

**ENDOWMENT
TERMS AND CONDITIONS**

EFFECTIVE 9 NOVEMBER 2018 VERSION 17.1

Allan Gray Endowment terms and conditions – Policy Document

This document, together with your Policy Summary is your Policy Document. It sets out the terms and conditions applicable to your investment. Your Policy Document, application form and all other instructions accepted by Allan Gray will form part of your agreement with Allan Gray.

HOW DOES THE ALLAN GRAY ENDOWMENT WORK?

- When we refer to 'Allan Gray' in this document, we are referring to entities that fall under the Allan Gray group. The entities being referred to are:
 - Allan Gray Life Limited, a registered insurer governed by the Long-Term Insurance Act. The Allan Gray Endowment is a policy issued by Allan Gray Life within the framework of the Long-Term Insurance Act.
 - Allan Gray Investment Services Proprietary Limited, the Administrator, an authorised administrative financial services provider.
- The investments are held via a nominee company, Allan Gray Nominees (RF) Proprietary Limited.
- Throughout this document the policyholder, the party(ies) who legally own(s) the policy, will be addressed as 'you' or the 'policyholder'.
- Your policy starts after Allan Gray has received and accepted your application and the money is invested.
- When investing in an endowment, you can choose to appoint no life assured, one life assured or multiple lives assured. If you do not appoint a life assured, your policy is referred to as a 'sinking fund' policy.
- If you have chosen to appoint one or more lives assured, the policy will come to an end when the last life assured dies or the value of the investment account becomes zero.
- If you have chosen not to appoint a life assured, your policy will end when the value of the investment account becomes zero or when the policyholder dies and there is no beneficiary for ownership available to take ownership of the policy. (For example, the appointed beneficiary for ownership may have passed away.) If no beneficiary for proceeds is appointed, the proceeds will be paid into the estate of the policyholder.
- **Legislation provides that during any restriction period, you may make one withdrawal.** The maximum amount you may withdraw is the lesser of your contributions during the restriction period, including any market value in the policy the day before the restriction period started, plus 5% compound interest; or the market value of the investment account less fees and charges. Any remaining balance must stay invested until the restriction period ends.
- If the policy is not in a restriction period you may withdraw part or all of the value of the policy, which is the market value in the investment account less fees and charges, and/or you may also schedule regular withdrawals.
- You may fully withdraw the amount under the policy if the difference between the maximum allowable withdrawal amount (during a restriction period) and the balance in the investment account is less than R10 000 or an amount prescribed by legislation from time to time.
- Allan Gray may insist that you fully withdraw the amount under the policy if the remaining value in your investment account after a withdrawal is less than an amount Allan Gray may determine from time to time.
- **The restriction period** is imposed by legislation. It is a period in which there are restrictions on the withdrawals you may make from the policy. This applies to the first five years of your policy, or five years from the first day of any month during which the 120% rule takes effect.
- **The 120% rule takes effect:**
 - In the second policy year when your contributions are greater than 120% of the first policy year's total contributions.
 - In any policy year when your contributions are greater than 120% of the higher of either of the previous two policy years' total contributions.
- Allan Gray will accept these contributions into the same policy and extend the restriction period (if you are already in a restriction period) or start a new five-year restriction period on the entire policy.
- There is no life cover.

- This is a pure investment policy, which means that only the proceeds (market value of the investment account less fees, capital gains tax and charges) are paid when the policy ends. The value of the proceeds is determined once the units of the underlying investments of the investment account are sold and the applicable fees and charges have been deducted.
- For policies where a life assured is appointed and the policyholder outlives the last life assured, the surviving policyholder will receive the proceeds when the last life assured dies. If there is no surviving policyholder when the last life assured dies, the proceeds will be paid to the appointed beneficiary(s) for proceeds. If no beneficiary is appointed, the proceeds will be paid into the estate of the policyholder. This scenario is not applicable to policies where no life assured is appointed.
- In terms of income tax legislation Allan Gray Life is required to pay tax on any income, dividends and capital gains (CGT) at a rate which depends on your classification for tax purposes.
- Although it is not possible to take out a loan from Allan Gray on security of the policy, you can offer the policy as security for a loan from another institution or person.

WHAT ARE YOUR RIGHTS AND RESPONSIBILITIES?

It is your responsibility to:

- Select your unit trust(s) from the list of available unit trusts on the Allan Gray Investment Platform unit trust list.
- Decide whether or not to appoint one or more lives assured, which could be you or any other natural person. If a life assured is appointed at the outset of the policy you can always add, but not remove or replace, lives assured later on. If no life assured is appointed at the outset of the policy you may not add lives assured at a later stage.
- Appoint beneficiaries and keep them up to date. Beneficiary appointments made by the policyholder(s) will be deemed invalid if received after the policyholder's death.
- Report errors within 14 days of receiving your investment confirmation or any statement.
- Notify Allan Gray of changes to your bank or contact details.
- Notify Allan Gray of any change in your classification for tax purposes.

You have the right to:

- Cede the policy as an outright cession and/or as a security cession.
- Withdraw the value of the policy subject to the withdrawal limits described in the section above.
- Cancel the policy within a period of 31 days of receiving a policy document, including the Policy Summary, which constitutes the cooling-off period, provided you have not made a withdrawal from your account within that cooling-off period.

If you cancel your policy the proceeds that you will receive will be equal to the market value less fees and charges incurred until the date Allan Gray processes your instruction.

WHO CAN YOU NOMINATE AS A BENEFICIARY?

Beneficiary for proceeds:

- If one or more lives assured have been appointed and the policyholder is a natural person then the policyholder may appoint one or more beneficiaries for proceeds to receive the proceeds of the policy after the death of the policyholder and the last life assured.
- If no life assured has been appointed, the beneficiary(s) for proceeds will only have a right to the policy when the policyholder dies and there is no beneficiary for ownership available to take ownership of the policy.
- If an appointed beneficiary for proceeds dies before the policyholder or the last life assured, and the policyholder does not make any amendments to the beneficiary nomination, the deceased beneficiary's share will accrue to the surviving beneficiaries for proceeds equally. If no other beneficiaries are appointed, the proceeds will be paid into the estate of the policyholder.

Beneficiary for ownership:

- Where the policyholder is a natural person and is not the only life assured, or there is no life assured, a beneficiary for ownership must be appointed.
- If there are two policyholders, each policyholder must appoint the other as their beneficiary for ownership.
- The beneficiary for ownership has no right to the policy until the death of the policyholder. Ownership will only pass to the appointed beneficiary for ownership if the policyholder dies before the last life assured. If there is no life assured appointed, ownership will pass to the appointed beneficiary for ownership upon the death of the last policyholder.
- If the policyholder is the only life assured, a beneficiary for ownership may not be appointed as there is no scenario under which the policy will outlive the policyholder.

Table outlining the beneficiary appointment scenarios available to the policyholder given the choice of life assured.

Policyholder	Life assured	Beneficiary for proceeds	Beneficiary for ownership
Individual	No life assured is appointed (i.e. a sinking fund policy)	May appoint one or more	Must appoint one
	Policyholder is the only life assured	May appoint one or more	Not applicable as policy cannot outlive policyholder
	One or more lives assured other than the policyholder are appointed	May appoint one or more	Must appoint one
Legal entity	No life assured is appointed (i.e. a sinking fund policy)	Same as policyholder	Not applicable as policyholder is not a natural person
	At least one life assured is appointed	Same as policyholder	Not applicable as policyholder is not a natural person

- The rights of a security cessionary have preference over any rights of appointed beneficiaries, as long as the security cession is noted in Allan Gray's records.
- Any beneficiary appointments made before an outright cession fall away when Allan Gray notes the outright cession in its records.

WHAT HAPPENS TO YOUR POLICY WHEN YOU DIE?

- Allan Gray must be notified of the death of a policyholder and/or life assured in writing at its head office. The notification should include his/her personal details, identity number, a copy of his/her death certificate and the policy number.
- If the policyholder is not the last life assured or if no life assured was appointed, the policy will continue and ownership will pass to the appointed beneficiary for ownership, if there is one.
- If the policyholder is the last life assured, or if there is no beneficiary for ownership available to take ownership of the policy, the policy will come to an end and the proceeds will be paid out to the beneficiaries for proceeds, or to the estate of the policyholder if there are no beneficiaries.

WHAT CAN ALLAN GRAY DO THAT WILL AFFECT YOUR POLICY?

- Allan Gray may give you written notice that you must change your chosen unit trust(s) if the underlying unit trust is no longer available or circumstances require it. If you do not select an alternative unit trust, Allan Gray will switch your investment out of the affected unit trust into the Allan Gray Money Market Fund.
- Allan Gray may amend these terms and conditions. Please contact your financial adviser, the Client Service Centre on 0860 000 654 or visit www.allangray.co.za for the latest version. Allan Gray may not reduce the rights and benefits that you have in the policy, except where the amendment is due to a change in taxation, legislation, practice or interpretation of legislation.

WHAT ARE THE RESPONSIBILITIES OF ALLAN GRAY?

It is Allan Gray's responsibility to:

- Confirm changes to the policy with you in writing.
- Provide you with quarterly statements.
- Pay you when you withdraw some or all of the units in your investment account.
- Put in place professional indemnity and fidelity insurance cover.
- Allocate bank interest earned on lump sum contributions deposited if it takes longer than 24 hours to start processing the contribution.
- Reinvest any income distributions earned within a unit trust net of applicable taxes.
- Accept, reject or reverse instructions where necessary and/or applicable.
- Process your instructions in a timely manner, in accordance with our cut-off times.
- Pay any proceeds of the policy, after capital gains tax (CGT) has been deducted, in accordance with the laws of South Africa.
- Deduct all income tax and CGT due from the policy and pay it over to SARS.
- Make every reasonable effort to make contact with a beneficiary. Any reasonable costs incurred in tracing unclaimed benefits older than six months may be recouped from your investment account.

Processing of Personal Information

You acknowledge that Allan Gray requires your personal information, as defined in the Protection of Personal Information Act of 2013 ('POPIA'), and consent to Allan Gray processing such information to open and administer your investment accounts. In addition, you expressly consent that Allan Gray may verify and process your personal information (including your voice biometric data) for security purposes and so as to comply with its obligations in terms of legislation. Allan Gray may transmit your personal information to third-party service providers for the purposes of storing and maintaining that information. Where information is transmitted to offshore providers, Allan Gray has confirmed that sufficient legislation and agreements are in place to ensure the protection of that information. Where directed by your financial adviser, Allan Gray will transmit your information to third-party service providers appointed by your adviser.

WHAT IS ALLAN GRAY NOT RESPONSIBLE FOR?

Allan Gray is not responsible for any delays in processing instructions as a result of events beyond its reasonable control.

Allan Gray is not responsible for any losses suffered due to:

- Errors made by the investment manager of a unit trust
- The investment or market risk of the underlying investments
- Changes in tax or other legislation
- Delays in the processing or the rejection of an application because your appointed financial adviser is either not an authorised financial services provider or does not have a contract with Allan Gray
- Your appointed financial adviser acting beyond the scope of his/her FSCA licence
- Unauthorised instructions given by your appointed financial adviser
- The failure of any networks or electronic or mechanical devices
- Allan Gray providing your appointed financial adviser with details about your investment either via telephone, email, fax or a secure website
- Allan Gray acting on information sent electronically
- Allan Gray acting on incorrect information where you have failed to notify them of any changes to such information
- The delayed sale of units in a unit trust due to **Ring-Fencing**

Ring-Fencing is the separation and delayed sale of units in a unit trust. A large sale of units above a certain threshold in a unit trust may cause ring-fencing. This ensures that the sale of a large number of units will not force the investment manager to sell the underlying investments at a price in the market, which could have a negative impact on investors. Allan Gray may delay the payment or reinvestment of the proceeds of the sale of units.

WHAT ARE THE PROCESSING TIMELINES?

The cut-off time for receiving instructions is 14:00 on a business day. Pricing takes place at the close of each business day which means that the price is only available the following business day.

Buying, selling and switching units in unit trusts administered by the same investment manager:

- If the instruction is received before the relevant cut-off time and all requirements are met, the instruction will be processed on that business day and will receive the price of the following business day.
- If the instruction is received after the relevant cut-off time, the instruction will be processed on the next business day, and will receive the price of the business day after that.
- It will take an extra business day to complete the transaction if we are asked to collect money from a bank account as we can only perform the collection after we have processed the instruction.

Switching between unit trusts administered by different investment managers

These transactions normally take a maximum of seven business days to process.

Timeline for instructions received before 14:00 on a business day			
Day 1	Day 2	Day 4	Day 5
Receive and process instruction.	Allan Gray sells units at the price at the close of the Day.	Allan Gray receives money from the manager and pays it to the new Manager to buy units.	Shows on Investor statement.

If the instruction is received after 14:00 on a business day the timeline above will be delayed by one business day.

Withdrawals

The sale of units will show on your statement within four days but it may take longer for the payment to reflect in your bank account.

Recurring monthly contribution via debit order

You may select to contribute via debit order on the 1st or 15th of each month. Allan Gray will collect the contribution on your selected date and invest it at the following business day's unit price. If your selected date is not a business day Allan Gray will collect the contribution on the following business day. Allan Gray needs to receive the instruction by 14:00 three business days before the selected date. Any instructions received after the cut-off date will be processed the following month.

Electronic Collection by Allan Gray

If you instruct us to collect your investment via debit order, the instruction to collect money from your bank account will continue until you terminate it by giving Allan Gray notice of not less than 4 business days.

I understand and acknowledge the following:

- The details of each debit order will be printed on my bank statement and will contain "Allan Gray" and a client number to help me to identify the debit order instruction.
- All debit orders processed by Allan Gray will be treated by my own bank as if the instructions have been issued by me personally.
- I may cancel the debit order instruction. I will not be entitled to any refund of amounts withdrawn, while the instruction was in force, if these amounts were legally owing to Allan Gray.
- This debit order instruction may not be ceded to a third party.

Phase-ins

When you make an investment, you may phase your investment into your selected unit trust(s) over 3, 6, 9 or 12 months. Phase-ins are scheduled on the 5th of every month. If the 5th is not a business day it will take place on the next business day. Allan Gray needs to receive the instruction by 14:00, five business days before the scheduled phase-in day. Any instructions received after the cut-off date will be processed the following month.

General:

- The units will show on your statement one business day after the day on which the unit price is determined.
- For certain unit trusts, as noted on the Allan Gray Investment Platform unit trust list, there will be an additional business day for the units to show on your statement.
- Units purchased with a cheque deposit cannot be sold within 14 days of the investment date. Units purchased with a direct debit or a recurring debit order cannot be sold within 32 days of each investment date.
- If Allan Gray receives an instruction while another instruction is in progress, the second instruction may be delayed until the first one is completed.

WHAT FEES AND CHARGES APPLY?

1. Financial advice fee

You and your appointed financial adviser may agree on initial and annual financial advice fees. Allan Gray will deduct an amount equal to the initial financial advice fee from each contribution before it is invested and pay this to your financial adviser. Annual financial advice fees are deducted by selling units from the unit trusts underlying the investment account.

2. Administration fee

Allan Gray charges a flat annual administration fee (excluding VAT) of 0.2% for investments in Allan Gray unit trusts.

For investments in unit trusts managed by other investment managers, Allan Gray charges an annual administration fee (excluding VAT) of:

- A maximum of 0.5% on the first R1.5m
- 0.2% on the next R3.5m
- 0.1% on the balance

of the market value across all local platform investments linked to a policyholder's investor number as assigned by Allan Gray.

Any amount passed on from the managers of your chosen unit trusts is offset against the annual administration fee. The residual fee will be paid to Allan Gray monthly in arrears by selling units from the unit trusts underlying your investment account.

If the amount passed on from the managers exceeds the annual administration fee, an amount equal to the excess will be used to buy additional units in the relevant unit trusts and your investment account will be credited monthly in arrears. Reinvested units will be subject to income tax.

3. Investment management fee

The manager charges annual investment management fees. These fees and other allowable expenses are deducted within the unit trust, and are therefore accounted for in the unit trust's published performance figures. Please refer to the relevant unit trust minimum disclosure documents and the Allan Gray local unit trust list for more details.

You may choose to have your annual administration and annual financial advice fees deducted from your investment in the Allan Gray Money Market Fund. This will be known as your preferred fee unit trust. If the preferred fee unit trust does not have sufficient funds to pay the fees, Allan Gray will deduct fees from the unit trust(s) where the fees have accrued. If there is an insufficient balance in that unit trust, Allan Gray will deduct fees proportionately from the remaining unit trusts.

Value added tax (VAT)

Where VAT is levied on fees or charges, an amount to compensate for VAT will be added to the fees or charges recovered from the investment account.

Changes in fees

Allan Gray will give you three months' written notice when new fees are added or the administration fees are increased. Allan Gray may give less than three months' written notice if, in its opinion, the circumstances of the change justify it. Allan Gray does not have to notify you when any of the other fees or charges are changed.

Reporting of fees

The quarterly statement will indicate the applicable fees for that period.

CONTACT DETAILS

Please contact our Client Service Centre on 0860 000 654, email info@allangray.co.za or visit www.allangray.co.za

COMPLAINTS

If you are not satisfied with this policy or the service of Allan Gray, you can write to the **compliance officer** at the address shown below. The compliance officer will acknowledge the complaint in writing, and provide you with the contact details of the person that is most likely to resolve it.

Postal address:

P O Box 51605, V&A Waterfront, Cape Town 8002

If you are not satisfied with the response, you can contact the **Ombudsman for Long-Term Insurance** at:

Postal address:

Private Bag X45, Claremont 7735

Tel: 0860 103 236 or +27 (0)21 657 5000

Email: info@ombud.co.za

Fax: +27 (0)21 674 0951

If you have a complaint about Allan Gray or advice given by a financial adviser relating to this policy, you can write to the **Ombudsman for Financial Service Providers** at:

Postal address:

P O Box 74571, Lynnwood Ridge 0040

Tel: 0860 324 766 or +27 (0)21 762 5000/9080

Email: info@faisombud.co.za

Fax: +27 (0)12 348 3447



1 Silo Square
V&A Waterfront
Cape Town
8001
South Africa

P O Box 51605
V&A Waterfront
Cape Town
8002
South Africa

Client Service Centre

T 0860 000 654 or +27 (0)21 415 2301

F 0860 000 655 or +27 (0)21 415 2492

E info@allangray.co.za

www.allangray.co.za