

# Novare Mayibentsha Market Neutral Qualified Fund of Hedge Funds - B1

Minimum Disclosure Document

As at 30 June 2021

## INVESTMENT OBJECTIVE

The portfolio is a qualified investor fund of hedge funds. The long-term return objective of the portfolio is to achieve CPI + 2.5% over a rolling three-year period. This objective also corresponds to the portfolio's benchmark and hurdle rate. The investment objective will be achieved through diversified asset management with an emphasis on investment in hedge funds, absolute return funds and long-only funds.

## 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 has a low to medium risk/return profile. It is suitable for investors with a medium to long-term investment horizon that seek moderate capital growth with reasonable levels of income, whilst being mindful of capital preservation. The portfolio will typically consist of a blend of South African domiciled hedge funds with a focus on strategies with limited market exposure, predominantly equity market neutral, fixed interest arbitrage and low equity long/short strategies. The investment manager follows a multi-manager, multi-strategy approach with the aim of diversifying the assets of the portfolio amongst strategies and investment styles. The investment manager will seek to capitalise on investment opportunities across asset classes, investment strategies and sectors. The portfolio aims to preserve capital by not producing a negative return over a 36-month period, while also maintaining a low correlation with the JSE All Share Index and the All Bond Index. The use of leverage in the portfolio will be limited by means of a Value at Risk (VaR) limit of 30% of the Net Asset Value (NAV), measured at 99% confidence level of a month period. Investments of the portfolio must be allocated to a minimum of ten underlying funds and an allocation to an underlying fund may not exceed 12% of the NAV of the total portfolio. The investment manager may make foreign investments. As additional mandate stipulations, the portfolio provides compounded returns, aims to avoid large drawdowns and aims to maintain the volatility of monthly returns lower than the South African All Bond Index. The portfolio does not use leverage but the underlying portfolios may apply leverage. There are no additional mandate investment limitations.

## INVESTMENT STRATEGY

The portfolio has a moderate risk/return profile. The investment manager follows a multi-manager and multi-strategy investment approach. 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 in to affect. It is now managed within the BN52 regulatory guidelines.

## TRANSACTIONS AND VALUATIONS

Redemption frequency: Monthly  
Redemption notice period: Three calendar months  
Portfolio valuation: 17h00 last business day of the month  
Pricing date: 17h00 last business day of the month  
Pricing frequency: Monthly  
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 3 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.	
<b>Total investment charge of the fee class, annualised, for a rolling 3 year period from 01 April 2018 to 31 March 2021</b>	
Underlying Portfolios TER (Included in TER)	2.99%
Performance Fee (Included in TER)	0.11%
Total Expense Ratio (TER) Incl. VAT	3.74%
Transaction Costs (TC) Incl. VAT	0.26%
<b>Total Investment Charge (TIC) Incl. VAT</b>	<b>4.00%</b>

Annual service charge The current annual management fee is 0.53% p.a. (excl. VAT).

Performance fee The portfolio charges a performance fee of 13.16% of the amount by which it outperforms the hurdle rate (CPI + 2.5% net of fees). The performance fee is payable monthly and calculated over a rolling 12 month period. 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](http://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.

Conservative	Moderate	Aggressive
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## ABOUT THE PORTFOLIO

Portfolio classification	Qualified Investor Hedge Fund of Funds
ASISA classification	South African - Multi-Strategy Qualified Investor Fund
Legal structure	CIS trust structure
Scheme name	Novare CIS in Qualified Investor Hedge Funds
Portfolio inception date	01 December 2008
CIS launch date	01 February 2016
Fee class inception date	01 February 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	CPI + 2.5% net of fees
Portfolio size	R 427,499,600.97
NAV cents per participatory interest	13,126.47
Number of participatory interests	3,256,773.83
Minimum monthly investment	R 100,000.00
Minimum lump sum	R 1,000,000.00
Income declaration	Bi-annual (June - December)
Accounting period dates	01 July - 31 December, 01 January - 30 June

## LIQUIDITY PROFILE

The portfolio provides investors with three months redemption liquidity. The liquidity of assets in the portfolio aligns to the redemption period.

## INCOME DISTRIBUTION IN THE PAST 12 MONTHS

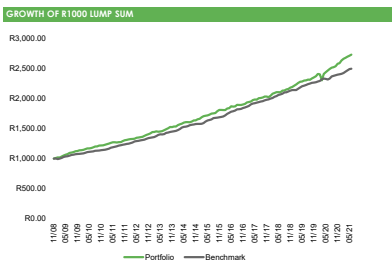
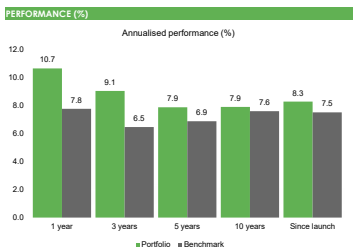
Date of distribution	Date of payment	Amount (cents per participatory interest)
31 December 2020	04 January 2021	119.71
30 June 2021	02 July 2021	136.55

## EXPOSURE, LEVERAGE AND COUNTERPARTY INFORMATION

Total exposure calculation method	Value At Risk
Total exposure level (permitted)	30% of net asset value
Total exposure level (end of period)	1.09%
Total exposure level (highest during period)	83.09%
Leverage use	The use of leverage in the portfolio will be limited by means of a Value at Risk (VaR) limit of 30% of NAV, measured at 99% confidence level of a month period (21 days).
Counterparty exposure calculation method	As Fund of Hedge Funds do not make use of a prime broker, counterparty exposure is derived through the underlying managers.

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.



Source of performance returns: eVestment as at 30 June 2021  
Returns prior to 01/02/2016 was in an unregulated structure.

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**PERFORMANCE BREAKDOWN**

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2021	1.72%	1.03%	0.63%	0.75%	0.59%	0.62%							5.44%
2020	1.57%	-0.22%	-4.21%	4.64%	1.23%	1.12%	1.02%	0.89%	0.31%	0.62%	1.62%	0.40%	9.13%
2019	1.01%	0.86%	1.17%	0.83%	0.18%	0.68%	0.17%	0.53%	-0.06%	0.93%	0.72%	0.86%	8.16%
2018	1.12%	1.62%	0.57%	0.64%	0.01%	-0.08%	1.32%	0.07%	0.86%	0.31%	1.07%	0.52%	8.34%
2017	1.28%	0.36%	0.41%	1.20%	0.54%	-0.09%	1.21%	0.22%	0.32%	0.82%	0.02%	-0.47%	5.94%
2016	-0.05%	0.02%	1.35%	0.37%	1.73%	-0.31%	0.14%	1.39%	-0.10%	0.04%	0.37%	0.50%	5.57%
2015	0.48%	1.52%	1.01%	0.50%	0.34%	0.65%	1.06%	0.23%	0.26%	1.84%	1.07%	-0.02%	9.30%
2014	0.01%	1.57%	0.92%	0.55%	1.14%	0.55%	0.04%	-0.18%	0.72%	1.06%	0.12%	1.17%	7.93%
2013	1.60%	0.05%	0.71%	-0.34%	0.27%	0.42%	1.01%	1.03%	1.15%	1.34%	-0.09%	0.59%	8.00%
2012	0.56%	0.42%	0.19%	0.30%	1.13%	0.28%	0.40%	0.43%	1.19%	1.17%	0.80%	0.98%	8.13%
2011	0.73%	0.80%	0.78%	0.90%	0.78%	0.11%	-0.27%	0.45%	-0.13%	1.44%	1.13%	0.48%	7.43%
2010	0.10%	0.50%	1.10%	1.00%	-0.10%	0.60%	0.99%	1.17%	0.12%	1.15%	0.09%	0.29%	7.23%
2009	1.00%	-0.10%	1.60%	1.50%	1.30%	1.10%	1.70%	0.60%	0.70%	1.20%	0.40%	1.10%	12.78%
2008												1.00%	

Shaded performance returns indicate performance returns before the completion of the conversion to the CIS structure

Highest calendar annual performance since launch 12.78% (in 2009)  
Lowest calendar annual performance since launch 5.57% (in 2016)

**MANAGER ALLOCATION**

Abax Investments
Acumen Capital
Coronation Fund Managers
Marble Rock Asset Management
Matrix Fund Managers
Osidian Capital
Peregrine Capital
Prescient Investment Management
Southchester Investment Managers
Terebinth Capital
X-Chequer Fund Management

**STRATEGY ALLOCATION**

Cash	0.60%
Equity long/short	5.63%
Equity market neutral	30.32%
Fixed income arbitrage	62.84%
Multi-strategy	0.00%
Unit Trusts	0.61%

**RISK STATISTICS**

Alpha	2.43%
Beta	0.10
Sharpe ratio	0.84
Standard deviation (%)	4.26%
Maximum drawdown	-4.18%
Sortino ratio	1.31
Information ratio	0.52
Tracking error	3.66%

Source of risk statistics: eVestment as at 30 June 2021  
Risk statistics period: (01/2009 - 06/2021)

**ASSET ALLOCATION**

Fixed Income	0.00%
Cash	0.00%
Commodities	0.00%
Equities	0.00%
Property	0.00%
Participatory interests	100.00%
Other	0.00%

**FUND COMMENTARY**

**International**

Global equities rose 1.4% in dollar terms in June, adding to a positive quarter as vaccination campaigns continued to accelerate in most developed economies, especially in Europe, which is now catching up with UK and the US. Governments in most developed markets continued to ease Covid-related mobility restrictions and activity levels picked up. Economic data over the last three months has generally been very strong, especially in the US, which posted an annualised growth rate of 6.4% in the first quarter. Although the eurozone economy contracted by 0.6% in the first quarter, leading economic indicators, such as purchasing managers' index (PMI) business surveys, have reached multi-year highs in many regions. These indicators point to a strong economic rebound having taken place in Europe in the second quarter.

Sentiments remains positive that global growth will remain strong in the second half of the year. However, the reopening of economies and the quick rebound in activity that has followed has fuelled inflation in some countries. In May, the US consumer price index increased by 5.0% year on year, although some of the underlying details suggest that there are temporary factors at play, such as the rise in used car prices. While the Federal Reserve continues to see this inflation increase as transitory, it has become slightly more hawkish, acknowledging that tapering is being discussed. The Barclays all bond index and US 10-years government were both down -0.9% and -6.9% respectively. Emerging economies continued to lag on vaccination front, but cases remain very low in China and seem to have peaked in India. Emerging market equities finished the month flat returning -0.1% in dollar terms.

**Domestic**

On the 28th of June SA was moved to adjusted level 4 for 14 days, placing restrictions on some sectors of the economy. While the rollout of vaccines is slowly picking up momentum, with some of the public servants and the population group aged 50 years and above starting to receive the vaccine, the number of covid-19 cases continue to rise by circa 21 000 cases daily.

Equity markets ended the month on a negative note with the JSE All share total return index returning -2.4%, Financials -2.6% and resources -6.6%. The Property Index SAPY and the all-bond index (ALBI) were the only sectors that ended the month positive returning 3.4% and 1.1% respectively.

Inflation worries are likely to contribute to market jitters, but it will take a lot of bad news to shift the central banks towards a more rapid withdrawal of easy money. SA inflation rose 8 basis points for May and 4.6% year on year, and the rand took a breather from the one-way move experienced over the last several months, ending June at R14.30. While this may be around 4% weaker than at the end of May, it is still just over 5.5% stronger than it was at the end of January.

## 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](http://www.novarecis.co.za).

## BORROWING HEDGE FUNDS

The qualified investor hedge funds can borrow up to 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](http://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 returns 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 February 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 CISA 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](http://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](http://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.

## COUNTERPARTIES AND PRIME BROKERS

As Fund of Hedge Funds do not make use of a prime broker, counterparty exposure is derived through the underlying managers, furthermore, there are no collateral or asset-reuse arrangements in place.

## FUND OF FUNDS

A fund of funds is a portfolio that invests in portfolios of collective investment schemes (unit trusts) that levy their own charges, which could result in a higher fee structure for the fund of funds.

## 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, Belville, 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.novarecis.co.za](http://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@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 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](mailto:ClientServicesHF@maitlandgroup.co.za). Website: [www.maitlandgroup.com](http://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.polgijer@pkf.co.za](mailto:inge.polgijer@pkf.co.za). Website: [www.pkf.co.za/capetown](http://www.pkf.co.za/capetown)

## 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, Belville, 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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