



Out of the Ordinary®



## Investec Specialist Investments Equity Structured Products (QI) Hedge Fund

Minimum disclosure document as at 30 September 2018

### Fund description

The Investec Specialist Investments Equity Structured Products (QI) Hedge Fund (the "Fund") is a qualified investor hedge fund that provides investors exposure to a portfolio of pre-defined or structured product investments based on a variety of local equity indices. The value of the investments will be denominated in Rand. The Fund is managed by Investec Specialist Investments (RF) Limited ("ISI" or "Manager").

### Investment objective

The objective of the Fund is to provide investors with meaningful participation in the equity market whilst limiting losses in extreme negative market conditions.

### Performance summary

Period	Class A	Class B	CPI +4%*	AlsI TR*
1 Month	-3.35%	-3.42%	0.24%	-4.33%
3 Months	-1.40%	n/a	2.12%	-2.38%
6 Months	0.77%	n/a	4.46%	1.92%
YTD	-3.03%	n/a	6.53%	-4.33%
1 Year	2.21%	n/a	8.94%	2.72%
Since inception**	1.62%	-1.78%	8.98%	1.55%

\* FTSE/JSE All Share Net TRI Index (JN23, being net of dividend tax based on individual tax rates). \*\*Annualised, with respect to the Fund's A Class.

### Investment universe

The Fund seeks exposure to predominantly South African and where appropriate, global equity indices. It has flexibility to invest in and to hedge with a wide range of financial instruments, both listed and unlisted. These instruments include but are not limited to bank deposits, bonds, credit linked notes, equities, equity linked notes, derivatives, futures, options and warrants.

It may invest in listed shares, participatory interests of collective investment schemes and / or Exchange Traded Funds.

The Fund may lend out its assets subject to obtaining sufficient collateral at the discretion and satisfaction of the Manager.

The Fund may augment its structured pay-off profiles with the use of credit products in the form of fixed interest assets and credit default swaps where required.

### Risk profile

The risk profile of the Fund is medium to high in nature and appropriate for investors with a medium to long-term investment horizon who require general domestic equity market performance with lower volatility. The Fund is appropriate for investors who understand the complexity, risks and benefits associated with a hedge fund that utilises structured products.

The Fund is currently positioned to limit the downside exposure to equity markets in significant negative market conditions as described in the Exposure profile below.

### Exposure profile

The estimated sensitivity of the Fund to general equity market movements is calculated as follows:

Market move	Expected Fund move*	Effective exposure
+30%	26%	85%
+20%	16%	81%
+10%	7%	74%
(10%)	(5%)	45%
(20%)	(6%)	32%
(30%)	(7%)	23%

\*The expected fund move is an estimation of the portfolio as at the date of this MDD, based on the underlying price movement of the index before taking into account any fees. All other parameters such as interest rates, dividends and volatility are held constant.

### Asset allocation

Instrument	%
Satrix40	92
Put options	1
Cash	7

### Fee structure (excluding VAT)

	Class A	Class B
Investment management fee	0.50% p.a.	0.50% p.a.
TER*	0.99% p.a.	1.75% p.a.

\* TER is an estimate due to the short track record of the Fund.



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## Why invest in the fund

- The Fund has meaningful upside exposure to the equity market, whilst having a lower effective exposure to downside market movements.
- This means that investment returns should be favourably skewed to positive market movements.
- As a result the Fund should be less volatile than an outright investment in traditional equity indices.
- The Fund provides an investor with an opportunity to access multiple structured products with varying terms, maturity and payoff profiles in a single investment.
- As such it delivers an optimal and diversified risk return profile that is not easily obtainable through strategic and tactical asset allocation.
- The Fund is defensive in nature and is appropriate for investors that require long term growth, but do not want to be exposed to severe negative market movements.
- The Fund may be appropriate for post-retirement investors that require long term equity exposure with limited downside.

## Regulatory structure

The Fund is managed as a Qualified Investor hedge fund according to BN52 of Collective Investment Schemes Control Act and available to qualified investors only. The Fund prescribes to the principles of best execution and the Risk Management Framework incorporates best practice for the management of liquidity, credit, counterparty and operational risk.

## Contact information

If you require further information, please contact our Investor Services Department on (+27) 11 286 8060, or alternatively, please contact the Manager on [isi@investec.co.za](mailto:isi@investec.co.za) or consult your financial advisor. Website: [www.investec.co.za](http://www.investec.co.za)

## Distributions

The fund considers a distribution at the calculation date of 31 March annually. The distribution amount is the total net income accrued until the distribution calculation date. There has not been an amount to distribute for the calculation dates since inception.

## Valuation and Transaction cut-off times

The published price is the valuation of the portfolio as at the close of business of the last day of the specified month.

The transaction cut-off time for a subscription instruction is the close of business of the fifth day before month end, and is still subject to the Manager's approval of the client due diligence submission. The transaction cut-off time for a redemption instruction is midday of the first business day of the month, to receive the price of the portfolio for the same month, and the redemption proceeds during the course of the following month.

## General information

<b>Fund classification</b>	Qualified Investor Hedge Fund
<b>Fund Value</b>	ZAR 66.1m
<b>NAV Price (Rands)</b>	1020.47 (Class A) 982.20 (Class B)
<b>Benchmark</b>	CPI + 4% p.a. (3yr rolling)
<b>Inception date</b>	1 September 2017
<b>Minimum investment</b>	ZAR 1m
<b>Current leverage</b>	1 times NAV
<b>Maximum leverage</b>	5 times NAV
<b>Subscriptions</b>	Monthly
<b>Investment manager</b>	Investec Specialist Investments (RF) Limited
<b>Domicile</b>	South Africa
<b>Management Company</b>	Investec Specialist Investments (RF) Limited
<b>Administrator</b>	Maitland Fund Services
<b>Prime broker</b>	Investec Prime Services
<b>Trustee</b>	Nedbank Limited
<b>Auditors</b>	KPMG SA
<b>Risk manager</b>	RisCura Analytics
<b>Reporting currency</b>	ZAR



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#### **Fees**

**Total expense ratio (TER):** This is the value of the Fund incurred in total relating to the management (including administration) of the Fund. A higher TER does not necessarily imply a poor return, nor does a low TER imply a good return. The current TER may not necessarily be an accurate indication of future TER's.

**Transaction cost (TC):** This is the value of the Fund incurred as costs for the buying and selling of the assets underlying the Fund. Transaction costs are a necessary cost in administering the Fund and impact the returns. It should not be considered in isolation as returns may be impacted by many other factors over time, including market returns, the type of Fund and the investment decisions of the investment manager.

**Total investment charges (TER + TC):** This is the value of the Fund incurred in the investment management of the Fund.

#### **Risks**

**Default risk:** There is a risk that the issuers of fixed income securities may not be able to meet interest payments nor repay the money that has been borrowed. The worse the credit quality of the issuer, the greater the risk of default and therefore investment loss.

**Derivative counterparty loss:** a counterparty to a derivative transaction may fail to meet its obligations thereby leading to financial loss.

**Interest rate:** The value of fixed income investments tends to increase when interest rates and/or inflation rises.

**Liquidity:** There may be insufficient buyers and sellers of particular investments giving rise to delays in trading and being able to make settlements, and/or large fluctuations in value. This may lead to larger financial losses than might be anticipated.

Where foreign securities are included in the portfolio there may be additional risks such as potential constraints on liquidity and repatriation of funds, macroeconomic risk, political risk, foreign exchange risk, tax risk, settlement risk as well as potential limitations on the availability of market information.

**Hedge funds:** Hedge fund strategies may include leverage, short-selling and utilise complex instruments and investment strategies with lower liquidity which may be misunderstood and lead to losses for investors.

Certain investments – including those involving futures, options, equity swaps, and other derivatives may give rise to substantial risk and might not be suitable for all investors.

#### **FAIS Conflicts of interest disclosure**

Please note that your financial advisor may be a related party. It is your financial advisor's responsibility to disclose all fees he/she receives from any related party. The portfolio's TER includes all fees paid by the Fund to ISI, the trustees, the auditors, banks, underlying portfolios, and any other investment consultants/managers as well as distribution fees and LISP rebates, if applicable. The Fund's performance numbers are calculated net of the TER expenses.

#### **Investment Manager**

Investec Specialist Investments (RF) Ltd is the authorised Investment Manager for the Fund.

**Physical address:** Investec Head Office, 100 Grayston Drive, Sandown, 2196. **Postal address:** PO Box 785700

**Telephone number** +27 11 286 7000 **Website:** [www.investec.co.za](http://www.investec.co.za)

Additional information, including application forms, annual or quarterly reports can be obtained from Investec Specialist Investments (RF) Limited, free of charge or accessed on our website at [www.investec.co.za](http://www.investec.co.za). Valuation takes place monthly and prices can be viewed on our website ([www.investec.co.za](http://www.investec.co.za)).

#### **Management Company information**

**Investec Specialist Investments (RF) Limited**

100 Grayston Drive

Sandown, 2196

Tel: 011-287-7000

(e) [isi@investec.co.za](mailto:isi@investec.co.za); [www.investec.co.za](http://www.investec.co.za)

#### **Custodian / Trustee information**

**Nedbank Investor Services**

2<sup>nd</sup> floor, 16 Constantia Boulevard

Constantia Kloof, Roodepoort, 1709

(t) +27 22 534 6557

[www.nedbank.co.za](http://www.nedbank.co.za)

The Management Company and Trustee are registered and approved under the Collective Investment Schemes Control Act (No 45 of 2002)

**Important information:** Investec Specialist Investments (RF) Ltd (Reg. No 2016/006142/06) is a registered and approved Manager in a QI Hedge Fund Collective Investment Scheme. Collective investment schemes are medium- to long-term investments. Investors should be aware that investing in a financial product entails a level of risk, which depends on the nature of investment. The merits of any investment should be considered together with the specific risk profile and investment objectives. Past performance is not necessarily an indication of future performance. The value of investments may go down as well as up and is therefore not guaranteed. Fluctuations or movements in exchange rates may cause the value of underlying investments to go up or down. The portfolio is valued at closing prices on the last day of the month. Participatory interests are calculated on a NAV basis by determining the total market value of all assets in the fund, including any income accruals, less any permissible deductions in terms of the Act, divided by the number of units in issue. Participatory interests are on investor statements are thus net of all fees. A schedule of fees and charges and maximum commissions is available from the Manager on request. Collective investments are traded at ruling prices and can engage in borrowing and scrip lending. Performance is calculated for the portfolio and the individual investor performance may differ as a result of initial fees, actual investment date, date of reinvestment and dividend withholding tax. The Manager has a right to close the portfolio to new investors in order to manage it more efficiently in accordance with its mandate. Prices are published monthly on our website and local media as appropriate. Additional information, including but not limited to, Key Investor Information Documents, Application form, terms and conditions, hedge fund disclosures, Minimum Disclosure Document, as well as other information relating to the portfolio is available, free of charge, on request from the manager or on the website. The document should not be seen as an offer to purchase any specific product and is not to be construed as advice or guidance in any form whatsoever. Investors are encouraged to obtain independent professional advice before investing in a product. Investec accepts no liability whatsoever for any loss or damage of any kind arising out of the use of all or any part of this communication. Investec does not make representation that the information provided is appropriate for use in all jurisdictions or by all Investors or other potential Investors. Parties are therefore responsible for compliance with applicable local laws and regulations. The Conflicts of Interest Management Policy and the Complaints Resolution Policy may be accessed on [www.investec.co.za](http://www.investec.co.za) or may be requested from the Compliance Department. Investec Specialist Investments may not request or induce in any manner a client to waive any right or benefit conferred on the client by or in terms of any provision of the FAIS General Code of Conduct, or recognise, accept or act on any such waiver by the client.

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