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Notice is hereby given that Board Notice 95 of 2003 in Gazette No. 25514 of 30 September 2003 and Board Notice 15 of 2008 in Gazette No. 30810 of 22 February 2008 are hereby repealed and replaced with the following:

BOARD NOTICES

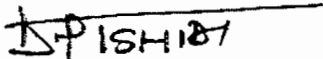
BOARD NOTICE 565 OF 2008

FINANCIAL SERVICES BOARD

FINANCIAL ADVISORY AND INTERMEDIARY SERVICES ACT, 2002 (ACT NO. 37 OF 2002)

EXEMPTION OF AUTHORISED FINANCIAL SERVICES PROVIDERS AS REGARDS REPRESENTATIVES

I, Dube Phineas Tshidi, Registrar of Financial Services Providers, hereby exempt under section 44(4) of the Financial Advisory and Intermediary Services Act, 2002 (Act No. 37 of 2002), authorised financial services providers from section 13(2)(a) of the said Act, to the extent and subject to the provisions as set out in the Schedules.



D P Tshidi,
Registrar of Financial Services Providers

EXEMPTION OF AUTHORISED FINANCIAL SERVICES PROVIDERS AS REGARDS REPRESENTATIVES

1 Definitions

In this Schedule, "the Act" means the Financial Advisory and Intermediary Services Act, 2002 (Act No. 37 of 2002), any word or expression to which a meaning has been assigned in the act shall have that meaning and, unless the context otherwise indicates-

'Determination' means the Determination of Fit and Proper Requirements for Financial Services Providers, 2006 promulgated under the Act;

'representative' means a natural person who-

- (a) is a representative of an authorised financial services provider;
- (b) is employed or mandated by the provider on or after the date determined by the Minister in terms of section 7(1) of the Act; and
- (c) does not have to the satisfaction of the provider the 'required minimum experience'; **'required minimum experience'** means the minimum experience referred to in Column Two of Table A and Column One of Table B, C and D of the Determination;

'services under supervision' means financial services rendered by a representative under the supervision of a supervisor;

'supervision' means the act of directing, overseeing and inspecting the rendering of financial services to ensure that such services are rendered in accordance with the Act;

'supervisor' means-

- (a) an authorised financial services provider being a natural person;
- (b) a key individual; or
- (c) a representative of the provider who meets to the satisfaction of the provider the relevant requirements of the Determination.

2 Objectives of exemption

Section 13(2)(a) of the Act determines that an authorised financial services provider must, *inter alia*, at all times be satisfied that a representative is in the rendering of financial services competent to act with reference to fit and proper requirements similar to those contemplated in section 8(1)(a) and (b), as set out in the Determination. The objective of this Exemption is to relieve the provider of the obligation under section 13(2)(a) as regards the minimum experience. This implies that the representative will, regarding such minimum requirement, not have to comply with the standards set for the provider.

The Registrar is satisfied that this Exemption meets the requirements of section 44(4) read with section 44(1) of the Act.

3 Extent of exemption

An authorised financial services provider is, in respect of a representative, exempted from the obligation under section 13(2)(a) of the Act regarding the required minimum experience:

Provided that in respect of a representative employed or mandated by the provider after the date determined by the Minister in terms of section 7(1) of the Act-

- (a) such representative must render services under supervision until the required minimum experience has been attained to the satisfaction of the provider;
- (b) such representative must inform clients prior to the rendering of the financial service that he/she renders services under supervision;
- (c) the provider must have procedures in place to ensure that a representative is appropriately supervised;
- (d) the provider must maintain and retain records of how the supervision of a representative is carried out, the assessments and reviews of the financial services rendered and the approvals by the supervisor;
- (e) a supervisor-
 - (i) must conduct performance appraisals and progress assessments of financial services rendered by the representative, in order to assist the representative to acquire and apply the necessary skills to render financial services;
 - (ii) must, where the representative is rendering discretionary financial services, review and approve in writing the rendering of such services prior to the conclusion or execution of any transaction; and
 - (iii) must review and assess the financial service rendered by the representative on an ongoing basis.

4 Amendments or withdrawal

This Exemption-

- (a) is subject to any amendment thereof published from time to time by the registrar in the Gazette (if any); and
- (b) remains operative until withdrawn in like manner.

5. Short title and commencement

This exemption is called the Amendment Notice of the Exemption of Authorised Financial Services Providers as regards Representatives, No. 1 of 2008 and comes into operation on publication thereof in the *Government Gazette*.

BOARD NOTICE 566 OF 2008**FINANCIAL SERVICES BOARD****FINANCIAL ADVISORY AND INTERMEDIARY SERVICES ACT, 2002
(ACT NO. 37 OF 2002)****DETERMINATION OF FORM OF EXTERNAL AUDITOR'S REPORT (SECTION 19(3) OF THE ACT)**

In terms of section 19(3) of the Financial Advisory and Intermediary Services Act, 2002 (Act No. 37 of 2002) ("the Act"), I Dube Phineas Tshidi, Registrar of Financial Services Providers ("the Registrar"), by this notice and its schedule, determine the form and manner in which the report referred to in section 19(3) of the Act ("section 19(3) auditor's report") must be submitted, and the following matters regarding thereto:

- (a) If the provider's financial year end is after 30 June 2008, such provider must submit a written section 19(3) auditor's report to the Registrar conforming to the report in the schedule, simultaneously with the financial statements referred to in section 19(2) of the Act.
- (b) If the provider's financial year end is before or on 30 June 2008, such provider must submit a written section 19(3) auditor's report conforming to the report in the schedule, or conforming to the report determined in the Determination of Form of External Auditor's Report (Section 19(3) of the FAIS Act), 2005, simultaneously with the financial statements referred to in section 19(2) of the Act.
- (c) Where report options are granted in the wording of the schedule, or a non-applicable section appears therein, the non-applicable option or section must be deleted and initialled;
- (d) Any additional comments which the auditor wishes to make must be attached in separate signed attachments;
- (e) In this notice and the schedule, unless the context indicates otherwise –
 - (i) any word or expression shall have the meaning that it was assigned in the Act;

- (ii) "General Code of Conduct" means the General Code of Conduct for Authorised Financial Services Providers and Representatives, 2003, as published by Board Notice No. 80 of 2003 in *Gazette* No. 25299 of 8 August 2003;
- (iii) "Provider" means an authorised financial services provider.

This Determination is called the Determination of Form of External Auditor's Report (Section 19(3) of the Act), 2008, and comes into operation on the date of publication thereof in the *Gazette*.

A handwritten signature in black ink, appearing to read 'D P TSHIDI', is written over a horizontal line. A vertical line is drawn to the right of the signature.

D P Tshidi
Registrar of Financial Services Providers

SCHEDULE

Report to the Registrar of Financial Services Providers in terms of section 19(3) of the Financial Advisory and Intermediary Services Act, 2002 (Act No. 37 of 2002) (“the Act”) by an external auditor

Limited assurance engagement of the independent auditor of [Name of Financial Services Provider] in compliance with Section 19(3) of the Financial Advisory and Intermediary Services Act (the “Act”)

Introduction

We have agreed to perform our limited assurance engagement of (*insert the name of the financial services provider*), (“the provider”) for the year ended <*insert year end date*> in order to report to the [provider, members, partners or directors]¹ and the Registrar of Financial Services Providers (the “registrar”) in accordance with Section 19(3) of the Financial Advisory and Intermediary Services Act, 2002 (Act No 37 of 2002) (the “Act”):

- (a) Regarding the amount of money and assets at year end held by the provider on behalf of clients;²
- (b) that such money and assets were throughout the financial year kept separate from those of the business of the provider, and in the case of non-compliance, the extent thereof; and
- (c) Any other information required by the registrar³.

Provider’s Responsibility

As a provider who receives or holds money and assets, including financial products, for or on behalf of clients you are required in terms of Section 19(1)(a) to “*maintain full and proper accounting records on a continual basis, brought up to date monthly*” and in accordance with Section 10 of the *General Code of Conduct for Authorised Financial Services Providers* (the “Code”), “*must account for such products or funds properly and promptly*” as at <*insert year end date*> and throughout the financial year then ended. Section 19 of the Act, Section 10 of the Code and client mandates set out specific responsibilities of the provider. Consequently the [provider, members, partners or directors]⁴ are responsible for designing, implementing and maintaining internal financial controls relevant to the administration of such funds that will facilitate the prevention and detection of fraud and error, and establish policies and procedures to achieve compliance with the requirements of the Act.

¹ Delete whichever is “Not Applicable”

² The Registrar requires money and assets held on behalf of clients by the Provider and related liabilities or obligations at the financial year end, to be disclosed in the annual financial statements of the provider, whether included in the Notes to the Financial Statements or by way of a separate Annexure.

³ This requirement is addressed in the form of **Schedule A** and **Schedule B** attached to the Section 19(3) report to be submitted by the auditor of the provider.

⁴ Delete whichever is “Not Applicable”

Auditor's responsibility

We will conduct our limited assurance engagement in accordance with the International Standard on Assurance Engagements (ISAE) 3000, *Assurance Engagements other than Audits or Reviews of Historical Financial Information* in order to express our limited assurance conclusion and to report on instances of non-compliance based on our work performed. This standard requires that we comply with relevant ethical requirements and to plan and perform our engagement to obtain sufficient appropriate evidence to support our limited assurance conclusion and findings reported.

Our objectives are those contained in Section 19(3) of the Act and Section 10 of the Code and form the criteria to evaluate the provider's compliance. The Act and the Code do not specify an internal control framework, which provides objective criteria for assessing the design or operation of internal controls to evaluate the provider's compliance. In order to report our findings on the design and implementation of key internal controls to meet the objectives of this engagement, we will exercise our professional judgement regarding the appropriateness of the internal financial controls implemented, based on our understanding of the provider and its environment, including its internal controls, obtained during our audit of the financial statements for the year ended <insert year end date>. Our work performed is not for the purpose for expressing an opinion on the provider's internal controls.

Our limited assurance engagement is a separate regulatory requirement which does not form part of our audit of the financial statements. Consequently, we will perform such tests and procedures as we consider necessary in the circumstances to obtain sufficient appropriate evidence to express our limited assurance conclusion. It should be appreciated that in a limited assurance engagement our evidence gathering procedures are more limited than for a reasonable assurance engagement and therefore less assurance is obtained than in a reasonable assurance engagement.

Because of the nature of our limited assurance engagement, together with the inherent limitations in any accounting and internal control system, there is an unavoidable risk that some material misstatements and non-compliance with the Act and Section 10 of the Code may remain undiscovered.

Our limited assurance engagement is performed solely to assist the registrar in determining whether the amounts recorded with respect to monies and other assets held on behalf of the clients of the provider are in accordance with Section 19(3) of the Act and Section 10 of the Code.

We will request written confirmation from management concerning representations made to us in connection with our limited assurance engagement.

Other reporting responsibilities

We wish to draw your attention to Section 19(4) the Act which requires "*the auditor of a provider to report to and inform the registrar in writing of any irregularity or suspected irregularity in the conduct or the affairs of the provider concerned of which*

the auditor became aware of in performing functions as auditor and which in the opinion of the auditor is material".

Furthermore Section 45 of the Auditing Profession Act, No. 26 of 2005 requires us to report any reportable irregularity without delay to the Independent Regulatory Board for Auditors.

Restriction on use and distribution of our report

Our report is presented solely for the purpose set out in the first paragraph of our report and for the information of the provider and the registrar and may not be suitable for another purpose and is not to be used for any other purpose, nor to be distributed to any other parties.

Fees

[Insert additional information here regarding fee arrangements and billing, as appropriate]

Access to records

We look forward to full co-operation from your staff, and we trust that they will make available to us whatever records, documentation and other information are requested in connection with our limited assurance engagement.

Please sign and return the attached copy of this letter to indicate that it is in accordance with your understanding of the terms of the engagement.

Yours sincerely,

[Insert name of Registered Auditor]
[Insert name of the firm]

Acknowledged on behalf of provider:

(Signed)

Name and title

(Date)

BOARD NOTICE 567 OF 2008**FINANCIAL SERVICES BOARD****FINANCIAL ADVISORY AND INTERMEDIARY SERVICES ACT, 2002
(ACT NO. 37 OF 2002)****LIFTING OF TRI-LINEAR ASSET MANAGEMENT'S SUSPENSION**

I, German Emmanuel Anderson, the Deputy Registrar of Financial Services Providers, hereby make known under section 9(2)(c) of the Financial Advisory and Intermediary Services Act, 2002 (Act No. 37 of 2002), that I have lifted the suspension of Tri-Linear Asset Management (Pty) Ltd with effect from 23 May 2008.

This Notice is called the Notice on Lifting of Tri-Linear Asset Management's Suspension, 2008.

**G E ANDERSON**

Deputy Registrar of Financial Services Providers

BOARD NOTICE 568 OF 2008**FINANCIAL SERVICES BOARD****FINANCIAL ADVISORY AND INTERMEDIARY SERVICES ACT, 2002
(ACT NO. 37 OF 2002)****SUSPENSION OF AUTHORISATIONS**

I, German Emmanuel Anderson, the Deputy Registrar of Financial Services Providers, hereby make known under section 9(2)(c) of the Financial Advisory and Intermediary Services Act, 2002 (Act No. 37 of 2002), that I have suspended under section 9(1) and (2) of the Act the licences of the following Licensees with effect from the respective dates referred hereunder:

Licensee	FSP No.	Effective Date
Wixsam Investments (Pty) Ltd	800	23 April 2008
Maria Elizabeth Bosman t/a Bosman Makelaars	5519	5 May 2008
Tshimangadzo Musetha t/a Multi Insurance Brokers	11865	5 May 2008
Qeryan CC t/a Quality Financial Services	16631	20 May 2008
Welcome Anderson	23011	21 May 2008
Keamogetse Healthcare & Financial Consultants CC	23365	9 June 2008
JD Funeral Parlour CC	28516	10 June 2008

The terms attached to the suspension are as follows:

- (a) The Licensees are prohibited from concluding any new business;
- (b) The Licensees must inform all affected clients and product suppliers concerned that their licences have been suspended, and the Registrar must be copied with such correspondence;
- (c) The Licensees must, in consultation with clients and product suppliers concerned, take reasonable steps to ensure that any outstanding business is transferred to another licensed financial services provider in the best interest of clients, and must advise the Registrar of Financial Services Providers accordingly;
- (d) The suspension of the licensees will endure for a period of three months after the effective date, where after the Registrar will either lift the suspension if satisfied that the Licensees comply with the requirements of the Act, or withdraw the Licensees licenses under section 10 of the Act if not so satisfied.

This Notice is called the Notice on Suspension of Authorisations, No. 3 of 2008.



G E ANDERSON

Deputy Registrar of Financial Services Providers

BOARD NOTICE 569 OF 2008**FINANCIAL SERVICES BOARD****FINANCIAL ADVISORY AND INTERMEDIARY SERVICES ACT, 2002
(ACT NO. 37 OF 2002)****WITHDRAWAL OF AUTHORISATIONS**

I, German Emmanuel Anderson, the Deputy Registrar of Financial Services Providers, hereby make known under section 10(2)(a), read with section 9(2)(c), of the Financial Advisory and Intermediary Services Act, 2002 (Act No. 37 of 2002), that I have withdrawn under section 10(1) and (2) of the Act the licences of the following Licensees with effect from the respective dates referred hereunder:

Licensee	FSP No.	Effective Date
Isaac Mojalefa Nkhahle t/a Tholoana Brokers	18840	28 February 2008
Corpgen (Pty) Ltd	18562	28 February 2008
Jebus Administration CC	24347	28 February 2008
Cassandra Simoné van Tonder	21583	27 March 2008
Gabriel Petrus Botha	21630	28 March 2008
Blekinn CC t/a Highland Financial Services	17134	14 April 2008
Joy Finance Consultants (Pty) Ltd	19981	15 April 2008
Charl Wayne Holmes	21058	17 April 2008
Mario Nachley Simon t/a Simon Makelaars	5874	18 April 2008
Zita Asset Management CC	24256	5 May 2008
Howson Brokers CC t/a Howson Insurance Brokers	16915	5 May 2008
Shernol (Pty) Ltd t/a H & H Insurance Brokers	9624	5 May 2008
Dione van Rooyen t/a Dionel Insurance	12639	13 May 2008
Yvonne Ntomboxolo Ntombela	32234	16 May 2008
Kotfin Versekerings Makelaars BK	1136	29 May 2008
Rathabana Marcus Langa t/a RBT Insurance Brokers	2823	29 May 2008
Valashiya Funeral Home CC t/a Palm Ridge Funeral Home	13083	20 June 2008

This Notice is called the Notice on Withdrawal of Authorisations, No. 3 of 2008.



G E ANDERSON

Deputy Registrar of Financial Services Providers

Notice is hereby given that Board Notice 116 of 2007 in Gazette No. 30567 of 12 December 2007 is hereby repealed and replaced with the following:

BOARD NOTICE 570 OF 2008

FINANCIAL SERVICES BOARD

**FINANCIAL ADVISORY AND INTERMEDIARY SERVICES ACT, 2002
(ACT NO. 37 OF 2002)**

APPROVAL OF FOREIGN QUALIFICATION: ACI DEALING CERTIFICATE

I, Dube Phineas Tshidi, Registrar of Financial Services Providers, after consultation with the Advisory Committee on Financial Services Providers, hereby under paragraph 1 of the Determination of Fit and Proper Requirements for Financial Services Providers, 2006, approve the ACI Dealing Certificate as equivalent to a level 6 qualification with 120 credits on the National Qualifications Framework.

The approval granted may, at any time-

- (a) be amend by the Registrar by notice in the *Gazette*; and
- (b) withdrawn by the Registrar in like manner.

This Notice is called the Approval of a Foreign Qualification, 2008, and comes into operation on the date of publication thereof in the *Gazette*.



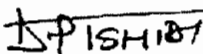
D P Tshidi,
Registrar of Financial Services Providers

BOARD NOTICE 571 OF 2008**FINANCIAL SERVICES BOARD****FINANCIAL ADVISORY AND INTERMEDIARY SERVICES ACT, 2002
(ACT NO. 37 OF 2002)****HEDGE FUND FSP RISK DISCLOSURES**

Under section 8A.2(b) of the schedule to the Notice on Codes of Conduct for Administrative and Discretionary FSPs, 2003, I, Dube Phineas Tshidi, Registrar of Financial Services Providers, hereby determine the format of the disclosure by a hedge fund FSP of the risks involved in hedge funds, and the following matters regarding thereto-

- (a) Hedge fund FSPs must in writing disclose to clients the risks and other characteristics of hedge funds as provided for in the schedule of this Notice;
- (b) Hedge fund FSPs must ensure that clients understand the risk disclosures;
- (c) The disclosures in the schedule do not cover all risks that may arise from investing in a particular hedge fund portfolio. A hedge fund FSP must therefore augment the disclosures in the schedule to include all other risks and hedge fund characteristics that are identified, and peculiar to a specific hedge fund portfolio.
- (d) In this Notice and the schedule, unless the context indicates otherwise-
 - (i) Any word or expression shall have the meaning that it was assigned in the Financial Advisory and Intermediary Services Act, No. 37 of 2002, (including any measure contemplated in the definition of "this Act" as defined in section 1(1) of the Act);
 - (ii) "short selling", means selling securities short in anticipation of being able to buy them back in the future at a lower price.

This Notice is called the Notice on Hedge Fund FSP Disclosures, 2008, and comes into operation on the date of publication of this Notice in the Gazette.



D P Tshidi
Registrar of Financial Services Provider

SCHEDULE

HEDGE FUND FSP RISK DISCLOSURES

The hedge fund FSP risk disclosures.

1. The risks and characteristics contained in this schedule and outlined immediately hereunder 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 schedule, then such risks and characteristics will, as they become prevalent, be included herein.

1.1 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.

1.2 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.

1.3 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.

1.4 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.

1.5 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.

1.6 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.

1.7 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.

1.8 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.

1.9 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.

1.10 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.

1.11 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.

1.12 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

2.1 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 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.

2.2 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.

2.3 Fees might be high

Hedge fund structures fees may be significantly higher than the fees charged on traditional investment funds. Investments should be made only where the potential returns justify the higher fees.

2.4 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.

2.5 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.

2.6 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.

2.7 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.

2.8 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.
