

## **Sanlam Wealth**

### **Terms of business**

Discretionary portfolio management

Advisory trading

Advisory managed

Execution only

Version date: January 2019

These *Terms of business* set out the basis upon which Sanlam Private Wealth (SPW) will provide investment services to you. These *Terms of business*, together with (as applicable) the *Guide to charges*, *Client agreement form and/or Investment Solution* and the *Sanlam privacy statement* (and, where applicable, the ISA application form(s)) and any other terms we may issue to you constitute our agreement with you and are together referred to as 'this agreement'. The 'client' is the person, persons, company or other organisation named as the client on the *Client agreement form*, *Investment Solution* or, as the case may be, the relevant ISA application form(s), who is entering into this agreement with SPW. Your application is subject to acceptance by SPW.

### **Important information**

By the time you sign the agreement you should be certain that service is suitable for you in light of your overall financial position; if you have any doubts, or wish to obtain further clarification about anything contained within these documents, please consult us or your financial adviser.

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## **1. Governing regulations**

Sanlam Private Wealth is a registered trading name of Sanlam Private Investments (UK) Ltd, which is authorised and regulated by the Financial Conduct Authority (122588) (FCA), whose address is 12 Endeavour Square, London, E20 1JN, and is bound by its rules in the conduct of investment business. Except where stated, or where the context otherwise demands, words and phrases defined in the FCA rules have the same meaning when used in this agreement. Nothing in this agreement shall confer on any third party the right to enforce any term of this agreement. These *Terms of business* are subject to the laws of England and Wales and other applicable laws and rules. In the event of conflict between these *Terms of business* and any such laws and rules, the latter will prevail.

## **2. Client categorisation**

Unless we inform you to the contrary, you will be categorised as belonging to the 'retail client' category of investor under the FCA rules and we will provide our services as a portfolio manager on that basis. This provides you with the highest level of protection under the rules. You have the right to request categorisation as an 'elective professional client'. Any such reclassification will only be possible subject to you meeting certain quantitative requirements and we reserve the right to refuse to agree to any such reclassification. Some protections afforded to retail clients do not apply to professional clients.

## **3. General provisions applicable to services**

This section covers general provisions applicable to all our services covered by these terms. Appendix 1 covers additional terms relevant to specific services.

### *Restricted advisory services*

Any advice which we provide to you will be defined by the FCA as 'restricted advice' on Markets in Financial Instruments Directive (MiFID) Financial Instruments and Retail Investment Products (RIPs). RIPs are much more widely defined than Packaged Products, including not only unit trusts and open-ended investment companies (OEICs), but also unregulated collective investment schemes, investment trusts, exchange traded funds (ETFs), structured investment products, and other investments, in packaged form, which offer exposure to underlying financial assets; it also includes life policies and pension schemes (where we are not authorised to provide advice). Providing 'restricted advice' simply means that we will not provide advice on the whole range of Financial Instruments and RIPs. However, we will select from a wide range of suitable investments, except in cases where our in-house funds are suitable for you, where, in some circumstances, we will only provide advice on those funds.

We will not normally provide advice in relation to any designated investment that is not part of the investment portfolio managed by us, nor make a personal recommendation as to whether any individual RIP (whether or not part of the portfolio under management) is suitable for you, based on a consideration of your personal circumstances. Should, on occasion, any such advice be given, or personal recommendation made, we may charge you a flat fee for this. The amount will be agreed with you at the time the advice is requested and will be based upon the nature and complexity of the advice requested. We will not be responsible for the ongoing performance or monitoring of any such stock purchased on this basis but will review this at your specific request and subject to the application of the agreed flat fee on each occasion.

### *Transaction identifier*

When certain transactions are placed in respect of your investment portfolio, we are required to report certain information relating to you and your transaction in accordance with FCA rules, including a specific identifier for you. We will request any relevant information from you. You acknowledge we will not be able to trade on your behalf without this information and we shall not be responsible for any resulting loss that may be incurred by your investment portfolio as a result.

#### *Provision of key investor information documents*

We will not provide key investor information documents (KIIDs), simplified prospectus, or key features details of unit trusts or any other packaged product which we may purchase on your behalf when providing the discretionary service. This information is taken into account before effecting such transactions.

#### *Execution only (client request) stocks*

In cases where you request us to purchase a specific stock on your behalf, we will ask you to open a separate 'execution only' account and these *Terms of business* will apply. Such purchases will be made on an 'execution only' basis, meaning we will make no assessment and give no advice or recommendation as to the suitability for you personally of this transaction. As such, it will not constitute investment advice under the Financial Services and Markets Act.

Unless we agree otherwise, we will not be responsible for the ongoing monitoring or performance of any stock purchased on an execution only basis or otherwise selected by you.

#### *Financial planning*

Please note that SPW specialises in portfolio management and does not provide a general financial planning service. Should you require wider financial planning or wealth management services, we may refer you to an associate company, which will inform you as to the scope of its services and the nature of the advice provided. In undertaking such services for you, SPW and any such company will rely on information you provide to either company and may share information with each other. You are under no obligation to utilise the services of that company.

#### *Sanlam Client Connect*

We may at our discretion provide you with access to Sanlam Client Connect, our online client portal, which provides secure online access to view information in respect of your portfolio(s) and will be available in early 2019. SPW will issue documents and correspondence relating to your account via Sanlam Client Connect, including regulatory reports, valuation statements, contract notes and tax information reports, as applicable. Sanlam Client Connect also enables secure messaging. If you elect not to use Sanlam Client Connect we will send you information in respect of your portfolio(s) using the email and/or postal address you have provided us.

## **4. Investment universe and restrictions**

### *Discretionary portfolio management, advisory trading and advisory managed services only.*

Subject to the restrictions you have agreed with us, transactions carried out by us on your behalf, or our suggestions to you, may include investments of any type, and may be effected on any recognised or designated investment exchange, directly with the manager of regulated or unregulated collective investment schemes or over-the-counter (OTC). Please refer to our *Order execution policy* at <https://www.sanlam.co.uk/order-execution-policy> for full details of our execution venues. A hard copy is available on request.

We may invest in investment trusts and other funds which use gearing as part of their investment strategy (for more detail on gearing see paragraph 2(b) of Appendix 3.

However, we will not directly gear your portfolio by borrowing or the use of derivative transactions without first informing you of this intention. In the event that we do choose to gear your portfolio directly, we would not intend to carry out transactions which would require you to supplement the assets of your investment portfolio, as such transactions will normally be covered by the cash or assets held in your portfolio. In accordance with the FCA's rules regarding geared portfolios, we would then provide you with monthly valuation statements.

In the course of managing your investment portfolio, we may effect or arrange transactions through any person, firm or company that we may select. We will not normally deal as SPW in any transaction with you, but may do so in specific circumstances to facilitate the orderly management of your portfolio.

Where we act as your portfolio manager, we will not, without informing you, undertake short sales or enter into any underwriting commitments on your behalf. We may also acquire partly paid securities subject to any limitation set out in the *agreement*.

## **5. Corporate actions**

*This section summarises how we deal with corporate actions that affect or relate to your investments.*

*Applicable to advisory trading, advisory managed and execution only services*

We will endeavour to notify you by email as soon as is reasonably practicable of any corporate actions (including conversion and subscription rights and other rights or privileges arising in connection with takeovers, other offers or capital reorganisations), with information of the event and the date of any deadline by which we must receive a response. You will need to respond to us by email (corpaction@sanlam.co.uk) stating your intentions. Any responses received after the deadline will be handled on a best-endeavours basis.

In respect of events involving subscriptions or further investment, we will act on instructions only if sufficient cleared funds are available in your portfolio at the time of the event. In the absence of satisfactory instructions or sufficient funds, we will exercise any rights or privileges as we see fit. We will not notify you of proxy voting entitlements at company meetings. We do not provide a scrip or a dividend reinvestment programme election facility.

*Applicable to Discretionary Portfolio Management Service:* We will exercise voting, conversion and subscription rights and proceed on your behalf in takeover situations, other offers or capital re-organisations concerning your holdings, except where you notify us how you wish us to act on your behalf for any particular matter. Provided we receive such instructions in time to exercise your rights or proceed on your behalf, we will act accordingly.

## **6. Reporting arrangements**

Unless otherwise agreed with you, we will provide the following reports in relation to your investment portfolio:

- (a) Valuation reports and contract notes

For the advisory trading, advisory managed and execution-only services, you will be sent a contract note (or supporting memorandum if applicable) for every purchase or sale carried out on your behalf.

- (i) a quarterly valuation of the portfolio calculated on the basis outlined in section 7 of these *Terms of business*;
- (ii) a measure of portfolio performance during the previous period with reference to appropriate indices;
- (iii) a statement of income received and rights conferred during the period in respect of investments held in your portfolio;
- (iv) a statement of all transactions carried out for the portfolio during the period;
- (v) a statement of SPW's remuneration in relation to your portfolio during the period; and
- (vi) a statement of all investments registered in the nominee name and held in safe custody on your behalf by SPW or by our appointed custodian.

We will also send you a contract note (or supporting memorandum if applicable) for every purchase or sale carried out on your behalf. For the Discretionary Portfolio Management Service we will not send you contract notes unless you choose to receive them. Contract notes are not provided for ISAs.

b) Tax year reports (private clients and trusts)

After the end of each tax year, we will prepare an *Annual tax year report* containing:

- (i) a valuation of the portfolio calculated on the basis outlined in section 7 of these *Terms of business*;
- (ii) a consolidated tax certificate;
- (iii) details of all income received during the tax year and associated tax credits;
- (iv) a record of all capital transactions during the tax year;
- (v) a statement of realised gains and losses and (if the original costs and acquisition dates are known) calculation of the capital gains tax position.

c) Managing to your investment objectives

*Applicable to the discretionary portfolio management and advisory managed services only*

We will provide you, on an annual basis, with an assessment in writing of how your portfolio has been managed with reference to your stated investment objective and an analysis of the stocks and asset allocation in your portfolio in light of your risk profile:

d) Reporting on 10% falls in value

*Discretionary Portfolio Management Service only*

We will also notify you as soon as is practicable if your portfolio depreciates in value by 10% from its value at the beginning of the reporting period and thereafter at multiples of 10%.

- e) We will provide you, on an annual basis, with a full disclosure of all fees and charges charged to your account(s).

We reserve the right to make an additional charge for complex reports where additional information is requested.

These reports will be made available in your account via Sanlam Client Connect, if you have agreed to receive communications in this way..

## **7. Basis of valuations and performance measurement**

Valuations will be calculated on the following basis:

- a) Investments traded on, or under the rules of, a recognised or designated investment exchange or OTC market will be taken at the closing fair market value for such investment, exchange or OTC market. The basis will be disclosed to you in your valuation; generally, if bid and offer prices are not obtainable, then the closing price at, or the last traded price before, the close of business on the relevant valuation date will be utilised.
- b) Unit trusts will be priced at the valuation point and the basis of valuation will be disclosed in your valuation; OEICs at the quoted market price.
- c) Other assets, and investments which in our opinion are not readily realisable, will be taken at such fair valuation as may be determined on each occasion by us.

*Applicable to the discretionary portfolio management and advisory managed services only:*

Performance will be measured by comparing the performance of the portfolio during the period since the previous assessment (or, as the case may be, since commencement) and such other period as we consider appropriate, with relevant data over the same period(s).

If we agree a specific benchmark for your portfolio, its purpose will be purely to provide you with a reference point for the performance of the portfolio. Your portfolio will not necessarily be based upon the investments that make up the indices in the benchmark nor will it necessarily follow its asset allocation – as a result, the contents and performance of your portfolio may not mirror that of the agreed benchmark, nor that of other clients with a similar investment objective.

## **8. Clients' accounts**

Any uninvested cash balances in your investment portfolio will be held in trust on your behalf in a client money bank account with a carefully selected approved bank and may be placed on deposit with one or more approved banks in accordance with the FCA rules. These banks are not associates of SPW.

We may also place client money in notice or unbreakable term deposit accounts, as permitted by the FCA rules, to increase the number of institutions available to us for placing client money, obtain better rates of interest or to avoid charges for depositing client money which would otherwise be passed on to you. Placing client money in notice or term deposit accounts does not in itself affect your ability to deal with or withdraw funds from your accounts. However, such amounts may not be immediately available for distribution to you in the event of default by SPW or by one of the institutions with whom your money is held. We will pay interest to you on cash you hold with us in our client money and trust accounts at rates determined by us. Rates are determined by reference to the interest we receive and the cost to us of managing the cash and the wider operation of your account. Current rates can be found at [www.sanlam.co.uk](http://www.sanlam.co.uk).

Such interest will be calculated daily and credited to your portfolio immediately upon receipt. Interest which is not credited to your portfolio will be retained by SPW. For execution only accounts, debit interest of 5% above base will be charged for any overdrawn cash balances.

Dividends, tax reclaims (where applicable) and income received on your investments will be credited to your account immediately upon receipt of the cash and associated documentation. If you choose to receive income from your portfolio, income will be paid by direct credit to your nominated bank account. SPW will only accept dividends as cash.

For clients taking regular fixed sum income payments, the amount paid will be the amount estimated by SPW to be one twelfth or, as the case may be, one quarter or one half of the estimated annual income receivable on the portfolio or ISA unless otherwise agreed between us. Unless otherwise agreed with you, for clients taking income as it arises, the amount paid will be the accrued income held within the portfolio as at the processing date to be remitted to your 'nominated' bank account by the month end. Payments can be facilitated monthly, quarterly, half yearly and yearly.

Any cash withdrawals from the portfolio must normally be requested by you in writing and payments will only be made to a nominated bank account. No third-party payments will be permitted on the account(s) unless agreed as an exception when we may be required by the money laundering regulations to verify the identity of any unknown third party to whom payment is instructed.

Any client money due to you which is unclaimed by you on an account which has not been active for six years will cease to be client money and may be paid to a registered charity. We will attempt to contact you at least three times should we intend to exercise these rights and, should we do so, we undertake to make good any valid claim that may subsequently be made against any balances we have paid away in this way.

#### *Transfer of client money*

You agree SPW may transfer any client money it holds for you to another firm (whether within the same corporate group or not) as part of transferring all or part of its business to that firm (for example if SPW is involved in a group re-organisation or all or part of its business is acquired by a third party) and that we do not need to obtain specific consent from you in advance of the transfer to the recipient firm provided we have put arrangements in place for the transfer in accordance with the relevant FCA rules, including ensuring that:

- a) the client money being transferred relates to the business being transferred;
- b) the firm to whom we transfer your client money will be required to return your client money held with them as soon as practicable on your request; and
- c) the firm to whom we have transferred your client money will hold it in accordance with the FCA's client money rules (insofar as they apply to that firm) until they return your client money or, if the FCA's client money rules do not apply to that person, SPW will take appropriate steps to satisfy itself that appropriate measures will be put in place to protect your client money until it is returned.

### **9. Safe custody of your investments**

Securities in your portfolio will be held by SPW or its appointed agents as custodian in accordance with the FCA rules.

Investments will normally be registered in the name of 'Principal Nominees Limited', a wholly owned subsidiary of SPW. In certain circumstances, we may appoint another custodian, regulated by the FCA, or an overseas equivalent, who will hold the stocks to our order. We accept full responsibility for the acts and omissions of Principal Nominees Limited. The extent of our liability in respect of any third-party custodian is set out in section 19, clauses a to d. If you require overseas stock holdings to be transferred from our nominee name (or, where applicable, from our appointed custodian), we will where possible accept your instructions to transfer the securities to a nominated custodian or realise these into cash but will not re-designate overseas stock holdings into bearer form. Certificates or documents of title belonging to you will not be lent to, or deposited by way of



collateral with, a third party and money cannot be borrowed on your behalf against the security of those investments. SPW will maintain full records in respect of the beneficial ownership of all securities held in the nominee name.

Certificates registered in a client's own name may be held in safe custody by SPW. If applicable, a statement of any such certificates will be sent to you once a year within a period of 25 business days of the date as at which the statement is made up. When SPW needs to provide you with information relating to investments held in safe custody on your behalf, we will normally write to you. However, in cases of urgency, we may telephone you or send you a message electronically via email or fax.

SPW may choose to use the delivery versus payment (DvP) exemption where a commercial settlement system is used to settle your trades. When a transaction is made on your account, your money or assets may fall within the DvP exemption window for a period of up to one working day, during which time they will not be treated as client money or client assets. During this period, your money or assets would not be protected in the unlikely event that SPW were to become insolvent or the commercial payment system failed. By signing the *agreement* you agree to give consent to the operation of this arrangement.

You should be aware that the protections offered under the FCA client money and client asset rules only apply when such money or assets are treated as client money or client assets as defined in the FCA Handbook.

SPW take appropriate measures to prevent unauthorised use of your safe custody assets by closely monitoring the future settlement of trades and, if an issue is identified, taking remedial action with the use of firm money to cover any asset shortfalls.

SPW performs regular reconciliations of its client asset records with those of external custodians. Any discrepancies identified in this reconciliation process are investigated and, if required, any shortfalls are covered by the transfer of either firm monies or assets.

Any client assets due to you on an account which has not been active for twelve years will cease to be client assets and such assets may be liquidated and the proceeds paid to a registered charity. We will attempt to contact you at least three times should we intend to exercise these rights and, should we do so, we undertake to make good any valid claim that may subsequently be made against assets we have liquidated in this way.

SPW may transfer responsibility for custody by appointing an alternative custodian, subject to the conditions for transferring client money in section 8 above. We will give you at least 30 days' prior written notice. If you object to the transfer, you may terminate your agreement with us. We will not make any charge if, in these circumstances, you transfer to another provider or if you terminate your agreement with us within 30 days of receiving a notice from us under this section.

### **General custody provisions (Effective from 31 March 2019)**

By accepting these terms you authorise SPW to appoint a custodian on your behalf to hold your client money and investments and to provide associated services as we may determine from time to time, in order to carry out investment transactions we execute or arrange on your behalf. We refer in these terms to such custodian as an "Appointed Custodian". The agreement under which an Appointed Custodian is appointed is referred to as the "Custodian Contract". Under this arrangement there will be a contract between you and us and between you and the Appointed Custodian. Consequently you will be bound by both these terms and the Appointed Custodian's terms.

You therefore grant us all necessary power and authority to do the following on your behalf:

- to agree the terms of the Custodian Contract under which the Appointed Custodian will provide you with services and to enter into the Custodian Contract, and to agree any amendments to the Custodian Contract;
- issue instructions to the Appointed Custodian and receive instructions from that Appointed Custodian;
- give any consents, authorities and permission to the Appointed Custodian as may be determined by us and as required for the provision of our services to you;
- give any warranties, representations and undertakings to the Appointed Custodian where we, acting reasonably, believe we can give such warranties, representations and undertakings and such warranties, representations and undertakings are reasonable and in line with general market practice given the context in which they are given;
- agree to indemnities and other provisions under which you may become liable to meet certain costs and liabilities of the Appointed Custodian where we, acting reasonably, believe we can agree on your behalf to such indemnities and other provisions;
- to receive notices, statements and reports and other communications to you from the Appointed Custodian as the Appointed Custodian's client (including, without limitation, notices of variation of the Custodian Contract) on the basis that we then notify you and/or your adviser of such notice;
- enter into any assignment and/or novation of any existing contract with an Appointed Custodian to effect the appointment of an alternative custodian selected by us and make arrangements for your investments (including, without limitation, cash) to be transferred to an alternative custodian appointed by us in accordance with this clause 9;
- terminate an existing Custodian Contract with an Appointed Custodian and make arrangements for your investments (including, without limitation, cash) held by that Appointed Custodian to be transferred to an alternative custodian appointed by us in accordance with this clause 9, or to be transferred to us on the basis of a contract between you and us that is on terms the same as or better than the terms of the relevant Custodian Contract.

While exercising the permissions and authorities granted to us by you under this clause, we shall, at all times, act in accordance with all laws and the regulator's rules that are applicable to us.

Before arranging for the transfer of your investments from us to an Appointed Custodian (or any alternative Appointed Custodian or from an Appointed Custodian to us), we shall give you at least 30 days' written notice. If you object to the transfer, you may terminate your agreement with us. We will not make any charge if, in these circumstances, you transfer to another provider or if you terminate your agreement with us within 30 days of receiving a notice from us under this paragraph.

#### **10. Communication and client instructions**

We will make valuation statements and other reports in respect of your portfolio(s) available on Sanlam Client Connect, unless you have told us in writing in the agreement that you do not wish to use Sanlam Client Connect.

Otherwise all communications will be sent to the address (or email address) shown in your agreement unless you notify us otherwise in writing. Communications to SPW should be sent to your usual contact. SPW shall be entitled to consider that any correspondence or emails properly despatched and correctly addressed have been received.

We will acknowledge your instructions by acting upon them unless we advise you that we believe such compliance may not be practicable or might involve either party in a contravention of any law, rule or regulation. We will normally require you to give us written instructions in relation to the exercise of any rights attaching to investments held in safekeeping by us for you.

We may rely and act upon any instruction whether given or purported to be given by you, or by a third party where you have notified us in writing that the relevant third party may give instructions on your behalf. We may continue to rely and act upon instructions from such third party (whether or not in writing) until we receive written notice from you to the contrary.

We may not act upon instructions left verbally on a telephone answering service or device without additional written confirmation.

Where you send us a communication via post or email it should not be assumed this has been successfully received by the recipient unless this instruction has been acknowledged by the firm. Where no acknowledgement of an instruction is received, you should telephone the firm to confirm safe receipt. Failure to do so may result in delays for which the firm cannot be held responsible.

## **11. Service administration**

In the interests of the proper administration of the portfolio and for related investment purposes only, SPW, its representatives and/or employees, may call upon you by telephone, visit or otherwise communicate orally with you without express invitation. In doing so, we will abide by the FCA rules regarding such contact. We will not contact you in this way for marketing purposes.

## **12. Commencement of agreement (effective date, initial value and portfolio composition)**

This agreement will come into force when we receive from you the signed *Client agreement form* or Investment Solution and/or the documents of title (and/or cash) which are to comprise your investment portfolio. As soon as practicable after we receive documents of title and/or cash, we will send you a statement showing the initial composition of the portfolio and its initial value (calculated on the same basis as the valuation report referred to in section 7). Once agreed, this initial valuation will be treated as having formed part of the agreement from the outset.

Our management fees will be applied from the date of the initial valuation.

We will provide our total costs and charges clearly before you enter into this agreement. It is your responsibility to ensure you are aware of the charges before you invest.

Under the terms of the EU Distance Marketing Directive, clients who have not personally met a representative of SPW to discuss the management of their assets will have the right to cancel this agreement within 14 days of our receipt of the signed *Client agreement form* or Investment Solution and/or the documents of title (and/or cash) which are to comprise their portfolio. This right to cancel applies only to your agreement with SPW and not to the underlying assets which form part of your portfolio. If you exercise your right to cancel, and if we have undertaken transactions on your behalf during this period, we will return to you the market value of your assets. This means that you will benefit from any rise – or suffer from

any fall – in the market value of those assets. We will charge our management fee pro-rata and any applicable dealing or stock transfer charges, as stated in the *Guide to charges* or Investment Solution document, as applicable.

In certain circumstances, because of applicable laws and regulations and/or internal policies, SPW may be unable to accept your application. In such circumstances, we will endeavour to notify you as soon as is reasonably practical, but you should not treat any failure to notify you as implying acceptance of your application. SPW will not be liable for any failure to accept your application.

### **13. Amendments and assignment**

We can change this agreement to make it fairer to you or more easily understandable, or to correct a mistake (provided that this correction would not adversely affect you).

We may also, at any time, change the terms of this agreement for any valid reason including, but not limited to, the following reasons:

- a) to reflect a change in the law or any regulation (or the way in which they are applied);
- b) to reflect a change in technology, to cover an improvement or change in our services, methods of operation, or in the facilities that we provide;
- c) to reflect a change in market conditions or the overall cost of providing our services to our clients; and/or
- d) to ensure the good management or competitiveness of our business,
- e) to make them fairer and/or more easily understandable;
- f) to remedy an error, omission or ambiguity we may discover.

You will be given at least 30 days' written notice (unless the circumstances dictate a shorter period) in respect of any changes to the terms of this agreement.

#### **Assignment**

We may transfer our rights under this agreement to a group, company or any other third party by way of assignment, transfer of business or otherwise (subject to any necessary regulatory approvals and authorisations and, where applicable, to the conditions for transferring client money in section 8 above) and arrange on your behalf for it to assume our obligations to you so long as the third party is regulated by the FCA and is bound by its rules in the conduct of investment business. We will give you at least 30 days' written notice and let you know the name of the third party. If you object to the transfer, you may terminate your agreement with us. We will not make a charge if, in these circumstances, you transfer to another provider or you terminate your agreement with us within 30 days of receiving a notice from us under this section.

### **14. Clients' warranties and indemnity**

- a) By signing this agreement, you warrant that you have full and unrestricted power to employ us to deal in or manage your investments on the basis of the services we will provide to you under the terms of this agreement and, insofar as may be appropriate, that you have the power to delegate the custody of investments. You warrant that the investments and/or cash comprising the portfolio are held by you free from all liens, charges and encumbrances, except as may be stated in the *Client agreement form*.
- b) You warrant and represent to us that all information you have given to us is complete and accurate and is given with the intention that we will rely on

it. You agree to notify us of any material change in any information supplied to us. Should you give us information which is not complete and accurate, or is misleading, or you fail to notify us of any change in the information you have given us:

- (i) we will not be responsible to you for any loss that may be incurred as a result of our relying on any incomplete, inaccurate or misleading information; and
  - (ii) you will be responsible for reimbursing us for any liability, damage, loss, costs and expenses arising from any claims which may be made against us as a consequence of us relying on such information.
- c) You agree to compensate SPW (and/or our appointed custodian) for all claims which may be made against us which result from your failure to meet your obligations under this agreement (for example, losses incurred as a result of a bounced cheque or your failure to deliver stock), except insofar as such claims result from the negligence, default or fraud of SPW (and/or our appointed custodian).
- d) You warrant that, if you provide us with an execution only instruction to deal in a particular stock, any such instruction is provided in good faith and is not based upon insider information, nor does it constitute any form of market abuse.
- e) and f) apply to the discretionary portfolio management, advisory managed and advisory trading services only.*
- e) You undertake not to deal except through SPW with any of the investments and/or cash in the portfolio or to authorise anyone else so to deal.
- f) Because SPW is permitted to apply for shares on your behalf in public issues or offers for sale, you undertake that no separate applications for such offerings will be made by you, or for your benefit, where such applications are prohibited without prior arrangement with SPW.

## **15. Potential conflicts of interest and material interests**

In accordance with FCA rules, SPW has comprehensive procedures in place in order to identify, monitor, manage and, where applicable, disclose conflicts of interest and material interests that may exist. Broadly speaking, a conflict of interest may arise where SPW's own interests or a member of staff's personal interest does or could conflict with a duty we have to a client. Central to our management of conflicts of interest is the underlying culture at SPW which seeks at all times to treat customers fairly. This culture is also supported by formal systems and controls and robust corporate governance arrangements, comprehensive monitoring programmes and a regular review of risks, including conflicts, by the risk committee, with inspection visits by both internal and external auditors.

The overall aims of these procedures are to ensure that our interests are never put ahead of those of our clients, and that one group of clients is not treated more favourably than others. We will, therefore, apply the overriding principles of 'best execution' and 'suitability' when making investment decisions or effecting transactions on our clients' behalf.

SPW has set up systems to identify on an ongoing basis any conflicts of interest that may arise and to disclose these to clients in the event that the conflicts of interest arrangements are insufficient to protect clients' interests, or if necessary in the event of a severe conflict, to cease or decline to act for a client.

You should be aware that we may effect transactions in which we or another company in the Sanlam group of companies has a material interest or conflict of duties. Examples of this include transactions in:

- a) a unit trust or other collective investment scheme which is managed by SPW or an associate; and
- b) investment vehicles of companies which allow a commission to SPW.

We may recommend or effect such transactions without prior reference to you (discretionary portfolio management, advisory managed and advisory trading services only) and without accounting to you for any commission, profit or other remuneration received by us or another company in the Sanlam group of companies, subject to the overriding principles of best execution and suitability and to the management of such conflicts in accordance with our *Conflicts of interest policy*.

A detailed *Conflicts of interest policy*, describing the conflicts of interest identified by us and how we manage them, is available upon request from your usual contact or from the compliance team at our Bristol office; it can also be found on SPW's website at [www.sanlam.co.uk/Conflicts-of-Interest-Policy.aspx](http://www.sanlam.co.uk/Conflicts-of-Interest-Policy.aspx).

We may give or receive minor non-monetary benefits to/from some of the firms with whom we work in order to offer you a better service. Such benefits may include information relating to financial instruments or investment services; participation in conferences, seminars and training events; and minor hospitality (such as food and drink during a business meeting, conference, seminar or training event). Any costs we incur in provision of such benefits will not affect the charges you pay for our service. Further information regarding these arrangements is available on request.

## 16. Aggregation and order execution

Subject to the FCA rules, we may aggregate transactions for your portfolio with those of other clients, our employees and our associates and their employees without prior reference to you or such other clients.

Aggregation may operate on some occasions to your advantage and on other occasions to your disadvantage. Also, we may act as your agent in relation to transactions in which we are also acting as agent for the account of other clients and associates. We may, at our discretion, meet the cost, or retain the benefit of, minor fractional entitlements arising from pro-rata rights and other such issues.

Further details on how we aggregate orders as well as how we arrange and execute orders can be found in our *Order execution policy*. This can be found at [www.sanlam.co.uk](http://www.sanlam.co.uk). By agreeing to these terms, you agree to the *Order execution policy* and provide consent:

- (i) for SPW to exercise discretion as to how and when unexecuted limit orders are shown to the market; and
- (ii) for SPW to execute outside of a regulated market multilateral trading facility or organised trading facility.

## 17. Nature and risks of investment

**It is important that you understand that all investment involves risk. The value of investments, and the income from them, may fall as well as rise and is not guaranteed. Investors may not get back the original amount invested. The past performance of investments is not a reliable indicator of future results.**

Appendix 3 is intended as a general explanation of the nature and risks of the different types of investment which may be included in your portfolio. It is intended to help you understand industry terminology and to enable you to make a decision about the management of your investments. It cannot, however, explain everything about the nature and risks of investments and, should you have any questions, you should not hesitate to contact us, or your financial adviser.

Appendix 3 is arranged as follows:

1. Major asset classes
2. Factors influencing investment risk
3. Investment funds (including exchange-traded products)
4. Structured investment products
5. Forwards, warrants and derivatives

Not all of our investment services will include all of the above types of investment. More detail about the types of investment to be included in your portfolio will be included in your investment proposal.

## **18. Taxation**

You and your professional tax adviser are solely responsible for the management of your affairs to the best advantage for tax purposes. We can accept no responsibility for any tax consequences of anything done within the scope of our authority.

*Discretionary portfolio management, advisory managed and advisory trading services only:*

If you have provided details of your capital gains tax (CGT) position to us, we will normally take this into account when making disposals from your portfolio. However, there may be occasions when we consider it to be in your best interests to dispose of stock even where it exceeds your normal CGT allowance, resulting in a tax liability. Please note that we can only consider the investment portfolios that we manage.

## **19. Liability**

- a) We may delegate any of our functions under this agreement to an associate or external third party. We may also, where reasonable, employ agents (including associates) to perform any administrative, dealing or ancillary services required to enable SPW to manage your portfolio under this agreement. SPW will act in good faith and with due diligence in the selection, use and monitoring of agents. SPW accepts responsibility for any loss caused by the negligence, wilful default or fraud of any delegate or agent which is an associate but will not otherwise be liable for any loss to you.

With the exception of sub-paragraph (f) below, we will not be liable for any loss arising from errors of fact or judgement or any action taken (or omitted to be taken) by us howsoever arising except to the extent that any such error or action (or omission) is due to our negligence, default or fraud or that of our employees.

- b) To the extent that they come into our possession or control, we will be responsible for the safe custody of securities and documents of title relating to them (or, where applicable, for entrusting to the safe custody of our appointed custodian such securities and documents of title). We will also be responsible for depositing with an approved bank (as described in section 8 of these *Terms of business*) cash held or received for your

account at any time. While we will undertake a risk assessment of each bank and custodian intended to hold your cash or investments before appointing them (as required by the FCA rules), and will act in good faith and with due diligence in the use and monitoring of them, neither we nor our nominee shall be liable for any act, omission or default of any bank or custodian.

- c) Client investments held by SPW (or, where applicable, by our appointed custodian) and registered collectively in the name of 'Principal Nominees Limited' may not be identifiable by separate certificates or other physical documents of title or equivalent electronic records. However, SPW will be responsible for keeping full and detailed records of the beneficial ownership of clients' investments registered in the nominee name. Such records are reconciled regularly with the records of total holdings registered in the nominee name within CREST or, in the case of managed funds, the relevant fund managers and any discrepancies are promptly followed up. These records and reconciliations are also subject to review by our internal and external auditors. In accordance with the FCA rules, we are obliged to bring to your attention the risk that, were we not to invest the correct sums of money in the correct nominee name and if, at the same time, SPW was to become insolvent, there could be a shortfall in investments registered in the nominee name. Such a shortfall could, in practice, result only to the extent that we had invested incorrectly since the last reconciliation. In this event, any such shortfall may be shared pro-rata among all clients whose investments are registered in that name.
- d) Where investments or cash are held overseas with third parties, there may be different settlement, legal and regulatory requirements in overseas jurisdictions from those applying in the United Kingdom, as well as different practices relating to the segregation of investments or cash, including pooling investments held to our order with those of other clients of the third party. In the event of default of a custodian, bank or intermediate broker or other third party, your assets may be treated in a different manner from that which would apply if the money was held by the equivalent counterparties in the United Kingdom. You must notify us in writing if you do not want us to pass your cash on to intermediate brokers or other third parties in any particular jurisdictions; unless you notify us to the contrary, we will assume we have your consent to do so. If SPW, or the third party, were to become insolvent, there may be delays in identifying individual assets, and possibly an increased risk of loss if there should be a shortfall because additional time will be needed to identify the assets held for specific clients.
- e) A failure or delay by any party in enforcing any right under these terms is not an implied waiver of that right or of any other right in the future.
- f) SPW has no liability to you arising from any breach of confidentiality or otherwise if any person sees any communication which is deemed to have been delivered to your email address. If we act upon instructions given to us by email or facsimile, we shall not accept liability for any loss you incur if it appears to us that the communication was sent by you. Unless you instruct otherwise at the time, we will assume that you are content for us to respond to an email communication from you using email ourselves. We shall not be liable for any loss you incur as a result of your failure to receive, for whatever reason, any communication sent by email by us, as a result of receipt by a third party of any such communication. We shall not be liable under any circumstances for any loss or damages which result or may result from any use of our websites or your access to the internet.

*Sections g) to i) apply to the discretionary portfolio management, advisory managed and advisory trading services only.*



- g) No warranty is given by us as to the performance or profitability of any investments, cash or other property forming part of, or constituting, your investment portfolio or investment account. Furthermore, you should be aware that, subject to our overall investment process, and our knowledge of the client, our portfolio managers and investment advisers exercise autonomy in their investment decisions and one portfolio manager may choose to utilise an investment for one client which another manager may choose not to utilise for another client in ostensibly similar circumstances. As a result, it is possible that the performance of one client's portfolio may differ from that of another client (whether managed by the same portfolio manager or not) with a similar investment objective and risk profile.
- h) We will not be responsible for any loss of opportunity whereby the value of your investment portfolio could have been increased or for any decline in the value of your portfolio, howsoever arising, except to the extent that such loss or decline is due to our negligence, default or fraud, or that of our employees.
- i) SPW is entitled to treat any advice and research supplied to us by reputable sources as reliable even if it carries a disclaimer notice stating that the information contained within it is not guaranteed as to accuracy or completeness. The information we receive and the decisions and recommendations we make as a result can therefore never be guaranteed as to correctness in the long or short term and our recommendations may change without notice. We do not accept liability for any direct or consequential loss arising from the use of reputable third-party research. Further to the FCA's *Conduct of business rules on investment research*, we confirm that the provision of research which is reasonably provided by brokers to assist us in the provision of our services to you, does not (and is not likely to) impair compliance with our duty to act in your best interests.

## **20. Force majeure**

In the event of any failure, interruption or delay in the performance of our or, where applicable, our appointed custodian's obligations resulting from acts, events or circumstances not reasonably within our respective control (including, but not limited to, industrial disputes, acts or regulations of any governmental or supranational bodies or authorities and breakdown, failure or malfunction of any telecommunications or computer service or systems) SPW or, as the case may be, our appointed custodian shall not be liable or have any responsibility of any kind for any loss or damage thereby incurred or suffered by you.

## **21. Complaint procedure**

SPW will, at all times, follow the procedure laid down by the FCA for the effective consideration and proper handling of complaints from clients. If you wish to make a complaint, or would like to receive details of our complaint handling procedure, please contact the head of client operations at our Bristol office. In the unlikely event that a client's complaint(s) cannot be resolved, an eligible complainant will also have a right to complain direct to the Financial Ombudsman Service (FOS) under whose adjudication the client may have a right to compensation. The FOS offers to investors, without charge, an independent consideration of complaints against firms regulated by the FCA. A statement is available from our head of compliance on request, detailing the main points of the ombudsman system and the way it operates. Full details of the FOS can be found on its website at [www.financial-ombudsman.org.uk](http://www.financial-ombudsman.org.uk). Certain clients, such as larger companies, trusts, pension funds and elective professionals, may not be considered eligible

complainants by the FOS. If you have a complaint about a service provided online you may wish to complain via [ec.europa.eu/consumers/odr/](http://ec.europa.eu/consumers/odr/)

## **22. Client protection**

As a retail client under the FCA rules, you will benefit from the Financial Services Compensation Scheme (FSCS) if we are declared in default and are unable to meet our liabilities to you (up to a maximum of £50,000). Further information, including details of the extent and level of cover, are available from the FSCS website ([www.fscs.org.uk](http://www.fscs.org.uk)), or on request from our head of compliance. Certain retail clients, such as larger companies, trusts, pension funds and elective professional clients, may not have access to the FSCS.

## **23. Termination**

You are entitled to terminate this agreement at any time by written notice. Termination will take effect when we receive the notice or, if different, at the time specified in the notice, subject in either case to the completion of outstanding transactions. We may also terminate this agreement on one month's notice in writing, or by immediate notice if required to do so by any competent regulatory authority. Termination will not in any event affect accrued rights, existing commitments or any contractual provision intended to survive termination and will be without penalty or other additional payment save that you will be required to pay:

- a) our fees pro-rata to the date of termination or, as the case may be, we will rebate to you pro-rata any such fees paid to us in advance;
- b) any additional expenses necessarily incurred by us in terminating this agreement; and
- c) any losses necessarily realised in settling or concluding outstanding obligations. On termination, we may retain (or, where applicable, direct our appointed custodian to retain) such securities and cash as may be required to settle transactions already initiated and to pay any of your outstanding liabilities

Upon receipt of your instruction to terminate this agreement, we will manage the portfolio's investments on a care and maintenance only basis until the assets are transferred out, or encashed, as applicable. SPW will use its best endeavours to ensure that assets are transferred out as quickly as possible but we cannot be responsible for delays caused by third parties. We will normally transfer ISAs as cash but can effect in-specie transfers on request. Please refer to the relevant guide to charges and/or Investment Solution documents for details on charges associated with encashing or transferring your assets.

If, on termination, any money is or may become due as a result of a commitment entered into by us on the portfolio's account (an 'outstanding amount') we may at our discretion sell such of your investments as we may in our discretion select in order to realise funds sufficient to cover any outstanding amount (but only to the extent that insufficient funds are otherwise held on the portfolio's account and are available for the purpose). We may also cancel, close out, terminate or reverse any transaction or enter into any other transaction or do anything which has the effect of reducing or eliminating any outstanding amount, or reducing or eliminating liability under any contracts, positions or commitments undertaken on the portfolio's account.

## **24. Joint accounts**

Where the client comprises more than one person (including trustees and company directors), your obligations under this agreement will be joint and several and any reference in this agreement to you as the client shall be construed, where appropriate, as a reference to any one or more of you. Accordingly, any warning or other notice which is given to one of the persons constituting the client will thereby be given to all persons constituting the client.

If one of you wishes to give instructions on behalf of all parties constituting the client, you must give us standing written instructions to that effect. In the absence of such instructions, we may require instructions from one party to be co-signed by all the persons constituting the client (or, in the case of trusts, by at least two trustees; or, in the case of charity, corporate, pension, onshore bond or offshore bond clients, in accordance with the signing authorities specified in writing to us). Furthermore, once we have been notified in writing by one or more joint holders that they no longer consent to the other joint holder(s) giving instructions on their behalf, we will require future instructions to be co-signed by all persons constituting the client.

On the death of any of the persons constituting the client (being survived by any other such person), this agreement will not terminate and the survivor(s) and the personal representative of the deceased will continue to be bound by this agreement. Where there is a change of joint holders other than as a result of death, for example a trustee or director retiring, SPW should be notified in writing. Where the client is a trust, the liability of the trustees under this agreement shall be limited, in the absence of fraud, to the assets of the trust from time to time.

In the event of the above circumstances the account(s) will continue to be managed in accordance with the agreement.

## **25. Anti-money laundering**

As explained in the *Sanlam privacy statement* (referred to in section 27), in order to satisfy our obligations under the money laundering regulations and the FCA rules, we may need to request sight of certain documents (such as your passport) as proof of identity. As an alternative, or in addition, we may verify your identity, or the identity of trustees, directors or other signatories, by a search with a credit reference agency. To do so, the credit reference agency may check the details you supply against any particulars on any database (public or otherwise) to which it has access. It may also use your details to assist other companies for verification purposes. A record of the search will be maintained. Any delay in providing such identity documentation, when requested, or in obtaining a satisfactory search at a credit reference agency, may result in a delay in the commencement of your portfolio.

## **26. Charges and remuneration**

Our fees are illustrated in the schedule of fees in your investment proposal or Investment Solution, or *Guide to charges* document, as applicable, which should be read in conjunction with these terms. Unless otherwise agreed, the management fee will be charged quarterly in arrears on the market value of assets in your portfolio(s), including uninvested cash balances, calculated as at each calendar quarter end.

In the event that the total interest received on clients' bank accounts exceeds the amount payable to clients under section 8 of these Terms, SPW may retain the difference.

## **27. Data protection**

In the course of providing our products and/or services to you, we will receive information from and about you and will act as data controller which means we are responsible for deciding how we hold and use your personal data. We take the security of your personal data very seriously. We will only process your personal data in accordance with applicable data protection laws. Further information about the way in which we use your personal data is set out in the *Client agreement form* and the *Sanlam privacy statement* which is available on our website at [www.sanlam.co.uk](http://www.sanlam.co.uk).

Telephone calls may be recorded and monitored for quality control and regulatory purposes.

## **28. Electronic communication**

Where you have provided an email address, you agree to be provided with information via email and, where appropriate, you agree to be provided with information through the Sanlam website ([www.sanlam.co.uk](http://www.sanlam.co.uk)) unless you inform us to the contrary. These communications will be in respect of the services covered in your relationship with Sanlam and will include but are not limited to links to relevant Sanlam policies, the delivery of reports, transaction information and valuations. These communications do not include marketing communications. If you have provided us with an email address but you would prefer to receive communications via post instead, please inform your usual Sanlam contact.

Where you intend to instruct us by email, we recommend you do not do so where the instructions are particularly time sensitive. We shall only be responsible for instructions received by email where we have been previously advised of your email address, we receive the instructions in sufficient time to act upon them prior to any deadline and you have received our express acknowledgement that we have received and can act on the instructions.

Where we primarily communicate with you by email, you acknowledge that we are authorised to continue to use the email address provided until we have received notification of any change to your email address. We will not accept a notification by email of an email address change. You accept that email is not a secure form of communication and acknowledge that we shall not be liable for any loss caused by this form of communication.

We may record telephone and other electronic conversations for training, monitoring and any other purposes permitted by law. We may use these recordings as evidence.

## **29. Sanlam Client Connect**

The following provisions apply if you use Sanlam Client Connect. We make no warranty or representation that Sanlam Client Connect can be accessed at all times. We reserve the right to limit, suspend or withdraw the availability of Sanlam Client Connect for maintenance and operational reasons if we have any concerns about the use of or access to the service. We will use reasonable endeavours to give you notice in such event. If we have to limit, suspend or withdraw Sanlam Client Connect for reasons beyond our control we will not be liable to you for any loss you may suffer as a result. You acknowledge the service is provided 'as is' without any warranty as to its purpose, functionality and appropriateness. You also acknowledge it may not be error free and may be interrupted.

We use reasonable endeavours to ensure the accuracy of information available in Sanlam Client Connect and to correct any errors or omissions within our control as soon as practicable once we are aware of them. However we do not represent the accuracy, completeness or timeliness of the information available on Sanlam Client

Connect. We do not accept responsibility for information obtained from third parties and we use reasonable endeavours to identify such information.

You agree you will not disclose any login and password details issued to you to use Sanlam Client Connect. If you become aware your login and password security has been breached, you agree you will notify SPW immediately. You will not use Sanlam Client Connect for any unlawful, obscene, abusive or libellous purpose. You shall use reasonable endeavours to ensure you do not introduce computer viruses, worms or similar items into Sanlam Client Connect. You will be asked to agree to separate terms governing your use of Sanlam Client Connect when accessing the service.

## Appendices

### Appendix 1

#### Description of services

##### 1. The Discretionary Portfolio Management Service

Where you appoint us to manage your investment portfolio on a discretionary basis, this means that we will have the right (as your agent and without prior reference to you) to:

1. buy, sell, retain or otherwise deal in investments including unregulated collective investment schemes;
2. make deposits;
3. subscribe to issues and offers for sale of, and accept placings of, any such investments;
4. effect transactions on any markets; and
5. otherwise act as we judge appropriate in relation to the management and investment of your portfolio.

In exercising our discretion, we will act in accordance with your stated investment objectives, attitude to risk and any specific restrictions as detailed in the *agreement*. The objectives and restrictions specified by you will not be deemed to have been breached as a result of changes in the value of certain assets in the portfolio brought about solely through market forces or movements in the market.

##### 2. The Advisory Trading Service

This service is suitable for more experienced investors who wish to make their own investment decisions. Based on your requirements, preferences and objectives, we will make suggestions which can include short or long-term positions in a number of different security classes.

It is important to note that when providing this service we will only provide you with advice in relation to specific transactions. This service does not include ongoing management or monitoring of your investments. We may on occasion contact you with investment suggestions where we feel they may be suitable for you. You are not obligated to accept these recommendations. We will take into account your wider financial or other circumstances when assessing the suitability of this service for you.

However, we will not do so with regard to the individual transactions and shall have no obligation or responsibility to do so. This service is not designed to enable you to build a diversified portfolio of assets. You will need to decide whether to make any particular investment in light of your other investments and financial circumstances. If you do not understand the terms of this service, or if you feel that this service is not suitable for you, please contact us for assistance.

If required, this service can include advising you on the merits and suitability of a particular transaction which you are considering, but we will be under no obligation to offer you such advice. Where we provide you with advice as part of the Advisory trading service we will not exercise any discretion on your behalf. You will retain full control over all investment decisions.

Where we advise you on the purchase of RIPs, we will provide you with the UCITS KIID, PRIIPS KID, *Simplified prospectus* or *Key features* document as applicable.

We will act in accordance with your stated objectives, preferences and any specific restrictions as agreed between you and your advisor in the *agreement*. The objectives and restrictions specified by you will not be deemed to have been breached as a result of changes in the value of certain assets in the account brought about solely through market forces or movements in the market.

### **3. The Advisory Managed Service**

This service is designed for investors who wish to have some control over their portfolio. We will provide advice to you on our own initiative or when you ask us to do so, on the merits of any individual investment or of your portfolio. You are not obligated to accept these recommendations. We will use our in-house models as the basis for devising your investment strategy; the blend of asset classes and underlying investment selection will aim to produce a level of portfolio risk and return which we consider suitable to your objectives.

Where we believe there is a requirement to trade on your portfolio we will contact you.

As you retain overall control of your portfolio, you may opt to deviate from the models and on-list recommendations which will result in the overall level of risk and return altering from the objective and risk profile that you agreed in your fact find. Where investments not in our models or on our recommended list are selected, they may not be as closely followed as those investments in your recommended portfolio.

We may on occasion contact you with investment suggestions where we feel they may be suitable for you. You are not obliged to accept these recommendations.

Where we advise you on the purchase of RIPs, we will provide you with the UCITS KIID, PRIIPS KID, *Simplified prospectus* or *Key features* document as applicable.

We will act in accordance with your stated investment objectives, attitude to risk and any specific restrictions as agreed between you and your advisor in the *agreement*. The objectives and restrictions specified by you will not be deemed to have been breached as a result of changes in the value of certain assets in the portfolio brought about solely through market forces or movements in the market.

### **4. Use of own funds**

*Applies to discretionary, advisory trading and advisory managed services only*

In order to achieve the investment objective and risk profile of your investment mandate, we may elect to invest clients into our own collective investment schemes as part of our strategy. These in-house funds are designed to achieve specific investment objectives and will only be included as part of your portfolio if they are assessed as suitable for your desired investment strategy. By investing in such funds, clients benefit from our investment experience and research and have cost-effective access to a spread of different securities within a single umbrella. Investments purchased for such funds will be selected by us from the whole of market.

In future, we may launch other in-house funds designed to achieve specific investment objectives. Such funds may be included as part of your portfolio if they are assessed as suitable for your desired investment strategy.

The current group of funds into which we may invest is described in our *Conflicts of interest policy*, which can be found at [www.sanlam.co.uk/Conflicts-of-Interest-Policy.aspx](http://www.sanlam.co.uk/Conflicts-of-Interest-Policy.aspx)

## **5. Ancillary execution-only client requests**

Where you have appointed us to perform another service for you and you request us to purchase investments outside of our models and on-list recommendations on your behalf, we may ask you to open a separate 'execution only' account under the relevant terms. Such purchases will be made on an 'execution only' basis, meaning we will make no assessment and give no advice or recommendation as to the suitability for you personally of this transaction. As such, it will not constitute investment advice under the Financial Services and Markets Act. Unless we agree otherwise, we will not be responsible for the ongoing monitoring or performance of any stock purchased on an execution only basis or otherwise selected by you.

The terms in section 6 of this appendix will apply.

## **6. The execution only service**

We will act as agent on your behalf in arranging transactions under the terms of this agreement. Instructions for transactions in the following categories will be accepted without further documentation being required:

- a) shares admitted to trading on a regulated market or an equivalent third country market (that is, one which is included in the list which is published by the European Commission and updated periodically);
- b) money market instruments, bonds or other forms of securitised debt (excluding those bonds or securitised debt that embed a derivative); and
- c) units in a collective investment scheme authorised by the FCA or under the UCITS directive.

This service is provided on an execution only basis, meaning we make no assessment of whether or not any particular transaction is suitable for you. This means we will not consider whether:

- a) the transaction suits your investment needs;
- b) you have the knowledge and experience to understand the risks involved;  
or
- c) you are able to bear the risk of loss normally associated with this type of investment.

We will not be responsible for the ongoing monitoring or performance of any stock purchased for you under this service.

Should you have any doubts about the suitability of a particular investment, you should seek proper professional advice. We may refer you to a third party or associate company for advice, which will inform you as to the scope of its services and the nature of the advice provided.

You are under no obligation to utilise the services of that company.

Short selling is not permitted.

### **Complex instruments**

We will not be able to carry out execution only transactions in 'complex instruments' unless we can establish that you have sufficient knowledge and experience to understand the risks of the investment in question. In this case, we must request that you complete an additional questionnaire before carrying out any such transactions.

'Complex instrument' is defined in the FCA rules, and in general comprises financial instruments which are complex in structure and/or there are infrequent opportunities to dispose of the asset and/or the investor's potential liability exceeds



their capital outlay and/or sufficient information may not be easily obtainable on the asset.

## **7. Placing an order**

*Applies to execution only, advisory managed and advisory trading services only*

Each order you place constitutes an offer to purchase the service subject to these terms. We may, in our absolute discretion, decline to accept any particular order or instruction from you or we may accept your order subject to certain conditions which we will notify to you. Please refer to our *Order execution policy* at <https://www.sanlam.co.uk/order-execution-policy> for full details of our execution venues. A hard copy is available on request.

When we accept your order, we will use all reasonable endeavours to carry it out. However, we will not be liable to you for any loss or expense you incur if we are unable to carry out an order for whatever reason (other than our negligence, fraud or wilful default) or where there is a delay or change in market conditions before the transaction is completed. We will accept dealing instructions by verbal instruction, post, telephone, email or facsimile, and have no liability for any instructions until they are received by us. When placing an order for the service by telephone, our dealer will repeat your instructions back to you to confirm the terms of your order prior to us accepting it. The terms of the order accepted by us will be those repeated back to you subject to any amendments of which you may notify our dealer. All such calls will be recorded. In respect of all orders placed by you via email, no contract will be created until you have received a message from us confirming the acceptance of your order. If you do not receive such confirmation either by return telephone call or by email within a reasonable time of submitting your order, you should contact us to check that your order has been received.

We will record the date and time that you place an instruction and all relevant bargain details. In the event of a dispute, you agree that our records will be conclusive.

We may refuse to act on an instruction if, for any reason, we think it was not given by you, was not clear or might cause us to breach a regulation, law or contractual duty.

Although SPW does not impose a minimum trade value for the service, we reserve the right to refuse your order if, in our reasonable opinion, it would not be commercially viable for us to undertake the transaction, with the exception of trades arising from corporate actions or disposals of an entire holding.

You acknowledge and accept that:

- a) We will only accept instructions to purchase investments following receipt of cleared funds or accept instructions to sell investments if there are a sufficient number of these in our nominee account held to your order.
- b) A quote that you obtain at, or prior to, the time you place an order is not a guarantee that all or part of your order will be executed at the quoted price. You acknowledge that when you place an order, the price of the security may change between the time the order is placed and the time it is executed, and you agree not to hold SPW liable for these price fluctuations. In addition, if you place an order when the trading exchanges or marketplaces are closed, or for a security that has not traded on the public market before, you acknowledge that the security may be open for trading at a price substantially higher or lower than the previous closing price or the anticipated price. You agree to pay or receive the prevailing market price at the time your order is executed, even if the execution price is significantly higher or lower than you anticipated at the time you placed the order.

- c) The price quotes you receive when you place an order will only apply to a set number of shares for that security defined as the normal market size (NMS). You acknowledge that the price you pay may vary substantially if your order is larger or smaller than the NMS to which a price quote applies. Large market orders may be executed in multiple lots at different prices.
- d) You may limit the risk of price fluctuations by placing a limit order. However, if you place a limit order, you are less likely to get an execution. SPW can provide no assurance that your limit order will be executed at any particular time, or at all. Where you place with SPW a limit order in shares which are admitted to trading on a regulated market and that order is not immediately executed, you hereby instruct us not to make the order public.
- e) You authorise SPW to treat any applications, orders and instructions sent to us as valid. This authorisation remains in force until we have notice of its termination. Such notice will not affect the completion of orders already initiated by us pursuant to this authority. However, if you wish to cancel an order which has not yet been executed we will, without liability, please arrange for the building society to certify your name on the reverse.

## **Appendix 2**

### **Additional terms for SPW clients with ISAs**

SPW clients' ISAs will be invested via the SPW Portfolio ISA which is administered by SPW as a registered ISA Manager. This document contains additional terms and conditions applicable to the SPW Portfolio ISA. It should be read in conjunction with our *Terms of business for portfolio management services*. The agreement for your ISA will consist of the *Client agreement form* or Investment Solution (as applicable), the *Terms of business for portfolio management services*, these *Additional terms* and the *ISA Application form*.

#### **1. Definitions**

- a) The ISA Manager is Sanlam Private Wealth (SPW).
- b) The 'regulations' referred to are the Individual Savings Account Regulations 1998 (as amended or re-enacted).
- c) The 'client' is the person whose name and address are shown on the application form as the applicant.

#### **2. Investment strategy**

Your Portfolio ISA will be invested on a discretionary basis in accordance with your investment objectives, attitude to risk, and any specific restrictions as detailed by you in the *Client agreement form* (or as otherwise notified by you to us in writing), subject always to the requirements of HM Revenue & Customs (HMRC).

#### **3. Investing in a SPW Portfolio ISA**

Investments into a SPW Portfolio ISA may be by cheque, by transfer of cash from an existing portfolio held with us, or by transfer from another ISA manager (subject to HMRC's ISA transfer rules).

#### **4. Opening your ISA account**

This agreement will come into force on acceptance by us. We will write to you within a week to acknowledge receipt of your *Portfolio ISA application form* or *Investment Solution*. In the case of transfers, as soon as is practicable after receipt of cash and/or assets from the transferring ISA managers, we will send you a statement showing the composition of your Portfolio ISA and its value. We may wait until all the assets and/or cash proceeds have been received from your present managers before investing the cash value. This may sometimes result in delays outside our control.

You will not receive any share certificates because they are held in safe custody by SPW or its appointed agents as custodian in accordance with the FCA rules.

Your investments will be registered in the name of Principal Nominees Limited, a subsidiary of SPW. Although your assets are held in a nominee name, they are beneficially owned by you and must not be used as security for a loan.

#### **5. Your right to cancel**

If you have not personally met a representative of SPW to discuss the management of these assets, you will have the right to cancel this agreement within 14 days of our receipt of your signed application form.

## **6. Reporting**

We will provide you with regular reports showing the progress of your ISA investments. If you have a taxable portfolio with us, your ISA statements will be provided at the same frequency as your main portfolio valuation. If you have only ISAs, your valuation report will be prepared as at 31 March and 30 September each year. The report will include a detailed valuation and a statement of transactions made (including purchases, sales, corporate actions, re-investment of tax claims, dividends, distributions, interest and any additions or withdrawals) during the period. No contract notes are provided for ISAs.

## **7. Shareholders' rights**

If you so request in writing, we will arrange for you to:

- a) receive the annual report and accounts issued by each company, unit trust or OEIC which forms part of your Portfolio ISA when such reports are published;
- b) exercise the normal shareholder, unitholder or bondholder rights in respect of attending shareholder, unitholder or bondholder meetings, voting (either directly or by proxy) and receiving other information issued to the shareholders, unitholders or bondholders.

An additional charge of £10 (+VAT) will be levied each time the report and accounts of a company are forwarded; other company information is forwarded; a letter of authority to attend and vote at a general meeting is issued; and/or a form of proxy is lodged. These charges will be deducted from the assets in your Portfolio ISA.

## **8. Withdrawing your investment**

You can withdraw all or part of the investments within your ISA at any time without incurring additional charges, other than the transaction charges stated on the *Guide to charges* and/or Investment Solution document. In the case of partial withdrawals, the minimum withdrawal is £300 and the minimum value of the remainder must be £1,500. Requests for withdrawals must be made in writing. You will not incur any tax liabilities by withdrawing. We will acknowledge your instructions by writing to you at the address you have supplied to us. We will promptly account to you, or to your personal representatives, for all securities and cash held.

At your request, we will transfer all or part of your ISA investments (with the associated rights and obligations) to another ISA manager, subject to HMRC's ISA transfer rules. Transfers of ISAs to another manager will normally be made in cash. However, if you so request, we will transfer assets to another manager in specie. Transfers in cash or in specie are subject to the charges shown in the *Guide to charges* and/or Investment Solution document.

We will process your withdrawal or transfer request promptly and normally within the 30-day maximum period stipulated by HMRC, subject to circumstances outside our control (such as if dealing in a particular stock in your ISA has been suspended, we may be unable to realise the proceeds for that stock until the suspension is lifted). Should you wish the withdrawal or transfer to take place at a particular time, we will endeavour to meet this request.

However, in the case of transfers, we are reliant on the receiving manager and cannot guarantee to do so. Your Portfolio ISA may also be terminated:

- a) by us, if the value of your Portfolio ISA falls below the minimum amount specified above, subject to one month's written notice;
- b) otherwise by us, though only if we have arranged for you to be offered a transfer to another ISA manager, by giving written notice to that effect to you; or
- c) on SPW receiving written notice of your death or that you have had a trustee or custodian of your assets appointed by a court. Under the regulations, your ISA will cease to benefit from the tax advantages of ISAs from the date of your death. You agree that your personal representatives will be bound by this agreement. We should be notified immediately of the death of an investor, so that no over-claims of tax benefits are made and investments can be transferred promptly to the executors/beneficiaries.

Any realisation of your ISA investments will be made at the prevailing bid prices and will normally be carried out once a week on the Wednesday immediately following receipt of your withdrawal/termination request (or the first business day thereafter in the event of a public holiday) unless you request a longer time period (which we will make every effort to meet, subject to liquidations being carried out on Wednesdays).

Termination will be without prejudice to the settlement of any outstanding fees and the completion of any transactions already initiated. You will pay our fees up to the date of termination, and we will be entitled to retain such securities and cash as may be necessary to discharge such fees.

## **9. Charges**

Our fees and charges in relation to your ISAs are as stated in the *Guide to charges* Investment Solution or Investment Proposal document as applicable. We reserve the right to charge a fee of £100 (plus VAT) for work carried out in voiding a subscription which is the fault of the client.

## **10. Risk factors**

Investing in equities or fixed interest investments involves risk. The value of investments, and the income from them, may go down as well as up.

Investments may be subject to an initial charge. You may not get back all that you originally invested, particularly in the case of early withdrawal. Past performance should not be seen as a reliable indicator of future results. Any tax reliefs referred to are those currently available. Their value depends on the individual circumstances of the investor. Levels, bases of and reliefs from taxation may change. Please refer to section 17 and Appendix 3 of these *Terms of business* for details of additional risk factors.

## **11. ISA regulations**

You authorise us to disclose to HMRC all such information as required by law. We will notify you in writing if, by reason of any failure to satisfy the provisions of the regulations, your Portfolio ISA becomes void.

## **12. Delegation**

We will satisfy ourselves that any person to whom we delegate any of our functions or responsibilities under this agreement is competent to carry out those functions and responsibilities.

These additional terms apply to the SPW portfolio ISA only. Different terms and conditions apply to the white list portfolio ISA.

The additional terms which apply to the White List ISA can be found on our website at [www.sanlam.co.uk](http://www.sanlam.co.uk)

## Appendix 3

### Nature and risks of investment

This section is intended as a general explanation of the nature and risks of the different types of investment which may be included in your portfolio. It is intended to help you understand industry terminology and to enable you to make a decision about the management of your investments. It cannot, however, explain everything about the nature and risks of investments and, should you have any questions, you should not hesitate to contact SPW or your financial adviser.

It is important that you understand that all investment involves risk. The value of investments, and the income from them, may fall as well as rise and is not guaranteed. Investors may not get back the original amount invested. The past performance of investments is not a reliable indicator of future results.

This section is arranged as follows:

1. Major asset classes
2. Factors influencing investment risk
3. Investment funds (including exchange-traded products)
4. Structured investment products
5. Forwards, warrants and derivatives

#### 1. Major asset classes

##### a) Cash

Cash deposits are the most secure investment as the capital value does not vary. Depending on the type of account, interest will be paid and this will usually be greater if you are willing to tie up your money for a longer period. However, even cash deposited in a bank has some degree of risk. There is the risk that the bank may fail and you may lose your deposit. In addition, the capital value of the bank deposit is most at risk from inflation and will gradually be eroded over the years. For example, inflation at 3% per annum reduces the purchasing value of cash by 50% in 23 years.

##### (b) Bonds or fixed interest securities

Debt instruments (usually called bonds, loan notes or debentures) are issued by the borrower and represent a contractual obligation to repay the capital borrowed to the debt holders on the terms specified, usually over a fixed time period or on a certain specified date. The interest payments on bonds may be fixed in advance or variable. Gilt-edged stocks, or gilts, are bonds that are issued by the government. Other bonds are issued by local authorities and companies (corporate bonds). The main benefit of these investments is that they normally provide a regular stable income. They are not generally designed to provide capital growth.

Bonds have a nominal value. This is the sum that will be returned to investors when the bond matures at the end of its term. Most bonds have a nominal value of £100. However, as bonds are traded on the bond market, their price will vary from the nominal value until the date of maturity and may be more or less than £100. There are several reasons why the price may fluctuate from the nominal value.

Uncertainty concerning interest rate movements, **interest rate risk**, means that the purchasers of fixed rate securities carry a risk of a fall in the prices of the securities if interest rates rise and the fixed rate of the bond they have purchased becomes relatively less attractive. The longer the duration of the loan and the lower

the interest rate, the higher a bond's sensitivity to a rise in market rates. Conversely, a short-dated gilt is one of the most predictable forms of investment.

The value of the bond will also fall in the event of a default or a reduction in the credit rating of the issuer. Generally, the higher the relative rate of interest (that is relative to the interest rate on a risk-free security of similar maturity and interest rate structure), the higher the perceived credit risk of the issuer. The debt holders will become creditors of the borrower in the event that it becomes insolvent and unable to pay its debts. Although debt holders may rank above other general creditors and shareholders in this eventuality, there is nevertheless a risk that the bonds may become worthless.

Other risks include early redemption risk, where a borrower has the right to redeem a bond early if interest rates fall, and this may result in a change in the expected yield.

### **c) Shares**

Shares are also known as equities or stocks. A purchaser of shares in a company buys a part of that company and becomes a co-owner of it. The value of the company, and hence of its shares, will tend to increase over the longer term providing that the company grows and increases its profitability. In addition, shareholders may receive a dividend, which is an income paid out of a company's profits. As a company grows, its dividends tend to increase too.

Share prices may undergo unforeseeable price fluctuations causing risk of loss. One factor that could affect the price of a share is a change in opinion as to how well the company itself is performing or could perform in the future. This is known as company risk. An extreme case would be if the company went bankrupt, in which case the value of the shareholding and all sums invested could be wiped out. For this reason, our discretionary managed portfolios tend to hold a number of different equities to provide some degree of protection through diversification.

Share prices are also affected by market risk. Share prices alternately increase and decrease in the short, medium and long term without it being possible to determine the duration of those cycles. This general market risk should be distinguished from the specific risk attached to the company itself. Both risks jointly influence share prices.

In addition, share prices may be affected by dividend risk. The dividend paid per share is influenced by a company's earnings and dividend policy. In the event of low profits or losses, dividend payments may be reduced or not made at all.

Over the long term, the return on equities in general is likely to exceed inflation; as economies grow, so do the companies operating within them. If you are investing in shares, you should expect the value of your investment to go down as well as up.

### **(d) Physical assets**

Physical investments such as property and commodities involve specific risks.

#### **Property**

Income from property and land is received in the form of rent and there is potential for capital growth if property prices rise. However, property prices can be volatile and there is the risk of significant capital loss in periods of falling property prices, when property can be difficult to sell.

#### **Commodities**

Commodity markets are markets where raw or primary products (such as gold, wheat and oil) are exchanged. The fungible quality of raw commodities means that they can be traded on regulated commodities exchanges, where they are bought and sold in standardised contracts.



Commodity risk refers to the uncertainties of future market values caused by the fluctuation in the prices of commodities, which are influenced by some unique factors. One of the inherent risks of commodities is that the world's natural resources are located in various continents and the jurisdiction over these commodities lies with sovereign governments, international companies and many other entities. In addition, commodities are subject to other specific supply and input risks as well as local inflation and exchange rate risks, which can lead to large and unpredictable price changes.

Many financial investments are based on property and commodities and are often referred to as 'alternative investments'.

### **(e) Alternative investments**

'Alternative investments' is a loosely defined term that includes a wide range of investment categories falling outside the traditional categories of stocks or bonds. Managers of these products use investment strategies to produce returns that may be largely uncorrelated to traditional stock and bond market movements.

Alternative investments may involve various risks, including the fact that some products use gearing and other speculative investment practices that may increase the risk of investment loss; some can be illiquid; some may not be required to provide periodic pricing or valuation information to investors; some may charge high fees; some may not be subject to the same regulatory requirements as regulated collectives; and in many cases the underlying investments are not transparent and are known only to the fund manager. You should be aware that returns from some alternative investments can be volatile. You may lose all or a portion of your investment.

## **2. Factors influencing investment risk**

### **(a) Foreign markets and currency risk**

Foreign markets, which include the financial markets of developing countries, will involve different risks from the UK markets and in some cases the risks will be greater.

Investments in emerging markets may be exposed to additional risks, including accelerated inflation, exchange rate fluctuations, adverse repatriation laws and fiscal measures, and macroeconomic and political distress.

The value of investments denominated in a foreign currency may also rise and fall purely as a result of exchange rate changes.

### **(b) Geared investments**

Gearing means a strategy with a view to enhancing the return from, or the value of, an investment without increasing the amount invested by the holders of the investment, involving one or more of the following:

- borrowing money;
- investing in one or more investments, such as (but not limited to) warrants or derivatives, for which a relatively small movement in the value of the underlying rights or assets to which the instrument relates results in a larger movement in the value of the investment; or
- structuring the rights of holders of an investment so that a relatively small movement in the value of the underlying rights or assets results in a larger movement in the value of the investment.

The strategy that the issuer of geared investments uses or proposes to use may result in:

- movements in the price of the investment being more volatile than the movements in the price of the underlying investments;
- the investment being subject to sudden and large falls in value; and
- you getting back nothing at all if there is a sufficiently large fall in value of the investment.

Geared investments may include hedge funds and other alternative investments, options, warrants, investment trusts and other forms of derivative investment

### **(c) Liquidity**

Investments that are exchange-traded are subject to the rules of the relevant exchange, with regularly quoted prices for standard dealing sizes (an active 'secondary market'). They are usually relatively liquid (barring a major crisis in confidence). Investments are usually not readily realisable because they are not traded on a recognised or designated investment exchange or because transactions in them are too infrequent or irregular for a reliable quoted price to be available. It may therefore be difficult to obtain full book value or to deal at all in such investments, or to obtain reliable information about its value or the extent of the risks to which it is exposed.

Non-readily realisable investments include unquoted shares (usually in small companies) which are not listed on a recognised investment exchange. Companies listed on the Alternative Investment Market (AIM) are classified as 'unquoted'. AIM provides an opportunity for companies to raise capital for expansion, a trading facility and a way of establishing a market value for their shares. AIM companies tend to trade on wider spreads than companies on the main market. Similarly, 'penny shares' involve an extra risk of losing money as there can be a big difference between the buying price and the selling price of these shares and they can be subject to large and rapid price changes.

Non-readily realisable investments may also include some hedge funds, some property funds, other 'alternative investments', unregulated collective investment schemes, some structured investment products (SIPs) and other OTC products, where the product provider is effectively responsible for providing liquidity (see OTC products in (d) below) and there is, therefore, no active secondary market.

### **(d) Over-the-counter (OTC) products and counterparty risk**

OTC products (those that are not exchange-traded) can be tailored more closely to the investor's needs but the investor is reliant on the product provider (often called the counterparty) to live up to its contractual obligations. The counterparty will be responsible for the repayment of any initial capital invested plus the investment return, in accordance with the investment contract. The ability of the counterparty to honour their contractual obligations will largely be dependent upon their financial solvency. In the event of the counterparty becoming bankrupt they may not be able to make the required payments during an investment term or repay the final investment amount due. If a counterparty fails you could lose some or all of your money.

### **(e) Securities that may be subject to stabilisation**

We may effect transactions in investments whose price is being stabilised. This means that the market price is being artificially maintained during the period when a new issue of securities is being sold to the public. The effect of this may be to keep the price at a higher level than it would otherwise be during the period of stabilisation. Unless you inform us to the contrary, we may carry out such transactions on your behalf without first having to consult you.

## **3. Investment funds**

### **a) Unit trusts and open-ended investment companies (OEICs)**

Unit trusts and OEICs are the most common forms of collective investment scheme in the UK. A collective investment scheme enables investors to 'pool' their assets into a fund which is managed by a professional fund manager. By pooling together the assets of many investors, the fund can invest in a far broader spread of investments, thus reducing risk. Unit trusts and OEICs are 'open ended' because the number of units/shares in issue increases as more people invest and decreases as people take their money out. This means that the unit price will always directly reflect the value of the underlying assets held within the fund. As an investor, you buy units/shares in the hope that the value will rise over time as the prices of the underlying assets increase. You might also get income from your units/shares through dividends paid by the shares, or income from the bonds, property or cash that the fund has invested in.

Unit trusts and OEICs generally invest in one or more of the four major asset classes: shares, bonds, property and cash. The level of risk will depend on the specific risks of the underlying investments and how well diversified the fund is. A fund that invests only in one industrial sector, such as technology, will invariably be more risky than funds that invest across the whole range of companies.

Some funds might also invest in derivatives, which may make the fund more risky. However, fund managers often buy derivatives to help counterbalance or cancel out the risk involved in owning assets or in holding assets valued in other currencies.

Your money in a unit trust or OEIC is protected by a trustee or depositary who ensures that the management company is acting in the investors' best interests at all times.

Funds of funds are unit trusts or OEICs which invest in a range of funds, rather than directly in the underlying investments themselves.

### **(b) Investment trusts**

An investment trust is a company with shares quoted on the stock exchange and is another form of collective investment scheme. As a quoted company, an investment trust is a 'closed ended' fund with a fixed number of shares in issue. Conventional investment trusts issue only one class of ordinary share. These usually give shareholders a right to dividend distributions and offer the opportunity of capital growth to increase the value of their investment.

Unlike unit trusts and OEICs, the price of an investment trust will often be below or above the underlying value of its assets and this price risk may make them more volatile than other pooled investments, assuming the same underlying investments.

An investment trust may also borrow money to invest on behalf of its shareholders, meaning it may 'gear up'. An investment trust that is geared is a higher risk investment than one which is not geared, assuming the same underlying investments. Gearing can provide a boost to investment performance when markets are rising. Similarly, when markets are falling, the falls may be exaggerated and, in the case of particularly highly geared investment trusts, there is a risk of total loss of your initial investment (see paragraph 2(b) of this appendix regarding the risks of geared investments). Investment trusts are also permitted to invest in unquoted shares (see paragraph 2(c) of this appendix) and may pursue a policy of 'cross-investing' in other investment trusts which may themselves use gearing, which again can add to the risk for investors, even if the potential rewards might be greater.

### **(c) Hedge funds**

Hedge fund is a generic term for funds that can pursue a wide range of different strategies and which carry very different risk profiles. Whilst some hedge funds have a relatively low risk profile, others carry significantly higher risk than conventional funds because they may borrow heavily; use gearing as part of their investment strategy (see paragraph 2(b) of this appendix); invest in derivatives and other high-risk assets and take extreme positions.

Strategies pursued by hedge fund managers may also include the following:

- short selling (selling a stock that the fund does not own in the hope of buying it back at a lower price);
- arbitrage (simultaneously buying and selling an identical item on different markets) in order to benefit from pricing anomalies; and
- placing 'bets' on market trends.

Investments in hedge funds may be subject to sudden and large falls in value and you may get back nothing on this part of your portfolio if the fall in value is sufficiently large.

Many hedge funds are not regulated by the FCA. They usually also have less frequent dealing and longer settlement times than regulated funds, which means that it may not be possible to obtain the cash invested quickly (see paragraph 2(c) of this appendix regarding non-readily realisable investments).

#### **(d) Property funds**

Property funds invest predominantly in property either directly (at least 60% of assets) in property or in property securities (at least 80% of assets). Owing to the nature of property investment, such funds can be difficult to sell, so you may not be able to cash in this part of your investment when you want to. The fund providers may have to delay acting on our instructions to sell your investment. Additionally, the value of property is generally a matter of a valuer's opinion, rather than fact.

#### **(e) Exchange-traded products (ETPs)**

A range of ETPs is now available, including:

##### **Exchange-traded funds (ETFs)**

ETFs are open ended funds that are traded on an exchange in the same way as stocks and shares. ETFs have a stated investment objective, usually of tracking a particular index, with the aim of replicating as closely as possible the performance of an index or of a selection of stocks. They combine the liquidity benefits of exchange-listed securities and the diversification advantages of traditional funds. Most ETFs listed in Europe comply with the UCITS (Undertakings for Collective Investment in Transferable Securities) regulations.

There are two methods used by ETFs to track the performance of an index. The first method is direct investment in some or all of the components of the related index. The second method, investing synthetically, involves replicating the index performance via an OTC index swap transaction with a counterparty such as an investment bank, in which case counterparty risk applies, see paragraph 2(d) of this appendix. Close tracking of the underlying indices can be difficult for the manager during periods of market volatility.

##### **Exchange-traded commodities (ETCs)**

ETCs are simple and transparent open-ended securities, which trade on regulated exchanges. ETCs enable investors to gain exposure to commodities without trading futures or taking physical delivery. ETPs are subject to roll yield risk, the yield that a futures investor captures when their futures contract converges to the spot price

(which may be positive or negative). Roll yield can have a strong impact on the return from such futures trading.

#### **(f) Cancellation rights**

Please note that you will not be eligible for cancellation rights on unit trusts, unregulated collective investment schemes or any other packaged products which we may purchase on your behalf under the terms of this agreement.

#### **4. Structured investment products (SIPs)**

SIPs can take many different forms. Typically, they aim to provide 'known' investment returns (such as a set level of income and/or growth) at the end of a fixed period – conditional upon the performance of an underlying investment or stockmarket index (such as the FTSE 100 index).

Structured investment products carry risk – your capital (and any income) may be lost in whole or in part:

##### **Stockmarket risk**

SIPs are typically linked to the performance of a particular investment or stockmarket index, such as the FTSE 100. If the performance of this index falls below a predetermined threshold, capital invested – and/or any income payments due – are at risk, and may be lost in part or in full.

##### **Counterparty risk**

When you invest in a structured investment product, your money will typically be used to buy some over-the-counter (OTC) assets, such as bonds and derivatives, to provide the intended return. The institutions which provide these securities are known as counterparties. If the counterparty goes bankrupt, you may lose some or all of your money (see paragraph 2(d) of this appendix).

##### **Interest rate risk**

Investors in a SIP should consider the likely effects of inflation on the value of their investment. The returns on a SIP may not protect investors' capital from inflation over the investment term.

##### **Liquidity**

SIPs are designed to be held to maturity. They can sometimes be traded at a profit on a secondary market (if the conditions are right), but if you need to sell the investment before the end of the term you should be aware that there may be some time delay, and you may not receive back the full value of your investment.

##### **Financial Services Compensation Scheme (FSCS)**

You should be aware that the FSCS does not cover performance related issues in respect of investments, which means that in the event of counterparty default or breaches of the index threshold, FSCS protection would not apply.

##### **Tax**

Depending on the amount invested, investment in a SIP may give rise to a significant capital gains tax liability at the end of the investment term.

SIPs may be suitable for investors who:

- want an investment which has potential to provide greater returns than those currently available from bank or building society deposits;
- understand and accept that capital invested is at risk, and may be lost in part or in full;

- are investing as part of a balanced and diversified investment portfolio; or
- have sufficient funds available for emergencies; do not expect to need access to the funds invested before the maturity date(s).

They are not likely to be suitable for investors who:

- do not wish (or cannot afford) to take any risk with their capital;
- may need access to funds invested before maturity;
- do not have sufficient funds set aside for emergencies;
- may want to change their investment strategy during the investment term;
- want to take higher risks in return for higher potential rewards; or
- want to protect their capital from the effects of inflation over the longer term.

Even if a SIP offers 'capital protection' it can sometimes fail, causing you to lose some or all of your original money. For this reason, SIPs should form only a small part of a balanced investment portfolio. Investing in a range of different SIPs with different counterparties limits exposure to any one counterparty.

When purchasing SIPs on your behalf, we will do so only if we consider that they are suitable for you in the light of our understanding of your overall financial circumstances and investment requirements. Please contact us (or your adviser if applicable) if you would like further information.

We may also use structured deposits, which generally have a maturity date of between one and five years. The return is linked, through derivative instrument(s), to the performance of an index/assets such as currencies, commodities, equities or bonds. The returns may be subject to an overall cap (limit) or a participation rate, which specifies the percentage of the gains in the index/asset performance experienced. Unlike structured products, the initial capital is not at risk (assuming the issuing bank can meet its obligations).

## **5. Forwards, warrants and derivatives**

### **(a) Forward contracts**

Like futures contracts, forward contracts are a contract to deliver a commodity, or foreign currency, on a future date at a pre-arranged price. Unlike futures, forwards are always OTC and can simply be a signed contract between two parties. Forward contracts are not standardised, but are unique, and they are not rebalanced daily, so that a large differential can build up between the forward delivery price and the settlement price due to movements in the price of the underlying asset. This means that one party may incur a sizeable loss at delivery, creating a credit risk, as well as gearing and contingent liability risks.

### **(b) Warrants**

A warrant is a time-limited right to subscribe for shares, debentures, loan stock or government securities and is exercisable against the original issuer of the underlying securities. A relatively small movement in the price of the underlying security results in a disproportionately large movement, unfavourable or favourable, in the price of the warrant. The price of warrants can therefore be volatile. The right to subscribe which a warrant confers is invariably limited in time, with the consequence that if the investor fails to exercise this right within the predetermined time-scale then the investment becomes worthless.

Transactions in off-exchange warrants may involve greater risk than exchange-traded warrants because there is no exchange market through which to liquidate your position, or to assess the value of the warrant or the exposure to risk. Bid and

offer prices need not be quoted and, even when they are, they will be established by dealers in these instruments. Consequently, it may be difficult to establish what is a fair price.

We may acquire and trade warrants where these are related to other investments in your portfolio, but we will not actively gear your portfolio via warrants without notifying you.

### **(c) Options**

These are securities that convey the right, but not the obligation, to buy or sell an asset at a given price on or before a specified date. For example, a call option provides the right to buy some amount of a security at a set price at some time on or before the expiration date, while a put option provides the right to sell. The decision on whether to exercise the right to buy or sell will depend upon the value of the underlying security at the time and whether this will result in a profit or not.

There are many different types of option with different characteristics and risks subject to the following conditions. Buying options involves less risk than writing options because, if the price of the underlying asset moves against you, you can simply allow the option to lapse. The maximum loss is limited to the premium, plus any commission or other transaction charges.

If you write an option, the risk involved is considerably greater than buying options. You may be liable for margin to maintain your position and a loss may be sustained well in excess of any premium received. By writing an option, you accept a legal obligation to purchase or sell the underlying asset if the option is exercised against you, however far the market price has moved away from the exercise price. If you already own the underlying asset which you have contracted to sell (where the options will be known as 'covered call options'), the risk is reduced. If you do not own the underlying asset ('uncovered call options') the risk can be unlimited.

### **(d) Futures**

Transactions in futures involve the obligation to make, or to take, delivery of the underlying asset of the contract at a future date, or in some cases to settle the position with cash. They carry a high degree of risk. The 'gearing' or 'leverage' often obtainable in futures trading means that entering into such transactions can lead to large losses as well as gains. It also means that a relatively small movement can lead to a proportionately much larger movement in the value of your investment, and this can work against you as well as for you. Futures transactions have a contingent liability, and you should be aware of the implications of this, in particular the margining requirements set out in paragraph 5(h) of this appendix.

### **(e) Contracts for differences (CFDs)**

A CFD is a contract between two parties, typically described as 'buyer' and 'seller', stipulating that the buyer will pay to the seller the difference between the current value of an asset and its value at contract time. (If the difference is negative, then the seller pays the difference to the buyer.) In effect, CFDs are financial derivatives that allow investors to take advantage of prices moving up (long positions) or prices moving down (short positions) on underlying financial instruments and are often used to speculate on those markets.

A CFD can be made upon a wide selection of different investment instruments, such as equities, bonds, currency and indices. The holder does not own the underlying asset. The CFD price tracks that of the underlying asset, meaning that the holder will benefit from or experience losses based upon the price movement in the stock, bond or currency index.

These contracts are only settled in cash. CFDs are 'margin-traded' meaning that the investor does not have to deposit the full value of the contract with the provider and therefore may have a contingent liability, as detailed in paragraph 5(g) of this appendix.

Investing in a CFD carries the same type of risk as investing in an option or a future, as set out in paragraphs 5(c) and 5(d) of this appendix.

#### **(f) Securitised derivatives**

These instruments (which include instruments such as covered warrants and linked notes) may give a time-limited or absolute right to acquire or sell one or more types of investment, which is normally exercisable against someone other than an issuer of that investment. Alternatively, they may give you rights under a contract for differences which allow for speculation on fluctuation in the value of the property of any description or an index, such as the FTSE 100 index. In both cases, the investment or property may be referred to as the 'underlying investment'.

These instruments often involve a high degree of gearing or leverage, so that a relatively small movement in the price of the underlying investment results in a much larger movement, unfavourable or favourable, in the price of the instrument. The price of these instruments can therefore be volatile.

These instruments have a limited life, and may (unless there is some form of guaranteed return to the amount that you are investing in the product) expire worthless if the underlying investment does not perform as expected.

#### **(g) Contingent liability**

A contingent liability is the obligation to pay certain sums contingent on future events. Investments with a contingent liability are often margin-traded; this means that the investor does not have to deposit the full value of the asset or contract with the provider, but will be expected to make additional or 'margin' payments to cover any adverse price movements.

Trading in futures, contracts for differences or sell options may result in a total loss of the margin you deposit to establish or maintain a position. If the market moves against you, you may be called upon to pay a substantial additional margin at short notice to maintain the position. If you fail to do so within the time required, your position may be liquidated at a loss and you will be responsible for the resulting deficit.

Even if a transaction is not margined, it may still carry an obligation to make further payments in certain circumstances over and above any amount paid when you entered the contract. SPW will only carry out margined or contingent liability transactions with or for you if they are traded on or under the rules of a recognised or designated investment exchange. See paragraph 5(h) of this appendix for further information on margined transactions.

#### **(h) Margined transactions**

Certain types of transaction, such as the purchase or sale of options, futures and contracts for differences, allow you to enter into contracts for future purchases, sales, or settlement of price differences, which could result in a loss of more than the amount of the initial transaction. In some cases, your risk of loss may be unlimited. We will seek to notify you of the amount of margin which you may be required to provide, to help mitigate the impact of any adverse price movements, and the form in which this is to be provided. You understand that such margin may be taken to meet a loss arising on the position, and may not be recovered. The amount of margin may change from day-to-day, and in some cases from time to time during the day. If you enter into such transactions you agree that you will provide sufficient margin as required by us within the time and in the form stipulated by us. You further agree that, if you fail to do so, we may, without further notice, take such steps (including closing out all or part of the position) at such time and in such manner as in our absolute discretion we deem appropriate in seeking to mitigate any loss.



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