

4 February 2021

Dear Investor

Amalgamation ballot – Stonewood BCI Guarded Fund

THIS LETTER IS IMPORTANT AND REQUIRES YOUR ATTENTION

Stonewood Asset Management (Pty) Ltd (“Stonewood”), FSP 45170, manages the Stonewood AM BCI Guarded Fund and the Stonewood AM BCI Temperate Fund, amongst others. Both were launched at BCI on 6 November 2021.

The **Stonewood AM BCI Guarded Fund**’s size at +/-R31m is too small to be viable for Stonewood and investors as the small size results in a higher total expense ratio and makes it difficult to manage a proper diversified portfolio. Furthermore, the portfolio mandate is in the same ASISA category as the Stonewood AM BCI Temperate Fund, thereby creating an overlap and sometimes a bit of confusion.

Therefore, Stonewood requested us to ballot investors to obtain investor approval to amalgamate the Stonewood AM BCI Guarded Fund with the Stonewood AM BCI Temperate Fund.

The Stonewood AM BCI Temperate Fund has a slightly more aggressive objective and equity exposure whereby investors can expect higher capital returns but slightly less income. The target portfolio’s return may also be a little bit more volatile. However, both portfolios are in the same ASISA category and both are suitable for more conservative risk profiled investors.

Stonewood AM BCI Temperate Fund investors will not be impacted by the amalgamation, but by law we have to ballot you as well.

The similarities and differences between the portfolios are illustrated in Annexure A.



Actions required

Kindly study this document, complete the attached form and return it to our auditors by no later than **30 March 2022**.

1. Please complete and sign the enclosed ballot form and return it in the enclosed self-addressed envelope or via email to za_bciballots@pwc.com.
2. If you have disposed of your participatory interests, no action is required.

Please do not include any other instructions regarding your holdings with your ballot form, for example requests for purchases, switching instructions, etc. Your ballot form will go directly to our auditors and, should such instructions **NOT** be sent to the auditors, it will not be processed.

How does the proposed amalgamation impact your investment?

In terms of the section 99 of the Collective Investment Schemes Control Act, 45 of 2002, ("the act") the ballot will be valid if the majority of investors, including the Manager, vote in favour of the amalgamation. **Please note, an absence of a response will be regarded as a vote in favour of the amalgamation.**

Section 99 (3) (a) of the Act stipulates that on the effective date, every investor "shall hold in the new scheme or portfolio, such participatory interests with an aggregate money value that is not less than the lower of the net asset value or market value, as may be fair and reasonable in the circumstances of the participatory interests which such investor, immediately before the date on which the proposed transaction becomes effective, held in an original scheme or portfolio." In other words, when the portfolios are amalgamated, investors will be issued with replacement participatory interests in the new portfolio. The replacement participatory interests will be equal in market/monetary value to the participatory interests held pre-amalgamation.

The amalgamations will be a Capital Gains Tax (CGT) roll-over event, so no CGT will be payable upon amalgamation.

Your rights as an investor

The rights of investors are firmly entrenched in the Act and the Deed:

1. All investors in the portfolios are given an opportunity to vote in favour of, or against, the proposals above.
2. An independent auditor will verify the outcome of the ballot.
3. Should you not be comfortable with the proposal in so far as they relate to the portfolio in which you hold participatory interests, you may switch your investments to any of the Boutique Collective Investment Scheme portfolios, at no switching cost, provided we receive your switching instructions before 6 August 2021. Should you not be comfortable with the proposal and do not wish to switch your investments to any of the Boutique Collective Investment Scheme portfolios, you may elect to redeem your participatory interests at any time



and withdraw your money at the NAV price, as defined in the Deed, subject to that it is a discretionary investment. **By electing to redeem or switch your participatory interests, it will constitute a CGT event for which you will be liable to pay CGT at your next income tax assessment.**

4. If you choose not to switch or withdraw your investments prior to 6 August 2021, the proposals as set out in this letter (to the extent that they are approved by investors) will automatically apply to your investment.

Effective date

The effective date of the proposed amalgamation shall be 29 April 2022 close of business, provided that the necessary consent is obtained from investors and the Financial Services Conduct Authority. A special income distribution will be processed for both portfolios on this date.

Covid19 contingency

Due to the impact of the current Covid19 crisis we have implemented a contingency plan whereby in the event that you are unable to provide us with a copy of your signed ballot letter, then you may contact us via email or call us at the number below and we will arrange for alternative arrangements to assist you in getting your vote to the auditors before the due date.

For more information

If you are in any doubt as to what action to take, please consult your financial advisor or call BCI at 021 007 1500.

Attachments

Annexure A: Comparison between current and proposed portfolio and impact of changes

Annexure B: Ballot form

Yours faithfully

Gregory Abrahams

Managing Director



Annexure A: Portfolio Comparisons

Stonewood AM BCI Guarded Fund (source fund)	Stonewood AM BCI Temperate Fund (target fund)	Notes
<p>Investment policy The Stonewood AM BCI Guarded Fund's investment objective is to provide investors with a moderate level of income whilst preserving capital.</p> <p>The portfolio maintains a conservative risk profile and its maximum equity exposure is limited to 25% of its net asset value.</p> <p>The portfolio will be managed in compliance with prudential investment guidelines for retirement funds in South Africa with a conservative risk profile to the extent allowed for by the Act.</p> <p>In order to achieve its objective, the investments normally to be included in the portfolio may comprise a combination of assets in liquid form, money market instruments, interest bearing securities, bonds, debentures, corporate debt, equity securities, other interest-bearing securities, property securities, preference shares, convertible equities and non-equity securities. The manager may invest in participatory interests or any other form of participation in portfolios of collective investment schemes or other similar collective investment schemes as the Act may allow from time to time, and which are consistent with the portfolio's investment policy. Where the aforementioned schemes are operated in territories other than South Africa, participatory interests or any other form of participation in portfolios of these schemes will be included in the portfolio only where the regulatory environment is, to the satisfaction of the manager and the trustee, of sufficient standard to provide investor protection at least equivalent to that in South Africa.</p>	<p>Investment policy The Stonewood AM BCI Temperate Fund's investment objective is to provide investors with capital growth whilst maintaining a moderate level of income. The emphasis is more on capital growth rather than on capital preservation.</p> <p>The portfolio maintains a cautious to moderate risk profile and its equity exposure ranges between 20% and 40% of its net asset value, whilst its property exposure ranges between 10% and 25% of its net asset value.</p> <p>The portfolio will be managed in compliance with prudential investment guidelines for retirement funds in South Africa with a cautious to moderate risk profile to the extent allowed for by the Act.</p> <p>In order to achieve its objective, the investments normally to be included in the portfolio may comprise a combination of assets in liquid form, money market instruments, interest bearing securities, bonds, debentures, corporate debt, equity securities, other interest-bearing securities, property securities, preference shares, convertible equities and non-equity securities. The manager may invest in participatory interests or any other form of participation in portfolios of collective investment schemes or other similar collective investment schemes as the Act may allow from time to time, and which are consistent with the portfolio's investment policy. Where the aforementioned schemes are operated in territories other than South Africa, participatory interests or any other form of participation in portfolios of these schemes will be included in the portfolio only where the regulatory environment is, to the satisfaction of the manager and the trustee, of sufficient standard to provide investor protection at least equivalent to that in South Africa.</p>	<p>Slightly more aggressive objective whereby investors can expect higher capital returns but slightly less income. The target portfolio's return may also be a little bit more volatile. However, both portfolios are in the same ASISA category, and both are suitable for more conservative risk profiled investors.</p> <p>No change</p> <p>No change</p>



<p>The portfolio may from time to time invest in listed and unlisted financial instruments, in accordance with the provisions of the Act, and the Regulations thereto, as amended from time to time, in order to achieve the portfolio's investment objective. The manager may also include forward currency, interest rate and exchange rate swap transactions for efficient portfolio management purposes.</p> <p>The Trustee shall ensure that the investment policy set out in this Supplemental Deed is carried out. For the purpose of this portfolio, the manager shall reserve the right to close the portfolio to new investors on a date determined by the manager. This will be done in order to be able to manage the portfolio in accordance with its mandate. The manager may, once a portfolio has been closed, open that portfolio again to new investors on a date determined by the manager.</p>	<p>The portfolio may from time to time invest in listed and unlisted financial instruments, in accordance with the provisions of the Act, and the Regulations thereto, as amended from time to time, in order to achieve the portfolio's investment objective. The manager may also include forward currency, interest rate and exchange rate swap transactions for efficient portfolio management purposes.</p> <p>The Trustee shall ensure that the investment policy set out in this Supplemental Deed is carried out. For the purpose of this portfolio, the manager shall reserve the right to close the portfolio to new investors on a date determined by the manager. This will be done in order to be able to manage the portfolio in accordance with its mandate. The manager may, once a portfolio has been closed, open that portfolio again to new investors on a date determined by the manager.</p>	<p>No change</p> <p>No change</p>
<p>Annual service fee (excluding VAT) Class B1: 0.75%</p> <p>Performance fees None</p>	<p>Annual service fee (excluding VAT) Class B1: 0.75%</p> <p>Performance fees None</p>	<p>No change</p>
<p>Income distribution declaration 31 March, 30 June, 30 September, 31 December</p>	<p>Income distribution declaration 31 March, 30 June, 30 September, 31 December</p>	<p>No change</p>
<p>Benchmark CPI for all urban areas + 2%, calculated over rolling 3-year periods</p>	<p>Benchmark CPI for all urban areas + 3%, calculated over rolling 3-year periods</p>	<p>Slightly higher risk profile – refer above</p>
<p>ASISA Category SA– Multi Asset – Low Equity</p>	<p>ASISA Category SA– Multi Asset – Low Equity</p>	<p>No change</p>





Annexure B: Ballot form: Proposed Stonewood AM amalgamation

I, the undersigned,
(please print full names*)

account number.....

date of birth/registration number

Linked Services Product company name, if any:

+ do hereby vote to accept/reject the proposed amalgamation as set out in annexure A to the ballot letter
(please mark with a "X"):

		ACCEPT	REJECT
1	Amalgamation of the Stonewood AM BCI Guarded Fund with the Stonewood AM BCI Temperate Fund		

SIGNED AT _____ on this day of _____ 2022

(please sign in full)

If you are signing in a representative capacity, please insert your own name and the name of the person / trust / deceased estate / company / close corporation on whose behalf you are signing.

+ Note: Please complete, sign and return the ballot form to our auditors in the enclosed pre-paid, self-addressed envelope or via email to za_bciballots@pwc.com, to reach them by no later than midnight on 30 March 2022.