KANAAN
ASSET MANAGERS

An Authorized Financial Service Provider

CONFIDENTIAL **RISK ANALYSER**

"If your investments and your investment portfolio are not compatible with your risk profile, fear will be your enemy."

CLIENT:

BROKER: KANAAN ASSET MANAGERS

CONTACT DETAILS:

1.) DETAILS:

1.1 Date of birth:

1.2 Occupation:

1.3 Gross Monthly Salary:

1.3 What is your marginal tax rate? ____________________

2.) PORTFOLIO STRUCTURE

I would prefer to be fully invested in South Africa	☐	Yes	☐	No	
I would prefer to be fully invested internationally	☐	Yes	☐	No	
I would prefer to have a spread of global investments (indicate % preference)	☐	Yes	☐	No	Domestic _____% International ___%
I do not feel that I have the expertise to make this decision	☐	Yes	☐	No	

3.) PRODUCT KNOWLEDGE

Have you previously invested in shares?	☐	Yes	☐	No
Have you previously invested in unit trusts?	☐	Yes	☐	No
Do you have a reasonable knowledge and an understanding of Hedge Funds?	☐	Yes	☐	No

Initial: ☐

4.) QUESTIONNAIRE

		RATING	POINTS
4.1) What is your time horizon for this investment? *See more in-depth notes on this important question a twww.kanaantrust.com*	1-2 yrs 3-4 yrs 5-7 yrs 8-10 yrs 10 + yrs	1 4 7 8 10	
4.2) How close are you to your planned retirement date? *See more in-depth notes on this important question atwww.kanaantrust.com*	Already retired 1-5yrs 6-9 yrs 10-15 yrs 15+ yrs	1 2 5 7 10	
4.3) Do you need to draw a regular income? *See more in-depth notes on this important question at www.kanaantrust.com*	Yes No	2 5	
4.4) Will you expect to draw an income from this investment within the next 3 years?	No Less than 25% Between 25% & 50% More than 50%	6 4 2 1	
4.5) How many dependants do you have?	0 1 2-3 3+	4 3 2 1	
4.6) Which age range do you fall into? *See more in-depth information on this important question at www.kanaantrust.com*	30 yrs or younger 31-40 41-50 51-65 65+	10 7 4 2 1	
4.7) During the period of the investment do you see your income: *See more in-depth notes on this important question at www.kanaantrust.com*	Increasing Remaining static Decreasing	5 2 1	
4.8) Do you have liquid funds available to deal with an emergency? *See more in-depth notes on this important question at www.kanaantrust.com*	No funds available Small amount Adequate amount	1 2 5	
4.9) What is your objective for this investment?			
4.9.1. Capital preservation over a short time horizon (returns similar to wholesale short-term rates).		3	
4.9.2. A steady income with capital preservation.		6	
4.9.3. Income and capital growth.		9	
4.9.4. Greater capital growth, with less emphasis on income.		12	
4.9.5. Long term superior growth, no concern over current income.		15	
See more in-depth notes on this important question at www.kanaantrust.com			

4.10) What is your attitude to risk?	RATING	POINTS
4.10.1. I would favour a portfolio where I would be unlikely to lose my capital, over the short term.	3	
4.10.2. I would favour a balanced portfolio that contains a mix of low & higher risk assets, but weighted more towards lower risk securities than to higher risk securities, and I am prepared to forfeit some return for that balance, over the medium term.	6	
4.10.3. I would favour a balanced portfolio that contains a mix of low & higher risk assets, but weighted more towards higher risk securities than to lower risk securities, so that I can increase the return potential, over the 5 year and longer period.	9	
4.10.4. I would favour an aggressive portfolio with a minimal element of low risk assets, where risk is managed through a generous spread of assets in order to achieve superior growth of the investment, over a 10 year and longer period.	12	
4.10.5. I would favour an aggressive portfolio with a medium to high degree to risk, with the singular goal of optimal growth, over a 10 year and longer period.	15	
See more in-depth notes on this important question at *www.kanaantrust.com*		
4.11) How tolerant are you of market volatility?		
4.11.1. I am not tolerant at all.	3	
4.11.2. I would tolerate some fluctuation but would feel uncomfortable with a loss in any one year period.	6	
4.11.3. I accept market volatility as a part of the risk of investing, but would expect to see a return over 3 years, in line with if not better than a wholesale bank investment.	9	
4.11.4. I accept the risk of loss within my investment but would expect this to be recovered over a longer period of investment.	12	
4.11.5. My investment is for the long term, and volatility is acceptable in my pursuit of long term gain.	15	
See more in-depth notes on this important question at *www.kanaantrust.com*		
TOTAL POINTS		

5.) HOW TO USE YOUR SCORE

Calculate the score by adding the applicable points on the right-hand side of the page. This score will assist in the selection of an investment portfolio, which should meet your current needs.
Please be aware that these results are based on current conditions, and that needs, and circumstances can change with time. It is recommended that an investor, preferably with the assistance of the financial advisor, considers changed circumstances, especially before substantial investment top ups or withdrawals and when necessary, revisits the risk analyser (1).

When matching your score to the correct fund, make certain that the applicable option has been selected. *(1)*
See important notes on this point at www.kanaantrust.com

Initial:

6.) ASSET CLASSES

Please indicate whether you have made investments in one of the following asset classes or have experience concerning these asset classes (the client's personal estimate of values is sufficient):
(see paragraph 5 of notes on the risk analyzer at www.kanaantrust.com)

Initial

7.) WHAT IS THE AMOUNT OF THIS INVESTMENT?

8.) WHAT PERCENTAGE IS THIS INVESTMENT OF YOUR TOTAL PORTFOLIO OF INVESTMENTS INCLUDING PROPERTY?

9.) TYPE OF INVESTMENT

If the investment needs to be PIGS compliant i.e. retirement annuities, pension or provident funds, then you are obliged to invest in funds that met the “Compulsory Contribution Guidelines” requirements. You can also, out of your own free will, invest voluntary money accordingly.

9.1) WHAT TYPE OF INVESTMENT WILL THIS BE?

Voluntary contribution fund i.e. savings ☐

or

Compulsory contribution funds are PIGS compliant i.e. Preservation fund, RA etc. ☐

Initial ☐

10) DETERMINATION OF CLIENTS RISK LEVEL (note the percentage and make a ✓ next to the total points score)

	VOLUNTARY CONTRIBUTIONS PERCENTAGE AS SHOWN IN PAR. 8 ON PG 5: %			
		← **TOTAL POINTS OF CLIENT AS ON PG 3, PAR 4:**		
✓	***POINTS*** ***82***	***RISK LEVEL***	***INVESTMENT CATEGORY AND NAME OF FUND***	***RECOMMEDED PERCENTAGE OF PORTFOLIO (1):*** Your intended investment as a percentage of your total investment portfolio as shown in paragraph 8, pg 4 **should not be more** than the recommended % shown below.
	18-30	1. Very low	Money Market	Equity investments carry too high a risk for this client, and a money market or income fund is recommended.
	31-48	2. Low	Conservative: Insured Investments	Up to 40% of clients assets can be invested in risk level 2 (low) and higher funds.
	49-66	3. Medium	Moderate: Prudential Variable Equity Funds (XMB)	Up to 60% of clients assets can be invested in risk level 3 (medium) and higher funds.
✓	67-85	5. Medium to High	Aggressive: Flexible Funds (XMF)	Up to 100% equity.
	85+	6. High	Fledgling: Flexible and Sector Specific Funds	Up to 100% of clients assets can be invested in risk level 6 (high) and higher funds.

(1) This recommendation is just a guideline. The client's academic background, relations with spouse and family, financial situation and comprehension of the product should also be taken into account.

(2) See Risk Levels and Investment Strategies of Investments as at 01/08/2009 (Page 6)and see XMF wrap and XMF FOF Fund Factsheets (page 7 and 8) and name of preferred fund:...

SPECIAL INSTRUCTIONS: ____

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	COMPULSORY CONTRIBUTIONS PERCENTAGE AS SHOWN IN PAR. 8 ON PG 5: %			
		← **TOTAL POINTS OF CLIENT AS ON PG 3:**		
✓	***POINTS***	***RISK LEVEL***	***INVESTMENT CATEGORY AND NAME OF FUND***	***RECOMMEDED PERCENTAGE OF PORTFOLIO:*** Your intended investment as a percentage of your total investment portfolio as shown in paragraph 8, pg 4 **should not be more** than the recommended % shown below.
	18-30	1. Very low	Money Market	Equity investments carry too high a risk for this client, and a money market or income fund is recommended.
	31-48	2. Low	Conservative: Insured Investments	Up to 25% of clients assets can be invested in risk level 2 (low) and higher funds.
	49-66	4. Medium	Moderate: Prudential Variable Equity Funds (XMB)	Up to 50% of clients assets can be invested in risk level 3 (medium) and higher funds.
	67+	5. Medium to High	Aggressive: Flexible Funds (XMF)	Up to 75% of clients assets can be invested in risk level 5 (medium to high) and higher funds.

(1) This recommendation is just a guideline. The client's academic background, relations with spouse and family, financial situation and comprehension of the product should also be taken into account.

(2) See Risk Levels and Investment Strategies of Investments as at 01/08/2009 (Page 6)and see XMF wrap and XMF FOF Fund Factsheets (page 7 and 8) and name of preferred fund:...

SPECIAL INSTRUCTIONS: ____

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→ **CLIENT SIGNATURE: ________________ DATE: ___________ REVIEW DATE:**

____________ X/ADMIN/STANDARD FORMS/RISK ANALYSER

Risk Levels and Investment Strategies of Investments as at 1/08/2009 (Get a more detailed explanation at www.kanaantrust.com)

	Risk Levels	1. Very Low	2. Low	3. Low to Medium	4. Medium	5. Medium to High	6. High
	Features						
1	**Goals**	Protect only nominal capital	Outperform cash with low volatility		Growth above inflation		High growth above inflation
2	**Expected Returns**	Usually lower than inflation after tax	Above inflation +2% per year		Above inflation + 4% per year, partially tax free		Above inflation + 6% per year, partially tax free
3	**Period for Review (2)**	Daily	12 Months		3 years and longer		5 years and longer
4	**Comfort zone (volatility of performance)**	No surprises except for inflation and tax	Protect only nominal capital over 12 months		Negative and positive periods over the medium term		Huge highs and lows in share markets which can continue for an uncomfortably long period
5	**Influence of general investment markets (especially shares)**	Interest rates, tax and inflation have the largest influence	Marginal influence		**Large correlation:** better managers fall ±50% of the fall in the market		Up and down with the markets: better managers fall ±90% of the fall of the markets
6	**Returns over 12 months**	1. 9%	2. 11%	3. -11.47%	4. -16%	5. -18.2%	6. -30%
7	**CAR over 3 years**	8.3%	10.6%	5.3%	5.1%	4.6%	3.8%
8	**CAR over 5 years (1)**	5.6%	6.4%	16.86%	16.9%	18%	21.6%
9	**Category Names of funds**	Money Market	Insured investments	Prudential Variable Equity Funds (KMB)	Prudential Medium Equity Funds (MG)	Flexible Funds (KMF)	Flexible Funds and Sector Specific Funds

(1) CAR is the compounded annualized net of cost return.

(2) **The period under review** will usually influence the risk level of funds as shown in the features row of real return over 12 months, 3 years and 5 years. During or directly after a share market crash, risk levels 1 and 2 funds, will usually outperform the risk level 4 to 6 funds, but over the longer terms, the latter mentioned funds usually become less risky over time and eventually even less risky than the risk levels 1 and 2 funds, as shown in features row 8. An investment in Anglo America, a risk level 6 share over the short term, but already invested just before the 1929 crash, nevertheless outperformed all the available guaranteed interest bearing risk levels 1 and 2 funds hands down, after inflation and tax up to date, taking into account all the other major crashes namely 1929, 1969, 1987, the Far East Pacific Crash of 1998 and the Credit crunch crash of 2008. A client who knows that he may need all, or a major portion of his investment within 2 to 3 years, should rather invest in a risk level 1 or 2 fund. Risk levels 4 to 6 funds usually perform better than hedge funds during a bull market.

(3) Moriah Global is not properly comparable, because Hedge Funds d not correlate with the ups and downs of the markets. The risks of Moriah Global is similar to that of KFHF, except for the fact that drastic Rand appreciation can be a risk for South Africans.

(4) KFHF (Kanaan Fund of Hedge Funds) is not properly comparable, but has shown a risk level of between 2 and 3 over the past 5 years, with a high CAR of 24.62% over 5 years compared to the low CAR of 6.4% and 16.89% in that category, because better **hedge funds do not correlate with the ups and downs** of the markets as seen in the year to year returns on the fund factsheets (see the KFHF factsheet). See the risk disclosure document – "terms and conditions".

(5) The rates of returns in features rows 6 to 8 of risk levels 1 to 6 are actual historic returns of funds as mentioned in features row 9.

Initial:

Emotions can cloud our decision-making

INSIDER CHRONICLES

ADRIAN MEAGER
Head of Asset Management, Warwick Wealth

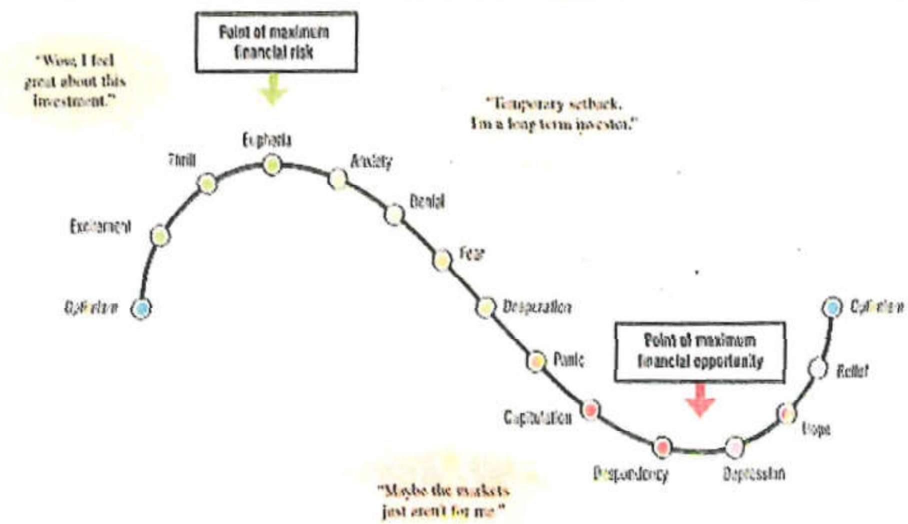
Taming the emotional roller coaster of investing

All markets go through different cycles that create different psychological effects on investors. At the top of the investment cycle, investors feel exuberance and euphoria about the returns they are achieving. However, this is usually followed by a sense of fear and despair when the cycle begins to decline with returns slowly turning into losses.

Why does this happen? One reason is simply because some investors do not fully understand the risks associated with investing and are therefore captive to their emotions, with fear and greed causing them to sell low and buy high. Emotions can cloud our decision-making and prevent us from acting in a rational way. By understanding the range of emotions we experience as investors, however, and the way these affect our decision-making, this can help tame the emotional roller coaster of investing.

The graphic and cycle depicts the psychology of investment during turbulent times:

- **Optimism** - a positive outlook on the market leading to an investment being placed
- **Excitement** - the initial value of our investment increases and we have complete confidence; with this confidence we invest more funds
- **Thrill** - the investment value continues to increase and we start to feel very clever about our decision
- **Euphoria** - this is the point of maximum gain and maximum financial risk with markets flying too high to be sustainable
- **Anxiety** - the market pulls back somewhat with the investment value declining. Here we need to remind ourselves we are long-term investors
- **Denial** - the market continues to decline and we consider selling, however we hope for a short-term improvement in values
- **Fear** - this is a normal reaction to the market declining as we believe our investment will never increase in value again
- **Desperation** - we start to look for any solution to try to reverse the losses
- **Panic** - we are now floundering and feeling completely helpless, selling the investment in panic and locking in the losses
- **Capitulation** - after selling the investment we wonder why we did not sell it sooner
- **Despondency** - we decide to never invest again as investing is not for us. This is often the moment of greatest financial opportunity to invest
- **Depression** - we start to analyse what went wrong and ask why we invested
- **Hope** - we ask is the market stabilising, realising markets move in cycles. We start to analyse new investment opportunities
- **Relief** - the investment turns positive again and we regain our faith in investing as markets recover further.



We are now back where we started, optimism, as our emotions have gone through the full investment cycle.

It's all about discipline. Should we succumb to the emotional roller coaster of investing, we will undoubtedly end up with diminished wealth. Understanding that we may never truly conquer our inherent emotional biases, we should rather understand the emotions experienced and how we react to each stage as an attempt to tame the emotional roller coaster called investing. So remember; when the market comes down next time, don't overreact because it