

PRESENTATION TO NAT-GROWTH EASTERN CAPE

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NEF MANDATE

Main objective

To be a catalyst in facilitating economic equality and transformation

Driven by

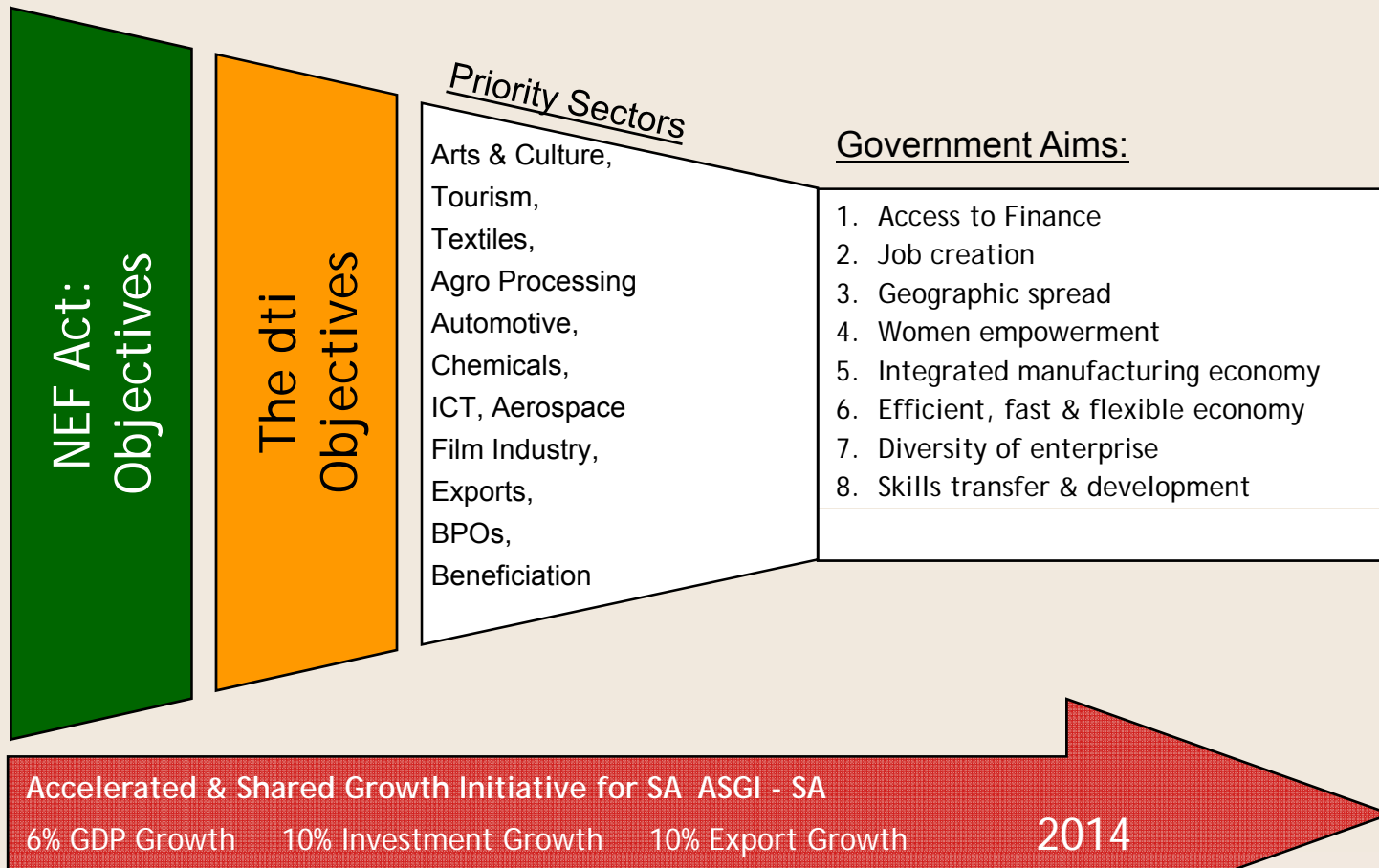
- Current market needs and failures
- Broad-based BEE Act
- Government policy and sectoral charters
- Addressing past failures of BEE structures
- BB BEE Codes of Good Practice

Development focus

Maximise the empowerment dividend

NEF STRATEGIC FOCUS

Broad Based Black Economic Empowerment The Codes of Good Practice



KEY OBJECTIVES OF THE NEF:

- Promote and support business ventures pioneered and run by black people;
- Promote the understanding of equity ownership among black people;
- Provide black people with direct and indirect opportunities to acquire share interests in State Owned and private business enterprises;
- Encourage and promote investments, savings and meaningful economic participation among black people.

NEF STRUCTURED INTO THREE FOCUSED FUNDS

The NEF iMbewu Fund

- Provides debt finance from R250 000 to R5 million (in exceptional cases up to R20 million for Procurement Contracts and Rural & Community Development) for start-up, expansion and equity transformation products

The NEF Corporate Fund

- Provides complex investment debt and equity solutions from R5m to R50m for all products

The NEF Strategic Projects Fund (Office of the CEO)

- Help identify, drive and facilitate broader economic transformation and ensure meaningful participation of black people in strategic industrial projects within the economy

NEF INVESTMENT CRITERIA

- Commercial Viability
- Compliance with all relevant laws
- Black management and operational involvement
- Risk sharing by entrepreneur
- Black women empowerment
- Community involvement
- Black ownership must comply with NEF product criteria
- Return on investment
- Job creation
- Geographic location of business

NEF INVESTMENT CRITERIA

NEF utilize various due diligence modules to assess commercial viability

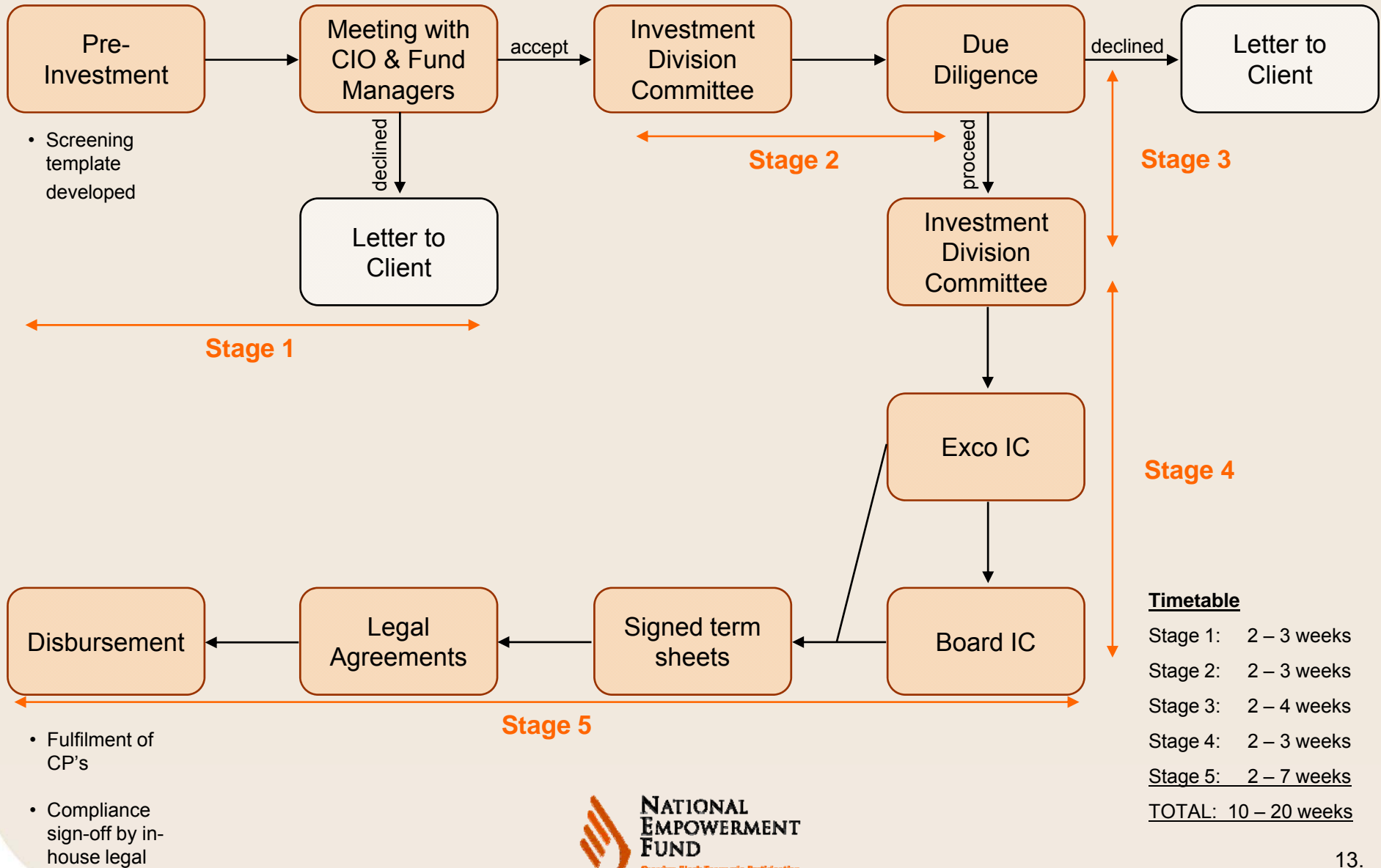
Commercial	Technical	Legal
<ul style="list-style-type: none">• Industry / Sector Analysis• Target Market Analysis• Product / Service Analysis• Marketing Strategy• Pricing Strategy• Competitive analysis	<ul style="list-style-type: none">• Production Process• Technology• Supplier Analysis• Capex Requirements• Operating Cost Analysis• Labour	<ul style="list-style-type: none">• Regulations• Constitutional Documents• Material Contracts• Shareholders Agreements• Probity Checks
Management / Institutional	Environmental	Financial
<ul style="list-style-type: none">• Assessment of Governance Structures• Organisational structure• Group Structure• Assessment of Key Management	<ul style="list-style-type: none">• Health and Safety Issues• Land Claims• Waste Management• EIA	<ul style="list-style-type: none">• Historical Financial Analysis• Financial Projections• Cash Flow Analysis• Profitability Analysis• Capital Structure• Working Capital• Valuation• Capex

NEF'S PERFORMANCE CRITERIA – “The Empowerment Dividend”

The assessment of impact is not driven only by financial returns but by measurement in terms of “The Empowerment Dividend” made up as follows:

- **Broad Based Black Economic Empowerment**
Ownership, management control, employment equity, skills etc
- **Black Women Empowerment**
- **Job Creation**
- **Growth Sectors**
- **Geographic Spread**
- **Investment Return**

INVESTMENT PROCESS

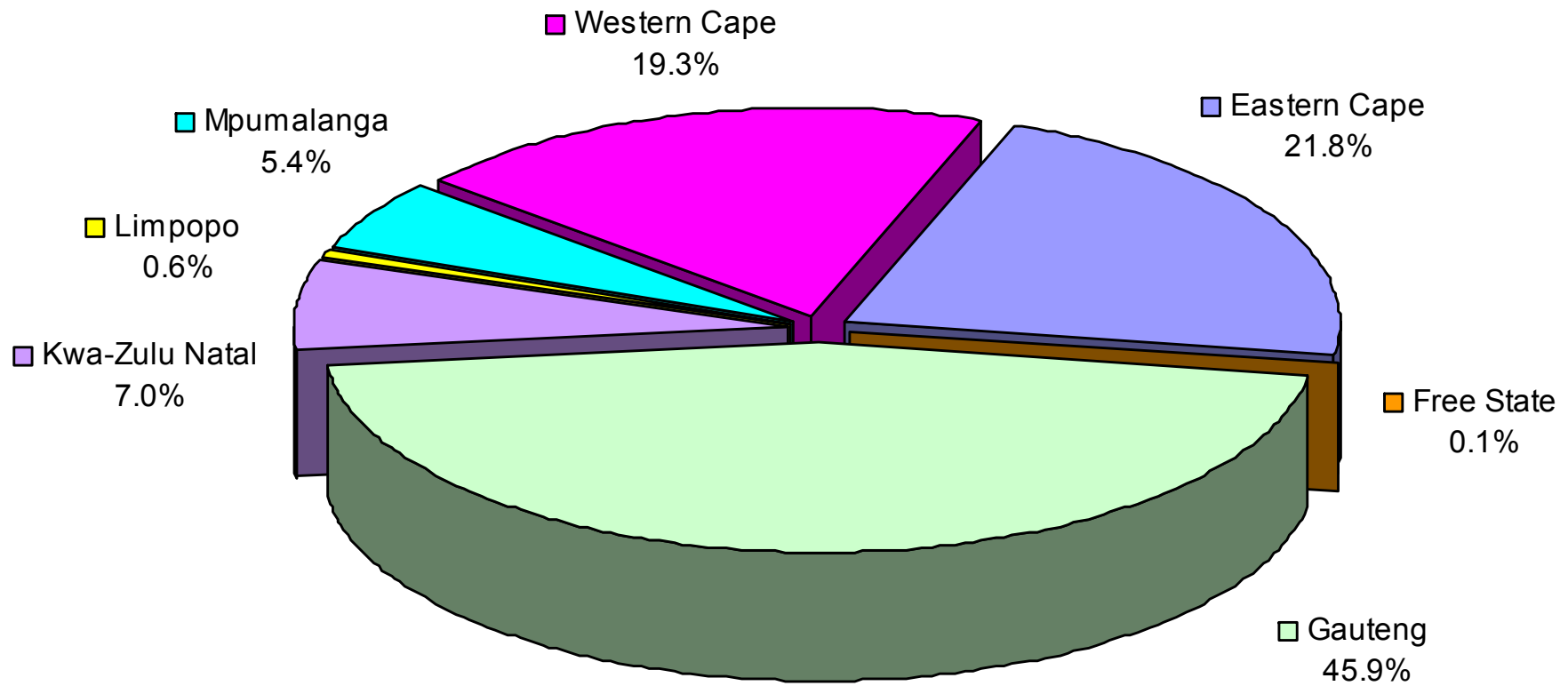


INVESTED PORTFOLIO BY REGION: 31 MARCH 2007

	VALUE	% BY VALUE	BY NUMBER	% BY NUMBER
Gauteng	R 228m	45.9%	50	58.1%
Eastern Cape	R 108m	21.8%	8	9.3%
Western Cape	R 95m	19.3%	14	16.3%
Kwa-Zulu Natal	R 35m	7.0%	8	9.3%
Mpumalanga	R 27m	5.4%	2	2.3%
Limpopo	R 3m	0.6%	3	3.5%
Free State	R 0.25m	0.1%	1	1.2%
Northern Cape	R 0m	0.0%	0	0.0%
North West	R 0m	0.0%	0	0.0%
	R 496m	100%	86	100%

NEF PORTFOLIO

NEF INVESTED PORTFOLIO BY REGION BY VALUE 31ST MARCH 2007



VERIFIED OUTCOMES ASSESSMENT

As at 31 March 2007

- Through our financing activities:
 - 2,928 new job opportunities have been created.
 - The SMEs financed created 3 jobs per R1million
 - Large entities financed created 5.26 jobs per R1million
 - 1,428 new jobs created in the Gauteng region
 - 424 new jobs created in the Eastern Cape region
 - 238 new jobs created in the Western Cape region

BEE MARKET CHALLENGES


- ❑ BEE market challenges include
 - major funding gaps – R772 billion
 - lack of collateral by BEE groups
 - limited specific industry knowledge / management experience
 - Lack of bankable business plans
 - limited or no equity contribution
 - limited knowledge of financial market, financing structures and financial investments

IMBEWU FUND PRODUCT OFFERING

	Entrepreneurship Fund	Procurement Finance	Franchise Fund	RCDP
Size of Investment	R250k to R5m	R250k to R10m	R250k to R5m	R250k to R20m
Principal goal	To support start-up and early stage black-owned SMEs	To support SMEs that have secured contracts through preferential procurement.	To assist black entrepreneurs with acquisition of franchise licenses.	To facilitate involvement and ownership by communities in projects promoting social upliftment.
Types of businesses	<ul style="list-style-type: none"> Co's with clear value add Co's should employ min. of 5 people 	Black owned SMEs	To support franchises that are linked to 30 top franchise brands.	Rural and community projects using entities such as Coops and private companies.
Types of instruments	<ul style="list-style-type: none"> Equity Loans Pref. shares Debentures 	Line of credit drawn down against secured contract.	<ul style="list-style-type: none"> Debt Quasi equity Equity 	<ul style="list-style-type: none"> Debt; Equity Quasi-equity
Black equity thresholds	Min of 50.1%	Min. of 50.1%	Min of 50.1%	Min of 50.1%
Term of Investments	5 years to 7 years (Self liquidating instruments)	Matched to contract term, but generally not exceed 36 months.	5 to 7 years	Up to 10 years
Expected Pricing	IRR of between 10% and 15%, nominal pre-tax	Linked to prime interest rate	IRR of 12% to 15%	IRR of about 10% to 12% nominal, pre-tax

CORPORATE FUND PRODUCTS

	Acquisition Finance	Project Finance	Expansion Capital
Size of Investment	R5m to R50m	R5m to R25m	R5m to R50m
Principal goal	<ul style="list-style-type: none"> To cater for BEE groups seeking to buy equity in existing businesses 	<ul style="list-style-type: none"> To assist BEE with equity contribution to greenfields projects 	<ul style="list-style-type: none"> To provide funding to entities that are already empowered but seek expansion capital.
Types of companies/projects	<ul style="list-style-type: none"> Focus on medium to large companies Partnerships between NEF, BEE, Management and other investors 	<ul style="list-style-type: none"> Medium sized greenfield projects with total funding requirements of between R10m and R200m. 	<ul style="list-style-type: none"> Already empowered companies.
Types of instruments	<ul style="list-style-type: none"> Debt Subordinated debt Preference shares Ordinary equity 	<ul style="list-style-type: none"> Equity and quasi-equity instruments to support BEE. 	<ul style="list-style-type: none"> Term loans Equity Quasi-equity
Black equity thresholds	Minimum of 25.1%	Minimum of 25.1%.	Minimum of 25.1%
Term of Investments / other terms	<ul style="list-style-type: none"> 5 to 7 years Clear exit strategy LBO's and SPV's 	<ul style="list-style-type: none"> Up to 10 years Total project equity \geq 40% NEF exposure \leq 50% of project costs Proven management experience 	<ul style="list-style-type: none"> Up to 5 years
Expected pricing	<ul style="list-style-type: none"> Min. of 15%, nominal pre-tax 	<ul style="list-style-type: none"> NEF IRR – min of 18% pre tax 	<ul style="list-style-type: none"> Linked to overdraft prime rate (debt) Equity priced at target IRR



QUESTIONS & ANSWERS