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RECM Collective Investments (Pty) Ltd
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3 July 2020

Dear valued investor

Proposed amalgamation of the RECM Equity Fund with the Counterpoint Sanlam Collective Investments ("SCI") Value 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 Equity Fund** and the **Counterpoint SCI Value 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 Equity Fund** and the **Counterpoint SCI Value Fund** have similar investment objectives and 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.

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 Equity 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.

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 Equity Fund** is absorbed into and amalgamated with the **Counterpoint SCI Value Fund**, investors will be issued with replacement participatory 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 Equity 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 Value Fund**.
- The RECM Equity 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 Value 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.

- 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 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 Equity Fund and the Counterpoint SCI Value 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 Equity Fund **(source portfolio)**	**Counterpoint SCI Value Fund** **(target portfolio)**	**Changes for RECM Equity Fund (source portfolio) investor**
Risk Profile High	**Risk Profile** Aggressive	The risk profile has changed from "high" to "aggressive". 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 - Equity – General	**ASISA Fund Classification** South African - Equity – General	No change, the ASISA classifications are the same.
Portfolio Benchmark FTSE/JSE All Share Index	**Portfolio Benchmark** FTSE/JSE All Share Index	No change, the benchmarks are the same.
Annual Service Fees (excluding VAT) Class B: 1% per annum excl VAT Class C: 0% per annum excl VAT Class D: 1.5% per annum excl VAT Class E: 1.25% per annum excl VAT Class F: 0.9% per annum excl VAT No performance fees	**Annual Service Fees (excluding VAT)** Class A1: 1.23% per annum excl VAT Class B: 1.73% per annum excl VAT Class C: 2.73% per annum excl VAT **Class D: 1% per annum excl VAT (new fee class)** **Class E: 0% per annum excl VAT (new fee class)** **Class F: 1.5% per annum excl VAT (new fee class)** **Class G: 1.25% per annum excl VAT (new fee class)** **Class H: 0.9% per annum excl VAT (new fee class)** No performance fees	Investors will continue to pay the same fees as they paid before the amalgamation. Existing investors in the target portfolio will remain in the classes they are currently invested in – namely classes A1, B, and C. Source portfolio investors will move into new fee classes in the target portfolio - namely D, E, F, G and H – paying the same fees as they were paying previously in the source portfolio. The result is that all investors – both existing investors in the target portfolio, and investors moving from the source portfolio to the target portfolio, will continue to pay the same fees as they were paying before the amalgamation.
Income distribution Bi-annually: 31 March, 30 September	**Income distribution** Bi-annually: 30 June, 31 December	Although the income distribution will still be paid out twice a year, the dates of distribution will change.
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 Equity Fund (source portfolio)	Counterpoint SCI Value Fund (target portfolio)	Changes for RECM Equity Fund (source portfolio) investor
Investment policy The RECM Equity Fund will be a South African, Equity, General portfolio with specific focus on generating returns in excess of the FTSE/JSE All Share Index. The objective of the portfolio is to seek long-term capital growth with an acceptable level of risk, through investing predominantly in South African listed equities. The fund is appropriate for the more aggressive investor. Investments to be included in the RECM Equity Fund will, apart from assets in liquid form, consist of equity securities and financial instruments subject to statutory investment limitations and conditions. The manager may also include participatory interests or any other form of participation in portfolios of collective investment schemes or other similar collective investment schemes as the Act may allow from time to time. 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 and of sufficient standard to provide investor protection at least equal to that in South Africa. 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 factors or market 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. The manager will be permitted to invest on behalf of the RECM Equity Fund in offshore investments as legislation permits. The trustee shall ensure that the investment policy set out in above, is adhered to.	**Investment policy** The portfolio's objective is to maximise returns in excess of the FTSE/JSE ALSI over time, particularly during periods of weaker equity market growth. The portfolio aims to have a slightly lower risk profile than typical equity funds by mainly investing in shares with a low price to earnings ratio, shares trading at a discount to their net asset value and shares whose prices do not reflect future earnings potential. The portfolio will be a specialist equity portfolio with a "value" bias and will consist of financially sound equity securities listed on exchanges and assets in liquid form. The portfolio may invest in listed and unlisted financial instruments that will only be limited by the statutory limitations placed on the inclusion of financial instruments in portfolios. At all times at least 80% of the portfolio's investments will be in listed equity securities. The portfolio may also invest in participatory interests and other forms of participation in portfolios of collective investment schemes in South African or other similar schemes operated in territories 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 African and which is consistent with the portfolio's primary objective Nothing in this supplemental deed 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 this supplemental deed. 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. 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.	The investment policies of the two funds are similar, however the risk profile of the target portfolio is "aggressive" which is higher than that of the source portfolio which is "high". 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.

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