

## CREDIT RATING ANNOUNCEMENT

### GCR affirms the long-term issue credit ratings of the Notes issued by Fox Street 3 (RF) Limited

#### Rating action

Johannesburg, 19 November 2024 – GCR Ratings (GCR) has affirmed the national scale long-term issue credit ratings of the Notes issued by Fox Street 3 (RF) Limited (Fox Street 3, the Transaction or the Issuer). This follows GCR's annual review of the Transaction.

Security Class	Stock Code	Amount Outstanding	Rating Class	Rating Scale	Rating	Outlook/Watch
Class A3	FST3A3	ZAR217,191,101	Long Term Issue	National	AAA <sub>(ZA)(sf)</sub>	Stable Outlook
Class A4	FST3A4	ZAR260,000,000	Long Term Issue	National	AAA <sub>(ZA)(sf)</sub>	Stable Outlook

The Transaction has a Subordinated Loan of ZAR151.2M (\$8.4M) which is unrated. Class A1 and Class A2 were fully redeemed and the ratings withdrawn in November 2022.

The credit ratings accorded to the Class A Notes relate to timely payment of interest and ultimate payment of principal by their Final Redemption Date. The ratings exclude an assessment of the ability of the Issuer to pay either any (early repayment) penalties or any default interest rate penalties.

#### Rating rationale

Fox Street 3 is a Residential Mortgage-Backed Securities (RMBS) securitisation of home loans originated by Investec Bank Limited (Investec) to its private banking clients. Fox Street 3 issued ZAR950M of secured Notes in October 2021. Seven other similar Fox Street RMBS transactions have been in existence. The Transaction structure aligns with that of Fox Street 7 (RF) Ltd, the previous most recent Fox Street transaction to issue Notes.

The Transaction is amortising, and the sequential amortisation of Notes leads to incremental increases in credit enhancement available through subordination to all Classes of Notes including the subordinated loan.

The performance is better than expectations modelled. Three loans have defaulted with a total balance of R5.6M since the inception of the Transaction, representing 0.53% of the original portfolio balance. One loan with a balance of R1.97m has since rehabilitated and two recovered through a purchase by the bank.

During the review period (November 2022-October 2024), no triggers or stop-purchase events have been breached or occurred. The underlying assets are well established, with over 12 years of seasoning and have been performing well despite the challenging consumer environment.

GCR performed an operational review with Investec as originator and Servicer on 7 November 2024 and the key management teams have remained stable.

Prepayments during the review period have remained high compared to other securitisations, although they have been moderated by borrower redraws. The prepayment rate is expected to remain strong in response to the anticipated interest rate decreases.

Rather than rerunning the model, the performance of the Transaction to date was assessed in order to validate the existing modelling assumptions. In this endeavour, the information gleaned by GCR's constant monitoring of the Transaction, including excess spread and defaulting asset levels, was reviewed. It is on this basis that the ratings of the rated Classes of Notes were affirmed.

## Analytical contacts

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## Related criteria and research

Criteria for Rating Structured Finance Transactions, May 2024  
 Criteria for Rating Residential Mortgage-Backed Securities, November 2018  
 Criteria for the GCR Ratings Framework, May 2024  
 Criteria for Rating Financial Institutions, May 2024  
 Ratings Scales, Symbols and Definitions, May 2023  
 Fox Street 3 (RF) Limited Monitoring Dashboard, 12 November 2024

## Rating history

Fox Street 3 (RF) Limited						
Notes Class	Review	Rating Scale	Rating	Outlook/Watch	Date	
Class A3 (FST3A3)	Initial	National	AAA <sub>(ZA)(sf)</sub>	Stable Outlook	Oct. 2021	
	Last	National	AAA <sub>(ZA)(sf)</sub>	Stable Outlook	Nov. 2023	
Class A4 (FST3A4)	Initial	National	AAA <sub>(ZA)(sf)</sub>	Stable Outlook	Oct. 2021	
	Last	National	AAA <sub>(ZA)(sf)</sub>	Stable Outlook	Nov. 2023	

## Glossary

Amortisation	From a liability perspective, the paying off of debt in a series of instalments over a period of time. From an asset perspective, the spreading of capital expenses for intangible assets over a specific period of time (usually over the asset's useful life).
Asset	A resource with economic value that a company owns or controls with the expectation that it will provide future benefit.
Borrower	The party indebted or the person making repayments for its borrowings.
Credit Enhancement	Limited protection to a transaction against losses arising from the assets. The credit enhancement can be either internal or external. Internal credit enhancement may include: Subordination; over-collateralisation; excess spread; security package; arrears reserve; reserve fund and hedging. External credit enhancement may include: Guarantees; Letters of Credit and hedging.
Default	A default occurs when: 1.) The Borrower is unable to repay its debt obligations in full; 2.) A credit-loss event such as charge-off, specific provision or distressed restructuring involving the forgiveness or postponement of obligations; 3.) The borrower is past due more than typically 90 days on any debt obligations as defined in the transaction documents; 4.) The obligor has filed for bankruptcy or similar protection from creditors.
Environment	The surroundings or conditions in which an entity operates (Economic, Financial, Natural).
Excess Spread	The net weighted average interest rate receivable on a pool of assets being greater than the weighted average interest rate payable for the debt securities.
Financial Institution	An entity that focuses on dealing with financial transactions, such as investments, loans and deposits.
Interest Rate	The charge or the return on an asset or debt expressed as a percentage of the price or size of the asset or debt. It is usually expressed on an annual basis.
Interest	Scheduled payments made to a creditor in return for the use of borrowed money. The size of the payments will be determined by the interest rate, the amount borrowed or principal and the duration of the loan.
Issuer	The party indebted or the person making repayments for its borrowings.
Loan	A sum of money borrowed by a debtor that is expected to be paid back with interest to the creditor. A debt instrument where immovable property is the collateral for the loan. A mortgage gives the lender a right to take possession of the property if the borrower fails to repay the loan. Registration is a prerequisite for the existence of any mortgage loan. A mortgage can be registered over either a corporeal or incorporeal property, even if it does not belong to the mortgagee. Also called a Mortgage bond.
Originator	An entity that created assets and hold on balance sheet for securitisation purposes.
Performing	An obligation that performs according to its contractual obligations.
Portfolio	A collection of investments held by an individual investor or financial institution. They may include stocks, bonds, futures contracts, options, real estate investments or any item that the holder believes will retain its value.
Prepayment Rate	The rate of prepayment in relation to the pool of obligations. Also called prepayment speed.
Prepayment	Any unscheduled or early repayment of the principal of a mortgage/loan.
Principal	The total amount borrowed or lent, e.g. the face value of a bond, excluding interest.
Rating Outlook	See GCR Rating Scales, Symbols and Definitions.
Redemption	The repurchase of a bond at maturity by the issuer.
Repayment	Payment made to honour obligations in regards to a credit agreement in the following credited order: 3.) Satisfy the due or unpaid interest charges; 4.) Satisfy the due or unpaid fees or charges; and 5.) To reduce the amount of the principal debt.
Seasoning	The age of an asset, the time period passed since origination.
Securities	Various instruments used in the capital market to raise funds.
Securitisation	A process of repackaging portfolios of cash-flow producing financial instruments into securities for sale to third parties.
Security	One of various instruments used in the capital market to raise funds.

Servicer	A transaction appointed agent that performs the servicing of mortgage loans, loan or obligations.
Spread	The interest rate that is paid in addition to the reference rate for debt securities.
Stock Code	A unique code allocated to a publicly listed security.
Stop Purchase Event	An event caused by deteriorating performance of a transaction or environmental changes that would stop the purchasing of new assets into the transaction.
Structured Finance	A method of raising funds in the capital markets. A Structured Finance transaction is established to accomplish certain funding objectives whilst reducing risk.
Subordinated Loan	A loan typically given by the Issuer to the securitisation vehicle that is more junior than a junior tranche.
Subordination	The prioritising of the payment of interest and principal payments to tranches (senior, junior etc. Senior tranches are paid before junior tranches.
Timely Payment	The principal debt, interest, fees and expenses being repaid promptly in accordance with the contractual obligation.
Transaction	A transaction that enables an Issuer to issue debt securities in the capital markets. A debt issuance programme that allows an Issuer the continued and flexible issuance of several types of securities in accordance with the programme terms and conditions.
Ultimate Payment	A measure of the principal debt, interest, fees and expenses being repaid over a period of time determined by recoveries.

### Salient points of accorded rating

GCR affirms that a.) no part of the rating process was influenced by any other business activities of the credit rating agency; b.) the ratings were based solely on the merits of the rated entity, security or financial instrument being rated; and c.) such ratings were an independent evaluation of the risks and merits of the rated entity, security or financial instrument.

The credit ratings have been disclosed to the rated entity.

The ratings above were solicited by, or on behalf of, the rated entities.

The rated entity participated in the rating process via in person interaction and/or via online virtual interaction and/or via electronic and/or verbal communication and correspondence. Furthermore, the quality of information received was considered adequate and has been independently verified where possible. The information received from the rated entity and other reliable third parties to accord the credit ratings included:

- Investor Reports to 20 October 2024
- Operational Review 7 November 2024
- Exchange Rate Source: [Xe Currency Converter - Live Exchange Rates Today](#) ZAR18.0803:1\$ as at 28 October 2024

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