

23 October 2020

Dear investor

Proposed amendments to the benchmark

Invest, an Index Product Provider within the Standard Bank Group, currently offers a comprehensive range of portfolios regulated by the Collective Investment Schemes Control Act. With our investors in mind, we continuously look at the positioning of our portfolios to continue to ensure a strong risk management approach. Invest recently reviewed the range of South African index portfolios and wishes to propose an amendment to the benchmark which we believe are in the best interest of our investors.

As is well documented, the rising value of Naspers compared to the rest of the South African equity market has caused this one share to become 30.7% of the FTSE/JSE SWIX 40 and 25.7% of the FTSE/JSE Shareholder Weighted All Share Index. This is an excessively large risk to a single company and has created large concentration in the resulting indices. To mitigate the above concentration risk, a number of alternative indexes were reviewed and the results indicate that a capped index is the most suitable alternative, given that it provides exposure to the same securities and follows the same index methodology, with the exception that all securities are capped at 10% at each index rebalancing, therefore reducing the concentration risk prevalent in the uncapped index.

Please be assured that you will not incur any additional costs for these proposed changes. All associated costs will be covered by STANLIB Collective Investments (RF) Limited.

In order to execute on these proposed changes, we need your consent by way of a ballot process. This will allow us to obtain approval from the Registrar of the Collective Investment Schemes Control Act (CISCA). The ballot process has been approved by the Financial Services Conduct Authority (FSCA) and our independent trustees Standard Chartered Bank. The ballot results will be audited by PricewaterhouseCoopers (PWC).

The enclosed documentation outlines the details on the proposed changes, as well as the process we intend to follow in executing these changes. Kindly take note of the proposed changes specific to the fund(s) you are invested in. Please read the enclosed ballot pack carefully and return your ballot form(s) to the appointed auditors, PWC, in the self-addressed envelope or scan and e-mail the form to Ballots@pwc.za.com by **04 Deember 2020**.

Please note that if no response is received for the proposed amendment, your vote will be counted as being in favour of the proposed change.

If you require further information, please speak to your financial adviser or call our Contact Centre on 0860 123 003 (Monday to Friday 08h00 to 17h00).

Yours sincerely,



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René Miles

Chief Operating Officer: STANLIB Retail

Proposed Investment Policy Amendment under the STANLIB Collective Investment Scheme (“the Scheme”)

23 October 2020

Dear Investor

Important: This letter requires your immediate attention and action

The purpose of this letter is to inform you of the proposed changes to the **Invest Index Fund** and to provide you with sufficient information to vote on this proposal.

Proposal: To affect the investment policy amendment in respect of the **Invest Index Fund**.

Background to the investment policy amendment proposal

STANLIB Collective Investments (RF) (Pty) Ltd (“STANLIB”) has accepted strategic proposals to amend certain of the Scheme’s portfolios for the benefit of investors. To this end, STANLIB wishes to accept the proposals to effect certain investment policy amendments with the aim of streamlining the Scheme’s portfolio range.

Invest Fund managers (Pty) LTD (“Invest”) is an Index Product Provider within the Standard Bank Group. Invest implements all strategies using fixed methodologies (index tracking) and without utilising discretion when it comes to implementation of strategies. As much as the process around implementation is unemotional, at the core of the business is a strong risk management function. The overarching reason for move from the FTSE/JSE Shareholder Weighted All Share Index to the FTSE/JSE Capped Shareholder Weighted All Share Index is risk mitigation.

As is well documented, the rising value of Naspers compared to the rest of the South African equity market has caused this one share to become 25.7% of the FTSE/JSE Shareholder Weighted All Share Index as of May 2020. This is an excessively large risk to a single company and has created large concentration in the resulting index. To mitigate the above concentration risk a number of alternative indexes were reviewed and the results indicate that the FTSE/JSE Capped Shareholder Weighted All Share Index is the most suitable alternative to the FTSE/JSE Shareholder Weighted All Share Index, given that it provides exposure to the same securities and follows the same index methodology, with the exception that all securities are capped at 10% at each index rebalancing, therefore reducing the concentration risk prevalent in the uncapped index. By changing the benchmark to the FTSE/JSE Capped Shareholder Weighted All Share Index investors will have exposures to the same securities as they currently have and will ensure that investors are not exposed to increased risk in any particular security, either Naspers or other stocks that could be waited over 10% of the index in the future, the proposal is not a short term fix to current problem, but we believe it to be an appropriate solution for the future.

It is proposed that the investment policy of the **Invest Index Fund** be amended to allow for greater risk management and limiting single stock exposure, which should reduce concentration risk prevalent and help ensure competitiveness by amending the benchmark and the inclusion of derivatives in accordance with the ASISA Category *South Africa - Equity - General*. This would allow for more diversification and improved risk-adjusted returns.

In order to affect the investment policy amendment, investors in the **Invest Index Fund** are required to vote on the proposed investment policy changes and this letter provides you with detailed information and facts to enable you to make an informed decision.

Action required from you

- Please vote by completing the enclosed ballot form and return it to the auditors in the enclosed self-addressed envelope or scan and e-mail the form directly to the auditors at Ballot@za.pwc.com by **04 December 2020**.
- **Please do not include any other instructions regarding your holdings with your ballot form** – e.g. requests for repurchases, switching instructions, etc. will not be possible to implement with this ballot because ballot forms are addressed directly to the auditors who will not act on any transaction requests that may be included. (Please refer to our website: www.stanlib.com for applicable forms for transactions.)
- If you have disposed of your investment before **16 October 2020**, no action is required to vote.

Impact of proposed changes

Proposed investment policy amendment

A summary of the proposed amendment in investment policy can be found in Annexure I. Annexure I provides detailed information on the potential impact the proposed amendments in investment policy may have on the terms of your current investment, as well as details of the investment policies of the portfolio under the STANLIB Collective Investment Scheme.

Portfolio management

STANLIB Asset Management Limited will remain responsible for the investment management of the above-mentioned portfolio.

Effective date of ballots and cut-off date for instructions prior to the implementation of the proposed changes

All investors on record as at **16 October 2020** will be balloted. The proposed investment policy amendment will be executed starting on **01 January 2021**, given that the necessary approval is received from the respective investors and the Registrar of Collective Investment Schemes (the "Registrar").

How will the proposed investment policy amendment affect your investment?

1. Value of investment

There will be no effect on the value of your investment as a result of the proposed investment policy amendment. For example, if you have R1000 worth of participatory interests in your current portfolio prior to the proposed change, you will hold R1000 worth of participatory interests after the proposed change.

2. Taxation implications

Capital Gains Tax (CGT) implications

There will be no capital gains implications as a result of the proposed investment policy amendment. However, should you elect to sell or switch any or all of your participatory interests, it will be viewed as a normal transaction and Capital Gains Tax may apply in that instance.

Dividend Withholding Tax (DWT) implications

There will be no Dividend Withholding Tax implications as a result of the investment policy amendments.

3. Charges

No additional fees, charges, taxes or brokerage will be borne by either investors or the portfolio as a result of the proposed investment policy amendment. STANLIB will carry all costs relating to the proposed amendment.

4. Distributions and special distribution

The distribution frequency will remain unchanged save as for any amendments detailed in Annexure I.

5. Changes in policies and conditions of investment

All the differences in respect of the proposed investment policy amendment of the Invest Index Fund are outlined in Annexure – I.

Your rights as an investor and the ballot process

In terms of Section 98 of the Collective Investment Schemes Control Act 45 of 2002 ("the Act"), STANLIB may only amend the deed of the Scheme with respect to a portfolio, if the consent of investors holding a majority in value in the respective portfolio has been obtained as prescribed in terms of Clause 67 of the deed of the Scheme. Investors holding no less than 25% in value of the total number of participatory interests then issued in the respective portfolio, must respond in writing. Each proposed investment policy amendment must be given consent by investors holding a majority in value of the participatory interests held by the investors who have responded. If investors holding less than 25% in value of the total number of participatory interests then issued have responded, a second ballot will be conducted. In the event of a second ballot, investors holding a majority in value of the participatory interests held by the investors who have responded must consent to the amendment.

The proposed investment policy amendment and all ballot documentation were submitted to the Registrar to enable him to exercise his powers in terms of sections 98 of the Act. The Registrar may grant his consent only if he is, *inter alia*, satisfied that the proposed investment policy amendment will not be detrimental to any investor.

The Trustees of the Scheme, Standard Chartered Bank, have considered and consented to the proposed investment policy amendment.

Should you not agree with any of the proposed investment policy amendment, you may elect at any time to switch your holdings to another portfolio, or to dispose of your holdings and withdraw your funds at the net asset value (NAV) price, as defined in the deed. **Should you elect to sell, switch any or all your participatory interests, it will be viewed as a normal transaction and Capital Gains Tax may apply in that instance.**

If you choose not to withdraw your funds prior to 01 January 2021, the relevant investment policy amendment as set out in this letter will automatically apply to your investment, should it be consented to in terms of the ballot process.

Conclusion

STANLIB appreciates your effort and time to consider the proposed investment policy amendment as set out in Annexure – I.

I wish to encourage you to cast your vote in respect of the proposed changes and if you require further information regarding the ballot process or its implication, please call STANLIB on (0860) 123 003 or email to Contact@stanlib.com.

Sincerely



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René Miles

Chief Operating Officer: STANLIB Retail

Annexure - I

Existing Portfolio Invest Index Fund	Proposed Amended Portfolio Invest Index Fund
<p>INVESTMENT POLICY</p> <p>The Invest Index Fund is a specialist capital growth portfolio.</p> <p>The investment objective of the Invest Index Fund is to earn a total compound annual return which substantially equates to the total compound annual return of the FTSE/JSE Shareholder Weighted All Share Index, as adjusted to take into account transaction and other costs, and to comply with the statutory requirements to invest in assets in liquid form, from time to time.</p> <p>In order to achieve the investment objective the investments to be acquired for the Invest Index Fund portfolio will substantially be a selection of financially sound ordinary shares, to be acquired at market prices, as listed in the FTSE/JSE Shareholder Weighted All Share Index at ratios so determined as to best replicate the performance of the FTSE/JSE Shareholder Weighted All Share Index and will include the minimum of assets in liquid form as required by the Act from time to time.</p> <p>Nothing contained in this supplemental deed shall preclude the manager from varying the ratios of securities, to maximise capital growth and investment potential in a changing economic environment and to meet the requirements, if applicable, of any exchange and from retaining cash or placing cash on deposit in terms of the deed and any supplemental deeds thereto: Provided that the manager shall ensure that the aggregate value of the assets comprising the portfolio shall consist of securities of the aggregate value required from time to time by the Act.</p> <p>The trustee shall ensure that the investment policy set out in this supplemental deed is carried out: Provided that nothing contained in this supplemental deed, the deed and any supplemental deeds thereto shall preclude the manager from purchasing for the portfolio securities and from retaining cash in the portfolio and / or placing cash on deposit in terms of the deed, the supplemental deeds thereto, and this supplemental deed.</p> <p>Portfolio Benchmark:</p> <p>The current benchmark is the FTSE/JSE Shareholder Weighted All Share Index.</p>	<p>INVESTMENT POLICY</p> <p>The Invest Index Fund is a specialist capital growth portfolio.</p> <p>The investment objective of the Invest Index Fund is to earn a total compound annual return which substantially equates to the total compound annual return of the FTSE/JSE Capped Shareholder Weighted All Share Index, as adjusted to take into account transaction and other costs, and to comply with the statutory requirements to invest in assets in liquid form, from time to time.</p> <p>In order to achieve the investment objective the investments to be acquired for the Invest Index Fund portfolio will substantially be a selection of financially sound ordinary shares, to be acquired at market prices, as listed in the FTSE/JSE Capped Shareholder Weighted All Share Index at ratios so determined as to best replicate the performance of the FTSE/JSE Capped Shareholder Weighted All Share Index and will include the minimum of assets in liquid form as required by the Act from time to time.</p> <p>Nothing contained in this supplemental deed shall preclude the manager from varying the ratios of securities, to maximise capital growth and investment potential in a changing economic environment and to meet the requirements, if applicable, of any exchange and from retaining cash or placing cash on deposit in terms of the deed and any supplemental deeds thereto: Provided that the manager shall ensure that the aggregate value of the assets comprising the portfolio shall consist of securities of the aggregate value required from time to time by the Act.</p> <p>The trustee shall ensure that the investment policy set out in this supplemental deed is carried out: Provided that nothing contained in this supplemental deed, the deed and any supplemental deeds thereto shall preclude the manager from purchasing for the portfolio securities and from retaining cash in the portfolio and / or placing cash on deposit in terms of the deed, the supplemental deeds thereto, and this supplemental deed.</p> <p>Portfolio Benchmark:</p> <p>The current benchmark will change to the FTSE/JSE Capped Shareholder Weighted All Share Index.</p>
<p>Classes of participatory interests and fees: There will be no change in classes of participatory interests and fees.</p> <p>Distribution: There will be no change in the frequency of distributions.</p> <p>Valuation times: There will be no change to valuation times.</p> <p>Trading closing time: There will be no change in the trading closing time.</p> <p>Trustee: The trustee will remain Standard Chartered Bank.</p> <p>ASISA Classification: The current ASISA classification is South African - Equity - General category. There will be no change in the ASISA classification.</p>	

STANLIB Collective Investments (RF) (Pty) Ltd

Ballot Form (for Investors via LISP)

Instructions for completing the form

- The ballot is to be completed by current investors in the **Invest Index Fund** with respect to the proposed investment policy amendment to enable the portfolio to allocate to equity and foreign investments.
- Please read and complete all fields on this ballot form as instructed and return it to the auditors in the enclosed self-addressed envelope or scan and email directly to the auditors at **Ballot@za.pwc.com**.
- Failure to complete all required sections will render the vote invalid.

Name of Entity: _____

(Only applicable if you are signing the form in a representative capacity, i.e. on behalf of an investor/ deceased estate/company / close corporation/ retirement annuity fund/ pension fund/ provident fund/ preservation fund)

LISP Name: _____

Investor Name: _____

(Please print full names and surname)

Account Number: _____

Please vote as detailed below

I, the undersigned,

1. Accept Reject the proposed investment policy amendment of the **Invest Index Fund** under the STANLIB Collective Investment Scheme, to include allocation to equity and foreign investments.

in accordance with the ballot process as provided for in terms of Sections 98 of the Collective Investment Schemes Control Act No 45 of 2002, the details of which are set out in the letter from STANLIB dated **23 October 2020**.

Signed at _____ on the _____ day of _____ 2020

Signature _____