

## CREDIT RATING ANNOUNCEMENT

Richefond Circle (RF) Limited – Credit ratings of all Classes of Notes affirmed. Outlooks stable.

### Rating action

Johannesburg, 29 September 2023 – GCR Ratings (GCR) has affirmed the national scale long-term issue credit ratings of the various Classes of Notes issued by Richefond Circle (RF) Limited (Richefond Circle, the Transaction or the Issuer). This follows GCR's annual review of the Transaction.

Security Class	Outstanding Amount (ZAR)	Rating Class	Rating Scale	Rating	Outlook	Rating Action
Class A1	825,000,000	Issue Long-Term	National	AAA <sub>(ZA)</sub> (sf)	Stable	Affirmation
Class B1	125,000,000	Issue Long-Term	National	AA+ <sub>(ZA)</sub> (sf)	Stable	Affirmation
Class C1	57,000,000	Issue Long-Term	National	A+ <sub>(ZA)</sub> (sf)	Stable	Affirmation
Class D1	50,000,000	N.A.	N.A.	Unrated	N.A.	N.A.
Class A2	780,000,000	Issue Long-Term	National	AAA <sub>(ZA)</sub> (sf)	Stable	Affirmation
Class B2	118,000,000	Issue Long-Term	National	AA+ <sub>(ZA)</sub> (sf)	Stable	Affirmation
Class C2	63,000,000	Issue Long-Term	National	A+ <sub>(ZA)</sub> (sf)	Stable	Affirmation
Class D2	40,000,000	N.A.	N.A.	Unrated	N.A.	N.A.

The Transaction also has an unrated Subordinated Loan of ZAR115.5M (\$6.0M) outstanding.

The credit ratings accorded to the Class A Notes relate to timely payment of interest and ultimate payment of principal by Final Maturity Date. The ratings accorded to the Class B and Class C Notes relate to ultimate payment of both interest and principal by Final Maturity 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, which are anyway not applicable to this Transaction.

### Transaction summary

On 9 March 2022, Richefond Circle issued ZAR1.057Bn of Notes under its R7Bn Commercial Property Loan Mortgage-Backed Securitisation Programme. An additional ZAR1.001Bn in new tranches of the existing Classes of Notes were issued on 27 September 2022, increasing the total Notes outstanding to ZAR 2.058Bn with the Subordinated Loan also increasing commensurately.

The Participating Assets comprise income-producing Commercial Property Loan Agreements originated by Investec Bank Limited (Investec) and their Related Security, which includes Mortgage Bonds. Investec is the Servicer and Administrator of the Transaction. Investec is also the Redraw Facility Provider, Hedge South Africa | Structured Finance | Public Rating

Counterparty, Account Bank, Guaranteed Investment Contract counterparty and Warehouse Facility Provider.

The Issuer's Participating Asset portfolio has been built up over the Pre-funding Periods following its two issuances. As at 31 August 2023, the portfolio outstanding balance amounted to ZAR1.93Bn, with considerable cash available in the Transaction Account to make further acquisitions.

Zero arrears have yet occurred in the portfolio.

Prepayments, Redraws and Further Advances lead to some portfolio movement. In the quarter ending 31 August 2023, prepayments constituted 8.3% and Redraws and Further Advances 4.4% of beginning portfolio balance, implying a net prepayment rate of 3.8% for the quarter.

Concentration by Borrower Group and sector has reduced since the last issuance but remains high, albeit within Portfolio Covenants. At 31 August 2023, the single largest Borrower Group comprised 4.2% of portfolio Credit Limit, and the largest seven 25.7%. No triggers (Stop Purchase Triggers or Cash Trigger) have been breached. The Liquidity Reserve, Redraw Reserve and Mortgage Bonds Registration Costs Reserve remain funded up to their required amounts. As yet, the Redraw Reserve and Redraw Facility remain undrawn as principal-available funds have sufficed to finance Redraws and Further Advances.

Excess spread as calculated by GCR has been stable and positive.

## Rating rationale

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GCR deems its previous model inputs, derived at the last issuance in September 2022 using the historical performance of the Originator's interest producing real estate portfolio and adjusted for Transaction characteristics, to remain valid. Credit enhancement of each Class of Notes through subordination has not changed as the Transaction is in its Revolving Period. Portfolio characteristics are within covenants and as modelled. Asset performance is positive with zero arrears at this early stage in the life of the Transaction. Therefore, the ratings were affirmed with no remodelling. GCR will continue to monitor the Transaction as it develops its own track record. For further information on GCR's cash flow modelling and other detailed rating considerations for this Transaction, see Richefond Circle – Credit Rating Report, October 2022.

## Surveillance

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### Operations

GCR received communication confirming that no changes have occurred in the Transaction operations since initial issuance, with systems, processes and management in place as previously.

### Excess Spread

Excess spread as calculated by GCR has been consistently positive. In the periods post the issuances, interest on the Reserve Account and the Transaction Account, which is earned at a rate equal to the minimum covenanted yield on the Participating Asset portfolio, makes up a high portion of Transaction revenue as cash is gradually deployed towards acquisition of Participating Assets.

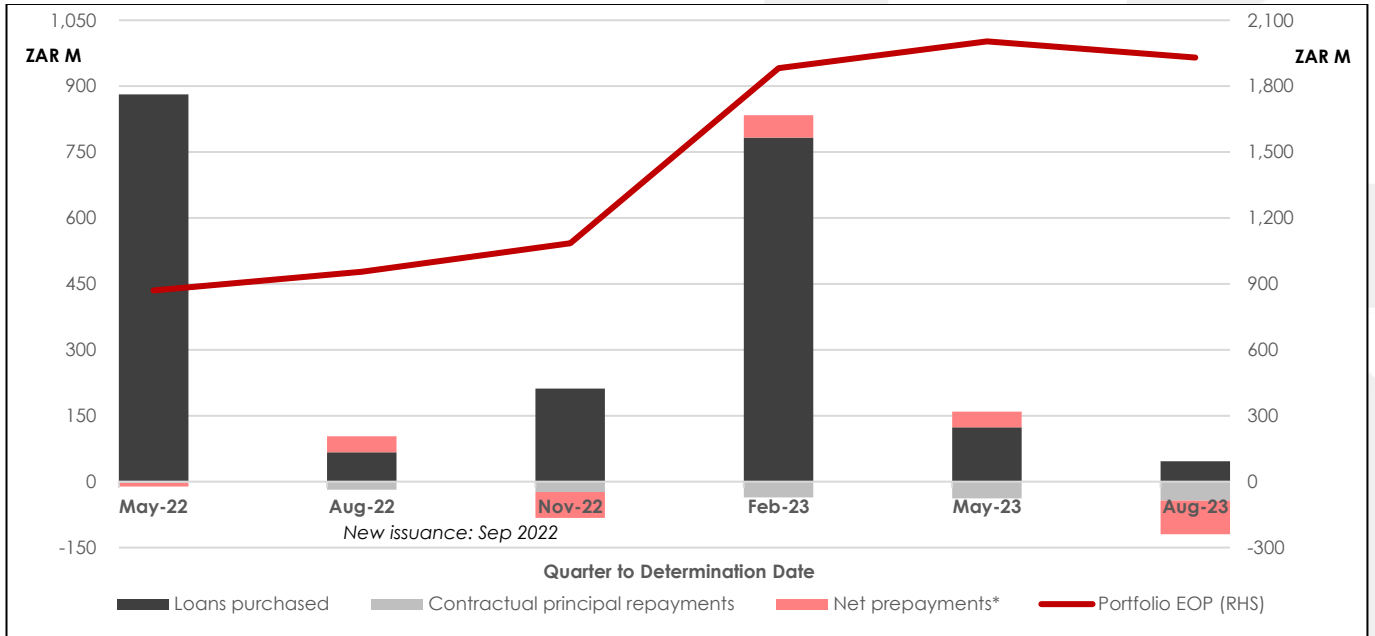
Sources: Investor Reports, GCR calculations

### Participating Assets: Arrears and Defaults

Zero arrears or defaults have as yet occurred.

### Participating Assets: Portfolio Development

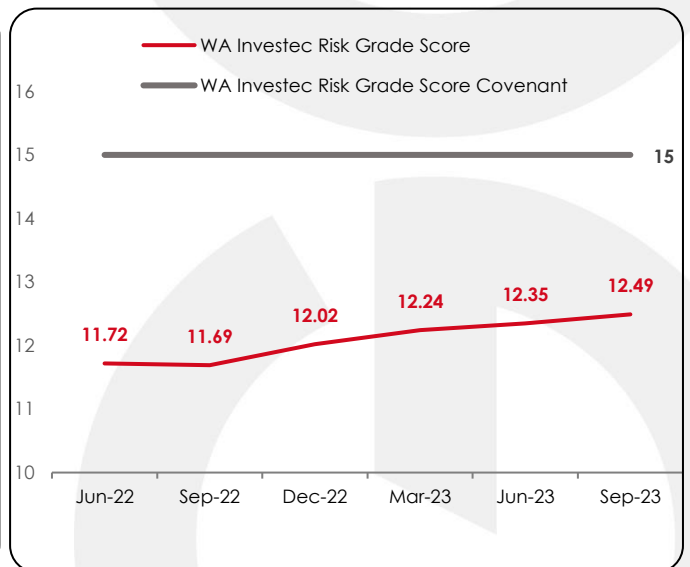
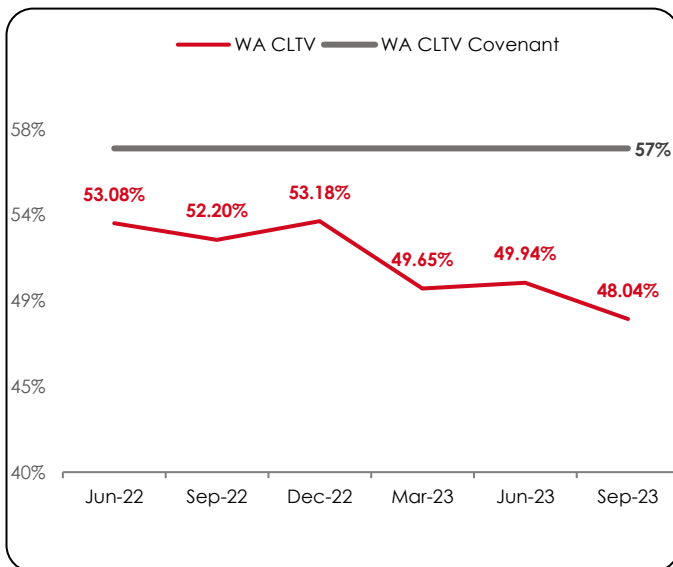
The portfolio has been built up in pre-funding periods post issuances. Prepayments are counterbalanced by Redraws and Further Advances. Positive or negative net prepayments are high in some quarters.

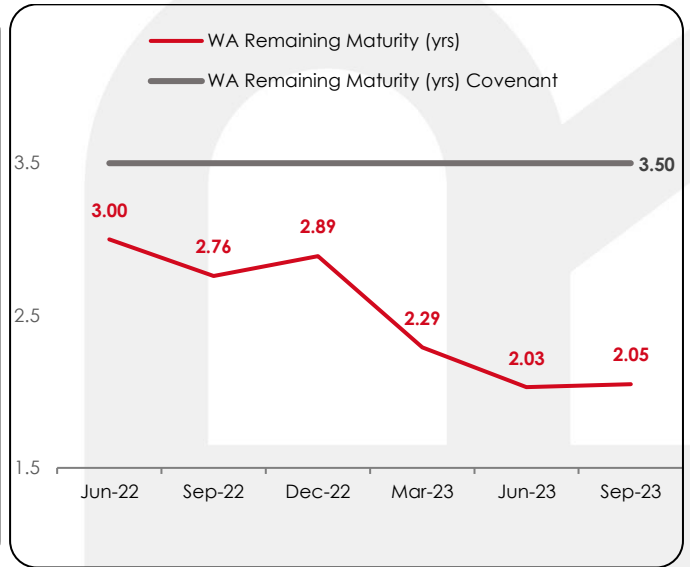
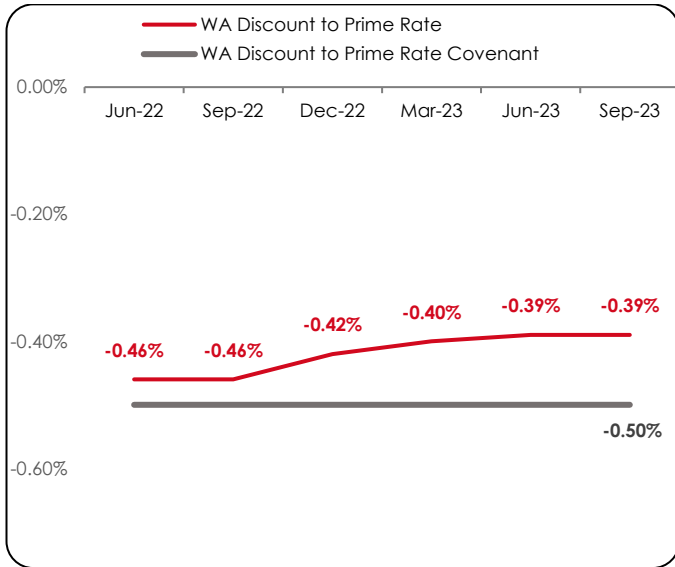


\*Net prepayments = (Redraws + Further Advances) less Prepayments and early settlements  
Sources: Investor Reports, GCR calculations

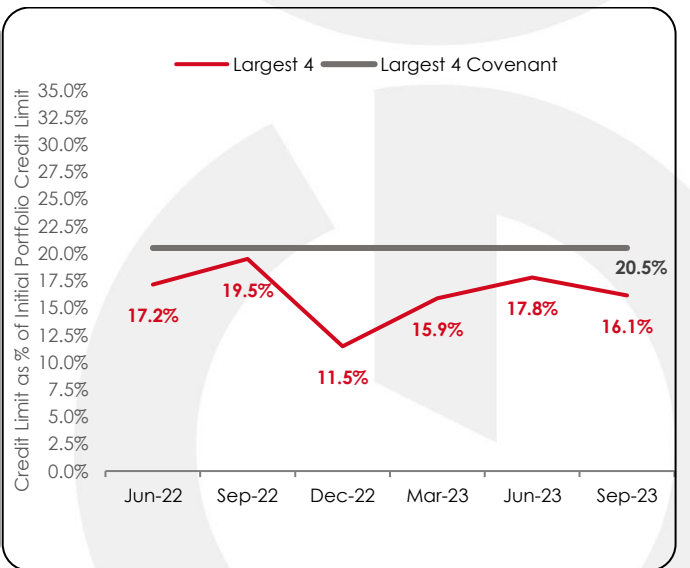
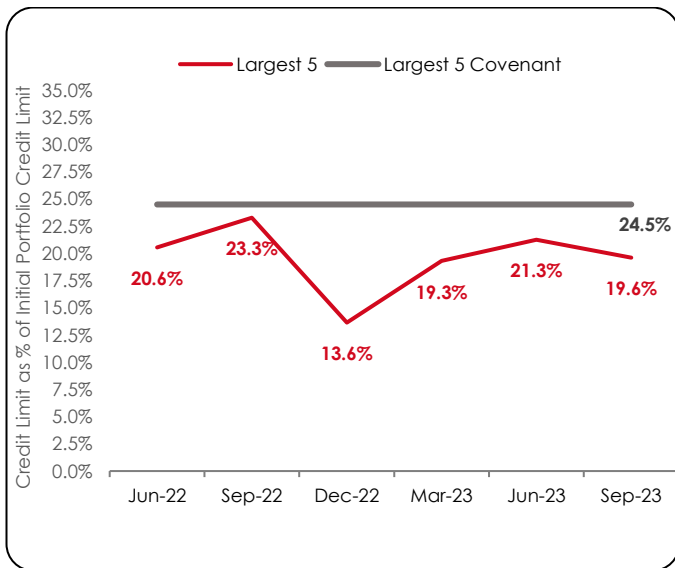
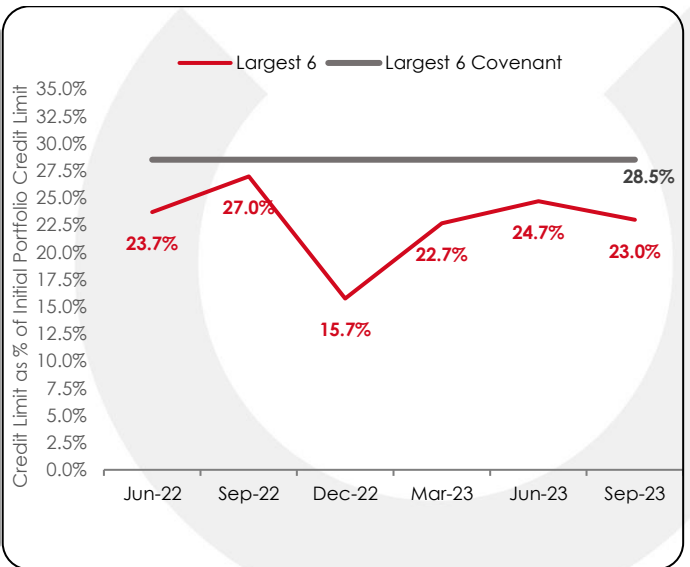
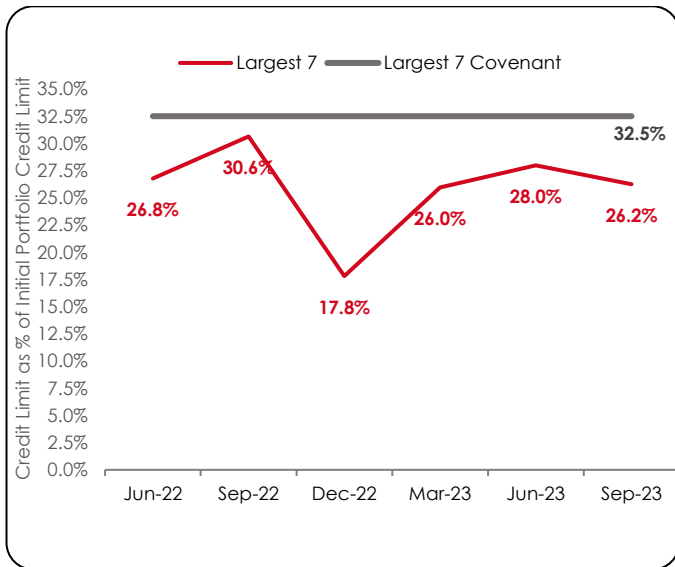
### Portfolio Covenants

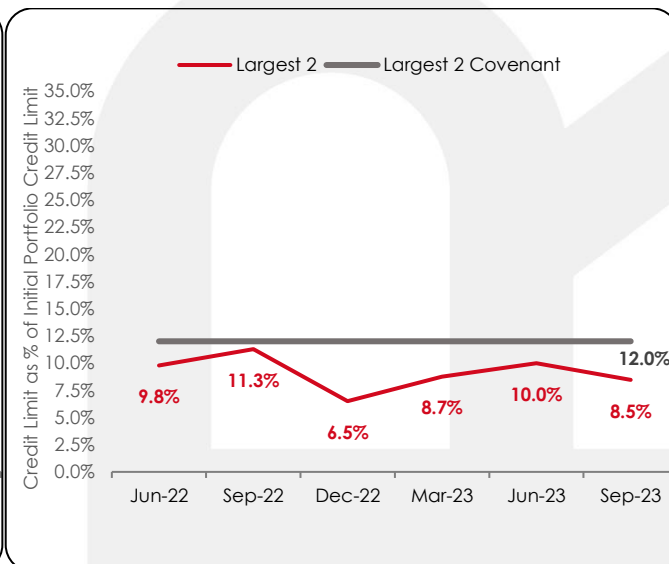
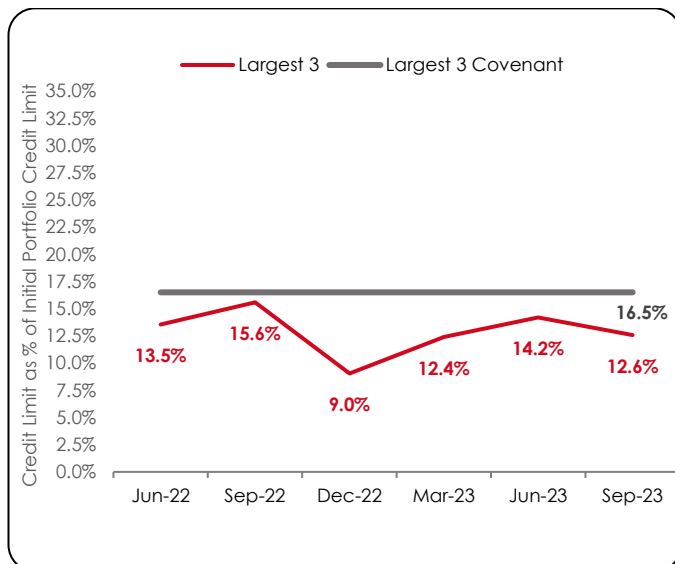
The Portfolio Covenants remain within their bounds.





### Borrower Group Concentration

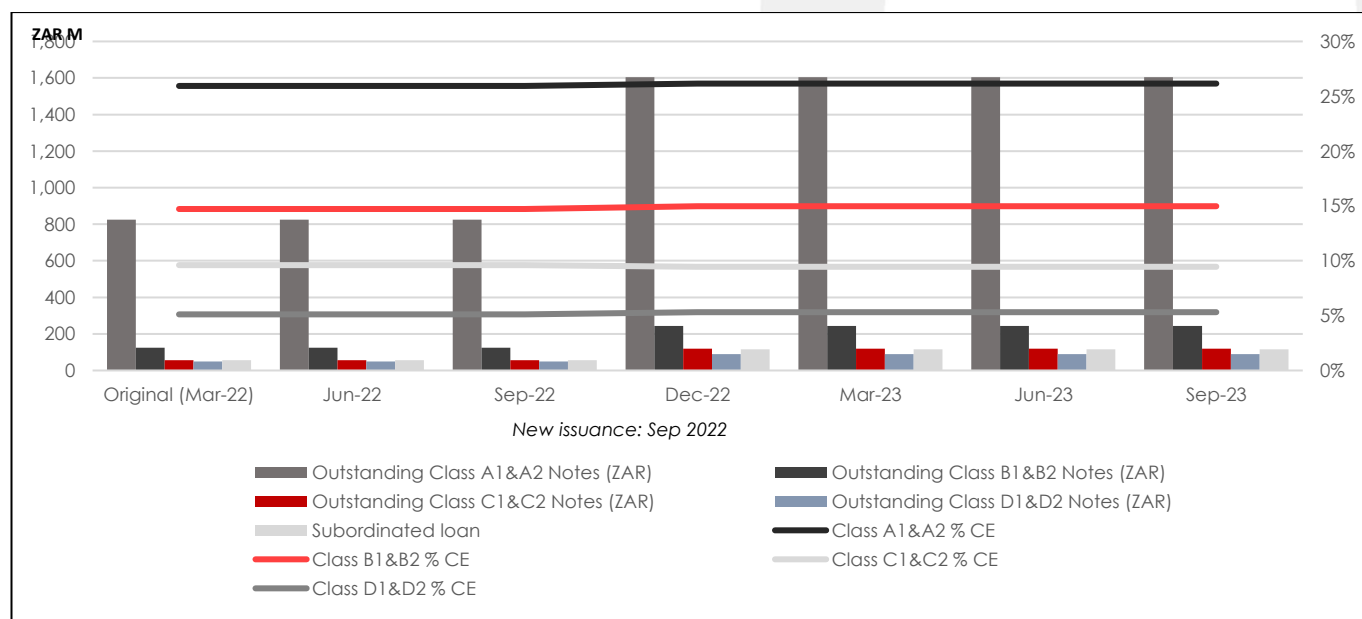




Note: The drop in Borrower Group Concentration in December 2022 is a factor of the Initial Portfolio Credit Limit changing with the September 2022 issuance, with the corresponding asset acquisition yet to take place.  
Sources: Investor Reports

### Notes: Credit Enhancement through Subordination

Credit enhancement through subordination has remained the same as the Transaction is in its Revolving Period with no Notes redemption taking place.



Sources: Investor Report, GCR calculations

### Analytical contacts

<b>Primary analyst</b>	Yehuda Markovitz	Deputy Head: Structured Finance and Securitisation Analyst
Johannesburg, ZA	YehudaM@GCRratings.com	+27 11 784 1771
<b>Secondary analyst</b>	Kyle Bales	Structured Finance and Securitisation Analyst
Johannesburg, ZA	KyleB@GCRratings.com	+27 11 784 1771
<b>Committee chair</b>	Yohan Assous	Group Head: Structured Finance and Securitisation
Johannesburg, ZA	Yohan@GCRratings.com	+27 11 784 1771

## Related criteria and research

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Criteria for the GCR Ratings Framework, Jan 2022

Rating Scales, Symbols, and Definitions – May 2023

Criteria for Rating Structured Finance Transactions, Sep 2018

Criteria for Rating Residential Mortgage Backed Transactions, Nov 2018

Criteria for Rating Consumer Asset Backed Securities, Sep 2018

Criteria for Rating Financial Institutions, May 2019

Asset-Backed Securities Cash Flow Model, Sep 2018

Richefond Circle – Credit Rating Report, October 2022

Bloomberg Exchange Rate on 28 September 2023 ZAR/USD 19.1027:1

## Ratings history – Richefond Circle (RF) Ltd

Security Class	Review	Rating Scale	Rating	Outlook	Date
Class A1 Notes	Initial	National	AAA <sub>(ZA)</sub> (sf)	Stable	Mar 2022
Class A1 Notes	Last	National	AAA <sub>(ZA)</sub> (sf)	Stable	Sep 2022
Class A2 Notes	Initial & Last	National	AAA <sub>(ZA)</sub> (sf)	Stable	Sep 2022
Class B1 Notes	Initial	National	AA <sub>-(ZA)</sub> (sf)	Stable	Mar 2022
Class B1 Notes	Last	National	AA <sub>+</sub> <sub>(ZA)</sub> (sf)	Stable	Sep 2022
Class B2 Notes	Initial & Last	National	AA <sub>+</sub> <sub>(ZA)</sub> (sf)	Stable	Sep 2022
Class C1 Notes	Initial	National	A <sub>-(ZA)</sub> (sf)	Stable	Mar 2022
Class C1 Notes	Last	National	A <sub>+</sub> <sub>(ZA)</sub> (sf)	Stable	Sep 2022
Class C2 Notes	Initial & Last	National	A <sub>+</sub> <sub>(ZA)</sub> (sf)	Stable	Sep 2022

## Glossary

Account Bank	A bank where the transaction account is held.
Administrator	A transaction appointed agent responsible for the managing of a Conduit or a Special Purpose Vehicle. The responsibilities may include maintaining the bank accounts, making payments and monitoring the transaction performance.
Advance	A lending term, to transfer funds from the creditor to the debtor.
Agreement	A negotiated and usually legally enforceable understanding between two or more legally competent parties.
Arrears	An overdue debt, liability or obligation. An account is said to be 'in arrears' if one or more payments have been missed in transactions where regular payments are contractually required.
Asset Backed Securities	Securitisation: debt securities issued that are backed or covered by a pool of assets or receivables (Auto loans and leases, consumer loans, commercial assets, credit cards, mortgage loans).
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.
Capital	The sum of money that is invested to generate proceeds.
Cash Flow	The inflow and outflow of cash and cash equivalents. Such flows arise from operating, investing and financing activities.
Cash	Funds that can be readily spent or used to meet current obligations.
Covenant	A provision that is indicative of performance. Covenants are either positive or negative. Positive covenants are activities that the borrower commits to, typically in its normal course of business. Negative covenants are certain limits and restrictions on the borrowers' activities.
Credit Rating	An opinion regarding the creditworthiness of an entity, a security or financial instrument, or an issuer of securities or financial instruments, using an established and defined ranking system of rating categories.
Credit	A contractual agreement in which a borrower receives something of value now, and agrees to repay the lender at some date in the future, generally with interest. The term also refers to the borrowing capacity of an individual or company
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 occurs; 3.) The Borrower is past due more than 90 days on any debt obligations as defined in the transaction documents; or, 4.) The obligor has filed for bankruptcy or similar protection from creditors.
Facility	The grant of availability of money at some future date in return for a fee.
Guaranteed Investment Contract	A contract that guarantees the principal and interest repayment over a period of time. Typically, GIC are used in relation to a bank account.
Hedge	A form of risk management aimed at mitigating financial loss or other adverse circumstances. May include taking an offsetting position in addition to an existing position. The correlation between the existing and offsetting position is negative.
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.
Issue Date	The date of issue of a new security. Often used as the date from which interest begins to accrue.
Issuer	The party indebted or the person making repayments for its borrowings.
Liquidity	The speed at which assets can be converted to cash. It can also refer to the ability of a company to service its debt obligations due to the presence of liquid assets such as cash and its equivalents. Market liquidity refers to the ease with which a security can be bought or sold quickly and in large volumes without substantially affecting the market price.
Maturity	The length of time between the issue of a bond or other security and the date on which it becomes payable in full.
Mortgage Loan	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.
Noteholder	Investor in capital market securities.
Origination	A process of creating assets.
Payment Date	The date on which the payment of a coupon or dividend is made.
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.
Property	Movable or immovable asset.
Rating Outlook	See GCR Rating Scales, Symbols and Definitions.
Real Estate	Property that consists of land and / or buildings.
Redemption	The repurchase of securities at maturity by the issuer.
Repayment	Payment made to honour obligations with regards to a credit agreement in the following order: 1.) Satisfy the due or unpaid interest charges; 2.) Satisfy the due or unpaid fees or charges; and 3.) Reduce the amount of the principal debt.
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.
Senior	A security that has a higher repayment priority than junior securities.
Servicer	A transaction appointed agent that performs the servicing of mortgage loans, loan or obligations.
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.
Subordinated Loan	A loan typically given by the Issuer to the securitisation vehicle that is more junior than a junior tranche of notes within such vehicle.

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.
Weighted Average	An average resulting from the multiplication of each component by a factor reflecting its importance or, relative size to a pool of assets or liabilities.
Yield	Percentage return on an investment or security, usually calculated at an annual rate.



### **Salient points of accorded ratings**

GCR affirms that a.) no part of the ratings 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 Investec.

The ratings above were solicited by, or on behalf of, the rated entity, and therefore, GCR has been compensated for the provision of the ratings.

Investec participated in the surveillance process via written correspondence. The quality of information received was considered adequate and has been independently verified where possible.

GCR received all investor reports up to September 2023.

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