

INVESTORS' LEGACY PRIVATE EQUITY STRATEGY

CATALYSING ECONOMIC GROWTH

Sanlam is **supporting the recovery of South African businesses** negatively impacted by Covid-19 – from **SMEs to large corporates** – with a **committed investment of R2.25 billion** into three strategies. This committed investment aims to **mobilise further capital** from like-minded investors to help **catalyse** the much required **growth of the economy**, post-lockdown.

In doing so, our aim is to be part of the drive to preserve value in businesses to which our investment community is currently exposed.

"DO YOUR LITTLE BIT OF GOOD WHERE YOU ARE; IT'S THOSE LITTLE BITS OF GOOD PUT TOGETHER THAT OVERWHELM THE WORLD."

DESMOND TUTU

IMPACT OF COVID-19 ON SOUTH AFRICA

The impact of Covid-19 is that unemployment in South Africa could reach 50%, 2.5 million jobs could be cut and wages are expected to fall by as much as 30%. This strategy provides equity and quasi-equity liquidity to medium-sized companies to ensure business continuity, with a focus on job preservation, inclusive growth and job quality, while seeking attractive returns across a diversified portfolio of investments.

INSTRUMENT THESIS

Our preference is to be the lead financial investor in the shareholder base.

A minimum of negative control with significant influence through contractual rights.

Strategy to be structured as a black-owned fund manager as key differentiator.

Value add: value-creation strategy including industry experts as our partners.

Our impact: job preservation and inclusive job growth.

INVESTMENT FEATURES

Predominantly equity and mezzanine instruments to provide liquidity, as well as buy-and-build platform investments.

Capital allocations to other parts of the capital structure where the risk/return profile and ability to self-liquidate outweigh an equity participation in the same opportunity.

Select listed equity opportunities.

INDUSTRY FOCUS

Generalist in nature targeting consumer, industrial, healthcare, financial services and business services.

Excluded industries include primary agriculture, resources and any industries specifically excluded by investors.

No start-ups and early-stage ventures.

TRACK RECORD

As an institution, we have over 20-years of private equity investing. Our current portfolio has outperformed the Riscura private equity benchmarks by vintage year (2007-2008) and fund size (over ZAR1 billion).

INVESTMENT PHILOSOPHY

The five key elements of our investment philosophy are supplemented by a value creation and environmental, social and governance (ESG) strategy applied from due diligence to exit.

1. Invest in a diversified portfolio of attractive well-established medium-sized businesses alongside proven entrepreneurs and management.

2. Gain significant influence or control to drive strategic direction and unlock value-creating initiatives and manage all capital allocation decisions and the realisation process.

3. Strong focus on attractive acquisition prices to minimise the risk of capital loss.

4. Limit debt levels to ensure the business has a sustainable capital structure.

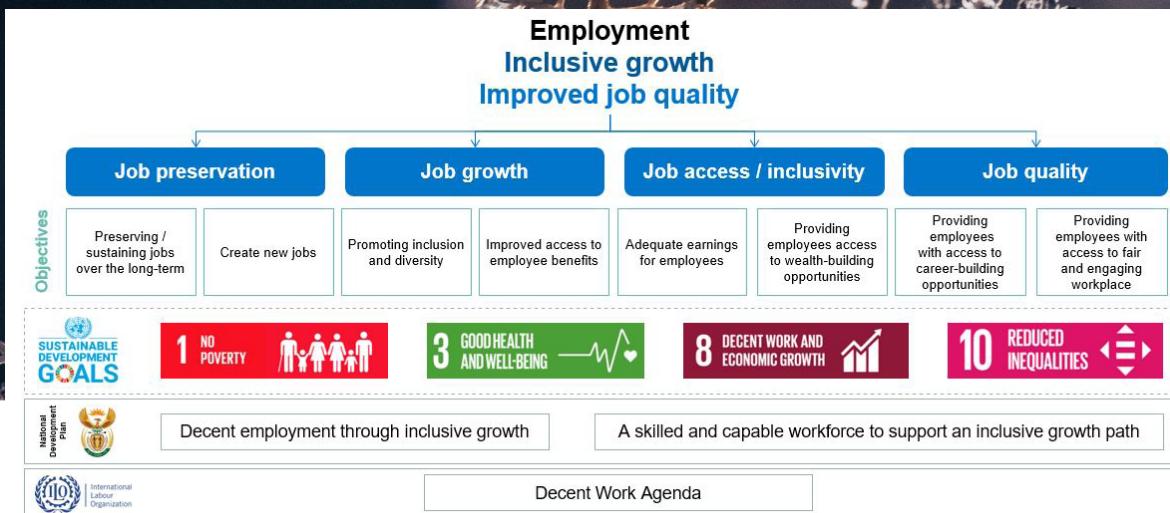
5. Focus on cash generated by portfolio companies for shareholder distributions and/or to support enhanced growth.

KEY INVESTMENT TERMS

Structure	En commandite partnership
Target Return	25% per annum
Minimum Investor Commitment	R50 million
Targeted Investment Size	R2.5 billion, maximum R3 billion (includes R1 billion Sanlam commitment)
Commitment period	5 years
Term	10 years with maximum 2 years' extension
First close	30 September 2020; minimum R1.25 billion
Final close	30 June 2021



OUR IMPACT & ALIGNMENT WITH THE UNITED NATIONS' SUSTAINABLE DEVELOPMENT GOALS



THE INVESTMENT CASE FOR PRIVATE EQUITY

Private equity is an important driver of economic growth and job creation, while generating attractive returns for investors. The private equity market in South Africa is well established and significant in size relative to most emerging markets. We find ourselves at an attractive stage in the investment cycle, with the current environment opening up appealing opportunities for private equity investors.

Advantages of investing in private equity include:

- **Unique opportunities** – access to investments that listed markets don't offer, with investors able to gain exposure to under-represented sectors on the JSE and companies with high growth prospects that are too small to be listed.
- **Long-term growth potential** – over a long investment period, investment returns in the private market typically outperform public markets on both a risk-adjusted and absolute basis.
- **Stability** – factors which impact returns in public equity markets (such as volatility, investor sentiment and the tendency to focus on quarterly results) have less effect on the valuations of private market assets.

HOW DO I INCORPORATE PRIVATE EQUITY INTO MY PORTFOLIO?

Private equity offers investors the opportunity to earn uncorrelated and attractive returns over the long term, with returns predominantly driven by:

- equity risk exposure to the underlying assets' cash flows and growth opportunities.
- the skill of the management team.
- scarce investment opportunities.
- an illiquidity premium to compensate investors for locking up capital for an extended period of time.

This asset class typically exhibits lower volatility than listed assets and is not highly correlated with assets in traditional portfolios.

OUR TEAM

We have a dedicated team of experienced individuals with in-depth private equity knowledge and a strong track record of partnering with owner-managed, entrepreneurially-run, mid-sized companies. John Seymour and Paul Moeketsi lead the growing team and are responsible for the strategic development of Sanlam Investments' private equity business. The team leverages off a senior external adviser and independent non-executive investment committee members.



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Together we can make a real, sustainable difference. We've invested R1 billion into this strategy and are looking for like-minded partners to co-invest alongside us to save jobs and livelihoods.

ESG

Doing no harm.