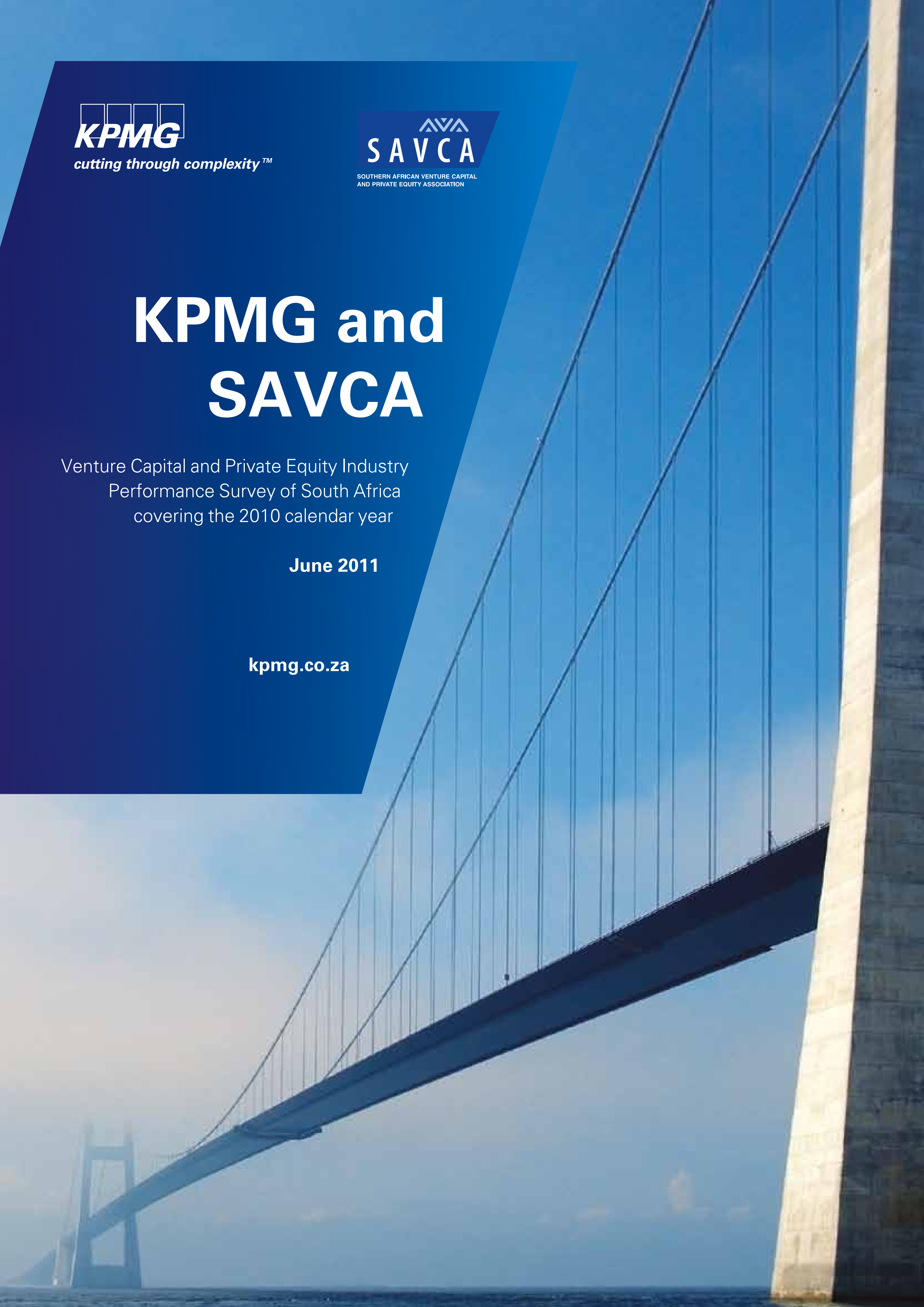


KPMG
cutting through complexity™

SAVCA
SOUTHERN AFRICAN VENTURE CAPITAL AND PRIVATE EQUITY ASSOCIATION

KPMG and SAVCA

Venture Capital and Private Equity Industry Performance Survey of South Africa covering the 2010 calendar year

June 2011

kpmg.co.za

Contents

Foreword

In finalising the data for this survey, both KPMG and SAVCA are again proud to have collaborated for the 11th consecutive year to produce the 2010 KPMG and SAVCA Venture Capital and Private Equity Industry Performance Survey.

For the first time we have advanced from the previous Excel based questionnaire to an online platform, which has seen increased participation and faster data collation: Questionnaires were sent to a number of entities that indicated that they would consider participating in the survey, 65 of them representing 75 funds completed the questionnaire (2009, 41 and 61 respectively).

This year's survey has highlighted the remarkable resilience of our industry in the face of difficult market conditions. Not only are we seeing signs of recovery in terms of the amounts raised and acquisitions made, but during the year, SAVCA and RisCura Analytics quarterly performance reports showed some very positive returns: The pooled net IRR for private equity beats the compound annual growth rate from the FTSE/JSE All Share Index (ALSI), the FTSE/JSE Financial and Industrial Index (FINDI) and the FTSE/JSE Shareholder Weighted Total Return Index (SWIX).

South Africa was fortunate that during the financial crisis, the country was deeply involved in infrastructurally gearing up for the 2010 FIFA Football World Cup™. This coupled with decreasing interest rates and our financial institutions being relatively insulated from sub-prime investments, South Africa "escaped" a significant downturn. This has not gone unnoticed and some of the larger international private equity houses who are making some serious enquiries of the South African market. Their interests, as well as many other private equity funders are also extending to the north of our borders.

Africa as the "last frontier" with its growing/urbanising populations, mineral wealth and even its natural hedge with regards food security, is looking increasingly attractive to investors. Walmart's public acquisition of Massmart and the potential to expand its operations into Africa will surely lead the way for others, and with it opportunities in various sectors for private equity.

It is always rewarding to reflect on the fact that private equity is a medium to longer term investment with the primary goal of stimulating growth. This is supported by the results of the 2009 SAVCA/DBSA economic impact study which compared 327 private equity portfolio companies to comparable listed entities, where in the areas of turnover growth, pretax profit growth, growth in exports, employee growth and R&D expenditure, the private equity portfolio companies excelled.

In South Africa, the private equity industry has again entrenched and facilitated BEE in their portfolio companies. BEE private equity funds have over the past 11 years risen to take their rightful position on the private equity stage. In addition, black investment professionals in the industry now total 43% of the industry's total.

The rise of the Independent and Captives-Financial Services funds over the past 10 years have been significant and the primary driver to the growth in the industry. In 1999 these funds totaled just R16.8 billion, today they total R80 billion. It is the private sector and its entrepreneurial spirit that has helped drive and maintain the industry at its current heights.

Turning to the actual results for the 2010 calendar year, we will leave the reader to reflect on the detail in the report, however, it is worth noting that the total funds under management have fallen from R105.4 billion to R97.6 billion in 2010. Undrawn commitments remain at a healthy R31 billion. Add to this the potential of gearing and the interest shown by some of larger international private equity houses, the potential for some large transactions is becoming greater.

SAVCA and KPMG in South Africa would like to thank all the participants who took part in the survey.

A special word of thanks to the survey sub-committee who played a critical role in compiling this survey. We would also like to thank the Private Equity Markets team at KPMG for their tireless efforts in producing this survey.

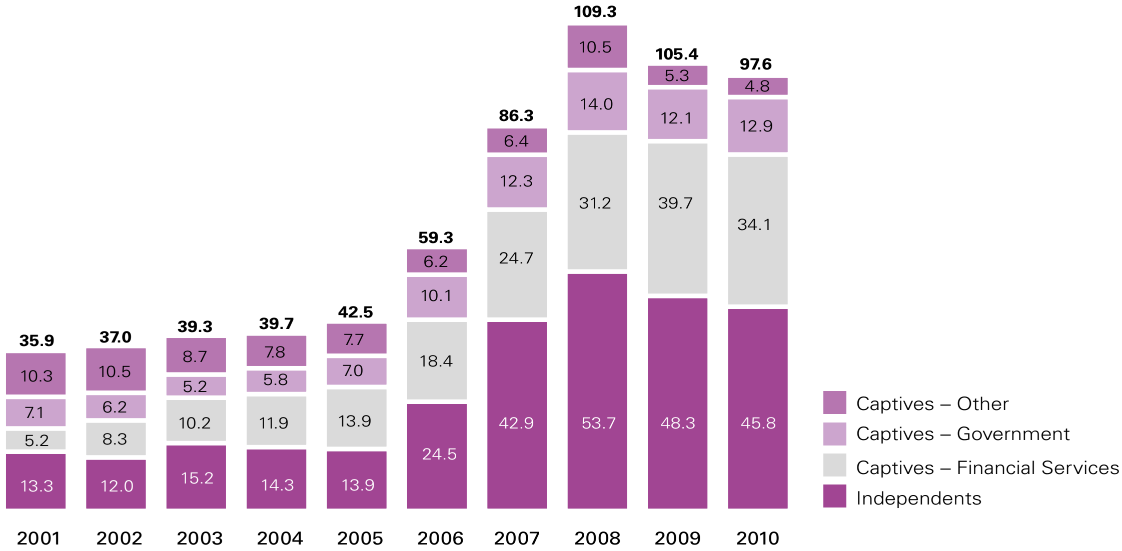
Warren Watkins
Director – KPMG Services (Pty) Ltd
Head of Private Equity Markets –
Africa Region

J-P Fourie
SAVCA – Executive Officer

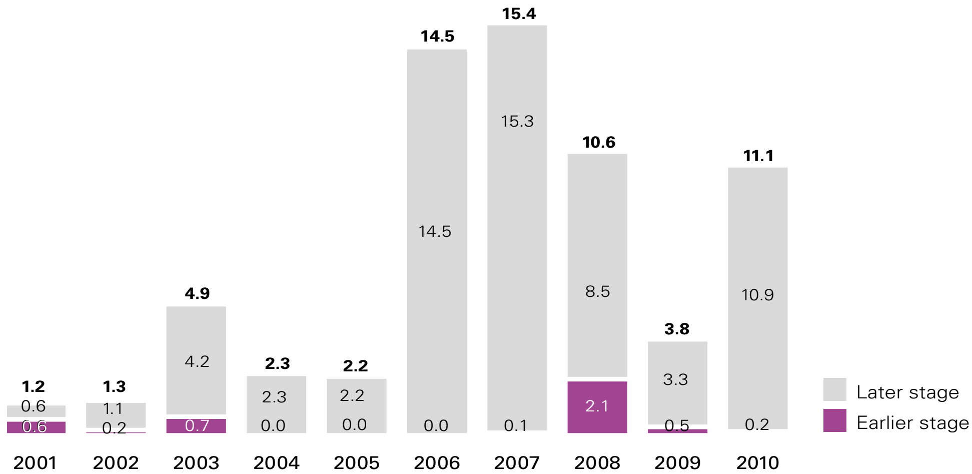
Highlights

- South Africa's private equity industry has R97.6 billion in funds under management at 31 December 2010, a decrease of 7.3% from R105.4 billion at 31 December 2009
- At 31 December 2010, funds under management (excluding undrawn commitments) were 3.6% of GDP. Funds under management have had a compound annual growth rate of 10.2% (excluding undrawn commitments) since 1999 when this survey began
- R31.0 billion in undrawn commitments at the end of 2010 is available for future investments. This represents an decrease of 11.4% from the R35.0 billion of undrawn commitments at the end of 2009
- Third party funds raised in 2010 amounted to R 11.1 billion, a significant increase from 2009 (R 3.8 billion)
- R 10.4 billion of investments were made in 2010, compared to R 7.2 billion in 2009
- Captives-Government and fund managers that are black owned, empowered or influenced had R75.5 billion of funds under management at 31 December 2010, representing 77.4% (2009:79.1%) of the total funds under management. This is a decrease of 9.5% from the R83.4 billion at the end of 2009
- 42.4% of all funds raised during 2010 were from South African sources (2009: 50.3%).
- Investments in entities that are black owned, empowered or influenced are down 14.3% from R5.6 billion during 2009 to R4.8 billion during 2010. This excludes the investment activities of Captives-Government
- Funds returned to investors amounted to R 17.3 billion (including Venfin's disposal), against R 2.0 billion in 2009.

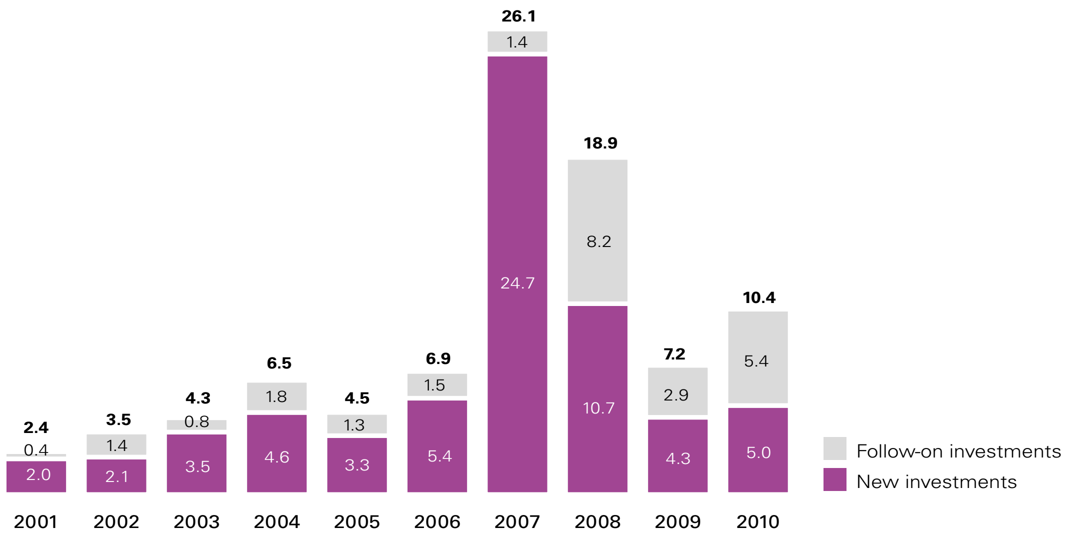
Composition of total funds under management at year end (Rbn)



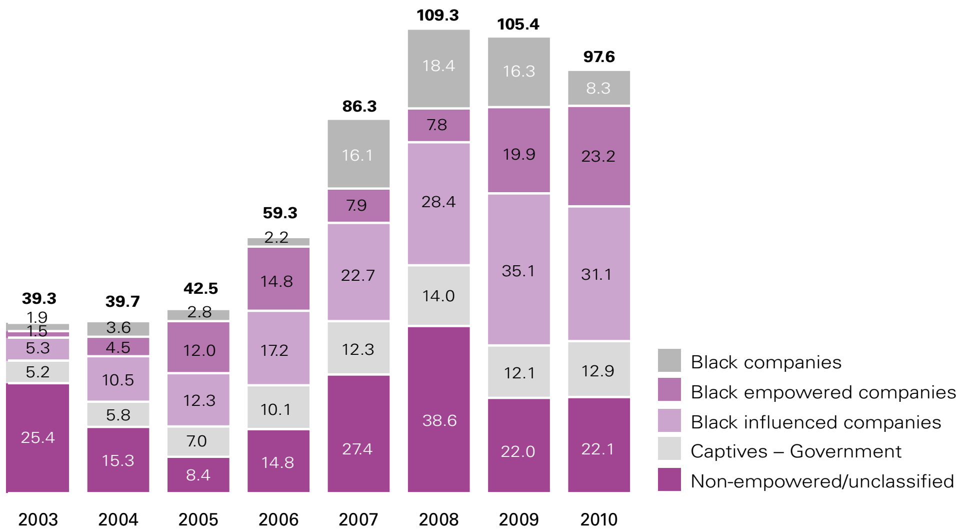
Third party funds raised during the year, analysed by fund stage (Rbn)



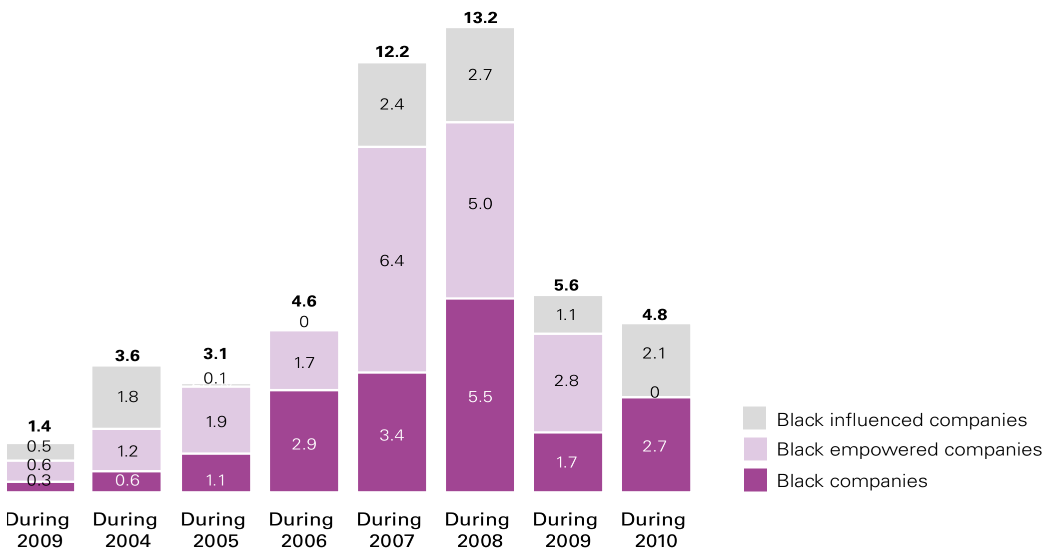
Cost of investments during the year, analysed by new and follow-on investments (Rbn)



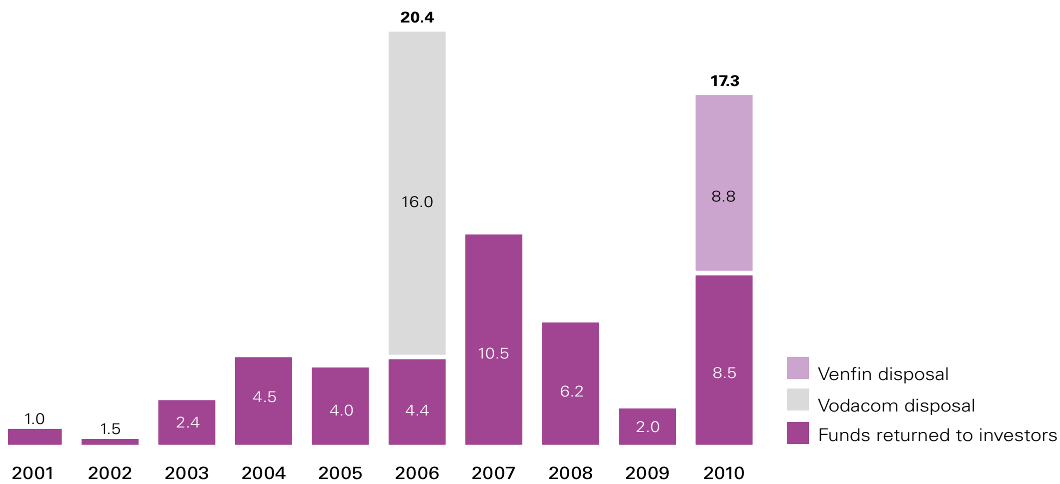
Funds under management by BEE fund managers at year end (Rbn)



Cost of BEE investments made during the year (Rbn) (excluding Captives – Goverment)



Funds returned to investors during the year (Rbn)



Sources of information

The principal source of information for this survey was the survey questionnaire. In addition we have used SAVCA's 2011 Handbook, held discussions with certain private equity industry participants, as well as sourced public information on private equity funds, including international surveys.

The survey questionnaire was developed jointly by KPMG in South African and a specially constituted SAVCA sub-committee.

For clarity, the guidelines for participation in this survey are as follows:

Participants must:

- Have as their principal business the management of capital (third party and / or proprietary capital) for the provision of capital (equity or quasi equity) primarily to unlisted companies
- Employ professionals - dedicated to the management of the capital and the investments made using the capital (and capital from other providers)
- Generate returns - mainly through medium to long-term returns on investment and / or social development returns.

Investments should be included if, they are made in South Africa, regardless of where they are managed from.

We note that determining the level of private equity industry activity is not an easy task. Whilst certain parties lobby for a more inclusive approach to measurement, others believe that overstating the level of local activity is a disservice to the industry as this could possibly reduce the appetite of Development Financing Institutions (DFIs) and foreign investors to commit funds to South Africa in favour of other under-funded emerging markets. The 'purists' also argue that this survey should only measure the activity of the independent funds, as these form the core of the professionally managed private equity industry both locally and globally. This, however, would negate the significant role played by corporates, banks and DFIs in private equity in South Africa. For the purposes of presentation, and elimination if deemed necessary by specific users, we have presented data split, wherever possible, between the various types of fund managers.

Questionnaires were e-mailed to 86 (2009:73) entities that indicated that they would consider participating in the survey. 63 (2009:41) of them (representing 75 funds (2009:61)) completed the questionnaire. In addition, alternative sources were used to obtain information on a further 8 private equity firms, representing 8 funds, that did not complete the questionnaire. Although these alternative sources did not provide us with as much information as our questionnaire, we believe that the information is complete and understated, if anything.

Other data has been sourced from various sources, including:

- EMPEA Industry Statistics – Fundraising & Investment Analytics – Q1 2011; Historical Statistics – Since 2002; Performance Data – Q3 2010 – Data as of 31 March 2011 (Published 29 April 2011)
- EVCA/Thompson Reuters European PE Returns Preliminary results of the Annual European Performance Benchmark Study
- Statistics South Africa
- Zephyr – a Bureau van Dijk product
- Other sources specifically included in the footnotes.

In compiling the information for this survey, KPMG has worked closely with a SAVCA sub-committee, to try to ensure meaningful interpretation and comment has been included in this report. The sub-committee reviews the document prior to its public release, but does not have access to any of the individually completed questionnaires submitted to KPMG or any other information not presented in this publication.

Although care has been taken in the compilation of the survey results, KPMG and SAVCA do not guarantee the reliability of its sources or of the results presented. Any liability is disclaimed, including incidental or consequential damage arising from errors or omissions in this report.

Introduction to private equity

The term ‘private equity’ refers to shareholder capital invested in private companies, as distinguished from publicly listed companies. Private equity funds are generally investment vehicles that invest primarily in enterprises which are not listed on a public stock exchange.

An enterprise may seek private equity financing for a variety of applications, from increasing its working capital base in times of business expansion, developing new technologies and products to grow and remain competitive, making acquisitions of other businesses, to buying out certain shareholders to restructure the ownership and management of the business. Another vital application of private equity in South Africa is facilitating the introduction of BEE investment.

The role of private equity

Investments by private equity funds into companies hold great benefits besides the mere cash effect to develop businesses. Private equity investments have considerable impacts in terms of productivity, skills development and job creation, as it includes the transfer and exchange of know-how and not only the flow of capital. Private equity fund managers play an active role in managing their investments in companies as they derive a return from the increased valuation of their investments (not just debt repayment and an associated interest rate) and hence focus on business development for the companies they invest in.

In South Africa the private equity industry represents a significant sector within the overall financial services industry, and an attractive asset class within the broader capital markets. As seen across a range of indicators, the profile of the local private equity industry is that of a productive contributor to the development of the South African economy. These contributions are detailed in The Economic Impact of Venture Capital and Private Equity in South Africa 2009 study, which is available from SAVCA. In addition private equity facilitates BEE, addresses economic imbalances of the past, promotes entrepreneurial initiatives and positions South Africa to compete successfully on the global stage.

Through the use of leverage in certain transactions, private equity sponsors can assist in improving the capital efficiency of their investee companies.

As can be seen in this survey, private equity is an important source of Foreign Direct Investment (FDI), both indirectly via the raising of offshore money by local fund managers but also more recently by direct investment by foreign fund managers.

Investment stages

For the purposes of this survey we have broadly classified private equity into three sub-classes, namely:

- Venture capital
- Development capital
- Buy-out funding.

Because the definitions of the terms 'venture capital' and 'private equity' vary from country to country, the figure below sets out the terminology used in this survey to avoid confusion.

Figure 1: Private equity investment stages

Private equity category	Stage of business development	Typical application
Venture capital	Seed capital	Funding for research, evaluation and development of a concept or business before the business starts trading.
	Start-up and early stage	Funding for new companies being set up or for the development of those which have been in business for a short time (one to three years).
Development capital	Expansion and development	Funding for growth and expansion of a company which is breaking even or trading profitably.
Buy-out	Leveraged buy-out or buy-in	Funding to enable a management team or empowerment partner, either existing or new, and their backers to acquire a business from the existing owners, whether a family, conglomerate or other. Unlike venture and development capital, the proceeds of a buy-out generally go to the previous owners of the entity. Buy-outs are often leveraged.
	Replacement capital	Funding for the purchase of existing shares in a company from other shareholders, whether individuals, other venture-backers or the public through the stock market. Unlike venture and development capital, the proceeds of replacement capital transactions are generally paid to the previous owners of the entity.

Development of private equity in South Africa

Beyond being defined as a range of investment categories applicable to non-listed companies, private equity is also a distinct asset class within the broader capital market, and is supported by a well-defined industry made up of various players and stakeholders.

The current profile of the private equity industry in South Africa is the result of various historical developments in the country and in global capital markets. In South Africa, the industry was boosted by the large number of leveraged buy-outs and management buy-outs (LBOs and MBOs), resulting from the widespread disinvestment of multinationals from South Africa in the 1980s. These transactions were structured, financed and managed by the major commercial, merchant and investment banks of the time.

As these local banks developed the in-house expertise to manage private equity investments on an internally funded basis, there was a global trend, especially in the US and Europe (more specifically the UK) towards the formation and management of private equity funds whose capital was sourced from third party investors such as pension funds, large corporations and other institutional entities.

In South Africa the private equity industry benefited from the global trend towards recognising the asset class as an attractive investment vehicle for investors, combined with its growing reputation as an effective means of economic development for Governments and development agencies. It may be argued that South Africa has one of the most sophisticated private equity industries among emerging and developed markets, with different funds at all stages of business development, from start-up venture capital funds through to late-stage and buy-out funds.

Globally in 2000 the vast majority of funds, over 77%, were focused on North America (2010: 44.5%), with Europe and Asia and Rest of the World accounting for 34.1%, 10.1% and 11.4% respectively. However, since 2000, private equity has steadily been becoming a more global industry, with more than one-quarter of funds now focused on Europe, and the market share of Asia and Rest of the World growing at an even more rapid rate over the period.[1]

The second half of 2008 saw an end to the record levels of fundraising that had been steadily increasing over the previous five years. Global fundraising for the industry was down dramatically in the second half of 2008 and for the whole of 2009 and 2010 as the credit crunch began to affect investors' appetite and ability to invest in new fund opportunities. This trend has reversed in 2010 and is following the global trend of increasing M&A activity.

Global deal value increased from 2009 to 2010 by 58.3%.[1]

[1] Zephyr – a BVD product

Types of private equity firms

A distinction needs to be made between captive and independent fund managers. Fund managers include Independents who manage funds on behalf of third parties as well as Captives who manage on-balance sheet investments that were funded by a parent or group often from an indeterminate pool of money. Captive funds are for the purpose of this survey further classified into the captive funds of Government, financial services (including banks and insurance companies) and other captive funds (including corporates).

Independent fund managers raise cash commitments from third party investors. Generally, in terms of the agreement between the third party investors and the private equity fund manager, the private equity firm draws down on the commitments as and when investments are to be made. Independents are the dominant type of firm in the UK, the rest of Europe and in the US, where these funds are structured as limited partnerships. Private equity firms typically act as the general partner of the limited partnership, whilst institutions and other investors become limited partners.

Unlike captive funds, independent funds are usually closed ended. This means that once a fund has been raised, it is closed out, following which no further commitments are accepted from third parties. Typically, third parties' commitments expire, often according to a time schedule based on a 'use it or lose it' principle, once a maximum drawdown time period expires. Professional private equity managers usually earn income from a combination of a management fee based on total commitments plus an enhanced carried interest, which is based on the performance of the fund relative to a benchmark. Captive fund managers usually do not charge any management fee.

In line with recent trends in many developed private equity markets, we are likely to soon see the 'spin-out' of private equity teams of some of South Africa's financial institutions into semi-captive fund managers.

Black Economic Empowerment

One of the notable features of South Africa's private equity industry is the very significant role it plays in the development of BEE. The industry's impact on BEE is far reaching, as detailed in the various sections of this survey. It is specifically important to note that:

- Private equity transactions enable higher gearing, whereby a combination of private equity investment and bank loans allow the implementation of an appropriately geared financial structure, allowing management of the investee company to acquire a significant stake in the company. This leveraged model also creates opportunities for the involvement of black management and other BEE parties in the ownership and management of the investee company
- The vast majority of transactions concluded by the industry have a significant BEE component and the majority of private equity fund managers have a BEE element to their own shareholding structure
- The Codes of Good Practice for Broad-Based BEE (BEE Codes), issued by the Department of Trade and Industry (DTI), stipulate the conditions under which a company may treat its ownership arising from a private equity fund as if that ownership were held by black people. These requirements were finalised in June 2007 and provide the industry clarity on how to further increase its already significant contribution on this vital socio-economic process. The requirements can be summarised as follows:
  - More than 50% of any exercisable voting rights associated with the equity instruments through which the private equity fund manger holds rights of ownership must be held by black people
  - More than 50% of the profits made by the private equity fund manger after realising any investment made by it, must by written agreement, accrue to black people
  - The private equity fund manger must be a black-owned company, as defined in the BEE Codes
  - Over a 10-year period, the private equity fund must have more than 50% of the value of funds invested, invested in black-owned enterprises that have at least 25% direct black ownership.

Funds under management

The survey shows that South Africa's private equity industry now has a total of R97.6 billion funds under management (inclusive of undrawn commitments of R31 billion). This is a R7.8 billion (7.4%) decrease from funds under management at 31 December 2009 of R105.4 billion[2] (inclusive of R35 billion undrawn commitments). The industry has achieved a compound annual growth rate of 10.7% of total funds under management since 1999 when the survey began.

The 2009 and 2010 results of our survey have been supplemented by additional private equity who have participated for the first time. 2010 participants, who had previously submitted 2009 information, are able to restate the 2009 data for the purposes of ensuring greater survey accuracy. Only comparative 2009 information has been restated, all data prior to 2009 remains as previously reported.

The total funds under management of R97.6 billion is after taking into account the sale of Venfin to Remgro and the return of the expired portion of the Pamodzi Resources Fund 1 funds (see relevant graphs and Cancelled/Expired funds).

Independents have decreased total funds under management by R2.5 billion from R48.3 billion at 31 December 2009 to R45.8 billion at 31 December 2010 (5.2% decrease).

Captives-Financial Services' total funds under management decreased by R5.6 billion from R39.7 billion at 31 December 2009 to R34.1 billion at 31 December 2010 (14.1% decrease).

Funds under management by Captives-Government increased by R0.8 billion from R12.1 billion at 31 December 2009 to R12.9 billion at 31 December 2010 (6.2% increase).

Funds under management by Captives-Other decreased by R0.5 billion from R5.3 billion at 31 December 2009 to R4.8 billion at 31 December 2010 (9.4% decrease).

[2] The total funds under management includes Pan-Africa funds who have an element of undrawn commitments that may be invested 100% in South Africa

Figure 2: Total funds under management

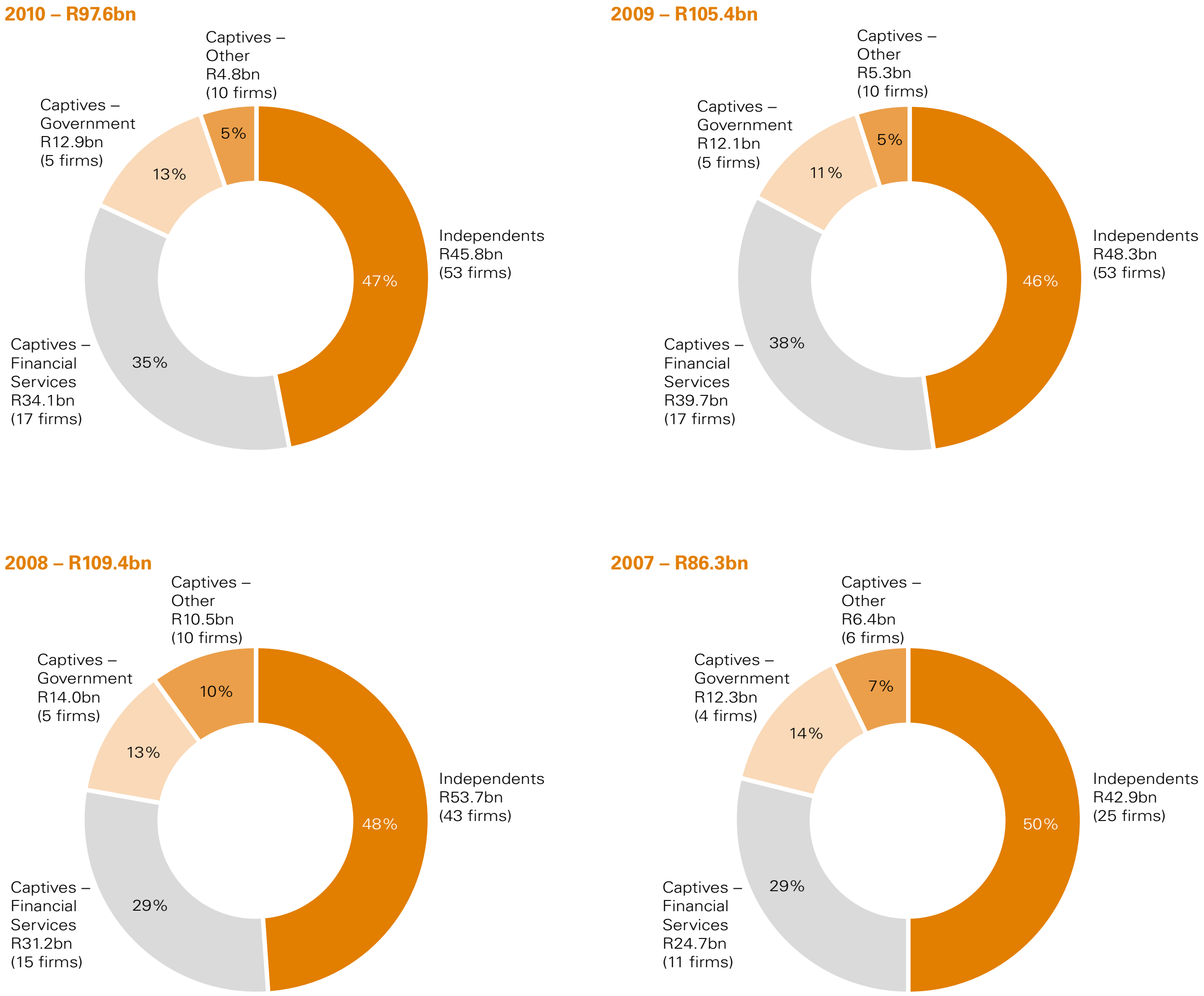


Figure 3: Composition of funds under management at year end (Rbn)

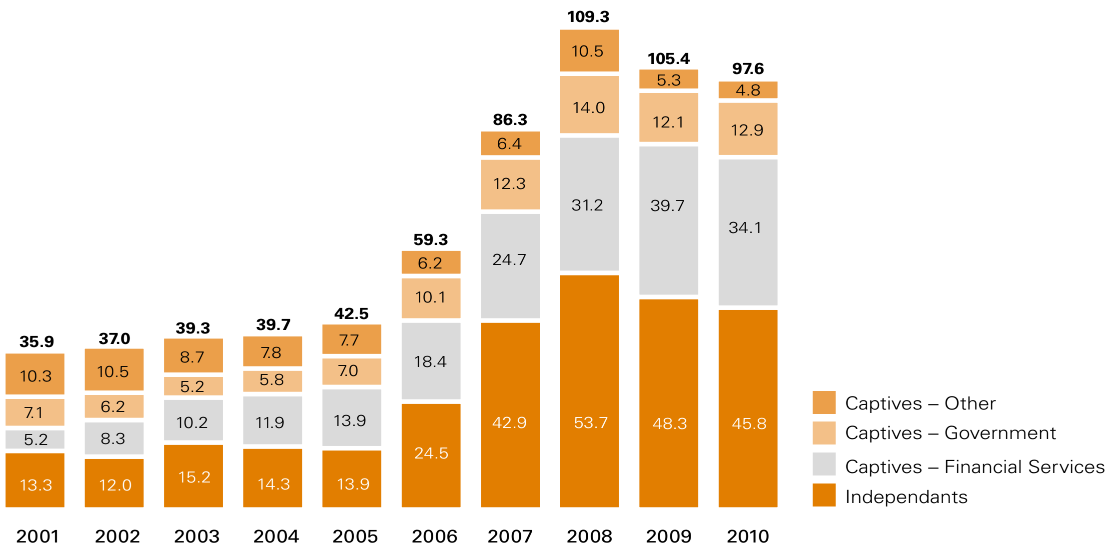
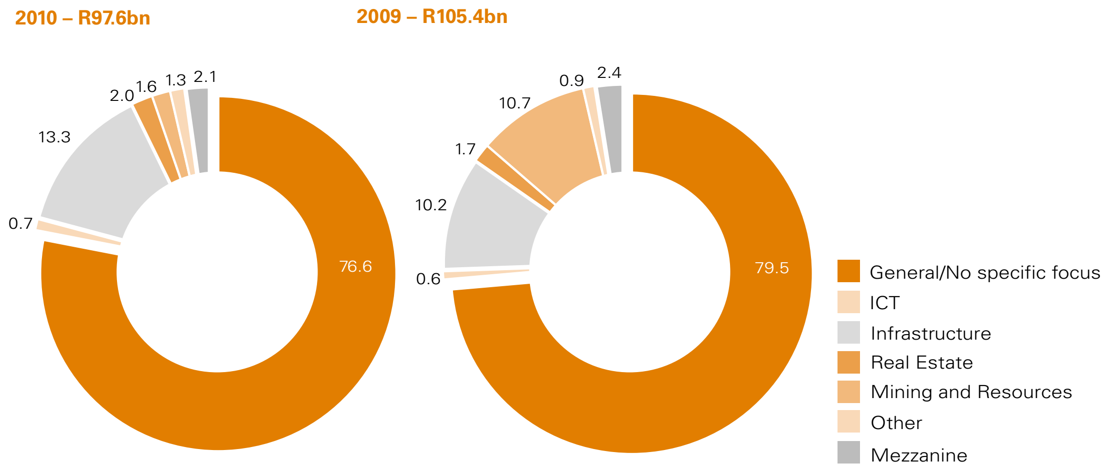


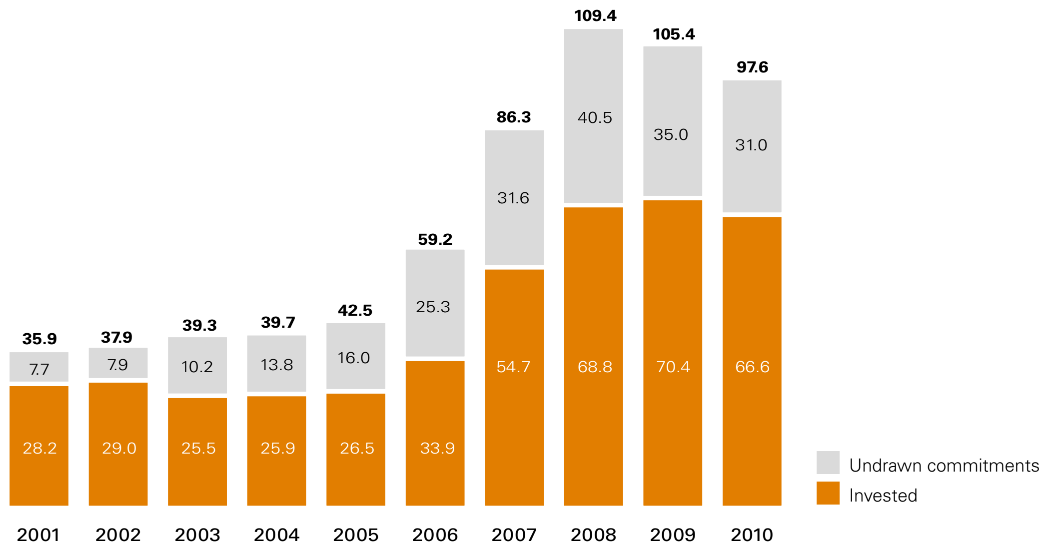
Figure 4[3]: Composition of total funds under management at year end by the focus of the fund (Rbn), includes Pan-African funds[1]



[3] Note that these amounts include undrawn commitments available for investment both in South Africa and for investment in Pan-African investments (that is, no specific African region /country has been stipulated), however, if the Pan-African fund finds enough suitable investments in South Africa, a 100% of these funds may be so deployed in South Africa.

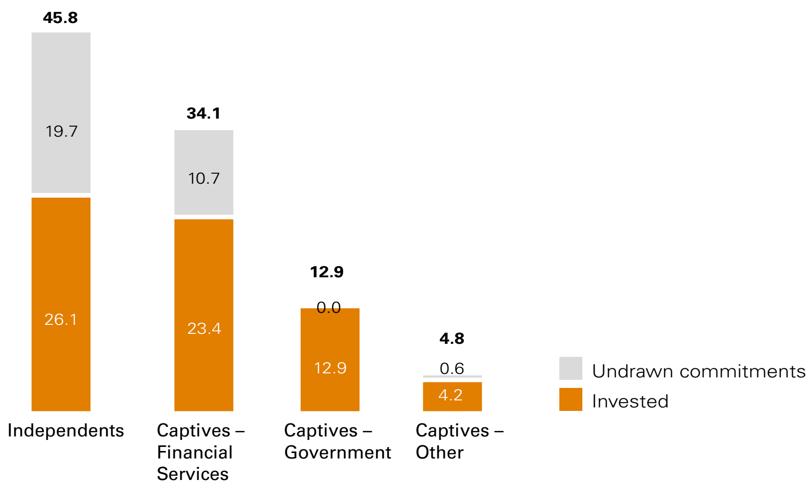
Total undrawn commitments at 31 December 2010 are R31 billion[4] (2009: R35 billion), of which R19.7 billion (2009: R26.1 billion) reflects the undrawn commitments of mainly Independent and Captive Financial Services fund managers.

Figure 6: Total funds under management at year end, split by undrawn commitments and investments (Rbn)



[4] Note that these amounts include undrawn commitments available for investment both in South Africa and for investment in Pan-African investments (that is, no specific African region /country has been stipulated), however, if the Pan-African fund finds enough suitable investments in South Africa, a 100% of these funds may be deployed in South Africa.

Figure 7: Total funds under management as at 31 December 2010, split by undrawn commitments and invested (Rbn)



Captive funds, and specifically Captives-Financial Services, generally have no contractual commitments from its parent/group, although this is not necessarily indicative of their capacity to make additional private equity investments. In certain instances, Captive funds have reported the cash available for private equity investments as undrawn commitments while others have only reported unrealized investments without including the pool of available funds as undrawn commitments.

Participants in this survey have indicated that 56.6% of undrawn commitments at 31 December 2010 can be invested in new and/or follow-on investments (2009: 55.7%). 29% for new investments only (2009: 41.3%), and 14.4% for follow on investments (2009: 3%).

Figure 8: Total funds under management at year end, split by invested and geographical undrawn commitments (Rbn)

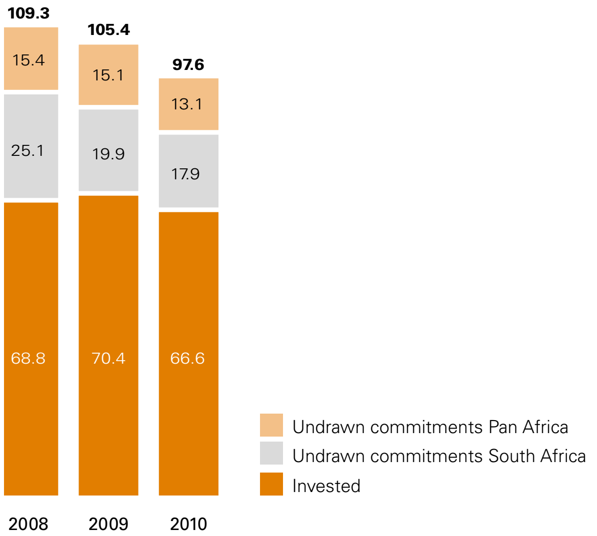


Figure 9: Classification of undrawn commitments by stage of investments (Rbn)

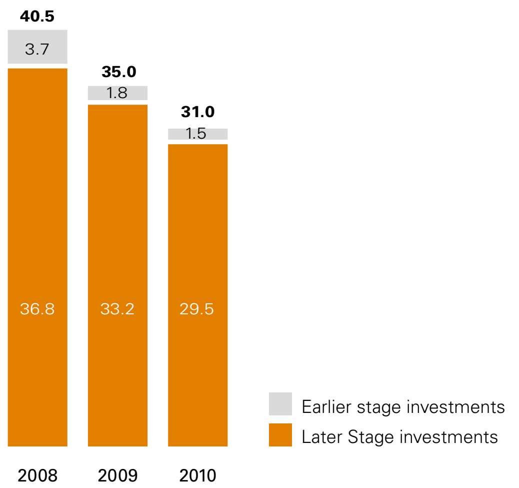


Figure 10: Classification of undrawn commitments by type of fund manager (Rbn)

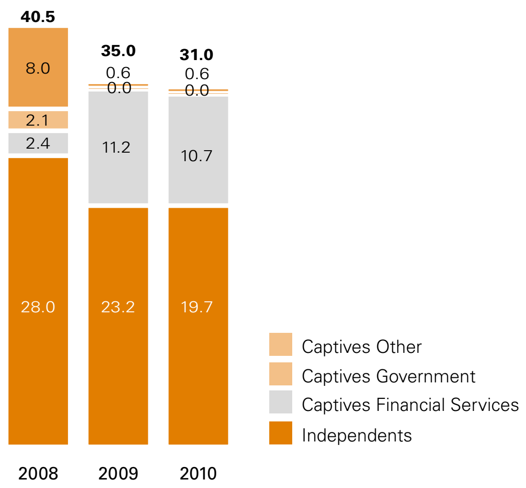
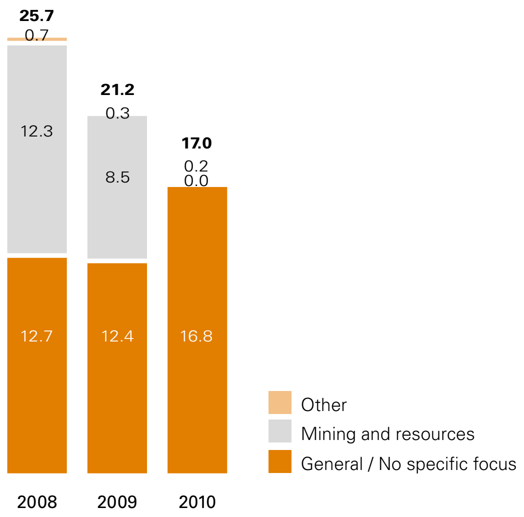


Figure 11: Composition of later stage, independent undrawn commitments by focus of the fund (Rbn)



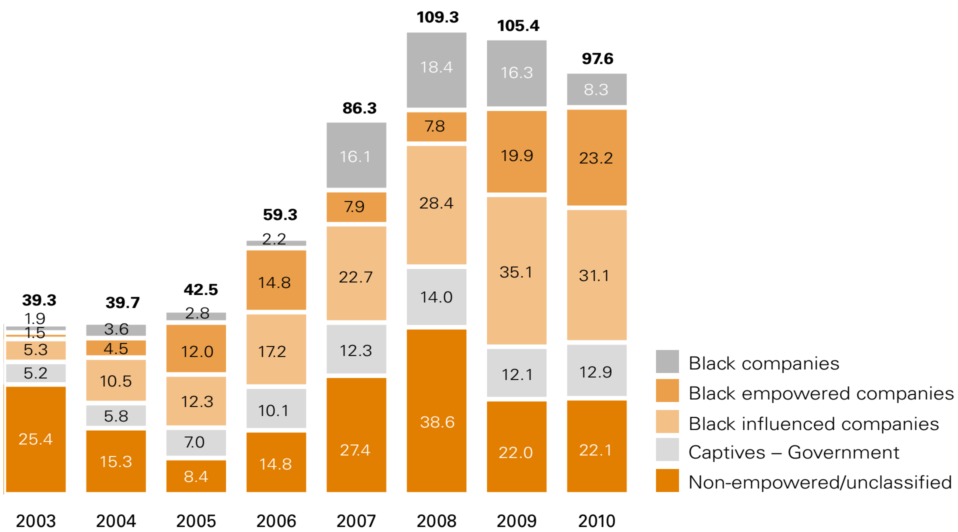
Analysis of total BEE funds under management

Captives-Government and fund managers that are themselves black-owned, empowered or influenced (that is, have at least 5% black ownership) had R75.5 billion of funds under management at 31 December 2010, a decrease of 9.5% (2009: R83.4 billion). 77.4% of total funds under management are thus at least black-influenced or classified as Captives-Government (2009: 79.1%).

Using an alternative measure, whereby Captives-Government are excluded, fund managers that are black-owned, empowered or influenced, decreased by 8.2% from R71.3 billion at the end of 2009 to R62.6 billion at the end of 2010. This represents 64.1% of total funds under management, a decrease from the 67.7% at the end of 2009.

It should be noted that where participants did not return a completed questionnaire, and if we were unable to include them in certain parts of this survey using publicly available information, all these funds under management have been classified as not empowered.

Figure 12: Funds under management by BEE fund managers at year end (Rbn)



R27.9 billion of the funds under management of at least black-influenced companies and Captives-Government at 31 December 2010 (2009: R31.2 billion) remained undrawn at the year-end. Of the combined black owned, empowered or influenced companies, R23.4 billion of their funds under management remain undrawn at year-end. This represents 75.5% of the total undrawn commitments (2009: 66.6%)

The BEE Codes have provided clarity as to the criteria that a private equity fund and fund managers must meet for a company to treat ownership arising from a private equity fund as if ownership were held by black people. This greater clarity around the BEE Codes as well as the significant amount of undrawn capital referred to above, shows that the industry remains well poised to further increase its contribution to this vital SA socio-economic process.

Going forward we hope to report more fully on the BEE rating of the private equity fund manager and their compliance with the requirements of BEE Codes which stipulate when a company may treat its ownership arising from a private equity fund as if that ownership were held by black people.

BEE compliant entities means a company that is contributing towards transformation and B-BBEE in terms of the Codes but who are not necessarily black owned or black women owned.

BEE controlled company means a company, having share holding or similar members interest, in which black participants enjoy a right to exercisable voting rights that is more than 50% of the total such rights measured using the flow through principle.

BEE owned company means a company, having share holding or similar members interest, that is BEE controlled, in which black participants enjoy a right to economic interest that is more than 50% of the total such rights measured using the flow through principle.

Comparison to the global market

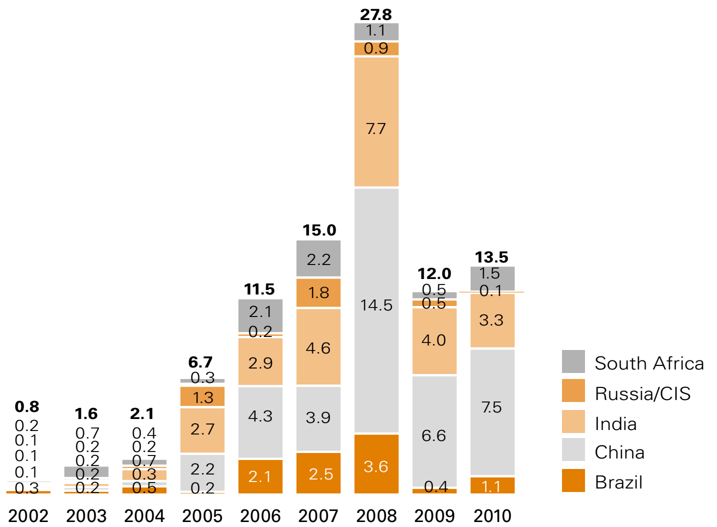
Although the South African private equity industry is small in comparison to those of the US and UK, it is significant in relation to its GDP when compared to many other countries.

South Africa's funds under management, excluding undrawn commitments, relative to GDP of 3.6% can be split between funds under management by Independents, which were 1.4% of GDP, and funds under management by Captives, which were 2.2% of GDP.

Global comparative statistics were not available at the time of going to print.

Relative to the rest of the BRIC countries (Brazil, Russia, India, China), South Africa's fund raising totals were much smaller. China and India were by far the largest, with Brazil seeing similar fund raising totals to South Africa in the last two years.

Figure 13: Emerging markets private equity fund raising totals by BRICS (US$bn) (2002 – 2010)[5]



[5] EMPEA Industry Statistics

South Africa is ranked in the global Top 30 (21st) of investment activity in 2010.

Figure 14 : Country ranking - Aggregate deal value (US$ bn) 2010 (South Africa was ranked 21st)[6]

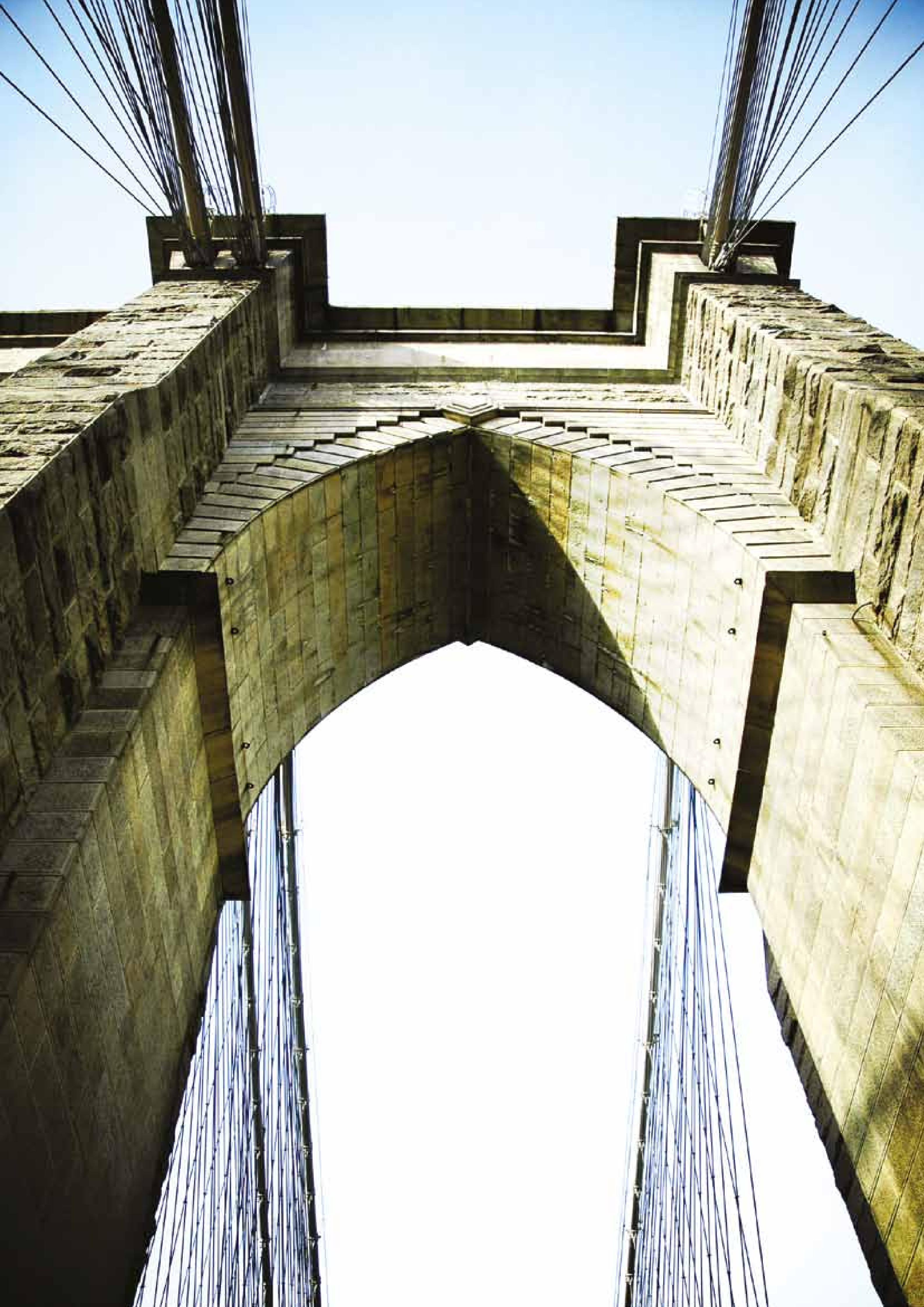
Country Ranking - aggregate deal value (US$bn) 2010								
1	United States of America	102 879	11	Brazil	4 663	21	**South Africa**	**1 581**
2	United Kingdom	31 008	12	Switzerland	4 549	22	Russian Federation	1 480
3	France	13 243	13	Sweden	4 279	23	Poland	1 314
4	Netherlands	9 973	14	China	3 333	24	Indonesia	1 174
5	Spain	8 635	15	Canada	3 049	25	Finland	1 144
6	Japan	6 354	16	Germany	2 885	26	Czech Republic	1 050
7	Australia	5 811	17	Norway	2 680	27	Singapore	1 010
8	Italy	5 208	18	Belgium	2 109	28	Ukraine	956
9	Ireland	4 862	19	Bermuda	1 858	29	Chile	951
10	India	4 756	20	Cayman Islands	1 629	30	Denmark	912

South Africa is ranked in the global Top 30 (24th) of investment activityin 2009.

Figure 15: Country ranking – Aggregate deal value (US$ bn) 2009[6] (South Africa was ranked 24th)

Country Ranking - aggregate deal value (US$bn) 2010								
1	United States Of America	55 301	11	Republic of Korea	2 908	21	Bermuda	1 255
2	United Kingdom	12 429	12	Spain	2 812	22	Sweden	1 170
3	China	12 361	13	India	2 646	23	Pakistan	1 000
4	France	10 712	14	Switzerland	2 285	24	**South Africa**	**980**
5	Luxembourg	5 816	15	Netherlands	2 211	25	Portugal	951
6	Belgium	4 647	16	Singapore	1 970	26	Brazil	940
7	Italy	4 400	17	Czech Republic	1 827	27	Bulgaria	868
8	Australia	4 308	18	Canada	1 716	28	Finland	748
9	Japan	3 288	19	Russian Federation	1 320	29	Austria	739
10	Germany	2 954	20	Ireland	1 291	30	Denmark	706

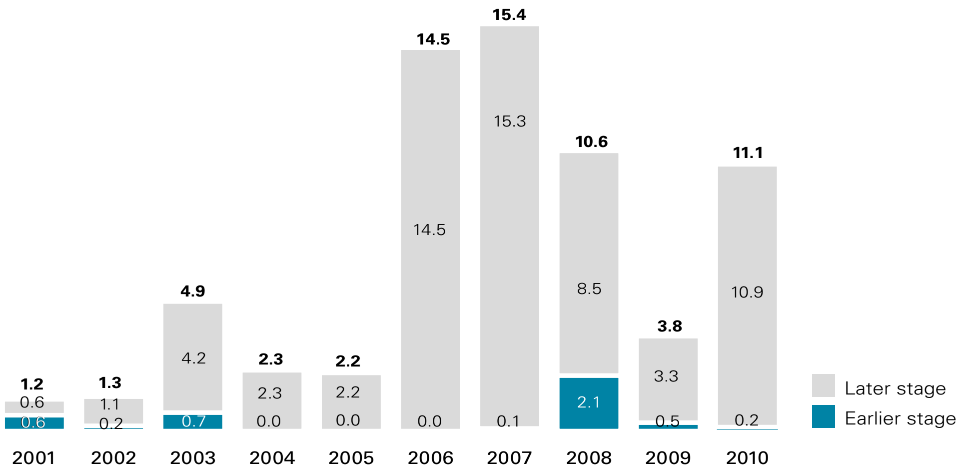
[6] Zephyr - a Bureau van Dijk product



Fund raising activity

The figure below highlights the increase in the amount of funds raised from R3.8 billion during 2009 to R11.1 billion during 2010 with the majority of the funds raised being for later stage investment.

Figure 16: Third party funds raised during the year, analysed by fund stage (Rbn)



The majority of reported fund raising activity during 2009 and 2010 was by Independents (93.5%).

The major fund raisers for 2010 were Adlevo Capital, African Infrastructure Investment Managers, Brait Private Equity, Emerging Capital Partners, International Housing Solutions, Old Mutual Investment Group South Africa Alternative Investments, Sp-Aktif Investments, Trinitas Private Equity, Vantage Risk Capital, Zico Capital.

In 2009, the major fund raisers included Brait Private Equity, Capitalworks, Inspired Evolution, International Housing Solutions, Old Mutual Investment Group South Africa Alternative Investments, Vantage Risk Capital, Development Partners International, Kingdom Zephyr Africa Management, Sp-Aktif Investments.

36.7% of all third party funds raised during 2010 were from government, aid agencies and DFI's (2009: 43.7%). The next largest source of funds during 2010 was from insurance companies (17.4%) and pension and endowment companies (16.3%). With the exception of government, aid agencies, and DFI's, pension and endowment, family offices and corporates, all other funding was sourced locally. SAVCA is happy to report that the changes to the Pension Funds Act (Regulation 28) and the statements by National Treasury on a move from a 'rules-based' approach to 'principle-based regulation' will permit further investment by pension funds into private equity funds (up to 10%). This is very important, as when international investors consider investments into private equity funds, a key consideration for them is the amount of local participation by investors into the industry and into the specific funds that they may look to invest into. A situation that limits this local participation would have hampered the extent to which international investors will invest and in this way limit private equity as an important source of FDI for South Africa.

Figure 17: Source of third party funds raised during 2010 (Rbn)

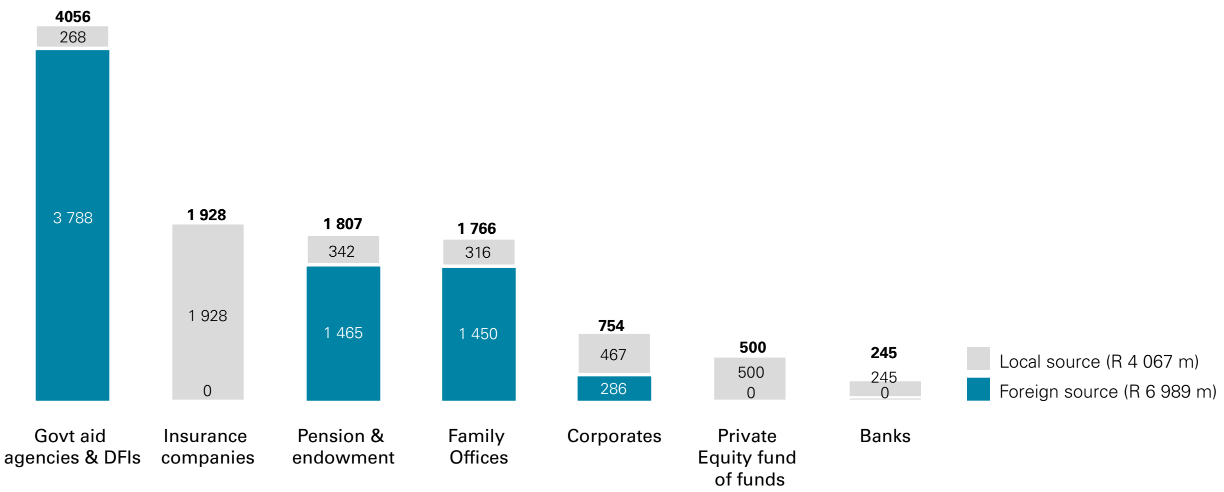


Figure 18: Source of third party funds raised during 2009 (Rbn)

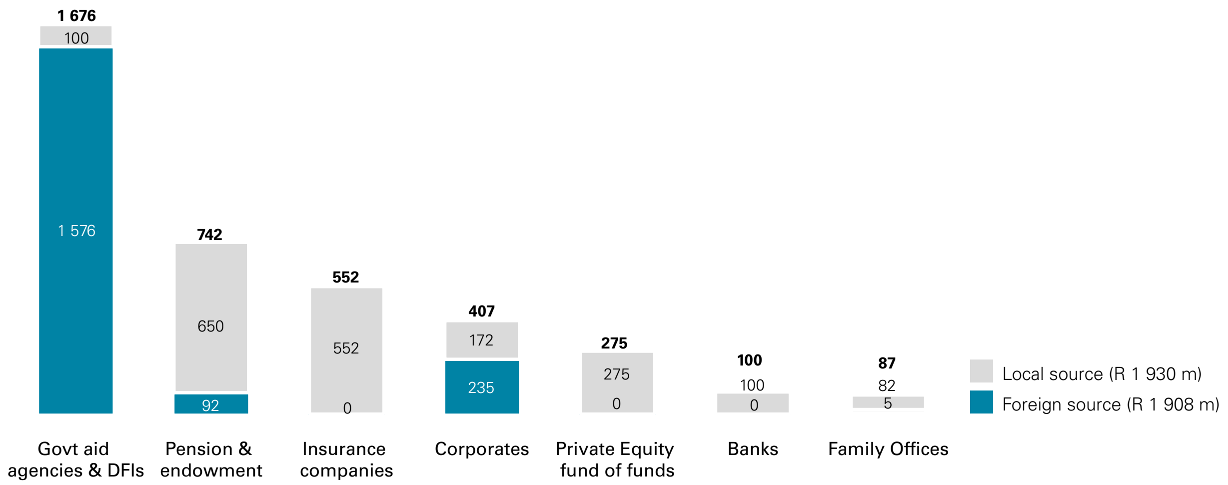
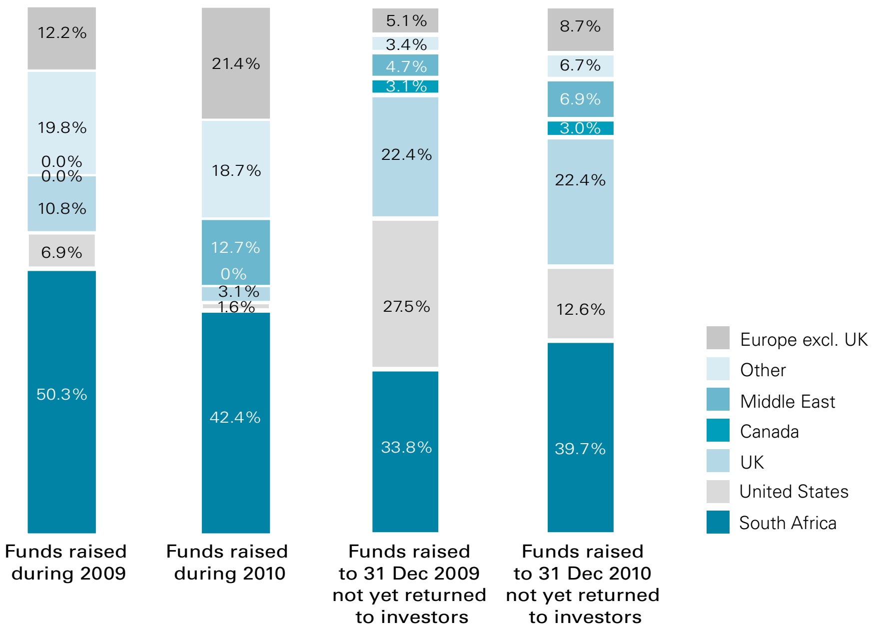


Figure 19: Geographic sources of third party funds raised

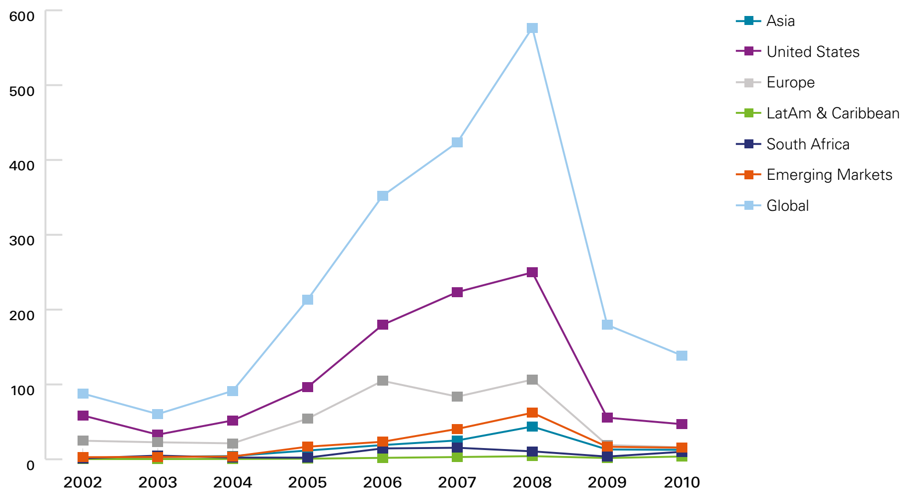


South Africa contributed 42.4% (2009: 50.3%) of funds raised during 2010. Funds raised from Europe (excluding UK) 21.4% (2009: 12.2%).

Cumulatively, South Africa is the main source of fund raising to date (39.7%), ahead of the UK (12.6%) and the US (22.4%).

When fund raising overseas, it is vital that local fund managers are able to demonstrate local support. With a 42.4% contribution to funds raised during 2010, local funders remain an important contributor of funds to the South African private equity industry.

Figure 20: Global and South African activity during the year (1999 = 100)[7]



The figure above indicates that South Africa has not always tracked the international trend when it comes to fund raising activity. Using 1999 as a base year, by 2005, South Africa was falling considerably behind the pace of fund raising of the rest of the world. In 2006, South Africa's fund raising trend-line jumped ahead of certain other regions and this was maintained in 2007. Globally and in all regions for 2010, fund raising activity decreased significantly.

[7] Data sourced from EVCA/Preqin/EMPEA/LAVCA

Investment activity

Reported private equity investments increased by 44.4% from R7.2 billion during 2009 to R10.4 billion during 2010. The total number of investments decreased by 90, from 618 to 528 during the same period, representing a 14.6% decrease.

Figure 21a: Cost of investments made during the year, analysed by new and follow-on investments[8]

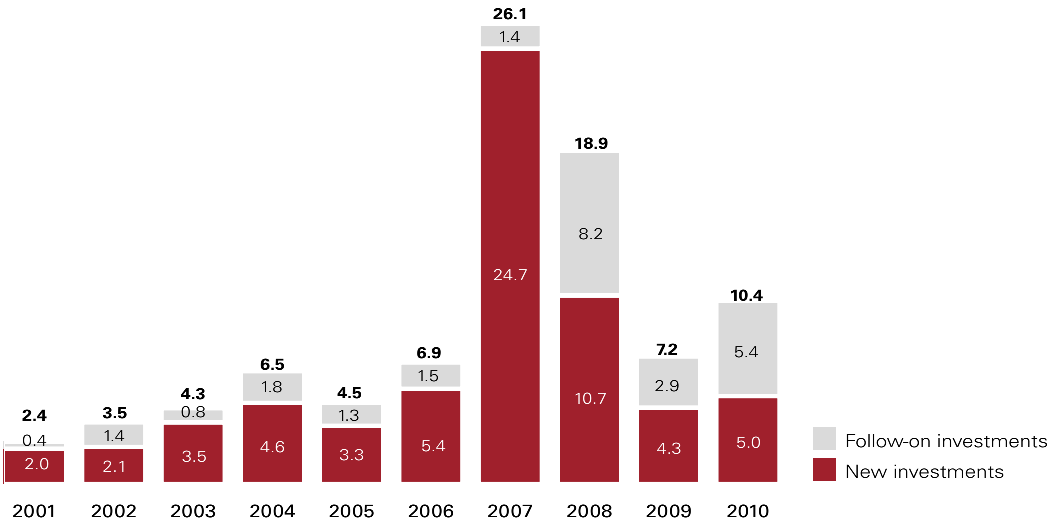
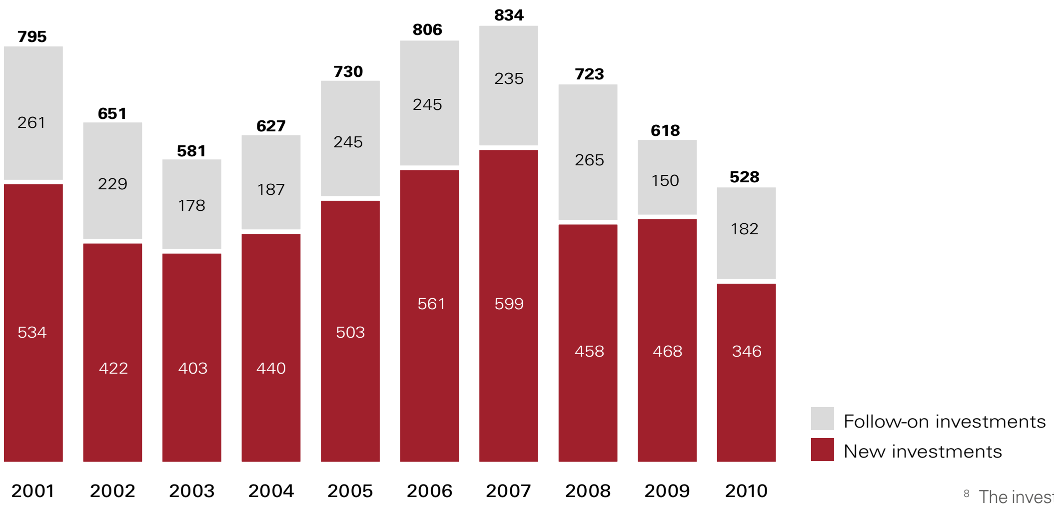


Figure 21b: Number of investments made during the year, analysed by new and follow-on investments[8]



[8] The investment activity for 2005 reported in this survey excludes the acquisition of Waco for R5.4 billion (before accounting for net debt, that is, enterprise value) by CCMP Capital Asia, JP Morgan Partners Global Fund and management. The investment was not included in the survey since the private equity acquirers do not have a local office and the majority of Waco's revenue is also generated offshore. For the 2009 year we have also excluded two investments, due to the lack of information on these investments other than enterprise value. These were the acquisition by Denham Capital of shares in an SA-based energy firm, Bio Therm Energy, with a transaction value of R1.5bn and the acquisition of a significant shareholding in Medi-Clinic Corporation by European based private equity fund, Lehman Brothers Merchant Bank, with a transaction value of R1.3bn.

Although the investment size and quantum have increased, the jumbo deals of 2007 have not been seen in 2010. In 2010 we have however seen an increase in the value but a decrease in the number of investments when compared to 2009.

In 2009, follow-on deals made up a much larger number and value of the investments completed when compared to prior years. This trend continued in 2010.

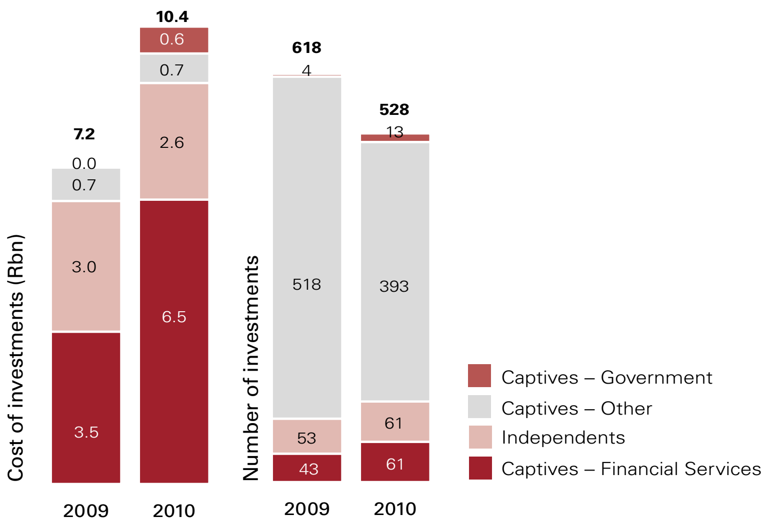
The overall average investment deal size has increased from R11.7 million for the 2009 year to R19.7 million during 2010. New investments' average deal size increased from R9.2 million during 2009 to R14.5 million during 2010 while follow-on investments average deal size increased from R19.3 during 2009 million to R29.7 million during 2010.

In terms of the number of reported investments, Business Partners, classified as Captives-Other, was again by far the most active investor in the South African private equity market, contributing 375 (71%) of the total number of reported investments made during 2010 (2009: 499, 81%), although less than 1% in terms of the cost of total investments made during 2010 (2009: 4%). Business Partners' average deal size was R1.35 million in 2010 compared to R1.1 million in 2009.

If Business Partners' investments are excluded, the total average deal size during 2010 increases to R67.9 million (2009: R60.8 million), new investments' average deal size during 2010 increases to R81.8 million (2009: R80.1 million) and follow-on investments average deal size during 2010 increases to R59.7 million (2009: R44.7 million).

Captives-Financial Services and Independents dominated investment activity by value during 2010. By number, Captives-Other has the largest number of deals, as this category includes investments made by Business Partners.

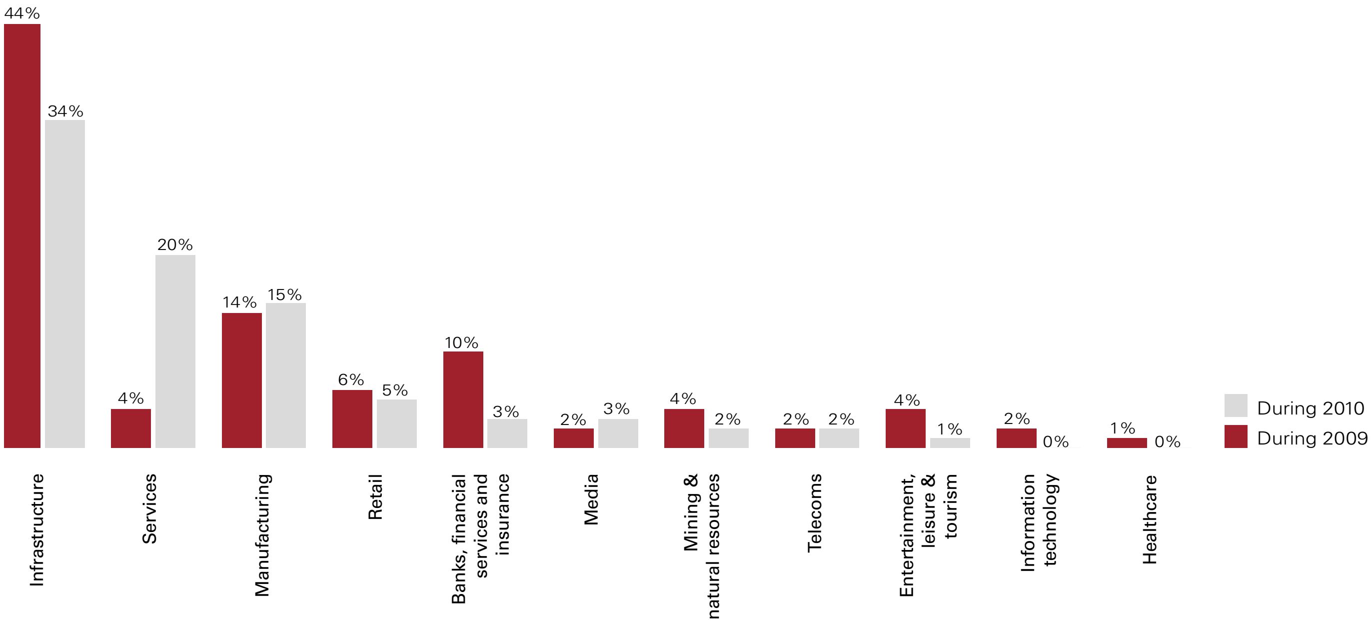
Figure 22: Cost and number of investments made during the year, analysed by type of fund manager



Of the investments made during 2010 classified into sectors, 34% were in the infrastructure sector, 20% in the services sector and 15% in the manufacturing sector.

Investments into services rose from 4% in 2009 to 20% in 2010.

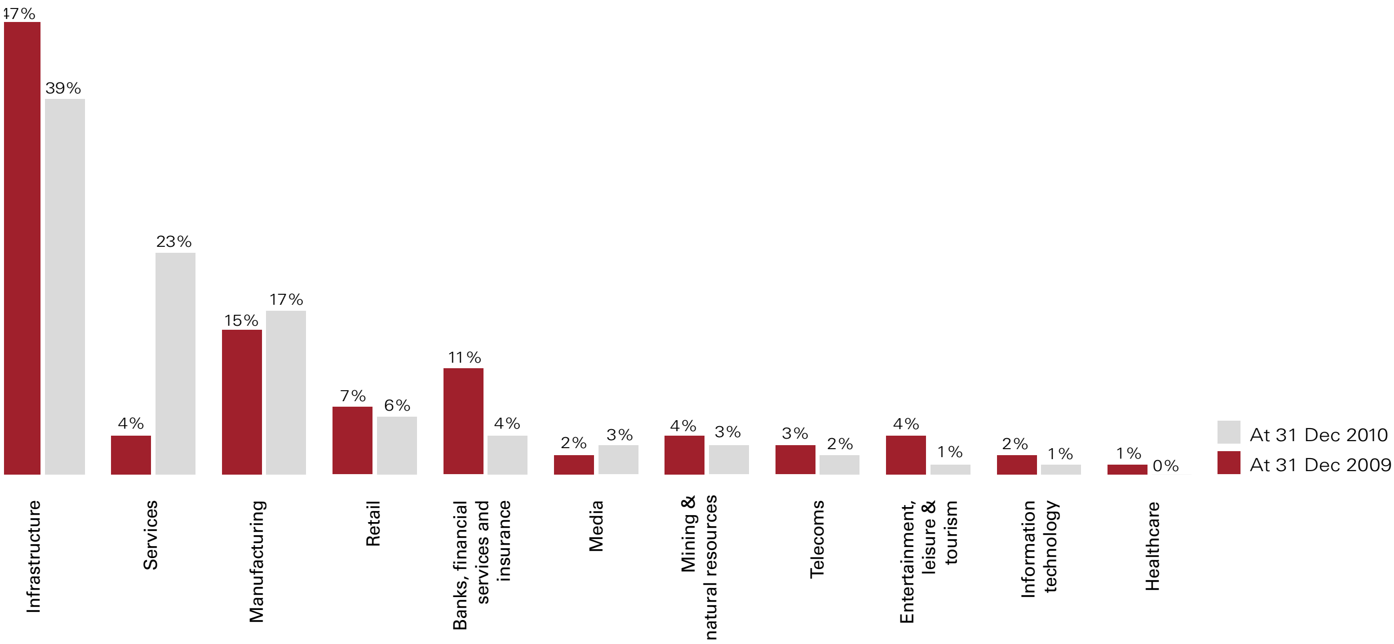
Figure 23: Investments made during the year, analysed by sector[9]



[9] 14.3% (R0.5 billion) of investments made during 2010 were classified in the other sector category or not classified at all (2009:7.3% / R0.5 billion). These have been excluded from the analysis shown.

Due to some large retail deals in 2007 and 2008 (House of Busby, Tiger Automotive, Edcon etc) on a cumulative basis the retail sector still represents 18% of funds invested as at 31 December 2010. Mining and natural resources comprises 16% of all unrealized investments at 31 December 2010, with Manufacturing making up 16% and Infrastructure 15%.

Figure 24: Unrealised investment portfolio at year end, analysed by sector[10]



[10] 11% (R7.14 billion) of the unrealised investment portfolio at 31 December 2010 was classified in the other sector category or not classified at all (2009: 12% / R8.1 billion). These have been excluded from the analysis shown.

The cost of investments into seed, start-up and early stage entities contributed 6% of unrealised investments at 31 December 2010 (2009: 4%). This represented 13% of the number of investments at 31 December 2010 (2009:19%).

Buy-outs as a proportion of investments made, increased significantly from 16% in 2009 to 22%, reflecting the significant increase in activity in 2010.

Figure 25: Analysis of investments by stage based on cost of investments[11]

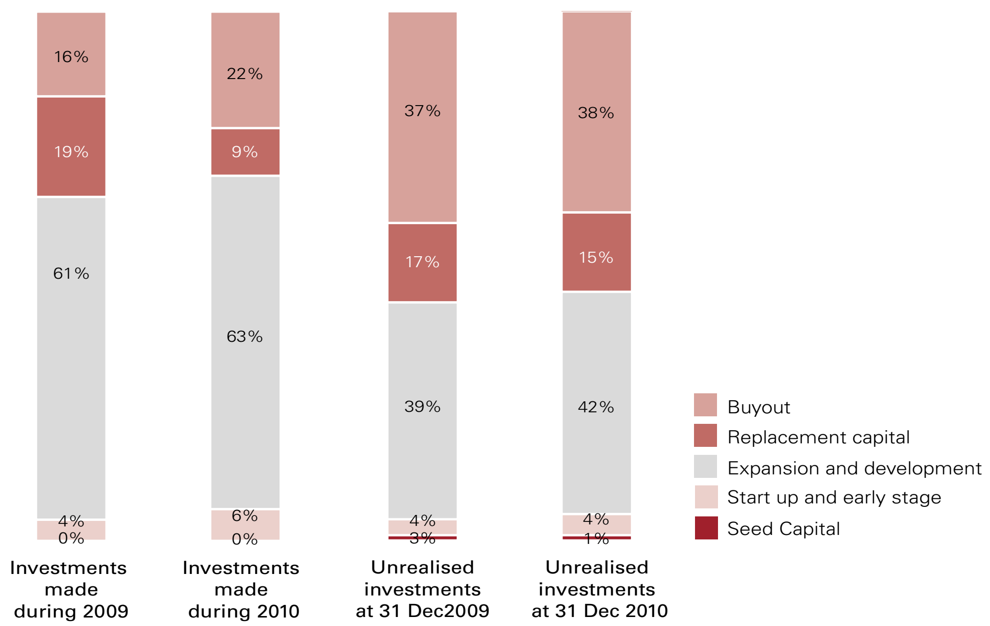
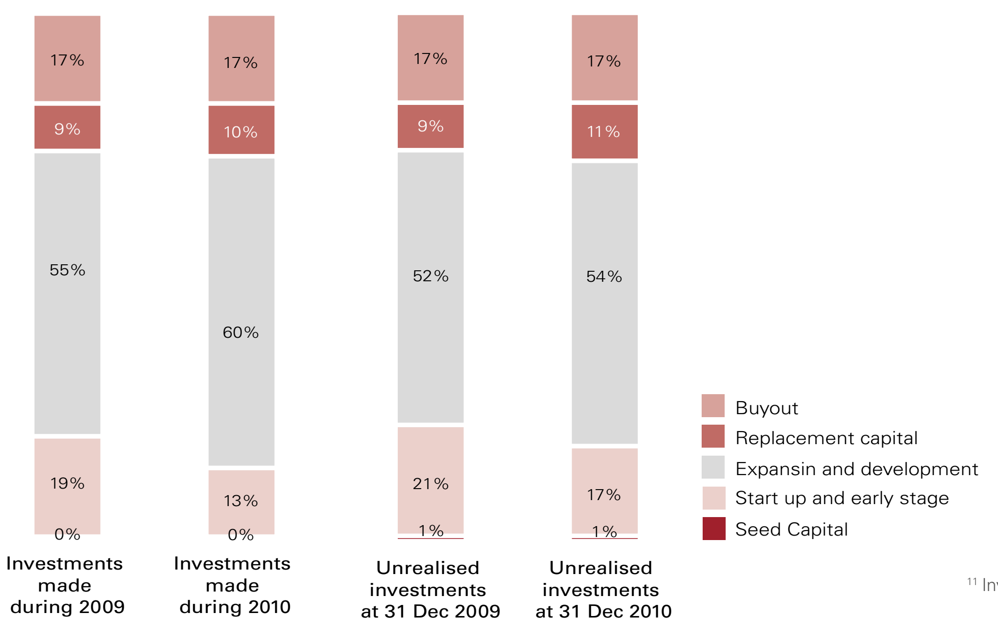


Figure 26: Analysis of investments by stage based on number of investments[11]



[11] Investments not classified by stage have been excluded.

We note an increasing tendency of South African fund managers raising capital with a mandate to invest outside of South Africa, mainly into sub-Saharan Africa. This perhaps reflects the better acceptance of the region as a viable investment opportunity and a degree of relaxation of exchange controls in South Africa. There are still, however, regulatory concerns that relate to certain tax and exchange control regulations which impacts on the ability of our local Fund Managers to create value both in South Africa and the broader sub-Saharan Africa region. In addition, these regulations hamper the country’s ability to attract foreign direct investment and retain and benefit from existing human capital. SAVCA is currently engaging with both the South African Reserve Bank and National Treasury on these matters.

The figure below provides an analysis of the largest reported private equity transactions in 2010.

Figure 27: The ten largest disclosed private equity transactions reported during 2010 based on total funding raised

Name of investment	Equity provider/s	Debt provider/s	Total funding raised (Rm)	Type of investment	PE Fund's equity interest	Part of syndication	BEE ownership (post deal)
Autozone	RMB Corvest	ABSA	388	MBO	46.5%	No	Black empowered company
Boxmore	Investec	Investec	284	Replacement capital	-	No	Black empowered company
South Point	Lereko Metier	-	224	Later stage expansion capital	68.9%	No	Black company
NCS Resins	Investec	Investec	180	Replacement capital	-	No	Black influenced company
TrenStar SA	Vantage Capital	VC and RMB	135	Later stage expansion capital	26%	No	Black empowered company
Efficient Eng	RMB Corvest	FNB	120	MBO	26%	No	Black empowered company
Burncrete	Ethos/ Brandcorp	-	105	Follow-on investment	Controlling interest	No	Black influenced company
Matlapeng	Musa Kubu	Musa Kubu	50	Early stage investment	55%	No	Black influenced company
Calulo Petroche	Investec	-	40	Replacement capital	-	No	Black company
ARIH	Investec	-	35	Replacement capital	-	No	Black company

The figure below provides an analysis of the Top 10 largest reported private equity transactions in 2009.

Figure 28: The ten largest private equity transactions reported during 2009 based on total funding raised

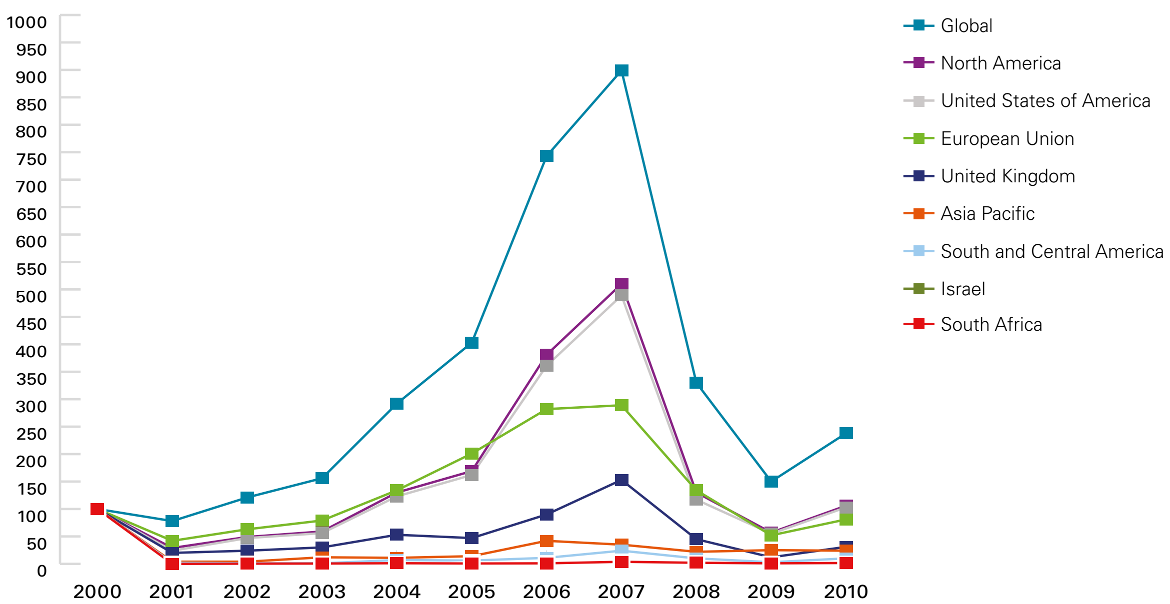
Name of investment	Equity provider/s	Debt provider/s	Total funding raised (Rm)	Type of investment	PE Fund's equity interest	Part of syndication	BEE ownership (post deal)
Rand Uranium	Pamodzi Reserve Fund 1 and First Reserve	-	1 945	Later stage expansion capital	60%	Yes	Black company
Alexander Forbes	OTPP, Ethos Fund, Actis	-	1 850	Replacement capital	100%	Yes	Black influenced company
INM Outdoor (Now Continental Outdoor Media)	RMB Corvest, Helios Investment Partners, CVCI, MSG Afrika Investment Holdings	Investec Bank Limited	1 100	LBO	100%	Yes	Black empowered company
Kwikspace Modular Buildings Limited	Absa Capital, Advantage Capital	Investec	750	LBO	44%	No	Black empowered company
Erbacon Investment Holdings Limited	Medu Capital Fund II	-	516	Replacement Capital	29.26%	No	Black empowered company
Brandcorp/ Rentech	Ethos Fund V	Absa Capital	225	Follow-on acquisition	Controlling interest	No	Black influenced company
Ciba Packaging	Leef Capital, Clearwater Capital	Grindrod bank	224	LBO	80%	Yes	Black empowered company
Africa Direct (Now Table Charm)	RMB Corvest	RMB Private Bank	200	MBO	35%	No	Not empowered
Buildworks Group Limited	Kingdom Zephyr	-	194	Growth Capital	30%	No	Black influenced company
Reyapele	Investec	-	192	0	19%	No	Black company

Global investment activity

Global investment activity declined in 2001 but recovered steadily from 2002 until 2005. Investment activity then rapidly increased in 2006 to the first half 2008. In 2009 there was a sharp drop off in investment activity, which has continued in 2010.

As reported in this survey, 2007 was a record year for investment activity in South Africa. In 2009, investment activity in South Africa showed a decline although the decline was less than the decline shown by the global and US trend.

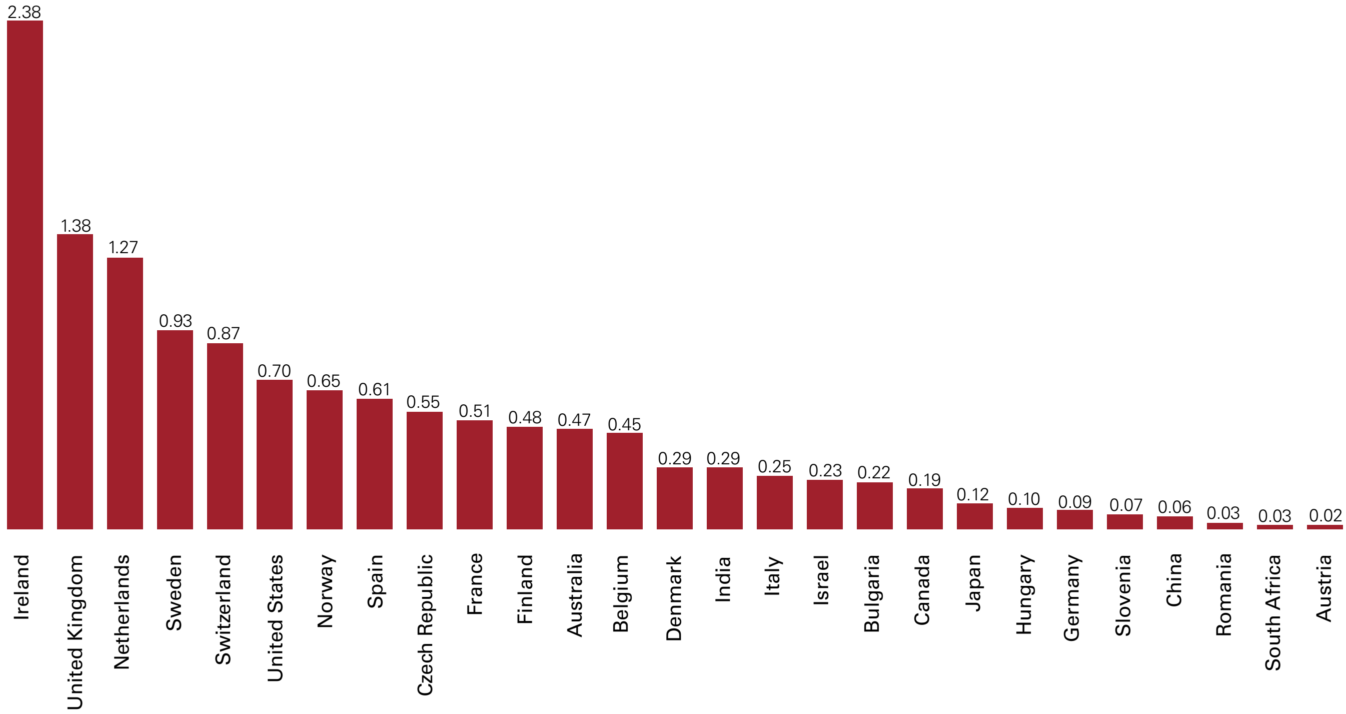
Figure 29: Global and South African investment activity during the year (2000 = 100)[12]



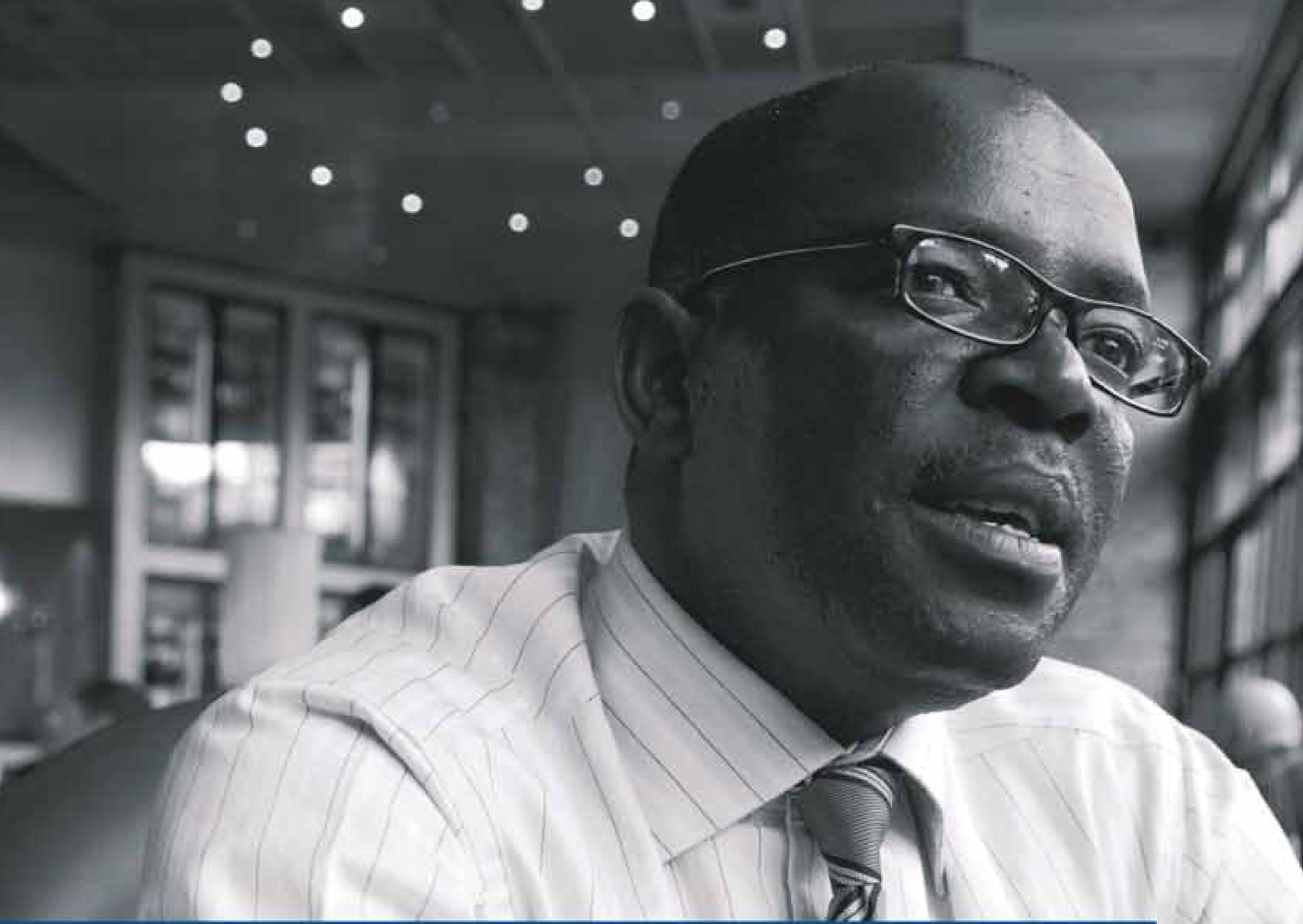
[12] Zephyr - BVD Product

South African private equity investments made during 2010 as a % of GDP decreased from 0.93% in 2009 to 0.38% in 2010. This is marginally higher than the 0.37% recorded in the US during 2010. (2009: 0.71%)

Figure 30: Global investment activity during the year as a percentage of GDP (%)[13]



[13] Sourced from Zephyr - a BvD product, Statistics South Africa, CIA World Factbook



Analysis of BEE investments

The cost of investment into entities that are at least black influenced companies in 2010 was R4.8 billion, a decrease of 14.3% from 2009 levels. The number of BEE investments decreased from 303 during 2009 to 200 during 2010. However, these levels of activity, when compared to total M&A activity in South Africa reflects that private equity BEE investments are an increasingly important element of the South African economy.

Figure 31: Cost of BEE investments made during the year (Rbn) (excluding Captives – Government)

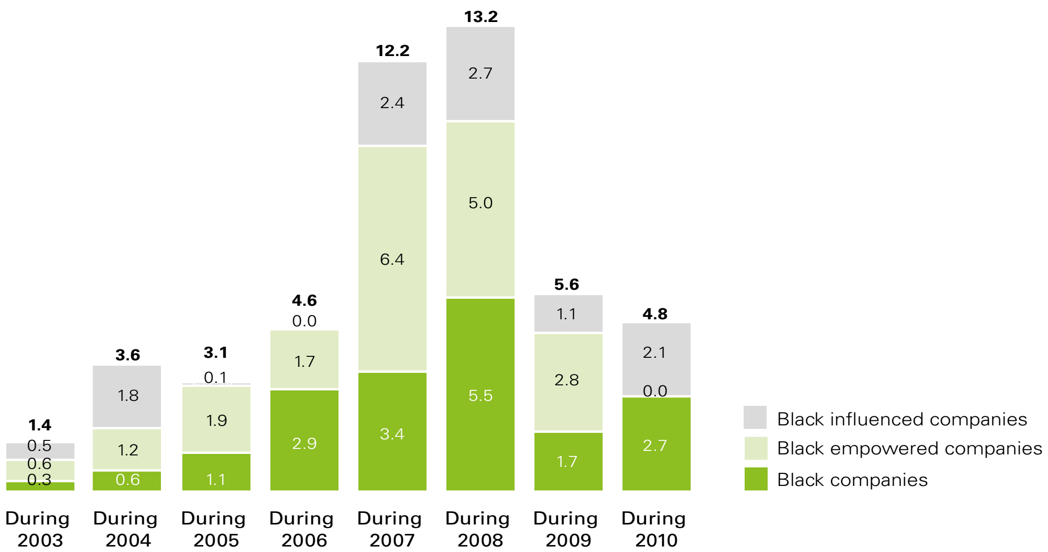
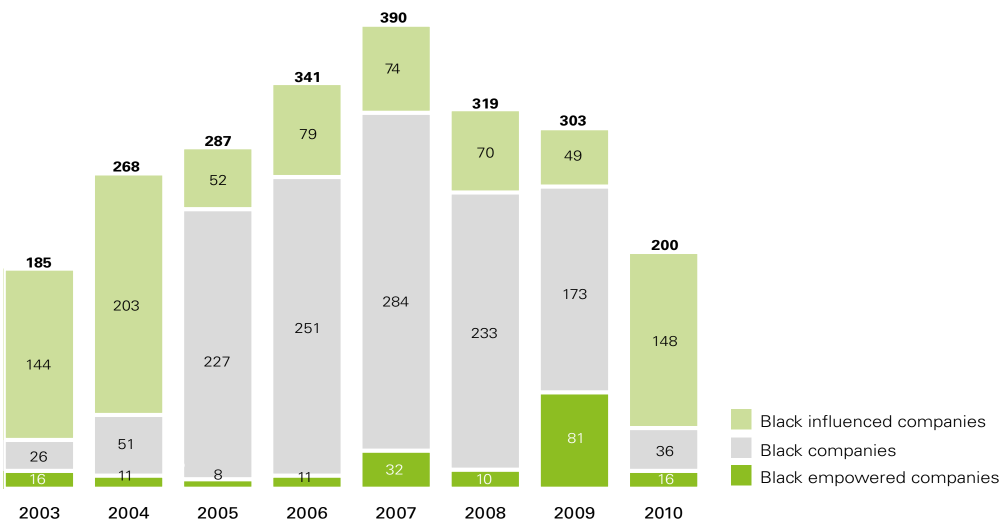


Figure 32: Number of BEE investments made during the year (excluding Captives – Government)



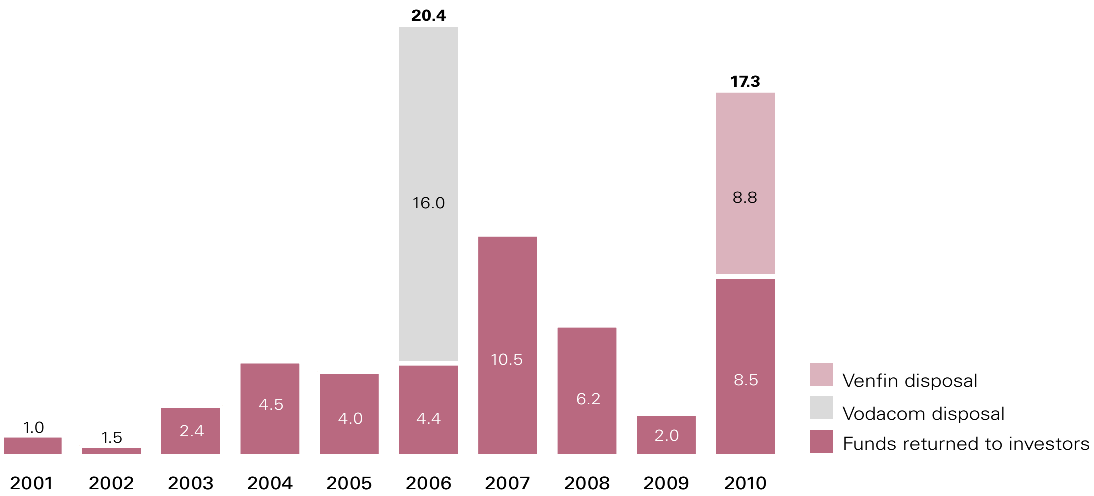
The average black economic empowerment deal size in 2010 was R24 million compared to R18.5 million during 2009. These are investments into black owned, empowered or influenced companies.

Exits

Total funds returned to investors

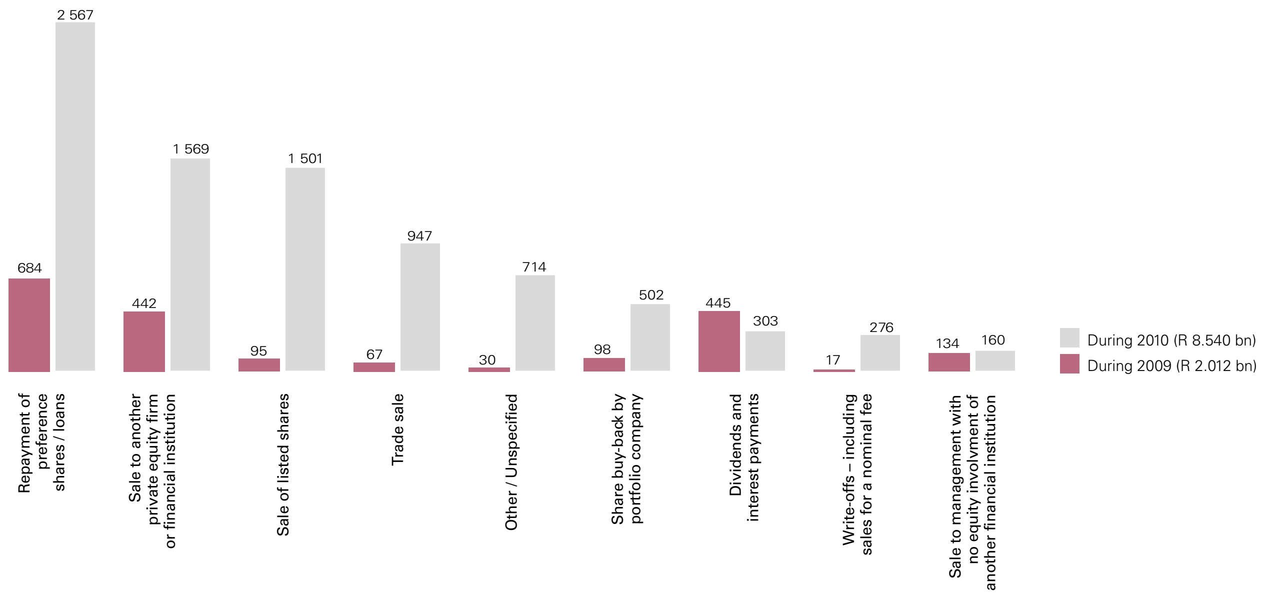
Funds returned to investors increased by R15.3 billion from R2 billion during 2009 to R17.3 billion during 2010.

Figure 33: Funds returned to investors during the year (Rbn)



The analysis of funds returned to investors during 2009 and 2010 is shown below. It is interesting to note that after the Repayment of preference shares/loans the Sale to another Private Equity firm was the preferred method of returning funds to investors in 2010. As in 2009 listings or IPOs in 2010 were zero.

Figure 34: Proceeds of funds returned to investors during the year (Rm) (Excluding Venfin disposal)



Disposals

The value of disposal[14] proceeds increased to R4.7 billion in 2010 from R0.8 billion during 2009. Disposals to other private equity firms or financial institutions was not the most popular in value terms which it has been in the past, instead share buy-back by portfolio companies was the option which attracted the most transactions.

Figure 35: Analysis of disposals made during the year based on proceeds (Rm) (excludes the Vodacom disposal during 2006 and the Venfin disposal in 2010)

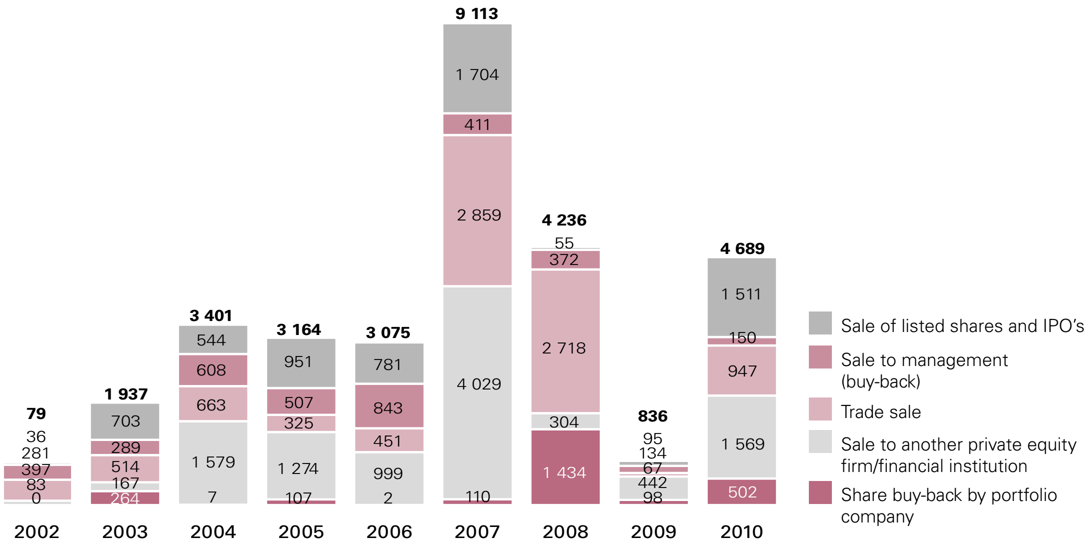
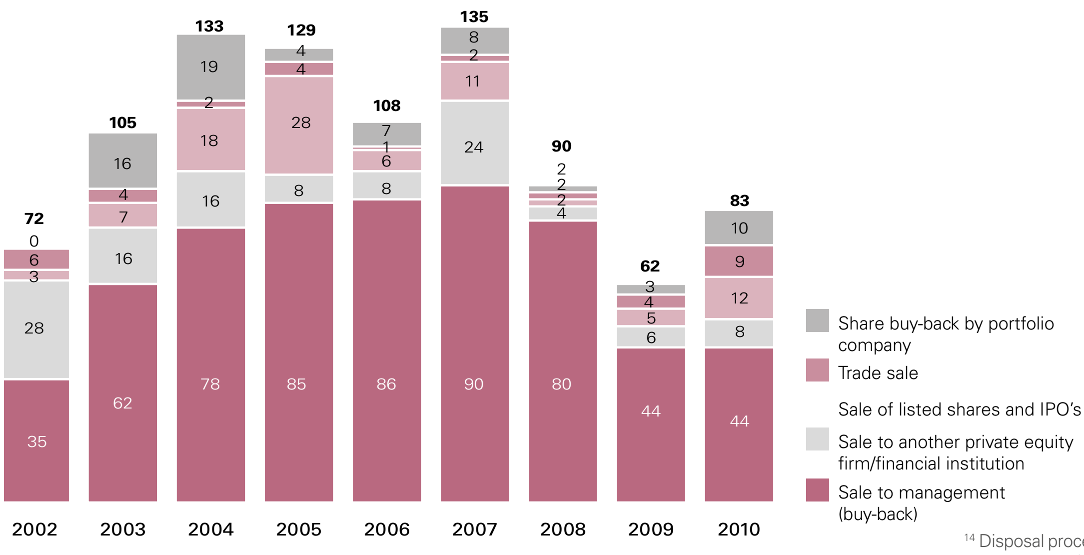


Figure 36: Analysis of disposals made during the year based on number (Rm) (excludes the Vodacom disposal during 2006 and the Venfin disposal in 2010)



[14] Disposal proceeds exclude the proceeds on the repayment of preference shares/loans, proceeds from disposals for a nominal amount and dividend and interest payments.

The average proceeds per disposal have increased from R13.5 million in 2009 to R56.4 million in 2010.

Figure 37 shows that the reported profit (proceeds less cost of investment) on disposals of R1.8 billion during 2010 was substantially higher than the R0.6 billion during 2009. The sale of listed shares category was the main contributor in 2010 with R1 billion, however, for 2009 the sale to another private equity firm category with R0.2 billion was the largest contributor.

The implied times money back multiple during 2010 was 1.9 times, significantly lower than the 4.4 times reported for 2009 disposals.

Figure 37: Proceeds and cost of investments made during 2010 (Rm)

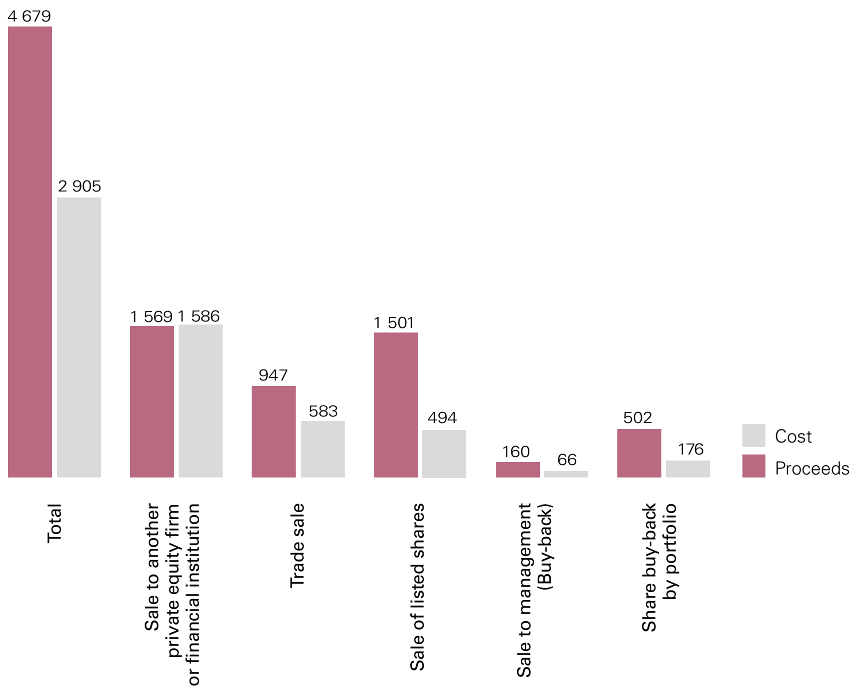
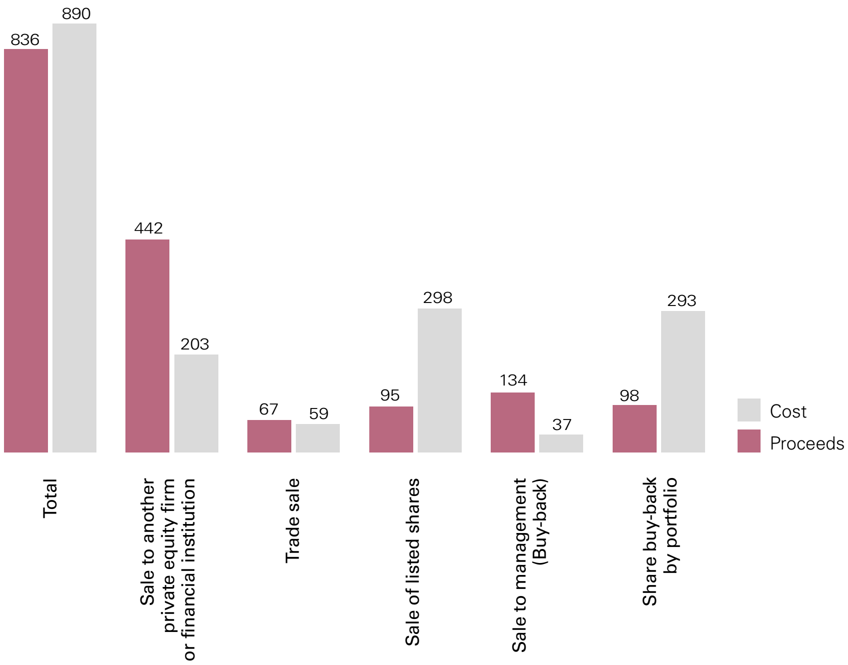


Figure 38: Proceeds and cost of investments made during 2009 (Rm)



Write-offs

24 investments were written off during 2010, inclusive of sales for nominal amounts (2009: 16 investments). The net loss on these investments (cost less proceeds) was R417.2 million in 2010 with a net profit of R16.4 million in 2009.

Cancelled/expired funds

R9.5 million (2009: R0.4 million) of committed but undrawn funds at 1 January 2010 were cancelled and/or expired during 2010 and are thus no longer available for investment by the fund manager.

Performance

Background

Consistently measuring the performance of private equity funds can be difficult as private equity investments' valuations are, by their very nature, highly subjective. The overriding principle of the International Private Equity and Venture Capital Valuation Guidelines is to show a fair valuation of investments to the investor. These guidelines were released during 2005 and adopted by the majority of global private equity associations, including SAVCA and EVCA.

In reviewing the IRRs reported in this survey, a number of issues should be considered:

- The IRRs reported reflect the consolidated/aggregated returns achieved by fund managers. The reported IRRs are thus not by fund where a fund manager manages more than one fund.
- The IRRs reported for South Africa are gross IRRs and therefore reflect returns prior to the payment of expenses such as management fees and carried interest.
- When assessing the performance of private equity, it is important to focus on long-term returns. Initial results over the first two or three years of a fund can be misleading if viewed in isolation. A high short-term IRR can be achieved through a few attractive divestitures, while low rates may result from new funds only just beginning their investment activity. Any consideration of returns over the short-term must be done in combination with scrutiny of the general level of investment and divestiture activity.
- Captive funds generally do not calculate and/or report IRRs. Their fee structures are not usually linked to the achievement of prescribed IRRs. Most of the funds that reported IRRs were, therefore, independent private equity funds.

South Africa

IRR

Figures 38 and 39 present the total IRR's for realised and unrealised investments, while Figure 40 and 41 presents the IRR for realised investments only. Whilst the total IRR presents the total return of the fund since inception, including unrealised investments, the realised only IRR presents the returns of funds deployed and subsequently realised and returned to investors. This presents a less subjective picture of fund returns, although excluding the negative effect of investments that are difficult to exit.

The 2010 results in the figure below include the IRR levels for 53 respondents (2009: 49), managing R66.5 billion at 31 December 2010 (68.1% of total funds under management) (2009: R67.1 billion / 66.9%). Included is the response from 31 Independents (2009: 29) managing 21.6% of the funds under management by independent fund managers at 31 December 2010 (2009: 31.9%).

Figure 39: Total gross IRR since inception – Only Independents (realised and unrealised portfolio)

IRR	0 – 5 years included in IRR calculation		5 – 10 years included in IRR calculation		> 10 years included in IRR calculation	
	2010 – No. of respondents	2009 – No. of respondents	2010 – No. of respondents	2009 – No. of respondents	2010 – No. of respondents	2009 – No. of respondents
Below 10%	7	8	1	1	-	-
10% - 19.9%	6	5	3	3	-	-
20% - 29.9%	2	1	3	2	3	3
30% - 39.9%	1	2	-	1	-	-
> 40%	3	2	2	1	-	-

Figure 40: Total gross IRR since inception – Only Captives (realised and unrealised portfolio)

IRR	0 – 5 years included in IRR calculation		5 – 10 years included in IRR calculation		> 10 years included in IRR calculation	
	2010 – No. of respondents	2009 – No. of respondents	2010 – No. of respondents	2009 – No. of respondents	2010 – No. of respondents	2009 – No. of respondents
Below 10%	4	5	3	1	1	1
10% - 19.9%	-	1	1	-	1	-
20% - 29.9%	2	1	2	1	1	2
30% - 39.9%	1	2	2	2	2	2
> 40%	2	2	-	-	-	-

The 2010 results in the figure below include the realised IRR levels for 34 respondents (2009: 31), managing R34 9billion / 35.8% of total funds under management at 31 December 2010 (2009: R29.2 billion / 21%). Included are the responses from 24 Independents (2009: 17) managing R21.8 billion / 22.3% of the funds under management by independent fund managers at 31 December 2010 (2009: R13.9 billion / 13.8%).

Figure 41: Total realised gross IRR since fund inception – Only Independents (excludes unrealised portfolio)

IRR	0 – 5 years included in IRR calculation		5 – 10 years included in IRR calculation		> 10 years included in IRR calculation	
	2010 – No. of respondents	2009 – No. of respondents	2010 – No. of respondents	2009 – No. of respondents	2010 – No. of respondents	2009 – No. of respondents
Below 10%	4	4	-	-	-	-
10% - 19.9%	1	2	2	2	-	-
20% - 29.9%	1	1	3	4	2	1
30% - 39.9%	-	1	-	-	-	-
> 40%	-	1	2	1	-	-

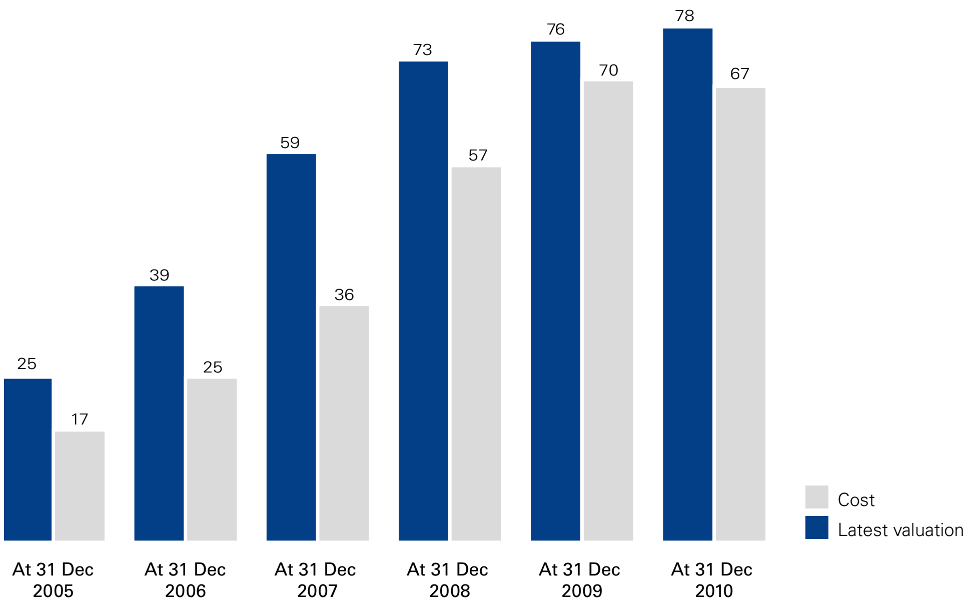
Figure 42: Total realised gross IRR since fund inception – Only Captives (excludes unrealised portfolio)

IRR	0 – 5 years included in IRR calculation		5 – 10 years included in IRR calculation		> 10 years included in IRR calculation	
	2010 – No. of respondents	2009 – No. of respondents	2010 – No. of respondents	2009 – No. of respondents	2010 – No. of respondents	2009 – No. of respondents
Below 10%	-	3	-	-	1	1
10% - 19.9%	3	-	-	-	-	-
20% - 29.9%	-	1	2	2	1	1
30% - 39.9%	-	-	-	-	2	2
> 40%	1	3	-	1	-	-

Investments at latest valuation

The disclosed valuation of unrealised investments made at a cost of R66.6 billion was shown to be R78.2 billion at 31 December 2010.

Figure 43: Unrealised investments at year end – cost compared to valuation (Rbn)



US and Europe

Overall private equity returns for preliminary full year 2010 are up compared to results released this time last year: pooled IRR since inception for all private equity in Europe now stands at 9.3% (net of management fees and carried interest) compared to 8.9% for data released 12 months ago. The improved environment for making investments and exits as well as easier access to debt financing is already having a positive effect on expected long term returns.

Figure 44: US and European Returns

	US (at 31 December 2010)[15]					Europe (at 31 December 2010)[15]				
	1 Year	3 Year	5 Year	10 Year	20 Year	1 Year	3 Year	5 Year	10 Year	20 Year
Early stage	17.94	0.62	1.16	-6.59	21.08	17.36	-4.26	-1.57	-3.78	0.29
Development	26.26	1.16	2.35	-0.25	7.49	20.87	-4.48	6.02	8.39	11.91
Balanced	23.83	1.82	2.67	-1.68	10.63	20.66	-4.34	4.33	4.59	9.32

The one-year horizon IRRs for both buyouts and venture reflect a significant positive uptick with venture at 17.4% and buyouts at 18.9% respectively. The industry looks as if it will continue to trend upwards in 2011 in a more positive deal making environment, although there is of course a degree of regulatory overhang for the industry. Note - Private equity is a long term investment asset class so looking at short term horizon IRR has limited practical purpose but does allow identification of points of inflexion – particularly to see how private equity is reacting to the post credit crunch environment.

Although average venture capital returns still lag someway behind both European buyouts and venture capital in the US (albeit on short-term the returns are comparable between Europe and the US) , good performance is still delivered by the top venture funds with pooled average top quarter returns of 13.4%.

For buyouts in Europe, smaller funds ($0-250m & $250m-500m) outperform larger funds ($500m-1bn & $1bn+) in both short term (one-year horizons) and long term (20-year horizons) returns. The recent first close of BC Partners mega fund is a great indicator of LPs belief in this segment. Overall buyout returns in Europe remain very strong with 20-year horizons at 11.9% compared with the US at 7.5%.

Looking at private equity returns compared with public market comparators, the asset class is highly competitive, and produces superior returns to both the HSBC Smaller European Company Index and the Morgan Stanley Euro Equity Index and is very close to the returns of the JPMorgan EMBI+ Benchmark. Moreover, it is less volatile than the public market comparators weathering the boom and bust cycles better to deliver reliable performance over extended periods.

[15] EVCA/Thompson Reuters European PE Returns Preliminary results of the Annual European Performance Benchmark Study

Private equity investment professionals

The total number of investment professionals employed in the Private Equity industry remained the same from 2009 to 2010 (538).

The figure below illustrates that white males still make up approximately half of all private equity investment professionals (2010:48.9%; 2009: 48.3%). The second largest category is black males which contributes 14.3% of the total reported numbers at 31 December 2010 (2009: 16.2%).

Indian, coloured and black professionals employed by the private equity industry decreased by 16 during 2010 to 173, (representing a 8.5% decrease). The proportion of these professionals to the total number of professionals decreased from 35.1% at 31 December 2009 to 32.2% at 31 December 2010.

At December 2010 20.6% of all professionals were females (2009: 21%).

2010						
	White	Indian	Coloured	Black	Not specified	Total
Male	263	36	16	77	35	427
Female	45	10	6	28	22	111
Total	308	46	22	105	57	538
% Breakdown (% of total)						
Male	48.9%	6.7%	3.0%	14.3%	6.5%	79.4%
Female	8.3%	1.9%	1.1%	5.2%	4.1%	20.6%

2009						
	White	Indian	Coloured	Black	Not specified	Total
Male	260	36	15	87	27	425
Female	43	9	5	37	19	113
Total	303	45	20	124	46	538
% Breakdown (% of total)						
Male	48.3%	6.7%	2.8%	16.2%	5.0%	79.0%
Female	8.0%	1.7%	0.9%	6.9%	3.5%	21.0%

Data Tables

	Total funds under management at year end	Undrawn commitments at year end	Fund raising activity during the year	Investment activity during the year	Funds returned to investors during the year	Proceeds from disposals during the year
	R billions	R billions	R billions	R billions	R billions	R billions
Year ended 31 December 2010						
Early stage funds						
• Independents	2.664	1.499	0.150	0.353	-	-
• Captives (Financial Services)	-	-	-	-	-	-
• Captives (Government)	0.041	-	-	0.010	-	-
• Captives (Other)	0.354	0.029	0.005	0.026	-	-
	3.059	1.528	0.155	0.389	-	-
Later stage funds						
• Independents	43.147	18.235	9.226	2.296	2.024	1.437
• Captives (Financial Services)	34.141	10.665	0.717	6.459	5.757	3.110
• Captives (Government)	12.843	0.040	-	0.601	0.129	0.010
• Captives (Other)	4.457	0.549	-	0.641	0.639	0.132
	94.588	29.489	9.943	9.997	8.550	4.689
	97.647	**31.017**	**10.098**	**10.386**	**8.550**	**4.689**
Year ended 31 December 2009						
Early stage funds						
• Independents	2.440	1.627	0.313	0.017	-	-
• Captives (Financial Services)	-	-	-	-	-	-
• Captives (Government)	0.031	-	-	0.000	-	-
• Captives (Other)	0.530	0.238	0.003	0.102	0.001	0.001
	3.001	1.865	0.316	0.119	0.001	0.001
Later stage funds						
• Independents	45.803	21.532	2.804	2.953	0.500	0.209
• Captives (Financial Services)	34.686	10.664	0.466	3.465	1.221	0.522
• Captives (Government)	12.078	0.004	-	0.042	-	-
• Captives (Other)	9.806	0.346	-	0.655	0.291	0.105
	102.373	32.582	3.270	7.115	2.012	0.837
	105.374	**34.411**	**3.586**	**7.234**	**2.013**	**0.837**

Participants

KPMG and SAVCA would like to thank all of the participants for their input.
Without their time and effort, this survey would not be possible.

Name	Min investments (Rm)	Max investment (Rm)	Contact name	Contact no.
Absa Capital Private Equity	R 250m	R1 b	Gareth Druce	011 895 6896
Acorn Private Equity	R 5m	R50m	Pierre Malan	021 852 2887
Actis	US$ 50	US$250	Chantal Clark	011 778 5900
Adlevo Capital	US$ 3m	US$30m	Greg Voigt	011 502 6940
African Infrastructure Investment Managers (south Africa)(pty)ltd	R 140m	R700m	Andrew Johnstone	021 670 1234
Aureos South Africa Advisers (pty) Ltd, A Division Of Aureos Capital	US$ 4m (10% of fund size)	US$38m (10% of fund size)	Ron den Besten	011 884 2066
Brait Private Equity	R 5m	R1 bn	Antony Ball	011 507 1000
Business Partners Limited	R 500,000	R20m	Chris Koen	011 679 1110
Capitalworks Equity Partners (pty) Ltd	R 70m	R450m	Chad Smart	011 301 3000
Capricorn Capital Partners (pty) Ltd	R 10m	R 150m	Gavin Chadwick	011 666 0700
Collins Private Equity Holdings (pty) Ltd	Nil	R25m	Bruce Chelius	031 536 8004
Convergence Partners			Idan Segal	011 550 5320
Development Bank Of Southern Africa	R 100m	R700m	Simon McGill	011 313 3126
Development Partners International LLP	€ 10m	€50m	Clodagh Bourke	044 207 349 5030
Emerging Capital Partners	US$ 30m	US$60	Alex-Handrah Aime	011 685 0830
Ethos Private Equity	R100m	R800m	Chelsea Wikinson	011 328 7400
Freetel Capital	R 20m	R 200m	Enos Banda	011 263 7900
Glenhove Fund Managers (pty) Ltd	Closed for further investments		Alun Frost	011 277 4060
Hasso Plattner Ventures Africa	R 5m	R 35m	Marc Balkin	021 486 1060
Horizon Equity Partners	R15m	R50m	Richard Flett	011 502 6940
Industrial Development Corporation (IDC)	R 1m	Dependent on nature of transaction	Ashraf Dindar	0860 693 888

Name	Min investments (Rm)	Max investment (Rm)	Contact name	Contact no.
Inspired Evolution Investment Management (pty) Ltd	R 10 m	R 100 m plus (with co-investment rights)	Christopher Clarke	021 702 1290
International Housing Solutions (pty) Ltd	R 25m	R 250 m	Pamela Lamoreaux	011 215 8300
Invenfin (pty) Ltd	None	None	Alexandra Fraser	021 888 3355
Investec Principal Investments	EV greater than R150m	No Limit	Arlene Lubbe	011 286 8433
Kingdom Zephyr Africa Management	$ 20m	$60m	Panos Voutyritsas	011 268 6911
Leaf Capital	R15m	R30m	Paul Leaf-Wright	021 425 2295
Lereko Metier Capital Growth Fund Managers	R 50m	R 750m	Paul Botha	011 268 4055
Medu Capital (pty) Ltd	R 30m	R 175m	Nhlanganiso Mkwanazi	011 268 9140
Mezzanine Partners (proprietary) Limited	R 50m	R1bn (with co-investors)	Walter Hirzebruch	011 507 1082
Molash Capital	R 20m	R 100m	Eldon Beinart	011 883 2897
Musa Capital	R 5m	R100m	William Jimerson	011 771 6300
National Empowerment Fund	R 250,000	R75m	Setlakalane Molepo	011 305 8105
Nedbank Capital Private Equity	R 30m	R120m	Clive Howell	011 294 3321
Nodus Equity	R 5m	R25m	Erich Schulenburg	011 327 6907
Old Mutual Investment Group Alternative Investments	R 5 m	R 500m - R1bn	Mark Gevers	021 509 3182/6869
Phatisa	US$ 5m (10% of fund size)	US$20m (10% of fund size)	Sean Moolenschot	011 463 1920
PoweredbyVC	R 10m	R 25m	Eben van Heerden	021 554 1573
RMB Corvest (Pty) Ltd	R 10m	R 500m	Kerry-Lee Hurst	011 380 8300
Sanlam Private Equity	R 100m	R 250m	Cora Fernandez	011 778 6613
Sasfin Private Equity Fund Managers	R10m	R 50m	Neil Eppel	011 809 8012
Senatla Capital	R 10m	R 16m	Owen Maubane	011 784 5929

Name	Min investments (Rm)	Max investment (Rm)	Contact name	Contact no.
SP-aktif Investments (pty)ltd	R 20m	N/A	Herman Marais	083 377 6234
Sphere Private Equity (pty) Ltd	R 10m	R 50m	Aadil Carim	011 944 7800
Standard Bank Private Equity	R 50m	None	Ross Randal	0117708400
Standard Chartered Principal Finance	US$ 20m	US$ 150m	Adrian Smith	011 217 6885
Tamela Holdings (pty) Ltd	None	None	Sydney Mhlarhi	011 783 5027
Treacle Private Equity (pty) Ltd	R 10m	R 90m	Rudolf Pretorius	011 463 7476
Trinitas Private Equity	R 40m	R150m	Andrew Hall	011 809 7529
Trium Investments (pty) Ltd	N/A	R 20m	André Stürmer	086 187 4742
Vantage Risk Capital	R 40m	R 350m (with co-investment)	Luc Albinski	011 530 9100
Zico Capital (pty) Ltd	R 15m	R 500m	Sandile Zungu	011 217 3300

Glossary

BEE	Black Economic Empowerment BEE, as defined in the Financial Sector Charter, means the economic empowerment of all black people, including women, workers, youth, people with disabilities and people living in rural areas, through diverse but integrated socio-economic strategies. The definitions used in this survey for BEE companies are stated below: • 'Black companies' refers to companies that are more than 50% owned and are controlled by black people. Control centres on the authority and power to manage assets, the determination of policies and the direction of business operations. 'Black people' refers to all Africans, Coloureds and Indians who are South African citizens and includes black companies. • 'Black empowered companies' refers to companies that are more than 25% owned by black people (but not more than 50%) and where substantial participation in control is vested in black people. • 'Black influenced companies' refers to companies that are between 5% and 25% owned by black people and with participation in control by black people. • 'Not empowered companies' refers to companies that are less than 5% owned by black people.
BRIC	Grouping of the countries of Brazil, Russia, India and China
Captive fund	Those funds making investments mainly on behalf of a parent or group, typically an insurance company, bank or institutional asset manager, often from an indeterminate pool of money.
Carried interest	This represents a fee enhancement for a private equity fund manager for achieving a benchmark return or hurdle rate. The fee is often set at 20% of the value of returns achieved in excess of the benchmark return.
DBSA	Development Bank of Southern Africa
DFIs	Developmental Finance Institutions
Edcon	Edgars Consolidated Stores Limited
EMPEA	Emerging Markets Private Equity Association
EVCA	European Private Equity and Venture Capital Association
Follow on investments	Investments into companies where at least one round of funding has already been made.
FSC	Financial Services Charter
GDP	Gross Domestic Product
Gross IRR	IRR before the deduction of management fees and carried interest.
Gross realised IRR	Gross IRR on the total realised portfolio of investments.

Independent fund	Those private equity companies, managers or funds raising and disbursing capital which has been sourced mainly from third party investors.
IPO / Listing	When a company's equity is sold to investors via a listing on an exchange.
IRR	Internal Rate of Return
KPMG	KPMG Services (Proprietary) Limited
LBO	Leveraged buy-out
M&A	Mergers and acquisitions
MBO	Management buy-out
Mezzanine debt	Debt which ranks behind senior secured debt but ahead of trade credit and shareholders' funds in terms of security. Mezzanine debt is often used in higher leveraged transactions to maximise funding availability from a company's own balance sheet. It may provide for equity-like features such as attached share purchase warrants or participation in cash-flow.
N-11	The Next Eleven (or N-11) is a short list of 11 countries named by Goldman Sachs investment bank on 12 December 2005 as having promising outlooks for investment and future growth.
OMIGSA	Old Mutual Investment Group of South Africa
NVCA	National Venture Capital Association (US)
PIC	Public Investment Corporation
PIPE	Private Investment in Public Equity
PwC	PricewaterhouseCoopers
SAVCA	The Southern African Venture Capital and Private Equity Association
Semi-captive fund managers	Semi-captive fund managers can be subsidiaries of: a financial institution, an insurance company or an industrial company, that operate as independent companies. They manage funds in which, although their main shareholder contributes a large part of the capital, a significant share of the capital is raised from third parties.
Total funding	Total funds raised by all providers of capital during a transaction. This could include the purchase consideration, funds to pay advisors fees, funds required for immediate working capital requirements, etc. This could be in the form of equity, shareholder loans, senior, mezzanine and junior debt and working capital facilities.
Trade sale	Sale of business to a third party, often referred to as M&A and frequently to an acquirer within the industry of the business being sold.
UK	United Kingdom
US	United States of America

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