

Board Notice 92 of 2014 issued by the Financial Services Board: Advertising, Marketing and Information Disclosure Requirements for Collective Investment Schemes (CIS)

This Notice aims to provide the framework within which managers of CIS may advertise and market their products which ensures that investors base their investments decisions on full, accurate information. It encourages investor understanding of the CIS through the standardisation of disclosures.

This document provides a summary of the various generic disclosures which could apply to a portfolio.

A) Mandatory disclosures which must reflect in all marketing material

1. Standard Mandatory Disclosure (part III 6(1) of the Notice)

Collective Investment Schemes are generally medium to long term investments. The value of participatory interests or the investment may go down as well as up. Past performance is not necessarily a guide to future performance. Collective investment schemes are traded at ruling prices and can engage in borrowing and scrip lending. A schedule of fees and charges and maximum commissions is available on request from the manager. The Manager does not provide any guarantee either with respect to the capital or the return of a portfolio. The Manager retains full legal responsibility for the fund, regardless of Co-Naming arrangements. Transaction cut off time is 14:30 daily. Each portfolio may be closed for new investments. Valuation time is 15:00 (17h00 at quarter end). Prices are published daily and available newspapers countrywide, as well as on request from the Manager. IP Management Company (RF) Pty Ltd is the authorised Manager of the Scheme – contact 021 673 1340 or clientservices@ipmc.co.za. Standard Bank is the trustee / custodian – contact compliance-IP@standardbank.co.za. Additional information including application forms, the annual report of the Manager and detailed holdings of the portfolio as at the last quarter end are available, free of charge, from clientservices@ipmc.co.za. IP Management Company is a member of ASISA. A statement of changes in the composition of the portfolio during the reporting period is available on request. The performance is calculated for the portfolio. The individual investor performance may differ as a result of initial fees, the actual investment date, the date of reinvestment and dividend withholding tax.

2. Fund of Fund or certain funds with significant investments in CIS Mandatory Disclosure (part III 6(1) and 6(2)(d) of the Notice)

Collective Investment Schemes are generally medium to long term investments. The value of participatory interests or the investment may go down as well as up. Past performance is not necessarily a guide to future performance. Collective investment schemes are traded at ruling prices and can engage in borrowing and scrip lending. A schedule of fees and charges and maximum commissions is available on request from the manager. The Manager does not provide any guarantee either with respect to the capital or the return of a portfolio. The Manager retains full legal responsibility for the Fund, regardless of Co-Naming arrangements. Transaction cut off time is 14:30 daily. Each portfolio may be closed for new investments. Valuation time is 15:00 (17h00 at quarter end) and 20:00 for fund of funds and certain funds with significant investments in CIS. Prices are published daily and available newspapers countrywide, as well as on request from the Manager. IP Management Company (RF) Pty Ltd is the authorised Manager of the Scheme – contact 021 673 1340 or clientservices@ipmc.co.za. Standard Bank is the trustee / custodian – contact compliance-IP@standardbank.co.za. Additional information including application forms, the annual report of the Manager and detailed holdings of the portfolio as at the last quarter end are available, free of charge, from clientservices@ipmc.co.za. IP Management Company is a member of ASISA. A statement of changes in the composition of the portfolio during the reporting period is available on request. The performance is calculated for the portfolio. 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 fund is invested in portfolios of collective investment schemes that levy their own charges, and which could result in a higher fee structure for the fund of funds.

3. Feeder Fund Mandatory Disclosure (part III 6(1) and (2)(e) of the Notice)

Collective Investment Schemes are generally medium to long term investments. The value of participatory interests or the investment may go down as well as up. Past performance is not necessarily a guide to future performance. Collective investment schemes are traded at ruling prices and can engage in borrowing and scrip lending. A schedule of fees and charges and maximum commissions is available on request from the manager. The Manager does not provide any guarantee either with respect to the capital or the return of a portfolio. The Manager retains full legal responsibility for the fund, regardless of Co-Naming arrangements. Transaction cut off time is 14:30 daily. Each portfolio may be closed for new investments. Valuation time is 15:00 (17h00 at quarter end). Prices are published daily and available in newspapers countrywide, as well as on request from the Manager. IP Management Company (RF) Pty Ltd is the authorised Manager of the Scheme – contact 021 673 1340 or clientservices@ipmc.co.za. Standard Bank is the trustee / custodian – contact compliance-IP@standardbank.co.za. Additional information including application forms, the annual report of the Manager and detailed holdings of the portfolio as at the last quarter end are available, free of charge, from clientservices@ipmc.co.za. IP Management Company is a member of ASISA. A statement of changes in the composition of the portfolio during the reporting period is available on request. The performance is calculated for the portfolio. The individual investor performance may differ as a result of initial fees, the actual investment date, the date of reinvestment and dividend withholding tax. Feeder funds invest in a portfolio of a Collective Investment Schemes which levies its own charges and which could result in a higher fee structure for the feeder fund.

4. If a portfolio has a foreign holding the following additional disclosure applies (part III 6(2)(d) of the Notice)

The portfolio may include foreign investments and the following additional risks may apply: liquidity constraints when selling foreign investments and risk of non-settlement of trades; macroeconomic and political risks associated with the country in which the investment is made; risk of loss on foreign exchange transactions and investment valuation due to fluctuating exchange rates; risk of foreign tax being applicable; potential limitations on availability of market information which could affect the valuation and liquidity of an investment. All of these risks could affect the valuation of an investment in the fund.

B) Performance disclosures which must reflect in all marketing material

1. Performance Disclosures (part IV 8 of the Notice)

- i. Warning that past performance is not indicative of future performance
- ii. Annualised or cumulative figures are used and are as at month-end quoted against benchmark for periods of a minimum of 1 rolling year and in multiple full years for periods longer than 1 year
- iii. Cumulative performance figures include annualised figures for same period and are reflected with equal prominence
- iv. Returns may not be extrapolated to longer periods
- v. History of at least most recent rolling 10 years is shown, or since inception if in existence for less than 10 years
- vi. Explanation of annualised figures. Example Annualised returns is the weighted average compound growth rate over the performance measured.
- vii. Lowest and highest actual annual figure over longest reporting period
- viii. Provide performance, consistently, on 1 or more of following options. Example rolling monthly, rolling quarterly, rolling annual or year to date
- ix. Performance information, including awards and rankings must include reference to their sources and date
- x. Launch date
- xi. Performance information must not be older than 3 months at the time of publication
- xii. Performance information of less than 6 months will not be shown
- xiii. Performance shown is for the portfolio. Investments including income distribution, at NAV to NAV basis and do not take any initial fees into account. Income is reinvested on the ex-dividend date. Individual investor performance may differ due to initial fees, actual investment date, re-investment date and withholding taxes.

2. Ranking Disclosures (part IV 10 of the Notice)

- i. Only the most expensive class (available for direct public investments) at the beginning of the reporting period can be ranked
- ii. A portfolio can only be advertised as highest ranked if it factually ranked the highest in performance of all portfolios in its relevant peer group
- iii. Peer group must consist of at least 5 portfolios and the other portfolios may not be specifically named

3. Comparative advertising (part IV 13 of the Notice)

- i. Only make a comparison between our portfolio and another collective investment scheme or portfolio if the collective investment schemes or portfolios have sufficiently similar features; the returns of our portfolio and those of another collective investment scheme or portfolio if the information used is current, complete and accurate.
- ii. Advertising comparisons of returns, may only reflect statistics published at quarter-end or month-end against relevant benchmarks for periods of a minimum of one year and in multiples of full years for longer periods.
- iii. In comparative advertising, we may not use comparisons of returns data older than three months after the end of any calendar quarter; mention specific competitive portfolios or managers or collective investment schemes; make comparisons between portfolios that are grouped in a sector in which there is no commonality of investment objectives, nor may any ranking be advertised.
- iv. We only compare portfolios within a peer group where the basis of inclusion or exclusion is disclosed and where the selection criteria are consistently applied.

C) Minimum Disclosure Document (MDD) (part V 16 and 17 of the Notice)

The MDD must be produced for each portfolio. The purpose of this document is to disclose information to investor prior to concluding any transaction with the investor.

The MDD must be updated on a quarterly basis. The MDD is also used as the required quarterly General Investor Report.

An analysis of the factors affecting the adherence to its policy objectives is reflected in the fund manager commentary of the MDD. A detailed listing of the changes from the previous quarter is available on request from clientservices@ipmc.co.za

Below are the points which must reflect in the MDD:

- i. State “Minimum Disclosure Document” in the heading
- ii. Registered portfolio name
- iii. Investment objective and summary investment policy as per the supplemental deed.
- iv. Risk reward profile including appropriate guidance or warnings.
- v. Essential characteristics of a portfolio which will ensure that the investor makes informed investment choices
- vi. Portfolio Benchmark
- vii. Fees/Charges associated with the most expensive class. (i.e. Total Expense Ratio, Management Fees, Initial Fees, Performance Fees, Advisory Fees, and any other applicable fees.)
- viii. Portfolio Inception Date.
- ix. ASISA Classification
- x. Distribution Dates and the value distributed per participatory interest ops over the past 12 months.
- xi. Portfolio size
- xii. Performance of the portfolio
- xiii. Number of participatory interests
- xiv. Net asset value per participatory interest / NAV price
- xv. Asset allocation
- xvi. Name of the Fund Manager, Financial Advisory and Intermediary Services Act (FAIS) licence number and statement that fund manager is authorised under FAIS to act in this capacity.
- xvii. Total expense ratio (TER), transaction costs (TC) and total investment charges (TIC) – sample table below

Financial Product			
Period (annualised)	[beginning period]	to	[ending period]
Class	Total Expense Ratio (TER)	Transaction Costs (TC)	Total Investment Charges (TER + TC)
	X%	Y%	Z% (X+Y = Z)
	of the value of the Financial Product was incurred as expenses relating to the administration of the Financial Product	of the value of the Financial Product was incurred as costs relating to the buying and selling of the assets underlying the Financial Product	of the value of the Financial Product was incurred as costs relating to the investment of the Financial Product.

Disclosure below table if history of the class of participatory interest is one year or more:

From [date] to [date], X% (TER figure) of the value of the financial product was incurred as expenses relating to the administration of the financial product. Y% (TC figure) of the value of the financial product was incurred as costs relating to the buying and selling of the assets underlying the financial product. Therefore Z% (Total Investment

Charge figure of X% + Y%) of the value of the financial product was incurred as costs relating to the investment of the financial product

Where a performance fee was present in the class of participatory interest of a portfolio to which this disclosure refers, the following must be added:

Inclusive in the TER of [X%], a performance fee of [W%] of the Net Asset Value of the class of Financial Product was recovered.

Disclosure for situations where the history of the class of participatory interest is shorter than one year:

The Total Expense Ratio (TER) and Transaction Costs cannot be accurately determined because of the short life span of the Financial Product. Calculations are based on actual data where possible and best estimates where actual data is not available

Mandatory disclosure below the table:

A higher TER does not necessarily imply a poor return, nor does a low TER imply a good return. The current TER may not be necessarily be an accurate indication of future TER's. Transaction Costs are a necessary cost in administering the Financial Product and impacts Financial Product 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

- xviii. Date of issue of MDD
- xix. Refer to section A of this document ie Mandatory Disclosure which must reflect in all marketing material
- xx. The MDD must not contain unnecessary Technical Jargon; must not be longer than 4 A4 pages); must be set in readable characters or font, spacing and format and may be provided in a durable medium other than paper or website should the investor specifically request that medium.
- xxi. If the portfolio charges performance fee then the following disclosure should reflect on the MDD / all marketing material where the annual management fees is disclosed with the elements making up the performance fee in bold and followed by the quantum. See elements below:

Performance Fee Benchmark: [Disclose details]

Base fees: [Disclose details]

Fee at Benchmark: [Disclose details]

Fee Hurdle: [Disclose details]

Sharing ratio: [Disclose details]

Minimum Fee: [Disclose details]

Maximum Fee: [Disclose details]

Fee example: [Disclose details]

Describe the method in which the above elements interact to produce a performance fee.

D) Application Form Disclosures (part V 18 of the Notice)

Upon signing the application form, the investor has concluded an agreement with IP Management Company (RF) (Pty) Ltd (IPMC) and accordingly records the arrangements/requirements between the two parties. The application form must request the following:

- i. Investor details
- ii. Communication choice
- iii. Source of funds
- iv. Investment/portfolio selection
- v. Instruction on income distribution
- vi. Bank details of investor for purposes of collection in investment contributions, payment of redemptions and payment of income distributions
- vii. Method of payment
- viii. Debit order authorisation and annual increases
- ix. Instructions regarding redemptions
- x. Terms and conditions which apply to all transactions concluded between investor and IPMC.

For full terms and conditions applicable to thee investment account, please refer to <http://www.ipmc.co.za/terms-and-conditions>