

15 February 2021

Dear Investor

Ballot letter - Amalgamation of the Ashburton Stable Fund and the Ashburton Multi Manager Income Fund with the FNB Multi Manager Income 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 Stable Fund and the Ashburton Multi Manager Income Fund established under the Ashburton Collective Investment Scheme with the FNB Multi Manager Income 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 the FNB Multi Manager Income 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 Portfolios (under Ashburton Collective Investment Scheme)

Ashburton Stable Fund and Ashburton Multi Manager Income Fund

Destination Portfolio (under FNB Funds Collective Investment Scheme)

FNB Multi Manager Income Fund

Subject to a successful investor ballot, 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, 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 Portfolios 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 funds available, 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 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 midnight on **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 Portfolios 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 contact 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 (with investment policy changes underlined)

ASHBURTON STABLE FUND	ASHBURTON MULTI MANAGER INCOME FUND	FNB MULTI MANAGER INCOME FUND
<p>Investment policy</p> <p>The objective of the Ashburton Stable Fund is to provide <u>capital preservation in real terms over rolling two-year periods, whilst also generating income through exposure to mainly interest-bearing assets.</u></p> <p>In order for the portfolio to meet its investment objectives, it will apart from assets in liquid form have an active asset allocation strategy across money market instruments, income, bonds and property</p>	<p>Investment policy</p> <p>The Ashburton Multi Manager Income Fund’s objective is to provide a <u>higher level of income and maximize returns by actively positioning this portfolio between income yielding and inflation protecting securities, depending on the investment Manager’s view prevailing economic environment and interest rate cycles.</u></p> <p>This portfolio will invest in assets in liquid form, including high yielding securities, corporate and government bonds and other fixed interest</p>	<p>Investment policy</p> <p>The objective of the FNB Multi Manager Income Fund is to deliver a <u>higher return than a traditional money market or pure income fund by investing across a range of local and global asset classes to provide a high level of income while maintaining capital stability.</u></p> <p>This portfolio will invest in assets in liquid form, including high yielding securities, corporate and government bonds and other fixed interest securities, listed property (including</p>



<p>instruments and with a maximum 10% exposure to equity securities (including international equity) and preference shares. The portfolio will also be allowed to invest in listed and unlisted financial instruments as allowed by the Act. <u>The allocation to the aforementioned assets will be decided by the Manager through careful monitoring of the investment markets and by identifying trends and cycles in said markets.</u> The Manager may invest on behalf of the Ashburton Stable Fund in offshore investments as permitted by legislation.</p>	<p>securities, preference shares, listed property (including international property) to a maximum of up to 25%, money market instruments, maximum effective equity exposure (including international equity) of up to 10%, including listed and unlisted financial instruments as allowed in terms of the Act. The portfolio will have flexibility to invest across the duration, credit and yield spectrum. <u>The portfolio will seek to protect capital in times of bond market weakness.</u> The manager will also be permitted to invest on behalf of the portfolio in offshore investments as permitted by legislation.</p> <p>The manager will in executing the investment policy as contained herein manage this portfolio on a multi manager basis. <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 Multi Manager</u></p>	<p>international property) to a maximum of up to 25%, money market instruments, and preference shares and equities with a maximum effective equity exposure (including international equity) of up to 10%, including listed and unlisted financial instruments allowed in terms of the Act. The portfolio will have flexibility to invest across the duration, credit and yield spectrum. The portfolio will seek to protect capital in times of bond market weakness <u>but this is not guaranteed.</u> The Manager will also be permitted to invest on behalf of the portfolio in offshore investments as permitted by legislation.</p> <p>The Manager will in executing the investment policy as contained herein manage this portfolio on a multi manager basis.</p>
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A part of the FirstRand Group
Ashburton Management Company (RF) Proprietary Limited (Reg number 1996/002547/07) is an approved collective investments scheme manager and is regulated by the Financial Sector Conduct Authority and is a full member of the Association for Savings and Investments South Africa

<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 Stable Fund.</p>	<p><u>Investment philosophy and process as approved by the Ashburton Multi Manager Investment Committee.</u></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 portfolios will have an investment policy that supports the investment objective and investment policy of the Ashburton Multi Manager Income Fund.</p> <p>The portfolio will comply with regulations controlling retirement funds or such other</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 Income Fund.</p> <p>The portfolio will comply with regulations controlling retirement funds or such other applicable legislation as may be determined for retirement funds.</p>
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<p>The Trustee shall ensure that the investment policy as set out above, is adhered to, providing that nothing contained in the investment policy shall preclude the Manager from varying the ratio of the aforementioned securities <u>relative to each other (except as required by the Act) or the securities themselves</u>, should changing economic factors or market conditions so demand <u>or to meet the requirements, if applicable.</u></p>	<p>applicable legislation as may be determined for retirement funds.</p> <p>For the purposes of the Ashburton Multi Manager Income 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 Income Fund, the Manager shall reserve the right to close the portfolio to new investors. This will be done 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. <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></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>
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<p><u>of any exchange formally recognized in terms of legislation.</u> Nothing contained in this investment policy shall preclude the Manager from retaining cash in the portfolio and/or placing cash on deposit in terms of the deed.</p> <p>For the purpose of this portfolio, the Manager shall reserve the right to close the portfolio <u>of</u> new investors on a date determined by the Manager. This will be done in order to be able to manage the fund 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 this supplemental deed is carried out.</p>		
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Portfolio Benchmark CPI over 2-year rolling periods	Portfolio Benchmark 110% of the STeFI 3-month deposit rate	Portfolio Benchmark CPI+1% over rolling 1-2-year periods
Service charges Class A: 0.75%, Class B1: 0.50%, Class B3: 0.50%	Service charges Class B1: 0.75%, Class A1: 0.95%, Class L: 0.50% Class Z: 0.00% (internal use only)	Service charges Class B1: 0.75%, Class L: 0.40% Class Z: 0.00% (internal use only)
Performance Fees None	Performance Fees None	Performance Fees None
Distribution declaration dates 30 June/31 December	Distribution declaration dates 31 March/30 June/30 September/31 December	Distribution declaration dates 31 March/30 June/30 September/31 December
ASISA Category SA Multi Asset Income	ASISA Category SA Multi Asset Income	ASISA Category SA Multi Asset Income
Trustee Standard Bank of South Africa Limited	Trustee Standard Bank of South Africa Limited	Trustee Standard Chartered Bank Limited

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Impact of changes to the investment policy:

The Ashburton Multi Manager Income and Ashburton Stable funds had been managed in a similar manner. We have over the past few years managed the portfolio to mirror Ashburton Multi-Manager Income Fund as far as practically possible due to the Ashburton Stable Fund constraints/inefficiencies in size being below R50 Million for a long time. The Ashburton Stable Fund invest in the Ashburton Multi-Manager Income Fund up to the maximum as allowed by Cisca of 20% in a zero-fee class. There is thus no change in the expected levels of income and risk that clients will experience before and after the merger.

Change in benchmark

The benchmark of the FNB Multi Manager Income fund is CPI+1% measured over rolling 1-2-year periods. It is slightly higher than the current benchmark of the Ashburton Stable Fund, and in the current economic conditions with SA inflation coming down, a slightly lower benchmark than 110% of STeFI. Over a full economic cycle, cash is expected to outperform local CPI by a small margin. However, the change in benchmark will not result in a change in how the fund is managed. We foresee that having an outcomes-based benchmark of beating inflation is, however, better aligned with the intended client's investment and advice philosophy.

Change in service charges

The service charges will remain the same for investors in the Ashburton Multi Manager Income Fund, except for investors in A1 that will be switching into B1, a lower fee class. The clients in the Ashburton Stable Fund will be switched to similar fee classes. The L fee class reduced by 10 basis points.

Change to distribution periods

The distribution periods of the FNB Multi Manager Income fund remains the same as that of the Ashburton Multi Manager Income fund, both distributing quarterly. However, the Ashburton Stable Fund distributed 6-monthly; in the new portfolio distributions are made quarterly i.e. more frequently.

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 the Ashburton Stable Fund and the Ashburton Multi Manager Income Fund established under the Ashburton Collective Investment Scheme with the FNB Multi Manager Income 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 Portfolios	Destination Portfolio	Accept	Reject
1	Ashburton Stable Fund	FNB Multi Manager Income Fund		
2	Ashburton Multi Manager Income Fund			

SIGNED AT _____ on this day of _____ 2021

(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, to reach them by no later than midnight on **30 March 2021**.