

Conflicts of Interest Management Policy



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ALPHAWEALTH 



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1) DEFINITIONS

1.1 Conflict of Interest

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

- influence the objective performance of his, her or its obligations to that client; or
- prevent a provider or representative from rendering an unbiased and fair financial service to that client, or from acting in the interest of that client,
 - including but not limited to:
 - a financial interest;
 - an ownership interest;
 - any relationship with a third party.

1.2 Financial 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:

- an ownership interest;
- training, that is not exclusively available to a selected group of providers or representatives, on:
 - products and legal matters relating to those products;
 - general financial and industry information;
 - specialised technological systems of a third party necessary for the rendering of a financial service, but excluding travel and accommodation associated with that training.
- a recognised qualifying enterprise development contribution to a qualifying beneficiary by a provider that is a measured entity.

1.3 Immaterial Financial Interest

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 from the same third party in that calendar year received by:

- a provider who is a sole proprietor; or
- a representative for that representative's direct benefit;
- a provider, who for its benefit or that of some or all of its representatives, aggregates the immaterial financial interest paid to its representatives.

Gifts and entertainment will be disclosed in the relevant Gifts and Entertainment Register.

1.4 Ownership Interest

Ownership Interest means:

- any equity or proprietary interest, for which fair value was paid by the owner at the time of acquisition, other than equity or a 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.



1.5 Third Party

Third Party means:

- ✔ a product supplier;
- ✔ another provider;
- ✔ an associate of a product supplier or a provider;
- ✔ a distribution channel;
- ✔ any person who in terms of an agreement or arrangement with a person referred to above provides a financial interest to a provider or its representatives.

1.6 Associate

Associate means:

- ✔ in relation to a natural person:
 - ✔ a person who is recognised in law or the tenets of religion as the spouse, life partner, or civil union partner of that person
 - ✔ a child of that person, including a stepchild, adopted child and a child born out of wedlock
 - ✔ a parent or stepparent of that person
 - ✔ a person in respect of which that person is recognised in law or appointed by a Court as the person legally responsible for managing the affairs of or meeting the daily care needs of the first mentioned person
 - ✔ a person who is a spouse, life partner or civil union partner of a person referred to above
 - ✔ a person who is in a commercial partnership with that person
- ✔ in relation to a juristic person:
 - ✔ which is a company, means 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
 - ✔ which is a close corporation registered under the Close Corporations Act, means any member thereof as defined in section 1 of that Act
 - ✔ which is not a company or a closed corporation, means another juristic person which would have been a subsidiary or holding company of the first-mentioned juristic person:
 - ✔ had such first-mentioned juristic person been a company, or
 - ✔ in the case where that other person, too, is not a company, had both the first-mentioned juristic person and that other person been a company
 - ✔ means any person in accordance with whose directions or instructions the board of director of or, in the case where such juristic person is not a company, the governing body of such juristic person is accustomed to act.
- ✔ in relation to any person:
 - ✔ means any juristic person of which the board of directors or, in the case where such juristic person is not a company, of which the governing body is accustomed to act in accordance with the directions or instructions of the person first-mentioned in this paragraph
 - ✔ includes any trust controlled or administered by that person

1.7 Distribution Channel

Distribution Channel means:

- ✔ any arrangement between a product supplier of any of its associates and one or more providers or any of its associates in terms of which arrangement any support or service is provided to the provider or providers in rendering a financial service to a client
- ✔ any arrangement between two or more providers or any of their associates, which arrangement facilitates, supports or enhances a relationship between the provider or providers and a product supplier
- ✔ any arrangement between two or more product suppliers or any of their associates, which arrangement facilitates, supports or enhances a relationship between a provider or providers and a product supplier



2) PURPOSE OF A CONFLICT OF INTEREST MANAGEMENT POLICY

In terms of Section 3A(2) every provider, other than a representative, must adopt, maintain and implement a conflict of interest management policy which complies with the provisions of the Financial Advisory and Intermediary Services Act, 37 of 2002.

In terms of the General Code of Conduct a provider and a representative must avoid, and where this is not possible, mitigate any conflict of interest between the provider and a client, or a representative of the provider and his, her or its clients. AlphaWealth and its representatives are committed towards acting within the best interests of our clients and to avoid all conflict of interests in relation to the provision of financial services. Where we are unable to avoid a conflict of interest, we will take all necessary precautions to ensure that any actual or potential conflict of interest is mitigated and adequately disclosed to our clients.

In order to ensure the continued demonstration of our commitment, management has adopted a Conflict of Interest Management policy to provide for the effective management of any actual or potential conflicts of interest that may arise wholly or partially, in relation to the provision of financial services.

The purpose of the Conflict of Interest Management Policy is therefore to:

- ✔ establish internal controls and mechanisms towards the identification of conflicts of interest
- ✔ establish measures to avoid conflicts of interest, and where avoidance is not possible, to provide the reasons therefore
- ✔ establish measures to ensure that any unavoidable conflicts of interest are mitigated
- ✔ establish measures to ensure the proper disclosure of any conflicts of interest
- ✔ establish processes, procedures and internal controls to facilitate compliance with the policy
- ✔ communicate the consequences of non-compliance with the policy

3) IDENTIFYING A CONFLICT OF INTEREST

3.1 INDIVIDUAL IDENTIFICATION

The primary responsibility for the identification of a conflict of interest rests with the representatives, employees and individual members of the governing body of AlphaWealth.

Throughout the process of rendering a financial service to a client, a representative must apply his or her mind to answering the following questions:

- ✔ is there any situation that exists that influences the objective performance of my obligations to my client?
- ✔ is there any situation that exists that prevents me from rendering an unbiased and fair financial service to my client?
- ✔ is there any situation that exists that prevents me from acting in the best interest of my client?

If the answer to all three questions is “no”, then there is no conflict of interest associated with the financial service and the representative may proceed.

If the answer to any one of the three questions is “yes”, the representative must proceed to answer the following additional questions:

- ✔ is the situation caused as a result of an actual or potential relationship with a third party? (see definition of “third party”)
- ✔ is the situation caused by an actual or potential financial or ownership interest? (see definition of “financial interest” and “ownership interest”)

If the answer to any one of these questions is “yes”, an actual or potential conflict of interest will have been identified.



3.2 FURTHER GUIDANCE ON IDENTIFYING A CONFLICT OF INTEREST

The definition of a Conflict of Interest incorporates the following terminology:

- influence the “objective performance” of his, her or its obligations to that client....
- prevent a provider or representative from rendering an “unbiased and fair financial service” to that client
- including but not limited to a “financial interest”

It is generally understood that the word “objective” refers to a situation where an individual’s personal feelings or opinions are completely removed from the equation. The “objective performance” of an FSP or representative’s obligations therefore implies a situation where financial services are rendered without any untoward influences.

The word “bias” or “biased” is understood to mean a form of prejudice towards a particular person or viewpoint, whereas the word “fair” or “fairness” indicates a situation of just circumstances or being treated on an equal footing. An unbiased financial service therefore implies a financial service that does not lend itself to a particular persuasion, where no reasonable justification for such persuasion can be found. Similarly, a fair financial service implies a situation where the same conclusion or outcome will consistently present itself given the exact same set of circumstances.

Subject to section 3A(1)(c) of the General Code of Conduct, AlphaWealth and its representatives may only receive or offer the following “financial interest” from or to a “third party”:

- **commission** authorised under the Long-term Insurance Act, Short-term Insurance Act or under the Medical Schemes Act
- **fees** authorised under the Long-term Insurance Act, the Short-term Insurance Act or the Medical Schemes Act, if those fees are reasonably commensurate to a service being rendered
- **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
- **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
- an **immaterial financial interest** (subject to any other law)
- a **financial interest, not referred to above** for which a consideration, fair value or remuneration that is reasonably commensurate to the value of the financial interest, is paid by that FSP or representative at the time of receipt thereof

AlphaWealth will not offer any financial interest to its representatives for:

- giving preference to the **quantity of business** secured for AlphaWealth to the exclusion of the quality of the service rendered to clients; or
- giving preference to a **specific product supplier**, where a representative may recommend more than one product supplier to a client; or
- giving preference to a **specific product of a product supplier**, where a representative may recommend more than one product of that product supplier to a client.

3.3 INTERNAL CONTROLS TO IDENTIFY CONFLICTS OF INTEREST

AlphaWealth has implemented the following internal controls to identify actual or potential conflicts of interest that may arise:

- The governing body of AlphaWealth conducts annual reviews on all contracts held with third parties in order to assess whether the contractual relationship in any way influences AlphaWealth’s objective performance towards its clients
- The governing body of AlphaWealth conducts annual reviews on all contracts held with third parties in order to assess whether the contractual relationship in any way influences AlphaWealth’s ability to render fair and unbiased financial services towards its clients
- The governing body of AlphaWealth conducts annual reviews on all contracts held with third parties in order to assess whether the contractual relationship in any way influences AlphaWealth’s ability to act in the best interest of the client



- The governing body of AlphaWealth conducts annual reviews on all relationships where an ownership interest exists between AlphaWealth and a third party. The purpose of the review is to assess whether the relationship in any way influences AlphaWealth's objective performance towards its clients
- The governing body of AlphaWealth conducts annual reviews on all relationships where an ownership interest exists between AlphaWealth and a third party. The purpose of the review is to assess whether the relationship in any way influences AlphaWealth's ability to render fair and unbiased financial services towards its clients
- Conflict of Interest declarations are signed by all relevant personnel on a quarterly basis. The purpose of collecting Conflict of Interest declarations is to assist AlphaWealth and the appointed Compliance Officer to identify actual or potential conflicts of interest
- A list of AlphaWealth's associates is available at request. The list is reviewed on an annual basis
- A list of all third parties in which AlphaWealth holds an ownership interest is available at request. The list is reviewed on an annual basis
- A list of all third parties that holds an ownership interest in AlphaWealth is available at request. The list is reviewed on an annual basis
- AlphaWealth maintains a Gift Register. All gifts received from a third party with an estimated value of R500 or more will be recorded in AlphaWealth's Gift Register. The Gift Register is kept in AlphaWealth's Compliance Manual
- All relevant personnel (Key Individuals and Representatives) are required to immediately disclose in writing to the governing body of AlphaWealth and AlphaWealth's Compliance Officer, any actual or potential conflicts of interest as soon as they become aware of such situation

4) AVOIDING AND MITIGATING A CONFLICT OF INTEREST

Once an actual or potential conflict of interest has been identified, the following procedures will be followed in order to determine whether the conflict of interest is avoidable:

- The governing body of AlphaWealth will convene and evaluate the actual or potential conflict of interest in an open and honest manner
- All information that's led up to and resulting in, or causing the actual or potential conflict of interest will be disclosed to AlphaWealth's governing body and AlphaWealth's compliance officer
- The governing body of AlphaWealth will apply its mind and determine by way of majority vote whether AlphaWealth is in a position to avoid the actual or potential conflict of interest
- During the evaluation process, the governing body of AlphaWealth will consider the following possible outcomes prior to a finding in favour of unavailability:
 - The possible negative impact it will have on AlphaWealth's clients where the actual or potential conflict of interest is deemed to be unavoidable
 - The possible negative impact it will have on the integrity of the financial services industry where the actual or potential conflict of interest is deemed to be unavoidable
- Where the governing body of AlphaWealth has determined that the actual or potential conflict of interest is in fact avoidable, the following processes will be followed:
 - The governing body will remove the underlying cause or situation that results in the actual or potential conflict of interest as soon as reasonably possible
 - Any immediate negative impact or prejudice towards clients pending the removal of the actual or potential conflict of interest will be kept to a minimum
 - The reasons why the actual or potential conflict of interest was determined to be avoidable will be recorded in AlphaWealth's Compliance Manual
 - Similar circumstances that has led up to the actual or potential conflict of interest will be avoided in the future
- Where the governing body of AlphaWealth has determined that the actual or potential conflict of interest is unavoidable, the following processes will be followed:
 - The governing body of AlphaWealth and AlphaWealth's compliance officer will convene and determine the measures that will be implemented in order to mitigate the actual or potential conflict of interest as far as reasonably possible
 - The reasons why the actual or potential conflict of interest was considered to be unavoidable will be recorded in AlphaWealth's Compliance Manual



- Any measures implemented towards mitigating the actual or potential conflicts of interest will include the following arrangements:
 - The status of whether the actual or potential conflicts of interest's is still deemed to be unavoidable shall be reassessed on a continuous basis
 - Where a previously deemed unavoidable actual or potential conflicts of interest is subsequently deemed to be avoidable, such actual or potential conflict of interest shall immediately be avoided
 - All representatives will be notified of any actual or potential conflicts of interest as well as the reasons for its unavoidability
 - When rendering a financial service, a representative shall be required to disclose to the client in writing that an actual or potential conflict of interest exist
 - AlphaWealth and/or AlphaWealth's compliance officer shall report on the status of the actual or potential conflict of interest in AlphaWealth's compliance report to be submitted to the Financial Sector Conduct Authority (FSCA)

5) DISCLOSURE OF CONFLICTS OF INTEREST

It is acknowledged that while disclosure alone will often not be enough, disclosure must be treated as an integral part of managing conflicts of interest. AlphaWealth is therefore committed to ensure that clients are fully informed about actual or potential conflicts of interest in relation to the provision of financial services.

AlphaWealth has adopted the following disclosure measures:

- AlphaWealth shall disclose to a client any conflict of interest in respect of that client
- The disclosure shall be made in writing at the earliest reasonable opportunity. The disclosure may be communicated by way of appropriate electronic media
- The disclosure shall include the nature of any relationship or arrangement with a third party that gives rise to a conflict of interest
- The disclosure shall be made in sufficient detail to enable the client to understand the exact nature of the relationship or arrangement and the conflict of interest
- The disclosure shall include the measures taken to avoid or mitigate the conflict
- The disclosure shall include any ownership interest or financial interest, other than an immaterial financial interest, that AlphaWealth or representative may be or become eligible for
- The disclosure shall include a reference to AlphaWealth's Conflict of Interest Management Policy and how it may be accessed

6) COMPLIANCE MEASURES

The measures implemented towards ensuring AlphaWealth's continued compliance with the Conflict of Interest Management Policy rests with the governing body of AlphaWealth. AlphaWealth's appointed Compliance Officer will monitor AlphaWealth's continued compliance with the policy on an ongoing basis.

AlphaWealth has adopted the following internal controls and processes:

- The governing body of AlphaWealth shall ensure that the Conflict of Interest Management Policy is kept in AlphaWealth's Compliance Manual
- The governing body of AlphaWealth shall ensure that all relevant personnel read the Conflict of Interest Management Policy and understand their duties in respect thereof
- The governing body of AlphaWealth shall ensure that all personnel, and where appropriate, associates are made aware of the contents of the Conflict of Interest Management Policy and shall provide personnel with training and educational material where deemed appropriate
- The governing body of AlphaWealth shall ensure that all Conflict of Interest declarations are signed by relevant personnel on a quarterly (3 monthly) basis
- Where an employee or representative have any concerns whether or not an actual or potential conflict of interest might arise in a particular situation, the employee or representative will be required to refer his or her concern to AlphaWealth's Compliance Officer
- The governing body of AlphaWealth shall ensure that a list of all AlphaWealth's associates is annexed to the Conflict of Interest Management Policy and that a review of the list shall be conducted annually



- The governing body of AlphaWealth shall ensure that a list of all the parties in which AlphaWealth holds an ownership interest is annexed to the Conflict of Interest Management Policy and that a review of the list shall be conducted annually
- The governing body of AlphaWealth shall ensure that a list of all third parties that holds an ownership interest in AlphaWealth is annexed to the Conflict of Interest Management Policy and that a review of the list shall be conducted annually
- The governing body of AlphaWealth shall continue to maintain a Gift Register and shall ensure that all gifts received from a third party with an estimated value of R500 or more are recorded in AlphaWealth's Gift Register
- The governing body of AlphaWealth shall ensure that the proper disclosures are made to the client regarding actual or potential conflicts of interest
- The Conflict of Interest Policy shall be regularly reviewed by the appointed Compliance Officer, and where necessary, updated to ensure that the measures contained herein remains effective
- The governing body of AlphaWealth shall publish its Conflict of Interest Management Policy in appropriate media and ensure that it is easily accessible for public inspection at all reasonable times
- The governing body of AlphaWealth shall ensure that the Conflict of Interest Management Policy is reviewed on at least an annual basis

7) CONSEQUENCES OF NON-COMPLIANCE

Where there is reason to believe that an employee or representative has failed to disclose an actual or potential conflict of interest via the proper communication channels, AlphaWealth will proceed to investigate and take any appropriate steps it deems necessary to limit any financial prejudice that may be suffered by AlphaWealth, its clients or any other third party.

Where an investigation concludes that an employee or representative of AlphaWealth has indeed failed to disclose an actual or potential conflict of interest, AlphaWealth shall immediately take appropriate disciplinary steps and corrective actions against such employee or representative. Any failure by an employee to comply with the Conflict of Interest Management Policy will be considered serious form of misconduct and a dismissible offence.

8) CONFLICTS OF INTEREST

Conflicts of interest are inherent in any business and therefore the aim of AlphaWealth is to take steps to identify, disclose and manage conflicts of interest that may arise and to further ensure that our clients are not unduly prejudiced.

AlphaWealth is authorised in terms of licence no. FSP 13808 to carry on business in respect of:

1. long-term insurance: category A, B1, B2, C;
2. retail pension benefits;
3. pension funds benefits (excluding retail);
4. securities and instruments: shares in a company other than a "share block company" as defined in the Share Blocks Control Act, 1980;
5. securities and instruments (derivative instruments excluding warrants): money market instruments, debentures and securitised debt, warrants, certificates and other instruments acknowledging, conferring or creating rights to subscribe to, acquire, dispose of, or convert securities, bonds;
6. participatory interests in one or more collective investment schemes;
7. long-term deposits; and
8. short-term deposits.

AlphaWealth may advise on its own group product offerings incorporating local and international portfolios. Further to this the company and its representatives advise on private equity and property investments. This advice is limited to private equity and property investments which are endorsed by AlphaWealth. These investments incorporate regulated and unregulated investments and may take the form of partnerships, companies, trusts, collective investments, portfolios or insurance policies where applicable. AlphaWealth is a subsidiary company of Alpha Holdings (Pty) Ltd which also holds a stake of more than 10% in: Alpha Private Capital (Pty) Ltd AlphaWealth does not receive more than 30% of total remuneration from any one of our product suppliers. Alpha Private Capital – FSP 534 is an associated FSP to AlphaWealth Pty Ltd.



9) TRADING

AlphaWealth's employee trading requires that employees act according to the highest ethical standards and practice, and that they seek to minimise the risk of conflicts of interests with clients, the misuse of privileged or confidential information, or any involvement in employee trading, market abuse or interception of corporate opportunities. To ensure that the above is achieved, all employees are expected to comply with the spirit and intention of the trading.

9.1 POSSIBLE CONFLICTS OF INTEREST

➤ Profits and losses incurred as a result of errors

- Where an investment manager operates investment discretion, a scenario may occur where a profit or loss is received as a result of an erroneous holding, or a dealing error.

➤ Employee personal account dealing

There is a risk that employees of AlphaWealth could have a similar holding of assets in their personal account as that held by a client, or else hold a contrary exposure or interest to the client's interest. In these circumstances no employee actions/omissions are permitted that will in any way prejudice the client's position or be at the client's expense. This type of scenario would include occasions where:

- Client's assets are traded in an attempt to influence price;
- PA assets are traded before client assets (front running);
- Investment staff receive gifts of a monetary value from a third party in an attempt to influence the selection of broker/counterparty or other interaction.
- Conflicts can similarly arise where employees devote too much time to their own dealing arrangements thereby resulting in client portfolios being in any manner neglected.
- There is a risk that a staff member may become party to material non-public price sensitive information and use the information for own use or the use of the firm or a third party.

Mitigation and Monitoring

In addition to the policy and process discussed in Clause 4 an embargo list will be distributed to each employee every day. The embargo list will contain all the stocks traded for clients that day. No employee may trade stocks (in their personal capacity) that appear on the embargo list, employees can trade when the stock is removed from the embargo list.

Once a quarter all employee trades must be submitted to compliance. Employee trades will be checked against the embargo lists to ensure employees are not violating the policy.

➤ Financial Promotions

A possible conflict exists in the production of literature intended for client communication. As the firm receives revenues based on assets under management, the risk that financial promotions may be unfair or else misleading needs to be addressed by implementation of appropriate client safeguards.



➤ **Fee and cost disclosure**

There is a risk that a firm may not fully disclose its costs to clients, and that it may accrue commissions without the client's full and prior knowledge.

➤ **Rebates**

There is a risk that the investment manager may benefit financially via a rebate agreement.

Mitigation and Monitoring

Refer to Clause 4. Rebate agreements, if applicable, are disclosed in the investment proposal.

➤ **Segregation of key functions**

There is a risk that the control environment of AlphaWealth may be compromised by an individual staff member performing several of the key functions in a transaction process. The decision to invest and the resultant trade must be premised on sound investment procedures that exclude the company placing investments for motives other those of the client's best interest. An erosion of our control environment would be adverse to the best interests of the clients whose assets we manage. An example of this would be a staff member reviewing and authorising his own trades, or a compliance/internal audit staff member having an involvement in the operations being reviewed.

Mitigation and Monitoring

See Clause 4.

Best Execution

Inducements or other incentives received by a staff member may introduce a conflict in selecting brokerage/counterparties, leading to a failure to achieve the best possible execution for our client assets.

Mitigation and Monitoring

See Clause 4 above.

➤ **Gifts, benefits or inducements**

There is a risk that an investment manager may be influenced in their choice of trading counterparty or broker through the receipt of inducements beyond those felt to be permissible in fostering good relations. Other situations giving rise to similar conflicts of interest may arise pursuant to the standards and principles set under the Bribery Act 2010 which came into force 1 July 2011.

Mitigation and Monitoring

The purpose of the company's gifts and entertainment clause (refer to clause 1.2 above) as set out in AlphaWealth's conflict of interest manual is to restrict and monitor the giving or receiving of gifts or entertainment which may appear to have the prospect of influencing the behavior of the recipient in a way that may compromise the company's reputation or a breach in terms of the FAIS Code of Conduct.