

**Ballot Voting Procedure in respect of proposed changes to the Distribution Methodology of the Satrix S&P Namibia Bond ETF**

SATRIX COLLECTIVE INVESTMENT SCHEME 2  
SATRIX S&P NAMIBIA BOND ETF  
JSE Code: STXNAM  
NSX code: SXNNAM  
ISIN: ZAE000318275  
("Satrixnam or Satrixnnam")

A portfolio in the Satrix Collective Investment Scheme, registered as such in terms of the Collective Investment Schemes Control Act, 45 of 2002

***This letter is important and requires your immediate attention.***

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The purpose of this letter is to inform you of the proposed change to the distribution methodology of the Satrix S&P Namibia Bond ETF and to provide you with sufficient information to vote on this proposal.

**Provisions Of The Collective Investment Schemes Control Act**

The Satrix S&P Namibia Bond ETF is a collective investment scheme ("portfolio") which is regulated in terms of the Collective Investment Scheme Control Act, 2002 ("CISCA").

The reason for the ballot is that Satrix wishes to convert the Satrix S&P Namibia Bond ETF, from a reinvesting to a distributing ETF. In this regard where this ETF currently reinvests income distributions received from underlying securities automatically into those underlying securities on behalf of the portfolio, Satrix will convert this fund to a distributing ETF and as such, distributions will be declared and paid out to investors periodically.

The reasons for the change are as follows:

- Unitholders are referred to Communication 25 of 2020 issued by the Financial Sector Conduct Authority on 19 May 2020 which detailed, amongst other items, the publication of the final conduct standard on the Net Asset Valuation Calculation and Pricing for Collective Investment Scheme Portfolios ("NAV Conduct Standard"). Paragraph 10.1 of the NAV Conduct Standard states:

"All income received and accrued by a portfolio or class after deducting permissible costs must be distributed to investors so that it is taxed in the hands of the investor and that the nature of the income is preserved in the process."

- From the NAV Conduct Standard perspective, by converting the fund from a total return to distributing fund, Satrix will comply with Para 10 (1) whereby all income will be distributed to the investor.

- As a result of the Conduct Standard Distribution Methodology, distributions declared by the portfolio shall be distributed to Unitholders on a quarterly basis and not reinvested in the Portfolio.
- Irrespective of the distribution methodology of the fund i.e. whether a total return or distributing fund, the investor will be in the same position post the change from a personal tax perspective as well as from an investor performance perspective.
- For personal tax purposes, the automatic reinvestment was a "deemed distribution". The distribution declared by the Satrix S&P Namibia Bond ETF, which is reinvested, accrues tax at the investors' marginal rate of tax. Therefore, although a Unitholder does not actually receive the distribution, such investor is still liable to pay tax on such distribution at their marginal tax rate. A total return fund therefore places an additional administrative process on a Unitholder as such Unitholder is required to adjust the base cost of his investment in the units of the Satrix S&P Namibia upwards by the distributions which are reinvested, to avoid paying tax twice on the same amount.
- The Change in Distribution Method will simplify the tax consequences for Unitholders as they will receive the actual cash distribution and pay tax on such distribution with no amendments to any base costs necessary.
- Following this change, and in line with TCF outcomes, the client is neither advantaged nor disadvantaged and will remain in the same position. Furthermore, the client will now have the option to receive the physical cash or reinvest.

**The table below lists the proposed changes to the Distribution Methodology:**

Current Distribution Methodology	New Distribution Methodology	Impact on Investor
Reinvesting (Quarterly)	Distributing (Quarterly)	<p>There is no negative impact on the investors within the Satrix S&amp;P Namibia Bond ETF.</p> <p>The Change in Distribution Method being a change from a reinvesting ETF to a distributing ETF will have no effect financially on a Unitholder as in terms of a reinvesting fund, tax is paid on a distribution, but the base cost of an investor's investment increases by the entire distribution amount. In the case of a distributing fund, the investor will receive the entire distribution (on which he must pay tax on) which increases the return he has generated from his investment in the Satrix S&amp;P Namibia Bond ETF.</p>

### **Action required from investors**

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. A Ballot Form enclosed, is available to all investors, brokers and CSDPs for completion of the ballot vote.
3. The various Brokers/CSDPs will then submit the ballot responses via email to our external auditors, KPMG, at [satrixballotSTXNAM@kpmg.co.za](mailto:satrixballotSTXNAM@kpmg.co.za) on or before **28 August 2024**. Alternatively, the Ballot Form may be emailed directly to KPMG at [satrixballotSTXNAM@kpmg.co.za](mailto:satrixballotSTXNAM@kpmg.co.za) by **28 August 2024**.
4. 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.
5. If you are no longer invested in this portfolio, no action is required.

### **Approval and Commencements**

Subject to the ballot voting procedure being successful and approval by the Financial Sector Conduct Authority ("the Authority") of Collective Investment Schemes, the change in distribution methodology will be effective from commencement of business on **01 October 2024**.

### **Timelines for the implementation of the amendments on Satrix S&P Namibia Bond ETF ballot:**

<b>Date</b>	<b>ACTION</b>
16 July 2024	Release of announcement on JSE SENS
28 August 2024	Final date of response to ballot letter (30 business days after distribution)
01 October 2024	<b>Effective date of change of distribution methodology</b>

### **The effect on you as investor**

The proposed changes to this fund will not change the nature of the underlying strategy.

### **Effective date of change**

The effective date of the proposed changes to the distribution methodology will be **01 October 2024**, provided that the necessary consent is obtained from investors and the Financial Sector Conduct Authority ("FSCA").

**Charges, performance and unit pricing**

Investors will not be liable for the payment of any additional fees, charges, taxes, or brokerage as a result of the distribution methodology change.

**Special distribution**

No special distributions will be effected nor applicable.

**Your rights as an investor**

The rights of investors are firmly entrenched in the Act. In terms of Section 98 of CISCAs, as read with Clause 59 of the Deed of the Satrix Collective Investment Scheme in Securities, the Registrar of Collective Investment Schemes requires that:

- All investors are notified in writing of any proposed material changes to the collective investment schemes and portfolios in which they hold units.
- All investors are balloted in order for them to vote on the proposed changes.

Please note that, in terms of the Act, the Registrar will not consent to the changes to the portfolio unless satisfied that the changes will not be detrimental to the interests of any investor.

**At least 25% in value of investors, excluding the manager must respond in writing of which the majority must agree to the amendment.**

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

Should you require further information on the proposed change or wish to exercise your right to switch or sell any of your investments, please contact Satrix Managers on 0860 111401, or email [info@satrix.co.za](mailto:info@satrix.co.za).

16 July 2024

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