

HEDGE FUND FSP RISK DISCLOSURES ACCORDING TO BOARD NOTICE 571 OF 2008 AS PUBLISHED IN THE GOVERNMENT GAZETTE ON 14 JULY 2008

1. The risks and characteristics contained in this schedule represent some of the more general risks and characteristics prevalent in the Black and White Truffle Funds. The list is not 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

The range of hedge funds offered by Truffle may include leverage, short-selling and short term investments. In addition, hedge fund portfolios may invest in unlisted instruments, low-grade debt, foreign currency and other exotic instruments. However, in the case of the Truffle Funds we expect the majority of investments to be in liquid, listed instruments.

- 1.2 Leverage usually means higher volatility

The range of Truffle Funds may use leverage. This means that the hedge fund manager borrows additional funds, or trades on margin, in order to amplify his investment decisions. Therefore, the volatility in the hedge fund portfolio may be much different from the volatility of the underlying investments. The degree to which leverage may be employed in the Truffle Funds is clearly set out in the mandates of the Funds and investors should review the limits carefully before making an investment decision.

- 1.3 Short-selling can lead to losses

A manager may buy a share in the hope of selling it at a higher price in the future, if the share price goes down the manager will incur a loss if he sells the share at a lower price than the original purchase price. In the same manner a manager could incur a loss by short-selling a share in the hope that the price goes down and that he can buy it back at a lower price in the future. If the share price goes up, the manager will incur a loss if he buys it back at a higher price than the original short-sell price.

- 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 and / or such information is not publically obtainable. 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.

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The Truffle Funds invest mostly in liquid, listed instruments, but where unlisted instruments are used we will use best practice and / or an independent 3rd party to value unlisted instruments. Investors should review our valuation methodology as well as ensuring that we make use of a competent administrator.

1.5 Fixed Income instruments may be low grade

Hedge fund manager may invest in low grade bonds and other fixed interest instruments. These investments are more likely to suffer from defaults. They are also more likely to have volatile valuations when the market changes its view on credit risk. The credit limits for the Truffle funds are set out in the funds' mandates and investors should review the limits carefully before making an investment decision.

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 US and / or UK shares. The portfolio will then be exposed to the risk of the Rand strengthening or the foreign currency weakening. The Truffle funds hedge out foreign currency risk when investing in currencies other than the base currency.

1.7 Complex investments may be misunderstood

In addition to the above, hedge fund manager might invest in complex instruments such as, but not limited to futures, forwards, swaps, options and contracts for difference. Many of these are derivatives that may increase volatility in the funds. Some of these could be "over-the-counter" and that may increase counterparty risk. Exotic instruments may be challenging to administer and account for properly. Investors should review our valuation methodology as well as ensuring that we make use of a competent administrator.

1.8 The client may be caught in a liquidity squeeze

Hedge fund managers may need to be able to disinvest from or close certain positions quickly and efficiently, but market liquidity is not always stable. 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. The Truffle Funds require a minimum 30 days' notice to assist us in liquidating funds for investors who want to make a withdrawal.

1.9 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. Collateral is usually provided using assets of the relevant client and consequently such collateral might be at risk if the prime broker were to default. A similar situation could occur with the custodian of the client's fund. The Truffle Funds use Rand Merchant Bank as prime broker and First National Bank as custodian.