

Dear advisor / member

## **DEVELOPMENTS REGARDING THE OVATION FUNDS**

In a letter sent to you during July 2011, you were informed of certain developments in relation to the Ovation Retirement Funds ("the Ovation Funds") as well as certain steps that were being taken by the Trustees and management of these Funds. The process set out in that letter has been completed and we would like to update you on the status of the exercise.

### **The History**

We do not intend dealing with the history of the Ovation Funds again, and will only highlight some of the facts relevant to the benefit statements which will be sent to all members during December 2011.

### **Common Cents losses**

Recovery of the Common Cents losses is subject to successful litigation against ABSA. The Ovation Funds are not involved in this litigation, however should it be successful, any monies received by the Ovation Funds will be for the benefit of the members who had been invested in the Common Cents Portfolio and who sustained losses as a result thereof. This matter is expected to go to trial in 2012.

### **The Disappointed Investors**

The disappointed investors are those members of the Ovation Funds whose monies were transferred or swept in to the Ovation Global Investment Nominees (Pty) Ltd bank account and were stolen prior to being invested in any financial product on the Ovation Global Investment Services (Pty) Ltd LISP platform. Based on legal advice received, the Trustees approved and registered a rule amendment allowing for the creation of a reserve account in the Fund, the purpose of which is to reimburse the disappointed investors. The implication of this for the other (i.e. non-disappointed) members of the Ovation Funds is that a debit will be made against all members' fund values as at 2 March 2007. These monies will be used to reimburse the disappointed investors. The anticipated debit to be made on average across the Ovation Funds is in the region of 2% of the aggregate member fund values.

This process has now been completed, the correctness of which had been signed off by the valuator of the Ovation Funds. The administrator of the Ovation Funds will amend each member's record accordingly. A detailed benefit statement showing the effect of this calculation and the member's value before and after this adjustment will be sent to all members during December 2011.

The curators of the Ovation Funds have filed their 10<sup>th</sup> report but are yet to complete their task and there is a possibility that further monies may flow to the Ovation Funds. Should any payment be made in future by the curators to the Ovation Funds, such monies will be apportioned to all the members from whom the debits had been made.

### **Retention Amounts of the Curators**

The retention amounts will be allocated to members and the calculation thereof has been signed off for correctness by the valuator of the Funds. A detailed breakdown thereof will be included on your benefit statement.

### **Update on litigation**

As you may be aware, the previous Trustees of the Ovation Funds instituted legal action against Santam. The action relates to the "Retirement Fund Trustees Fidelity and Errors and Omission Policy" and is for the losses suffered by the Ovation Funds as well as the resultant curatorship costs. The total claim against Santam amounts to R23 million. Discovery has taken place and application has been made for a trial date. The new Trustees decided to pursue with the litigation and a special levy of R1 million will be raised to cover the possible costs of the litigation. Your pro rata share of this amount will also reflect on your benefit statement. Any monies not utilised will be redistributed to the members. The Trustees do monitor the prospects of success on a regular basis and will only continue with the litigation should these indicate a fair chance of success.

Should you have any further queries, please do not hesitate to contact the fund administrator on 0800 117 180 or via email at [clientservice@psgam.co.za](mailto:clientservice@psgam.co.za).

Regards

**Rene Miles**  
**Principal Officer**