

12 December 2018

Dear Investor**THIS LETTER IS IMPORTANT AND REQUIRES YOUR ATTENTION****Proposed changes to the investment policy of the Sanlam Investment Management (“SIM”) Bond Plus Fund.**

The purpose of this letter is to inform you of the proposed changes to the investment policy of the **SIM Bond Plus Fund** and to provide you with sufficient information in order to vote on this proposal.

Background:

The SIM Bond Plus Fund was approved by the FSB in June 1995 and launched on 1 August 1996. The investment objective of the portfolio states “In selecting securities for the portfolio, the manager will follow an investment policy which seeks to secure for investors an optimum overall yield comprising both capital growth and income. In order to achieve these objectives the securities to be acquired will comprise in the main, a mix of gilts, semi-gilts, loan stock, financially sound debentures, debenture bonds, notes and asset in liquid form, all to be acquired at fair market prices”.

To ensure that the portfolio adheres to its dual investment objectives of “income and capital growth”, the investment manager would like to make use of financial instruments (derivatives) to pursue credit and duration strategies simultaneously. These financial instruments are widely used by investment managers in South Africa and globally because it is a fast, cost effective and efficient way of helping limit the downside when markets fall. They are strictly regulated by the Collective Investments Schemes Control Act (CISCA) which allows unit trust managers to use them solely for efficient portfolio management and protection for the investor.

Derivatives will not be used to gear the portfolio, i.e the investor will never be in a situation where they are forced to invest more capital. However they do introduce other risks such as liquidity, counterparty and basis.

Sanlam Collective Investments

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The latter risk is when the market movement of the underlying assets of the derivative and the security being hedged are not perfectly matched.

The current investment policy as well as the proposed changes are illustrated in Annexure A

Action required:

1. Please read this circular on the proposed change to the portfolio, your rights as an investor and the impact this will have on your investment.
2. Please complete the enclosed ballot form and return it in the self-addressed envelope to our external auditors, Ernst & Young, to reach them on or before **31 January 2019**. Alternatively you may email the ballot form to the auditors at SCI.Ballot18@za.ey.com.
3. Please do not include any other instructions regarding your holdings with your ballot form – e.g. requests for purchases, switching instructions, etc. Your ballot form will go directly to our auditors and, should such instructions be sent to the auditors, we cannot guarantee that any instruction subsequent to the commencement of the ballot process will be effected.

If you are no longer invested in this fund, no action is required.

The effect on you as investor

The only proposed change to this fund is the inclusion of financial instruments in the investment policy. Once approved, the investment manager will be able to use these instruments for efficient portfolio management. The effect on you as investor is therefore that you will be investing in a fund with a wider investment mandate whereby risk is effectively managed.

Effective date of change

The effective date of the proposed changes in the investment policy of the portfolio will be **1 March 2019** provided that the necessary consent is obtained from investors.

Your rights as an investor

The rights of investors are firmly entrenched in the Act. In terms of section 98 of CISCA and Clause 67 of the Deed, at least 25% in value of investors must respond to the ballot of which the majority of the 25% (i.e. more than 50%) must consent to the change. Furthermore the Registrar of Collective Investments requires that:

1. All investors be notified in writing of any proposed material changes to the collective investment schemes and portfolios in which they hold a participatory interest, and
2. All investors are given the opportunity to vote in favour of, or against, the proposed changes.
3. An independent auditor will verify the outcome of the ballot.

Should you not be satisfied with the proposal, you may at any time elect to switch your investments to one or more of the other collective investment portfolios in the Sanlam suite of funds, at no switching costs, provided we receive your switching instruction before 28 February 2019. Should you choose to take this action, you may be liable for capital gains tax, as this would be considered a transaction in the normal course of business.

Should you not be comfortable with the proposed change in investment policy, and do not wish to switch your investments to any of the Sanlam Collective Investment Scheme Portfolios, you may elect to redeem your units at any time and withdraw your funds at the NAV price, as defined in the Deed. Please note that by electing to redeem your units, your action may constitute a capital gains tax (CGT) event and you might be liable to pay CGT at your next income tax assessment.

If you choose not to switch or sell your funds prior to the effective date of the change of investment policy as set out in this letter (if approved by investors), the amended investment policy will automatically apply to your investment.

Should you require further information on the proposed change or should you wish to exercise your right to switch or sell any of your investments, please contact your financial advisor or Sanlam Collective Investments' Client Contact Centre on 0860 100 266. You could also email to service@sanlaminvestments.com

Yours faithfully

A handwritten signature in cursive script, appearing to read "Nelize Jacobs".

NELIZE JACOBS
CHIEF OPERATING OFFICER

The current investment objective and policy is as follows:	The <u>proposed</u> investment objective and policy is as follows:
<p><i>In selecting securities for the portfolio, the Manager will follow an investment policy which seeks to secure for investors an optimum overall yield comprising both capital growth and income. In order to achieve these objectives the securities to be acquired for the Sanlam Investment Management Bond Plus Fund will comprise in the main, a mix of Gilts, Semi-Gilts, Loan Stock, financial sound Debentures, Debenture bonds, notes and assets in liquid form, all to be acquired at fair market prices.</i></p> <p><i>Nothing in this clause contain shall preclude the Manager from varying the ratio of fixed interest securities and assets in liquid form in terms of changing economic factors, legislation or other market conditions and from retaining cash or placing cash on deposit in terms of this Deed; provided that the Manager shall ensure that the aggregate value of the assets comprising the portfolio include fixed interest securities and/or assets in liquid form of the aggregate value required from time to time by the Act.</i></p> <p><i>The fund will be permitted to invest in participatory interests of other collective investments as allowed by the Act from time to time.</i></p> <p><i>Apart from the above securities, the Sanlam Investment Management Bond Plus Fund may also invest in participatory interests in collective investment schemes registered in South Africa or of participatory interests in collective investment schemes or similar schemes operated in territories with a regulatory environment which is to the satisfaction of the manager and trustee of a sufficient standard to provide for investor protection at least equivalent to that in South Africa.</i></p> <p><i>The Trustee shall ensure that the investment policy set out in the preceding sub-clauses is carried out; provided that nothing in this Supplemental Deed and in the Deed contained, shall preclude the Manager from purchasing fixed interest securities and assets in liquid form an from retaining cash in the portfolio and/or placing cash op deposit in terms of the Deed.</i></p>	<p><i>The portfolio aims to offer both income and capital growth through a well-diversified bond portfolio.</i></p> <p><i>The portfolio will invest in a combination of fixed interest securities, including national government, parastatals, municipal and corporate bonds.</i></p> <p><i>The Manager may from time to time invest in listed and unlisted financial instruments in accordance with the provisions of the Act, and the Regulations thereto, as amended from time to time, in order to achieve the portfolio's investment objective.</i></p> <p><i>Nothing in this clause contain shall preclude the Manager from varying the ratio of fixed interest securities and assets in liquid form in terms of changing economic factors, legislation or other market conditions and from retaining cash or placing cash on deposit in terms of this Deed; provided that the Manager shall ensure that the aggregate value of the assets comprising the portfolio include fixed interest securities and/or assets in liquid form of the aggregate value required from time to time by the Act.</i></p> <p><i>Apart from the above securities, the Sanlam Investment Management Bond Plus Fund may also invest in participatory interests in collective investment schemes registered in South Africa or of participatory interests in collective investment schemes or similar schemes operated in territories with a regulatory environment which is to the satisfaction of the manager and trustee of a sufficient standard to provide for investor protection at least equivalent to that in South Africa.</i></p> <p><i>The Trustee shall ensure that the investment policy set out in the preceding sub-clauses is carried out; provided that nothing in this Supplemental Deed and in the Deed contained, shall preclude the Manager from purchasing fixed interest securities and assets in liquid form an from retaining cash in the portfolio and/or placing cash op deposit in terms of the Deed.</i></p>

The investment policy will remain unchanged except for the inclusion of the third paragraph which allows for the inclusion of derivatives. The rest of the wording in the deed (see section underlined above) has been updated and aligned with terminology currently being used in the industry. These changes are not affecting the way the portfolio is being managed.

SANLAM COLLECTIVE INVESTMENTS BALLOT FORM

I, the undersigned,

(full names*)

(investor code)

(identity number / date of birth)

Name of Linked Investment Services Provider (if applicable) and account number(s)

hereby

A)	ACCEPT	
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OR

B)	REJECT	
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(Please tick the applicable box)

the proposed changes in the investment policy of SIM Bond Plus in terms of Section 98 of the Collective Schemes Control Act, 2002 (Act No. 45 of 2002), and Clause 67 of the Deed as set out in the letter of 14 December 2018 from Sanlam Collective Investments (RF) (Pty) Ltd.

SIGNED AT _____ ON THE _____ DAY OF _____ 2018.

Signature *(please sign in full)*

Capacity if signing on behalf of a third party

* If you are signing in a representative capacity, please insert your own name, the name of the investor / trust / deceased estate / company / close corporation / retirement annuity fund / pension fund / preservation fund on whose behalf you are signing, and your designation