



Edge RCIS Matador Retail Hedge Fund

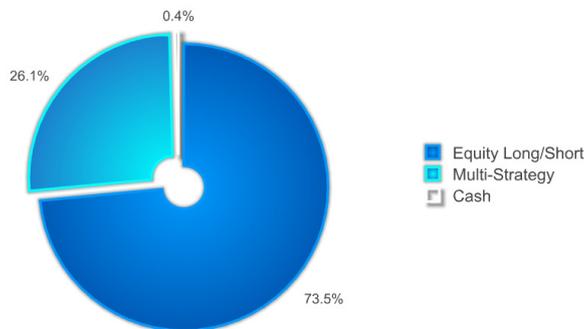
MINIMUM DISCLOSURE DOCUMENT (Class E) 30/06/2022

RETURN ANALYSIS DATA	FUND	BENCHMARK
1 Month	-7.42%	-7.48%
3 Month	-9.55%	-10.65%
6 Months	-5.07%	-4.66%
1 Year	3.44%	4.28%
3 Years	24.95%	19.30%
Highest Annual Return (since inception)	53.30%	51.47%
Lowest Annual Return (since inception)	-19.03%	-20.87%
Total Return Since Inception (Cumulative)	22.68%	28.45%
Compound Annual Return (Annualised)	4.56%	5.62%

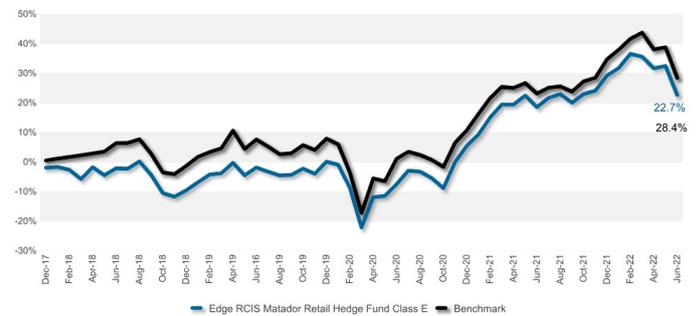
RISK ANALYSIS DATA	FUND	BENCHMARK
Standard Deviation Annualised	15.10%	15.06%
Downside Deviation Annualised	10.42%	10.33%
Correlation Coefficient	1.00	0.95
Sharpe Ratio	-0.08	-0.01
Sortino Ratio	-0.11	-0.02
Max Drawdown	-22.25%	-25.15%
Best Month	13.11%	14.07%
Worst Month	-14.67%	-14.15%

* BM: December 2017 to May 2018 = STEFI Index / From 1 June 2018 = SWIXTR Index / From 1 November 2021 = FTSE/JSE Capped SWIXTR Index

STRATEGY ALLOCATION



FUND PERFORMANCE



* BM: December 2017 to May 2018 = STEFI Index / From 1 June 2018 = SWIXTR Index / From 1 November 2021 = FTSE/JSE Capped SWIXTR Index

MONTHLY RETURNS (NET OF FEES)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD	BM
2022	2.00%	3.65%	-0.74%	-2.88%	0.60%	-7.42%							-5.07%	-4.66%
2021	3.63%	5.27%	3.83%	-0.05%	2.56%	-3.18%	2.60%	1.10%	-2.40%	2.45%	0.91%	4.10%	22.51%	21.64%
2020	-1.04%	-7.87%	-14.67%	13.11%	0.49%	4.48%	4.91%	-0.31%	-2.26%	-3.64%	9.67%	5.49%	5.30%	2.60%
2019	2.96%	2.84%	0.48%	3.64%	-4.24%	2.78%	-1.41%	-1.33%	0.21%	2.22%	-1.81%	4.28%	10.73%	9.33%
2018	0.26%	-0.93%	-3.25%	4.29%	-2.80%	2.47%	-0.12%	2.49%	-4.55%	-6.45%	-1.32%	2.42%	-7.79%	-1.81%
2017												-1.89%	-1.89%	0.56%

* BM: December 2017 to May 2018 = STEFI Index / From 1 June 2018 = SWIXTR Index / From 1 November 2021 = FTSE/JSE Capped SWIXTR Index

MANAGER'S COMMENT

The Edge RCIS Matador Retail Hedge Fund returned -7.42% for June, relative to the FTSE/JSE Capped SWIXTR index return of -7.48%. This brings the Fund's YTD return to -5.1% relative to the benchmark's return of -4.7%.

The FTSE/JSE All Share (ALSI) decreased by -8.01% on a total return basis as at 30 June 2022, whilst the All Bond Index decreased by 3.06%, and STEFI returned 0.40%. The JSE Top 40 index decreased by -8.07%, Mid-Caps decreased by -9.36%, and Small Caps decreased by -7.29% during the month. Total returns were mostly negative for a third consecutive month. Total returns were broadly negative for a fourth consecutive month. The decline in basic materials was mostly driven by growth concerns. The consumer facing sectors were again negative across the entire sector, whilst the financial sector also came under severe pressure. According to Bloomberg data, following May's R6,3bn outflow, non-residents remained net sellers of SA Equities in June (-R24,9bn), leaving the outflow over the last 12 months at R131,6bn. The yield curve shifted upwards in June. Bonds in the 12+ year area were the worst performers in June. From an attribution perspective, overweight positions in Naspers/Prosus, coupled with selected shorts like Telkom and Multichoice, contributed the most to performance. The biggest detractors for the month were overweight positions in Anglos, MTN and Absa.

It is becoming increasingly difficult to reign in high inflation. A recession is likely needed to bring it back to sustainable levels. However, given the high debt levels, a recession can easily cause a new credit crisis. Do central banks dare to take this risk, or will they take a step back and give way to inflation? The Fed and the ECB have so far indicated that they want to avoid a recession. This is understandable, given the consequences in terms of the massive debt piles. They are therefore aiming for a soft landing.

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Edge RCIS Matador Retail Hedge Fund

MINIMUM DISCLOSURE DOCUMENT (Class E) 30/06/2022

FUND INFORMATION

Investment Manager:	Edge Capital (Pty) Ltd
Management Company:	RealFin Collective Investment Schemes (RF) Proprietary Limited ("RCIS")
Fund Inception Date:	May 2004 (initial)
Fee Class Inception Date:	1 December 2017
CIS Establishment Date:	1 October 2016 (regulated under Cisca)
Fund Size:	R 283 million
Class Size:	R 268 million (Class E)
NAV Price:	127.3420
Number of Units:	2 103 180.11
Fund Category:	CIS Retail Hedge Fund
Structure:	Registered SA CIS in Hedge Funds
Benchmark:	FTSE/JSE Capped SWIXTR Index
Currency:	ZAR
Initial Minimum Investment:	R 1 million
Subscription:	Monthly
Redemption:	1 Calendar Month's Notice
Management Fee:	0.80% (excl.VAT) p.a.
Performance Fee:	20% (excl.VAT) p.a.
Valuation:	23h00 of the last day of each month
Transaction Cut-Off Time:	12h00 on the 2nd last business day of the month
Administrator:	Prescient Fund Services (Pty) Ltd
Auditor:	Price Waterhouse Coopers
Trustee:	FirstRand Bank Limited (acting through its RMB Trustee Services Division)
Total Expense Ratio (TER):	2.01%
Transaction Cost (TC):	0.00%
Total Investment Charge (TIC):	8.29%
Performance Fee:	1.01%
Income Distribution:	Latest available TER, TC and TIC as at 31 March 2022
Distribution Frequency:	28 February 2022
Value Distributed per Participatory Interest:	Annually 0.00

INVESTMENT MANDATE

The portfolio may invest in the participatory interests of hedge fund portfolios in any retail investor collective investment scheme; in any other securities (including, without limitation, derivative instruments), financial products and assets, subject only to the requirements of the Act read with the Hedge Fund Requirements. The Portfolio is permitted to invest in offshore investments. The Portfolio may invest in other portfolios of The RCIS Retail Hedge Fund, provided that neither the Manager nor the Investment Manager accrues fees in respect of such investment by the Portfolio in such RCIS Retail Hedge Fund. The Manager may create leverage in the Portfolio by borrowing funds, using short positions or engaging in derivative transactions.

INVESTMENT OBJECTIVE

The objective is to identify and invest in a combination of underlying funds whose mandate is to seek out absolute returns. Whilst it is envisaged that the underlying funds will be predominately established and domiciled in South Africa, the Portfolio may, from time to time, subject to applicable exchange control regulations, invest in funds established and domiciled outside South Africa, where in the opinion of the Investment Manager, such funds will ultimately enhance the absolute return of the Portfolio.

RISK PROFILE

LOW

MEDIUM

HIGH

Medium: These portfolios generally hold more equity exposure than low risk portfolios but less than high risk portfolios. In turn the expected volatility is higher than low risk portfolios, but less than high risk portfolios. The probability of losses are higher than that of the low risk portfolios, but less than high risk portfolios. Expected potential long term investment returns could therefore be lower than high risk portfolios due to lower equity exposure, but higher than low risk portfolios.

ADDITIONAL RISK DISCLOSURES - AS AT QUARTER ENDED 30 JUNE 2022

As required in terms of Section 27 of Board Notice 52. Any questions pertaining to the technical nature of the disclosures may be directed to edgeclientservices@edge.co.za

Leverage:	At quarter end, there was no leverage at the fund level.
VAR (limit 20%):	13.75%
Max VAR for quarter:	15.69%
Assets encumbered as collateral:	Rnil
Re-hypothecated assets:	Re-hypothecation of the Fund's assets is prohibited.
Changes in liquidity:	The Fund's redemption period remained unchanged.
Stress testing:	Stress testing was conducted to assess the Fund's sensitivity to stressed market conditions.
Counterparty Exposure (Top 5)	FirstRand Bank Ltd: 0.76%

DEFINITIONS & METHODOLOGY

Collateral - Collateral is the placement of an asset with a counterparty in order to secure an obligation.
Counterparty Exposure - Counterparty (credit) exposure represents the potential loss the Fund would experience in the event a counterparty defaults on its obligations.
Leverage - Leverage is a strategy used to increase the Fund's exposure beyond the capital employed.
Re-hypothecated Assets - Re-hypothecation is the re-use of collateral by the prime broker.
Stress Testing - To assess the Fund's sensitivity to various market conditions, stress scenarios are created by simulating the impact of historic financial crises, increasing investor repurchase levels and decreasing liquidity of the fund's underlying assets.
VAR - Value at risk (VAR) is a statistical measure of a fund's financial risk over a specific period. VAR is calculated using historical data to determine the maximum potential loss over a month, 99% of the time.

Collective Investment Schemes are generally medium- to 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 future performance. Collective investments are traded at ruling prices and can engage in borrowing and scrip lending. The manager may borrow up to 10% of the market value of the portfolio where insufficient liquidity exists. A schedule of fees and charges and maximum commissions, is available on request from RCIS.

Annualised performance figures represent the geometric average return earned by the fund over the given time period expressed as a percentage. Cumulative performance figures have been used to present fund performance. Fund performance has been disclosed monthly and compounded annually. Fund performance is expressed in a percentage format.

RCIS does not provide any guarantee in respect to the capital or the return of the portfolio. RCIS reserves the right to close the fund to new investors if we deem it necessary to limit further inflows in order for it to be managed in accordance with its mandate. CIS prices are calculated on a net asset basis, which is the total value of all the assets in the portfolio including any income accruals and less any permissible deductions (brokerage, STT, VAT, auditor's fees, bank charges, trustee and custodian fees and the annual management fee) from the portfolio divided by the number of participatory interests (units) in issue.

The Fund's Total Expense Ratio (TER) reflects the percentage of the average Net Asset Value (NAV) of the portfolio that was incurred as charges, levies and fees related to the management of the portfolio. A higher TER does not necessarily imply a poor return, nor does a low TER imply a good return.

The Portfolios are third-party named portfolios, managed by Edge Capital Proprietary Limited, an authorised financial services provider. RCIS retains full legal responsibility for these Portfolios as manager in terms of Cisca.

Where foreign securities are included in a portfolio there may be potential constraints on liquidity and the repatriation of funds, macroeconomic risks, political risks, foreign exchange risks, tax risks, settlement risks; and potential limitations on the availability of market information. Fluctuations or movements in exchange rates may cause the value of underlying international investments to go up or down. The investor acknowledges the inherent risk associated with the selected investments and that there are no guarantees. Where you select a Portfolio which is a fund of funds portfolio, please note that a fund of funds is a portfolio that invests in portfolios of collective investment schemes that levy their own charges, which could result in a higher fee structure for the fund of funds. Excessive withdrawals from the fund may place the fund under liquidity pressure and in such circumstances, a process of ring-fencing of withdrawal instructions and managed pay-outs over time may be followed.

Where all required documentation is not received before the stated cut off time RCIS shall not be obliged to transact at the net asset value price as agreed to. Funds are priced monthly depending on the nature of the Fund. Prices are published daily and are available on the RCIS website. Performance has been calculated using net NAV to NAV numbers with income reinvested. The performance for each period shown reflects the return for investors who have been fully invested for that period. Individual investor performance may differ as a result of initial fees, the actual investment date, the date of reinvestments and dividend withholding tax. Full performance calculations are available from the manager on request.

The investment performance is for illustrative purposes only. The investment performance is calculated by taking the actual initial fees and all ongoing fees into account for the amount shown. Income is reinvested on the reinvestment date. Other fees include the permissible deductions of brokerage, STT, VAT, bank charges, trustees and custodian fees incurred in the ordinary course of running the Fund. For further information and documentation for the Edge RCIS Retail Hedge Fund, please email edgeclientservices@realfin.co.za.

RealFin Collective Investment Schemes (RF) Proprietary Limited is registered and approved by the Financial Sector Conduct Authority as a manager of Collective Investment Schemes approved in terms of the Collective Investment Schemes Control Act and has delegated the investment management function to Edge Capital Proprietary Limited an authorised financial services provider (FSP 882) in terms of the FAIS Act, a category IIA financial services provider.

CONTACT DETAILS

Management Company: RealFin Collective Investment Schemes (RF) Proprietary Limited, Company Registration Number: 2013/170284/07, Physical Address: 1st Floor, 4 Silverwood Close, Steenberg Office Park, Tokai, Cape Town, 7945, Postal Address: Suite 25, Private Bag X16, Constantia, 7848, Cape Town, Telephone number: +2721 701 3777, Email Address: manco@realfin.co.za, Website: www.realfin.co.za

Investment Manager: Edge Capital (Pty) Ltd, Company Registration Number: 1999/022409/07 an authorised Financial Services Provider (FSP 882) under the Financial Advisory and Intermediary Services Act (No.37 of 2002), to act in the capacity as investment manager. This information is not advice, as defined in the Financial Advisory and Intermediary Services Act (No.37 of 2002). Please be advised that there may be representatives acting under supervision. Physical Address: Edge House, 3 Heuwelkruin Close, Durbanville, 7550, Cape Town, Postal Address: P O Box 4188, Tygervalley, 7536, Telephone number: +27 21 976 1012, Email Address: edgeclientservices@edge.co.za, Website: www.edge.co.za

Trustee: FirstRand Bank Limited (acting through its RMB Trustee Services Division), Physical Address: Cnr Jeppe & Simmonds Streets, 3 First Place, Mezzanine Floor, Bank City, Johannesburg, 2001, Telephone number: +27 87 577 8730, Email Address: trusteeservices@rmb.co.za, Website: www.rmb.co.za

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Issue Date: 14/07/2022



Edge RCIS Matador Retail Hedge Fund

MINIMUM DISCLOSURE DOCUMENT (Class E) 30/06/2022

IMPORTANT INFORMATION

RealFin Collective Investment Schemes (RF) Proprietary Limited ("RCIS") is registered and approved by the Financial Sector Conduct Authority (FSCA) as a manager of Collective Investment Schemes approved in terms of the Collective Investment Schemes Control Act. This document is for information purposes only and does not constitute or form part of any offer to issue or sell or any solicitation of any offer to subscribe for or purchase any particular investments. The information contained in the MDD does not constitute financial advice as contemplated in terms of the Financial Advisory and Intermediary Services Act, and should be read in conjunction with the **RCIS Edge Fund Information Document** which can be found on the RCIS website www.realfin.co.za. Opinions expressed in this document may be changed without notice at any time after publication. We therefore disclaim any liability for any loss, liability, damage (whether direct or consequential) or expense of any nature whatsoever which may be suffered as a result of or which may be attributable directly or indirectly to the use of or reliance upon the information.

DISCLOSURES

- Collective Investment Schemes are generally medium-to long-term investments.
- Edge RCIS Matador Retail Hedge Fund** should be considered an investment with a time horizon of longer than a year.
- The value of participatory interests (units) may go down as well as up.
- Past performance is not necessarily a guide to future performance.
- Where different classes of participatory interests apply to certain Portfolio's, they would be subject to different charges.
- Collective investments are traded at ruling prices and can engage in borrowing and scrip lending.
- A schedule of fees and charges and maximum commissions, is available on request from RCIS.
- RCIS does not provide any guarantee in respect to the capital or the return of the portfolio.
- RCIS may suspend repurchases for a period, subject to regulatory approval, to await liquidity.
- RCIS 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.
- RCIS reserves the right to close the fund to new investors if we deem it necessary to limit further inflows in order for it to be managed in accordance with its mandate.
- Forward pricing is used.
- In terms of the Collective Investment Schemes Control Act, No.45 of 2002 (CISCA), RMB Trustee Services (A division of FirtRand Bank Limited) has been appointed by RCIS as the Trustee of **Edge RCIS Matador Retail Hedge Fund**.
- The portfolio is valued at **23h00 on the last day of each month**.
- Investment and Redemption Instructions will be processed according to: The transaction cut-off time as well as the Subscription and Redemption guidance stipulated within the General Information section of the Minimum Disclosure Document.
- Any capital gain realised on the disposal of a participatory interest in a collective investment scheme is subject to Capital Gain Tax (CGT).
- A money market portfolio is not a bank deposit account. The price of a participatory interest is a marked-to-market value. The total return to the investor is made up of interest received and any gain or loss made on any particular instrument, in most cases the return will merely have an effect of increasing or decreasing the daily yield. In the case of abnormal losses it can have the effect of reducing the capital value of the portfolio. Excessive withdrawals from a money market portfolio may place the portfolio under liquidity pressure and in such circumstances a process of ring-fencing of withdrawal instructions and managed pay-outs over time may be followed.
- Where foreign securities are included in a portfolio, this may impose potential constraints on liquidity and the repatriation of funds. The portfolio can be impacted by macroeconomic risks, political risks, foreign exchange risks, tax risks, settlement risks and potential limitations on the availability of the market information. Fluctuations or movements in exchange rates may cause the value of underlying offshore investments to go up or down.
- A Fund of Funds Portfolio only invests in other portfolio's of collective investment schemes which levies its own charges, which could result in a higher cost structure for these portfolios.
- RealFin Collective Investment Schemes (RF) Proprietary Limited has entered into a co-naming agreement with and delegated the investment management function to **Edge Capital Proprietary Limited (FSP 882)**.
- RCIS retains full legal responsibility for **Edge RCIS Matador Retail Hedge Fund** and performs Risk Management oversight.
- Application forms can be obtained via the RCIS website www.realfin.co.za and any additional information can be requested from RCIS at manco@realfin.co.za
- The RCIS complaints policy is available on the RCIS website www.realfin.co.za
- RCIS has a Conflict of interest policy, Protection of Personal Information Policy and Treating Clients Fairly

TRANSACTION CUT-OFF TIMES

In order for a monthly **Investment Instruction** to be processed, your Investment form must be sent before **12h00** on the **2nd last business day of the month ("Cut Off Date")** for your Investment application to be processed on the **1st business day of the following month**. Your funds need to be reflecting in our bank account before **12h00 ("Cut off")** on the 1st business day of the preceding month and proof of payment sent to clientservices@realfin.co.za. Any funds received after the Cut Off shall be retained by the Manager in a separate account and shall be invested (together with any interest which has accrued thereon) on the next available Investment Date.

In order for your participatory interests in the Portfolio to be redeemed at the relevant request date ("**Redemption Date**"), your Redemption instruction must be submitted to RCIS before 12h00 on the 2nd last business day of the month for processing at the end of the following calendar month (For Hedge Funds which have a **1 Calendar month's notice period**) such date being the Redemption Date. Hedge fund redemptions are processed at the end of each month. All redemptions must be submitted in writing and will be executed following receipt and acceptance of such instruction. Please note in the case of Monthly traded Hedge Fund redemptions, settlement may take up to **15 business days**.

PERFORMANCE CALCULATION

CIS prices are calculated on a net asset basis, which is the total value of all the assets in the portfolio including any income accruals and less any permissible deductions (brokerage, STT, VAT, auditor's fees, bank charges, trustee and custodian fees and the annual management fee) from the portfolio divided by the number of participatory interests (units) in issue. Performance has been calculated using NAV to NAV figures with actual portfolio ongoing fees taken into account. Income is reinvested at the reinvestment date. Different classes of participatory interests apply to these portfolio's and are subject to different fees and charges. Actual investment performance will differ based on the initial advice fee, ongoing advice fee, investment date, the date of reinvestment of distributions and dividend withholding tax. Initial advice fees have not been taken into account. Cumulative performance figures are calculated using lump sum investment amounts. Income distributions, prior to the deduction of applicable taxes, are included in the performance calculation. Performance calculations are available on request from RCIS.

PERFORMANCE FEES

Performance fees shall be calculated separately for each class at each Valuation Point. Performance fees are accrued and are payable at the end of the relevant Performance Fee Measurement Period. The calculation is based on whether the respective Class has achieved a return greater than the Fee Hurdle and where applicable, above the high watermark. A detailed description of how performance fees are calculated and applied for this portfolio is available on request from RCIS.

TER

The Fund's Total Expense Ratio (TER) reflects the percentage of the average Net Asset Value (NAV) of the portfolio that was incurred as charges, levies and fees related to the management of the portfolio. A higher TER does not necessarily imply a poor return, nor does a low TER imply a good return. Calculations are based on actual data where possible and best estimates where actual data is not available.

TC

Transaction Costs are a necessary cost in administering the Financial Product and impacts Financial Product returns. It should not be considered in isolation as returns may be impacted by many factors over time including market returns, the type of Financial Product, the investment decisions of the investment manager and the TER.

HEDGE FUND RISK DISCLOSURE

The risks and characteristics within 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, these 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 advisors 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.

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 inquire into how these instruments are objectively and independently valued.

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.

The client may be caught in a liquidity squeeze - Given their often short-term nature, hedge fund managers need to be able to divest 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 divest 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 stockbrokers 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.

Hedge fund structures are often complex - As mentioned above, hedge fund 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 stockbroking 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 they have the necessary time for their investment positions to deliver their desired returns.

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