



Private Equity:
An alternative asset class

Investments



WHY CONSIDER THIS ASSET CLASS?

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 avenues for skilled 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 that 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.



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 well-established, medium-sized businesses, alongside proven entrepreneurs and management.

2

Gain significant influence or controlling shareholdings to implement strategic value-creating initiatives and to manage all capital allocation decisions and the realisation process.

3

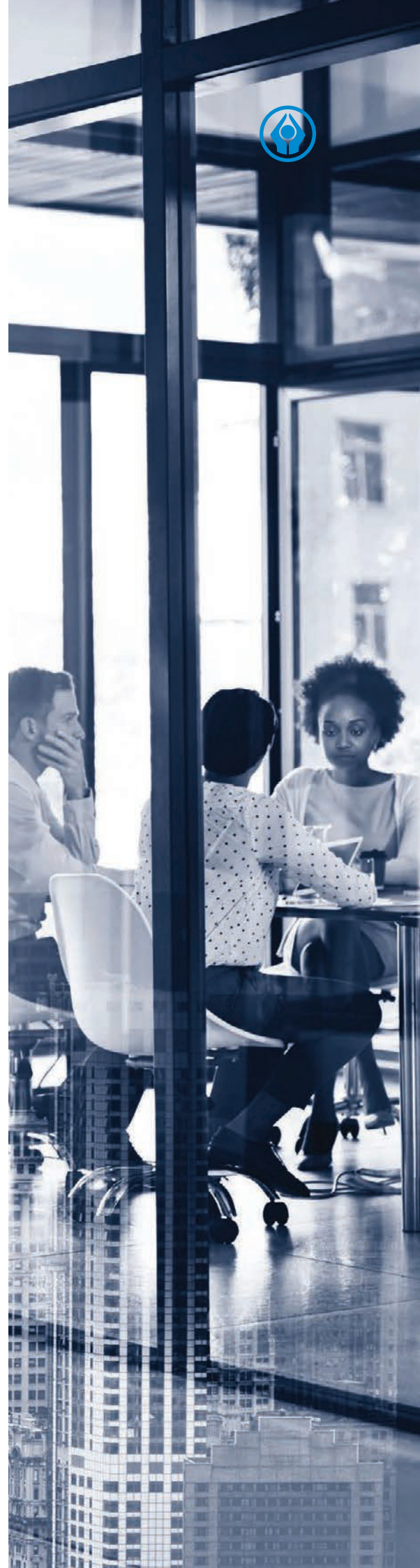
Strong focus on attractive acquisition prices to reduce the risk of capital loss.

4

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

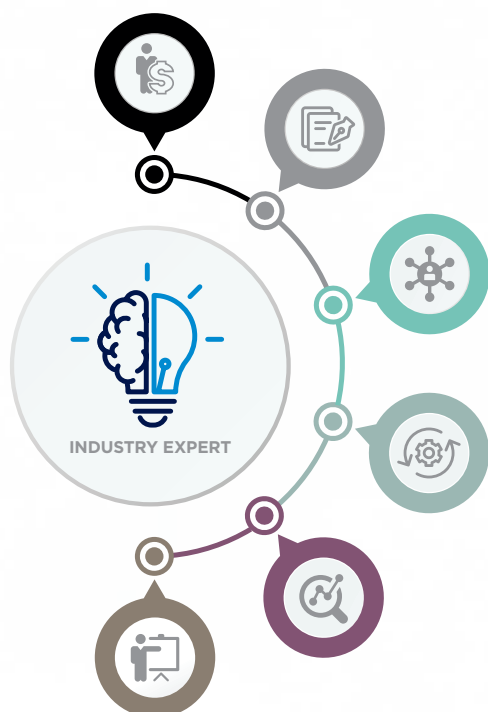
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Focus on cash generated by portfolio companies for shareholder distributions and support enhanced growth opportunities.



A DIFFERENTIATED VALUE CREATION STRATEGY

An integral part of our unique value creation strategy is our access to in-depth industry expertise. Industry experts are identified at the onset of the investment process and work with us throughout the investment life-cycle.



- Co-invest alongside management, ensuring alignment of interests.
- Strategically assist with operational management where required.
- Source additional resources and opportunities for investee companies through leveraging commercial networks.
- Ensure efficiency in our initial screening process and provide access to additional deal origination.
- Perform initial commercial assessment of each investment opportunity including competitive positioning and growth prospects.
- Perform joint commercial due diligence and formulate a value creation strategy with management.



ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG) MANAGEMENT

We believe that **incorporating ESG considerations** into the way we operate as a business, and embedding these in the way we invest on behalf of our clients, is essential for our long-term success.

ESG in the investment process

ESG considerations are fully embedded into our decision-making processes through our comprehensive ESG management system which is aligned with internationally accepted standards.

Various procedures and tools support the incorporation of ESG into each stage of the investment process, from evaluation to exit, with ESG criteria for each investment being measured, monitored and reported.

Creating value for investors

We actively seek to create value through a dedicated ESG value-add framework. This process aims to identify, qualify and assess any potential ESG value-add opportunities for each prospective investment.

An ESG action plan will be agreed with each investee company to ensure alignment on implementation as well as ongoing monitoring and measurement.

Sanlam as a good corporate citizen

Sanlam Investments is aligned with the Principles for Responsible Investment and the Code for Responsible Investing in South Africa.

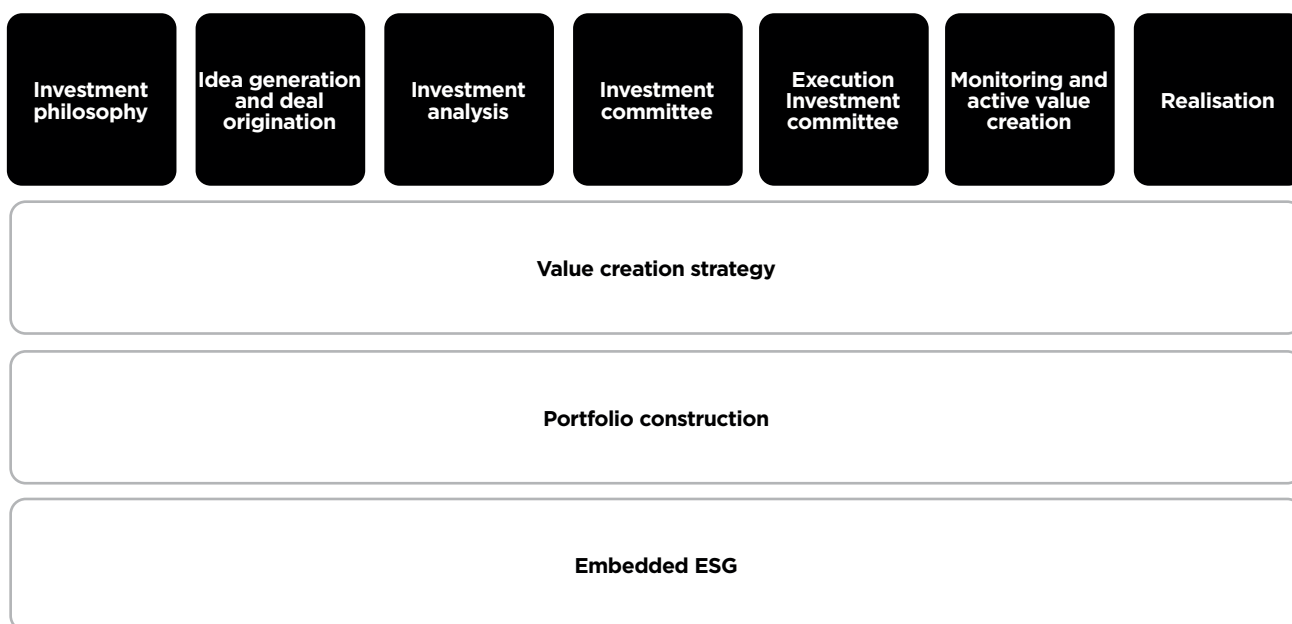
Sanlam is a constituent company in the FTSE/JSE Responsible Investment index and is the only local insurer included in the Dow Jones Sustainability index.

We have been a signatory of the Carbon Disclosure project since 2007.

We focus on driving, measuring and reporting on positive outcomes linked to our key impact themes of inclusive growth and job quality. Key objectives are aligned with national and global priority areas, i.e. the Medium Term Strategic Framework and United Nations Sustainable Development Goals.



OUR INVESTMENT PROCESS



KEY DRIVERS OF PERFORMANCE

For private equity investments to consistently maintain strong returns in the current investment environment, a team that has the right combination of skills and industry knowledge is essential.

- We focus on using our expertise and influence to create value in businesses rather than financial engineering or aggressive cost-cutting measures.
- We work closely with industry experts, from initial assessment to exit, to strategically assist management of portfolio companies with:
 - Executing sustainable earnings growth strategies.
 - Ensuring that earnings growth translates into cash generation.
 - Driving responsible and effective capital allocation.
 - Positioning the company for multiple expansion.



KEY DIFFERENTIATORS

For private equity investments to consistently maintain strong returns in the current investment environment, a team that has the right combination of skills and industry knowledge is essential.

- Sanlam Investments has over 20 years' experience in private equity and our team members have a strong track record of partnering with owner-managed, entrepreneurially-run, mid-sized companies.
- We benefit from the strong institutional support of the Sanlam Group which has been operational for over 100 years and can offer strong empowerment credentials to our investee companies.
- We have access to complimentary debt products within the Sanlam Group that allow us to provide investee companies with total financing and investment solutions.
- We benefit from the Sanlam Group's strong focus on risk management and governance, with our private equity business additionally overseen by our Alternatives Risk and Governance Committee where key risks are escalated, managed and monitored.
- Our seasoned deal team is co-invested, aligned with investor interests and has a unique network of commercial experts that partner with us to execute on our unique value creation strategy.
- We follow a disciplined investment process with an embedded ESG framework.
- We are growth capital orientated and do not rely on excessive use of financial leverage to generate returns.



A close-up, profile view of a man with dark, curly hair, looking thoughtfully to the right. The lighting is dramatic, with strong highlights on his face and deep shadows elsewhere. The background is blurred, suggesting an indoor setting with other people.

HOW DOES AN ALLOCATION TO THIS ASSET CLASS **FIT 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 (i.e. exposure to the underlying assets' cash flows and growth opportunities)
- the skill of the management team
- scarce investment opportunities
- an illiquidity premium (i.e. 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 to 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 are responsible for the strategic development of Sanlam Investments' private equity business.



JOHN SEYMOUR | CHAIRMAN

John has a track record of more than 22 years as a business founder, venture capitalist and private equity investor. John is chairman of the Sanlam Investments private equity fund, which now has ZAR3 billion in assets under management. Previously he was Venture Partner for Rand Merchant Investment Holdings, co-founder of a USD150 million private equity-backed Sub-Saharan Africa FMCG investment platform, member of RMB's Management Board, Credit and Investment Committee, director of South Africa's first No-Load Mutual Fund platform and founding member of Deloitte & Touche Capital Markets Group. John sits on several company boards and is a mentor for the Endeavor Entrepreneur network.

John is a member of the South African Institute of Chartered Accountants.



PAUL MOEKETSI | MANAGING PARTNER

Paul joined the private equity team as managing partner and is responsible for strategic development of the third party private equity business. Prior to joining Sanlam Investments, Paul was an investment director at Value Capital Partners (VCP), an activist investment firm applying private equity principles to JSE-listed company investments, and served on the boards of Adcorp Holdings, Metair Investments Ltd and Sun International Ltd. Prior to VCP, Paul spent eight years as a principal at Medu Capital, a leading mid-market private equity firm, where he led and executed a number of high profile private equity transactions. Prior to Medu Capital, Paul was a corporate finance consultant at Investec Corporate Finance.

Paul is a member of the South African Institute of Chartered Accountants and completed a senior executive programme from the London Business School.



MARK BOWMAN | SENIOR ADVISER

Mark is a senior adviser to the private equity team and brings a well-established track record of strategic commercial experience, having served (and currently serving) as non-executive director on multiple boards, namely Grand Parade Investments Ltd, Devil's Peak Brewing Company, DISCHEM, Mr Price Group, Truman & Orange and Tiger Brands. Prior to this Mark was managing director for SAB Miller Africa, managing director for Kompania Piwowarska (owned by SAB Miller), and served as Chairman for Appletiser. Prior to that, Mark was managing director for ABI (Coca Cola bottling company).

Mark has a Masters of Business Administration from the University of Cape Town.

PRIVATE EQUITY TEAM CREDENTIALS

ASSETS UNDER MANAGEMENT:

R3 BILLION



Investment team of 7 professionals, over 80 years' combined investment and financial markets experience.

Investing in private equity since 1998

INVESTMENTS INCLUDE:



Growth Capital

Largest shareholder in fast-growing, managed fibre-optic broadband connectivity providers. Invested through two rounds in 2014 and 2019.



Growth Capital

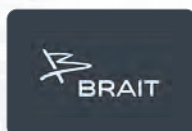
Expansion capital for store growth for one of the largest corporate pharmacy groups in 2014, exited pre IPO.



Replacement Capital

Controlling interest acquired with management in a 32-store KFC franchise portfolio in 2018.

AN INVESTMENT TEAM WITH DEEP, COMPLIMENTARY EXPERIENCE:







Sanlam Investments consists of the following authorized Financial Services Providers: Sanlam Investment Management (Pty) Ltd ("SIM"), Sanlam Multi Manager International (Pty) Ltd ("SMMI"), Satrix Managers (RF) (Pty) Ltd, Graviton Wealth Management (Pty) Ltd ("GWM"), Graviton Financial Partners (Pty) Ltd ("GFP"), Satrix Investments (Pty) Ltd, Amplify Investment Partners (Pty) Ltd, Sanlam Credit Fund Advisor Proprietary Limited, Sanlam Africa Real Estate Advisor Proprietary Limited, Simeka Wealth (Pty) Ltd and Sanlam Asset Management Ireland ("SAMI"); and has the following approved Management Companies under the Collective Investment Schemes Control Act: Sanlam Collective Investments (RF) (Pty) Ltd ("SCI") and Satrix Managers (RF) (Pty) Ltd ("Satrix"). The information does not constitute financial advice, is intended for broker training purposes and may not be distributed to any investors. While every effort has been made to ensure the reasonableness and accuracy of the information contained in this document ("the information"), The FSP's, its shareholders, subsidiaries, clients, agents, officers and employees do not make any representations or warranties regarding the accuracy or suitability of the information and shall not be held responsible and disclaims all liability for any loss, liability and damage whatsoever suffered as a result of or which may be attributable, directly or indirectly, to any use of or reliance upon the information.



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