

Futuregrowth Infrastructure & Development Bond Composite

October 2021

Description

The Futuregrowth Infrastructure & Development Bond Composite, a specialist yield enhanced bond portfolio, forms part of Futuregrowth's suite of developmental investments. The Composite targets high returns through a combination of moderate credit concentration limits, active interest rate risk management and active off-benchmark bets. The benchmark is the All Bond Index.

Key benefits

- Competitive market fee.
- Focus on a distinct asset class.
- Provides long-term stable returns.
- Low risk profile, lower volatility than traditional corporate listed bonds.
- Suits a fiduciary fund management model.
- Leverages off existing team and process.
- Immediate access to diversified pool of assets.
- Good deal pipeline.

Portfolio Manager



Jason Lightfoot

Jason manages a number of yield enhanced portfolios including the Infrastructure & Development Bond Composite. He is also a credit analyst responsible for deal sourcing and structuring in the unlisted market and ongoing monitoring of transactions that he looks after.

Portfolio manager	Jason Lightfoot
Benchmark	All Bond Index (ALBI)
Performance target	ALBI + 1%
Current weighted average credit quality (Internal rating)	A+
Average yield enhancement	2.43%
Listed yield enhancement	0.51%
Unlisted yield enhancement	4.30%
Current structure	Pooled
Fund start date	January 1995
Total composite assets	R16.9 billion
Minimum investment	Pooled - R15 million / Segregated - R500 million (Both at manager's discretion)
Termination period	1 calendar month (size dependent)

Objective

The Composite aims to outperform the ALBI by 1% per annum before the deduction of taxes and fees and with income reinvested over a rolling 3-year period.

Composition

The Composite may invest in a wide range of debt instruments including those issued by government, parastatals, corporates as well as securitised assets. The inclusion of assets is subject to credit committee approval.

The Composite is allowed to invest up to 50% in unlisted credit and in addition, to invest in up to 5% equity assets (primarily through the Development Equity Fund) subject to investment committee approval. The resulting effect is in good risk-adjusted alpha generation over time.

In order to retain adequate liquidity and flexibility, and in the course of managing new investments, asset maturities and sales and fund-flows, the Composite usually maintains a high degree of liquid and/or non-developmental assets.

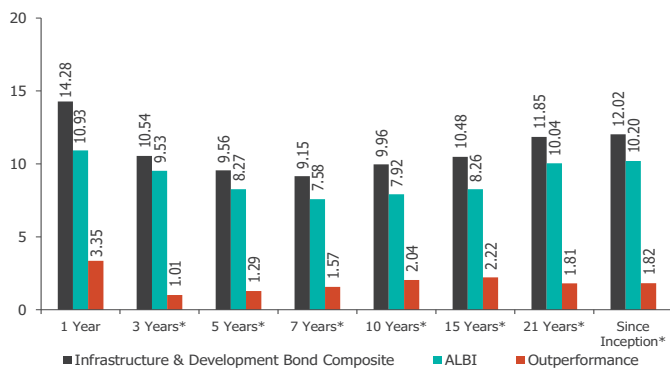
Social impact

The Composite aims to provide investors with a vehicle that facilitates infrastructural, social, environmental and economic development in southern Africa and delivers on a variety of social impact requirements such as job creation, affordable housing, access to services and healthcare.

Social impact sectors

Sectors	Exposure
Infrastructure development and social services	44.81%
Communications	2.33%
Development Finance	3.51%
Education	0.04%
Energy	22.85%
Health	1.22%
Tourism	0.94%
Transport	11.38%
Water & Sanitation	2.54%
Agricultural development and land ownership	2.22%
Black Economic Empowerment	0.06%
Consumer & Business Access to Finance	1.25%
Environment preservation	0.01%
Low income and affordable housing	7.17%
Non infrastructure, eg cash, RSA's	38.59%
Other infrastructure e.g. ancillary municipal infrastructure	1.22%
SMME development	4.66%
Sub-total	101.87%
Less double counting	1.87%
Total	100.00%

Performance



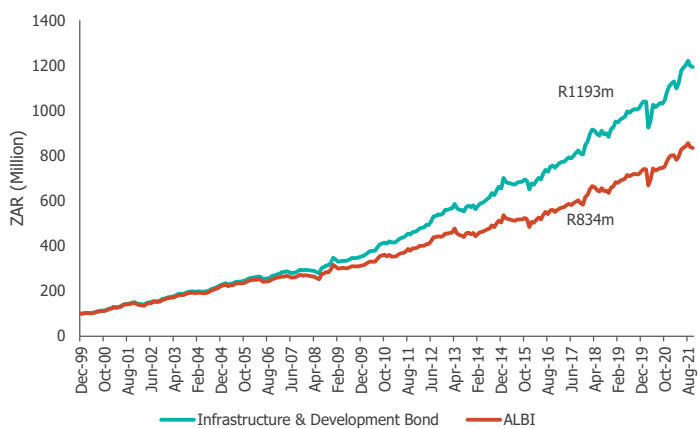
*Annualised

The since inception date is 1 January 2000 which is the date the GIPS Composite was created.

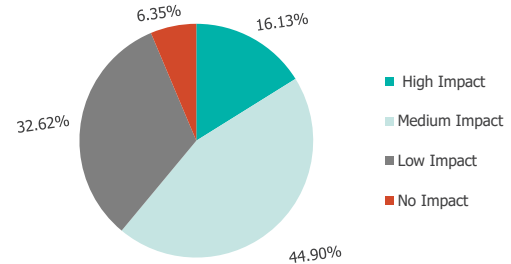
Geographic exposure

Province/Country	Composite
Eastern Cape	3.70%
Free State	0.70%
Gauteng	8.32%
KwaZulu Natal	1.34%
Lesotho	0.22%
Limpopo	0.61%
Mozambique	0.35%
Mpumalanga	1.92%
Namibia	0.01%
National	66.00%
North West	0.40%
Northern Cape	12.41%
Swaziland	0.00%
Western Cape	4.02%
Total	100.00%

Cumulative performance

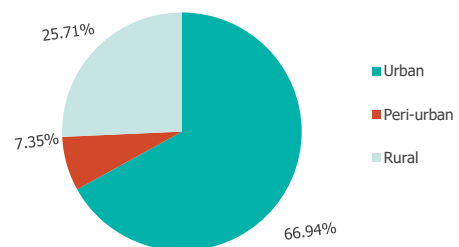


Social impact analysis



Low-, medium- and high-impact refers to how closely the underlying investments impact the consumer.

Rural development



Portfolio exposure

	Composite	Benchmark
Equity	3.90%	
Inflation-linked Bond	0.75%	
Money market	-0.08%	
Fixed rate bonds	95.42%	
1-3yr	3.62%	4.70%
3-7yr	6.70%	20.43%
7-12yr	26.35%	26.18%
+12yr	58.75%	48.68%
MD	6.27	6.35

Risk statistics

	Information ratio	Tracking error
3 Years	0.84	1.21%
5 Years	1.17	1.10%
10 Years	1.87	1.09%
15 Years	1.82	1.22%

Since inception standard deviation

Composite	7.03%
Benchmark	7.35%

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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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