

Partnership Agreement for Heridity Token Investment Fund



HRIH Investments Heridity Cyber Investment Funds

Principals and Practices of the Financial Management of HRIH Investments' Heridity Cyber Asset Products.



06/02/18 Company Registration Number 2015 / 036585 / 07

These products had been developed in consultation with the FSB, South Africa. They are legally within the framework of the FSB and SARB requirements and status of cyber assets (cryptocurrencies). We have tested all products and guarantee 100% operability and functionality. We ensure that all risks had been assessed and counter acted, though risks still exist in the products due to market volatility. We can not influence asset / market performance. Do not invest money that you can not afford to lose.

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Client Summary

Heridity Cyber Asset Portfolio

This document summarises how HRIH Investments manages its cyber assets, and explains where and how we invest, how we smooth and what bonuses we declare. It focuses on the management of the pooled investment portfolio and not on all the finer details of the different policies.

HRIH Investments follows the obligations stated in the policy contract and complies with any legal and regulatory requirements. If there are any differences between this summary document and the policy contract and legal requirements, the contracts and legal requirements will be considered final and correct.

What are discretionary participation products?

These are products that rely on the ability of the company to use its discretion (decide what is in the best interest of the investor) to manage them with regards to investment, smoothing and bonus declaration.

Managing discretionary partition products requires trust between investors and HRIH Investments. HRIH Investments takes decisions that are in the best interest of investors and the sustainability of the portfolios. Sustainability of the portfolios means that HRIH Investments will use and invest the investors' money / cryptocurrencies wisely.

What is a CyberAsset bonus portfolios?

A CyberAsset bonus portfolio is an investment in which your money / cryptocurrency is pooled

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with other investors' funds. The returns to policyholders are “evened out” over a number of years. This means that bonuses paid in one year may be higher or lower than the actual investment returns in the cryptocurrency market.

How does a CyberAsset portfolio work?

HRIH Investments invests the pool of money / cryptocurrencies contributed by you and other investors in suitable cyberassets such as Heridity cyber tokens, Bitcoin, Bitcoin Cash, Ethereum, Waves, DashCoin, LiteCoin, ZCash and Monero and we manage the portfolio for all the investors. The actual investment returns in the market earned on the pool of cyberassets may vary from year to year, and may sometimes even be negative.

HRIH Investments divides the evened out bonus portfolio's returns to policy holders by a process known as a bonus declaration. HRIH Investments declares cyber asset bonuses (Heridity tokens) that are more stable than the actual investment returns in the cryptocurrency market, which is why the bonuses we pay within a given year (Heridity tokens) are likely to be higher or lower than the actual investment returns in the cryptocurrency market in the same year.

Who should invest in a evened out bonus portfolio?

An evened out bonus portfolio is a suitable choice for investors who are looking for long-term (more than five years) growth on their investments, and who also want protection against sudden and unpredictable changes in the cryptocurrency market.

How does evening out affect my policy?

Your policy has an investment account that works similarly to a bank account. Your investment

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account balance grows as you pay your premiums. It also grows with the bonuses that HRIH Investments declares.

What are the guarantees?

On some types of investments, HRIH Investments guarantees a minimum payout when your investment reaches its end date as stated in your investment contract, or when it matures. When your investment matures, you will receive the higher amount of your investment account and the guaranteed maturity value. Your investment contract explains the guarantees that apply to your investment.

How does evening out affect my payout?

HRIH Investments pays you the benefits from your investment if you were to die or to retire, or when your investment matures. Because of evening out, the payout may be higher or lower than the market value of your investments tokens in the cryptocurrency portfolio at the time. This will work in your favour if the cryptocurrency market is down, but it may be less favourable to you if the cryptocurrency market has performed well before the payout.

What will happen to investment account if I decide to cash it in before the end date or retire early?

Your payout may be subject to a market value adjustment, or MVA (see below), which means that the money in your investment account will be reduced. You will also be charged an “early termination” fee, in line with the South African law. Please speak to your adviser for more information about the early termination fee.

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What is market value adjustment?

When markets are down, the value of the assets in the pooled evened out bonus portfolio is often lower than the value of all the investors' investment accounts that share in the pool. If this is the case, we may reduce the investment accounts of investors who cash in their investments early by a market value adjustment, or MVA.

If HRIH Investments did not reduce the investment accounts by the MVA of those investors who cancel their investments early, these investors would receive more than the actual value of their investments at the time. This would mean that the investors whose investments stay invested would receive lower bonuses in the future., which is not fair to those investors.

An MVA will not apply to a contractual claim in the event such as death or maturity.

How does HRIH Investments decide on the bonuses to declare?

Depending on the economy outlook and interest rate forecasts, HRIH Investments decides what a long- term, sustainable level of bonus would be. We may use returns that were earned in previous years, but which have not been distributed as bonuses, to increase the bonus rate in the current year or in the future years. Similarly, we may hold back part of the returns earned in the current year and use these to increase bonuses in the future years.

When we declare bonus rates, different groups (called a bonus series) of investors may receive different bonuses. The bonus series that your investment falls into depends on when you took out your investment, the type of investment (for example whether it is an endowment or a retirement annuity), the fee structure and the tax treatment of your investment.

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The Board of Directors declares bonus rates based on advice from the Statutory Actuary.

When are bonuses declared and applied?

HRIH Investments declares bonuses once a year shortly after the end of its bonus year. The date on which bonuses are declared is called the declaration date. HRIH Investments applies the bonuses retrospectively for the bonus year just completed up until the declaration date.

The payment date for benefits to your investment often is not the same as the declaration date. For this reason, HRIH Investments adds an interim bonus to your investment account from the last declaration date to the date of the claim event (e.g. death, surrender, maturity or retirement) to make sure that your policy also receives the benefit of investment returns since the last bonus declaration. We can revise the interim bonus rates during the year.

Can bonuses be taken away?

HRIH Investments declares two bonuses each year: a total bonus and a vesting bonus.

The vesting bonus applies to the vesting fund and cannot be taken away, regardless of what might happen to the assets in the portfolio in the future. The non – vesting bonus is the difference between the total bonus and the vesting bonus, This is the portion that HRIH Investments can take away. Therefore, if the value of the cyber assets in the evened out bonus portfolio drops significantly, and the investment returns in the market are unlikely to recover soon, HRIH Investments may take the away part or all of the non-vested bonuses to protect the portfolio and make sure all investors are treated fairly. But this only happens in extreme cases.

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How are the underlying cyberassets invested?

HRIH Investments' management subsidiary, Heridity Cyber Tokens, manages the assets of the portfolio. Heridity Cyber Tokens invests the pool of money / cryptocurrencies in a balanced portfolio of different cyberassets to make the most of the expected returns, while at the same time limiting the risk of a large drop in the value of assets.

How can I get more information?

You can view more detailed information available in our WhitePaper and Product information which are both available on our temporary website at

<http://hrihinvestments.wixsite.com/hrihinvestments> or our main website at

<http://hrihinvestments.org.za> or request it from your financial adviser or from our head office.

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