

Conflict of Interest Policy

FSP Name: Nexus Independent Financial Professionals (Pty) Ltd

FSP Number: 1242

Responsible Person: Patrick Rosslee

POLICY ON CONFLICT OF INTEREST

FSP name: NEXUS INDEPENDENT FINANCIAL PROFESSIONALS (PTY) LTD

FSP number: 1242

1. Introduction

In terms of the Financial Advisory and Intermediary Services Act, *NEXUS INDEPENDENT FINANCIAL PROFESSIONALS (PTY) LTD* is required to take all reasonable steps to identify, monitor and manage conflicts of interest. The following policy is intended to safeguard our clients' interests and ensure their fair treatment.

2. Our Objectives

Like any financial services provider, *NEXUS INDEPENDENT FINANCIAL PROFESSIONALS (PTY) LTD* is potentially exposed to conflicts of interest in relation to various activities. However, the protection of our clients' interests is our primary concern and so our policy sets out how:

- we will identify circumstances which may give rise to actual or potential conflicts of interest entailing a material risk of damage to our clients' interests;
- we have established appropriate structures and systems to manage those conflicts; and
- we will maintain systems in an effort to prevent damage to our clients' interests through identified conflicts of interest.

3. Conflict of Interest

NEXUS INDEPENDENT FINANCIAL PROFESSIONALS (PTY) LTD strives towards ensuring that it is able to appropriately and effectively identify and manage potential conflicts. These strategies include avoidance, establishing confidentiality barriers and appropriate disclosure of a conflict to affected clients.

In determining whether there is or may be a conflict of interest to which this policy applies, *NEXUS INDEPENDENT FINANCIAL PROFESSIONALS (PTY) LTD* considers whether there is a material risk of damage to the client, taking into account whether *NEXUS INDEPENDENT FINANCIAL PROFESSIONALS (PTY) LTD* or its representative, associate or employee –

- is likely to make a financial gain, or avoid a financial loss, at the expense of the client;
- has an interest in the outcome of a service provided to the client or of a transaction carried out on behalf of the client, which is distinct from the client's interest in that outcome;
- has a financial or other incentive to favour the interest of another client, group of clients or any other third party over the interests of the client;
- receives or will receive from a person other than the client, an inducement in relation to a service provided to the client in the form of monies, goods or services, other than the legislated commission or reasonable fee for that service.

This may include but is not limited to:

- conflicts of interest between *NEXUS INDEPENDENT FINANCIAL PROFESSIONALS (PTY) LTD* and the client;
- conflicts of interest between our clients if we are acting for different clients whose different interests' conflict materially;
- conflicts of interest where associates, product suppliers, distribution channels or any other third party are involved in the rendering of a financial service to a client.

4. Management

4A Specific Monetary Measures we focus on:

We may only receive (or offer to a third party):

- commissions authorized in terms of applicable legislation; or
- fees authorized in terms of applicable legislation, or
- fees or remuneration for services rendered, if those fees are reasonably commensurate to the service being rendered; or
- fees for the rendering of a service in respect of which the commission or fees above is not paid, if those fees are specifically agreed to by a client in writing and may be stopped at discretion of the client; or
- a limited immaterial financial interest as defined; or
- a financial interest for a consideration or fair value that is reasonably commensurate to the value of the financial interest that is paid by the provider or representative at time of receipt thereof.

Furthermore, where fees are charged, care will be taken to ensure that:

- i) they are reasonably commensurate with the service being rendered, taking into account the nature of the service and the resources, skills and competencies reasonably required to perform it;
- ii) the payment of those fees does not result in the FSP or representative being remunerated more than once for performing a similar service;
- iii) any actual or potential conflicts between the interests of the client and the interests of the person receiving the fees will be effectively mitigated; and
- iv) the payment of the fees does not impede the delivery of fair outcomes to clients.

We will not offer any financial interest to any representative for –

- giving preference to the quantity of business secured for the provider to the exclusion of quality service;
- giving preference to a specific product supplier where more than one supplier can be recommended to a client; or
- giving preference to a specific product of a supplier where more than one product of that supplier can be recommended.

The determination of and entitlement to any financial interest of a representative will take into account measurable indicators relating to:-

- i) achievement of minimum service level standards in respect of clients;
- ii) delivery of fair outcomes for clients; and
- iii) the Quality of the representative's compliance with the Act;

as monitored by the Key Individual on a regular basis by the random sampling of client files, and the completion of annual performance appraisals and progress assessments.

4B Management of other identified conflicts

The measures *NEXUS INDEPENDENT FINANCIAL PROFESSIONALS (PTY) LTD* have adopted to manage identified conflicts are further summarized below. We consider them appropriate to our efforts to take reasonable care that, in relation to each identified potential conflict of interest, we act impartially to avoid a material risk of harming clients' interests.

- **Procedures:**

We have adopted the following appropriate procedures throughout our business to manage potential conflict of interest:

- Our representatives, associates and employees receive training to ensure understanding and adoption of conflict-of-interest policy and management measures;
- we monitor which product suppliers each representative quotes and places business with; suitability of product to clients' needs and objectives; comparison of products and product suppliers;
- where we hold a short-term insurance binder or provide white label funds or manage our own Category II funds, we ensure that clients are aware of our connection to the product in question and that the reasoning and motivation behind recommending or using these products is well documented;
- we conduct regular inspections on all commissions, remuneration, fees and financial interests proposed or received, in order to avoid non-compliance;
- we maintain a register of conflicts of interest.

- **Confidentiality barriers:**

Our representatives, associates and employees respect the confidentiality of client information and disclose or use it with circumspect. No such information may be disclosed to a third party without the written consent of a client. We have a confidentiality clause in our Disclosure Letter and client confidentiality is covered in our POPI Policy.

- **Monitoring:**

The key individual or internal compliance officer in charge of supervision and monitoring of this policy will regularly provide feedback on all related matters. The policy will be reviewed as and when necessary.
- **Disclosure:**

Where there is no other way of managing a conflict, or where the measures in place do not sufficiently protect clients' interests, the conflict must be disclosed to allow clients to make an informed decision on whether to continue using our service in the situation concerned. In all cases, where appropriate and where determinable, the monetary value of non-cash inducements will be disclosed to clients.
- **Publication:**

We will publish our conflict-of-interest management policy in appropriate media and ensure that it is easily accessible for public inspection at all reasonable times.
- **Report:**

If required, the provider or key individual will include a report on the conflict-of-interest management policy in the annual compliance report submitted to the Registrar.
- **Declining to act:**

We may decline to act for a client in cases where we believe the conflict of interest cannot be managed in any other way.

4C Consequences of non-compliance with this Policy

The consequences for non-compliance with/breach of this Policy, include:

- A disciplinary hearing
- A written warning
- Debarment
- FSCA Enforcement

5. Disclosure of Associates/Ownership Interest

i) The following are associates of the FSP:

Name: Nexus Fiduciary Services Pty Ltd

Relationship with FSP: Provider of Estate and Wills services

Name: IWCP Pretoria Pty Ltd

Relationship with FSP: Short term insurance offering for clients

ii) The FSP or representatives of the FSP have ownership interest in the following third parties:

N/A

iii) The following Third parties have ownership interest in the FSP:

Name of third party: IWCP Holdings

Nature of interest: Shareholding

Extent of interest: Shareholding

Name of third party: NWF holdings

Nature of Interest: Shareholding

Extent of Interest: Shareholding

Name of third party: 23 Cochrane Investments

Nature of Interest: Shareholding

Extent of Interest: Shareholding

6. Identified Conflicts of Interest

6.1 The recommendation of investments into the Nexus Funds

Potential conflict of interest: The FSP carries out activities as an advisor. Portfolio Analytics Consulting (Pty) Limited (“Analytics Consulting”) is a specialist multi-manager consulting business that is responsible for the investment management of the Nexus Funds. Furthermore, certain representatives of the FSP are representatives under supervision on the Analytics Consulting FAIS license and are members of the investment committee and may, therefore, be entitled to an annual investment management fee, financial interest or ownership interest in relation to investments placed in the Nexus Funds. A potential conflict of interest may arise where recommendations are made by representatives of the FSP in relation to investments in the Nexus Funds.

6.1 The acceptance of invitations to functions, incentive trip and conferences

Potential conflict of interest: A potential conflict of interest is possible if the sole result of the acceptance of any invitation would be an attempt by a product of service provider to attract business.

Policy: As a point of departure, Key Individuals and Representatives of the FSP are not permitted to accept any invitation that has as its sole purpose an incentive to transfer assets to the applicable provider.

Incentive trips: For purposes of this Policy, incentive trips are defined as any trip, whether local or foreign that has its sole objective of incentivising the FSP to place investments with the relevant product or service provider.

Policy: No Key Individual or Representative is entitled to accept any invitation to any incentive trip.

Functions: Functions are defined as marketing events that are organised by product or service providers in an attempt to build relationships with their clients, where the event is held in the Republic of South Africa and does not include the funding of accommodation and travel.

Policy: Key Individuals and Representatives are entitled to accept invitations to functions, however they are cautioned against accepting more than 2 functions per year from any one product or service provider.

Conference: Conferences are defined as any event that is sponsored by a product or service provider, whether in or outside of the Republic of South Africa, in terms of which the applicable Key Individual or Representative will be exposed to speakers and/or workshops and/or information that could ultimately improve the knowledge base of the business and benefit the FSP's clients.

Policy: Key Individuals and Representatives are entitled to accept invitations to conferences, provided that the prior written approval of the Board has been obtained and provided that the FSP funds all travel and accommodation requirements associated with such trip.

7. Reasons why the conflict of interest is unavoidable

7.1 The recommendation of investments into the Nexus Funds

This strategy is unavoidable and in the interests of investors for the following reasons:

- a) It is the only efficient way that the FSP (or FSP group) can actively manage its clients' investments on an ongoing basis given:
 - The number of clients
 - The geographical spread of the clients
 - The number of investment platforms utilised
- b) It is the only way to ensure that clients in similar risk profiles are managed on the same basis without timing and investment constraint differences.
- c) It is the only way of formally ensuring that investors have the benefit of greater transparency in the manner in which their investments are managed and the quantum of the costs that are levied.
- d) The only way to have access to specialised, dedicated asset management expertise and investment research on an ongoing cost-effective basis.
- e) It's the only way to effectively implement the predetermined investment process without the administrative constraints of Lisps (capped funds, funds not on platforms, timing of switches).

7.2 The acceptance of invitations to functions, incentive trip and conferences

- a) The attendance by the FSP at functions and conferences is the only way for the FSP to remain informed with regard to industry matters, investment related matters, market conditions, product development initiatives and compliance. This is ultimately for the benefit of clients.
- b) It is the best way for the FSP to maintain relationships with key service providers for the benefit of clients.

8. Specific steps that will be taken by the FSP to mitigate the conflict of interest

In addition to the general mitigation steps specified in the policy, the FSP will take the following specific steps to mitigate the potential risk to clients:

8.1 The recommendation of investments into the Nexus Funds

In light of the fact that this investment strategy is in the best interest of clients, it may continue provided that:

- a) Full disclosure must be given to investors with regard to:
 - The fact that the FSP has an interest in the product
 - The nature of the interest and full disclosure of fees earned
 - The nature of the product and all relevant details relating to the product
- b) Institute a pricing policy that will confirm the following:
 - No fee increases will take place without prior notice to clients.
 - No performance fees will be levied by the FSP.
 - All rebates will be re-invested back into the funds.
 - As far as possible the aggregated scale will be utilised to negotiate favourable fee deals with underlying managers for the benefit of the client.
- c) The FSP must ensure that it will only recommend the in-house solutions where this is in the interests of the client.

8.2 The acceptance of invitations to functions, incentive trip and conferences

Please see “policy” statements under the section headed “Identification of conflicts of interest” above.