Responsible Investing Report

2023

Prescient
INVESTMENT MANAGEMENT

Contents

A message from our CEO

"For an investment business in changing times, it is critical to deliver consistent outcomes by drawing upon the original thinking and different perspectives of teams that are diverse in their skills, backgrounds, gender, and race."

The year 2023 was another volatile, unpredictable one. Various natural disasters occurred around the world as a result of climate change, the global economic outlook remained uncertain, and geopolitical tensions intensified. It seems unlikely now that we will ever find a comfortable *"new normal"* – we must accept that instability has become the status quo.

For the investment industry, that means that sustainability considerations must be at the forefront of our decision-making. Unless we consider the longer-term implications of Environmental, Social and Governance (ESG) risks, like climate change, governance failures and rising global inequality, we cannot fulfil our responsibilities as fiduciaries of other people's money.

Given our dedication to fostering sustainability, we recognise the importance of responsible investing. This comprehensive approach involves thoughtful consideration of ethical, social, and environmental factors in all our investment decisions. Furthermore, our commitment extends beyond responsibility to encompass sustainable investing – a specialised focus within responsible investing. Our emphasis lies in actively supporting and investing in businesses that not only adhere to high ethical standards but also contribute significantly to long-term sustainability and positive societal impacts. This dual commitment underscores our dedication to making a meaningful and lasting contribution to a more sustainable future.

In pursuit of its fiduciary responsibilities, Prescient Investment Management (Prescient) has taken a number of steps, both as an investor and as a business, to make a positive impact.

What Prescient as an investor is doing to encourage responsible investing

We have a strong and committed ESG Committee that drives responsible investing imperatives throughout the business, and we are dedicated to considering ESG risks in every investment decision and action we take.

ESG is fully integrated into our data-driven, systematic investment process and it is a core input into the investment decisions we make on behalf of our investors. More than ever, we consider it a crucial contributor to our ability to deliver consistent performance over time, no matter how uncertain the global environment.

Our ground-breaking, evidence-based quantitative approach to ESG analysis allows us to continually adapt and enhance our investment process to capture, assess and mitigate the many risks we face in financial markets and the world at large.

We have firmly embedded our internally-developed ESG scorecard into our investment process. It has proven to be an invaluable tool in evaluating prospective and existing investments based on ESG risks and opportunities. Crucially, it allows us to understand and monitor what a company is really worth at any point in time, after taking these long-term risks into account.

ESG is also a core consideration when we develop new products. Responsible investment products, like our Prescient Clean Energy and Infrastructure Debt Funds, were developed specifically to help bridge the infrastructure gap and contribute towards generating more vibrant economic growth in South Africa. The funds give investors an alternative source of long-term investment returns. Not only do they reflect and promote our sustainable investment philosophy, but they also contribute to at least six of the United Nations' Sustainable Development Goals (SDG).

Prescient pursues sustainability within its own organisation

For an investment business in changing times, it is critical to deliver consistent outcomes by drawing upon the original thinking and different perspectives of teams that are diverse in their skills, backgrounds, gender, and race. That's why we see transformation and diversity as strategic advantages in our industry and central to our organisational culture.

Our ongoing efforts are delivering encouraging results. This year, we reached another vital transformation milestone in our BEE journey. We boosted black ownership in the Prescient Group in an empowerment deal that increased our staff's economic interest in the group to 25%. The BEE deal aligns with our strategic vision of creating a diverse and inclusive workplace and is the next step in our transformation journey as a BEE Level 1 financial services organisation.

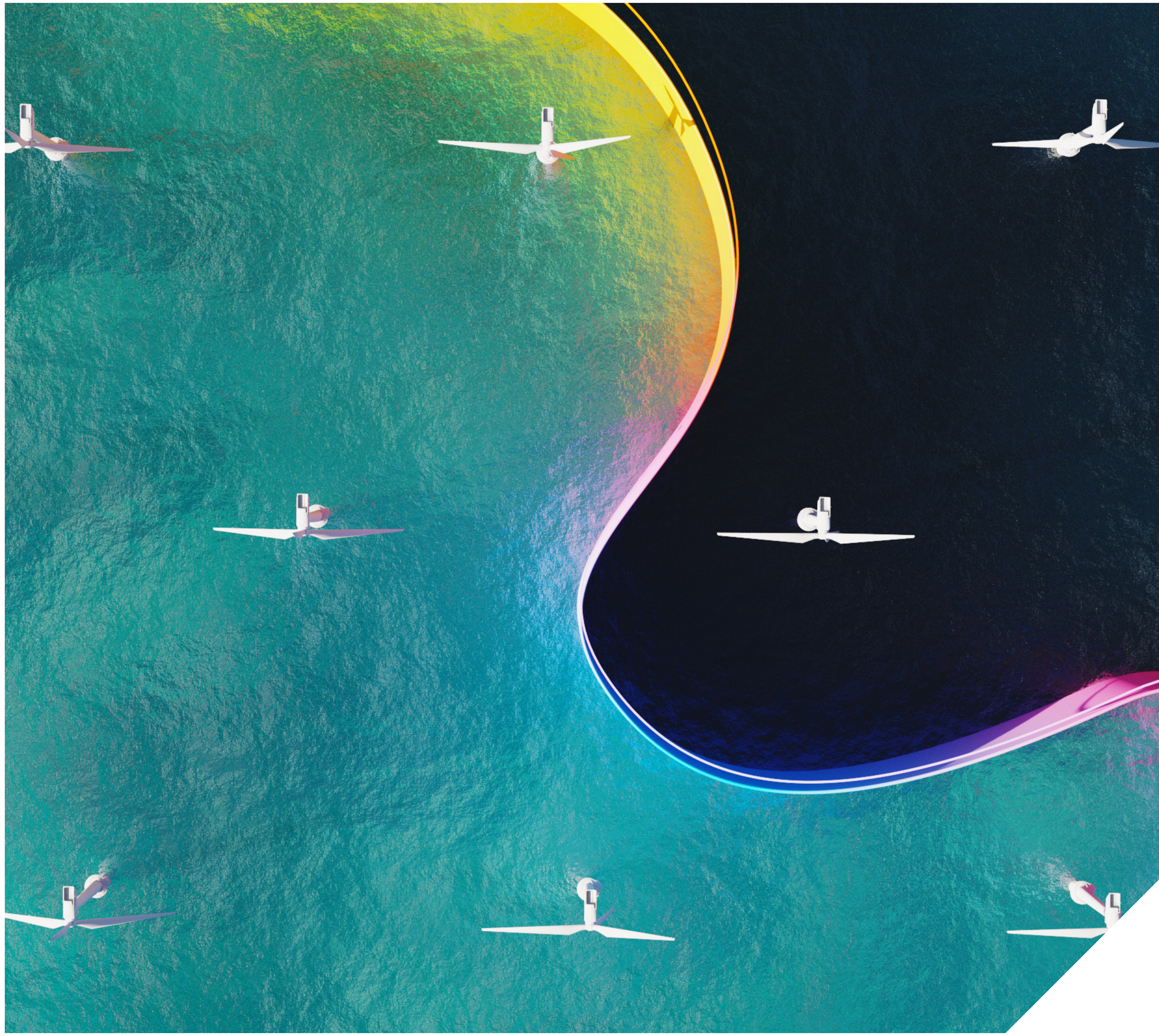
Our staff base has become increasingly diverse. Today, black employees make up 65% of our business and 64% of our portfolio managers are black. Gender representation in our business is also increasing, with women representing 67% of our exco committee and almost half of our employees.

We know that without our phenomenal investment talent, we would be unable to fulfil our commitments to our clients, or grow the business. To nurture our talent, this year we introduced a flexible work and leave policy. We believe it will give our staff greater control over their work environment and help them to perform better, which will benefit all of our stakeholders.

Adapting to challenging times

Challenging times often present tremendous opportunities to adapt and grow. In its 25 years of systematic investing, Prescient has weathered many difficult financial markets, yet we have always managed to deliver consistent results. We are confident in our ability to adapt and grow in the foreseeable future, in line with our steadfast commitment to investing responsibly and sustainably.

Cheree Dyers
Chief Executive Officer
Prescient Investment Management



Prescient's holistic approach to responsible investing

Michelle Green,
Chair of the ESG Committee and Credit Analyst

Throughout our 25-year history, Prescient Investment Management (Prescient), one of SA's largest black-empowered asset managers, has focused on giving our clients the comfort of knowing that their capital will be preserved. We do this by consistently managing relative and absolute downside investment risk, with the ultimate aim of achieving superior, risk-adjusted returns for our clients.

We believe it is crucial to incorporate environmental, social, and governance (ESG) considerations to achieve sustainable returns. Our corporate philosophy blends the practical principles of business success with the enduring ideals of sustainability.

This sincere dedication to sustainable practices, transformative growth, and innovative ESG integration sets us apart from our peers. It is reflected in our data-driven research and active management, which are aimed at continually enhancing our ESG strategy. We pride ourselves on being SA's leading systematic investment house, based on a dual data-driven approach that incorporates both quantitative and qualitative analysis. This allows us to process over 120 million data points, analyse meticulously, and maintain unparalleled efficiency in our analysis of ESG considerations.

We take a holistic approach, combining quantitative rigour with sound bottom-up analysis to find the best way to fulfil ESG goals. Our analytical team has developed a groundbreaking quantitative approach to ESG analysis and our risk toolkit incorporates ESG factors. At Prescient, we understand that the best path to certainty is to consider it all.

At the core of our success is our belief that true impact investing entails more than desktop analysis and trading bonds. We are proactive in structuring deals because we want to make a tangible difference to the lives of our investors, while prioritising sustainable and responsible investment practices.

Apart from our commitment to ESG in investing, we hold a BEE Level 1 rating, which demonstrates our practical contribution towards transformation and diversity in SA's financial sector. With a diverse analytical team, we have an inclusive environment that fosters growth, transformation and career development opportunities. Prescient is a forward-thinking, inclusive, and impactful investment firm with a deep commitment to pursuing ESG integration and responsible investment practices in our strategy and process.

The people who drive our ESG strategy

Our ESG Committee's primary purpose is to drive its ESG agenda and improve market standards through collaboration.

The committee has eight members, representing all asset classes. It includes both the Chief Executive Officer and Chief Investment Officer to ensure alignment with the company's business strategy. The committee is chaired by Michelle Green, who has more than ten years of experience in the industry.

ESG Committee

Cheree Dyers
Chief Executive Officer

Bastian Teichgreeber
Chief Investment Officer

Conway Williams
Head of Credit
(ASISA representative)

Seeiso Matlanyane
Head of Equities

Michelle Green
Credit Analyst &
Chair of ESG Committee
(FAIS representative under supervision)

Shriya Roy
Quantitative Analyst
(FAIS representative)

Alyssa April
Quantitative Analyst

Simnikiwe Thutha
Business Development Manager

Responsible investment: from policies to actions

Our investment philosophy rests upon capital preservation and prudent fund management. We prioritise risks in a systematic way to yield proportional returns. By taking a comprehensive and cohesive approach to responsible investing, we can allocate our clients' capital in a way that fosters sustainability. We have intentionally incorporated ESG considerations into our investment process and the way we evaluate potential investments.

1. THE THREE PILLARS

Our ESG investment process spans three core areas.

These are:

- how we consider and make **investments**;
- our **product development** and offering, including our responsible investing products; and
- **corporate** culture, which comprises our organisational structure and initiatives.

CORPORATE

UNPRI, CRISA & ASISA

- Prescient Foundation
- Employment Equity & Skills Development
- B-BBEE & Broker Selection

PRODUCT DEVELOPMENT

ESG-Centric Products

- The Prescient Clean Energy & Infrastructure Debt Fund Trust

INVESTMENT PROCESS

Idea Generation

- Security Selection
- Portfolio Construction
- Proxy Voting

Our three-pillar approach ensures that we purposefully and methodically incorporate all significant ESG factors into both our investment and corporate activities. We look beyond conventional financial considerations, taking a far broader approach to sustainability that aligns the interests of all our stakeholders in the investments we select.

Although Prescient offers specific responsible investing products, we have also integrated ESG considerations into the rest of our funds under management. The Prescient Clean Energy and Infrastructure Debt Funds are designed to promote our sustainable investment philosophy and achieve ESG objectives. The projects within both funds actively contribute to advancing at least six of the UN Sustainable Development Goals (SDGs). For example, the Prescient Clean Energy and Infrastructure Debt Fund primarily aligns with SDG 7, which seeks to ensure universal access to affordable, reliable, sustainable, and modern energy. This goal influences the investment decisions we take in the fund.

As an institutional investor, we have a fiduciary duty to act in the best long-term interests of our beneficiaries. Engagements are essential to improve the adoption of ESG in South Africa. We have signed the UN Principles of Responsible Investing (UNPRI) and pledged to abide by the Codes of Responsible Investing in South Africa (CRISA).

If you'd like to read more about Prescient Foundation's initiatives, click here.

2. RESPONSIBLE INVESTING POLICIES

Three Responsible Investing Policies drive our ESG philosophy: the ESG Policy, the Engagement Policy, and the Proxy Voting Policy. These are applied to all our assets under management (AUM).

01.

ESG Policy

Our ESG Policy defines the guiding principles for ESG-related matters in our investment and corporate activities. These principles apply to all asset classes and geographies where we implement the firm's Responsible Investing Policy mandate. For more information on our publicly-available ESG Policy, please refer to our website.

02.

Engagement Policy

Our Engagement Policy contains the guiding principles we use in engaging with investees and stakeholders on ESG matters, across all asset classes and geographies. We have an integrated approach to responsible investing, which systematically incorporates engagement activities into our investment and corporate activities. This reflects our belief that the financial services industry has a responsibility to ensure capital flows are directed to promote positive ESG change, where needed.

The Prescient team maintains an engagement register, which assists us in monitoring and actively engaging companies on ESG matters. The team can actively track developments and key concerns on our internal portal, which all Prescient staff can access. For more information on our publicly-available Engagement Policy, please refer to our website.

03.

Proxy Voting Policy

This policy covers how we develop and uphold good corporate governance principles and business practices by voting on various resolutions on behalf of our clients responsibly and sustainably. It should be read in conjunction with the ESG Policy and the Engagement Policy. For more information on our publicly-available Proxy Voting Policy, please refer to our website.

3. OUR ESG SCORECARD

Our systematic, data-driven, and evidence-based investment approach is the basis of our thoroughly tested and resilient process. We place a strong emphasis on risk management. Since ESG risks have become among the most significant long-term threats to investment outcomes, we believe it is essential to assess and mitigate them appropriately. We have developed our own ESG risk analysis tool that relies on systematic data analysis to evaluate and rate companies based on their ESG risks and opportunities.

Our ESG scorecard guides us in conducting evidence-based due diligence research into ESG risks and opportunities. Each company is assessed on its environmental, social, and governance aspects. This quantitative measure aligns with our investment philosophy.

Thousands of data points
Data from integrated reports

\+ **Scoring methodology**
Prescient ESG scorecard methodology

\+ **Investment universe**
Insights into the ESG performance of the investment universe

\+ **Sectors**
Sector performances and intra-sector analysis

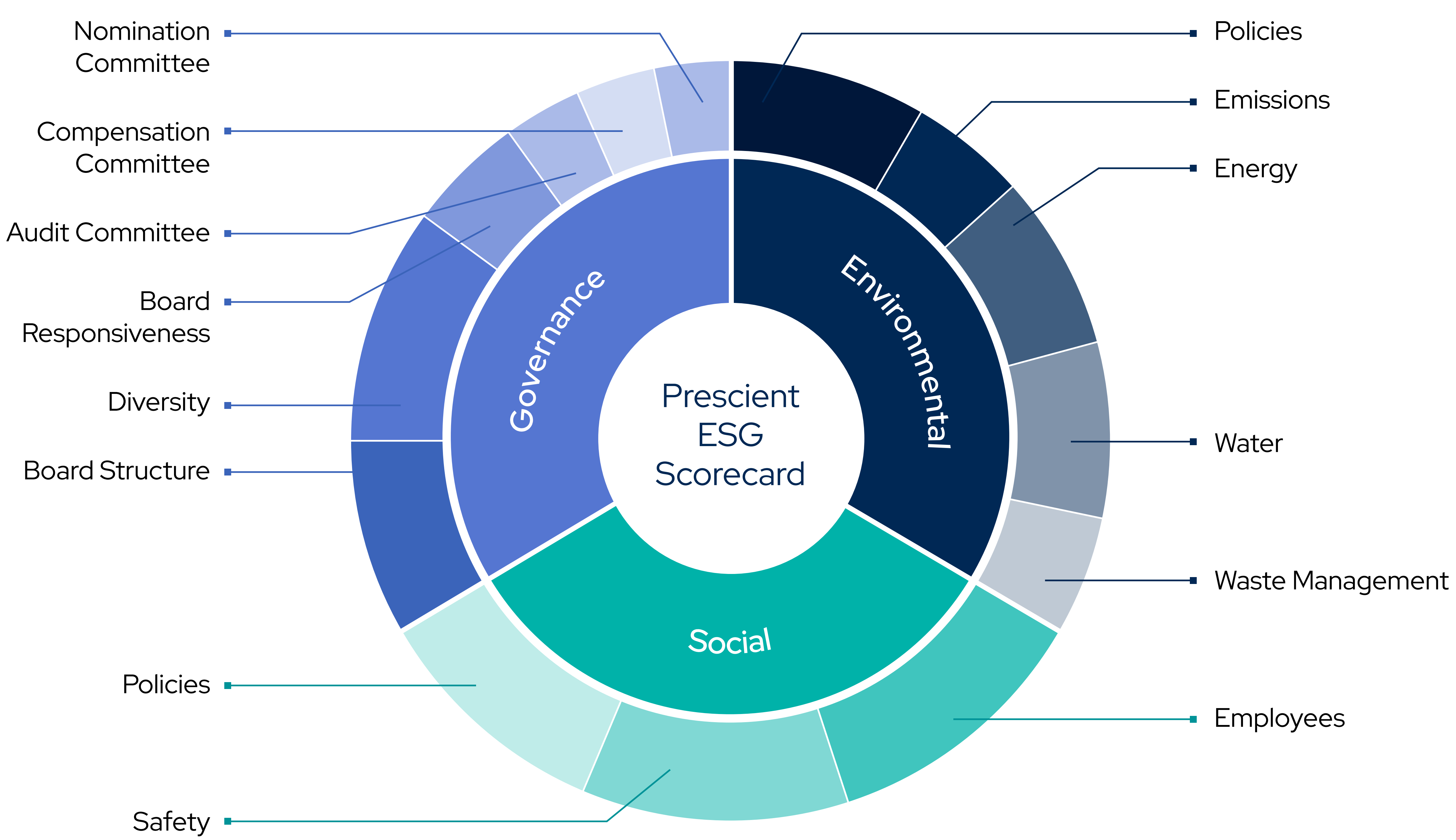
= **Company ESG**
Scores company-specific ESG scores with attributions

Our ESG scorecard is completed using data extracted from companies' integrated annual reports, and this qualitative information is translated into quantitative scores. These scores are reinterpreted to form a judgment on a probability of default, which is an integral part of our overall credit rating assessment for any evaluated company.

This approach ensures that ESG factors are woven into our holistic investment decisions, influencing our determination of a company's fair value. It also enables us to maintain a continuous perspective on a company's ESG standing at any given moment and track changes over time. The diagram below illustrates how we integrate ESG considerations into our process and how they inform our assessment of fair value.

The key themes of each ESG pillar that we track is reflected in Figure 1 below:

Figure 1: Prescient ESG scorecard



Source: Prescient Investment Management, 2023

Environmental pillar

This pillar has five themes: emissions, energy consumption, water usage, waste management and policy disclosures. Each one has various sub-factors. For example, when we evaluate emissions, we consider various components, including GHG Scope 1, Scope 2, Direct CO_2, and Indirect CO_2. Because larger corporations obviously generate more emissions than their smaller counterparts, to prevent putting larger companies at a disadvantage, we mitigate market size-related biases by adjusting the metric to the company's market capitalisation.

Social pillar

The social pillar examines how companies interact with their employees and the communities in which they operate, and it has three themes: Employee Diversity and Investment, Safety, and Policies. Social issues can include employee diversity and inclusion, workplace safety, company policies on the gender pay gap, fair remuneration or child labour. Companies have a responsibility to create value not just for shareholders, but for all stakeholders.

Governance pillar

Sustainable business models stem from having good corporate governance. This pillar focuses on how well a company is governed and managed. Strong governance practices are essential for maintaining the trust of investors, customers, and stakeholders. Companies with robust governance structures are more likely to make ethical and responsible decisions and are better equipped to manage risks effectively. This pillar tracks six themes: Board Structure, Board Responsiveness, Audit Committee, Nomination Committee, Compensation Committee and Diversity.

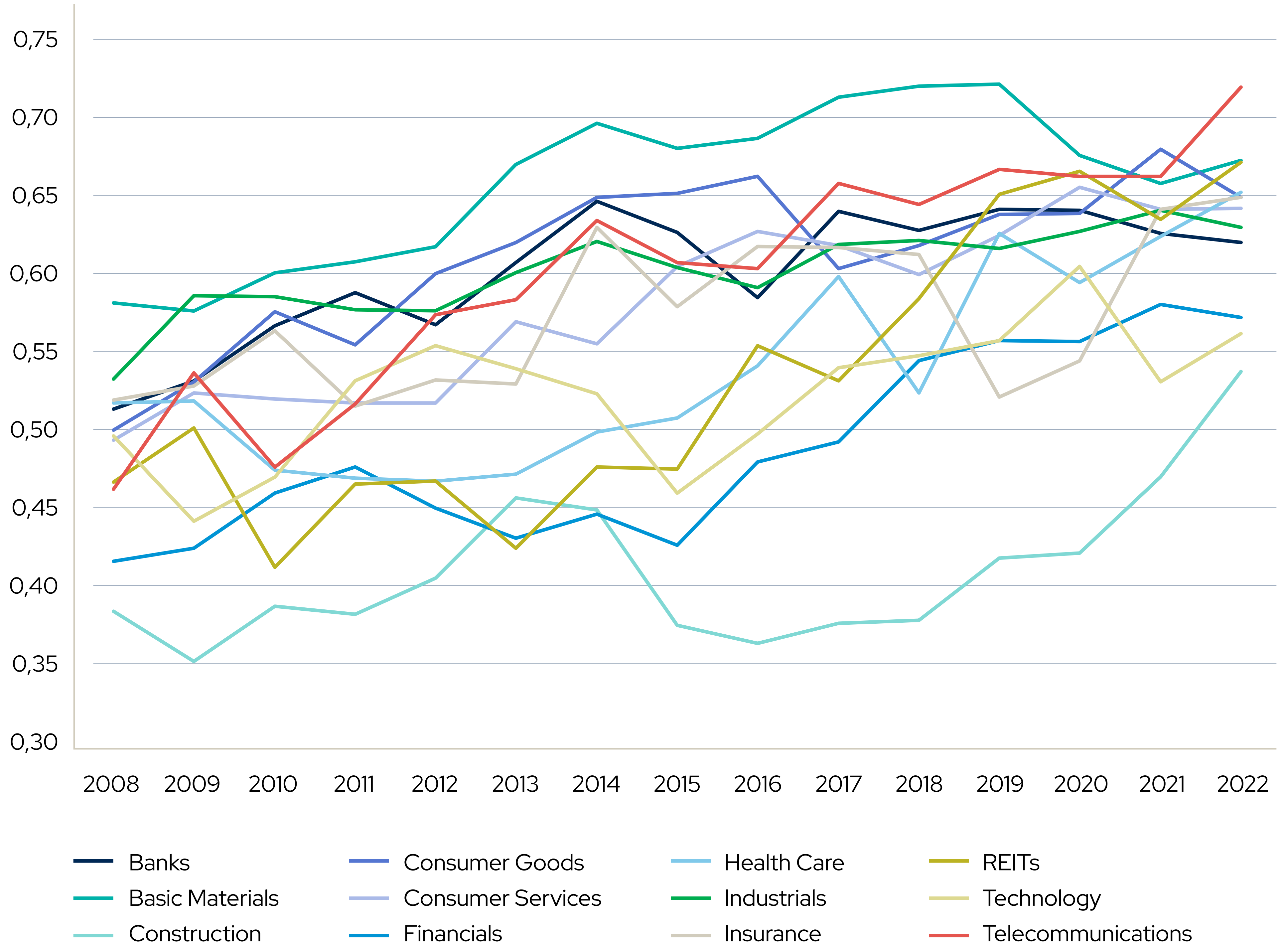
Relative assessment

The scorecard allows us to take a nuanced approach to evaluating ESG risks and opportunities. Recognising that each industry is complex, we consider each sector independently and evaluate its fundamental aspects accordingly. We perform a materiality assessment to determine the critical sustainability drivers of each sector. Our ESG scorecard, which has been back-tested and based on first principles, comprises a 62-factor rules-based model. The model accounts for industry materiality and company size biases, allowing us to achieve the following:

- **Risk screening:** look for ESG opportunities and risks in our investment universe
- **Improvement areas:** identify areas of improvement, opening a gateway for engagement
- **Tracking:** track score changes and trends over time
- **Comparability:** perform relative assessments on a sector and peer basis.

In a rapidly-evolving financial landscape, responsible and sustainable investing has gained immense traction. Investors, corporations, and stakeholders are increasingly recognising the significance of ESG factors in shaping the future of businesses. The ability to analyse and understand industry-wide ESG trends and performance is critical to informed decision-making. As the importance of ESG factors continues to grow, it becomes essential to have the tools and insights necessary to evaluate the broader landscape. Figure 2 below depicts our capability to navigate and assess the trends in sectoral ESG scores.

Figure 2: ESG sector relative scores

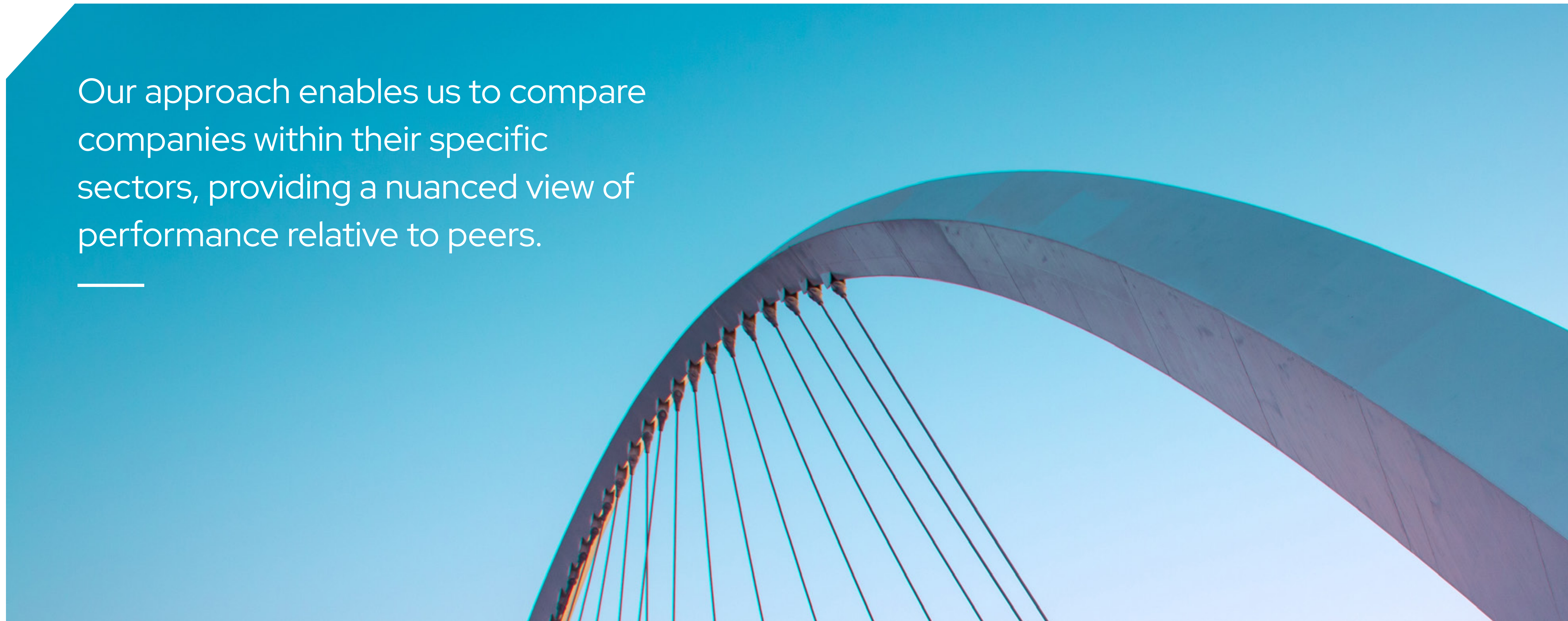


Source: Prescient Investment Management, 2022

Identifying leaders and laggards in each industry is a pivotal part of our analysis. It's not enough to understand how an industry is faring on average - investors need to know which companies are excelling and setting the standards, and which are falling behind. Our approach enables us to compare companies within their specific sectors, providing a nuanced view of performance relative to peers.

For example, Figure 2 demonstrates 12 sectors assessed on a relative basis. Although the construction sector has the lowest score, it has also shown a marked improvement in its overall ESG score since 2016, primarily driven by improved reporting on the "E" pillar. The Real Estate Investment Trust (REIT) sector's score is also showing improvement, due to better reporting on both the "S" and the "G" pillar. Conversely, the Consumer Goods sector has shown a marked decline in its overall ESG score, primarily driven by the "S" pillar, while the Industrials sector has remained flat year-on-year.

Not only is the ESG scorecard a risk assessment tool, it also gives the team deeper insight into a company's fundamental drivers by analysing the components of their scores in each ESG pillar. It provides a platform for ongoing, efficient mechanisms to spot and proactively address ESG risks, uncover lucrative ESG opportunities, and identify specific areas where enhancements can be made. This information serves as a catalyst for meaningful engagement with company management, setting the stage for informed decision-making and responsible investing.



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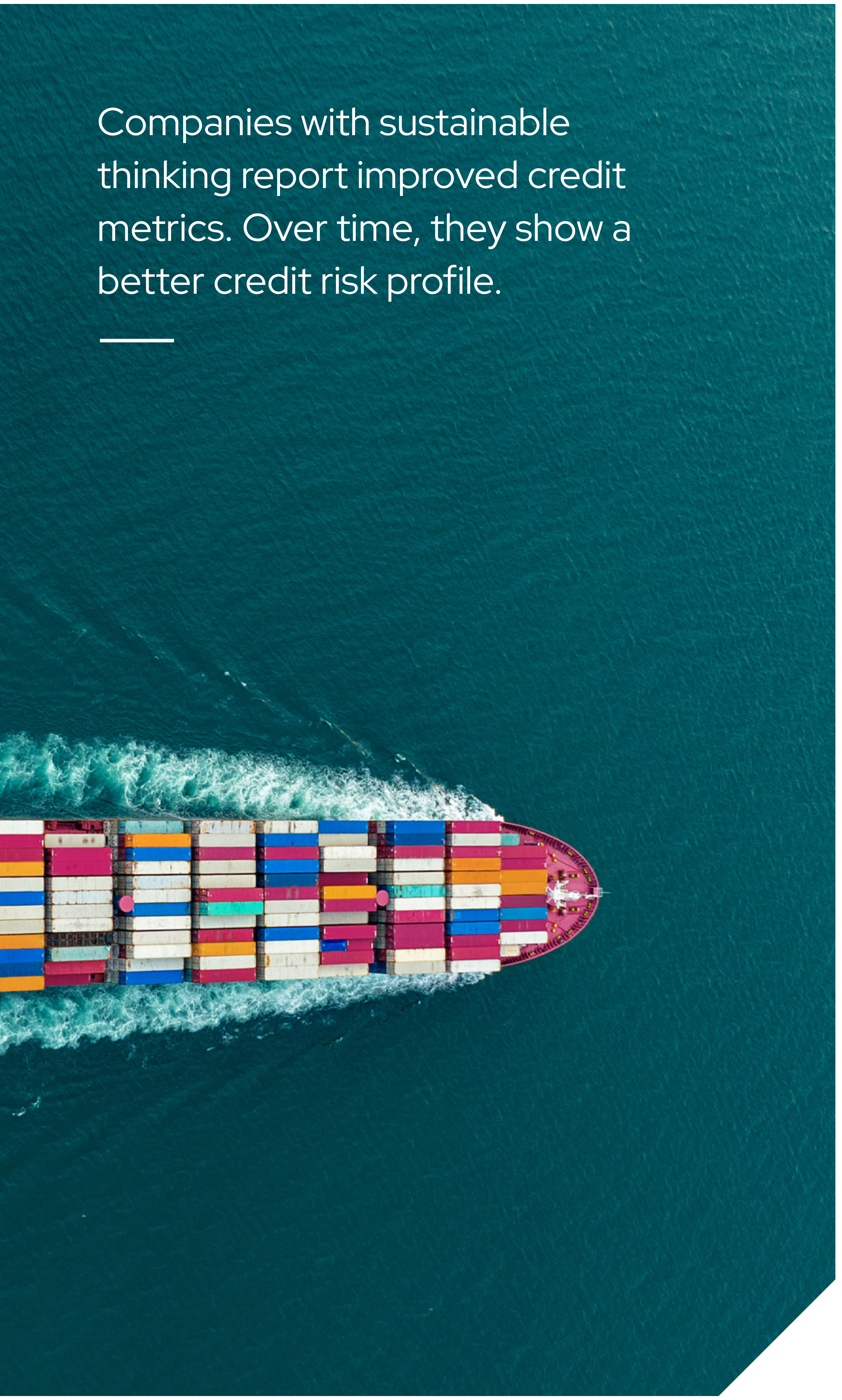


4. USING DATA TO ASSESS CREDIT RISK

Prescient prioritises risk management. Embedding ESG considerations into the investment process is critical to achieving favourable investment results, but it requires us to properly assess, manage and appropriately price a broader set of risks.

We are long-term investors, and we direct capital to entities with a similar long-term focus. Our multi-dimensional approach, which embeds ESG into our default risk assessment, has shown us that companies with sustainable thinking report improved credit metrics. Over time, they show a better credit risk profile.

Our in-house, systematic credit risk model allows us to evaluate the default probability of over 200 issuers, both listed and unlisted, daily. We can detect credit quality deterioration in almost real-time, which enables us to re-evaluate the merits of the investment and act swiftly if necessary. The model relies on a combination of reduced form and structural models, and is guided by recognised international research to form a well-rounded assessment. Because this model is built in-house, we are able to unpack the different components. Starting with output from our model, we can drill down into the underlying sub-models, ratios, and inputs used to identify the exact reason behind any change in credit quality.

The model's output is enhanced by integrating ESG factors, promoting effective risk management, opportunity identification, and value creation for our clients. ESG integration is the deliberate and systematic inclusion of ESG factors in all investment and corporate activities. The alternative to ESG integration is ESG screening, which means filtering out issuers with poor characteristics, regardless of their underlying financial position and debt servicing capability. We use ESG integration as a risk identification tool, ensuring we take a broader and more holistic view of investments that goes beyond traditional financial factors by considering overall sustainability and alignment of all stakeholder interests.

As we discussed earlier (see "Our ESG Scorecard"), we assess the three main pillars of ESG, based on 62 factors. The derived score for each counter has an ESG component. The scorecard is 100% quantitative and free from human biases: our systematic approach translates qualitative data into quantitative scores. Importantly, our model takes a one-, three- and five-year view, enabling us to record and track implementation of ESG policies. As we support active stewardship of our investments, rather than excluding those that do not meet our standards, the output of our scoring process allows us to engage with company management and have pointed, data-oriented conversations about ESG targets and implementation, analogous to the characteristics of our credit risk model.

Once issuers are assigned ESG scores, we use these to notch the initial credit rating to obtain the issuer's final default probability. Borrowers with a high ESG score relative to their peers are more likely to have a stable and experienced board of directors, use resources wisely, and treat employees well, leading to sustainable, less volatile financial performance. These companies are also at a lower risk of incurring unnecessary ESG-related costs such as environmental remediation and legal disputes. Put simply, our process enables us to deploy capital at the appropriate risk-adjusted spread, and importantly, over time, contribute to long-term change.

As companies continue to embrace the trend of being good corporate citizens, there has been an increase in the volume of sustainability-linked bonds (SLBs) issued in the debt capital market. These are a commercial offering with a purpose, since they are issued with specific targets in mind (Key Performance Indicators ("KPIs") to be met) and they incentivise companies (i.e. borrowers) to transition from perceived negative practices to ones that will ultimately improve the company's ESG ratings. If these KPIs are met, it positively influences the company's cost of funding. If the KPIs are constructed appropriately, they can connect a borrower's ESG objectives with financial outcomes.

We believe that while sustainable bonds may enable issuers to score better on environmental aspects directly, they will also have an influence on other areas. It is important to remember that the various ESG pillars are inherently interlinked: when a company considers stakeholder interests in one area, it has spill-over benefits into another area.

We are only cautiously optimistic about the year ahead for investment markets, due to prolonged economic uncertainty. However, the surge of sustainable bond issuance in the market provides a glimmer of hope for a credit landscape that has not shown any meaningful growth for years. The consideration of these opportunities, and potential investment in them, underscores the importance of our role in shaping the ESG landscape in SA. It links to our core objective of being an investment house that prioritises sustainability. As a fiduciary asset manager, we take ESG issues seriously and continuously strive to provide our clients with solutions that matter, while appropriately pricing the risk inherent in these investments.

5. ENGAGEMENTS WITH INVESTEES

Prescient's Engagement Policy describes the firm's guiding principles on engaging with investees and stakeholders on ESG matters. We have various types of engagements with investee companies, policymakers, and other stakeholders.

Our engagement strategy is target-oriented, and we focus on the following:

ESG Engagement Strategy

Improve ESG Awareness
- Communicate clear ESG expectations to investees
- Promote transparent disclosures

Probe Change
- Exercise shareholder activism
- Facilitate change within investee companies

Influence Public Policy
- Build sustainable financial markets
- Establishing industry best practice
- Educating through thought leadership
- Educating the retirement market
- Contributing positively through industry bodies

This year, we had various engagements with investee companies on the following themes:

- Board size reduction, coupled with extended vacancies
- Improved governance reporting on changes at board level
- Concerns about board diversity
- Changes in management and executives and succession planning
- Director dealings
- Concerns about the quality of developments that were built
- Business restructure and anticipated losses
- Fair and responsible decision-making.

40% of the recorded engagements have a "resolved" status and the rest are "ongoing". The outcomes have all been "neutral". Our engagement register, which is available to everyone in our company and on our website, keeps us accountable on the status of the matters of concern that we engage on with investee companies. It is also a way to promote transparency in an industry that is still struggling with public disclosures on ESG matters.

From an industry and policymaking perspective, we continue to engage through the following channels:

The Association for Savings and Investments (ASISA)

As members of ASISA, we continuously participate in various engagement initiatives and working groups to influence public policy and other ESG-related issues in our region. We engage quarterly on market matters such as JSE debt listing requirements, Regulation 28 changes, the Zaronia transition, CIS Act rules, ESG and responsible investing matters as well as infrastructure committee work. We comment on legislation and regulation (Regulation 28 and recently the proposed The State Owned Enterprise (SOE) Bill) and talk to National Treasury about funding plans and how to improve the market.

We are members of the ASISA Infrastructure Working Committee. Through this channel, we actively participate in discussions to improve market standards.

United Nations Principles for Responsible Investment (UNPRI)

We have been signatories of the UNPRI since 2007 and continuously take part in the initiatives arranged by the organisation for signatories.

We report on our responsible investing initiatives on an annual basis. We have submitted the 2022 report to the UNPRI and are awaiting feedback.

6. PROXY VOTING

Prescient's approach to proxy voting is guided by the Prescient Proxy Voting Policy, which stipulates how we develop and uphold good corporate governance principles in the way we vote on various resolutions.

The objectives of the proxy voting guidelines are:

- **Consistency:** we examine and vote on resolutions for good corporate governance and corporate sustainability
- **The long-term economic interest of our clients:** corporate behaviour should be aligned with all stakeholders' interests
- **Accountability:** management should be accountable to investors and regulators
- **Sustainability:** good corporate governance fosters financial, organisational, social and environmental sustainability

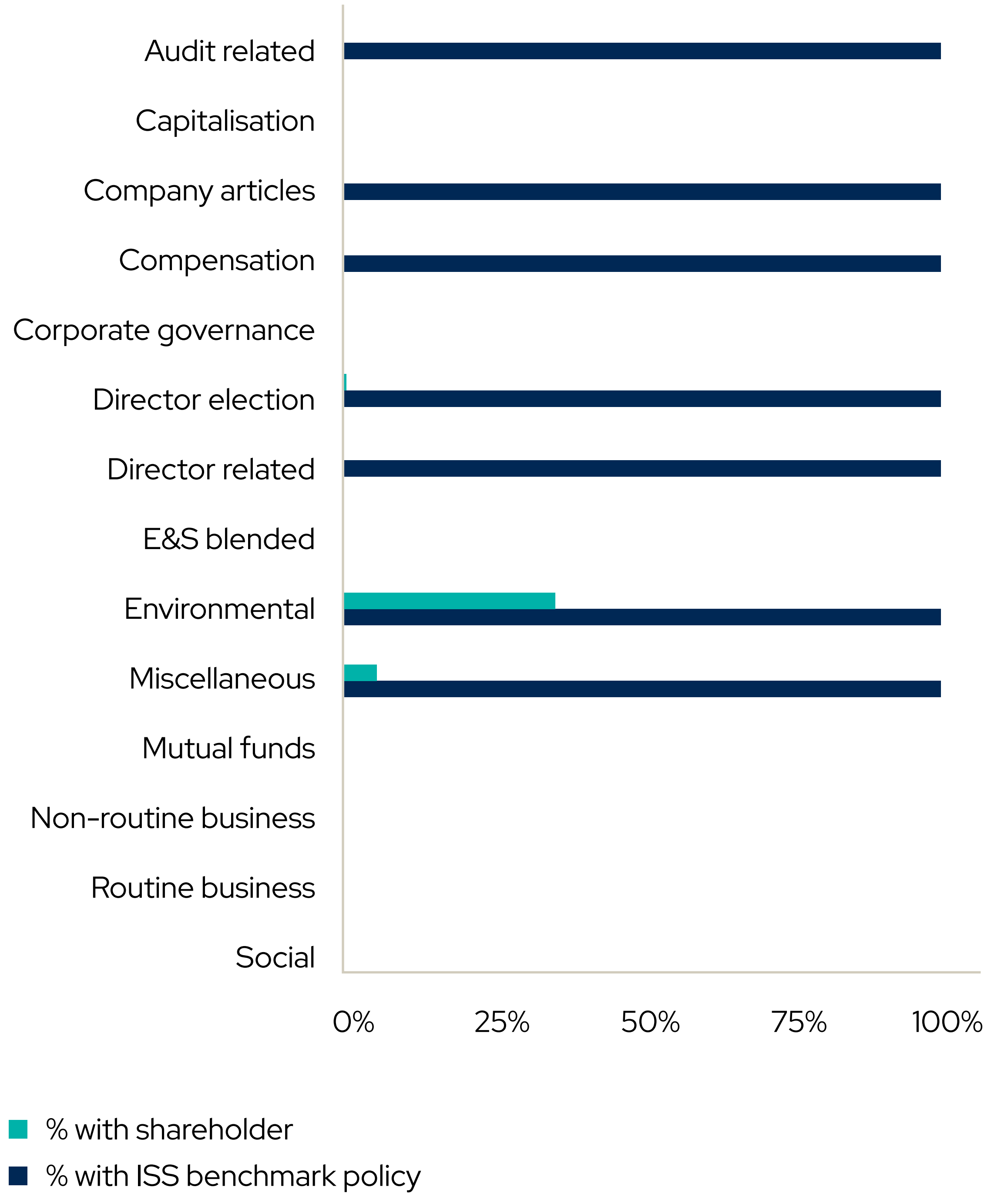
Comparison of meetings voted

Over the past year, 712 meetings were held at which we could vote. We voted at 709 of them, which means almost none were missed.

Votes that were cast over the period showed the highest level of support for shareholder proposals related to environmental issues, at 33%, and the lowest level of support for shareholder proposals related to Audit, Company Articles, Compensation and Directors (none of those were supported).

Among management proposals, the category for which votes were least in line with management's recommendation was Company Article matters. The votes for this category were only 74%.

Votes cast on shareholder proposal categories



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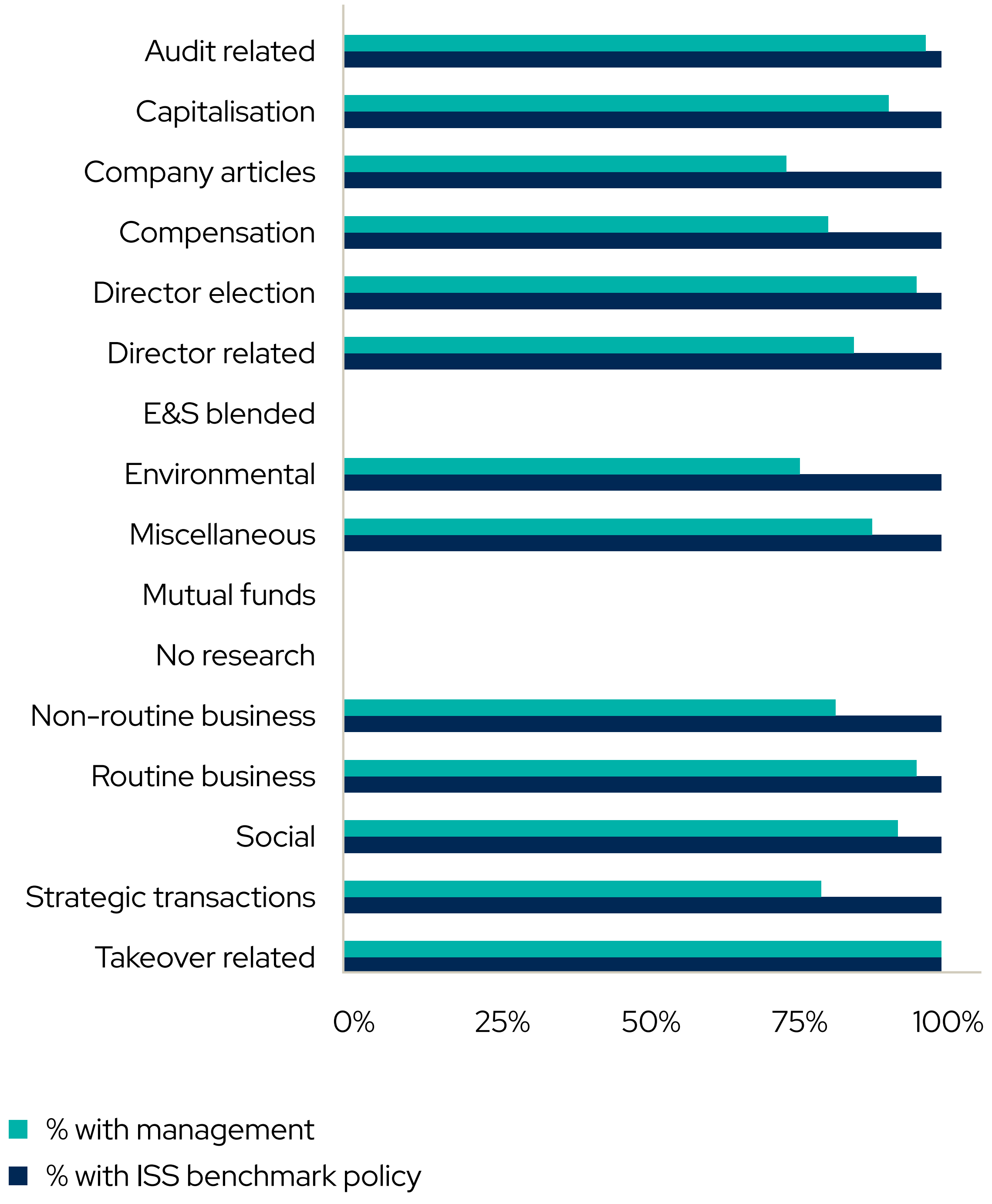


Source: ISS, Prescient Investment Management, 2023

7. TRANSFORMATION WITHIN PRESCIENT

Transformation within the workplace

Transformation and diversity are central to our organisational culture. Our statistics show how far we have come on our journey to create a workplace that embraces different perspectives, values equality, and strives for a future where diversity is not only celebrated but considered a strategic advantage.

By championing gender and racial diversity at all levels of the organisation, including leadership and investment teams, Prescient would like to set a precedent for others in South Africa's financial sector to follow.

Prescient boosts black ownership

In 2023, we agreed a transformative deal, which resulted in an increase in overall ownership by black individuals to an impressive 69%. As a result of this deal, we have formed a strategic partnership with Sithega Holdings, a black-owned and black-managed investment holding company specialising in asset management, life insurance, and short-term insurance.

The deal was achieved through the sale of its stake in Prescient by Stellar Capital Partners, an investment holding company, to staff and Sithega. The financial details have not been publicly disclosed.

After the transaction, the economic interest of Prescient's staff rose to 25%, illustrating our commitment to meaningful employee participation. In time, Sithega's interest will be increased to 36%, further consolidating black ownership and fostering inclusive growth.

This transaction aligns with our organisational vision and is a significant step toward achieving our goals of meaningful black empowerment and creating a diverse and inclusive workplace. Increased ownership by black individuals, particularly our own staff, demonstrates our dedication to fostering a corporate environment that reflects broader South African society.

We intend to take other steps to advance our transformation goals which we believe will ensure long-term sustainable growth, and reinforce our dedication to the values of diversity, equity, and empowerment.

ESG evolves to be more data-driven

Companies with robust environmental policies, strong social engagement, and effective governance structures tend to outperform their peers in the long run.

Prescient is responsible for ensuring that the capital we invest provides our clients with risk-adjusted returns, while contributing to the greater good of the economy, the environment, and broader society. We support companies that align with our responsible investing ethos.

Our methodical and systematic approach towards selecting our investments is based on an internally-developed ESG scoring model that scrutinises 62 factors. Since we are using a systematic methodology, we are able to minimise biases, and we ensure data is accurate and transparent by using the financial information that is directly reported by companies. This model generates an ESG score for each analysed counterparty.

ESG influences a business's ability to generate long-term value

The increasing relevance of ESG has significantly transformed how businesses and investors approach sustainability. In the past, ESG factors were often viewed as optional rather than integral components of corporate and investment considerations. Today, companies and investors are adopting a more holistic approach, embedding ESG factors into their strategic plans and decision-making processes.

There is evidence that ESG principles have a positive influence in generating long-term value in a business. Companies with robust environmental policies, strong social engagement, and effective governance structures tend to outperform their peers in the long run.

This point was highlighted in an MSCI paper entitled "How ESG affected corporate credit risk and performance (2021)", where it was found that higher ESG-rated issuers tended to have stronger cash flow metrics, lower levels of ex-ante risk, and less frequent severe incidents than lower ESG-rated issuers. The authors suggested that ESG complemented credit ratings - ESG ratings had characteristics distinct from credit ratings and delivered additional insights into risk and performance.

Integrating ESG into investment decisions

Traditional investment approaches that focus only on financial metrics often fail to account for a broad range of risks and opportunities that stem from a company's environmental impact, treatment of employees, and governance practices. ESG considerations provide investors with a comprehensive framework to evaluate companies beyond their financial performance, enabling a deeper understanding of their sustainability and long-term viability.

For investors like Prescient, integrating ESG into decision-making is increasingly considered a critical risk management tool. It gives us access to valuable insights that contribute to risk mitigation and helps us to identify businesses with sustainable competitive advantages.

ESG integration is no longer perceived as a peripheral or optional component of investment decision-making. Regulators, institutional investors, and individual shareholders view ESG disclosure and transparency as necessary. Companies are expected to address ESG issues actively. Failure to meet these expectations can lead to reputational damage, legal and regulatory risks, and ultimately, erode stakeholder value.

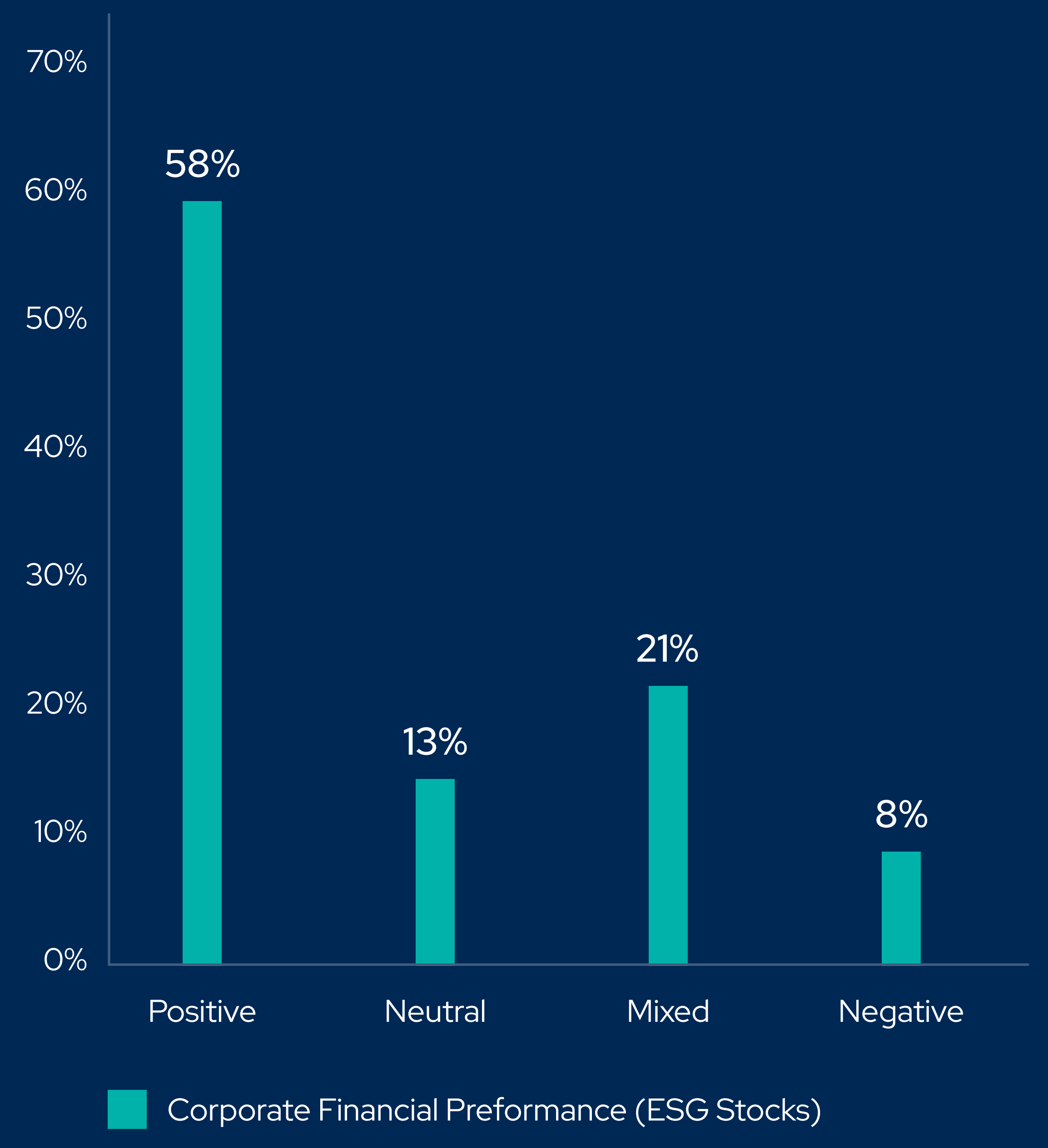
Does better ESG Profiles translate into better outcomes for investors?

Cash Flow Channel	Valuation Channel	Stock-specific Risk Channel
Strong ESG Profile Efficient use of resources, human capital development, innovation management, focus on long-term goals	**Strong ESG Profile** E.g. energy and commodity efficient companies are less vulnerable to changes in energy/commodity prices	**Strong ESG Profile** Above-average risk control and compliance standards across the company and within their supply chain
More competitive	Lower Systematic Risk	Better Risk Management
Higher Profitability	Lower Cost of Capital	Lower Risk of Severe Incidents
Higher Dividends	Higher Valuation	Lower Tail Risk

Source: Research from "Foundations of ESG Investing: How ESG Affects Equity Valuation, Risk, and Performance" (MSCI Inc.)
https://theinvestquest.com/esg-investing-why-do-high-esg-ratings-correlate-with-better-returns/

Correlation of ESG metrics to Financial Performance (e.g. Return on Equity, Return on Assets, Stock Price)

ESG metrics showed a positive correlation to corporate financial performance for 58% of the studies



Emerging ESG trends

1. A data-driven approach to ESG

There is an increasing demand for accurate, transparent, and reliable ESG data. Both investors and companies require data to underpin their decision-making, and they are also facing escalating pressure from regulatory bodies and stakeholders to disclose their ESG performance. Developments in technology and data analytics can simplify the collection, analysis, and reporting of ESG data.

2. Standardisation and frameworks to promote transparency

In recent years, South African companies have come under more pressure to become proactive in their ESG reporting, and it will soon become a mandatory requirement enforced by local and international regulatory bodies. These include the JSE, the International Sustainability Standards Board (ISSB), and the US Securities and Exchange Commission (SEC).

The JSE has developed the Sustainability Disclosure Guidance, which includes Climate Change Disclosure Guidance, specifically tailored to the local context. These guidelines are designed to provide valuable assistance to JSE-listed companies, institutional investors, and other stakeholders. They aim to enhance understanding of the climate crisis, identify associated risks and opportunities, and establish a connection between sustainability disclosures and value generation.

The ISSB finalised international standards for sustainability and climate reporting in 2023. The standards should improve trust and confidence in company disclosures about sustainability to inform investment decisions. The Australian government has released a consultation paper on the development of a climate-related financial disclosure framework for companies and financial institutions, with plans to phase in mandatory sustainability and ESG reporting requirements for large entities from 2024. The current proposal will require companies to collect, assess and report annual data covering, among other issues:

- overarching climate risk governance and assessment – consistent initially with the Taskforce on Climate-Related Financial Disclosures, which will ultimately transition to the IFRS Foundation's new ISSB sustainability reporting standards, effective in 2024.
- material climate and sustainability risks – assessed and disclosed using, at a minimum, financial materiality principles.
- scope 1, 2 & 3 greenhouse gas emissions.

Given the interconnectedness of South African companies with global markets through commodities and capital markets, as well as the growing alignment of ESG standards, businesses should anticipate compulsory reporting on ESG matters to be imminent, and they should prepare accordingly.

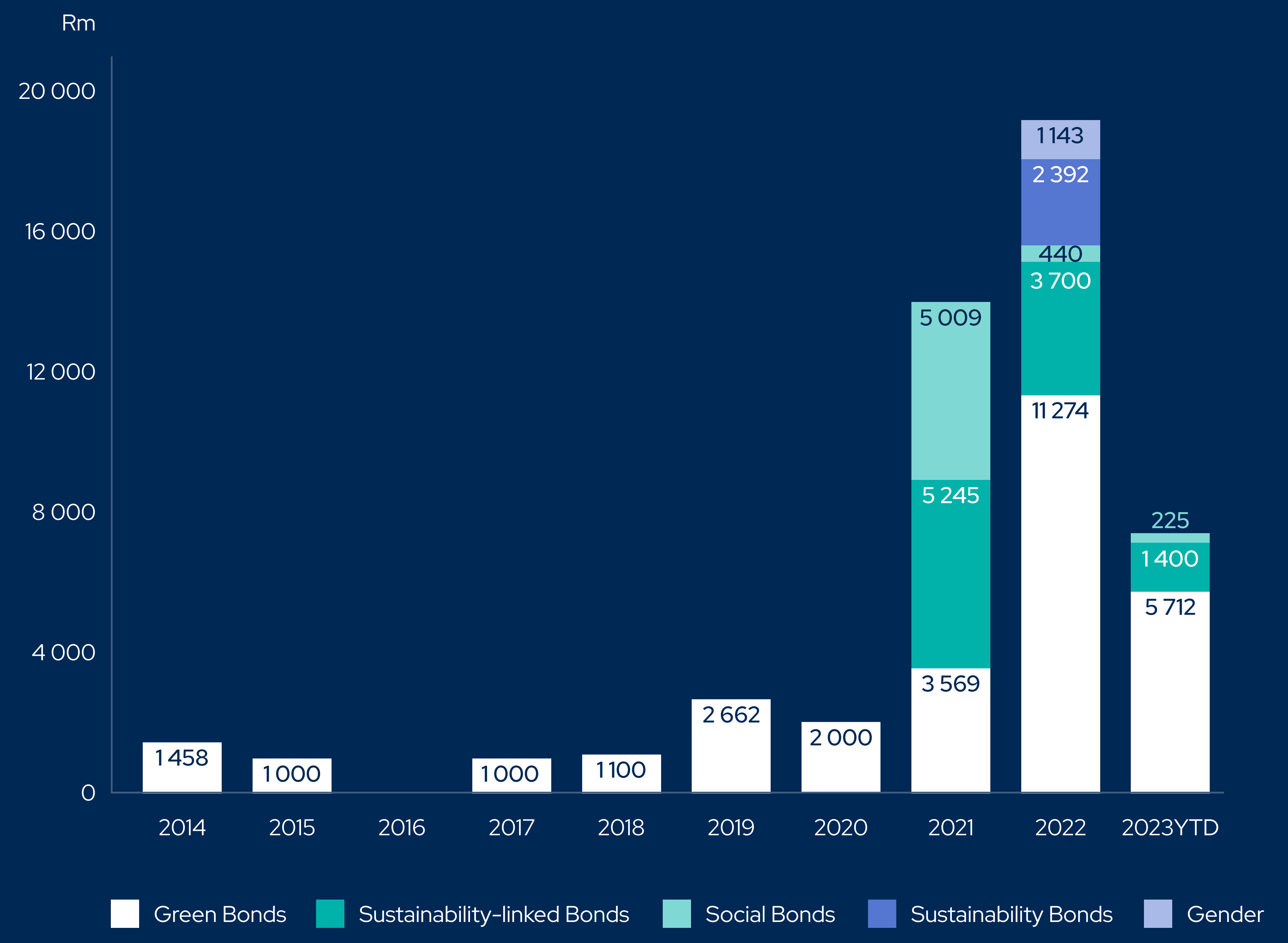
3. Impact and sustainability investing

Increasingly, investors are seeking to align their investments with their values and societal or ecological goals. This trend has prompted the impact investing / responsible investing movement, which requires investments be made to achieve quantifiable ESG benefits. This trend is expected to persist.

SA faces significant social inequalities and an infrastructure investment gap. The infrastructure investment gap is estimated to be R4.8 trillion by 2030, showing the size of the investment opportunity. Such opportunities in low- and middle-income countries like SA are clearly attractive to investors: globally, private participation in infrastructure reached almost $92 billion (R1.7 trillion) in 2022, a 23% increase from the previous year, according to the World Bank.

Notably, in SA there has been an increased issuance of sustainability and green bonds in the debt capital market. Investments in infrastructure contribute towards achieving the goals of the National Development Plan and the National Infrastructure Plan, while delivering returns that have an impact element.

We highlight below the listed issuance to date, which we expect to grow over time:



Source: RMB research, Prescient Investment Management workings, 2023

Plugging the infrastructure gap

Public-private collaborations distribute risks and responsibilities more effectively, leading to improved project outcomes.

ADDRESSING THE ISSUES STIFLING INFRASTRUCTURE DEVELOPMENT IN AFRICA

Infrastructure has the potential to drive economic and social progress across the African continent. Unfortunately, corruption, a skills gap, fragmented planning and co-ordination and political instability present significant challenges. The pervasive mismanagement of infrastructure projects across the continent, and in SA as a regional economic powerhouse, has far-reaching consequences. It impedes economic growth, social development, and sustainable progress.

The Africa infrastructure imperative

Infrastructure is the bedrock of development in all economies. It is the catalyst for economic growth, poverty alleviation, and enhancing quality of life. In Africa, it is even more important because of its potential to tackle specific regional issues like inadequate access to clean water, health care, education, and electricity. Efficient transportation systems, energy networks, communication platforms, and water facilities are vital to connect people, goods, and services, paving the way for diversified economies and poverty mitigation.

The World Bank estimates that inadequate water and sanitation costs Africa about 5% of GDP. The poor quality of the continent's roads, rail and port infrastructure is increasing the cost of intra-African trade by between 30% to 40%, according to the Infrastructure Consortium for Africa. These are costs Africa can ill afford. The benefits of bridging the multi-trillion-dollar infrastructure gap are immense for all economic stakeholders, including investors seeking to unlock alternative sources of stable long-term returns, such as those delivered by the Prescient Clean Energy and Infrastructure Funds.

The challenges and complexities

The complex reasons for Africa's, and SA's, failure to implement infrastructure projects effectively include:

- **Corruption and mismanagement:** Corruption is pervasive. It diverts funds earmarked for projects and results in incomplete or poor quality outcomes. Transparency International data highlights the extent of the problem. In its 2022 Corruption Perceptions Index, African countries are generally ranked low. SA, for example, ranks 72 out of 180 countries, with a score of 43/100.
- **Lack of expertise:** The lack of specialised skills and technical expertise in governments often results in haphazard project planning and execution. This deficiency contributes to delays, cost overruns, and compromised quality. A recent report from the World Bank estimates that about 34% of African public infrastructure projects experience significant time and cost overruns due to skill shortages.
- **Fragmented planning and co-ordination:** Disjointed co-ordination among stakeholders can cause project bottlenecks and inefficiencies. The African Development Bank reports that insufficient co-ordination between public and private sector players significantly hinders infrastructure development.
- **Political instability:** Frequent political changes disrupt project continuity. Shifts in leadership can cause projects to be abandoned, or alters strategic priorities. SA has faced political turbulence in recent years, impacting the consistency of infrastructure initiatives.

According to Tshidavhu and Khatleli (2020), only 20% of African mega projects reach financial closure because of insufficient labour skills, labour efficiency, improper planning, slow decision-making, and economic policies.

Counting the cost of inadequate infrastructure spending

The repercussions of suboptimal infrastructure implementation ripple across the continent. The costs include:

- **Inhibited growth:** Underdeveloped infrastructure stunts economic diversification and dissuades foreign investment. Industries like manufacturing and agriculture cannot be expected to grow without reliable energy, transportation, and effective communication systems.
- **Social disparities:** Unequal access to basic amenities, such as water supply, healthcare, and education perpetuates social disparities, disproportionately affecting marginalised communities and further entrenching poverty.
- **Continental disconnection:** A lack of seamless communication and transport networks impedes Africa's integration into the global economy. This isolation hampers trade prospects and the adoption of advanced technology.
- **Environmental impacts:** Environmental degradation results from outdated energy systems and inadequate waste management from ineffective infrastructure planning. Unsustainable practices worsen pollution and ecological strain.

The future

Tackling Africa's infrastructure difficulties will require a comprehensive approach. Based on our analysis, the following conditions are required:

- Governments must prioritise transparent management and accountable governance in infrastructure projects. Enforcing robust regulations and oversight mechanisms would curb corruption and ensure funds are used responsibly.
- Effective project execution is only possible if government bodies invest in technical skills and knowledge. Collaboration between the public and private sectors and with international partners can facilitate knowledge exchange and ultimately bolster capacity. SA's successful renewable energy programme proves this point.
- Research shows that infrastructure planning, usually at a central level, can transcend political cycles. If there are enduring national development strategies in place, outlining long-term objectives, not only will there be adequate planning, but these strategies could provide stability and consistency in infrastructure projects. This is critical when there is a requirement to "crowd-in" private sector funding.
- Leveraging private sector partnerships is key to securing funding, expertise, and innovation. Public-private collaborations distribute risks and responsibilities more effectively, leading to improved project outcomes.

Africa's progress towards development is intrinsically tied to its ability to institute robust infrastructure networks that cater to the diverse needs of its population. While challenges abound, collective efforts aimed at transparent governance, skills development, strategic planning, and intersectoral collaboration can alleviate these hurdles. The potential for Africa's economic growth and sustainable development hinges on its capacity to create a resilient infrastructure framework, fostering connectivity, inclusivity, and achieving global competitiveness.

Prescient's involvement in infrastructure development

The Prescient Clean Energy and Infrastructure Funds are testament to our commitment to SA's infrastructure drive. They are in line with our broader corporate ethos of investing in real assets that contribute to sustainable development while making a meaningful difference in the lives of ordinary South Africans.

We have debunked the notion that impact and commercial success are mutually exclusive. By targeting specific areas of infrastructure, we have shown that responsible investment can be a driver of both positive social change and financial growth.

We will continue on this path because we understand that Africa's development is intricately linked to the establishment of resilient infrastructure networks. Through transparent governance, skills development, strategic planning, and collaboration across sectors, we aspire to contribute to the continent's economic growth, sustainable development, and global competitiveness. The Prescient Clean Energy and Infrastructure Funds are more than investment vehicles – they are catalysts for positive change.

Supporting clean energy and infrastructure development

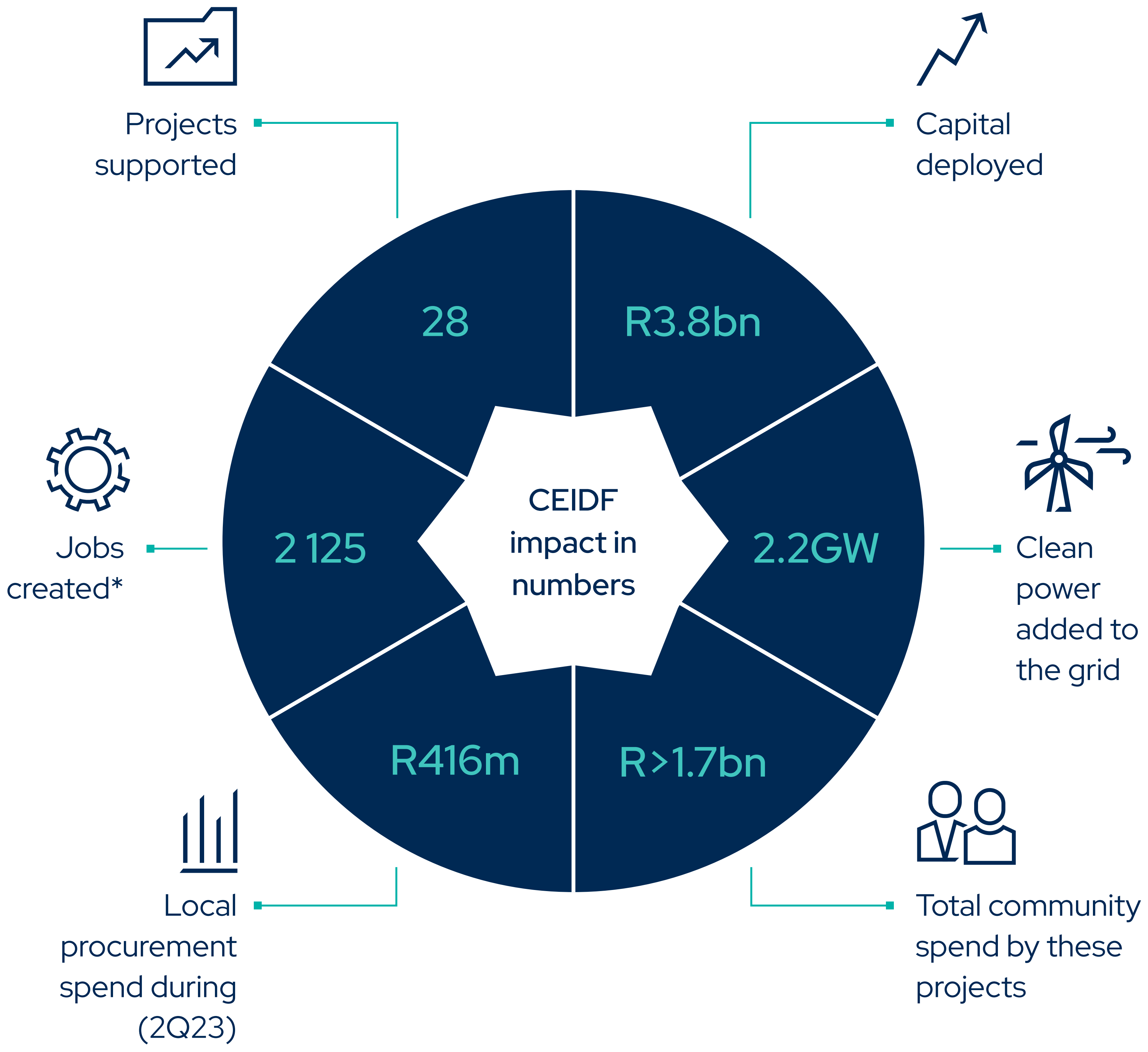
PRESCIENT ALTERNATE INVESTMENT SOLUTIONS

Prescient Clean Energy and Infrastructure Debt Fund

Prescient's Clean Energy and Infrastructure Debt Fund (CEIDF), which invest in initiatives that facilitate infrastructural, environmental, and socio-economic impact and development in Southern Africa, have deployed over R4 billion in 30 renewable energy projects and infrastructure opportunities since they were launched. Both funds are considered Socially Responsible Investment Vehicles.

Our first fund, launched in 2015, has a clean energy focus. It is currently invested in 28 projects (vs 21 projects in 2022), most of which are operational and located across various South African provinces. The fund has contributed to the addition of 2.2 GW of clean energy (vs 1.8 GW in 2022), which equates to about a million average South African homes. The fund has also helped to create 2 125 jobs (vs 1 343 jobs in 2022) in these renewable energy plants.

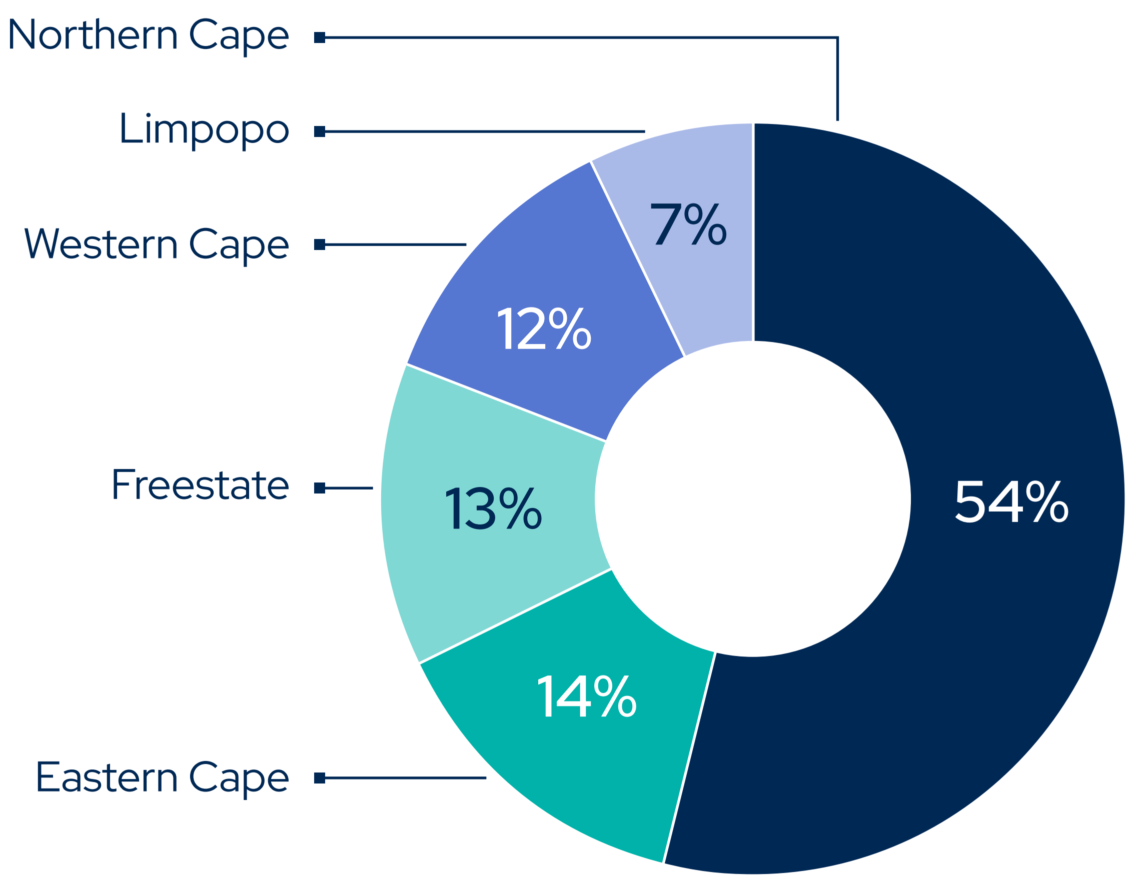
In addition, these plants and projects have spent more than R1 billion in economic and supply and enterprise development across the various communities in which they are located, with 65% of this spend in the Northern Cape.



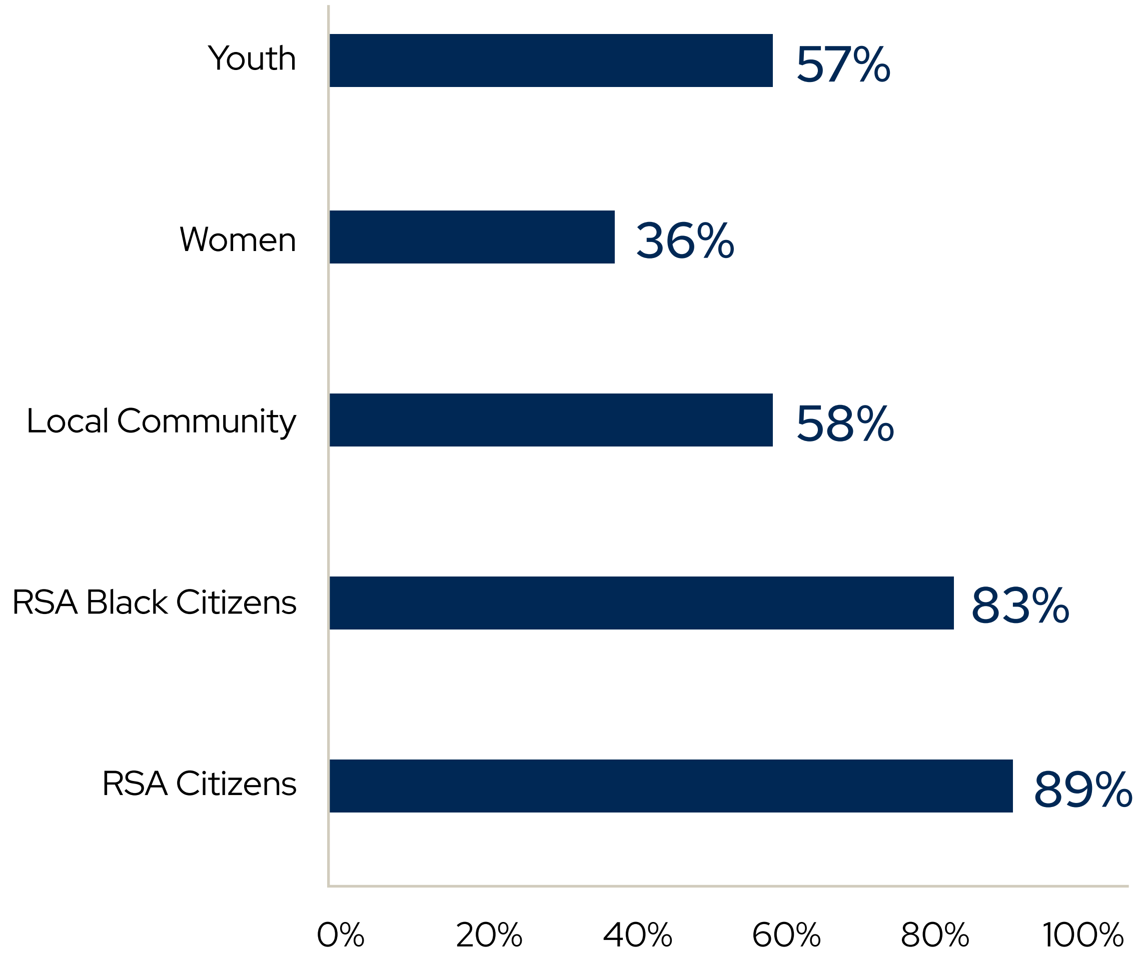
**Non-cumulative. This is the reported number of jobs currently in place across projects (point in time). Also, Redstone CSP project in the Northern Cape is currently in construction, resulting in a creation of 972 jobs (830-RSA Black citizens). President Cyril Ramaphosa visited the site on 21 October 2022. Source: Prescient Investment Management, 2023*

The measure of Prescient Clean Energy and Infrastructure Debt Funds' impact

Community spend per province (Commercial Operations Date (COD))



Jobs created (current 2 125)



It is encouraging that about 90% of the jobs are held by South African citizens, given the country's growing unemployment challenge. It's equally encouraging that about 70% of these jobs are located in the Northern Cape, one of SA's most impoverished provinces.

THE PRESCIENT INFRASTRUCTURE DEBT STRATEGY

Our second fund has a broader infrastructure focus. Infrastructure is critical for the functioning of economies and societies, as it provides essential services and facilitates economic growth, trade, and quality of life. Investments in infrastructure are often seen as vital for the development and competitiveness of countries.

Infrastructure by definition is quite broad, however it can be viewed as the fundamental physical and organisational structures and facilities that are necessary for the operation of a society, community, or enterprise. It encompasses a wide range of systems and assets that provide essential services, support economic activities, and contribute to the overall functioning of a region or nation. Infrastructure can be broadly categorised into several key sectors.

Infrastructure development is **fundamental** to **economic growth** and **poverty reduction.**

The benefits of infrastructure investment include:

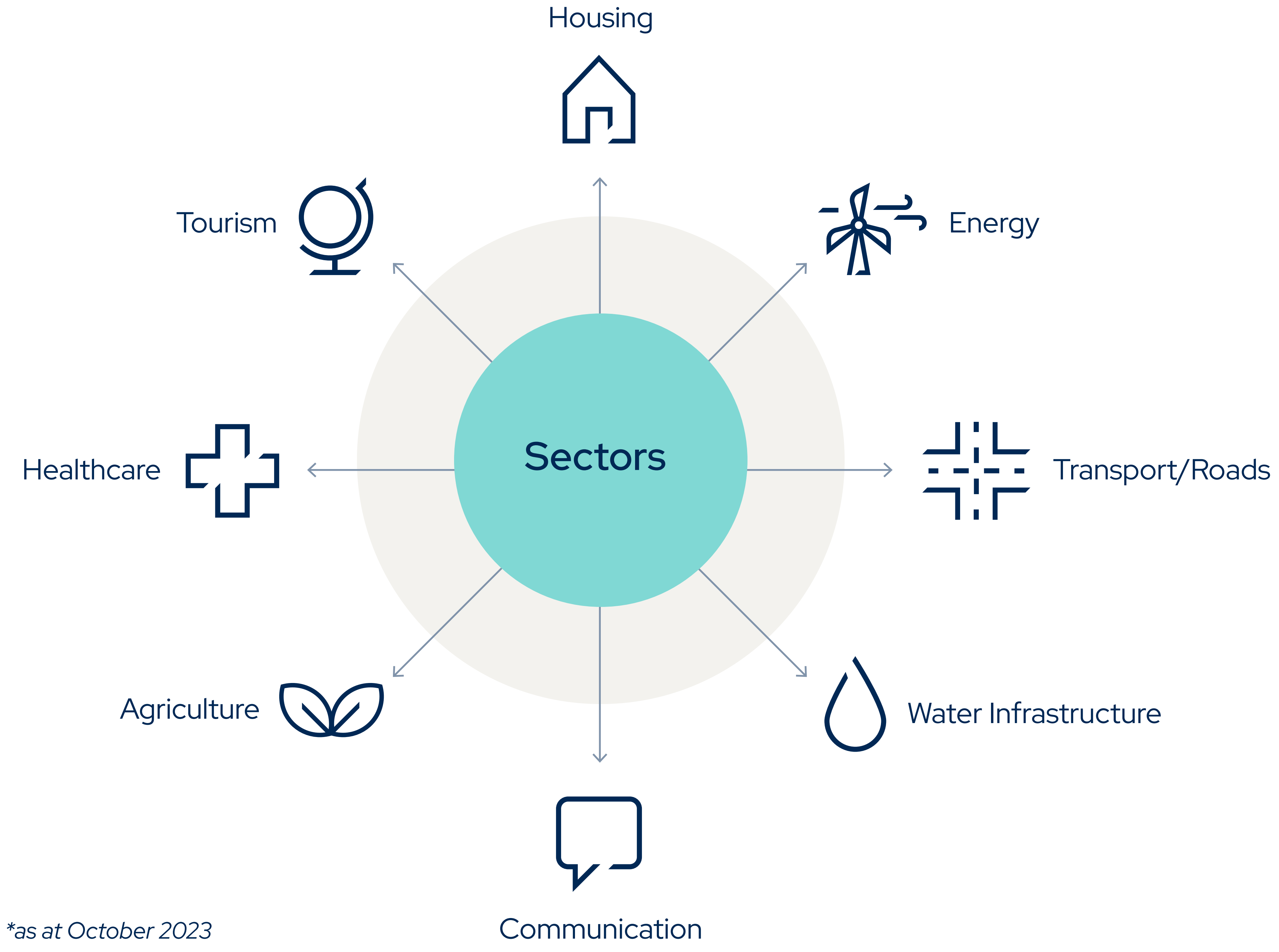
- Improved access to markets
- Employment and employment creation
- Reduction in production costs
- Stimulation of trade
- Positive contribution to economic growth and development

Positive environmental and social impact

The Prescient Infrastructure Debt Fund Strategy

The Prescient Infrastructure Debt Fund, launched in 2021, currently manages R1.6 billion in assets*. The strategy follows a broad infrastructure mandate, giving investors access to generally inaccessible clean energy and infrastructure assets which offer returns uncorrelated to South African equity and capital markets. The strategy aims to catalyse further growth in the South African infrastructure sectors by supporting vetted projects.

The strategy makes investments that have an infrastructural, environmental, and socio-economic impact and development in SA. It is a Socially Responsible Investment Vehicle, offering investors a sound interest-bearing investment into infrastructure development projects, which include, but are not limited to, a wide range of sectors:



as at October 2023

The variety of infrastructure projects in the portfolio will grow as the National Development Plan is rolled out. Our investments seek to support SA's National Infrastructure Plan (the most recent of which is the NIP 2050, released in February 2022). The NIP 2050 contains a comprehensive infrastructure project pipeline, which is consolidated by the Infrastructure and Investment Office. Once those projects are approved, they will be classified as Strategic Infrastructure Projects (SIPs).

In addition to offering clients access to real assets which are generally not available elsewhere in the market, the strategy aims to have a positive social and environmental impact. Sustainability thinking is embedded throughout the investment process.

The benefits of the projects include:

- Contribution to energy sustainability
- Improved infrastructure, including access to basic services, water, housing, and improved healthcare
- Job creation
- Compliance with the Equator Principles
- Local content and local ownership.

By embedding ESG screening, and importantly, sustainability practices (i.e. alignment to the Sustainable Development Goals), the strategy is expected to contribute to positive change in Southern Africa.

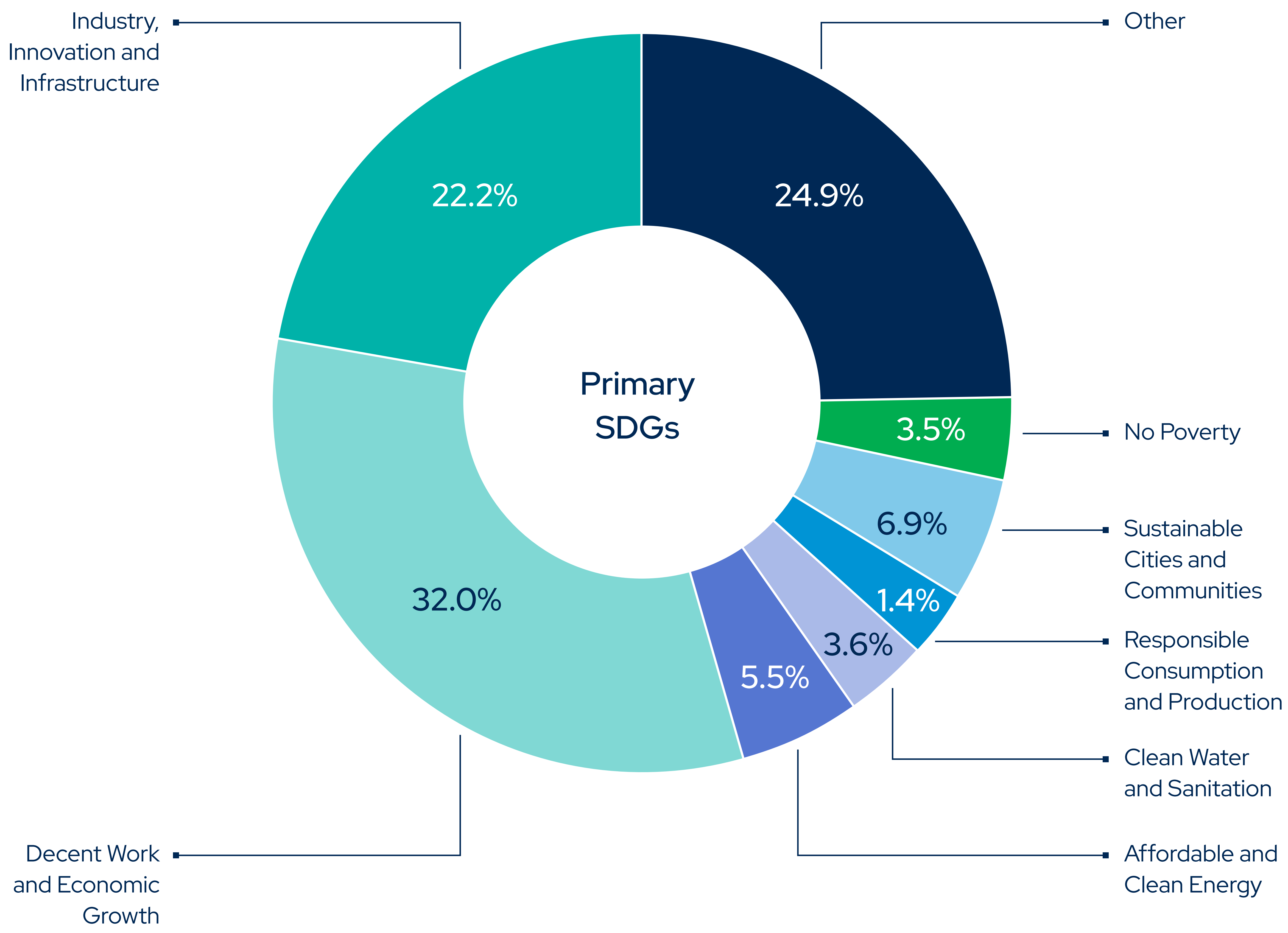
PRESCIENT INFRASTRUCTURE DEBT FUND: HOW WE CONSIDER IMPACT AT INVESTEE COMPANY LEVEL

In the pursuit of fostering sustainable development, the Prescient Infrastructure Debt Fund was launched with the aim of contributing meaningfully to South Africa's economic and social progress. The following aims to highlight the consideration employed by the fund in making these impactful strides, taking into account various reporting parameters such as Broad-Based Black Economic Empowerment (BEE) status, total invested capital, primary Sustainable Development Goal (SDG), employment statistics, and efforts in water, waste, and energy efficiency.

1. Alignment to Social Development Goals (SDG)

- All investments made by the fund are required to aligning with global sustainability initiatives, where we have identified a primary Sustainable Development Goal that serves as a guiding principle for its investments. By focusing on this goal, the fund ensures that its efforts contribute meaningfully to addressing societal challenges.
- Given the mandate of the fund, we believe that investing in strategic investments which are not only financially sound but also aligned with sustainable development goals, ensuring a positive impact on the communities in which it operates. In terms of total invested capital, we ask investee companies to report on their contributions to critical projects in South Africa.

Across our 18 investments, the following has been reported. As is highlighted below, we note a spread of impact across the various SDGs:



2. Employment Statistics

- One of the key indicators of the fund's impact is its contribution to employment. The creation of both direct and indirect jobs reflects the fund's commitment to enhancing social and economic well-being.
- By providing employment opportunities, the fund actively participates in the country's developmental narrative, contributing to poverty alleviation and economic empowerment.

As a starting point, we exclude statistics for our listed holdings (e.g., Transnet, Rand Water). For our direct investments, these contribute 415 full time employed jobs, with 6 646 indirect jobs that have been created as a result of these businesses and their operations.

3. Water, Waste, and Energy Efficiency

- Prescient Infrastructure Debt Fund recognises the importance of environmental sustainability.
- The fund integrates water, waste, and energy efficiency measures within its operations to minimise its ecological footprint.
- By implementing responsible practices, the fund not only adheres to regulatory requirements but also demonstrates a commitment to long-term environmental stewardship.

The reporting by investee companies and analysis thereon shows that even where these companies are note energy or water intensive, that there is a clear understanding on the importance thereof in terms of the impact that the individual companies have on global warming. Further to this, given the impact of load-shedding on operations, a key focus is on ensuring energy sustainability and efficiency. Measures here have included installation of solar panels, and also water/waste management systems, such as rain waiter tanks/jojos across operations. Recycling also features prominently in responses received.

4. BEE Status

- Prescient Infrastructure Debt Fund recognises the importance of fostering inclusive economic growth. Through its commitment to Broad-Based Black Economic Empowerment, the fund has actively promoted the inclusion of historically disadvantaged individuals in the economy.
- By regularly assessing and improving its BEE status, the fund is working towards creating a more equitable business environment.

Across our 18 investments, we have found that there is an increased importance on ensuring BEE compliance, and also thinking on how to obtain better ratings. While ease of doing business features highly as a reason, there is a broad acknowledgement on the importance thereof, particularly in terms of empowering staff with shares in the respective companies.

What do we do with the above?

Year-by-Year Improvement, Developmental Contribution, and Best Practices:

- Through our analysis of investee companies and the responses provided, we evaluates their performance both in absolute terms and on a year-by-year basis. This assessment goes beyond financial metrics, considering their contribution to South Africa's developmental narrative. By identifying and promoting best practices, the fund aims to foster a culture of continuous improvement and positive impact.
- Further to this, we highlight to investee companies how positive strides made in considering impact with have on our risk assessment (default risk assessment) and thus on our required return for the risk assigned to such investment.

In the spirit of transparency and collaboration, the Prescient Infrastructure Debt Fund provides investee companies with constructive feedback on best practices; and importantly, we communicate clear expectations for continuing the funding relationships or potential improvements in terms. This proactive approach ensures that both parties are aligned in their commitment to sustainable development.

The Prescient Infrastructure Debt Fund aims to contribute to client needs while also promoting sustainable investing in South Africa. Through our commitment to this cause, and with the alignment to SDGs, job creation, environmental responsibility, and social initiatives, we believe that the fund will actively contribute to the country's development. By providing constructive feedback and setting clear expectations, the fund establishes a foundation for continued collaboration and positive impact, reinforcing its role as a catalyst for sustainable development in South Africa.

INVESTMENTS TO DATE BY THE PRESCIENT DEBT FUNDS

H1 Holdings Grootfontein Solar PV Farms

Through our Clean Energy Fund, Prescient concluded a transaction with H1 Holdings to provide R220 million to fund three Grootfontein 75 MW (each) solar PV farms located in Touws River in the Western Cape. H1 Holdings is a 100% black-owned infrastructure investment and development company, which holds a 46.5% equity participation in the Grootfontein solar PV farm projects. Other shareholders in the project include Scatec Solar, with a 51% stake, and Community Trust, which has a 2.5% holding.

The projects were awarded as part of the fifth bidding round of the Department of Mineral Resources and Energy's Renewable Energy Independent Power Producer Procurement Programme (REIPPPP) to deliver much-needed renewable energy through a 20-year power purchase agreement. On completion, the projects are expected to power about 100 000 households daily in the surrounding communities and will mitigate about 630 000 tonnes of CO_2 emissions annually.

H1 Holdings' primary focus is on projects that drive high ESG impact – a philosophy shared by Prescient. H1 Holdings' goals align with our focus on giving investors access to ESG-centric products and supporting renewable energy generation that will alleviate the energy crisis weighing heavily on the economy. These solar farms will also contribute to the country's development by creating employment for previously-disadvantaged people in the surrounding communities and uplifting them through other socio-economic initiatives. Construction of the solar farms is expected to take between 12 – 18 months and they are expected to come on stream in 2025.

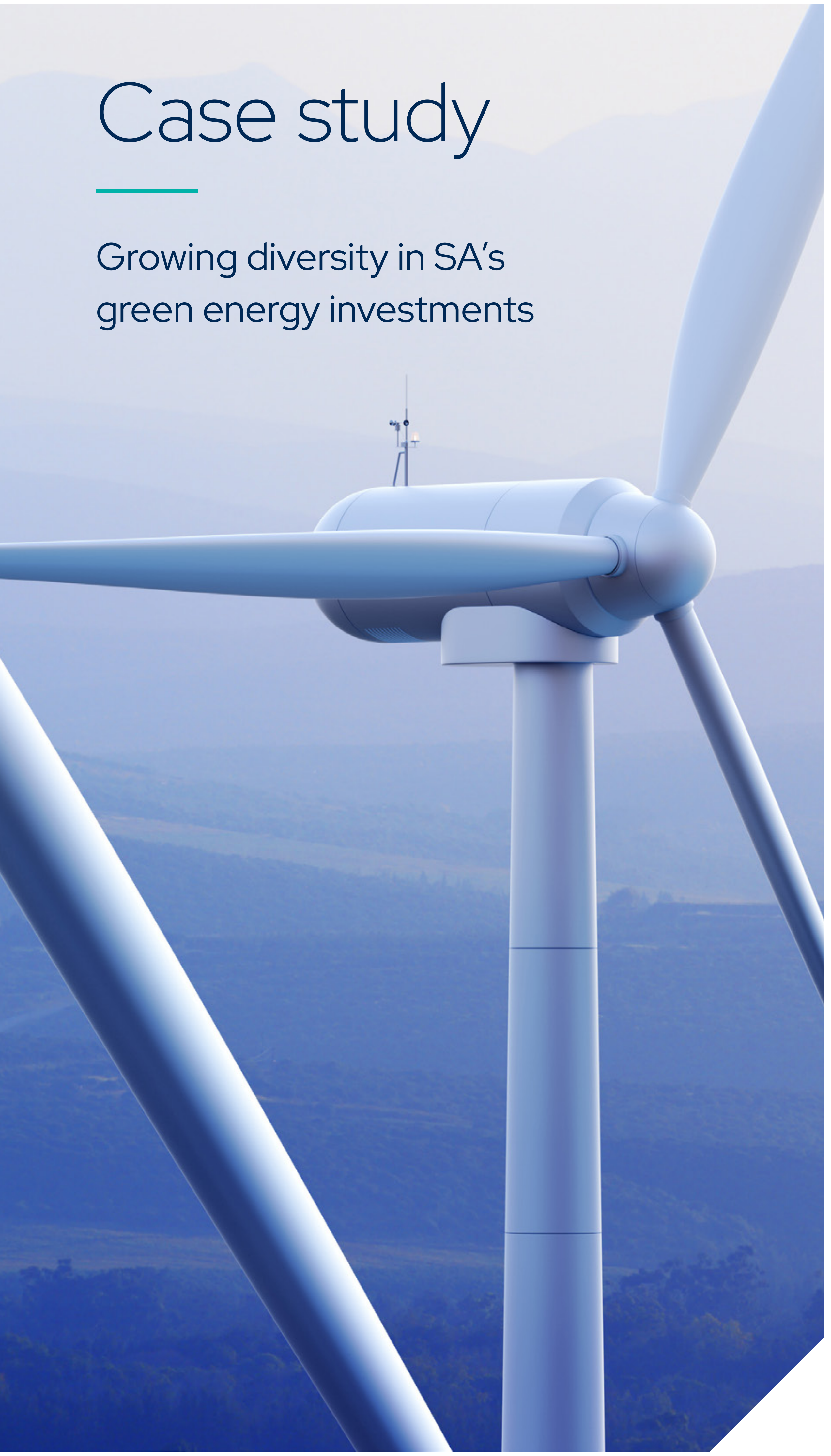
Source: Prescient Investment Management, 2023

Eagle Towers

Eagle Towers specialises in the construction, operation, and upkeep of telecommunications towers in SA, with a specific focus on rural regions. The company is committed to narrowing the digital divide, ensuring that individuals in remote areas have access to information, communication, and essential services. This is of paramount importance, considering that about 32% of South Africa's populace are located in rural areas. Mobile connectivity is essential for economic and societal progress.

Prescient's Infrastructure Debt Fund has extended a R100 million senior secured loan facility to Eagle Towers to support its expansion plans. This loan will help to expand telecommunications coverage and reduce the cost of access. Supporting such initiatives aligns with Prescient's impact philosophy, because we believe we have the responsibility of ensuring that the capital we invest contributes to the greater good of the economy, the environment, and broader society.

Source: Ventureburn.com, 2023



Case study

Growing diversity in SA's green energy investments

Jade-Sky Energy: making the leap into a new venture

On February 14, 2023, the CEIDF signed an agreement that enabled an emerging black-owned company, Jade-Sky Energy, to participate in SA's renewable energy roll-out. This substantial investment represented 95% of Jade-Sky's 26% equity participation in three wind farms that qualified under Bid Window 5 of SA's renewable energy independent power producer programme (REIPP).

Jade-Sky Energy was founded in 2012 as a strategic communications and project management company, offering embedded consultancy services. Becoming an equity partner in renewable energy projects marks a significant milestone for the firm. As a 100% black women-owned and managed enterprise, Jade-Sky holds Level-1 BEE status.

The Jade-Sky team are experts in strategic communication, marketing, advocacy, stakeholder engagement, and private-public partnership development. They have advised multinational IPPs, developers, and original equipment manufacturers (OEMs).

Kirsten Francis
Co-founder, Jade-Sky

Leole-Ann Francis
Co-founder, Jade-Sky

The three renewable energy projects

Jade-Sky is involved in three wind farms that qualified under Bid Window 5: Brandvalley, Rietkloof, and Wolf.

1. **Brandvalley:** Located in the Western Cape, Brandvalley has a nameplate capacity of 140 MW. It will generate power using 32 Vestas wind turbines with a 91.5m hub height. Brandvalley will supply the Komsberg Substation via a 14km single-circuit 132kV overhead line connecting to the existing Eskom BonEspirange Substation.
2. **Rietkloof:** This project, which is also in the Western Cape, will consist of 32 Vestas wind turbines with a 91.5m hub height and a capacity of 140 MW. Like Brandvalley, it will feed power to the Komsberg Substation and share the same 132kV overhead line connection to the Eskom BonEspirange Substation.
3. **Wolf:** This 84 MW wind farm in the Eastern Cape will incorporate 17 Vestas wind turbines with varying hub heights. It will transmit power to the Wolf Substation, which is connected to the Eskom Kleinpoort switching station via a 13km single-circuit 132kV overhead line.

The energy produced by these wind farms will be sold to Eskom under long-term Power Purchase Agreements (PPAs).

About the developer

The main developer of these wind farms is Red Rocket SA Group, a locally-based and vertically-integrated renewable energy IPP with operations across several countries in Africa. It has 606 MW of projects in operation and under construction, representing over $1 billion invested, and a pipeline of projects amounting to more than 12 GW, with 1 GW set to reach financial close by year-end.

Red Rocket develops, designs, constructs, operates, and owns utility-scale grid-connected renewable energy projects. It has a proven track record in high-quality design, construction and operation of utility-scale wind energy projects.

Prescient's Investment Strategy

Jade-Sky Energy is one of several renewable energy ventures in which Prescient's Clean Energy Infrastructure Debt Fund has invested.

Luzuko Nomjana, Portfolio Manager of the fund, said this particular asset was more than a financial investment. It was a strategic move in alignment with the CEIDF's mandate. The fund's core mission is to support SA's just energy transition, sustainable development goals, and black economic empowerment, all while assisting Eskom in its critical transition from fossil fuels to renewable energy sources. As Eskom makes this transition, it will significantly reduce SA's greenhouse gas emissions, aligning with the country's just energy transition objectives and sustainable development goals.

Source: Red Rocket, 2023

ESG's bright future in modern investing

Conway Williams,
Head of Credit

It is an invaluable tool for assessing non-quantitative risks and fostering sustainable investment.

We are aware that there is ongoing debate about and criticism of the inclusion of ESG criteria in investment decisions, but we firmly believe that it is an invaluable tool for assessing non-quantitative risks and fostering sustainable investment practices. It is evolving and maturing and firmly belongs in the toolkit of modern investors.

The importance of ESG integration in investment in today's world cannot be understated. Research consistently affirms that taking ESG factors into account helps to make informed investment choices and mitigate long-term risks. In Regulation 28 of the Pension Funds Act, fiduciary investors are not only encouraged but mandated to consider both quantitative and qualitative risks in their decision-making process, including ESG factors.

For ESG to enact meaningful change, however, the industry must make a collective effort. We believe there should be a common assessment methodology: a framework that ensures ESG is rigorously evaluated and implemented across the investment spectrum in a standardised and consistent manner for all stakeholders. We are actively seeking collaboration and engagement with the industry to drive this vision forward. By collectively working towards a shared understanding of the seriousness of embedding ESG factors, we can redefine the norms of our industry and shape a future where ESG is a fundamental aspect of investment decisions.

ESG delivers benefits to all stakeholders in the investment ecosystem. The benefits include enhanced risk management, improved long-term returns, positive societal impact, and a resilient, sustainable economy. Prescient Investment Management remains committed to championing ESG integration, recognising its vital role in securing a sustainable and prosperous future for everyone. We envisage a promising future for ESG.

About Prescient Investment Management

Prescient Investment Management (PIM) was founded in September 1998 and is a leading systematic investment manager that relies on a data-rich investment process to provide clients with certainty in an uncertain world. By combining the best of human decision making with quantitative investing that is free of human bias and emotions, PIM has delivered superior risk-adjusted returns across its broad range of mandates for more than two decades.

PIM specialises in portfolio and risk management, managing money on behalf of retirement funds, medical aid schemes, corporate entities, trusts, and individuals. Its investment solutions range from unit trusts and retirement fund portfolios invested in all the listed asset classes through to infrastructure and clean energy debt funds.

PIM is a Level 1 BEE Contributor, a signatory to the United Nations Principles of Responsible Investing (UN PRI) and pledged to the Codes for Responsible Investing in South Africa (CRISA).

Prescient Investment Management is an Authorised Financial Services Provider (FSP 612).

For any additional information such as fund prices, brochures and application forms, email info@prescient.co.za or visit www.prescient.co.za

We would like to thank the members of the ESG committee, Michelle Green, Conway Williams, Luzuko Nomjana, Seeiso Matlanyane and Shriya Roy for their dedication to helping build a better South Africa and for their contribution to this report.

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