

# OLD MUTUAL VOLATILITY ARBITRAGE QI HEDGE FUND

HEDGE FUND INVESTOR REPORT  
JUNE 2017

Additional Information in respect of BN52, Section 29(1)(b) and (c)

EXPOSURE /VALUE-AT-RISK:		
The leverage limit applied in terms of the portfolio mandate	200%	
The leverage limit applied in terms of the supplemental deed	200%	
The maximum leverage measured over the period	29%	
The leverage measured at the quarter end	7%	
	<b>Amount</b>	<b>As Percentage of NAV</b>
The Average Portfolio Net Exposure measured during the reporting period	13 641 821.77	6.96%
	<b>Amount</b>	<b>As Percentage of NAV</b>
The Portfolio Net Exposure measured at quarter end	5 781 128.36	2.91%

<b>The method of calculating leverage</b>	<ul style="list-style-type: none"> <li>A net effective exposure is calculated for each single stock in the portfolio taking into account all physical, single stock options, single stock futures and CFDs for that share. This net exposure can be positive or negative.</li> <li>The net effective exposure of all index futures and options on index futures is calculated. This net exposure can be positive or negative.</li> <li>Leverage = (Sum of absolute values of net single stock exposures + Absolute value of net index exposure)/NAV of fund.</li> </ul>
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The sources of leverage	The type of leverage	Absolute Value of Net Effective Exposure at Quarter End	The providers of leverage
Derivatives	Options	64 559 606.96	SAFEX
Derivatives	CFD's	1 654 061.90	RMB
Derivatives	Futures	73 222 968.99	SAFEX

<b>Level of collateralisation and the re-hypothecation of assets</b>	None
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Level of counter-party exposure at quarter-end Effective Exposure (Derivatives Only)	Counterparty	Amount	Percentage of NAV
	SAFEX	8 663 362.03	4.09%
	RMB	-1 654 061.90	-0.78%

<b>The capability of internal control systems for derivatives</b>	Refer to Annexure 1
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Number of investors	1
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<b>RISKS:</b>		
<b>The current risk profile of the portfolio</b>	The OLD MUTUAL VOLATILITY ARBITRAGE QI HEDGE FUND is a conservatively managed, market neutral hedge fund aiming to provide investors with long-term capital growth, whilst controlling short-term volatility.	
<b>The systems employed to manage risks</b>	The Risk Research Team makes use of the RiskWatch, Decalog and IMAPS applications to assist in calculation and monitoring.	
<b>Market Risk</b>	<b>Market Risk</b>	<b>Market Risk Management</b>
		<p>The Research team provides daily reporting information to Portfolio Managers (PFM) and Compliance Officers which is used to ensure that each fund complies with its risk policy.</p> <p>Where breaches occur, pertinent information is provided to PFM to support decision-making for that day. Reports reflect portfolio information that is relevant and includes information relating to:</p> <ul style="list-style-type: none"> <li>• Valuation and MiM at close of previous day</li> <li>• For derivatives, effective exposure used for all calculations</li> <li>• SAFEX derivatives have been marked to market</li> <li>• Margin calls taken into account</li> </ul>
<b>Liquidity Risk</b>	<b>Liquidity Risk</b>	<b>Liquidity Risk Management</b>
	Tradability Long/Short	<ul style="list-style-type: none"> <li>• For each single stock, whether physical or derivative, an average daily value traded on the JSE is computed for the share for the past 90 days (DVT). A cap of 20% of DVT is applied to calculate expected number of days to trade out of the absolute value of the effective exposure of the position. Days to Trade = Abs (Effective Exposure)/ (0.2 * DVT). If more than 7 days is required, the position is flagged "Not tradeable" and the fund manager is informed.</li> <li>• By default all exposure to SAFEX index options and index futures is considered "Tradeable".</li> </ul>
	Fund Liquidity	<ul style="list-style-type: none"> <li>• <math>100 * (\text{sum of cash in margin accounts} + \text{sum of cash in all other bank accounts} + \text{total value of money market instruments}) / \text{NAV of fund}</math>.</li> </ul>
<b>Counterparty Risk</b>	<b>Instrument Type Held</b>	<b>Counterparty Risk Management</b>
	Listed equities and bonds	We are cognisant of any liquidity constraints for any of our positions.
	Listed derivatives	Our derivatives positions are generally listed on SAFEX and we are cognisant of any liquidity constraints on these positions
	Bank deposits and SAFEX margins	Hedge fund managers are advised by the Futuregrowth Boutique on credit considerations on these deposits
	NCD's and other money market instruments	Hedge fund managers are advised by the Futuregrowth Boutique on credit considerations on these deposits
	Contracts for difference (CFD's) on listed equities	We consider liquidity risks on these in the same manner as we would for listed equities above. Counterparty/credit risk is mitigated by our margining process and periodic review of credit worthiness of counterparties. We currently only use RMB as our CFD service provider.
<b>Derivatives Risk</b>	<b>Derivative Exposure</b>	<b>Derivative Exposure Management</b>
	Derivative Exposure	<ul style="list-style-type: none"> <li>• Exposure from ALSI40 futures, INDI25 futures, that is the total effective exposure of all futures for each of the index categories</li> <li>• Exposure from Options on SAFEX futures, that is the total effective exposure of all index and single stock options in the portfolio</li> </ul>
<b>Operational Risk</b>	<b>Operational Risk</b>	<b>Operational Risk Management</b>
	Operational risk is defined as the risk of direct or indirect loss resulting from inadequate or failed internal processes, people and systems, or from external events.	OMIG has implemented an Enterprise Risk Management framework that includes the identification of and reporting on operational risks. Our internal control environment is aimed at enabling management to respond appropriately to significant business, operational, financial, compliance and other risks, including protecting investors' interests, safeguarding shareholder investments, safeguarding assets from inappropriate use or from loss or fraud and addressing any social, environmental or ethical matters that have significant consequences for the business.