

06 May 2022

Dear Investor

Proposed amalgamation of the Momentum Focus 4 Fund of Funds with the Momentum Focus 5 Fund of Funds

This letter is important and requires your attention.

The purpose of this letter is to obtain your approval to amalgamate the Momentum Focus 4 Fund of Funds with the Momentum Focus 5 Fund of Funds with all funds being established under the Momentum Collective Investments Scheme.

Source portfolio (under Momentum Collective Investments Scheme)	Target portfolio (under Momentum Collective Investments Scheme)
Momentum Focus 4 Fund of Funds	Momentum Focus 5 Fund of Funds

This amalgamation ballot is conducted at the request of Momentum Outcome-based Solutions (MOBS), an authorised financial services provider (FSP No: 19840), who are the licenced investment manager of the funds above.

Momentum Outcome-based Solutions follows a goals-based investment philosophy, aimed at constructing portfolios that have high levels of diversification, with a multi-asset, multi-strategy and multi-mandate approach to achieving the company's portfolio's various outcomes. The company's portfolio construction process is specifically aimed at including multiple strategies, which in combination deliver a more consistent result relative to the benchmark over the applicable time frame. The Momentum Focus Fund of Funds portfolios are constructed with a 'through-the-cycle' focus that allows clients to stay invested, through various market environments, with the comfort that no irrational decisions are taken given short-term market developments.

Our investment team and appointed investment manager, MOBS, continuously monitor and react to all factors that we believe will affect the future growth prospects of various asset classes (equities, property, bonds, cash - both local and global). Most importantly, we evaluate how this may affect

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Please refer to our website for director details Registration number 1987/004287/07

Momentum Collective Investments (RF) (Pty) Ltd is part of Momentum Metropolitan Life Limited, an authorised financial services and credit provider (FSP6406)
Momentum Metropolitan Holdings Limited is a full member of the Association for Savings and Investment SA



the solutions we manage as well as the reasonable probability of success in meeting our investment benchmarks and objectives.

Over many years, we have built and evolved a leading range of outcome-based solutions where the objective is anchored on three pillars, namely time horizon, risk budget and a resultant return target. A review of the forward-looking expectations also provided us the opportunity to re-articulate the risk experience in terms of a value-at-risk measure to make it more intuitive for clients. As the expected market returns reduce for the foreseeable future and after reassessing the portfolio risk budget, we will reduce the number of portfolios, allowing them space to be sufficiently differentiated from a risk profile perspective.

We will therefore combine the Momentum Focus 4 and Focus 5 Fund of Funds, both of which are registered in the ASISA Medium Equity category. We are mindful to make sure there is sufficient differentiation between the remaining portfolios to allow them to align to client needs and requirements, whether on a standalone basis, or in life-stage approaches. However, given the current low-return environment the Momentum Focus 4 and Focus 5 Fund of Funds are not differentiated enough to justify the management of two separate profiles and will be combined post governance approval.

The amalgamation of the Momentum Focus 4 and Focus 5 Fund of Funds will reduce the number of risk-profiled, outcome-based solutions offered to clients from the current number of five solutions to only four. In designing the portfolios, each with their own unique set of characteristics and associated risk profiles, we believe that four will deliver differentiated and diversified outcomes, aligned with client objectives and investment goals. The four solutions are spread across the three ASISA Multi-Asset Categories with two solutions included in the High Equity category to capture two distinct client objectives and risk appetite.

The Momentum Focus 4 Fund of Funds is a low to medium equity, multi-asset, Fund of Funds portfolio which aims to provide investors with modest growth in income and capital over the long term. The portfolio is suited to investors with a low to moderate risk profile targeting returns of CPI + 3% per year over rolling four-year periods. A tolerance for capital volatility over the short to medium term is required and a four year or longer investment horizon. Global and local equity exposure will range between 30% and 50%.

The Momentum Focus 5 Fund of Funds is a specialist portfolio with the objective to secure a consistent real total return after deduction of fees above inflation plus 4% a year over any five-year rolling period. The portfolio's equity exposure ranges between 40% and 60% of the net asset value.

As the Momentum Focus 5 Fund of Funds will contain a higher exposure to equity (and a slightly more aggressive benchmark), expected volatility is expected to be marginally higher. Distribution



periods will change from quarterly (Focus 4) to bi-annually (Focus 5). The typical investment horizon (time to remain invested to maximise the probability of achieving the benchmark return), will increase from four to five years. Further key differences are highlight in Annexure A.

We want our clients to rest assured that as our investment team evolves its response to market changes, we continue to do what we have always done, and that is to remain anchored in our outcome-based investing philosophy and process, which has stood the test of time. We believe our evolved thinking helps the portfolios to continue their strong legacy with tweaks that have been calibrated to changing market conditions.

This ballot letter affords you, as an investor, an opportunity to vote in favour of, or against, the proposed amalgamation. If you are in any doubt about what action to take, please consult your financial adviser or, or call Momentum Collective Investments on +27 860 111 899.

Action required

- *Please complete the enclosed ballot form and return it to our auditors, EY South Africa (EY), in the accompanying pre-paid self-addressed envelope, or email the ballot form to minolen.govender@za.ey.com **no later than midnight on 29 June 2022.***
- *If you have already disposed of your investment, no action is required.*

In terms of section 99 of the Collective Investment Schemes Control Act 45 of 2002, the ballot will be valid if the majority of investors vote in favour of the amalgamation. **The absence of a response will be regarded as a vote in favour of the amalgamation.**

How the proposed amalgamation affects your investment

Section 99(3)(a) of the Collective Investment Schemes Control Act stipulates that on the effective date, every investor “*shall... hold in the new scheme or portfolio, such participatory interests with an aggregate money value that is not less than the lower of the net asset value or market value, as may be fair and reasonable in the circumstances of the participatory interests which such investor, immediately before the date on which the proposed transaction becomes effective, held in an original scheme or portfolio.*”

In other words, when the portfolios are amalgamated, investors will be issued with replacement participatory interests in the new portfolios. The replacement participatory interests will be equal in market/monetary value to the participatory interests held before the amalgamation. Although the number of participatory interests held may change.

Please take note of the bold underlined sections of the portfolios, reflected in Appendix A, which indicates the differences between the source portfolio and target portfolio.



Your rights as an investor

The rights of investors are firmly entrenched in the Collective Investment Schemes Control Act and the Deed. In terms of section 99 of the Act, the FSCA requires that:

- All investors invested in the affected portfolios will be advised, in writing, of the details of the proposed amalgamation of the collective investment scheme portfolio.
- All investors are given an opportunity to vote in favour of, or against the proposed amalgamation.
- An independent auditor will verify the outcome of the ballot.
- Enclosed is a ballot form. Please complete, sign and return the ballot form to our auditors in the enclosed pre-paid, self-addressed envelope, to reach us by no later than midnight on **29 June 2022**.
- If investors do not participate in the amalgamation ballot timeously, they will be deemed to have voted in favour of the amalgamation.
- The FSCA will not consent to the amalgamation of portfolios, unless it is satisfied that the amalgamation will not be detrimental to investors.
- The amalgamation will be a capital gains tax (CGT) roll-over event, so no CGT is payable upon amalgamation.
- Should you not be comfortable with the amalgamation proposal, as far as it relates to the portfolio in which you hold participatory interests, you may switch your investments to any of Momentum Collective Investments Scheme portfolios, at no switching cost, provided that we receive your switching instructions before **29 June 2022**. Should you not be comfortable with the proposal and do not wish to switch your investments to any of MCI portfolios, you may elect to redeem your participatory interests at any time and withdraw your money at the net asset value price, as defined in the Deed, subject to that it is a discretionary investment. **By electing to redeem or switch your participatory interests, it will constitute a CGT event, for which you will be liable to pay CGT at your next income tax assessment.**
- If you choose not to switch or withdraw your investments before **29 June 2022**, the amalgamation proposal, as set out in this letter (to the extent that they are approved by investors) will automatically apply to your investment.

Effective date of amalgamation

The effective date of the proposed amalgamation shall be **29 July 2022** close of business, provided that the necessary consent is obtained from investors and the FSCA.

COVID-19 contingency

Due to the impact of the current COVID-19 pandemic, we have implemented a contingency plan whereby in the event that you are unable to provide us with a copy of your signed ballot letter, then



you may contact us via email or call us at the number below and we will make alternative arrangements to assist you in getting your vote to the auditors before the due date.

For more information

Should you require further information about what action to take, please consult your financial adviser or call Momentum Collective Investments on +27 860 111 899.

Attachments

Appendix A: Comparison between the source portfolio and the target portfolio

Appendix B: Ballot form

Yours sincerely

Kapil Joshi

Head: Momentum Collective Investments

Appendix A: Comparison between portfolios (Differences highlighted in Bold)

Momentum Focus 4 Fund of Funds	Momentum Focus 5 Fund of Funds
<p>Investment policy</p> <p>The Momentum Focus 4 Fund of Funds is a multi-asset Fund of Funds portfolio with the objective to secure consistent real returns net of fees in excess of inflation + 3% per year. over rolling four-year periods, through a combination of active asset allocation and predominately active investment strategies. The portfolio will, apart from assets in liquid form, consist solely of participatory interests and other forms of participation in local and global collective investment scheme portfolios, or other similar schemes operated in territories with a regulatory environment that is 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, investing in, equity securities, property securities, non-equity securities, money market instruments, preference shares, government and corporate bonds, inflation linked bonds and other interest bearing securities and investments, listed and unlisted financial instruments and participatory interests in collective investment scheme portfolios. The portfolio will be managed in line with prudential investment guidelines for retirement funds in South Africa to the extent allowed for by the Act. To provide modest growth in income and capital over the long term the portfolios equity exposure will range between 30% and 50% of the portfolios net asset value. The portfolio may from time to time invest in listed and unlisted financial instruments for the purpose of hedging exchange rate risk to achieve the portfolio's investment objective. Nothing shall preclude the Manager from varying the ratios of securities or assets in liquid form in changing economic environment or market conditions, or to meet the requirements in terms of legislation and from retaining cash or placing cash on deposit in terms of the Deed and Supplemental Deed. The Trustee shall ensure that the investment policy is carried out. For the purposes of this portfolio, the manager shall reserve the right to close the portfolio to new investors. This will be done to manage the portfolio in accordance with its mandate.</p>	<p>Investment policy</p> <p>The Momentum Focus 5 Fund of Funds is a specialist portfolio with the objective to secure a consistent real total return net of fees above inflation plus 4% per year. over any five-year rolling period. In selecting underlying portfolios for this portfolio and in determining the portfolio asset allocation, the manager shall seek to achieve this objective, where possible, regardless of stock market trends. Investments to be included in the portfolio will, apart from assets in liquid form, consist solely of participatory interests and other forms of participation of local and global collective investment schemes, or other similar schemes operated in territories with a regulatory environment which is 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, investing in equity securities, property securities, non-equity securities, bonds, money market instruments, preference shares, financial instruments and debentures. The portfolio's equity exposure will range between 40% and 65% of the net asset value. The composition of the portfolio shall reflect the investment structure of a retirement fund with a moderate risk profile and shall comply with the prudential investment guidelines. The Momentum Focus 3 Fund of Funds, Momentum Focus 5 Fund of Funds and Momentum Focus 7 Fund of Funds equity exposures will never replicate one another. The portfolio may from time to time invest in listed and unlisted financial instruments for the purpose of hedging exchange rate risk, in accordance with the provisions of the Act and applicable legislation as amended from time to time, to achieve the portfolio's investment objective. Nothing shall preclude the manager from varying the ratios of securities or assets in liquid form in changing economic environment or market conditions, or to meet the requirements in terms of legislation and from retaining cash or placing cash on deposit in terms of the Deed and Supplemental Deed. The Trustee shall ensure that the investment policy is carried out. For the purpose of this portfolio, the Manager shall reserve the right to close the portfolio to new investors. This will be done to be able to manage the portfolio in accordance with its mandate.</p>



Portfolio Benchmark CPI + 3% per year over a 4-year rolling period	Portfolio Benchmark CPI + 4% per year over a 5-year rolling period
Service charges No change A 1.15% B 0.00% B2 2.20% B3 0.85% C 0.70% E 0.85% I 0.22%	Service charges No change A 1.15% B6 0.00% B7 2.20% B8 0.85% B2 0.70% E 0.85% I 0.22%
Distribution declaration dates* March/June/September/December	Distribution declaration dates* June/December
ASISA Category South African - Multi Asset - Medium Equity	ASISA Category South African - Multi Asset - Medium Equity

*A Special Distribution will be conducted on the effective date of the amalgamation on behalf of both portfolios.



Appendix B: Ballot Form

I, the undersigned, (print full names)

Account number

and date of birth/registration number.....

Administrative financial services provider (LISP) name:

do hereby vote to accept/reject the proposed amalgamation of the below mentioned portfolios established under the Momentum Collective Investments Scheme, in terms of section 99 of the Collective Investment Schemes Control Act 45 of 2002, as set out in the Ballot Letter from Momentum Collective Investments.

Please tick the appropriate box (only for portfolios which you hold participatory interests in):

Momentum Focus 4 Fund of Funds amalgamating with the Momentum Focus 5 Fund of Funds	ACCEPT <input type="checkbox"/>	REJECT <input type="checkbox"/>
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IMPORTANT: In terms of section 99 of the Collective Investment Schemes Control Act 45 of 2002, if investors do not participate in the ballot timeously, they will be deemed to have voted in favour of the amalgamation.

SIGNED AT _____ on this ____ day of _____ 2022.

(please sign in full)

If you are signing in a representative capacity, please insert your own name and the name of the person/trust/deceased estate/company/close corporation on whose behalf you are signing.

*Please complete the enclosed Ballot Form and return it to our auditors, EY South Africa (EY), in the accompanying pre-paid self-addressed envelope, or email the Ballot Form to minolen.govender@za.ey.com no later than midnight on **29 June 2022**.*