

IDEAS MANAGED FUND

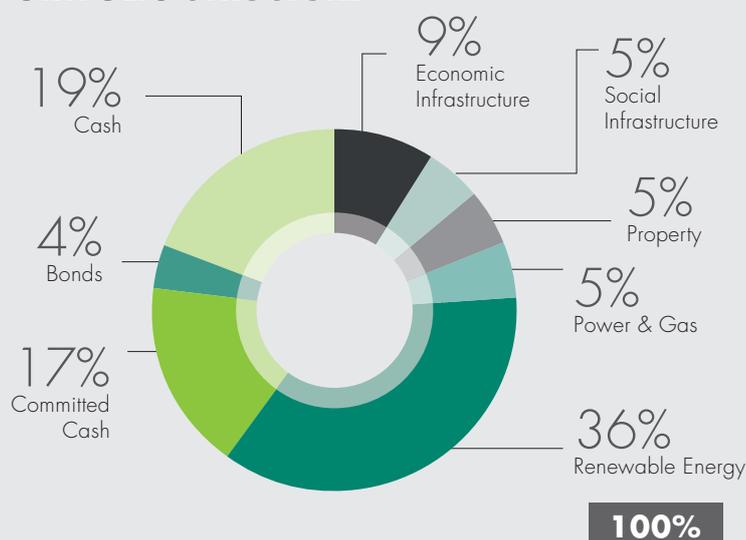
QUARTERLY REPORT 31 DECEMBER 2016



FUND OVERVIEW AND OBJECTIVES

The IDEAS Managed Fund invests in transport (roads and railways), government accommodation (public private partnerships), energy (gas pipelines and storage), thermal power generation (gas) and renewable energy (solar, wind and hydro projects). Infrastructure investments drive economic growth and create tangible social and environmental impacts. The Fund targets investments with the potential to deliver long-term returns well above inflation, while seeking to simultaneously meet social and environmental objectives. The Fund's financial objective is to generate returns of CPI plus 7% per annum over 3 year rolling periods.

PORTFOLIO STRUCTURE



PORTFOLIO STRATEGY

2016 was a very strategic year for the Fund with the investment team securing transactions with a commitment value in excess of R2.2 billion. These transactions will be funded from the Fund's cash holdings which have largely accrued from the disposal of toll road assets and from the distributions the Fund receives from its operational assets. The investment team continues to identify and evaluate new transactions which will enable the Fund to meet its long term performance objectives.

PERFORMANCE REVIEW

The Fund's nominal return for calendar year 2016 was 12.8% or CPI plus 6.3%. The Fund's 3 year return of 15.2% p.a. represents an outperformance of 2.4% p.a. of relative to its objective of 12.8% p.a. (CPI + 7% p.a.). 2016 was a year of mixed fortunes as very positive returns on operational renewable energy assets were largely offset by poor conditions in the toll road environment and the cash drag created by the standstill in the REIPPP programme. CPI for 2016 at 6.8%, was considerably above our medium to long term forecast of 5.5% on which valuations are based. It is normal in the case of short term inflationary spikes for valuations to lag and then catch up were inflation tend to plateau at this increased level. Alternatively, if the inflationary spike is short term in nature fund performance will improve on a relative basis as the target return of 7% real reverts to this lower level in nominal terms.

FUND BASICS

LAUNCH DATE	January 1999
TARGETED RETURN	CPI + 7% p.a. over three-year rolling periods
RISK CATEGORY	Moderate to low relative to conventional balanced funds
INVESTMENT VEHICLE	Fund policy as defined in the Long-term Insurance Act, 1998

FEES

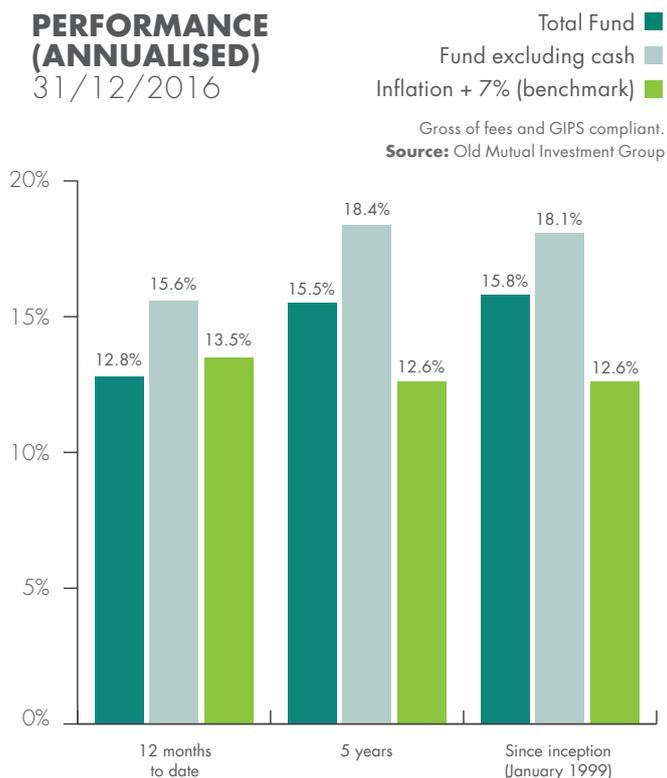
INVESTED PORTION	1.25% p.a. ¹
UNCOMMITTED CASH	0.25% p.a. ¹
PERFORMANCE FEE	20% of the outperformance achieved by the IDEAS Fund above CPI + 7% p.a. over three-year rolling periods. ¹

¹ Plus an amount equal to VAT

FUND ACTIVITY DURING QUARTER 4 2016

- Preparations for financial close of the SunEdison REIPPP programme round 4 assets with a potential investment of up to R1.7 billion
- Conclusion of agreements for the secondary market acquisition of further holdings in Herbert, Greefspan, Cookhouse and Umoya projects with a value of approximately R550 million
- Preparations for financial close of the Kaganas, Perdekraal and Redstone projects with an investment requirement of approximately R830 million

**PERFORMANCE
(ANNUALISED)**
31/12/2016



**TOP 10 INVESTMENT PROJECTS
BY VALUE (OR COMMITMENT) 31/12/2016**

TYPE	ASSET	MARKET VALUE (million)	% OF FUND
Solar PV	Lesedi and Letsatsi	775.53	10%
Wind	Cookhouse	456.26	6%
Power & Gas	Gigawatt Power Station	376.34	5%
Solar PV	Kathu	343.49	4%
Road	BPCC	325.61	4%
Wind	Jeffreys Bay	306.13	4%
Road	N3TC	220.23	3%
PPP	DoBE	243.84	3%
Road	TRAC	107.27	1%
Retail	Seting Plaza Centre	211.26	3%
TOTAL		3,365.96	43%

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In his dual role as Head of Infrastructure and Development Assets and CEO of AIIM, Jurie has overall responsibility for the management of assets of approximately USD 1.6 billion across the active infrastructure funds, including the IDEAS Fund.

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Dhesen is responsible for the active asset management of assets across the active infrastructure funds, including the IDEAS Fund.

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