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Dipula Income Fund Limited

South Africa Corporate Analysis **March 2019**

Rating class	Rating scale	Rating	Rating outlook	Review date
Long term	National	BBB+(ZA)	Stable	February 2020
Short term	National	A2(ZA)		

Financial data:

(USD'm comparative)

	31/08/17	31/08/18
R/USD (avg)	13.61	12.95
R/USD (close)	13.05	14.70
Total assets	566.6	623.2
Total debt	216.3	240.9
Total capital	338.0	364.1
Cash & equiv.	10.0	6.1
Turnover	78.6	85.1
Op. income	50.3	58.0
NPAT	29.9	37.3
Op. cash flow	32.3	36.8
Market share		n.a.
Market cap.*		R4.8bn/USD331m

*As at 12/03/2019 @ R13.18/USD

Rating history:

Initial rating (September 2014)
Long term: BBB(ZA)
Short term: A3(ZA)
Rating outlook: Stable

Last rating (August 2018)
Long term: BBB(ZA)
Short term: A3(ZA)
Rating outlook: Stable

Related methodologies/research:

Global Master Criteria for Rating Corporate Entities, updated February 2018

Global Criteria for Rating Property Funds and Commercial Real Estate Companies, Updated February 2018

Dipula Income Fund Limited ("Dipula") rating reports, 2014-18

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Summary rating rationale

- The ratings reflect the continued growth in Dipula's assets through acquisitions and redevelopments, with the property portfolio increasing to over R8.7bn at FY18. The defensive nature of the portfolio is underpinned by its retail bias, with most assets being niche community centres that have demonstrated higher trading densities amidst the weak macroeconomic environment. The fund also evidences moderate granularity, with the top 10 assets accounting for 27% of the portfolio's value at FY18.
- Despite the weak economic environment, Dipula's portfolio has evidenced relative resilience on the back of a focus on tenant retention and enhanced in-house property management, with vacancies declining to 7.5% at FY18 (FY17: 8.5%). The weighted average lease expiry also increased from 3 years at FY17 to 4 years and the portfolio evidences a good mix between multi-tenanted and single tenanted properties. This tends to smooth out the lease maturity profile and provides a high level of predictability of revenue over the medium term.
- Like-for-like revenue growth has been subdued, on the back of pressure on rental rates. Nevertheless, rental income growth for FY19 is set to derive from contributions from the acquired assets. Note is also taken of above-inflation escalations of 7.6% achieved on the portfolio, which should be supportive of organic rental income growth from the base portfolio.
- The gross property expense ratio has been maintained below the 35% mark over the review period, indicating sustained cost rigour and supporting an increase in the operating margin to a review period high of 65.3% in FY18 (FY17: 63.4%). The internalisation of property management and consolidation of operations into a single location, completed in FY18, is also expected to result in further cost savings. Nevertheless, margin progression may be constrained by the challenging operating environment, which could curtail tenants' ability to absorb higher all-in occupancy costs.
- To complete the sizeable acquisitions, debt increased to a review period high of R3.5bn at FY18 (FY17: R2.9bn). This saw the LTV ratio increase marginally to 40.6% at FY18 (FY17: 38.9%), within the covenant level of 45%, albeit with limited room to raise additional debt. Going forward, the fund intends to manage the metric around the 40% mark. Despite increasing to 4.75x in FY18 as a result of the timing in debt drawdown, net debt to operating income ratio is expected to remain relatively conservative in the medium term. Debt serviceability also improved, with net interest cover up to 3.2x in FY18 (FY17: 2.6x).
- While Dipula has termed out the debt maturity profile, the liquidity assessment is constrained by the unavailability of unutilised committed facilities and the high asset encumbrance to existing funders which leaves the REIT with limited sources of alternate liquidity. That said, GCR notes the long-standing bank relationships which have sustained the timely renewal/refinance of facilities over the years under review.

Factors that could trigger rating movement may include

Positive change: Sustained sound rental and cash flow growth, despite the challenging operating environment. This should be achieved in tandem with conservative gearing and enhanced liquidity

Negative change: The current gearing profile and credit protection metrics suggest there is limited scope to increase debt further without negatively impacting the credit ratings. Failure to sustain a smoothed-out, medium term debt expiry profile would be viewed negatively.

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Corporate profile

Dipula was incorporated as Dipula Property Fund in 2006, with a property portfolio of approximately R300m, mainly acquired from Redefine Properties Limited ("Redefine"). Originally a property loan stock company listed on the JSE in 2011, Dipula converted to a REIT on 1 September 2013. However, the conversion of the equity structure from linked debentures to an all-share equity structure was only completed in FY15, with Dipula's ordinary shares listed on the JSE on 20 July 2015.

Since then, Dipula's property portfolio has steadily grown on the back of a number of strategic acquisitions and redevelopments. The investment strategy has been centred on steadily improving the quality of properties portfolio by trading out of smaller assets and acquiring larger, more defensive properties. In this regard, a number of strategic acquisitions were completed over the past three years, while non-core assets were sold off. The portfolio has remained South Africa-focused, with management indicating no intention to expand offshore in the near term.

Table 1: Corporate governance summary

Description	Findings
Directors - Executive	2
- Non-executive	5 independents
Frequency of meetings	Quarterly board meetings. Ad hoc meetings where necessary.
Separation of the chairman	Chairperson is separate from the CEO and is independent.
Board committees	Audit & Risk; Investment; Social & Ethics, Remuneration & nomination
Internal control/compliance	Yes: Outsourced internal auditors reporting to the Audit & Risk committee. To be further enhanced going forward.
External auditors	Deloitte & Touche. Provided unqualified audit reports for all periods under review.

Major shareholdings were largely unchanged between FY17 and FY18, with cognisance taken of strong institutional support. Effective FY18, the internalisation of asset management was finalised through the acquisition of a 100% interest in Dipula Asset Management Trust for a total consideration of R150m. The internalisation was funded by the issue of Dipula B-shares for the equivalent of R100m and a cash payment of R50m. This is expected to enhance the performance of the fund's assets from improved operational oversight and cost savings.

Table 2: Major beneficial shareholders as at 31 August 2018

A-linked shares	%	B-linked shares	%
Coronation Fund Managers	30.24	Dipula Trust	21.92
Government Employees' PF	13.90	Government Employees' PF	20.00
Old Mutual	10.61	Arrowhead	17.22
Sanlam Group	3.80	Nedbank Group	11.10
Alexander Forbes	3.65	Bridge Fund Managers	5.77

*A and B-shares rank *pari passu* in terms of voting, as well as all other rights and obligations; differences are mainly with respect to distributions.

Strategy and recent developments

During FY18, Dipula completed the acquisition of the Setso portfolio and other smaller properties for a total of R1.7bn, which brought the value of the portfolio to over R8.6bn. The Setso portfolio comprises of two retail properties in Gauteng with a combined GLA of 18,433m²; five office properties across Gauteng and the Western Cape totalling 23,138m²; as well as one redevelopment property. Other significant acquisitions during FY18 include sectional title offices at Firestation in Rosebank for R122m, and interests two retail shopping centres in KZN and Marikana for a combined R102m. These acquisitions were financed by a combination of new equity, debt and cash realised from asset disposals.

Table 3: Major recent corporate activity

FY14	• Acquisition of Gillwell Taxi Retail Park for R323m • Acquisition of township centres from Redefine for R425m • Acquisition of Govan Mbeki Place for R51m
FY15	• Acquisition of 80% stake in Moolman portfolio for R680m • Registration of R2bn domestic medium note ("DMTN") programme • Internalisation of property management is initiated
FY16	• Portfolio exceeds R7bn • Revenue reaches R1bn •Completed developments of R100m
FY17	• Property average value reaches R40m per property • 27 non-core properties sold for R295m • Acquisition of the remaining 20% of Jarrabilla Investments Proprietary Limited and Lizinex Proprietary Limited for R134m
FY18	• Acquisition of Setso Property Limited for R1.2bn • Acquisition of Firestation (sectional title offices) for R122m • Acquisition of Harding Shopping Centre in KZN for R52m • Internalisation of property management is completed • Operations are consolidated in one location to manage administrative expenses

During 2H FY18 Dipula entered the mid-priced residential market through the redevelopment of existing vacant office space at Broadwalk in Midrand and Finance House in Bruma. In line with the fund's strategy to trade out of smaller assets, disposal activity has also remained quite high over the review period. Non-core disposals of R290m were concluded in FY18, while a pipeline of c.R300m in the historical Dipula portfolio have been identified for sale if suitable offers come through, as there is currently no cash flow pressure to trade out assets. Most of the properties being sold are small assets in remote areas, which will help rationalise administrative costs (which are proportionally higher for smaller properties) and allow management to focus on the performance of core properties. Management remains conservative about development risk, focusing instead on upgrades and maintenance expenditure. In this regard, the fund has projected capex spend of just R45m for FY19 for ongoing maintenance, with any upgrades being assessed on a case-by-case basis.

Property portfolio

Table 4: Property portfolio stats, FY18	Retail	Office	Industrial	Total
Number of properties	115	35	53	203
Portfolio value (R'm)	5,379	1,717	1,220	8,316
GLA'000s sqm	464,914	131,037	334,693	930,644
Value (R/sqm)	11,570	13,107	3,645	8,936
Avg. rental (R/sqm)	141.3	133.2	48.9	126.3
Avg. in-force escalation (%)	7.3	8.1	7.9	7.6
Vacancy (% of GLA)	8.1	9.2	5.8	7.5
FY17				
Number of properties	112	31	31	174
Portfolio value (R'm)	4,674	1,222	1,001	6,897
GLA'000s sqm	448,849	117,400	191,114	757,363
Value (R/sqm)	10,413	10,406	5,239	9,106
Avg. rental (R/sqm)	122.7	117.5	55.0	111.9
Avg. in-force escalation (%)	7.3	8.8	7.9	7.7
Vacancy (% of GLA)	7.1	18.7	5.4	8.5

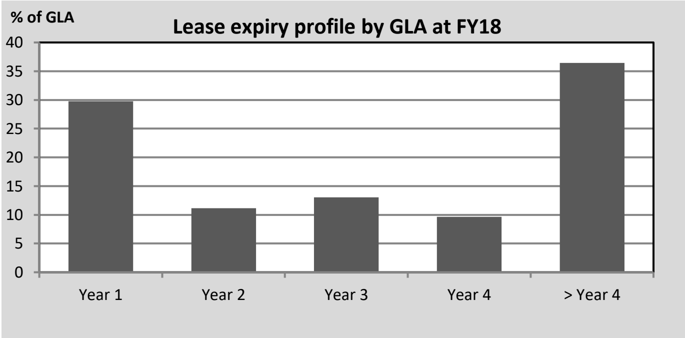
Following the acquisitions completed in FY18, Dipula's portfolio now consists of 203 properties (FY17: 174). The portfolio remains primarily concentrated in Gauteng, which contributed 64% of rental income in FY18, while no other province contributes more than 10%. Nevertheless, even in Gauteng where there is significant concentration, most of the properties are defensively positioned as community-based shopping centres, anchored by a wide variety of national grocery retailers. In this regard, the REIT does not show unduly high exposures versus other listed funds. The fund reflects moderate granularity, with the top 10 assets accounting for 27% of the total portfolio value at FY18, while the largest single property (Gillwell Taxi Retail Park) accounts for just 3.7% of the portfolio value. The top 10 tenants contribute 42% of total rental income, of which sovereign tenants contribute 11%.

Table 5: Top ten assets Asset Name	Province	Sector	% of Portfolio
Gillwell Taxi Retail Park	Eastern Cape	Retail	3.7
SAPS VIP	Gauteng	Office	3.4
Chilli Lane	Gauteng	Retail	3.2
Kerk Street Johannesburg	Gauteng	Retail	2.7
Nquthu Plaza	KZN	Retail	2.6
Umzimkhulu	KZN	Retail	2.6
Gezina Galleries	Gauteng	Retail	2.3
Kopanong Shopping Centre	Gauteng	Retail	2.2
Corporate Park II	Limpopo	Industrial	2.1
Bochum Plaza	Limpopo	Retail	2.1

The defensive nature of the portfolio is underlined by its retail bias and asset positioning. At FY18, 66% of the portfolio rentals derived from retail properties, with 19% and 15% from office and industrial properties respectively. Most of the retail properties are niche community or small regional centres, which have displayed stronger trading densities despite the slow economic growth, as compared to regional malls. Tenants at these retail properties are mainly large national retailers such as Shoprite and PicknPay, with 'A' and 'B' grade tenants contributing 73% to total contractual rentals. Retail vacancies were 8.1% at FY18 (FY17: 7.1%) which, although above the industry average of 4.2%, largely reflect the typical churn among smaller tenants associated with community-based centres.

While comprising a modest proportion of the property portfolio, Dipula's office assets performed relatively well during FY18 despite the oversupply in the sector. This was due to the strategic positioning of the assets in certain nodes, active property management and stable baseline demand from existing sovereign tenants. Thus, office vacancies declined to 9.2% at FY18 (FY17: 18.7%) which compares favourably to the industry average of 11.2%, albeit that rental rates and escalations have come under pressure. The office portfolio is also largely multi-tenanted, which tends to smooth out the lease expiry profile and income. The industrial portfolio, registered sound performance, on the back of a focus on tenant retention, although pressure on rentals persists. Industrial vacancies remained flat at 5.8% at FY18 (FY17: 5.4%), as major tenants were retained.

In total, 252 new leases covering 85,650 m^2 were concluded across the entire portfolio during FY18. Coupled with tenant retention in excess of 85%, this saw the portfolio vacancy rate decline to 7.5% at FY18 (FY17: 8.5%). Some disparity is noted between rentals rates on some of the new leases against those on in-force leases. This was a factor of property quality and positioning as well as the capex related to new leases. The weighted average lease expiry also increased from three years at FY17 to four years at FY18 due to longer terms on new leases signed, coupled with the consolidation of the Setso portfolio. GCR does, however, note potential reversionary risk from sovereign tenants (14% of rental income) which are in the process of being regularised.



Financial performance

A synopsis of Dipula's financial history for the five years to August 2018 is appended to page 5 of this report, and brief commentary follows.

Revenue growth slowed down to 2.4% in FY18 (FY17: 2.8%) on the back of flat like-for-like rental income growth amidst a challenging environment, partly offset by the contribution from newly acquired properties. While the pressure on like-for-like rental growth is expected to persist until the operating climate improves substantially, revenue uplift in FY19 is expected to be driven by the full-year throughput from the newly incorporated assets.

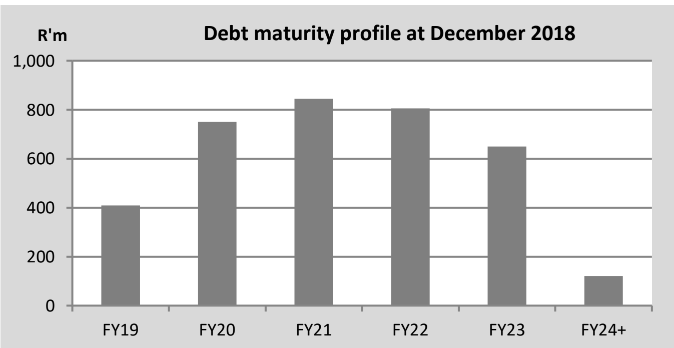
The property expense ratio has been maintained below the 35% mark over the review period, indicating sustained cost rigour. As part of ongoing property expense management initiatives, Dipula is also rolling out alternative energy systems at some of its properties with solar energy systems having been installed on two retail centres in FY18. Consolidating the fund's operations in one location, internalising property management and outsourcing utility management saw the administration costs declining 23% to R24m in FY18. Thus, the operating margin improved to a review period high of 66.4% (FY17: 66.3%). The fund expects additional savings of R19m in FY19 from the full internalisation of management, albeit that a challenging operating climate impacting tenants' ability to absorb rising all-in costs of occupancy may curtail further margin progression.

Net interest charge declined to R232m in FY18 (FY17: R244m), despite a marginal increase in the cost of funding to 9.25% (FY17: 9.17%). This was due to the timing of drawdown of the incremental interest-bearing debt, coupled with higher interest income of R42m received in FY18 (FY17: R21m). Accordingly, net interest cover increased to 3.2x in FY18 (FY17: 2.8x), well above the covenant level of 2.0x. Nevertheless, the higher average debt balance during FY19 may result in the net interest charge increasing which may curtail further strengthening of the interest coverage. Prudent hedging policies remain in place, with 87% of debt hedged at December 2018, ahead of management's comfort level of 80%. Fair value gains declined to R14m in FY18 (FY17: R40m), on the back of a weak property sector in general and limited development expenditure. Overall, net profit increased to R483m (FY17: R407m), with management expecting some uplift in FY19 from the full year contribution from the completed acquisitions. Distribution growth of 4.5% met initial guidance, while no growth is projected for FY19.

Cash flows from operations increased to a review period high of R476m (FY17: R446m), despite a modest working capital absorption which was driven by an increase in debtors. Past due trade debtors increased to R58m at FY18 (FY17: R45m), of which 44% are outstanding for more than 90 days. While this reflects the pressure some tenants are facing in meeting their rent obligations, the metric is distorted by the slow receipt of payments from government-related tenants. Net capital expenditure increased sharply to R2bn, comprising largely the R1.7bn acquisitions and the completed redevelopments. A total of R290m was realised from disposals in FY18, with a sizeable pipeline earmarked for FY19. The capex trajectory is expected to slow down markedly as most activity has been deferred until the market stabilises.

Gearing and funding profile

To complete the sizeable acquisitions made in FY18, Dipula raised an additional R790m in equity (via an oversubscribed accelerated book build) and R480m in bank debt. Thus, shareholders' equity increased from the R4.4bn reported at FY17 to over R5.4bn at FY18. Following the new drawdowns, debt increased to R3.5bn at FY18 (FY17: R2.9bn). This saw the net LTV increase marginally to 40% (FY17: 39%). While this is below the 45% covenant level in respect of the funding facilities, there is limited headroom to raise additional debt at current property valuations. Dipula have indicated an aspirational net LTV level of 40%. Similarly, the net debt to EBITDA increased to a review period high of 482% at FY18 (FY17: 409%), albeit that this was largely a result of the earnings drag as new properties did not contribute to income for a full year. Thus, the ratio is expected to moderate to the average of 4x from FY19. Dipula has significantly has termed out the maturity profile of its debt, with the weighted average debt maturity increasing to three years at FY18 (FY17: two years). At December 2018, just 11% of debt was maturing in FY19, and plans to term out these facilities are at advanced stages.



Debt has historically been drawn from two banks (Standard Bank and Nedbank), although a small overdraft facility was drawn from ABSA during FY18 in an attempt to expand the sources of debt funding.

The R2bn DMTN programme remains unutilised as bank facilities have been available on more favourable terms. The liquidity profile is constrained by the lack of unutilised committed facilities and high asset encumbrances, which indicate a limited potential source of alternate liquidity. While the debt funding mix is expected to remain largely split between only two banks, GCR notes that the long-standing relationships have sustained the timely renewal/refinance of facilities. The support shown by various institutional investors through over-subscribed share issues over the five years under review, also bodes positively.

Dipula Income Fund Limited

(Rand in millions except as noted)

Year end : 31 August	2014	2015	2016	2017	2018
Income Statement					
Rental income	*573.7*	*725.0*	*1,023.5*	**1,052.5**	**1,077.6**
Straight-line income adjustment	24.6	4.1	41.9	**17.1**	**25.0**
Total revenue	**598.3**	**729.1**	**1,065.4**	**1,069.7**	**1,102.6**
Property expenses	(199.1)	(250.2)	(349.6)	**(353.5)**	**(362.8)**
Total property income	**399.2**	**478.9**	**715.7**	**716.2**	**739.8**
Admin and other expenses	(18.3)	(25.8)	(32.0)	**(31.9)**	**(24.5)**
Other costs/income	0.0	0.0	(3.0)	**0.0**	**36.1**
Operating income	**381.0**	**453.1**	**680.7**	**684.3**	**751.4**
Net finance charges	(117.9)	(141.8)	(242.0)	(243.6)	(231.6)
Finance hedges and interest capitalised	0.0	0.0	2.8	(39.0)	0.0
Fair value movements	69.8	207.4	242.2	40.4	14.0
Realised gains (losses)	0.0	0.0	0.0	(35.2)	(50.8)
Distribution to linked debenture holders	(244.8)	(127.8)	0.0	0.0	0.0
NPBT	**88.1**	**390.9**	**683.7**	**406.9**	**482.9**
Taxation charge	0.0	0.0	0.0	0.0	0.0
NPAT	**88.1**	**390.9**	**683.7**	**406.9**	**482.9**
Cash Flow Statement					
Cash generated by operations	**363.4**	**449.0**	**649.3**	**677.3**	**743.1**
Utilised to increase working capital	(9.1)	11.9	(72.3)	14.1	(29.5)
Net interest paid	(108.9)	(141.8)	(242.0)	(245.2)	(237.3)
Taxation paid	0.0	(0.0)	0.0	0.0	0.0
Cash flow from operations	**245.4**	**319.1**	**335.0**	**446.2**	**476.3**
Distributions paid	(230.1)	(265.3)	(365.0)	(413.2)	(491.1)
Retained cash flow	**15.3**	**53.8**	**(30.0)**	**33.0**	**(14.8)**
Net expansionary capex	(370.4)	(1,251.1)	(1,155.1)	(244.5)	(2,034.1)
Investments and other	2.7	(1.3)	0.0	0.0	90.3
Proceeds on sale of assets/investments	31.7	92.2	60.7	111.6	201.4
Shares issued	189.2	692.7	274.7	238.8	948.0
Cash movement: (increase)/decrease	(9.5)	(31.0)	4.3	(71.5)	61.2
Borrowings: increase/(decrease)	149.0	444.7	845.4	(67.4)	747.9
Net increase/(decrease) in debt	**139.5**	**413.7**	**849.7**	**(139.0)**	**809.1**
Balance Sheet					
Ordinary shareholders interest	793.5	3,555.5	4,277.1	4,411.1	5,196.3
Linked debentures (capital)	1,684.7	0.0	0.0	0.0	0.0
Total shareholders' interest	**2,478.1**	**3,555.5**	**4,277.1**	**4,411.1**	**5,352.1**
Short term debt	506.7	288.8	255.0	551.0	994.3
Long term debt	1,089.9	1,752.4	2,631.7	2,271.1	2,546.9
Total interest-bearing debt	**1,596.5**	**2,041.2**	**2,886.7**	**2,822.1**	**3,541.2**
Interest-free liabilities	88.3	127.9	105.4	125.3	263.5
Total liabilities	**4,294.3**	**5,724.6**	**7,269.2**	**7,393.6**	**9,160.9**
Fixed assets	0.0	1.2	1.4	1.3	3.9
Properties (incl. straight-line adjustments)	4,097.4	5,462.5	6,916.7	6,770.0	8,637.9
Cash and cash equivalent	32.0	63.0	58.7	130.2	89.1
Other assets	164.9	197.8	292.2	492.1	430.1
Total assets	**4,294.3**	**5,724.6**	**7,269.2**	**7,393.6**	**9,160.9**
Ratios					
Cash flow:					
Operating cash flow: total debt (%)	15.4	15.6	11.6	15.6	13.5
Profitability:*					
Rental income growth (%)	69.6	26.4	41.2	2.8	2.4
Net property income: revenues (%)	62.6	65.1	63.2	65.4	64.8
Property expense ratio (%)	34.7	34.5	34.2	33.6	33.7
Operating profit margin (%)	62.1	61.9	62.4	63.4	65.3
Coverage:					
Operating income: gross interest (x)	3.1	3.0	2.7	2.6	2.7
Operating income: net interest (x)	3.2	3.2	2.8	2.8	3.2
Operating income: total interest charge (x)	3.2	3.2	2.8	2.4	3.2
Capitalisation:					
Total debt: equity (%)	64.4	57.4	67.5	64.0	66.2
Net debt: equity (%)	63.1	55.6	66.1	61.0	64.5
Total debt: Operating Income (%)	448.1	454.6	451.9	423.0	487.5
Net debt: Operating Income (%)	439.1	440.6	442.7	403.5	475.3
Loan to value:					
Total debt: properties (%)	39.0	37.4	41.7	40.7	41.6
Net debt: properties (%)	38.2	36.2	40.9	38.9	40.6
Total debt: properties & investments (%)	39.0	37.4	41.7	40.2	40.6
Net debt: properties & investments (%)	38.2	36.2	40.9	38.4	39.5

GLOSSARY OF TERMS/ACRONYMS USED IN THIS DOCUMENT AS PER GCR'S CORPORATE GLOSSARY

Bond	A long term debt instrument issued by either a company, institution or the government to raise funds.
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.
Corporate Governance	Corporate governance broadly refers to the mechanisms, processes and relations by which corporations are controlled and directed, and is used to ensure the effectiveness, accountability and transparency of an entity to its stakeholders.
Debentures	Debenture is also referred to as a Bond or Note. A bond is a legal contract in which a borrower such as a government, company or institution issues a certificate by which it promises to pay a lender a specific rate of interest for a fixed duration and then redeem the contract at face value on maturity..
Debt	An obligation to repay a sum of money. More specifically, it is funds passed from a creditor to a debtor in exchange for interest and a commitment to repay the principal in full on a specified date or over a specified period.
Debt Financing	Raising capital by selling debt instruments such as bonds, bills or notes.
Diversification	Spreading risk by constructing a portfolio that contains different investments, whose returns are relatively uncorrelated. The term also refers to companies which move into markets or products that bear little relation to ones they already operate in.
Dividend	The portion of a company's after-tax earnings that is distributed to shareholders.
Drawdown	When a company utilises facilities availed by a financial institution or an international lender there is said to be a drawdown of funds.
Equity	Equity is the holding or stake that shareholders have in a company. Equity capital is raised by the issue of new shares or by retaining profit.
Exposure	Exposure is the amount of risk the holder of an asset or security is faced with as a consequence of holding the security or asset. For a company, its exposure may relate to a particular product class or customer grouping. Exposure may also arise from an overreliance on one source of funding.
Fair Value	The fair value of a security, an asset or a company is the rational view of its worth. It may be different from cost or market value.
Financial Year	The year used for accounting purposes by a company or government. It can be a calendar year or it can cover a different period, often starting in April, July or October. It can also be referred to as the fiscal year.
Gearing	With regard to corporate analysis, gearing (or leverage) refers to the extent to which a company is funded by debt and can be calculated by dividing its debt by shareholders' funds or by EBITDA.
Institutional Investors	Financial institutions such as pension funds, asset managers and insurance companies, which invest large amounts in financial markets on behalf of their clients.
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.
Interest Cover	Interest cover is a measure of a company's interest payments relative to its profits. It is calculated by dividing a company's operating profit by its interest payments for a given period.
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.
Long-Term Rating	A long term rating reflects an issuer’s ability to meet its financial obligations over the following three to five year period, including interest payments and debt redemptions. This encompasses an evaluation of the organisation’s current financial position, as well as how the position may change in the future with regard to meeting longer term financial obligations.
Margin	A term whose meaning depends on the context. In the widest sense, it means the difference between two values.
Maturity	The length of time between the issue of a bond or other security and the date on which it becomes payable in full.
Operating Margin	Operating margin is operating profit expressed as a percentage of a company's sales over a given period.
Option	An option gives the buyer or holder the right, but not the obligation, to buy or sell an underlying financial asset at a pre-determined price.
Pari Passu	Securities issued with a pari passu clause have rights and privileges that are equivalent to those of existing securities of the same class. Pari passu means 'with equal step' in Latin.
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.
Refinancing	The issue of new debt to replace maturing debt. New debt may be provided by existing or new lenders, with a new set of terms in place.
Risk	The possibility that an investment or venture will make a loss or not make the returns expected. There are many different types of risk including basis risk, country risk, credit risk, currency risk, economic risk, inflation risk, liquidity risk, market or systemic risk, political risk, settlement risk and translation risk.
Shareholder	An individual, entity or financial institution that holds shares or stock in an organisation or company.
Short-Term Rating	A short term rating is an opinion of an issuer’s ability to meet all financial obligations over the upcoming 12 month period, including interest payments and debt redemptions.
Swap	An exchange of payment streams between two parties for their mutual benefit. Swaps can involve an exchange of debt obligations, interest payments or currencies, with a commitment to re-exchange them at a specified time.
Working Capital	Working capital usually refers to the resources that a company uses to finance day-to-day operations. Changes in working capital are assessed to explain movements in debt and cash balances.

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SALIENT POINTS OF ACCORDED RATINGS

GCR affirms that a.) no part of the rating process was influenced by any other business activities of the credit rating agency; b.) the rating was based solely on the merits of the rated entity, security or financial instrument being rated; c.) such rating was an independent evaluation of the risks and merits of the rated entity, security or financial instrument; and d.) the validity of the rating is for a maximum of 12 months, or earlier as indicated by the applicable credit rating document.

Dipula Income Fund Limited participated in the rating process via face-to-face management meetings, teleconferences and other written correspondence. Furthermore, the quality of information received was considered adequate and has been independently verified where possible.

The credit ratings have been disclosed to Dipula Income Fund Limited.

The information received from Dipula Income Fund Limited and other reliable third parties to accord the credit ratings included:

- The 2018 audited annual financial statements (plus prior four years of comparative numbers)
- A breakdown of debt facilities available and related counterparties at December 2018
- Analyst presentations

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.