



1 December 2010

Intervest Financial Planner update

It is almost one year since Intervest was appointed as the administrator of the Ovation Retirement Funds and the past year was not without challenges. It was under no regular circumstances that Intervest had to tackle its duties as the new administrator. Financial planners and members experienced a difficult time whilst under curatorship. Looking back there is much to be proud of but still a lot to do and with this communication we hope to address some of the questions that many financial planners might share as well as to give an overview to date.

Certain obstacles had to be overcome at inception of the administration and took time to resolve, with the result that members and financial planners can take comfort that the correct route of action was followed and the rules of the Funds are now in line with the new generation of retirement fund rules.

- A number of regulatory concerns with respect to best administration of the Funds released from curatorship required the direction from the Registrar of Pension Funds.
- The Trustees and / or the Administrator of the Ovation Retirement Funds were not permitted to affect a number of transactions as a result of the rules of the Funds not being updated. These were not updated due to financial constraints during the period that the Funds were trapped at the previous administrator that was placed under curatorship. We can now confirm that the Ovation Retirement Annuity rules have been updated and approved by the FSB. The Ovation Preservation Funds Rules have been updated and submitted to the FSB and we are awaiting approval.

General questions

1. Financial planner fees

We receive regular requests for a detailed explanation on how the financial planner fees are managed via the Intervest platform. A commission account, similar to an investment account, but completely fee-free, is created on the Intervest platform for each financial planner. The units recovered from a client for fees are transferred to the commission account and is not immediately converted to a monetary amount; this is only done on request from the financial planner

Initial fees due to financial planners are transferred to the commission account in the form of Old Mutual Money Market units at the same time as the client's request to purchase any new units have been completed, thus in effect immediately available to the financial planner.

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Annual fees are recovered from the member's portfolio as follows:

- If there is a money market fund within the client portfolio, fees will be levied against the money market fund first.
- If there is no money market fund in the member's portfolio, the financial planner fees will be recovered from other collective investment schemes held by the client, starting with the collective investment scheme with the smallest market value in each portfolio. If this is not your preference, a provision for fees would need to be made in the client portfolio in the form of a money market fund(s).

By way of an example:

- Suppose the investor has Money Market fund A as one of the underlying collective investment schemes in the portfolio. The financial planner's fee will be calculated daily as $\frac{1}{365} * Fee \% * Market\ value\ of\ portfolio$. The daily fee will be accumulated and transferred once a month in the form of Money Market fund A units to the commission account.
- Assuming that the investor has no money market fund included in the portfolio, again the fee will be calculated daily as $\frac{1}{365} * Fee \% * Market\ value\ of\ portfolio$. Once a month this fee will be recovered from the collective investment scheme in the portfolio with the smallest market value, let us assume it is the Balanced Fund A. The number of units recovered will be transferred to the commission account where it will reflect ###.## units in the Balanced Fund A to the credit of the financial planner.

2. Section 14 transfers

We would like to make you aware, as a matter of full disclosure, that the Registrar of Pension Funds expects Intervest to report bulk transfer requests where members did not explicitly agree to be transferred to an alternative administrator/retirement fund as part of our obligation with respect to the best interest of members. We will be requesting such proof upon your request to transfer to an alternative administrator/retirement fund.

Intervest has done a tremendous amount of work to facilitate a seamless transfer and faced very difficult circumstances, often out of our control. We remain committed to provide the best service under the circumstances and encourage financial planners to continue to interact with us regarding any aspect of our service that we could improve upon. Whilst finalising requests submitted during the period that we were not able to process transactions, as a result of the first two points mentioned in this letter, we endeavour to act on your suggestions as promptly as possible. However we want to build long standing relations with financial planners and thank you for your patience.

I would like to mention some practical points that might be useful in considering a section 14 transfer request. The points mentioned have impact on turnaround time and service expectations as well as providing your client with relevant information:

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- Where Funds are not valuation exempt (as is the case with all the Ovation retirement funds), each individual transfer requests must be approved by the FSB. It is important that clients understand that under these circumstances the process may take a considerable length of time, which could be a few months, to be finalised as a result of additional approvals required.
- Intervest charges a R300.00 exit fee as approved by the Ovation retirement fund trustees, per retirement fund request to transfer. Section 14 transfers entail a lot of additional administration over and above normal circumstances.
- It is important that the fees applicable at the new administrator of the transferee fund (receiving fund) are carefully considered when taking a Section 14 transfer decision. Members of the Ovation retirement Funds have suffered tremendously over the past 3 years and they deserve comfort in that the fees have been considered in their favour.
- Depending on the processes and procedures employed by the different administrators, client's member share could be encashed and deposited in the transferee fund bank account which may lead to a client being out of the market for a period of time.

When can section 14 transfers proceed?

Intervest as the administrator of the Ovation Retirement Funds act under instruction of the Ovation Retirement Funds trustees ("the trustees") and therefore asked the trustees for direction in finalising the section 14 transfers.

We understand that the trustees have been in contact with the Registrar of Pension Funds and legal advisors for an opinion and as soon as the trustees are able to they will issue a reply. We are assured that this matter is of utmost priority. Complexities and practicalities surrounding certain aspects such as the retention money and possible unallocated losses form the basis of the reasons why section 14 transfers cannot be approved by the trustees at present.

We apologise for not being able to provide more detail at present, but because of the technical and legal nature of the issue regarding transfers from the Ovation Retirement Funds, it is more prudent to await a reply from the trustees, which we will issue as soon as we have it in hand.

3. Financial planner and client information

In order for Intervest to provide the best possible service and to ensure that all relevant communication and regulatory information reach financial planners and where appropriate, the clients, we encourage you to contact our Professional Services Centre to update your and your clients' information if you have not done so already.

Kind Regards

The Intervest Team

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