
INVESTMENTS

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Terms and Conditions for an Outright Cession

Unit Trust Scheme/Hedge Funds

These terms and conditions and the disclosures below apply to an outright cession of units of portfolios of the Alexander Forbes Investments Unit Trust Scheme (Unit Trust Portfolios) and the Alexander Forbes Investments QI Hedge Fund Scheme (QI Portfolios).

1. Important note

- 1.1 This form only applies to an outright cession.
- 1.2 An outright cession is the transfer of full ownership from the cedent to the cessionary(ies). The cedent can cede the entire investment or a chosen number of units in selected portfolio(s).
- 1.3 The cedent is the individual or legal entity who owns the investment. The cedent cedes the units to the cessionary(ies), and once ceded, the cedent has no right in title or interest to the units that have been ceded.
- 1.4 The cessionary(ies) is the individual(s) or legal entity who receives transfer of the units that have been ceded. The cessionary(ies) has full right in title and interest to the units that have been ceded.
- 1.5 The portfolio allocation and service charges in respect of the ceded units remain unchanged on the transfer of units. If a cessionary(ies) wants to switch between unit trust portfolios, we will require a separate switch instruction. The switch instruction will only be processed after the transfer of units from the cedent to the cessionary(ies) has been finalised.
- 1.6 If the cession relates to a partial cession of units in a QI portfolio, the following will apply:
 - The cedent's remaining minimum investment balance must be R1 000 000. Where the remaining investment balance is less than R1 000 000, we will transfer all the units in the relevant QI portfolio to the cessionary(ies).
 - Where the cessionary(ies) does not hold units in the relevant QI portfolio, the minimum value of units to be transferred from the cedent to the cessionary(ies), is R1 000 000.
- 1.7 An outright cession may result in a capital gains tax (CGT) event for the cedent.

2. Eligibility requirements

- 2.1 If the cedent is a natural person, they may not be:
 - insolvent
 - sequestered, or in the process of being sequestered
 - prohibited from ceding this investment or any units in any way
- 2.2 If the cedent is a legal entity, they may not be:
 - under, or in the process of being placed under, judicial administration
 - liquidated, or in the process of being liquidated
 - prohibited from ceding this investment or any units in any way

3. What must the cedent do?

- 3.1 The cedent must inform their financial adviser that the units have been ceded and that we will no longer be paying a financial adviser fee in respect of those units. We will send notice of the outright cession to the cedent's financial adviser.
- 3.2 If requested by us, The cedent must provide all documentation and information required in terms of the *Financial Intelligence Centre Act (FICA)*. We will request outstanding FICA documentation if the cedent is not FICA compliant. The cession cannot be carried out until we have received all outstanding FICA documentation.
- 3.3 You may not cede the investment, or that part of it, that has already been ceded to another party.

4. What must the Cessionary(ies) do?

- 4.1 Each cessionary must complete and sign a new business application form and provide all documentation and information required in terms of the *Financial Intelligence Centre Act (FICA)*. The cession cannot be carried out until we have received all the required FICA documentation.
- 4.2 If the cessionary(ies) would like to switch to a different portfolio following the cession, a switch instruction must be submitted.

5. Disclaimer

- 5.1 We do not give financial advice regarding the choice of investment portfolios, but encourage the use of an accredited financial adviser. An accredited financial adviser can be located at www.fpi.co.za.
- 5.2 We will not be responsible for any loss or damage suffered by any party due to any breach of the terms and conditions nor as a result of our actions according to this notice, including but not limited to any loss or damages suffered as a result of any taxes that may be payable.

- 5.3 We are not a party to the cession agreement between the cedent and the cessionary(ies), but we may request a copy of the cession agreement for internal purposes. We will not interpret the agreement and do not accept liability for the validity, enforceability or any other issue arising from the cession agreement.
- 5.4 We will send notice of the outright cession to your financial adviser.
- 5.5 We will request any outstanding FICA documentation from the cedent or cessionary(ies). The cession will not be carried out until all the required FICA documentation is received by us.

6. How is the cession carried out?

- 6.1 After receiving all the required documentation, we will transfer the selected units to a new investment account in the name of the cessionary(ies).
 - 6.2 Once the cession is in place, the cessionary(ies) will be the new owner(s) of the units that have been ceded. The cedent will no longer have any right in title or interest in those units.
 - 6.3 The terms and conditions applicable to the investment continue to apply. A copy of this document is available on our website www.alexforbes.com/za/en/ or on request from our contact centre – tel: 0860 333 316.
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CIS disclosures

General

Collective Investment Schemes (unit trusts) are generally medium to long-term investments, but a hedge fund may have short term strategies and practices. The value of participatory interests (units) or the investment may go down as well as up. Past performance is not necessarily a guide to future performance. Collective investment schemes are traded at ruling prices and can engage in borrowing and scrip lending (i.e. borrowing and lending of assets). Hedge funds trade at ruling prices and prices may fluctuate post publication. Hedge funds can engage in scrip borrowing and scrip lending. The manager does not provide any guarantee, either with respect to the capital or the return of a portfolio. Different classes of participatory interests apply to these portfolios and are subject to different fees and charges. A schedule of all fees and charges, inclusive of VAT and maximum commissions, is available on request from us or from your financial adviser. Forward pricing is used. Hedge funds are CIS with a strategy that allows for leveraging and short-selling strategies. Hedge fund strategies can result in losses greater than the market value of the fund, but investors' losses are limited to the value of the investment or contractual commitments. Hedge funds can also invest in illiquid instruments. While CIS in hedge funds differ from CIS in securities (long-only portfolios) the two may appear similar, as both are structured in the same way, and are subject to the same regulatory requirements. Further risks associated with hedge funds include: investment strategies may be inherently risky; leverage usually means higher volatility; short-selling can lead to significant losses; unlisted instruments might be valued incorrectly; fixed income instruments may be low-grade; exchange rates could turn against the fund; other complex investments might be misunderstood; the client may be caught in a liquidity squeeze; the prime broker or custodian may default; regulations could change; past performance might be theoretical; or the manager may be conflicted. For a detailed description of these risks, please refer to the **HEDGE FUND RISK DISCLOSURE DOCUMENT**, available on the website.

Redemptions

The collective investment scheme may borrow up to 10% of the market value of the portfolio to bridge insufficient liquidity. The ability of the portfolio to repurchase, is dependent upon the liquidity of the securities and cash of the portfolio. A manager may suspend repurchases for a period, subject to regulatory approval, to await liquidity, and the manager must keep the investors informed about these circumstances.

Yields

The yield for bond and income portfolios is historic and is calculated quarterly. The yield for the money market portfolio is calculated daily. The yield is calculated by means of a yield curve, which will be the daily updated average of the Negotiable Certificate of Deposit (NCD) rates that are published by the four major South African banks, namely First National Bank, ABSA Bank, Standard Bank and Nedbank. A compounding formula is applied to the curve, depending on whether the instrument pays interest annually (NACA), semi-annually (NACS), or quarterly (NACQ).

Prices

The latest **PRICES** and TER are published daily in the Business Report (South Africa's National Financial Daily) and are made available on our website.

Performance fees for unit trusts

Performance fees are not levied on the portfolio.

Performance fees for hedge funds

Performance fees are not levied on the portfolio, although they have been provided for. Investors will receive three (3) months' written notice, if performance fees will be levied in the future.

Performance returns

Lump-sum performance returns are being quoted. Income distributions, prior to deduction of applicable taxes, are included in the performance calculations. NAV to NAV figures have been used for the performance calculations, as calculated by the manager at the valuation point defined in the deed, over all reporting periods. Investment performance calculations are available for verification upon request by any person. Reinvestment of income

is calculated on the actual amount distributed per participatory interest, using the ex-dividend date NAV price of the applicable class of the portfolio, irrespective of the actual reinvestment date. The performance is calculated for the fee class. The individual investor performance may differ, as a result of initial fees, the actual investment date, the date of reinvestment and dividend withholding tax. The rate of return is calculated on a total return basis, and the following elements may involve a reduction of the investor's capital: interest rates, economic outlook, inflation, deflation, economic and political shocks or changes in economic policy. Annualised returns are period returns re-scaled to a period of one year. This allows investors to compare returns of different assets that they have owned for different lengths of time. All period returns greater than one year have been annualised. Returns for periods less than one year have not been annualised. A cumulative return is the aggregate amount an investment has gained or lost over time, independent of the period of time involved. Actual annual figures are available to the investor on request.

Valuations and transaction cut-off times for unit trusts

The portfolio is valued daily, at the end of the day (18:00). The withdrawal instruction must be received before 13:00 on the pricing date, failing which, the next pricing date will apply.

Valuations and transaction cut-off times for hedge funds

The Qualified Investor Hedge Funds (QIHFs) are valued on the last day of each calendar month. The Pricing Date is the last day of each calendar month. The withdrawal instruction must be received before 13:00, at least five business days (or shorter, as determined by the Manager) prior to the pricing date, failing which, the pricing date in the following calendar month will apply.

Waiver of rights

Alexander Forbes Investments Limited may not request or induce an investor in any manner to waive any right or benefit conferred on the investor by legislation or accept or act on any such waiver.

Additional information

For additional information on the portfolio, refer to the following documents, available on our website, from your financial adviser, or on request from the manager, free of charge.

Alexander Forbes Investments Unit Trust Scheme

- **APPLICATION FORM FOR LEGAL ENTITIES**
- **APPLICATION FORM FOR INDIVIDUAL INVESTORS**
- **ANNUAL REPORT**
- **FEE AND CHARGES SCHEDULE**
- **QUARTERLY GENERAL INVESTOR REPORT**
- **PORTFOLIO SUMMARY**

Alexander Forbes Investments QI Hedge Fund of Funds

- **APPLICATION FORM FOR LEGAL ENTITIES**
- **APPLICATION FORM FOR INDIVIDUAL INVESTORS**
- **FEE AND CHARGES SCHEDULE**
- **QUARTERLY GENERAL INVESTOR REPORT**

Complaints and conflicts of interest

The **COMPLAINTS HANDLING PROCEDURE**, as well as the **CONFLICTS OF INTEREST MANAGEMENT POLICY**, are available on our website. Associates of the manager may be invested within certain portfolios, and the details thereof are available from the manager.

Closure of the portfolio

The manager has the right to close certain portfolios to new investors, in order to manage them more efficiently, in accordance with their mandates.

Structure of the hedge funds

The QIHFs were established as a collective investment scheme trust arrangement on 26 May 2016, with the conversion process being completed on 01 November 2016. All prior information was in an unregulated environment. The portfolio will not change its investment strategy or investment policy without prior approval from the Financial Sector Conduct Authority and investors. The ballot

procedure, as prescribed in CISCA and the Deed, will be followed.

Counterparties and prime brokers

We do not enter into counterparty or prime broker arrangements, but the underlying portfolios may enter into such arrangements. We receive reporting on counterparty exposure levels from the underlying portfolio managers and this information can be provided on request.

Contact details

CIS Manager

Alexander Forbes Investments Unit Trusts Limited
Registration number: 2001/015776/06
Physical address: 115 West Street, Sandown, 2196
Postal address: PO Box 786055, Sandton, 2146
Telephone number: + 27 (0)11 505 6000
Email address: afinvestments@alexforbes.com
Website address: www.alexforbes.com/za/en/
Directors:
<https://www.alexforbes.com/za/en/about-us/company-directors>

The manager is registered as a manager of collective investment schemes, in terms of the *Collective Investment Schemes Control Act*. The manager, through Alexander Forbes Group Holdings Limited, is a member of the Association for Savings and Investment South Africa (ASISA).

Trustee, Custodian and Depositary

FirstRand Bank Limited, acting through RMB Trustee Services
Registration number: 1929/001225/06
Physical address: No. 3 First Place, Corner Jeppe and Simmonds Streets, Johannesburg, 2001
Postal address: PO Box 7713, Johannesburg, 2000
Telephone number: +27 (0) 87 736 1732
Email address: info@rmb.co.za
Website address: www.rmb.co.za

The trustee is registered as a trustee of collective investment schemes, in terms of the *Collective Investment Schemes Control Act*.

Investment Manager for unit trusts

Alexander Forbes Investments Limited
Registration number: 1997/000595/06
FSP number: 711
Insurer number: 10/10/1/155
Physical address: 115 West Street, Sandown, 2196
Postal address: PO Box 786055, Sandton, 2146
Telephone number: + 27 (0)11 505 6000
Email address: afinvestments@alexforbes.com
Website address: www.alexforbes.com/za/en/

The investment manager is an authorised Financial Services Provider (FSP), as discretionary FSP, in terms of Section 8 of the *Financial Advisory and Intermediary Services Act (FAIS)*, and is a registered insurer licensed to conduct life insurance business. This information is not advice, as defined in FAIS. Please be advised that there may be representatives acting under supervision.

Investment Manager for hedge funds

Alexander Forbes Investments Administration (Pty) Limited
Registration number: 2005/043273/07
FSP number: 27584
Physical address: 115 West Street, Sandown, 2196
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Website address: www.alexforbes.com/za/en/

The investment manager is an authorised Financial Services Provider (FSP), as discretionary FSP, in terms of Section 8 of the *Financial Advisory and Intermediary Services Act (FAIS)*. This information is not advice, as defined in FAIS. Please be advised that there may be representatives acting under supervision.