

# CONFLICT OF INTEREST POLICY

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## APPLICABLE TO

### MITONOPTIMAL PORTFOLIO MANAGEMENT (PTY) LTD

Registration Number 2000/000717/07

FSP Number 734

### MITONOPTIMAL SOUTH AFRICA (PTY) LTD

Registration Number 2005/032750/07

FSP Number 28160

## KEY INDIVIDUALS

- Roeloff Horne
- Riaan Maartens

## REPRESENTATIVES

See [FSCA website >>](#)

Date prepared: May 2021

## **BACKGROUND**

MitonOptimal in South Africa was founded in 2004 and is a private Company owned by its Management and Directors.

MitonOptimal South Africa (Pty) Ltd (MOSA) is regulated as a Category IIA Discretionary Financial Services Provider No. 28160 to act as investment manager to Collective Investment Schemes and other mandates.

MitonOptimal does not launch new funds that are simply flavour of the month. We have our core portfolios that best negotiate the difficult, and at times very volatile, world of equities, bonds, cash, currencies, commodities, alternative strategies and commercial property and that is how it has remained since inception.

We deliver a broad range of funds and model portfolios diversified across traditional and alternative asset class, geography and jurisdiction, with an emphasis on active investment management, low TER and client service.

A team approach combining the founding fund manager from Eagle Asset Management with the company's global experience places the business on a very firm footing and committed to success of our business in the many years ahead.

MitonOptimal Portfolio Management (Pty) Ltd (MOPM) is a Discretionary Financial Service Provider (FSP) and is licensed to manage and advise investors and clients on certain subcategories in Category I, while we can accept mandates to manage investor portfolios as a Category II FSP.

Our MOPM core service offering is a para-planning Investment advice and Management Service where we are mandated by the investor to advise and manage an agreed investment solution in a domestic or offshore portfolio.

An additional offering includes a full authorised representative status for experienced financial advisors based on 'Fit & Proper' requirements and experience to advise Individuals and Corporate Institutions on a broad range of financial services to protect and create wealth for is clients.

## **MISSION STATEMENT**

Our mission is to provide advisers with peace of mind. Peace of mind that their clients' investments are expertly managed; peace of mind that their onboarding, compliance, reporting and regulatory responsibilities are in order and peace of mind that they have an experienced investment partner to lean on in all market conditions.

## **MITONOPTIMAL PORTFOLIO MANAGEMENT AND THE FINANCIAL ADVISER**

MitonOptimal Portfolio Management works in partnership with the client's Financial Services Provider (IFA). Each partner has responsibilities and duties to perform thereby ensuring delivery of the optimal solution to the client, not only from the outset but also on a continuing basis.

The IFA responsibility is to ensure that the client receives detailed and accurate advice from the start of their investment together with regular meetings to ensure that the solution remains appropriate to their needs.

MitonOptimal's responsibility is to research products and funds, perform due diligence process, implement and manage its internal conventions to recommend investment solutions to the client that are appropriate for their needs. MitonOptimal is mandated to actively manage the client's investment and assume additional responsibility to report quarterly to the client and his IFA.

Should the clients' needs change during the lifetime of the investment after consultations concluded by the IFA, MitonOptimal will, if possible, adapt the investment or financial plan to suit their revised circumstances. If MitonOptimal is mandated to manage the investment it will adapt the investment mandate to reflect these changes.

We plan to manage our young talent to sustain the business in the long term.

## **RESPECTING REGULATION AND LEGISLATION**

Management, Key Individuals and Authorised Representatives of MitonOptimal are required to have a complete understanding to apply the principles and constitution of the following Acts according to Law:

- Companies Act
- Labour Law
- Prevention of Crime Act
- Money Laundering Regulation
- Income and Capital Gains Tax Acts
- FAIS Act and Code of Conduct, while adhering to Fit and Proper requirements
- FIC Act
- FSCA Regulation and Code of Conduct
- Collective Investment Schemes Act
- Long Term Insurance Act
- Short Term Insurance Act
- Medical Insurance Act

- Estate Duty Act
- National Credit Act
- ASISA Code of Conduct

Where a member of MitonOptimal elects to use a specialist to advise clients in any of the above Act's he/she have specialists within the company's networks to refer to clients.

## **DISTRIBUTION OF EXPERTISE**

MitonOptimal Portfolio Management is a 100% subsidiary of MitonOptimal Holdings (Pty Ltd). MitonOptimal Holdings (Pty) Ltd also owns MitonOptimal South Africa (Pty) Ltd and has a 16% stake holding in a Collective Investment Schemes Management Company (IP Management Company (Pty) Ltd). These investments provide clients of MitonOptimal with expertise in Asset Management, Experienced Portfolio Managers and Administrators.

The access to all the expertise and our own Collective Investment Schemes enables MitonOptimal to minimise the annual cost of managing an investor portfolio on a Linked Service Provider Platform (E.g. ABSA, Allan Gray, Fairbairn Capital, Momentum Wealth, Old Mutual Guernsey, RMB International, Glacier International) to an average fee of 0.25% p.a. – excluding advisor and platform fees. I.e the ownership interest of MitonOptimal mitigates reduced annual management fees.

MitonOptimal does not ever take custody of client funds and prefers to advise clients to use A-rated Linked Service Providers (as in previous paragraph) as custodians of their funds.

The stake holding and collaboration within MitonOptimal enables MitonOptimal to offer the IFA and client access to qualified global and domestic investment expertise. The Investment Management team have weekly meetings to formulate its investment strategy and fund solutions domestically and globally.

MitonOptimal follows a Core/Satellite Investment philosophy where the MitonOptimal funds form the core of its solution, while the satellite exposure can be represented by any regulated fund. Locally, our satellite managers will include Allan Gray, Coronation, Prudential, ABSA, Investec and others. Globally, satellite managers will include Ashburton, PSG, Old Mutual, Investec and others. A list of our contracted Service Providers is available on request.

## **CONFLICT OF INTEREST POLICY**

Section 3A(2)(a) of the General Code of Conduct stipulates that every provider, other than a representative, must adopt, maintain and implement a conflict of interest management policy that complies with the provisions of the Act. The policy is to provide for mechanisms in place

at MitonOptimal to identify, mitigate and manage the conflicts of interest to which MitonOptimal is a party. This Conflict of Interest Management Policy is designed as prescribed in Board Notice 58 of 2010 which amends the General Code of Conduct for Financial Services Providers and Representatives published in Board Notice 80 of 2003, as amended by Board Notice 43 of 2008.

## **OBJECTIVE OF THE POLICY**

This Conflict of Interest Management Policy does not change our existing conflict of management procedures but intends to document them in simple form as required by the Financial Services Conduct Authority.

In terms of the Financial Advisory and Intermediary Services Act, 2002, MitonOptimal is required to maintain and operate effective organisational and administrative arrangements with a view to taking all reasonable steps to identify, monitor and manage conflict of interest. MitonOptimal has put in place a policy to safeguard its clients' interests and ensure fair treatment of clients.

All providers, key individuals, representatives, associates and administrative personnel will commit to such policy and the processes will be monitored on an ongoing basis. MitonOptimal keeps and maintains a register in which all actual or potential conflicts are recorded.

## **MISSION STATEMENT ON CONFLICT OF INTEREST**

MitonOptimal is committed to ensuring that all business is conducted in accordance with good business practice. To this end MitonOptimal conducts business in an ethical and equitable manner and in a way that safeguards the interests of all stakeholders to minimise and manage all real and potential conflicts of interests. Like any financial services provider, MitonOptimal is potentially exposed to conflicts of interest in relation to various activities. However, the protection of our clients' interests is our primary focus and so our policy sets out how:

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

## UNDERSTANDING THE DEFINITIONS

### Conflict of interest

A conflict of interest may occur when in rendering a financial service to you we do not act objectively or do not render an unbiased or fair service to you or do not act in your interests, including but not limited to:

- a) A financial interest
- b) An ownership interest
- c) Any relationship with a third party.

### A financial interest

Any cash, cash equivalent, voucher, gift, service, advantage, benefit, discount, domestic or foreign travel, hospitality, accommodation, sponsorship, valuable consideration, other incentive or valuable consideration (exceeding R1000 per annum) other than –

- a) An ownership interest
- b) Training, that is not exclusively available to a selected group of providers or representatives, on –
  - Products and legal matters relating to those products;
  - General financial and industry information;
  - Specialised technological systems of a third party necessary for the rendering of a financial service, but excluding travel and accommodation associated with that training.

### An ownership interest

- a) Any equity or proprietary interest for which a fair value was paid on acquisition other than such an interest held by a nominee;
- b) Includes any dividend, profit share or similar benefit derived from such interest.

### Fair value

Has the meaning assigned to it in the financial reporting standards adopted or issued under the Companies Act, 61 of 1973.

## WHAT MAY WE GIVE AND RECEIVE

We confirm that we will only receive financial interest from the aforesaid providers in the form of:

- a) Commission authorized under the Long-term Insurance Act, 52 of 1998;
- b) Commission authorized under the Short-term Insurance Act, 53 of 1998;
- c) Commission authorized under the Medical Schemes Act, 131 of 1998;
- d) Fees under the aforesaid acts if these fees are reasonably commensurate to the service being rendered;
- e) Fees for rendering a financial service in respect of which no commission or fees are paid as aforesaid, if those fees are specifically agreed to by you in writing and may be stopped at your discretion;
- f) Fees or remuneration for the rendering of a service to a third party, which fees are reasonably commensurate to the service being rendered;
- g) Subject to any other law, an immaterial financial interest;
- h) A financial interest for which a consideration, fair value or remuneration that is reasonably commensurate to the value of the financial interest, is paid at the time of receipt thereof.

## REMUNERATION POLICY

MitonOptimal derives its income in four ways:-

- a) Distribution allowances paid by Product Providers from charges embedded in their products as disclosed to investors. No Domestic Product or Service Provider pays MitonOptimal any form of distribution allowance. We only receive a distribution allowance from 2 Offshore Companies, which is embedded in their products as disclosed to investors:
  - i. Old Mutual International : An initial fee of 0.6%
  - ii. Glacier International: An initial fee of 0.75%
- b) Roeloff Horne, MitonOptimal's MD and CIO, is involved in the day-to-day management of our domestic funds. Roeloff earns a salary at MitonOptimal South Africa (Pty) Ltd and also has a stake holding in the holding company in his individual capacity. MitonOptimal does not earn any rebates, but MitonOptimal South Africa does earn management fees when clients are invested in MitonOptimal IP Collective Investment schemes.

- c) Mandate Fees to manage client portfolios as agreed by investors with a standard fee p.a.
- d) Initial and Recurring fees from products as agreed between IFA's and investors, where any of a), b) or c) above is limited by investor request or product design.

Our remuneration policy for all Authorised Representatives is based on a variable fee or commission model, where they earn a portion of the mandate fee. We receive our income from various platforms / product and/or service providers.

### **REMUNERATION OF KEY INDIVIDUALS**

The Key Individuals and supporting staff of MitonOptimal are paid a fixed monthly salary. Annual reviews and the profitability of the company determine any potential salary adjustments, profit share, bonus or increases of internal staff and key individuals.

### **REMUNERATION OF AUTHORISED REPRESENTATIVES & REPRESENTATIVE INCENTIVES**

We confirm we will not offer any financial interest to our key individuals or representatives for:-

- a) favouring quantity of business over quality of service; or
- b) giving preference to a specific product supplier where more than one supplier can be recommended to a client; or
- c) giving preference to a specific product of a supplier where more than one product of that supplier can be recommended.

Our Authorised Representatives have no volume requirement to motivate any one of them to maintain their representative status. We distinguish remuneration between Authorised Representatives – to identify differences we classify Authorised Representatives as follows:-

- a) Internal Investment Specialist (ParaPlanner)
- b) Personal Financial Planner (IFA)

Discretionary Investment Specialists:

- a) See [website for Discretionary Investment Specialists >>](#)

IFA's (and DIM's where necessary) and the supporting department prepare the Record of Advice to IFA's and their clients and assume responsibility with MitonOptimal to:

- a) Ensure that at all times he adheres to all legal requirements as laid down in FAIS and FICA ACTS and do nothing to cause the Company's licence from the FSCA to be placed in jeopardy.
- b) Conducts himself, at all times, in an ethical fashion with regard to the needs of the IFA and his client and not recommends nor promote products or services to the IFA or his client that does not meet the specific objectives of the client. It is the responsibility of the DIM to gather sufficient information according to FAIS Standards and to formulate sufficient background information to put the employees of the Company in a position to compile a record of advice according to FAIS standards and its internal investment process, conventions and principles.
- c) Undertakes that he will always disclose all available information to the FSP and his client regarding charges, investment objectives, risks, estimated returns and surrender penalties that may be incurred in the event of an early surrender.
- d) Promote, advise and conclude products that are approved and recommended by the Company. It is the CPM responsibility to inform an IFA and clients/investors that he does not represent the Company when non-company approved products are promoted, advised and concluded.

DIM expenses and earnings are best summarised as follows:

- a) They are responsible to fund their own research time and to stay abreast with all product designs and changes, legal and regulatory requirements
- b) They are responsible to fund all computer capital and maintenance expenses
- c) They can appoint their own additional administrative support staff at their own expense

MitonOptimal funds their regulatory fees, administrative support staff, all workflow management and compliance record-keeping systems in an integrated process.

CPM Earnings

- a) They don't earn a basic salary
- b) They can claim certain an expense that will be approved by the Management Team
- c) They earn – on average – 60% of the MitonOptimal annual fee income that is driven from mandate fees or 50% of the MitonOptimal trail fee income where no mandate fee is concluded - 50% of any initial commission fees earned by MitonOptimal Portfolio Management from products as agreed between IFA's and investors

All things being equal, the average total annual income for a DIM at MitonOptimal equals no more than 0.16% p.a. of an investment which is mandated between the investor and MitonOptimal Financial Services on standard fee arrangements.

In the event of appointing junior DIM's, the Junior DIM will earn a basic salary and may share in the profit of the business after a full performance review is conducted.

IFA's are responsible maintain the following standards on an ongoing basis:

- a) Ensure that at all times he/she adheres to all legal requirements as laid down in FAIS and FICA ACTS and do nothing to cause the Company's license from the FSCA to be placed in jeopardy.
- b) Conducts himself, at all times, in an ethical fashion with regard to the needs of his client and not recommend nor promote products or services to the IFA or his client that does not meet the specific objectives of the client. It is the responsibility of the IFA to gather sufficient information according to FAIS Standards and to formulate sufficient background information to put the employees of the Company in a position to compile a record of advice according to FAIS standards and its internal investment process, conventions and principles.
- c) Undertakes that he/she will always disclose all available information to his client regarding charges, investment objectives, risks, estimated returns and surrender penalties that may be incurred in the event of an early surrender.
- d) Promote, advise and conclude products that are approved and recommended by the Company. It is the IFA's responsibility to inform a clients/investor that he/she does not represent the Company when non-company approved products are promoted, advised and concluded or when he represents another FSP as a key individual or authorised representative.

Personal Financial Planner (IFA) expenses and earnings are best summarised as follows:

#### IFA Expenses

- They don't earn a basic salary
- They are responsible to fund their own administration cost
- They are responsible to fund their own training and Fit and Proper compliance costs
- They are responsible to fund their own entertainment cost
- They are responsible to fund their own travelling cost
- They are responsible to fund their own research time and to stay abreast with all product information, legal and regulatory requirements
- They are responsible to fund all computer capital and maintenance expenses
- They can appoint their own additional administrative support staff at their own expense

MitonOptimal Portfolio Management funds their regulatory fees, administrative support staff, all workflow management and compliance record-keeping systems in an integrated process.

#### IFA Earnings

- The IFA negotiates his/her initial investment advice fees and annual advisory and maintenance fees with the investor. The Industry Standard for initial fees are between 1.5% and 3%, while
- Annual advisory and maintenance fees can vary between 0.5% and 0.75% p.a.
- For Life Assurance Advice, Commission is authorized under the Long-term Insurance Act, 52 of 1998 and disclosed to policy holders in the client advice record of product provider quotation

Fees under the aforesaid acts are fees reasonably commensurate to the service being rendered.

#### Identification of Conflict of Interest

To adequately manage conflicts of interest we must identify all relevant conflicts timeously. In determining whether there is or may be a conflict of interest to which the policy applies, MitonOptimal considers whether there is a material risk of damage to the client, taking into account whether MitonOptimal or its representative, associate or employee:

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

Our policy defines possible conflicts of interest as, inter alia:

- conflicts of interest between MitonOptimal and the client;
- conflicts of interest between our clients if we are acting for different clients and the different interests conflict materially;
- conflicts of interest where associates, product suppliers, distribution channels or any other third party is involved in the rendering of a financial service to a client;
- holding confidential information on clients which, if we would disclose or use, would affect the advice or services provided to clients. We may only receive commissions authorised in terms of applicable legislation.

MitonOptimal maintains an index of potential conflict risks, taking into consideration all business areas and income streams. The index is updated with all new conflicts identified, and to ensure completeness is reviewed on an annual basis.

All employees, including internal compliance officers and management, are responsible for identifying specific instances of conflict and are required to notify the Key Individual of any conflicts they become aware of. The Key Individual will assess the implications of the conflict and how the conflict should be managed and act impartially to avoid a material risk of harming clients' interests.

## **MEASUREMENT FOR AVOIDANCE AND MITIGATION OF CONFLICT OF INTERESTS**

Create awareness and knowledge of applicable stipulations of the General Code of Conduct and relevant legislation relating to conflict of interest, through training and educational material.

Ensure understanding and adoption of conflict-of-interest policy and management measures by all employees, representatives and associates.

Regular inspections on all commissions, remuneration, fees and financial interests proposed or received in order to avoid non-compliance.

Keep a register of conflict of interest.

Once a conflict of interest has been identified it needs to be appropriately and adequately managed.

The Key Individual will assess each conflict, including whether the conflict is actual or perceived, what the value of the conflict or exposure is and the potential reputational risk. Compliance and management then agree on the controls that need to be put in place to manage the conflict.

Disclosure:

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

A List of measure of disclosure includes:

- Client Advice Record
- Letter of Introduction & Disclosure Letter

Publication:

We publish our conflict of interest management policy on our website at [www.mitonoptimal.co.za](http://www.mitonoptimal.co.za) and ensure that it is easily accessible for public inspection at all reasonable times.

Clients can view this independently or can be provided by download from the website, by e-mail or per hand.

Declining to act:

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

## **ONGOING MONITORING OF CONFLICT-OF-INTEREST MANAGEMENT**

This policy will be reviewed annually, to manage implementation, monitoring and compliance with, and the accessibility of the conflict-of-interest management policy. Jolandi Slabbert is responsible for supervision and monitoring of this policy and Ruwayda Hendricks will assist her in the process to be followed to inspect new business transactions. Riaan Maartens and Rugshana Salie are responsible for product providers' discussions, while Roeloff Horne are responsible for oversight of the Investment Management Committee.

## **TRAINING AND STAFF**

All employees and representatives are required to read Board Notice 58 of 2010 as well as this policy and to sign a statement to the effect that they have done so and fully understand the provisions of both documents and the application thereof.

Comprehensive training on the Conflict-of-Interest policy is provided to all employees and representatives as part of general FAIS training or specifically.

Training will be incorporated as part of all new appointees' induction and refresher training provided on an annual basis.

The Key Individuals, the Financial Department and the Management Team will conduct ad hoc checks on business transactions to ensure the policy has been complied with.

The Internal and external compliance officers will include monitoring of the Conflict-of-Interest policy as part of his general monitoring duties and will report thereon in the annual compliance report.

Non-compliance will be subject to disciplinary procedures in terms of FAIS and employment conditions and can ultimately result in debarment or dismissal as applicable. Avoidance, limitation or circumvention of this policy via an associate will be deemed non-compliance.

This policy shall be reviewed annually and updated if applicable.

## **REGISTERS**

With regard to existing third-party relationships, being the product suppliers listed in our Contact Stage Disclosure letter, we confirm that we are owned by MitonOptimal Holdings (Pty) Ltd, who own 100% of MitonOptimal South Africa (Pty) Ltd and a 16% ownership interest in IP Management Company (Pty) Ltd, but there are no other circumstances which could lead to a potential conflict of interest. Should any conflicts arise with regard to any of these prior to entering into any business transaction with you we undertake to disclose these in the registers below.

MitonOptimal has implemented the registers below:

1. Nature and Extent of Ownership interests
2. Financial Interest Received
3. Nature and Extent of Business Relationships
4. Associations

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