



Investec Specialist Investments (RF) Limited

Conflicts of Interest Management Policy

January 2017



CONFLICTS OF INTEREST MANAGEMENT POLICY

Document Information

Application principal risk:	Regulatory
Principle risk owner:	Chief Executive Officer
Effective date:	1 October 2016
Review date:	1 October 2017
Policy coordinator:	ICIB Compliance Department
Approved by:	Board of Directors of ISI
Adopted by:	Board of Directors of ISI
Approval date:	February 2017



CONFLICTS OF INTERESTS POLICY

Table of Contents

1. Pre-amble	4
2. Introduction	4
3. Purpose of this Policy.....	5
4. Application of this Policy	5
5. Mechanisms through which ISI identifies and manages actual or potential Conflicts of Interest.....	5
6. Guidelines in relation to Financial or Ownership Interests	8
7. Monitoring	9
8. Consequences for non-compliance	9
9. Training	9
10. Acceptance and Publication of the Conflicts of Interest.....	9
11. Appendix 1: Definitions	10
12. Appendix 2: Third Party interests	12



1. Pre-amble

Investec Specialist Investments (RF) Limited (“**ISI**”) is registered as the manager of the Investec Specialist Investments (QI) Scheme (“**ISI QI**”).

From a regulatory perspective ISI can perform the role of investment manager for funds hosted on the ISI QI. Therefore ISI will adopt this Conflict of Interest Management Policy.

Board Notice 80 (“**BN80**”), of the Financial Advisory and Intermediary Services Act 2002, deals with the essential components relating to the general code of conduct for authorised financial service providers (“**FSPs**”). It is the duty of the FSP to, at all times, render financial services honestly, fairly, with due skill, care and diligence, and in the interests of clients and the integrity of the financial services industry.

Paragraph 3 of BN80 specifies the duties on an FSP. Paragraph 3(b) in BN80 states that:

“A provider (FSP) and a representative must avoid, and where this is not possible mitigate, any conflict of interest between provider (FSP) and a client or the representative and a client.”

The Conflict of Interest Management Policy has been drafted to address the above components.

2. Introduction

- 2.1 A Conflict of Interest exists when one party’s act, or omission to act, is beneficial to itself while simultaneously negatively impacting another. The negative impact can be either a monetary loss, less gain than should have occurred or the exposure to a risk that didn’t exist or is increased as a result of the act, or omission to act. A Conflict of Interest may occur in the provision of an investment service or an advisory service. A Conflict of Interest may be recognised (actually identified) or potential (conceivable).
- 2.2 Conflict of Interest situations that could prejudice a client may take a variety of forms, irrespective of whether or not the actions or the motivations of the company or employees involved are intentional.
- 2.3 The General Code of Conduct for Financial Services Providers and Representatives published in terms of the Financial Advisory and Intermediary Services Act No. 37 of 2002 (“**FAIS**”), requires every FSP to adopt, implement and maintain a Conflict of Interest Management Policy.
- 2.4 Although Investec Specialist Investments (RF) Ltd (“**ISI**”) is not a FSP, it recognises that all employees and Associates must perform their duties independently and act in the best interests of ISI’s existing and potential clients (“clients”) and is thus adopting the principles set out in FAIS as they relate to Conflicts of Interest.
- 2.5 ISI has introduced reasonable mechanisms to identify Conflicts of Interest:
 - 2.5.1 between itself, Employees and clients; and
 - 2.5.2 between different clients.



- 2.6 In considering potential Conflicts of Interest, ISI considers (i) the structure and business activities of ISI; and (ii) any proposed new business activities.
- 2.7 ISI is obliged to render unbiased and fair financial services to clients. Accordingly, it must take all reasonable steps to avoid any business activities and/or practices that may create Conflicts of Interest between ISI and employee interests, and the interests of clients. In the event that it is not possible to avoid a Conflict of Interest, ISI will take all reasonable steps to mitigate the impact as well as appropriately disclose any such Conflict of Interest to clients.
- 2.8 The Conflict of Interest Management Policy addresses the principles as they apply to all stakeholders and conflict of interest situations. The procedures and processes of ISI will address conflicts as they may occur and apply the appropriate prevention, monitoring and reporting for each of its business activities.
- 2.9 Defined terms not otherwise defined herein are listed in Appendix 1.

3. Purpose of this Policy

The purpose of this Conflicts of Interest Management Policy is primarily to provide mechanisms for the identification and management of Conflicts of Interest that may arise in the rendering of financial services to clients.

4. Application of this Policy

This Conflicts of Interest Management Policy applies to all Employees and must be read together with the related policies listed below (which form part of the Investec Corporate and institutional Banking Compliance Manual), some of which reflect specific categories of Conflicts of Interest:

- 4.1 Gifts and Inducements;
- 4.2 Outside Interests and Personal Account Trading;
- 4.3 Insider Trading;
- 4.4 Code of Ethics and Conduct;
- 4.5 Best Execution;
- 4.6 Whistleblowing

5. Mechanisms through which ISI identifies and manages actual or potential Conflicts of Interest

- 5.1 ISI will always attempt as far as possible to manage any identified Conflict of Interest by imposing actions designed to mitigate the risk of any of its clients receiving unfair treatment. These policies of mitigation will not only consider the treatment of client interests in relation to the interests of ISI and its Employees, but also treatment between clients.
- 5.2 ISI has implemented mechanisms for the identification of Conflicts of Interest. These include:



- 5.2.1 Internal guidance to Employees and training on Conflicts of Interest – ISI expects Employees to act independently in the face of an identified Conflict of Interest that may arise between ISI and Third Parties or between ISI and its clients and/or between clients. This requires that the Employees:
- be competent to identify conflicts that may arise in the conduct of their normal work responsibilities;
 - desist from treating a client in a manner that unfairly favours or prejudices that client based on specific information held about the company or another client; and
 - promptly notifies the Compliance Department where there is any uncertainty as to the existence of a perceived conflict or as to how to deal with a conflict.
- 5.2.2 Record keeping and employee obligation to report conflicts arising – ISI requires all Employees to report, in the prescribed format, identified Conflicts of Interest to the Compliance Department. The Compliance Department together with the executive, will give due consideration to the circumstances on a case by case basis, before determining if it is in fact a Conflict of Interest and how best to manage it. The Compliance Department will seek to promptly respond to the Employee from whom the notification originated. Occurrences recognised by the Compliance Department to represent Conflicts of Interest over and above those stated herein will immediately be reported to the executive.
- 5.2.3 In instances where ISI or any of its approved portfolios may purchase, package, distribute, supply or receive services from Investec Bank Limited (“**IBL**”), ISI must ensure that potential conflicts of interest situations that may arise do not unfairly prejudice clients and that all transactions that occur are dealt with on an arms-length basis to ensure fair and equitable treatment of assets at all times.
- 5.2.4 The adoption of policies and procedures to manage Conflicts of Interest for example, a “whistle-blowing” policy - Employees are encouraged to make use of the anonymous “whistleblowing hotline” which is available to all Employees, details of which appear as a link on the Investec Group website.
- 5.2.5 Chinese walls are in place for regulating the information flow between and within business areas (Chinese walls are artificial barriers to the flow of information between different functional areas within companies or groups of companies).
- 5.2.6 Segregation of duties – ISI has established physical and electronic information barriers which are designed to prevent the exchange and misuse of material, non-public price sensitive information obtained by investment professionals. For example; relevant securities are embargoed and are subject to compliance monitoring where ISI or any of its Employees receives inside information. Where the same Employees do carry out more than one key function within the trading area (for example; execution, reconciliation and settlement), additional controls are instituted that are considered adequate for the size of ISI’s operations.



- 5.3 Employees are required to disclose the following to ISI annually:
- Ownership Interests held e.g. any outside employment or other interests for which remuneration is received as well as any directorships held. The aforesaid must be disclosed and pre-approved by the Employee's line manager and the Compliance Department;
 - disclosure of shares held in companies (both locally and internationally) is also required of Employees;
 - Financial interests; and
 - Disclosure of Ownership and Financial Interests is also required at every board meeting, executive committee meeting and investment team meetings.
- 5.4 The executive is responsible, together with the Compliance Department, for determining which conflicts are likely to result in a material risk of damage or detriment to a client's interests.
- 5.5 Apart from ISI managing Conflicts of Interest between itself and its clients, it will as soon as is reasonably possible, disclose the conflict to one or more clients in circumstances where this is merited as well as the measures for the avoidance of Conflicts of Interest, and where avoidance is not possible, the reasons therefore and the measures for the mitigation of such Conflicts of Interest.
- 5.6 The Chief Executive Officer must, on an ongoing basis, identify any actual or potential Conflicts of Interest which may arise within his or her area. These must be reported to the Investec Group's Compliance Department. The Compliance Department maintains a Conflicts of Interest Register which is reviewed periodically with the executive to determine whether conflicts already identified are still valid, whether the mitigation strategies in place operate effectively and whether there are any new or potential conflicts that may have arisen since the last review.
- 5.7 The Compliance Department will investigate any potential or actual Conflicts of Interest to determine whether such conflicts are conflicts as contemplated in FAIS or any other applicable legislation. The Compliance Department, in conjunction with the executive will determine whether such Conflicts of Interest are avoidable or unavoidable conflicts.
- 5.7.1 If a Conflict of Interest is identified as being avoidable, then ISI will adopt the necessary internal procedures to ensure that the activity that gives rise to the avoidable conflict, is avoided.
- 5.7.2 If a Conflict of Interest is identified as being unavoidable, the Compliance Department, in conjunction with the executive must establish a strategy to mitigate the risk of such Conflict of Interest impacting negatively on ISI's ability to render fair and unbiased services to affected Clients.



5.8 Under no circumstances may Employees accept cash from or offer cash to clients, FSPs or Third Parties.

6. Guidelines in relation to Financial or Ownership Interests

6.1 No Employee may accept/give a Financial Interest or Ownership Interest from/to a Third Party, other than an Immaterial Financial Interest.

6.2 ISI may not offer any Financial Interest to an employee which incentivises such employee to:

6.2.1 give preference to the quantity of business over quality of service rendered to clients;

6.2.2 give preference to a specific product supplier in the event that it is possible to recommend more than one supplier to a client; and/or

6.2.3 give preference to a specific product in the event that it is possible to recommend more than one product to a client.

6.3 No employee may directly or indirectly refer any actual or potential item of designated investment business to another person on their own initiative or on instruction from ISI if it is likely to conflict with any duty that ISI owes to its clients or any duty which such recipient firm owes to its clients.

6.4 No employee may be remunerated in such a way that encourages that employee to contravene this policy.

6.5 ISI may only receive or offer the following Financial Interests from or to a Third Party:

6.5.1 Commission authorised under the Long-term Insurance Act No. 52 of 1998 or the Short-term Insurance Act No. 131 of 1998.

6.5.2 Commission authorised under the Medical Schemes Act No. 131 of 1998.

6.5.3 Fees authorised under the Long-term Insurance Act No. 52 of 1998, the Short-term Insurance Act No. 131 of 1998 or the Medical Schemes Act No. 131 of 1998, if those fees are reasonably commensurate to a service being rendered.

6.5.4 Fees for the rendering of a financial service in respect of which commission or fees referred to above is not paid, if those fees are specifically agreed to by a client in writing; and may be stopped at the discretion of that client.

6.5.5 Fees or remuneration for the rendering of a service to a Third Party, which fees or remuneration are reasonably commensurate to the service being rendered.



6.5.6 An Immaterial Financial Interest.

7. Monitoring

- 7.1 The Compliance Department is responsible for monitoring ISI's adherence to the Conflicts of Interests Management Policy (as well as adherence to the policies relating to the identified categories of potential Conflicts of Interests).
- 7.2 All employees are required to declare on an annual basis that they have complied with the Conflicts of Interest Management Policy and related policies.
- 7.3 The Conflicts of Interest Management Policy and related policies are reviewed annually, and where necessary, updated to ensure that the provisions remain sufficient to identify, assess, evaluate and mitigate Conflicts of Interest.
- 7.4 The Compliance Department is responsible for reporting on the Conflict of Interest Management Policy as required by the regulator from time-to-time. The report will refer to the implementation, monitoring and compliance with and the accessibility of this policy.

8. Consequences for non-compliance

If any employee fails to comply with the contents of this policy or avoids same through any means, it will be regarded as a breach of his/her employment contract. This will potentially render the individual liable to sanction under ISI's disciplinary procedures.

9. Training

All Employees must know and understand the Conflicts of Interest Management Policy as well as the policies relating to the identified categories of potential Conflicts of Interests. Appropriate training will be provided to all employees on a periodic basis.

10. Acceptance and Publication of the Conflicts of Interest

The Board will adopt this Conflicts of Interest Management Policy as well as the policies relating to the identified categories of potential Conflicts of Interest. The Conflicts of Interest Management Policy is available to all employees in the Investec intranet.



11. Appendix 1: Definitions

“Associate” means in the case of a company, any subsidiary or holding company of that company, any other subsidiary of that holding company and any other company of which that holding company is a subsidiary.

Currently there are no Associates of ISI.

“Conflict of Interest” means any situation in which ISI or an Employee has an actual or potential interest that may, in rendering a financial service to a client:

- influence the objective performance of ISI’s obligations to that client; or
- prevent ISI or an Employee from rendering an unbiased and fair financial service to that client, or from acting in the interests of that client

including but not limited to a Financial Interest, Ownership Interest or any relationship with a Third Party.

“Employee” includes:

- a director;
- an employee of any ISI group company, including a temporary employee and an employee employed on a fixed-term contract basis;
- any investment vehicle (including a trust) in which an employee has an interest.

“Financial Interest” means any cash, cash equivalent, voucher, gift, service, advantage, benefit, discount, domestic or foreign travel, hospitality, accommodation, sponsorship, other incentive or valuable consideration, other than:

- training, that is not exclusively available to a selected group of providers or representatives, on products and legal matters relating to those products; but excluding travel and accommodation associated with that training;
- general financial and industry information; and
- technological systems of a third party necessary for the rendering of a financial service.

“Immaterial Financial Interest” means any financial interest with a determinable monetary value, the aggregate of which does not exceed R1 000 in any calendar year in relation to the same Third Party in such calendar year.

“Ownership Interest” means

- any equity or proprietary interest, other than equity or an proprietary interest held as an approved nominee on behalf of another person; and
- includes any dividend, profit share or similar benefit derived from that equity or ownership interest.



“Third Party” means:

- a product supplier within the financial services industry
- a financial services provider
- any other service provider which provides or may potentially provide services
- all clients or potential clients for whom ISI renders a permitted financial service
- securities issuers
- an associate of any of the above

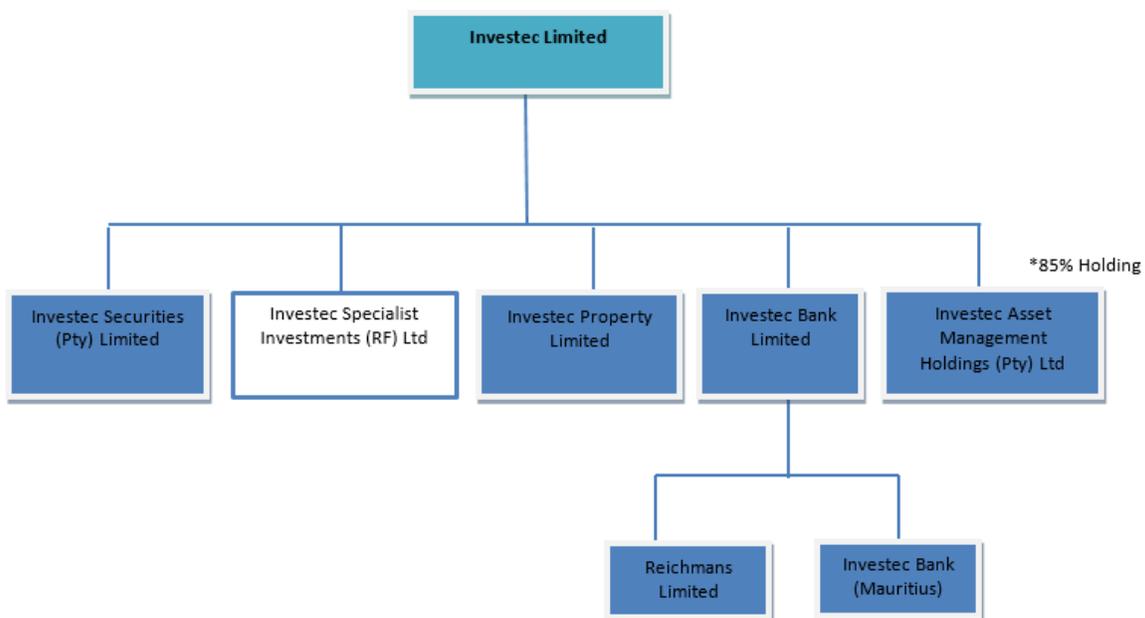


12. Appendix 2: Third Party interests

Currently there are no Third Parties in which ISI holds an Ownership Interest in.

Currently the only Third Party that holds an Ownership Interest in ISI is Investec Limited. ISI is a wholly owned (100%) subsidiary of Investec Limited.

The diagram below outlines the Investec Limited group structure, specifically showing ISI's position relative to other existing material operating subsidiaries. As the structure below depicts, ISI is a wholly owned (i.e. 100% owned) subsidiary of Investec Limited.



Notes:

- 1) All shareholders are 100% unless otherwise stated.