



Hedge Fund - Upfront Disclosure Document

Sanlam Collective Investments (RF) (Pty) Ltd ('SCI')

Investments



1.1 Glossary

- **Manager** – Refers to the management company, Sanlam Collective Investments managing the Hedge Fund Schemes.
- **Hedge Fund** – Refers to the Manager’s Hedge fund scheme registered with the FSB, which contains multiple portfolios.
- **Portfolio** – Refers to a Collective Investment Scheme, unit trust.

1.2 Members of the board

This is to declare that the non-executive directors are:

- David Ladds
- Philip de Villiers Rademeyer
- Nersan Naidoo

The executive director is:

- Liezl Myburgh

1.3 General Information

Provider type	Provider Name
Hedge Fund Depositories	Absa Bank RMB Custody Peregrine Nominees
Fund Administrator	Maitland Financial Services
Auditor	Ernst & Young

1.4 Hedge Fund Schemes

SCI have registered a Retail and Qualified Investor Hedge Fund Scheme

1.4.1 Legal Structure of the Hedge Fund Portfolio’s

The legal structure of all the SCI Hedge Funds are Trust structures.

1.4.2 List of all Portfolios in the Hedge Fund:

Please refer to www.sanlamhedgefunds.com for a full list of the Retail Hedge Fund (and Fund of Hedge Funds) as well as the Qualified Investor Hedge Fund (and Fund of Hedge Funds) portfolios (refer to Annexure A).

1.4.3 Hedge Fund Minimum Disclosure Documents (MDD)

Hedge Fund portfolio minimum disclosure documents will be updated monthly and available at www.sanlamhedgefunds.com

1.4.4 Hedge Fund Portfolios Annual Reports

Please refer to the Portfolio Annual Reports at www.sanlamhedgefunds.com

1.4.5 Hedge Fund valuation and pricing methodologies

Please refer to the Price Valuation Policy at www.sanlamhedgefunds.com



1.5 Investor Portfolio Reporting

Investors will receive monthly correspondence with respect to their portfolio account holdings, covering portfolio net asset value, performance and costs incurred. Full correspondence detail that will be provided is covered by Board Notice 52 section 27(2) (B), under sub paragraph (2). Clients will also receive a quarterly investor statement detailing their investment/s.

1.6 Treating Customers Fairly

Sanlam embeds client-centricity firmly within its business practices, an approach fully aligned with Treating Customers Fairly (TCF), which mandates a formal approach to treating customers fairly and improving client confidence in the financial services industry. The TCF framework within which Sanlam operates is set out below:

- Customers are confident that they are dealing with a firm where the fair treatment of customers is central to the firm culture.
- Products and services marketed and sold are designed to meet the needs of identified customer groups and are targeted accordingly.
- Customers are given clear information and are kept appropriately informed before, during and after the time of contracting.
- Where customers receive advice, the advice is suitable and takes account of their circumstances.
- Customers are provided with products that perform as they have been led expect; and the associated service is both of an acceptable standard and what they have been led to expect.
- Customers do not face unreasonable post-sale barriers to change product, switch provider, submit a claim or make a complaint.

1.7 Procedures to change Investment strategy of a Hedge Fund Portfolio:

Any amendment to change the investment strategy of the portfolio is effected by changing the supplemental trust deed. The application is sent onto the FSB for approval. The change will only take effect once the FSB has approved the changes to the supplemental trust deed.

1.8 Manager's Prime Broker and Counter Party Arrangements

- Prime broker and counterparty arrangements are managed via the prime broking, International Swaps and Derivatives Association ('ISDA') and Counterparty Services Agreement ('CAS') contract between SCI and the relevant counterparty.
- Asset hypothecation and re-hypothecation are limited and defined with the contracting parties.
- The counterparty exposures are as described in the portfolio MDDs and calculated using the commitment approach.



1.9 Hedge Fund Investment Associated Risks

In addition to the risks inherent in long only funds, investors need to be aware of the following:

- Hedge funds make use of investable opportunity sets such as Leverage, Short Selling, Increased use of over the counter (OTC) derivatives and foreign exposure to mention a few.
- These risks are monitored in a framework set out by the Ruling hedge fund regulation and managed to ensure that the investors' interest are put first.
- These risks are not exhaustive and where appropriate investors should consult their own legal, tax and financial advisors to identify and note all risks inherent to their investment in the fund.

1.10 Gating side pocketing and re-purchasing restrictions

- The Manager shall obtain approval of the Registrar before the Manager establishes a new portfolio for purposes of segregating illiquid assets from liquid assets (side pocketing), or for purposes of using other facilities, including gating and redemption suspensions.
- These events may be triggered under certain circumstances where specific assets in the portfolio become highly illiquid or untradeable. The decision will be made by the Hedge Fund Manager to isolate these assets in the best interest of investors.
- All investors have the same rights and no special repurchase arrangements exist between the investor and the fund.

1.11 Ring-fencing

- No single investor has the right to receive preferential treatment. Ring-fencing arrangements within a portfolio will be done to ensure the interest of all investors are best protected.

A manager may only suspend the repurchase of participatory interests:

- Under exceptional circumstances and when in the interests of investors; and
- In accordance with the Notice of Suspension of Participatory Interests by the Manager of Collective Investment Schemes in Securities prescribed by the registrar under section 114(3) of the Act (from BN 52 (5) (a)&(b).

1.12 Hedge Fund Fees and Charging Investor

- Service Fees – Annual management fees charged by the manager with respect to administration and fund asset management
- Performance Fees – Performance fee charged when investment performance outperforms agreed benchmark. Performance fees for SCI funds are not capped (Please refer to the Hedge Fund Performance Fees FAQ document).
- Broker Fees:
 - Advisory Fees – Agreed advisory fee between investor and broker
 - Trailer Commission – Legacy broker commission, applicable only to Investors with legacy broker agreements



Fee Calculation methodology

- Performance Fee (Retail Investor Hedge Funds):
The Performance Fee is calculated and accrued daily based on the outperformance achieved over either a fixed or rolling measurement period multiplied by Performance Fee Rate. For all SCI Hedge Funds, the Performance Fee is paid annually.
- Performance Fee (Qualified Investor Hedge Funds):
The Performance Fee is calculated and accrued monthly based on the outperformance achieved over either a fixed or rolling measurement period multiplied by Performance Fee Rate. For all SCI Hedge Funds, the Performance Fee is paid annually.
- Base Fee (Retail Investor Hedge Funds):
The Base Fee is calculated and accrued daily by multiplying the AUM base by the Base Fee percentage and dividing by 365.25. For all SCI Hedge Funds, the Base Fee is paid monthly.
- Base Fee (Qualified Investor Hedge Funds):
The Base Fee is calculated and accrued monthly by multiplying the AUM base by the Base Fee percentage and dividing by 12. For all SCI Hedge Funds, the Base Fee is paid monthly.
- All SCI Hedge Funds use Multi Series Equalisation (please refer to the Hedge Fund Performance Fee FAQ for further information on Multi Series Equalisation).

Fund

- Bank Interest – interest charged when the portfolio bank account is in overdraft
- Bank Charges – portfolio bank charges
- Dealing and Settlement costs – Brokerage fees
- Audit Fees – costs for auditing the portfolio
- Trustee Fees – costs for trustee services involved in cash management

1.13 Leverage

- The portfolio is permitted to use leverage as defined within the supplemental deeds and in accordance with regulations and the Act.
- Leverage is used for either return generation or risk mitigation.
- Sources of leverage include the ability to short, use of derivatives which can be both listed and over the counter (OTC).
- Collateral risk is governed by means of ISDA and CSA agreements with the various prime brokers and counterparties.
- The portfolio specific leverage amounts and mandate limits are described in their respective MDDs.

1.14 Conflict of Interest

All actual and potential Conflicts of Interest are managed, reported and disclosed in line with the Managers Conflicts of Interest Management Policy which is available on request, or on the Sanlam website www.sanlamhedgefunds.com

1.15 Liquidity Risk Management

Liquidity risk management is carried out in line with hedge fund regulation i.e. Section 6 of BN52 and the main deed to ensure that assets held in the portfolio can be liquidated within a reasonable time frame in a way which mitigates losses to clients.



1.16 Types of assets in which the portfolio may invest

The following Portfolios will be managed according to its investment policy and any other additional investment restrictions for hedge funds that may be applicable in the regulations and the Act from time to time.

1.17 Delegated Administration

The administration for the Hedge Funds are outsourced to Maitland Hedge Fund Services (Pty) Ltd. Their services include the asset and liability administration, accounting information technology, daily and monthly calculation of prices and compliance support. No conflict exists between SCI and Maitland.

1.18 Allowable Assets

Please refer to Annexure A for a list of allowable assets per Hedge Fund CIS portfolio.

1.19 Characteristics and Risks Pertaining to Hedge Funds

Characteristics and Risks Pertaining to Hedge Funds	
Investment strategies may be inherently risky	Hedge fund strategies may include leverage, short-selling and short term investments. In addition, hedge fund portfolios often invest in unlisted instruments, low-grade debt, foreign currency and other exotic instruments. All of these expose investors to additional risk. However, not all hedge fund managers employ any or all of these strategies and it is recommended that investors consult their advisers in order to determine which strategies are being employed by the relevant manager and which consequent risks arise.
Leverage usually means higher volatility	Hedge fund managers may use leverage. This means that the hedge fund manager 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 manager. The limits laid down by the mandate should be carefully reviewed in making an investment decision.
Short-selling can lead to significant losses	Hedge fund managers 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 client 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.
Unlisted instruments might be valued incorrectly	Hedge fund managers may invest in unlisted instruments where a market value is not determined by willing buyers and sellers. The hedge fund manager may have to estimate the value of such instruments, and these estimates may be inaccurate, leading to an incorrect impression of the fund's value. Investors should ensure that objective valuations are performed for all instruments in a portfolio and that the manager utilises the services of a competent administrator.
Fixed income instruments may be low-grade	Hedge fund managers may invest in low-grade bonds and other fixed interest investments. These investments are more likely to suffer from defaults on interest or capital. They are also more likely to have volatile valuations when the market changes its view on credit risk. The mandate should also limit the extent (i.e. lowest acceptable rating and maximum percentage exposure) to which low grade debt can

	be acquired by the client. Investors should review the mandate to gain an appreciation of the maximum possible exposure applicable to the relevant mandate.
Exchange rates could turn against the fund	A hedge fund manager might invest in currencies other than the base currency. For example, a South African hedge fund manager might invest in UK or US shares. The portfolio is therefore exposed to the risk of the rand strengthening or the foreign currency weakening.
Other complex investments might be misunderstood	In addition to the above, hedge fund managers might invest in complex instruments such as but not limited to futures, forwards, swaps, options and contracts for difference. Many of these will be derivatives, which could increase volatility. Many will be “over-the-counter”, which could increase counterparty risk. Many exotic instruments may also be challenging for the manager to administer and account for properly. Investors should enquire into how these instruments are objectively and independently valued.
The client may be caught in a liquidity squeeze	Given their often short term nature, hedge fund managers need to be able to disinvest from or close certain positions quickly and efficiently. But market liquidity is not always stable, and if liquidity were to decrease suddenly, the hedge fund manager might be unable to disinvest from or close such positions rapidly or at a good price, which may lead to losses.
The prime broker or custodian may default	Hedge fund managers often have special relationships with so-called “prime” brokers. These are stock-brokers that provide the required leveraging and shorting facilities. Prime brokers usually require collateral for these facilities, which collateral is typically provided using assets of the relevant client, and consequently such collateral might be at risk if the prime broker were to default in some way. A similar situation could occur with the custodian of the client’s funds.
Regulations could change	Legal, tax and regulatory changes could occur during the term of the investor’s investment in a hedge fund portfolio that may adversely affect it. The effect of any future legal, tax and regulatory change or any future court decision on a hedge fund portfolio could be substantial and adverse.
The manager may be conflicted	The hedge fund manager might be managing other hedge fund portfolios or other traditional investment funds. The investor should ensure that sufficient controls are in place to manage any conflicts of interest between the different funds.
Hedge fund structures are often complex	As mentioned above, hedge funds structures are not fully regulated and they are often housed in legal structures not originally meant for pooled hedge funds, for example partnerships and companies. Given the many risks listed above, investors need to ensure that any structure is robust enough to contain any unlimited losses.
Manager accountability may be vague	Hedge fund portfolios are often managed by specific individuals and investors should ensure that sufficient controls are in place for the times when the manager is being covered for by colleagues. In addition, a hedge fund structure (for example, a fund of funds) and its managers or advisors may rely on the trading and/or investing expertise and experience of third-party managers or advisors, the identity of which may not be disclosed to investors. This constitutes an additional risk for investors, which they must take into account.
Fees might be high	Hedge fund structures’ fees may be significantly higher than the fees charged on traditional investment hedge funds. Investments should be made only where the potential returns justify the higher fees.

Fees might be performance-based	Hedge fund manager's fees are usually performance-based. This means that the managers typically get a higher fee when their portfolios outperform specified performance targets, which might lead to riskier positions being taken. Investors need to ensure that performance fees allow for a fair sharing of both the good and the bad.
Transaction costs might be high	Given the often short term nature of investment positions, hedge fund portfolios are often traded more aggressively. This implies more stock-broking commission and charges being paid from the portfolio, which is ultimately for the client's account. Again, investments should be made only where the potential returns make up for the costs.
Transparency might be low	A hedge fund manager's performance is often the result of unique proprietary strategies or contrarian investment positions. For obvious reasons, managers will want to keep these confidential. Managers are therefore less likely to disclose trades to their investors, and holdings might be disclosed only in part or with a significant delay.
Dealing and reporting might be infrequent	A hedge fund manager's performance can often be disturbed by irregular cash flows into or out of the hedge fund structure. For this reason, hedge fund managers often limit the frequency of investments and withdrawals. Similarly, the manager may choose to report infrequently on performance and other statistics. Investors should ascertain, prior to investing, the nature and frequency of reporting.
Withdrawals might not be easy	As mentioned above, the frequency of withdrawals might be limited to monthly or quarterly dates. In addition, the manager may impose notice periods or lock-ins in order to ensure that he has the necessary time for his investment positions to deliver their desired results.



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Portfolio Name	Permissible investments as per the fund's investment policy
Retail Hedge Funds	
Capricorn Sanlam Collective Investments Stable Retail Hedge Funds	The portfolio may include a combination of assets in liquid form, listed and unlisted transferable equity securities, money market instruments, bonds, foreign equities and fixed interest instruments and unlisted financial instruments. The portfolio is permitted to invest in offshore investments. Investment in participatory collective investment schemes registered in South Africa or similar scheme operated in territories with a regulatory environment which is to the satisfaction of the Manager and Custodian.
Capricorn Sanlam Collective Investments Market Neutral Retail Hedge Funds	The portfolio may include a combination of assets in liquid form, listed and unlisted transferable equity securities, money market instruments, bonds, foreign equities and fixed interest instruments and unlisted financial instruments. The portfolio is permitted to invest in offshore investments. Investment in participatory collective investment schemes registered in South Africa or similar scheme operated in territories with a regulatory environment which is to the satisfaction of the Manager and Custodian.
Sanlam Alternative Gamma Retail Hedge Funds	The portfolio may include a combination of assets in liquid form, listed and unlisted transferable equity securities, money market instruments, bonds, exchange traded funds listed on the JSE listed and unlisted financial instruments. The portfolio is permitted to invest in offshore investments. Securities based on the value of commodities shall be permitted. Investment in participatory collective investment schemes registered in South Africa or similar scheme operated in territories with a regulatory environment which is to the satisfaction of the Manager and Custodian.
Sanlam Alternative Veta Retail Hedge Funds	The portfolio shall invest in a combination of assets in liquid form, money market instruments, listed and unlisted interest rate instruments, bonds, listed and unlisted financial instruments, including foreign exchange instruments as allowed by the Act. Investment in participatory collective investment schemes registered in South Africa or similar scheme operated in territories with a regulatory environment which is to the satisfaction of the Manager and Custodian.
Sanlam Alternative Zeta Retail Hedge Funds	The portfolio shall invest in a combination of assets in liquid form, money market instruments, listed and unlisted interest rate instruments, bonds, listed and unlisted financial instruments, including foreign exchange instruments as allowed by the Act. Investment in participatory collective investment schemes registered in South Africa or similar scheme operated in territories with a regulatory environment which is to the satisfaction of the Manager and Custodian.
Obsidian Sanlam Collective Investments Multi Asset Retail Hedge Funds	The portfolio may invest in listed and unlisted securities local and globally convertible securities, bonds, property shares, currency, property related securities, commodities, preference shares, interest bearing securities and assets in liquid form. May invest in derivatives, Over-the-Counter (OTC) unlisted stocks and participation in portfolios of collective investment schemes or other similar scheme.
Obsidian Sanlam Collective Investments Long Short Retail Hedge Funds	The portfolio may invest in listed and unlisted securities local and globally convertible securities, property shares, property related securities, commodities, currencies, preference shares, bonds, credit instruments, interest bearing securities and assets in liquid form. May invest in derivatives, Over-the-Counter (OTC) unlisted stocks and participation in portfolios of collective investment schemes or other similar scheme.

Qualified Hedge Funds

Blue Ink Sanlam Collective Investments Stable Fund of Hedge Fund	The portfolio will invest into single and multi strategy hedge funds and assets in liquid form and any other pooled investment vehicle
Blue Ink Sanlam Collective Investments Yield Trading Qualified Fund of Hedge Fund	The portfolio shall invest in a combination of assets in liquid form, money market instruments or cash equivalents, listed and unlisted interest rate instruments, bonds, listed and unlisted financial instruments, including foreign exchange instruments. The portfolio shall be permitted to invest in offshore investments. Investment in participatory collective investment schemes registered in South Africa or similar scheme operated in territories with a regulatory environment which is to the satisfaction of the Manager and Custodian.
Capricorn Sanlam Collective Investments Performer Qualified Hedge Fund	The portfolio may include a combination of assets in liquid form, listed and unlisted transferable equity securities, money market instruments or cash equivalents, bonds, listed and unlisted fixed interest rate securities. Active asset allocation and securities selection appropriate to the Portfolio's objective will be followed. The Portfolio shall be allowed to invest in listed and unlisted financial instruments including derivatives, as allowed by the Act from time to time in order to achieve its investment objective. The manager shall be permitted to invest on behalf of the Portfolio in offshore investments as legislation permits.
S-Alt Delta Qualified Hedge Fund	The portfolio may include a combination of assets in liquid form, listed and unlisted transferable equity securities, money market instruments or cash equivalents, bonds, listed and unlisted fixed interest rate securities, equities and unlisted financial instruments. The portfolio is permitted to invest in offshore investments. Investment in participatory collective investment schemes registered in South Africa or similar scheme operated in territories with a regulatory environment which is to the satisfaction of the Manager and Custodian.
S-Alt Omicron Qualified Hedge Fund	The portfolio may include a combination of assets in liquid form, listed and unlisted transferable equity securities, money market instruments or cash equivalents, bonds, listed and unlisted fixed interest rate securities, equities and unlisted financial instruments. The portfolio is permitted to invest in offshore investments. Investment in participatory collective investment schemes registered in South Africa or similar scheme operated in territories with a regulatory environment which is to the satisfaction of the Manager and Custodian.
S-Alt Yn Qualified Hedge Fund	The portfolio is permitted to invest into commodity instruments listed on SAFEX, internationally commodity instruments if listed and dealt on a recognised exchange with full membership of the World Federation of Exchanges. The portfolio can invest in commodity futures & options, physical commodities, exchange traded funds, exchange traded notes, exchange traded commodities. The portfolio can trade index futures/options, single stock options, listed commodity index futures/options and Over-the-Counter investment contracts. Investment in participatory collective investment schemes registered in South Africa or similar scheme operated in territories with a regulatory environment which is to the satisfaction of the Manager and Custodian.