


FUND DESCRIPTION

The Mergence Infrastructure Bond Composite aims to invest in a diversified combination of infrastructure debt assets that will result in superior risk adjusted returns, whilst supporting the development of both social and economic infrastructure services. This Fund forms part of the Mergence suite of Impact Funds. It is a yield enhanced bond portfolio that targets attractive returns through a combination of investment grade listed exposure and high quality unlisted yield enhancing infrastructure assets. The Fund aims to provide a measure of liquidity whilst providing exposure to attractive infrastructure investments. The Fund is managed with regard to prudent credit concentration exposure, dynamic interest rate risk management and robust counterparty assessment. The Fund is allowed to invest up to 50% in unlisted debt. The Fund is thus expected to generate attractive risk-adjusted return over that of the ALBI.

OVERVIEW

| | |
|-----------------------|---|
| Risk Profile |  |
| Fund Size | R 858 million |
| Targeted Fund Size | R 5 billion |
| Benchmark | All Bond Index (ALBI) |
| Performance Target | All Bond Index (ALBI) +1% |
| Asset Class | Fixed & variable rate debt instruments; Listed and unlisted instruments |
| Credit Rating | Investment grade specialist credit fund |
| Fund Purpose | Maximise long-term income generation while promoting infrastructure assets |
| Performance Objective | The Fund aims to outperform the ALBI by 1% per annum over a rolling 3-year period |

SALIENT FEATURES

- Exposure to quality bonds (listed and unlisted)
- Aims to generate stable long term returns
- Conservative risk profile vs corporate listed bonds
- Leverages off existing impact and fixed income Teams
- Provides a measure of liquidity
- Diversified exposure
- Attractive transaction pipeline
- Achievement of socio-economic developmental and impact objectives
- Suitable for consideration in retirement fund and similar models
- Good diversifier of overall fixed income allocation in balanced portfolios;
- Complements and enhances fixed income exposure

FUND* PERFORMANCE SUMMARY

| Period | Fund | ALBI | Diff |
|-------------------------------|--------|--------|-------|
| 1 Month | 0.61% | 0.51% | 0.10% |
| 3 Months | 1.08% | 0.74% | 0.34% |
| 6 Months | 5.12% | 4.46% | 0.66% |
| Year to date | 9.52% | 8.44% | 1.08% |
| 1 Year | 12.83% | 11.42% | 1.41% |
| Since Inception (June 2018)** | 10.45% | 9.12% | 1.33% |

FUND COMPOSITION

The Fund will comprise the following:

- Listed Investment Grade Bond Exposure
- Unlisted Exposure

Mergence Renewable Energy Debt Fund

The Mergence Renewable Energy Debt Fund is a Development Impact Fund which invests into the renewable energy sector enabling investors to achieve targeted investment returns together with social and environmental impact. This Fund invests primarily in the construction, commissioning and operation of renewable energy projects within South Africa's REIPPP Programme, and aims to achieve the maximum risk-adjusted return possible from this asset class. The Fund invests predominantly in the debt of viable renewable energy projects.

Mergence Infrastructure Debt Fund

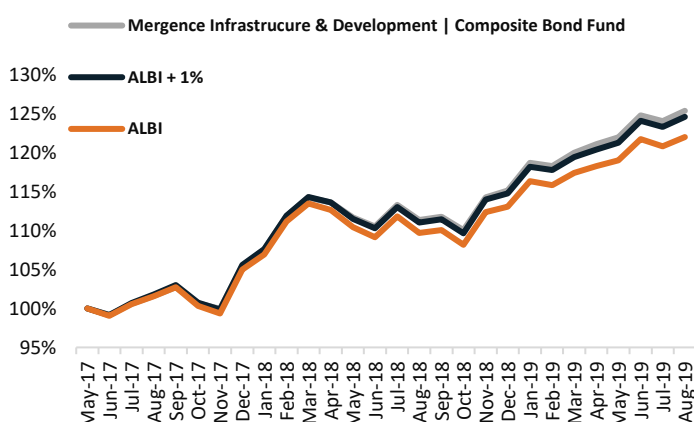
The Mergence Infrastructure Debt Fund is a socio-economic impact fund that invests in projects and businesses that encourage and enhance growth and development in SA. This Fund aims to invest in debt investments issued to create positive and sustainable social and/or economic impact beyond the financial return.

Mergence Commodities Finance Fund

Investments comprise asset backed loan securities (average term 3-6 months and generally less than one year) aimed at facilitating innovative Agricultural (and other qualifying) Commodity and Trade Finance. The product plays a role in enabling and assisting counterparts in the commodities arena with finance on a secured basis, thereby playing a role in the sustainability and development of these commodities, especially agriculture (food security).

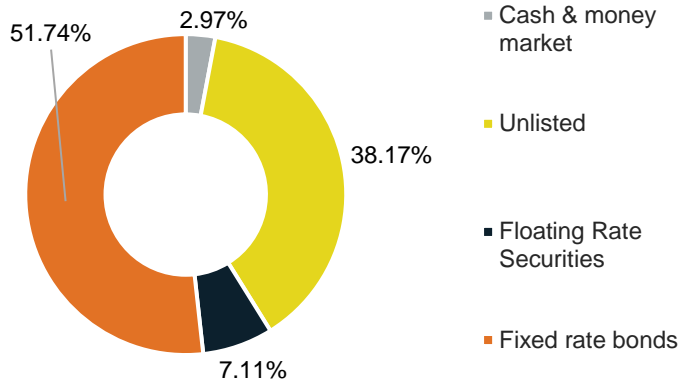
Other Infrastructure and Development Funds

These will comprise investments in related funds established to enhance and complement the Infrastructure and Development suite of funds (e.g. a housing fund).

CUMULATIVE FUND* PERFORMANCE

*Including illustrative Mergence ALBI Composite performance. ** Annualised

INFRASTRUCTURE IMPACT AREAS



PORTFOLIO MANAGEMENT TEAM



Fabian De Beer
B Com, H.Dip.Ed
Director: Investments

Fabian has over 31 years' investment experience, having obtained his BCom at UWC majoring in Accounting and Economics, followed by a post graduate H.Dip.Ed. He has held a number of senior and executive management positions namely: Head of the Group ALM function at Standard Bank/SCMB (Treasury); senior manager of ALM/Risk Assessment at Eskom Treasury; senior positions at the Eskom Pension Fund where he headed up Investment Multi-Management and played a major role in investment and portfolio strategy as well as asset allocation. Subsequently he joined BRAIT SA as Executive Director and lead investment manager for its Fund of Hedge Funds. In 2006, Fabian joined Mergence Investment Managers as Investment Strategist, a role he still fulfils, and was its first CIO.

LIQUID BOND PORTFOLIO EXPOSURE

| | Fund | ALBI |
|---------------------------------|---------------|---------------|
| Cash & money market | 2.97% | |
| Unlisted | 38.17% | |
| Floating Rate Securities | 7.11% | 13.30% |
| 3-7 years | 7.11% | |
| 12+ years | 29.65% | 13.30% |
| Fixed rate bonds | 51.74% | 86.70% |
| 1-3 years | 3.45% | 3.71% |
| 3-7 years | 5.32% | 9.38% |
| 7-12 years | 13.32% | 30.55% |
| 12+ years | 29.65% | 42.59% |
| Modified duration | 6.77 | 7.07 |



Dirk Steyn
BSc, B Eng & MSc (Financial Mathematics)
Fixed Income Manager

Dirk joined Mergence Investment Managers in 2007 in the role of Quantitative Analyst whilst completing a Masters in Financial Mathematics at University of Cape Town. Since then he has fulfilled various roles in the investment process including risk manager and fixed income analyst. Since 2015 Dirk has worked in fixed income and cash management at Mergence and is Portfolio Manager in the Absolute Return Funds team.

MODIFIED DURATION

The Fund aims to invest in projects which are structured to deliver measurable developmental impact, therefore taking into account impact metrics such as local content, local procurement, and local ownership, housing and job creation.

INFRASTRUCTURE PROJECTS



Mark van Wyk
B Com (Hons), CA (SA)
Head: Unlisted, Portfolio Manager

As a leader in institutional impact and infrastructure investments, Mark has nearly 20 years of experience in the capital and investment markets. Based largely in Cape Town, he has worked at Sanlam Properties, PwC and Mettle where he specialised in corporate finance, structured finance, specialist income funds and private equity transactions. Mark joined Mergence in 2010 where as Head: Unlisted Investments, he oversees the unlisted credit and unlisted equity asset portfolios. Mark is a sought-after commentator and a guest lecturer at the UCT Graduate School of Business. He serves on the ASISA Responsible Investments Committee and has won ABSIP awards for Alternative Asset Manager in 2014 and 2016. He is a qualified CA and has a BCom (Hons) from the University of Natal.

THE TEAM

