen months as the opportunities for reasonable returns in the domestic market have been fairly limited. Even after the recent stock market correction, big parts of the domestic financial and industrial universe are not offering significant value. We feel that off current levels, investors will continue to find it difficult to achieve returns significantly above inflation over the next few years.

The rand depreciated in excess of fifteen percent against the dollar during September and although it has aided the fund’s performance, its fall is probably too much too soon. The PSG Balanced fund, being almost at its full allowable offshore exposure, enjoyed strong tailwinds during this mini currency collapse, but we must warn that we would not be surprised to see the rand make a come-back and this will curtail fund gains in the short-term. Although rand weary, we will not reverse our current large offshore position as we believe that the companies that we are invested in offshore are undervalued and will outperform domestic stocks on a five to ten-year investment horizon.

Our ownership of bonds in the fund has been limited. Given the steepness of the yield curve and where we are in the interest rate cycle we remain cautious on bonds in general as an asset class. That said, there are some bond maturities that are starting to look more attractive now that yields have shifted higher, particularly when one compares these yields to cash.

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