<table>
<thead>
<tr>
<th>CONTENTS</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>INTRODUCTION</td>
<td>2</td>
</tr>
<tr>
<td>WHAT IS A HEDGE FUND</td>
<td>3</td>
</tr>
<tr>
<td>THE EVOLUTION OF SOUTH AFRICAN HEDGE FUNDS</td>
<td>4</td>
</tr>
<tr>
<td>HOW DOES A HEDGE FUND DIFFER FROM A UNIT TRUST?</td>
<td>5</td>
</tr>
<tr>
<td>DERIVATIVES AND LEVERAGE</td>
<td>6</td>
</tr>
<tr>
<td>SHORT AND LONG POSITIONS</td>
<td>7</td>
</tr>
<tr>
<td>DIFFERENT STRATEGIES</td>
<td>8</td>
</tr>
<tr>
<td>OBJECTIVES OF HEDGE FUNDS</td>
<td>9</td>
</tr>
<tr>
<td>BENEFITS OF HEDGE FUNDS</td>
<td>9</td>
</tr>
<tr>
<td>HEDGE FUND MYTHS BUSTED</td>
<td>10</td>
</tr>
<tr>
<td>THE SOUTH AFRICAN HEDGE FUND INDUSTRY</td>
<td>13</td>
</tr>
<tr>
<td>ABOUT US</td>
<td>14</td>
</tr>
<tr>
<td>WHY YOU SHOULD CONSIDER INCLUDING HEDGE FUNDS IN YOUR PORTFOLIO?</td>
<td>14</td>
</tr>
<tr>
<td>THE BENEFITS OF MULTI-MANAGER FUNDS</td>
<td>15</td>
</tr>
<tr>
<td>PRODUCT OFFERING</td>
<td>16</td>
</tr>
<tr>
<td>AWARDS</td>
<td>18</td>
</tr>
<tr>
<td>CONTACT US</td>
<td>19</td>
</tr>
</tbody>
</table>
Despite the misconception that hedge funds are risky investments, South African-based funds are in fact relatively conservative. Interestingly, many South African investors still perceive hedge funds as the riskier investment when compared to unit trusts when, in fact, the two vehicles are very similar.

In 2015 National Treasury and the Financial Services Board released the final regulation of hedge fund portfolios after an extensive consultative process with the local industry. The new regulation would regulate hedge funds under the existing Collective Investment Schemes Control Act, No. 45 of 2002 (CISCA), which also encompasses the well-known unit trust industry. Because most South African hedge funds operate as pooled investment vehicles, government’s proposal to subject them to the rules that apply to other collective investment schemes made sense.

All the money invested in a hedge fund goes into a pool, with a fund manager deciding which assets to invest in - as is the case with the unit trusts that represent the majority of people’s savings and/or investments, fund managers for the most part invest in stocks or bonds. However, hedge funds have other tools at their disposal that unit trusts do not. Probably the most significant of these is that hedge funds are able to make money on an asset even if it declines in value.

In addition, there are many different hedge fund styles to suit the many different personalities and goals of investors. Each fund manager has a different mandate, covering the entire spectrum from very risky to very conservative.

In an environment where traditional approaches to investments have underperformed, the advantages that hedge funds offer can no longer be ignored in a well-balanced portfolio. The recent flurry of financial market events and persistently challenging global economic conditions have meant that even large portfolios across various markets and industries have struggled to generate returns in excess of inflation.
WHAT IS A HEDGE FUND?

Hedge funds form part of alternative investments, whereas other more traditional and more familiar investment vehicles/strategies form part of traditional investments:

Hedge Funds aim to achieve positive returns at a reduced level of risk. Characteristics making hedge funds unique includes the use of:

- derivatives,
- short selling,
- leveraging.

This enables hedge funds to extract positive performance in both upward or downward trending financial markets. Hedge funds tend to have low correlations to traditional portfolios of stocks and bonds, therefore, allocating an exposure to hedge funds can be a good diversifier.

Although hedge funds invest in the same asset classes as traditional unit trust funds, it can take advantage of a wide range of price adjustments and thereby generate other sources of return.

Under the new regulation, CISCA classifies hedge funds into two categories - retail investor funds (RIHF) which have more stringent regulation requirements, and qualified investor hedge funds (QIHF).

A Qualified investor, as defined by the Financial Services Board (FSB) Board Notice 52 of 2015, is:

- any person who invests a minimum investment amount of R1 million per hedge fund and who –
  - has demonstrable knowledge and experience in financial and business matters which would enable the investor to assess the merits and risks of a hedge fund, or
  - has appointed a Financial Services Provider (FSP) who has demonstrable knowledge and experience to advise the investor regarding the merits and risks of a hedge fund investment.

A retail investor hedge fund is defined as a hedge fund in which any investor may invest because it meets the requirements set out by the FSB.
First South African single manager hedge fund established.

FSB starts regulating hedge fund managers, requiring that they hold a CAT II A licence.

The FSB and National Treasury embarked on a process to enhance and expand the scope of regulation and oversight over hedge funds. A proposed framework for regulating hedge funds in South Africa was released and after engagement with industry, draft regulation for public comment was released in April 2014.

Alfred Winslow Jones coins the term 'hedge fund'.

First fund of hedge funds created.

Introduction of Regulation 28 for pension funds which introduced a 10% investment allocation limit to hedge funds. Previously the regulation did not explicitly refer to hedge funds.

National Treasury and FSB finalises regulation of hedge funds. Hedge funds are regulated under the existing Collective Investment Schemes Control Act, No. 45 of 2002 (CISCA).

### SOME OF THE OTHER CHARACTERISTICS ARE TABULATED BELOW:

<table>
<thead>
<tr>
<th></th>
<th>RETAIL INVESTOR HEDGE FUNDS</th>
<th>QUALIFIED INVESTOR HEDGE FUNDS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Investors</td>
<td>Available to general public (varying minimums)</td>
<td>Only available to qualified investors (&gt;R1,000,000)</td>
</tr>
<tr>
<td>Gross exposure limit</td>
<td>&lt; 200%</td>
<td>Not defined</td>
</tr>
<tr>
<td>VAR limit</td>
<td>&lt; 20%</td>
<td>Not defined</td>
</tr>
<tr>
<td>Disclosure to clients</td>
<td>Monthly</td>
<td>Quarterly</td>
</tr>
<tr>
<td>Max equity holdings</td>
<td>&lt; 10%</td>
<td>Not defined</td>
</tr>
<tr>
<td>Investor liquidity</td>
<td>Calendar month</td>
<td>90 days</td>
</tr>
<tr>
<td>Risk management</td>
<td>Daily</td>
<td>Daily</td>
</tr>
<tr>
<td>Marketing</td>
<td>Able to solicit investments from all investors.</td>
<td>Only accept investments from a restricted pool of qualified investors.</td>
</tr>
</tbody>
</table>

### THE EVOLUTION OF SOUTH AFRICAN HEDGE FUNDS

- **1949**: Alfred Winslow Jones coins the term ‘hedge fund’.
- **1995**: First South African single manager hedge fund established.
- **2003**: First fund of hedge funds created.
- **2007**: FSB starts regulating hedge fund managers, requiring that they hold a CAT II A licence.
- **2011**: Introduction of Regulation 28 for pension funds which introduced a 10% investment allocation limit to hedge funds. Previously the regulation did not explicitly refer to hedge funds.
- **2012**: National Treasury and FSB finalises regulation of hedge funds. Hedge funds are regulated under the existing Collective Investment Schemes Control Act, No. 45 of 2002 (CISCA).
- **2015**: The FSB and National Treasury embarked on a process to enhance and expand the scope of regulation and oversight over hedge funds. A proposed framework for regulating hedge funds in South Africa was released and after engagement with industry, draft regulation for public comment was released in April 2014.
HOW DOES A HEDGE FUND DIFFER FROM A UNIT TRUST?

The major difference between a unit trust and retail hedge fund is that unit trusts can only buy financial instruments. This means that investors only make money if the value of those instruments increase in value. With a hedge fund, they still invest in the same instrument, but the managers have a lot more tools at their disposal to protect capital. They could, for example, buy and sell financial assets and use leverage to enhance returns.

It is important that investors should note that hedge funds are not for short term investing. They need to take at least a three to five year, and ideally longer, view.

As mentioned, hedge fund invest in the same securities as unit trusts, they just have more ways of protecting assets and delivering positive returns irrespective of market direction.

ASSETS: equities, bonds, cash, etc.
“Buy & hold” investment strategy

The underlying assets in a Unit Trust fund are made up of:

- cash or money market instruments,
- shares, gold bullion,
- listed property,
- listed offshore shares,
- local government bonds
- equity derivative products are used to protect the downside.

Hedge funds are made up of the same assets, but have a wide range of tools available to use in order to optimise these assets, such as:

- derivatives,
- short selling,
- Leveraging etc.
DERIVATIVES AND LEVERAGE

DERIVATIVES

- A derivative is a contract between two or more parties.
- A security where price is dependent upon or derived from one or more underlying assets.
- Its value is determined by fluctuations in the underlying asset.
- The most common underlying assets include stocks, bonds, commodities, currencies, interest rates and market indexes.

LEVERAGE

- Leverage is the practice of using borrowed money to generate a return on an investment.
- It can be defined as borrowing funds to make the investment. This gives the hedge fund manager opportunity to control big positions with little outlay, this is called buying on margin.
- Leverage is popularly used in derivative instruments, i.e. options, put, calls, etc.
- Leverage can magnify both gains and losses.

OPTION 1

John buys a house for R20 000 and later sells it for R30 000. Meaning John has made a profit of R10 000.

OPTION 2

John uses the R20 000 and splits it into 4 x R5 000 down payments on four different houses (each valued at R20 000). The rest of the money needed for each house, he borrows.

He later sells each property at R30 000.

John has made a profit of R10 000 on each house he sold. Meaning his total profit is R40 000 (vs R10 000 in option 1).

That's a return of 200%.

IN THE SAME WAY, INVESTORS LEVERAGE DERIVATIVES IN ORDER TO GENERATE RETURNS.
**SHORT AND LONG POSITIONS**

**SHORT POSITION**

The sale of a borrowed security, commodity or currency with the expectation that the asset will fall in value.

For example, if a manager borrows and sells Stock Mabone, it is said to be “short Mabone” or “has a short position in Stock Mabone”

**EXAMPLE**

Borrows 10 Mabone shares and sells on the open market @ R100 per share (with the expectation that the asset will fall in value).

Share price declines to R75 per share Portfolio Value = R75 x 10 = R750

Profit (when buying back) = R1000 – R750 = R250 / R25 per share

**LONG POSITION**

The buying of a security such as a stock, commodity or currency, with the expectation that the asset will rise in value.

For example, an owner of shares in Stock Water is said to be “long Water” or “has a long position in Stock Water”

**EXAMPLE**

Buy 10 Water shares @ R100 per share (with the expectation that the asset will rise in value).

Total Investment = R100 x 10 = R1000 Share price rises to R135 per share Portfolio Value = R135 x 10 = R1350

Profit (when selling) = R1350 – R1000 = R350 / R35 per share
DIFFERENT TYPES OF STRATEGIES

**EQUITY LONG/SHORT**
Funds aim to generate positive returns by being simultaneously long and short in the equity market. Market risk is reduced while company-specific risk is retained. The majority of local equity long/short funds tend to be long-biased.

An investing strategy of taking long positions in stocks that are expected to appreciate and short positions in stocks that are expected to decline. A long/short equity strategy seeks to minimise market exposure while profiting from stock gains in the long positions and price declines in the short positions.

**EQUITY MARKET NEUTRAL**
Funds take similar sized long and short positions in related equity sectors with the effect that directional market risk is offset. A strategy undertaken by a manager that seeks to profit from both increasing and decreasing prices. Market-neutral strategies are often attained by taking matching long and short positions in different stocks to benefit from mispricing and delivering positive returns from both the long and short stock selections and reducing risk from movements in the broad market.

**FIXED INCOME ARBITRAGE**
An investment strategy that attempts to profit from arbitrage opportunities in interest rate securities. When using a fixed-income arbitrage strategy, the investor assumes opposing positions in the market to take advantage of small price discrepancies while limiting interest rate risk.

This general strategy type includes basis (e.g. cash vs. futures), yield curve and credit spread trading, as well as volatility arbitrage.

**STATISTICAL ARBITRAGE**
Quantitative models are used to identify market opportunities and establish short-term positions involving a large number of securities.

**VOLATILITY ARBITRAGE**
Funds aim to exploit mispricing between similar instruments where the mispricing is the result of different volatility assumptions by price makers.

**MULTI-STRATEGY**
An investment philosophy allocating investment capital to a variety of investment strategies and potentially across several asset classes.

**COMMODITIES**
Funds that predominantly invest in soft or hard commodities. These funds can follow a number of different strategies to obtain alpha from this asset class, including trend following or non-directional market neutral strategies.
OBJECTIVES OF HEDGE FUNDS

Hedging limits the probability of a loss from fluctuations in the price of securities, as well as:

- Reduce market risk
- Reduce return volatility
- Preserve capital
- Enhance returns

BENEFITS OF HEDGE FUNDS

Hedge fund managers take calculated risk as would any fund manager but the extent of the draw-down in negative markets is less, so the recovery is quicker. Hedge funds can take advantage of a wide range of price adjustments and thereby generate other sources of return. Other benefits include:

- **Hedge funds can take advantage of both rising and falling financial markets**
  Adding a portion of one’s assets to hedge fund investments can complement a well-diversified portfolio by lowering the overall volatility, but maintain the return profile.

- **Hedge funds can assist in capital protection**
  In the current environment, a low-risk investment such as hedge funds can protect capital while delivering the expected returns. Due to lower return volatility, these funds don't participate in the full extent of asset class drawdowns as experienced in both the local equity and bond market and therefore assist in capital protection.

- **Hedge fund managers have more investment tools at their disposal**
  Hedge funds invest in the same instruments available to traditional long-only asset managers, the main difference being that hedge fund managers have more investment tools at their disposal like shorting and leverage to express their view on the market, resulting in an ability to generate an alternative source of return relative to traditional investments.

- **Funds of hedge funds take the legwork and risk out of investing in hedge funds**
  Funds of hedge funds help investors to protect their total portfolios against severe market downturns so that investments can compound at a stable rate. The advantages of funds of hedge funds include automatic diversification, monitoring efficiency and selection expertise.

- **Funds of hedge funds ensures instant diversification**
  Fund of funds enable an investor to obtain instant diversification in a portfolio of hedge funds, which is particularly attractive for an investor with a portfolio that is large enough to invest in hedge funds, but too small to achieve proper diversification going directly into hedge funds.
According to the Alternative Investment Management Association (AIMA), proof points that contradict common hedge funds myths are often overlooked due to the historic nature of hedge funds keeping a low profile and gaining publicity on the odd occasion when a blow-up or fraud case causes news headlines.

**MYTH #1**

**HEDGE FUNDS AREN’T REGULATED AND THE INDUSTRY IS SECRETIVE AND MYSTERIOUS**

Hedge fund specific regulation may have only come into effect recently, however, hedge fund asset managers have been regulated under the Financial Advisory and Intermediary Services Act (FAIS) since October 2007 under a separate license category, CATIIA. (Discretionary asset managers such as unit trust asset managers require a CATII licence.)

In 2015, Hedge funds were included under the regulation of the local Collective Investment Schemes Control Act also known as CISCA. Under the new regulation, hedge funds will be more accessible to a broader investor base.

Most hedge funds in South Africa operate as collective investments, hence the decision for hedge fund regulation to be in line with existing collective investment regulation. To address the regulation of the hedge fund product, the Financial Services Board (FSB) together with National Treasury and industry players embarked on a consultative process to understand the South African hedge fund landscape and compile suitable regulation, which saw hedge funds being regulated under CISCA. CISCA also regulates the well-known unit trust industry.

**MYTH #2**

**HEDGE FUNDS ARE RISKY INVESTMENTS**

Although hedge funds invest in the same asset classes as traditional unit trust funds, the difference is that it can take advantage of a wide range of investment tools and thereby generate other sources of return. Hedge funds tend to have low correlations to traditional portfolios of stocks and bonds, therefore, allocating an exposure to hedge funds can be a good diversifier.

Contrary to popular belief, this strategy aims to achieve positive returns at a reduced level of risk. Characteristics making hedge funds unique includes the use of derivatives, short selling, leveraging etc. to be able to extract positive performance in both upward or downward trending financial markets.

One of the main objectives of the regulation by National Treasury is the monitoring and measuring of systemic risk while enhancing product requirements to protect investor interest.
According to the 2016 Novare Hedge Fund Survey results, a decrease in annual management fees has been seen, combined with funds employing a higher hurdle rate for performance fees. Fees have always remained topical and the hedge fund industry has not been exempt. For the first time, under the new regulation, retail hedge funds will have to disclose their Total Expense Ratio (TER) to the public. More than two-thirds (66.3%) of the funds charge an annual management fee of 1.0%, up from 58.1% the previous period, this has been as a result of those charging higher fees decreasing their rates.

The local hedge fund industry does not follow the typical 2.0% Annual Management Fee (AMF) and 20.0% performance fee ratio. Instead, a 1.0% AMF and 20.0% performance fee ratio is the popular charge. More than two-thirds (66.3%) of the funds charge an annual management fee of 1.0%, up from 62.0% the previous period.

A migration to lower charges has been observed, with those charging 1.5% decreasing from 23.9% to 15.3%, this has been driven by two main asset managers who previously had that fee structure.

As with any investment, time is your best friend and market movements and subsequent volatility will continue to have an effect on investments, no matter the strategy. Hedge fund managers take calculated risk as would any fund manager. But, the extent of the draw-down in negative markets is less and therefore, the recovery is quicker.

The advantage of hedge fund managers having more investment tools at their disposal is that they can take advantage of both rising and falling markets and profit from rising or falling financial markets, thereby providing capital protection.

According to the survey, the industry has experienced uninterrupted and tremendous growth in assets of 118.3% over the past five years. Solid performance remained the main driver of asset growth as investors were seen rewarding managers that had good returns by increasing their allocation - a reflection of the growth and stability of local hedge funds when it comes to size.

Under the new regulation, hedge funds will be more accessible to a broader investor base and have been classified into two categories - retail investor funds (RIHF) which have more stringent regulation requirements, and qualified investor hedge funds (QIHF). Retail hedge funds are available to the general public, whereas it is only qualified hedge funds that are suited to the savvy investor and corporate investor.

A retail investor hedge fund is defined as a hedge fund in which any investor may invest because it meets the requirements set out by the FSB.

From 2011, investors could also allocate up to 10% of their pension fund contributions to hedge funds after the Regulation 28 of the Pension Funds Act (Act 24 of 1956) was amended to include this hedge fund exposure limit.
Hedge funds invest in the same securities as unit trusts, the difference is that it has more ways of protecting assets and delivering positive returns irrespective of market direction.

Take a unit trust for example. The underlying assets in a unit trust fund are made up of cash or money market instruments, shares, gold bullion, listed property, listed offshore shares, local government bonds and some use of equity derivative products are used to protect the downside.

Hedge funds are made up of the same assets but have a wider range of tools available to use in order to optimise these assets, such as derivatives, short selling, leveraging etc.

According to the 2016 Novare Hedge Fund Survey findings, 73.2% of industry assets are managed by hedge fund asset managers with experience in hedge funds exceeding eight years. It should be highlighted, that in addition to the aforementioned eight (and more) years of hedge fund specific experience, this does not take into account the years spent in the financial services industry working with traditional funds, prior to their move into the hedge fund-specific investment space. Hedge fund managers have an immense understanding and vast years of experience within the financial services industry.

Although the perception may be that hedge funds are managed by niche, boutique investment houses, the reality is that hedge funds form part of most of South Africa’s largest financial service provider’s offering. Hedge funds’ assets are not the only assets managed by hedge fund managers, and most form part of a well-diversified asset management business managing a multitude of investment offerings.

According to the survey, the lion share of assets are still being managed by asset managers that manage total assets exceeding R2 billion (translating into 85.7% of hedge fund assets being managed by these asset managers). Similar to the findings of previous years, the bulk of hedge fund assets are managed by asset managers that manage between R10 million and R100 billion (38.5% of hedge fund assets).

We are seeing asset managers maturing and hedge fund businesses becoming more mainstream. Managers have raised business assets and have diversified their income stream by adding other product offerings. We now see a healthy business mix that is robust, alleviating some of the business concentration risks.
Strong growth was experienced during the measured period with assets increasing by 10.5% - despite the exclusion of structured finance which represented 1.3% of assets last year.

The industry experienced little new inflows and most of the growth can be attributed to solid performance. According to AUM, most of the inflows were to equity market neutral funds. Most net outflows were experienced by funds that had a poor performance over the period. Equity market neutral funds attracted net inflows (with most funds experiencing solid results), this is due to the increased appetite in the strategy given the choppy sideways market in the measured period.

The industry has experienced uninterrupted and tremendous growth in assets of 118.3% over the past five years. Solid performance remained the main driver of asset growth as we saw investors rewarding managers that had good returns by increasing their allocation. A reflection of the growth and stability of local hedge funds when it comes to size.

**KEY ROLEPLAYERS**

**Portfolio Manager**
Determines strategy and is invested in the fund

**Prime Broker**
The prime broker provides a consolidation service, including services such as custody of the securities, loaning of securities for short sales, providing margin financing, and providing back office technology and reporting.

**Fund Administrators**
A service provider whose main job includes providing certain accounting and back office services to a hedge fund

**Auditors**
Ensure fund compliance; verify financial statements as required by law
ABOUT US

Founded in 2000, Novare is one of South Africa’s leading financial services groups. We initially began our journey as an independent advisory business offering tailored financial advice. A year later, in 2001, we entered the multi-manager industry by providing multi-manager and alternative investment solutions to our retail and institutional clients.

Our bespoke approach has enabled us to consistently identify and blend leading fund managers into a single portfolio, allowing us to craft and maintain some of the best funds on the market. Our in-depth and rigorous research process is committed to understanding how each fund manager contributes to an overall fund structure. This approach, combined with strategic asset allocation and ongoing fund manager monitoring is what leads to superior performance.

Our proven 16-year track record and strong balance sheet enable us to offer our clients a wide variety of unique, well-researched investment options, including investment advice, asset management, investment consulting, alternative investments and private equity. This includes being the first investment firm to launch regulated hedge funds to the South African retail market.

WHY YOU SHOULD CONSIDER INCLUDING A FUND OF HEDGE FUNDS IN YOUR PORTFOLIO?

In today’s volatile market you need a comprehensive, nimble and diverse investment portfolio that can provide alternative opportunities to maximise returns whilst minimising risk. By investing in Novare’s award-winning range of fund of hedge funds, you have access to a variety of unique financial products and markets not typically available to individuals. In addition, you benefit from:

- Including South Africa’s leading hedge funds in your portfolio. These funds are continuously monitored by our expert investment team to ensure optimal fund structures and performance at all times.
- Due to the uncorrelated returns of hedge funds to traditional asset classes, an allocation in a well-diversified portfolio will decrease portfolio volatility and enhance the overall risk/return profile.
- An improvement in downside protection, reducing losses during sharp market sell-offs.
THE BENEFITS OF MULTI-MANAGER FUNDS

We believe that a multi-manager approach to investing is one of the most successful ways of optimising risk-adjusted returns. Markets are characteristically inefficient, but we have the ability to take advantage of this by investing across various manager styles and asset classes to deliver diversified and real investment outcomes.

Multi-manager funds combine multiple professionally-managed investment funds into a single offering. This provides a number of benefits that are typically difficult to achieve when investing in single-manager funds:

**Asset class diversification:** Multi-manager funds invest across different asset classes, sectors and geographies. This type of diversification minimises the dependence on the performance of a single fund manager and enables you to benefit from reduced risk without sacrificing returns.

**Fund manager diversification:** By broadening your investment horizon beyond a single fund manager, your exposure to the performance and management style of that fund manager is reduced. No single fund manager can consistently outperform across all asset classes all the time as each fund manager has a different area of focus and approach to their investment philosophy and process. Multi-managed funds harness the specialised expertise of several fund managers into one collaborated fund.

**Active management:** Investing in a multi-manager fund eliminates the need for you to choose where and how to invest your money as the research, selection and ongoing monitoring of each fund manager is done on your behalf by the expert team at Novare. Multi-manager funds offer diversification in one single investment option and removes the pressure of having to find, as well as monitor, individual fund managers.

**Specialised skill:** A multi-manager approach provides you with access to the pooled expertise of multiple investment experts. Each expert is dedicated to understanding how every fund manager contributes to the overall fund structure. Each fund manager also looks after their unique area of expertise, allowing each fund within the fund to operate optimally. Every fund is monitored to ensure optimal performance and is rebalanced when necessary.
To grow your wealth and achieve financial security, you need to invest for the future. If you have been delaying investing because you don’t know which funds to invest in, multi-manager funds can help set you on your way. Multi-manager funds offer diversification in a single investment and remove the pressure of having to find, as well as monitor individual fund managers. We provide investors with a selection of multi-manager funds which can form part of your medium to long-term investment portfolio.

Novare was the first South African asset manager to introduce funds of hedge funds to local retail investors. Our unique insights into the hedge fund space, combined with years of multi-manager experience, allow us to carefully blend the best hedge fund managers into one fund. This has positioned us as a pioneer in the multi-management industry.

**CONSERVATIVE**

<table>
<thead>
<tr>
<th><strong>NOVARE INCOME RETAIL FUND OF HEDGE FUNDS</strong></th>
<th><strong>NOVARE DEFENSIVE RETAIL HEDGE FUND</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>FUND OBJECTIVE</strong></td>
<td></td>
</tr>
<tr>
<td>To provide absolute investment returns irrespective of prevailing market conditions on a risk-adjusted basis with the aim of outperforming cash plus three percent. This is achieved by allocating the assets to a diversified number of South African hedge funds.</td>
<td>It is a diversified, moderate, multi-strategy multi-manager hedge fund investing in South African domiciled hedge funds, predominantly equity market neutral and fixed interest arbitrage. The objective of the fund is to achieve moderate capital growth with reasonable levels of income whilst mindful of capital preservation.</td>
</tr>
<tr>
<td><strong>RETURN OBJECTIVE</strong></td>
<td></td>
</tr>
<tr>
<td>Cash +3% [after fees]</td>
<td>Cash +3% [after fees]</td>
</tr>
<tr>
<td><strong>SUITABLE INVESTORS</strong></td>
<td></td>
</tr>
<tr>
<td>A low-risk fund for investors with a medium-term investment horizon, seeking absolute returns and capital protection.</td>
<td>The fund is suitable for investors with a medium to longer term investment horizon.</td>
</tr>
<tr>
<td><strong>MINIMUM INVESTMENTS</strong></td>
<td></td>
</tr>
<tr>
<td>R50 000 lump sum</td>
<td>R50 000 lump sum</td>
</tr>
<tr>
<td>R1 000 monthly debit order</td>
<td>R1 000 monthly debit order</td>
</tr>
<tr>
<td><strong>FEES</strong></td>
<td></td>
</tr>
<tr>
<td>Annual management fee: 0.65% (excl. VAT). Performance fee: 15% above cash + 3%.</td>
<td>Annual management: 0.75% (excl. VAT) Performance fee: N/A</td>
</tr>
</tbody>
</table>
# MODERATE

<table>
<thead>
<tr>
<th>NOVARE LOW EQUITY RETAIL FUND OF HEDGE FUNDS</th>
<th>NOVARE ALTERNATIVE RETAIL FUND OF HEDGE FUNDS</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>FUND OBJECTIVE</strong></td>
<td>The portfolio has a moderate risk/return profile investing in South African domiciled retail hedge funds with, predominantly multi-strategy, low beta equity long/short and equity market neutral strategies.</td>
</tr>
<tr>
<td><strong>RETURN OBJECTIVE</strong></td>
<td>Cash +5% (after fees)</td>
</tr>
<tr>
<td><strong>SUITEABLE INVESTORS</strong></td>
<td>Investors with a long-term investment horizon, seeking capital growth with lower volatility.</td>
</tr>
<tr>
<td><strong>MINIMUM INVESTMENTS</strong></td>
<td>R50 000 lump sum R1 000 monthly debit order</td>
</tr>
<tr>
<td><strong>FEES</strong></td>
<td>Annual management fee: 0.65% (excl. VAT). Performance fee: 15% above CPI +5%.</td>
</tr>
</tbody>
</table>

# AGGRESSIVE

<table>
<thead>
<tr>
<th>NOVARE EQUITY RETAIL FUND OF HEDGE FUNDS</th>
<th>NOVARE STABLE RETAIL FUND OF HEDGE FUNDS</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>FUND OBJECTIVE</strong></td>
<td>The portfolio has an aggressive risk/return profile investing in South African domiciled retail hedge funds with, predominantly equity long/short strategy</td>
</tr>
<tr>
<td><strong>RETURN OBJECTIVE</strong></td>
<td>Cash +5% (after fees)</td>
</tr>
<tr>
<td><strong>SUITEABLE INVESTORS</strong></td>
<td>Investors with a long-term investment horizon seeking capital growth with lower volatility.</td>
</tr>
<tr>
<td><strong>MINIMUM INVESTMENTS</strong></td>
<td>R50 000 lump sum R1 000 monthly debit order</td>
</tr>
<tr>
<td><strong>FEES</strong></td>
<td>Annual management fee: 0.65% (excl. VAT). Performance fee: 15% above CPI +5%.</td>
</tr>
</tbody>
</table>
AWARDS OVER THE PAST 3 YEARS

“FUND MANAGEMENT FIRM OF THE YEAR – SOUTH AFRICA 2017”
Corporate Live Wire Finance Awards

“MOST OUTSTANDING FUND OF HEDGE FUND MANAGEMENT FIRM – SOUTH AFRICA 2016”
Global Fund Awards

“HEDGE FUND FIRM OF THE YEAR – SOUTH AFRICA 2016”
Finance Awards

“BEST MULTI-MANAGER FUND PROVIDER - 2015”
Global Fund Awards

“BEST FUND OF HEDGE FUNDS 2015”
Alternative Investment Awards
CAPE TOWN (HEAD OFFICE)
Third Floor, The Cliffs, Office Block 1, Niagara Way, Tyger Falls, Carl Cronje Drive, Bellville, Cape Town, 7530
Tel: +27 (0) 21 914 7730
Fax: +27 (0) 21 914 7733
Email: retaildistribution@novare.com

JOHANNESBURG OFFICE
First Floor, 30 Jellicoe Avenue, Rosebank, Johannesburg, 2196
Tel: +27 (0) 11 447 9605
Fax: +27 (0) 11 447 9405
Email: retaildistribution@novare.com
Follow us @novareholdings
MANAGEMENT COMPANY
The portfolios are owned by Novare CIS (RF) (Pty) Limited (Novare CIS) Registration No.2013/191159/07, an authorized Management Company registered according to the Collective Investment Schemes Control Act (CISCA) and regulated by the Financial Services Board of South Africa. Contact details: P.O. Box 4742, Tyger Valley, 7736, South Africa. Call Centre: 0800 668 273 (0800 Novare). Email: clientservice@novare.co.za. Website: www.novare.com. First Rand Bank Limited Registration No.1929/001225/06 is the appointed trustee, contact number: 011 282 8000. PricewaterhouseCoopers is the auditor for the portfolios. Maitland is the fund administrator of the portfolios. Risk management of the portfolios is done by Novare CIS. Should you have any queries or complaints please contact: Novare CIS on 0800668273 (0800novare) or via email clientservice@novare.com. Directors: Ms R Miles, Mr DA Roper, Mr L de Wit, Mr GL Carter and Mr JF Basson.

INVESTMENT MANAGER
Novare Investments (Pty) Limited (the ‘Investment Manager’) incorporated under the laws of South Africa, is an authorised financial services provider (FSP 757) under the Financial Advisory and Intermediary Services Act 37 of 2002 and has been appointed by Novare CIS as the Investment Manager of the portfolio. Contact details: P.O. Box 4742, Tyger Valley, 7736, South Africa. Telephone 021 914 7730 Website: www.novare.com
The Investment Manager is a member of the Association for Savings and Investment South Africa. Additional information on the proposed investment is available on the Investment Manager’s website at www.novare.com

DISCLAIMER
Collective investments are generally medium to long term investments. Actual investment performance will differ based on the initial fees applicable, the actual investment date, the date of reinvestment and dividend withholding tax. Novare CIS facilitates the issue and sale of the participatory interest in the portfolio. Novare CIS does not provide any guarantee in respect of capital or the return of a portfolio. The value of participatory interests may go down as well as up and past performance is not necessarily an indication of future performance. Collective Investments Schemes trade at ruling prices and can engage in borrowing and scrip lending. Commentary or any forecasts contained in this document are not guaranteed to occur. Novare CIS has the right to close the portfolio to new investors in order to manage it more efficiently in accordance with its mandate. The higher TER does not necessarily imply a poor return, nor does a low TER imply a good return. The current TER cannot be regarded as an indication of future TER’s. Novare Holdings (Pty) Ltd has both a Conflict of Interest (COI) and a Treating Customers Fairly (TCF) Policy which respectively outlines the manner in which conflicts of interest are managed and customers are treated fairly, copies of the COI and TCF Policies are available on request. Novare CIS’s schedule of fees and charges is available on request. Prices are available on all CIS information websites. The portfolios were established as a Collective Investment Schemes, all information prior was in an unregulated environment. The portfolios will not change its investment strategy or investment policy without prior approval from the Financial Services Board and investors. The ballot procedure as indicated in CISCA will be followed. Counterparty exposure is introduced in the portfolio through the use of a prime broker. The level of counterparty exposure is restricted to funds that are administered by Novare Capital (Pty) Ltd and the respective prime brokers of the underlying portfolio. The liquidity risk management policy is available on request, and covers all repurchase and redemption restrictions, both in normal and in exceptional circumstances. Quarterly reports will be distributed to clients via electronic communication, a month following quarter end. Annual reports will be made available upon request. Nothing in this document will be considered to state or imply that the funds are suitable for a particular type of investor unless specifically indicated as such. The information contained in this report is provided in good faith and has been derived from sources believed to be reliable and accurate. However, no representation or warranty, express or implied, is made in relation to the accuracy or completeness of this information.