IWM Unit Trust - Investor Communication

We Are Enhancing Our Investment Offering

At Independent Wealth Managers, we continuously review our investment process to ensure that our clients benefit from the most appropriate portfolio solutions available.

Since 2014, our model portfolios have provided clients with a disciplined and consistent investment approach. As markets, investment opportunities and portfolio management techniques have evolved, we believe it is appropriate to take the next step in enhancing how these portfolios are managed.

The introduction of the IWM Unit Trust range represents an evolution of our existing local model portfolio process rather than a change in investment philosophy.

Access to Specialist Expertise

Historically, certain of our local model portfolios have utilised multi-asset managers who make both asset allocation and underlying investment decisions within a single fund.

The new structure adopts a specialist "building block" approach, whereby carefully selected managers are appointed for specific asset classes such as local equities, global equities, fixed income and cash.

This allows us to access specialist expertise within each component of the portfolio while maintaining overall responsibility for portfolio construction and strategic asset allocation.

Having reviewed the historical performance of both approaches on an after-fees basis, we found that, in many instances, multi-asset managers did not consistently add value through their asset allocation decisions. This supports our view that a specialist manager approach, combined with disciplined portfolio construction and strategic asset allocation oversight, offers a compelling and cost-effective solution for investors.

Greater Portfolio Flexibility and Tax Efficiency

The unit trust structure enables portfolio changes and manager enhancements to be implemented more timeously and efficiently.

The transition into the new unit trust structure can be achieved without triggering an immediate capital gains tax event. In addition, future portfolio changes and manager adjustments will be implemented within the unit trust itself, without the tax consequences that can arise when changes are made at an individual investor level.

This allows investment decisions to be driven primarily by portfolio considerations and long-term objectives, rather than immediate tax consequences.

Potential Fee Efficiencies

The unit trust structure also creates opportunities to access specialist managers through a single investment vehicle at negotiated institutional fee rates.

While fee savings will vary between portfolios and may be realised over time, the objective is to improve overall cost efficiency for investors without compromising on the quality of portfolio management.

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Bringing Existing Investments Into the Optimised Investment Process

Over time, clients accumulated investments outside of the IWM model portfolio framework through holdings in individual unit trust funds.

Historically, aligning these investments with the model portfolios required the disposal of existing holdings, triggering significant capital gains tax consequences.

In consultation with you and where appropriate, the new structure provides a more efficient mechanism to align many of these investments with the IWM investment process by transitioning them into the IWM Unit Trust range, without triggering capital gains tax.

A Natural Evolution

Ultimately, the IWM Unit Trust range has been designed to strengthen the way we manage client portfolios by combining specialist investment expertise, improved implementation efficiency, enhanced tax efficiency and a more flexible portfolio structure.

While the underlying objective of preserving and growing our clients' wealth over the long term remains unchanged, we believe these enhancements will provide a stronger platform from which to achieve those outcomes in the years ahead.

FAQ’s

What are the benefits of moving from a model portfolio and/or individual unit trust to a IWM Unit Trust?

Moving from a model portfolio or individual holdings in a unit trust Fund to the IWM Unit Trusts provides a number of structural, investment, and operational benefits.

By transitioning to the IWM Unit Trusts, investors gain access to a professionally managed portfolio that is implemented and maintained within a single regulated investment vehicle.

This means:

- **Access to best-in-class specialist fund managers**
  You gain exposure to carefully selected specialist managers across local and global asset classes, ensuring depth of expertise within each component of the portfolio.

- **Negotiated fee efficiencies**
  Access to these specialist managers is facilitated at negotiated institutional-level fee rates, in most cases improving overall cost efficiency relative to many standalone investments.

- **Improved tax efficiency for end investors**
  Portfolio changes can be implemented within the unit trust structure itself, meaning asset allocation adjustments and manager changes do not trigger capital gains tax at the individual investor level.

- **Efficient portfolio implementation and rebalancing**
  Once investment decisions are reached, changes can be executed swiftly and consistently across all investors within the fund, without requiring individual transactions or instructions.

- **Simplified ownership and reporting**
  You as an investor hold a single unit trust investment rather than multiple underlying holdings, resulting in clearer reporting, simpler administration, and improved transparency.

Discretionary Investments

What will happen to your existing investment platform account?

Your existing discretionary holdings on the investment platform will be converted into units in the new IWM Unit Trusts via a Section 42 transfer.

Key points:

- Your portfolio is converted into units, not sold and repurchased
- The transfer is facilitated by the investment platform into the IWM Unit Trust/s

Will this transfer be a capital gains tax event?

The transfer will not trigger a capital gains tax event as the assets will be transferred via a Section 42 transfer.

FAQ's

Discretionary Investments Cont.

What is a Section 42 Transfer?

A Section 42 transfer is a provision in the South African Income Tax Act that allows certain investments to be moved from one structure to another without triggering a tax event at the time of transfer.
In practical terms, this means your investment is restructured, not sold.

Section 42 transfers are only applicable to **discretionary** assets invested in South African Collective Investment Schemes (unit trusts).
As a result:

- The transfer applies to the discretionary portion of your investment platform portfolio
- It does **not** apply to assets held in compulsory/wrapped assets such as retirement/preservation funds, living annuities or endowments/sinking funds.

What happens to the original book cost of your platform account/portfolio?

Your original book cost (base cost) rolls over into the new IWM Unit Trusts.

This means:

- No capital gain or loss arises at the time of transfer
- Your investment history is preserved
- The transfer itself is tax-neutral

When will tax apply?

A capital gains tax event will only occur in the future, if and when you choose to sell units in the new IWM Unit Trusts.
At that point, tax will be calculated in the normal way, using the rolled-over base cost

Retirement Funds, Annuities, Endowments and Sinking Fund Investments

How will these investments be transferred?

These investments will be switched from the current underlying holdings into the new IWM Unit Trusts.

This means:

- The investment remains within the same structure and account
- The underlying holdings are changed to the relevant IWM Unit Trusts
- The switch is executed within the account, rather than via a transfer between structures

The tax treatment continues to follow the rules of the relevant retirement or investment vehicle.

FAQ's

All Investments

No Change to Your investment platform Account or Debit Orders	There will be **no** change to your investment platform account as a result of the transition to the new IWM Unit Trusts. • Your existing investment platform account will remain exactly the same • No new account needs to be opened • All existing debit orders will remain unchanged and will continue to run as normal (into the new fund) • There is no action required from you
Investment strategy and asset allocation	The transition to the IWM Unit Trust range does not result in any change to the investment objective, risk profile or strategic asset allocation of your portfolio. The unit trust fund range has been developed to align with our existing Model Portfolio Mandates.
The IWM Unit Trust range	Independent Wealth Managers SCI Defensive Fund of Funds Independent Wealth Managers SCI Balanced Fund of Funds Independent Wealth Managers SCI Growth Fund of Funds Independent Wealth Managers SCI SA Equity Fund of Funds Independent Wealth Managers SCI Flexible Equity Fund Independent Wealth Managers SCI Global Balanced Fund of Funds Independent Wealth Managers SCI Global Equity Fund of Funds