

## Infrastructure &amp; Development Fund | Bond Composite

31 May 2023 - Issued: 19 June 2023



## FUND DESCRIPTION

The Mergence Infrastructure & Development | Bond Composite aims to invest in diverse infrastructure debt assets for superior risk-adjusted returns, promoting social and economic infrastructure growth. This Fund is integral to the Mergence range of Impact Funds. Operating as a yield-enhanced bond portfolio, it combines investment-grade listed exposure with quality unlisted yield-enhancing infrastructure assets. The Fund offers liquidity and access to attractive infrastructure investments, managed with prudence in credit exposure, dynamic interest rate risk, and robust counterparty assessment. It can allocate up to 50% in unlisted debt, aiming for a risk-adjusted return surpassing the ALBI.

## OVERVIEW

	Low	Moderate	High
Risk Profile			
Fund Size	R 0.758 billion		
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	-4.81%	-4.79%	-0.02%
3 Months	-4.57%	-4.60%	0.03%
6 Months	-1.54%	-2.07%	0.53%
Year to date	-2.25%	-2.65%	0.40%
1 Year	2.16%	0.29%	1.87%
3 Years**	7.19%	5.56%	1.63%
Since Inception (June 2018)**	7.57%	6.53%	1.04%

\*\* Annualised

## FUND COMPOSITION

## The Fund will comprise the following:

- Listed investment grade Bond exposure
- Unlisted exposure via Mergence Private Market Funds

## Mergence Renewable Energy Debt Funds

The Mergence Renewable Energy Debt Funds are Developmental Impact Funds that invest in the renewable energy sector, enabling investors to achieve targeted investment returns while generating social and environmental impact. These funds primarily invest in the construction, commissioning, and operation of renewable energy projects within South Africa's REIPPP Programme, aiming to attain the highest possible risk-adjusted return within this asset class. Both funds predominantly invest in the debt of viable renewable energy projects.

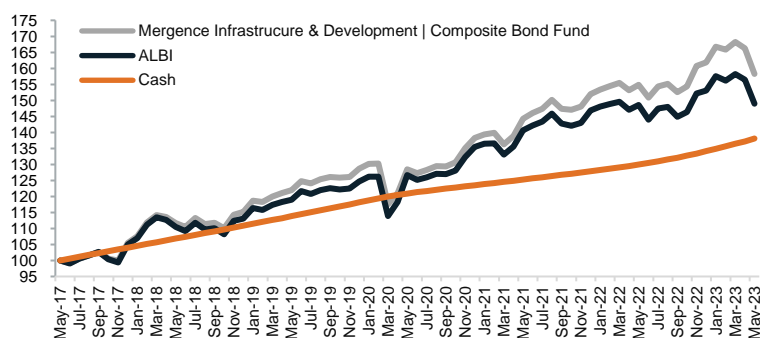
## Mergence Infrastructure &amp; Development | Debt Fund

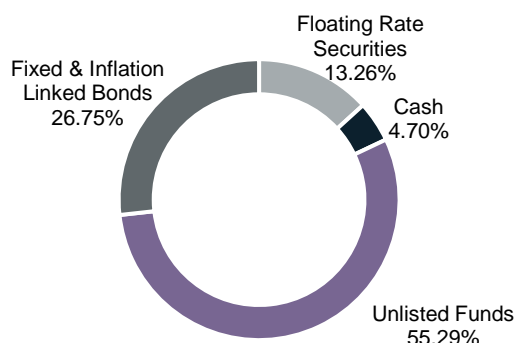
The Mergence Infrastructure & Development | Debt Fund is a socio-economic impact fund that invests in projects and businesses promoting growth and development in South Africa. This Fund aims to invest in debt instruments issued to generate not only financial returns but also positive and sustainable social impact.

## Other Infrastructure &amp; 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



**INFRASTRUCTURE IMPACT AREAS**

**LIQUID BOND PORTFOLIO EXPOSURE**

	Fund	ALBI
<b>Inflation Linked Bonds</b>	<b>0.00%</b>	
1-3 years	0.00%	
<b>Floating Rate Securities</b>	<b>11.24%</b>	
1-3 years	10.97%	
3-7 years	0.27%	
<b>Fixed rate bonds</b>	<b>88.76%</b>	<b>100.00%</b>
1-3 years	5.20%	1.94%
3-7 years	24.18%	31.21%
7-12 years	24.41%	27.13%
12+ years	34.97%	39.71%
<b>Modified duration</b>	<b>5.88</b>	<b>5.64</b>

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**


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**PORTFOLIO MANAGEMENT TEAM**

**Mohamed Ismail**

BSc (Act Sci & Math Stats), BSc Hons (Adv Maths of Finance), Exec Masters (Finance), CFA, FRM

Head: Fixed Income

Mohamed joined Mergence in March 2021 as Head of Fixed Income: Multi-Asset Class. He has 14 years of experience. Mohamed is responsible for a stand-alone fixed-income product and integrating a fixed-income investment process into the overall multi-asset strategy He is the primary portfolio manager for the Mergence Composite Bond Fund and lead investment manager for the Money Market and Multi-Asset Income portfolios.


**Fazila Manjoo**

BSc (Actuarial Science), PG Dip (Management in Actuarial Science)

Portfolio Manager

Fazila joined Mergence in September 2020 as a Portfolio Manager in the Multi-Asset team. She has over 18 years of experience in the financial services industry, and a passion for research, technology, and sustainability. At Mergence, she is responsible for developing quantitative and systematic strategies across balanced and absolute return funds while also managing portable alpha strategies.


**Kasief Isaacs**

BCom Hons, CA (SA)

Head: Private Markets

Kasief joined Mergence in 2015. He has over 17 years of experience in the financial services industry. As Senior Investment Principal he has a specific focus on energy, infrastructure, and impact within SA and SADC. He leads the Private Markets investment team which has built up a stellar performance record over the past decade. Kasief has prior extensive international and local experience in SA's renewable energy market. He is an experienced conference speaker and media commentator.