

**LIVING ANNUITY
TERMS AND CONDITIONS**

EFFECTIVE 22 MAY 2018 VERSION 13

Allan Gray Living Annuity 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 LIVING ANNUITY 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 Living Annuity is purchased from Allan Gray Life in your name and on your life.
 - 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.
- Your policy starts after Allan Gray has received and accepted your application and the money is invested. Your policy will come to an end when you die (and the investment is transferred to your beneficiaries) or when you transfer to another long-term insurer.
- The Allan Gray Living Annuity can only be purchased with proceeds from a retirement fund or with the proceeds from another living annuity and provides you with the flexibility, within certain regulatory limits, to select an annuity income to suit your income needs.
- **You select your annuity income and payment frequency at the start of the policy and may only change it at every policy anniversary.** Your policy anniversary is the first day of the month in which the policy commenced, unless this was after the annuity income payment cut-off date (see page 4), in which case the anniversary date of the policy will be the first day of the following month.
- You can select to receive your annuity income either as a rand amount or as a percentage of the value of the investment account; your total annuity income must fall within the regulatory limits. The current limits are a minimum of 2.5% and a maximum of 17.5% per year. If the regulatory authority and/or legislation changes the annuity percentage limits, the new limits will apply.
- You may request the frequency of the payment to be monthly, quarterly, biannually or annually. The annuity income will be paid in advance except for monthly payments which will be paid at the end of every month.
- Your annuity income may differ from year to year. Neither the amount of the annuity income, nor the return of the underlying investment, is guaranteed. **The market value of the investment account may fluctuate and you carry the risk of your capital and income being reduced.**
- Additional contributions made during a policy year can increase the rand amount paid to you, however, the annuity income expressed as a percentage will remain unchanged.
- In terms of current legislation the investment returns (capital growth, interest and dividends) are not taxed. However, all your annuity income as well as any cash lump sum amounts commuted by you, or a beneficiary after your death will be taxed in line with South African Revenue Service (SARS) requirements.

WHAT ARE YOUR RIGHTS AND RESPONSIBILITIES?

It is your responsibility to:

- Select your annuity income and payment frequency at the start of the policy and review your choices at every anniversary.
- Select your unit trust(s) from the list of available unit trusts on the Allan Gray Investment Platform unit trust list.
- Nominate beneficiaries and keep your nominations up to date. Beneficiary nominations received after your death will be deemed invalid.
- Report errors within 14 days of receiving your investment confirmation or any statement.
- Notify Allan Gray of changes to your bank or contact details.

You have the right to:

- Transfer additional contributions from a retirement fund to the policy. If you invested in the Allan Gray Living Annuity when legislation allowed an annuity income level between 5% and 20% and want to keep your right to stay within these higher limits, you will need a new Allan Gray Living Annuity policy for additional contributions.
- Transfer to another long-term insurer, registered under the provisions of the Long-Term Insurance Act, to purchase another annuity in your name.
- Withdraw all your money if the value of your policy is less than the amount set out in legislation.

WHAT RESTRICTIONS APPLY TO YOUR POLICY?

- You cannot cancel your Allan Gray Living Annuity as there is no cooling-off period.
- You may not take out a loan from or cede your Allan Gray Living Annuity policy.

WHAT CAN ALLAN GRAY DO THAT WILL AFFECT YOUR POLICY?

- Allan Gray may adjust your annuity income level if required by legislation or any directives issued by the regulatory authorities.
- 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 if 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 appointed 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 tax, 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.
- 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.
- 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 you an annuity income at your chosen frequency, a minimum of one annuity income payment must be made in each tax year.
- Deduct income tax from your annuity income in accordance with the PAYE tables under the Income Tax Act assuming that this is your only income. If you provide Allan Gray with a SARS tax directive, income tax will be deducted accordingly.
- Provide you with income tax certificates for tax purposes where applicable.
- Make every reasonable effort to make contact with beneficiaries. 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.

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.

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.

Annuity income payments

We will pay your annuity income by the 27th of the month. It may take up to two days to reflect in your bank account. If the 27th falls on a weekend or public holiday we will pay your annuity income the previous business day.

If you are a new investor, or you are notifying us of a change in your annuity income, Allan Gray needs to receive your instruction by 14:00, six business days prior to either the 27th of your anniversary month for annuity revision instructions, or the 27th of the month for all other instructions. Certain unit trusts, as noted on the Allan Gray Investment Platform unit trust list, require an additional business day's notice.

General:

- The units will show on your statement one business day after the day on which the unit price is determined.
- When you make a withdrawal the sale of the units will show on your statement within four days but it may take longer for the payment to reflect in your bank account.
- 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.
- 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 HAPPENS TO YOUR POLICY WHEN YOU DIE?

- Allan Gray must be notified of your death in writing at its head office. The notification should include your personal details, identity number, a copy of your death certificate and the investment account number.
- The policy comes to an end when you die and the unit trusts of the investment account will be switched into the Allan Gray Money Market Fund.
- Your beneficiary(ies) will receive the death benefit. The death benefit is the market value of all the underlying investments of your investment account(s) less the applicable fees and charges. This amount is determined once the units of the underlying investments of the investment accounts are sold and applicable fees and charges have been deducted.
- The beneficiary has no right to any benefit under the policy while you are still alive. Your nomination will have no effect if your beneficiary dies before you. If a beneficiary dies before you and you do not make any amendments to your nomination, the deceased beneficiary's share will accrue to the surviving beneficiaries equally.
- If your beneficiary is a natural person, there are three options for receiving the benefit: a cash lump sum can be paid, the benefit can be transferred to an annuity purchased from Allan Gray or another long-term insurer, or a combination of a cash lump sum and an annuity can be selected.
- If your beneficiary is not a natural person, including a trust, a cash lump sum benefit will be paid to that beneficiary.
- If your elected beneficiary elects to receive a cash benefit, Allan Gray will apply for a tax directive from SARS and process the payment in line with the tax directive.
- If there are no living beneficiaries at the time of your death, a lump sum may be paid to your estate. Allan Gray will only act on instructions received from the executor of your estate, if there is no nominated beneficiary.
- If your beneficiary dies after you but before the beneficiary has been paid, the benefit will fall into the deceased beneficiary's estate.

WHAT FEES AND CHARGES APPLY?

1. Financial advice fees

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.

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 Investment Platform 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 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



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