

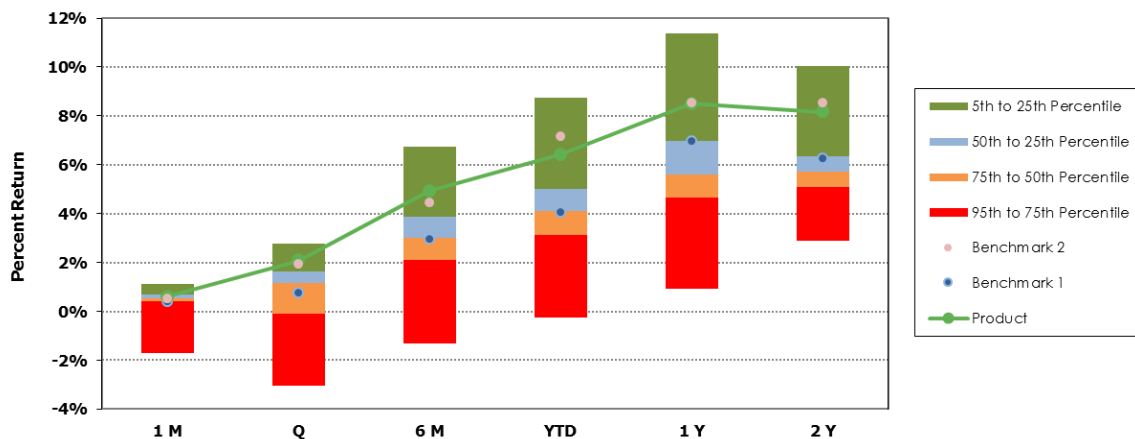
Portfolio Update

The South African stock market followed other emerging market equities lower over concern about global economic growth, the strength of the Chinese economy and when the US Fed will start hiking interest rates. The FTSE/JSE All Share Index suffered its worst weekly decline in nearly 3 years during September and the Index lost 2.6% for the month. The sell off in the market is in all the sectors and the result is that the cumulative return for the quarter ending September is -2.13%. Unfortunately the pain continued in October and the Month to Date return until the 20th is -3.31%. Since the peak in July the index lost 7.3%.

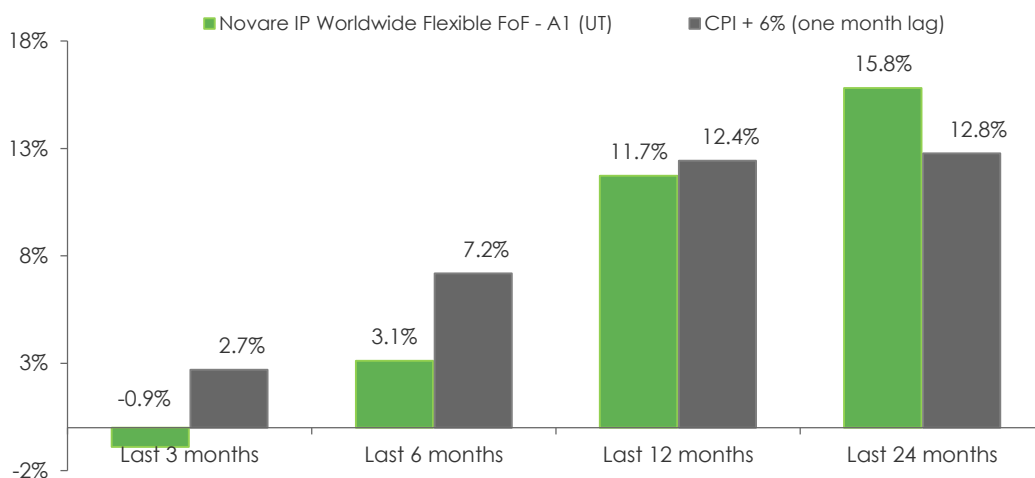
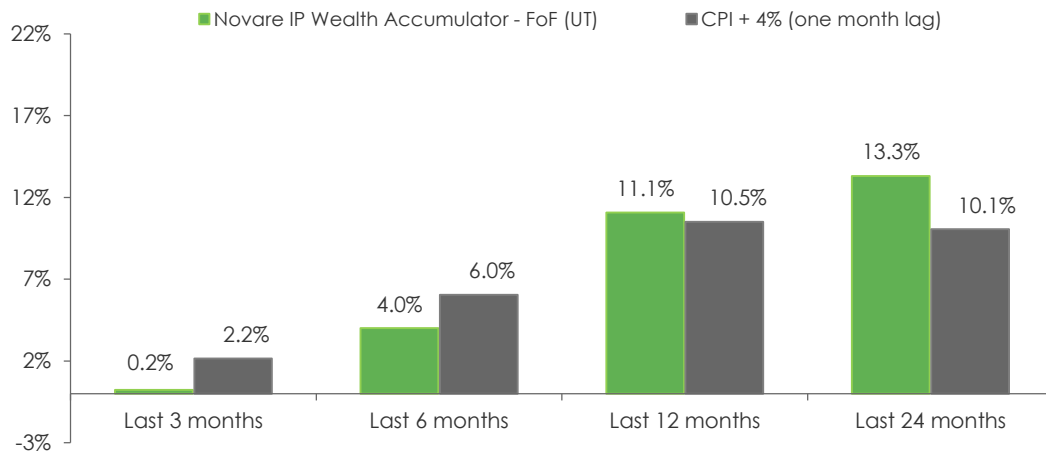
International equity and bond markets are also struggling. The MSCI Global Equity Index lost more than 4% during the 3rd quarter and another 2.5% during the first 20 days of October. The MSCI Emerging Market Index erased nearly all its year to date returns with a decline of 7.6%.

The sharp correction in both the South African and Global Market will have an impact on the Novare portfolios. The Novare funds were conservatively positioned in anticipation of a market correction. However we still need a certain amount of equity exposure to meet our long term return objective. Novare wants to update clients of the short term volatility in the markets but we also want to ensure clients that we still believe that we will be able to meet our return objectives over the longer term.

The chart below compares the Novare IP Capital Preserver fund to all other Fixed Income funds in South Africa. The Novare fund is constantly part of the top 25% of this category.



The Novare IP Wealth Accumulator and the Worldwide Flexible fund are more exposed to domestic and global equities and therefore the returns have come under pressure in the short term. The objective of these funds are to achieve CPI + 4% and CPI + 6% over a rolling 5 year period. Investors must be aware of short term performance but the focus must always be on longer term performance.



Kind Regards,

Francois Botha

Portfolio Manager