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Dear client

Proposed amalgamation of AF Investments Stable Fund of Funds with the AF Investments Conserver Managed Unit Trust

This letter is important and requires your attention. It is being sent to you in your capacity as a client within either the source portfolio or the target portfolio, or both, as listed in the table below.

Source portfolio	Target portfolio
AF Investments Stable Fund of Funds	AF Investments Conserver Managed Unit Trust

The purpose of this letter is to obtain your approval to amalgamate the AF Investments Stable Fund of Funds with the AF Investments Conserver Managed Unit Trust. The amalgamated portfolio will continue to exist as the AF Investments Conserver Managed Unit Trust. Both portfolios were established under the Alexander Forbes Investments Unit Trust Scheme.

Reasons for the proposed amalgamation

Alexander Forbes Investments Unit Trusts Limited (AFIUT) aims to provide investors with high quality investment solutions. To achieve this AFIUT regularly reviews the efficiency of our portfolios to ensure they not only perform at their best, but also deliver cost-effective investments to our valued customers. As part of this exercise, and after analysing our portfolios, AFIUT has decided to amalgamate the source portfolio with the target portfolio. These portfolios provide similar investment solutions for our clients; however, the target portfolio provides a better overall value proposition to clients, both pre- and post-retirement.

The financial products offered by AFIUT are designed to meet the needs of clients and they:

- are marketed in an appropriate way.
- consider the type and circumstances of clients.
- provide value for money.
- consider the risk profile of clients.
- are understandable and easily accessible.

When we design our financial products, suitable clients are identified and aligned with AFIUT's strategic objectives, business model, risk management, rules and regulations. In this regard, AFIUT continuously analyses and evaluates its financial products against these criteria. In this case, as detailed below, we believe that it is in the interest of our clients to amalgamate the source portfolio with the target portfolio.

Impact on clients

AFIUT strives to apply the highest standards of ethical behaviour during the conduct of its business activities. It also always aims to act in the best interest of clients and is committed to the Treating Customers Fairly (TCF) outcomes, which are the results or consequences clients should experience when fair business practices are consistently applied and is embedding this culture into the business. In this regard, and reflected in this letter, clients are informed in a timely way when important events or changes take place, which may impact them. Clients are provided with **clear information** and are kept appropriately informed, before, during and after, the point of sale. Clients are informed about how to change financial products and about important limitations on their ability to change financial products, which emphasises the importance of this letter.

For clients in the source portfolio, we are asking you to change portfolios. We are providing you with the similarities and differences between the source portfolio and the target portfolio so you can make an informed decision which are described in Annexure A to this letter.

We believe that if you are invested in the source portfolio you will benefit from the more diversified opportunities provided by the improved structure of the target portfolio, which should result in you earning a higher potential level of performance returns as well as being at a lower cost than in the source portfolio. Remaining in the source portfolio may restrict your investment growth potential when compared to the target portfolio.

The target portfolio will be classified in the South African Multi Assets Low Equity category as the source portfolio, as is the case with the source portfolio, this also applies to the benchmark of both the source and target portfolios remaining the same. The target portfolio will be structured in a more effective manner, taking full advantage of AFIUT's significant buying power, to access best of breed asset managers at lower cost to align to our best investment view in the low equity investment market.

From a global exposure perspective, the source portfolio relies on local asset managers to access offshore opportunities whereas the target portfolio will benefit from direct access to the world's leading portfolio managers to improve outcomes.

If you are invested in the target portfolio, please note that no changes will be made to the portfolio characteristics of the target portfolio.

If you are invested in the source portfolio, please refer to Annexure A, for details of the changes.

This ballot process provides you, as a client, with an opportunity to vote in favour of, or against, the proposed amalgamation. If you are in any doubt about what action to take, please consult your financial adviser or call the Contact Centre on +27 (0) 860 333 316.

Action required from you:

1. Please complete the enclosed ballot form and return it to our auditors, Deloitte & Touche (Deloitte). You can do this by emailing it to **alexforbesballot@deloitte.co.za** or faxing it to **+27 (12) 349 9630 (for the attention of Kavita Vanmali)**. The form must reach Deloitte by no later than **13 December 2023**
2. If you have already disposed of your investment, no action is required.

Any instructions about your investments should **NOT** be included with your ballot form. You will only send the ballot form to the auditors, Deloitte, solely for the purposes of determining that you consent for the amalgamation.

In terms of section 99 of the Collective Investment Schemes Control Act 45 of 2002, the ballot will be valid if the majority of clients vote in favour of the amalgamation. **The absence of a response will be regarded as a vote in favour of the amalgamation. However, we encourage you to participate in the ballot, to voice your opinion about the proposed amalgamation affecting your investment.**

How the proposed amalgamation affects your investment.

Section 99 (3) (a) of the Collective Investment Schemes Control 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, clients will be issued with replacement participatory interests in the new amalgamated portfolio. The replacement participatory interests will be equal in market or monetary value to the participatory interests held before the amalgamation, although the number of participatory interests held may change.

The amalgamation process requires that each portfolio has a special income distribution on the effective date, being 9 February 2024.

Please take note of the underlined sections of the portfolios reflected in the table of Annexure A, which indicate the key differences between the source portfolio and target portfolio. The effect of the amalgamation on each specified portfolio characteristic is reflected after the table.

Your rights as a client

The rights of clients are firmly entrenched in the Collective Investment Schemes Control Act 45 of 2002 (the Act) and the Deed. In terms of section 99 of the Act, the Financial Sector Conduct Authority requires that:

- All clients invested in the affected portfolio are advised, in writing, of the details of the proposed amalgamation of the collective investment scheme portfolio.
- All clients are given an opportunity to vote in favour of, or against, the proposed amalgamation.
- An independent auditor should verify the outcome of the ballot.
- The Financial Sector Conduct Authority must approve the amalgamation of portfolios, subject to a successful ballot.
- The amalgamation will be a Capital Gains Tax (CGT) roll-over event, so no CGT should be payable upon amalgamation.
- The trustees support the amalgamation.

If you are not comfortable with the amalgamation proposal, in so far as it relates to the portfolio in which you hold participatory interests, you may switch your investments to any of AFIUT's other long-only unit trusts, at no switching cost, provided we receive your switching instruction before 9 February 2024.

If you are not comfortable with the amalgamation proposal and do not wish to switch your investments to any of AFIUT's other long-only unit trusts, you may elect to redeem your participatory interests at any time and withdraw your money at the net asset value price, as defined in the Deed, subject to it being 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 at your next income tax assessment.

If you choose not to switch or redeem your investments before 9 February 2024, the amalgamation proposal as set out in this letter (to the extent that it is approved by clients and the Financial Sector Conduct Authority) will automatically apply to your investment.

Effective date of proposed amalgamation
The effective date of the proposed amalgamation is 9 February 2024, subject to the approval of clients and the Financial Sector Conduct Authority.

For more information
If you require further information about what action to take, please consult your financial adviser or call the Contact Centre on 0860 333 316.

We thank you for your ongoing support and look forward to your response.

Yours faithfully

Lawrence Grobler
Managing Director

Annexure A: Comparison between source and target portfolios

The key differences between the portfolios have been underlined for ease of reference. The effect of the amalgamation on each specific portfolio characteristic is reflected after the table. No changes will be made to the portfolio characteristics of the target portfolio.

Source Portfolio	Target Portfolio
Portfolio name AF Investments **Stable Fund of Funds**	**Portfolio name** **AF Investments Conserver Managed Unit Trust**
Investment policy (including portfolio objective) The AF INVESTMENTS STABLE FUND OF FUNDS is a low risk balanced portfolio **aimed at adding value through buying participatory interests of other collective investment scheme portfolios**. The AF INVESTMENTS STABLE FUND OF FUNDS will, **apart from assets in liquid form, invest solely in a range of participatory interests of portfolios of collective investment schemes that have exposure to domestic and offshore equities, listed property, non-equity securities,** as well as listed and unlisted financial instruments, as permitted by the Collective Investment Schemes Control Act No. 45 of 2002 (“CISCA”) and subordinate legislation promulgated thereunder. Furthermore, the portfolio will be managed in accordance with the prudential requirements as required for retirement funds in South Africa, to the extent allowed by CISCA. The portfolio’s **strategy will focus on capital growth and capital preservation** and will include equity exposure applicable to a low risk balanced portfolio, in accordance with the South African Multi Asset Low Equity Portfolios fund classification category. Where the aforementioned schemes are administered in territories other than South Africa, participatory interests or any other form of participation in portfolios of these schemes will be included in the fund when such funds are invested within South Africa, subject to such territories having a regulatory environment which is to the satisfaction of the manager and trustee of a sufficient standard to provide investor protection at least equivalent to that of South Africa. Nothing in this Supplemental Deed shall preclude the manager from varying the ratios of securities, to maximise capital growth, investment potential and preserve capital either due to economic or market conditions or to meet the requirements, if applicable, of any exchange formally recognised in terms of legislation and from retaining cash or placing cash on deposit in terms of the Deed and this Supplemental Deed, provided that the Manager shall ensure that the aggregate value of the assets comprising	**Investment policy (including portfolio objective)** The AF Investments Conserver Managed Unit Trust is a **multi-managed, actively managed, low risk, multi-asset class portfolio**. The objective of the portfolio is to provide the investor with a moderate capital growth over the medium term. In addition, it aims to reduce the risk of capital loss over any rolling 12-months period. The portfolio will invest in a **wide range** of South African, and foreign (non-South African), assets, with exposure to asset classes such as equities, listed property, bonds (and other permitted interest-bearing instruments), assets in liquid form, other permitted non-equity securities, and listed, and unlisted, financial instruments (derivatives), as permitted by the CISCA and subordinate legislation promulgated thereunder. The portfolio will be managed in accordance with the prudential requirements, applicable to South African registered retirement funds, to the extent allowed by the CISCA, and will include equity exposure applicable to a low equity, multi-asset class portfolio, in accordance with the ASISA South African – Multi Asset – Low Equity portfolio classification category. Exposure to foreign assets is limited to the prevailing percentage, as determined by the Minister of Finance, and the South African Reserve Bank, in accordance with the Exchange Control Regulations. The portfolio will not be leveraged. **The portfolio follows an active investment approach.** **The Manager may from time to time 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.** Where the aforementioned schemes are administered 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 when the funds/monies are invested within South Africa, subject to the territories having a regulatory environment that is to the satisfaction of the Manager and Trustee, of a sufficient standard to provide investor protection at least equivalent to that of South Africa. Nothing in this Supplemental Deed shall preclude the Manager from varying the ratios of securities, to maximise capital growth and investment potential either due to economic or market conditions or to meet the requirements, if applicable, of any exchange formally recognised in terms of legislation and from retaining cash or placing cash on deposit in terms of the Deed and this Supplemental Deed, provided that the Manager

the portfolio shall consist of securities and asset in liquid form investments of the aggregate value required from time to time by the Act. Furthermore, the manager shall retain the right to close the portfolio for investment to new investors.	shall ensure that the aggregate value of the assets comprising the fund shall consist of securities and liquid asset investments of the aggregate value required from time to time by the Act. 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 fund 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.
Portfolio benchmark South African - Multi Asset - Low Equity – Category average	**Portfolio benchmark** ASISA South African - Multi Asset - Low Equity – Category average
Portfolio classification category South African - Multi Asset - Low Equity	**Portfolio classification category** South African - Multi Asset - Low Equity
Service charges (including VAT) Class A (retail investors): 0.58% Class B (institutional investors): 0.00% Class D (LISPs): 0.46% Class L (HNW clients & staff): 0.40% **Total investment charges (including VAT)** Class A (retail investors): 1.58% Class B (institutional investors): 1.01% Class D (LISPs): 1.44% Class L (HNW clients & staff): 1.41%	**Service charges (including VAT)** Class A (retail investors): 1.15% Class B (institutional investors): 0.00% Class D (LISPs): 1.04% Class L (HNW clients & staff): 0.98% **Class T (tax free investment): 1.04%** **Expected/Proposed Total investment charges (including VAT)** Class A (retail investors): 1.29% Class B (institutional investors): 0.14% Class D (LISPs): 1.18% Class L (HNW clients & staff): 1.12% **Class T (tax free investment): 1.18%**
Income declaration Quarterly (31 March, 30 June, 30 September, 31 December) **Income distribution** Paid within **6 weeks** of declaration dates	**Income declaration** Quarterly (31 March, 30 June, 30 September, 31 December) **Income distribution** Paid within **5 business days** of declaration dates
Investment manager Alexander Forbes Investments Limited (**choosing underlying CIS portfolios**) **Portfolio manager** Alexander Forbes Investments Limited	**Investment manager** Alexander Forbes Investments Limited (**choosing underlying investment managers**) **Sub-delegated to chosen underlying investment managers.** **Portfolio manager** Alexander Forbes Investments Limited
Target market Retail clients (predominantly) Institutional clients (secondarily)	**Target market** Retail clients (predominantly) Institutional clients (secondarily)

Effect of proposed amalgamation

Portfolio name
The Target Portfolio includes the word “AF Investments” to clearly identify to clients that the portfolio is associated with Alexander Forbes Investments, the Group, and is a portfolio within the scheme. The Source Portfolio ends with the words “Fund of Funds”, which are mandatory words, to clearly identify to clients that the portfolio is a Fund of funds CIS portfolio. The Target Portfolio includes the word “Conserver”, to indicate to clients, the lower risk nature of the portfolio. Clients should take note that the Source Portfolio is a Fund of funds, and the Target Portfolio is a Standard portfolio. Therefore, the portfolio name reflects this difference. Clients invested in the Source Portfolio will be affected by the portfolio having a different name, reflecting that the portfolio is a different portfolio type to that of the Target Portfolio.

Portfolio benchmark
The Target and Source portfolios, have the same portfolio benchmark. However, clients should take note that, due to the different portfolio types, the portfolios are managed differently, for the portfolios' performance to be measured against the same benchmark.

Portfolio classification
The two portfolios are classified as South African – Multi Asset – Low Equity, no change or impact on the client.

Income declaration
The Source and Target portfolios, both have quarterly income declaration, and income distribution. Therefore, clients are not impacted. For the Source Portfolio, the income must be distributed within 6 weeks of the declaration dates. For the Target Portfolio, the income must be distributed within 5 business days of the declaration dates. This difference is specific to the legal documents of the portfolios. However, it does not impact clients, because income is usually distributed within a few business days after the declaration dates, across CIS portfolios, mainly due to improved technology, and more efficient processes.

Investment policy
The two portfolios are lower risk, multi-asset class CIS portfolios. The two portfolios are managed in accordance with the prudential investment guidelines applicable to South African registered retirement funds, with a lower risk tolerance for equities, to the extent allowed by the CISCA. In accordance with the ASISA South African – Multi Asset – Low Equity portfolio classification category, the two portfolios have a maximum effective equity exposure (including international equity) of up to 40%, and a maximum effective property exposure (including international property) of up to 25% of the market value of the portfolio. The portfolio manager has the right to close the portfolios for investment to new investors.

The Target Portfolio aim for moderate capital growth over the medium term. The Source Portfolio aims at adding value, and focuses on capital growth, and capital preservation, applicable to a low risk balanced portfolio. Therefore, clients should take note that even though the portfolio objectives of the Target and Source portfolios are slightly different, as specified, they both aim to achieve capital growth, and preserve capital, in a way that is applicable to low risk multi-asset class portfolios. Although, due to the different portfolio type, the way the portfolio objectives are achieved, and the portfolios are managed, is different.
The Target and Source portfolios are actively managed CIS portfolios. Although, the Source Portfolio is a Fund of funds, so the extent of the active management is limited by investing into underlying CIS portfolios. The Target Portfolio is a Standard portfolio, being multi-managed, and actively managed, where we choose underlying investment managers to manage aspects of the portfolio, according to segregated investment management agreements.

The Source Portfolio is a Fund of funds, which invests into participatory interests of other CIS portfolios. The Target Portfolio is a Standard portfolio, which invest directly into securities, and may invest into participatory interests of other CIS portfolios, up to an aggregate maximum of 80%. Therefore, the Target Portfolio is managed in a different way to the Source Portfolio, to achieve the portfolio objective. Clients are affected by the change in portfolio type (being the change from a Fund of funds to a Standard portfolio). However, the underlying asset allocation of both portfolios is similar, with similar exposure to underlying securities (the underlying investment universe of both portfolios is similar). Therefore, clients are not materially affected by exposure to a different investment universe. Clients are positively affected by the reduced costs associated with the change in portfolio type, because Fund of funds have additional underlying costs.

Investment Manager
Alexander Forbes Investments Limited is the investment manager. Therefore, there is no impact on clients. For the Source Portfolio, the portfolio manager of Alexander Forbes Investments Limited chooses the underlying CIS portfolios, across several underlying investment managers. For the Target Portfolio, the portfolio manager of Alexander Forbes Investments Limited chooses the underlying investment managers. For the Target Portfolio, there will be several underlying investment managers. Therefore, the Target Portfolio is managed in a different way to the Source Portfolio, to achieve the portfolio objective. Clients are affected by the change in portfolio type (being the change from a Fund of funds to a Standard portfolio). However, the underlying asset allocation of both portfolios is similar, with similar exposure to underlying securities (the underlying investment universe of both portfolios is similar). Therefore, clients are not materially affected by exposure to a different investment universe. Clients are positively affected by the reduced costs associated with the change in portfolio type, because Fund of funds have additional underlying costs.

BALLOT FORM - ALEXANDER FORBES INVESTMENTS UNIT TRUSTS SCHEME

Deloitte & Touche
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Proposed amalgamation of the AF Investments Stable Fund of Funds with the AF Investments Conserver Managed Unit Trust

In response to the above request, I, the undersigned, a client invested in one or more of the specified portfolios within the Alexander Forbes Investments Unit Trust Scheme, vote as follows **(mark only the appropriate box below):**

Amalgamate the AF Investments Stable Fund of Funds with the AF Investments Conserver Managed Unit Trust	**ACCEPT** ☐	**REJECT** ☐

Client name	
Client number	
Client identity or registration number	

SIGNED AT ______________________ on this _____day of ____________________2023.

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(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 or close corporation, on whose behalf you are signing.

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