

INVESTORS' LEGACY CORPORATE DEBT STRATEGY

CATALYSING ECONOMIC GROWTH

Sanlam is **supporting the recovery of South African businesses** negatively impacted by Covid-19 – from **SMEs to large corporates** – with a **committed investment of R2.25 billion** into three strategies. This committed investment aims to **mobilise further capital** from like-minded investors to help **catalyse** the much required **growth of the economy**, post-lockdown.

In doing so, our aim is to be part of the drive to preserve value in businesses to which our investment community is currently exposed.

“HE WHO PLANTS TREES KNOWING THAT HE MAY NEVER SIT IN THEIR SHADE, HAS AT LEAST STARTED TO UNDERSTAND THE MEANING OF LIFE.”
RABINDRANATH TAGORE

IMPACT OF COVID-19 ON SOUTH AFRICA

The impact of Covid-19 is that unemployment in South Africa could reach 50%, 2.5 million jobs could be cut and wages are expected to fall by as much as 30%. This strategy provides debt finance to medium and large-sized corporates in high employment sectors which have been negatively impacted by the coronavirus pandemic but which have strong underlying credit fundamentals and are likely to deliver strong financial performance post-pandemic, supporting the preservation and creation of jobs.

INVESTMENT THESIS

- Investments into sound corporates that require liquidity in the midst of the pandemic to survive and then rebuild. Due to their size, many of these entities will require both bank funding as well as funding from institutional investors.
- Our impact: job preservation and inclusive job growth.
- 8-year track record in similar strategies (annualised return of approximately 9% per annum).

INSTRUMENT FEATURES

- Predominantly rated senior debt with ability to invest in subordinated debt and other forms of credit.
- Both listed and private markets.
- 24-36 month initial investment period.
- Option to refinance into longer tenors (three to five years).

INDUSTRY FOCUS

Emphasis on high employment sectors that have been heavily impacted by the pandemic.

INVESTMENT PROCESS

1. DEAL ORIGINATION

- Sanlam Specialised Finance
- Proprietary and broker networks
- Banks

2. INTERNAL RATING

- Quantitative process (Moody's KMV)
- Qualitative process
- Issuer and issue ratings

3. CREDIT VETTING

- Central Credit Committee (CCC) and credit sub-committee
- Reporting to Sanlam Board

4. INVESTMENT DECISION

- Sanlam Investments committee
- Impact assessment

5. MONITORING

- Internal versus external ratings using internal credit system
- Monitoring of limits by Sanlam Investments Compliance

KEY INVESTMENT TERMS

Structure	Investment-linked life policy
Target Return	3-month Jibar + 2-3% p.a.
Minimum Investor Commitment	R50 million
Targeted Investment Size	R3 billion (includes R1 billion Sanlam commitment)
Structure Type	Open-ended
Liquidity	After an initial 2-year period and assuming normal market conditions: 25% within 3 months, 50% within 6 months and 100% within 12 months.
Commitment Period	3 years



OUR IMPACT & ALIGNMENT WITH THE UNITED NATIONS' SUSTAINABLE DEVELOPMENT GOALS



THE INVESTMENT CASE FOR CORPORATE DEBT

- **Positive social impact** - Provision of capital to businesses that have been impacted by the pandemic with the intention of preserving and creating jobs.
- **Crucial support for real economy** - Finance provided to support businesses that make significant contribution to GDP and employment growth.
- **Attractive investment opportunity** - Loans to high quality businesses which will require debt funding from banks as well as institutional funders.
- **Implied inflation protection** - Returns are positively correlated with interest rates.

HOW DO I INCORPORATE CORPORATE DEBT INTO MY PORTFOLIO?

- Corporate debt offers investors the opportunity to earn returns that are higher than traditional money market or enhanced cash products. This is due to the ability of this product to earn additional returns from taking credit risk, liquidity risk as well longer-term exposure.
- Investors also benefit from a positive correlation with interest rates and inflation protection.
- Returns are not correlated with fixed rate listed fixed-income assets.

OUR TEAM

This strategy is a collaboration between the Sanlam Investments and Sanlam Specialised Finance teams. The investment teams have a strong track record and many years of experience specifically dedicated to private debt. The investment team is supported by the fixed interest and credit research teams and leverages off the impact investment committee.



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Together we can make a real, sustainable difference. We've invested R1 billion into this strategy and are looking for like-minded partners to co-invest alongside us to save jobs and livelihoods.

ESG
Doing no harm.