

Treating Customers Fairly Policy

1. Introduction

A key principle in Lodestar Fund Managers' culture is that our investors (clients) should come first. Lodestar Fund Managers is committed to the fair treatment of all clients, irrespective of their size or the vehicle through which they invest. Lodestar Fund Managers recognises that client satisfaction is the foundation on which to build an investment business which is sustainable over the long term. Delivering optimal client outcomes is an enterprise-wide responsibility and requires participation from all parts of the business. Apart from any legislative or regulatory obligations, treating customers fairly is a business imperative. Without clients we have no business and we understand that clients have many options when selecting an investment manager. Hence, putting our clients' needs at the forefront of what we do is a business priority.

2. Values

Lodestar Fund Managers consciously operates in alignment with the Codes of Conduct applicable to Financial Services Providers (FSP's) in terms of the Financial Advisory and Intermediary Services Act. We aim to exceed the set down requirements in many aspects, including but not limited to:

- *rendering financial services honestly, fairly, with due skill, care and diligence, and in the interest of the clients at all times.*

Our processes are designed to ensure that we comply, not only with this Act, but with the many other legally or voluntarily imposed regulations affecting the way in which we conduct business.

3. Treating Customers Fairly:

The Financial Services Conduct Authority ("FSCA") published its "Treating Customers Fairly ("TCF") Roadmap" in March 2011 as a first step towards achieving TCF fairness outcomes and culture framework requirements. In particular, the FSCA requires FSPs to measure their activities against six TCF fairness outcomes (the "Outcomes") that aim to reduce market conduct risks and protect consumers of financial products:

- Outcome 1 ("Culture"): customers are confident that they are dealing with an FSP where the fair treatment of customers is central to its culture;
- Outcome 2 ("Products and Services"): products and services marketed and sold in the market are designed to meet the needs of identified customer groups and are targeted accordingly;
- Outcome 3 ("Clear and Appropriate Information"): customers are given clear information and are kept appropriately informed before, during and after the time of contracting;
- Outcome 4 ("Customer Advice"): where customers receive advice, the advice is suitable and takes account of their circumstances;
- Outcome 5 ("Product Performance Expectations"): customers are provided with products that perform as FSP's have led them to expect, and the associated service is both of an acceptable standard and what they have been led to expect, in line with the agreed objectives;
- Outcome 6 ("Post Sale Barriers"): customers do not face unreasonable post-sale barriers to change product, switch provider, submit a claim or make a complaint.

Lodestar Fund Managers supports the TCF Outcomes, to the extent relevant to our business and role in the investment product value chain. Most of the principles that support the Outcomes are expressed in the way we conduct business.

We evaluate ourselves against the Outcomes and strive to improve the manner in which we operate and/or evidence our adherence to the TCF principles. The TCF principles are a business imperative, embedded in our strategy, governance and daily processes, as more fully described below:

Appropriate Product:

- Offering across asset classes and governed by clear investment management agreements agreed with clients;
- Focused range of investment funds grouped by investor need;
- Innovate and develop products only when we believe that a new mandate can sustainably meet a clearly defined investor need, and in areas where we have adequate capacity, resources and expertise to deliver competitive results over meaningful periods; and
- The product range is reviewed periodically to check suitability for investors.

Clients:

- Service excellence: we ensure that our client philosophy guides our behaviour, putting clients' needs at the forefront of what we do is a key priority;
- Engagement with our clients takes place on an ongoing basis through frequent interaction at client meetings, investment report-backs and operational due diligences, as well as via the monthly and quarterly reporting process. A client service team ensures that client requests for information are attended to timeously;
- Client Data: Lodestar Fund Managers recognises that technology, although playing a vital role in enabling channels of business, also presents a risk of exposing confidential client and company data. Lodestar Fund Managers is committed to the protection of clients' personal information, and therefore ensures that business processes are protected by appropriate governance and controls;
- Product Information and Communication: Lodestar Fund Managers assesses the cumulative impact of all client communications, for consistency of messaging and its impact on clients. To ensure consistency of messaging, all formal communication to clients goes through a review and sign-off process;
- Product related updates are regularly communicated to Lodestar Fund Manager's investors and intermediaries through monthly/quarterly reporting. Product performance and current key information and statistics are published monthly through monthly investor reporting;
- Post-sale barriers: Lodestar Fund Managers is committed to ensuring the clients do not face unreasonable post-sale barriers to changing products, switching providers or making complaints. There are no barriers to switching between funds at Lodestar Fund Managers. We do not impose exit penalties, surrender fees or other charges to discourage clients to withdraw from products nor do we charge initial fees or switching fees. All products related features are disclosed during the purchase process. The only access constraints applied are those required by law; and
- Client criticism, both positive and negative, is a crucial feedback mechanism in prioritising our focus and resources. Lodestar Fund Managers has formal Complaints Procedures. Lodestar Fund Managers is committed to handling client complaints in a timely and fair manner and has implemented systems and procedures to satisfy this commitment (see the Complaints Policy for more detail). We provide a number of avenues for clients to provide feedback and/or log a complaint, namely: telephone; email; post; fax; and/or through their relationship consultant (if applicable). Clients are kept updated throughout the complaints process to ensure that their expectations are managed throughout.

Other examples of TCF principles evidenced in our approach to daily business:

- Best execution and fair allocation of trades to all client portfolios. Lodestar Fund Managers does not favour any products or portfolios over others;
- Lodestar Fund Managers invests retained incentive funds in its product/s and funds;
- Lodestar Fund Managers has a policy of reimbursing a client in the event of any trade or mandate errors;
- Lodestar Fund Managers has a consistent fee methodology which is reviewed across all product vehicles and mandate spectrums.

Governance:

- Lodestar Fund Managers maintains a robust corporate governance framework, effected through its board and subcommittees, together with the appointment of an independent compliance company and external auditors. The regulatory environment continues to evolve, both in South Africa and internationally. Lodestar Fund Managers is supportive in shaping a safer financial sector as contemplated in National Treasury’s “A safer financial sector to serve South Africa better”, through our involvement with the Association for Savings and Investments of South Africa (“ASISA”), and where appropriate direct engagement with our regulators;
- Our operations team, with advice from external risk, legal, regulatory and compliance experts, ensures that we comply with those regulations applicable to our business. Risk management follows an integrated approach and is well entrenched in Lodestar Fund Managers; and
- Lodestar Fund Managers places a high priority on ensuring it complies with all regulatory and statutory obligations, as well as industry best practice. The principles supporting the TCF Outcomes are at the centre of the board and management decision making processes.

Employees:

- At the core of our business are our employees;
- Staff enjoy an open-door policy and flat management structure, providing for ongoing dialogue with management on any aspect of the business;
- Staff are expected to act professionally and respectfully with our clients and with each other;.
- Staff compensation is directly linked to personal and investment performance and service delivery to clients. Annual incentives are utilised to reward staff for their contribution towards the success of the company, acknowledging exceptional performance and success in adding value to our clients and the business.

Regulators and Industry Bodies:

We undertake to always engage in an open and transparent manner with our regulators. When appropriate we engage directly with our regulator, being the Financial Services Conduct Authority. Through our membership of industry bodies we are able to lobby our views on proposed legislation and potentially influence legislation, with the aim of ensuring that the interests of investors and the industry are taken into consideration. Lodestar Fund Managers is represented on relevant ASISA committees and working groups, which ensures our awareness and participation in industry initiatives.

Shareholders:

All key focus areas of our business combine in the execution of our strategy to create shareholder value. The sustainability of our business lies in our ability to produce consistent superior long-term investment performance, provide client service excellence; ensure client retention and the integrity of our business.

Future Developments:

On the basis that regulation around TCF is yet to be fully defined, this Policy will be subject to review as the regulatory environment becomes clearer.