

22 October 2020

## 4AX listing announcement

### **Gaia Fund Managers addresses the need for infrastructure-based investments in South Africa with new fund**

*Fund focusing on renewable energy, a South African first.*

Gaia Fund Managers and Kruger International Asset and Wealth Management are pleased to announce the listing of South Africa's first preference shares with an infrastructure focus on 4 Africa Exchange Proprietary Limited (4AX), with effect at the Exchange's market opening at 09h00 today, 22 October 2020.

Gaia Fund Managers, together with Kruger International, is listing Gaia Fund 1 (the Fund), which complies with Collective Investment Scheme regulations. The Fund's A preference shares will trade under the ticker 4AGF1A (ISIN: ISIN ZAE400000101) on 4AX.

The preference shares will be bought by Kruger International's various funds. The proceeds of the listing will be used by the Company to buy a 16% indirect shareholding in the Tsitsikamma Community Wind Farm.

With the saving and retirement industry recognising the important role it can play in bringing about social change by supporting South Africa's infrastructure needs, there is a dearth of viable options available. As listed companies with a pure or major focus on the South African economy struggle to deliver returns to investors, the managers of retirement funds and other savings are now looking for alternative asset classes to obtain sufficient returns.

Says Dr Hendrik Snyman, chief investment officer at Gaia Fund Managers: "With the local stock markets having underperformed over the past number of years and with limited options available, it is necessary for asset managers to be innovative in obtaining returns for their investors. Globally, there has been a trend whereby asset managers are looking to alternative assets to provide resilience to negative market movements, price irrationality or a lack of returns."

Hein Kruger, managing director of Kruger International, says: "We are proud to offer a novel investment opportunity that combines assured, solid returns with sustainable energy, infrastructure and community ownership. Through the Kruger Ci Prudential, Balanced and Equity funds, clients can now invest in the operational wind farm in a safe, regulated and tax-effective way where the impressive returns inherently adjust by inflation each year.

"Kruger's co-investors in the wind farm near Humansdorp in the Eastern Cape include the Tsitsikamma Development Trust (9%) and Cennergi (75%), a wholly owned subsidiary of listed company Exxaro Resources. This is a true ESG (environmental, social and governance) investment. The community trust receives investor returns for their shares. The construction has already benefitted the local community through infrastructure upgrades, a new community centre, cattle fencing and bush clearing. Since



then, the wind farm contributes 2.1% of its revenue quarterly to enterprise and socio-economic development in the surrounding communities.”

The wind farm is a renewable energy project with an installed capacity of 95 MW, situated near Humansdorp in the Eastern Cape’s Koukamma Local Municipality. It became operational on 17 August 2016, offering a measurable track record in output performance. This project and its various service providers have met and exceeded expectations with the power produced since operations started, surpassing the P50 (base case) forecast. The performance of the project to date reflects the quality of the wind resource, equipment and service providers, according to Snyman.

The listing of the Company's preference shares, with its focus on clean energy, takes place as the South African Government ramps up the supply of renewable energy to the national electricity grid. On 25 September 2020, the Minister of Mineral Resources and Energy, Gwede Mantashe, gazetted a key determination under national legislation to procure a total of 11 800 MW of electricity, of which 6 800 MW will be from renewable sources.

“This investment contributes to much-needed infrastructure in South Africa and investment diversification in an alternative asset class for us as the investors. We are proud to include Gaia Fund 1, with the wind farm as its first asset, in the Kruger funds,” says Kruger.

Collective Investment Schemes and retail investors have struggled to directly access infrastructure investments for several reasons. First, they are not readily available. Second, they are not usually listed on stock exchanges. Lastly, those options which are listed are subject to deflated prices owing to the lack of a readily traded market that understands the underlying principles of the asset class.

Snyman explains: “Infrastructure as an asset class can provide investors with stable inflation-linked cash returns while preserving their capital. However, the current means of gaining access to these projects includes a daunting and protracted process requiring, among other things, negotiating lengthy contracts. This process is far removed from investors' ordinary means of acquiring shares on a trading platform and, therefore, acts as a significant investment barrier to entry and exit. In addition to the process, the unlisted equity available in the projects precludes certain Collective Investment Scheme portfolios from acquiring interests in the projects. A listed security removes many of the entry and exit barriers for investors and allows infrastructure to take up its rightful place as an asset class in many investor portfolios.”

As a listed entity, the Fund will enable collective investment scheme portfolios to increase their allocation to infrastructure from an unlisted instrument threshold of 5% to 10%, yet retain the benefits of being unlisted through price stability. The ability to do this will open a unique market opportunity for future collective investment scheme-compliant portfolios to invest in 4AX-listed infrastructure projects through new issuances of preference shares in the Gaia Fund 1.

“Kruger International as an innovative fund manager collaborated with Gaia Fund Managers as a pioneer in the infrastructure investment space in South Africa to come up with a solution to access infrastructure investments for their investors,” adds Snyman. “Kruger International's funds will hold all of the preference shares, allowing them to accurately mark their value on a daily basis; meaning that as an asset manager, they are less exposed to market irrationality and/or information asymmetry.”

Gaia Fund 1's A preference shares will be 4AX's seventh equity listing. 4AX, as an alternative, fully licensed equity and debt exchange, took up the challenge with Kruger International and Gaia Fund Managers to list these industry-first preference shares. 4AX provides security for investors, giving the required financial transparency and regulatory oversight without the obstructive burden and costs



associated with legacy exchanges. As such, the cost and admin associated with listing are no longer prohibitive.

According to Eugene Booysen, CEO of 4AX: "4AX brings to the market an efficient and alternative regulatory model which reduces costs and inefficiencies, while promoting and adhering to the highly regarded financial regulatory standards in South Africa. 4AX focuses on being a safe and simple digital marketplace redesigning finance and access to capital and thereby enabling inclusive growth."

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### **About GAIA Fund Managers**

Gaia Fund Managers was formed in Cape Town in 2012 and incorporated in 2015 for the purpose of facilitating the investment of long-term investor capital in infrastructure projects in Southern Africa.

Gaia Fund Managers is considered a leading specialist secondary market infrastructure transaction team in the Southern African region, having concluded:

- The first significant secondary market transaction in the South African renewable energy programme with Japan's Sumitomo Corporation as the seller.
- The largest renewable energy secondary market transaction in South Africa to date in collaboration with a consortium of investors and regional banks with Gestamp Renewables as the counterparty.

Gaia Fund Managers, as first mover and brand leader, has concluded 11 renewable energy and one toll road transaction to a value in excess of R3.5 billion.

The Fund was established by Gaia Fund Managers as an investment vehicle for the express purpose of providing institutional investors access to infrastructure investments in South Africa.

It is the objective of Gaia Fund Managers to utilise the Fund to conclude additional investments in infrastructure on behalf of its clients.

Gaia Fund Managers, via an Asset Management Agreement, will manage the Fund as well as the interests of the respective preference shareholders in the underlying projects.

For more information, visit <http://www.gaia.group>.

### **About 4 Africa Exchange Proprietary Limited ("4AX")**

4AX aims to operate as a truly South African empowered exchange.

As a fully-fledged licensed exchange, 4AX is tailor made for the capital requirements of mid-market companies and provides a safe, secure, transparent and well-regulated digital marketplaces to raise capital at attractive rates.

Founded in 2014, the Exchange began trading with its first listing in September 2017. The 4AX group has since expanded and now has three main service offerings, these include; Registry Services, Listed Equities and Debt Exchange, Unlisted Debt Exchange. Website: [www.4ax.co.za](http://www.4ax.co.za)

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