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Private Equity and
Venture Capital Survey - 2003

KPMG CORPORATE FINANCE

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**KPMG** and **SAVCA** 

**Private Equity and Venture Capital Survey – 2003** 

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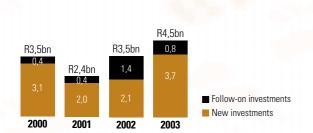
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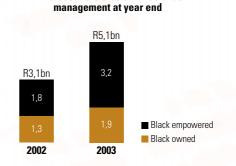
# Highlights

- A record number of respondents, being 50 entities (2002: 37 entities), are included in this year's survey representing 75 funds (2002: 54 funds)
- South Africa's private equity industry boasts R41,5 billion in funds under management at 31 December 2003 (2002: R37,6 billion) an increase of 10%
- R13,9 billion (2002: R7,9 billion) in undrawn commitments are available for future investments
- A sharp turnaround in fund raising activity after four years of substantially decreasing funds raised with 2003 representing a record year of new funds raised worth R6,1 billion (2002: R1,3 billion)
- A record investment activity by private equity firms up 26% from 2002 to R4,5 billion in 2003 (2002: R3,3 billion)
- Total funds returned to investors of R2,4 billion (2002: R1,5 billion) is also a new record
- BEE funds have R5,1 billion of funds under management at 31 December 2003, an increase of 64% from 2002 (R3,1 billion) following the formation of various new funds during 2003
- Investments in BEE entities increased to R717 million during 2003 (2002: R559 million)





Value of investments made during the year



BEE credentials of total funds under

R6.1bn

2003

Later stage

Earlier stage

# Glossary

#### BEE - Black Economic Empowerment

A "black owned enterprise" is one that is 50,1% owned by black persons. Ownership refers to economic interest. A black person is defined as being either a black, coloured or Indian person. A "black empowered enterprise" is one that is at least 25,1% owned by black persons.

#### **BVCA**

British Venture Capital Association

#### Captive fund

Those funds making investments solely 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.

#### DFI

**Developmental Funding Institution** 

#### Draw down

A draw down or capital call occurs when third party investors (called limited partners in the US) provide cash to a private equity fund for investment into a portfolio company. The draw down reduces the outstanding commitment due from the investor.

#### **EVCA**

European Private Equity & Venture Capital Association

#### Follow on investments

Investments into companies where first round funding has already been made.

#### 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 from third party investors.

#### IPC

Initial Public Offering. The first time that a company's equity is sold on a stock exchange.

#### IRR

Internal Rate of Return

#### JSE

JSE Securities Exchange South Africa

#### SAVCA

The Southern African Venture Capital and Private Equity Association







#### Foreword



Malcolm Segal

It is once again my privilege to make some introductory comments to the annual KPMG and SAVCA survey of the South African private equity and venture capital industry.

The fifth since inception, the 2003 survey continues the tradition of annual improvement in the quantity and quality of information provided as well as the presentation and analysis thereof. In part, this is the result of the improved availability of information and I wish to thank the industry for its overwhelming support in providing

the information required – testimony to the stature of SAVCA as well as acknowledgement of the importance of the survey to the industry. The findings of the survey set the platform for our interactions with institutional investors, various departments in Government, the JSE and other stakeholders.

The publication of the survey attracts widespread media interest and has become an invaluable tool for policy planners. International economic research repeatedly confirms the strong correlation between economic growth, growth in employment and the availability of equity risk capital in an economy. I anticipate that this year, the survey will attract more interest than ever because of the industry's growing role in the funding of BEE transactions.

The survey confirms that after a number of years characterised by relative stagnation, levels of activity in the industry have picked up significantly. This is confirmed by almost every parameter of measurement of activity - including most importantly BEE capital under management and BEE transactions consummated.

Interestingly, in many respects, South Africa bucks international trends, which, in the main, continue to reflect stable or even declining levels of activity.

Notwithstanding the encouraging improvement in levels of activity, we must bear in mind that, with capital under management measured at less than 3% of GDP, there remains much room for growth and development. SAVCA continues in its endeavours to focus the minds of policymakers on the need for capital under management to reach the level of 6% or 7% of GDP. How massively different the economic landscape of this country would be if we moved in this direction! Hence, a number of SAVCA's initiatives are aimed at identifying and removing the constraints and impediments, which stand in the way of realising this long-term dream.

My congratulations to the KPMG and SAVCA teams for their significant efforts in producing this survey. KPMG is one of SAVCA's four platinum sponsors and the resources it commits to SAVCA are hugely important to our progress.

I trust you will find the survey interesting and informative.

Malcolm Segal Chairman: SAVCA

Johannesburg 4 May 2004



Richard Carreira

Following the great success of the past surveys, it gives me great pleasure to once again present the KPMG and SAVCA Private Equity and Venture Capital survey.

The feedback from the prior year's survey was greatly appreciated and, based on suggestions made, we have included more detailed analysis as well as extended the survey to include certain new areas not previously reported on. Given that this is the fifth year of the survey, we have also been able to provide more meaningful trends analysis of the

industry, both here in South Africa, as well as internationally.

It is very encouraging to be able to report this year on a number of major milestones achieved as well as on record activity in almost every aspect within the Private Equity industry. We are pleased to be associated with, and able to provide information on, the Private Equity and Venture Capital industry in South Africa as it continues to achieve sustained growth and plays a very meaningful role in the growth and development of the local economy. We anticipate that the critical role that the Private Equity industry plays within the local economy will continue to be enhanced, especially given the recent trends in relation to BEE fund raising activity, funds under management and investment activity.

We trust that the expanded scope and additional information presented will continue to be of interest to all of those directly involved in the Private Equity industry, the major institutions and other providers of funding, entrepreneurs and recipients of capital, regulatory bodies, government organisations and other stakeholders.

Richard Carreira Managing Partner: KPMG Corporate Finance

**Johannesburg** 4 May 2004

# Basis of preparation

The principle source of information for this survey was the survey questionnaire. In addition we have utilised SAVCA's directory of members, interviews with and presentations by private equity industry leaders, as well as public information on private equity funds.

The survey questionnaire was developed jointly by KPMG and a SAVCA sub-committee constituted for this purpose, with a view to ensuring that relevant information was requested and extracted.

The KPMG research team comprised of John Geel, a director of KPMG Corporate Finance and Marco Dias, a senior manager of KPMG Corporate Finance. The SAVCA sub committee comprised of Walter Hirzebruch (sub committee chairman) of Brait Private Equity, Shaun Zagnoev of Ethos Private Equity and Garth Willis of Standard Bank Group Limited.

KPMG's background research identified 67 entities that may potentially be classified as private equity firms or are involved in the management of private equity funds. This included the 48 fund managers registered as full members of SAVCA. Questionnaires were e-mailed to all 67 entities. Forty-three of them (representing 68 funds) at least partially completed the questionnaire. In addition, alternative sources were used to obtain information on a further 7 private equity firms that did not complete the questionnaire. Although these alternative sources did not provide us with as much information as our questionnaire, we nevertheless believe the information we present provides a fair reflection of the state of South Africa's private equity industry. We are confident that those participants for which no information was sourced are not significant players and we do not believe that they would have had a material impact on our survey results. In compiling the survey results, it is important to note that all of the completed questionaires were returned directly to KPMG and only aggregated, reported information as received by KPMG was discussed with the SAVCA sub-committee. This process is followed to ensure confidentiality of specific data and information submitted. In finalising this survey KPMG has worked closely with the SAVCA sub-committee, constituted for the purpose of the survey, to ensure meaningful interpretation and comment has been included in this report.

Global, North American and European comparative data has generally been sourced from the PWC 3i Global Private Equity 2003 Survey and the EVCA Yearbook 2003 (both relating to the 2002 calendar year). Other sources of information are specifically disclosed.

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

Private equity provides equity capital to enterprises that are generally not quoted on a public stock exchange. Private equity can be used to develop new products and technologies, to expand working capital, to make new acquisitions or to strengthen a company's balance sheet. It can also resolve ownership and management issues, succession in a family owned business or the buy-out or buy-in of a business by experienced managers.

#### **Investment stages**

Private equity can be broadly classified into three sub-classes, namely: venture capital, development capital and buy-out funding.

Because the definitions of the terms 'venture capital' and 'private equity' vary from country to country, Figure 1 sets out the terminology used in this survey to avoid confusion.

Figure 1: Private equity investment stages

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 profitability					
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.					

#### **History of Private Equity**

South African companies have long invested in unlisted businesses. Why then has private equity become such a popular catch phrase? The answer lies in the development, internationally, of a professional private equity management industry. The success in terms of growth achieved by private equity funds in the US and, to a lesser extent in Europe, has resulted in the development of professional private equity firms in other parts of the world, including South Africa.

In South Africa, the four major commercial banks and their predecessors pioneered leveraged buy-outs. This was largely driven by disinvestments from South Africa in the early 1980's. These buy-outs, encouraged by the international success of private equity, formed the foundation for our private equity market today.

Organised and professionally managed investments in the private equity market can be traced back to 1946 in the US, when the American Research and Development Corporation (ARD) was formed to facilitate new business formation and development. ARD's stock persistently traded at a discount to its net asset value, and it had difficulty raising capital on the stock market. This was indicative of a negative view of private equity as an asset class. During the 1950's and 60's, the US Congress introduced legislation to promote the development of small business, with moderate success. An increase in the market for IPOs in 1968 – 1969 resulted in significant profitable realisations of venture capital investments made in the 1960's. During the 1970's, many of these venture capital partnerships began leveraging buy-outs of divisions of large conglomerates.

During the late 1970's, regulatory and tax changes allowed US pension funds to invest in private equity for the first time. This, together with the success of new leveraged buy-out (LBO) firms, resulted in a boom in fund raising. In 1987, Kohlberg Kravis and Roberts raised a record US\$5,6 billion LBO fund, which was more than twice the total commitment to all other venture capital firms in that year.

The 1980's and 1990's therefore saw explosive growth in US private equity commitments. In 2000, private equity and venture capital investments in North America increased to a record with a total of \$152 billion funds invested. Expansion and early stage investments comprising 60% of this reflecting the strong growth in these subclasses of private equity. Cumulative investments and funds raised from 1998 to 2002 are reported at \$466,2 billion and \$554,8 billion respectively<sup>2</sup> for North America.

As Europe emerged from the recession of the early 1990's, it too became a fertile environment for private equity. In 1997, a number of private equity firms raised funds of more that \$1 billion for the first time. At the end of 2002, the total of European private equity investment portfolios at cost was estimated at \$116,8 billion<sup>3</sup>. "This industry is probably the most significant driver of economic growth and employment in Europe today supporting, as it does, companies with funding, strategic advice and business networking. The environment in 2003 was tough but, as in the US, the second half of the year saw a noticeable upturn in activity. The prospects for 2004 are encouraging – we see that investor confidence is returning, with a number of investments and exits completed in all major economies. Fundraising is beginning to gain momentum as we go into a new cycle": Jean-Bernard Schmidt, EVCA Chairman 2003/04 (March 2004 EVCA press release).

The global market is dominated by North America (specifically the US) and Western Europe. Seventy percent of global funds raised from 1998 to 2002 have in fact been raised in North America. Western Europe and Asia Pacific are a distant second and third with 20% and 7% respectively. The Middle East, Africa, Central and South America and Eastern Europe only contributed the remaining 3%<sup>2</sup>.

In South Africa, the private equity industry was only formalised with the constituting of the Southern African Venture Capital and Private Equity Association in 1999. The industry in South Africa is relatively sophisticated by emerging markets' standards and its participants are active in early stage investments through to large LBOs.

#### **Types of Private Equity Firms**

A distinction needs to be made between captive funds and independent funds. Many private equity firms exclusively manage assets on their own balance sheet or that of their parent company. These funds are referred to as captive funds.

Fund managers include independents who manage funds on behalf of third parties as well as captive funds who manage on balance-sheet investments. Captives are for the purpose of this survey, further classified into the captive funds of Government and DFIs, banks and other captive funds (including corporates and insurance companies).

Independent funds raise cash commitments from third party investors<sup>5</sup>. 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. The independent funds are the dominant type of firm in the UK, 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' principal, 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.



## Funds Under Management

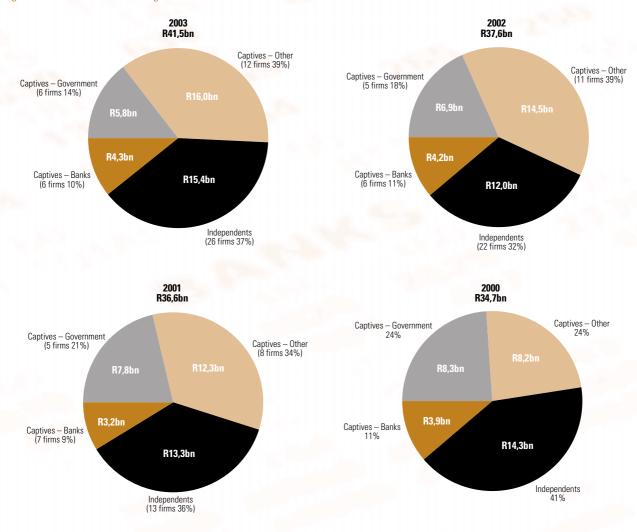
Our research shows that South Africa's private equity industry now boasts total funds under management of R41,5 billion<sup>6</sup> (inclusive of undrawn commitments of R13,9 billion). This reflects an increase of 10% from funds under management at 31 December 2002 of R37,6 billion<sup>7</sup> (inclusive of R7,9 billion undrawn commitments). Although Figure 2 indicates similar strong growth between 2000 and 2001, this was to a large extent due to the inclusion of VenFin in our 2001 figures for the first time. The fact is that in 2001 the private equity industry's funds under management grew at levels lower than inflation.

Determining the level of funds under management is not an easy task. Whilst certain parties lobby for a more inclusive approach to measurement of funds under management others believe that overstating the level of funds under management is a disservice to the industry as this could reduce the appetite of DFI's to commit funds to South Africa in favour of other under-funded emerging markets.

In the purest form there is an argument that this survey should only measure the activity of the independent funds, as these form the core of the professionally managed private equity industry. This however, would negate the significant role played by corporates, banks and DFI's in private equity in South Africa. Furthermore, the inclusion of these parties in our measurements is consistent with the treatment by the EVCA in their research. For the purposes of presentation we have thus analysed funds under management between the various types of fund managers.

In analysing the research it is important to note that a number of firms which participated in the current survey did not participate in the 2002 survey. Only comparative 2002 information has been restated with pre 2002 information being extracted from the 2002 survey and is therefore not directly comparable (Refer footnote 7 and 8).

Figure 2: Total funds under management at 31 December



A number of factors have contributed to the significant growth from 2002 to 2003. A key issue has been the significant increase in the level of new funds raised by existing private equity fund managers to a record high and new BEE funds established during the year. This is discussed in further detail in the Fund Raising Activity and Black Economic Empowerment Sections of this survey.

Whilst the immediate effect of exits by private equity investors is to reduce funds under management, the historic low level of exits, particularly exits via IPOs, may have been hampering the ability of private equity players to raise further funds from third party investors. This trend has been somewhat reversed in the current year and discussed further in the Exits Section of this survey.

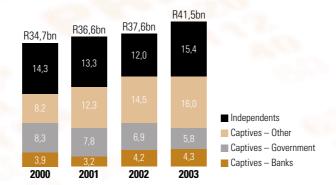
Examples of private equity portfolios of government and aid agencies (referred to as Captive — Government in Figure 2) include the Industrial Development Corporation (IDC), the Southern African Enterprise Development Fund (which is funded by the US Agency for International Development) and the International Finance Corporation (a division of the World Bank). CDC Capital Partners (now referred to as Actis and managing the Actis Africa Fund) was previously classified in this category but is now classified as an independent following its restructuring and launch of a new brand.

Significant captive funds include corporate private equity players<sup>8</sup> (Captive – Other in Figure 2) such as VenFin, OMAM Private Equity and Sanlam Private Equity (a division of Sanlam Life Insurance Limited) and financial service private equity players (Captive – Banks) such as ABSA Corporate & Merchant Bank.

The total of all captive funds account for 63% (2002:68%) of the total funds under management at 31 December 2003.

Independent funds make up 37% of funds under management. These funds, which generally manage third party funds, increased funds under management from R12.0 billion in 2002 to R15,4 billion in 2003. This was mainly as a result of a significant increase in funds raised (explained in detail in the Fund Raising Activity Section of this survey), the majority of which remain undrawn.

Figure 3: Composition of total funds under management at year end

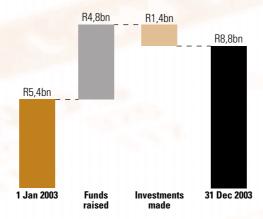


#### PRIVATE EQUITY AND VENTURE CAPITAL SURVEY - 2003



Although total undrawn commitments are R13,9 billion (2002:R7,9bn), R8,8 billion (2002: R5,4bn) reflects the undrawn commitments of independent fund managers. These undrawn commitments to independent fund managers have increased by R3,4 billion.

Figure 4: Undrawn commitments from third parties to independent fund managers<sup>a</sup>



There is still a significant, and increasing, amount of undrawn commitments. This bodes well for seekers of capital, as these funds often work on a 'use it or lose it' principal, meaning that, there will be an incentive for fund managers to invest their funds as soon as possible. The timing, however, is also dependent on prevailing economic factors. Of the R8,8 billion available for independent fund managers at 31 December 2003, only R0,9 billion is available for early stage funds while the remaining R7,9 billion is available for later stage funds.

Although this independent sector is dominated by the larger buy-out focused funds, we continue to see a prevalence of second tier private equity fund managers. These also include some earlier stage venture capital funds.

In the US, independent funds dominate the market and manage approximately 80% of total funds. Captive funds of banks are a distant second with an estimated 8% of the funds under management and the remainder is evenly distributed among the remaining private equity participants. European independent funds account for more than half of the total funds under management with government captives contributing less than 5%.

The international trend is not entirely consistent with that of the South African private equity market owing to the more active role that the South African government and international development agencies have taken in funding investment in the country. Whilst DFI's are not significant players in private equity in North America and Western Europe, they do have a focus on other developing economies including those of Eastern Europe and Africa.

The uptake in funds raised and increased investment activity seen in the current year results are especially positive when seen in the context of a global market with very subdued activity.

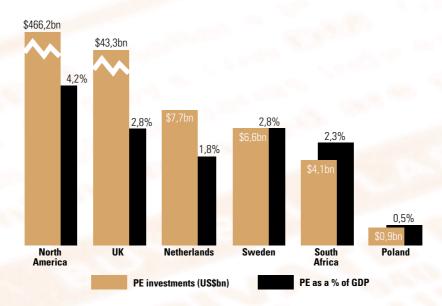
2001 was certainly not a positive year for North America as investments and funds raised decreased dramatically by 56% and 35% respectively. The level of investments stabilised in 2002 but funds raised continued its downward trend losing a further 52% to reach \$57 billion raised during that year. Whilst 2003 data is only available for the first 6 months of the year it appears that investment levels might have started an upward cycle driven by significant buyout investment. There is no sign yet of a recovery on the level of fund raising activities though and a further decrease, albeit moderate, was seen in the first half of 2003 when compared to the same 2002 period<sup>2</sup>.

Figures released for the first half of 2003<sup>2</sup> for Western Europe reflect continued difficult conditions with fund raising down on the equivalent 2002 period of levels for investments made and funds raised. Preliminary results for the full year indicate though that the last quarter of 2003 was extremely positive and it is expected that, at a minimum, 2002 levels will be achieved.

Overall global data for the first 6 months of 2003 indicates the continued trend of a stable level of investments while funds raised are expected to drop significantly for a third consecutive year<sup>2</sup>.

Although our industry is small in comparison with that of the US, it is significant in relation to many European countries, including Sweden and the Netherlands. In terms of total funds under management relative to GDP, South Africa's private equity industry (2,3%) is more significant than most of Europe's, but is still some way off that of North America (4,2% of GDP).

Figure 5: Relative size of international private equity markets10 (measured by investments)



Note that for the purpose of the above analysis, undrawn South African commitments have been removed to ensure comparability

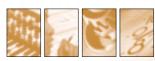
The PWC 3i Global Private Equity Survey ranks national private equity industries in terms of funds raised as well as amounts invested in the year of measurement. Because of the depreciation of the rand during 2001, South Africa slipped off the "Top 20" rankings but recovered to 19 during 2002 on the back of the strengthening rand. On a comparative basis, using 2003 figures for South Africa, the strengthening of the rand and the increased level of activity in 2003, places us at 16 on the global rankings. If the measure were to be made on the funds raised during the year, the South African ranking would improve to 9th on the global rankings.

Figure 6: PwC 3i country ranking\*

Rank	Country	Investments US\$ Billions	Funds raised US\$ Billions
1	USA	62,68	54,89
2	United Kingdom	9,58	13,42
3	France	5,53	4,54
4	Italy	2,48	1,89
5	Japan	2,38	0,72
6	Germany	2,37	1,55
7	South Korea	1,95	0,36
8	Netherlands	1,63	1,13
9	Canada	1,57	2,07
10	Sweden	1,39	0,61

Rank	Country	Investments US\$ Billions	Funds raised US\$ Billions
11	Australia	1,21	0,21
12	India	1,05	0,16
13	Israel	0,98	1,14
14	Spain	0,92	0,60
15	Hong Kong	0,75	0,55
16	South Africa	0,67	0,92
17	Indonesia	0,56	N/A
18	Finland	0,43	0,68
19	China	0,35	0,32
20	Belgium	0,34	0,12

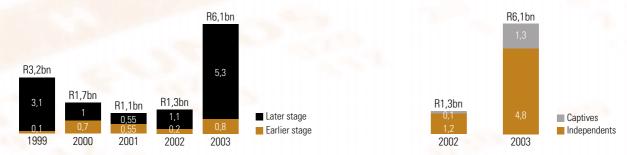
<sup>\*2003</sup> figures for South Africa, 2002 for others. Rands converted to US Dollars using the spot rate at 31 December 2003 of US\$1=R6.65



# Fund Raising Activity

Figure 7 highlights the significant increase in the amount of funds raised, from a total of R1,3 billion in 2002 to a record R6,1 billion in 2003. The previous highest year of funds raised was 1999 when R3,2 billion funds were raised. Later stage funds again raised the vast majority of funding, a trend that has not been broken since 1999, the first year for which data is available. The New Africa Mining Fund, managed by Decorum Capital Partners, contributed R564 million of the R838 million of the total early stage funds raised during 2003.

Figure 7: Funds raised analysed by fund stage and type



R4,8 billion, representing 79% of all fund raising activity during 2003, was raised by independents followed in a distant second by captives (specifically "other") with R1,2 billion (20%). Actis, an independent, raised R2,3 billion (US\$350 million) during the year representing 38% of all fund raising activity. This represents the single largest amount raised by one entity in any year since this survey has been conducted. Actis intends to invest these funds throughout Africa and not necessarily only within South Africa.

The other funds that each raised at least R300 million during 2003, are listed below (management company and amount raised in brackets):

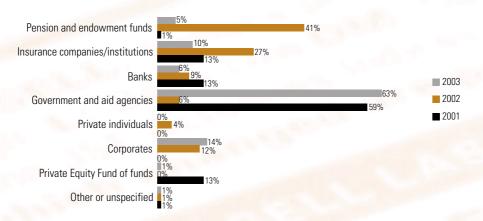
- Old Mutual Shareholders and Policyholders Fund (OMAM Private Equity R718 million);
- The South Africa Infrastructure Investment Fund (African Infrastructure Investment Managers R675 million);
- New Africa Mining Fund (Decorum Capital Partners R564 million);
- The J&J Private Equity Fund (First South Investment Managers R300 million); and
- MCI Value Partners Fund I (MCI Fund Managers R300 million).

The above information is publicly available or the parties have consented to the disclosure of the information

Funds raised exceeded investments made during 2003, an inverse of a trend seen during the last two years where investments made exceeded funds raised.

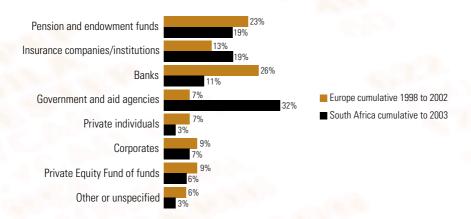
Figure 8 below shows that 63% of all third party funds raised during 2003 were from governments and aid agencies. The most significant contributor to this was the UK Government. Governments and DFI's were also the major source of funds raised during 2001 although pension and endowerment funds contributed the most funds raised during 2002.

Figure 8: Sources of third party funding during the year



The 2003 figures shown in Figure 8 above have had a significant impact on the cumulative trend of sources of third party funding shown in Figure 9 below which now indicates that 32% of all third party funds raised to date have been from governments and aid agencies (80% of which have been from foreign sources) followed by pension and endowerment funds (19,4% of total) with insurance companies a close third (18,6% of total). This compares to cumulative at the end of 200211 of 31% from pension and endowerment funds, 20% from insurance companies followed only in third place by governments and aid agencies with 15%.

Figure 9: Cumulative sources of third party funding<sup>3</sup>

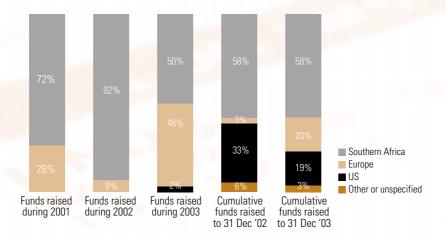


European institutional investors had historically been generally reluctant to invest in private equity. A major reason for this had been, as in South Africa, the reluctance of insurance companies and the pension fund trustees to allow much investment of this type because returns are hard to measure and investments may be unsaleable for several years. US pension funds have consequently been significant investors into non-US private equity funds and significant amounts of European funds raised have been sourced from the US. However, 2001 saw this trend being broken with pension funds overtaking banks as the largest source of funding in Europe although Banks regained the overall lead again 2002. This nevertheless indicates that private equity is becoming a more attractive asset class for institutional investors.

An interesting observation is that, in the US, a significant amount of commitments (21% of 2000 total) are received from institutional endowments (eg. university endowment funds) and charitable foundations. In South Africa and Europe, however, funding from these sources has not been separately measured, but it is believed to be negligible. For charitable foundations and endowments, whose liability maturity profile is long and often indefinite, private equity represents an appropriate asset class by matching the maturity profile of assets to liabilities.



Figure 10: Geographic Source of third party funding

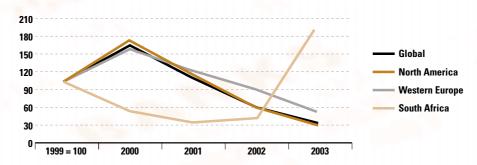


50% of third party funds raised during 2003 have been sourced from Southern Africa and 48% from Europe. All other sources contributed negligible amounts. This has in fact been the case since 2001 where funds have been raised almost entirely from local and European sources. Cumulatively however US sources have still contributed 19% of all third party funds raised to date which indicates USA's strong contribution to pre 2001 fund raising levels in South Africa.

No doubt the recent flight of capital out of emerging markets has not helped the South African private equity market in receiving funding from the US. The European funding received by South African funds was predominantly from DFIs in 2001 and 2003 and corporates in 2002. The significant amount raised in 2003 from Europe has resulted in Europe overtaking the US as the main supplier of foreign funds at 31 December 2003.

The increased level of 2003 fund raising activity in South Africa is not consistent with expected global trends where a continued decrease is expected for 2003 (based on a simple annualisation of \$24 billion raised in the first 6 months of 2003)?

Figure 11: Global and South African fund raising activity

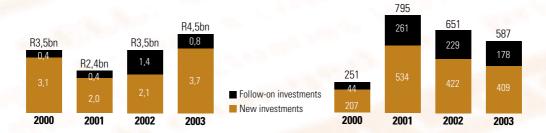


Global, North America and Western Europe for 2003 based on a simple annualisation of reported levels for the first half of 2003

# Investment Activity

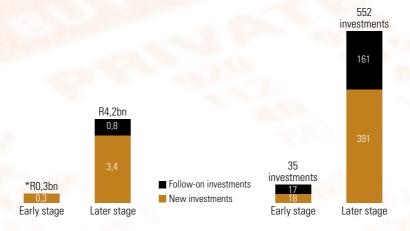
Reported private equity investments increased from R3,5 billion in 2002 to R4,5 billion in 2003. The total number of investments however decreased from 651 to 587. The overall average investment deal size has increased from R5,4 million to R7,6 million as a result of new investments average deal size increasing from R5 million to R9 million. Follow-on investments average deal size in fact decreased from R6,3 million during 2002 to R4,3 million during 2003.

Figure 12: Value and number of investments made



Later stage focused funds continued to be the biggest investors during 2003 although the difference was especially large in 2003.

Figure 13: Value and number of investments made during 2003 - analysed by fund type



<sup>\*</sup>R49 million follow-on investments were made but are not shown on the graphic due to their relative small contribution

In terms of the number of reported investments, Business Partners, classified as a "Captive — Other" fund, was again by far the most active investor player in the South African Private Equity market. The average deal size increases to R26,8 million (2002: R24 million) if the Business Partners' investments are excluded.

The manufacturing sector overtook the services sector as the dominant cumulative recipient of private equity funding across all types of funds. It comprises 21% of all classified investments at 31 December 2003 followed by services at 19%. Information technology, interestingly, only occupies third position with 15%. Information technology is however the largest sector investment by independent funds contributing to 23% of all independent investments at 31 December 2003.



Figure 14: Cumulative investments at 31 December by all funds by sector12

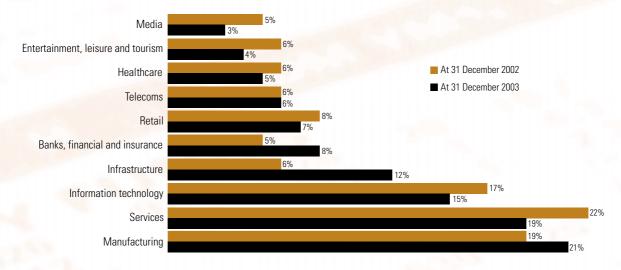
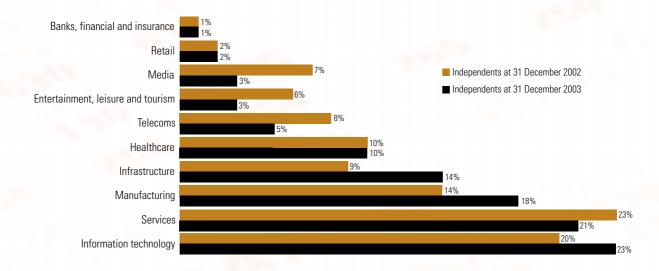


Figure 15: Cumulative investments at 31 December by independent funds by sector<sup>12</sup>

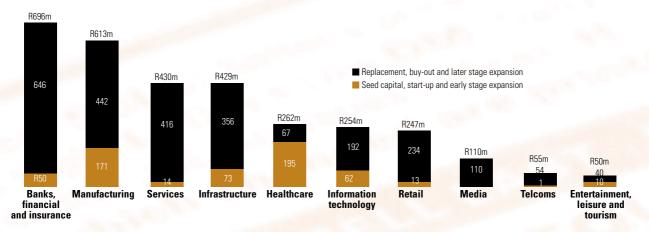


Investments classified as other or not classified at all have been excluded from Figures 14 and 15 above

High technology investments have generally been a significant portion of global private equity and venture capital investments. The highest percentage contribution was seen during the height of the IT investment bubble during 2000 when high-tech investments contributed an estimated 58% of total global investments during that year. Its global proportion has decreased since then and was 38% of total global investments i.e. \$38 billion of a total \$102 billion for 2002. This approximated 1998 levels of 36% of total global investments<sup>2</sup>. The European sectoral breakdown includes high-tech investments contributing 12,5% of all 2002 investments. Consumer Related and Industrial Products and Services sectors were the largest recipients of European investments during 2002 with 22% and 17% respectively<sup>3</sup>.

29% of investments made during 2003 were classified in the "other" sector category or not classified at all. Of the investments classified into sectors, 22% were in the banks, financial services and insurance sectors while the manufacturing sector comprised 20%.

Figure 16: Investments during 2003 by sector and stage



The value of funds invested in South Africa in start up, early stage and seed capital investments remains small. 2003 was particularly weighted towards investments for expansion and development. The largest value of cumulative investments is still deployed into replacement and buyout transactions, although by number of transactions the sector only accounts for 11%. This is indicative of the proportionally larger transaction values for these types of deals.

Figure 17: SA investments during the year and cumulative by stage (based on value of investments made) 12

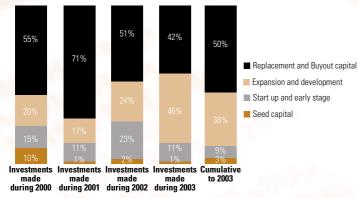
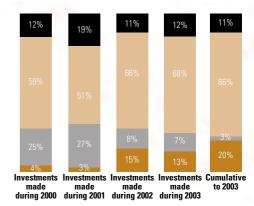


Figure 18: SA investments during the year and cumulative by stage (based on number of investments) 12



South Africa's tendency towards later stage investments is not unlike the global trend where early stage investments, which include seed and start-up, have decreased globally from 21% of investments during 2000 to a mere 8% during 2002. Globally, expansion and development investments have also decreased from 41% of investments during 2000 to 23% during 2002. This trend is expected to continue during 2003 where early stage and expansion stage investments have only accounted for 18% of total global investments during the first half of 2003<sup>2</sup>. Buyouts have accounted for 74% of all investments during the first six months of global investments.

#### PRIVATE EQUITY AND VENTURE CAPITAL SURVEY - 2003

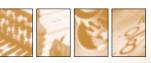


Figure 19 below provides information about private equity transactions in excess of R100 million reported to KPMG in response to the questionaire. The information below is included for guidance only and seeks to provide a flavour of transactions reported, is not precise and does not tie into the value of investments as reported on in Figure 12 due to timing differences. Figure 20 provides a comparative analysis of transactions reported in the 2002 survey.

Figure 19: Table of larger private equity deals — 2003 (Total funding arranged)

Name of investments	Equity provider/s	Debt provider/s	Total funding raised (Rm)	Type of investments	Fund's equity interest	Part of syndication	BEE credentials
Cobra Watertech Group	Ethos	RMB	168	LB0	50%	Yes	Not empowered
Coronation Investments & Trading Limited	OMAM Private Equity	N/A	440	Replacement capital	21%	No	Not empowered
Dimension Data	VenFin*	VenFin*	864	Replacement capital	12%	No	Not disclosed
Fraser Alexander	ACMB	N/A	130	Replacement capital	62%	No	Not empowered
Lenco Holdings	Actis and Brimstone	Investec	410	LB0	83%	Yes	Black empowered
Ozz Industries	Ethos, RMB Corvest and others	RMB	500	LB0	90%	Yes	Black empowered
Pepkor Limited●	Brait/Old Mutual Life Assurance Company of SA (OMLACSA)	Old Mutual Specialised Finance	3 956	LB0	Between 15% – 25% for each of Brait and OMLACSA	Yes	Not empowered
The Fuel Group	RMB Corvest, RMB Ventures and others	RMB	675	LBO	61%	Yes	Not empowered

<sup>\*</sup> Made through an associate of VenFin in the form of a convertible bond at 31 December 2002

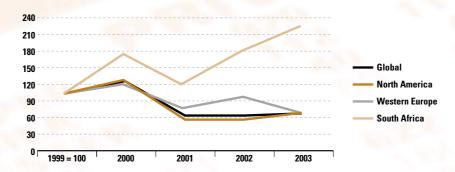
The Pepkor transaction was undertaken and reported on during the last quarter of 2003 at which time shareholder approval was obtained. It became unconditional in early February 2004 when the required regulatory approvals were obtained and the associated funds flowed. It is reported in the interests of a more complete appreciation of private equity activity during the period under review. It does not form part of the investment activity reported in Figure 12. which is determined on the basis of "flow of funds".

Figure 20: Table of larger private equity deals – 2002 (Total funding arranged)

Name of investments	Equity provider/s	Debt provider/s	Total funding raised (Rm)	Type of investments	Fund's equity interest	Part of syndication
Candy Tops	Brait	ВОЕ	35	Replacement capital	36%	No
Dorbyl Engineering	ACMB	ACMB	215	Buy-out	45%	No
Dunlop Africa Holdings	Ethos Fund III	Citibank	795	Buy-out	58%	No
Kulingile Metals	ACMB	ACMB	228	Buy-out	40%	No
MB Technologies	ACMB	ACMB	250	Buy-out	40%	
Midas	ACMB	ACMB	125	Buy-out	40%	
NCS Resins	Brait	BOE	70	Replacement capital	33%	No
Servest Pty	AMB Partners	ABSA, Standard Bank	297	Buy-out	68%	No
Unihold	ACMB	N/A	206	Buy-out	80%	No
Vodacom	VenFin	N/A	450	Replacement capital	15%	Yes

The positive fund raising trend in South Africa is also reflected in investment activity. Global investment activity is expected to be maintained (based on a simple annualisation of \$57 billion invested in the first 6 months of 2003)<sup>2</sup> while local investment activity has increased during 2003.

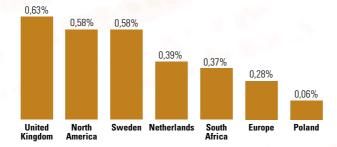
Figure 21: Global and South African investment activity

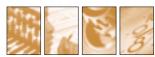


Global, North America and Western Europe for 2003 based on a simple annualisation of reported levels for the first half of 2003

South African investments during 2003 comprised 0.37% of GDP. This is significantly lower than the 0.58% for North America but higher than the European average of 0.28%. Even though the ratio for The United Kingdom, Sweden and the Netherlands are better than South Africa's it must be noted that these European countries occupy three of the top four positions when comparing the ratio of all EVCA members (France occupies the third position with 0.39%).

Figure 22: Investments during the year as a % of GDP10







#### **Total funds returned to investors**

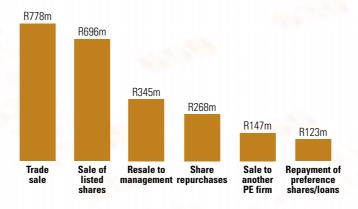
Funds returned to investors (being the proceeds on exit of investments through disposals, repayments of loans and dividend receipts) increased from R1,5 billion during 2002 to R2,4 billion during 2003. It is significant that it is the first year since 2000 that funds raised significantly exceed funds returned to investors.

Figure 23: Funds returned to investors



The analysis of funds returned to investors during 2003 is shown below.

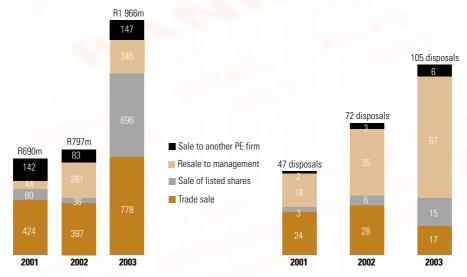
Figure 24: Funds returned to investors during 2003



#### **Disposals**

The value of disposals, which excludes share repurchases and repayment of preference shares/loans, increased to R2 billion in 2003 from R797 million reported in the 2002 survey. Disposals through the sale of listed shares showed the most significant increase. The recovery of the local market, especially in the second half of the year was considered a contributing factor.

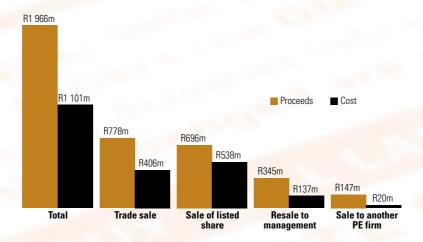
Figure 25: Disposals during the year (by proceeds and number)



2002 and 2001 disposal data has been sourced from the 2002 survey since the majority of 2003 survey respondents did not complete comparative data for 2002

The average proceeds per disposal have increased from R11 million in 2002 to R19 million in 2003. The reported profit (proceeds less cost of investment) on disposals for 2003 was R865 million with trade sales being the main contributor with R372 million followed by resale to management with R208 million. It is interesting to note that profits on sales to other private equity firms was the smallest rand contributor (R127 million) but the largest in terms of profit as a percentage of cost (636%).



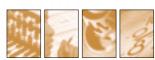


The ratio of investments to disposals during the year of 2.3 is promising in comparison to 4.9 in 2002 and 3.5 in 2001. We can only hope that the trend continues and that the generally subdued M&A market activity of the resent past enjoys a revival.

The lack of new listings on the JSE and in fact continued delistings continues to be a major source of concern. Research in Europe and in the US has indicated that one of the strongest growth factors in private equity is a healthy institutional appetite for new listings. The growth and technology focused Neur Markt in Germany and NASDAQ in the US, have historically been a favourite form of exit for many venture capitalists. In the UK, during the late 1990's, some 40% of all London Stock Exchange floatations were represented by private equity exits. These companies have generally performed better than their peers who have not come to market via private equity<sup>13</sup>. This clearly demonstrates the importance of a healthy IPO environment for the private equity industry. In the long term, sustained growth in the South African private equity market will be difficult to achieve unless there is an uptick in the appetite for new listings. It is too early to assess whether the formation of the Alt-X will address the concern.

The US has also experienced a depressed market for IPOs. In 1999 the value of exits via IPOs almost equaled trade sale disposals. Since then the IPO market has dried up with virtually no disposals by IPO in 2001 and 2002.

The number of write offs reported (including sales for a nominal amount) increased from 37 in 2002 to 76 in 2003. 2003 write-offs represented R299 million of investments at cost.



#### Performance

Measuring the performance of private equity funds is always difficult. Private equity valuations are, by their very nature, highly subjective. The overriding principle of the BVCA/SAVCA guidelines is to show a fair valuation of investments to the investor. Twenty-five participants claimed compliance with BVCA/SAVCA's valuation guidelines.

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

- The IRRs reported reflect the returns achieved from the inception of the funds. As the funds are all at different maturities, the IRRs are not directly comparable;
- The IRRs reported are gross IRRs and therefore reflect returns prior to the payment of expenses such as management fees and carried interest. Although net IRRs are the most relevant performance measure to a third party investor, we believe that only some of the independent fund managers would have calculated their returns on this basis;
- The IRRs of independent funds are based on drawn down funds. As such, there is no cash drag element. Third party investors have to maintain sufficient liquidity to meet the capital calls made by fund managers. Consequently, they experience an element of flow drag on their investment portfolios. The IRRs calculated by fund managers would exclude this effect;
- 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;
- Funds with a history of less than one year were excluded from the survey in respect of IRRs; and
- Captive funds generally do not calculate or report IRRs. Their fee structures are not usually linked to the achievement of prescribed IRRs. In short, most of the funds that reported IRRs were independent private equity funds.

In view of the factors discussed above, it was decided that the most appropriate way to present the results is in tabular form allowing readers to draw their own conclusions regarding the performance of the South African private equity industry.

Figure 27 and 28 present both total and realised IRRs. Whilst the total IRR presents the total return of the fund since inception including unrealised investments, the realised IRR only presents the returns of funds deployed and subsequently realised and returned to investors. This, therefore, presents a less subjective picture of fund returns (although it would exclude the negative effect of investments that are difficult to exit which appears to be of particular relevance in the current economic environment).

Figure 27: Total gross IRR since fund inception reported by respondents to survey questionnaire (16 respondents in 2003, 11 in 2002)

Management f	irm age 0 – 5	years	5 - 10	5 - 10 years >10 years			
	2003	2002	2003	2002	2003	2002	
IRR	No. of respondents	No. of respondents	No. of respondents	No. of respondents	No. of respondents	No. of respondents	
Below 10%	1	1	1	1	-	-	
10% – 19%	3	1	2		-	-	
20% – 29%	1	2	1		-		
30% – 39%	2	-		-	3	3	
> 40%	2	1		-	-	-	

Figure 28: Realised gross IRR since fund inception reported by respondents to survey questionnaire (11 respondents in 2003, 7 in 2002)

Management	Management firm age 0 – 5 years			5 - 10 years >10 years		
	2003	2002	2003	2002	2003	2002
IRR	No. of respondents	No. of respondents	No. of respondents	No. of respondents	No. of respondents	No. of respondents
Below 10%	1	1	-	1	-	-
10% – 19%	1	-	1	-	-	-
20% – 29%	1	-	-	1	-	-
30% - 39%	1		-	-	1	1
> 40%	2		1		2	2

Internationally, the net returns achieved by private equity investments have outperformed the public equity markets over the medium and long term. The investment horizon returns for the US and Europe are shown below.

Figure 29: US and European returns<sup>14</sup>

		US	5	Europe				
	1 Year %	3 Year %	5 Year %	*10 Year %	1 Year %	3 Year %	5 Year %	10 Year %
Early stage	-18.3	-26.3	54.1	35.7	-13.4	-11.0	-1.7	1.5
Development	N/a	N/a	N/a	N/a	-6.0	-5.0	4.6	10.7
Balanced	-0.4	-18.3	19.5	20.4	-12.9	-10.7	4.5	11.7
Later stage	-39.8	-23.1	7.6	17.5	N/a	N/a	N/a	N/a
All venture capital	-17.8	-22.7	25.7	25.4	-11.6	-9.2	2.5	8.3
Buyouts	9.9	-5.7	1.4	8.1	-1.8	0.5	9.3	12.5
Mezzanine/Generalist	8.7	1.1	6.4	7.9	2.4	-10.7	8	14.7
All private equity	1.3	-10.7	6.7	13.3	-4.1	-4.1	7.2	11.7

10-year returns for all private equity were 15,1% for the US at 2002 which indicates a decrease during 2003. This is different from Europe where 10-year returns increased marginally from 11,5% at the end of 2002 to 11,7% at the end of 2003.

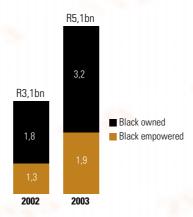


# Black Economic Empowerment

#### **Analysis of BEE total funds under management**

Total funds under management of entities that themselves are at least black empowered (i.e. have at least 25,1% black ownership – refer to the glossary for definitions) increased 64% from R3,1 billion at the end of 2002 to R5,1 billion at the end of 2003. Although this only represents 14% of total funds under management it does represent an increase from the 10% at the end of 2002. It is also important to note that the BEE Private Equity statistics presented in this survey exclude all Government Captive Funds (including the IDC) which are obviously significant BEE investors. The IDC does not report private and public activity separately and hence we have not included any data for the IDC. This obviously understates private equity BEE investments.

Figure 30: BEE credentials of total funds under management



The substantial increase is mainly due to the establishment of new empowered funds during 2003. These included (management company and amount raised in brackets):

- The South Africa Infrastructure Investment Fund (African Infrastructure Investment Managers R675 million);
- The New Africa Mining Fund (Decorum Capital Partners R564 million);
- The J&J Private Equity Fund (First South Investment Managers R300 million); and
- MCI Value Partners Fund I (MCI Fund Managers R300 million).

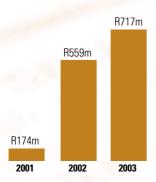
The above information is publicly available or the parties have consented to its disclosure

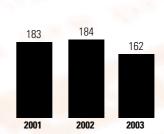
The newly formed empowered funds have yet to invest a large proportion of the funds available to them and R2,9 billion of the R5,1 billion total funds under management at the end of 2003 were undrawn. These 58% of undrawn funds are substantially higher than the R1,5 billion (representing 49% of total funds) at the end of 2002. The investment of these undrawn facilities will undoubtedly have a positive impact on future investment activity especially as South African businesses strive to meet the targets set out in the various BEE charters.

#### **Analysis of BEE investments**

It is encouraging to note that of those funds completing our questionnaire, the value of investment into BEE entities in 2003 showed growth of 28% relative to the value of BEE investment in 2002. This reflects the private equity market's continued realisation that BEE investments are an increasingly important element of the South African economy and it holds good prospects for growth.

Figure 31: BEE credentials of investments made during the year (value and number)

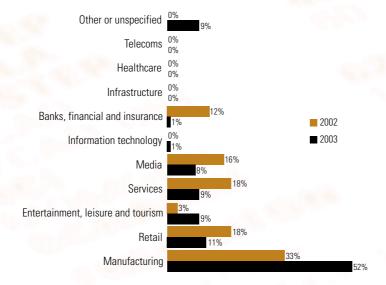




Of those reported BEE deals, the average BEE deal size in 2003 was R4,4 million compared to R3 million in 2002. This marked improvement is even better when one considers that the average BEE deal size was only R0,8 million<sup>11</sup> in 2001. The 2003 average is similar to the R4,5 million average of all investments but one should note that the BEE category is heavily weighted by organisations such as Business Partners which focus on much smaller transactions.

The Manufacturing and Retail sectors were allocated the bulk of BEE private equity funding during 2003. The Telecoms, Health Care and Infrastructure sectors did not even comprise more than 1% of the total BEE investments during 2002 and 2003.

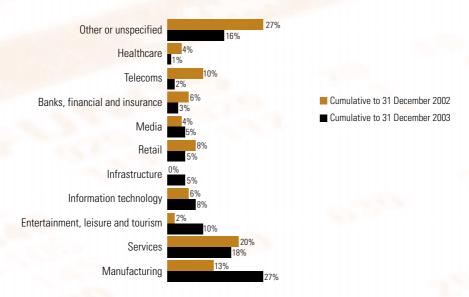
Figure 32: BEE investments reported by industry for the year





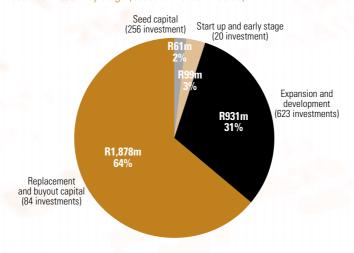
The Manufacturing, Entertainment, Leisure and Tourism and Services sectors comprise more than half of all BEE investments that are classified by sector at the end of 2003. A large portion of BEE investments still remain unclassified according to their specific sector but these have reduced since 2002.

Figure 33: BEE investments reported - cumulative by industry



Replacement and buy-outs are the most dominant stages for investment in BEE entities. This is constant with the broad transformation trend in the SA economy which continues to see established business gradually transferred to previously disadvantaged groups.

Figure 34: BEE investments at 31 December 2003 – by stage (based on value invested)



# Private equity employees

As Figure 35 illustrates, the industry remains dominated by white males who constitute approximately 64% (2002: 68%) of specified professional fund managers. There has however been a proportionate increase in other racial groups especially in the black population group that now comprises 18% (2002: 14%) of the staff of fund managers reporting staff and gender constitution at the end of 2003.

Figure 35: Racial and gender constitution of private equity fund management

	2002								20	03		
	White	Indian	Coloured	Black	Not specified	Total	White	Indian	Coloured	Black	Not specified	Total
Male	211	14	9	31	-	265	213	20	13	42	-	288
Female	25			13		45	22		2	17		46
Not specified						16	-				23	23
Total	236	20	10	44	16	326	235	25	15	59	23	357

The industry showed a 10% increase from 326 professionals in 2002 to 357 professionals in 2003, a reversal of a 2002 trend where a contraction of approximately 14 was identified.







# Data tables

Year ended 31 December 20	003					
	Total funds under management at year end R billions	Undrawn commitments at year end R billions	Fund raising activity during the year R billions	Investment activity during the year R billions	Funds returned to investors during the year R billions	Proceeds from disposals during the year R billions
Early stage funds						
■ Independents	1,666	0,878	0,589	0,086	0,037	0,058
■ Captives – Other	3,281	0,938	0,158	0,237	0,036	0,036
■ Captives – Government	0,290	0,282	0,090	0,008		
■ Captives – Banks	-	-	-	-	-	-
	5,237	2,098	0,837	0,331	0,073	0,094
Later stage funds						
■ Independents	13,755	7,920	4,243	1,270	1,131	1,170
■ Captives – Other	12,677	2,902	1,018	1,935	0,138	0,435
■ Captives – Government	5,468	0,286	0,020	0,012		
■ Captives – Banks	4,361	0,685	-	0,906	0,624	0,686
	36,261	11,793	5,281	4,123	1,893	2,291
	41,498	13,891	6,118	4,454	1,966	2,385

Year ended 31 December 2002									
	Total funds under management at year end R billions	Undrawn commitments at year end R billions	Fund raising activity during the year R billions	Investment activity during the year R billions	Funds returned to investors during the year R billions				
Early stage funds									
■ Independents	1,257	0,459	0,161	0,091	0,012				
■ Captives – Other	2,139	1,003	0,031	0,017	0,004				
■ Captives – Government	0,200	0,200		-	-				
■ Captives – Banks	-	-	-	-	-				
	3,596	1,662	0,192	0,108	0,016				
Later stage funds									
■ Independents	10,745	4,971	1,041	0,826	0,491				
■ Captives – Other	12,329	0,004	0,044	1,153	0,022				
■ Captives – Government	6,678	0,476		0,005					
■ Captives – Banks	4,263	0,812	-	1,447	0,268				
	34,015	6,263	1,085	3,431	0,781				
	37,611	7,925	1,277	3,539	0,797				

# References and footnotes

- The economics of the private equity markets, Ice Millar Donandio & Ryan
- PWC 3i Global Private Equity 2003 survey (relates to the 2002 calendar year)
- EVCA Yearbook 2003
- In the US, independent funds are normally structured as Limited Liability Partnerships.
- Referred to as limited partners in the US.
- This number reflects investments made, plus undrawn commitments. Captive funds, which constitute a sizeable portion of the South African private equity market generally have no fixed commitments, although this is not necessarily indicative of their capacity to make new investments. In certain instances captive funds have reported cash available for investment as undrawn commitments.
- Although the 2002 KPMG & SAVCA survey reported total funds under management of R40,6 billion at 31 December 2002 (with undrawn commitments of R8,7 billion), the 2002 results now include certain private equity funds which were excluded last year and vice versa. Significant new inclusions in the 2002 survey include Mvelaphanda Strategic Investments and Capricorn Capital Partners which were previously not included. The restatement of HCl's, VenFin 's (refer footnote 8) and other participants' funds under management has also resulted in the restatement.
- HCl is classified as a captive fund (specifically "other") and was included in the 2002 survey with funds under management of approximately R2,5 billion. This was based on estimates from publicly available information since a questionnaire was not received from HCl. HCl have completed a questionnaire for the current year's survey and have indicated that the vast majority of these investments were in fact not private equity. The 2001 and 2002 results have thus been restated to only take into account HCl's Nursery Private Equity Fund which is not a significant contributor to the total funds under management reported for any of these years.
  - VenFin is also classified as a captive "other" fund. Its total funds under management were included for the first time in the 2002 survey (including the 2001 comparatives) at carrying value as reported for accounting purposes. Since all other participants report total funds under management at cost, a restatement of VenFin's total funds under management has been made to reflect investments as close to cost as possible based on publically available information.
- Although figure 4 reflects R4,8 billion being new commitments raised, this excludes funds raised by captives. Since captive funds have, strictly speaking, no undrawn commitments they have been excluded in determining the R8,8 billion. To ensure consistency, the investments made by captives have also been excluded from figure 4.
- 10 2003 for South Africa, 2002 for all others. European information has been sourced from the EVCA Year Book 2003 while North American information has been drawn from the PWC 3i Global Private Equity 2003 survey. The quantum reported for North America in figure 5 is based on cumulative investments made from 1998 to 2002. South African GDP for 2003 was sourced from The South African Reserve Bank. SA converted to US Dollars using the spot rate at 31 December 2003 of US\$1=R6.65
- 11 KPMG and SAVCA Private Equity and Venture Capital Survey 2002.
- 12 Investments classified as other or not classified at all have been excluded.
- 13 Private equity: Examining the New Conglomerates of European Business, Peter Temple.
- 14 NVCA/EVCA and Thomson Venture Economics (preliminary data). US data at 30 September 2003, European data at 31 December 2003.
- 15 Captive government funds under management have been excluded from total funds under management.









# **Participants**

KPMG and SAVCA wish to thank the following firms who have completed the questionnaire and have consented to the inclusion of their names in the survey.

Name	Classification in this survey	Min investment (Millions)	Max investment (Millions)	Contact name	Contact telephone
SAVCA members					
ABSA Corporate and Merchant Bank	Captive – Bank	R20	R250	Grant Frew	(011) 350 2588
Actis	Independent	R50	R300	Garth Jarvis	(011) 778 5900
AMB Private Equity Partners Ltd	Independent	R25	R200	Andrew Hall	(011) 215 2000
Aquila Growth Ltd	Independent	N/A	N/A	Peter Papas	(011) 706 8928
Argil Venture Capital (Pty) Ltd	Independent	R3	R15	Paul Dixon	(011) 772 3427
Aureos Capital	Independent	US\$0,5	US\$4	Stuart Bradley	(011) 884 2066
Brait Private Equity	Independent	R5	R700	John Gnodde	(011) 507 1000
Business Partners Ltd	Captive — Other	R0,150	R15	Christo Bote	(011) 470 3111
Cycad Financial Holdings Ltd	Independent	R1	R50	Leonard Fine	(011) 507 2000
Decorum Capital Partners (Pty) Ltd	Independent	N/A	N/A	Arthur Mashiatshidi	(011) 380 3540
Ethos Private Equity Ltd	Independent	R5 – R50*	R50 – R500*	Andre Roux	(011) 328 7400
Global Capital (Pty) Ltd	Independent	R0,5 – R10*	R2 – R50*	Larry Nestadt	(011) 728 0255
HBD Venture Capital	Captive — Other	R0,25	R10	Wendy Ndzotoyi	(021) 970 1000
Horizon Equity Partners	Independent	R2	R20	Robert Horton	(011) 269 4040
i capital Fund Managers	Independent	R6	R15	Rowan Williams	(011) 784 2230
Industrial Development Corporation	Captive — Government	R1	N/A	Paul Johl	(011) 269 3000
Investec Private Equity	Captive — Bank	R20	N/A	Melinda Horn	(011) 286 7341
Kagiso Ventures Ltd	Independent	R20	R50	Afzal Patel	(011) 537 0520
Firm Capital (Pty) Ltd	Captive — Government	R0,25	R2,5	Para Naidoo	(011) 802 3725
Lireas Holdings (Pty) Ltd	Captive — Other	R0,1	R5	Russell Spring	(011) 481 6677
MCI Fund Managers (Pty) Ltd	Captive — Other	R20	R75	Kojo Mills	(011) 305 8900
National Empowerment Fund	Captive — Government	R3	R10	Nhlanhla Nyembe	(011) 772 8000
Nedbank Corporate Private Equity	Captive – Bank	R10	R500	Dave Stadler	(011) 302 1303
NIB-MDM Fund Managers (Pty) Ltd	Independent	R5	R15	Malcolm Segal	(011) 885 3690
OMAM Private Equity	Captive — Other	R10 – R50*	R30 – R150*	Mark Gevers	(021) 509 2400
pointBreak (Pty) Ltd	Independent	N/A	R5	Rein van Venn	(011) 949 3450
Praxis Capital	Independent	R25	R50	David Ferreira	(011) 484 2255
RMB Corvest Ltd	Captive – Bank	R10	R100	David Rissik	(011) 442 7222
RMB Private Equity	Captive — Bank	R8 – R20*	*	Martin Keyser	(011) 282 8221
Standard Bank Group Limited	Captive — Bank	R10	N/A	Wade de Jager	(011) 280 0900
Tiso Capital Partners	Independent	R15	R52	Darrell West	(011) 549 2400
Treacle Venture Partners (Pty) Ltd	Independent	R2	R35	Christoff Botha	(011) 463 7476
VenFin Ltd	Captive — Other	N/A	N/A	Hein Carse	(021) 888 3200
Wipprivate Equity (Pty) Ltd	Captive — Other	R5	N/A	Shaun Rosenthal	(011) 715 3500
Zephyr Management Africa	Independent	US\$3	US\$25	Mark Jennings	(011) 268 6911

#### Non-SAVCA members

Notes			
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Together with the Southern African Private Equity and Venture Capital Association (SAVCA), we produce the authoritative annual survey of the private equity industry. This bears testament to our ability to help you with raising private equity finance as well as negotiating with private equity houses. So if you want to deal with the people in the know in private equity, deal with KPMG Corporate Finance. For more information contact John Geel on (011) 647 7393 or Marco Dias on (011) 647 7167







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