

Novare Fixed Income 2 Retail Investor Hedge Fund - B1

Minimum Disclosure Document and Quarterly General Investor Report

As at 30 June 2023

INVESTMENT OBJECTIVE

The portfolio is a Retail Investor Hedge Fund, aiming to outperform a benchmark of Cash (STeFI Call Deposit Index) + 5%. The portfolio tends to focus on macro-economic strategies, via qualitative and quantitative opportunities across the tactical, technical and strategic disciplines.

INVESTMENT POLICY

A collective investment scheme ("CIS") can be described as an investment vehicle which allows investors to pool their money together into a portfolio, sharing in the risk and return of the portfolio in proportion to their participatory interest in the portfolio. The portfolio is a South African fixed income hedge fund and is suitable for investors with a medium-term investment horizon, that aim to achieve moderate capital growth, with reasonable levels of income, whilst mindful of capital preservation. The portfolio invests in Rand denominated, as well as other related, debt-based and inflation-correlated assets, money market instruments, fixed income derivatives, listed property, and other instruments, generally impacted by macro-economic events. The portfolio will invest in listed nominal and inflation-linked government and non-government bonds, all money market instruments - listed and OTC (OTC only tradable with authorised counterparties), derivatives (including options and futures), listed property, as well as other related instruments, including hybrid instruments, such as convertible bonds. The portfolio will have access to trade instruments on all four major exchanges in South Africa, including the JSE, BESA, SAFEX and Yield-X. It will be agreed upon that from time to time, with the introduction of new instruments into the market, this list may be updated. The portfolio may also invest in participatory interests or any other form of participation in portfolios of collective investment schemes or other similar schemes. The portfolio may invest in, or enter into, listed and unlisted financial instruments (derivatives). The portfolio may invest in foreign investments. The use of leverage in the portfolio will be limited by means of a Value at Risk (VaR) limit of 20% of NAV, measured at 99% confidence level of a month period. There are no additional mandate investment limitations.

INVESTMENT STRATEGY

The portfolio has a moderate risk/return profile. Qualitative and quantitative measures are considered in constructing the portfolio to target the fund's investment objective.

SIGNIFICANT DIFFERENCES PRIOR TO, AND AFTER, CIS STRUCTURE

The portfolio was previously managed in an unregulated trust structure prior to Board Notice 52 coming into effect. It is now managed within the BNS2 regulatory guidelines.

TRANSACTIONS AND VALUATIONS

Redemption frequency: Monthly
Redemption notice period: One calendar month
Portfolio valuation: 17h00 last business day of the month
Pricing date: 17h00 last business day of the month
Pricing frequency: Monthly
Transaction cut-off time: The monthly cut-off for receipt of instructions is 14h00 on the last business day of the month. No instruction will be processed unless all requirements have been met and supporting documentation has been provided. Investment instructions received before cut-off will be processed that day and will receive the valuation day's price. Investment instructions received after cut-off will receive the next valuation day's price. Redemption instructions received before the cut-off will be processed that day and will receive the valuation day's price at the end of the 1 calendar months' notice period. Redemptions are paid out within five business days after the valuation has been finalised.

FEES

Fee class	B1
The fee class is only available to Institutional Investors. Please contact Novare CIS for further details.	
Total investment charge of the fee class, annualised, for a rolling 3 year period from 01 April 2020 to 31 March 2023	
Underlying Portfolios TER (Included in TER)	0.00%
Performance Fee (Included in TER)	2.82%
Total Expense Ratio (TER) Incl. VAT	4.36%
Transaction Costs (TC) Incl. VAT	0.62%
Total Investment Charge (TIC) Incl. VAT	4.98%

COUNTERPARTY EXPOSURE (end of period)

ABSA Bank Limited	12.65%
JSE Debt Market	56.73%
JSE Futures Exchange	0.04%
FirstRand Bank Limited	30.58%

Annual service charge The current annual management fee is 1.25% p.a. (excl. VAT).

Performance fee The portfolio charges a performance fee of 15.00% (excl. VAT) on all performance, given that the performance exceeds the hurdle rate (STeFI) on the portfolio in the given period (Total Return). The performance fee is payable Annually. The High-Water Mark principle is applied in the performance fee calculation. The PERFORMANCE FEE FAQ DOCUMENT is available on request from us, or is available on our website www.novarecis.co.za

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.

QUARTERLY DISCLOSURES

Leverage Hedge Funds make use of Prime Brokers, where leverage is achieved through the use of derivatives and short selling of physical stock.

Methodology For Conducting Stress Testing

Daily stress-testing is conducted by varying input parameters for pricing purposes. These calculations are performed on the latest portfolio. Hypothetical market environments are simulated where asset prices exhibit extreme moves. The results are imported into a proprietary data warehouse from where reports are monitored by our risk management team independently of the investment team. The results are then communicated to the investment team, executive management and compliance. The methodology for conducting stress-testing is to changes the underlying price or yield of every security in the portfolio and re-values each one from first principles, according to the size of the user-defined stress.

Conservative	Moderate	Aggressive
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ABOUT THE PORTFOLIO

Portfolio classification	Retail Investor Hedge Fund
ASISA classification	South African - Fixed Income Retail Investor Fund
Legal structure	CIS trust structure
Scheme name	Novare CIS in Retail Investor Hedge Funds
Portfolio inception date	01 June 2016
CIS launch date	01 June 2016
Fee class inception date	01 June 2016

Risk profile This portfolio is managed within what are regarded to be moderate investment parameters. This portfolio aims to deliver capital growth over the medium to long-term at a moderate level of volatility.

Investment horizon	Suitable for investors with a long-term investment horizon.	
Benchmark	Cash (STeFI Call Deposit Index) + 5%	
Portfolio size	R	134,561,387.75
NAV cents per participatory interest		21,113.22
Number of participatory interests		637,332.36
Minimum monthly investment	R	1,000.00
Minimum lump sum	R	50,000.00
Income declaration	Bi-annual (June - December)	
Accounting period dates	01 July - 31 December, 01 January - 30 June	

LIQUIDITY PROFILE

The portfolio provides investors with one month redemption liquidity. The liquidity of assets in the portfolio aligns to the redemption period.

INCOME DISTRIBUTION IN THE PAST 12 MONTHS

Date of distribution	Date of payment	Amount (cents per participatory interest)
31 December 2022	03 January 2023	0.00
30 June 2023	04 July 2023	342.46

EXPOSURE, LEVERAGE AND COUNTERPARTY INFORMATION

Total exposure calculation method	Value At Risk
Total exposure level (permitted)	20% of net asset value
Total exposure level (end of period)	3.30%
Total exposure level (highest during period)	7.75%
Leverage use	The use of leverage in the portfolio will be limited by means of a Value at Risk (VaR) limit of 20% of NAV, measured at 99% confidence level of a month period (21 days).
Counterparty exposure calculation method	A portion of the capital is held with respective prime brokers and accurately reflects the economic loss that the hedge fund is exposed to if the counterparty defaults on its obligations. It is calculated as any initial or variation margin posted to, and held by, a counterparty; the verifiable market value of the derivative, including any excess collateral any net exposure to a counterparty generated through a securities lending or repurchase agreement; and counterparty exposures created through the reinvestment of collateral.

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, the stated performance fee percentage of the net asset value of the class of portfolio 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.

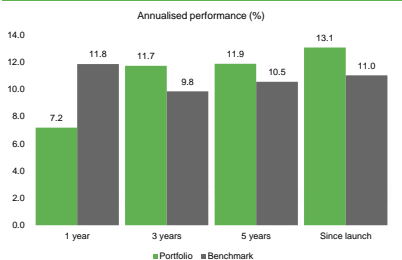
Re-hypothecation of assets

The practice by prime brokers of using, for their own purpose, assets that have been posted as collateral by the investment manager is restricted. The prime brokers do not re-hypothecate or take part in any form of re-pledging of securities forming any part of the collateral.

Changes to liquidity risk profile

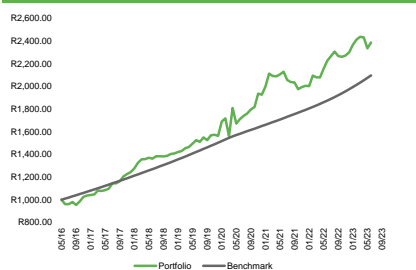
The liquidity risk profile remains unchanged and redemption requirements have been met within the prescribed time frame.

PERFORMANCE (%)



Source of performance returns: eVestment as at 30/06/2023

GROWTH OF R1000 LUMP SUM



PERFORMANCE BREAKDOWN

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2023	2.83%	1.95%	1.02%	-0.19%	-3.97%	2.16%							3.70%
2022	-0.09%	4.59%	-0.74%	0.01%	3.75%	3.21%	1.84%	1.77%	-1.71%	-0.34%	0.51%	1.29%	14.81%
2021	3.80%	5.68%	-1.03%	-0.13%	0.85%	1.08%	-3.43%	-0.86%	-0.19%	-2.92%	0.99%	0.49%	4.05%
2020	8.08%	1.65%	-9.09%	15.87%	-7.58%	2.34%	1.63%	1.27%	1.99%	1.29%	6.41%	-0.48%	23.23%
2019	0.93%	0.59%	1.71%	0.78%	1.96%	2.11%	-1.02%	2.54%	-1.53%	2.86%	0.25%	-0.60%	10.98%
2018	2.64%	3.77%	2.39%	0.19%	0.84%	-0.62%	1.58%	0.01%	-0.11%	0.39%	1.15%	0.37%	13.26%
2017	0.42%	0.43%	3.37%	-0.37%	0.63%	4.24%	4.24%	0.13%	1.63%	3.59%	1.74%	1.38%	19.92%
2016						-3.88%	0.00%	2.02%	-2.69%	3.16%	4.13%	1.20%	

Highest calendar annual performance since launch: 23.23% (in 2020)
 Lowest calendar annual performance since launch: 10.98% (in 2019)

ASSET ALLOCATION

Cash and Cash Equivalents
Inflation Linked Bond
Floating Rate NCD
Interest Rate Swap
Futures
Fixed-Coupon Bond
Fixed Rate NCD
Forward Rate Agreement

RISK STATISTICS

Alpha	2.05%
Beta	-0.34
Sharpe ratio	0.66
Standard deviation (%)	10.37%
Maximum drawdown	-9.09%
Sortino ratio	1.13
Information ratio	0.20
Tracking error	10.38%

Source of risk statistics: eVestment as at 30/06/2023
 Risk statistics period: (06/2016 - 06/2023)

FUND COMMENTARY

Local

After contracting by a revised 1.1% in the fourth quarter of 2022, South African Gross Domestic Product (GDP) rose by 0.4% in the quarter to March 2023, thus narrowly avoiding a technical recession. The recession was averted, thanks to growth in key sectors with 8 of the 10 industries recording growth in the first quarter of 2023. Manufacturing, finance, real estate, and business services being the largest positive contributors.

As we enter the second half of the year, many risks to our views remain, i.e., growth, inflation, geopolitical tensions, and their disruptions, as well as more imminent the local power supply challenges. The South African Reserve Bank estimates that when consumers endure 12 hours of power outages each day, the country incurs losses of up to R900 million daily and that this will have an estimated direct impact of -2.0% on local GDP this year.

Turning to the market, local equities were positive in June with the ALSI delivering 1.2% following a disappointing May with local bonds following suit, delivering 4.4%. The Rand strengthened by 4.6% against the dollar in June but overall is still weaker by 11.0% year-to-date.

South Africa's annual inflation rate eased further to a 13-month low of 6.3% in May 2023, down from 6.8% in April and below market forecasts of 6.5%. On a monthly basis, consumer prices increased by 0.2% in May, the lowest in four months and below market estimates of 0.4%. Business confidence however remains low as reported by the RMB/BER business confidence index which fell for the fifth successive quarter to a near three-year low of 27 points in the second quarter of 2023.

Sentiment deteriorated further due to persistent load-shedding and challenging economic conditions amid rising interest rates and cost pressures. The manufacturing sector remained the most downbeat, with confidence at 17 points, while retail confidence declined by 14 points to 20 reflecting pressures on profitability and worsening business conditions.

Global

As the second quarter of 2023 ended, the US debt ceiling dominated market headlines. US President Joe Biden signed a debt ceiling bill, pulling the country from the brink of default. The final agreement, passed by the House and the Senate, suspends the debt limit until 2025, i.e., after the next presidential election and restricts government spending.

Within global equities, the big growth stocks, which fell sharply last year, bounced back strongly this year. The MSCI World and EM delivered 5.8% and 3.0% respectively in USD terms while global bonds, which were hit hard last year and are yet to recover meaningfully, returned -0.01% in June and 1.4% year to date in USD terms.

The strong return for equities so far has been helped by the fact that the much-anticipated rise in developed world unemployment is yet to materialise, along with optimism that US inflation might be able to moderate significantly without the need for a rise in unemployment. Positive sentiment around artificial intelligence has also driven spectacular performance for some of the world's largest stocks.

US inflation appears to be peaking but some parts remain sticky due to shelter inflation. Wage growth in the UK came in even hotter than in the US, rising by 7.0% year on year. Core services inflation also accelerated, reflecting the pick-up in wage growth. This led the Bank of England to raise interest rates rapidly to 5.0%. Core inflation above 5.0% led the European Central Bank to raise rates to 3.5% and signal that they still have further to go.

As in the US though, mortgages tend to be fixed for much longer in Europe than they are in the UK, meaning that while it may affect house prices and corporate loan demand, few European consumers are really feeling the pinch of higher rates.

The first six months of China's recovery following the end of the zero-covid policy showed similar patterns as those seen in the US and Europe before, which saw services improving as consumers caught up with foregone activity. Investment activity however was muted due to lower global goods demand and lesser local credit extension. There is still room for further improvement in the second half of the year as moderate government debt levels give room for additional fiscal stimulus and low inflation allows the People's Bank of China to cut policy rates to support households and corporate balance sheets.

DISCLOSURES**GENERAL**

Collective Investments (Unit Trusts) are generally medium to long-term investments, but a hedge fund may have short-term strategies and practices. 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. Hedge funds trade at ruling prices and prices may fluctuate post-publication. Hedge funds can engage in scrip borrowing and scrip lending. 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 fees and charges, with maximum commissions, is available on request from us or from your financial adviser. Hedge fund of funds invest into other portfolios of collective investment schemes, and the underlying portfolios may levy their own charges, which could result in a higher fee structure for the hedge fund of funds. 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. Hedge funds are collective investment schemes with a strategy that allows for leveraging and short selling strategies. Hedge fund strategies can result in losses greater than the market value of the fund, but investors' losses are limited to the value of the investment or contractual commitments. Hedge funds can also invest in illiquid instruments. While CIS in hedge funds differ from CIS in securities (long-only portfolios) the two may appear similar, as both are structured in the same way and are subject to the same regulatory requirements. The ability of a portfolio to repurchase is dependent upon the liquidity of the securities and cash of the portfolio. A manager may, in exceptional circumstances, suspend repurchases for a period, subject to regulatory approval, to await liquidity and the manager must keep the investors informed about these circumstances. Further risks associated with hedge funds include: investment strategies may be inherently risky; leverage usually means higher volatility; short-selling can lead to significant losses; unlisted instruments might be valued incorrectly; fixed income instruments may be low-grade; exchange rates could turn against the fund; other complex investments might be misunderstood; the client may be caught in a liquidity squeeze; the prime broker or custodian may default; regulations could change; past performance might be theoretical; or the manager may be conflicted. For a detailed description of these risks, please refer to the HEDGE FUND RISK DISCLOSURE DOCUMENT, available on our website www.novarecis.co.za.

BORROWING HEDGE FUNDS

A retail investor hedge fund can borrow up to 10.0% of the value of the portfolio, for redemptions of participatory interests.

COMMODITIES

For hedge funds that include commodity securities the extent of exposure to physical delivery is 0%.

PRICES

The latest prices and TER are published daily in the Business Times and are made available on our website www.novarecis.co.za.

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.

STRUCTURE OF THE PORTFOLIO

The portfolio was established as a collective investment scheme trust arrangement on 27 November 2015, with the conversion process being completed on 01 June 2016. All prior information was in an unregulated environment. The portfolio will not change its investment strategy or investment policy without prior approval from the Financial Sector Conduct Authority and investors. The ballot procedure, as prescribed in CISCA and the Deed, will be followed.

ADDITIONAL INFORMATION

For additional information on the portfolio, refer to the following documents, available on our website www.novarecis.co.za, 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 (available one month after quarter-end)

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.novarecis.co.za. 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 it more efficiently and 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. Website: www.novarecis.co.za
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@mb.co.za. Website: www.mb.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 Hedge Fund Services (Pty) Limited
Registration number: 2013/008687/07
Physical address: Maitland House 1, River Park, Gloucester Road, Mowbray, 7700
Postal address: Maitland House 1, River Park, Gloucester Road, Mowbray, 7700.
Telephone number: 021 681 8000. E-Mail address: ClientServicesHF@maitlandgroup.co.za. Website: www.maitlandgroup.com

AUDITOR

PKF Cape Town, a member of PKF South Africa Inc.
Registration number: 2013/188449/07
Physical address: Tyger Forum A, 2nd Floor, 53 Willie van Schoor Avenue, Tyger Valley, Cape Town, South Africa
Postal address: P.O. Box 5700, Tyger Valley, 7536.
Telephone number: 021 914 8880. E-Mail address: inge.potgieter@pkf.co.za. Website: www.pkf.co.za/cape-town

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. Website: 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.

PRIME BROKER

Absa Bank Limited
Registration number: 1986/004794/06
Physical address: 15 Alice Lane, Sandown, Sandton, 2196
Postal address: 15 Alice Lane, Sandown, Sandton, 2196.
Telephone number: 011 895 5189. E-Mail address: PrimeServices@absacapital.com. Website: www.absa.co.za

PRIME BROKER

Rand Merchant Bank
Registration number: 1929/01225/06
Physical address: 1 Merchant Place, 2nd Floor, Cnr Fredman & Rivonia Road, Sandton, 2196
Postal address: 1 Merchant Place, 2nd Floor, Cnr Fredman & Rivonia Road, Sandton, 2196.
Telephone number: 011 282 1941. E-Mail address: Prime_Brokering_Equities@rmb.co.za. Website: www.globalmarkets.rmb.co.za

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