



**FUND DESCRIPTION**

The Apex Digital Backed Infrastructure Fund eCP develops and acquires property backed by long term leases from digital age institutions.

**FUND OBJECTIVE**

The main objective is to develop and acquire property tenanted by digital age institutions with high credit ratings. Assets are retained for capital and income growth.

**FUND INFORMATION**

Fund Size:	R 383 million
Inception Date:	27 October 2021
Domicile:	South Africa
Currency:	ZAR
Minimum Investment:	R5m per clause 4.2.2 of Partnership Agreement
Management Fee:	1,5% on GAV, levied quarterly in advance
Base and Performance Fee:	1,5% Base Fee; 0% Performance Fee
Carry:	10%
Lock-in Period:	10 Years
FSCA Profile:	FSP 50406, CATII License Holder
Structure:	Linked Units

**FUND STRATEGY**

The Apex Digital Backed Infrastructure Fund eCP actively invests in property opportunities that show superior returns over a 5 to 10 year period. Beyond standard property fundamentals, the Fund actively looks for assets backed by long term leases from corporations in the digital age space. Cash flows of these corporations are analysed to understand their sustainability.

**MONTHLY FUND PERFORMANCE: Return on Net Asset Value (NAV)**

	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	YTD
2021										0.12%	0.58%	0.85%	1.56%
2022	0.88%	0.75%	0.92%	0.91%	0.95%								4.49%

**ASSET VALUE**

CENTRE	LOCATION	ASSET VALUE
Amazon Web Services	Cape Town	R383m

**TOTAL GLA BY PROPERTY**

CENTRE	LOCATION	TOTAL GLA
Amazon Web Services	Cape Town	9,739

**MARKET COMMENTARY**

The Apex Digital Backed Infrastructure Fund is a defensively positioned linked unit property fund yielding an annual return of 15%. During the quarter, March to May 2022, the Fund yielded a 2.81% return, bringing its total net return to 6.11%, since inception. If one unpacks the market volatility during this quarter, it is evident that all central banks, around the world, are trying to tame high inflation with the same level of intensity.

In the US, inflation hit a 40 year high of 8.3%. The FED responded with both levers, namely; 1) the announcement of indefinite quantitative tapering of \$95bn a month and, 2) another 50bps interest rate hike in May. A further X7 25bp hikes are expected to take US rates to 2.8% at year end. In China, the Shanghai port (responsible for \$530bn in exports) represents the largest port in China. That port is currently shut and not exporting any flows due to China's no-Covid tolerance policy. If this persists, the world may not have seen the elevated levels of inflation yet due to China. In the Ukraine, the war persists, and wheat prices have now spiked by 90% since April 2020. Most notably, the Ukraine is the world's largest producer of wheat, 3rd largest producer of seeds and one of the top 5 producers of fertilizer. Oil, also exacerbated by the Russian/Ukrainian war, is now up 400% since April 2020.

The net effect is that South Africa imports inflation with our weak Rand and consequently we printed an inflation figure of 5.9%, in April, with petrol prices above R25 a litre for the first time in SA. After 3 consecutive 25bps hikes since November 2021, our Reserve Bank hiked by 50bps in May taking our prime lending rate to 8.25%. The market trajectory going forward is another X2 25bp hikes, taking prime to 8.75% at year end. Thereafter prime is projected to be 9.5% in 2023 and 10% in 2024. For the multitude of reasons highlighted above, but most importantly the introduction of Quantitative Tapering, the signal to remove \$95bn, per month, indefinitely, has in effect removed the put option/floor that was supporting equity prices. Accordingly, global equities did sell off for 7 straight weeks before markets staged a rally in the final week of May. Being a commercial property fund, in this economic climate, we will remain defensively positioned throughout this rising interest rate cycle. The defensive nature of the Fund is embedded in its anchor investment, with a 6.5-year global multinational lease, fixed pre-covid negotiated rental escalations and a full purchase price parent guarantee. Most importantly, a combination of low debt and inflation beating rental escalations will be key during this hiking cycle.

**DISCLAIMER**

The information provided herein is based on such information as is available to Apex Digital Backed Infrastructure Fund en Commandite Partnership at the date of issue of this report and the Apex Digital Backed Infrastructure Fund en Commandite Partnership has used its best reasonable efforts to verify the accuracy thereof. Apex Digital Backed Infrastructure Fund en Commandite Partnership has relied on information and advice provided to it by third parties whom Apex Digital Backed Infrastructure Fund en Commandite Partnership believes to have the best knowledge and expertise in respect of such matters and the Company cannot be held liable for any errors in such third parties' representations made or reports issues, on which the Company has relied. Should Apex Digital Backed Infrastructure Fund en Commandite Partnership become aware of any inaccuracies in this report following the issue hereof, it shall notify the shareholders of such inaccuracy as soon as reasonably possible after becoming aware thereof.

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