IMARA INVESTING IN AFRICA

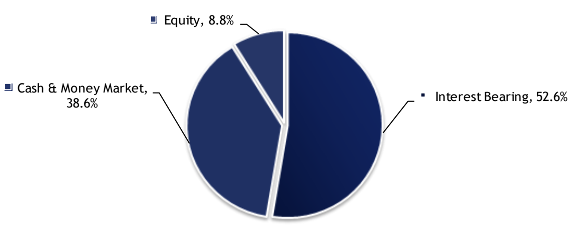
Asset Management

Title	Imara MET Income Fund
Edition	Monthly
Region	South Africa
Date	31 December 2013
Issued by	Imara Asset Management SA (Pty) Ltd

Key Information

Forward Yield	6.78%
Price as at 31 December 2013	97.21 cents
Original Buying Price	95.92 cents
Portfolio Value	R 120.2m
Managers upfront charge (max)	0.00%
Advisors upfront comm. (max)	3.42% (incl. VAT)
Annual Service Fee	0.86% (incl. VAT)
Benchmark	3-Month Stefi (Call Deposit Index)
Launch Date	15 April 2013
Date of Income Declaration	31Mar/30Jun/30Sept/31Dec
Date of Income Payment	2nd working day of Apr/Jul/Oct/Jan
2013 Income Distribution	2.47 cpu
Risk Profile	Conservative
Valuation Time	15h00
Transaction Time	13h00
Fund Classification	SA Multi Asset Income
Portfolio Manager	Atlantic Asset Management
Performance Fee	None
ISIN Code	ZAE100176905

Asset Allocation as at 31 December 2013



*Performance: 15/04/2013

	FUND	B/MARK
Since inception (cumulative)	2.63%	3.54 %

Portfolio Objective

The **Imara MET Income Fund** is an enhanced income portfolio. The investment objective of the portfolio is to provide investors with a high level of income combined with capital preservation.

Investment Strategy

The fund will invest in equity and non-equity securities, fixed interest instruments (including, but not limited to, bonds, corporate bonds, inflation linked bonds, convertible bonds, cash deposits, money market instruments and assets in liquid form), debentures, preference shares and property securities as well as any other income enhancing securities which are considered consistent with the portfolio's primary objective and that the Act may allow from time to time.

Equity exposure will be limited to a maximum of 10% of the portfolio. The manager may also include forward currency, interest rate and exchange rate swap transactions for efficient portfolio management purposes. The Manager may include participatory interests in other local and global collective investment schemes with a sufficient regulatory environment.

Managers Comment

Most asset classes delivered better performance in December, with equities outperforming all other asset classes, with the ALSI returning 2.98%. The bond market though ended in positive territory with the ALBI returning 1.13%. But even with this strong performance into year-end, the ALBI returned a mere 0.6% Total Return in 2013, stemming from bond yields that backed up in the order of 130bp during the year. This was the lowest return for local bonds since the -1% return for 2009 and the third lowest return since -8.9% in 1994. So certainly a year to forget as far as bonds were concerned. By comparison the CILI returned +0.9% with cash at 5.3%. So in the fixed income space it was a case of cash was king.

The question is whether that will continue to be the case for 2014?

We do not expect that another backup in yields to the same extent will occur, and have a much more neutral view on the level of bond yields at current levels between 8% and 8.5%. In particular given the inflation outlook. So unless we see a major deviation in the inflation outlook to the upside (most likely, if it occurs, due to a currency weakening) we do not expect the bear market in bonds to be as bad as it was in 2013. So given income yields in the order of 8%, we certainly expect to see overall positive returns for the 2014 year.

The key driver of course looking ahead will be the US situation, where recent data showed further evidence of an improving US economic outlook, and Treasury yields continued ticking north (the 10-year broke the 3% level) fuelled by the Fed announcement of the tapering its QE program starting in January. Many economists are now starting to lift their US GDP forecasts citing headwinds that held back the economy over the past four years have mostly dissipated, and have turned in to tailwinds in some cases. This will be US dollar supportive and of course makes the outlook for the Rand uncertain at best.

So in all we will continue to play the risks we see on a tactical basis (i.e. relatively short term) rather than a longer term strategic perspective. Our "window of opportunity" trade is certainly pretty much over, but despite that we are not inherently bearish, but find ourselves now in a more neutral zone for the time being. As such we do not envisage in the short term a major shift in asset allocation, but anticipate that as yields change we will enter a more active trading stance. Where permissible we will also hedge out property exposure, but expect the core assets to remain in floating rate exposure.

Top Holdings - 31/12/2013

Grindrod Bank Ltd	7.32%	FSR NCD	3.36%
Investec Call Account	7.36%		
EQS	4.17%		
Grindrod Flexible	3.48%		

met collective investments

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December 2013

Total Expense Ratio (TER)

	Class A
Portfolio ongoing fee	0.75%
Portfolio costs	-0.03%
TER - excluding performance fees	0.72%
Performance fees	0.00%
VAT	0.10%
Total TER - incl VAT	0.82%

Please note: the TER has been calculated using data from 1 October 2012 until 30 September 2013. 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.

FAIS Conflict of Interest

Please note that in most cases where the FSP is a related party to Imara Asset Management Pty (Ltd) and MET, Imara Asset Management Pty (Ltd) and/or the 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 ranges anything between (excl VAT):

MetCI	Imara Asset Management Pty (Ltd) and Portfolio Manager	Distributor	LISP	Service Fee (Excl. VAT)
Up to 0.30%	Up to 0.45%	0.00%	0.00%	0.75%

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Deposits can be made at any First National Bank

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Account Number:	623 614 33784
Bank Code:	253 145
Bank:	First National Bank
Please fax deposit slip to:	(012) 675 3889

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