

NOVARE HEDGE FUNDS GENERAL INFORMATION AND CONDITIONS

Novare CIS (RF) (Pty) Ltd | Registration Number: 2013/191159/07 | SARS Registration Number: 9649/248/16/9

NOVARE[®]
cis

(A) GENERAL INFORMATION

1. Novare CIS (RF) (Pty) Ltd ("Novare") has appointed Maitland Group South Africa Limited ("the Administrator") who is an authorised administrative financial services provider, to administer the investment account on behalf of the investor.
2. In terms of the Collective Investment Schemes Control Act No 45 of 2002 (CISCA), First Rand Bank Limited has been appointed by Novare as the Trustee of the Novare Collective Investments Schemes in Retail Investor Hedge Funds and Qualified Investor Hedge Funds.
3. Novare will send a welcome letter and investment advice to the investor after the investment has been processed which will include a confirmation of investment details. Statements and Quarterly Reports will be sent to you at regular intervals not exceeding 3 months.
4. Details of fees and charges are included in the "Fee Schedule". Commission and incentives may be paid and if so, will be included in the overall costs.
5. The investments in the selected Collective Investments Scheme in Hedge Funds (portfolios) are made and administered subject to the provisions of the CISCA, in accordance with the deeds of such funds and subject to each scheme's fee structure as amended from time to time.
6. The investment options are made available by Novare in their discretion as the investment options to investors and are set out in the "Fee Schedule".
7. Collective Investments Scheme in Hedge Funds (portfolios) are generally long-term investments. The value of participatory interests (units) may go down as well as up and past performance is not necessarily a guide to the future performance. Unit prices are calculated on a Net Asset Value (NAV) basis, which is the total value of all assets in a portfolio including any income accruals and less any permissible deductions from the portfolio. Portfolios are traded at ruling prices and can engage in borrowing and scrip lending. All the portfolios may be closed at any time in order for them to be managed in accordance with their mandates.
8. Unit prices will fluctuate relative to the market value of the underlying securities comprising the funds' portfolios and can increase or decrease accordingly. The investor acknowledges the inherent risk associated with the selected investments. The investor furthermore agrees that Novare will not be liable for the consequences of the market influences and consequent changes in unit prices. The investor bears the total investment risk.
9. A fund of funds portfolio is a portfolio that invests in portfolios of Collective Investment Schemes in Hedge Funds that levy their own charges which could result in a higher fee structure for the fund of funds.
10. Novare does not give advice. The investor confirms that no advice was given by Novare in respect of this application.
11. A transfer of units to another legal entity or natural person will result in payment of Capital Gains Tax.
12. The investor is entitled to any information that the law requires a Collective Investments Scheme or unlisted company to disclose. Novare is obliged to obtain and transmit such information if the investor requests it.
13. Permissible deductions (referred to in point 6) from the total investment portfolio include bank charges, trustee/custodian fees, audit fees, manager's annual fee and Securities Transfer Tax (STT), brokerage and VAT.
14. Monthly priced portfolios are valued at closing prices on the last business day off each month. Daily priced portfolios are valued at 3pm every business day.
15. Novare may borrow up to 10% of the market value of the portfolio where insufficient liquidity exists in a portfolio, or where assets cannot be released to withdraw or cancel participatory interests.
16. Novare will not be responsible for any loss, (consequential or otherwise), arising from changes in tax or other legislation that may have an impact on the performance of the investments.
17. To the extent that the total expenses may exceed the income earned in the form of dividends and interest, the affected funds will not make a distribution.
18. Novare will not give effect to cessions unless instructed in writing.

(B) DATA PRIVACY

1. Novare collects personal information about you for administrative, operational, audit, marketing, research, legal and record keeping purposes. We will not share this information outside of the Novare Group, its associated groups or agents, without your explicit consent. We may be required to share your information with local or foreign regulatory bodies as the law requires, or agents who perform certain services for us, e.g. mail houses who post your statements on our behalf.
2. We provide your personal information to the Administrator (Maitland Group South Africa Limited) to enable them to administer your investment in terms of CISCA. It is recorded in the agreement between Novare and the Administrator that your personal information provided to the Administrator will not be used for any other purpose other than the administration of your investment.
3. Novare specifically collects personal information to fulfil our obligations in terms of the Financial Intelligence Centre Act and any information provided to us is subject to this legislation. The obligations include identifying our investors and verifying their identity. We must also collect additional information to apply our risk-based approach to money laundering. Novare uses a third-party service provider ThisIsMe (Pty) Ltd to verify individuals' identity number and residential address and to obtain information to help us apply a risk-rating to each investor, which risk-rating may be a factor in a decision to turn down an application for investment.
4. In terms of the Intergovernmental Agreement ("the IGA") entered into between the Governments of South Africa and the United States of America to improve international tax compliance and to implement the Foreign Account Tax Compliance Act ("FATCA"), and equivalent IGAs between the Government of South Africa and any other countries, Novare and all its group companies are required to collect relevant information from each client to ensure their identification and classification is correct according to the IGA, and report on these clients to the South African Revenue Services ("SARS") where necessary. Clients must notify Novare immediately if their tax residency or FATCA classification has changed, or if changes in circumstances lead clients to believe this may impact their status or classification.
5. We will take all reasonable steps necessary to secure the integrity of any personal information which we hold about you and to safeguard it against unauthorized access. You can have access to your information at any time and ask us to correct any information we have in our possession. Please feel free to write to us to obtain a copy of this information. We keep relevant documents for a period of five years or more as required by the law. If you consent to us retaining your personal information for periods of longer than five years, we will restrict access to your information to the extent that it will only be processed for storage or for purposes of proof in legal matters (with your consent).
6. For more information regarding Novare's data management, please refer to our Privacy Notice that can be accessed at www.novare.com. If you have any questions regarding data privacy, please e-mail dataprivacy@novare.com

(C) ADMINISTRATIVE PROCESS

1. It is at Novare's discretion to accept or reject the investor's application form, and Novare will not enter into any discussion with regard to accepting the investor's initial application form, or subsequent investment applications.
2. If the application form, or any other written instruction is e-mailed to Novare, the responsibility for ensuring that the instruction has been received and actioned by Novare will lie with the instructor (investor or financial advisor). A printed copy of a sent e-mail in the hands of the sender will not be regarded as proof that Novare has received a specific document. If you wish to confirm the receipt of an instruction, please contact the Client Service team on 0800 668 273
3. **Investing:** instructions will only be processed once all supporting documents and proof of deposit or transfer have been received and the funds reflect in the relevant bank account. Electronic transfers may not reflect immediately. If the instruction is received after the relevant cut-off time, it will only be processed on the following dealing date at the price of that day.

Monthly priced portfolios: applications are processed monthly. Application forms must be submitted to Novare before 14h00, 2 business days prior to the last business day of the month and proof of payment must be submitted before 14h00 on the last business day of the month. The investment application will be processed on the 1st business day of the following month.

Daily priced portfolios: applications are processed each business day. Application forms and proof of payment must be submitted to Novare before 14h00 to receive that day's price.

4. **Retail Investor Funds Redemption:** instructions will only be processed once all supporting documents have been received. If an instruction is received after the relevant cut-off time, it will be processed on the following dealing day.

Monthly priced portfolios: redemptions are processed at the end of each month and Novare requires a calendar months' notice. Novare must receive the redemption instruction before 14h00 on the last business day the preceding month to receive month end prices.

Daily priced portfolios: redemptions are processed each business day. Novare must receive the redemption instruction before 14h00 to receive that day's price.

5. **Qualified Investor Funds Redemption:** redemptions are processed on the last business day of every month, provided 3 calendar months' notice have been received. To receive month end prices, the redemption instruction needs to be submitted to Novare before 14h00 on the last business day 3 calendar months preceding the month end. If the instruction is received after the relevant cut-off time, the investor will receive the price of the next valuation date.
6. All withdrawals must be requested in writing and will be disinvested following receipt and acceptance of such written instruction and subject to Novare's requirements having been met. Units will be disinvested by Novare at the NAV calculated in accordance with the requirements of the Cisca and the relevant trust deeds and paid within 14 business days of the relevant month end. The reflection of the payment in the investor's account may only appear at a later date, depending on which bank the investor makes use of. If the units to be withdrawn are subject to a pledge or cession, written consent for the transaction is required. Withdrawal instructions which include a change in your bank details must be accompanied by a copy of an account confirmation letter or bank statement less than 3 months old.
7. The business days for each of the Novare fund portfolios refer to business days in the Republic of South Africa.
8. Any new or changed debit order instructions must be received at least 5 business days before the debit order commencement or amendment date which you have specified.
9. All purchases are subject to a 14-day clearance period in respect of subsequent redemptions. Distributions on purchases within the 14-day clearance period will be automatically reinvested.

(D) RING-FENCING, SIDE POCKETING AND GATING

1. Ring-fencing is the separation and delayed sale of units in a portfolio. This ensures that the sale of a large number of units will not force Novare to sell the underlying investments at a price in the market which could have a negative impact on investors. Large redemption instructions in a portfolio above a certain threshold may cause Novare to suspend the repurchase of units and invoke ring-fencing measures as allowed by Cisca. Novare may in such circumstances delay the payment of withdrawals of the proceeds of sale of units.
2. Novare may obtain approval from the Financial Services Conduct Authority to segregate illiquid assets from liquid assets (side pocketing) by establishing a separate portfolio for these assets. Any profit or loss relating to side-pocketed investments will not be shared by any new investors in the hedge fund. Only those investors in the fund at the time the side pocket was created will subsequently participate in those assets and they are the only shareholders of that specific portfolio. Investors need to take note that they will remain invested in the portfolio until such time that the illiquid assets become liquid and may be paid out to the investor.
3. No single investor has the right to receive preferential treatment. All investors have the same rights and no special repurchase arrangements exist between the investor and the portfolio.
4. Should ring-fencing, side pocketing or gating be used the investor will be notified as soon as possible.

(E) HEDGE FUND RISK DISCLOSURE

PRESCRIBED HEDGE FUND FSP RISK DISCLOSURES

In terms of Board Notice 571 of 2008 published by the Registrar of Financial Services Providers on 14 July 2008, all hedge fund managers are required to disclose the risks and characteristics of hedge funds to their clients in the prescribed form set out in this Disclosure.

1. THE HEDGE FUND FSP RISK DISCLOSURES

The risks and characteristics contained in this Disclosure represent some of the more general risks and characteristics prevalent in hedge fund portfolios. The list below should not be seen as exhaustive. As more risks and characteristics are identified that were not initially mentioned in this Disclosure, then such risks and characteristics will, as they become more prevalent, be included herein.

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

(F) HEDGE FUND RISK DISCLOSURE (continued)

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.

Past performance might be theoretical

Hedge fund portfolios are on occasion marketed using theoretical or paper track records. Past performance is seldom a reliable indicator of future performance. Theoretical past performance is often an even less reliable indicator, and investors should place a lower significance on these.

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.

2. THE OTHER DIFFERENCES IN HEDGE FUND PORTFOLIOS

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.

(G) THE FINANCIAL ADVISOR

1. Novare will only allow authorized Financial Services Providers (FSP's), who has been approved by Novare to submit applications on behalf of investors. Novare will verify each Advisor's license with the Financial Services Conduct Authority (FSCA). Novare will not be held liable for any loss suffered by the investor due to delays in the processing or rejection of this application form should the investor's Financial Advisor not be authorized as an FSP, or not be approved by Novare.
2. It is the responsibility of the Financial Advisor to act within his/her FSP license conditions. Novare cannot be held accountable for loss or damage suffered by the investor as a result of their Financial Advisor acting outside his/her FSCA licensed capabilities.
3. Advice fees agreed to between the investor and their Financial Advisor may be facilitated by Novare who will deduct the required funds from the investment amount to pay the fees. It is the responsibility of the Financial Advisor (where relevant) to make sure that the investor is fully informed of all fees under this investment. VAT will be added to fees.
4. The Financial Advisor is responsible for ensuring that the investor receives and understands all appropriate advice, product and fee information, including changes in administrative processes of the Administrator.
5. The investor authorises Novare to make all reports and statements pertaining to the investment available, in whatever format, to the appointed Financial Advisor on his/her request.

(H) COMPLIANCE DEPARTMENT

Please do not hesitate to contact us if you are not satisfied with this investment or the services from Novare. A complaint must be submitted to the Compliance Officer. The contact address for the Compliance Officer is the same as the Novare CIS (RF) (Pty) Ltd address at the bottom of this document and on the application form.

(I) COMPLAINTS

If an investor is not satisfied with the response from Novare, or if an investor has a complaint about the advice given by the Financial Advisor, he/she has the right to address his/her complaint in writing to the Ombud for Financial Service Providers:

Sussex Office Park, Ground Floor, Block B
473 Lynnwood Road, Lynnwood, 0081
PO Box 7457,
Lynwood Ridge,
0040
Tel: + 27 (0)21 470 9080 Fax: + 27 (0)21 348 3447
E-mail: info@faisombud.co.za

Novare CIS (RF) (Pty) Ltd

3rd Floor, The Cliffs Office Block 1, Niagara Way,
Tyger Falls, Carl Cronje Drive, Bellville, 7530
PO Box 4742, Tygervalley, 7536
Tel: 0800 668 273 (0800 novare) Fax: 0860 668 273 (0860 novare)
Website: www.novarecis.com E-mail:
clientservice@novare.com

NOVARE[®]
cis

Updated: 250May 2021 Ver1.2021