Fund fact sheet

Infrastructure & Development Fund | Bond Composite

30 June 2024 - *Issued: 14 July 2024*

MERGENCE

FUND DESCRIPTION

The Mergence Infrastructure & Development | 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	Low — Moderate — High
Fund Size	R 0.724 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 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.
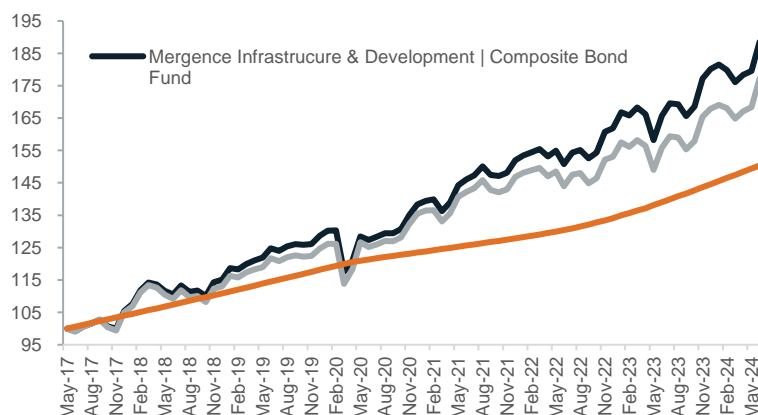
Mergence Infrastructure & Development | Debt Fund

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.
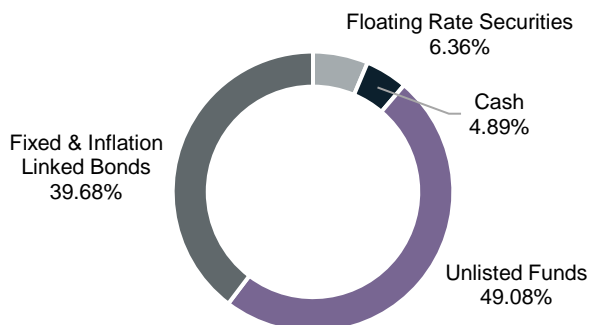
Other Infrastructure and Development Funds

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

FUND* PERFORMANCE SUMMARY

Period	Fund	ALBI	Diff
1 Month	4.99%	5.24%	-0.24%
3 Months	7.04%	7.49%	-0.44%
6 Months	4.67%	5.55%	-0.89%
Year to date	4.67%	5.55%	-0.89%
1 Year	13.74%	13.73%	0.01%
3 Year	8.88%	7.61%	1.27%
Since Inception (June 2018)**	9.36%	8.41%	0.95%

* Including illustrative Mergence ALBI Composite performance.

** Annualised

CUMULATIVE FUND* PERFORMANCE

Mergence Infrastrucure & Development | Composite Bond Fund

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INFRASTRUCTURE IMPACT AREAS

Floating Rate Securities
6.36%

Cash
4.89%

Fixed & Inflation
Linked Bonds
39.68%

Unlisted Funds
49.08%

LIQUID BOND PORTFOLIO EXPOSURE

	Fund	ALBI
Inflation Linked Bonds	**0.00%**	
1-3 years	0.00%	
Floating Rate Securities	**5.48%**	
1-3 years	5.44%	
3-7 years	0.04%	
Fixed rate bonds	**94.52%**	**100.00%**
1-3 years	8.80%	0.42%
3-7 years	66.74%	32.23%
7-12 years	8.50%	17.60%
12+ years	10.48%	49.76%
Modified duration	**5.61**	**5.61**

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.

PORTFOLIO MANAGEMENT TEAM

Mohamed Ismail
MBA (Finance),FRM; FAIS Rep
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
PG Dip (Management in Actuarial Science), BSc (Actuarial Science)
Portfolio Manager: Multi-Asset

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.

INFRASTRUCTURE PROJECTS