

15 February 2021

Dear Investor

**Ballot letter - Proposed amalgamation of the Ashburton Multi Manager Bond Fund with the FNB Multi Manager Bond Fund**

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

The purpose of this letter is to obtain your approval on the amalgamation of the Ashburton Multi Manager Bond Fund established under the Ashburton Collective Investment Scheme with the FNB Multi Manager Bond Fund established under the FNB Funds Collective Investment Scheme.

This amalgamation ballot is conducted by the CIS Managers namely Ashburton Management Company (RF) (Pty) Ltd at the request of Ashburton Fund Managers (Pty) Ltd (FSP 40169), an investment manager of the Ashburton Multi Manager portfolios which post the amalgamation will be known as and continue as the FNB Multi Manager Bond Fund. The investment manager wants to consolidate their unit trust portfolio range under one brand and distribution strategy, namely FNB. The consolidation will allow the group to have a focused strategy to provide investors with quality investment solutions at reduced costs and a single point of access to a wide range of risk profiled products.

Please see the details below

**Source Portfolio (under Ashburton Collective Investment Scheme)**

Ashburton Multi Manager Bond Fund

**Destination Portfolio (under FNB Funds Collective Investment Scheme)**

FNB Multi Manager Bond Fund

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The proposed changes will be effected at no cost or loss of value to you as the investor in the existing portfolios with the FNB Multi Manager Funds established under the FNB Funds Collective Investment Scheme.

A vote in favour of the amalgamation will terminate the services offered by Ashburton Collective Investment Scheme and replace those with services to be offered by the FNB Funds Collective Investment Scheme. This 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 advisor, or contact Ashburton Investments directly on +27 (0) 860 000 339.**

#### *Action required*

- Please complete the enclosed Ballot Form and return it to our auditors, PWC in the accompanying pre-paid self-addressed envelope, or email the Ballot Form to [za\\_ashburtonballots@pwc.com](mailto:za_ashburtonballots@pwc.com), before **30 March 2021**.
- 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. **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 portfolio. 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.

#### **Tax implications**

From an income tax perspective, the roll-over relief provided for in terms of section 44 of the Income Tax Act No 58 of 1962 will apply, with the result that the amalgamation will not trigger income tax or capital gains tax (CGT) and the cost and acquisition date of the participatory interests in the Source Portfolio will be carried over to the participatory interests in the Destination Portfolio.

### **Charges, performance and unit pricing**

- 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 portfolios.

**Please refer to Appendix A for a summary of the similarities and differences of the portfolios to be amalgamated.**

### **Commitment to Treating Customers Fairly principles**

The Ashburton Management Company (RF) Proprietary Limited and the FNB CIS Manco (Pty) Ltd, who respectively offer the Ashburton Collective Investment Scheme and the FNB Funds Collective Investment Scheme, are committed to the fair treatment of its customers and the six TCF outcomes are deeply engrained in how both deal with customers. With specific reference to the proposed amalgamations of the Ashburton Multi Manager portfolios with the FNB Multi Manager portfolios, we would like to reiterate that clients will not face unreasonable post-sale barriers in changing product, switching providers, submitting a claim or making a complaint.

### **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 Financial Sector Conduct Authority (“the Authority”) 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 portfolios.
- 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.
- The Authority will not consent to the amalgamation of portfolios unless it is satisfied that the amalgamation will not be detrimental to investors.
- Should you not be comfortable with the amalgamation proposal, in so far as it relates to the portfolio in which you hold participatory interests, you may switch your investments to any of the Ashburton Collective Investment Scheme portfolios, at no switching cost, provided that we receive your switching instructions before **30 March 2021**. Should you not be comfortable with the proposal and do not wish to switch your investments to any of the Ashburton Collective Investment Scheme 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. Please note that redeeming or switching your participatory interests will trigger a tax event.

Enclosed is a ballot form. Please complete, sign and return the ballot form below to our auditors in the enclosed pre-paid, self-addressed envelope to reach us by no later than **30 March 2021**.

**If investors do not participate in the amalgamation ballot timeously, they will be deemed to have voted in favour of the amalgamation**

### **COVID-19 contingency**

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

- In the event that you are unable to provide us with a copy of your signed ballot letter, then please contact us via email or call us and we will arrange for alternative arrangements to assist you in getting your vote to the auditors before the due date.
- In the event of the ballot being aborted or delayed before the response deadline, **30 March 2021**, 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 agree a new effective date with intermediary investment platforms and obtain approval from the FSCA where after we will notify investors of the change.

### **Effective date of amalgamation**

The effective date of the proposed amalgamation shall be **3 May 2021**, provided that the necessary consent is obtained from investors and the Authority.

### **Special income distribution**

The Authority requires that all accrued income in portfolios to be transferred be distributed prior to the amalgamation taking place. In line with this requirement, the Source Portfolio will distribute a special income declaration and the pay out or reinvestment thereof will be handled in accordance with your current income distribution instructions.

### **For more information**

Should you require further information about what action to take, please consult your financial advisor, or Ashburton Investments directly on +27 (0) 860 000 339.



**Attachments**

Appendix A: Comparison between the Source and Destination portfolios

Appendix B: Ballot Form

Yours sincerely

**Ashburton Investments**

## Appendix A: Portfolio comparisons

<b>ASHBURTON MULTI MANAGER BOND FUND</b>	<b>FNB MULTI MANAGER BOND FUND</b>
<p><b>Investment policy</b></p> <p>The Ashburton Multi Manager Bond Fund's objective is to provide investors with a well-diversified exposure to the South African Bond market. The portfolio will provide a higher level of income and seek to enhance investment returns by the active management of interest rate, credit and liquidity risk.</p> <p>The portfolio will be invested in assets in liquid form, and in high yielding non-equity securities, and interest-bearing securities, including but not limited to public, parastatal, municipal and corporate bonds, inflation linked bonds, loan stock, debentures, fixed deposits and money market instruments. The manager will be permitted to invest on behalf of the portfolio in offshore investments as permitted by legislation. The average maturity profile will vary from time to time depending on market conditions. The portfolio will have flexibility to invest across the duration, credit and yield spectrum. <b><u>The portfolio will seek to protect capital in times of bond weakness.</u></b></p> <p>The portfolio will also be allowed to invest in listed and unlisted financial instruments as allowed by the Act.</p>	<p><b>Investment policy</b></p> <p>The objective of the FNB Multi Manager Bond Fund is to provide investors with a well-diversified exposure to the South African bond market. The portfolio will provide a higher level of income and seek to enhance investment returns by the active management of interest rate, credit and liquidity risk.</p> <p>This portfolio will invest in assets in liquid form, and in high yielding non-equity securities, and interest-bearing securities including but not limited to public, parastatal, municipal and corporate bonds, inflation linked bonds, loan stock, debentures, fixed deposits and money market instruments. The Manager will be permitted to invest on behalf of the portfolio in offshore investments as permitted by legislation. The average maturity profile will vary from time to time depending on market conditions. The portfolio will have flexibility to invest across the duration, credit and yield spectrum.</p>

<p>The portfolio may also invest in participatory interests in portfolios of collective investment schemes registered in the Republic of South Africa or of participatory interests in collective investment schemes 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 which is at least equivalent to that in South Africa. These underlying CIS portfolios will have an investment policy that supports the investment objective and investment policy of the Ashburton Multimanager Bond Fund.</p> <p>This portfolio will comply with regulations governing pension Funds.</p> <p>The manager will in executing the investment policy as contained herein manage this portfolio on a multi manager basis. <b><u>The manager will appoint the best breed of underlying asset managers to manage the portfolio. The managers will be selected according to the Ashburton Multimanager Investment Philosophy and process as approved by the Ashburton Multimanager Investment Committee.</u></b></p>	<p>The portfolio will also be allowed to invest in listed and unlisted financial instruments as allowed by the Act.</p> <p>The Manager will in executing the investment policy as contained herein manage this portfolio on a multi manager basis.</p> <p>The portfolio may also invest in participatory interests in portfolios of collective investment schemes registered in the Republic of South Africa or participatory interests in collective investment schemes 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 which is at least equivalent to that in South Africa. These underlying collective investment schemes portfolios will have an investment policy that supports the investment objective and investment policy of the FNB Multi Manager Bond Fund.</p> <p>This portfolio will comply with regulations governing pension funds.</p>
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<p>For the purpose of the Ashburton Multi Manager Bond fund, the Manager shall reserve the right to close the portfolio to new investors. This will be done in order to be able to manage the portfolio in accordance with its mandate. This critical size shall be determined from time to time 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 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>For the purposes of the FNB Multi Manager Bond Fund the Manager shall reserve the right to close the portfolio to new investors. This will be done in order to be able to manage the portfolio in accordance with its mandate. This critical size shall be determined from time to time by the Manager. <b><u>The Manager may, once a portfolio has been closed, open that portfolio again to new investors on a date determined by the Manager.</u></b></p> <p>The Trustee shall ensure that the investment policy set out in this supplemental deed is 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><b>Portfolio Benchmark</b>          BEASSA All Bond Total Return Index</p>	<p><b>Portfolio Benchmark</b>          FTSE/JSE All Bond Total Return Index (previously named BEASSA All Bond Total Return Index)</p>



<b>Service charges</b> Class A1: 0.85%, Class B1: 0.85%, Class B2: 0.75%, Class L: 0.75% Class Z: 0.00% (internal use only)	<b>Service charges</b> Class A1: 0.85%, Class B1: 0.85%, Class B2: 0.75%, Class L: 0.75%, Class Z: 0.00% (internal use only)
<b>Performance Fees</b> None	<b>Performance Fees</b> None
<b>Distribution declaration dates</b> 30 June/31 December	<b>Distribution declaration dates</b> 30 June/31 December
<b>ASISA Category</b> South African - Interest bearing – Variable Term	<b>ASISA Category</b> South African - Interest bearing – Variable Term
<b>Trustee</b> Standard Bank of South Africa Limited	<b>Trustee</b> Standard Chartered Bank Limited
<b>Impact of changes to the investment policy:</b> None	
<b>Change in benchmark</b> None	
<b>Change in service charges</b> None	
<b>Change to distribution periods</b> None	



**Appendix B: Ashburton Ballot Form**

**I, the undersigned,** .....

(please print full names)

Account number/Investor ID .....

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

Administrative financial services provider (LISP) name: .....

do hereby vote to accept/reject the proposed amalgamation of Ashburton Multi Manager Bond Fund established under the Ashburton Collective Investment Scheme with the FNB Multi Manager Bond Fund established under the FNB Funds Collective Investment Scheme, in terms of section 99 of the Collective Investment Schemes Control Act 45 of 2002, as set out in this Ballot Letter -

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

	Source Portfolio	Destination Portfolio	Accept	Reject
1	Ashburton Multi Manager Bond Fund	FNB Multi Manager Bond Fund		

SIGNED AT on this day of 2021

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(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.

Note: Please complete, sign and return the ballot form to our auditors in the enclosed pre-paid, self-addressed envelope or via email to [za\\_ashburtonballots@pwc.com](mailto:za_ashburtonballots@pwc.com), to reach them by no later than midnight on **30 March 2021**.