
INVESTMENTS

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INTERNATIONAL TAX COMPLIANCE (FATCA)

Background

The Foreign Account Tax Compliance Act (FATCA) is United States (US) legislation that aims to combat offshore tax evasion. It encourages transparency and requires that we obtain additional information on accounts held by US citizens and US tax residents ("US Persons") in other countries. US Persons are required to report their financial accounts held outside of the US and Financial Institutions are required to provide the US Internal Revenue Service (IRS) with information about US account holders on a yearly basis. This means that a South African Financial Institution (like Alexander Forbes Investments Limited) must provide the IRS (via SARS) with information about clients who are US Persons.

South Africa is committed to the automatic exchange of information for tax purposes. The implementation of FATCA is South Africa's first step in automatic exchange of information and lays the foundation in extending the exchange of information to other jurisdictions. This means that, in addition to FATCA, we will enter into similar arrangements with various other countries to facilitate the sharing of information of non-resident investors.

Why is FATCA important?

If a Financial Institution fails to comply with FATCA, a 30% withholding tax will be imposed on all forms of income earned, directly or indirectly, from US investments. The US receives the largest share of inward investments in the world. Very few, if any, international Financial Institutions will be able to function without investing, directly or indirectly, in the US, or without dealing with Financial Institutions that invest in the US.

Which products are affected by FATCA?

FATCA mainly affects investment products or products and events involving the investment of discretionary funds (such as Endowment policies or unit trusts). Risk and retirement fund products are therefore not affected.

What should you do?

Alexander Forbes Investments is committed to complying with the requirements of FATCA and any other agreements about the automatic exchange of information. This means we need to collect additional information from clients and disclose it to SARS. For this reason we have added additional fields to our application forms and have introduced a new take-on process for new clients. We will conduct a record search in respect of existing clients and, if our record search finds any indication that you may be a US Person, we will contact you personally to obtain the required information.

If you have any questions on how FATCA or any automatic exchange of tax information affects you or your account, please speak to your financial adviser or call our Contact Centre on 0860 333 316.

Collective Investment Schemes in Securities (CIS) are generally medium to long term investments. The value of participatory interests (units) may go down, as well as up, and past performance is not necessarily a guide to the future. Different classes of units apply to these portfolios and are subject to different fees and charges. A schedule of fees and charges and maximum commissions is available on request from the company/scheme. Fluctuations or movements in exchange rates may cause the value of underlying international investments to go up or down. Certain portfolios may be closed. Bond and Income portfolios reflect a current yield as at the month-end date. A Feeder Fund is a portfolio that, apart from assets in liquid form, consists solely of participatory interests in a single portfolio of a collective investment scheme. A Fund of Funds is a portfolio that invests in portfolios of collective investment schemes, which levy their own charges, which could result in a higher fee structure for these portfolios. For Equity Portfolios, the exposure limit to a single security can be greater than is permitted for other portfolios in terms of the Collective Investment Schemes Control Act. Details are available from the company/scheme. Investors are reminded that an investment in a currency other than their own may expose them to a foreign exchange risk. If an investment in the Fund is redeemed at an early stage, the preliminary charge paid upon purchase of Units may exceed any return on the investment in which case investors will not receive the full amount of their original investment. Unit trusts are traded at ruling prices and can engage in borrowing and securities lending. Forward pricing is used. Commission and incentives may be paid and, if so, would be included in the overall costs. The unit trust may borrow up to 10% of the market value of the portfolio to bridge insufficient liquidity. The unit trusts are valued at the end of the day using the latest available prices at close of business. Unit holders may agree to pay additional ongoing advice fees to their appointed financial planners. The interests of directors and management are available on request from the manager. Completed application forms and notification of deposits must be received before 13h00 for the investment to be executed on that day. If received after the applicable cut-off time, the money will be invested at the buying price of the next day. The 13h00 cut-off time applies to redemptions and switches.

The registered office of Alexander Forbes Investments Unit Trusts Limited (Reg no 2001/015776/06) (The Manager) is 115 West Street, Sandown, 2196. PO Box 786055 Sandton 2146. **Telephone number:** +27 11 505 6000. The Trustee is FirstRand Bank, acting through Rand Merchant Bank Custody and Trustee Services, First Floor, No. 3 First Place, Bank City, Cnr Jeppe & Simmonds Street, Johannesburg, 2000. **Telephone number:** +27 (0) 87 736 1732.

The Manager and the Trustee are regulated by the Financial Services Board for the conduct of fund services business. Alexander Forbes is a member of the Association for Savings and Investments SA.

Alexander Forbes Investments Limited, **Registration number:** 1997/000595/06 is an authorised Financial Services Provider (FSP711) under the Financial Advisory and Intermediary Services Act (No. 37 of 2002), to act in the capacity as investment manager. The address is the same as the Manager. This information is not advice, as defined in the Financial Advisory and Intermediary Services Act (No. 37 of 2002). Please be advised that there may be representatives acting under supervision. The **COMPLAINTS POLICY AND PROCEDURE**, and the **CONFLICTS OF INTEREST MANAGEMENT POLICY** are available on our website. (Click on the name to download the document.)