

Mergence Renewable Energy Debt Fund II

31 December 2019 - Issued: 22 January 2020



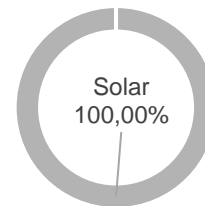
OVERVIEW

| | Low | Moderate | High |
|---------------------|---|----------|------|
| Risk Profile | | | |
| Targeted Fund Size | R 3 billion | | |
| Current asset value | R 344 395 million | | |
| Undrawn capital | R 180 million | | |
| Fund Purpose | Consistent income generation & capital preservation investing (renewable energy assets) | | |
| Sector | South African Renewable Energy Assets | | |
| Asset Class | Unlisted secured debt | | |
| Benchmark Return | CPI + 4% | | |
| Launch Date | October 2017 | | |
| Fund Structure | Closed-end | | |
| Fund Maturity Date | 30 September 2029 | | |
| Commitment Period | 24 months from Launch Date | | |
| Management Fee | 0.85% per annum (excl. VAT) (negotiable with preferential fee to seed investors) | | |

FUND COMPOSITION

The Mergence Renewable Energy Debt II Fund invests in feasible renewable energy generation projects based on proven technology. Investments are made in debt instruments underpinned by electricity generation assets with power purchase agreements in place. Repayments from the generation asset earnings are passed through to the investor. Investments take place through renewable energy project companies to maximise profit and isolate specific risks. The Fund aims to invest in projects which are structured to deliver socio-economic targets in excess of the minimum thresholds, therefore taking into account local content, local procurement, local ownership and job creation.

TARGET TECHNOLOGY ALLOCATION



INVESTOR PROFILE

The Fund is suitable for institutional investors:

- who seek exposure through supporting developmental investing in terms of social and environmental criteria;
- who are comfortable with the inherent volatility of the financial markets, and who acknowledge that the effects of impact investing occur over medium to long term time horizons.

PERFORMANCE COMMENTARY

The Fund has invested in 3 renewable energy projects located in 1 South African province. All current renewable energy project investments yield gross returns above the benchmark return of CPI + 4%. In addition to achieving the gross returns, the Fund has invested in projects that demonstrate higher than threshold economic development indications including community ownership and local content. All of the 3 investments within the portfolio have been completed, commissioned and are selling electricity successfully into the grid.

IMPACT OBJECTIVE

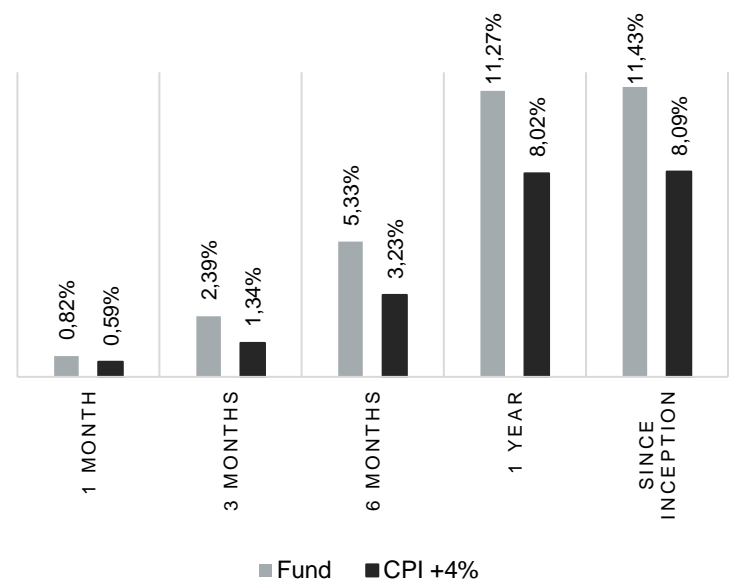
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INVESTMENT OBJECTIVE

The Mergence Renewable Energy Debt Fund II is a Development Impact Fund which seeks to provide commercially viable investments 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, and aims to achieve the maximum risk-adjusted return possible from this asset class. The Fund only invests in the senior & mezzanine debt of viable renewable energy projects. Our Investment approach includes:

- Strong fundamentals;
- Diversification across technologies; and
- Well-regarded advisory committee with strong track record.

PERFORMANCE SUMMARY



Mergence Renewable Energy Debt Fund II

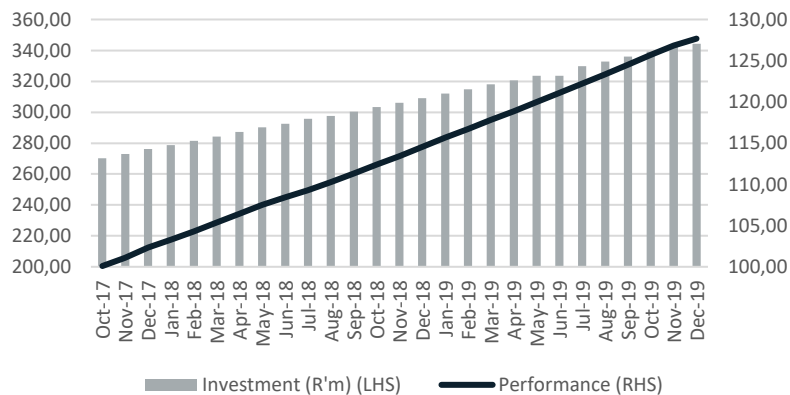
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GEOGRAPHIC ALLOCATION



FUND GROWTH



SOLAR AND WIND PROJECTS



PORTFOLIO MANAGER



Mark van Wyk

B Com (Hons), CA (SA)

Head: Unlisted Investments, 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



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