



*cutting through complexity*



# KPMG and SAVCA

Venture Capital and Private Equity  
Industry Performance Survey of  
South Africa covering the  
2013 calendar year

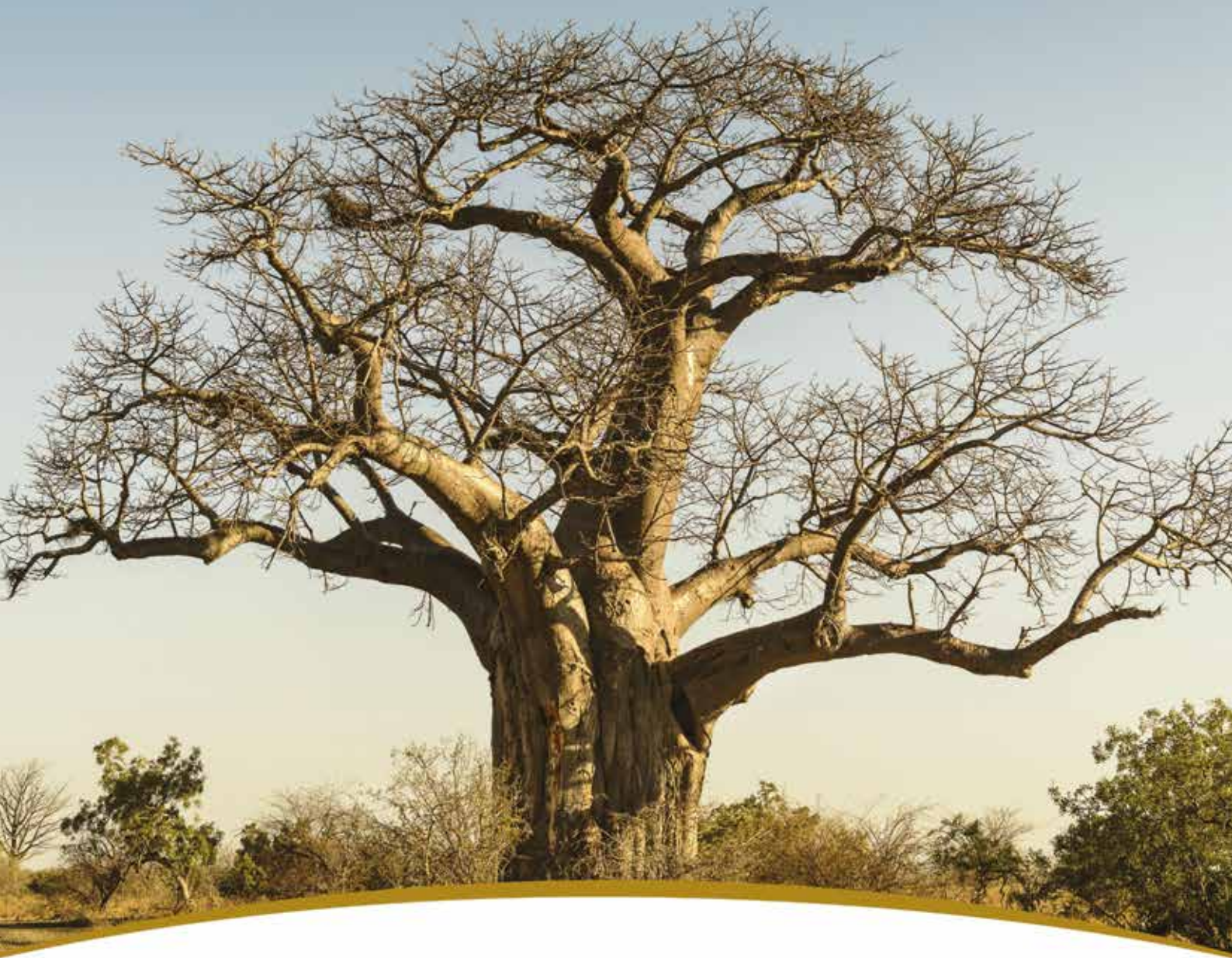
**June 2014**

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The 2014 KPMG and SAVCA Venture Capital and Private Equity Industry Performance Survey is the fourteenth consecutive collaboration between KPMG and SAVCA. Recognised as one of the most detailed of its type globally, it gives private equity stakeholders a greater understanding of this unique industry and its trends.

This latest survey, which covers the 2013 calendar year, reflects an expanded industry with R162.2 billion in funds under management as at 31 December, a 17% increase from the start of that year. The lift in funds under management in the South African market reflects both the outcome of successful fundraising programmes during the course of 2013. Since this survey was first published, the compound annual growth rate of funds under management over a fourteen-year period has been 11.8% (excluding undrawn commitments).

A significant portion of private equity funds are sourced from outside of South Africa, with these third-party funds coming from geographies such as the Middle East, North America, Europe and the UK. Their long term commitments, usually of around ten years, contribute towards much-needed foreign direct investment in South Africa and the rest of Africa.

With South Africa's ongoing focus on Black Economic Empowerment, the survey highlights the notable role of private equity in this regard. Private equity models help to facilitate BEE shareholdings and most transactions today inevitably have a BEE component to their structuring. The survey analyses private equity BEE investments in 2013, and notes a significant increase in overall value, the number of deals, and the average deal size. Additionally, many private equity firms have their own BEE shareholders.

# FOREWORD

Employment equity is a priority for private equity portfolio companies as well as for the fund managers, and the survey reports that black staff members have increased from 20% of the professional contingent at private equity firms in 2012, to 36% in 2013.

Adding to the growing insights into the private equity industry in South Africa, we have recently seen the publication of the 2013 SAVCA-DBSA Economic Impact Study, which supports our findings on the contributions of private equity to the economy. This study confirmed the innovation and flexibility of private equity investors, and showcased the various ways in which they stimulate growth in their investee companies. This in turn creates much-needed employment. The 2013 Economic Impact Study showed samples of portfolio companies increasing their own employment by 40% over the two-year period surveyed, with revenues growing by 49%, BEE credentials improving and corporate governance structures being enhanced. Private equity is undoubtedly a powerful economic driver.

We saw nearly half of 2013 investments being channelled into infrastructure. This continuing theme shows the ongoing developmental opportunities available in energy, transport, telecommunications and social infrastructure, both in South Africa and into the continent. Infrastructural investment can be rewarding for fund managers and investors. It delivers pleasing returns and meets mandates that prioritise sustainability, while at the same time playing a key role in the development of Africa.

The KPMG/SAVCA survey methodology is through questionnaires, supplemented by other information sources such as discussions and international reports. We consider the survey to represent in excess of 90% of the South African Private Equity industry by funds under management. Questionnaires were emailed to 101 potential survey participants; there was response from 71 participants representing 80 funds. Alternative sources were used to obtain information on a further 2 private equity firms representing 2 funds. We are grateful to the Public Investment Corporation this year for its significant inclusion of all the Government Employees Pension Fund's allocated funds to private equity.

KPMG and SAVCA would also like to extend their thanks to all the participants in the survey. We are also grateful to the survey committee and to KPMG's Private Equity Clients and Sectors team for all their efforts in producing this survey.



**Warren Watkins**

Director – KPMG Services (Pty) Ltd  
Head of Private Equity Markets –  
Africa Region

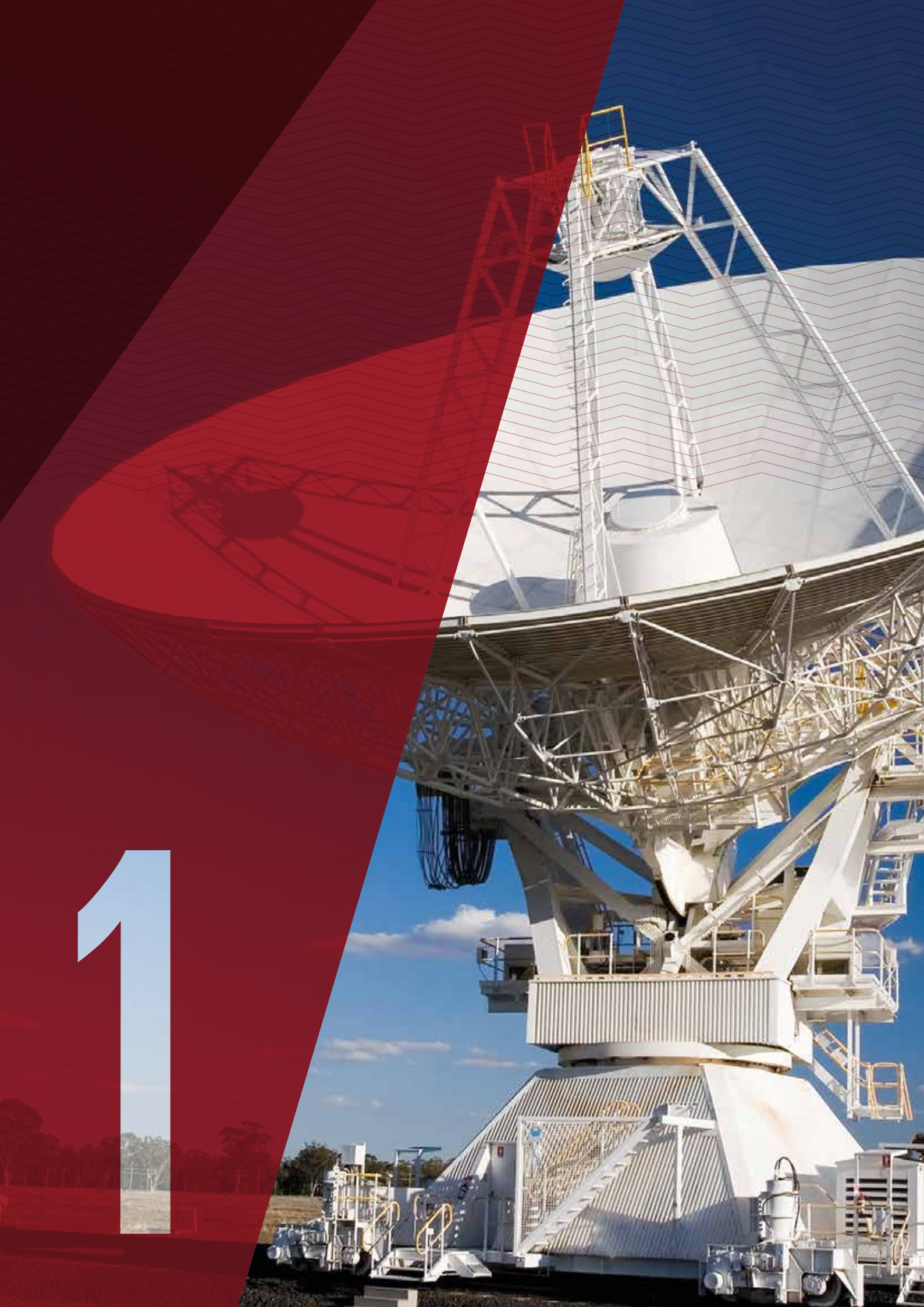


**Erika van der Merwe**

CEO: Southern African Venture  
Capital and Private Equity  
Association







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# HIGHLIGHTS

- South Africa's private equity industry has R162.2 billion in funds under management at 31 December 2013, an increase of 16.9% from R138.8 billion at 31 December 2012. This represents a compound annual growth rate of 11.8% (excluding undrawn commitments) since 1999 when the survey first began.
- R58.6 billion of the funds under management are in undrawn commitments at the end of 2013. R46.1 billion is available for future investments in South Africa and R12.5 billion for Pan Africa (South Africa and the rest of Africa). This represents a significant increase of 43.3% from the R40.9 billion of the total undrawn commitments at the end of 2012.
- Of the R58.6 billion in undrawn commitments, 47.0% is with Independents (R27.6 billion) and 38.9% is with Captives – Government (R22.8 billion) 10.8% Captives-Financial Services (R6.3 billion).
- The majority of the Captives – Government R22.8 billion in undrawn commitments relates to the Government Employees Pension Fund's ("GEPF") recent allocation to Private Equity, managed by the Public Investment Corporation ("PIC").<sup>1</sup>
- Captives - Government and fund managers that are themselves black-owned, empowered or influenced (that is, have at least 5.0% black ownership) had R131.8 billion of funds under management at 31 December 2013, an increase of 22.6% (2012: R107.5 billion). Of the total funds under management, 81.3% are thus at least black-influenced or classified as Captives-Government (2011: 77.5%).
- A record R27.3 billion was raised in 2013 which is an increase from the R18.8 billion raised during 2012. The majority of the private equity funds raised were by the PIC.
- 79.5% of all funds raised during 2013 were from South African sources (2012: 68.6%). South Africa has been the source of 58.9% of cumulative funds raised to date and not yet returned to investors (2012: 52.3%).
- Investment activity for independents only, as a % of GDP, was 0.13% (2012: 0.11%). This compares with the UK of 0.89% and the US of 1.02%. Israel remains the highest percentage at 1.62%.
- Investment activity is at R17.5 billion during 2013 where it was at R9.9 billion in 2012. Of the R17.5 billion invested, R7.2 billion was for follow-on investments, and R10.2 billion was for new investments.
- In 2013, R10.2 billion of funds were returned to investors (2012: R7.0 billion).

<sup>1</sup> Source: GEPF Annual Report 2012-2013.





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“*Quality* is never an accident; it is always the result of high intention, sincere effort, intelligent direction and skillful execution; it represents the wise choice of many alternatives.”  
*William A. Foster*

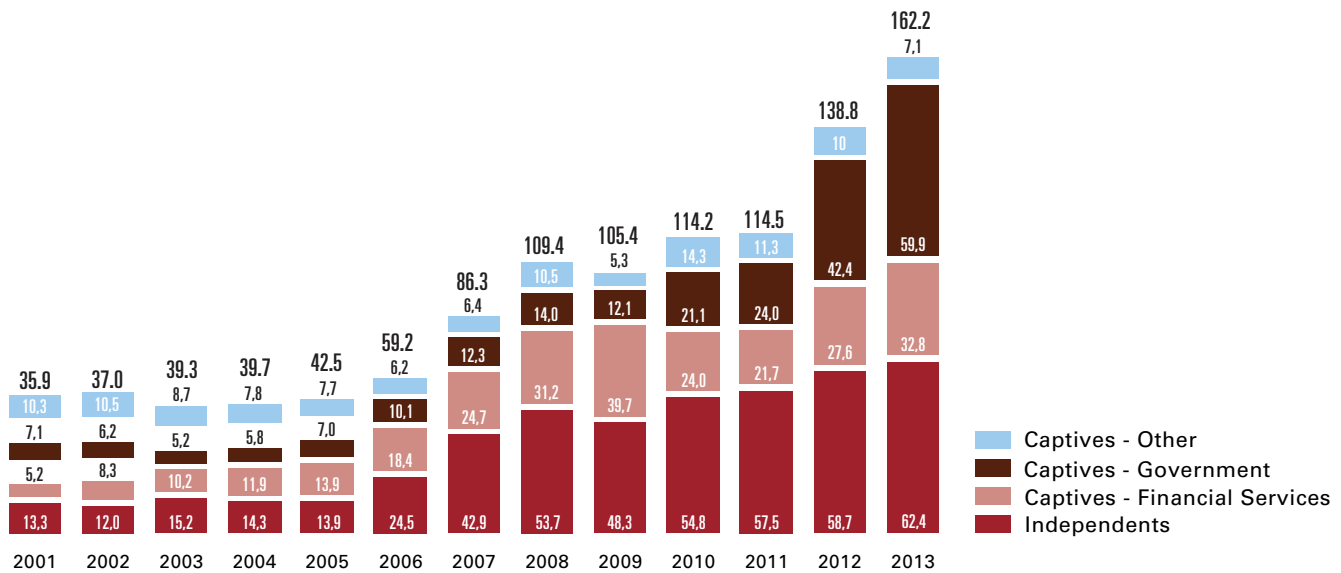


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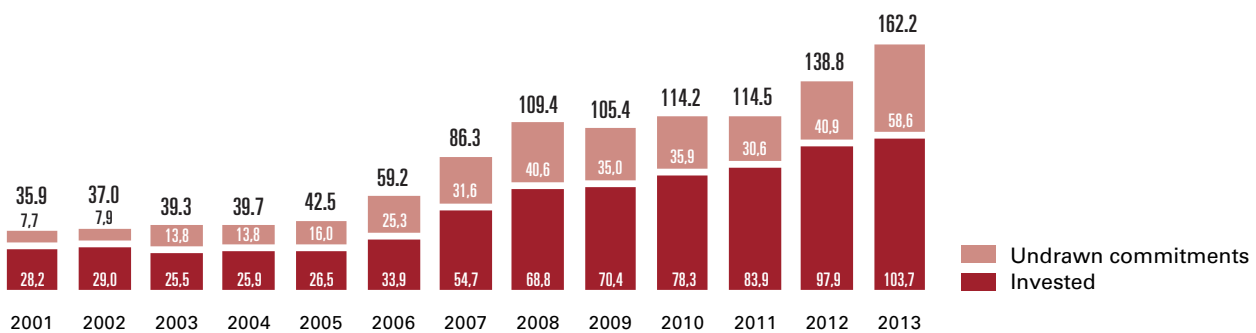
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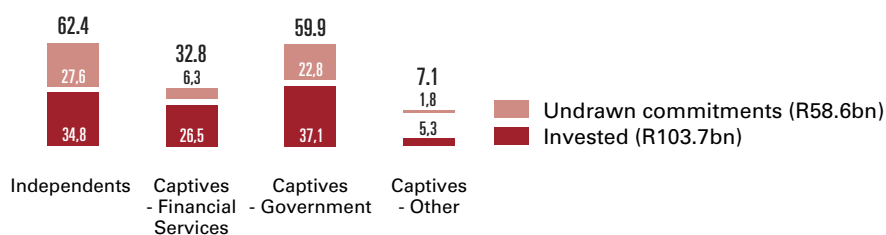
Composition of total funds under management (Rbn)



Total funds under management at year end, split by undrawn commitments and investments (Rbn)<sup>2</sup>



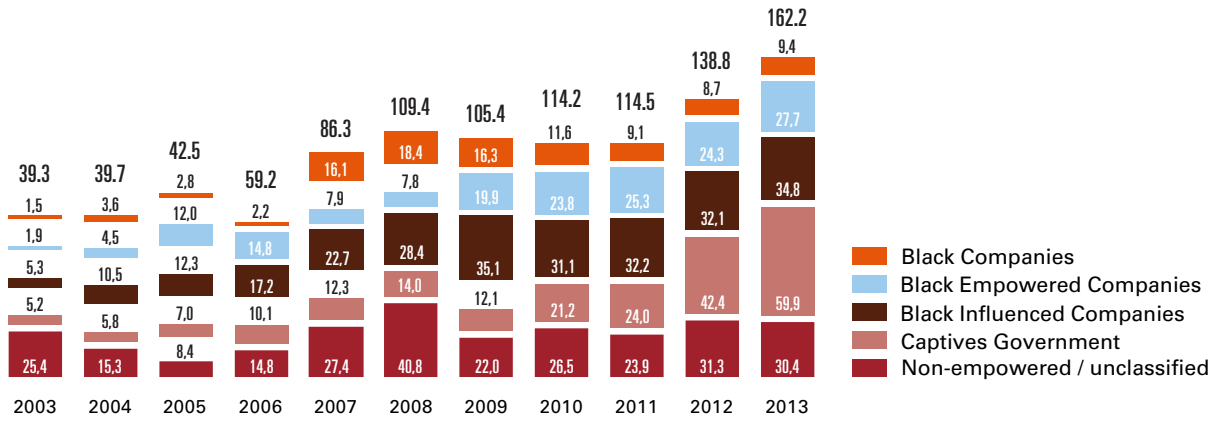
Total funds under management by type as at 31 December 2013, split by undrawn commitments and invested (Rbn)<sup>2</sup>



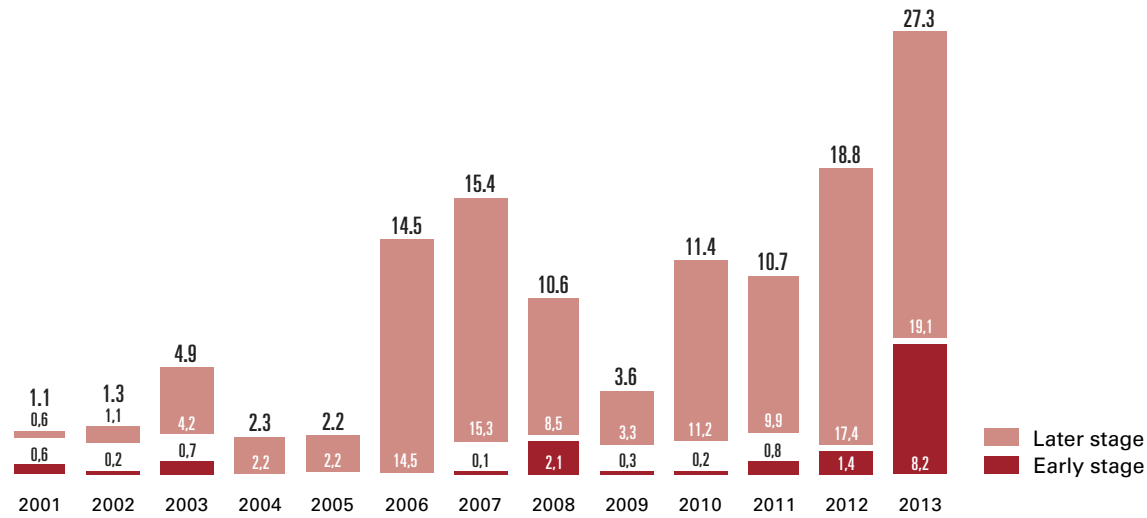
<sup>2</sup> A portion of the undrawn commitments is inclusive of a provision for future management fees.

# Highlights

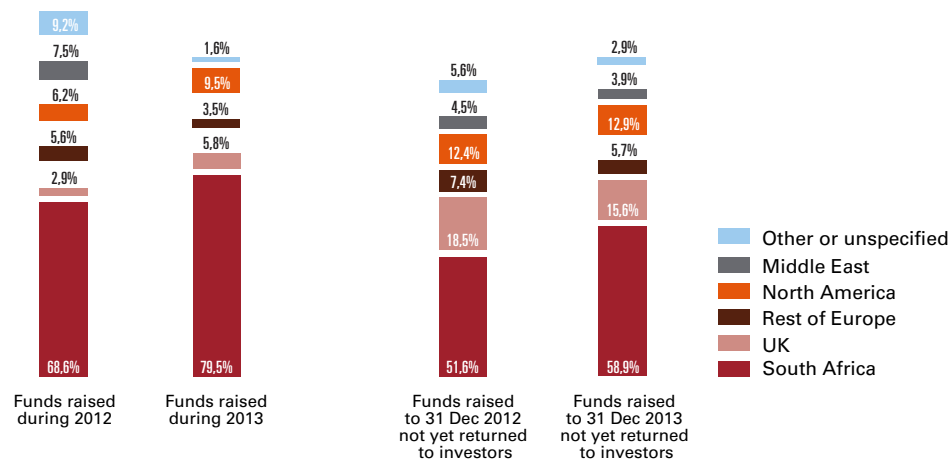
Funds under management by BEE fund managers at year end (Rbn)



Third party funds raised during the year, analysed by fund stage (Rbn)

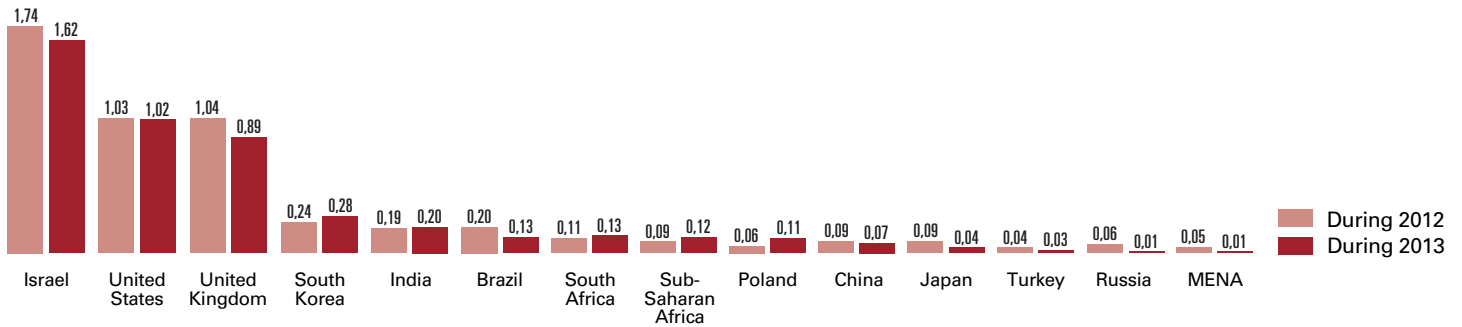


Geographical sources of third party funds raised

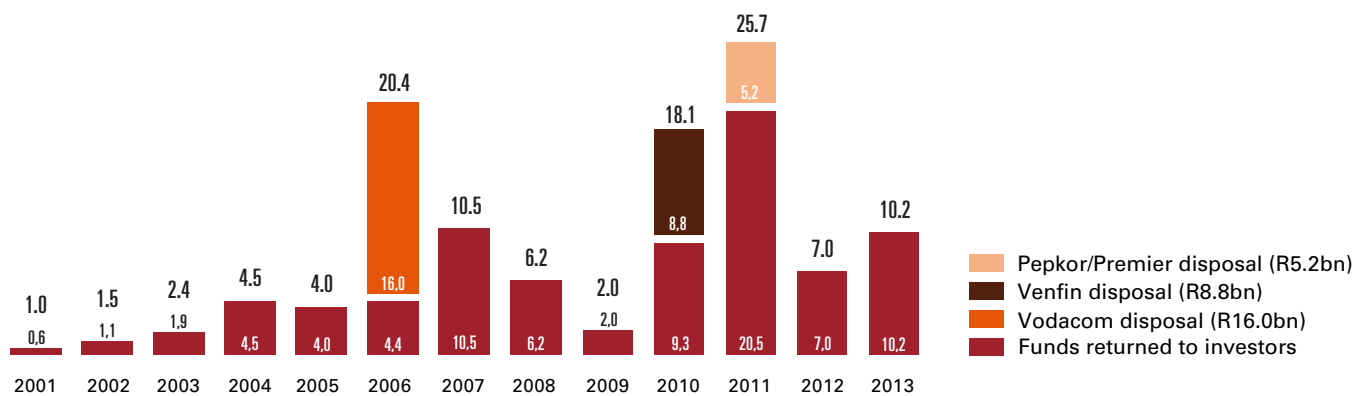




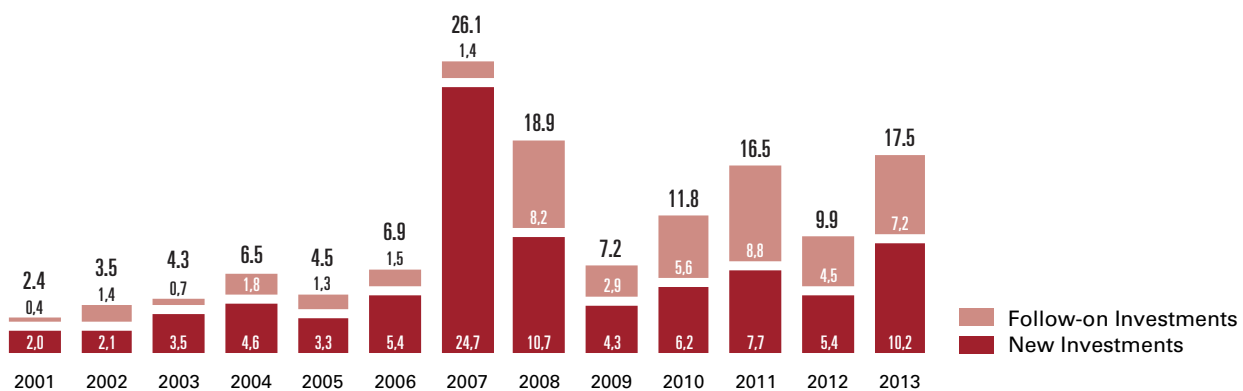
Private Equity annual investment by independents as a percentage of GDP%



Funds returned to investors during the year (Rbn)



Cost of investments made during the year, analysed by new and follow-on investments (Rbn)





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# Sources of information

The principal source of information for this survey was the survey questionnaire. In addition we have used the SAVCA Handbook, held discussions with certain private equity industry participants, as well as sourced public information on private equity funds, including international surveys.

The survey questionnaire was developed jointly by KPMG in South African and a specially constituted SAVCA sub-committee.

For clarity, the guidelines for participation in this survey are as follows:

Participants must:

- Include investments if they are made in South Africa, regardless of where they are managed from;
- Have as their principal business the management of funds (third party and / or proprietary capital) for the provision of capital (equity or quasi equity) primarily to unlisted companies;
- Employ professionals - dedicated to the management of the capital and the investments made using the capital (and capital from other providers); and
- Aim to generate returns mainly through medium to long-term returns on the sale of investments and / or social development returns.

We note that determining the level of private equity industry activity is not an easy task. Whilst certain parties lobby for a more inclusive approach to measurement, others believe that overstating the level of local activity is a disservice to the industry as this could possibly reduce the appetite of Development Financing Institutions (DFIs) and foreign investors to commit funds to South Africa in favour of other under-funded emerging markets. The 'purists' also argue that this survey should only measure the activity of the independent funds, as these form the core of the professionally managed private equity industry both locally and globally. This, however, would negate the significant role played by the captive funds (Corporates, Banks and Government) in the South African private equity industry. For the purposes of presentation, and elimination if deemed necessary by specific users, we have presented data, wherever possible, split between the various types of fund managers.

Questionnaires were e-mailed to 101 (2012:126) entities that indicated that they would consider participating in the survey. 71 (2012:95) of them, (representing 80 funds (2012:102), completed the questionnaire. In addition, alternative sources were used to obtain information on a further 2 private equity firms, representing 2 funds, that did not complete the questionnaire. Although these alternative sources did not provide us with as much information as our questionnaire, we believe that the information is complete and understated, if anything.

# Sources of information

In analyzing the data, it is worth noting that comparative data for 2012 can be restated by participants for errors/omissions. In addition, 2012 data is also restated for the inclusion/exclusion of funds that did/did not participate in the 2013 survey. A significant change to the previous 2012 and new 2013 data stems from the GEPF's increased allocation to private equity which is managed by the PIC (funds under management R24.8bn in 2012 and R44.3bn in 2013).

Other empirical data has been sourced from various sources, including:

- EMPEA Industry Statistics Q4 2013 – Emerging Markets Private Equity - Fundraising & Investment Analysis; EM PE Fundraising by Region & Country – Data as of 31 December 2013;
- RisCura South African Private Equity Performance Report – Quarter ended: 31 December 2013;
- Statistics South Africa;
- Zephyr – a Bureau van Dijk product;
- Other sources specifically included in the footnotes.

In compiling the information for this survey, KPMG has worked closely with a SAVCA sub-committee, to try to ensure meaningful interpretation and comment has been included in this report. The sub-committee reviews the document prior to its public release, but does not have access to any of the individually completed questionnaires submitted to KPMG or any other information not presented in this publication. Although care has been taken in the compilation of the survey results, KPMG and SAVCA do not guarantee the reliability of its sources or of the results presented. Any liability is disclaimed, including incidental or consequential damage arising from errors or omissions in this report.







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# Introduction to private equity

The term 'private equity' refers to shareholder capital invested in private companies, as distinguished from publicly listed companies. Private equity funds are generally investment vehicles that invest primarily in enterprises which are not listed on a public stock exchange.

An enterprise may seek private equity financing for a variety of applications, from increasing its working capital base in times of business expansion, developing new technologies and products to grow and remain competitive, making acquisitions of other businesses, to buying out certain shareholders and to restructure the ownership and management of the business. Another vital application of private equity in South Africa is facilitating the introduction of BEE investment.

## The role of private equity

Investments by private equity funds into companies hold great benefits besides the mere cash effect to develop businesses. Private equity investments have considerable impacts in terms of productivity, skills development and job creation, as it includes the transfer and exchange of know-how and not only the flow of capital. Private equity fund managers play an active role in managing their investments in companies as they derive a return from the increased valuation of their investments (not just debt repayment and an associated interest rate) and hence focus on business development for the companies they invest in.

In South Africa the private equity industry represents a significant sector within the overall financial services industry, and is an attractive asset class within the broader capital markets. As seen across a range of indicators, the profile of the local private equity industry is that of a productive contributor to the development of the South African economy. These contributions are detailed in The Economic Impact of Venture Capital and Private Equity in South Africa 2013 study, which is available from SAVCA. In addition private equity facilitates BEE, addresses economic imbalances of the past, promotes entrepreneurial initiatives and positions South Africa to compete successfully on the global stage.

Through the use of leverage in certain transactions, private equity sponsors can assist in improving the capital efficiency of their investee companies.

As can be seen in this survey, private equity is an important source of Foreign Direct Investment (FDI), both indirectly via the raising of offshore money by local fund managers but also by direct co-investment by foreign investors.



## Investment stages

For the purposes of this survey we have broadly classified private equity into three sub-classes, namely:

- venture capital
- development capital
- buy-out funding

These definitions are found in the glossary.

## The history of private equity in South Africa

Beyond being defined as a range of investment categories applicable to non-listed companies, private equity is also a distinct asset class within the broader capital market, and is supported by a well-defined industry made up of various players and stakeholders.

The current profile of the private equity industry in South Africa is the result of various historical developments in the country and in global capital markets. In South Africa, the industry was boosted by the large number of leveraged buy-outs and management buy-outs (LBOs and MBOs), resulting from the widespread disinvestment of multinationals from South Africa in the 1980s.

These transactions were structured, financed and managed by the major commercial, merchant and investment banks of the time.

As these local banks developed the in-house expertise to manage private equity investments on an internally funded basis, there was a global trend, especially in the US and Europe (more specifically the UK) towards the formation and management of private equity funds whose capital was sourced from third party investors such as pension funds, large corporations and other institutional entities.

In South Africa the private equity industry benefited from the global trend towards recognising the asset class as an attractive investment vehicle for investors, combined with its growing reputation as an effective means of economic development for Governments and development agencies. It may be argued that South Africa has one of the most sophisticated private equity industries among emerging and developed markets, with different funds at all stages of business development, from start-up venture capital funds through to late-stage and buy-out funds.

## Types of private equity firms

A distinction needs to be made between captive and independent fund managers. Fund managers include Independents who manage funds on behalf of third parties as well as Captives who manage on-balance sheet investments that were funded by a parent or group often from an indeterminate pool of money. Captive funds are for the purpose of this survey further classified into the captive funds of Government, financial services (including banks and insurance companies) and other captive funds (including corporates).

Independent fund managers raise cash commitments from third party investors. Generally, in terms of the agreement between the third party investors and the private equity fund manager, the private equity firm draws down on the commitments as and when investments are to be made. Independents are the dominant type of firm in the UK, the rest of Europe and in the US, where these funds are structured as limited partnerships. Private equity firms typically act as the general partner of the limited partnership, whilst institutions and other investors become limited partners.

Unlike captive funds, independent funds are usually closed ended. This means that once a fund has been raised, it is closed out, following which no further commitments are accepted from third parties. Typically, third parties' commitments expire, often according to a time schedule based on a 'use it or lose it' principle, once a maximum drawdown time period expires. Professional private equity managers usually earn income from a combination of a management fee based on total commitments plus an enhanced carried interest, which is based on the performance of the fund relative to a benchmark. Captive fund managers usually do not charge any management fee.

A view

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Our view





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# Black Economic Empowerment

One of the notable features of South Africa's private equity industry is the very significant role it plays in the development of BEE. The industry's impact on BEE is far reaching, as detailed in the various sections of this survey. It is specifically important to note that:

- The Codes of Good Practice for Broad-Based BEE (BEE Codes), issued by the Department of Trade and Industry (DTI), stipulate the conditions under which a company may treat its ownership arising from a private equity fund as if that ownership were held by black people. These requirements were finalised in June 2007 and provide the industry clarity on how to further increase its already significant contribution on this vital socio-economic process. The conditions can be summarised as follows:
  - More than 50% of any exercisable voting rights associated with the equity instruments through which the private equity fund manager holds rights of ownership must be held by black people.
  - More than 50% of the profits made by the private equity fund manager after realising any investment made by it, must by written agreement, accrue to black people.
  - The private equity fund manager must be a black-owned company, as defined in the BEE Codes.
  - Over a 10-year period, the private equity fund must have more than 50% of the value of funds invested, invested in black-owned enterprises that have at least 25% direct black ownership.
- Private equity transactions enable higher gearing, whereby a combination of private equity investment and bank loans allow the implementation of an appropriately geared financial structure, allowing management of the investee company to acquire a significant stake in the company. This leveraged model also creates opportunities for the involvement of black management and other BEE parties in the ownership and management of the investee company.
- The vast majority of transactions concluded by the industry have a significant BEE component and the majority of South African private equity fund managers have a BEE element to their own shareholding structure.





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# Funds under management

The survey shows that South Africa's private equity industry now has a total of R162.2 billion funds under management (inclusive of undrawn commitments of R58.6 billion). This is a R23.4 billion (16.9%) increase from funds under management at 31 December 2012 of R138.8 billion.

The industry has achieved a compound annual growth rate of 11.8% of total funds under management (excluding undrawn commitments) since 1999 when the survey began. In analysing the research it is important to note that, only comparative 2012 information has been restated but not pre-2012 information. This is due to take into account participants' updated returns and due to the inclusion or exclusion of funds that did or did not participate in the 2012 survey.

Funds under management by Independents have increased total funds under management by R3.7 billion from R58.7 billion at 31 December 2012 to R62.4 billion at 31 December 2013.

Captives-Financial Services' total funds under management increased by R5.2 billion from R27.6 billion at 31 December 2012 to R32.8 billion at 31 December 2013.

Captives-Government and fund managers that are themselves black-owned, empowered or influenced (that is, have at least 5.0% black ownership) had R131.9 billion of funds under management at 31 December 2013, an increase of 22.6% (2012: R107.6 billion).

The Captives – Government category increased from R42.4bn in 2012 to R59.9bn in 2013. A significant portion of the R59.9bn (R37.4bn), relates to the PIC's allocation to private equity.

General funds remain dominant, with two thirds of the funds under management at 31 December 2013 in the category (70.8%) of General/ No specific focus.

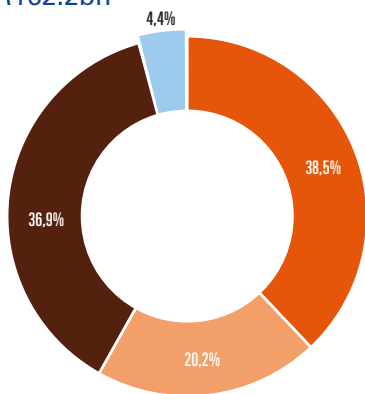
Total undrawn commitments at 31 December 2013 are R58.6 billion (2012: R40.9 billion), of which R27.6 billion (2012: R26.0 billion) reflects the undrawn commitments of independent fund managers, followed by R22.8bn of Captives - Government.



# Funds under management

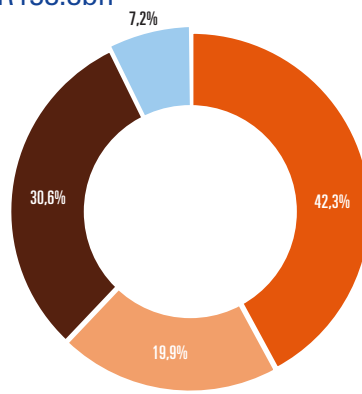
**FIGURE 1:** Total Funds Under Management

2013 - R162.2bn



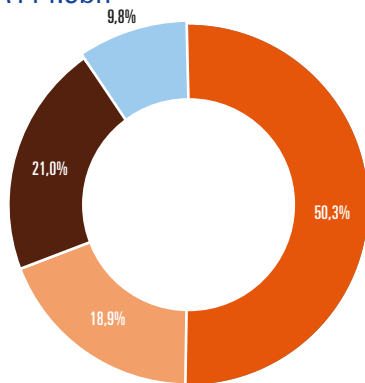
- Independents: R62.4bn (39 firms)
- Captives - Financial Services: R32.8bn (11 firms)
- Captives - Government: R59.9bn (5 firms)
- Captives - Other: R7.1bn (7 firms)

2012 - R138.8bn



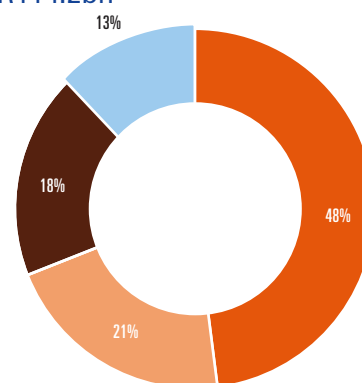
- Independents: R58.7bn (44 firms)
- Captives - Financial Services: R27.6bn (11 firms)
- Captives - Government: R42.4bn (5 firms)
- Captives - Other: R10.0bn (8 firms)

2011 - R114.5bn



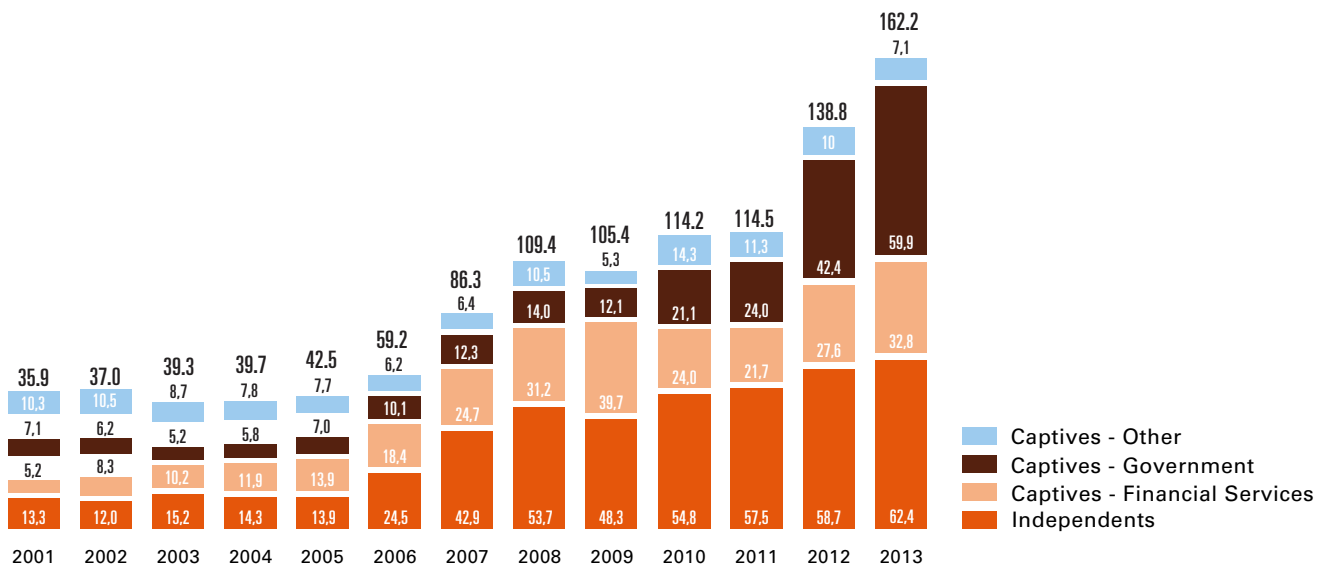
- Independents: R57.5bn (42 firms)
- Captives - Financial Services: R21.7bn (11 firms)
- Captives - Government: R24.0bn (6 firms)
- Captives - Other: R10.3bn (18 firms)

2010 - R114.2bn

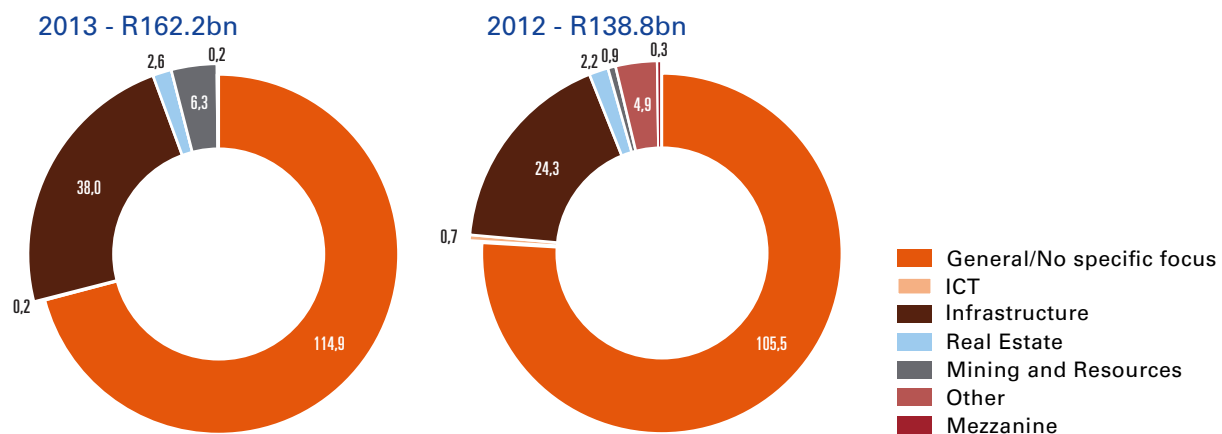


- Independents: R54.8bn (55 firms)
- Captives - Financial Services: R24.0bn (16 firms)
- Captives - Government: R21.1bn (4 firms)
- Captives - Other: R12.3bn (10 firms)

**FIGURE 2:** Composition of total funds under management (Rbn)



**FIGURE 3:** Composition of total funds under management at year end by the focus of the fund (Rbn), includes Pan-African funds<sup>3</sup>

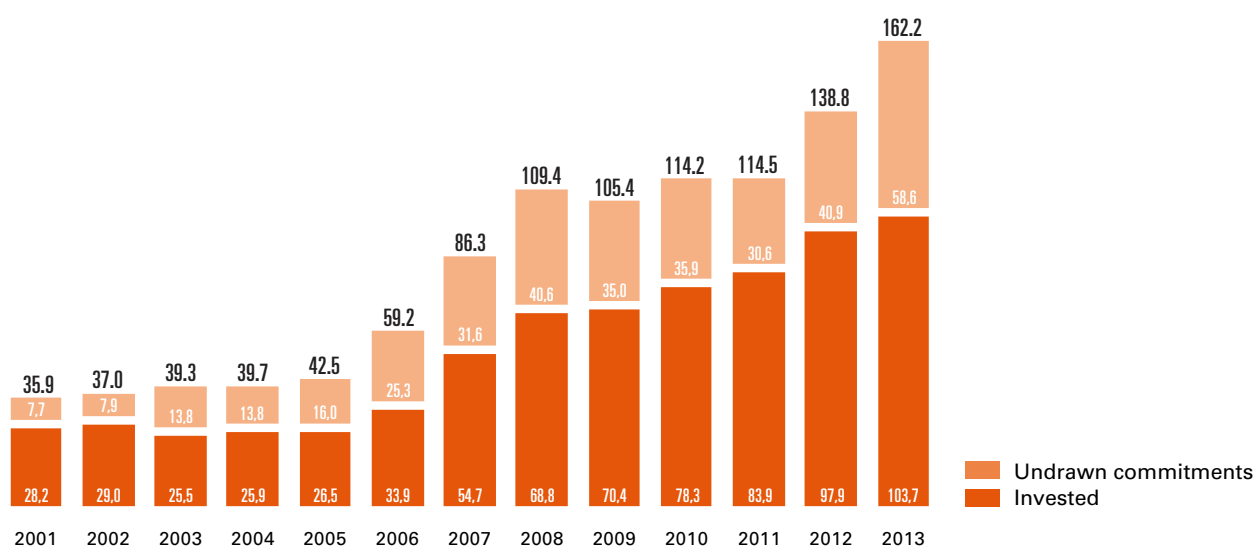


<sup>3</sup> The total funds under management includes Pan-Africa funds who have an element of undrawn commitments that may be invested in South Africa or other unspecified African countries.

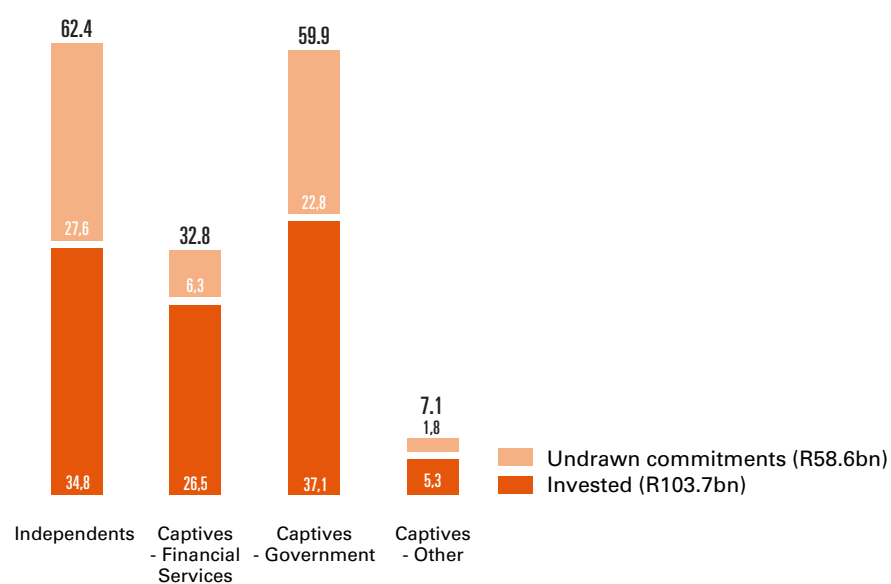


# Funds under management

**FIGURE 4:** Total funds under management at year end, split by undrawn commitments and investments (Rbn)<sup>4</sup>

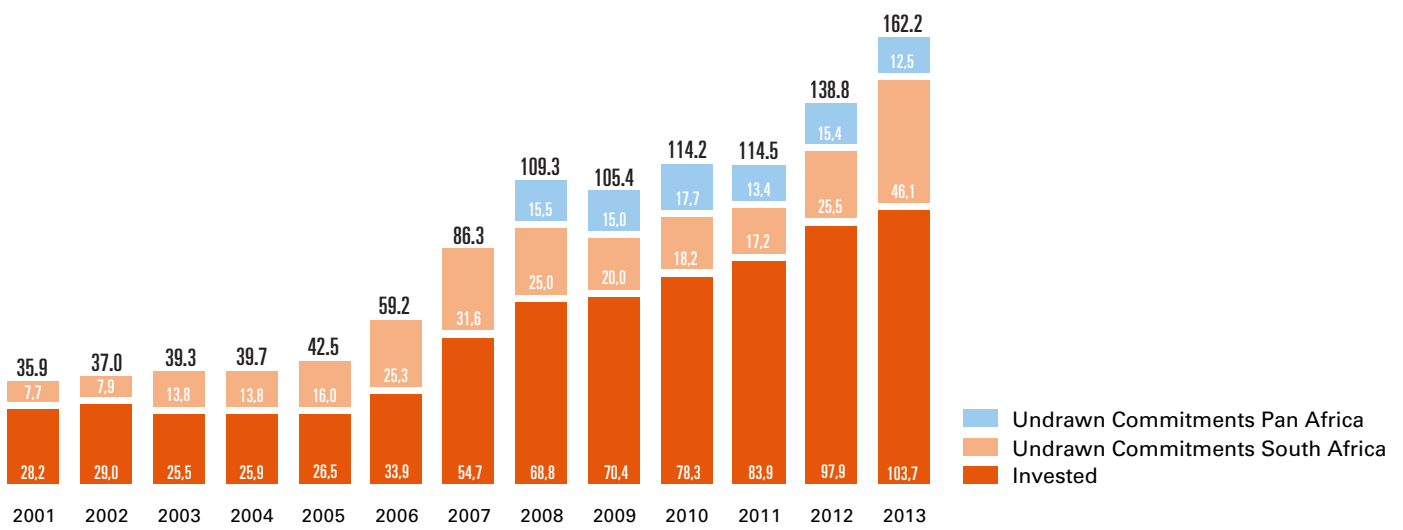


**FIGURE 5:** Total funds under management by type as at 31 December 2013, split by undrawn commitments and invested (Rbn)

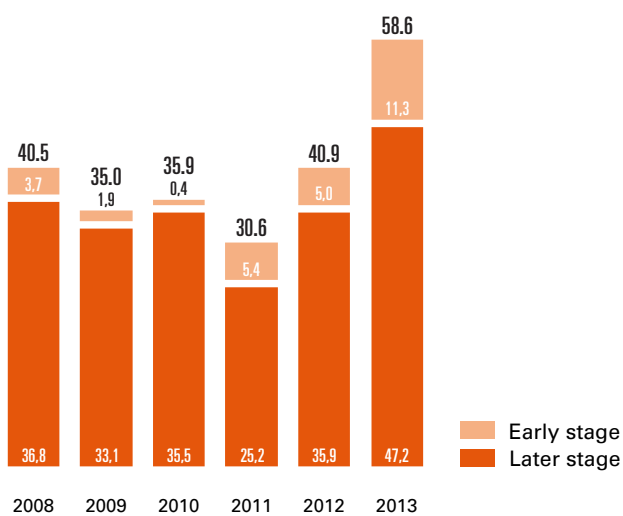


<sup>4</sup> A portion of the undrawn commitments is inclusive of a provision for future management fees.

**FIGURE 6:** Total funds under management at year end, split by invested and geographical undrawn commitments (Rbn)<sup>5</sup>



**FIGURE 7:** Classification of undrawn commitments by stage of investments (Rbn)

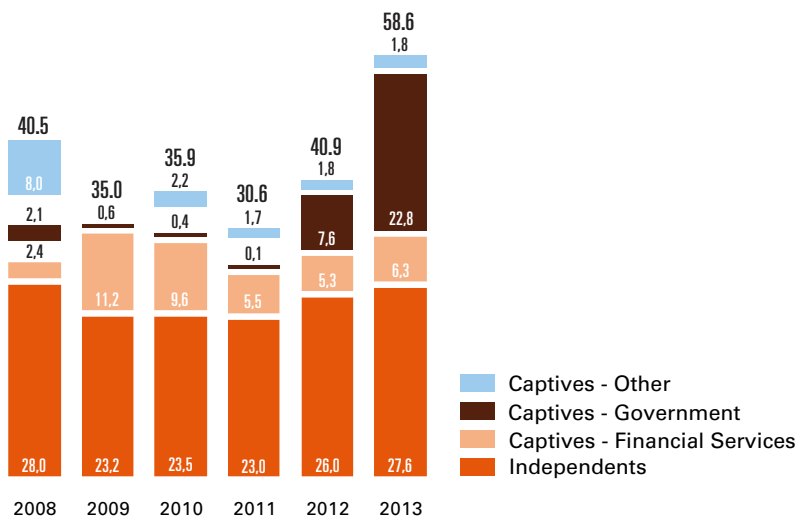


<sup>5</sup> Pan-African funds have an element of undrawn commitments that may be invested in South Africa or other unspecified African countries,

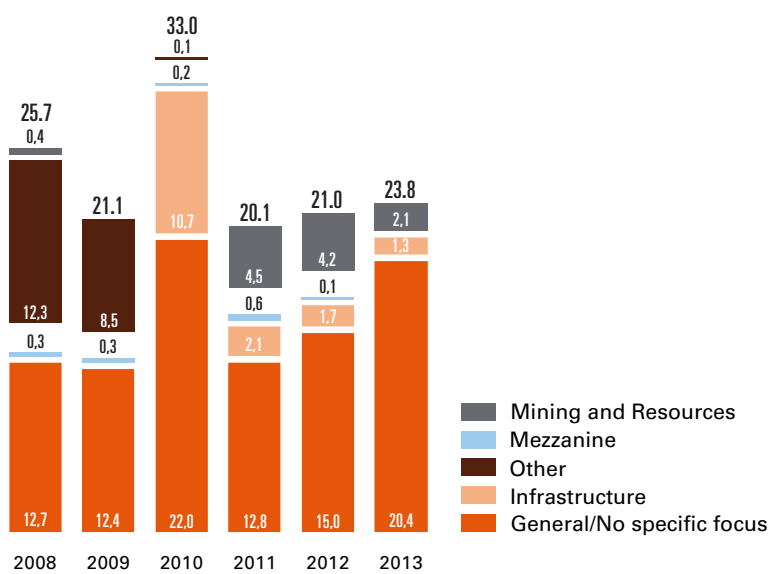


# Funds under management

**FIGURE 8:** Classification of undrawn commitments by type of fund manager (Rbn)

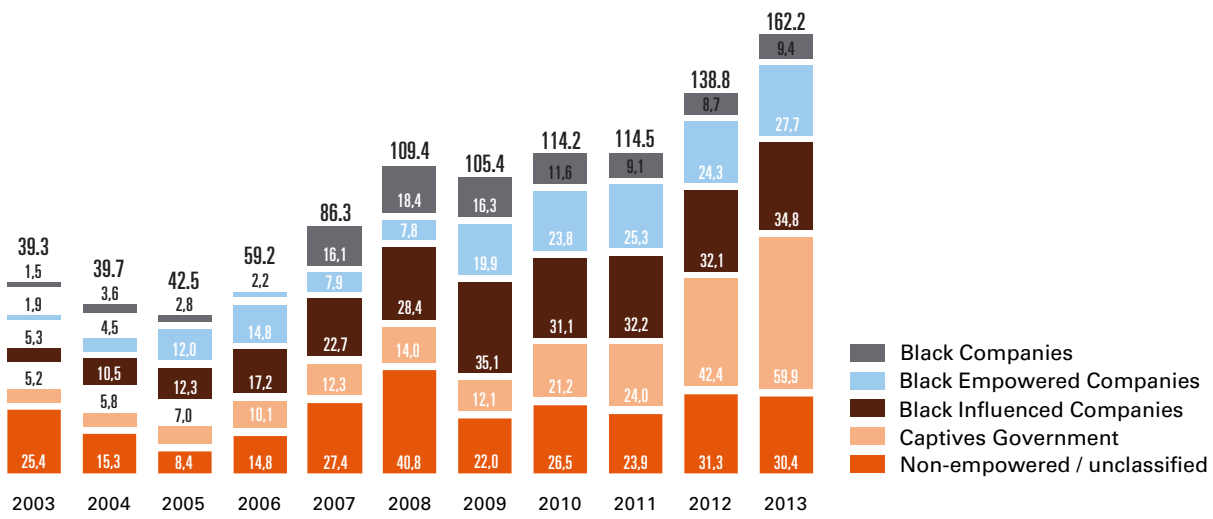


**FIGURE 9:** Composition of later stage, independent undrawn commitments by focus of the fund (Rbn)<sup>6</sup>



<sup>6</sup> A portion of the undrawn commitments is inclusive of a provision for future management fees.

**FIGURE 10:** Funds under management by BEE fund managers at year end (Rbn)



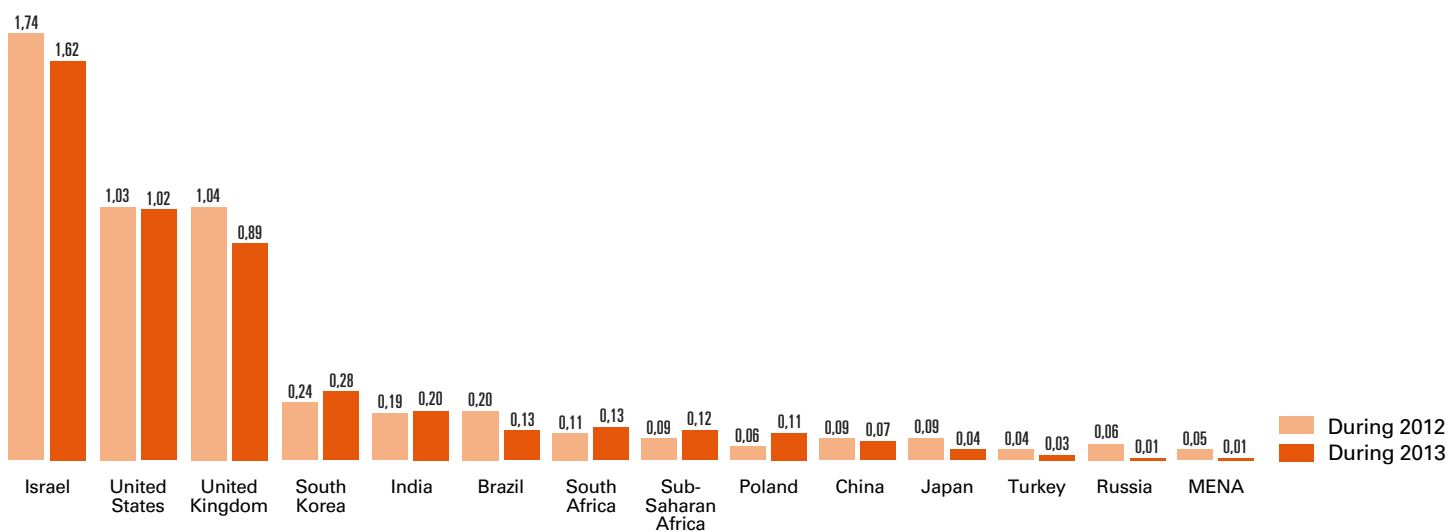


## Comparison to the global market

Although the South African private equity industry is small in comparison to those of the US and UK, it is well established and locally significant.

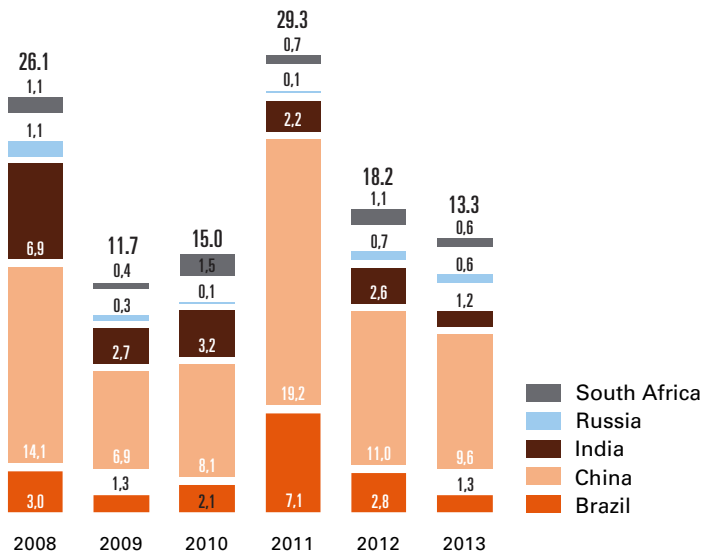
Using the available EMPEA information, but recalculating the South African percentages using the South African survey data, South Africa has Investment activity as a percentage of GDP for 2013 of 0.13% (2012: 0.11%). The calculation relates to Independents annual investment only in order to compare directly with the EMPEA information. South Africa's private Private Equity Investment as a percentage of GDP is higher than China (0.07%) and Russia (0.01%), but behind India (0.20%) and Brazil (0.13%). It is still some way off that of the United Kingdom (0.89%), the United States (1.02%) and Israel (1.62%).

**FIGURE 11:** Private Equity annual investment by independents as a percentage of GDP%



The figure below uses EMPEA data for Russia/CIS, India, China and Brazil, with South African data collated from the survey. This calculation relates to the Independents only in order to compare directly with the EMPEA information.

**FIGURE 12:** Emerging markets private equity fund raising totals by select markets US\$bn (Independent funds only)





The data tables below from Zephyr have been updated to reflect South African data as per this survey. The South African data includes the total investments for the 2013 year, but excludes Business Partners. Business Partners, which has many small deals, was excluded for comparative purposes as many of these smaller deals are not reported and therefore in all likelihood are not included in the comparative Zephyr data.

**FIGURE 13:** Country ranking

Country Ranking - Deal Value during 2012(US\$ million)								
1	United States Of America	171 180	11	Czech Republic	6 376	21	Netherlands	3 866
2	United Kingdom	32 869	12	Cayman Islands	5 173	22	India	3 741
3	Germany	19 587	13	China	5 093	23	Brazil	3 722
4	France	11 897	14	Finland	4 566	24	Spain	3 626
5	Belgium	9 317	15	Bermuda	4 496	25	Norway	2 868
6	Italy	8 351	16	Denmark	4 399	26	Poland	2 300
7	Egypt	7 676	17	Luxembourg	4 361	27	<b>South Africa</b>	<b>1 600</b>
8	Russian Federation	7 250	18	Australia	3 963	28	Switzerland	1 547
9	Sweden	6 807	19	Korea Republic Of	3 903	29	Dominican Republic	1 420
10	Canada	6 504	20	Japan	3 879	30	Israel	1 339

**FIGURE 14:** Country ranking

Country ranking – Number of deals during 2012								
1	United States Of America	1 426	11	China	79	21	Switzerland	33
2	United Kingdom	530	12	Israel	76	22	Finland	28
3	France	311	13	Sweden	70	23	Ireland	24
4	<b>South Africa</b>	<b>231</b>	14	Japan	69	24	Cayman Islands	23
5	India	189	15	Brazil	50	25	Korea Republic Of	23
6	Germany	175	16	Russian Federation	42	26	Turkey	20
7	Canada	114	17	Denmark	38	27	Poland	19
8	Spain	103	18	Norway	36	28	Bermuda	16
9	Italy	97	19	Australia	35	29	United Arab Emirates	15
10	Netherlands	88	20	Belgium	34	30	Austria	14



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6



## Fund raising activity

The total of third party funds raised in 2013 increased by 45.2% from R18.8 billion during 2012 to R27.3 billion during 2013.

The majority of reported fund raising activity during 2012 was by Independents (47.9%) and during 2013 was by Captives – Government (72.0%).

The major fund raisers for 2013 were Actis, Capitalworks and the PIC (R19.7bn).

In 2012 the major fund raisers included Ethos Private Equity, OMIGSA Alternative Investments and the PIC (R7.6bn)

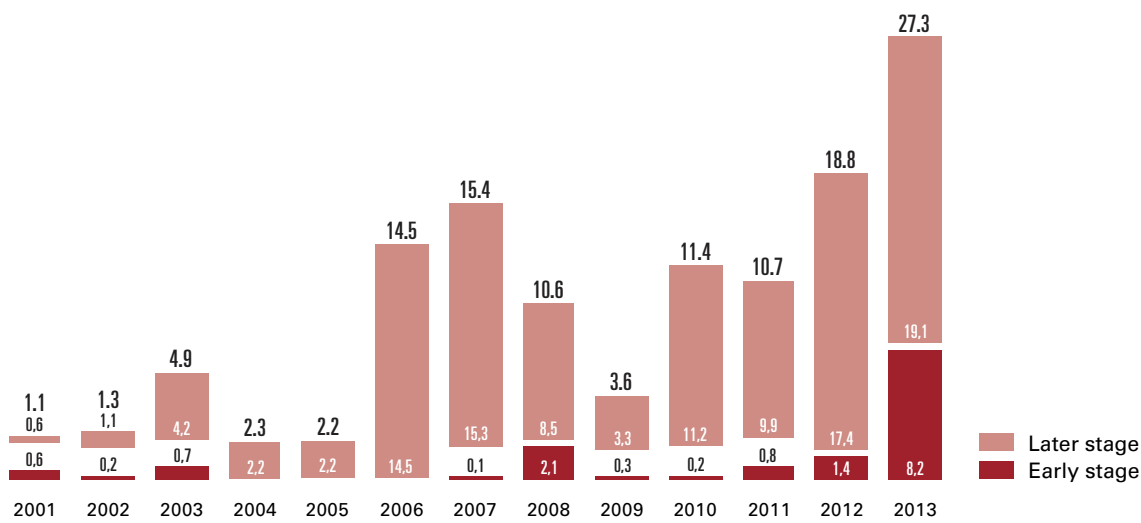
Of the total R27.3 billion raised in 2013, R25.1 billion (91.9%) was from South African sources. 85.2% of all third party funds raised during 2013 were from Pension and Endowment funds (2012: 48.6%). Private Equity Fund of Funds accounted for 5.1% in 2013 (2012: 12.0%) and Insurance companies 3,3% in 2013 (2012: 11.5%)

Cumulatively, of the funds raised but not yet returned to investors, South Africa is the main source of fund raising (58.9%), ahead of the UK (15.6%) and North America (12.9%).

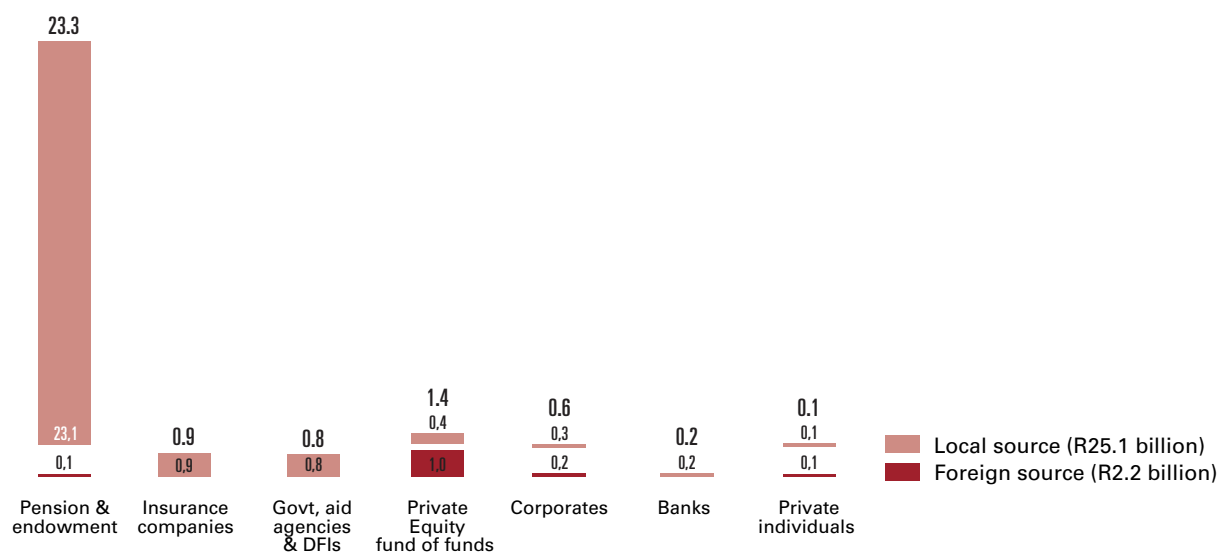


# Fund raising activity

**FIGURE 15:** Third party funds raised during the year, analysed by fund stage (Rbn)

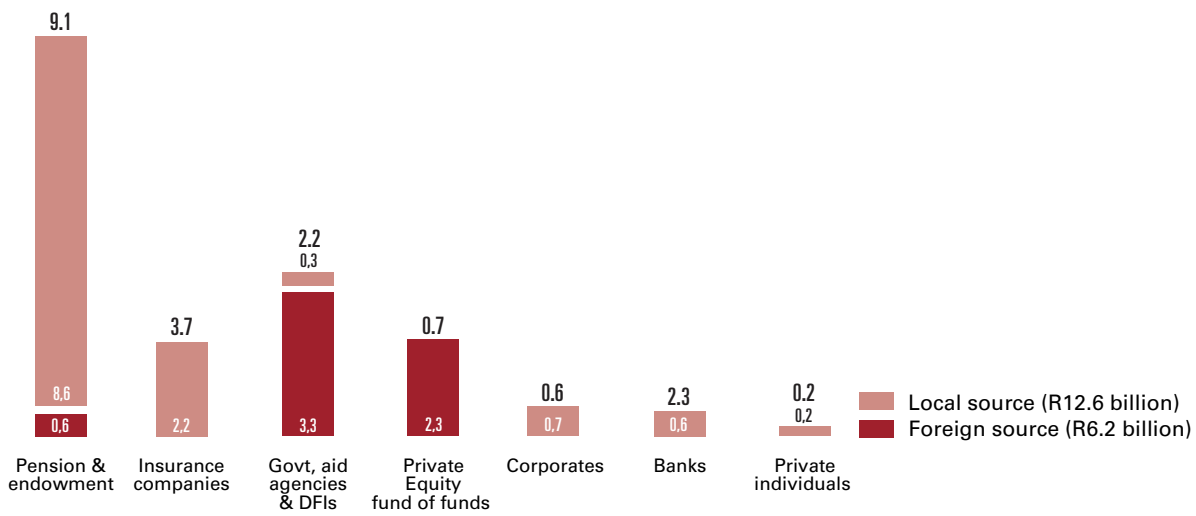


**FIGURE 16:** Source of third party funds raised during 2013 (Rbn)

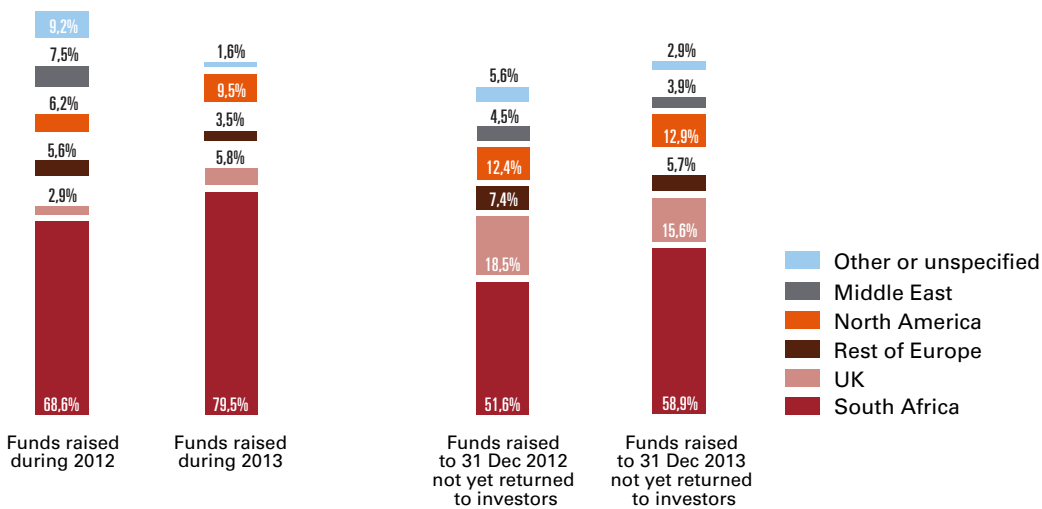




**FIGURE 17:** Source of third party funds raised during 2012 (Rbn)



**FIGURE 18:** Geographical sources of third party funds raised





7

## Investment activity

The reported value of private equity investments increased by 76.8% from R9.9 billion during 2012 to R17.5 billion during 2013. The total number of investments increased by 70, from 510 to 580 during 2013.

New Investments during 2013 amounted to R10.2 billion (2012: R5.4 billion) and Follow-on Investments during 2013 amounted to R7.2 billion (2012: R4.5 billion).

The overall average investment deal size increased from R19.4 million for the 2012 year to R30.2 million during 2013. New investments' average deal size increased from R16.9 million during 2012 to R25.3 million during 2013 while follow-on investments average deal size increased from R23.6 million during 2012 to R40.7 million during 2013.

In terms of the number of reported investments, Business Partners, classified as Captives-Other, was again by far the most active investor in the South African private equity market, contributing 349 (60.2%) of the total number of reported investments made during 2013 (2012: 320, 62.7%). By value, Business Partners represents 4.0% in terms of the cost of total investments made during 2013 (2012: 6.2%). Business Partners' average deal size was R2.03 million in 2013 compared to R1.92 million in 2012.

If Business Partners' investments are excluded, the total average deal size during 2013 increases to R72.6 million (2012: R48.9 million), new investments' average deal size during 2013 increases to R65.2 million from R50.1 million during 2012 and follow-on investments average deal size during 2013 increases to R86.1 million from R47.7 million during 2012.

By number, Captives-Other has the largest number of deals, as this category includes investments made by Business Partners.

Of the investments made during 2013 classified into sectors, 48.4% were in the Infrastructure sector, 13.1% in the Manufacturing sector and 11.4% in the Media sector.

Manufacturing comprises 28.7% of all unrealized investments at 31 December 2013, with Infrastructure making up 22.4% and mining and natural resources making up 13.3%.

The cost of investments into seed, and start-up/early stage entities contributed 12.0% of cumulative unrealised investments at 31 December 2013 (2012: 8.3%). This represented 15.1% of the number of investments at 31 December 2013 (2012: 17.7%), which is indicative of the proportionally smaller transaction values for the early stage types of deals.

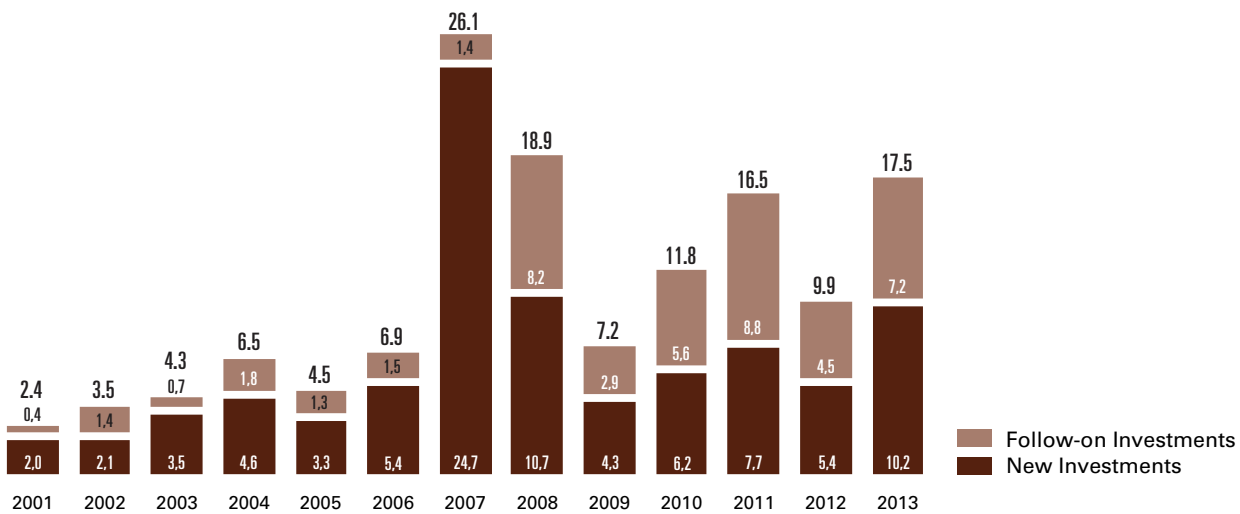
Buy-outs as a proportion of investments made by cost, increased from 34.3% in 2012 to 35.2% in 2013.



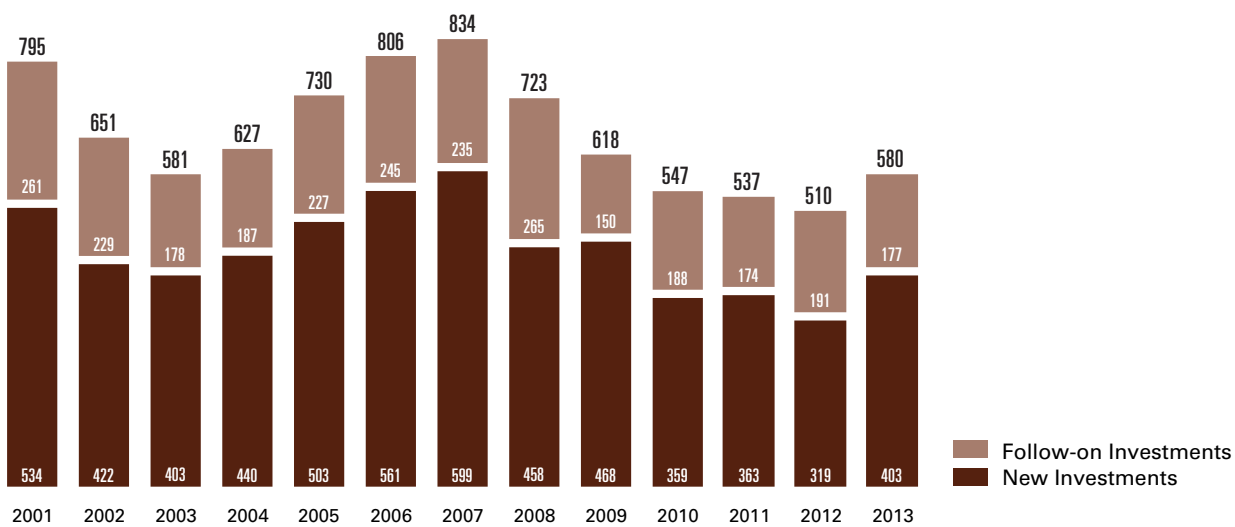


# Investment activity

**FIGURE 19:** Cost of investments made during the year, analysed by new and follow-on investments (Rbn)<sup>7</sup>

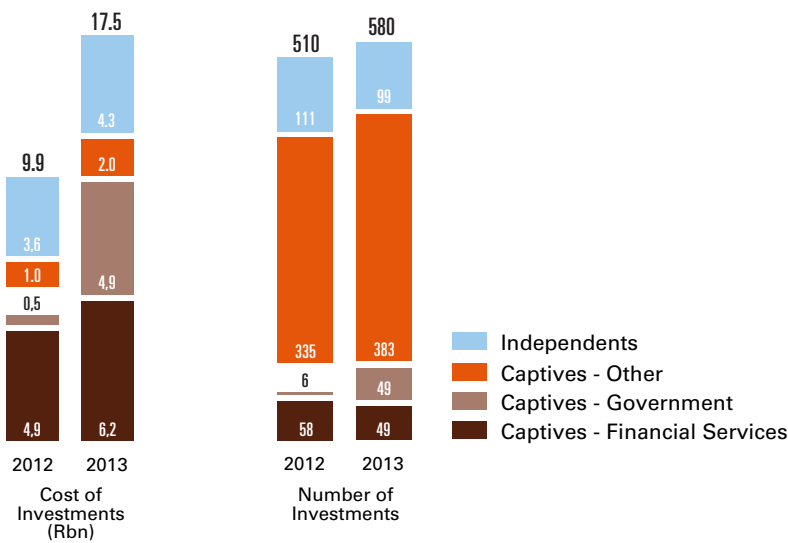


**FIGURE 20:** Number of investments made during the year, analysed by new and follow-on investments

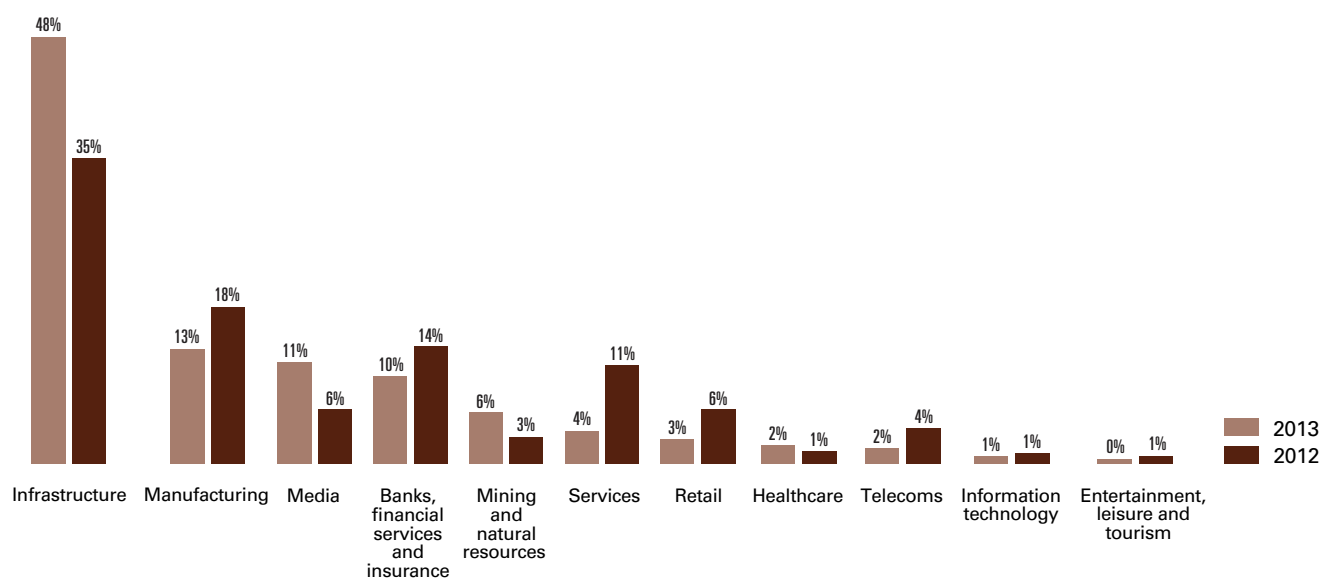


<sup>7</sup> For the 2008 year we have also excluded two investments, due to the lack of information on these investments other than enterprise value. These were the acquisition by Denham Capital of shares in an SA-based energy firm, Bio Therm Energy, with a transaction value of 1.5bn and the acquisition of a significant shareholding in Medi-Clinic Corporation by European based private equity fund, Lehman Brothers Merchant Bank, with a transaction value of R1.3bn. The investment by Brait (as an investment holding company) in Pepkor and Premier Foods in 2011 for approximately R5 billion has also been excluded.

**FIGURE 21:** Cost (Rbn) and number of investments made during the year, analysed by fund manager



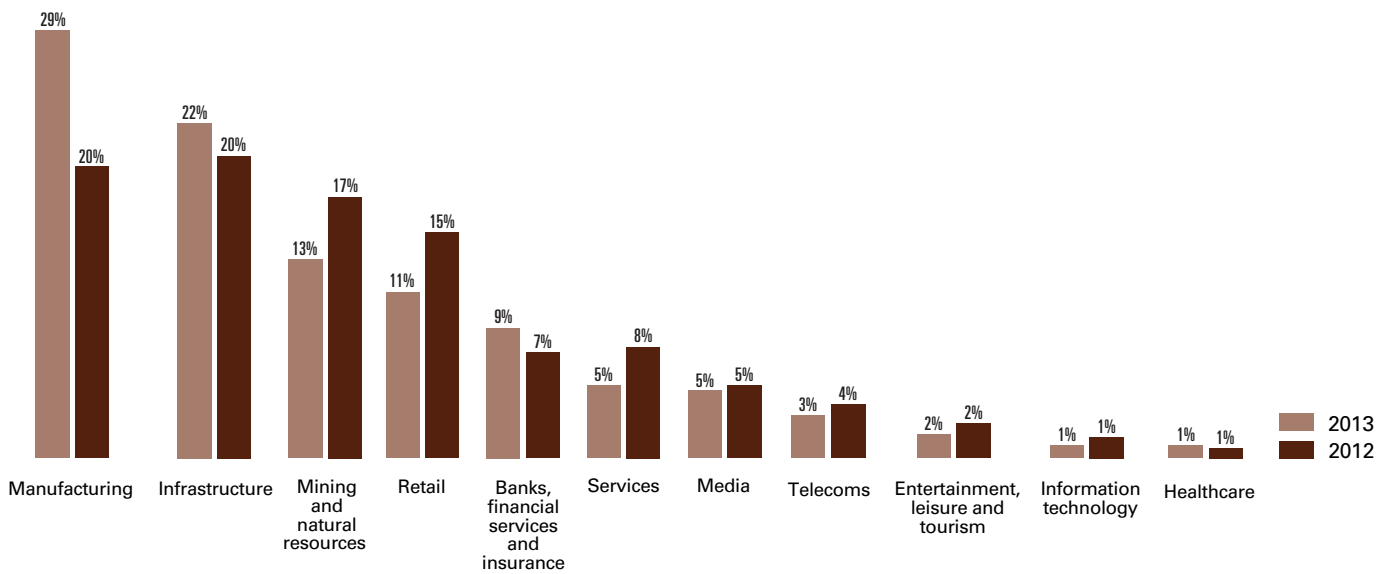
**FIGURE 22:** Investments made during the year, analysed by sector<sup>8</sup>



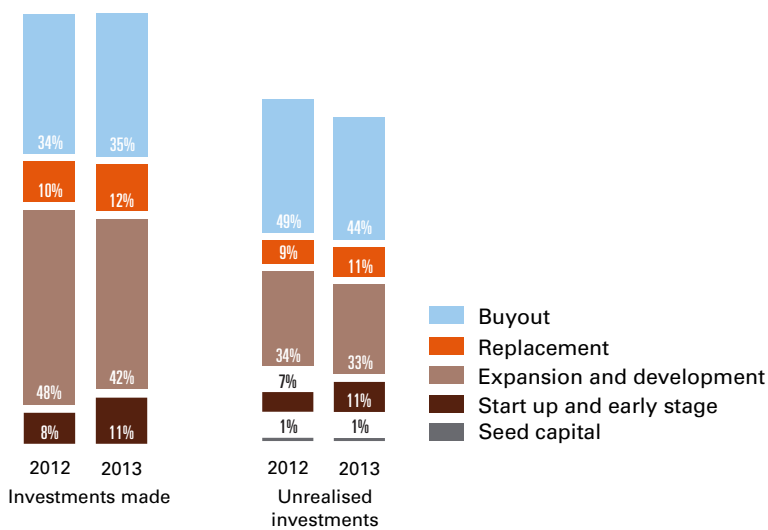
<sup>8</sup> 14.2% (R2.5 billion) of investments made during 2013 were classified in the other sector category or not classified at all by survey participants (2012:15.8% / R1.6 billion). These have been excluded from the above figures.

# Investment activity

**FIGURE 23:** Unrealised investments portfolio at year end, analysed by sector<sup>9</sup>

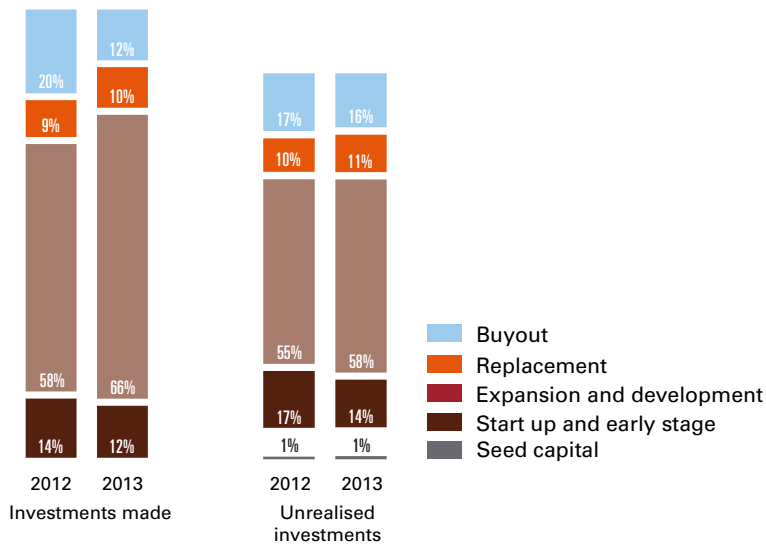


**FIGURE 24:** Analysis of investments by stage based on cost of investments





**FIGURE 25:** Analysis of investments by stage based on number of investments<sup>9</sup>



<sup>9</sup> 11.4% (R12.9 billion) of the unrealised investment portfolio at 31 December 2013 was classified in the other sector category or not classified at all by survey participants (2012: 30.8% / R34.1 billion). These have been excluded from the above analysis.

**FIGURE 26:** The figure below provides an analysis of the Top 10 largest reported private equity transactions in 2013

Name of investment	Equity provider/s	Debt provider/s	Total funding raised (Rm)	Type of investment	PE Fund's equity interest	BEE ownership (post deal)
<b>Bokpoort</b>	GEPF 25%, ACWA Power 40%, Lereko Solafrica Investments (Pty) Ltd 13%, Lereko Metier Solafrica Fund I Trust 9%, Lereko Metier Sustainable Capital Fund I Trust 3%, Kurisani Solafrica Investments (Pty) Ltd 5%, Solafrica Community Investment Company 5%	Investec/ Absa/ DBSA	R 4 713,0	Development Capital (Renewable Energy)	25,0%	Black influenced company
<b>SunEdison Boshoff</b>	GEPF 19%, SEGP Renewable Energy SA (Pty) Ltd 51%, Nehawu Investment Holdings (Pty) Ltd 20%, Kurisani Boshoff Trust (Pty) Ltd 10%	OPIC	R 2 502,0	Development Capital (Renewable Energy)	19,0%	Black empowered company
<b>Kansai-Plascon (KP)</b>	Kansai Paint, GEPF, KP Employee Trust, Other.	Kansai-Plascon to Employee Trust	R 3 500,0	MBO (BEE equity participation)	9,9%	Black influenced company
<b>Independent News Media South Africa</b>	PIC, Sekunjalo Independent Media Proprietary Ltd, Interacom Investment Holdings Ltd	PIC and Interacom	R 2 000,0	Buy-Out	25,0%	Black company
<b>Paycorp Group (Pty) Ltd</b>	Actis Africa Ltd	Investec, RMB	R 937,0	MBO	77,7%	Black influenced company
<b>Southern Farms (SF)</b>	GEPF (20%), SF Employee Trust (20%), SF Investment (60%).	GEPF/ Southern Cross Holdings	R 600 m	Development Capital	20,0%	Black influenced company
<b>Cedar Park Properties</b>	Regiments Capital	Vantage Capital	R 590,0	Expansion Capital	Undisclosed	Black empowered company
<b>Van Schaik Bookstore (Pty) Ltd</b>	Medu Capital	RMB	R 325,0	LBO	51,0%	Black empowered company
<b>Assupol Holdings Ltd</b>	Investec	-	R 308,8	LBO	30,0%	Black empowered company
<b>Auto Industrial Group (Pty) Limited</b>	Trinitas Private Equity Partnership	FNB / Investec	R 300,0	Replacement capital	70,0%	Black influenced company

**FIGURE 27:** The figure below provides an analysis of the Top 10 largest reported private equity transactions in 2012

Name of investment	Equity provider/s	Debt provider/s	Total funding raised (Rm)	Type of investment	PE Fund's equity interest	Part of syndication	BEE ownership (post deal)
<b>Waco</b>	Ethos & RMB Ventures	Standard Bank	> R 1 500	Replacement capital	Controlling Interest	Yes	Black Influenced
<b>Capitec Bank</b>	Public Investment Corporation	Not disclosed	R 825.0	Replacement capital	5.3%	No	Black empowered company
<b>Trudon</b>	Trinitas Private Equity Partnership, RMB Corvest & Nodus Capital	Investec	R 740.0	Replacement capital	35%	Yes	Black empowered company
<b>Serica Investment Holdings</b>	Trinitas Private Equity Partnership	Investec	R 200.0	Replacement capital	50%	No	Not empowered
<b>Main Street Holdings</b>	Trinitas Private Equity Partnership	FNB	R 140.5	Replacement capital	61%	No	Not empowered
<b>Staycold</b>	Ethos/Universal Industries	Nedbank	R 130.0	Replacement capital	Controlling Interest	No	Not empowered
<b>Wekaba Engineering</b>	Medu Capital	Standard Bank	R 108.0	MBO	Controlling Interest	No	Black empowered company
<b>Transaction Capital</b>	Ethos	N/A	R 95.2	Later stage expansion capital	n/a	No	Not empowered
<b>Cerebos</b>	Investec	Not disclosed	R 54.9	LBO	Not disclosed	No	Black empowered company
<b>Boxmore Plastics</b>	Investec	Not disclosed	R 52.8	Follow-on	Not disclosed	No	Black empowered company





08

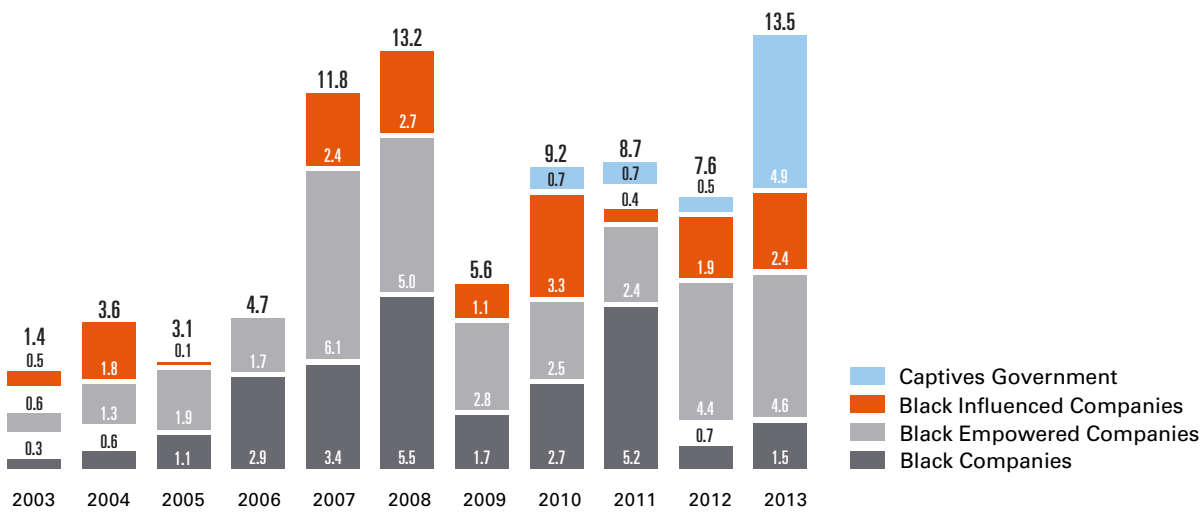
## Analysis of **BEE** investments

The cost of investment into entities that are at least black influenced companies in 2013 was R13.5 billion, an increase of 77.6% from the 2012 levels. The number of BEE investments increased from 108 during 2012 to 140 during 2013. These levels of activity, when compared to M&A activity in South Africa, reflects that the private equity BEE investments are an important element of the South African economy and remain a significant portion of the M&A activity in South Africa.

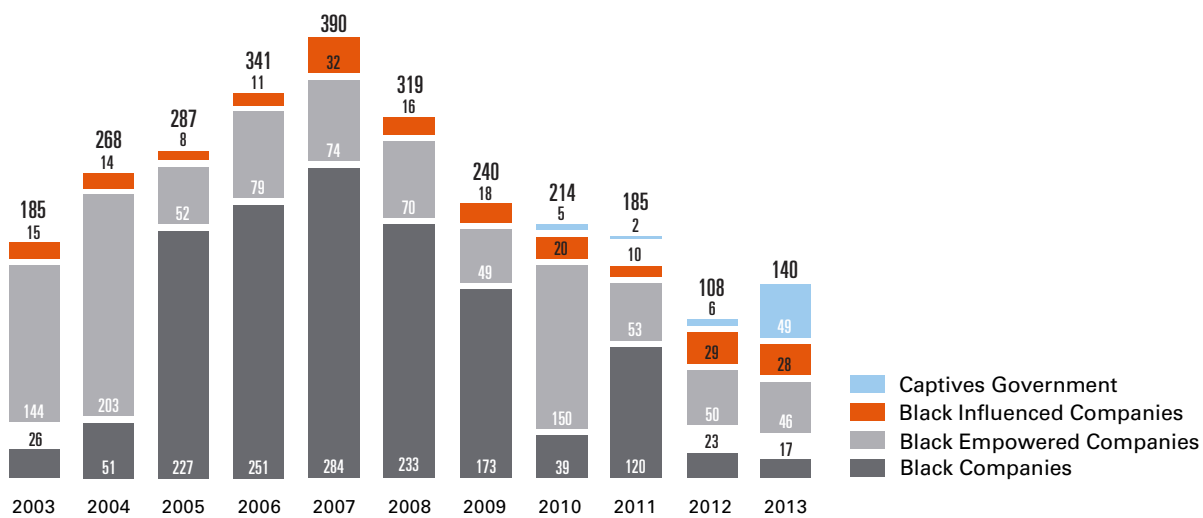
The average black economic empowerment deal size in 2013 was R96.14million compared to R70.04 million during 2012. These are investments into black owned, empowered, influenced or Captives-Government companies.

# Analysis of BEE investments

**FIGURE 28:** Cost of BEE investments made during the year (Rbn)



**FIGURE 29:** Number of BEE investments made during the year







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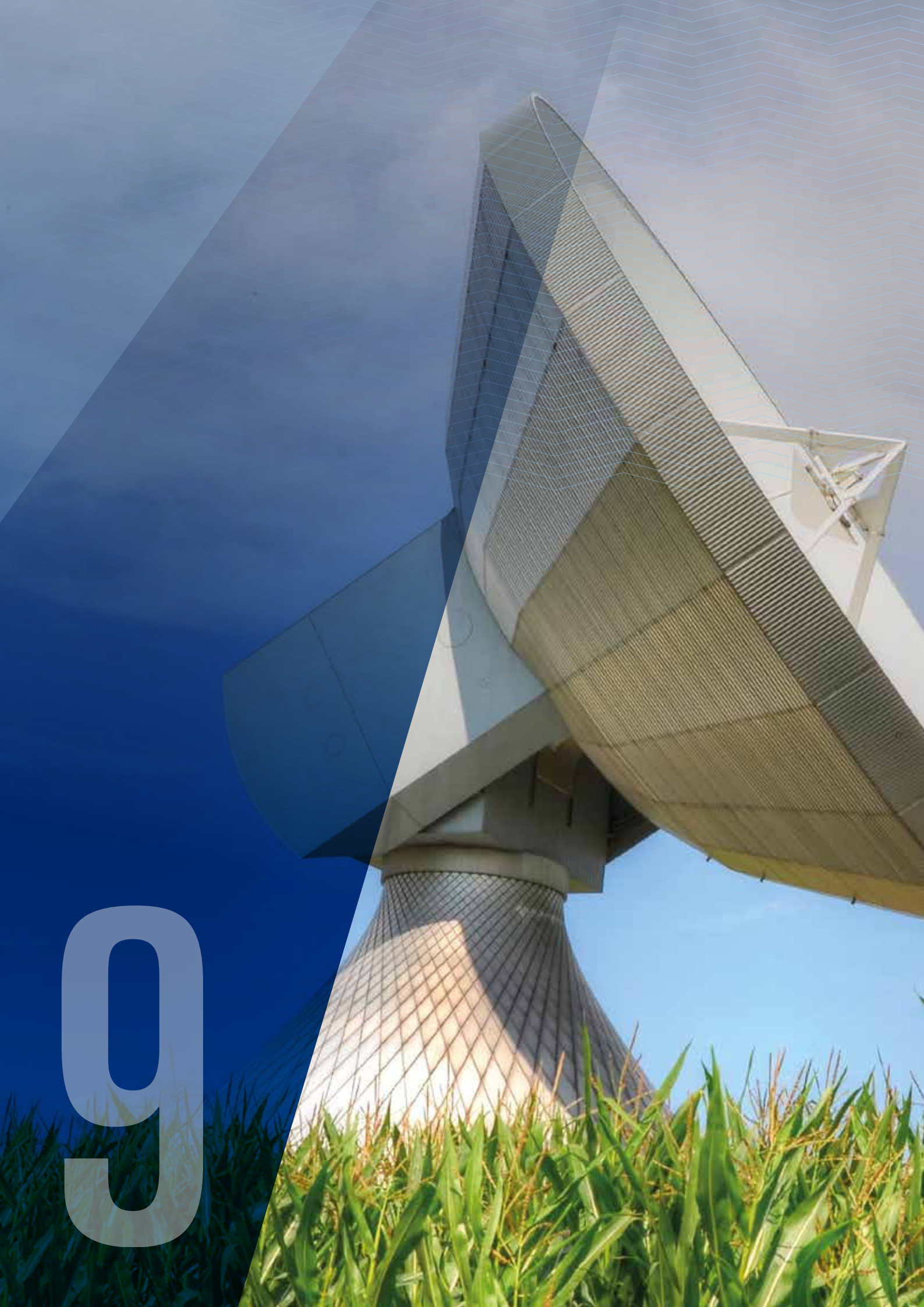
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9

# Exits

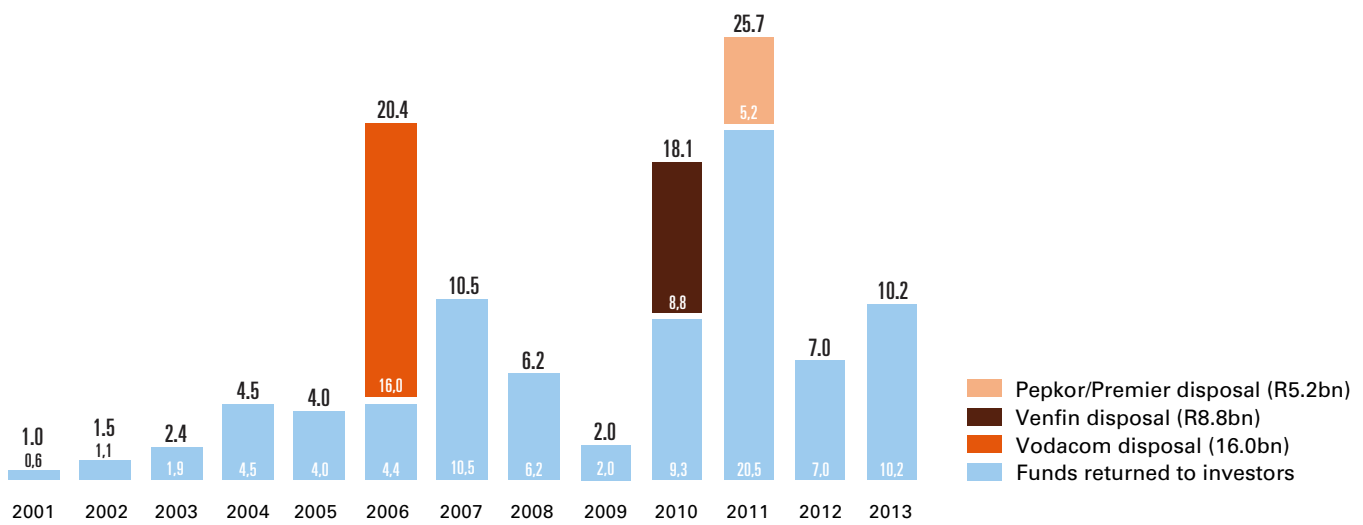
Funds returned to investors increased by R3.2 billion from R7.0 billion during 2012 to R10.2 billion during 2013.

The value of disposal proceeds increased from R3.1 billion in 2012 to R5.4 billion during 2013. Disposals to Sale to another private equity firm or financial institution was the most popular in value terms. Sale to management (buy-back) and Share buy-back by portfolio company were the next most popular methods of disposal.

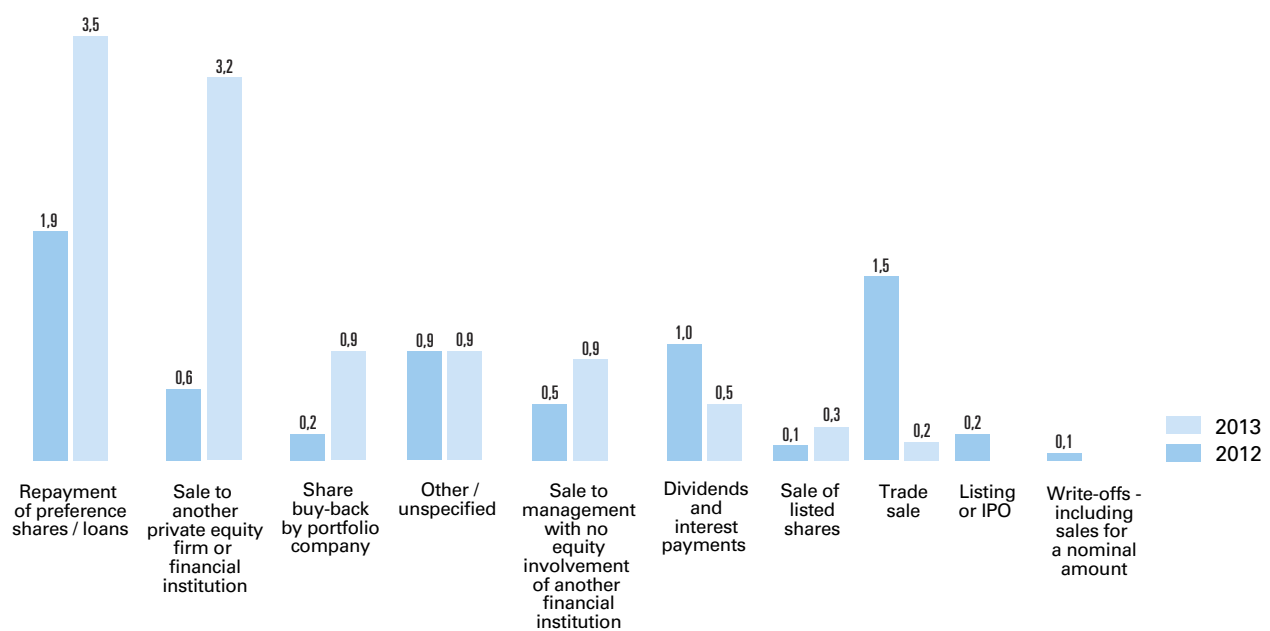
The average proceeds per disposal have increased from R35.6million in 2012 to R50.5 million in 2013. The implied times money back multiple during 2013 was 1.2 times, which is significantly less than the 3.1 times the same region as the 1.2 times reported for 2012 disposals.



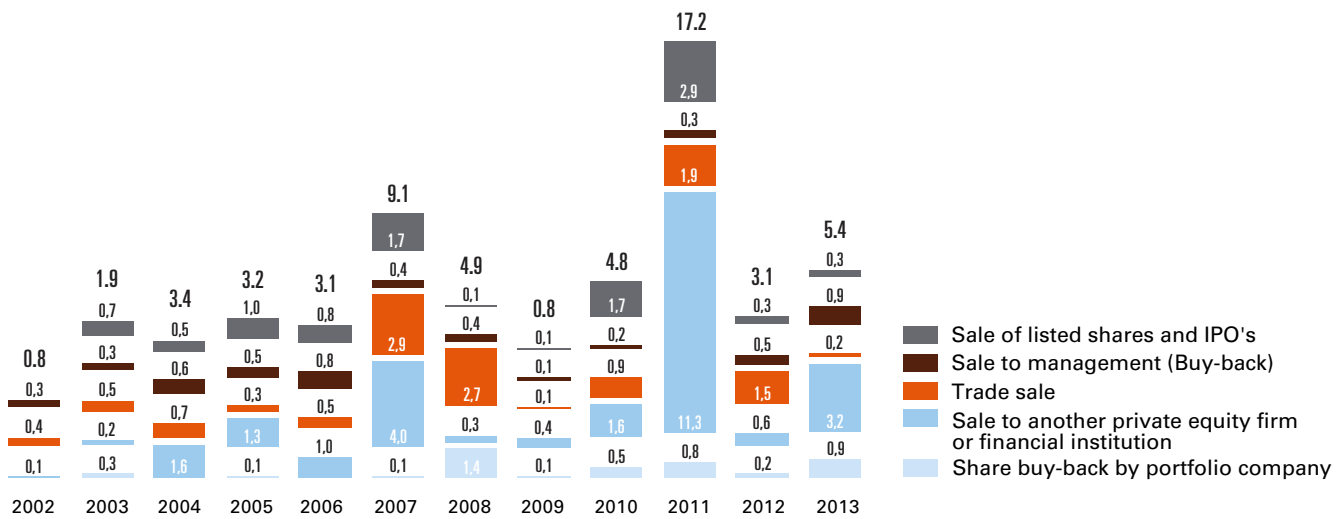
**FIGURE 30:** Funds returned to investors during the year (Rbn)



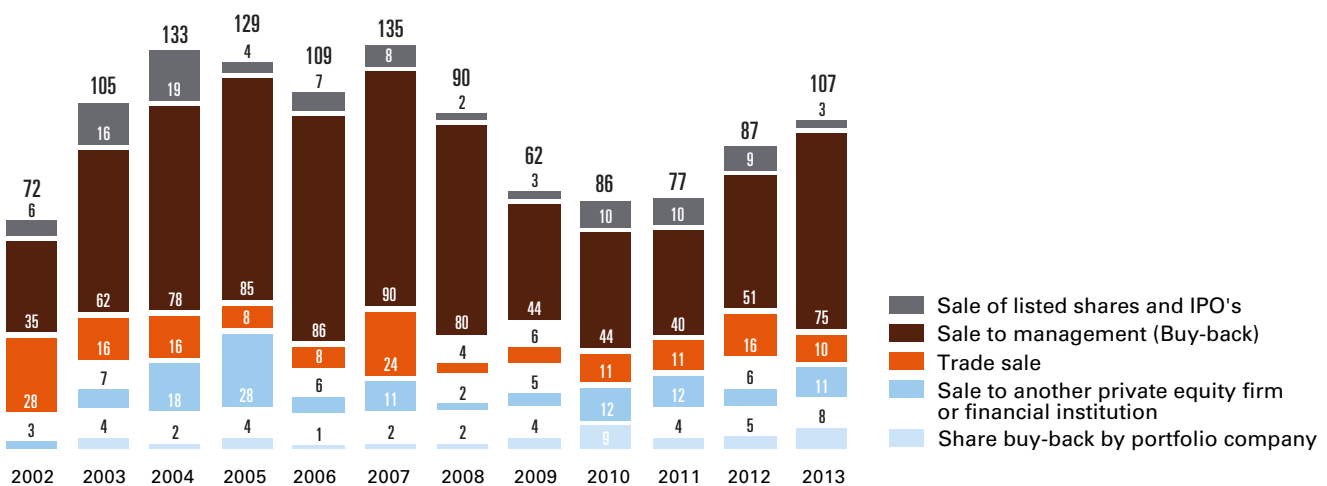
**FIGURE 31:** Proceeds of funds returned to investors during the year (Rbn)



**FIGURE 32:** Analysis of disposals made during the year based on proceeds (Rbn)<sup>10</sup>

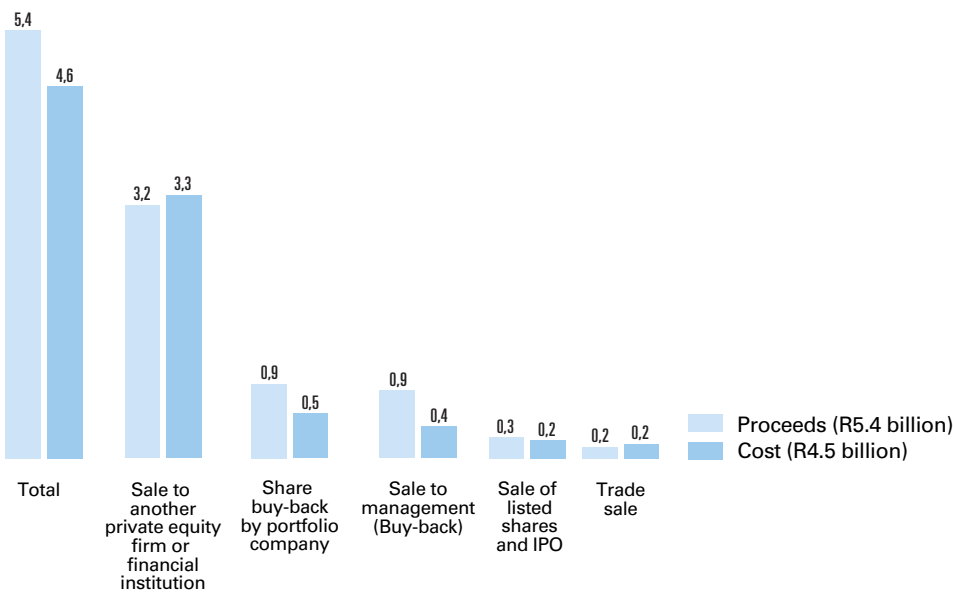


**FIGURE 33:** Analysis of number of disposals made during the year<sup>10</sup>

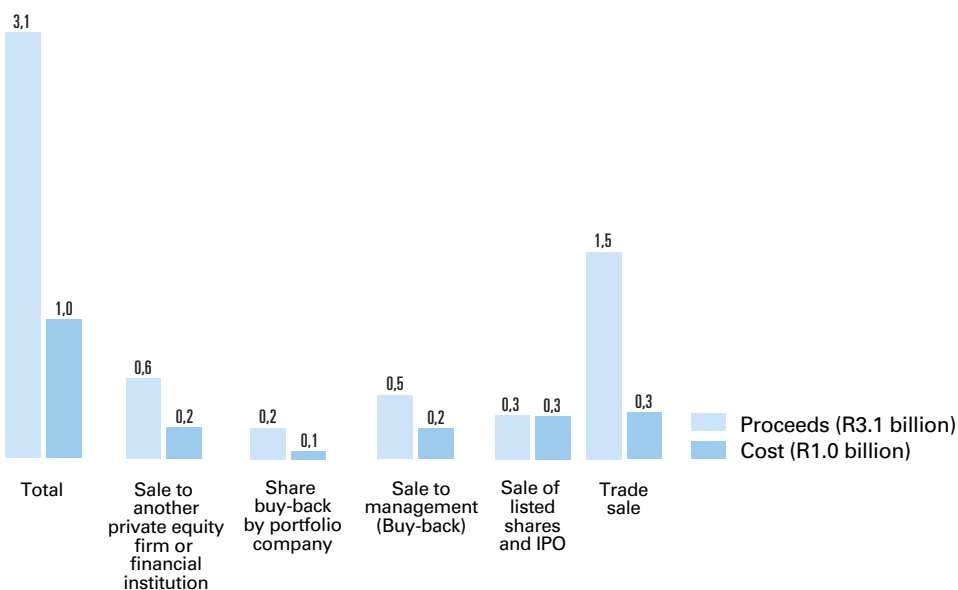


<sup>10</sup>Excludes the Vodacom disposal during 2006, the Venfin disposal in 2010 and the Pepkor/Premier disposal in 2011.

**FIGURE 34:** Proceeds and cost of investments made during 2013 (Rbn)



**FIGURE 35:** Proceeds and cost of investments made during 2012 (Rbn)



### Write-offs

45 investments were written off during 2013, inclusive of sales for nominal amounts (2012: 62 investments). The net loss on these investments (cost less proceeds) was R193.0 million in 2013 (R184.8 million in 2012).

### Cancelled/expired funds

R83.5 million (2012: R180.5 million) of committed but undrawn funds at 1 January 2013 were cancelled and/or expired during 2013 and are thus no longer available for investment by the fund manager.





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10

# Performance

## Background

Measuring the performance of private equity funds on a consistent basis can be difficult as private equity investments' valuations are, by their very nature, highly subjective. The overriding principle of the International Private Equity and Venture Capital Valuation Guidelines is to show a fair valuation of investments to the investor. These guidelines were released during 2005 and adopted by the majority of global private equity associations, including SAVCA and EVCA.

Riscura Fundamentals, in conjunction with SAVCA, produce a quarterly South African Private Equity report. The reported returns over different time periods the returns as compared to listed entities are as follows:

## Investment at latest valuation

The disclosed 2013 valuation of unrealised investments was R126.2 billion, with a related cost of R105.6 billion.



**FIGURE 36:** Returns over different time periods (ZAR)

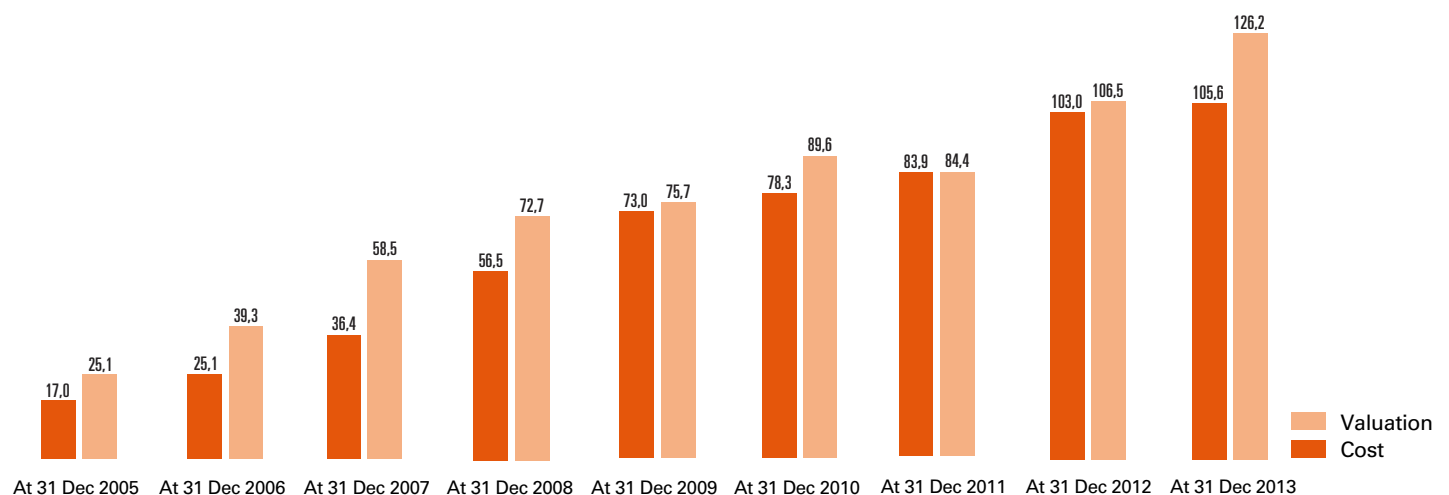
Time period	Pooled IRR	Times Money		
		Realised	Unrealised	Total
10 Year	22,1%	1,05	0,72	1,77
5 Year	16,7%	0,75	0,86	1,61
3 Year	13,7%	0,53	0,73	1,26

**FIGURE 37:** Listed equity comparison (ZAR)

Time period	Pooled IRR	CAGR		
		ALSI TRI*	FINDI TRI*	SWIX TRI*
10 Year	22,1%	19,5%	23,4%	20,4%
5 Year	16,7%	20,1%	27,0%	20,7%
3 Year	13,7%	16,3%	28,0%	17,6%

\* Listed index returns are before fees

**FIGURE 38:** Unrealised investments at year end - cost compared to valuation (Rbn)









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# Private equity investment professionals

The total number of investment professionals employed in the Private Equity industry increased from 612 in 2012 to 741 in 2013.

The figure below illustrates that black staff members have increased from 20.0% of the private equity workforce in 2012 to 36.2% in 2013.

Indian, coloured and black professionals employed by the private equity industry increased by 158 during 2013 to 366 (representing 49.4% of the workforce). By comparison, white professionals decreased by 5 during 2013 to 321.

At 31 December 2013 25.9% of all professionals were females (2012: 18.3%).

Number of professionals 2013						
	White	Indian	Coloured	Black	Not specified	Total
<b>Male</b>	273	57	20	155	44	<b>549</b>
<b>Female</b>	48	18	3	113	10	<b>192</b>
<b>Total</b>	<b>321</b>	<b>75</b>	<b>23</b>	<b>268</b>	<b>54</b>	<b>741</b>
% Breakdown (% of total)						
<b>Male</b>	36.8%	7.7%	2.7%	20.9%	5.9%	74.1%
<b>Female</b>	6.5%	2.4%	0.4%	15.2%	1.3%	25.9%

Number of professionals 2012						
	White	Indian	Coloured	Black	Not specified	Total
<b>Male</b>	280	54	14	88	64	<b>500</b>
<b>Female</b>	46	14	4	34	14	<b>112</b>
<b>Total</b>	<b>326</b>	<b>68</b>	<b>18</b>	<b>122</b>	<b>78</b>	<b>612</b>
% Breakdown (% of total)						
<b>Male</b>	45.8%	8.8%	2.3%	14.4%	10.5%	81.7%
<b>Female</b>	7.5%	12.5%	3.6%	30.4%	12.5%	18.3%



12

# Data tables

	Total funds under management at year end	Undrawn commitments at year end	Fund raising activity during the year	Investment activity during the year	Proceeds from disposals during the year
	R billions	R billions	R billions	R billions	R billions
<b>Year ended 31 December 2013</b>					
<b>Early stage funds</b>					
• Independents	6,872	3,742	0,169	0,799	0,000
• Captives (Financial Services)	0,305	0,000	0,000	0,010	0,000
• Captives (Government)	8,157	7,520	8,000	0,435	0,000
• Captives (Other)	0,148	0,056	0,000	0,037	0,000
	<b>15,481</b>	<b>11,319</b>	<b>8,169</b>	<b>1,281</b>	<b>-</b>
<b>Later stage funds</b>					
• Independents	55,526	23,808	6,512	3,478	3,405
• Captives (Financial Services)	32,519	6,347	0,683	6,226	2,344
• Captives (Government)	51,770	15,326	11,655	4,508	0,000
• Captives (Other)	6,920	1,758	0,268	1,991	4,467
	<b>146,735</b>	<b>47,240</b>	<b>19,118</b>	<b>16,202</b>	<b>10,215</b>
	<b>162,216</b>	<b>58,558</b>	<b>27,287</b>	<b>17,484</b>	<b>10,215</b>
<b>Year ended 31 December 2012</b>					
<b>Early stage funds</b>					
• Independents	7,710	5,003	1,354	0,273	0,872
• Captives (Financial Services)	0,295	0,000	0,000	0,000	0,000
• Captives (Government)	0,202	0,000	0,000	0,084	0,000
• Captives (Other)	0,147	0,035	0,000	0,022	0,000
	<b>8,354</b>	<b>5,038</b>	<b>1,354</b>	<b>0,378</b>	<b>0,872</b>
<b>Later stage funds</b>					
• Independents	51,000	21,029	7,638	3,280	1,900
• Captives (Financial Services)	27,352	5,251	1,657	4,869	4,050
• Captives (Government)	42,211	7,630	7,590	0,377	0,000
• Captives (Other)	9,901	1,973	0,542	1,008	0,140
	<b>130,464</b>	<b>35,884</b>	<b>17,427</b>	<b>9,535</b>	<b>6,090</b>
	<b>138,818</b>	<b>40,922</b>	<b>18,782</b>	<b>9,913</b>	<b>6,962</b>





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# Participants



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## FUNDS MANAGED BY THE PUBLIC INVESTMENT CORPORATION

<b>Name of Fund:</b>	Economic Infrastructure Fund I
<b>Purpose of Fund:</b>	To invest in large-scale and long-term infrastructure projects
<b>Size of Fund:</b>	R5 billion
<b>Minimum and maximum investments:</b>	R50 million – 40% of fund size.
<b>Name of Fund:</b>	Environmental Infrastructure Fund I
<b>Purpose of Fund:</b>	To invest in projects that will result in reduced environmental impact while delivering a real economic return.
<b>Size of Fund:</b>	R5 billion
<b>Minimum and Maximum investments:</b>	R50 million – 35% of fund size
<b>Name of Fund:</b>	Africa Developmental Investments Fund I
<b>Purpose of Fund:</b>	To invest in large-scale and long-term infrastructure projects while unlocking Africa's economic potential.
<b>Size of Fund:</b>	US\$500 million
<b>Minimum and Maximum investments:</b>	US\$20 million – 40% of fund size
<b>Name of Fund:</b>	Priority Sectors Investment Fund II
<b>Purpose of Fund:</b>	To invest in projects that would create jobs, skills transfer, poverty alleviation and rural development
<b>Size of Fund:</b>	R3.0 billion
<b>Minimum and Maximum investments:</b>	R50 million – 35% of fund size
<b>Name of Fund:</b>	Dinamane Fund I (Commenced in 2014)
<b>Purpose of Fund:</b>	To invest in and support small and medium enterprises in SA.
<b>Size of Fund:</b>	R1.5 billion
<b>Minimum and Maximum investments:</b>	R10 million – 35% of fund size
<b>Name of Fund:</b>	South African Private Equity Fund I
<b>Purpose of Fund:</b>	To generate income by making equity related investments in: small, medium and large unlisted companies in SA.
<b>Size of Fund:</b>	R5.0 billion
<b>Minimum and Maximum investments:</b>	R50 million – 40% of fund size
<b>Name of Fund:</b>	Rest of Africa Private Equity Fund I
<b>Purpose of Fund:</b>	To generate income by making equity related investments in: small, medium and large unlisted companies in the rest of Africa.
<b>Size of Fund:</b>	US\$500 million
<b>Minimum and Maximum investments:</b>	US\$20 million – 30% of fund size

KPMG and SAVCA would like to thank all of the participants for their input. Without their time and effort, this survey would not be possible.

Name	Min investments (Rm)	Max investment (Rm)	Contact name	Contact no.
<b>Absa Capital Private Equity</b>	R 250m	R 1bn	James Conroy	010 245 4372
<b>Acorn Private Equity</b>	R 20m	R 100m	Pierre Malan	021 852 2887
<b>Actis Africa Limited</b>	US\$ 50m	US\$ 250m	John van Wyk	011 778 5900
<b>African Infrastructure Investment Managers (South Africa)(pty)ltd</b>	R 140m	R 900m	Andrew Johnstone	021 670 1234
<b>Agri-Vie</b>	R 20m	R 100m	Izak Strauss	021 913 5662
<b>Business Partners Limited</b>	R 150 000	R 25m	Nazeem Martin	011 713 6600
<b>Capitalworks Equity Partners (pty) Ltd</b>	R 100m	R 500m	Chad Smart	011 301 3000
<b>Capricorn Capital Partners (pty) Ltd</b>	R 10m	R 150m	Robert Fihrer	011 666 0700
<b>Collins Private Equity Holdings (pty) Ltd</b>	Nil	R 25m	Bruce Chelius	031 536 8004
<b>Convergence Partners</b>	US\$ 5m	US\$ 30m	Idan Segal	011 550 5320
<b>Development Bank Of Southern Africa</b>	R 100m	R 250m	Aubrey Shabane	011 313 3126
<b>Development Partners International LLP</b>	R 110m	R 850m	Eduaro Gutierrez-Garcia	44(0)2073495030
<b>Emerging Capital Partners</b>	US\$ 30m	US\$ 90m	Alex-Handrah Aime	011 685 0830
<b>Eris Property Fund (pty) Ltd</b>	R 30m	R 250m	Shuaib Kola	011 775 1130
<b>Ethos Private Equity</b>	R 750m	R 3bn	Craig Dreyer	011 328 7400
<b>4Di Capital (Pty) Ltd</b>	R 100 000	R 5m	Anton van Vlaanderen	021 659 2042
<b>Grindrod Bank Limited</b>	R 10m	R 30m	Aris Malliaros	011 459 1860
<b>Harith Fund Managers</b>	US\$ 20m	US\$ 100m	Emile du Toit	011 384 4000
<b>Horizon Equity Partners</b>	R 20m	R 60m	Richard Flett	011 502 6940
<b>Industrial Development Corporation (IDC)</b>	R 1m	Dependent on nature of transaction	Christo Fourie	011 269 3000
<b>International Housing Solutions (pty) Ltd</b>	R 25m	R 250 m	Pamela Lamoreaux	011 215 8300
<b>Invenfin (pty) Ltd</b>	None	None	Alexandra Fraser	021 888 3355
<b>Investec Asset Management - Africa Private Equity Fund</b>	R 400m	R 700m	Gerben Dijkstra	021 416 1916
<b>Investec Principal Investments</b>	EV greater than R150	None	Arlene Lubbe	011 286 8433
<b>Leaf Capital</b>	R 25m	R 150m	Rick Basson	021 657 1180



Name	Min investments (Rm)	Max investment (Rm)	Contact name	Contact no.
<b>Lereko Metier Capital Growth Fund Managers</b>	R 50m	R 750m	Paul Botha	011 268 4055
<b>Medu Capital (pty) Ltd</b>	R 50m	R 180m	Nhlanganiso Mkwanzazi	011 268 9140
<b>Musa Capital</b>	R 5m	R 100m	Gary Ermann	011 771 6300
<b>National Empowerment Fund</b>	R 250 000	R 75m	Setlakalane Molepo	011 305 8105
<b>Nedbank Capital Private Equity</b>	R 30m	R 130m	Clive Howell	011 294 3321
<b>Nodus Equity</b>	R 10m	R 50m	Erich Schulenburg	011 327 6907
<b>Novare Equity Partners (Pty) Ltd</b>	R 52m	R 207m	Derrick Roper	021 914 7730
<b>Old Mutual Investment Group Alternative Investments</b>	R 75 m	R 2bn	Paul Boynton	021 509 5022
<b>Pan-African Private Equity 1 Fund Managers (Pty) Ltd (PAPE)</b>	R 20m	R 120m	Kuhle Kunene	011 883 8036
<b>Pembani Remgro Infrastructure Managers (Pty) Ltd</b>	None	Not more than 20% of aggregate commitments in a single investment	Marcel Louw	011 290 0231
<b>RMB Corvest (pty) Ltd</b>	R 15m	R 500m	Mike Donaldson	011 380 8300
<b>RMB Ventures</b>	R 50m	R 750m	Simon Murray	011 282 1483
<b>Rockwood Private Equity</b>	R 250m	R 1bn	Gareth Druce	011 895 7266
<b>Sanlam Private Equity</b>	R 100m	R 250m	Alton Solomons	011 778 6613
<b>Sasfin Private Equity Fund Managers</b>	R 10m	R 25m	Neil Eppel	011 809 7500
<b>Senatla Capital</b>	R 10m	R 50m	Owen Maubane	011 784 5929
<b>Sphere Private Equity (pty) Ltd</b>	R 10m	R 50m	Aadil Carim	011 944 7800
<b>Standard Chartered Principal Finance</b>	US\$ 20m	US\$ 150m	Peter Baird	011 217 6885
<b>The Abraaj Group</b>	US\$ 1m	US\$ 300m	Ron den Besten	011 884 2066
<b>Treacle Private Equity (pty) Ltd</b>	R 10m	R 92m	Rudolf Pretorius	011 463 7476
<b>Trinitas Private Equity</b>	R 40m	R 150m	Andrew Hall	011 9949700
<b>Vantage Risk Capital</b>	R 50m	R 360m	Luc Albinski	011 530 9100
<b>Zico Capital (pty) Ltd</b>	R 15m	R 500m	Tshego Sefelo	011 217 3300

Source: SAVCA 2014 Member's Directory and participants of the survey that permitted the disclosure of their participation.

<b>BEE</b>	<p><b>Black Economic Empowerment</b></p> <p>BEE, as defined in the Financial Sector Charter, means the economic empowerment of all black people, including women, workers, youth, people with disabilities and people living in rural areas, through diverse but integrated socio-economic strategies.</p> <p>The definitions used in this survey for BEE companies are stated below:</p> <p>‘Black companies’ refers to companies that are more than 50% owned and are controlled by black people. Control centres on the authority and power to manage assets, the determination of policies and the direction of business operations. ‘Black people’ refers to all Africans, Coloureds and Indians who are South African citizens and includes black companies.</p> <p>‘Black empowered companies’ refers to companies that are more than 25% owned by black people (but not more than 50%) and where substantial participation in control is vested in black people.</p> <p>‘Black influenced companies’ refers to companies that are between 5% and 25% owned by black people and with participation in control by black people.</p> <p>‘Not empowered companies’ refers to companies that are less than 5% owned by black people.</p>
<b>Buy-out</b>	Leveraged buy-out or buy-in Replacement capital
<b>Captive fund</b>	Those funds making investments mainly on behalf of a parent or group, typically an insurance company, bank or institutional asset manager, often from an indeterminate pool of money.
<b>Carried interest</b>	This represents a fee enhancement for a private equity fund manager for achieving a benchmark return or hurdle rate. The fee is often set at 20% of the value of returns achieved in excess of the benchmark return.
<b>DBSA</b>	Development Bank of Southern Africa
<b>Development capital</b>	Funding for growth and expansion of a company which is breaking even or trading profitably.
<b>DFIs</b>	Developmental Finance Institutions
<b>Edcon</b>	Edgars Consolidated Stores Limited
<b>EMPEA</b>	Emerging Markets Private Equity Association
<b>EVCA</b>	European Private Equity and Venture Capital Association
<b>Follow on investments</b>	Investments into companies where at least one round of funding has already been made.
<b>GDP</b>	Gross Domestic Product
<b>GEPF</b>	Government Employment Pension Fund
<b>Gross IRR</b>	IRR before the deduction of management fees and carried interest.
<b>Gross realised IRR</b>	Gross IRR on the total realised portfolio of investments.
<b>Independent fund</b>	Those private equity companies, managers or funds raising and disbursing capital which has been sourced mainly from third party investors.
<b>Investment Holding Company</b>	An investment vehicle that acts as a holding company by owning shares of other companies. Investment Holding companies typically do not have committed investable sources of capital from third parties (as the case with Independents); and typically are able to have longer term investment holding periods.

# Glossary

<b>IPO / Listing</b>	When a company's equity is sold to investors via a listing on an exchange.
<b>IRR</b>	Internal Rate of Return
<b>KPMG</b>	KPMG Services (Proprietary) Limited
<b>LBO</b>	Leveraged buy-out
<b>Leveraged buy-out or buy-in</b>	Funding to enable a management team or empowerment partner, either existing or new, and their backers to acquire a business from the existing owners, whether a family, conglomerate or other. Unlike venture and development capital, the proceeds of a buy-out generally go to the previous owners of the entity. Buy-outs are often leveraged.
<b>M&amp;A</b>	Mergers and acquisitions
<b>MBO</b>	Management buy-out
<b>Mezzanine debt</b>	Debt which ranks behind senior secured debt but ahead of trade credit and shareholders' funds in terms of security. Mezzanine debt is often used in higher leveraged transactions to maximise funding availability from a company's own balance sheet. It may provide for equity-like features such as attached share purchase warrants or participation in cash-flow.
<b>OMIGSA</b>	Old Mutual Investment Group of South Africa
<b>PIC</b>	Public Investment Corporation
<b>Replacement capital</b>	Funding for the purchase of existing shares in a company from other shareholders, whether individuals, other venture-backers or the public through the stock market. Unlike venture and development capital, the proceeds of replacement capital transactions are generally paid to the previous owners of the entity.
<b>SAVCA</b>	The Southern African Venture Capital and Private Equity Association
<b>Seed capital</b>	Funding for research, evaluation and development of a concept or business before the business starts trading.
<b>Semi-captive fund managers</b>	Semi-captive fund managers can be subsidiaries of: a financial institution, an insurance company or an industrial company, that operate as independent companies. They manage funds in which, although their main shareholder contributes a large part of the capital, a significant share of the capital is raised from third parties.
<b>Start-up and early stage</b>	Funding for new companies being set up or for the development of those which have been in business for a short time (one to three years).
<b>Total funding</b>	Total funds raised by all providers of capital during a transaction. This could include the purchase consideration, funds to pay advisors fees, funds required for immediate working capital requirements, etc. This could be in the form of equity, shareholder loans, senior, mezzanine and junior debt and working capital facilities.
<b>Trade sale</b>	Sale of business to a third party, often referred to as M&A and frequently to an acquirer within the industry of the business being sold.
<b>UK</b>	United Kingdom
<b>US</b>	United States of America
<b>Venture capital</b>	Seed capital or Start-up and early stage





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