



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 Flexible Income 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.

We believe that by extending the range of portfolio management tools by including the use of derivatives, investors will gain from the manager’s experience and capabilities in utilising derivatives to more efficiently manage the portfolio, particularly in relation to currency risk exposure, market volatility and accessing investment opportunities in a cost-effective manner.

For example, the Fund has an offshore allowance which permits the manager to include foreign currency exposure in the portfolio. This introduces currency risk into the fund, which can be managed using a forward or future derivative contract to manage the portfolio’s exposure to foreign currency thereby avoiding the transaction costs that would result from the sale of the physical offshore holding in a stock and conversion into Rands.

Additionally, as the fund predominant portfolio exposure in fixed income assets, there will be times when the manager seeks to adjust the interest rate sensitivity of the fund using various derivative positions. As with the currency positions, this reduces the transaction costs to manage interest rate risk in the fund.

Nedgroup Investments

Nedbank 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





The Abax 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 the table below:

Name	Designation	Qualifications	Industry experience (years)	Years with Abax
Marius van Rooyen	Investment Manager	B.Eng, B.Proc, MBA	23	17
Anthony Sedgwick	Investment Manager	B.Bus.Sci	26	17
Omri Thomas	Investment Manager	CA(SA), CFA	22	14
Steve Minnaar	Investment Manager	PhD (Eng), B.Comm (Hons), CFA	22	11
Justin Hollis	Investment Manager	CA(SA)	14	14
Wallie van der Walt	Investment Manager	B.Sc (Act Science), CFA	25	10
Rashaad Tayob	Investment Manager	B.Bus Sci, CFA	19	8
Matthew de Wet	Investment Manager	B.Sc. (Actuarial Science), CFA, CFP	21	5
Philip Liebenberg	Investment Manager	PhD (Chem Eng), CFA	21	3
Dean Marks	Assistant Fund Manager	B.Bus.Sci (Act. Sc.), M.Phil	10	8
Lara Dalmeyer	Assistant Fund Manager	M.Bus.Sci, FRM, CQF	9	2
Lebeko Shai	Investment Analyst	B.Com (Finance)	5	3
Mish-al Emeran *	Investment Analyst	B.Bus.Sci (Econ & Fin), CFA	14	Joined 1 September 2020

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

Current Nedgroup Investments Core Bond Fund investment policy	Proposed Nedgroup Investments Core Bond Fund investment policy
<ul style="list-style-type: none"> The Manager, in selecting securities for the Nedgroup Investments Flexible Income Fund shall seek to follow an investment policy, which will allow it to secure for investors an aggressive exposure to fixed interest instruments or gilts. In order to achieve these main objectives, the investments to be acquired for the Nedgroup Investments Flexible Income Fund shall comprise a mix of Securities and Assets in Liquid Form as defined in the Act. Nothing in this clause contained shall preclude the manager from varying the ratio of securities and assets in liquid form in terms of changing economic factors or exchange conditions and from 	<ul style="list-style-type: none"> The Manager, in selecting securities for the Nedgroup Investments Flexible Income Fund shall seek to follow an investment policy, which will allow it to secure for investors an aggressive exposure to fixed interest instruments or gilts. In order to achieve these main objectives, the investments to be acquired for the Nedgroup Investments Flexible Income Fund shall comprise a mix of Securities and Assets in Liquid Form as defined in the Act. Nothing in this clause contained shall preclude the manager from varying the ratio of securities and assets in liquid form in terms of changing economic factors or exchange conditions and from





<p>retaining cash or placing cash on deposit in terms of this Deed; provided that the manager shall ensure that the aggregate value of the assets comprising the portfolio consists of securities and/or assets in liquid form of the aggregate value required from time to time by the Act.</p> <ul style="list-style-type: none"> • The Nedgroup Investments Flexible Income Fund will comprise in the main, a mix of Gilts, Semi-Gilts, Loan Stock, financially sound Debentures, Debenture Bonds, notes and assets in liquid form; any other securities which are considered consistent with the portfolio's investments objectives, cash (assets in liquid form allowed by the Act); any other securities (including securities acquired on international exchanges) that the Act may from time to time allow, all to be acquired at fair market prices. • 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 portfolios 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. • The manager will be permitted to invest on behalf of the Nedgroup Investments Flexible Income Fund in offshore investments as legislation permits. 	<p>retaining cash or placing cash on deposit in terms of this Deed; provided that the manager shall ensure that the aggregate value of the assets comprising the portfolio consists of securities and/or assets in liquid form of the aggregate value required from time to time by the Act.</p> <ul style="list-style-type: none"> • The Nedgroup Investments Flexible Income Fund will comprise in the main, a mix of Gilts, Semi-Gilts, Loan Stock, financially sound Debentures, Debenture Bonds, notes and assets in liquid form; any other securities which are considered consistent with the portfolio's investments objectives, cash (assets in liquid form allowed by the Act); any other securities (including securities acquired on international exchanges) that the Act may from time to time allow, all to be acquired at fair market prices. • 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 portfolios 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. • The manager will be permitted to invest on behalf of the Nedgroup Investments Flexible Income Fund in offshore investments as legislation permits. • 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
--	--

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 manager's experience and capabilities in utilising derivatives to more efficiently manage the portfolio particularly in relation to currency risk exposure, market volatility and access to 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





achieved with an acceptable level of risk or to achieve the investment objective in the portfolio. The investment philosophy and process that has guided the management of the Nedgroup Investments Flexible Income 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 Flexible Income 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 the consent of investors holding 25% of the value of units in each portfolio 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. Please note that the form must reach our auditors by midnight on **23rd April 2021**. All ballots date-stamped **23rd 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 **4th 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.

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 Flexible Income 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

