FitchRatings
KNOW YOUR RISK

South African
SECURITISATION NEWSLETTER
August 2006

OVERVIEW

Securitisation activity in South Africa continues apace with a number of transactions coming to market in Q206. Fitch Ratings rated two RMBS issues, Nqaba Finance 1 and Blue Granite Investments 2, and a CMBS tap issuance for Growthpoint Note Issuer Company.

South African arrangers have, over the past few years, securitised major asset classes such as home loans, auto loans, credit card receivables and commercial property loans in addition to the ubiquitous ABCP conduits. It remains to be seen how other asset classes such as CDOs will gain market acceptance. One variant of CDOs are CFOs (collateralised fund obligations), whereby private equity cash flows are securitised.

The first article in this newsletter therefore explores the concept of how securitisation techniques can be used as a source of funding for the private equity industry.

Private equity as an asset class spans a wide number of investment types, ranging from "blue sky" venture capital to leveraged buyouts and mezzanine finance, as well as secondary sales of private equity stakes.

Private equity stakes in companies are typically held through a private equity fund. Investors can gain further diversification by investing in a private equity fund of funds, which invests in a number of underlying private equity funds. This allows risk exposure to be spread across a number of fund managers, geographical locations, investment stages, sectors and industries and time horizons. Risk diversification is important since a fund usually commits investment capital over a number of years.

A private equity fund of funds can securitise its different stakes in underlying funds by selling these investments into a securitisation special-purpose vehicle ("SPV"), which issues notes to fund such an acquisition. Through securitisation, fund managers can gain access to additional and diversified funding sources.

In rating private equity CFOs, Fitch evaluates a number of factors, including an asset manager review, quantitative modelling, legal review and structural analysis. As with all securitisation transactions, Fitch's structured finance performance analytics team will monitor these transactions carefully to ensure that the assigned ratings remain an appropriate reflection of the issued notes' credit risk.

The second article describes the role of SPVs in structured finance transactions.

Fitch attaches great importance to the bankruptcy remoteness and "cleanliness" of such SPVs. To circumvent corporate credit risk and event risk, a securitisation issuer SPV should have an independent legal existence as well as a separate corporate existence from the originator of the securitised assets. By having a newly formed SPV, there will be no operating history and the risk of existing creditors bringing bankruptcy proceedings against the SPV. Fitch will therefore consider SPVs that comply with these criteria to have a much reduced bankruptcy risk.

Finally, *Appendix 1* at the end of the newsletter summarises all Fitch's publicly rated South African securitisations. ■

INSIDE THIS ISSUE

Overview 1
Rating Private Equity Securitisations 2
SPVs in Structured Finance Transactions…...4
Appendix: Fitch Publicly Rated Securitisations in South Africa – Ratings Update 6

CONTACT DETAILS

Fitch Southern Africa (Pty) Ltd
Block C
Stonewedge Office Park
1 Wedgewood Link Rd
Bryanston
Tel: +27 11 516 4900
Fax: +27 11 706 9594

Johannesburg
Yohan Assous
yohan.assous@fitchratings.com

Troy Murray, CFA
troy.murray@fitchratings.com

Tertius Smith
tertius.smith@fitchratings.com

London
Dr. Stefan Bund
stefan.bund@fitchratings.com

BREAKFAST WITH FITCH

Fitch holds regular breakfast seminars in Cape Town and Johannesburg to discuss current securitisation topics. To be included in Fitch's mailing list, please contact Hilary Steyn on +27 11 516 4900.

AUGUST 2006

Rating Private Equity Securitisations

Private Equity Funds

Internationally, there has been a surge in interest in securitisation transactions supported by shares in private equity funds. These transactions allow a larger number of investors to access private equity investments. In turn, fund managers can obtain access to new funding sources. The securitisation of private equity cash flows are referred to as collateralised fund obligations (CFOs).

In a criteria report, "*Going Public with Private Equity CFOs*", published on 6 February 2006 and available at www.fitchratings.com, Fitch discusses the factors that influence the rating of private equity securitisation transactions.

A private equity fund is a pooled investment vehicle established for the purpose of achieving returns from private equity investments. Private equity investments are privately negotiated investments in ordinary and preference shares, subordinated debt, convertible securities and share options. The companies they are invested in are usually unlisted.

Investor participation in a private equity fund typically requires high minimum investment amounts and long investment commitment periods. Private equity funds might exert their influence over the companies in which they have purchased stakes in pursuit of investors' investment objectives. Investors have traditionally been high-net-worth individuals, insurance companies, pension funds and other investment managers.

Private equity funds are usually organised as limited partnerships but may be set up as limited liability companies with similar structural features to limited partnerships. The general partners ("GPs") of the private equity fund are responsible for making investment decisions on behalf of investors, which are the limited partners ("LPs"). Once investments are made, the GPs endeavour to influence the management of the underlying companies in an effort to maximise profits.

The relationship between the GPs and LPs is governed by a limited partnership agreement that specifies the rights and obligations of all parties, how the GPs are compensated, the fund's commitment period and legal maturity, and all other terms and conditions of the fund. Compensation for the GPs consists of a management fee based on the portfolio's net asset value ("NAV") and a percentage of profits. The commitment period, which can be several years, is the period over which the fund may call committed capital from the LPs. Such capital calls, also known as drawdowns or takedowns, are unscheduled and can occur at any time within the commitment period. The legal maturity of a private equity fund is usually about 10 years, by which time the fund is supposed to have liquidated all its investments for cash or in-kind distributions.

The life cycle of a private equity fund occurs in three stages: an initial commitment of investment capital by the LPs; gradual drawdown of these committed amounts by the GPs; and distribution of returns to LPs as they are realised. The available capital is usually committed during the first year and drawn down as investment opportunities are identified. As drawdowns occur, normally during the earlier years of the fund, the invested value of the portfolio begins to accumulate. Finally, cash or marketable securities are received as underlying investments are realised and proceeds distributed to the LPs.

For the LP investors, the investment in a private equity fund entails substantial uncertainty. The timing of both drawdowns and distributions is unpredictable. An insolvency of a portfolio company results in a write-off of that investment's value. Portfolio valuations are not always meaningful because the regular mark-to-market of fund investments is prohibitively costly.

Since reported NAVs of private equity funds are not always reliable, their performance tends to be evaluated by using their internal rate of return ("IRR"), which is the discount rate that causes the net present value of cash flows to be equal to zero. The IRR is a measure of cash return net of cash investment on an annualised, time-weighted basis, finalised only when all investments have been liquidated. Because investments by investors occur before distributions to them, the IRR is at first negative before rising to its final, liquidated level.

Types of Private Equity Investments

Private equity investments can be classified into venture capital, buyout investments, mezzanine finance and secondary purchases.

Venture capital describes the investments in young companies embarking on new ventures. Venture capital investing can be classified into three stages: seed stage; early stage and late/expansion stage. Seed stage describes investments in companies that have not yet fully established commercial operations and need financing for continued research and development. Early stage describes investments in companies that have passed the initial seed stage and require financing for continued product development and operational activities. The late or expansion stage describes investments in companies seeking finance to expand operations from a regional to a national or even international scale. Venture capital companies receive frequent rounds of financing, typically every six to 12 months. The predominant exit strategy is an initial public offering ("IPO") of the investment and the existence of a functioning IPO market is thus important in order to realise investment returns.

Buyout investments is a broad category referring to investments in companies, often controlling stakes, to allow the private equity fund to exercise substantial influence over the company's management and typically are:

- investments made with the intention of quickly listing the company;
- traditional leveraged buyouts in which high yield debt is issued to finance an acquisition;
- turnaround situations involving a distressed company; or
- value propositions in which companies are purchased for their low price-earnings multiples.

Mezzanine debt is speculative financing that is senior to ordinary equity capital but subordinated to other debt of the company and has a higher yield relative to other debt to compensate for the higher risk.

A secondary purchase is that of an existing LP interest in a seasoned private equity fund. ▶

RATING PRIVATE EQUITY SECURITISATIONS

Continued from page 2

SECURITISATION OF PRIVATE EQUITY FUNDS OF FUNDS

Investors can gain access to a diverse group of private equity funds by investing in a private equity fund of funds, which affords them diversification benefits relative to investors in a single fund.

Private equity securitisation involves a fund-of-funds sponsor setting up a special-purpose vehicle ("SPV"), which issues notes to fund the purchase of a portfolio of private equity funds, specifically the LP interests, that serves as collateral for the notes. The GPs have to consent to the transfer of the LP interests to the SPV. Through the use of securitisation, fund-of-funds managers can therefore broaden their range of investors and diversify their funding sources.

RISK FACTORS

Some of the risks of securitising a portfolio of private equity funds include:

Cash Flow Management

Unlike cash flows in a typical securitisation, the cash inflows from private equity funds are unscheduled and can vary considerably. At the same time, the CFO SPV incurs regular cash outflows such as interest payments on the notes, management fees and administrative expenses. To circumvent these cash flow mismatches, the transaction sponsor has a number of options. The notes can be made deferrable so that payment is not due until cash distributions from the underlying funds are received. Alternatively, the structure can incorporate a reserve account set aside at closing that will cover all ongoing expenses that are not deferrable. A third party can also be contracted to provide liquidity support. All these mechanisms come as an expense to the structure and one way of circumventing these costs is to issue principal-protection notes, which do not pay an interest coupon, with the sole promise that investors will receive over time at least the nominal amount of their initial investment at maturity.

Efficient Use of Capital

If the fund manager cannot invest all the funds available, it will cause substantial costs to the structure due to the lower expected returns from holding cash for prolonged periods. The fund manager may thus use an over-commitment strategy, in which it commits more capital to the underlying funds than it has at its disposal, to maximise the amount invested in the underlying private equity funds. This is done with the expectation that earlier distributions received from funds can be used to fund later drawdowns. In practice, a liquidity facility is often in place to provide liquidity equal to the over-commitment.

Illiquidity

Private equity investments tend to be illiquid, with any secondary market inhabited largely by opportunistic investors. Secondary sales, particularly when transacted under duress or a limited time horizon, often occur at deep discounts. As such, private equity investing is necessarily a buy-and-hold strategy.

RATING PROCESS

In rating private equity CFOs, Fitch will conduct an asset manager review, structural analysis, independent valuation, legal review, quantitative analysis and modelling, and ongoing surveillance.

Asset Manager Review

Fitch will review the asset manager's performance track record, operational processes, research capabilities and infrastructure as a critical part of the rating process. The review is conducted on a pass-or-fail basis to determine whether a suitable management team is in place. Investment managers should be able to demonstrate historical performance through various market cycles, executing a relatively consistent investment strategy throughout. While historical track record is not reliably indicative of future performance, a solid, verifiable track record will be viewed favourably in determining the strengths of the investment manager. In addition, Fitch views favourably the arrangements that align the interests of the manager with those of all classes of investors.

Legal Review

Fitch will review the structural parameters of a CFO transaction to determine the extent to which major risks of the structure can be contained. Typical structural components reviewed are:

- maximum allocation to a single fund or manager;
- maximum allocation to a single sector;
- other portfolio diversification guidelines;
- commitment strategies;
- coupon payment features;
- sources and terms of liquidity support;
- external credit support or dependencies;
- interest rate & currency hedges; and
- transaction fee structure.

Independent Valuation

When the private equity portfolio is transferred to the SPV at closing, an independent valuation of the portfolio by a third party will provide comfort that the purchase price represents a fair value. Independent valuations will also be conducted for secondary purchases. Fitch will conduct a review of the valuation provider's practices and procedures to determine whether the methodology is satisfactory.

Legal Review

Private equity CFOs share similar legal considerations with other types of securitisations. These include the bankruptcy-remoteness of the SPV, true sale, perfection and first priority security interest in the collateral, and the enforceability of the agreements governing various parties in the transaction. Fitch will review all transaction documents and requires and reviews legal opinions.

Quantitative Analysis and Modelling

Conservative assumptions are derived from historical data to reflect the performance of the assets in the structure. These are placed in Fitch's proprietary quantitative model to quantify the default probability associated with each of the CFO notes. The results of the model in conjunction with all other information gathered during the rating process are analysed to determine the final ratings of the notes.

Surveillance

Fitch will monitor the performance of the transaction to ensure that the ratings of the debt outstanding are consistent with actual risk to noteholders. As part of the ongoing surveillance, Fitch will require monthly reports that provide information on the investments. Fitch will also conduct periodic investment manager reviews.

SUMMARY

Fitch recognises the risks and benefits of private equity securitisation and has developed a conservative approach to assigning credit ratings to notes issued from such structures. Given the existing vibrant private equity market in South Africa, CFOs can provide another diversified source of funding for this market. ■

SPECIAL-PURPOSE VEHICLES IN STRUCTURED FINANCE TRANSACTIONS

Any rating assigned by Fitch to a structured finance ("SF") transaction encompasses a level of legal analysis in addition to the asset-class specific credit analysis undertaken by the Fitch analyst. Indeed, in addition to the transaction-specific features and credit quality of the underlying portfolio being securitised, each Fitch rating is based on the "sound legal structure" of the transaction in question, as specified on the front page of any Fitch Presale or New Issue report. In deciding on the legal robustness of specific transactions, Fitch relies on externally appointed legal counsel and, in particular, their assessment of the transaction opinion provided by the drafting attorneys.

A key element in differentiating SF issuances to corporate issuances is the presence of a special-purpose vehicle ("SPV") and the role the SPV plays in isolating the transaction's assets and the concomitant disassociation of them from those of the originator. Integral to Fitch's legal assessment in any SF transaction is an assessment of the bankruptcy remoteness or "cleanliness" of the SPV used to house the transaction collateral. This article summarises the key characteristics Fitch expects to see in SPVs employed in SF transactions as well as the analytical approach undertaken in assessing their validity for use in SF transactions in general and, where applicable, within the local context.

Type of Vehicle

In South Africa to date, most SPVs used in SF transactions have been limited liability companies, but SPVs may take on other forms such as trusts (as is the case in the Growthpoint commercial mortgage backed securities transaction), limited liability partnerships or some other form of body corporate subject to legal limitations on their establishment.

It is the SPV's characteristics within the context of the overall transaction structure, the impact of the local legal and tax regimes and the purpose and role of the SPV in the SF transaction rather than its actual form that determines the amount of credit that can be given for the improved predictability of outcome attributable to its presence.

South African securitisations have, to date, employed a security structure in which two SPVs have been employed and this has become the accepted market norm. The purpose of the two-tier structure – where one SPV is the typical issuer vehicle and the other is known as the security SPV – is to ensure the secured rights of the transaction creditors who are not noteholders. Whereas the rights of the noteholders are secured through the issuer SPV, the remaining transaction creditors (such as servicers, facility providers, paying agents, etc.) are not. The security SPV guarantees the obligations of the issuer to all transaction creditors. The issuer SPV cedes all rights and title to its assets to the security SPV and, should a default occur, the security SPV distributes the proceeds of the assets to all transaction creditors.

"Cleanliness" of the SPV

A key factor in determining the level of credit that can be given to any SPV is the level of bankruptcy remoteness that can be attributed to it. Newly-formed SPVs have no operating history and a known or limited number of creditors that could bring bankruptcy proceedings against the SPV, thus reducing the bankruptcy risk of the SPV at the outset. For SPVs that are not newly formed, some considerations that the Fitch analyst may factor into the analysis are:

- the nature and extent of the SPV's historical business operations;
- the amount of actual and contingent liabilities and identity of its existing and potential creditors;
- any material tax, litigation and/or corporate style liabilities; and
- any factors arising out of the way in which the SPV has historically operated, which may mitigate any of the issues set out above.

Separate Existence

Apart from the independent legal existence, Fitch analysts also consider whether the SPV has a separate corporate existence to that of the originator of the assets. Management of the SPV should be separate from that of the originator and the entity should have independent shareholder control.

Beneficial control of SPVs is most commonly held by an owner trust and managed by professional trustees. In instances where this is not the case, for commercial, tax, legal or other reasons and the SPV remains part of the originator's group, Fitch would expect certain safeguards to be put in place to mitigate against possible bankruptcy contagion from the originator group or possible conflicts of interest arising between directors who hold common positions on both the SPV as well as the originator.

Limitation on Activities

Whether or not the SPV is newly formed, Fitch expects the activities of the SPV to be restricted and for those restrictions to be maintained over the life of the transaction. The purpose of the restrictions is to maintain the integrity of the SPV's bankruptcy remoteness by limiting the amount of new creditors created that might otherwise bring foreclosure proceedings against the SPV.

Typically, such restrictions should include:

- prohibitions of change of ownership;
- covenants to maintain a separate business existence;
- limitations on ability to amend the constitutional documents;
- restrictions on asset dealings;
- narrowly defined objects and powers;
- restricted powers of directors;
- no additional borrowings, finance raisings, guarantees or additional granting of security;
- no operating business;
- no employees; and
- no commingling of assets with other parties.

Fitch will review such activities within the context of the jurisdiction in which the transaction is being rated. For example, South African securitisation regulations allow for only limited control of the SPV by the originator: 20% shareholding (or beneficial interest if a trust) or the appointment of only one of the required minimum of three directors, which is consistent with Fitch's expectations on maintaining separate control and ownership. ▶

SPECIAL-PURPOSE VEHICLES IN STRUCTURED FINANCE TRANSACTIONS

Continued from page 4

Transaction Creditors

The benefit of having a clean SPV in a securitisation is that all of the transaction creditors are known at the outset. Accordingly, the identifiable creditors, including the noteholders, security trustee, liquidity providers, swap counterparty, and any other party contracting directly with the SPV can contractually agree to limit their rights of legal recourse against the SPV as well as to bind themselves through "non-petition" language not to petition the courts to put the SPV into bankruptcy.

Although the known universe of creditors allows for the payment of liabilities to be structured through a pre-agreed priority via the transaction "waterfall", there may be some third party transaction creditors who are not bound by the transaction agreements or who are statutorily preferred. While not the case in all jurisdictions in which Fitch rates transactions, in South Africa the revenue authorities may not be subordinated and hence are always found at the top of the waterfall. As they may not be subordinated, their presence at the top of the waterfall serves mainly for information purposes rather than for any practical purpose with regard to their legal right to any payment that may be due to them.

True Sale

As mentioned previously, the isolation or de-linking of the transaction assets from their associated corporate risk is one of the elements that separates securitisations from corporate issuances.

The effective segregation of the assets from the originator is achieved in South Africa by way of selling the assets to the SPV. The aim of such a sale (a "true sale") is to mitigate as much as possible the originators' ability to overturn the sale and claw-back the sold assets in the event of its bankruptcy or for any other reason. South African securitisation regulations specify certain requirements that need to be met for a true sale to be effective.

Where the beneficial (or equitable) title rather than the legal title of assets is transferred at the outset of a transaction, Fitch will expect the structure to include appropriate perfection mechanisms to complete the transfer of legal title to the SPV at a point in time sufficiently prior to enforcement. This may occur where the assets being transferred are in the nature of a debt and where an effective legal transfer can only be achieved upon the acquiescence of the debtor/ obligor or upon their being notified by the seller.

In order to assess the efficacy of any true sale, Fitch and its legal counsel will review the transaction documents and legal opinions and expect the transaction legal opinion to clearly address that the assets have been transferred to the SPV and will not be the property of the originator's bankruptcy estate (in the event of that party's bankruptcy).

Legal Opinion

As mentioned at the beginning of this article, any Fitch rating is based on a sound legal underpinning, which is arrived at by reviewing the transaction documentation and a review by Fitch as well as its legal counsel of the transaction opinion. With regards to the SPV, the transaction opinion should opine on the bankruptcy remoteness of the SPV and confirm:

- its due incorporation and existence;
- its capacity to enter into and perform its obligations under the transaction documents;
- the enforceability of those transaction documents against it; and
- whether a true sale of the assets has been made from the originator to the SPV.

Conclusion

Fitch will consider an SPV established in the manner described above to have a significantly reduced risk of bankruptcy compared with an operating company and so be considered bankruptcy remote although not "bankruptcy proof".

For a more thorough review of Fitch's criteria on SPVs see "*Special-Purpose Vehicles in Structured Finance Transactions*", published on 13 June 2006 and for an overview of the South African legal regime in which they operate see "*Securitisation in South Africa 2005*", published on 13 January 2006, both available at www.fitchratings.com. ■

APPENDIX: FITCH PUBLICLY RATED SECURITISATIONS IN SOUTH AFRICA – RATINGS UPDATE

National

Issuer	Class/Series	Long-Term	Short-Term
Accelerator Fund 1 (Pty) Ltd			
Secured Floating-Rate Notes	A2	AAA(zaf)	
Secured Floating-Rate Notes	A3	AAA(zaf)	
Secured Floating-Rate Notes	B	A-(zaf)	
Secured Floating-Rate Notes	C	BBB-(zaf)	
Asset-Backed Arbitraged Securities (Pty) Ltd			
Asset-Backed Commercial Paper			
ABACAS Premier Series (Series 1)	1		F1+(zaf)
ABACAS Global Corporate Series (Series 2)	2		F1+(zaf)
Blue Granite Investments Nº 1 (Pty) Limited			
Secured Floating-Rate Notes	A1	AAA(zaf)	
Secured Floating-Rate Notes	A2	AAA(zaf)	
Secured Floating-Rate Notes	A3	AAA(zaf)	
Secured Floating-Rate Notes	A4	AAA(zaf)	
Secured Floating-Rate Notes	B	AA(zaf)	
Blue Granite Investments Nº 2 (Pty) Limited			
Secured Floating-Rate Notes	A1	AAA(zaf)	
Secured Floating-Rate Notes	A2	AAA(zaf)	
Secured Floating-Rate Notes	A3	AAA(zaf)	
Secured Floating-Rate Notes	B	AA(zaf)	
Secured Floating-Rate Notes	C	A(zaf)	
Secured Floating-Rate Notes	D	BBB(zaf)	
Secured Floating-Rate Notes	E	BB(zaf)	
Secured Floating-Rate Notes	F	B(zaf)	
Blue Titanium Conduit Limited			
Asset-Backed Commercial Paper			F1+(zaf)
Equipment Rental Securitisation Nº 1 (Pty) Ltd			
Secured Floating-Rate Notes	A	AAA(zaf)	
Secured Floating-Rate Notes	B	A(zaf)	
Secured Floating-Rate Notes	C	BBB(zaf)	
Fresco 1			
Secured Fixed-Rate Notes	A	AAA(zaf)	
Secured Fixed-Rate Notes	B	AA(zaf)	
Secured Fixed-Rate Notes	C	A(zaf)	
Secured Fixed-Rate Notes	D	BBB(zaf)	
Secured Fixed-Rate Notes	E	BBB-(zaf)	
Growthpoint Note Issuer Company (Pty) Limited			
Secured Floating-Rate Notes	A1	AAA(zaf)	
Secured Floating-Rate Notes	A2	AAA(zaf)	
Secured Floating-Rate Notes	B1	AA-(zaf)	
Secured Floating-Rate Notes	B2	AA-(zaf)	
Secured Floating-Rate Notes	C1	A-(zaf)	
Secured Floating-Rate Notes	C2	A-(zaf)	
Secured Floating-Rate Notes	D1	BBB(zaf)	
Secured Floating-Rate Notes	D2	BBB(zaf)	
HomePlan Financial Solutions (Pty) Ltd			
Secured Floating-Rate Notes	A	AAA(zaf)	
iNdwa Investments Limited			
Asset-Backed Commercial Paper			F1+(zaf)
NBC Future Guard (Pty) Limited			
Secured Floating-Rate Notes	A	AAA(zaf)	
Secured Floating-Rate Notes	B	BBB(zaf)	
Nqaba Finance 1 (Pty) Limited			
Secured Floating-Rate Notes	A1	AAA(zaf)	
Secured Floating-Rate Notes	A2	AAA(zaf)	
Secured Floating-Rate Notes	A3	AAA(zaf)	
Secured Floating-Rate Notes	B1	AA(zaf)	
Secured Floating-Rate Notes	B2	AA(zaf)	
Secured Floating-Rate Notes	C1	A(zaf)	
Secured Floating-Rate Notes	C2	A(zaf)	
Secured Floating-Rate Notes	D1	BBB(zaf)	
Secured Floating-Rate Notes	D2	BBB(zaf)	

APPENDIX: FITCH PUBLICLY RATED SECURITISATIONS IN SOUTH AFRICA – RATINGS UPDATE

Continued from page 6

National

Issuer	Class/Series	Long-Term	Short-Term
Procul (Pty) Ltd			
Secured Fixed-Rate Notes	A	AAA(zaf)	
Secured Floating-Rate Notes	A	AAA(zaf)	
Sanlam Home Loans 102 (Pty) Limited			
Asset-Backed Commercial Paper			F1+(zaf)
Sanlam Home Loans 103 (Pty) Limited			
Secured Floating-Rate Notes	A1	AAA(zaf)	
Secured Floating-Rate Notes	A2	AAA(zaf)	
Secured Floating-Rate Notes	A3	AAA(zaf)	
Secured Floating-Rate Notes	A4	AAA(zaf)	
Secured Floating-Rate Notes	A5	AAA(zaf)	
Secured Floating-Rate Notes	A6	AAA(zaf)	
Secured Floating-Rate Notes	B1	AA(zaf)	
Secured Floating-Rate Notes	B2	AA(zaf)	
Secured Floating-Rate Notes	B3	AA(zaf)	
Secured Floating-Rate Notes	B4	AA(zaf)	
Secured Floating-Rate Notes	B5	AA(zaf)	
Synthesis Funding Limited			
Asset-Backed Commercial Paper			F1+(zaf)
The Thekwini Fund 3 (Pty) Limited			
Secured Floating-Rate Notes	A1	AAA(zaf)	
Secured Floating-Rate Notes	A2	AAA(zaf)	
Secured Fixed-Rate Notes	A3	AAA(zaf)	
Secured Floating-Rate Notes	B	A(zaf)	
Secured Floating-Rate Notes	C	BBB(zaf)	
The Thekwini Fund 4 (Pty) Limited			
Secured Floating-Rate Notes	A1	AAA(zaf)	
Secured Floating-Rate Notes	A2	AAA(zaf)	
Secured Fixed-Rate Notes	A3	AAA(zaf)	
Secured Floating-Rate Notes	B	A(zaf)	
Secured Floating-Rate Notes	C	BBB(zaf)	
The Thekwini Fund 5 (Pty) Limited			
Secured Floating-Rate Notes	A1	AAA(zaf)	
Secured Floating-Rate Notes	A2	AAA(zaf)	
Secured Fixed-Rate Notes	A3	AAA(zaf)	
Secured Floating-Rate Notes	B	A(zaf)	
Secured Floating-Rate Notes	C	BBB(zaf)	
The Thekwini Warehousing Conduit (Pty) Limited			
Asset-Backed Commercial Paper	Senior		F1+(zaf)
Asset-Backed Commercial Paper	Mezzanine		F1(zaf)
Asset-Backed Commercial Paper	Junior		F2(zaf)

Source: Fitch

Copyright © 2006 by Fitch, Inc., Fitch Ratings Ltd. and its subsidiaries. One State Street Plaza, NY, NY 10004.
Telephone: 1-800-753-4824, (212) 908-0500. Fax: (212) 480-4435. Reproduction or retransmission in whole or in part is prohibited except by permission. All rights reserved. All of the information contained herein is based on information obtained from issuers, other obligors, underwriters, and other sources which Fitch believes to be reliable. Fitch does not audit or verify the truth or accuracy of any such information. As a result, the information in this report is provided "as is" without any representation or warranty of any kind. A Fitch rating is an opinion as to the creditworthiness of a security. The rating does not address the risk of loss due to risks other than credit risk, unless such risk is specifically mentioned. Fitch is not engaged in the offer or sale of any security. A report providing a Fitch rating is neither a prospectus nor a substitute for the information assembled, verified and presented to investors by the issuer and its agents in connection with the sale of the securities. Ratings may be changed, suspended, or withdrawn at anytime for any reason in the sole discretion of Fitch. Fitch does not provide investment advice of any sort. Ratings are not a recommendation to buy, sell, or hold any security. Ratings do not comment on the adequacy of market price, the suitability of any security for a particular investor, or the tax-exempt nature or taxability of payments made in respect to any security. Fitch receives fees from issuers, insurers, guarantors, other obligors, and underwriters for rating securities. Such fees generally vary from US$1,000 to US$750,000 (or the applicable currency equivalent) per issue. In certain cases, Fitch will rate all or a number of issues issued by a particular issuer, or insured or guaranteed by a particular insurer or guarantor, for a single annual fee. Such fees are expected to vary from US$10,000 to US$1,500,000 (or the applicable currency equivalent). The assignment, publication, or dissemination of a rating by Fitch shall not constitute a consent by Fitch to use its name as an expert in connection with any registration statement filed under the United States securities laws, the Financial Services and Markets Act of 2000 of Great Britain, or the securities laws of any particular jurisdiction. Due to the relative efficiency of electronic publishing and distribution, Fitch research may be available to electronic subscribers up to three days earlier than to print subscribers.