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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 Money Market Fund with the Counterpoint Sanlam Collective Investments (“SCI”) Money Market 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 Money Market Fund** and the **Counterpoint SCI Money Market 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 Money Market Fund** and the **Counterpoint SCI Money Market Fund** have similar investment objectives, mandates and risk profiles. Please also note that the Counterpoint SCI Money Market Fund Class A charges a higher annual service charge as indicated in the table (Annexure A) and underlined. 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

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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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 Money Market 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.”

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In other words, when the current portfolio of the **RECM Money Market Fund** is absorbed into and amalgamated with the **Counterpoint SCI Money Market 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 Money Market 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 Money Market Fund**.
- The RECM Money Market 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 Money Market 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:

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- 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 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.

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- 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.

Attachments

- A comparison between the RECM Money Market Fund and the Counterpoint SCI Money Market 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 Money Market Fund (source portfolio)	Counterpoint SCI Money Market Fund (target portfolio)	Changes for RECM Money Market Fund (source portfolio) investor
Risk Profile Low	Risk Profile Low	No change, the risk profiles are the same.
ASISA Fund Classification South Africa Interest Bearing Money Market	ASISA Fund Classification South Africa Interest Bearing Money Market	No change, the ASISA classifications are the same.
Portfolio Benchmark STeFI Call Rate	Portfolio Benchmark STeFI Call Rate	No change, the benchmarks are the same.
Annual Service Fees (excluding VAT) <u>Class A: 0.15% per annum excl VAT</u> Class B: 0% per annum excl VAT Class C: 0.25% per annum excl VAT	Annual Service Fees (excluding VAT) <u>Class A: 0.25% per annum excl VAT</u> Class B: 0% per annum excl VAT	Investors in Class A will experience an increase in fees from 0.15% per annum excl VAT to 0.25% per annum excl VAT.
Income distribution Monthly	Income distribution Monthly	No change, income distribution remains monthly.
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 Money Market Fund (source fund)	Counterpoint SCI Money Market Fund (target fund)	Changes for RECM Money Market Fund investor
<p>Investment policy</p> <p>The RECM Money Market Fund will be a South African Interest Bearing Money Market portfolio.</p> <p>The objective of the RECM Money Market Fund is to maximise interest income, preserve capital and provide liquidity. In order to achieve its objective, the investments normally to be included in RECM Money Market will comprise a diversified combination of money market instruments that the Act or the Registrar may from time to time allow. Capital gains will be of an incidental nature.</p> <p>The Trustee shall ensure that the investment policy set out in this supplemental deed is carried out.</p> <p>For the purposes of the RECM Money Market 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.</p>	<p>Investment policy</p> <p>The objective of the portfolio is to maximise interest income, preserve capital and provide liquidity. In order to achieve its objective, the investments normally to be included in the Counterpoint Sanlam Collective Investment Money Market Fund will comprise a diversified combination of money market instruments that the Act may from time to time allow. Capital gains will be of an incidental nature. The portfolio may also invest in interest rate swaps as determined by the Act from time to time.</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 to that of the RECM Money Market Fund, it must be noted that the Counterpoint SCI Money Market Fund does allow for the use of interest rate swaps which the RECM Money Market Fund does not.</p>