

INVESTORS' LEGACY SME DEBT 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.

**“IF YOU WANT TO GO FAST,
GO ALONE. IF YOU WANT TO
GO FAR, GO TOGETHER.”**

AFRICAN PROVERB

IMPACT OF COVID-19 ON SOUTH AFRICA

This strategy provides private debt finance to quality SMEs in various sectors which have been negatively impacted by the coronavirus pandemic. The intention is to generate financial returns for investors while preserving and creating jobs. 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%.

INSTRUMENT THESIS

- Investments are made into commercially-viable businesses that will struggle to access the necessary liquidity and growth funding in the midst of the pandemic, due to reduced risk appetite of traditional lenders.
- Our impact: job preservation and inclusive job growth

INVESTMENT FEATURES

Predominantly senior secured debt (may include subordinated debt and unsecured debt)

INDUSTRY FOCUS

Generalist in nature, with emphasis on sectors that have been most impacted by the pandemic.

TRACK RECORD

- 10-year track record in similar strategies (annualised return over 10% for all periods longer than 12 months).
- No negative months (absolute return focus).
- Manages R1.5 billion in similar strategies.

INVESTMENT PHILOSOPHY

1. Seek to preserve and create jobs while delivering positive returns in post Covid-19 market conditions.

2. Invest in attractive, financially sound, small and medium-sized businesses with proven entrepreneurs and management that operate in growing or mature markets.

3. Focus on actively managing the process – from desktop due diligence and on-site evaluations, to ongoing monitoring of the key elements of the transaction that impact the borrower's ability to repay the loan.

4. ESG and impact assessment are applied to investee companies in order to support businesses to make a meaningful, sustainable difference

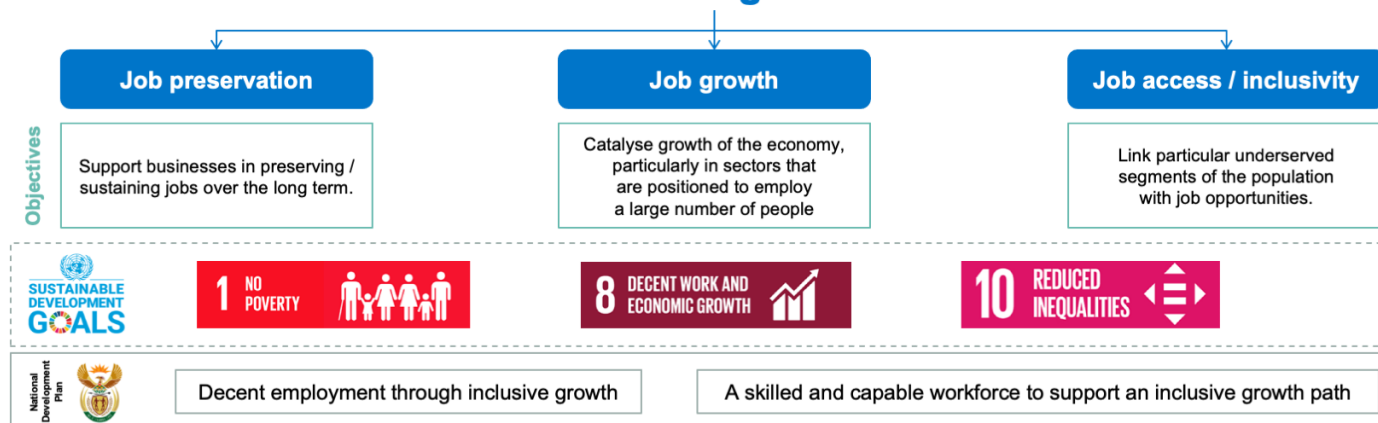
KEY INVESTMENT TERMS

Structure	En commandite partnership
Target return	3-month Jibar + 6% p.a.
Minimum investor commitment	R20 million (flexible at GP's discretion)
Target investment size	R1 billion, maximum R1.5 billion (includes R250 million Sanlam commitment)
Commitment period	3 years
Term	5 years with maximum 2 years' extension
First close	31 August 2020; minimum R300 million
Final close	30 June 2021



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

Employment Inclusive growth



THE INVESTMENT CASE FOR SME DEBT

- **Positive social impact** - providing capital to SMEs that have been negatively impacted by the pandemic, with the intention of preserving and creating jobs.
- **Crucial support for: real economy** - we provide financial support to businesses which make a significant contribution to GDP and employment growth.
- **Attractive investment opportunity** - we invest in high quality-businesses that are underserved by traditional lenders.
- **Implied inflation protection** - Returns are positively correlated with interest rates.
- **Lower risk of capital loss** - Seniority of loans, security backing transactions and robust covenants.

HOW DO I INCORPORATE PRIVATE DEBT INTO MY PORTFOLIO?

- By allocating private debt into your portfolio, you have the opportunity to earn returns that are not highly correlated with other assets in traditional portfolios. In addition, it offers returns driven through idiosyncratic credit risk, structural changes in the market that have seen banks change their lending policies, and an illiquidity premium.
- Investors also benefit from inflation protection and downside protection (potential loss of capital), reducing overall portfolio volatility.

OUR TEAM

Our specialist female-led private debt team has a strong track record, with over a decade of experience specifically dedicated to private debt. The team is supported by a credit, investment and impact Committee, which includes independent members with extensive relevant experience, and has the ability to leverage Sanlam's central function of highly experienced credit professionals.



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ESG
Doing no harm.

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.

IMPACT
Doing good