

# Retail Investor Hedge Fund Legal Entities and Trusts Application Form

## 1. BEFORE YOU INVEST

### WHAT IS A RETAIL INVESTOR HEDGE FUND?

Hedge funds are alternative investment vehicles, governed in South Africa under the Collective Investment Schemes Control Act (No.45 of 2002) under Retail and Qualified Investor Schemes. These funds are managed by a Section 42 Management Company and can be co-named on a platform through a registered Management Company.

Hedge funds are pooled funds that employ different strategies through the use of derivatives and/or the ability to short sell.

There are 2 types of regulated hedge funds in South Africa, and their investment limits and restrictions, as well as investor types, are governed by Board Notice 52 of 2015.

Retail Hedge funds allow any investor to invest, subject to a minimum investment defined by the fund.

NOTE: A traditional CIS Fund is excluded from investing into a Regulated Hedge Fund under Board Notice 90, which regulates the allowable investments for this type of fund.

Please refer to the risk disclosures appended to this application form.

Our core philosophy is to preserve capital and to manage relative and absolute downside risk.

## Completing the form

### COMPLETE THE FORM AND AGREE TO THE T&C'S

1. Please read the attached [Terms and Conditions](#), the Investment Option Brochure and the Minimum Disclosure Document (MDD).
2. Complete all relevant sections and send it together with the required documents to Prescient via email [funds@bateleurcapital.com](mailto:funds@bateleurcapital.com)
3. Monthly dealing hedge funds: Your application form must be submitted to the Manager before 14:00, 5 (five) business days before the preceding month end. Proof of payment must be sent by the end of the month preceding the deal in date.
4. If you wish to make an EFT payment, we will provide you with our bank details and your client account once your account is opened.

### SUPPORTING DOCUMENTS

**The following must be submitted with this application:**

- FICA Documentation
- Proof of Bank Account Details
- Completed Compulsory Tax Annexure
- Completed Ultimate Beneficial Owner

# Legal Entities and Trusts Application Form

## 2. DETAILS

SA (Pty) Ltd	SA Listed Company	SA Close Corporation	Non-Profit Company	Collective Investment Scheme (CIS)
Retirement Fund	Medical Aid Scheme	Foreign Company	Partnership	Trust
Non-Profit Trusts	Testamentary Trust	NPO registered with the DSD	Unregistered NPO	Stokvel
Other _____				

## 3. INVESTOR

Registered Name \_\_\_\_\_

Trading name (if different) \_\_\_\_\_ Registration Number \_\_\_\_\_

Income Tax number \_\_\_\_\_ VAT Number \_\_\_\_\_

Nature of business \_\_\_\_\_

Industry \_\_\_\_\_

<b>Registered Address</b>	<b>Postal Address</b>	
c/o _____	Same as Registered Address	Yes <input type="checkbox"/> No <input type="checkbox"/>
Unit _____	c/o _____	
Complex _____	Line 1 _____	
Street Number _____	Line 2 _____	
Street _____	Line 3 _____	
Suburb _____	Line 4 _____	
City _____	Postal code _____	
Postal code _____	Country _____	
Country _____		
Telephone (W) _____	Cell _____	
Email Address _____		

All communication will be sent to you via e-mail. If you prefer post or do not have an e-mail address, please check here.

## 4. CONTACT PERSON

First name(s) \_\_\_\_\_ Surname \_\_\_\_\_

Telephone (W) \_\_\_\_\_ Cell \_\_\_\_\_

Email Address \_\_\_\_\_

## 5. INVESTMENT OPTION DETAILS

Please complete the table below once you have made your selection from the latest Investment Option Brochure.

Minimum investment of R100 000 as lump sum.

- I hereby apply to purchase units in the selected portfolios subject to the conditions of the relevant Supplemental Deed at the ruling fund prices.
- The Manager does not charge an initial fee.
- The service charge is the fee charged by the Manager for managing and administering the fund.
- Fees exclude VAT.

Retail Investor Hedge Fund Portfolio	Monthly dealing fund	Service Charge (%)	Investment Amount (R)	Debit Order (R)	Re-invest distributions?*
					'Yes' 'No'
Bateleur Long Short Prescient RI Hedge Fund - A		1% plus VAT and 20% on the outperformance of the benchmark	R	R	
Bateleur Market Neutral Prescient RI Hedge Fund - A		1% plus VAT and 20% on the outperformance of the benchmark	R	R	
Bateleur Special Opportunities Prescient RI Hedge Fund - A		1% plus VAT and 20% on the outperformance of the benchmark	R	R	
			R	R	
			R	R	

\* If you selected to have your distributions paid out, they will be paid into the bank account specified. If your distribution is below R1 000 or no selection is made, your distribution will automatically be re-invested.

## 6. SPECIAL FEE INSTRUCTIONS

In the event that a special fee arrangement has been entered into with us, please indicate such arrangement below.

Retail Investor Hedge Fund	Fee Class	Agreed with

## 7. SOURCE OF FUNDS INVESTED

Tax Refund	Investment/Insurance pay out	Passive Income (rental, dividends, interest)	Venture capital
Trust donor	Savings	Sale of assets	Donations
Other (please specify)			Trade/business

Please note that in certain circumstances we may request additional information.

## 8. REGULAR WITHDRAWALS

Please only complete this section if you would like to receive a regular withdrawal from your investment. Your regular withdrawal payment will be processed at the end of the calendar month and will be paid within 5 business days thereafter. You cannot select to receive a regular withdrawal from a Rand denominated offshore portfolio.

Payment frequency: Monthly, Quarterly, Biannually, Annually

Retail Investor Hedge Fund	Regular Withdrawal Amount
	R
	R
<b>Total</b>	<b>R</b>

## 9. BANKING DETAILS OF INVESTOR

<b>Name of Account Holder</b>	
<b>Bank</b>	
<b>Branch Name</b>	
<b>Branch Code</b>	
<b>Account Number</b>	
<b>Account Type</b>	

- Please provide Prescient with Proof of Bank Account Details.
- The account holder must have a South African bank account.
- Debit orders and electronic collections will be deducted from this account.
- The onus is on the investor to inform Prescient of any changes to the bank account details.
- No payments will be made into third party bank accounts or credit cards. (i.e. payments will only be made to the bank account in the name of the registered investor).

## 10. METHOD OF PAYMENT

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### LUMP SUM

Once your account has been opened, you will receive notification and payment instructions.

### ELECTRONIC COLLECTION / DEBIT ORDER

I/we hereby authorise the Manager to deduct the stated amount for the investment from the bank account above. I/we agree to pay bank charges and costs incurred by this electronic collection or debit order. Any debit order amendment must be received in writing by the Manager prior to the 7<sup>th</sup> day of the month in order for it to be acted upon in the following month.

Electronic Collection	Funds are deducted from the investor's bank account on the receipt of this application form and all supporting documentation. Electronic collection by the Manager is restricted to a maximum of <b>R1 000 000.00</b> per debit. Where a higher amount than this is requested, multiple debits will be processed daily.		
	Commencement date		
Regular Debit Order	Funds are deducted from the investor's bank account on the <b>1<sup>st</sup> working day</b> of each month.		
	Commencement month/year	Annual Escalation	%

**Please note: Funds invested via electronic collection or debit order may not be redeemed until after 40 days from the date on which such funds were invested into units on your behalf.**

### BANKING DETAILS FOR DEBIT ORDER DEDUCTION/ELECTRONIC COLLECTION (IF DIFFERENT FROM INVESTOR'S BANK DETAILS):

<b>Name of Account Holder</b>	
<b>Bank</b>	
<b>Branch Name</b>	
<b>Branch Code</b>	
<b>Account Number</b>	
<b>Account Type</b>	

**Please note: Proof of ID required for account holder and proof of bank account details required for account holder.**

Signature of Account Holder \_\_\_\_\_

## 11. FINANCIAL ADVISOR DETAILS (IF APPLICABLE)

**Complete this section if you have an independent Financial Advisor.**

Name of Financial Advisor \_\_\_\_\_

Name of Financial Services Provider (FSP) \_\_\_\_\_ FSP License Number \_\_\_\_\_

Contact Tel No \_\_\_\_\_ Email \_\_\_\_\_

### WHAT FEES MUST BE PAID TO YOUR FINANCIAL ADVISOR FOR THIS INVESTMENT?

**I agree to pay the following negotiated fees on this investment and all future investments and associated transactions until otherwise specified:**

Initial Fee \_\_\_\_\_ % (You may negotiate an **initial financial advisor fee**, to be paid to your financial advisor before your first contribution is invested. If it is agreed that no initial fee is payable, please insert 0%)

Annual Fee \_\_\_\_\_ % (You may negotiate an **annual financial advisor fee** to be paid to your financial advisor. Units will need to be cancelled to pay your advisor this fee. If no annual fee is payable, please insert 0%)

### AUTHORISATION

You may authorise the Financial Service Provider (FSP) to submit instructions for this investment on your behalf. If the FSP holds a 'Category II' licence with the Financial Sector Conduct Authority (FSCA), it is licensed to exercise discretion and submit instructions on your behalf. To do this for all your investments the FSP will need a mandate (instruction) from you. Have you entered into a mandate with this FSP to exercise discretion and submit instructions on your behalf?

Yes

No

**Please note: A copy of the signed mandate must accompany this application form.**

### INVESTOR DECLARATION FOR CLIENTS WITH A FINANCIAL ADVISOR

- I confirm that the above details are correct.
- I confirm that this financial advisor, as authorised representative of the FSP above is, my appointed financial advisor.
- I confirm that my appointed financial advisor and any other third parties with whom I have an agreement to manage this investment (e.g. a discretionary investment manager) will have access to my investment details and personal information, and that my financial advisor may share my investment details and personal information with Prescient and its service providers as needed in the normal course of business to provide the products and services to me as applied for herein and Prescient may retain any information for purposes of investment transactions, processing and administration of my investments.
- I understand and confirm that Prescient may redeem units in order to pay the agreed financial advisor fees. I understand that this authority may be withdrawn by me by written instruction to Prescient. I understand and agree that all instructions submitted by myself or my financial advisor will be governed by the relevant and latest Terms and Conditions in force as at the date of instruction submitted.
- I acknowledge and agree that Prescient will not be held liable for acting on any instructions submitted by myself or my financial advisor and I indemnify Prescient from all direct or indirect claims (including claims for consequential damages in this regard).
- I have read and agree to the Authorisation and Declaration.

Signature of Investor \_\_\_\_\_ Date \_\_\_\_\_

Signature of Investor \_\_\_\_\_ Date \_\_\_\_\_

## 12. FINANCIAL ADVISOR DETAILS (IF APPLICABLE)

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### Section to be completed by Financial Advisor.

I am a new Advisor **New Advisors need to complete a Prescient Advisor Agreement.**

Existing Prescient Advisor code (Entity ID): \_\_\_\_\_

Email address for correspondence: \_\_\_\_\_

### I, the appointed Financial Advisor for this investment application declare that:

1. I am licensed to render services in respect of this product.
2. I have made the disclosures required in terms of the Financial Advisory and Intermediary Services Act 37 of 2002 (FAIS) and subordinate legislation thereto, to the investor/s.
3. I have established and verified the identity of the investor/s (and persons acting on behalf of the investor) in accordance with the Financial Intelligence Centre Act 38 of 2001 (FICA) and the regulations thereto, and I will keep records of such identification and verification according to the provisions of FICA.
4. I am not aware of any activities in which the investor is involved which may lead us to suspect or reasonably suspect that the investor is or may be involved in any unlawful activities or money laundering. Should we subsequently become aware of suspicions of this nature, we shall immediately inform Prescient.
5. I have explained all fees that relate to this investment to the investor/s and I understand and accept that the investor/s may withdraw his / her authority for payment to me in writing and inform Prescient and me.
6. My personal information may be used by Prescient in the normal course of business to provide the products and services and Prescient may retain any information for purposes of investment transactions, processing and administration and to communicate directly with me. Personal information will not be given or sold to any third parties. Prescient will disclose or report personal information if and when required to do so by law or any regulatory authority, and to our employees, or agents who require such information to carry out their duties.

Signature of Financial Advisor \_\_\_\_\_ Date \_\_\_\_\_

## 13. DIVIDENDS TAX

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Where applicable, Prescient must withhold and pay dividends tax over to the South African Revenue Service on your behalf. If you are exempt from paying dividends tax or qualify for a reduced dividends tax rate, please complete the Additional Compulsory Information: [Dividends Tax](#).

## 14. INTEREST WITHHOLDING TAX

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If you are not a South African resident for tax purposes you may be required to pay Interest Withholding Tax (IWT) on the interest income earned on your investment. A default IWT rate of 15% will apply except if a reduced IWT rate is applicable in terms of any Double Taxation Agreement (DTA) in place between South Africa and your country of residence. By selecting a country of residence other than South Africa for tax purposes, you declare that you are not a South African resident and that the reduced IWT rate in the relevant DTA applies to your investment.

# Compulsory Foreign Tax Declaration and Self-Certification

**Instructions for completion:**

1. This Declaration must be completed by all investors, including South African legal entities.
2. The following information is required to ensure correct reporting and/or withholding taxes as required by the International tax authorities in terms of the Foreign Account Tax Compliance Act (FATCA) and the Organization for Economic Cooperation and Development (OECD) Common Reporting Standards (CRS).
3. If any of the information below about the Investor’s tax residence or FATCA/CRS classification changes in the future, please ensure that we are advised of these changes promptly.
4. If you have any questions about how to complete this form, please contact your tax advisor and/or visit <https://www.irs.gov/businesses/corporations/fatca-faqs>.

## SECTION 1: TAX RESIDENCY

Tax residency refers to the country in which you are a resident for tax purposes - the country in which you are registered to pay tax on income. Please indicate in which country(ies) you are a resident for tax purposed (including South Africa). Current address

Country of tax residence: \_\_\_\_\_ Tax reference number/TIN \_\_\_\_\_

Country of tax residence: \_\_\_\_\_ Tax reference number/TIN \_\_\_\_\_

Country of tax residence: \_\_\_\_\_ Tax reference number/TIN \_\_\_\_\_

If you do not have a TIN, please select one of the following:

- The investor is not required to be registered for tax (even though income tax is levied by the jurisdiction)
- No TIN is issued by the jurisdiction (because income tax is not levied by the jurisdiction)
- The TIN is not required to be reported by such jurisdiction under local law

## SECTION 2: ENTITY FATCA CLASSIFICATION

Please select your entity’s FATCA classification below

1. A South African Financial Institution or a Partner Jurisdiction Financial Institution
2. A participating Foreign (non-US) Financial Institution
3. Exempt Beneficial Owner
4. A Deemed Compliant Foreign (non-US) Financial Institution
5. Active Non-Financial Foreign (non-US) Entity
6. Passive Non-Financial Foreign (non-US) Entity

If you selected 1, 2 or 5 above, please provide your GIIN Number \_\_\_\_\_

If the GIIN provided belongs to a Sponsoring Entity, kindly provide the name of the sponsor \_\_\_\_\_

If you have selected 3, 4 or 6 above, please specify the reason therefore (e.g. A retirement fund is an exempt beneficial owner)



**SECTION 3: DECLARATIONS AND UNDERTAKINGS**

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I/We declare (as an authorised signatory if applicable) that the information provided in this form is, to the best of my/our knowledge and belief, accurate and complete.

I/We undertake to advise the recipient promptly and provide and updated Self-Certification where any change in circumstance occurs which causes any of the information contained in this form to be incorrect.

Authorised Signature(s) \_\_\_\_\_ Date \_\_\_\_\_

Capacity in which declaration is made \_\_\_\_\_

**ADDITIONAL COMPULSORY INFORMATION (FOR DWT EXEMPT INVESTORS)**

DIVIDENDS TAX

**Notes on the completion of this form:**

This form is to be completed by:

- The regulated intermediary referred to in section 64D of the Income Tax Act, No 58 of 1962 (the Act); OR
- The beneficial owner (of dividends, including dividends in specie) in order for the exemptions from dividends tax referred to in section 64F read with sections 64FA(2) or 64G(2) or 64H(2)(a) of the Act to apply.

In order to qualify for an exemption this declaration and written undertaking should be submitted to the withholding agent (declaring company or regulated intermediary) within the period required by the latter (provided it is before payment of an affected dividend) – failure to do so will result in the full 20% dividends tax being withheld/payable.

Non South African residents seeking to qualify for a reduced rate should not complete this form.

**PART A: REGULATED INTERMEDIARY (PLEASE COMPLETE IF DWT EXEMPT)**

**This section must be completed by the Regulated intermediary.**

**Please indicate why the investor is considered to be a regulated intermediary by ticking the relevant block below:**

Regulated intermediary means any -

- Par (a) central securities depository participant contemplated in section 32 of the Financial Markets Act;
- Par (b) authorised user as defined in section 1 of the Financial Markets Act;
- Par (c) approved nominee contemplated in section 76(3) of the Financial Markets Act;
- Par (d) nominee that holds investments on behalf of clients as contemplated in section 9.1 of Chapter 1 and section 8 of Chapter II of the Codes of Conduct for Administrative and Discretionary Financial Service Providers, 2003 (Board Notice 79 of 2003) published in Government Gazette No. 25299 of 8 August 2003
- Par (e) portfolio of a collective investment scheme in securities;
- Par (f) transfer secretary that is a person other than a natural person and that has been approved by the Commissioner subject to such conditions and requirements as may be determined by the Commissioner; or
- Par (g) a portfolio of a hedge fund collective investment scheme.

**If an option in section A has been selected, please complete section B.**

**PART B: BENEFICIAL OWNER (NOT APPLICABLE TO DWT INVESTORS)**

Registered name: \_\_\_\_\_

Nature of entity: \_\_\_\_\_

<b>Registration number:</b>	
<b>South African income tax reference number:</b>	
<b>Physical address:</b>	
<b>Postal address:</b>	
<b>Country in which registered for tax purposes:</b>	

**Please indicate the reason the Beneficial Owner is eligible for the exemption by ticking the relevant block:**

- Par (a) a company which is resident in South Africa
- Par (b) the government, provincial government or municipality (of the Republic of South Africa)
- Par (c) a public benefit organisation (approved by SARS into section 30(3) of the Act)
- Par (d) a trust contemplated in section 37A of the Act (mining rehabilitation trusts)
- Par (e) an institution, body, or board contemplated in section 10(1)(cA) of the Act
- Par (f) a fund contemplated in section 10(1)(d)(i) or (ii) of the Act (pension fund, pension preservation fund, provident fund, provident preservation fund, retirement annuity fund, medical schemes, beneficiary fund or benefit fund)
- Par (g) a person contemplated in section 10(1)(t) of the Act (CSIR, SANRAL etc)
- Par (h) a shareholder in a registered micro business as defined in the Sixth Schedule to the Act to the extent that the aggregate amount of the dividends paid by that registered micro business to its shareholders during the year of assessment in which that dividend is paid does not exceed R200,000
- Par (j) a person that is not a resident and the dividend is a dividend contemplated in paragraph (b) of the definition of "dividend" in section 64D (i.e. a dividend on a foreign company's shares listed in SA, such as dual-listed shares).
- Other other relevant paragraph of section 64F

**DECLARATION in terms of sections 64FA(1)(a)(i), 64G(2)(a)(aa) or 64H(2)(a)(aa) of the Act:**

I \_\_\_\_\_ (full names in print please), the undersigned hereby declare that dividends paid to the beneficial owner are exempt, or would have been exempt had it not been a distribution of an asset in specie, from dividend tax in terms of the paragraph of section 64F of the Act indicated above.

Signature (Duly authorized to do so) \_\_\_\_\_ Date \_\_\_\_\_

Capacity of Signatory (if not the beneficial owner) \_\_\_\_\_

**UNDERTAKING in terms of sections 64FA (1) (a) (i), 64G (2) (a) (bb) or 64H (2) (a) (bb) of the Act:**

I \_\_\_\_\_ (full names in print please), the undersigned hereby declare that dividends paid to the beneficial owner are exempt, or would have been exempt had it not been a distribution of an asset in specie, from dividend tax in terms of the paragraph of section 64F of the Act indicated above.

Signature (Duly authorised to do so) \_\_\_\_\_ Date \_\_\_\_\_

Capacity of Signatory (if not the beneficial owner) \_\_\_\_\_

## ANNEXURE A: ULTIMATE BENEFICIAL OWNER

PLEASE COMPLETE THIS ANNEXURE FOR EVERY INDIVIDUAL INDICATED IN THE TICK-BOXES BELOW

Definitions:

**“Owns the legal entity”**: any natural person that owns 5% or more of the issued shares of the legal entity applicant, whether directly or indirectly, and which shares have voting rights attached to them.

**“Effective control”**: any natural person that controls the legal entity independently, or together with another person, through means other than shareholding. E.g. shareholder agreements.

Please tick the appropriate box/es, according to the role of the individual for whom the annexure is being completed:

Owner of 5% or more shares with voting rights attached	Exercises control of the legal entity through other means**		
Executive Director	Non-executive director	Manager	Partner (including Partner(s) en commandite)

\*\* Please specify what “other means” refers to \_\_\_\_\_

### Details of natural person.

Full Name \_\_\_\_\_

ID or Passport Number (if Foreign National) \_\_\_\_\_

Percentage shareholding in legal entity (if applicable) \_\_\_\_\_

Role/Position at legal entity applicant \_\_\_\_\_

Signature \_\_\_\_\_

Supporting documents to be submitted with application form:

1. A copy of an ID document (as defined under “FICA Requirements”) for each individual for/by whom this form is completed.
2. A group structure/organogram.

Must go up to the natural person that owns or exercises effective control of the legal entity applicant;

Must include percentage shareholding with voting rights attached per entity/person; and

Must be provided on a company letterhead and signed by a senior management official or company secretary.



## AUTHORISATION AND DECLARATION

1. I have read and fully understood all the pages of this application form and agree to the Terms and Conditions of this investment into the Retail Investor Hedge Fund Option(s) and I understand that this application and any further documents, read with the Supplemental Deed, constitutes the entire agreement between the Prescient Management Company (RF) (Pty) Ltd ("the Manager") and me.
2. I warrant that the information contained herein is true and correct and that where this application is signed in a representative capacity, I have the necessary authority to do so and that this transaction is within my power.
3. I am aware of the charges and fees, the total expense ratio, investment objectives, risk factors and income distributions applicable to my investment as set out in this form and in other documentation provided to me.
4. I authorise the Manager to deduct any debit orders, electronic collections, any applicable taxes and also to pay all fees. If the additional annual advisor fees are insufficient to pay the Financial Advisor (FSP) from one portfolio, the Manager will sell units proportionately from the portfolios and pay the amounts to the advisor monthly. Permissible deductions from the portfolio include service charges, performance fees, bank charges, trustee/custodian, audit fees, securities transfer tax and brokerage.
5. I acknowledge that the responsibility in ensuring my instruction has been received and actioned by the Manager lies with me.
6. I acknowledge that the Manager will not be liable for any damages or loss of whatsoever nature arising out of the Manager's failure to action my instruction due to any occurrences beyond the control of the Manager, nor will the Manager be liable for any loss incurred due to incorrect information being supplied by myself or by my advisor or agent sending completed documentation to the incorrect mailbox.
7. I acknowledge the transaction cut-off times set out herein and agree to comply with such cut-off times.
8. I acknowledge the inherent risk associated with the selected Retail Investor Hedge Fund(s) and that there are no performance guarantees. I have received, read and understand the Hedge Fund Risk Disclosure Statement appended to this application form.
9. I understand and agree that no part of the services provided by the Manager constitutes a solicitation, recommendation, guidance or proposal, nor does it constitute financial, tax, legal, investment or other advice. I warrant to the Manager that I am acting for my own account, I have made my own independent decisions to enter into the investment and as to whether the investment is appropriate or proper for me, based upon my own judgment and upon advice from such advisors as I may deem necessary. I warrant that I am not relying on any communication from the Manager, whether written, oral or implied as investment advice or as a recommendation to enter into the investment; it being understood that information and explanations relating to the terms and conditions of an investment shall not be considered investment advice or a recommendation to enter into the investment. I warrant that I have not received from the Manager any assurance or guarantee as to the expected results of the investment.
10. I understand that the Manager will accept instructions from my FSP only if duly appointed and authorised in writing by me. The Manager will not be held liable for any losses that may result from unauthorised instructions given to the Manager by my FSP.
11. I hereby authorise the Manager to furnish written reports to my duly appointed FSP, if applicable.
12. If I have appointed an FSP I authorise the payment of the negotiated fees to be paid to my FSP from my portfolios. This authority to pay fees may be withdrawn by written notice to the Manager.
13. I authorise the Manager to accept and act upon instructions by e-mail and hereby waive any claim that I have against the Manager and indemnify the Manager against any loss incurred as a result of the Manager receiving and acting on such communication or instruction.
14. SARS requires the Manager to pay over dividend tax on your behalf where applicable. The Manager will deduct this tax before it pays any dividends or re-invests these into your investment account. Unless the Manager receives information from you indicating otherwise, accounts held by South African trusts, companies and partnerships will attract the default Dividend Tax (DT).
15. Any personal information may be used by the Manager in the normal course of business to provide the products and services and the Manager may retain and share any information for purposes of investment transactions, processing and administration and to communicate directly with me. Personal information will not be given or sold to any third parties. The Manager will disclose or report personal information if and when required to do so by law or any regulatory authority, and to the Manager's employees (if relevant), or agents who require such information to carry out their duties. I/we consent to the processing of my/our personal information/data and the disclosure of my/our personal information/data to any tax authority and/or as may be required to comply with FATCA and the Common Reporting Standard (CRS) as explained in the Terms and Conditions and the Compulsory Foreign Tax Declaration and Self-Certification attached hereto. I consent to the Manager making enquiries of whatsoever nature for the purpose of verifying the information disclosed in this application and I expressly consent to the Manager obtaining any other information concerning me from any source whatsoever to enable the Manager to process this application.
16. I confirm that I have received, noted and understood the following information:
  - a. the Minimum Disclosure Document
  - b. investment objectives and risk factors
  - c. the calculation of the Net Asset Value (NAV), dealing prices and distribution of income accruals
  - d. any additional information necessary to enable the investor to make an informed decisions



17. The entity or any of its related parties or their relatives or close associates is/ are, considered to be a **Domestic Politically Exposed Person(s)** and/ or a **Foreign Politically Exposed Person(s)** and/ or a **Prominent Influential Person** as defined in Schedule 3A, 3B and 3C respectively of the Financial Intelligence Centre Act, as amended.

Yes  No

If Yes, please provide details:

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**Please note: It is the client's responsibility to disclose to Prescient should this status change.**

18. I acknowledge that Prescient will retain personal information as permitted or required to do so in terms of Applicable Laws. However, as a general rule, Prescient may retain personal information for the longest period permitted by such Applicable Laws should Prescient foresee a requirement to retain it for a lawful purpose (for example, for the purposes of complaints handling, legal processes and proceedings).
19. Personal information may be shared with companies within the Prescient Group for purposes of further onboarding or further processing of any of my current or future investments within the Prescient Group. Prescient Group collectively refers to Prescient Holdings (Pty) Ltd and its subsidiaries and affiliates. Prescient Management Company will not sell any personal information to any third parties. Prescient Management Company will disclose or report personal information if and when required to do so by law or any regulatory authority, and to our employees, or agents who require such information to carry out their duties.

Signed at \_\_\_\_\_ Date \_\_\_\_\_

Full name of signatory \_\_\_\_\_ Capacity \_\_\_\_\_

Authorised Signatory \_\_\_\_\_

Signed at \_\_\_\_\_ Date \_\_\_\_\_

Full name of signatory \_\_\_\_\_ Capacity \_\_\_\_\_

Authorised Signatory \_\_\_\_\_

## THANK YOU

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You have completed this application form. Please collate all your required FICA documentation to include in your submission.

## FICA REQUIREMENTS

**In terms of the Financial Intelligence Centre Act, 2001 (“FICA”) Prescient requires a copy of each of the following documents:**

An “ID document” means a clear copy of a green, bar coded ID book, both sides of a smart ID card or a valid passport on which the photo, ID number, name and surname and nationality of the person is visible.

“Proof of bank account details” is a bank statement that clearly displays the investor’s name and bank account number.

“Proof of address/business address” means a document less than 3 months old containing physical address that is a utility bill, bank statement, rates account or tax invoice.

### SOUTH AFRICAN ENTITIES REGISTERED WITH THE COMPANIES AND INTELLECTUAL PROPERTY COMMISSION (CIPC)

(Listed companies, private companies, close corporations and non-profit companies)

- Copy of CIPC document(s) that evidences:
  - Registered name;
  - Registration number;
  - Registered address; and
  - Register of directors
- Proof of disinvestment bank account details (operational requirement);
- Authorised signatory resolution;
- ID documents for the following:
  - All directors;
  - All authorised signatories; and
  - All Ultimate Beneficial Owners;
- A completed “Annexure A: Ultimate Beneficial Owner” for each beneficial owner; and
- A shareholding structure/organogram as requested per Annexure A

### PARTNERSHIPS

- Copy of the partnership agreement that evidences:
  - Registered name;
  - Registered address; and
  - Register of partners
- Proof of address of the entity that is less than 3 months old;
- Proof of bank account details for the partnership (operational requirement);
- Authorised signatory resolution;
- ID documents for the following:
  - All partners, including partner(s) en commandite;
  - All authorised signatories; and
  - All Ultimate Beneficial Owners of all juristic partners;
- A completed “Annexure A: Ultimate Beneficial Owner” for each beneficial owner; and
- For juristic partners: A shareholding structure/organogram as requested per Annexure A, evidencing the ultimate beneficial owner.

### TRUSTS AND NON-PROFIT TRUSTS

- Copy of the trust deed;
- Copy of the Certificate of the Master of the High Court at which trust is registered/letter from a competent trust registering authority in the case of a foreign trust;
- If non-profit trust: a listing of all approved beneficiaries;
- Proof of bank account details for the trust (operational requirement);
- Authorised signatory resolution;
- ID documents for the following:
  - All founders and donors;
  - All trustees;
  - All named beneficiaries;
  - All authorised signatories; and
  - All Ultimate Beneficial Owners if any beneficiaries are legal persons;
- A completed “Annexure A: Ultimate Beneficial Owner” for each beneficial owner.



## TESTAMENTARY TRUST

- Copy of the last will/testament;
- Copy of the certificate from the Master of the High Court where the trust is registered;
- Proof of bank account details for the disinvestment account (operational requirement);
- Letter of appointment of the trustees/executor;
- Authorised signatory resolution; and
- ID documents for the following:
  - All authorised signatories;
  - The executor;
  - All trustees;
  - The deceased; and
  - All beneficiaries

## COLLECTIVE INVESTMENT SCHEMES (CIS)

- Copy of the stamped supplemental deed / FSCA approval letter of the fund;
- Proof of bank account details for the fund (operational requirement);
- AML confirmation letter;
- All authorised signatories resolution of the instructing party (if different from the management company, a power of attorney is also required); and
- ID documents for the following
  - All authorised signatories of the instructing party

## MEDICAL AID SCHEMES AND RETIREMENT FUNDS

- Copy of registration certificate;
- Proof of bank account details for the fund (operational requirement);
- Authorised signatory resolution; and
- ID documents for the following:
  - All authorised signatories; and
  - All members of the board of the fund and principal officer

## NON PROFIT ORGANISATIONS REGISTERED WITH THE DEPARTMENT OF SOCIAL DEVELOPMENT

- Copy of registration certificate;
- Proof of bank account details for the entity(operational requirement);
- Listing of approved beneficiaries;
- Authorised signatory resolution;
- ID documents for the following:
  - All authorised signatories;
  - All members of the board of the organisation;
- Copy of the SARS-issued Public Benefit Organisation certificate

## NON PROFIT ORGANISATIONS THAT ARE NOT REGISTERED (VOLUNTARY ASSOCIATIONS)

- Copy of founding document, if available;
- Website address;
- Proof of bank account details for the entity(operational requirement);
- Listing of approved beneficiaries;
- Authorised signatory resolution;
- ID documents for the following:
  - All authorised signatories;
  - All members of the board of the organisation
- Copy of the SARS-issued Public Benefit Organisation certificate; and
- A copy of the latest annual financial statements, if available.

## STOKVELS

- Copy of Constitution;
- Proof of bank account details for the entity(operational requirement);
- Authorised signatory resolution; and
- ID documents for the following:
  - All authorised signatories
  - All of the leaders of the stokvel.

**Please note that Prescient reserves the right to request additional information and/or documentation from you, in order to comply with our obligations in terms of the Financial Intelligence Centre Act (Act No. 38 of 2001)**



## CONTACT PRESCIENT MANAGEMENT COMPANY (RF) (PTY) LTD

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<b>Postal Address</b>	P.O. Box 31142 Tokai 7966
<b>Toll Free</b>	+27 800 111 899
<b>Reception</b>	+27 21 700 3600
<b>E-mail</b>	<a href="mailto:hedge@prescient.co.za">hedge@prescient.co.za</a>
<b>Website</b>	<a href="http://www.prescient.co.za">www.prescient.co.za</a>

## CONTACT BATELEUR CAPITAL (PTY) LTD

<b>Physical Address</b>	Block H, The Terraces, No.1, Steenberg Office Park, 2 Silverwood Close, Westlake, 7945
<b>Postal Address</b>	Postnet Suite 130, Private Bag, X1005, Claremont, 7735
<b>Telephone</b>	+27 21 681 5060
<b>Fax</b>	+27 86 649 1794
<b>E-mail</b>	<a href="mailto:funds@bateleurcapital.com">funds@bateleurcapital.com</a>
<b>Website</b>	<a href="http://www.bateleurcapital.com">www.bateleurcapital.com</a>

## COMPLIANCE DEPARTMENT

<b>Physical Address</b>	Prescient House, Westlake Business Park, Otto Close, Westlake, 7945
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<b>Website</b>	<a href="http://www.prescient.co.za">www.prescient.co.za</a>

## COMPLAINTS

Please do not hesitate to contact us if you are not satisfied with this investment or the services received from Prescient. A complaint must be submitted to the Compliance Officer. Prescient will acknowledge the complaint in writing and will inform the investor of the contact details of the persons involved in the resolution thereof. Should you wish to lodge a complaint regarding the services being provided, an email can be sent to [complaints@prescient.co.za](mailto:complaints@prescient.co.za) or alternatively you can obtain our complaints policy, conflict of interest policy from the compliance department (address above).

Should you have a complaint related to the advice given by your financial advisor, please submit this complaint directly to your financial advisor. If an investor is still not satisfied with the response from the Financial Advisor, he/she has the right to address his/her complaint in writing to the Ombud for Financial Services Providers at the address below. The Ombud is legally empowered to investigate and adjudicate complaints in a procedurally fair, economical and expeditious manner.

<b>Postal Address</b>	P.O. Box 74571 Lynnwood Ridge 0040
<b>Telephone</b>	+27 12 470 9080
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<b>E-mail</b>	<a href="mailto:info@faisombud.co.za">info@faisombud.co.za</a>



# Hedge Fund Risk Disclosure

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This annexure forms part of and should be read together with the application form to which it is attached. This disclosure should not be seen as exhaustive and investors are encouraged to take independent advice before investing in any hedge fund ("Fund").

## GENERAL

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The risks described herein should not be considered to be an exhaustive list of the risks which potential investors should consider before investing in a Fund. Potential investors should be aware that an investment in an underlying portfolio may be exposed to other risks of an exceptional nature from time to time. Investment carries with it a degree of risk. Different risks may apply to different Funds and/or Classes. Details of specific risks attaching to a particular Fund or Class which are additional to those described in this section will be disclosed in the relevant Supplemental Deed. Prospective investors are advised that the value of shares and the income from them may go down as well as up and, accordingly, an investor may not get back the full amount invested and an investment should only be made by persons who can sustain a loss on their investment. Past performance of the Fund should not be relied upon as an indicator of future performance. The difference at any one time between the sale price (to which may be added a sales charge or commission) and the redemption price of shares (from which may be deducted a redemption fee) means an investment should be viewed as medium to long term. The attention of potential investors is drawn to the taxation risks associated with the investment. The securities and instruments in which the Funds invest are subject to normal market fluctuations and other risks inherent in investing in such investments and there can be no assurance that any appreciation in value will occur.

Potential investors should consider the following risk factors before investing in a Fund:

- Prospective investors should be aware that the investments of the Fund are subject to normal market fluctuations and other risks inherent in investing in securities. There can be no assurance that any appreciation in value of investments will occur. There is no assurance that the investment objectives of any Fund will actually be achieved. Given the possible differences between the offer and redemption prices, an investor who realises his units in a Fund after a short period may, in addition to the above, not realise the amount originally invested. Therefore, investment in any Fund should be viewed as a medium to long term investment.
- The Net Asset Value of a Fund may vary in value within a short period of time because of variations in value of the underlying assets of such Fund and the income derived therefrom. Investors may not recoup the original amount invested in any Fund.
- Depending on an investor's currency of reference, currency fluctuations may adversely affect the value of an investment in one or more of the Funds.

## COMMON STOCKS

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Common stock represents an ownership interest in a company. The value of a company's stock may fall as a result of factors relating directly to that company, such as decisions made by its management or lower demand for the company's products or services. A stock's value may also fall because of factors affecting not just the company, but companies in the same industry or in a number of different industries, such as increases in production costs. From time to time, a Fund may invest a significant portion of its assets in companies in one or more related industries or sectors, which would make the Fund more vulnerable to adverse developments affecting those industries or sectors. The value of a company's stock may also be affected by changes in financial markets that are relatively unrelated to the company or its industry, such as changes in interest rates or currency exchange rates. In addition, a company's stock generally pays dividends only after the company makes required payments to holders of its bonds and other debt. For this reason, the value of the stock will usually react more strongly than bonds and other debt to actual or perceived changes in the company's financial condition or prospects. Stocks of smaller companies may be more vulnerable to adverse developments than those of larger companies.

Funds may borrow securities in order to sell them short, in the hope that the price of the underlying instrument will fall. Where the price of the underlying instrument rises, the investor can be exposed to significant losses, given that the Manager is forced to buy securities (to deliver to the purchaser under the short sale) at high prices.

## VALUE STOCKS

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These are stocks of companies that are not expected to experience significant earnings growth, but whose stock is undervalued by the market in the opinion of the investment manager. These companies may have experienced adverse business developments or may be subject to special risks that have caused their stocks to be out of favour. If the investment manager's assessment of a company's prospects is wrong, or if other investors do not come to recognise the value of the company, then the price of the company's stock may fall or may not approach the value anticipated for it.



## GROWTH STOCKS

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Certain Funds may invest in stocks of companies that the investment manager believes are likely to have earnings that will grow faster than other companies. These growth stocks typically trade at higher multiples of current earnings than other stocks. Therefore, the values of growth stocks may be more sensitive to changes in current or expected earnings than the values of other stocks. If the investment manager's assessment of the prospects for the company's earnings growth is wrong, or if its judgement of how other investors will value the company's earnings growth is wrong, then the price of the company's stock may fall or not approach the value anticipated for it. Seeking earnings growth may result in significant investments in certain sectors, such as the technology sector, which may be subject to greater volatility than other sectors of the economy.

## LEVERAGE RISK

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Funds may use leverage. This means that the Fund borrows additional funds, or trades on margin, in order to amplify his investment decisions. This means that the volatility of the hedge fund portfolio can be many times that of the underlying investments. The degree to which leverage may be employed in any given hedge fund portfolio will be limited by the mandate the client has with the Fund.

## MARKET CAPITALISATION RISK

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The securities of small-to-medium-sized (by market capitalisation) companies, or financial instruments related to such securities, may have a more limited market than the securities of larger companies and may involve greater risks and volatility than investments in larger companies. Accordingly, it may be more difficult to effect sales of such securities at an advantageous time or without a substantial drop in price than securities of a company with a large market capitalisation and broad trading market. In addition, securities of small-to-medium-sized companies may have greater price volatility as they are generally more vulnerable to adverse market factors such as unfavourable economic reports.

## MARKET RISK

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The value of a Fund may be affected by the decline of an entire market of an asset class, thus affecting the prices and values of the assets in the Fund. In an equity fund, for instance, this is the risk that the equity market in question will go down and, in a bond fund, the risk that the bond market in question will fall. The higher the volatility of the market in which the Fund invests, the greater the risk. Such markets are subject to greater fluctuations in return. Some of the recognised exchanges in which a Fund may invest may be less well-regulated than those in developed markets and may prove to be illiquid, insufficiently liquid or highly volatile from time to time. This may affect the price at which a Fund may liquidate positions to meet redemption requests or other funding requirements.

## SETTLEMENT RISK

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It is possible that settlement via a payment system will not take place as expected because payment or delivery by a counterparty fails to take place or is not in accordance with the initial conditions. This risk exists to the extent that the Fund invests in regions where the financial markets are not yet well developed and includes stock exchanges or markets on which the Fund may trade derivatives which may not be the same as those in more developed markets. This risk is limited, but still present, in regions where the financial markets are well developed.

## CUSTODIAN RISK

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It is possible that the assets of a Fund that are held in custody may be lost as a result of insolvency, negligence or fraud on the part of the custodian or any sub-custodian.

## CONCENTRATION RISK

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Certain Funds may invest a large proportion of total assets in specific assets or in specific markets. This means that the performance of those assets or markets will have a substantial impact on the value of the Fund's portfolio. The greater the diversification of the Fund's portfolio, the smaller the concentration risk. Concentration risk will also be higher in more specialised markets (e.g., a specific region, sector or theme) than in widely diversified markets (e.g., a worldwide allocation).

## PERFORMANCE RISK

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The risk of lower returns in a Fund may vary depending on the choices made by the Manager or any investment manager, as well as the existence or non-existence of, or restrictions upon, any third-party security. The risk depends in part on the market risk and on how active the Manager is in the management of the Fund.



## CAPITAL RISK

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The capital value of units of a Fund may be affected by various risks to capital, including the potential risk of erosion due to the redemption of units and the distribution of profit in excess of the investment return. This risk can be limited by loss-mitigation, capital-protection or capital-guarantee techniques.

## REPATRIATION RISK

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It may not be possible for Funds to repatriate capital, dividends, interest and other income from certain countries, or it may require government consents to do so. Funds could be adversely affected by the introduction of, or delays in, or refusal to grant any such consent for the repatriation of funds or by any official intervention affecting the process of settlement of transactions. Economic or political conditions could lead to the revocation or variation of consent granted prior to investment being made in any particular country or to the imposition of new restrictions. Repatriation risk is higher in the case of Funds or underlying investments subject to restrictive laws or regulations.

## INFLATION RISK

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Some Funds may invest in securities whose value can be adversely affected by changes in inflation, for example, bonds with a long term to maturity and a fixed coupon. Although many companies in which a Fund may hold shares may have operated profitably in the past in an inflationary environment, past performance is no assurance of future performance. Inflation may adversely affect any economy and the value of companies' shares.

## INTEREST RATE RISK

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The values of bonds and other debt securities usually rise and fall in response to changes in interest rates. Declining interest rates generally raise the value of existing debt instruments, and rising interest rates generally lower the value of existing debt instruments. Changes in a debt instrument's value usually will not affect the amount of income the Fund receives from it, but will affect the value of the Fund's units. Interest rate risk is generally greater for investments with longer maturities.

Some investments give the issuer the option to "call" or redeem, these investments before their maturity date. If an issuer "calls" its investment during a time of declining interest rates, the investment manager might have to reinvest the proceeds in an investment offering a lower yield, and therefore might not benefit from any increase in value as a result of declining interest rates.

"Premium" investments offer interest rates higher than prevailing market rates. However, they involve a greater risk of loss, because their values tend to decline over time.

## LIQUIDITY RISK

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Not all securities or instruments (including derivatives and sub-investment grade bonds) invested in by the Funds will be listed or rated and consequently liquidity may be low. Moreover, the accumulation and disposal of holdings in some investments may be time consuming and may need to be conducted at unfavourable prices. The Funds may also encounter difficulties in disposing of assets at their fair price due to adverse market conditions leading to limited liquidity.

## REDEMPTION RISK

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Large redemptions of units in a Fund might result in the Fund being forced to sell assets at a time and price at which it would normally prefer not to dispose of those assets.

## INVESTING IN FIXED INCOME SECURITIES

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Investment in fixed income securities is subject to interest rate, sector, security and credit risks. Lower-rated securities will usually offer higher yields than higher-rated securities to compensate for the reduced creditworthiness and increased risk of default that these securities carry. Lower-rated securities generally tend to reflect short-term corporate and market developments to a greater extent than higher-rated securities which respond primarily to fluctuations in the general level of interest rates. There are fewer investors in lower-rated securities and it may be harder to buy and sell such securities at an optimum time.

The volume of transactions affected in certain international bond markets may be appreciably below that of the world's largest markets, such as the United States. Accordingly, a Fund's investment in such markets may be less liquid and their prices may be more volatile than comparable investments in securities trading in markets with larger trading volumes. Moreover, the settlement periods in certain markets may be longer than in others which may affect portfolio liquidity.



## CURRENCY RISK

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Assets of a Fund may be denominated in a currency other than the base currency of the Fund and changes in the exchange rate between the base currency and the currency of the asset may lead to a depreciation of the value of the Fund's assets as expressed in the base currency. It may not be possible or practical to hedge against such exchange rate risk. The Fund's investment manager may, but is not obliged to, mitigate this risk by using financial instruments.

Funds may from time to time enter into currency exchange transactions either on a spot basis or by buying currency exchange forward contracts. Funds will not enter into forward contracts for speculative purposes. Neither spot transactions nor forward currency exchange contracts eliminate fluctuations in the prices of a Fund's securities or in foreign exchange rates, or prevent loss if the prices of these securities should decline.

A Fund may enter into currency exchange transactions and/or use techniques and instruments to seek to protect against fluctuation in the relative value of its portfolio positions as a result of changes in currency exchange rates or interest rates between the trade and settlement dates of specific securities transactions or anticipated securities transactions. Although these transactions are intended to minimise the risk of loss due to a decline in the value of hedged currency, they also limit any potential gain that might be realised should the value of the hedged currency increase. The precise matching of the relevant contract amounts and the value of the securities involved will not generally be possible because the future value of such securities will change as a consequence of market movements in the value of such securities between the date when the relevant contract is entered into and the date when it matures. The successful execution of a hedging strategy which matches exactly the profile of the investments of any Fund cannot be assured. It may not be possible to hedge against generally anticipated exchange or interest rate fluctuations at a price sufficient to protect the assets from the anticipated decline in value of the portfolio positions as a result of such fluctuations.

Performance of a Fund may be strongly influenced by movements in foreign exchange rates because currency performance positions held by the Fund may not correspond to the securities position held.

## DERIVATIVES AND TECHNIQUES AND INSTRUMENTS RISK

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### General

The prices of derivative instruments, including futures and options prices, are highly volatile. Price movements of forward contracts, futures contracts and other derivative contracts are influenced by, among other things, interest rates, changing supply and demand relationships, trade, fiscal, monetary and exchange control programmes and policies of governments, and national and international political and economic events, changes in local laws and policies. In addition, governments from time to time intervene, directly and by regulation, in certain markets, particularly markets in currencies and interest rate related futures and options. Such intervention often is intended directly to influence prices and may, together with other factors, cause all of such markets to move rapidly in the same direction because of, among other things, interest rate fluctuations. The use of techniques and instruments also involves certain special risks, including (1) dependence on the ability to predict movements in the prices of securities being hedged and movements in interest rates, (2) imperfect correlation between the hedging instruments and the securities or market sectors being hedged, (3) the fact that skills needed to use these instruments are different from those needed to select the Fund's securities and (4) the possible absence of a liquid market for any particular instrument at any particular time, and (5) possible impediments to effective portfolio management or the ability to meet redemption.

### Credit Risk

There can be no assurance that issuers of the securities or other instruments in which a Fund invests will not be subject to credit difficulties leading to the loss of some or all of the sums invested in such securities or instruments or payments due on such securities or instruments. Funds will also be exposed to a credit risk in relation to the counterparties with whom they transact or place margin or collateral in respect of transactions in financial derivative instruments and may bear the risk of counterparty default.

### Correlation Risk

The prices of financial derivative instruments may be imperfectly correlated to the prices of the underlying securities, for example, because of transaction costs and interest rate movements. The prices of exchange traded financial derivative instruments may also be subject to changes in price due to supply and demand factors.

### Legal Risk

The use of OTC derivatives, such as forward contracts and swap agreements will expose the Fund to the risk that the legal documentation of the contract may not accurately reflect the intention of the parties.



## Liquidity of Futures Contracts

Futures positions may be illiquid because certain commodity exchanges limit fluctuations in certain futures contract prices during a single day by regulations referred to as “daily price fluctuation limits” or “daily limits”. Under such daily limits, during a single trading day no trades may be executed at prices beyond the daily limits. Once the price of a contract for a particular future has increased or decreased by an amount equal to the daily limit, positions in the future can neither be taken nor liquidated unless traders are willing to effect trades at or within the limit. This could prevent a Fund from liquidating unfavourable positions.

## Forward Trading

Forward contracts and options thereon, unlike futures contracts, are not traded on exchanges and are not standardised; rather, banks and dealers act as principals in these markets, negotiating each transaction on an individual basis. Forward and “cash” trading is substantially unregulated; there is no limitation on daily price movements and speculative position limits are not applicable. The principals who deal in the forward markets are not required to continue to make markets in the currencies or commodities they trade and these markets can experience periods of illiquidity, sometimes of significant duration. Market illiquidity or disruption could result in major losses to a Fund.

## Foreign Exchange Transactions

Where a Fund utilises derivatives which alter the currency exposure characteristics of transferable securities held by the Fund the performance of the Fund may be strongly influenced by movements in foreign exchange rates because currency positions held by the Fund may not correspond with the securities positions held.

## OTC Markets Risk

Unlisted derivative instruments i.e. OTC derivative instruments will be limited to unlisted forward currency, interest rate or exchange rate swap transactions and will only be permitted for the purposes of efficient portfolio management. Where any Fund acquires securities on OTC markets, there is no guarantee that the Fund will be able to realise the fair value of such securities due to their tendency to have limited liquidity and comparatively high price volatility.

## Counterparty Risk

Each Fund will have credit exposure to counterparties by virtue of positions in swaps, repurchase transactions, forward exchange rate and other financial or derivative contracts held by the Fund. To the extent that a counterparty defaults on its obligation and the Fund is delayed or prevented from exercising its rights with respect to the investments in its portfolio, it may experience a decline in the value of its position, lose income and incur costs associated with asserting its rights.

The Funds will also be exposed to a credit risk on parties with whom it trades securities, and may also bear the risk of settlement default, in particular in relation to debt securities such as bonds, notes and similar debt obligations or instruments.

## Absence of Regulation; Counterparty Default

In general, there is less government regulation and supervision of transactions in the OTC markets (in which currencies, spot and option contracts, certain options on currencies and swaps are generally traded) than of transactions entered into on recognised exchanges. In addition, many of the protections afforded to participants on some recognised exchanges, such as the performance guarantee of an exchange clearing house, might not be available in connection with OTC transactions. OTC options are not regulated. OTC options are non-exchange traded option agreements, which are specifically tailored to the needs of an individual investor. These options enable the user to structure precisely the date, market level and amount of a given position. The counterparty for these agreements will be the specific firm involved in the transaction rather than a recognised exchange and accordingly the bankruptcy or default of a counterparty with which the Fund trades OTC options could result in substantial losses to the Fund. In addition, a counterparty may not settle a transaction in accordance with its terms and conditions because the contract is not legally enforceable or because it does not accurately reflect the intention of the parties or because of a dispute over the terms of the contract (whether or not bona fide) or because of a credit or liquidity problem, thus causing the Fund to suffer a loss. To the extent that a counterparty defaults on its obligation and the Fund is delayed or prevented from exercising its rights with respect to the investments in its portfolio, it may experience a decline in the value of its position, lose income and incur costs associated with asserting its rights. Counterparty exposure will be in accordance with the Fund’s investment restrictions. Regardless of the measures the Fund may implement to reduce counterparty credit risk, however, there can be no assurance that a counterparty will not default or that the Fund will not sustain losses on the transactions as a result.

## Necessity for Counterparty Trading Relationships

Participants in the OTC currency market typically enter into transactions only with those counterparties which they believe to be sufficiently creditworthy, unless the counterparty provides margin, collateral, letters of credit or other credit enhancements. While the investment manager believes that it will be able to establish the necessary counterparty business relationships to permit a Fund to effect transactions in the OTC currency market and other counterparty markets, including the swaps market, there can be no assurance that it will be able to do so. An inability to



establish such relationships would limit a Fund's activities and could require a Fund to conduct a more substantial portion of such activities in the futures markets. Moreover, the counterparties with which a Fund expects to establish such relationships will not be obligated to maintain the credit lines extended to a Fund, and such counterparties could decide to reduce or terminate such credit lines at their discretion."

### **Derivative Trading is Speculative and Volatile**

Substantial risks are involved in trading futures, forward and option contracts and various other instruments in which the Fund intends to trade. Certain of the instruments in which the Fund may invest are interest and foreign exchange rate sensitive, which means that their value and, consequently, the Net Asset Value, will fluctuate as interest and/or foreign exchange rates fluctuate. The Fund's performance, therefore, will depend in part on its ability to anticipate and respond to such fluctuations in market interest rates, and to utilise appropriate strategies to maximize returns to the Fund, while attempting to minimize the associated risks to its investment capital. Variance in the degree of volatility of the market from the Fund's expectations may produce significant losses to the Fund.

### **INVESTMENT MANAGER VALUATION RISK**

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The Manager may consult the investment manager with respect to the valuation of certain investments including over-the-counter derivatives. There is an inherent conflict of interest between the involvement of the investment manager in determining the valuation price of each Fund's investments and the investment manager's other duties and responsibilities in relation to the Funds.

### **MARKET CRISIS AND GOVERNMENTAL INTERVENTION**

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Global financial markets may from time to time undergo pervasive and fundamental disruptions which may lead to extensive and unprecedented governmental intervention. Such intervention may in some circumstances be implemented on an "emergency" basis with little or no notice. When circumstances such as these arise, this may subsequently impair some market participants from implementing strategies or managing the risk of their outstanding positions.

### **MARKET DISRUPTIONS**

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The Fund may incur major losses in the event of disrupted markets and other extraordinary events which may affect markets in a way that is not consistent with historical pricing relationships. The risk of loss from a disconnect with historical prices is compounded by the fact that in disrupted markets many positions become illiquid, making it difficult or impossible to close out positions against which the markets are moving. The financing available in the market from its banks, dealers and other counterparties will typically be reduced in disrupted markets. In addition, market disruptions caused by unexpected political, military and terrorist events may from time to time cause dramatic losses for the Fund and such events can result in otherwise historically low-risk strategies performing with unprecedented volatility and risk. A financial exchange may from time to time suspend or limit trading. Such a suspension could render it difficult or impossible for the Fund to liquidate affected positions and thereby expose it to losses. There is also no assurance that off-exchange markets will remain liquid enough for the Fund to close out positions.

### **TAXATION**

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A Fund may become liable to taxes in jurisdictions in which it may make investments. Many emerging markets typically have less well defined tax laws and procedures than those of major markets and such laws may permit retroactive taxation so that the Fund could in future become subject to a tax liability that had not reasonably been anticipated in the conduct of investment activities or in the valuation of the assets of the Fund. Furthermore, taxation laws of any emerging market country may change to reflect economic conditions and accordingly there is no guarantee that these will evolve in a manner considered to be favourable to the Fund. It is possible that treaties, laws, orders, rules, regulations or any other legislation currently regulating taxation in these countries may be altered, in whole or in part, or added to. Changes in any taxation regime would have the potential to adversely affect the Fund's income from its various investments as well as adversely affecting the value of equity in which the Fund has invested and also have the potential to negatively alter the value and timing of the Fund's distributions to investors.

### **RISK FACTORS NOT EXHAUSTIVE**

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The investment risks set out in this document do not purport to be exhaustive and potential investors should be aware that an investment in the Fund may be exposed to risks of an exceptional nature from time to time. Each Fund employs a risk management process which enables it to monitor and measure at any time the risk of the positions in the underlying portfolio and their contribution to the overall risk profile of the portfolio.