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## RETENTION FUNDS - QUESTIONS AND ANSWERS

**Purpose of this Q&A**

This Q&A is provided to help investors understand retention funds, often referred to as "side pocket funds".

If investors have further questions or require additional information, investors are urged to contact their financial advisor, MiPlan or the IPMC Client Services Team on the respective contact details below.

**What are retention funds and how do they work?**

Side-pocketing is the process of separating and transferring an asset out of the main fund and allocating it to a separate newly created retention (side pocket) fund. This may be as a result of the asset being illiquid or its value not being readily, prudently, accurately or realistically determinable in the prevailing circumstances.

A side-pocketed asset of the retention fund is not lost to investors, just transferred to the newly created retention (side pocket) fund – this side-pocketed asset or its value is not written off or written down, just ring-fenced in the newly created retention (side pocket) fund.

Adding or aggregating the two funds together, that is the main fund and the newly created retention (side pocket) fund, means investors retain 100% of their investment.

The main fund will continue to trade, receive contributions, pay out withdrawals and earn interest as it always has.

Side-pocketing is not considered a reduction in value.

**Why are retention funds necessary?**

Where an asset is or may be affected, it could affect the ability of a fund to realise the asset, at all or at a reasonable price, in order to meet investor redemptions. Where an asset cannot be valued accurately the risk arises that prices for subscriptions or redemptions will not be accurately reflected resulting concentrative or dilutive effects for investors entering or exiting the fund. The creation of a side pocket allows for the continued issue and redemption of units in the liquid pool while reducing the foregoing pricing risk.

Accordingly, the main aim and objective of side-pocketing is the protection of investors, both existing and new, whether exiting or investing in the main fund.

Existing investors will not be prejudiced by other investors making withdrawals or redemptions and leaving the remaining investors with a greater share of the side-pocketed assets.

New investments will not be exposed to or have any interest in any of the side-pocketed assets.

**Can investors redeem their units in the newly created retention (side pocket) fund?**

Investors will not be able to redeem their units in the newly created retention (side pocket) fund until or unless circumstances change, such as the side-pocketed assets being realised.

**Do side pockets come with FSCA Approval?**

Side pockets or retention funds are and must be approved by the Financial Sector Conduct Authority. This is in line with international best practice and the Collective Investments Schemes Control Act, 2002 (Act No. 45 of 2002), as amended, and the various Board Notices published thereunder from time to time.

**Contact details**

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