

Description

The Futuregrowth Power Debt Composite, an investment portfolio specialising in energy-related industries and sectors, forms part of Futuregrowth's suite of developmental investments. The benchmark is the South African STeFI Composite Index.

Key benefits

- Competitive market fee.
- Renewable energy is a distinct asset class.
- Provides long-term stable returns.
- Fairly high risk profile, lower volatility than traditional corporate listed bonds.
- Suits a fiduciary fund management model.
- Leverage off existing team and process.
- Immediate access to diversified pool of assets.
- Strong deal pipeline.
- Positive environmental impact
- Tangible social and developmental impact.
- Yield enhanced returns.



Jason Lightfoot
SENIOR PORTFOLIO MANAGER

Jason is the Portfolio Manager of our flagship products, the Futuregrowth Infrastructure & Development Bond Fund and the Futuregrowth Power Debt Fund, as well as various other credit funds across STeFI, Income and ILB benchmarks. He holds a pivotal position within the team, contributing to diverse investment processes and decisions with an expertise in credit and risk assessment.

Portfolio manager	Jason Lightfoot
Asset class	Fixed & variable rate debt instruments
Reg 28 classification	Debt instruments, predominantly unlisted instruments of unlisted entities
Investment focus	Debt and fixed income in energy-related industries and sectors
Benchmark	South African STeFI Composite Index (STeFI)
Performance target	STeFI + 2.25% per annum before the deduction of taxes and fees, with income reinvested
Current structure	Pooled, open-ended
Fund start date	January 2013
Total composite assets	R10 billion
Geography and currency	Focused on South Africa and SADC, and denominated in SA rands.
Minimum investment	R50 million (At manager's discretion)
Termination period	12 months (size dependent)

Objective

The Composite aims to outperform the STeFI by 2.25% per annum before the deduction of taxes and fees and with income reinvested over a rolling 3-year period.

Composition

The Composite is largely invested/committed to invest in renewable energy deals that form part of the Department of Energy's Renewable Energy Independent Power Producer Procurement Programme (REIPPPP). These include investments in solar photovoltaic (PV), concentrated solar power (CSP) and wind farms. Projects approved so far are located in the Northern Cape, Eastern Cape and Limpopo Provinces. All projects under the REIPPPP enter into an off-take purchase agreement with Eskom for power they will produce during the next twenty years and these revenue streams will be used by the projects to repay the debt finance.

This Composite has fairly high risk and concentration limits and good yield enhancement, and is not intended to be highly liquid given that the underlying transactions are unlisted, unrated and have relatively few co-creditors. The Composite will maintain only a small holding of liquid assets to facilitate transactions and/or client cashflow needs.

Social impact

The Composite aims to provide investors with a vehicle that facilitates infrastructural, social, environmental and economic development in southern Africa through investments in energy-related businesses and sectors. These include electricity generation from renewable, alternative and traditional sources, power distribution and reticulation, and supporting industries and sectors). The Composite delivers on a variety of social impact requirements such as:

- Job creation
 - Employing local labour to build and maintain the plants.
 - Short- and long-term job creation.
 - SMME development through employing contractors.
- High level of mentorship and skills transfer from international developers.
- Local technology and subcontractors which will be used in all projects according to Government's minimum requirements.
- International developers partnering with local firms that have a strong knowledge of the South African market.
- BEE equity requirements - including participation by a trust representing the local community which will be implemented according to minimums set by Government.
- Investment by the projects into local socio-economic infrastructure and services.
- Compliance with the Equator Principles.

The chart displays the performance of three investment indices over various time periods. The Y-axis represents the percentage return, ranging from 0% to 15%. The X-axis shows the time periods: 1 Year, 3 Years*, 5 Years*, 7 Years*, 10 Years*, 12 Years*, and Since Inception*.

Time Period	Futuregrowth Power Debt Composite	Short Term Fixed Interest Composite Index (STeFI)	Relative Performance
1 Year	9.40%	6.99%	2.40%
3 Years*	11.38%	7.81%	3.52%
5 Years*	10.47%	7.02%	3.44%
7 Years*	10.14%	6.48%	3.66%
10 Years*	10.47%	6.76%	3.65%
12 Years*	10.53%	6.75%	3.78%
Since Inception*	10.62%	6.75%	3.89%

Legend:

- Futuregrowth Power Debt Composite (Teal)
- Short Term Fixed Interest Composite Index (STeFI) (Dark Grey)
- Relative Performance (Red)

The since inception date refers to the date the Fund started.

The chart displays the projected growth of two metrics over a 12-year period. The Y-axis represents the value in ZAR (Million), ranging from 90 to 390. The X-axis shows the timeline from April 2014 to May 2026. The 'Power Debt' line (teal) starts at R90m in April 2014 and rises steadily to R347m by May 2026. The 'STEFI Composite Index' line (red) also starts at R90m in April 2014 and grows more gradually, reaching R223m by May 2026.

Date	Power Debt (ZAR Million)	STEFI Composite Index (ZAR Million)
Apr-14	90	90
Sep-14	100	95
Feb-15	110	100
Jul-15	120	105
Dec-15	130	110
May-16	140	115
Oct-16	150	120
Apr-17	160	125
Aug-17	170	130
Jan-18	180	135
Jun-18	190	140
Nov-18	200	145
Apr-19	210	150
Sep-19	220	155
Feb-20	230	160
Jul-20	240	165
Dec-20	250	170
May-21	260	175
Oct-21	270	180
Mar-22	280	185
Aug-22	290	190
Jan-23	300	195
Jun-23	310	200
Nov-23	320	205
Apr-24	330	210
Sep-24	340	215
Feb-25	350	220
Jul-25	360	225
Dec-25	370	230
May-26	380	235

AAA+ Total	27.97%	BBB- Total	9.31%
AA Total	4.73%	BB+ Total	2.07%
AA- Total	0.73%	BB Total	7.00%
A+ Total	0.81%	BB- Total	0.00%
A Total	5.18%	B Total	0.06%
A- Total	13.80%	C Total	0.00%
BBB+ Total	14.79%	D Total	0.00%
BBB Total	13.54%	Total	100%

	Information ratio	Tracking error
3 Years	3.66	0.96%
5 Years	3.46	1.00%
5 Years	4.24	0.86%

Composite	0.88%
Benchmark	0.37%

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Derivative disclosure: Market derivatives are used frequently and extensively to manage interest rate risk of the fund relative to the benchmark, and to enable the acquisition of short-term or floating rate instruments in the fund. Market derivatives are used less frequently to opportunistically add value due to mispricings. The manager does not employ "naked" written options strategies to increase yield. Credit derivatives are allowed, but used infrequently and only within credit policies and limits. **FAIS disclaimer:** Futuregrowth Asset Management (Pty) Ltd ("Futuregrowth") is a licensed discretionary financial services provider, FSP 520, approved by the Registrar of the Financial Sector Conduct Authority to provide intermediary services and advice in terms of the Financial Advisory and Intermediary Services Act 37 of 2002. The fund values may be market linked or policy based. Market fluctuations and changes in exchange rates may have an impact on fund values, prices and income and these are therefore not guaranteed. Past performance is not necessarily a guide to future performance. Futuregrowth has comprehensive crime and professional indemnity in place. Performance figures are sourced from Futuregrowth and IRESS. **GIPS disclaimer:** Futuregrowth a subsidiary of Old Mutual Investment Group Holdings (Pty) Limited is a specialist investment company which manages the full range of interest bearing and developmental investments in an ethical and sustainable way. Futuregrowth claims compliance with the Global Investment Performance Standards (GIPS®). Contact Futuregrowth at +27 21 659 5300 to obtain a list of composite descriptions and/or a presentation that complies with the GIPS® standards. The investment returns reflected are supplemental information as they are not calendar year returns and are gross-of-fees. Currency: ZAR.

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