

PRUDENTIAL INCOME PORTFOLIOS LIVING ANNUITY TERMS AND CONDITIONS



PRUDENTIAL
INVESTMENT MANAGERS

What is this investment?

This living annuity investment is a long-term policy issued in your name, by Prudential Portfolio Managers (SA) Life Limited, a long-term insurer referred to as "Prudential", "we" or "us" in these terms and conditions. Prudential Investment Managers (South Africa) (Pty) Ltd is the asset manager of the underlying unit trust funds. With this investment, you transfer the lump sum from a matured retirement fund investment or another living annuity to us in return for a regular income. How long this income will last depends on your chosen drawdown rate and the market conditions affecting your investment. The income is not guaranteed for life or for any length of time. It is very important that you understand the difference between a living annuity and a guaranteed life annuity.

Your choice of income drawdown rate

According to law, you may select between 2.5% and 17.5% of your net investment amount as your first year's income. After that, you may choose between 2.5% and 17.5% of the market value on the business day before the anniversary date. In the first year, the drawdown % is calculated on the amount transferred to us less any initial adviser fees.

You may only change your drawdown rate and/or payment frequency once a year, at the anniversary of the investment. If you do not instruct us to make a change, the percentage will remain unchanged, unless your drawdown rate is breaching the regulatory limits at the time, in which case we will adjust the rate to make sure your investment complies. The current regulatory limits of 2.5% and 17.5% may change in future, which could affect your chosen drawdown rate.

A downturn in markets could lead to insufficient income in future. When choosing a living annuity, you need to be in a financial position to withstand a reduced income in future. If you choose too high a drawdown rate, your investment growth may not be able to keep up with your drawdown rate and your capital may be eroded.

If this living annuity provides you with your only source of income and you require a pre-tax income drawdown of more than inflation +2% from the start of your investment, you should consider a different type of investment.

Tax

Each income payment is fully taxable in your hands at your marginal tax rate. Therefore you will only receive the net income amount after we have deducted income tax payable to SARS on your behalf. If you want us to deduct a lower tax rate than the rate in the most recent SARS income tax table, you would need to provide us with a tax directive from SARS. We will send you an annual tax certificate showing the total income that you received, which you will need to declare in your annual tax return. No income tax or capital gains tax is payable on the investment remaining within the living annuity, i.e. not yet paid out to you.

How do unit trusts relate to your living annuity investment?

Through this living annuity you invest in underlying unit trust funds. The unit trusts are managed by Prudential Portfolio Managers Unit Trust Limited (PPM UT). With the Managed Income Option, Prudential chooses the funds on your behalf. With the Standard Income Option, you choose the underlying unit trust funds of your living annuity investment. You are not the direct owner of the underlying investment assets. Prudential is the owner and it will invest the net investment amount into your chosen investment option and make sure that all distributions are used to pay the income option that you selected in the case of the Managed Income Option.

Each unit trust fund is managed according to a contract called the supplemental deed. The supplemental deed sets out the relationship between the different parties involved in the unit trust investment and falls under the authority of the Registrar of the Financial Services Board. The supplemental deed sets out, among other things, the investment objectives and mandate of the unit trust fund (also shown on the fund fact sheet of the unit trust fund).

Risk warning for the unit trust funds

Collective Investment Schemes (unit trusts) are generally medium-to long-term investments. Past performance is not necessarily a guide to the future. Unit trust prices are calculated on a net asset value basis. This means the price is the total net market value of all assets of the unit trust fund divided by the total number

of units of the fund. Any market movements – for example in share prices, bond prices, money market prices or currency fluctuations – relevant to the underlying assets of the fund may cause the value of the underlying assets to go up or down.

As a result, the price of your units may go up as well as down. Unit trusts are traded at the ruling forward price of the day, meaning that transactions are processed during the day before the price at the end of that day is known. The price and therefore the number of units involved in the transaction are only known on the following day.

The unit trust fund may borrow up to 10% of the fund value, and it may also lend any scrip (proof of ownership of an investment instrument) that it holds to earn additional income. A Prudential unit trust fund may consist of different fund classes that are subject to different fees and charges. Commission may be paid and will be included in the overall costs of the fund. A Collective Investment Schemes (CIS) summary with all fees and maximum initial and ongoing adviser fees is available on our website.

Your chosen unit trust fund may be closed to new investors and to additional investments by existing investors to make sure that it is managed in accordance with its mandate.

What changes can you make to this investment?

You may:

- Adjust your income drawdown rate at every anniversary of your policy start date
- Change your income payment frequency
- Switch between unit trust funds if you chose the Standard Income Option
- Change your beneficiary nomination
- Change your Financial Adviser on this investment
- Convert this living annuity to a guaranteed life annuity with another life insurer

You understand that any changes that you make to the terms of this agreement are only binding if accepted in writing by Prudential.

What you cannot do with this investment

You cannot:

- Draw less than 2.5% or more than 17.5% of the market value at anniversary date in any year
- Withdraw the full market value of your investment as a lump sum
- Cede the investment for a loan
- Transfer ownership of this investment
- Nominate a beneficiary other than your spouse without his/her consent, if married in community of property
- Contravene any legislation that applies to this investment

The role of the Financial Adviser

The Financial Adviser – not Prudential or the Administrator - is responsible for giving you appropriate advice, product and fee information, as well as the business practice document of Prudential. Your Financial Adviser needs to be accredited by Prudential. Prudential will only accept business from a Financial Adviser registered with the FSB as a financial services provider. It is the responsibility of the Financial Adviser to act within his/her FSB licence. Prudential will provide your appointed Financial Adviser with reports on your investment.

Make sure prudential receives your instruction

Your investment is administered by Silica Financial Administration Solutions Services (Pty) Limited ("the Administrator") on behalf of Prudential. The Administrator will process all your investment instructions on behalf of Prudential. There may be instances where the Administrator does not process an instruction, for example when it does not receive a fax that you sent. It is your responsibility to contact Prudential if you do not receive a notification that your instruction has been processed within 20 days of you sending the instruction. A fax confirmation slip will not be proof that Prudential received the fax.

Instruction requirements

Your investment will only be accepted once we have received the correct details for you, as well as the investment amount. If we have received the correctly completed

application form, all the required documents and the investment amount by 11:30am on or after the 19th day of the month, will you only receive an income the following month, paid into the bank account stated in your application form. Only instructions via an official Prudential online or paper form will be processed. Any instruction received while another transaction is in progress will only be processed after the other transaction has been completed.

Fees

Financial Adviser fees:

The initial adviser fee is negotiable between you and your Financial Adviser, and subject to a maximum of 1.5% (excluding VAT). We will deduct this fee from the amount transferred to us before processing the investment. By law, no initial adviser fee is allowed on a Directive 135 transfer, i.e. a transfer from another living annuity to this annuity. The ongoing adviser fee is also negotiable and subject to a maximum of 1% (excluding VAT). For the Managed Income Option, this fee will be levied against the market value of the underlying fund and deducted monthly from the investment income generated by that fund and paid to the Financial Adviser monthly. For the Standard Income Option, we will deduct this fee by selling units from the underlying fund and paying the amounts to the Financial Adviser monthly.

Asset management fees:

Annual asset management fees are charged within each underlying unit trust fund. Certain performance fees may also be payable. The fee is expressed in annual terms but raised daily and is already included in the daily unit price. If you appoint a Financial Adviser, it is the responsibility of your Financial Adviser to make sure that you are fully informed of all fees relating to this investment. Prudential can change the fees at any time and undertakes to give you at least three months' notice before changing or adding fees. VAT will be added to all fees, where applicable. Your quarterly statement will show the fees applicable for that period.

Transfer costs

The transfer from another financial product to this investment may result in costs charged by the provider of the other product. You need to acquaint yourself with these costs, as well as other financial implications of the transfer.

Reporting

You will receive a quarterly statement with the market value of your investment. Additional statements are available on request.

You are liable for the following

Prudential and the Administrator are not responsible for, and will be indemnified against, any tax, duty, levy or similar charge by any government authority as a result of your investment. You will be liable for any tax and will obtain a tax opinion from a tax consultant, where required. You will carry any losses due to market fluctuations and consequent changes in underlying funds' unit prices. Neither the income, nor the capital of this investment is guaranteed.

Prudential and the Administrator will not be liable for any losses that you may suffer if:

- Prudential rejects this application form or any other forms or notices received in terms of your investment
- The Administrator did not process your instruction and you did not notify us within 20 days of sending the instruction
- Your application is rejected or the processing delayed because your Financial Adviser is not FSB licensed or accredited by Prudential
- Your Financial Adviser acts outside of his/her FSB licence
- The Management Company of your underlying unit trust fund does not comply with its turnaround times.

What happens in case of your death?

On your death, if you nominated at least one beneficiary, the remaining capital within your living annuity investment belongs to your nominated beneficiary. The nominated beneficiary may choose his/her own income option or take the remaining capital as a lump sum. Both options are subject to income tax legislation and possible estate duty. If you have no surviving nominated beneficiaries, the remaining capital will form part of your estate.

Complaints

If you are dissatisfied with our service, Prudential invites you to address your concerns directly with us. We take your concerns and queries very seriously and undertake to engage directly, promptly and meaningfully with you. Prudential will acknowledge your complaint in writing and will provide you with the contact details of the persons involved in the resolution of your complaint.

If you prefer to lodge a formal, written complaint regarding our fair treatment of you, or the nature of services offered, you can address your complaint to:

The Compliance Officer

Email: Compliance@Prudential.co.za

Address: P O Box 44813 Claremont 7735

If you are dissatisfied with our response, you are entitled to address the issue in writing with the FAIS Ombud.

The FAIS Ombud

Web: www.faisombud.co.za

Email: info@faisombud.co.za

Tel: 012 470 9080

Fax: 012 348 3447

Address: PO Box 74571 Lynnwood Ridge 0040

The Ombud is legally empowered to investigate and adjudicate complaints fairly, economically and swiftly.