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RECM Collective Investments (Pty) Ltd
Reg. No. 2004/027540/07
DIRECTORS
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3 July 2020

Dear valued investor

Proposed amalgamation of the RECM Balanced Fund with the Counterpoint Sanlam Collective Investments (“SCI”) Balanced Plus Fund

This letter is important and requires your immediate attention.

The purpose of this letter is to inform you of the proposed amalgamation of the **RECM Balanced Fund** and the **Counterpoint SCI Balanced Plus Fund** and to provide you with sufficient information to vote on this proposal.

In December 2019, Counterpoint Asset Management and RECM announced that they would merge their operations in March 2020, with the consolidated business to ultimately trade under the Counterpoint brand. The merger sees RECM and Counterpoint’s investment capabilities combine, resulting in greater depth and research capabilities for all investors. This process will result in RECM Collective Investment Scheme portfolios merging with Counterpoint Sanlam Collective Investments Scheme portfolios that have similar investment policies.

Both the **RECM Balanced Fund** and the **Counterpoint SCI Balanced Plus Fund** have similar investment objectives, mandates. Details of the similarities and differences are explained in Annexure A, as well as the impact on you as an investor.

Provisions of the Collective Investment Schemes Control Act

In terms of Section 99 of the Collective Investment Schemes Control Act, 45 of 2002 (“the Act”), the ballot will be valid if the majority of investors vote in favour of the amalgamation. Absence of a response will be regarded as a vote in favour of the amalgamation.

Action required

- 1) Please read the below information on the proposed amalgamation of the two portfolios, the impact that this action will have on you, and your rights as an investor.
- 2) Please complete the attached ballot form and return it to our external auditor in the enclosed self-addressed envelope or email it to them at recm.ballot@za.ey.com – the completed ballot form must reach our auditor on or before 27 August 2020. If you do not participate in the ballot in time, you will be deemed to have voted in favour of the amalgamation.

RECM Collective Investments

Collective Investments Schemes in Securities (Unit trusts) are generally medium to long term investments. The value of participatory interests (units) may go down as well as up and past performance is not necessarily a guide to future performance. Unit trusts are traded at ruling prices and can engage in borrowing and scrip lending. The manager may borrow up to 10% of the market value of the portfolio where insufficient liquidity exists. A schedule of fees and charges and maximum commissions is available on request from the management company, RECM Collective Investments (Pty) Ltd (RECM). Commission and incentives may be paid and if so, would be included in the overall costs. Forward pricing is used. Funds are valued daily at 15h00 with the exception of the Money Market Fund which is valued before 18h00. Instructions must reach RECM before 14h00 to ensure same day value (11h00 for the RECM Money Market Fund). Fluctuations or movements in exchange rate may cause the value of underlying international investments to go up or down. Different classes of units apply to these portfolios and are subject to different fees and charges. Unit trust prices are calculated on a net asset value basis, defined as the total market value of all assets in the unit portfolio including any income accruals and less any permissible deductions (brokerage, uncertified securities tax, VAT, auditors’ fees, bank charges, custodian fees, trustee fees, annual management fee and performance fees) from the portfolio divided by the number of units in issue. These portfolios may be closed. RECM Collective Investments (Pty) Ltd, Company Registration Number: 2004/027540/07, is a member of the Association for Savings and Investment SA (ASISA). Trustees: Standard Bank of SA Limited, PO Box 54, Cape Town, 8000.

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- 3) Please do not include any other instructions regarding your holdings together with your ballot return – e.g. requests for repurchases, etc. Your ballot form will go directly to our auditor and as such, we will be unable to guarantee that any instruction subsequent to the commencement of the ballot process will be effected.

If you are no longer invested in the RECM Balanced Fund, no action is required.

We encourage you to vote in favour of the amalgamation of the two portfolios, as we believe that this proposal is in the best interest of all investors.

Effective date of the amalgamation

The effective date of the proposed amalgamation of the two portfolios will be 9 October 2020 provided that the necessary consent is obtained from investors and the Financial Sector Conduct Authority (“the Authority”).

Motivation for the amalgamation

For RECM, the amalgamation makes sense in that it:

- Provides greater depth of resources, investment skills and research capabilities resulting from the combined investment team;
- Reduces administration costs by moving all assets to a third party Management Company – namely Sanlam Collective Investments, which administers the portfolios under the SCI Scheme;
- Reduces operational complexity, allowing greater focus on delivering good investment outcomes and providing excellent client service.

How the amalgamation impacts you, the investor

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 current portfolio of the **RECM Balanced Fund** is absorbed into and amalgamated with the **Counterpoint SCI Balanced Plus Fund**, investors will be issued with replacement participatory

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interests (units) in the new amalgamated portfolio. The replacement units will be equal in market/monetary value to the units held prior to the amalgamation, although the number of units held may change. The **RECM Balanced Fund** will cease to exist.

Thus, there will be no impact on your investment i.e. on amalgamation you will receive participatory units in the amalgamated portfolio equal in value to the units held prior to amalgamation.

The amalgamation is treated as a roll-over event for Capital Gains Tax purposes, resulting in your original base cost of your investment being 'carried-over' into the amalgamated portfolio and therefore zero tax consequences.

After the amalgamation, reporting, such as statements and transaction forms, would include the same detail as is currently provided, but would also include Sanlam's logo along with their terms and conditions. The Sanlam Client Service team would also be able to administer your transactions directly and answer any queries you have about your investment.

Charges, performance, unit pricing and final distribution

- Investors will not be liable for the payment of any additional fees, charges, taxes or brokerage as a result of the amalgamation.
- Future performance and unit pricing will be determined by the new amalgamated portfolio, i.e. the **Counterpoint SCI Balanced Plus Fund**.
- The RECM Balanced Fund will pay a final special distribution to its investors on 12 October 2020.

The attached Annexure A is a summary of the similarities and differences of the portfolios to be amalgamated.

Investment management of the Counterpoint SCI Balanced Plus Fund

The investment management team of Counterpoint Boutique (Pty) Ltd, which was merged with the RECM investment team in March 2020, will continue to manage the assets of the portfolio.

Your rights as investor

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

- All investors in the affected portfolios will be advised in writing of the details of the proposed amalgamations of the portfolios.

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- All investors are given an opportunity to vote in favour of, or against, the proposed amalgamations.
- An independent auditor will verify the outcome of the ballot.
- All investors will be notified in writing of any proposed material changes to the collective investment schemes and portfolios in which they hold units, and
- All investors be balloted in order for them to vote on the proposed changes.

If investors do not respond before the cut-off date, they will be deemed to have voted in favour of the amalgamation.

In addition, you have the following alternative available:

- Should you not be comfortable with the amalgamation proposal, you may elect to redeem your units at any time and withdraw your funds at the net asset value price, as defined in the Trust Deed. Please note that by electing to redeem your units, your action will constitute a capital gains tax (CGT) event and you will be liable for CGT at your next income tax assessment.

If you choose not to switch or sell your funds prior to the effective date of the amalgamation, the amalgamation proposals, as set out in this letter (if approved by investors), will automatically apply to your investment.

Please note that, in terms of the Collective Investment Schemes Control Act (2002), the Authority will not consent to the amalgamation of the portfolio unless the Authority is satisfied that the amalgamation will not be detrimental to any investors.

Covid-19 contingency

Due to the impact of the current Covid-19 crisis we have implemented various contingency plans, amongst others:

- In the event that you are unable to provide us with your signed ballot letter, please contact us via email or call us at the number below and we will arrange for alternative arrangements to assist you in getting your vote to the auditor before the due date.
- In the event that the ballot is aborted or delayed before the response deadline, 27 August 2020, we will stop the ballot process. In such case we will agree a new effective date with the Authority and recirculate ballot letters once we can recommence with the ballot process.
- In the event that the response deadline is met and the ballot is successful, but the effective date has to be postponed, then we will determine a new date and obtain approval from the Authority where after we will notify investors of the change.

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Attachments

- A comparison between the RECM Balanced Fund and the Counterpoint SCI Balanced Plus Fund and the impact of changes on you as investor
- Ballot Form

For more information

Should you wish to know more about the amalgamation, or if you are in any doubt as to what action to take, please consult your financial advisor or call RECM on (021) 657 3440.

Yours faithfully,



LINDA EEDES
Managing Director
RECM Collective Investments (Pty) Ltd

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ANNEXURE A

RECM Balanced Fund (source portfolio)	Counterpoint SCI Balanced Plus Fund (target portfolio)	Changes for RECM Balanced Fund (source portfolio) investor
Risk Profile Moderate	Risk Profile Moderate Aggressive	The Counterpoint SCI Balanced Plus Fund has a higher risk profile than the RECM Balanced Fund. This means that investors in the target portfolio are exposed to higher volatility and higher risk of potential loss in exchange for potentially higher returns.
ASISA Fund Classification South African - Multi Asset - High Equity	ASISA Fund Classification South African - Multi Asset - High Equity	No change, the ASISA classifications are the same.
Portfolio Benchmark SA CPI + 5% per annum	Portfolio Benchmark Peer Group Average	The benchmarks differ but there is no impact on the investor. The peer group average allows for the target portfolio to be meaningfully compared to its peers.
Annual Service Fees (excluding VAT) Class A: 0.9% per annum excl VAT Class B: 0% per annum excl VAT No performance fees	Annual Service Fees (excluding VAT) Class D: 0.9% per annum excl VAT Class E: 0% per annum excl VAT No performance fees	Investors will continue to pay the same fees as they paid before the amalgamation.
Income distribution Quarterly: 31 March, 30 June, 30 September, 31 December	Income distribution Bi-annually: 30 June, 31 December	The income distribution will be reduced from 4 times a year to twice a year.
Minimum Lump sum Investment R10,000	Minimum Lump sum Investment R10,000	The minimum stays the same
Minimum Monthly Investment R500	Minimum Monthly Investment R500	The minimum stays the same

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RECM Balanced Fund (source fund)	Counterpoint SCI Balanced Plus Fund (target fund)	Changes for RECM Balanced Fund (source fund) investor
<p>Investment policy</p> <p>The RECM Balanced Fund will be a South African Multi Asset High Equity portfolio with specific focus on generating returns in excess of inflation. The primary objective of the portfolio is to seek above average returns with below average risk for investors. The portfolio will invest in a flexible combination of securities in the equity, bond, money and property markets. The portfolio will be managed with assets being shifted between various investment markets to reflect the changing economic and market conditions, in order to maximise returns for investors. The portfolio will be managed so as to comply with prudential requirements with which a pension fund investment strategy must comply in terms of applicable legislation.</p> <p>In order to achieve its objective, the investments normally to be included in RECM Balanced Fund will comprise a combination of securities embracing listed securities, stock, financially sound listed property investments, bonds, money market instruments, assets in liquid form and other non-equity securities which are considered consistent with the portfolio's primary objective and that the Act or the Registrar may from time to time allow, all to be acquired at fair market value. The portfolio will have an equity exposure (including international equity) between 0% and 75% at all times. The manager may also use derivative instruments for purposes of effective portfolio management.</p> <p>The Trustee shall ensure that the investment policy, as set out above, is adhered to, provided that nothing contained in the investment policy shall preclude the Manager from varying the ratio of the aforementioned securities relative to each other (except as required by the Act), or the assets themselves, to maximise capital growth and investment potential, should changing economic conditions so demand. Provided also that nothing contained in the investment policy shall preclude the Manager from retaining cash in the portfolio and/or placing cash on deposit in terms of the deed. Provided further that the Manager shall ensure that the portfolio includes securities and assets in liquid form, of at least the aggregate value required, from time to time, by the Act.</p> <p>The Manager will be permitted to invest on behalf of the RECM Balanced Fund in offshore investments as legislation permits.</p> <p>The portfolio may also invest in participatory interests and other forms of participation in portfolios of collective investments schemes or other similar schemes registered in South Africa or operated in territories with a regulatory environment which is to the satisfaction of the Manager and the Trustee and 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.</p> <p>For the purposes of the RECM Balanced Fund, the manager shall reserve the right to close the portfolio to new investors on a date determined by the manager. This will be done in order to be able to manage the portfolio in accordance with its mandate. The manager may, once a portfolio has been closed, open that portfolio again to new investors on a date determined by the manager. The Trustees shall ensure that the investment policy set out in this supplemental deed is carried out.</p>	<p>Investment policy</p> <p>The portfolio aims to provide investors with a high long term total return. It conforms to regulations governing retirement portfolio investments and will comply with Prudential Investment Guidelines within the limits prescribed by the Act.</p> <p>In order to achieve its objective, the investments normally to be included in the portfolio may comprise a combination of domestic and international assets in liquid form, money market instruments, corporate debt, equities, bonds, property securities, preference shares, convertible equities, listed and unlisted financial instruments and non-equity securities. The equity limits will be aligned with that of the ASISA Fund Classification: SA - Multi Asset - High Equity.</p> <p>The Manager may also invest in participatory interests or any other form of participation in portfolios of collective investment schemes registered in South Africa or other similar collective investment schemes as the Act may allow from time to time, and which are consistent with the portfolio's investment policy. Where the aforementioned schemes are operated in territories other than South Africa, participatory interests or any other form of participation in portfolios of these schemes will be included in the portfolio only where the regulatory environment is, to the satisfaction of the Manager and the Trustee, of sufficient standard to provide investor protection at least equal to that in South Africa.</p> <p>For the purpose of this portfolio, the Manager shall reserve the right to close the portfolio to new investors on a date determined by the Manager. This will be done in order to be able to manage the portfolio in accordance with its mandate. The Manager may, once a portfolio has been closed, open that portfolio again to new investors on a date determined by the Manager.</p> <p>The Trustee shall ensure that the investment policy set out in the preceding clauses are adhered to; provided that nothing contained in this clause shall preclude the Manager from varying the proportions of securities in terms of changing economic factors or market conditions or from retaining cash in the portfolio and/or placing cash on deposit.</p>	<p>Although it has a very similar mandate than that of the RECM Balanced Fund, it is important to note that the risk profile of the Counterpoint SCI Balanced Plus Fund is "moderate aggressive" which is higher than the risk profile of "moderate" for the RECM Balanced Fund. This means that investors in the target portfolio are exposed to higher volatility and higher risk of potential loss in exchange for potentially higher returns.</p>