

Fund fact sheet

Mergence Infrastructure & Development | Equity

30 September 2020 - Issued: 20 October 2020



FUND DESCRIPTION

Mergence Investment Managers has established the Mergence Infrastructure & Development | Equity Fund as a new fund in its suite of Impact Funds. The Fund has been structured as an open-end fund, investing in unlisted equity and quasi-equity, such as mezzanine debt, in infrastructure and developmental assets. The Fund will focus on building a diversified portfolio of infrastructure and developmental assets that will meet the Fund objectives of supporting economic growth and infrastructure development while yielding sound returns to investors. Socio-economic infrastructure assets include renewable energy plants, social housing, student accommodation, schools, energy efficient programmes and hospitals.

OVERVIEW

| | Low | Moderate | High |
|------------------------------|---|----------|------|
| Risk Profile | | | |
| Fund Term Life | Open-ended | | |
| Inception Date | May 2015 | | |
| Fund Size | R 748.57 million | | |
| Investment Vehicle | Life License (Prescient) | | |
| Benchmark Return | CPI +7% (over rolling 3-year periods) | | |
| Target Areas | Social, economic and other infrastructure | | |
| Geographic Focus | Predominantly South Africa | | |
| Asset Class | Unlisted infrastructure equity and quasi-equity | | |
| Target Portfolio Composition | 70% equity, 30% quasi-equity | | |
| Target Sector Allocation | 60% renewable energy, 40% other infrastructure | | |
| Withdrawal Period | No investment should be made in the Fund if the intention is to withdraw funds within 3 years | | |
| Liquidity | Up to 36 months to liquidate assets | | |

TEAM

The Mergence infrastructure team is an experienced investment team with 50 years' of collective experience in evaluating and investing in unlisted businesses (investing in both private equity and debt financing). The dedicated five member infrastructure team, all of whom are CA(SA)'s, is led by Mark van Wyk, one of the leaders in providing institutional investment offerings in high impact investments in South Africa. Team experience includes exposure to various infrastructure sectors notably property, healthcare infrastructure and renewable energy, having recognised the investment potential in REIPPP transactions and establishing the first independent renewable energy debt fund in South Africa. The infrastructure team is supported by the Mergence Investment Managers' investment team who have 90 years' of collective investment experience and augmented with specialist and Best-in-Class service providers and a dedicated International advisory committee.

INVESTOR PROFILE

The Fund is suitable for institutional investors:

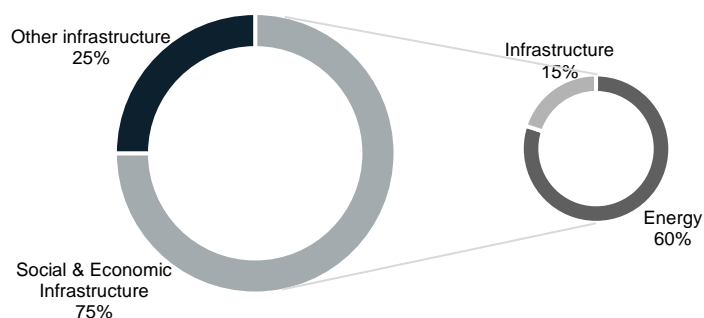
- who seek exposure through supporting developmental infrastructure investing in terms of social and environmental criteria;
- who are uncomfortable with the inherent volatility of the financial markets, and who acknowledge that the effects of impact investing occur over medium to long term horizons;
- as part of an overall allocation in balanced portfolios.

TARGETED SECTOR ALLOCATION

| Infrastructure | Target |
|----------------|--------|
| Renewable | 60% |
| Other | 40% |

The Fund might also invest in quasi-equity (mezzanine debt etc)

TARGETED SECTOR EXPOSURE



SECTOR EXAMPLES

- Economic Infrastructure Target Areas
 - Power Generation*
 - Renewable Energy*
 - Communications Infrastructure*
 - Roads*
- Social Infrastructure (Developmental) Target Areas
 - Social Housing*
 - Education*
 - Government Accommodation*
 - Hospitals*

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IMPACT OBJECTIVE

While the Fund seeks to invest in viable projects with strong long-term financial returns, the Fund also 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.

PERFORMANCE* SUMMARY

| Period | Fund | CPI + 7% | Difference |
|--------------------------|--------|----------|------------|
| 1 Month | 0,46% | 0,74% | -0,27% |
| 3 Months | 3,32% | 3,72% | -0,40% |
| 6 Months | 3,58% | 4,66% | -1,07% |
| 1 Year | 13,44% | 10,09% | 3,35% |
| 2 Years | 15,99% | 10,71% | 5,28% |
| 3 Years | 16,60% | 11,12% | 5,48% |
| Since Inception (p.a.)** | 16,49% | 11,65% | 4,84% |

*Returns are quoted gross of fees.

FEES

| | |
|-----------------|---|
| Commitment Fee | Negotiated |
| Base Fee | 1.75% per annum R100m – R500m 1.50% per annum R500m – R1000m |
| Performance Fee | 15% of outperformance of the benchmark over rolling 3-year periods <i>Performance fee cap: 1.00%</i> |

INFRASTRUCTURE PROJECTS



PORTFOLIO MANAGEMENT TEAM



Mark van Wyk

B Com (Hons), CA (SA)

Head: Infrastructure & Development (SA)

Mark joined Mergence in 2010 whereas the Head: Infrastructure & Development (SA), he oversees the unlisted credit and unlisted equity asset portfolios. Mark is a qualified CA and has a BCom (Hons) from the University of Natal and is currently completing his MBA. As a leader in institutional impact and infrastructure investments, he 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 specialized in corporate finance, structured finance, specialist income funds, and private equity transactions. 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. Mark is a sought-after conference speaker and media commentator.



Chitongwa Siame

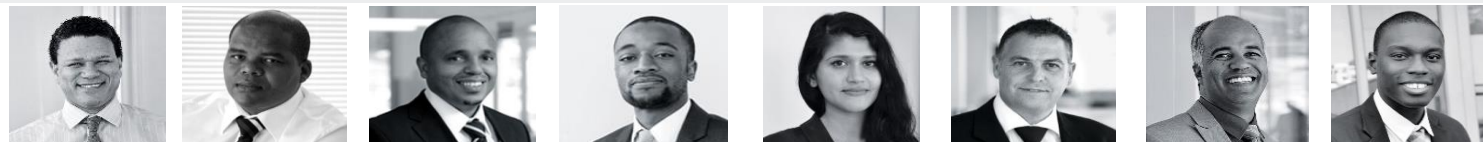
BSc (Hons), MCom (Fin Mgmt), ACCA

Investment Principal (Unlisted)

Chito joined Mergence in 2011 as an equity analyst and holds a Master of Commerce degree with a specialisation in Finance from the University of Cape Town. He is also a chartered certified accountant (UK). Over five years, he managed to cover an array of listed companies across numerous sectors. In 2016, Chito switched to cover unlisted investments, where he is primarily responsible for identifying and researching equity opportunities for the Mergence Infrastructure and Development Fund which includes opportunities on the water infrastructure, renewable energy, housing, and tourism sectors. Chito now holds the designation of an Investment Principal for Mergence Investment Managers.

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THE TEAM



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