

8 March 2021

Dear Investor

RE: Ballot for amalgamation and change to the investment policy to include derivatives

The purpose of this letter is to communicate details of the proposed amalgamation of the **Nedgroup Investments Private Wealth Small and Mid-Cap Equity Fund** into the **Nedgroup Investments Entrepreneur Fund (the amalgamated Portfolio)** and the proposed change to the investment policy of the **Nedgroup Investments Entrepreneur Fund** to include derivatives as well as foreign and financial instruments in the management of the portfolio

As an investor, you can vote in favour of, or against these proposals.

Rationale for proposed amalgamation

As at the 31st of October 2020, the Nedgroup Investments Private Wealth Fund of Funds made up 77.4% of the Nedgroup Investments Private Wealth Small & Mid-Cap Equity Fund's total assets. Its holding was R87.7mil of the total fund size of R113.3 mil, leaving the fund with only R25.6mil of assets once the realignment is complete. At this small asset size, total investment charges and liquidity will be difficult to manage well for the remaining investors. In addition, Nedbank Wealth is shifting its focus away from specialist mandates like small- to mid-cap equity to more diversified solutions.

We therefore propose amalgamating it with the Nedgroup Investments Entrepreneur fund to ensure the remaining investors continue to benefit from a suitable solution.

The Nedgroup Investments Entrepreneur fund is the suitable replacement for the Nedgroup Investments Private Wealth Small & Mid-Cap Equity Fund, as:

- at more than R1.3 billion in assets, it offers good liquidity and enough scale to effectively manage investment costs to clients;
- it is classified within the same (ASISA) category: South African EQ Mid/Small Cap;
- it is subject to the same exposure limit and supplemental deed constraints;
- it has an exceptional long-term performance track record, ranked 1st in its category over 10 years, and;
- it forms part of the Best of Breed™ stable that is actively managed by the relevant Nedgroup Investments team

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

www.nedgroupinvestments.com



Please refer to Table A below for a comparison of the Portfolios investment policy.

Table A

	Nedgroup Investments Private Wealth Small & Mid-Cap Equity Fund	Nedgroup Investments Entrepreneur Fund	Impact of difference
Investor profile	To secure for investors an optimal overall yield comprising both capital growth and dividend income. Investments will comprise primarily of securities outside of the top 40 JSE Securities Exchange South Africa across all economic groups and industry sectors.	A specialist equity portfolio that seeks to offer investors long-term capital growth by actively investing in the shares of small- and medium-sized companies listed on the JSE.	Small and medium sized companies are classified as those outside the top 40
Risk profile	High (5 out of 5)	High (5 out of 5)	None
Time horizon	Minimum 5 – 7 years	Minimum 5 – 7 years	None
Benchmark	25% FTSE/JSE Small-Cap Index 75% FTSE/JSE Mid-Cap Index	ASISA Category Average	The performance will be tracked against the new benchmark, but this will not impact the active management of the Fund
ASISA classification	South African Equity Mid & Small Cap	South African Equity Mid & Small Cap	None
Income distribution frequency	Annually (December)	Annually (December)	None
Regulation 28 compliant	No	No	None
Direct foreign exposure allowed	No	No	None
Asset manager	Nedgroup Investment Advisors	Abax	Both are active managers with clear investment processes.

Full details of the investment policies of the impacted Funds can be found in Addendum 1.

Rationale for the change to the investment policy of the Nedgroup Investments Entrepreneur Fund

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 access to investment opportunities in a cost-effective manner.





The inclusion of foreign and financial instruments into the investment mandate will allow for a larger investible universe and opportunity to expand the Fund management in future.

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 in the following table:

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	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

How the changes will affect your investments

Apart from the changes specified above, Section 99 of the Collective Investment Schemes Control Act ("the Act") determines that where investments of any investor of one unit trust portfolio are absorbed into another unit trust portfolio, the investor will be issued with replacement units in the amalgamated unit trust portfolio. The value of the replacement units will not be less than the market value of the units held pre-amalgamation (except possibly due to normal market movements), although the actual number of units held by the investor may change. The newly amalgamated unit trust portfolio will determine future performance and Net Asset Value pricing.





Income distributions

There will be no change to the income distributions frequency for investors as both Funds distribute income annually.

A special income distribution will be processed for both Funds prior to the amalgamation and income will be reinvested or paid out in accordance with your selected preference.

Impact on investors in the Nedgroup Investments Entrepreneur Fund

Investors currently within the Nedgroup Investments Entrepreneur Fund will remain in the same unit class post-amalgamation and there will be no changes to the fees and charges.

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 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 Entrepreneur Fund will remain the same and there will no material changes to the portfolio structure, portfolio objective or investment policy.

Impact on investors in the Private Wealth Small and Mid-Cap Equity Fund

Investors currently within the Private Wealth Small and Mid-Cap Equity Fund will be merged into the existing class of the Nedgroup Investments Entrepreneur Fund to ensure consistency and alignment with our existing investors. Investors currently within the Private Wealth Small and Mid-Cap Equity Fund will be subject to the changes in the investment policy of the Nedgroup Investments Entrepreneur Fund as detailed above.

As a result, the amalgamation will result in an increase in the Fund management fees and charges as detailed in table B.

Table B

Pre-amalgamation		Post-amalgamation		
Private Wealth Small and Mid-Cap Equity		Entrepreneur		
Class	Fund management fee (excl VAT)	Class	Fund management fee (excl VAT)	
A	1.00%	B	1.10%	↑
A2	1.15%	A	1.50%	↑
		R	1.00%	→





Effective date of the amalgamation and name change

The effective date of the amalgamation of the Nedgroup Investments Private Wealth Small and Mid-Cap Equity Fund and the Nedgroup Investments Entrepreneur Fund shall 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.

You are requested to vote for both proposals contained in this letter.

1. The amalgamation of the **Private Wealth Small and Mid-Cap Equity Fund** with the **Nedgroup Investments Entrepreneur Fund**.

For an amalgamation of portfolios section 99 of the Act requires the consent of investors holding a majority in value of units in each portfolio. Should we not receive your vote, or should you decide not to reply, **it will be deemed that you have voted in favour of the amalgamation.**

2. The change in investment policy of the **Nedgroup Investments Entrepreneur Fund**.

For a change in investment policy section 98 of the Act requires the consent of investors holding a majority in value of units in each portfolio. Should we not receive your vote, or should you decide not to reply, **it will be deemed that you have voted in favour of the investment policy change.**

The proposals will be implemented independently subject to approval, this means that should either one be approved without the other the approved proposal will be implemented.

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 **4 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 amalgamation, 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 amalgamation. While the asset value of the Nedgroup Investments Entrepreneur Fund will be increased by the amalgamation it will not negatively impact investors and we believe that the proposal is appropriate for unitholders in the Nedgroup Investments Private Wealth Small and Mid-Cap Equity Fund as a result of the close match to the portfolio's benchmark and objectives. The Nedgroup Investments Private Wealth Small and Mid-Cap Equity Fund will cease to exist upon amalgamation.

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*)

Account number _____

Date of birth/registration number _____

Please vote for proposal 1

Do hereby vote to accept/reject **the proposed amalgamation of the Nedgroup Private Wealth Small & Mid-Cap Equity Fund into the Nedgroup Investments Entrepreneur Fund** in terms of section 99 of the Act; please tick the appropriate block.

Accept

Reject

Please vote for proposal 2

Do hereby vote to accept/reject **the proposed changes to the investment policy of the Nedgroup Investment Entrepreneur 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

Signature

Capacity





Addendum 1: Current investment policies of the impacted Funds

Nedgroup Investments Private Wealth Small and Mid-Cap Equity Fund	Nedgroup Investments Entrepreneur Fund
<ul style="list-style-type: none">• To secure for investors an optimal overall yield comprising both capital growth and dividend income.• Investments will comprise primarily of securities outside of the top 40 JSE Securities Exchange South Africa across all economic groups and industry sectors• Furthermore, nothing will preclude the Manager from internationally listed securities and/or participation in participatory interests in collective investment schemes	<ul style="list-style-type: none">• A specialist equity portfolio that seeks to offer investors long-term capital growth by actively investing in the shares of small- and medium-sized companies listed on the JSE.• The portfolio is a specialist portfolio and in selecting securities, the manager shall seek to achieve an investment medium for investors which shall have as its primary objective the establishment of a portfolio of mining, financial and industrial shares and other listed investment instruments in smaller companies with above average growth potential. The portfolio may invest in established companies with sound recovery prospects from an undervalued rating. The assets shall comprise a mix of securities and assets in liquid form.• The portfolio may also include participatory interests in portfolios of collective investment schemes, both locally and internationally, subject to the provisions of CISCA.

