

Novare Equity Long Short 6 Qualified Investor Hedge Fund - B1

Minimum Disclosure Document and Quarterly General Investor Report

As at 31 March 2020

INVESTMENT OBJECTIVE

The portfolio is a qualified investor hedge fund, primarily focusing on listed equity related instruments in South Africa, with opportunities being sought in the large, mid and small cap stocks. The portfolio takes advantage of short-term opportunities and pricing abnormalities but concentrates efforts on making gains over the longer term. CPI + 2% will be considered the benchmark of this portfolio.

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 has a moderate risk/return profile and is suitable for investors with a long-term investment horizon, who seek capital protection, with lower volatility. The portfolio will have maximum flexibility to invest in a wide range of instruments, including equities, real estate instruments and fixed income instruments. 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.

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 in to affect. It is now managed within the BNS2 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
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 that 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 three calendar months.

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 January 2017 to 31 December 2019	
Average annual service charge	1.25%
Underlying fund charge	0.02%
Performance fee	1.14%
Underlying global manager charge	0.00%
Other charges	0.25%
Total expense ratio (TER)	2.66%
Transaction costs (TC)	0.78%
Total investment charges (TER + TC)	3.44%

COUNTERPARTY EXPOSURE (end of period)

Bank of New York	1.74%
JP Morgan	0.56%
Nomura	1.36%
Legae Peresec	0.85%
Safex	4.02%

Annual service charge The current annual management fee is 1.26% p.a. (excl. VAT).

Performance fee The portfolio charges a performance fee of 20.00% of the amount by which it outperforms the hurdle rate (STFCAD). The performance fee is payable Quarterly and calculated over

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 Fund of Hedge Funds do not use Prime Brokers, therefore, the source of leverage derived through underlying portfolios. The portfolio achieves 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 change 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
ABOUT THE PORTFOLIO			
Portfolio classification	Qualified Investor Hedge Fund		
Legal structure	CIS trust structure		
Scheme name	Novare CIS in Qualified Investor Hedge Funds		
Portfolio inception date	01 July 2018		
CIS launch date	01 July 2016		
Fee class inception date	01 July 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%		
Portfolio size	R	171,061,228.99	
NAV cents per participatory interest			12,753.45
Number of participatory interests			1,341,293.46
Minimum monthly investment	R	50,000.00	
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)
30 June 2019	02 July 2019	0.00
31 December 2019	02 January 2020	99.88

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)	12.79%
Total exposure level (highest during period)	12.98%
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 (22 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. Inclusion in the TER: the stated performance fee representation of the

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

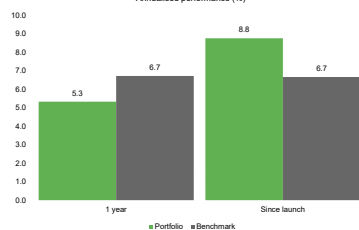
The practice by prime brokers of using, for their own purpose, assets that have been posted as collateral by the investment manager is restricted. The prime brokers do not re-hypothecate or take part in any form of re-pledging of securities forming any part of the collateral.

Changes to liquidity risk profile

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

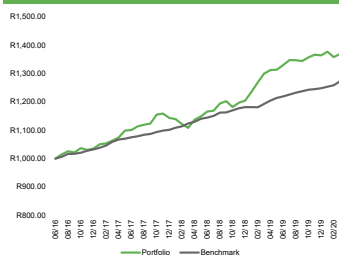
PERFORMANCE (%)

Annualised performance (%)



Source of performance returns: eVestment as at 31/03/2020

GROWTH OF R1000 LUMP SUM



PERFORMANCE BREAKDOWN

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2020	0.96%	-1.41%	0.85%										0.38%
2019	2.57%	2.73%	2.40%	0.97%	0.09%	1.22%	1.33%	-0.03%	-0.21%	0.95%	0.71%	-0.19%	13.22%
2018	-0.34%	-1.52%	-1.23%	2.62%	1.00%	1.52%	0.26%	2.14%	0.72%	-1.72%	1.29%	0.64%	5.40%
2017	1.53%	0.27%	0.93%	1.09%	2.25%	0.16%	1.20%	0.50%	0.37%	2.82%	0.30%	-1.34%	10.49%
2016							1.53%	1.06%	-0.43%	1.50%	-0.57%	0.38%	

Highest calendar annual performance since launch: 13.22% (in 2019)
 Lowest calendar annual performance since launch: 5.40% (in 2018)

ASSET ALLOCATION

Cash and Cash Equivalents	28.24%
Unit Trust	0.76%
Bond	17.19%
Equity	51.89%
Equity CFD	3.97%
Futures	-43.24%
Options	-8.68%

UNDERLYING TOP 5 EFFECTIVE EXPOSURES

Multichoice Group Limited
Tencent Holdings Ltd
Republic of South Africa R186 10.5% Bond
Naspers Limited
African Bank Limited Floating Rate Corporate Stub Note

RISK STATISTICS

Alpha	2.10%
Beta	0.03
Sharpe ratio	0.33
Standard deviation (%)	3.99%
Maximum drawdown	-4.35%
Sortino ratio	0.50
Information ratio	0.51
Tracking error	4.12%

Source of risk statistics: eVestment as at 31/03/2020
 Risk statistics period: (07/2016 - 03/2020)

FUND COMMENTARY

Global

The first quarter of 2020 will go down as one of the most unique in the history of capital markets. All the major indices fell into "correction territory" - down more than 10% from their recent all-time highs, achieved just earlier this year - before bouncing in equally record fashion to claw back some of the losses. We had held the opinion for some time that the business cycle was in its late stages, and that markets were running ahead of themselves. Needless to say, no-one envisaged a new strain of coronavirus being the straw that would break the camel's back. The big uncertainty now is how this crisis will play out in terms of getting infections under control and, subsequently, how long it will take for some sort of normality to return to the economy. Pundits are speculating over all sorts of consonants and vowels, from L to U to V to W to describe how this recovery may play out. The end result may well be a combination of these.

The COVID-19 outbreak has now hit the 2,000,000 mark for confirmed cases and almost 130,000 deaths globally. The US has overtaken Italy with the largest number of cases, making up 30% of global cases. The Trump administration has come under sharp criticism for initially downplaying the severity of the virus, and in its slow response to avert tensions under pressure, including New York, New Jersey and Washington. The world's largest economy has indeed provided a case study on how not to deal with a pandemic.

The situation in Europe has been equally dire, with the number of coronavirus deaths in Italy, Spain, France and Germany surpassing 50,000. These countries remain on almost complete lockdown in their struggle to bring the outbreak under control. While new infections have started to slow in Italy and intensive-care admissions declined in Spain as well as France, officials said it's still too early to relax restrictions that have brought wide swathes of Europe to a halt.

The S&P 500 Index recorded its fastest correction in history. All sectors within the S&P 500 suffered major drawdowns, with energy stocks especially hard hit as oil prices plunged 50% from year-end highs. The Chicago Board Options Exchange's CBOE Volatility Index (VIX) spiked to over 80, its highest level since the global financial crisis in 2008.

At the same time, the oil market crashed to levels last seen during the dot-com crash. The initial collapse started due to a breakdown in talks between OPEC and Russia regarding supply cuts. Russia refused to cut production and, in an all-out price war, the Russians and Saudis started to flood the market with oil. This was on top of the unprecedented collapse in demand caused by social distancing restrictions imposed by governments around the world. The result was an almost 70% collapse in oil prices since the start of 2020.

Emerging markets were also particularly hard hit, declining more than 30% from their 2020 highs. For some, including the likes of Brazil, Turkey and South Africa, the fall could not have come at a worse time given that they were already struggling with ballooning deficits and stagnant growth.

As the initial equity sell-off gained momentum, fixed income markets started to show signs of strain as an investor dash for cash ensued. As opposed to an endogenous variable (like a downgrade or corruption) negatively affecting markets, an exogenous variable (the pandemic) started testing market liquidity. In particular, fixed income investors needing cash due to margin calls and were selling what they could, everything from investment grade credit to treasury bonds (a traditional safe haven asset), in some cases indiscriminately.

A breakdown of traditional correlations ensued where we saw days when equities were down 5%, yet safe-haven assets like US Treasuries, US Agency RMBS, and gold were also meaningfully lower in price. This suggests investors needed cash for liquidity purposes, for example margin calls.

In the midst of the panic, governments and central banks around the world unleashed unprecedented fiscal and monetary stimulus and other support for economies floored by the coronavirus pandemic. Developed nations responded with fiscal and monetary stimulus packages amounting to between 10% and 20% of GDP. As part of the US's fiscal package, every single citizen will receive a pay-out from the government. The "helicopter money" had finally arrived!

Markets responded to this staggering intervention with great positivity, rallying into month-end and recovering around 20% of the sell-off from the previous week. The S&P500 ended the month down -19.6% from a trough of -33.53% from recent all-time highs. Similar numbers were seen across other developed and emerging markets. US treasuries rallied at breakneck speeds to end the month at around 0.80%, from 1.80% at the start of the year.

Domestic

South Africa enforced a nationwide 21-day lockdown on 27 March 2020, with government having taken its cue from the South Koreans by testing aggressively in conjunction with the lockdown. It is interesting to note that the growth in new cases reduced considerably despite the fact that many people live in densely populated informal settlements. Because of the difficulty in these areas for residents to remain indoors and maintain social distancing, it is expected that the number of coronavirus infections might increase considerably as testing efforts continue throughout informal settlements.

To make matters worse, Moody's decided to downgrade South Africa to Junk status. This move was, of course, not unexpected, but the timing couldn't have been worse. Bonds and the ZAR experienced an initial knee-jerk reaction sell-off but quickly settled back to levels prior to the downgrade. We have argued for some time that a large part of the downgrade had been priced in and were expecting the market's reaction. Foreigners have been continued sellers of SA bonds throughout the year and although we will see some further outflows when the indices are rebalanced, the fact that the real yields in South Africa are among the highest in the world could keep a floor on the sell-off.

The South African Reserve Bank played its part in trying to support the economy by lowering rates by 100bps before subsequently reducing rates again by another 100bps. This will give some respite to consumers, but will amount to only limited defence against the expected contraction because of the lockdown. SARB Governor Lesetja Kganyago indicated that the bank now expects South Africa's GDP in 2020 to contract by 6.1%, compared to the 0.2% contraction expected just a few weeks ago. GDP is expected to grow by 2.2% in 2021 and by 2.7% in 2022.

Local markets reacted in similar fashion to their global counterparts as the JSE All Share Index lost 12.83% and the All Bond Index was down -10.6%.

We believe that because the COVID-19 pandemic is still not under control, the best economic outcome that anyone can hope for is a recession similar to the one that followed the 2008 financial crisis. But in all likelihood, it could be much worse. The pedestrian response from some of the largest nations to the outbreak, including the US, means the virus will have a more protracted impact on economic activity, rather than the "back-to-normal-by-Easter" scenario President Trump suggested.

Even though we do not believe we will experience a drawn-out global depression as in the 1920s, Novare's view is that the most likely outcome is a recession that is more severe than the Global Financial Crisis, but not as protracted. This outlook could, however, change in an instant as numbers continually being released globally are of an unprecedented magnitude.

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 redemptions 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.novare.com.

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.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.

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 July 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 CISCAs and the Deed, will be followed.

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 (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.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 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.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@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

Malland Hedge Fund Services (Pty) Limited
Registration number: 2013/008687/07
Physical address: Malland House 1, River Park, Gloucester Road, Mowbray, 7700
Postal address: Malland House 1, River Park, Gloucester Road, Mowbray, 7700.
Telephone number: 021 681 8000. E-Mail address: ClientServices@mallandgroup.co.za. Website: www.mallandgroup.com

AUDITOR

PricewaterhouseCoopers South Africa (PWC)
Registration number: 1998/012055/21
Physical address: 4 Lisbon Lane, Waterfall City, Jukeski view, 2090, South Africa
Postal address: 4 Lisbon Lane, Waterfall City, Jukeski view, 2090, South Africa.
Telephone number: 011 797 4000. E-Mail address: clinton.mitchelson@pwc.com. Website: www.pwc.co.za

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.

AUDITOR

PricewaterhouseCoopers South Africa (PWC)
Registration number: 1998/012055/21
Physical address: 4 Lisbon Lane, Waterfall City, Jukeski view, 2090, South Africa
Postal address: 4 Lisbon Lane, Waterfall City, Jukeski view, 2090, South Africa.
Telephone number: 011 797 4000. E-Mail address: clinton.mitchelson@pwc.com. Website: www.pwc.co.za

PRIME BROKER

Legas Perseco (Pty) Ltd
Registration number: 1999/01097/07
Physical address: 6A Sandown Valley Crescent, Sandton, 2196
Postal address: 6A Sandown Valley Crescent, Sandton, 2196.
Telephone number: 011 895 5189. E-Mail address: PB@perregre.co.za. Website: www.legasperseco.co.za

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