



Fox Street 3 (RF) Limited – Ratings Affirmed

Johannesburg, 21 August 2018 — Global Credit Ratings (“GCR”) has affirmed the following *final, public* long-term credit ratings to the following Notes issued by Fox Street 3 (RF) Ltd (the “Issuer”):

●	Class A5 Notes,	stock code FS3A5;	AAA _{(ZA)(sf)}	Stable Outlook,
●	Class B1 Notes,	stock code FS3B1;	AA _{(ZA)(sf)}	Positive Outlook,
●	Class C1 Notes,	stock code FS3C1U;	AA ⁻ _{(ZA)(sf)}	Positive Outlook, and
●	Class D1 Notes,	stock code FS3D1U;	BBB ⁻ _{(ZA)(sf)}	Positive Outlook.

The Transaction has a Subordinated Loan of R173,787,320 that is unrated.

The credit ratings accorded to the Class A5 Notes relate to timely payment of interest and ultimate payment of principal, whilst the ratings on all other securities relate to ultimate payment of interest and ultimate payment of principal. The ratings exclude an assessment of the ability of the Issuer to pay either any (early repayment) penalties or any default interest rate penalties.

RATING RATIONALE

Fox Street 3 (RF) Limited is a Residential Mortgage Backed Securities (“RMBS”) Securitisation of home loans originated by Investec Bank Limited (“Investec”) to its private banking clients. This is Investec’s third Fox Street RMBS transaction.

Fox Street 3 (RF) Limited was originally established by Investec for Committed Liquidity Facility (“CLF”) purposes – to meet its required liquidity coverage ratio. The Notes were therefore unlisted on initial issuance on 20 February 2015.

In August 2017, Investec sold the Class A5 and Class B1 Notes to external investors as its CLF requirements were satisfied. The Class A5 and Class B1 Notes were therefore listed. The terms of all classes of Notes were amended to include step-up coupons, with step-up maturity on 20 February 2020. The addition of such step-up coupons had no impact on the ratings, which were affirmed by GCR on 21 August 2017.

The portfolio principal outstanding decreased from R1,446,048,276 at April 2017 to R1,235,152,990 at April 2018, representing an annual net repayment rate of 14.6% for the year.

The sequential order of payment caused the Credit Enhancement of the Notes to increase. The Class A5 Notes Credit Enhancement increased by 4.7% in absolute percentage terms to 35.7% over the period 20 August 2017 to 20 August 2018 (the last quarterly payment date). Similarly, the Class B1 Notes reported a 3.2% increase to 23.6%, the Class C1 Notes a 2.7% increase to 20.5% and the Class D1 Notes a 1.8% increase to 13.5%.



Investec’s bespoke private banking client base resulted in very low cumulative defaults. GCR observed cumulative defaults (>90 days in arrears) at R2.0m as at April 2018, representing one account having defaulted in mid-2017. As at 30 April 2018, the same account had not been rehabilitated and the closing balance of defaults was reported at R2.0m. The Transaction had two accounts (R3.5m) in early arrears (<90 days) at 30 April 2018.

None of the Transaction’s Stop Purchase or Servicer Default Events occurred over the past 12 months.

All of the Capital Reserve, Liquidity Reserve, Mortgage Bond Registration Costs Reserve and Redraw Reserve required amounts were maintained.

At April 2018, the Transaction reported a high non-owner occupied properties exposure of 42.4% of aggregate outstanding loan balance (April '17: 45.8%). At April 2018, the majority of the properties were situated in Gauteng at 53.1% and Western Cape at 31.0%, with Kwazulu-Natal at 10.6% of portfolio aggregate outstanding loan balance. GCR has taken into consideration the risks associated with this combination of portfolio characteristics, which may adversely affect default and recovery prospects, particularly in the Western Cape, where residential property price growth has slowed of late.

As at April 2018, the home loan portfolio had a Weighted Average Current Loan to Value ratio of 64.29% (April '17: 59.28%) and a Weighted Average Debt to Income ratio of 19.65% (April '17: 21.37%).

RATINGS HISTORY

Security class	Stock code	Initial Rating	Long-term Rating	Outlook	Last Rating	Long-term Rating	Outlook
Class A5 Notes	FS3A5	18 December 2015	AAA _{(ZA)(sf)}	Stable	21 August 2017	AAA _{(ZA)(sf)}	Stable
Class B1 Notes	FS3B1	18 December 2015	A+ _{(ZA)(sf)}	Stable	21 August 2017	AA _{(ZA)(sf)}	Positive
Class C1 Notes	FS3C1U	18 December 2015	A _{(ZA)(sf)}	Stable	21 August 2017	AA _{-(ZA)(sf)}	Positive
Class D1 Notes	FS3D1U	18 December 2015	BB+ _{(ZA)(sf)}	Stable	21 August 2017	BBB _{-(ZA)(sf)}	Positive

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APPLICABLE METHODOLOGIES AND RELATED RESEARCH

Global Master Structured Finance Rating Criteria - Feb '17,

Global Residential Mortgage Backed Securities Rating Criteria - May '17,

Fox Street 3 (RF) Ltd Surveillance Report - Jul '17,

Fox Street 3 (RF) Ltd Credit Rating Announcement - Aug '17 and

Investec Bank Limited Financial Institution rating - Oct '17.

RATING LIMITATIONS AND DISCLAIMERS

ALL GCR'S CREDIT RATINGS ARE SUBJECT TO CERTAIN LIMITATIONS AND DISCLAIMERS. PLEASE READ THESE LIMITATIONS AND DISCLAIMERS BY FOLLOWING THIS LINK: <http://GLOBALRATINGS.NET/UNDERSTANDING-RATINGS>. IN ADDITION, GCR'S RATING SCALES AND DEFINITIONS ARE ALSO AVAILABLE FOR DOWNLOAD AT THE FOLLOWING LINK: <http://GLOBALRATINGS.NET/RATINGS-INFO/RATING-SCALES-DEFINITIONS>. GCR'S CODE OF CONDUCT, CONFIDENTIALITY, CONFLICTS OF INTEREST, PUBLICATION TERMS AND CONDITIONS AND OTHER RELEVANT POLICIES AND PROCEDURES ARE ALSO AVAILABLE AT <http://GLOBALRATINGS.NET>.

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

Arrears	General term for non-performing obligations, i.e. obligations that are overdue.
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 used to generate proceeds.
Coupon	Interest payment on a security.
Credit Enhancement	Limited protection to a transaction against losses arising from the assets. The credit enhancement can be either internal or external. Internal credit enhancement may include: Subordination; over-collateralisation; excess spread; security package; arrears reserve; reserve fund and hedging. External credit enhancement may include: Guarantees; Letters of Credit and hedging.
Debt	An obligation to repay a sum of money.

Default	A default occurs when: 1.) The Borrower is unable to repay its debt obligations in full; 2.) A credit-loss event such as charge-off, specific provision or distressed restructuring involving the forgiveness or postponement of obligations; 3.) The borrower is past due more than X days on any debt obligations as defined in the transaction documents; 4.) The obligor has filed for bankruptcy or similar protection from creditors.
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.
Income	Money received, especially on a regular basis, for work or through investments.
International Scale Rating LC	International local currency (International LC) ratings measure the likelihood of repayment in the currency of the jurisdiction in which the issuer is domiciled. Therefore, the rating does not take into account the possibility that it will not be able to convert local currency into foreign currency or make transfers between sovereign jurisdictions.
Issuer	The party indebted or the person making repayments for its borrowings.
Liquidity	The ability to repay short-term obligations or short-term availability of liquid assets to a market or entity.
Liquidity Facility	A facility provided to a structured finance transaction that will pay the Noteholders interest in the event that the underlying assets cash flows are inadequate.
Loan	A sum of money borrowed by a debtor that is expected to be paid back with interest to the creditor. A debt instrument where immovable property is the collateral for the loan. A mortgage gives the lender a right to take possession of the property if the borrower fails to repay the loan. Registration is a prerequisite for the existence of any mortgage loan. A mortgage can be registered over either a corporeal or incorporeal property, even if it does not belong to the mortgagee. Also called a Mortgage bond.
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.
Payment Date	The date on which the payment of a coupon is made.
Principal	The total amount borrowed or lent, e.g. the face value of a bond, excluding interest.
Private	An issuance of securities without market participation, however, with a select few investors. Placed on a private basis and not in the open market.
Property	Movable or immovable asset.
Rating Outlook	A Rating outlook indicates the potential direction of a rated entity's rating over the medium term, typically one to two years. An outlook may be defined as: 'Stable' (nothing to suggest that the rating will change), 'Positive' (the rating symbol may be raised), 'Negative' (the rating symbol may be lowered) or 'Evolving' (the rating symbol may be raised or lowered).
Recovery	The action or process of regaining possession or control of something lost. To recoup losses.
Repayment	Payment made to honour obligations in regards to a credit agreement in the following credited order: 3.) Satisfy the due or unpaid interest charges; 4.) Satisfy the due or unpaid fees or charges; and 5.) To reduce the amount of the principal debt.
Securities	Various instruments used in the capital market to raise funds.
Securitisation	Is a process of repackaging portfolios of cash-flow producing financial instruments into securities for sale to third parties.
Security	An asset deposited or pledged as a guarantee of the fulfilment of an undertaking or the repayment of a loan, to be forfeited in case of default.
Senior	A security that has a higher repayment priority than junior securities.
Servicer	A transaction appointed agent that performs the servicing of mortgage loans, loan or obligations.



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.
Stock Code	A unique code allocated to a publicly listed security.
Structured Finance	A method of raising funds in the capital markets. A Structured Finance transaction is established to accomplish certain funding objectives whilst reducing risk.
Subordinated Loan	A loan typically given by the Issuer to the securitisation vehicle that is more junior than a junior tranche.
Surveillance	Process of monitoring a transaction according to triggers, covenants and key performance indicators.
Timely Payment	The principal debt, interest, fees and expenses being repaid promptly in accordance with the contractual obligation.
Transaction	A transaction that enables an Issuer to issue debt securities in the capital markets. A debt issuance programme that allows an Issuer the continued and flexible issuance of several types of securities in accordance with the programme terms and conditions.
Ultimate Payment	A measure of the principal debt, interest, fees and expenses being repaid over a period of time determined by recoveries.
Weighted	The weight that a single obligation has in relation to the aggregated pool of obligations. For example, a single mortgage principal balance divided by the aggregated mortgage pool principal balance.
Weighted Average	An average resulting from the multiplication of each component by a factor reflecting its importance or, relative size to a pool of assets or liabilities.

For a detailed glossary of terms please click [here](#).

SALIENT FEATURES OF ACCORDED RATINGS

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

The Arranger participated in the rating process via teleconferences and 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 the Arranger.

GCR received the quarterly Investor reports (21 August 2017, 20 November 2017, 20 February 2018 and 20 May 2018).

The ratings above were solicited by the Arranger and, therefore, GCR has been compensated for the provision of the ratings.