

STANLIB Fund amalgamation 2019: Investor FAQ

Q1: Which funds are affected?

- STANLIB Inflation Plus 5% Fund
- STANLIB Prudential Bond Fund
- STANLIB Aggressive Income Fund
- STANLIB Quants Fund

Q2: What will happen to these funds?

STANLIB is proposing to amalgamate these funds with similar funds to simplify its range, remove duplication and create efficiencies in investment management and trading costs. The rationale for each amalgamation is provided in the table below:

	Proposed fund to be amalgamated	Destination fund	Rationale
1	STANLIB Inflation Plus 5% Fund	STANLIB Absolute Plus Fund	STANLIB Inflation Plus 5% and STANLIB Absolute Plus funds have the same objective: to achieve high capital and income growth. To remove duplication and simplify investment management, the STANLIB Inflation Plus 5% Fund will be amalgamated with the flagship, STANLIB Absolute Plus Fund.
2	STANLIB Prudential Bond Fund	STANLIB Bond Fund	STANLIB Prudential Bond Fund and STANLIB Bond Fund have the same objective: to achieve capital growth and income generation through investing in fixed interest securities. The Prudential Bond Fund will be amalgamated with the STANLIB Bond Fund. Both comply with Regulation 28.
3	STANLIB Aggressive Income Fund	STANLIB Flexible Income Fund	STANLIB Aggressive Income Fund and STANLIB Flexible Income Fund share the same investment universe (non-equity and property) and a similar objective (to generate a high level of income). The main difference in mandate is their allocation to listed property (25% for Flexible Income vs 33% for Aggressive Income). To remove duplication and simplify investment management, the STANLIB Aggressive Income Fund will be amalgamated with the STANLIB Flexible Income Fund.
4	STANLIB Quants Fund	STANLIB High Equity Balanced Passive FoF	STANLIB Quants Fund and STANLIB High Equity Balanced Passive Fund of Funds share the same universe. To remove duplication and simplify investment management, the STANLIB Quants Fund will be amalgamated with the STANLIB High Equity Balanced Passive FoF.

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Q3: STANLIB amended and amalgamated funds two years ago. Why is this being done again?

STANLIB continually reviews and simplifies its range to ensure it is relevant to our clients in a changing landscape and allows us to fulfil investor expectations.

Q4: What are the benefits of rationalising or amalgamating funds?

STANLIB has been managing funds since 1999 and before that as part of Liberty / Standard Bank. Over time many funds were created to meet investor needs as the investment landscape has matured and shifted. To simplify and focus our offering for clients and advisers, STANLIB has reviewed its fund range and decided to amalgamate four funds.

For financial advisers this means:

- Less duplication of STANLIB's offering for clients, making it easier to sell.
- Less sales material.
- Better service due to a simpler offering and focused approach.
- Improving STANLIB's management focus on the remaining funds.

For clients this means:

- A cleaner and simpler offering.
- Less administration, enabling better service.
- More focused fund management and potential enabling better performance.
- Lower fixed costs per fund.

Q5: What are clients invested in the amalgamating funds required to do?

Investors in these funds are required to vote for or against the fund change. Ballot letters will be emailed to investors (or posted if no email address is available) on 22 January 2019. Investors will have 30 days to return the ballot form or submit their vote electronically. Completed ballot forms must be emailed directly to the auditors at ballots@sng.gt.com. The option of electronic voting will be explained in the ballot letters.

We can only make changes to our funds if over 50% of unit holders approve the proposals. Investors who do not return the completed amalgamation ballot form within the stipulated time will be deemed to have voted in favour of the proposed amalgamation. Your ballot pack has a voting form on which you may vote for or against the proposed changes.

Q6: How will investors know whether they will be balloted?

All investors on record as at 14 January 2019 will be balloted. The proposed amalgamation of funds will be executed from 10 May, provided the necessary approval is received from investors and the Registrar of Collective Investment Schemes (the "Registrar").

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Q7: When is the amalgamation happening?

SA's unit trust industry is regulated by the Collective Investment Schemes Act 2002. Any change in unit trust funds requires the approval of the Financial Sector Conduct Authority (FSCA). Below is a summary of the amalgamation process.

Date	Activity
28 Nov 2018	STANLIB has received approval from the FSCA to proceed with the proposed amalgamation and ballot the investors.
Early Dec	Financial advisers and investors affected by the proposed change will be notified of the proposal via email.
22 Jan to 6 Mar 2019	Investors or unit holders in the funds proposed for amalgamation will be balloted from 22 January and have 30 days to vote. Ballot closes 6 March 2019
March 2019	Audit of votes by independent auditor.
April 2019	Financial advisers and investors will be notified of the results of the ballot.
3 May 2019	Restrictions on transacting (new investments, additional investments, switches and withdrawals) STANLIB will not be able to act upon any portfolio instructions between 3 May 2019 and 10 May 2019. This is to ensure that accurate, complete and up-to-date data is used for the amalgamation.
From 10 May	Assuming the amalgamation is approved, implementation will take place.

Q8: Will the fund amalgamation have any cost of fee implications for investors?

There are no cost implications for investors.

Q9: Will there be any tax implications for investors as a result of the amalgamation?

There will be no Capital Gains Tax (CGT) implications for the proposed amalgamations. However, if you elect to sell or switch any or all of your participatory interests in the proposed funds before 3 May, this transaction will be viewed as a normal transaction and CGT may apply. The usual tax on interest that is applicable to each investor will not change.

Q10: Will the value of an investor's holding be affected by this amalgamation?

There will be no effect on the value of an investor's holding as a result of the proposed amalgamations. For example, if you have R1 000 worth of unit trusts in your current portfolio before the proposed changes, you will hold the same value (R1 000) afterwards.

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Q11: Will the distribution date of the funds being amalgamated change?

Some funds make distributions once a year, some twice a year and others four times a year. The table below shows the distribution dates of the funds proposed for amalgamation and the destination funds. Refer to Q 12 for information about special dividends.

Fund proposed for amalgamation	Distribution date	Destination fund	Distribution date
STANLIB Inflation Plus 5% Fund	30 June, 31 December	STANLIB Absolute Plus Fund	30 June, 31 December
STANLIB Prudential Bond Fund	30 June, 31 December	STANLIB Bond Fund	31 March, 30 June, 30 September, 31 December
STANLIB Aggressive Income Fund	31 March, 30 June, 30 September, 31 December	STANLIB Flexible Income Fund	31 March, 30 June, 30 September, 31 December
STANLIB Quants Fund	31 December	STANLIB High Equity Balanced Passive FoF	31 March, 30 June, 30 September, 31 December

Q12: What is a special dividend?

As the income distribution dates of portfolios do not always coincide, a special dividend will be paid on the implementation date (proposed for 10 May). The special dividend will be calculated separately for each portfolio and paid to investors before the proposed amalgamations.

Q13: Will investors' Dividend Withholding Tax change?

The proposed amalgamation will result in the following:

- A special dividend will be paid on the date of the proposed amalgamation to all existing investors to reflect income earned in their portfolios between the last income distribution date and the date of the proposed amalgamation. STANLIB will withhold the necessary dividends tax.
- Once the proposed fund is amalgamated with the destination fund, it will be closed. If investors are eligible for a tax refund, it should be claimed directly from the South African Revenue Services.

Q14: What are investors' rights on this rationalisation?

In terms of Section 99 of the Collective Investment Schemes Control Act 45 of 2002, the Financial Sector Conduct Authority requires all investors in the funds proposed for amalgamation under the STANLIB Collective Investment Scheme to be notified in writing of any proposed changes to the portfolios in which they hold a participatory interest. All affected investors are balloted so they can vote on the proposed amalgamation. Investors who do not return the completed amalgamation ballot form within the stipulated time will be deemed to have voted in favour of the proposal.

Please note that in terms of the Act, the Financial Sector Conduct Authority will not consent unless it is, inter alia, satisfied that the proposed amalgamation will not be detrimental to any investor. The trustees of the scheme, Standard Chartered Bank, have considered and consented to the proposals.

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Q15: What happens to those investors who do not agree with the proposed amalgamation?

Investors may vote against the amalgamation, or they may switch to another portfolio, or withdraw their funds before 3 May 2018. This will be viewed as a normal transaction and, where applicable, Capital Gains Tax will apply.

If investors choose not to withdraw their funds before 3 May 2019, the proposed amalgamation will automatically apply to their investment, provided the majority of investors have consented to this in the ballot process.

Q16: Should investors in STANLIB's preservation / pension / retirement annuity or living annuity products (all LISP products except the Classic Investment Plan and STANLIB Linked Investments Tax Free Savings Plan) vote or receive the ballot packs?

The trustees of the STANLIB Classic Preservation/Pension Plans and Classic Retirement Annuity Fund are responsible for voting on behalf of investors. Investors will not be balloted directly so do not need to take any action. The Trustees always consider the best interests of the members when voting.

Liberty is the owner of any unit trust funds that may be referenced in your Classic Linked Life Annuity policy, and as such will participate in a ballot vote for any proposed changes to a unit trust portfolio in your account. Investors will not be balloted directly so do not need to take any action. STANLIB will publish the results of the various ballots on its website. Once a ballot has been approved, a change will take place for your affected investment portfolio(s). These details will appear on your quarterly investment statement.

Q17: If an investor receives multiple emails, are these duplicates?

No, they are not duplicates. If you have received multiple emails it means you have multiple investments affected by the amalgamation.

Q18: How does e-balloting work?

- Investors with a verified email address will receive an Electronic ballot pack via email with a ballot document in pdf format attached.
- For security purposes, investors will be required to input their ID number (linked to their investment) to open the pdf document.
- The PDF document includes an "Online button". An investor may click on this button to submit their vote electronically.
- An acknowledgement email will be sent to the investor once the vote has been submitted.
- The system will warn and block the investor if he / she tries to submit a vote that has already been submitted.