

# NOVARE<sup>®</sup>

## UNIT TRUSTS 101

### CLASSIFICATION OF COLLECTIVE INVESTMENTS



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## CONTENTS

CLASSIFICATION OF COLLECTIVE INVESTMENTS

3

INTRODUCTION

3

OBJECTIVE OF STANDARD

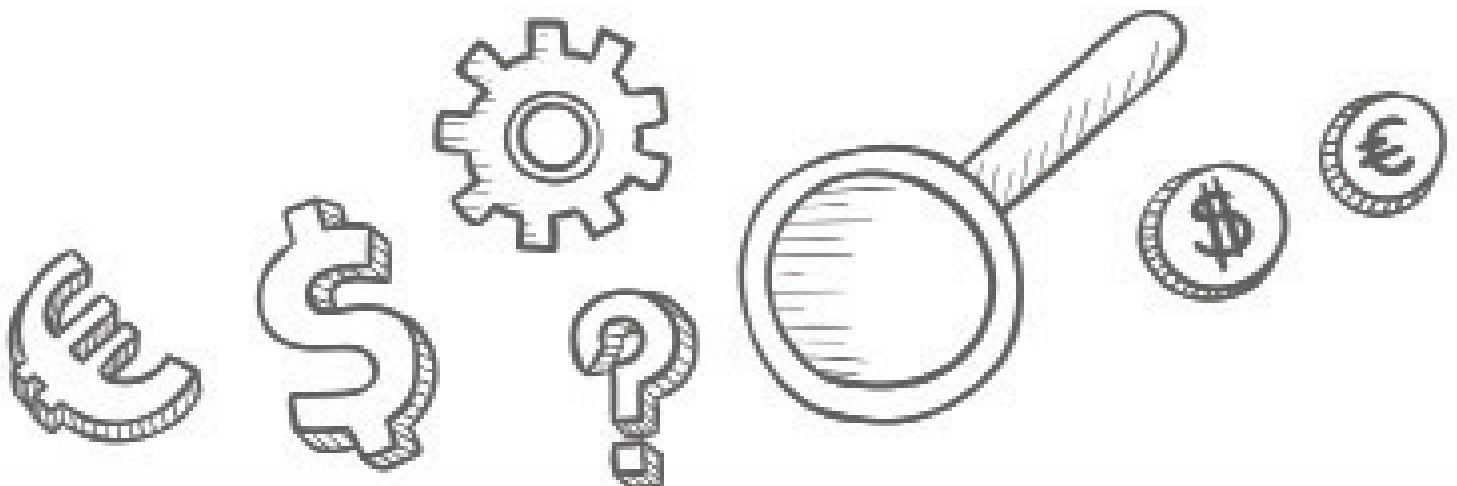
3

APPLICATION OF STANDARD

3

CLASSIFICATION

4



# CLASSIFICATION OF COLLECTIVE INVESTMENTS\*

## INTRODUCTION

The classification of South African regulated collective investment scheme portfolios (“CIS portfolios”) provides a framework within which portfolios with comparable investment objectives and investment universes are grouped together. It is a key tool for investors and their advisers in that it provides useful information during the consideration of investment choices.

## OBJECTIVE OF STANDARD

The ASISA Standard on Fund Classification for South African Regulated Collective Investment Portfolios (“ASISA Fund Classification Standard”) establishes and maintains a classification system for CIS portfolios in South Africa.

The objectives of the ASISA Fund Classification Standard are to –



Promote investor awareness and understanding of CIS portfolio types;



Assist with the comparison of CIS portfolios within and across classification categories; and



Assist with the assessment of potential risks of investing in a particular type of CIS portfolio;

The purpose of the ASISA Fund Classification Standard is to –



Ensure that CIS portfolios adhere to the classification category definitions;



Standardise applications for approval of the classification of a CIS portfolio; and



Facilitate the timely and appropriate classification and reclassification of CIS portfolios

## APPLICATION OF STANDARD

The ASISA Fund Classification Standard applies to collective investment schemes in securities as contemplated in Part IV of the Collective Investment Schemes Control Act, 2002.

\*ASISA standard on fund classification for South African regulated collective investment scheme portfolios.



## CLASSIFICATION

General notes:

- All percentages apply to net effective exposure and apply at all times.
- The benchmarks indicated are defaults and are not prescribed.

### FIRST TIER OF CLASSIFICATION

- **South African Portfolios:** These are collective investment portfolios that invest at least 70% of their assets in South African investment markets. These collective investment portfolios may invest a maximum of 25% of their assets outside of South Africa plus an additional 5% of their assets in Africa excluding South Africa.
- **Worldwide Portfolios:** These are collective investment portfolios that invest in both South African and foreign markets. There are no limits set for either domestic or foreign assets
- **Global Portfolios:** These are collective investment portfolios that invest at least 80% of their assets outside South Africa, with no restriction to assets of a specific geographical country (for example the USA) or geographical region (for example Africa).
- **Regional Portfolios:** These are collective investment portfolios that give investors at least 80% exposure to assets in a specific country (for example the USA) or geographical region (for example Africa) outside South Africa.

*Note: For the purposes of this first tier of classification, inward-listed equities are deemed to be South African assets.*

### SECOND TIER OF CLASSIFICATION

- Equity portfolios
- Multi Asset portfolios
- Interest Bearing portfolios
- Real Estate portfolios

### Detailed Sub-Categories Of Second Tier Of Classification

<p><b>EQUITY PORTFOLIOS:</b></p> <ul style="list-style-type: none"> <li>• Equity – General</li> <li>• Equity – Large cap</li> <li>• Equity – Mid &amp; Small cap</li> <li>• Equity – Resource</li> <li>• Equity – Financial</li> <li>• Equity – Industrial</li> <li>• Equity – Unclassified</li> <li>• Equity – General – Africa</li> </ul>	<p><b>MULTI ASSET PORTFOLIOS:</b></p> <ul style="list-style-type: none"> <li>• Multi Asset Flexible</li> <li>• Multi Asset High Equity</li> <li>• Multi Asset Medium Equity</li> <li>• Multi Asset Low Equity</li> <li>• Multi Asset Income</li> <li>• Multi Asset Target Date</li> </ul>
<p><b>INTEREST BEARING PORTFOLIOS:</b></p> <ul style="list-style-type: none"> <li>• Interest Bearing – Variable Term</li> <li>• Interest Bearing – Short Term</li> <li>• Interest Bearing – Money Market</li> </ul>	<p><b>REAL ESTATE PORTFOLIOS:</b></p> <ul style="list-style-type: none"> <li>• Real Estate – General</li> </ul>

\*ASISA standard on fund classification for South African regulated collective investment scheme portfolios.

TIER 1 (GEOGRAPHIC)	TIER 2 (ASSET TYPE)	TIER 3 (CATEGORY)						
SOUTH AFRICAN PORTFOLIOS	EQUITY	GENERAL	LARGE CAP	MID & SMALL CAP	RESOURCES	INDUSTRIAL	FINANCIAL	UNCLASSIFIED
	MULTI-ASSET	INCOME	LOW EQUITY	MEDIUM EQUITY	HIGH EQUITY	FLEXIBLE	TARGET DATE PORTFOLIOS	
	REAL ESTATE	GENERAL						
	INTEREST BEARING	VARIABLE TERM	SHORT TERM	MONEY MARKET				
WORLDWIDE PORTFOLIOS	EQUITY	GENERAL	UNCLASSIFIED					
	MULTI-ASSET	FLEXIBLE						
	INTEREST BEARING	VARIABLE TERM	SHORT TERM					
GLOBAL PORTFOLIOS	EQUITY	GENERAL	UNCLASSIFIED					
	MULTI-ASSET	FLEXIBLE						
	INTEREST BEARING	VARIABLE TERM	SHORT TERM					
REGIONAL PORTFOLIOS	EQUITY	GENERAL	AFRICA	UNCLASSIFIED				
	MULTI-ASSET	FLEXIBLE						
	INTEREST BEARING	VARIABLE TERM	SHORT TERM					

## 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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