

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

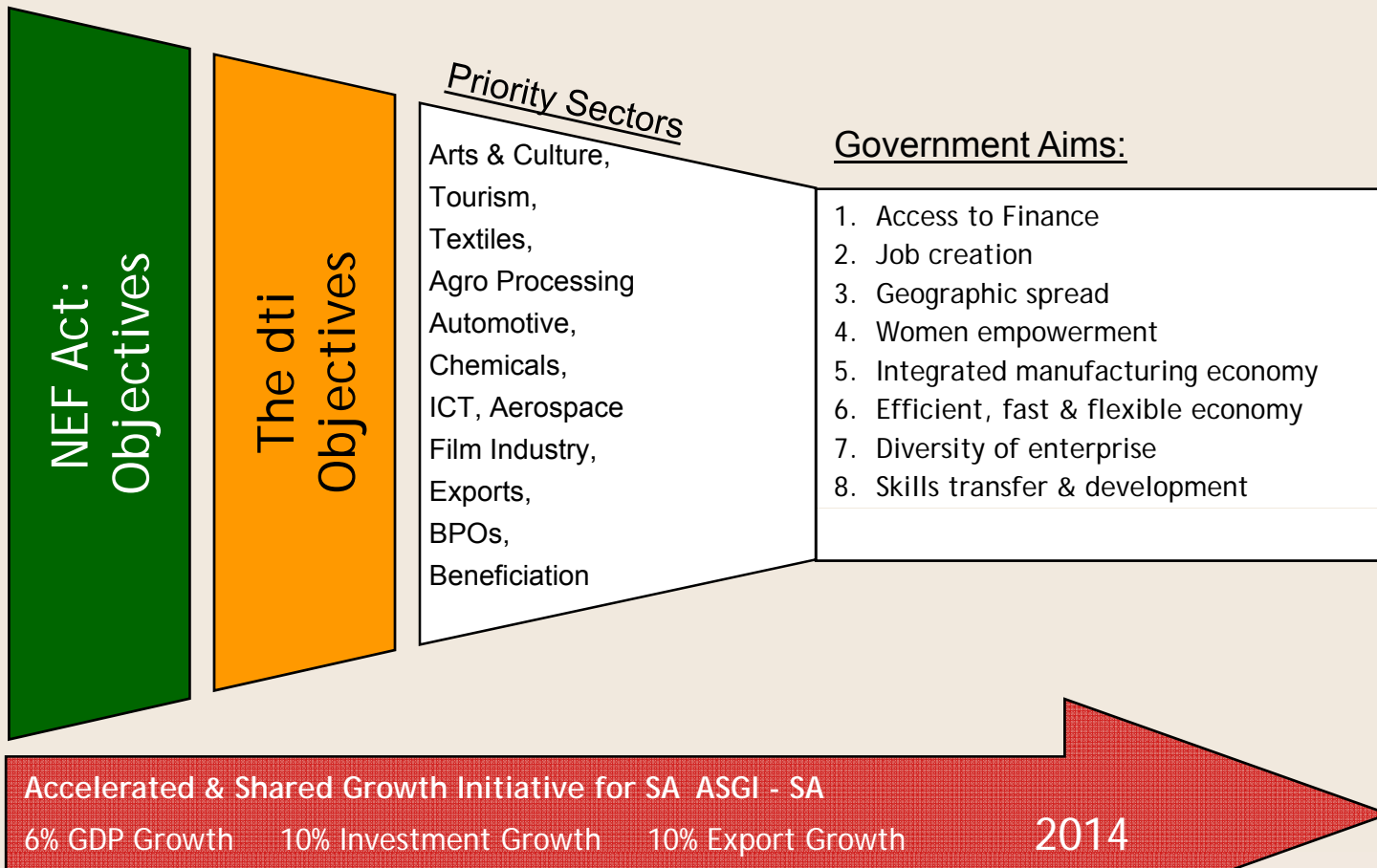
- Current market needs and failures
- Broad-based BEE Act
- Government policy and sectoral charters
- Addressing past failures of BEE structures
- BB BEE Codes of Good Practice

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

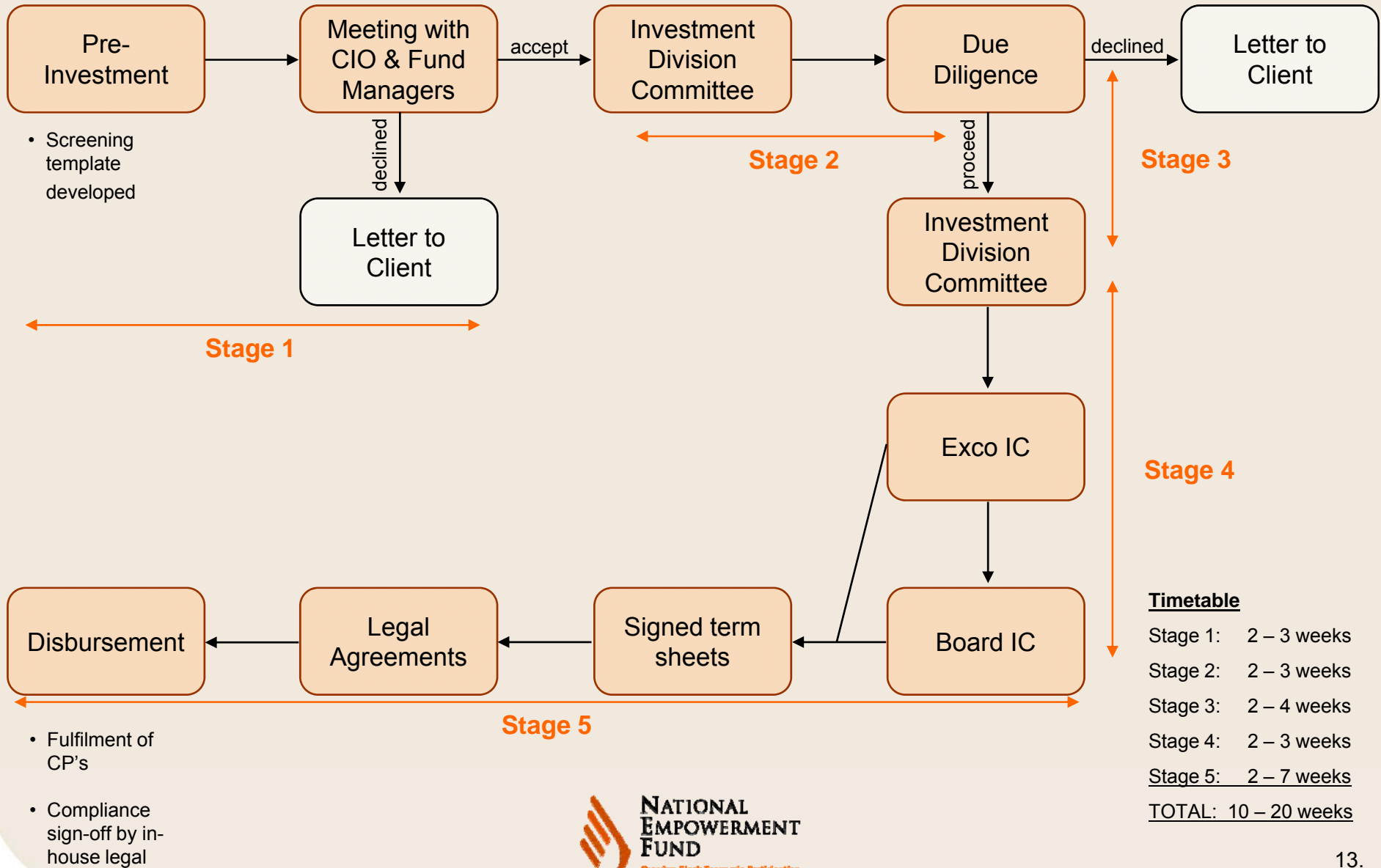
| Commercial | Technical | Legal |
|---|---|---|
| <ul style="list-style-type: none">• Industry / Sector Analysis• Target Market Analysis• Product / Service Analysis• Marketing Strategy• Pricing Strategy• Competitive analysis | <ul style="list-style-type: none">• Production Process• Technology• Supplier 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

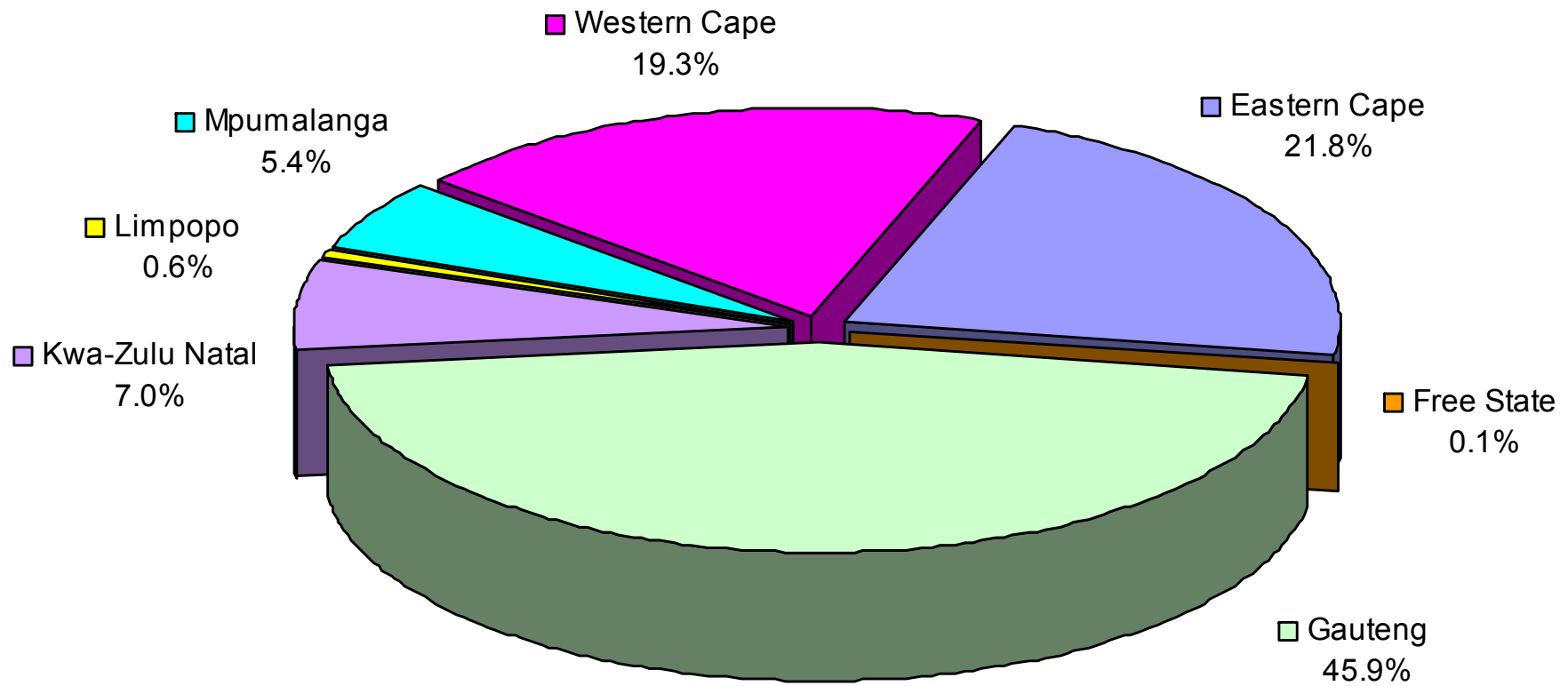


INVESTED PORTFOLIO BY REGION: 31 MARCH 2007

| | 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