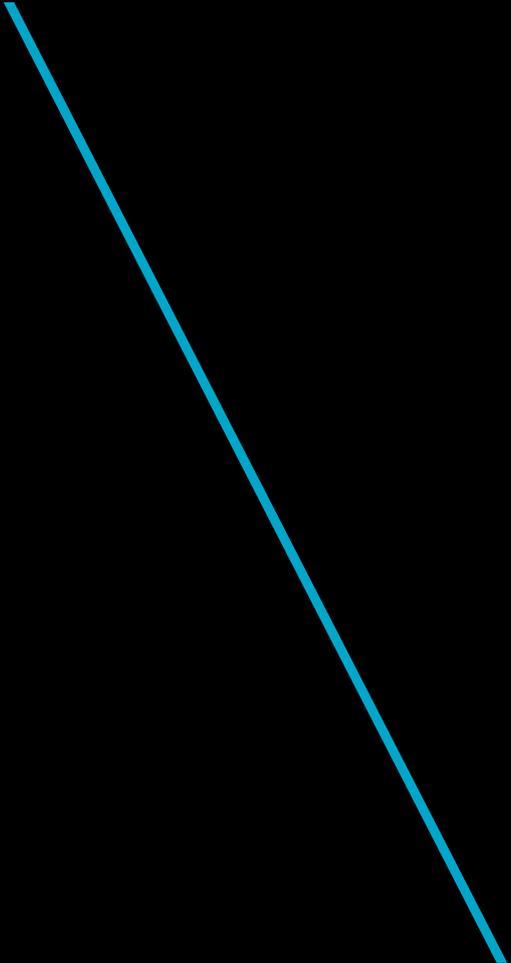
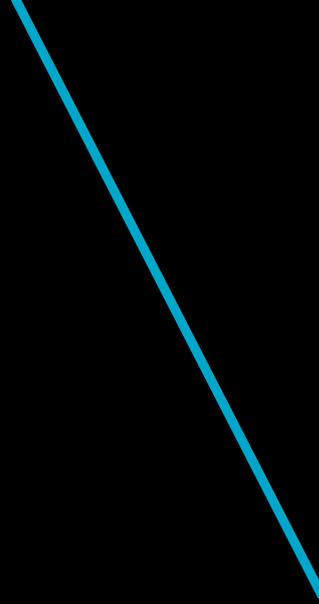




STANLIB
Fund Optimisation



STANLIB



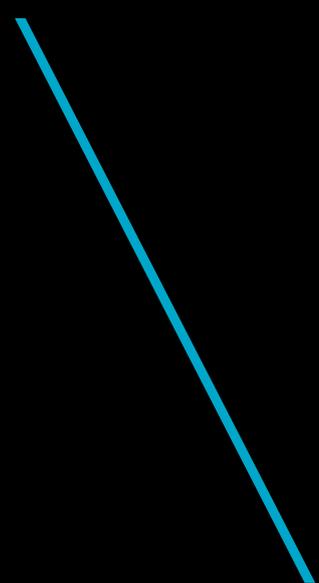
STANLIB is a multi-specialist investment company in Africa. We have a physical presence in nine African countries and business partners in North America, the United Kingdom, Europe, the Middle East and Asia.

We manage and administer over R593 billion (USD 45.4 billion) in assets, as at 30 June 2017.

Part of STANLIB's strategy is to build an operating model that is customer-friendly, scalable, efficient and adaptable.

Optimising our fund range will make us more efficient and better able to meet our customers' needs.

A review of STANLIB'S funds, which started in February 2016, identified 15 funds that will be merged into 8 STANLIB mainstream funds.



STANLIB

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Reason for the proposals

Fund optimisation in the unit trust industry is a natural consequence of the proliferation of funds and product providers during better economic times, which are driven by investors' needs at that time. Investor activities in STANLIB's unit trust funds over the last five years signal different trends in the marketplace.

Investors' needs have changed from style-based (such as a capital growth objective) and sector-based funds (such as mining, resources, industrial and financial) to general equity funds. This largely attributed to market expectations that fund managers have the necessary skill and expertise to decide on behalf of their clients which style or sector to invest or disinvest in.

Investor activity also shows the majority of investors prefer investing in the US dollar compared to the euro. We have therefore taken the view that the full range of funds for global currencies will only be offered on foreign-denominated funds and are proposing that the STANLIB Euro Currency Fund of Funds merge with the STANLIB US Dollar Currency Fund of Funds.

The review of our offerings has also prompted our fund managers to suggest that some funds, which have similar objectives and investment philosophies, amalgamate with similar portfolios, giving investors more focused options and economies of scale benefits such as fixed trading costs over a larger investor base. Specific care has been taken to ensure that the choice of funds to be merged will not affect the investor's risk exposure and opportunity for growth.

Process

The unit trust industry in South Africa is regulated by The Collective Investment Schemes Act 2002.

In order for any optimisation of unit trust funds to take place, the approval of the Financial Services Board is required. This is to ensure investors are protected and will not be negatively affected in any way.

The process involved to get approval from the Financial Services Board will take a few months and includes the following:

Steps to be followed	Estimated timeline	More information
1 The Financial Services Board has approved the proposed changes, along with the ballot packs. These ballot packs will be sent to unit holders so they can vote on the proposed changes.	Approval from the Financial Services Board is expected to be received by 10 November 2017.	
2 When approval is received from the Financial Services Board, the ballot packs will be sent to unit holders' invested in the affected funds.	This is anticipated to take place around 02 January 2018.	
3 Unit holders vote according to the instructions set out in the ballot packs and return their vote to ballots@sng.za.com or post to SizweNtsalubaGobod in the return envelope.	All ballots must be received by 12 February 2018.	The outcome of the voting will determine the next steps. Stakeholders will be advised of the outcome of the ballots.
4 If unit holders approve the changes, the source fund will be closed and unit holders' investments transferred to the target fund.	It is anticipated that this will be finalised by 23 March 2018 and stakeholders will receive the necessary communication.	
5 Should the result not be in favour of the optimisation, the fund in question will remain as is.	Stakeholders will be informed within Q2 2018	

Affected funds

The following funds are affected. They are set out in the four major categories: equities, multi-asset, property and cash. Below are the funds we are proposing to merge, the fund into which they will be merged and the reasons for the proposed changes. We took into account customers' needs, changing trends, aim to reduce costs and the need to remove duplication.

Equities

Funds to be amalgamated	Target fund	Rationale
STANLIB Capital Growth Fund STANLIB Resources Fund STANLIB Financials Fund STANLIB Industrial Fund	STANLIB SA Equity Fund	Investors have moved away from style- and sector-based funds to general equity funds. Investors believe fund managers have the insight and skills to make investment decisions for them.
STANLIB Value Fund	STANLIB Equity Fund	As above.
STANLIB Shari'ah Equity Fund	STANLIB Multi-Manager Shari'ah Equity Balanced FoF	The management of a Shari'ah Fund requires the appointment of a Shari'ah Investment Board. It is more efficient to participate in the Shari'ah offering through a multi-managed solution as an underlying manager.

Multi-Asset

Funds to be amalgamated	Target fund	Rationale
STANLIB Aggressive Fund of Funds	STANLIB Balanced Fund	Both funds invest in similar instruments and have the same objectives as well as the same risk exposure. The only key difference is the frequencies of the income distributions.
STANLIB Moderate FoF STANLIB Inflation +3% STANLIB Moderately Aggressive FoF STANLIB Balanced Trustees FoF	STANLIB Absolute Plus Fund	Both funds invest in similar instruments and have the same objective. It is efficient to remove the duplication and simplify the offering for all stakeholders.
STANLIB Moderately Conservative FoF STANLIB Conservative FoF	STANLIB Balanced Cautious Fund	These funds have similar investment objectives and risk profiles. Amalgamating them with the Balanced Cautious Fund will result in all stakeholders benefitting from the economies of scale.

Property and Cash

Funds to be amalgamated	Target fund	Rationale
STANLIB Institutional Property Fund	STANLIB Property Income Fund	Both funds invest in similar instruments and have similar objectives as well as the same risk exposure. This merger will remove duplication and promote efficiency.
STANLIB Euro Currency FoF	STANLIB USD Currency Fund of Funds	The majority of investors prefer investing in the US dollar. STANLIB offers a full range of funds for global currencies as part of our foreign-denominated range of funds.

Benefits

Investors

The benefits for our clients include the following:

- Cleaner and simpler investment offering.
- Less administration will result in better customer service.
- Fund managers will have the opportunity to spend more time on managing and monitoring the performance of the remaining funds.
- Lower fixed costs per fund and lower Total Expense Ratio (TER) which improves the performance of the fund.
- Because optimisation will result in shared fixed trading costs that are spread over a larger investor base, all investors in the affected funds will derive more value from the amalgamated portfolio.

Financial advisers

Financial advisers play an important role in assisting our clients to find suitable investments. The optimisation will assist by removing duplication of funds that have similar objectives and investment approaches. This will result in:

- A simplified fund offering.
- Create economies of scale by enabling the sharing of fixed trading costs over a larger investor base.
- Better service from STANLIB.
- Streamlined operations.
- A more focused approach on the performance of remaining funds.

Investors' rights

All investors in the affected funds at 10 November 2017 will be balloted. The proposed amalgamation of portfolios will be executed starting on 23 March 2018, if the necessary approval is received from investors and the Registrar of Collective Investment Schemes (the "Registrar").

Investors' rights are protected by Section 99 of the Collective Investment Schemes Control Act 45 of 2002 ("the Act") and Clause 67 of the deed of the Scheme. STANLIB may only amalgamate the portfolios if the consent of investors holding a majority in value has been obtained as prescribed in terms of Clause 67 of the deed of the Scheme. Investors holding no less than 25% in value of the total number of participatory interests then issued in the portfolios, must respond in writing.

The amalgamation must be consented to by investors holding a majority in value of the participatory interests held by the investors who have responded. If investors holding less than 25% in value of the total number of participatory interests then issued have responded, a second ballot will be conducted. In the event of a second ballot, investors holding a majority in value of the participatory interests held by the investors who have responded must consent to the amalgamation.

Note that the Registrar may grant correct consent only if, inter alia, he/she is satisfied that the proposed amalgamation will not be detrimental to any investor.

Where a registered investor is holding participatory interests as a nominee or person duly appointed to act on behalf of the beneficial owners of such participatory interests, the nominee or such person must obtain written instructions from such

owners as to how to respond to the proposed amalgamation. A nominee or such person may respond in favour of or against the proposed amalgamation.

The Trustees of the Scheme, Standard Chartered Bank, have considered and consented to the proposed amalgamations of portfolios.

Should investors not agree with the proposed optimisation they may elect, at any time, to switch their investment to another portfolio, or to dispose of (sell) their investment and withdraw their funds. This will be viewed as a normal transaction and, where applicable, Capital Gains Tax will apply.

If investors choose not to withdraw their funds prior to 23 March 2018, the proposed amalgamations will automatically apply to their investment, provided they have consented to this in terms of the ballot process.

If investors do not complete the ballot paper and therefore do not vote, the investor will be counted as being in favour of the proposed amalgamation.

STANLIB Asset Management Limited will remain responsible for the investment management of the funds.

Information for investors

The value of an 'optimised' investment

There will be no effect on the value of an investor's investment as a result of the proposed amalgamations. For example, if, as an investor, you have R1 000 worth of unit trust funds in your current portfolio prior to the proposed changes, you will hold the same value (R1 000) after the proposed changes.

Tax implications

There will be no capital gains implications as a result of the proposed amalgamations. However, should you elect to sell or switch any of your participatory interests, it will be viewed as a normal transaction and Capital Gains Tax may apply in that instance. The usual tax on interest that is applicable to each investor will not change. Dividend withholding tax is indicated below.

Dividend Withholding Tax

The proposed merge will result in a special dividend being paid on the date of the proposed merge to all existing investors in accordance with income earned in their respective portfolios over the period from the last income distribution date to the date of the proposed amalgamation. The special dividend will be calculated separately for each portfolio and paid to the respective investors before the proposed portfolios are merged. STANLIB will withhold the necessary dividends tax on this dividend.

If a fund is closed as a result of investors' approval, and should the investor be due for a tax refund, this refund needs to be claimed directly from the South African Revenue Services.

Fees

No additional fees, charges, taxes or brokerage will be borne by either investors or the fund portfolio as a result of the proposed amalgamations. STANLIB will carry all costs relating to the proposal.

Fund distribution changes

Some funds have distributions once a year, some twice a year or some four times a year. The table on the following page indicates the changes to distribution dates. Investors will not be compromised in any way by these changes.

As the income distribution dates of portfolios do not always coincide, a special dividend will be distributed on the date of the merge of the portfolios as already indicated above. The special dividend will be calculated separately for each portfolio and paid to the respective investors before the proposed portfolios are merged.

Funds to be amalgamated	Distribution dates	Target fund	Distribution dates
STANLIB Value Fund	31 December	STANLIB Equity Fund	30 June, 31 December
STANLIB Capital Growth Fund	31 December	STANLIB SA Equity Fund	30 June, 31 December
STANLIB Resources Fund	30 June, 31 December	STANLIB SA Equity Fund	No change
STANLIB Financials Fund	31 December	STANLIB SA Equity Fund	30 June, 31 December
STANLIB Industrial Fund	31 December	STANLIB SA Equity Fund	30 June, 31 December
STANLIB Shari'ah Equity Fund	30 June, 31 December	STANLIB Multi-Manager Shari'ah Balanced FoF	No change
STANLIB Aggressive FoF	31 March, 30 June, 30 September, 31 December	STANLIB Balanced Fund	30 June, 31 December
STANLIB Moderately Aggressive FoF	30 June, 31 December	STANLIB Absolute Plus Fund	No change
STANLIB Moderate FoF	30 June, 31 December	STANLIB Absolute Plus Fund	No change
STANLIB Inflation +3% Fund	31 March, 30 June, 30 September, 31 December	STANLIB Absolute Plus Fund	30 June, 31 December
STANLIB Moderately Conservative FoF	30 June, 31 December	STANLIB Balanced Cautious Fund	31 March, 30 June, 30 September, 31 December
STANLIB Conservative FoF	30 June, 31 December	STANLIB Absolute Plus Fund	31 March, 30 June, 30 September, 31 December
STANLIB Balanced Trustees FoF	Monthly	STANLIB Balanced Cautious Fund	31 March, 30 June, 30 September, 31 December
STANLIB Institutional Property Fund	31 March, 30 June, 30 September, 31 December	STANLIB Property Income Fund	31 March, 30 June, 30 September, 31 December
STANLIB Euro Currency FoF	30 June, 31 December	STANLIB USD Currency FoF	No change

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