

10X Fund Managers (RF) Proprietary Limited

10X DivTrax ETF

Share code: DIVTRX

ISIN: ZAE000190104

10X Top50 ETF

Share code: CTOP50

ISIN: ZAE000204327

Portfolios in the 10X Exchange Traded Fund Scheme registered as such in terms of the Collective Investment Schemes Control Act, 45 of 2002 ("CISCA"), managed by 10X Fund Managers (RF) Proprietary Limited ("10X").

## **BALLOT VOTING PROCEDURE IN RESPECT OF THE PROPOSED AMALGAMATION OF THE 10X DIVTRAX ETF WITH THE 10X TOP50 ETF**

***This announcement is important and requires the immediate attention of investors in the 10X S&P SA Dividend Aristocrats Exchange Traded Fund ("10X DivTrax ETF") and the 10X S&P SA Top50 Exchange Traded Fund ("10X Top50 ETF") portfolios***

The purpose of this announcement is to notify and obtain investors' approval through a ballot voting procedure for the proposed amalgamation of the 10X DivTrax ETF ("Transferring Portfolio") into the 10X Top50 ETF ("Targeted Portfolio") ("Proposed Amalgamation") and affords investors of the Transferring Portfolio an opportunity to vote to accept or reject the Proposed Amalgamation.

Investors of the Targeted Portfolio are not required to vote in favour of, or against, the Proposed Amalgamation, however, Investors are afforded an opportunity to consider their options and exercise their rights before conclusion of the Proposed Amalgamation.

If investors are in any doubt about what action to take, investors are advised to consult their brokers or financial advisers.

### **1. BACKGROUND**

The 10X DivTrax ETF was launched in 2014 and was designed to offer investors exposure to South African shares with a focus on companies with a history of consistent or increasing dividends.

After nearly ten years, despite our best efforts in marketing and investor engagement, the 10X DivTrax ETF portfolio has struggled to attract sufficient investor interest and resonate with a broad investor base. The financial markets are dynamic, and investor preferences can shift due to various factors, including market trends, economic conditions, and competing offerings.

Keeping investment costs low is key to the long-term success of any investment strategy. Unfortunately, the sub-scale nature of the 10X DivTrax ETF portfolio has led to a disproportionately high Total Investment Charge (TIC) relative to its size. We have, as the Manager, subsidized portfolio costs for an extended period of time since the launch of the fund to alleviate the impact of fixed costs in a sub-scale portfolio.

However, these subsidies were ultimately unsustainable and had to be discontinued.

Our goal at 10X is always to improve investor outcomes. To this end, we believe the best course of action is to merge the 10X DivTrax ETF with the 10X Top50 ETF via an amalgamation process in terms of section 99 of CISCA.

<b>Transferring Portfolio</b>	<b>Targeted Portfolio</b>
10X DivTrax ETF	10X Top50 ETF

The 10X Top50 ETF provides exposure to the 50 largest companies on the JSE Limited by float-adjusted market cap and maximises diversification by capping single stock weights at 10% (applied at the quarterly rebalance). The fund is at scale with over R1.5 billion in assets and has won numerous SALTA awards for efficient index tracking since its launch in 2015.

## 2. RATIONALE

The combining of portfolios will ensure that the investment strategy has sufficient scale to continue delivering long-term outcomes for investors, whilst retaining exposure to the key driver of returns: the performance of South African listed equities.

We envisage the following benefits from combining portfolios:

- **Combined Scale and Efficiency:** Merging the funds will increase scale and efficiency, enable more focused decision-making and execution, and has the potential to generate improved returns for investors over the long term.
- **Cost Savings:** Investors will benefit from a 50% reduction in management fees excl. VAT as fees are reduced from 0.40% in the Transferring Portfolio to 0.20% in the Targeted Portfolio. A larger fund size can lead to reduced expenses as a percentage of assets under management. This translates into lower expense ratios for investors, potentially improving the overall net returns of the amalgamated fund.

- **Improved Liquidity:** The increased size of the combined fund may enhance liquidity, making it easier for investors to buy and sell units with minimal friction at a portfolio level.

A comparison of investment policies and characteristics of the Transferring Portfolio and the Targeted Portfolio is provided in Annexure A of this application letter.

## **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 in the Transferring Portfolio will be issued with replacement participatory interests in the Targeted Portfolio. The replacement participatory interests will be equal in market/monetary value to the participatory interests held in the Transferring Portfolio before the Proposed Amalgamation. Although the number of participatory interests held may change. The conversion ratio will be included in the Finalisation Date announcement indicated in the salient dates below.

The participatory interests of investors in the Targeted Portfolio will remain unchanged and are not impacted by the Proposed Amalgamation. Any assets received in the Targeted Portfolio from the Transferring Portfolio will be rebalanced to match the Index of the Targeted Portfolio.

The Targeted Portfolio will retain similar characteristics, such as exposure to the performance of South African listed equities and ASISA category, which is applied under the Transferring Portfolio. In addition, clients to benefit from a 50% reduction in the management fee excl. VAT following the Proposed Amalgamation and from further cost efficiencies resulting from greater scale benefits over the medium term.

Special interim distributions on both portfolios shall take place due to the Proposed Amalgamation. The special interim distributions will be announced on SENS subsequent to the results of the ballot. It is expected to be announced simultaneously with the Finalisation Date announcement indicated in the salient dates below.

## **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 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.

- Investors of the Transferring Portfolio are given an opportunity to vote in favour of, or against, the Proposed Amalgamation.
- An independent auditor will verify the outcome of the ballot.
- If investors of the Transferring Portfolio do not participate in the Proposed Amalgamation ballot timeously, they will be deemed to have voted in favour of the Proposed Amalgamation.
- Investors of the Targeted Portfolio are not required to submit ballot responses, however, are given an opportunity to object to the Proposed Amalgamation.
- The Manager may not proceed with the amalgamation should investors holding a majority in value of participatory interests in the Targeted Portfolio object to the Proposed Amalgamation.
- The Authority will not consent to the Proposed Amalgamation of portfolios unless it is satisfied that the Proposed Amalgamation will not be detrimental to investors.
- The Proposed Amalgamation will be a capital gains tax (CGT) roll-over event, so no CGT is payable upon amalgamation.
- Should you not be comfortable with the Proposed Amalgamation proposal, in so far as it relates to the portfolio in which you hold participatory interests, 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 it being a discretionary investment. Please note that by electing to redeem 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.
- If you choose not to withdraw your investments, the Proposed Amalgamation, as set out in this letter (to the extent that it is approved by investors) will automatically apply to your investment.

### **ACTION REQUIRED BY INVESTORS**

- Investors in the Transferring Portfolio, through their JSE Brokers/ CSDPs are required to submit the ballot responses to 10X's Auditors, PricewaterhouseCoopers via e-mail to [za\\_10x\\_investments\\_ballots@pwc.com](mailto:za_10x_investments_ballots@pwc.com) by no later than Monday, **01 July 2024**, as to whether they approve the Proposed Amalgamation as set out in this announcement or not;
- If you have disposed of your participatory interests in the Transferring Portfolio, no action is required.
- Investors in the Targeted Portfolio are not required to submit ballot responses; however, investors are given an opportunity to object to the Proposed Amalgamation through their JSE Brokers/ CSDPs, objections can be submitted to our auditors PricewaterhouseCoopers via e-mail to [za\\_10x\\_investments\\_ballots@pwc.com](mailto:za_10x_investments_ballots@pwc.com) by no later than **Monday, 01 July 2024**.

### **APPROVAL AND COMMENCEMENTS**

Subject to the ballot voting procedure being successful and approval by the Authority and the JSE, the Proposed Amalgamation will take effect from commencement of business on Wednesday, 17 July 2024. Copies of the existing 10X Top50 ETF Pricing Supplement, in English, may be obtained during normal business hours from the office of the local manager, 10X Fund Managers (RF) Proprietary Limited, located

at 14th Floor, The Terraces, 34 Bree Street, Cape Town, 8001 and is available on the website: [www.10x.co.za](http://www.10x.co.za).

Salient dates in respect of the proposed amendments are set out below:

<b>Expected timeline for the implementation of the Proposed Amalgamation</b>	<b>2024</b>
Record date / investor extract date	Friday, 17 May
Declaration SENS announcement of the Proposed Amalgamation	Monday, 20 May
Last day for investors, JSE brokers or CSDPs to respond to the ballot request by submitting the ballot form to 10X's Auditors, PricewaterhouseCoopers indicating their election in respect of the Proposed Amalgamation.	Monday, 01 July
If the ballot is successful investors and the majority of investors who respond to the ballot vote to <b><u>accept</u></b> the proposed amendments, then:	
Finalisation Data SENS announcement by 11:00	Tuesday, 09 July
Last Day to Trade in the 10X DivTrax ETF	Tuesday, 16 July
Suspension of trading on the JSE of 10X DivTrax ETF (Share Code: DIVTRX; ISIN: ZAE000190104)	Wednesday, 17 July
Commencement of trading on the JSE in the 10X Top50 ETF (Share Code: CTOP50; ISIN: ZAE000204327)	Wednesday, 17 July
Fractional ratio announcement by 11:00	Thursday, 18 July
Record Date	Friday, 19 July
Accounts of dematerialised securities holders updated at their CSDPs or brokers	Monday, 22 July
Termination of trading of the 10X DivTrax ETF on JSE	Tuesday, 23 July

Note: Any changes to the expected dates above will be announced on SENS.

The trading history of 10X Top50 ETF as the Targeted Portfolio will be retained.

## **NOTICE AND RESTRICTIONS**

The securities being issued pursuant to this announcement are not eligible for sale in the United States or in any other jurisdiction in which trading in the securities would be illegal. The securities have not been, and will not be, registered under the U.S. Securities Act of 1933, as amended, and the U.S. Commodity Futures Trading Commission under the

U.S. Commodity Exchange Act has not approved trading in the securities. The securities may not be offered, sold, or delivered within the United States or to U.S. persons, nor may any U.S. person at any time trade or maintain a position in the securities.

Should you require any further assistance please send an email to [info@10x.co.za](mailto:info@10x.co.za) .

**PROPOSED AMAMALGAMATION OF THE ETFS**

**Annexure A – Comparison of investment policies and characteristics of the amalgamating portfolios**

\*The differences between portfolios are underlined

<p style="text-align: center;"><b>TRANSFERRING PORTFOLIO</b></p>	<p style="text-align: center;"><b>TARGETED PORTFOLIO</b></p> <p style="text-align: center;"><i>Proposed implementation date of amalgamation</i> – <u>22 July 2024</u></p>
<p style="text-align: center;"><b>10X DivTrax ETF</b></p>	<p style="text-align: center;"><b>10X Top50 ETF</b></p>
<p style="text-align: center;"><b>INDEX DEFINITION:</b></p> <p>The “<b>S&amp;P South Africa Dividend Aristocrats Index</b>” means an index which measures the performance of constituents within the S&amp;P South Africa Composite Index that have followed a policy of increasing or maintaining stable dividends for five consecutive years.</p> <p>The “<b>S&amp;P South Africa Composite Index</b>” means a market capitalization weighted index designed to measure the South African equity market performance. The Index covers equities listed on the Johannesburg Stock Exchange with float-adjusted market values of US\$ 100 million or more and annual dollar value traded of at least US\$50 million.</p>	<p style="text-align: center;"><b>INDEX DEFINITION:</b></p> <p><u>The Index means “S&amp;P South Africa Top50 Index”, a price-only return index which measures the performance of the 50 largest companies by float-adjusted market capitalisation and calculated daily by S&amp;P Dow Jones Indices (or such other calculation agent that the S&amp;P Dow Jones Indices may appoint from time to time).</u></p>
<p style="text-align: center;"><b>INVESTMENT POLICY:</b></p> <p>4.1 The portfolio shall be classified as a South African Equity General Portfolio. The investment objective of the portfolio is to provide investors with an efficient and easily accessible means by which to achieve a return that tracks the price and yield performance of the S&amp;P South</p>	<p style="text-align: center;"><b>INVESTMENT POLICY:</b></p> <p>4.1 <u>The portfolio shall be classified as a South African Equity General Portfolio, or its equivalent as may be amended from time to time. The investment objective of the portfolio is to provide investors with an efficient and easily accessible means by which to achieve a return that tracks the</u></p>

Africa Dividends Aristocrats Index. The portfolio will attempt to place an investor in substantially the same position, from capital and income perspective, as if they held the underlying constituents of the S&P South Africa Dividends Aristocrats Index in their correct weightings.

4.2 In order to achieve the abovementioned objective, the portfolio will generally be invested in all of the component securities of the index in proportion to their weighting in the S&P South Africa Dividends Aristocrats Index and will under normal circumstances aim to be invested in at least 100% of the component securities comprising the S&P South Africa Dividends Aristocrats Index.

4.3 In accordance with the S&P South Africa Dividends Aristocrats Index rules (as amended from time to time) companies must have increased or maintained stable dividends for at least 5 consecutive years. All qualifying securities are included but the index has a minimum of 20 stocks, if fewer than 20 securities are eligible, the dividend growth criterion is relaxed progressively.

4.4 The "S&P South Africa Composite Index" means a market capitalization weighted index designed to measure the South African equity market performance. The Index covers equities listed on the Johannesburg Stock Exchange with float-adjusted market values of US\$ 100 million or more and annual dollar value traded of at least US\$50 million.

price and yield performance of the S&P South Africa Top50 Index. The portfolio will attempt to place an investor in substantially the same position, from capital and income perspective, as if they held the underlying constituents of the Index in their correct weightings.

4.2 In order to achieve the abovementioned objective, the portfolio shall track the Index as closely as possible, by buying only constituent securities in the same weightings in which they are included in the Index and selling only securities which are excluded from the Index from time to time as a result of quarterly Index reviews or corporate actions or which are required to be sold to ensure that the portfolio holds constituent securities in the same weighting as they are included in the Index. Under normal circumstances the portfolio will aim to be invested in at least 100% of the component securities comprising the Index. Assets in liquid form will form a minor part of the portfolio's assets.

4.3 The "S&P South Africa 50 Index" means an index which measures the performance of the 50 largest companies by float-adjusted market capitalisation within the S&P South Africa Composite Index. The "S&P South Africa Composite Index" means a market capitalization weighted index designed to measure the performance of the South African equity market. The S&P South Africa Composite Index covers equities listed on the Johannesburg Stock Exchange with float-adjusted market values of US\$ 100 million or more and annual dollar value traded of at least US\$50 million.

<p>4.5 The S&amp;P South Africa Dividends Aristocrats Index may be adjusted from time to time according to the rules of the S&amp;P South Africa Dividends Aristocrats Index. The adjustments may require the removal of a constituent security from the index and the replacement thereof with a new constituent security. Adjustments to the portfolio will at all times remain substantially aligned with the S&amp;P South Africa Dividends Aristocrats Index.</p> <p>4.6 The portfolio's ability to replicate the performance of the S&amp;P South Africa Dividends Aristocrats Index will be affected by the costs and expenses incurred. Costs and expenses incurred may result in the S&amp;P South Africa Dividends Aristocrats Index not being replicated perfectly by the portfolio. Under normal market conditions the tracking error should not exceed 1% (one per centum) on an annual basis.</p> <p>4.7 The S&amp;P South Africa Dividends Aristocrats Index and the S&amp;P South African Composite Index is calculated by S&amp;P Dow Jones Indices. The index rules and the appointment of calculation agent are subject to change from time to time.</p> <p>4.8 The portfolio shall pay quarterly distributions at the end of March, June, September and December annually. Accordingly, the S&amp;P South Africa Dividends Aristocrats Index will not be tracked on a Total Return basis.</p> <p>4.9 In no event shall the portfolio be managed according to the traditional approach of</p>	<p>4.4 <u>The S&amp;P South Africa Top50 Index is a modified market capitalization weighted index, where no single company weighs more than 10% of the index at each rebalancing.</u></p> <p>4.5 <u>For a constituent to be eligible for inclusion in the Index it must first be included in the <b>S&amp;P South Africa Composite Index</b>. In this index, eligible entities or companies are ranked by float-adjusted market capitalization as of the rebalancing reference date. If an entity or company has multiple share classes in the S&amp;P South Africa Composite Index, the market capitalization of each class is aggregated for ranking purposes. The 50 largest companies then form the index.</u></p> <p>4.6 <u>The Index may be adjusted from time to time according to its rules. The adjustments may require the removal of a constituent security from the Index and the replacement thereof with a new constituent security. All index adjustments and corporate action treatments follow the S&amp;P South Africa Composite Index.</u></p> <p>4.7 <u>The portfolio's ability to replicate the performance of the Index will be affected by the costs and expenses incurred. Costs and expenses incurred may result in the Index not being replicated perfectly by the portfolio. Under normal market conditions the tracking error should not exceed 1% (one percent) on an annual basis.</u></p> <p>4.8 <u>The Index and the S&amp;P South African Composite Index are calculated by S&amp;P Dow Jones Indices. The index rules and the</u></p>
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active investment management but rather a passive approach will be applied. Accordingly, the portfolio is a tracker fund which tracks the S&P South Africa Dividend Aristocrats Index. Assets in liquid form will form a minor part of the portfolio's assets.

4.10 The Trustee shall ensure that the investment policy set out in this supplemental deed is carried out.

appointment of calculation agent are subject to change from time to time.

4.9 The portfolio shall declare quarterly distributions in accordance with the definitions in the Deed and accordingly the S&P South Africa Top50 Index will not be tracked on a Total Return Basis.

4.10 The portfolio shall hold securities purely for the economic rights and benefits attaching thereto and, accordingly, if there is any take-over bid or other corporate action occurs in relation to any entity or company whose securities are included in the portfolio, the Manager shall not surrender any securities held by the portfolio which may be subject to such take-over bid or other corporate action, unless such surrender is mandatory (and then only to the extent of such mandatory surrender) in terms of any applicable law or under the rules of a regulatory authority or body having jurisdiction over the portfolio and/or the applicable securities. However, if any such take-over bid or corporate action results in an entity or company whose securities were previously included in the Index no longer qualifying for inclusion in the Index, any such securities held by the portfolio, shall be disposed of and the proceeds derived from such disposal shall be applied in effecting the appropriate adjustments to the portfolio so as to ensure same tracks the Index.

4.11 The Trustee shall ensure that the investment policy set out in this supplemental deed is carried out.

**ASISA FUND CLASSIFICATION:**

South African - Equity – General

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South African - Equity – General

<b>PORTFOLIO BENCHMARK:</b> S&P South Africa Dividend Aristocrats Index	<b>PORTFOLIO BENCHMARK:</b> <u>S&amp;P South Africa Top50 Index</u>
<b>CHARGES:</b> Management fee: 0.40% p/a excl. VAT Total investment cost (TIC): 0.69%	<b>CHARGES:</b> <u>Management fee: 0.20% p/a excl. VAT</u> <u>Total investment cost (TIC): 0.30%</u>
<b>DISTRIBUTION FREQUENCY:</b> Quarterly (March, June, September, December)	<b>DISTRIBUTION FREQUENCY:</b> Quarterly (March, June, September, December)
<b>RISK PROFILE:</b> Moderate to Aggressive	<b>RISK PROFILE:</b> <u>Aggressive</u>

20 May 2024

Corporate advisor and sponsor: Grindrod Bank Limited  
Trustee: FirstRand Bank Limited