



# African Credit Opportunities Fund 3

Investing for a world of change

A differentiated and diversifying private credit allocation targeting Africa and other emerging markets

<b>Portfolio managers</b>	Steven Loubser, Kobi Sam, Nat Micklem.
<b>AUM</b>	US\$411 million managed in first two vintages. ACO 3 target: US\$500 million. First close: 14 November 2024; final close anticipated in 2025, with two six-month extensions possible.
<b>Fund term</b>	7.5 years (5.5-year investment period and 2-year distribution period).
<b>Investment objectives and features</b>	
Return target	US\$ gross IRRs of 11% (SOFR + 7.0%) unlevered or 14% (SOFR + 10.0%) levered and net IRRs of 9% (SOFR + 5.5%) unlevered or 11% (SOFR + 7.5%) levered <sup>1</sup> .
Sources of return	Cash coupon target 6%-7% pa, non-cash coupon and fees.
Investment approach	Invests in senior private and opportunistic credit. Focuses on uncrowded African and EM markets. Intends to promote solutions to African social development and environmental challenges (incl. climate mitigation and adaptation) using global capital in a sustainable manner.
EU SFDR classification <sup>2</sup>	Article 8.

## Targeting an overlooked asset class

<p><b>Invests in an uncrowded market</b></p> <p>Africa only 0.3% of global private credit vs. 2.8% of global GDP<sup>3</sup></p> <p>Significant supply/demand mismatch</p>	<p><b>Where yields are typically high</b></p> <p>High hard currency running yields vs. developed markets</p> <p>Return in the form of cash yields</p>	<p><b>With low leverage</b></p> <p>Leverage typically &lt; 3x compared with developed markets &gt;=5x</p> <p>Strong equity buffers</p>
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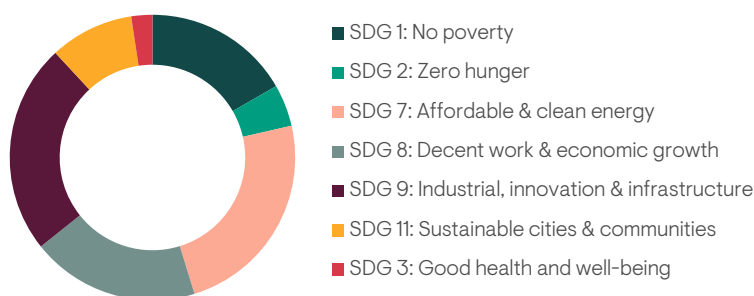
## Aiming for consistent, uncorrelated returns

<p><b>Promotes positive outcomes</b></p> <p>High quality companies and real assets</p> <p>Creating development impact</p>	<p><b>Loans are senior secured</b></p> <p>1<sup>st</sup> ranking claim on assets</p> <p>Simple capital structures and low duration</p>	<p><b>Low loss ratio</b></p> <p>Historic loss ratio of 0.2%-0.4% p.a. (ACO composite)</p> <p>Stronger covenants in an uncrowded market</p>
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## Target metrics – model portfolio

<b>Number of investments</b>	c.40
<b>Average tenor</b>	6 years
<b>Counterparty limit</b>	5%
<b>Sector limit</b>	20%
<b>Country limit</b>	20%
<b>Regional limit</b>	Targets 75% in Africa and 25% in other emerging markets

## Estimated portfolio: impact focus



Target returns are hypothetical returns and do not represent actual performance. Actual returns may differ significantly from the target returns above.

As at 30 September 2024.

<sup>1</sup> Based on a US\$ 5-year SOFR swap rate of 4.1% as of 30 June 2024 as per Bloomberg.

<sup>2</sup> Classification under European Union Sustainable Finance Disclosure Regulation.

<sup>3</sup> Worldometer; International Monetary Fund, Capstone, Middle Market Leveraged Finance, June 2022

The target metrics and SDGs are referenced for illustrative purposes only.

For further information on performance targets, investment process, team and indices please see Important Information section.

## Key investment themes

### 1 Sustainable Infrastructure

Support the development of sustainable infrastructure



### 2 Social and development impact

Help to positively impact people and their communities



### 3 Quality asset backing

Seek security from high quality, physical assets



### 4 Strong sponsors

Enable strong sponsors drive value creation and generate attractive returns

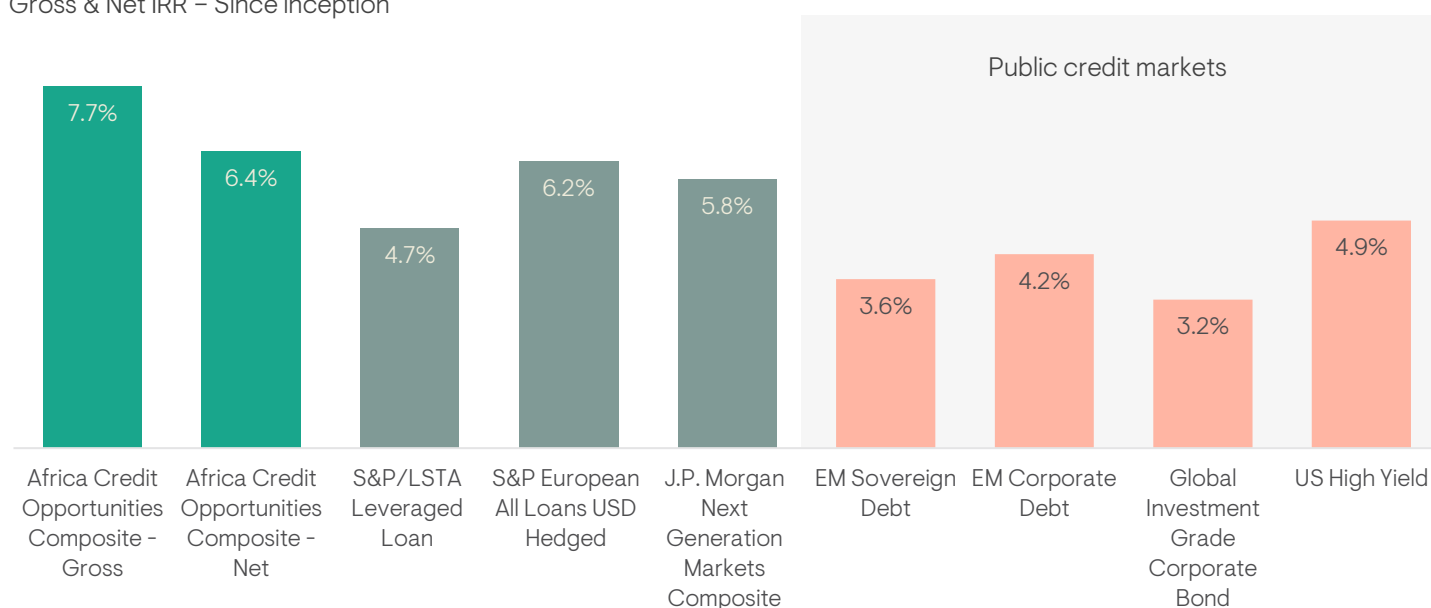


There is no guarantee that these or similar investments will be made in the Fund once formed.

The strategy aims to provide income and long-term capital growth by investing in senior private and opportunistic credit. It intends to promote solutions to African social development and environmental challenges (incl. climate mitigation and adaption) using global capital in a sustainable manner.

## Track record of ACO composite

Gross & Net IRR – Since inception



Past performance does not predict future returns; losses may be made.

Source: Ninety One, as at 30 September 2024. Returns are calculated on an IRR basis and shown gross and net of 1.30% management fees for the Africa Credit Opportunities Composite.

Composite inception date is 28 February 2014. All returns are shown in USD and net of all trading expenses with income reinvested.

The total return indices are time weighted and shown for illustrative purposes.

Note: **S&P/LSTA Leveraged Loan**: S&P/LSTA Leveraged Loan Total Return Index; **S&P European All Loans USD Hedged**: S&P European All Loans USD Total Return Hedged Index; **J.P. Morgan Next Generation Markets Composite**: J.P. Morgan Next Generation Markets Index Composite Index;

**EM Sovereign Debt**: JPMorgan Emerging Market Bond Index (EMBI); **EM Corporate Debt**: JPMorgan Corporate Emerging Markets Bond Index (CEMBI);

**Global Investment Grade Corporate Bond**: BofAML Global Corporate USDHgd.; **US High Yield**: BofA Merrill Lynch US and Global High Yield Index.

For further information on indices, please see the important information section.

## ACO Investment team



**Steven Loubser**  
Managing Director  
Joined the firm in 2010  
Joined the industry in 2002

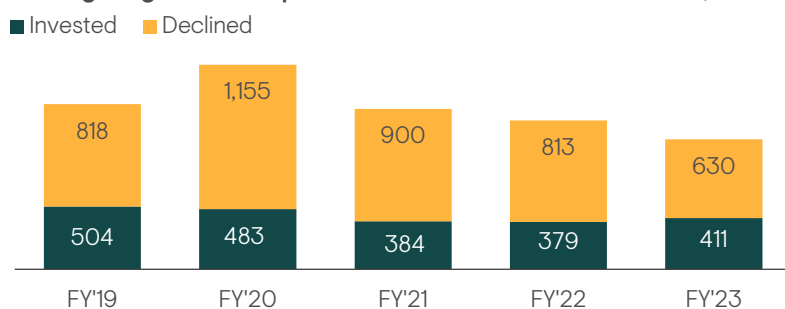


**Kobi Sam**  
Managing Director  
Joined the firm in 2013  
Joined the industry in 1999



**Nat Micklem**  
Co-Head of EM  
Alternative Credit  
Joined the firm in 2012  
Joined the industry in 2006

## Alternative credit platform

Strong Origination Capabilities: Transactions Processed, US\$ m<sup>1</sup>

## Experienced team and attractive record

- ✓ 19 African private credit funds have deployed \$8bn<sup>2</sup> since 2008
- ✓ Attractive returns achieved with low realized losses
- ✓ Supported by a highly experienced credit platform comprising 28 professionals

## Summary investment terms

<b>Instruments</b>	Loans, bonds, structured notes, and other	
<b>Fees</b>	Unlevered Compartment:	1.35% with size discount
	Levered Compartment:	1.35% with size discount + 10% carried interest (7% hurdle)
<b>GP Commitment</b>	1.5% of committed capital	
<b>EU SFDR classification</b>	Article 8	
<b>Domicile</b>	Luxembourg	
<b>Currency</b>	US\$ or hedged to US\$	

The target returns presented on a "net" basis are net of a 1.35% management fee, assumed costs, charges, and carried interest. Net amounts distributed to investors may be substantially less, following deduction of costs, expenses, carried interest and management fees, in each case as further detailed in the confidential Offering Memorandum.

<sup>1</sup> Across Credit Opportunities, Africa Credit Opportunities, and EAAIF.

<sup>2</sup> Invested amount includes reinvested capital. Fund vintage include the EAAIF, Credit Opportunities and Africa Credit Opportunities strategies. For further information on investment team and performance targets, please see the Important information section.

Prospective Investors should read the Private Placement Memorandum in its entirety and should conduct their own due diligence and obtain such professional advice including, without limitation, advice on the legal, tax and regulatory consequences to them of an investment, as they deem necessary before deciding whether to invest.

**Specific Risks:** **Currency exchange:** Changes in the relative values of different currencies may adversely affect the value of investments and any related income. **Default:** There is a risk that the issuers of fixed income investments (e.g. bonds) may not be able to meet interest payments nor repay the money they have borrowed. The worse the credit quality of the issuer, the greater the risk of default and therefore investment loss. **Derivatives:** The use of derivatives may increase overall risk by magnifying the effect of both gains and losses leading to large changes in value and potentially large financial loss. A counterparty to a derivative transaction may fail to meet its obligations which may also lead to a financial loss. **Interest rate:** The value of fixed income investments (e.g. bonds) tends to decrease when interest rates rise. **Concentrated portfolio:** The portfolio invests in a relatively small number of individual holdings. This may mean wider fluctuations in value than more broadly invested portfolios. **Credit Risk:** Where the value of an investment depends on a party (which could be a company, government or other institution) fulfilling an obligation to pay, there exists a risk that the obligation will not be satisfied. This risk is greater the weaker the financial strength of the party. The Net Asset Value the portfolio could be affected by any actual or feared breach of the party's obligations, while the income of the portfolio would be affected only by an actual failure to pay, which is known as a default. **Borrowing/Leverage:** Borrowing additional money to invest increases the exposure of the portfolio above and beyond its total net asset value. This can help to increase the rate of growth of the portfolio but also cause losses to be magnified. **Private funds:** An investment in the Fund is speculative and involves a high degree of risk. The program is not suitable for all investors. The shares are illiquid with restrictions on transferability and resale. Each investor or prospective investor should be aware that they may be required to bear the financial risk of this investment for an indefinite period of time. An investor may lose all or a substantial part of its investment. There can be no assurance that the investment objectives of the Fund will be achieved. The managers and portfolio structure provided herein is subject to change.

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Additional information on our investment strategies can be provided on request.

### Investment Team

There is no assurance that the persons referenced herein will continue to be involved with investing assets for the Manager, or that other persons not identified herein will become involved at any time without notice. References to specific and periodic team meetings are not guaranteed to be held or fully attended due to reasonable priority driven circumstances and holidays.

### Targeted or projected performance returns

These are based on Manager's good faith estimate of the likelihood of the performance of

asset classes under current market conditions. There can be no assurances that any investment will generate such returns, that any client or investor will achieve comparable results or that the manager will be able to implement its investment strategy. Actual performance may be adversely affected by a variety of factors, beyond the manager's control, such as, political and socio-economic events, adverse changes in the interest rate environment, changes to investment expenses, and a lack of suitable investment opportunities. Accordingly, target returns and expected results may change over time and may differ from previous reports. Additional and supporting information is available upon request

### Investment Process

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