KADD Capital (Pty) Ltd

SANNE MANAGEMENT COMPANY

ongoing risk management and monitoring of the portfolio will be

KADD Validus Plus SNN QI Hedge Fund | Collective Investment Scheme | Key Investor Information

Key investor information

This document provides the investor with key information about these portfolios. It does not serve as marketing material. The publishing of this information is required by law (Collective Investments Schemes Control Act 45 of 2002 ("CISCA"), Board Notice 52 ("BN52"), section 27), to help you understand the nature of the portfolios as well as the risks associated with investing in these portfolios. All potential investors are advised to read and familiarise themselves with the contents of this document in order to arrive at an informed investment decision.

Portfolio Information	
Launch Date	1 September 2008
Launch Date under CISCA	1 September 2016
ASISA Classification	Qualified Investor Hedge Fund – South African – Fixed Income
Distribution Date	Last day of December
Financial Year End	Last day of December
Auditor	PricewaterhouseCoopers
Trustee	FirstRand Bank Limited (acting through its RMB Custody and Trustee Services Division)
Prime Broker	FirstRand Bank Limited
Fund Administrator	Sanne Fund Services SA (Pty) Ltd
Portfolio NAV	R44.62m
Unit Price	R 295.72(Class 1)
Risk Profile	High

followed.

List of Portfolios

- **SNN QI Hedge Fund Scheme**
  KADD Validus Plus SNN QI Hedge Fund

The Portfolio Objective

The investment objective is to achieve investment gains by focusing on the preservation of capital and the provision of positive risk-adjusted returns which attempt to outperform the STEFI 3 month index, and where such returns need not be market correlated.
This is to be achieved at a level of risk compatible with the return levels targeted.

The Investment Strategy

The portfolio will be managed as a multi-strategy portfolio providing exposure to a range of complementary investment styles.

The investment manager believes that South African listed markets on their own are inefficient and that active fund management can enhance investment returns, especially when emphasis is placed upon absolute, rather than relative performance.

A disciplined and rigorous investment process in researching and selecting the underlying financial investments is applied. Following the portfolio construction exercise, a rigid process of

Changes to the Investment Strategy and/or Investment Policy

In order to amend any provision(s) contained in the supplemental deed, the manager has to request and receive prior approval from the FSCA. Such request shall state the reasons for the proposed amendment and the impact or benefit this is likely to have for the investor.

Upon receiving such approval, the auditor of the scheme must oversee a balloting process which is undertaken to obtain consent from the investors.

Investors holding at least 75% (seventy-five percent) in value of the participatory interests in the portfolio and who constitute more than 50% (fifty percent) of the portfolio's investors must vote in favour of the amendment for the amendment to be effected.

Voting shall be conducted by electronic ballot in accordance with the provisions of the deed, and the manager shall, after having dispatched the ballots to investors, allow for a period thirty days for investor to return the ballots.

Does Portfolio Invest in Underlying Funds?

No.

The Types of Assets in which the Portfolio may invest

The portfolio invests in:

- Bonds;
- Negotiable Certificate of Deposits;

- Interest Rate Derivatives;
- Interest Rate Futures, and;
- Forex Options to be traded in the South African market.

Instances where the Portfolio may Use Leverage

The Types and Sources of Leverage

The portfolio may leverage itself by short selling or trading on margin or purchasing options. The portfolio may at certain times be required to issue guarantees, and accordingly may borrow money from a bank, prime broker or any other such institution. The portfolio may also arrange for the issue of guarantees for the bridging required to conclude a private placement or underwriting of securities.

The Risks Associated with the Leverage

The portfolio may use leverage techniques from time to time to purchase or carry investments. The interest expense and other costs incurred in connection with such leverage or borrowing may not be recovered by an appreciation in the investments purchased or carried.

Gains realised with leveraged investments may cause the underlying fund's net asset value to increase at a faster rate than would be the case without leverage. If, however, investment results fail to cover the cost of leverage or borrowings, the portfolio's net asset value could also decrease faster than if there had been no leverage or borrowings. Because of the leveraged nature of certain of the investments, a relatively small movement in the market price of traded instruments may result in a disproportionately large profit or loss.

The Restrictions on the Use of Leverage

The degree to which leverage may be employed in the portfolio shall be limited by the terms of the mandate. The limits laid down in the mandate should be carefully reviewed in making an investment decision.

Collateral and Asset Re-Use Arrangements

The cash and long positions held in the portfolio are available for use as collateral for the short positions held.

The Maximum Leverage allowed for the Portfolio

The portfolio will utilize the Value-at-Risk ("VAR") approach to measure leverage

VAR limit	20%
Probability level	99%
Period	10 days

Material Arrangements of the Manager with the Prime Broker

The Manner of Managing Conflicts of Interest

The parties agree that, for the duration of this agreement, they shall endeavour to avoid any conflict of interest between them.
In order to protect the investors, the parties shall exercise due care and skill and note to any affected party the nature and extent of the potential conflict of interest as well as the steps undertaken to minimise the effect on any affected party by such conflict.

The Level of Counterparty Exposure

The portfolio will comply with the counterparty exposure limits as set out in Board Notice 52 BN52.

The Methodology of Calculating Counterparty Exposure

In terms of Section 8(2) of BN52 counterparty exposure shall be calculated to equal any initial margin held by a counterparty, the market value of any derivative, any net exposure generated through a scrip lending agreement and any other exposures created through reinvestment of collateral.

Provisions in the Contract with the Depositary and Custodian on the Possibility of Transfer and Re-hypothecation of Assets

The prime broking agreement may allow for the re-hypothecation of assets.

The portfolio's prime broker may provide a financing service to the portfolio, whereby any shortfall in the financing of the portfolio's assets is provided by the prime broker. Any such financing will be collateralised from the assets of the portfolio. However, unlike a normal borrowing situation, the prime broker takes physical delivery of the portfolio's assets and is permitted to deal with them for its own account. The portfolio's assets are therefore treated as being indistinguishable from the assets of the prime broker and are not segregated as client money or assets.

In the event of the insolvency of the prime broker, the assets of the portfolio that are held as collateral against money owed to the prime broker, are completely exposed to the prime broker's creditors.

In such instances, any action by the prime broker's creditors may lead to the closing out of positions without the consent of the investment manager and at a loss.

Delegated Administration and Management of Conflict of Interest that May Arise

The Manager has appointed Sanne Fund Services SA (Pty) Ltd ("SANNE") as the administrator. Both entities are subject to separate governance structures and independent oversight and internal controls; as well as the FSCA regulatory oversight. Both entities have satisfied the FSCA in terms of the conflict of interest policy they have in place.

The parties agree that, for the duration of this agreement, they shall endeavour to avoid any conflict of interest between them.

In order to protect the investors, the parties shall exercise due care and skill and note to any affected party the nature and extent of the potential conflict of interest as well as the steps undertaken to minimise the effect on any affected party by such conflict.

The Portfolio's Valuation and Pricing Methodologies

The portfolio will apply the portfolio valuation and asset pricing policy of the Manager. This policy will be consistently applied and meets the requirements of BN52.

The Liquidity Risk Management of the Portfolio and the Repurchase Rights

Liquidity management is facilitated through real time monitoring of the portfolio liquidity profile using both an independent third party risk monitoring system and internal proprietary system.

KADD Capital (Pty) Ltd

SANNE MANAGEMENT COMPANY

The investment manager shall ensure that the liquidity of the securities included in the portfolio shall not compromise the liquidity terms of the portfolio.

Regular liquidity stress-testing will be applied, providing for increased investor repurchases, and shortage of liquidity of the underlying assets in the portfolio.

Repurchase of Participatory Interests
Repurchase notification date will be 1 (one) calendar month prior to the repurchase pricing date. Repurchase payment date will be no later than 14 (fourteen) business days after the repurchase pricing date.

Gating, Side-Pocketing and Repurchase Restrictions
Sections 5(b) (ii) and 6(5) of BN52 provide that both retail hedge funds and qualified investor hedge funds may suspend the repurchases of units under exceptional circumstances and when it's in the interests of investors.

Special Repurchase Arrangements or Rights of Some Investors
None.

Investment Management Fees, Charges, and Expenses

Annual Base Fee	Capped at the annual rate of 1%, excluding VAT
Performance Fee	Uncapped, but the maximum fee will be 20%, excluding VAT.
High Watermark	The fee calculation employs a HWM ensuring no fee is accrued until previous underperformance has been recouped.
Hurdle:	The percentage change in the three month Short-Term Fixed Interest Index (STeFi) over the period measured. As the hurdle rate is an index, the hurdle will not compound, but will accumulate until the date of the next HWM reset.
Entry Charge	0%
Exit Charge	0%

Other Fees
The portfolio may directly deduct and pay other fees if such payments are permitted in terms of Section 93 of CISCA and are due and payable under lawful agreement.

The Charges Paid by the Portfolio
These charges make up the running costs of the portfolio. Permissible deductions from a portfolio shall include:

- Initial fee & VAT.
- Investment management fee.
- Administration fee.
- Exit fee.
- Trading charges e.g. brokerage, securities transfer tax, VAT, and other levies.
- Auditor's fees.
- Bank charges.
- Trustee and custodian fees.

Fair Treatment of Customers
The Manager observes a policy of Treating Customers Fairly ("TCF") and this permeates throughout the business and informs all business dealings of the Manager. The Manager strives to design, distribute, and provide products that meet the objectives of the TCF code and all investors investing in our products – simple and complex – are encouraged to seek qualified financial advice in order to select and invest in a product that not only meets their requirements, but is to their level of understanding and sophistication.

Preferential Treatment
The directors and employees of the investment manager may hold an investment in the portfolio. These investments may be zero fee paying at the discretion of the investment manager.

The Latest Annual Report
The latest annual report of the portfolio shall be kept at the office of the Manager for viewing by the investor.

Selling and Issuing Participatory Interest in the Portfolio
Purchase of Participatory Interests
Purchases of participatory interests will be effective on the first day of each calendar month. Applications for new purchases as well as the purchase amount need to be received no later than 10:00 on the last business day of the previous calendar month.

Minimum investment amount
R 1,000,000.00 (One Million Rand)

The investor shall complete a subscription form and return to the Manager no later than 10:00 on the last business day of the previous calendar month for the investment to be processed and participatory interest (units) allocated in favour of the investor on the 1st day of the new calendar month.

The Manager may not sell any participatory interests (units) except on terms requiring the full payment of the selling price.

SANNE
MANAGEMENT COMPANY

The Investment Restrictions applicable to the Portfolio

	PORTFOLIO SIZE			
	R25m	**R50m**	**R125m**	**R300m**
Delta (PV01)	R 83,150	R 129,450	R 268,350	R 592,450
% of Portfolio	0.33%	0.26%	0.21%	0.20%
Gearing (R153 equivalent)	17 Times	13 Times	11 Times	10 Times
Instrument Limit	R 268,750	R 416,250	R 858,750	R 1,891,250
% of Portfolio	1.07%	0.83%	0.69%	0.63%
Bucket Limits 1,3,5 Year	R 307,142	R 471,427	R 964,282	R 2,114,277
% of Portfolio	1.23%	0.94%	0.77%	0.70%
Steepening/ Flattening (Maximum Loss)	R 4,565,000	R 6,975,000	R 14,205,000	R 31,075,000
% of Portfolio	18.26%	13.95%	11.36%	10.36%
Volatility Stress (3%)(Maximum Loss)	R 3,570,000	R 5,710,000	R 12,130,000	R 27,110,000
% of Portfolio	14.28%	11.42%	9.70%	9.03%
VAR	Reported Daily by RMB			

Delta Limit (PV01)
The Delta Limit or PV01 is the maximum exposure the portfolio may have given a 1 Basis Point Parallel shift of the Yield Curve.
The Limit is effectively computed as a percentage of the portfolio size and is determined as follows:
0.001852 x (Portfolio Size) + 36 850

Instrument Limit
A Delta Limit is applied to each instrument that is traded in the portfolio. This is mainly done for liquidity reasons. The limit for each instrument is effectively computed as a Percentage of the portfolio size and is determined as follows:
0.0059 x (Portfolio Size) + 121 250

Bucket Limits
The purpose of the Bucket Limit is to ensure that there is not excessive concentration of Risk in parts of the yield curve. In this particular case the 1, 3 and 5 year points of the yield curve determine the stress.
In the 1 year case, every point from 0 – 1 year is moved up and down by 1 bps, maintaining the 1 – 20 year unchanged, and change in Profit and loss computed.
In the 3 year case, every point from 0 – 3 years is moved up and down by 1 bps, maintaining the 3 – 20 year unchanged and once again the change in Profit and loss is computed. A similar process is followed for the 5 year stress.

The limit for each stress (1, 3 and 5 year independently) is determined as follows:
0.006571 x (Portfolio Size) + 142 857

Steepening/Flattening Limits

In this instance the 20 Year point is raised and lowered by 100 Bps and all rates adjusted linearly from the Overnight rate to the 20 Year Point. The profit and loss is calculated with these changes in the yield curve and a limit is placed on the maximum loss. This limit places restrictions on Bond Spreads or Yield curve strategies. The limit (Maximum loss) is computed as follows:

0.0964 x Portfolio Size + 2 155 000

Volatility Stress

A volatility stress of 3% change to Volatility (Up and Down) is applied to the Portfolio. The changes in Profit and loss due to the change in Volatility is computed and a limit is placed on a maximum loss. The determination of the limit is as follows:

0.0856 x Portfolio Size + 1 430 000

Value at Risk

The Value of the Risk will be computed using the RMB Riskwatch methodology. The system stresses the portfolio through 250 Historical Yield curves, computes the change in Profit and Loss for each one, then computes the 99% to determine the 99% 10 Day Value At Risk. No formal limit is placed on VAR, however the number is available on the Daily Risk Report.

The Portfolio complies with RMB Prime Brokers' Credit and Repurchase restrictions

Credit mandate applies to the following instruments:

- NCD's and Call Limited to the Five major Banks, FirstRand, ABSA, Investec, Standard Bank and Nedbank
- Bonds (Outright Bond holding and Repurchase Agreements)

Mandate according to the following restrictions:

Credit rating

Max Percentage of issue size (10%)

Percentage of portfolios under management

CREDIT RISK

	PORTFOLIO SIZE			
Outright Bond Holdings (Millions)	**25**	**50**	**125**	**300**
BBB and A	13	25	63	150
AA and AAA	25	50	125	300

Repo'd Bond Holding (Millions)	**25**	**50**	**125**	**300**
BBB	51	86	176	300
A	75	120	237	400
AA	156	254	548	1226
AAA	Subject to instrument limit			

For Example the following combination of Outright Credit on a R50m portfolio could be

25Mio BBB

25Mio AAA

Outright Bond Holdings

A limit is placed on the Outright Bond Holdings in the two categories, BBB to A and AA to AAA.

In the category BBB to A: 50% of the Net Asset Value of the Portfolio can be used to purchase this category of bonds.

In the category AA to AAA: Up to 100% of the Net Asset Value of the Portfolio can be used to purchase this category of Bonds.

Please note that the above two categories are on a Cumulative basis and therefore combined cannot exceed 100% of the Net Asset Value of the portfolio. For example the following combination of Outright Credit on a R50m portfolio could be: 25M BBB and 25M AAA.

Repo'd Bond Holdings (Portfolio Size in Millions)

The following formulas apply to the following categories of Credit:

BBB
13.59723 + 1.54571 x (Portfolio Size) – 0.00197 x (Portfolio Size)^2

A
26.58069 + 1.9962 x (Portfolio Size) – 0.0625 x (Portfolio Size)^2

AA
57.36251 + 3.943713 x (Portfolio Size) – 0.00015 x (Portfolio Size)^2

AAA
Subject to Instrument Limit

Foreign Exchange Trading

1. Foreign exchange can only be traded in Options
2. Foreign exchange options can only be traded in Dollar vs. Rand
3. Maximum forward date exposure is 12 months
4. Foreign exchange options can only be Net bought (Net exposure is bought options)
5. The Net notional exposure of bought Options cannot exceed 200% of the Net Asset Value of the portfolio. For example, using a Dollar Rand exchange rate of R10.00, implies a maximum net bought position, on a R100m portfolio, of $10.0m.

Overall Stop Loss Limit

1. Should the Net Asset Value of the portfolio decrease by more than 10% during any month, the relevant position or positions will be reduced immediately, subject to market conditions and liquidity.

Management Company	Investment Manager	Trustee
Sanne Management Company (RF) (Pty) Ltd	KADD Capital (Pty) Ltd	FirstRand Bank Limited (acting through its RMB Custody and Trustee Services Division)
Registration No: 2013/096377/07	An Authorised Financial Services Provider, FSP No. 853	
Pier Place, Heerengracht Street, Foreshore, Cape Town, 8001	1016 Roos Street, Fourways Golf Park, Killarney Building, Fourways, 2191	3 Merchant Place, Ground Floor, Corner Fredman and Gwen Street, Sandton, 2146
Telephone: +27 21 202 8282 E-mail: information@sannegroup.com Website: www.snnmanco.com	Telephone: +27 11 557 7800	Telephone: +27 87 736 1732

Mandatory Disclosures

Collective Investment Schemes are generally medium- to long-term investments. The value of participatory interests (units) may go down as well as up. Past performance is not necessarily a guide to future performance. Collective investments are traded at ruling prices and can engage in scrip lending and borrowing. A schedule of fees, charges and maximum commissions, as well as a detailed description of how performance fees are calculated and applied, is available on request from Sanne Management Company (RF) (Pty) Ltd ("the Manager").

The Manager does not provide any guarantee in respect to the capital or the return of the portfolio. Excessive withdrawals from the 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. Commission and incentives may be paid, and if so, are included in the overall costs.

The Manager may close the portfolio to new investors in order to manage it in accordance with its mandate. Prices are published daily on our website and local media. Additional information, including key investor information documents, minimum disclosure documents, as well as other information relating to the basis on which the manager undertakes to repurchase participatory interests offered to it, and the basis on which selling and repurchase prices will be calculated, is available, free of charge, on request from the Manager.

The value of an investment is dependent on numerous factors which may include, but not limited to, share price fluctuations, interest and exchange rates and other economic factors. Where the portfolio invests in off-shore assets, performance is further affected by uncertainties such as changes in government policy, taxation and other legal or regulatory developments. The Manager ensures fair treatment of investors by not offering preferential fee or liquidity terms to any investor within the same strategy.

The Manager is registered and approved Financial Sector Conduct Authority ("FSCA") under CISCA. The Manager retains full legal responsibility for the portfolio. KADD Capital (Pty) Limited, FSP No. 853, is authorised under the Financial Advisory and Intermediary Services Act 37 of 2002 to provide investment management services. FirstRand Bank Limited is the appointed trustee.

Disclaimer

This document is confidential and issued for the information of the addressee and clients of the Manager only. It is subject to copyright and may not be reproduced in whole or in part without the written permission of the Manager. The information, opinions and recommendations contained herein are and must be construed solely as statements of opinion and not statements of fact. No warranty, expressed or implied, as to the accuracy, timeliness, completeness, merchantability or fitness for any particular purpose of any such recommendation or information is given or made by the Manager in any form or manner whatsoever. Each recommendation or opinion must be weighed solely as one factor in any investment or other decision made by or on behalf of any user of the information contained herein and such user must accordingly make its own study and evaluation of each strategy/security that it may consider purchasing, holding or selling and should appoint its own investment or financial or other advisers to assist the user in reaching any decision.

The Manager will accept no responsibility of whatsoever nature in respect of the use of any statement, opinion, recommendation or information contained in this document. This document is for information purposes only and does not constitute advice or a solicitation for funds.