

# Novare Income Fund - A1

Minimum Disclosure Document

As at 31 May 2019

## INVESTMENT OBJECTIVE

The portfolio aims to preserve capital over the long-term, combined with a high level of income while minimising the volatility of investment returns in the short-term.

## INVESTMENT POLICY

A collective investment scheme ("CIS") can be described as an investment vehicle that allows investors to pool their money into a portfolio, sharing in the risk and return of the portfolio, in proportion to their participatory interest in the scheme. The portfolio is a conservatively managed portfolio. The portfolio's equity exposure will be limited to a maximum of 10%. The portfolio's property exposure will be limited to 25% (including international property). In order to achieve its objective, the portfolio will invest in a broad spectrum of South African and offshore securities. The investments to be included in the portfolio may comprise a combination of securities, such as assets in liquid form, equity securities, bonds, property securities, and money market instruments. The manager may invest in participatory interests or any other form of participation in portfolios of collective investment schemes or other similar collective investment schemes. The portfolio may, from time to time, invest in listed and unlisted financial instruments. The portfolio will comply with all prudential requirements and regulations controlling retirement funds, or such other applicable legislation, as may be determined for retirement funds. There are no additional mandate stipulations.

## INVESTMENT STRATEGY

The investment strategy follows a bottom-up approach that focuses on both qualitative and quantitative measures in the manager research process to ensure the best possible portfolio mix to achieve the targeted return. The portfolio construction will ensure a blend that adheres to governing regulations as well as the preferred asset allocation mix for the portfolio. Tactical asset allocation actions are taken (when necessary) should potential threats or opportunities arise that can influence the portfolio's risk and return profile. Tactical asset allocation will only be implemented on the collective view of the investment committee.

## TRANSACTIONS AND VALUATIONS

Redemption frequency: Daily  
Redemption notice period: 14h00 each business day  
Portfolio valuation: 15h00 each business day  
Pricing date: 15h00 each business day  
Pricing frequency: Daily

Transaction cut-off time: The daily cut-off for receipt of instructions is 14h00. No instruction will be processed unless all requirements have been met and supporting documentation has been provided. Instructions received before the cut-off will be processed the same day and will receive the same day's price. Instructions received after cut-off will be processed the next business day. Redemptions are paid out within five business days.

## FEES

**Fee class** A1

The fee class can be accessed directly via the Management Company, Novare CIS and independent service providers. Please contact Novare CIS for further details.

**Total investment charge of the fee class, annualised, for a rolling 3 year period from 31 January 2016 to 31 December 2018**

Annual service charge	0.78%
Underlying fund charge	0.15%
Performance Fee	0.00%
VAT	0.24%
Other charges	0.41%
<b>Total expense ratio (TER) Incl. VAT</b>	<b>1.57%</b>
<b>Transaction costs (TC) Incl. VAT</b>	<b>0.02%</b>
<b>Total investment charges (TER + TC)</b>	<b>1.59%</b>

**Annual service charge** The current annual management fee is 0.78% p.a. (excl. VAT).

**Performance fee** Performance fees are not levied on the portfolio.

**Transaction costs (TC)** TC is the percentage of the value of the portfolio that was incurred as costs relating to the buying and selling of the assets underlying the portfolio. Transaction costs are a necessary cost in administering the Fund and impacts returns. It should not be considered in isolation, as returns may be impacted by many other factors over time, including market returns, the type of financial product, the investment decisions of the investment manager and the TER.

	Conservative	Moderate	Aggressive
<b>ABOUT THE PORTFOLIO</b>			
<b>Portfolio classification</b>	South African - Multi-Asset - Income		
<b>Legal structure</b>	CIS trust arrangement		
<b>Scheme name</b>	Novare Collective Investments Scheme in Securities		
<b>Portfolio inception date</b>	20 June 2017		
<b>Fee class inception date</b>	02 August 2017		
<b>Risk profile</b>	This portfolio is managed within what are regarded to be conservative investment parameters. The return objective of this portfolio is to achieve steady capital growth over the moderate to long-term combined with a reasonable level of income.		
<b>Investment horizon</b>	Suitable for investors with a long-term investment horizon.		
<b>Benchmark</b>	CPI + 2% net of fees		
<b>Portfolio size</b>		R	62 627 497.11
<b>NAV cents per participatory interest</b>			1 046.34
<b>Number of participatory interests</b>			2 707 787.32
<b>Minimum monthly investment</b>		R	500.00
<b>Minimum lump sum</b>		R	5 000.00
<b>Income declaration</b>		Bi-annual (June - December)	
<b>Accounting period dates</b>		01 July - 31 December, 01 January - 30 June	

## LIQUIDITY PROFILE

The portfolio is managed and constructed in a manner that makes provision for daily liquidity. The ability of the portfolio to repurchase is dependent upon the liquidity of the securities and cash of the portfolio. A manager may suspend repurchases for a period, subject to regulatory approval, to await liquidity. Investors will be notified of any such arrangements.

## INCOME DISTRIBUTION IN THE PAST 12 MONTHS

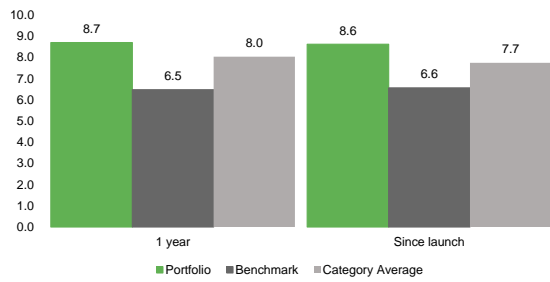
Date of distribution	Date of payment	Amount (cents per participatory interest)
31 December 2018	02 January 2019	34.61
30 June 2018	03 July 2018	33.55

**Total expense ratio (TER)** TER is the percentage of the value of the portfolio that was incurred as expenses to the administration (charges, levies and fees) of the portfolio. TER is calculated over a rolling three-year period (or since inception, where applicable) and annualised to the most recent calendar quarter. A higher TER does not necessarily imply a poor return, nor does a low TER imply a good return. The current TER may not necessarily be an accurate indication of future TERs. Inclusive in the TER is the stated performance fee percentage of the net asset value of the class of portfolio that was recovered (if applicable).

**Total investment charge (TIC)** TIC is the percentage of the portfolio that was incurred as costs relating to the investment of the portfolio. It is the sum of the total expense ratio (TER) and transaction costs (TC), including VAT.

**PERFORMANCE (%)**

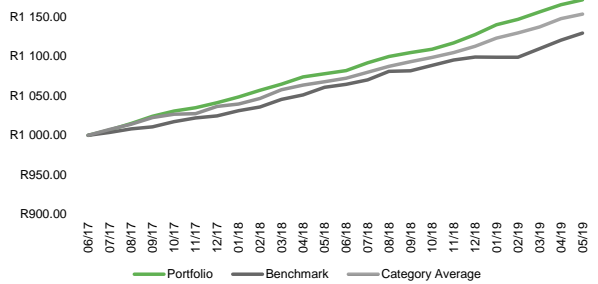
Annualised performance (%)



Source of performance returns: eVestment as at 31 May 2019

**GROWTH OF R1000 LUMP SUM**

R1 200.00



**PERFORMANCE BREAKDOWN**

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2019	1.09%	0.61%	0.83%	0.80%	0.48%								
2018	0.70%	0.81%	0.74%	0.86%	0.36%	0.39%	0.90%	0.73%	0.46%	0.38%	0.71%	0.96%	8.29%
2017							0.68%	0.83%	0.90%	0.65%	0.40%	0.62%	

Highest calendar annual performance since launch 8.3% (2018)

Lowest calendar annual performance since launch 8.3% (2018)

**ASSET ALLOCATION (INCLUDING DERIVATIVE EFFECT)**

	Local	Offshore	Total
Bonds	55.28%	3.59%	58.87%
Cash	35.80%	1.63%	37.44%
Commodities	0.00%	0.00%	0.00%
Equities	1.30%	0.72%	2.01%
Money market	0.00%	0.00%	0.00%
Property	1.50%	0.19%	1.68%
Participatory interests (unclassified)	0.00%	0.00%	0.00%
Other	0.00%	0.00%	0.00%

**RISK STATISTICS**

Alpha	2.06%
Beta	-0.07
Sharpe ratio	1.75%
Standard deviation (%)	0.73%
Maximum drawdown	0.00%
Sortino ratio	4.04%
Information ratio	1.31%
Tracking error (as at (09/2017 - 05/2019))	1.40%

Source of risk statistics eVestment as at 31 May 2019

**UNDERLYING TOP 5 EFFECTIVE 'EXPOSURES**

Nedgroup Investments Flexible Income Fund
BCI Income Plus Fund
Prescient Income Provider Fund
Coronation Bond Fund
ASN196 7.083% 2022

**FUND COMMENTARY**

**Domestic**

The local bourse fell in line with global sentiment as the FTSE/JSE All Share index gave up -4.8% for the month. The Resources 20 Index slipped by -5.2%. The Financial 15 Index and the Industrial 25 Index both declined by -1.9% and -6.1% respectively. The S.A. Listed Property Index returned -0.8%. For the month, the All Bond Index and cash returned 0.6%. The rand found itself caught in a tug of war of being weighed down by negative global trade developments but supported by local political developments. Ultimately, the rand appreciated 1.9% against the U.S. dollar for the month.

The African National Congress (ANC) managed to retain the majority vote in the 2019 national elections and a new and reduced cabinet was appointed. This was generally well received by the market as investors clung to the hope that President Cyril Ramaphosa may be able to push through some of the promised reforms. However, turning the country's economic fortunes around will be a tough task – a sentiment also reflected in the S&P Global Ratings publication. While the credit rating agency retained the country's sub-investment grade and maintained the outlook at stable, the agency highlighted the challenges facing the growth outlook and stated that the reforms are likely to be lacklustre.

The South African Reserve Bank kept interest rates unchanged, although local growth for the 2019 year was revised lower from 1.3% to 1%. The central bank's internal inflation model is now projecting a 25-basis point rate cut by the end of the first quarter in 2020. April's headline inflation increased to 4.4% year-on-year, down from 4.5% in March. Key local economic data releases included mining and manufacturing production.

**International**

The escalation in trade tensions between China and the U.S. soured global risk sentiment. President Donald Trump announced that he would be increasing the current 10% levies on the \$200 billion worth of Chinese goods to 25%. The situation intensified further, as both sides retaliated against each other. China imposed higher tariffs on most U.S. imports while President Trump made it harder for U.S. companies to conduct business with the Chinese telecommunications company, Huawei. Global trade policy continued to deteriorate as President Trump then turned his attention to Mexico, where he announced plans to impose tariffs on all Mexican imports. Tariffs will be increased to 25% by October 2019 should Mexico fail to curb the flow of immigrants to the U.S. border.

This shook the already fragile investor sentiment as fears regarding the global economic outlook saw investors flocking to safe-haven assets (such as the Japanese yen and U.S. Treasury bonds). U.S. government debt yields dropped to lows that have not been seen since 2017 as a portion of the yield curve remained inverted with the yield on the U.S. benchmark touching a low of 2.1% in the month. The lower bond yields were mirrored in the Barclays Global Aggregate Bond index which showed that bonds were 1.3% firmer in the month.

The partial inversion of the yield curve amplified the fear of a recession and increased the growing narrative among investors that the U.S. Fed may cut its overnight lending rate later this year. Some analysts believe that the inverted yield curve is an early warning sign of an upcoming recession. Earlier in the month, prior to the recent escalation in trade tensions, U.S. Fed officials unanimously decided to keep the benchmark interest rate unchanged. U.K. Prime Minister Theresa May resigned after her new Brexit strategy backfired and a key ally resigned from her cabinet. This happened amid the ongoing Brexit crisis and the European parliamentary elections.

Against this setting, global equity markets were thrust into negative territory. This was reflected in the MSCI Global Equity Index which fell -5.6% and the MSCI Emerging Market Equity Index which was down sharply at -7.2% for the month. Technology shares dragged down major indices, with the S&P 500 down -6.5% and the tech-heavy Nasdaq declining -7.7%. In Europe, the FTSE 100 was no exception and was down -3.5%. On the commodities front, oil prices slipped -13.9% for the month. Tensions in the Middle East caused concerns regarding additional supply disruptions, however, this was overshadowed by bearish developments such as an unexpected increase in U.S. crude inventories and global growth concerns. Gold was up 1.7% due to its safe-haven appeal.

**DISCLOSURES**

**GENERAL**

Collective Investment Schemes (Unit Trusts) are generally medium to long-term investments. The value of participatory interests (units) or the investment may go down as well as up. Past performance is not necessarily a guide to future performance. Collective investment schemes are traded at ruling prices and can engage in borrowing and scrip lending (i.e. borrowing and lending of assets). The collective investment scheme may borrow up to 10% of the market value of the portfolio to bridge insufficient liquidity. The ability of the portfolio to repurchase is dependent upon the liquidity of the securities and cash of the portfolio. A manager may suspend repurchases for a period, subject to regulatory approval, to await liquidity, and the manager must keep the investors informed about these circumstances. The manager does not provide any guarantee, either with respect to the capital or the return of a portfolio. Any forecasts and/or commentary in this document are not guaranteed to occur. Different classes of participatory interests apply to these portfolios and are subject to different fees and charges. A schedule of all fees and charges, inclusive of VAT and maximum commissions, is available on request from Novare or from your financial adviser. Forward pricing is used. For portfolios that include derivatives, there is no assurance that a portfolio's use of a derivative strategy will succeed. A portfolio's management may employ a sophisticated risk management process, to oversee and manage derivative exposures within a portfolio, but the use of derivative instruments may involve risks different from, and, in certain cases, greater than, the risks presented by the securities from which they are derived. Foreign securities within portfolios may have additional material risks, depending on the specific risks affecting that country, such as: potential constraints on liquidity and the repatriation of funds; macroeconomic risks; political risks; foreign exchange risks; tax risks; settlement risks; and potential limitations on the availability of market information. Fluctuations or movements in exchange rates may cause the value of underlying international investments to go up or down. Investors are reminded that an investment in a currency other than their own may expose them to a foreign exchange risk.

**PRICES**

The latest prices and TER are published Daily in the Business Times and are made available on our website [www.novare.com](http://www.novare.com).

**PERFORMANCE RETURNS**

The performance is calculated for the fee class, not the portfolio. Lump-sum performance returns are being quoted. Income distributions, prior to the deduction of applicable taxes, are included in the performance calculations. NAV to NAV figures have been used for the performance calculations, as calculated by the Manager at the valuation point defined in the deed, over all reporting periods. Investment performance calculations are available for verification upon request by any person. Reinvestment of income is calculated on the actual amount distributed per participatory interest, using the ex-dividend date NAV price of the applicable class of the portfolio, irrespective of the actual reinvestment date. The individual investor performance may differ, as a result of initial fees, the actual investment date, the date of reinvestment and dividend withholding tax. The rate of return is calculated on a total return basis, and the following elements may involve a reduction of the investor's capital: interest rates, economic outlook, inflation, deflation, economic and political shocks or changes in economic policy. Annualised returns are period returns re-scaled to a period of one year. This allows investors to compare returns of different assets that they have owned for different lengths of time. All period returns greater than one year have been annualised. Returns for periods less than one year have not been annualised. A cumulative return is the aggregate amount an investment has gained or lost over time, independent of the period of time involved. Actual annual figures are available to the investor on request.

**ADDITIONAL INFORMATION**

For additional information on the portfolio, refer to the following documents, available on our website [www.novare.com](http://www.novare.com), from your financial adviser, or on request from the Manager, free of charge.

- Application forms
- Annual report
- Fee schedule
- Performance fee FAQ (if applicable)
- Quarterly General Investor Report (if applicable)

**COMPLAINTS AND CONFLICTS OF INTEREST**

The complaints policy and procedure, as well as the conflicts of interest management policy, are available on our website [www.novare.com](http://www.novare.com). Associates of the manager may be invested within certain portfolios, and the details thereof are available from the manager.

**CLOSURE OF THE PORTFOLIO**

The manager has the right to close certain portfolios to new investors, in order to manage them more efficiently, in accordance with their mandates.

**MANAGEMENT COMPANY**

Novare CIS (RF) (Pty) Limited  
 Registration number: 2013/191159/07  
 Physical address: 3rd Floor, The Cliffs Office Block, 1 Niagara Way, Tyger Falls, Carl Cronje Drive, Bellville, 7530.  
 Postal address: P.O. Box 4742, Tyger Valley, 7736, South Africa.  
 Telephone number: 0800 668 273 (0800 Novare). E-Mail address: [clientservice@novare.com](mailto:clientservice@novare.com). Website: [www.novare.com](http://www.novare.com)  
 Directors: D Roper, JF Basson, L De Wit, GL Carter

The manager is registered as a manager of collective investment schemes, in terms of the Collective Investment Schemes Control Act. The manager is a member of the Association for Savings and Investment South Africa (ASISA).

**TRUSTEE/CUSTODIAN/DEPOSITORY**

FirstRand Bank Limited  
 Registration number: 1929/001225/06  
 Physical address: 1st Floor, Nr.3 Jeppe Place, Bank City, Corner of Jeppe and Simmonds Streets, Johannesburg, 2000.  
 Postal address: 1st Floor, Nr.3 Jeppe Place, Bank City, Corner of Jeppe and Simmonds Streets, Johannesburg, 2000.  
 Telephone number: 011 282 8000. E-Mail address: [Trusteeservices@rmb.co.za](mailto:Trusteeservices@rmb.co.za). Website: [www.rmb.co.za](http://www.rmb.co.za)

The trustee/custodian is registered as a trustee of collective investment schemes, in terms of the Collective Investment Schemes Control Act.

**ADMINISTRATOR**

Maitland Group South Africa Limited  
 Registration number: 1981/009543/06  
 Physical address: Maitland House 1, River Park, Gloucester Road, Mowbray, 7700.  
 Telephone number: 021 681 8000

**AUDITOR**

PricewaterhouseCoopers South Africa (PWC)  
 Registration number: 1998/012055/21  
 Physical address: 4 Lisbon Lane, Waterfall City, Jukskei view, 2090, South Africa.  
 Telephone number: 011 797 4000

**INVESTMENT MANAGER**

Novare Investments (Pty) Limited  
 Registration number: 2000/018539/07. FSP number: 757  
 Physical address: 3rd Floor, The Cliffs Office Block, 1 Niagara Way, Tyger Falls, Carl Cronje Drive, Bellville, 7530.  
 Postal address: P.O. Box 4742, Tyger Valley, 7736, South Africa.  
 Telephone number: 021 914 7730. E-Mail address: [clientservice@novare.com](mailto:clientservice@novare.com). Website: [www.novare.com](http://www.novare.com)

The investment manager is an authorised Financial Services Provider (FSP), as an investment manager and/or a hedge fund FSP, in terms of Section 8 of the Financial Advisory and Intermediary Services Act (FAIS). This information is not advice, as defined in FAIS. Please be advised that there may be representatives acting under supervision.

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