



6th Floor,  
Claremont Central,  
8 Vineyard Road,  
Claremont,  
Cape Town,  
7700

PO Box 45040,  
Claremont, 7735  
TEL: +27 21 657 3440  
FAX: +27 21 674 1085  
info@recm.co.za  
www.recm.co.za

RECM Collective Investments (Pty) Ltd  
Reg. No. 2004/027540/07  
**DIRECTORS**  
Linda Eedes, Gerhard Swiegers,  
Farahnaaz Akherwaray, Deryck Woolley

3 July 2020

Dear valued investor

## **Proposed amalgamation of the WellsFaber Balanced RECM Fund of Funds with the WellsFaber Sanlam Collective Investments (“SCI”) Balanced Fund of Funds**

***This letter is important and requires your immediate attention.***

The purpose of this letter is to inform you of the proposed amalgamation of the **WellsFaber Balanced RECM Fund of Funds** and the **WellsFaber SCI Balanced Fund of Funds** 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. The WellsFaber Balanced RECM Fund of Funds is a co-named portfolio of the RECM Collective Investment Scheme. WellsFaber has established a similar portfolio, namely the WellsFaber Sanlam Collective Investments Balanced Fund of Funds, under the Sanlam Collective Investments Scheme to enable the amalgamation.

Both the **WellsFaber Balanced RECM Fund of Funds** and the **WellsFaber SCI Balanced Fund of Funds** have similar investment objectives, mandates and risk profiles, however, the WellsFaber Balanced RECM Fund of Funds expressly provides for two further restrictions. Please also note that the WellsFaber Sanlam Collective Investments Balanced Fund of Funds charges a higher annual service fee. 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.

#### 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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- 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](mailto: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 WellsFaber Balanced RECM Fund of Funds , 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*

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*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 **WellsFaber Balanced RECM Fund of Funds** is absorbed into and amalgamated with the **WellsFaber SCI Balanced Fund of Funds**, 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 **WellsFaber Balanced RECM Fund of Funds** 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 **WellsFaber SCI Balanced Fund of Funds**.
- The WellsFaber Balanced RECM Fund of Funds 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 WellsFaber SCI Balanced Fund of Funds**

The investment management team of WellsFaber (Pty) Ltd will manage the assets of the amalgamated portfolio.

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## 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 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:

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- 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.

## Attachments

- A comparison between the WellsFaber Balanced RECM Fund of Funds and the WellsFaber SCI Balanced Fund of Funds and the impact of changes on you as investor; and
- 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

WellsFaber Balanced RECM Fund of Funds (source portfolio)	WellsFaber SCI Balanced Fund of Funds (target portfolio)	Changes for WellsFaber Balanced RECM Fund of Funds (source portfolio) investor
<b>Risk Profile</b> Moderate	<b>Risk Profile</b> Moderate	The Risk Profile remains unchanged.
<b>ASISA Fund Classification</b> South African - Multi Asset - High Equity	<b>ASISA Fund Classification</b> South African - Multi Asset - High Equity	The ASISA classification remains unchanged.
<b>Portfolio Benchmark</b> Average return of the Funds in the ASISA Multi Asset High Equity Category	<b>Portfolio Benchmark</b> Average return of the Funds in the ASISA Multi Asset High Equity Category	The benchmark remains unchanged.
<b>Annual Service Fees (excluding VAT)</b> Class A: 0.50% per annum excl VAT  No performance fees	<b>Annual Service Fees (excluding VAT)</b> Class A: 0.55% per annum excl VAT  No performance fees	Investors will pay a higher annual service fee (increase of 0.05% per annum excl VAT).
<b>Income distribution</b> Quarterly: 31 March, 30 June, 30 September, 31 December	<b>Income distribution</b> Quarterly: 31 March, 30 June, 30 September, 31 December	The income distribution remains unchanged. .
<b>Minimum Lump sum Investment</b> R10,000	<b>Minimum Lump sum Investment</b> R10,000	The minimum lump sum investment remains unchanged.
<b>Minimum Monthly Investment</b> R1,000	<b>Minimum Monthly Investment</b> R1,000	The minimum monthly investment remains unchanged.

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WellsFaber Balanced RECM Fund of Funds(source fund)	WellsFaber SCI Balanced Fund of Funds (target fund)	Changes for WellsFaber Balanced RECM Fund of Funds (source fund) investor
<p><b>Investment policy</b></p>	<p><b>Investment policy</b></p>	
<p>The WellsFaber Balanced RECM Fund of Funds will be a South African Multi Asset High Equity portfolio with a specific focus on maximising long-term capital growth in excess of 4% above inflation, through exposure balanced across the major asset classes. This portfolio is expected to have an increased probability of short-term volatility. The portfolio will invest in assets in liquid form and participatory interests, whether listed on an exchange or not, in portfolios of collective investment schemes. The underlying portfolios may invest in the equity, bond, money, or property markets. The portfolio will have a maximum effective equity exposure (including international equity) of up to 75%; a maximum effective property exposure (including international property) of up to 25% and a maximum exposure to a single underlying collective investment scheme portfolio of up to 40% of the market value of the portfolio. The portfolio will also comply with the prudential requirements with which a pension fund investment strategy must comply in terms of applicable legislation. Further, the manager may include financial instruments in the WellsFaber Balanced RECM Fund of Funds for the exclusive purpose of hedging exchange rate risks.</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. The manager will be permitted to invest on behalf of the WellsFaber Balanced RECM Fund of Funds in offshore investments as legislation permits. 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 WellsFaber Balanced RECM Fund of Funds, 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 this supplemental deed is carried out.</p>	<p>The WellsFaber Sanlam Collective Investments Balanced Fund of Funds will be a South African Multi Asset High Equity portfolio with a specific focus on maximising long-term capital growth of inflation plus 4%, through exposure balanced across the major asset classes. This portfolio is expected to have an increased probability of short-term volatility.</p> <p>Investments to be included in the portfolio will, apart from assets in liquid form, consist solely of participatory interest in portfolios of collective investment schemes. The portfolio will consist of a mix of collective investment scheme portfolios investing in equity, fixed interest instruments, (including but not limited to bonds, cash deposits and money market instruments), debentures, preference shares and property securities as well as any other income enhancing securities which are consistent with the portfolios objective and that the Act may allow. The portfolio shall adhere to the multi asset high equity classification requirements as set out by the ASISA Fund Classification Standard which currently limits effective equity exposure to 75%.</p> <p>The portfolio will comply with the prudential requirements with which a pension fund investment strategy must comply in terms of applicable legislation. The Manager is permitted to invest in listed and unlisted instruments as allowed by the Act from time to time.</p> <p>The manager will be permitted to invest on behalf of the WellsFaber Sanlam Collective Investments Balanced Fund of Funds in offshore investments as legislation permits.</p> <p>The portfolio may 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 WellsFaber Sanlam Collective Investments Balanced Fund of Funds, the manager shall reserve the right to close the portfolio to new investors on a date determined by the manager.</p> <p>The trustee shall ensure that the investment policy set out in this supplemental deed 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>Both the WellsFaber Balanced RECM Fund of Funds and the WellsFaber SCI Balanced Fund of Funds have similar investment objectives, mandates and risk profiles, however, the WellsFaber Balanced RECM Fund of Funds expressly provides for two further restrictions i.e. a maximum effective property exposure (including international property) of up to 25% and a maximum exposure to a single underlying collective investment scheme portfolio of up to 40% of the market value of the portfolio.</p> <p>The WellsFaber SCI Balanced Fund of Funds, in comparison, did not adopt these restrictions.</p>