

6 March 2020

Dear Investor

CRATOS BCI EQUITY FUND – BALLOT TO AMEND INVESTMENT POLICY

THIS LETTER IS IMPORTANT AND REQUIRES YOUR ATTENTION

Cratos Asset Management (Pty) Ltd (“Cratos”), FSP #46 597, is the investment manager of the **Cratos BCI Equity Fund**.

Cratos requested BCI to ballot investors to approve a change in the investment policy to from an equity portfolio to worldwide flexible portfolio. The reason being that Cratos is of the opinion that the change will hold the following benefits:

- More flexibility which will enable it to reduce the equity exposure to below 80% during negative market conditions and it will allow them to include more interest-bearing securities;
- The potential offshore exposure will vary between 0% and 100% depending on market conditions versus the current maximum of 30% - this should allow them to diversify the portfolio better as well;
- The change should result in less volatile investment performance and potentially better or at least smoother long-term investment returns.

The 1st round ballot was unsuccessful due to the response rate being lower than the required 25% and therefore the ballot failed. Therefore, the request for this 2nd round ballot approval.

If the ballot is successful, the portfolio name will change to the **Cratos BCI Worldwide Flexible Fund**.

Please refer to Addendum A for a detailed comparison of the current and proposed portfolio mandates.

A successful ballot will not affect your relationship with your financial adviser.



Action required

Kindly study this document, complete the attached form and return to our auditors by no later than 4 May 2020.

1. Please complete the enclosed ballot form and return it in the enclosed self-addressed envelope or via email to ***bciballot@kpmg.co.za***.
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 be sent to the auditors, we cannot guarantee that any instruction subsequent to the commencement of the ballot process will be affected.

In terms of the Deed established in terms of the Collective Investment Schemes Control Act, 45 of 2002, the ballot will be successful if the majority of investors in value who respond, excluding the Manager, vote in favour of the amendment to the investment policy. Since this is a 2nd round ballot, no minimum response is required.

Your rights as an investor

1. All investors in the portfolios are given an opportunity to vote in favour of, or against the proposed amendment in the investment policy in terms of clause 67 of the Deed.
2. An independent auditor, KPMG, will verify the outcome of the ballot.
3. Should you not be comfortable with the proposal that relates to the portfolio in which you hold participatory interests, you may switch your investments to any of the BCI Collective Investment Scheme portfolios, at no switching cost, provided that we receive your switching instructions before the effective date. Or should you **not** be comfortable with the proposal and do not wish to switch your investments to any of the BCI Collective Investment Scheme portfolios, you may elect to redeem your participatory interests at any time and withdraw your funds at the NAV price, as defined in the Deed. Please note that by electing to redeem or switch your participatory interests, it will constitute a capital gains tax (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 the effective date, 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 change in the investment policy shall be 29 May 2020 close of business, provided that the necessary consent is obtained from investors and the Financial Sector Conduct Authority.

For more information

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

Attachments



Annexure A: Comparison between current and proposed portfolio details

Annexure B: Ballot form

Yours faithfully

Gregory Abrahams





Annexure A:

<p style="text-align: center;">CRATOS BCI EQUITY FUND (current)</p>	<p style="text-align: center;">CRATOS BCI WORLDWIDE FLEXIBLE FUND (proposed)</p>	<p style="text-align: center;">Impact</p>
<p>Investment policy The Cratos BCI Equity Fund is a general equity portfolio that seeks to sustain high long-term capital growth.</p> <p>The portfolio’s investment universe consists of equity securities, preference shares, property shares and property related securities listed on exchanges and assets in liquid form.</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.</p> <p>The portfolio’s equity exposure will always exceed 80% of the portfolio’s net asset value.</p> <p>The trustee shall ensure that the investment policy, as set out above, is adhered to, provided that nothing contained in the investment policy shall preclude the manager from varying the proportions of the aforementioned securities</p>	<p>Investment policy The Cratos BCI Worldwide Flexible Fund seeks to sustain a high long-term total return.</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 instruments, bonds, debentures, corporate debt, equity 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>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 manager shall have the maximum flexibility to vary assets between the various markets, asset classes and countries to reflect the changing economic and market conditions.</p> <p>The Trustee shall ensure that the investment policy set out in this Supplemental Deed is carried out.</p>	<p>Total return includes income and capital growth.</p> <p>Much wider universe as it now includes other asset classes as well – this should in theory reduce the risk profile of the portfolio due to the diversification benefits.</p> <p>No change</p> <p>See above</p> <p>No change</p>



<p>and assets in liquid form, or the assets themselves, should changing economic factors or market conditions so demand.</p> <p>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>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>	No change
<p>Portfolio Benchmark FTSE JSE SWIX J403T index, calculated over a 1 year rolling period</p>	<p>Portfolio Benchmark ASISA Worldwide Multi Asset Flexible category average, calculated over a 1 year rolling period</p>	Aligned to the mandate and benefits as explained above and in main body of letter
<p>Service charges (ex VAT) Class A: 1.00% Class C: 0.80%</p> <p>Performance Fees none</p>	<p>Service charges (ex VAT) Class A: 1.00% Class C: 0.80%</p> <p>Performance Fees none</p>	No change No change
<p>Distribution declaration dates 28 February, 31 August</p>	<p>Distribution declaration dates 28 February, 31 August</p>	No change
<p>ASISA Category SA Equity General</p>	<p>ASISA Category Worldwide Multi Asset Flexible</p>	Aligned to the mandate and benefits as explained above and in main body of letter



