



8 March 2021

Dear Investor

**RE: Ballot to change to the investment policy to include derivatives**

The purpose of this letter is to communicate details of the proposed change to the investment policy of the **Nedgroup Investments Core Bond Fund (“Fund”)** to include derivatives in the management of the portfolio.

As an investor, you can vote in favour of, or against this proposal.

**Rationale for inclusion of derivatives**

CISCA Board Notice 90, Chapter1, 8 (b) states that a portfolio’s investment policy must provide for the inclusion of derivatives.

Derivative exposure introduced to the Fund will be maintained subject to the limits and conditions of the regulation referenced above, which states that derivative instruments will only be used with the aim of reducing risk, reducing cost or generating capital income or income for a portfolio with an acceptable level of risk or to achieve the investment objective in the portfolio.

Derivatives are important from a fund management and risk control perspective as they allow exposure to an underlying asset without committing full capital to the transaction. The main benefit for a unit trust is that it allows the fund manager to keep desired levels of liquidity (needed for retail products) without compromising the investment objectives of the fund. For example, without derivatives, a manager may be forced to take undue curve risk to cover duration risk, while with derivatives, optimal curve exposure is gained while maintaining diversification across the curve.

The Taquanta Investment Team have extensive experience in managing investment portfolios on behalf of their clients and are well qualified to implement derivative positions in the Fund. The investment team’s credentials and experience are outlined in the following table (the fund managers are highlighted in green):

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**Nedgroup Investments**

Nedbank Clocktower Clocktower Precinct V&A Waterfront Cape Town 8001 PO Box 1510 Cape Town 8000 South Africa

Nedgroup Investments Proprietary Limited (Company registration number 1996/017075/07)  
Incorporating Nedgroup Collective Investments (RF) Proprietary Limited (Company registration number 1997/001569/07)  
Nedgroup Investment Advisors Proprietary Limited (Company registration number 1998/017581/07) an authorised Financial Services Provider (FSP licence number 1652)

Directors: I Ruggiero, NA Andrew, CE Sevenoaks

[www.nedgroupinvestments.com](http://www.nedgroupinvestments.com)





Name	Designation	Qualifications	Industry experience (years)	Years with Abax
Ray Wallace	Chief Investment Officer	B.Compt (Hons), CFA	24	21
Charles Alderman	Senior Portfolio Manager	B.Com, CFA	20	19
Liezel Louw	Portfolio Manager	B.Com (Hons), CFA	15	9
Keorapetse Leballo	Fixed Income Portfolio Manager (under Supervision)	B.Com (Hons), M.Com	13	1
Faith Muramba	Portfolio Manager	B.Bus.Sci (Hons), CFA	8	7
Sharika Salie	Portfolio Manager	B.Com (Hons)	13	8
Marshall Brown	Senior Portfolio Manager	B.Com	26	7
Clyde Gangerdine	Portfolio Manager	B.Com (Finance)	11	7
Chane Hendricks	Trainee Portfolio Manager (under supervision)	B.Com	5	5
Neo Mokhesi	Trainee Portfolio Manager (under supervision)	B.Sc (Hons), B.Com (Hons), MSc.	2	2
Ray Wallace	Chief Investment Officer	B.Compt (Hons), CFA	24	21
Charles Alderman	Senior Portfolio Manager	B.Com, CFA	20	19
Liezel Louw	Portfolio Manager	B.Com (Hons), CFA	15	9

Please refer to the following tables below for a comparison of the Portfolios investment policy.

Current <b>Nedgroup Investments Core Bond Fund</b> investment policy	Proposed <b>Nedgroup Investments Core Bond Fund</b> investment policy
<p>3.1 The <b>Nedgroup Investments Core Bond Fund</b> is a specialist portfolio. In selecting the securities for the portfolio, the manager will follow an investment policy which will seek to secure for investors an optimum overall yield comprising both capital growth and income.</p> <p>3.2 In order to achieve these objectives, the <b>Nedgroup Investments Core Bond Fund</b> will comprise in main a mix of Gilts, Semi Gilts, loan stock debentures, debenture stock debenture bonds, unsecured notes and assets in liquid form and any other interest bearing securities which are either considered consistent with the portfolio's investment objectives (including securities acquired on international exchanges) or which the Act or Registrar may from time to time allow, all to be acquired at fair market prices. The acquisition of all the aforementioned securities will not necessarily be limited to a South African exchange. The</p>	<p>3.2 The <b>Nedgroup Investments Core Bond Fund</b> is a specialist portfolio. In selecting the securities for the portfolio, the manager will follow an investment policy which will seek to secure for investors an optimum overall yield comprising both capital growth and income.</p> <p>3.2 In order to achieve these objectives, the <b>Nedgroup Investments Core Bond Fund</b> will comprise in main a mix of Gilts, Semi Gilts, loan stock debentures, debenture stock debenture bonds, unsecured notes and assets in liquid form and any other interest bearing securities which are either considered consistent with the portfolio's investment objectives (including securities acquired on international exchanges) or which the Act or Registrar may from time to time allow, all to be acquired at fair market prices. The acquisition of all the aforementioned securities will not necessarily be limited to a South African exchange. The</p>





<p>acquisition of any foreign interest-bearing securities will be subject to the applicable legislation.</p> <p>3.3 The portfolio may also include participatory interests or any other form of participation in portfolios of collective investment schemes or other similar schemes registered in the Republic of South Africa, or of participatory interests or any other form of participation in portfolios of collective investment schemes or other similar schemes operated in territories other than South Africa with a regulatory environment which is to the satisfaction of the manager and the trustee, of a sufficient standard to provide investor protection at least equivalent to that in South Africa and which is consistent with the portfolio's primary objective. The inclusion of participatory interests or any other form of participation in a portfolio will be limited by the statutory limitations placed on the inclusion of participatory interests in a portfolio, as may be amended from time to time.</p>	<p>acquisition of any foreign interest-bearing securities will be subject to the applicable legislation.</p> <p>3.3 The portfolio may also include participatory interests or any other form of participation in portfolios of collective investment schemes or other similar schemes registered in the Republic of South Africa, or of participatory interests or any other form of participation in portfolios of collective investment schemes or other similar schemes operated in territories other than South Africa with a regulatory environment which is to the satisfaction of the manager and the trustee, of a sufficient standard to provide investor protection at least equivalent to that in South Africa and which is consistent with the portfolio's primary objective. The inclusion of participatory interests or any other form of participation in a portfolio will be limited by the statutory limitations placed on the inclusion of participatory interests in a portfolio, as may be amended from time to time.</p> <p><b>3.4 The portfolio may from time to time invest in listed and unlisted financial instruments, in accordance with the provision of the Act, and the Regulations thereto, as amended from time to time, in order to achieve the portfolio's investment objective</b></p>
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### Impact: How the proposed change will affect your investments

We believe that by extending the range of portfolio management tools by including the use of derivatives, investors will gain from the managers experience and capabilities in utilising derivatives to more efficiently manage the portfolio particularly in relation to currency risk exposure, market volatility and access investment opportunities in a cost-effective manner. The derivative instruments will only be used in line within regulatory constraints to either reduce portfolio risk, reduce transaction costs or generate capital income. All of this will be undertaken with an acceptable level of risk to achieve the investment objective in the portfolio. The investment philosophy and process that has guided the management of the Nedgroup Investments Core Bond Fund will remain the same and there will be no material changes to the portfolio structure, portfolio objective or investment policy.

There will be no changes to the fees and charges, and you will remain invested in the same classes you are currently invested in.

### Effective date for the inclusion of derivatives

The effective date for the inclusion of derivatives in the Nedgroup Investments Core Bond Fund will be **4 June 2021**, provided that the necessary consent is obtained from investors.





## Action required

The Act protects the interests of investors on amendments and the Act determines that all investors in the unit trust portfolios affected by amendments must be advised in writing of the details of the proposals and can vote in favour of, or against the proposals.

**Note: For a change in investment policy** section 98 of the Act requires that investors holding not less than 25% (twenty five percent) of the total value of the Fund to respond AND the majority of respondents to approve the change.

Investors will be reassured to know that the Trustees of the Nedgroup Collective Investments Scheme (approved by the Financial Sector Conduct Authority in terms of the Act), being the Standard Bank of SA Limited have formally consented to the proposed amendment as set out in this letter.

Please complete, sign and return by post the enclosed ballot form to our auditors, Deloitte, in the accompanying pre-paid, self-addressed envelope or via email to [Nedgroupinvestments@deloitte.co.za](mailto:Nedgroupinvestments@deloitte.co.za). Please note that the form must reach our auditors by midnight on **23<sup>rd</sup> April 2021**. All ballots date-stamped **23<sup>rd</sup> April 2021** or before will be accepted for three working days after the cut-off date and will be included in the audit process.

## What are your options?

Should you not be comfortable with this proposal, you may either:

1. Vote against the proposal;
2. Switch your investment to one of the other Nedgroup Investments unit trust portfolios at no switching fee if we are in receipt of your switching instruction before **4<sup>th</sup> June 2021**, and provided that the unit trust portfolio switched to is not closed for additional investment, or
3. Sell your unit trust investment at the ruling Net Asset Value price, as defined in the Main Deed.

However, on deciding to switch or sell your participatory interests, **a Capital Gains Tax event is triggered and must be considered in your tax return.**

If you choose not to switch or sell your unit trust investment prior to the effective date of the change, then the proposals as set out in this letter (to the extent that investors approve them) will automatically apply to your unit trust investment.





***We recommend that you vote in favour of this proposed change as we believe that the proposal is appropriate for the ongoing management of the portfolio.***

**For more information**

Should you wish to know more about the amendment proposal, please contact your financial planner or call our Client Service Centre on 0860 123 263 (within RSA) or +27 21 416 6011 (outside of RSA).

We thank you for your on-going support and look forward to your response.

Yours faithfully

*Nic Andrew*

**Nic Andrew**  
**Head: Nedgroup Investments**





# Ballot Form

Please print, complete and return this page only, to our auditors, Deloitte at:

**Email**  
Nedgroupinvestments@deloitte.co.za

**Post**  
Private Bag X6  
Gallo Manor  
2052

I, the undersigned, \_\_\_\_\_  
(please print full names)

Investor number \_\_\_\_\_

Date of birth/registration number \_\_\_\_\_

Do hereby vote to accept/reject **the proposed inclusion of derivatives in the Nedgroup Investment Core Bond Fund** in terms of section 98 of the Act; please tick the appropriate block.

Accept

Reject

Signed at  on this  day of  2021

\_\_\_\_\_  
Authorised signature

If more than one signature required

\_\_\_\_\_  
Name

\_\_\_\_\_  
Capacity

