

Salvo Novare Income Fund - A1

Minimum Disclosure Document

As at 31 August 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 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, besides assets in liquid form, also income non-equity securities, bonds, property securities, and money market instruments, as well as equity securities. 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 25 October 2017 to 31 March 2019 | |
| Annual service charge | 1.02% |
| Underlying fund charge | 0.29% |
| Performance Fee | 0.00% |
| VAT | 0.23% |
| Other charges | 0.00% |
| Total expense ratio (TER) incl. VAT | 1.50% |
| Transaction costs (TC) incl. VAT | 0.01% |
| Total investment charges (TER + TC) | 1.51% |

| | |
|------------------------|---|
| Annual service charge | The current annual management fee is 1.02% 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 - Income | |
| Legal structure | CIS trust arrangement | |
| Scheme name | Novare Collective Investments Scheme in Securities | |
| Portfolio inception date | 24 October 2017 | |
| Fee class inception date | 25 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 | STeFi + 1% | |
| Portfolio size | R | 309,583,185.37 |
| NAV cents per participatory interest | 1,047.71 | |
| Number of participatory interests | 29,548,329.05 | |
| 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 | |

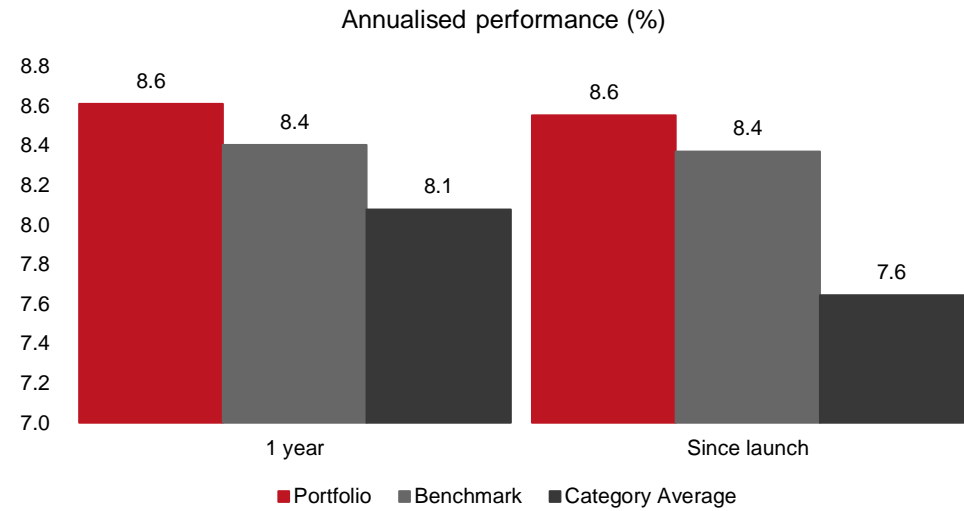
LIQUIDITY PROFILE

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 | 36.51 |
| 30 June 2019 | 02 July 2019 | 34.52 |

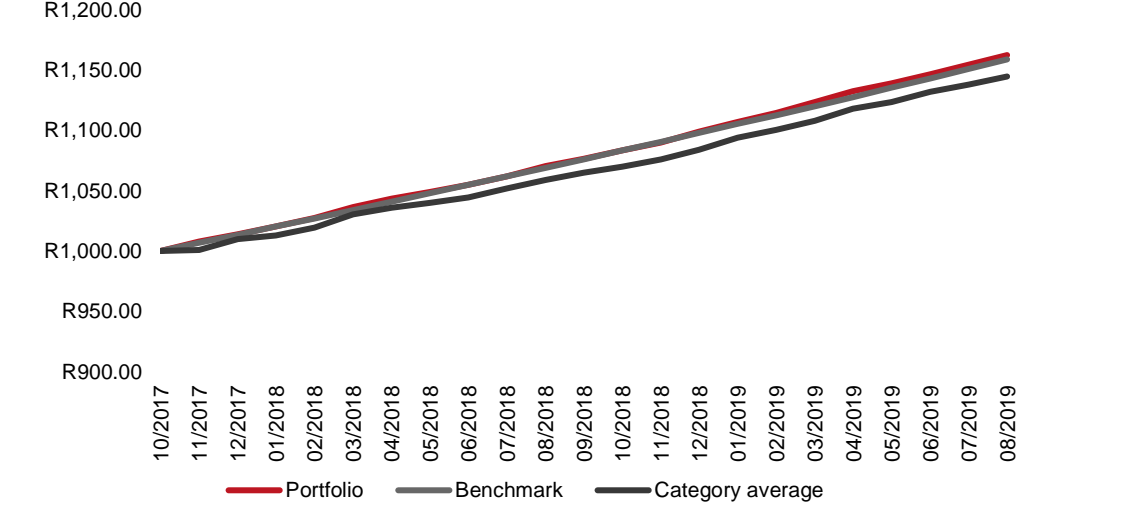
| | |
|-------------------------------|--|
| Total expense ratio (TER) | TER is the percentage of the value of the portfolio that was incurred as expenses to the administration (charges, levies and fees) of the portfolio. TER is calculated over a rolling three-year period (or since inception, where applicable) 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 (%)



Source of performance returns: eVestment as at 31 August 2019

GROWTH OF R1000 LUMP SUM



PERFORMANCE BREAKDOWN

| | Jan | Feb | Mar | Apr | May | Jun | Jul | Aug | Sep | Oct | Nov | Dec | YTD |
|------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| 2019 | 0.74% | 0.70% | 0.80% | 0.80% | 0.58% | 0.64% | 0.71% | 0.68% | | | | | 5.79% |
| 2018 | 0.67% | 0.67% | 0.86% | 0.69% | 0.53% | 0.57% | 0.67% | 0.78% | 0.57% | 0.65% | 0.62% | 0.80% | 8.39% |
| 2017 | | | | | | | | | | | 0.78% | 0.58% | |

Highest calendar annual performance since launch8.39% (2018)

Lowest calendar annual performance since launch8.39% (2018)

ASSET ALLOCATION (INCLUDING DERIVATIVE EFFECT)

| | Local | Offshore | Total |
|--|--------|----------|--------|
| Bonds | 54.59% | 6.59% | 61.18% |
| Cash | 32.86% | -1.08% | 31.78% |
| Commodities | 0.00% | 0.00% | 0.00% |
| Equities | 2.45% | 0.20% | 2.65% |
| Money market | 0.00% | 0.00% | 0.00% |
| Property | 0.94% | 0.28% | 1.22% |
| Participatory interests (unclassified) | 0.00% | 0.00% | 0.00% |
| Other | 0.00% | 0.00% | 0.00% |

RISK STATISTICS

| | |
|--|-------|
| Alpha | 0.18% |
| Beta | 0.93 |
| Sharpe ratio | 3.99 |
| Standard deviation (%) | 0.31% |
| Maximum drawdown | 0.00% |
| Sortino ratio | 24.29 |
| Information ratio | 0.60 |
| Tracking error (as at (11/2017 - 08/2019)) | 0.31% |

Source of risk statistics eVestment as at 31 August 2019

UNDERLYING TOP 5 EFFECTIVE EXPOSURES

| |
|--|
| Fairtree Flexible Income Plus Prescient Fund |
| Nedgroup Investments Flexible Income Fund |
| Prescient Income Provider Fund |
| BCI Income Plus Fund |
| MTNCD811 8.350% 2019 |

FUND COMMENTARY

Domestic

The local bourse fell in line with the negative global sentiment. The FTSE/JSE All Share Index declined by -2.4% for the month. The Resources 20 Index and the Industrial 25 Index declined by -1.0 % and -2.8 respectively. The Financial Index was the hardest hit, down -4.0% for the month. The S.A. Listed Property Index extended last month’s declines and was down -3.5%. During August, the All Bond Index outperformed cash and rose by 0.9% as bond yields pushed lower. Cash was up 0.6% for the month.

The rand took strain under the pressure of both local and international developments. Internationally, the ongoing trade war saw the rand (along with several emerging market (EM) and commodity currencies) buckle under the sustained pressure as China’s currency breached above 7.00 against the U.S. dollar for the first time since August 2015. Meanwhile, concerns about less aggressive interest rate cuts in the U.S. also weighed on the rand. The Fed’s announcement and relatively hawkish tone boosted the U.S. dollar. Fed Chair, Jerome Powell made it clear that the 25-basis point cut was not necessarily the beginning of a prolonged cutting cycle, but rather a mid-cycle adjustment. In addition, the rebalancing of the MCSI EM index intensified equity outflows and kept the rand on the back foot.

Domestic factors like the growth outlook, combined with rising concern regarding SOEs and the possibility of rating downgrades, weighed on the local currency. The rand depreciated 5.8% against the U.S. dollar and the pound, and 5.0% against the euro, making it one of the worst performing emerging market currencies in August.

International

The perfect storm of weaker-than-expected economic data, coupled with continued trade tensions between the U.S. and China, saw investors dump risk assets and flee to safety as fears of a recession escalated. Concerns regarding the outlook for global growth intensified during the month, as another round of tit-for-tat tariff hikes were announced between the U.S. and China. The risk-off sentiment saw global bond markets rally as investors rushed to safe-haven assets. Yields for longer-dated U.S. debt dipped below shorter-dated debt, inverting the 2 – 10-year U.S. yield curve. Given that the inversion of the yield curve has shown to be a good predictor of previous U.S. recessions, the latest inversion increased concerns that U.S. growth may slow substantially. This intensified the risk-off sentiment as global bond yields melted and global bond prices ticked higher as reflected in the 2.0% monthly gain seen in the Barclays Global Aggregate Bond Index.

In contrast, global equity markets came under significant pressure. For the month, the MSCI Global Equity Index was down -2.0%, but fared better than emerging marker equities which declined by -4.8% as mirrored in the MSCI Emerging Market Equity Index. On Wall Street, the S&P 500 gave up -1.8 %, while the tech-heavy Nasdaq finished -2.4% weaker. In Europe, the FTSE 100 also ended the month firmly in the red, down –4.0%.On the commodities front, the yellow metal’s safe-haven appeal continued to support gold prices, which firmed by a solid 6.2% for the month. Persistent fears about weakening demand, as well as the increase in U.S. production, saw Brent crude slip by -8.3% in the month of August.

In terms of economic data, in the U.S., the jobs market remained solid, although the monthly nonfarm payrolls report showed that job growth slowed in July while wages only ticked up moderately. In the east, Chinese data added to investor angst. Figures for July pointed to the possibility of a softer GDP growth outcome for the third quarter of 2019. China Industrial production slowed to 4.8% year-on-year in July, marking the worst performance in 17 years, while China retail sales for July also disappointed. In Europe, UK GDP contracted unexpectedly for the first time in almost seven years in the second quarter of 2019 as stockpiling activity slowed. The economy shrank by -0.2% quarter-on-quarter following an expansion of 0.5% in Q1. The contraction in growth came as uncertainty surrounding Brexit intensified and continued to weigh on expectations for global growth. Meanwhile, British Prime Minister, Boris Johnson announced that parliament would be suspended for almost a month in the run up to Brexit .

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.

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, 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. 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.

THIRD PARTY NAMED PORTFOLIOS

For the third party named portfolios, the manager has entered into a Co-named with the third party. The manager retains full legal responsibility for the third party named portfolio. The assets of the portfolio are managed by an external financial services provider (FSP), being the investment manager. For incubator portfolios, the FSP intends becoming a manager, and this is a temporary arrangement, to assist emerging entities to attain the required level of skills and experience to be authorised as managers, in their own right. For co-named portfolios, the FSP has no intention of becoming a manager. There may be potential conflicts of interest, which must be managed in accordance with the conflicts of interest management policy.

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. Website: www.novare.com
Directors: Mr DA Roper, Mr JS du Preez, Mr GL Carter, Mr A du Toit, Ms N Smith

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. Website: 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

Salvo Investment Managers (Pty) Ltd
Registration number: 2016/42617/07. FSP number: 47740
Physical address: 4 Nobel Street, Brandwag, Bloemfontein, 9301.
Postal address: 4 Nobel Street, Brandwag, Bloemfontein, 9301.
Telephone number: 051 401 8200. E-Mail address: clientservice@novare.com. Website: www.salvocapital.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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