

#### ABOUT THE FUND

Risk rating	Aggressive
Establishment of CIS portfolio	2016/04/01
Class inception date	2016/04/01
Portfolio class	A1
AUM	R222 291 469,21
NAV cents per participatory interest	7 757,33
Number of participatory interests	2 864 585,11
Portfolio classification	Qualified Investor Hedge Fund
ASISA Category	SA - Long Short Market Neutral Hedge Fund RIF
Scheme name	Novare CIS in Qualified Investor Hedge Funds
Legal structure	CIS trust structure
Benchmark*	Cash (STFCAD)
Objective**	Cash (STFCAD) + 6%
Minimum lump sum	R 1 000 000,00
Minimum monthly investment	R50 000,00
Annual service fee	0,25% (excl VAT)
Annual management fee	1,5% (excl VAT)
Performance fee	20% (excl VAT)
Income declaration	Bi-annual (June - December)
Accounting period dates	01 July - 31 December, 01 January - 30 June
Total expense ratio (TER)	3,40%
Transaction costs (TC)	0,54%
Total investment charge (TER + TC)	3,94%

\* STFCAD is the StEfi Call Deposits Index (STFCAD code from Morningstar).

\*\* The objective is to outperform the benchmark net of the total investment charge.

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).

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.

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.

#### LIQUIDITY PROFILE

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

#### 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

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 3 calendar months' notice period. Redemptions are paid out within five business days after the valuation has been finalised.

#### UNDERLYING TOP 5 EFFECTIVE EXPOSURE

SOUTHCHSTR ST ES PR QI HF
FOORD FLEX INCOME FUND B3
PROSUS
Curro holdings LTD
Ninety One Ltd

#### QUARTERLY DISCLOSURES

**Leverage:**  
The portfolio achieve leverage 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.

**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.

#### INVESTMENT OBJECTIVE

The portfolio is a multi-strategy qualified investor hedge fund, with a predominantly long/short equity focus. A benchmark of Cash (STEfi Call Deposit Index) + 6% will be applicable to this portfolio. The portfolio is focused on absolute returns and targets generating positive monthly returns, irrespective of market conditions. The portfolio strives to achieve the maximum return, subject to assuming acceptable levels of risk.

#### INVESTMENT PROFILE

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 has an aggressive risk/return profile, and is suitable for investors with a long term investment horizon, who are seeking capital growth, while assuming acceptable levels of risk. The portfolio will mainly invest in listed equities, bonds, derivatives, and futures, seeking absolute returns by exploiting investment opportunities, while protecting capital from potential financial loss. The portfolio may also invest in participatory interests or any other form of participation in portfolios of collective investment schemes. The portfolio may, from time to time, invest in, or enter into, listed and unlisted financial instruments. The portfolio may make foreign investments. 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. As additional mandate stipulations, the portfolio provides compounded returns and aims to avoid large drawdowns.

#### RISK PROFILE

This portfolio is managed within what are regarded to be aggressive investment parameters. The objective of this portfolio is to maximise investment capital, accepting the higher level of risk associated with this strategy.

#### INCOME DISTRIBUTION IN THE PAST 12 MONTHS

Distribution Date	Payment Date	Cents per unit
31/12/2021	04/01/2022	0,00
30/06/2022	01/07/2022	0,00

#### PERFORMANCE

12 months	10,98%
Annualised return since inception	8,31%

#### ASSET ALLOCATION

Asset class	Net	Long
Cash	10,79%	10,79%
Equities	0,00%	0,00%
Equity CFDs	0,12%	0,12%
Forex futures	0,00%	0,00%
Fund CFDs	0,00%	0,00%
Unit trusts	89,07%	89,07%

#### COUNTERPARTY EXPOSURE (end of period)

Absa Bank Limited	3,55%
Societe Generale	9,49%

#### RISK STATISTICS

Sharpe ratio	0,60
Standard deviation	4,78%
Maximum monthly drawdown	-4,40%
Sortino ratio	0,93

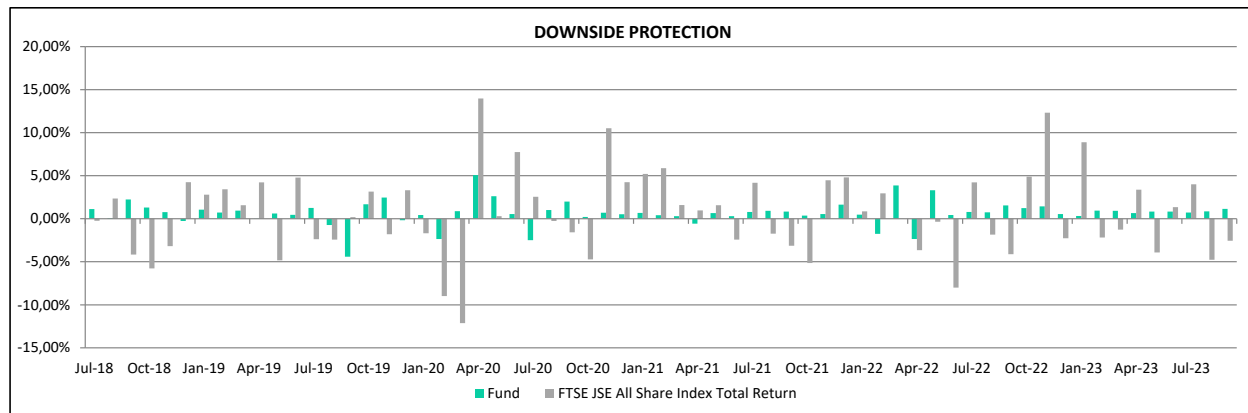
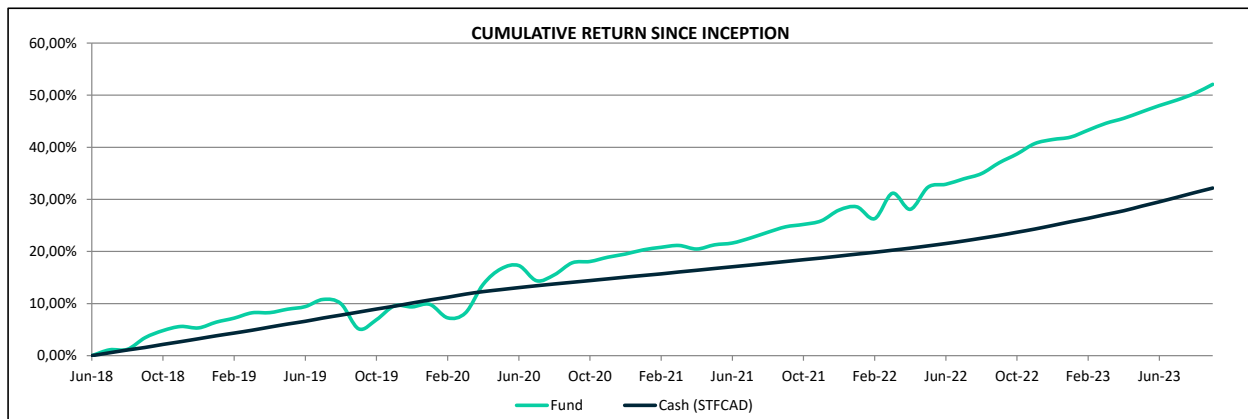
Source of risk statistics: Maitland, Bloomberg at 31 December 2022

#### 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):	2,58%
Total exposure level (highest during period):	13,81%
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**  
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.

Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2018							1,12%	0,08%	2,23%	1,30%	0,76%	-0,26%	5,33%
2019	1,06%	0,72%	0,95%	0,03%	0,61%	0,46%	1,25%	-0,73%	-4,40%	1,68%	2,47%	-0,17%	3,83%
2020	0,44%	-2,35%	0,89%	5,08%	2,61%	0,53%	-2,49%	1,00%	1,99%	0,22%	0,70%	0,52%	9,28%
2021	0,67%	0,41%	0,29%	-0,56%	0,66%	0,29%	0,78%	0,92%	0,84%	0,37%	0,55%	1,64%	7,06%
2022	0,48%	-1,76%	3,86%	-2,35%	3,32%	0,42%	0,78%	0,75%	1,55%	1,23%	1,44%	0,55%	10,58%
2023	0,32%	0,95%	0,92%	0,66%	0,84%	0,83%	0,73%	0,86%	1,14%				7,49%



Publication date: 16/10/2023

### **General Hedge Fund**

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.

### **Borrowing Hedge Funds**

A manager of a qualified investor hedge fund must maintain a repurchase policy, for which must provide a level of liquidity for the portfolio that would enable the manager to repurchase participatory interests within one calendar month of receipt of an investor instruction to repurchase.

### **Commodities**

For hedge funds that include commodity securities, the extent of exposure to physical delivery is not permitted.

### **Prices**

The latest prices are published monthly to Finswitch.

### **Performance fees**

The portfolio levies a performance fee of 20 % of the amount by which it outperforms the hurdle rate of STEFI Call Deposit Rate. The performance fee is payable quarterly and calculated daily. The High-Water Mark principle is applied in the performance fee calculation. The PERFORMANCE FEE FAQ DOCUMENT is available on request from us.

### **Performance returns**

Lump-sum performance returns are being quoted. Income distributions, prior to 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 performance is calculated for the B1 fee class. 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.

### **Third party named portfolios**

For the third party named portfolios, the manager has entered into a co-named agreement 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 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.

### **Valuations and transaction cut-off times**

The portfolio is valued monthly at 17h00 on the last day of the month. The withdrawal instruction must be received before 14h00 three calendar months, of the month prior to the pricing date, failing which, the next pricing date will apply.

### **Structure of the portfolio**

**The portfolio was launched as a collective investment scheme trust arrangement on 01 April 2016, and did not exist 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 [ww.aip.co.za], from your financial adviser, or on request from the Manager, free of charge.

- Application forms
- Annual report
- Fee schedule
- Performance fee FAQ
- Quarterly General Investor Report

### **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.

### **Counterparties and prime brokers**

The fund utilises Absa Bank Ltd as prime broker. The fund has counterparty exposure to the prime broker in respect of derivative and cash positions. The prime broker has a soft dollar arrangement with the investment manager.

### **Contact details**

#### **CIS Manager**

The portfolio is owned by Novare CIS (RF) (Pty) Limited (Novare CIS) with Registration No. 2013/191 159/07. 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).

Physical Address: 3<sup>rd</sup> Floor, The Cliffs, Office Block 1, Niagara Way, Carl Cronje Drive, Bellville, 7530

Postal Address: PO Box 4742, Tygervalley, 7736, South Africa

E-mail Address: [clientservice@novare.com](mailto:clientservice@novare.com)

Website: [www.novarecis.com](http://www.novarecis.com)

Contact details: 0800 668 273 (0800 Novare)

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

#### **Trustee/Custodian/ Depository**

The appointed trustee is First Rand Bank Limited with registration No. 1929/001225/06. The trustee/custodian is registered as a trustee of collective investment schemes, in terms of the Collective Investment Schemes Control Act.

Physical Address: 1<sup>st</sup> Floor, Nr.3 Jeppe Place, Bank City, Corner of Jeppe and Simmonds Streets, Johannesburg, 2000

Postal Address: 1<sup>st</sup> Floor, Nr.3 Jeppe Place, Bank City, Corner of Jeppe and Simmonds Streets, Johannesburg, 2000

E-mail Address: [Trusteeservices@rmb.co.za](mailto:Trusteeservices@rmb.co.za)

Website Address: [www.rmb.co.za](http://www.rmb.co.za)

Contact Details: 011 282 8000

#### **Investment Manager**

AIP Capital Management (Pty) Ltd, with registration No. 2017/334425/07 incorporated under the laws of South Africa, is the appointed investment manager. The investment manager is an authorised Financial Services Provider (FSP) with FSP number 48828, as 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.

Physical Address: Unit 209, The Cliffs, Office Block 2, Niagara Way, Carl Cronje Drive, Bellville, 7530

Postal Address: PO Box 5832, Halfway House, 1685

E-mail Address: [aip@aip.co.za](mailto:aip@aip.co.za)

Website Address: [www.aip.co.za](http://www.aip.co.za)

Contact Details: 021 879 1158

Directors: Mr JJ Henn, Mr EL Visagie.

#### **Prime broker**

The appointed prime broker is Absa bank Limited with registration number 1986/004794/06

Physical Address: 15 Alice Lane Sandown Sandton 2196

Postal Address: 15 Alice Lane Sandown Sandton 2196

E-mail Address: [PrimeServices@absacapital.com](mailto:PrimeServices@absacapital.com)

Website Address: <http://cib.absa.co.za/>

Contact Details: 011 895 5189

#### **Fund administrator**

Apex Fund Services South Africa Limited (formerly Maitland Group South Africa Limited)

Physical Address: Apex House, River Park, Gloucester Road, Mowbray, 7700, Cape Town, South Africa

Postal Address: PO Box 3149, Cape Town, 8000, South Africa

E-mail Address: [kams@maitlandgroup.co.za](mailto:kams@maitlandgroup.co.za)

Website Address: <https://www.apexgroup.com>

Contact Details: 021 681 8000

#### **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

E-mail address: [inge.potgieter@pkf.co.za](mailto:inge.potgieter@pkf.co.za)

Website address: [www.pkf.co.za/capetown](http://www.pkf.co.za/capetown)

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