



**Archelon**  
PRIVATE CAPITAL

# Quarterly Fund Update

**Archelon  
Private Capital Fund I**

October 2024 to December 2024

Created January 2025

[www.archelon.co.za](http://www.archelon.co.za)



# About us

Archelon Private Capital is a team of industry leaders dedicated to identifying, cultivating and delivering exceptional investment opportunities.

At Archelon Private Capital, our origins within high-quality businesses empower us to leverage deep expertise and deliver exceptional results for our clients. Our team of dedicated professionals and partners brings diverse insights and a steadfast commitment to our core values, ensuring a meticulous and innovative approach to every transaction. We excel in navigating complex market dynamics, consistently achieving outstanding performance by:

- ◇ Upholding the highest standards of honesty and transparency
- ◇ Continuously striving for improvement
- ◇ Embracing creativity and forward-thinking
- ◇ Building strong, long-term, collaborative relationships
- ◇ Planning for the worst while delivering the best.

Since our inception, Archelon Private Capital has specialized in private capital transactions. Our disciplined approach blends rigorous due diligence with strategic foresight, ensuring consistent and sustainable value creation while prioritising capital preservation.

## A Focus on SMEs: Building Economic Foundations

We concentrate on the Small and Medium Enterprise (SME) market—the backbone of a robust economy. Beyond financial performance, Archelon is deeply committed to driving meaningful economic and social impact. Our investments:

- ◇ Contribute to job creation
- ◇ Strengthen local economies
- ◇ Boost tax revenues that support essential initiatives in education, healthcare, and infrastructure

By empowering businesses to grow responsibly, we foster progress and prosperity in the communities we serve.

## Operational Excellence and Superior Returns

Grounded in operational excellence and robust risk management, Archelon enables businesses to scale efficiently. We provide tailored advisory services and combine them with strategic capital allocation to deliver superior, risk-adjusted returns. With decades of combined experience, our seasoned team adapts and thrives in an ever-changing global market.

Archelon consistently delivers market-leading returns, exceeding investor expectations while ensuring capital security with a coverage ratio exceeding 1.2x. We target net nominal returns of over 12% per annum, maintaining a steadfast focus on value creation and long-term growth.

## Investing in a Prosperous Future

At Archelon Private Capital, we don't just invest—we build legacies. By driving impactful outcomes and fostering sustainable growth, we lay the foundation for a prosperous future, one investment at a time.

# Market Update

## Global

US economic data and slightly higher inflation made for a volatile end to 2024, particularly in bond markets, pushing up yields and a strengthening US dollar. The Fed delivered a more hawkish tone, denting optimism to a consistent path of interest rate cuts, resulting in a generally more subdued end for equity markets.

Global equities ended the quarter in negative territory, driven mainly by a sell-off in December, following the cautious interest rate cuts for 2025 by the Fed. This dampened the positivity seen in November, following the Republican and Donald Trump's victory. There continues to be a significant divergence among geographies with pockets of negativity and weakness in markets such as China and Mexico, as well as Europe, with a notable under-performance in France. Geopolitics remained in focus in respect to the continuing conflicts between Ukraine and Russia, and those in the Middle East.

## South Africa

South African financial markets remained under pressure in Q4 of 2024, with December being the third consecutive month of equity market declines. Global pressures and circumstances are the main drivers behind the risk-off sentiment. Also weighing on investor sentiment were concerns over South Africa's inclusion in the AGOA trade program after reports emerged that South Africa's participation may be under review.

Key developments over the quarter included the Medium-Term Budget Policy Statement in October, which indicated a positive shift towards greater private sector participation in economic and project improvements. This was however overshadowed by the warning that fiscal deficits and national debt are expected to continue to rise over the next three years, tempering optimism and contributing towards a depreciation of the rand.

The MPC of the SARB continued the rate-cutting cycle over the quarter, lowering the repo rate by 25bps to 7.75% in line with market predictions. Q3 GDP growth unexpectedly contracted by 0.3% quarter on quarter, however business confidence index rose to 45, being its highest position since Q1 2022.

## Credit & Fixed Income

Against the backdrop of rising bond yields, the quarter was a mixed period for credit markets, with floating rate coupons being favoured offering protection from the rising yields. The biggest beneficiaries of these market forces being CLO's and leveraged loans. Credit spreads continue to tighten in line with the positive economic growth outlook, however total returns across the sector remain positive for 2024.

The combination of higher sovereign bond yields and a persistently strong US dollar weighed on the emerging market fixed income asset class over the quarter. Despite these challenging circumstances, the bond markets fared better than expected, showing resilience, however ending the quarter marginally lower, but still delivering positive returns over 2024.



# Fund performance

Archelon Private Capital Fund I has performed in line with expectations, delivering consistent fixed income returns on a monthly basis:

Gross nominal return:	15.09% per annum
Net nominal return:	13.71% per annum

## Since inception performance:

Gross total return:	15.23% per annum
Net total return:	14.02% per annum

The underlying portfolio of credit investments continues to perform in line with the legal agreements in place. No arrears or non-payment has been experienced. There are no indications of financial distress in the underlying exposures. Tangible security in the form of registered legal rights remains above 1.2 times capital cover.

# Next quarter

Archelon Private Capital Fund I has developed a significant pipeline of high quality transactions. These are to be finalised and executed upon in line with the new investment capital received.

The deployment into these transactions will not only improve the diversification of the fund, but will enhance the returns generated.

While we anticipate further market interest rate reductions, Archelon believes that the fund will continue to deliver consistent monthly returns, targeting net nominal returns in excess of 13% per annum, maintaining investor returns in line with those previously earned.

The current forecast over a 5 year period, with monthly income returns being compounded, is set to deliver on a net effective rate of return of 19.54% per annum for investors.

# New investment offering

Unique impactful investment opportunity delivering superior risk adjusted returns.

Archelon Private Capital Fund I takes pleasure in presenting further opportunity for your participation in the investment in the growth of the fund through the execution of Archelon's proprietary pipeline of transactions that are expected to deliver considerable direct and indirect impacts in the support of SME's and sustainable job creation.

Archelon Private Capital Fund I is offering investment at a net return rate of **13.5% per annum**, fluctuating in line with changes to the rates as presented by the SARB from time to time. Should investors be looking for rates that remain fixed over the suggested investment period of 5 years, these are offered at a rate of **12.5% per annum**.

We look forward to our continued engagement and partnership in delivering a high performing investment that not only meets your requirements, but exceeds your expectations.

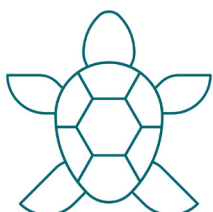
Should you require any further information or are seeking clarity, please do not hesitate to contact us.

Yours sincerely,

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**Sheldon Friedericksen**  
Founder and Director

## Contact



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