

# **The Lucri Alpha Investment Plan**

Retain ultimate control over your funds. Enjoy 100% transparency around the clock.

Keep 80% of growth above market index (Alpha). Invest in SA or USA markets.

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## **Basic Concepts**

### Ownership of funds

The investor will retain ownership and ultimate control over all investments made. The funds will be placed in an online share trading account registered by the investor and linked to the investor's bank account alone. All investments will be registered in the name of the investor. Funds in the online share trading account can only be transferred to the bank account of the investor.

The investor can add to or withdraw funds from the online share account at any time so desired, limited to four deposits/withdrawals per annum. The investor need to inform Lucri Alpha via SMS or telephone call about the deposit/withdrawal without delay – on the day that the deposit/withdrawal occurred. The amount of units will then be adjusted accordingly (see section "Unit trust approach").

The investor can terminate the agreement with Lucri Alpha simply by changing the logon password for the online share trading account.

### Transparency

The investor will be able to enter his/her own online share trading account and monitor the performance of the portfolio at any time. Most online share trading accounts can be set up to send an SMS to the investor, informing him/her of all share transactions in the account. In this way, the investor will always have immediate knowledge of the transactions that Lucri Alpha will be executing in the account.

### Unit trust approach

Lucri Alpha will manage the share account as a unique and separate "unit trust" for the investor. At the commencement of the account, after cash had been transferred to the share account, 1000 units will be issued where the value of each unit will be equal to one thousandth of the value of the cash funds. Thereafter, the value of the units will be determined by the total value of the share trading account at the end of each trading day. The closing prices of the shares in the portfolio at the end of the trading day plus the cash value in the account will be used to determine the unit value for that day.

New units will only be issued when additional funds are transferred into the share trading account. Units will only be reduced when funds are withdrawn from the share account. The value of the units

directly before and after new fund deposits or withdrawals will stay constant, only the number of units will change.

When funds are deposited or withdrawn from the share account, Lucri Alpha needs to be informed that same day via SMS or telephone call to enable the timely adjustment of unit numbers as described above. Contact details will be provided when a potential investor contacts [info@lucris.co.za](mailto:info@lucris.co.za).

### Performance evaluation and fees

Once a year, on the last trading day of February, the value of the units will be evaluated against the all share index minus costs plus dividends for the corresponding period. The management fees associated with the Satrix 40 will be used as a cost base for the all share index. The Standard and Poor 500 index plus dividends minus costs will be used for investments in the USA.

Alpha is being defined as the difference between the growth in the unit price and the growth of the all share index plus dividends minus costs. Alpha will be positive when the growth in the unit price exceeds that of the index. Alpha can therefore be positive or negative.

As the value of the units will be measured after costs and dividends accrued in the share account, we are comparing apples with apples.

Lucri Alpha will claim one fifth (20%) of the positive Alpha, once per annum.

In the event that Alpha is negative, no fees will be payable and the Alpha will be monitored annually on the last trading day of February until a catch-up in performance occurs on a cumulative basis. Only when a positive Alpha is attained, Lucri Alpha will be able to claim 20% of the positive Alpha on the last trading day of February.

The measurement base will be increased with the 80% of positive Alpha that is retained by the investor. This will ensure that the investor only pay once for every rand or dollar of positive Alpha being generated.

Invoices for 20% of the positive Alpha will be issued once per annum. The investor can withdraw funds from the share account to pay the invoice. (Invoices are needed as Lucri Alpha will not be in a position to collect the performance fee from the account.)

The deposit will only be forfeited in the unlikely event that the invoice does not get paid after communication and/or a period of three months. In this scenario, Lucri Alpha reserves the right to end the agreement by requesting the investor to change the logon password.

If the all share index shows negative growth at the time of evaluation and the investor's portfolio under Lucri Alpha's management also shows negative growth but to a lesser extent, positive Alpha is still generated and the investor will be invoiced accordingly.

<b>All share index (Satrix 40 cost basis)</b>	<b>Lucri Alpha</b>
Management fees: 0.45% ( <a href="#">reference</a> )	Management fees: None
Admin fees: 0.70% ( <a href="#">reference</a> )	Admin fees: As per broker (reflected in unit price)
Transaction fees: None	Transaction fees: As per broker (reflected in unit price)
Dividends: As officially reported by media	Dividends: As reflected in unit price
Capital growth: As officially reported by media	Capital growth: As reflected in unit price
<b>Net all share index growth:</b>  Capital growth + Dividends - Fees	<b>Net Lucri Alpha growth:</b>  As reflected in unit price
<b>Alpha = Net Lucri Alpha growth – Net all share index growth</b>	
<b>Lucri Alpha performance fees: 20% of positive Alpha</b>	

### Formal reporting

Lucri Alpha will report once per annum for the year ending 28/29 February, but the investor can inspect the trading account as often as needed to get a status update.

Monthly statements from the broker will be issued to the investor, not to Lucri Alpha. The responsibility to declare capital gains for tax purposes (and all future tax types) will rest with the investor as the account will be in his/her name.

Lucri Alpha will keep record of the total number of units as well as the annual unit prices and the all share index plus dividends minus costs.

## **Getting Started**

### **Step 1: Open online share trading account**

The investor opens a dedicated online share trading account and connects his/her own bank account to this trading account. The funds will therefore always be under the full control and ownership of the investor. Lucri Alpha does not take ownership of any funds and will not be in a position to draw any funds from the share trading account. The brokerage firm can only pay funds directly into the bank account of the investor. The investor need to select the dividend re-investment option (no dividends to be automatically paid out from the account) to enable the annual comparison with the investment benchmark (all share index plus dividends minus cost).

The online share trading account can be opened in South Africa with any brokerage firm of the investor's choice (see Suggestions section for recommendations in this regard) or in the USA. For the USA, Charles Schwab is preferred as the brokerage firm. Non-US citizens will need a passport in order to open an account with Charles Schwab.

From the USA, international investments can be made in other countries.

### **Step 2: Transfer funds**

The investor transfers funds into his/her own online share trading account. A minimum of R 200 000 will be needed to enable Lucri Alpha to create a balanced portfolio. This is negotiable, please contact us for more information.

### **Step 3: Provide account access details**

The investor provides the Username and Password of the account to Lucri Alpha for the purpose of managing the portfolio.

### **Step 4: Pay deposit**

The investor is required to pay a deposit of 1% to Lucri Alpha on all introductions of capital into the brokerage account. This deposit will be refunded at the end of the investment period. The deposit will be claimed in the event that an invoice from Lucri Alpha does not get paid (see section "Performance evaluation and fees").

### Step 5: Monitor performance

The investor will receive a monthly statement from the broker. The investor is also free to inspect the trading account at any time by logging in.

### Step 6: Pay invoices

In the event that a positive Alpha has accrued at the end of February, an invoice will be issued to the investor for 20% of the accrued Alpha.

## **Terms and Conditions**

### Share trading account housekeeping

The investor can log into his/her own online share trading account for purposes of tracking the status, but NO TRANSACTIONS may be performed by the investor on an account that is under the direct control of Lucri Alpha – two housewives in one kitchen just doesn't work :-). In this way, Lucri Alpha will stay fully accountable for the investment performance of the account.

Obviously, the investor can always open another account if he/she develops the need to perform transactions themselves.

If transactions are done by the investor on an account that is placed under the management of Lucri Alpha, Lucri Alpha may decide to terminate the arrangement with the investor (see section "Termination").

### Termination

The investor can terminate the agreement with Lucri Alpha simply by changing the logon password for the online share trading account and paying an invoice relating to the accrued Alpha at that point in time.

Lucri Alpha can terminate this arrangement by stopping all transactions on the account and informing the investor of this decision. The investor will be invoiced for accrued positive Alpha up to that point. The investor agrees to change the password on the account under these circumstances to prevent any trades on the account by Lucri Alpha. After informing the investor that all transactions will be stopped, Lucri Alpha will not accept any further accountability for the investment success of the account.

## **Comments**

Lucri Alpha follows a value investment philosophy based on the legacy of Philip Fisher and Benjamin Graham. An active, thorough fundamental analysis combined with low trading activity is a typical trait of this philosophy. Accordingly, investors should not expect to see a great deal of trading activity on their portfolios. The intent will not be to create value via speculation. A long-term, conservative approach will rather be followed to optimise risk and reward.

## **Suggestions**

### SA online share trading brokers

Bank associated brokerage accounts are usually cheaper than dedicated brokerage services and fully sufficient for the purposes of maintaining a portfolio under management of Lucri Alpha.

[Standard Bank Online Share Trading](#)

[Absa Bank Online Share Trading](#)

[Sanlam iTrade](#)

[BoE Private Clients](#)

### USA online share trading brokers

[Charles Schwab](#)

## **Contact details**

For general enquiries or further details please contact [info@lucri.co.za](mailto:info@lucri.co.za).