

7 December 2018

Dear Investor

BALLOT LETTER

AMENDMENT TO THE INVESTMENT POLICY OF THE CALEO BCI WORLDWIDE OPPORTUNITIES FUND OF FUNDS

THIS LETTER IS IMPORTANT AND REQUIRES YOUR ATTENTION

Caleo Capital (Pty) Limited (FSP # 44125) ("Caleo"), in its capacity as an approved discretionary Financial Services Provider and manages the **Caleo BCI Worldwide Opportunities Fund of Funds** (the portfolio"), amongst others.

Currently the portfolio invests across asset classes and countries by way of a multi asset worldwide flexible mandate. Recently Caleo consulted some of the larger investors in the portfolio and requested that we ballot investors to obtain their approval to implement some significant changes to the portfolio, the most important being the conversion from a Worldwide Multi Asset Flexible investment mandate to a SA Multi Asset Medium Equity mandate. This will have the following impact on investors:

- Maximum offshore exposure reduces from 100% to 30%, which means that during periods of Rand weakness the portfolio will perform worse than currently (during periods of Rand strength no impact as both the current and the proposed mandates allows investment manager to reduce the portfolio's offshore exposure to 0%);
- Maximum equity exposure reduces from 100% to 60%, which means that during strong equity market rally periods the portfolio will perform worse than currently (during periods of poor equity market conditions no impact as both the current and the proposed mandates allows investment manager to reduce the portfolio's equity exposure to 0%);
- However, if successful, it will have the following potential benefits to investors:



- The proposed mandate will be compliant with prudential investment guidelines, thereby allow investors to allocate up to 100% of their retirement savings to this portfolio (currently max 30% due to prudential offshore exposure limits)
- The portfolio's risk profile will change from moderate/aggressive to moderate and therefore investors can expect much less volatility in future. To facilitate this, the portfolio's benchmark will decline by 2% p.a., being from CPI for all urban areas plus 4% p.a. to CPI for all urban areas plus 4% p.a.

In the event of a successful ballot, the following additional changes will be implemented:

- Name will change to **Caleo BCI Moderate Fund of Funds**;
- The portfolio's service charge will change to 15% excess performance above bench mark, calculated over 1 year rolling period, capped at a maximum of 1% p.a. (the change being the cap being reduced from 2% to 1% p.a.)
- The portfolio will be reclassified by ASISA from WW Multi Asset Flexible to SA Multi Asset Medium Equity.

Action required

Kindly study this document, complete the attached form and return to our auditors by no later than 1 February 2019.

1. Please complete the enclosed ballot form and return it in the enclosed self-addressed envelope or via email to ***bciballot@kpmg.co.za***.
2. If you have disposed of your participatory interests, no action is required.

Please do not include any other instructions regarding your holdings with your ballot form, for example 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 affected.

In terms of the Deed established in terms of the Collective Investment Schemes Control Act, 45 of 2002, the ballot will be successful if the majority of investors in value who respond, excluding the Manager, vote in favour of the amendment to the investment policy. A minimum response rate of 25% is required, otherwise the ballot will fail, and the status quo will remain.



Your rights as an investor

1. All investors in the portfolios are given an opportunity to vote in favour of, or against the proposed amendment in the investment policy in terms of clause 67 of the Deed.
2. An independent auditor, KPMG, will verify the outcome of the ballot.
3. Should you not be comfortable with the proposal that relates to the portfolio in which you hold participatory interests, you may switch your investments to any of the BCI Collective Investment Scheme portfolios, at no switching cost, provided that we receive your switching instructions before the effective date. Or should you **not** be comfortable with the proposal and do not wish to switch your investments to any of the BCI Collective Investment Scheme portfolios, you may elect to redeem your participatory interests at any time and withdraw your funds at the NAV price, as defined in the Deed. **Please note that by electing to redeem or switch your participatory interests, it will constitute a capital gains tax (CGT) event for which you will be liable to pay CGT at your next income tax assessment.**
4. **If you choose not to switch or withdraw your investments prior to the effective date, the proposals as set out in this letter (to the extent that they are approved by investors) will automatically apply to your investment.**

Effective date

The effective date of the proposed change in the investment policy shall be 1 March 2019, provided that the necessary consent is obtained from investors and the Financial Sector Conduct Authority.

For more information

If you are in any doubt as to what action to take, please call BCI at 021 007 1500 or Clayton Stewart at Caleo at 011 483 1182 or contact your financial advisor.

Attachments

Annexure A: Comparison between current and proposed portfolio details

Annexure B: Ballot form

Yours faithfully

Gregory Abrahams



Annexure A: (change underlined, impact explained in the main body of the letter above)

Caleo BCI Worldwide Opportunities Fund of Funds Current	Caleo BCI Moderate Fund of Funds Proposed	Impact
<p>Investment policy The investment objective of the portfolio is <u>to maximise long term total returns by identifying and investing in local and global investment opportunities with a “value bias”.</u></p> <p>Investments to be included in the portfolio will, apart from assets in liquid form, consist of participatory interests in portfolios of collective investment schemes investing in equity securities, property shares, property related securities, non-equity securities, bonds, preference shares, interest bearing securities and money markets instruments. The underlying portfolios of collective investment schemes will be registered in South Africa or other 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 investor protection at least equivalent to that in South Africa and which is consistent with the portfolio’s primary objective.</p> <p>To the extent that the assets in the portfolio are exposed to exchange rate risk, the manager may enter into financial transactions for the exclusive purpose of hedging such exchange rate risk subject to the conditions and limits as stipulated by the Act.</p> <p><u>The portfolio’s underlying holdings will never replicate any other of the Manager’s portfolios’ underlying holdings.</u></p> <p><u>The manager shall have the maximum flexibility to vary assets between the various markets, asset classes and countries to reflect the changing economic and market conditions.</u></p>	<p>Investment policy The portfolio’s <u>aims to deliver a moderate long-term total return. The portfolio will have investment instrument exposure across multiple asset classes in order to ensure portfolio diversification and therefor risk reduction. The portfolio will be managed in compliance with prudential investment guidelines for retirement funds in South Africa to the extent allowed for by the Act. On a look through basis, the portfolio’s equity exposure will range between 0% and 60% of the its asset value.</u></p> <p>Investments to be included in the portfolio will, apart from assets in liquid form, consists of participatory interests and other forms of participation of local and global collective investment schemes, or other 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 investor protection at least equivalent to that in South Africa and which is consistent with the portfolio’s primary objective, investing in amongst others equity securities, property securities, non-equity securities, money market instruments, preference shares, listed and unlisted financial instruments, bonds and other interest bearing instruments and securities.</p> <p>To the extent that the assets in the portfolio are exposed to exchange rate risk, the manager may enter into financial transactions for the exclusive purpose of hedging such exchange rate risk subject to the conditions and limits as stipulated by the Act.</p>	<p>The impact is explained in the main body of the letter above. The crux is that the proposed portfolio mandate’s risk profile will be lower and its maximum investment limits much more restricted, especially the maximum offshore exposure will reduce from 100% to 30% and the equity exposure from 100% to 60%. This should result in lower but less volatile long-term returns.</p> <p>No impact</p> <p>Impact explained above</p>



<p>The Trustee shall ensure that the investment policy set out in this Supplemental Deed is carried out.</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 this Supplemental Deed is carried out.</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>Portfolio Benchmark CPI for all urban areas plus 6% p.a., calculated over a rolling 1 year period</p>	<p>Portfolio Benchmark CPI for all urban areas plus 4% p.a., calculated over a rolling 1 year period</p>	<p>The at benchmark return will be 2% p.a. lower than currently</p>
<p>Service charges Class A and C: 1.15%</p> <p>Performance Fees 15% excess performance above benchmark, calculated over 1 year rolling period, capped at a maximum of 2% p.a.</p>	<p>Service charges Class A and C: 1.15%</p> <p>Performance Fees 15% excess performance above benchmark, calculated over 1 year rolling period, capped at a maximum of 1% p.a.</p>	<p>The maximum potential performance fee will be 1% p.a. lower, thus potentially a 1% saving during bull market conditions.</p>
<p>Distribution declaration dates 28 February, 31 August</p>	<p>Distribution declaration dates 28 February, 31 August</p>	
<p>ASISA Category Worldwide Multi Asset Flexible</p>	<p>ASISA Category SA Multi Asset Medium Equity</p>	<p>Impact explained above, the investment policy change will result in a ASISA category change</p>





Annexure B: Ballot form: Proposed Caleo BCI Worldwide Opportunities Fund of Funds investment policy amendment

I, the undersigned,
(please print full names*)

account number.....

date of birth/registration number

Linked Services Product company name, if any:

Fund name:

do hereby vote to accept/reject the proposed amendment as set out in annexure A to the ballot letter (please mark with a "X" .:

	ACCEPT	REJECT
Amending the Caleo BCI Worldwide Opportunities Fund of Funds investment policy as set out above		

SIGNED AT _____ on this day of _____ 201__

(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 bciballot@kpmg.co.za, to reach them by no later than midnight on 1 February 2019.