

# Novare Stable Fund - A1

Minimum Disclosure Document

As at 30 April 2019

## INVESTMENT OBJECTIVE

The portfolio aims to provide investors with a high level of income and stable capital growth by investing in a broad spectrum of South African and offshore securities.

## 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 portfolio. The portfolio will be managed in compliance with prudential investment guidelines for retirement funds in South Africa, to the extent allowed for by the Act. The portfolio's equity exposure will be limited to a maximum of 40%. 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, interest bearing instruments, bonds, debentures, corporate debt, equity securities, property securities, preference shares, convertible equities, non-equity 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 may also include forward currency, interest rate, and exchange rate swap transactions, for efficient portfolio management purposes. 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
This fee class is only available via 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	1.25%
Underlying fund charge	0.56%
Performance Fee	0.00%
VAT	0.34%
Other charges	0.00%
Total expense ratio (TER) Incl. VAT	2.15%
Transaction costs (TC) Incl. VAT	0.13%
Total investment charges (TER + TC)	2.27%

Annual service charge	The current annual management fee is 1.25% 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
ABOUT THE PORTFOLIO		
Portfolio classification		South African - Multi-Asset - Low Equity
Legal structure		CIS trust arrangement
Scheme name		Novare Collective Investments Scheme in Securities
Portfolio inception date		01 August 2017
Fee class inception date		27 October 2017
Risk profile		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.
Investment horizon		Suitable for investors with a long-term investment horizon.
Benchmark		CPI+ 3% net of fees
Portfolio size		R 73 647 277.70
NAV cents per participatory interest		1 041.13
Number of participatory interests		7 066 518.30
Minimum monthly investment		R 500
Minimum lump sum		R 5 000
Income declaration		Bi-annual (June - December)
Accounting period dates		01 July - 31 December, 01 January - 30 June

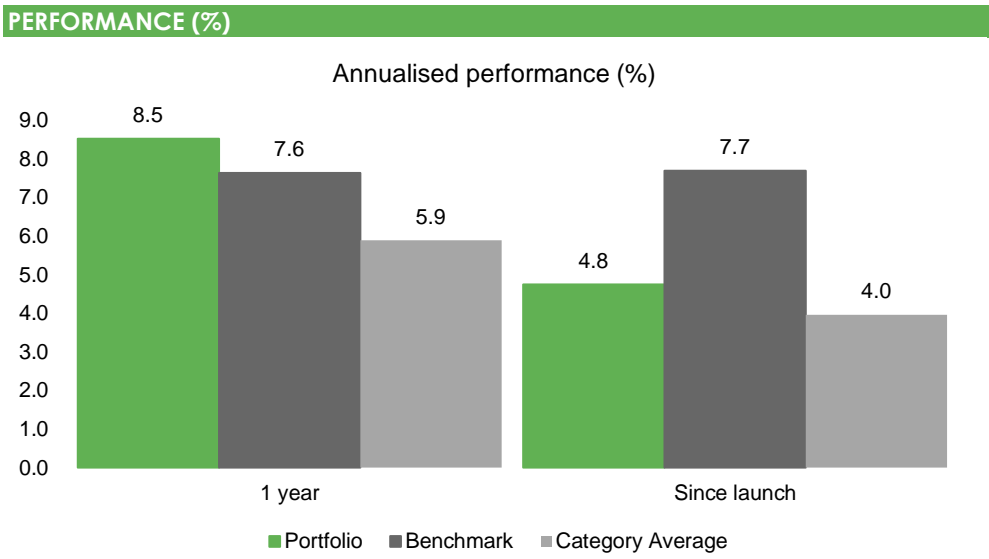
## LIQUIDITY PROFILE

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	17.79
30 June 2018	03 July 2018	12.81

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.



Source of performance returns: eVestment as at 30 April 2019

PERFORMANCE BREAKDOWN

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2019	0.65%	2.73%	1.34%	3.59%									8.54%
2018	0.04%	-0.39%	-1.63%	2.61%	-0.78%	2.02%	0.20%	3.79%	-1.80%	-1.84%	-1.79%	0.35%	0.58%
2017											-0.14%	-1.65%	

Highest calendar annual performance since launch

0.6% (2018)

Lowest calendar annual performance since launch

0.6% (2018)

ASSET ALLOCATION (INCLUDING DERIVATIVE EFFECT)

	Local	Offshore	Total
Bonds	36.42%	7.25%	43.67%
Cash	10.20%	3.07%	13.27%
Commodities	0.00%	0.00%	0.00%
Equities	24.05%	14.40%	38.45%
Money market	0.00%	0.00%	0.00%
Property	4.45%	0.17%	4.61%
Participatory interests (unclassified)	0.00%	0.00%	0.00%
Other	0.00%	0.00%	0.00%

UNDERLYING TOP 5 EFFECTIVE EXPOSURES

PSG Equity Fund

FUND COMMENTARY

Domestic

Despite the weak domestic growth profile, local assets performed positively as investor sentiment was lifted by global factors such as the renewed hope of a trade truce between the U.S. and China. The reiteration of a dovish stance by major global central banks served as a source of support for equity markets and other risk assets. This saw the FTSE/JSE All Share Index fall in line with global markets, returning 4.2% for the month. While the Resources 20 Index slipped by -1.8%, the local bourse found support in the financial and industrial sectors. The Financial 15 Index and the Industrial 25 Index were both up by 7.6% and 6.5% respectively. The S.A. Listed Property Index managed a positive return of 3.1% (however, the index is still down -9.6% over a 12-month period). For the month, the ALBI and cash returned 0.7% and 0.6% respectively.

The rand faced periods during the month where it had to contend with a stronger U.S. dollar, while weak domestic economic data and global growth concerns weighed also on the currency. The FNB/BER Consumer Confidence Index showed a renewal in its downward trajectory in the first quarter of this year while the SACCI Business Confidence Index declined in March. Nonetheless, the overriding positive market sentiment supported the local currency and saw the rand appreciate 1.3% against the U.S. dollar, 1.4% against the pound and 1.3% against the euro.

Consumer inflation accelerated to 4.5% year-on-year in March, this is up from 4.1% in February, while headline producer inflation came in higher than expected in the month of March. Retail sales registered a 1.1% year-on-year increase in February (following a rise of 1.2% in January).

International

The release of the first quarter GDP growth figures out of the U.S. helped to ease growth concerns and recessionary fears in the world's largest economy. The figures indicated that the world's largest economy expanded by 3.2% (on an annualised basis) with the headline number well ahead of the 2.5% predicted by market participants. This also subdued some of the speculation regarding a possible rate cut by the U.S. Fed in the second half of the year. Adding to hope was the better-than-expected monthly job numbers out of the U.S. that further amplified market optimism and boosted risky assets. The overall jobs print was well received by the market as it confirmed that the economy is not in a recession (even though growth is slowing in the U.S.).

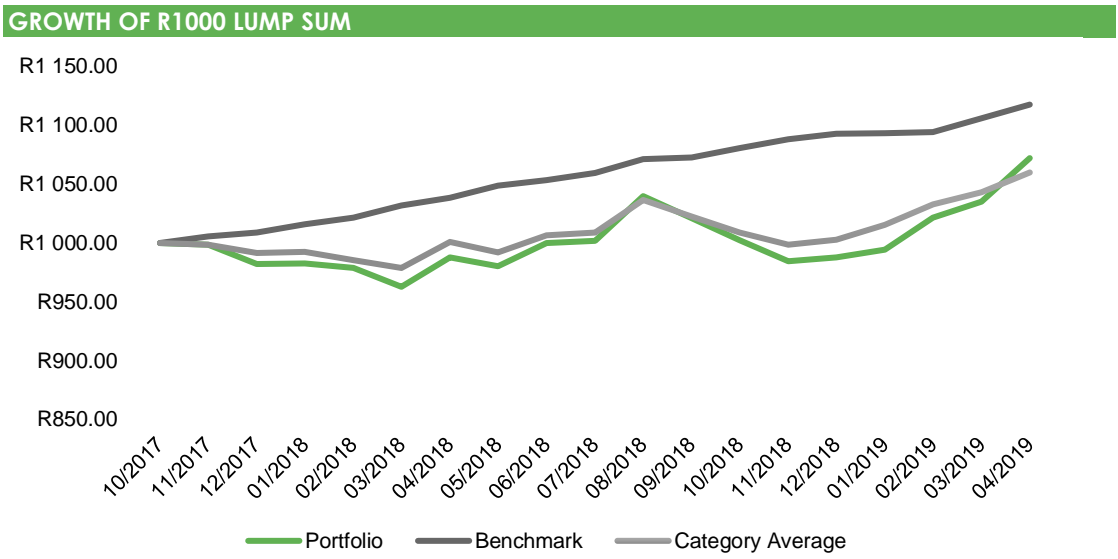
Sentiment was also boosted by the release of GDP growth numbers out of China which outpaced expectations and rose by 6.4% year-on-year in the first quarter of 2019. Following the better-than-expected growth print, concerns emerged as to whether Chinese officials would continue to inject stimulus into the Chinese economy. This caused some apprehension as policy support has cushioned the economy.

Growth worries were not completely erased as economic data published from key regions - such as Europe's largest economy - showed that Germany's factory orders fell at its sharpest rate in two years. In addition, Italy's GDP growth was revised significantly lower. Adding to the concerns during the month was the International Monetary Fund's downgrade of the global economic growth outlook - from the 3.5% estimated earlier in the year to 3.3% for 2019.

Against this backdrop of global growth concerns, caution against raising interest rates by global central banks, positive corporate earnings out of the U.S. and Europe as well as with bouts of perceived positive political developments, all caused a bias towards risk taking. Global equity markets pushed higher as was reflected in the MSCI Global Equity Index which returned 3.6% and the MSCI Emerging Market Equity Index was up 2.1% for the month. On Wall Street, the S&P 500 was up 3.9% and the Nasdaq gained an impressive 4.7%.

Despite the uncertainties surrounding Brexit and the decision to postpone the U.K.'s departure from the EU until the end of October, the FTSE 100 was up 2.2%. Global bonds were weaker in the month as mirrored in the Barclays Global Aggregate Bond index which was down -0.3%.

On the commodities front, Brent crude was up 6.0% for the month with oil prices being pushed higher due to ongoing supply cuts by OPEC, a decline in oil production by Venezuela, disruptions in Libya and the expected lower oil exports from Iran on the back of renewed U.S. nuclear sanctions. Platinum was up 6.2% while gold prices declined -0.6%.



Source of risk statistics eVestment as at 30 April 2019

RISK STATISTICS

Alpha	-2.94%
Beta	0.01
Sharpe ratio	-0.38%
Standard deviation (%)	6.56%
Maximum drawdown	-5.34%
Sortino ratio	-0.55%
Information ratio	-0.45%
Tracking error (as at 11/2017 - 04/2019)	0.06

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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