

## PIONEER WEALTH MANAGERS (PTY) LTD

### Terms of Business Mandate

#### 1) Pioneer Wealth Managers

- a) Pioneer Wealth Managers (Pty) Ltd ("PWM") (FSB License No. 7007) is an independent financial advisory services provider.
- b) The rights and obligations of each Party to this agreement shall be subject to the provisions FAIS and FICA, as amended from time to time and such other Acts or Regulations and common law that may affect the terms of this agreement.
- c) If any Act or regulation referred to above is amended after the commencement date of this agreement, which amendment affects the rights and obligations created under this agreement, the agreement shall be deemed to be amended accordingly until such time as the parties officially amend the Agreement.

#### 2) Our Relationship

- a) In the exercise of its advice, Pioneer Wealth Managers shall render its services honestly, fairly, with due skill, care and diligence and to achieve this objective it is vital for your relationship with PWM is to be one of involvement and awareness in all matters affecting the investment of your funds through us.

#### 3) Independence

- a) As an independent Financial Services Provider, PWM can offer you advice on a wide range of products and services from a variety of financial institutions. PWM feels that this freedom of choice from the market place is important for clients. PWM does not prescribe the use of any particular Product Providers or Suppliers to its wealth managers, other than they must be specifically licensed to advise on a particular product and that the Product Provider is licensed with the Financial Services Board of South Africa.

#### 4) Advisory & Service License

- a) PWM is licenced with the Financial Services Board ([www.fsb.co.za](http://www.fsb.co.za)) as a Category I Financial Services Provider (FSB no. 7007) and its Wealth managers are only permitted to offer advice and sell products in the following categories. Note: Not all Wealth managers are licensed in each category.

CATEGORY	SUB-CATEGORY	CATEGORY SUBSCRIPTION
		CATEGORY I
1	1	Long-Term Insurance : Category A
1	2	Short-Term Insurance : Personal Lines
1	3	Long-Term Insurance : Category B1
1	20	Long-Term Insurance : Category B2
1	4	Long-Term Insurance : Category C
1	5	Retail Pension Benefits
1	6	Short-Term Insurance : Commercial Lines
1	7	Pension Funds Benefits (excluding retail)
1	8	Securities and Instruments :Shares
1	9	Securities and Instruments : Money market instruments
1	10	Securities and Instruments : Debentures and securitised debt
1	12	Securities and Instruments : Bonds

1	14	Participatory interests in Collective Investment Schemes
1	16	Health Service Benefits
1	17	Deposits Defined in the Banks Act - exceeding 12 months
1	18	Deposits defined in the Banks act - 12 months or less

## 5) Warning about "Get Rich Quick" schemes or unregulated business opportunities - Vicarious Liability

- a) PWM employs and mandates wealth managers who are accredited representatives under this license. Those Wealth managers are required to make the relevant disclosures to clients on the products they are permitted to sell. Those products should be FSB approved and the Financial Planner should never handle or receive money directly from a client. Our common law in South Africa affords some protection if a representative misrepresents information outside of what they are permitted to on behalf a client and that causes damages. Whilst it is difficult to monitor every employee act and the expectation is that they act honestly and in good faith with clients there are possible exceptions by people who may abuse that relationship. Equally there are clients who are consumed by the element of greed and desperation, who when a "sure thing" or "get rich quick scheme" has gone wrong they then wish to blame somebody. Your wealth manager should not be advising or proposing any unregulated products or offering a business investment or taking loans from clients. Some examples of the non-regulated products or schemes have been Property syndication, Pyramid Schemes offering 2% per month, Forex or Futures Trading offering spectacular returns.
- b) PWM's wealth managers have a very highly regulated range of products they may market and the client is made aware of that in these disclosures; therefore should the Financial Planner display any kind of conduct that promises exceptional returns above what is normal, it is incumbent upon the client to conduct his own investigation to establish the authenticity of the proposal or product before proceeding. The client can contact either the
- PWM's Key Individuals – they are listed with the FSB at [www.fsb.co.za](http://www.fsb.co.za) and they will verify the investment in writing for you OR
  - **PWM's External Compliance Officer**  
Advocate A H Davey of Tony Davey & Associates (Pty) Ltd.  
P O Box 411710, Craighall 2024  
Tel: (011) 778-4638  
Fax: (011) 778-4637  
Email: [tonyd@harding.co.za](mailto:tonyd@harding.co.za)  
Webpage: [www.tonydavey.com](http://www.tonydavey.com)
  - **FSB – Financial Services Board**  
Tel: (012) 428-8000  
Fax: (012) 347-0221  
Email: [info@fsb.co.za](mailto:info@fsb.co.za)  
P.O. Box 35655 MENLO PARK 0102  
[www.fsb.co.za](http://www.fsb.co.za)

The client acknowledges that by engaging with PWM that they have access to check out any investment before proceeding and that by having been warned as to the possibility of non-regulated products, that they have a responsibility to check anything suspicious, and that having received such warning and failed to act on it that they shall have no right of recourse against PWM.

- c) Any investment made by you via a PWM Representative with an institution or product not approved by PWM is entirely outside the scope of the relationship between the client and PWM, at the clients own risk entirely and without PWM being in any way involved therein or connected therewith.
- d) This acknowledgement in respect of vicarious liability in no way limits the clients rights in respect of advice given on the range of regulated products.

## 6) "FICA" Compliance with the Financial Intelligence Centre Act, 38 to 2001

- a) The Financial Intelligence Centre Act, promulgated in South Africa, sets up an anti-money laundering regime to prevent organised criminal groups from converting illegitimate profits into "clean money". The Act requires all individuals and institutions to report specified and suspicious transactions to the Financial Intelligence Centre. The definition of "specified" and "suspicious" transactions includes the breach of foreign exchange control regulations and the evasion of taxes. The legislation imposes "KNOW YOUR CLIENT" record keeping and reporting obligations on all "Accountable Institutions" such as Life Assurance Companies, Financial Consultants, Banks, Estate Agencies, etc.

Pioneer Wealth Managers (Pty) Ltd prides itself on its high ethical standards and as an accountable institution we have developed and implemented internal rules to comply with these obligations.

The rules of compliance differ between legal entities & your Consultant will advise you in each instance.

For example, an individual may be required to supply some or all of, the following information for certain investments.

Copy of ID

Proof of Tax Registration Status.

Proof of Residence

Source of Funds

Copy of Bank Statement / Cancelled Cheque

PWM suggests the clients consult an attorney if they require further information or advice regarding the implications of FICA legislation.

## b) **FICA Declaration**

The client confirms the following:

- That in terms of the requirements of the 2003 Foreign Exchange and Tax Amnesty and other subsequent Amnesty processes, the client has either already been granted Amnesty on all offshore funds, or the source of the off-shore investments are of such a nature that there was no need to apply for Amnesty.
- That the monies to be invested arise from legitimate sources and do not constitute the proceeds of unlawful activities, and the client indemnifies PWM from any consequence should the source of funds be misrepresented.
- That the proposed investment is not effected for the purposes of money laundering.

## 7) **Remuneration / Fee Agreement**

The method of remuneration agreed between the Consultant and client shall be:

- Initial Advisor Fees and Annual Ongoing Advisory Fees only (Investments) & the Regulated Commissions for Life Assurance and Medical Aid products as disclosed on any relevant quotes. (These fees are dependent on the acceptance of final proposals, recommendations and quotes by the client as presented by the Financial Planner)
- Consultation Fees only (Hourly Rate Based)
- Combination of Consultation Fees and Advisory Fees

## 8) **Advisory Fees (if applicable)**

- a) PWM is remunerated for its advisory services to Clients by means of a commission payable to it by the financial institution in whose products and/or services Clients invest via PWM (as an intermediary of that institution) resulting from such advisory services, and no other or additional charge is requested from Clients.
- b) The client authorises the relevant Product Provider to pay over all fees as agreed to between the client and PWM.
- c) PWM does the service of seeking out those investment companies who charge no initial cost or possibly a very low initial fee. In this way, our clients receive appropriate advice at the most reasonable costs in the industry resulting in a substantial saving.
- d) The client understands that there is always a cost for advice and the ongoing service related to the advice. At PWM, we charge an initial fee for advice given plus an annual fee in order to service our clients and to be able to comply with legislation.
  - i) **Initial Advice Fees:** these are professional fees related to the endeavors related to investment research, knowledge, experience, and qualifications of the advisor and then including the use of our infrastructure, and the processing done by the administration relative to the placing of that investment by our staff.
  - ii) **Annual Advice Fees:** these fees reimburse the advisor for ongoing advice, asset allocation and income, consultations and administration by our staff during the course of the investment inclusive of any extraneous ongoing advice relating to tax, pensions, etc.
  - iii) **Consultation Fees (if applicable):** the client agrees to pay PWM for such consultation services at an agreed rate for time in the administering, investigating and preparing of such advice.
- e) The Advisory Fee is due and payable by the Client (and if more than one, by all Clients jointly and severally) on presentation of the relevant invoice. In addition the Client is liable for any costs (including legal costs on the attorney/client scale) incurred by PWM in effecting the recovery of the Advisory Fees.

## 9) Costs and Fee Disclosure as required by the FAIS Act

- a) **Investments:** the Costs and Fees of the Product will be explained to the client. (This includes Adviser, Administrator and Portfolio Manager Fees – Both Initial and On-Going). Where a Percentage (%) has been used as opposed to a Monetary Value (R) the client understands it is a Percentage of the Net Asset Value (NAV) of the investments being managed. The fees are calculated on the daily NAV and paid by the product provider to PWM monthly in arrears.
- b) **Insurance:** the Long Term Insurance Act regulates the commission payable on all Life Insurance Products. This commission is disclosed in the product quotations.
- c) **Medical Aid:** the Medical Schemes council regulates the commission limits payable on Medical Aid schemes. All commissions are included in the overall price levied for a Medical Aid.
- d) Every effort is made to ensure full disclosure of fees on all products recommended by the Financial Planner and the Product Providers also disclose fees in their statements and product documentation; and the client is fully entitled to be made aware of the fees involved.
- e) Should the client have any concerns or dispute the fees being levied it is their responsibility to notify PWM within a reasonable time period (max 6 months after initiation) failing which no claim will be entertained unless there is shown to be complete non-compliance with the FAIS act.

10) **Referral Fee Arrangements:** as Advisors we may be asked to refer you to a particular service provider or we may identify a particular area of concern and refer a client to a particular entity. PWM may receive a referral fee for that referral. The most obvious examples are for Medical Aid referrals, Tax Consultant Referrals, Executor & Administration of Estate Services, Short Term Insurance, Pension or Provident Administration Services. These providers are obligated to quote you their fee structure and our referral fee will always be part of their charges.

## 11) Fee Sharing Arrangements – Potential Conflict of Interest

- a) PWM does receive various fee sharing arrangements with certain product providers and portfolio managers. This is in addition to the Advisory fees received. The client is entitled to be informed of these fee sharing arrangements and if and when any such funds are recommended then the full disclosure will be made by the Financial Planner; however, very importantly this practice does not add any additional costs to those disclosed to the client when a product proposal is presented to the client. Should there be any additional costs to be incurred this would need to be agreed to by the client.
- b) **Current Fee Sharing Disclosure – Potential Conflict of Interest Disclosure**
  - i) Currently Pioneer Wealth Managers has an association with 27four Investment Managers. Pioneer Wealth Managers (Pty) Ltd does have a vested right to income from the 27Four Prescient Fund of Funds. These funds were originally set-up and managed by PWM however due to changes in legislation the license holder was changed to 27four Investment Managers.  
**(1) PWM currently earns 0.25% (ex. Vat) of the stated TOTAL EXPENSE RATIO on those funds.**
  - ii) It is important to note that PWM does not prescribe to its wealth managers to use those funds and any 27Four Prescient Funds are only recommended on appropriateness and performance merits alone.

## 12) Letter of Appointment on existing portfolio

- a) The client agrees to indemnify PWM when they take over an existing portfolio and due to factors beyond PWM's control the advice and recommendations provided would not be in accordance with that ordinarily provided, mainly due to there being some possible restrictive factors that prevent full correction. (i.e High cancellation penalties or significant tax consequences such as Capital Gains tax).

## 13) Replacement of Policies or Investments

- a) Changing an Insurance Policy or an Investment does mean that there could be significant differences. The Client acknowledges that there may be differences in respect of Fees, Costs, Product Structure and Benefits, Tax Consequences, Investment Risk, Guarantees and Penalties. The advisor will endeavour to discuss and explain all the pertinent differences either verbally or in writing or a combination of both. Before proceeding with a replacement it is important the client seek clarity on all aspects they feel to be important.

## 14) Agent / Intermediary & Transparency

- a) PWM is licensed to act as your agent in advising you and arranging certain regulated investments, pensions, life assurance and unit trust products. PWM never owns the investments. All investments are registered in

the clients name and the client is able at all times to communicate directly with the institution with whom the investment is made should they wish to do so.

- b) Should the client instruct PWM to communicate with the institution on their behalf we will endeavour at all times to communicate instructions efficiently and without undue delay, but PWM cannot be held responsible for any resultant loss or damage if we are unable to or for any other reason do not do so.

#### 15) Trusts

- a) Should an investment be held via a trust, nominee, custodian account or other entity (collectively called a "trust") that trust is regarded as the client and as the party subscribing to these Terms.
- b) While the services are to the trust only, in the event of the trust instructing PWM to furnish any investment related information to any third party, PWM undertakes to endeavour to do so.
- c) Should PWM be nominated as investment Consultant, PWM is empowered to advise the trustee with respect to investments as well as to change and switch funds between investment classes and institutions without reference to any other person or entity including settlors and beneficiaries.
- d) On PWM's nomination as investment Consultant the trust/client waives any claim against PWM for damages arising from PWM's authorised actions acting in good faith in accordance with these Terms.
- e) It is the sole responsibility of the trust/client to fully understand the *modus operandi* of a trust including the applicable tax consequences, charging structure and debiting system.

#### 16) Tax and Other Advice

- a) PWM Consultants (hereinafter called "the Representatives") provide personal financial planning. However they are not tax, legal, estate planning, trusts or exchange control specialists and such advice should be obtained from those who are professionally qualified to do so and PWM urges you most strongly to use their services.
- b) Every investment, policy, or product structure has some of tax consequence. These issues may be material to the client; however acceptance of proposals and acting there on, shall constitute acceptance by the client to understanding the tax consequences; and PWM shall in no way be liable for any taxes or tax issues that may arise for the client.
- c) As a South African resident you are obliged to declare all foreign assets as well as all income, whether of a capital nature or otherwise on investments held offshore, to the South African Revenue Services (SARS). All income, no matter where it is sourced, is to be declared to SARS. In addition the onus is on settlors and beneficiaries of trusts to make all the required declarations to the relevant authorities.

#### 17) Funds for Investment

- a) PWM is precluded under its license category and its business practice rules from handling your funds. All cheques and transfer orders are to be made payable only to the Financial institution. Neither the Representatives nor any of PWM's officers or other employees may accept any cash or other cash instruments or third party cheques for any purposes, nor may cheques or other monetary instruments be made payable to PWM, its Representatives, officers or employees under any circumstances.

#### 18) Documentation

- a) PWM will forward to you all documents showing ownership of your investments as soon as practicable after receipt thereof, or after receipt of all such documents if part of a series of transactions. PWM will endeavour to deliver all applications, documents, bank instructions and cheques given to it by you to the institution and will endeavour to deliver to you all certificates, documents and redemption cheques in the case of withdrawal, sent by institutions to PWM. While we endeavour to deliver these documents in the most efficient and secure manner, we cannot be held liable for any consequential loss, direct or indirect, arising from loss of such documents or any delays in delivery thereof to your chosen institution or elsewhere.
- b) All documentation, information and access to information supplied to the client by the Product Supplier shall form part of the overall disclosure's and on-going advisory services provided by PWM. Should the client have any queries they shall request clarity from the Financial Planner.
- c) PWM will maintain records of all business transacted with the client for a period of no-less than 5 years, and all methods of correspondence and engagement shall form part of the evidence.

## 19) Confidentiality

- a) PWM is committed to the highest standards of confidentiality and endeavours to keep all information concerning investments or other personal information strictly confidential and will not disclose any information concerning your financial affairs to any person purporting to act for or on your behalf without your express written consent, or unless required to do so by law. However PWM cannot be held responsible for any acts of an institution or other entity where this confidentiality might be breached, or where the client's circumstances have changed and those changes should have been communicated to PWM to assist in preventing any breach. (i.e. divorce; change of job; change of address)

## 20) Legal Compliance

- a) The client is required to satisfy themselves that your investments are in accordance with and conform to all applicable laws having regard to their particular locality, situation, status residence and citizenship and PWM does not assume any responsibility for any such legal compliance. By subscribing to these Terms you declare that you are not in breach of any such applicable laws and indemnify PWM against any activity in breach thereof.

## 21) Understanding the Investment

- a) Investments should be made only on the basis of the official prospectus and policy documentation material issued by the particular institution. It is imperative that the client reads and understand the contents before committing to the investment. The client needs to be satisfied as to its suitability to their financial needs as conveyed by them to the Representatives, including all charges attaching to or inherent in the investment as well as possible penalties on redemption. Where for example an investment is structured to provide for regular periodical investment payments it is unlikely to be advantageous to you to redeem such an investment prematurely or to discontinue such periodical payments, as would the surrender of an investment whose value on maturity is guaranteed. Any representations or warranty, whether written verbal or otherwise not contained in such material is not binding on PWM.
- b) Many of the products offered by PWM consist of investments whose value can decline or appreciate according to fluctuations in financial markets, and that a positive past performance is no guarantee that this would continue in the future. The client should at all times be aware of this investment risk and PWM cannot be held responsible for the consequences of any recommendation or discretionary investment made in good faith and in accordance with the clients stated risk profile.
- c) PWM makes every effort to ensure that only reasonable and appropriate investment performance expectations are created. Projections as to future growth should be seen as an indication only and the client should at all times ensure that they fully understand any assumptions made in relation to projections.
- d) PWM does not guarantee the performance of an investment. Only a guarantee furnished by an institution may be relied on subject to the provisions applicable thereto.
- e) The client should be aware that after the initial investment in a mixed risk/time portfolio, the relative weight of the various risk/time elements may change as a result of market movements. PWM cannot be responsible for any deviation of the portfolio from your original instructions. It is incumbent on the client to give updated instructions either via PWM or to the institution directly so as to adapt the portfolio risk/time profile to your requirements.

## 22) Changing Investments and Making Investment Decisions

- a) PWM endeavours as an on-going service to advise on the management of portfolios and to provide information on market trends. Subject to your express written authority PWM may instruct the institution to make further investments and/or to switch from one of that institution's funds to another and subject to your signature of the appropriate Form of Authority. In so doing the client irrevocably waives any claim for damages against PWM for any loss arising from PWM's authorised acts undertaken in good faith, irrespective of whether delays occur in communicating instructions to the institution or to others or in executing such instructions by the institution or others, or whether errors occur in preparation of documents by either PWM or the institution or others of for any other reason.
- b) In a discretionary portfolio investment you choose the strategy required and the institution makes all investment decisions based on that choice and on the financial analysis obtained from you. PWM does not give advice or make recommendations and no information furnished by it is to be construed as such.
- c) In a non-discretionary portfolio investment PWM does not accept any authority to make investment decisions on your behalf, nor may the Representatives be authorised to do so on your behalf.

### **23) Reports and Valuations**

- a) The institution may send you periodic reports and PWM will on request endeavour to send you periodic (annual and/or bi-annual) valuation statements of your investments. Although every effort is made to ensure their accuracy PWM cannot be held responsible for any errors. Valuations are not binding on the institution. Any information which appears to you to be inaccurate should be reported to PWM without delay.
- b) Many institutions offer secure Internet access to the status of your accounts including valuations. If possible PWM will provide you with a personal access code for this purpose.
- c) The client agrees to give PWM the authority to access information for the investments arranged by PWM. Should additional information on other investments inadvertently be made available to PWM when it accesses updated information from Product Providers the clients agrees to indemnify PWM from any and all consequences of such an oversight.

### **24) Redemption**

- a) Investments may only be redeemed by your completing and signing the redemption documents; as required by the institution. Electronic transfer of funds is recommended. Either PWM nor the Representatives, officers or other employees accept any authority to redeem funds on your behalf, nor may PWM, it's Representatives, officers or other employees instruct the institution to redeem any funds from your portfolio in the absence of a redemption form duly signed by you.

### **25) Communication methods**

- a) Due to various communication methods available the potential failures in each one (Fax, Post, Emails) PWM does not accept responsibility for any instructions of any kind conveyed to any entity by such means. Every effort is made to ensure giving effect to any instructions; clients are duly warned to obtain confirmation of receipt of any instructions made to PWM.

### **26) Leniency**

- a) Any leniency afforded by PWM or its Wealth managers to a client for any reason whatsoever, shall not be construed as an Admission of Liability in anyway whatsoever. (ie. Refund or ad-hoc payment to smooth over a customer service problem is a business decision to keep customers happy as opposed to admitting any liability).

### **27) Change of Financial Planner**

- a) There may be occasions where the Financial Planner leaves the employ of Pioneer Wealth Managers for various reasons. (Resignation, Dismissal, Retirement, Death) Another Financial Planner has to be appointed immediately to oversee your affairs. This will be communicated to the client and the relationship with Pioneer Wealth Managers will continue as contracted until further written instructions are received from the client. The client agrees to this interim appointment should circumstances so require.

### **28) Liability**

- a) The FAIS Act provides scope for client compensation for inappropriate advice offered by Wealth managers. Pioneer Wealth Managers carries Professional Indemnity Insurance to cover potential claims for acts of gross negligence or dishonesty. In the event of claims arising that don't fall into the aforesaid categories the client agrees that limitation of the claims shall be restricted to twice the total sum of commissions and/ or fees received by PWM, excluding VAT.

### **29) Complaints**

- a) Every client has recourse to direct complaints to the FAIS Ombudsman for any financial advice received; however the process requires that the initial engagement be to PWM's external compliance officer who will conduct an investigation. All complaints will need to be made in writing to:

**Advocate A H Davey**

Tony Davey & Associates (Pty) Ltd.

P O Box 411710, Craighall 2024

Tel: (011) 778-4638

Fax: (011) 778-4637

Email: [tonyd@harding.co.za](mailto:tonyd@harding.co.za)

Webpage: [www.tonydavey.com](http://www.tonydavey.com)

**30) Duration**

- a) This agreement shall bind the parties as at the effective date and shall continue for an indefinite period.
- b) Either party may terminate this agreement at any time on 7 days prior written notice.
  - i) If investments are cancelled or changed it shall be construed as a cancellation by the client.
  - ii) If either party terminates the agreement due to PWM's license category it is incumbent upon the Client to advise the Product suppliers that fee arrangements are to be changed.

**31) Agreement**

Where you choose to engage the services of a PWM wealth manger you agree to the Terms of Business and authorise Pioneer Wealth Managers (Pty) Ltd and its authorised representative to act as the Financial Planner. Acceptance of this agreement is by signature of the "Confirmation of Receipt and Acceptance of PWM's Term of Business and Financial Planning Services RECEIPT" or via email / electronic acceptance. Clients are afforded the earlier, of 5 working days or the implementation of any client instructions, to raise any concerns about this agreement in writing. Thereafter it shall be deemed to be in full force & effect.