

# NOVARE<sup>®</sup>

## UNIT TRUSTS 101

IMPORTANT FEATURES OF  
COLLECTIVE INVESTMENTS



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# IMPORTANT FEATURES OF COLLECTIVE INVESTMENTS\*

Every type of investment has advantages and disadvantages, and collective investments are no exception. CISs have many advantages as investment vehicles, and this has led to their enormous popularity both locally and overseas.



## INVESTMENT SAFETY

Collective investment schemes are highly regulated, and investors can be confident that, while they are subject to investment risks, they are not likely to be victims of fraud or embezzlement.



## PERFORMANCE AND OTHER REPORTING

One of the reasons for the early success of unit trusts was the fact that management companies were legally obliged to release performance statistics and details of underlying investments to the public on a quarterly basis.

In addition to reporting requirements under CISCA, FSB Board Notice 92 of 2014 deals with advertising, marketing and information disclosure requirements for collective investment schemes. It defines and standardises the performance statistics which must be published by fund managers in order to make this information comprehensible and comparable. The notice also defines the information the managers must include on their quarterly Minimum Disclose Documents (sometimes also referred to as fund fact sheets). This includes:

- The fund's investment objective
- The risk/reward profile
- The fund's benchmark
- Fees and charges
- The fund's size and sector
- Distributions
- Fund performance



## TRANSPARENCY

Unit trusts have always been more "transparent" than investment vehicles like endowment policies, and the level of disclosure required from managers has increased with the promulgation of the Collective Investment Scheme Control Act.



## COMPETITIVE COST STRUCTURES

The entry costs of unit trusts vary from virtually zero to as much as 4.67% depending on the manager, the amount being invested and the investment channel.

\*Source: Profile's Unit Trusts & Collective Investments





## AFFORDABILITY

Investors can choose to invest in unit trusts funds in two ways, by debit order or with a lump sum. Minimum lump sum amounts vary from R40 to R100 000 or more, depending on the type of fund and the management company. Minimum amounts in the case of debit orders can be as low as R40.



## PROFESSIONAL MANAGEMENT

Not many investors in South Africa have the time, resources and aptitude necessary to monitor their own portfolios. Investors in collective investment schemes therefore entrust this task to professional fund managers employed by the management companies, who generally charge between 0.5% and 2.5% of the assets under management per annum, for their investment management services.



## CONVENIENCE AND LIQUIDITY

Collective investments are easy to buy and easy to sell. Investors have the choice of buying unit trusts on the internet, through a broker or agent, through a bank, or directly from the unit trust management company.

Debit orders can be cancelled, increased or decreased without penalty, unlike traditional insurance products. It is easy for investors to change their asset allocation as their personal circumstances change – they can switch from equity-based investments to fixed-interest investments as required – and several services make it easy to manage a small portfolio of unit trusts.

Most importantly, managers or management companies are obliged to repurchase participatory interest on demand, making collective investments highly liquid.

\*Source: Profile's Unit Trusts & Collective Investments

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## 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](mailto:clientservice@novare.co.za). Website: [www.nova-re.com](http://www.nova-re.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](mailto: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'), registration no: 2000/018539/07, 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](http://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](http://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. The Financial Services Board (FSB) has officially taken up its new mandate as the Financial Sector Conduct Authority (FSCA), effective 1 April 2018. This marks the formal implementation of the Twin Peaks model of financial sector regulation, as envisaged in the Financial Sector Regulation Act 2017 (FSRA). The FSB will henceforth be known as the FSCA.

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