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KPMG and SAVCA

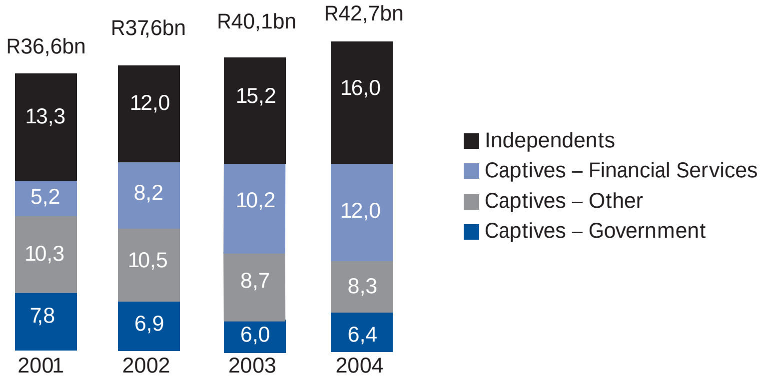
Venture Capital and Private Equity Industry Performance Survey of South Africa 2004

Contents

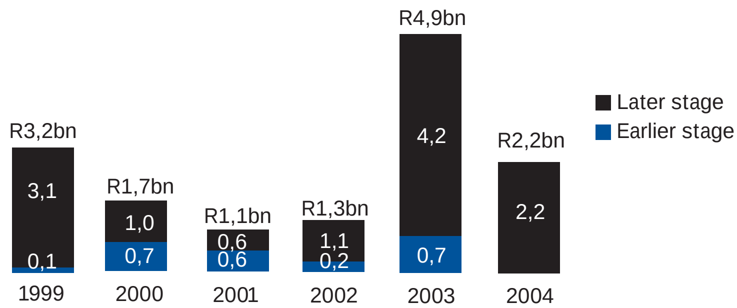
Highlights

- A record number of participants, being 61 entities managing 87 funds, are included in this year's survey (2003 survey: 50 entities managing 75 funds)
- South Africa's Private Equity industry boasts R42,7 billion in funds under management at 31 December 2004 an increase of 7% from 2003
- R14,4 billion at the end of 2004 in undrawn commitments available for future investments (2003: R13,8 billion)
- Funds raised of R2,2 billion following on from the record level of R4,9 billion raised in 2003
- Record investment spending by private equity firms up 61% from 2003 to R6,9 billion in 2004
- Fund managers, excluding government captives, that are black owned or empowered companies have R8,4 billion of funds under management at 31 December 2004, an increase of 147% from 2003 mainly as a result of Ethos Private Equity and Brait's empowerment transactions concluded during 2004
- Investments in entities that are black owned, empowered or influenced companies up 161% from R1,4 billion during 2003 to R3,6 billion during 2004

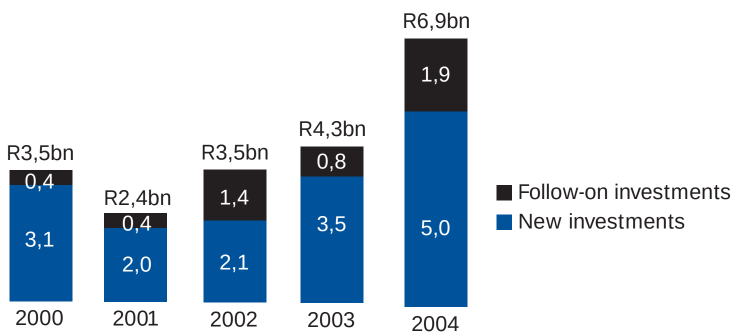
Total funds under management



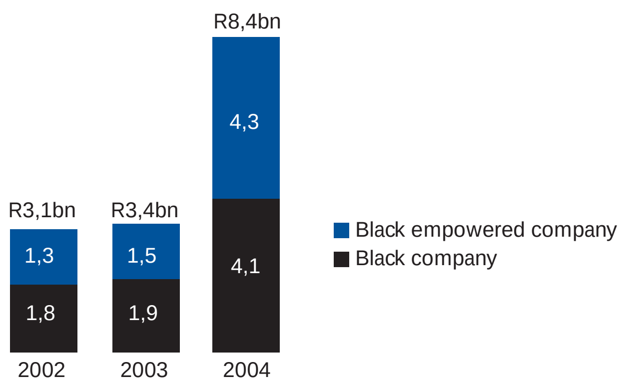
Funds raised by fund stage



Cost of investments made during the year



Funds under management by BEE fund managers



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.

BEE companies are defined as:

"Black companies" mean 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 means all Africans, Coloureds and Indians who are South African citizens and includes black companies;

"Black empowered companies" mean companies that are more than 25% owned by black people and where substantial participation in control is vested in black people;

"Black influenced companies" mean companies that are between 5% and 25% owned by black people and with participation in control by black people; and thus

"Not empowered companies" mean companies that are less than 5% owned by black people.

BVCA

British Venture Capital Association

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.

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 and 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 mainly from third party investors.
IPO	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
Total funding raised	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.

Foreword

It is once again my privilege to offer some introductory comments to the KPMG and SAVCA Private Equity and Venture Capital Industry Performance Survey.

Published for the sixth consecutive year, the 2004 annual survey again reflects an improvement in the quantity and quality of information provided as well as in the presentation and analysis thereof.

I wish to thank the record number of participants in the survey for your support. Thanks to your support, the annual survey has, without question, come to be regarded as the definitive publication on the industry in South Africa and is used widely by policy makers, the media and other industry stakeholders.

As will be evident in studying the survey, 2004 marked another year of significant progress for the private equity industry, as determined by almost all criteria of measurement.

Any observer of the economic landscape in South Africa will readily identify two key policy initiatives which predominate :

- To drive towards black economic empowerment; and
- The need to increase the rate of economic growth beyond the current 4% per annum to perhaps 6% or even 7% per annum.

The private equity and the venture capital industry sits at the core of these initiatives and will be a major catalyst for their success. The strategic importance of the industry to the South African economy and the prospects for achieving the desired objectives is clear.

In regard to BEE, the survey results reflect a significant increase in funds under management by black owned and/or black empowered companies and related deal making activity. In so far as concerns economic growth in general, it is our view that at 2% of GDP, capital under management in South Africa is relatively low and that the structural and regulatory environment can be improved such that the industry play its rightful role and act as a strong catalyst of economic growth and development.

My thanks and congratulations to the KPMG and SAVCA teams for their significant endeavours to produce a survey of this quality.

KPMG is one of SAVCA's four platinum sponsors and the resources it commits to SAVCA in general and to the survey in particular are acknowledged with great appreciation.

I have no doubt that you will find studying this survey extremely interesting and informative.

Malcolm Segal
Chairman – SAVCA
CEO – NIB-MDM Private Equity Fund Managers

Johannesburg
6 April 2005

It is with a great sense of pride and pleasure that we once again present the sixth consecutive KPMG and SAVCA Venture Capital and Private Equity Industry Performance Survey.

The incorporation over the years of additional relevant statistics of industry performance, such as BEE information, has made the survey the definitive industry publication. The survey is also used as the point of reference to include South African performance in global surveys. We encourage feedback on the data presented as we continuously strive to improve our reporting and make the survey relevant to all readers.

The increased exposure that the survey has enjoyed over the years would not have occurred without the ever increasing number of industry practitioners completing the survey Questionnaire. We greatly appreciate this effort which has always involved providing additional information annually.

I also wish to thank SAVCA, and particularly the survey sub-committee of Walter Hirzebruch (Brait), Shaun Zagnoev (Ethos) and Garth Willis (Standard Bank), for their assistance and contribution to the survey. Marco Dias, an Associate Director of KPMG Corporate Finance, works closely with the SAVCA survey sub-committee in his role as the researcher of the data included in this survey and his efforts are also greatly appreciated.

KPMG congratulates the members of SAVCA, and the industry as a whole, in the role that they play in the South African economy. The results of the 2004 survey have again confirmed that the contribution of the Private Equity industry within the local economy is very important and ever increasing.

We trust that those directly involved in the Venture Capital and Private Equity industry, the major institutions and other providers of funding, entrepreneurs and recipients of capital, regulatory bodies, governmental organisations and other stake holders will continue to find the survey informative and relevant.

John Geel
Managing Director – KPMG Corporate Finance

Johannesburg
6 April 2005

Sources of information

The principle source of information for this survey was the survey Questionnaire. In addition we have utilised SAVCA's 2005 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 and a SAVCA sub-committee constituted for this purpose, with a view to ensuring that relevant information was extracted.

KPMG's background research identified 75 entities that may potentially be classified as private equity firms or are involved in the management of private equity funds. This included the 62 fund managers registered as full members of SAVCA. Questionnaires were e-mailed to all 75 entities. 41 of them (representing 65 funds) at least partially completed the Questionnaire. In addition, alternative sources were used to obtain information on a further 20 private equity firms, representing 22 funds, 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 in the South African industry and we do not believe that they would have had a material impact on our survey results.

Global, North American and European comparative data has generally been sourced from the PWC 3i Global Private Equity 2004 Survey and the EVCA 2004 Survey (both relating to the 2003 calendar year). Other sources of information are specifically disclosed.

In compiling the information for this survey KPMG has worked closely with a SAVCA sub-committee, constituted for the purpose of the survey, to ensure meaningful interpretation and comment has been included in this survey. This sub-committee reviews the survey presentation 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 survey.

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 international development 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 the late 1960's 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[1]. In 1987, Kohlberg Kravis and Roberts raised a then record $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. During 2000, private equity and venture capital investments in North America alone increased to an all time high of $130,6 billion funds invested. Early stage and expansion investments comprising 85% of this reflecting the strong growth in these subclasses of private equity. Cumulative investments and funds raised from 1998 to 2003 are reported at $412 billion and $600 billion respectively[2] 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. Cumulative investments and funds raised from 1998 to 2003 are reported at $183 billion and $222 billion respectively[2] for Europe.

The global market is dominated by North America (specifically the US) and Europe. 67% of global funds raised from 1998 to 2003 have in fact been raised in North America. Europe and Asia Pacific are a distant second and third with 25% and 6% respectively. The Middle East, Africa, Central and South America combined only contributed the remaining 2%[2].

The industry in the US and Europe declined sharply after the Internet boom of 2002. A recent phenomenon is the "funds-of-funds" where investors spread their risk over certain individual fund managers.

In South Africa, the private equity industry was only formalised with the constituting of SAVCA in 1999. The local industry is relatively sophisticated by emerging markets' standards and its participants are active in early stage investments through to large LBOs and has been fuelled by BEE initiatives in recent years.

Types of Private Equity firms

A distinction needs to be made between captive funds and independent funds[4]. 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, financial services (including banks and insurance companies) and other captive funds (including corporates).

Independent funds raise cash commitments from third party investors[5]. 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 R42,7 billion[6] (inclusive of undrawn commitments of R14,4 billion). This reflects an increase of 7% from funds under management at 31 December 2003 of R40,1 billion[7] (inclusive of R13,8 billion undrawn commitments). This represents the second consecutive year of a 7% growth in total funds under management.

Captives – Financial Services have had the largest growth in total funds under management with an increase of R1,8 billion from 31 December 2003 to 31 December 2004. This 18% increase is likely to be as a result of increased private equity investment allocations by financial services groups to meet their charter obligations.

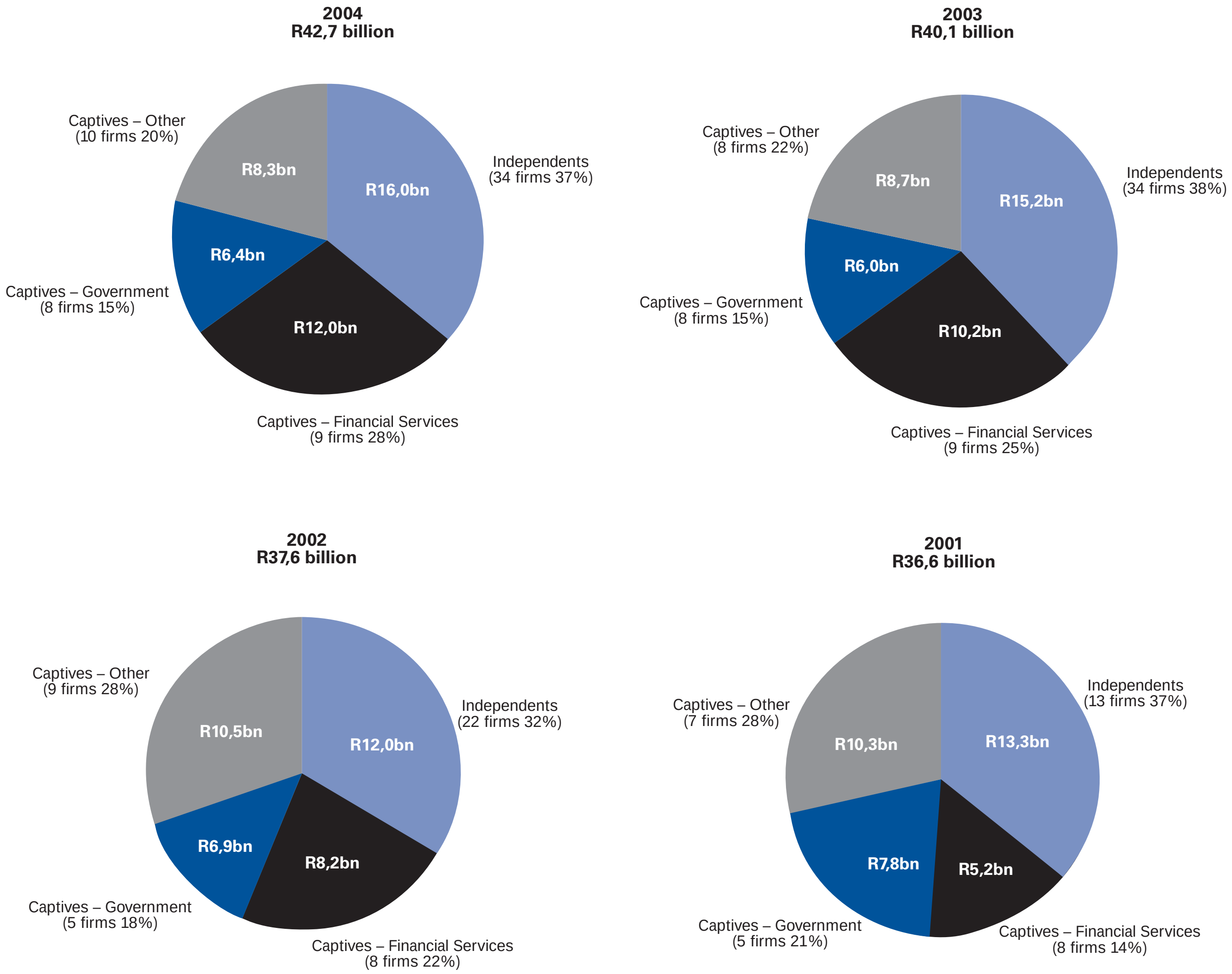
Captives – Government also increased their total funds under management by R456 million from the end of 2003 to the end of 2004. This is a reversal of a trend since funds under management by government captives had decreased at every year since 2000.

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 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 previous surveys. Only comparative 2003 information has been restated with pre 2003 information being extracted from the 2003 survey and is therefore not directly comparable. 2003 data has also been restated by certain participants.

Figure 2: Total funds under management at 31 December



The record fund raising activity of 2003 has not continued at the same level during 2004. Investment activity though has increased substantially during 2004 as fund managers invested the funds raised during 2003. These aspects are discussed in further detail in the Fund Raising and Investment Sections of this survey.

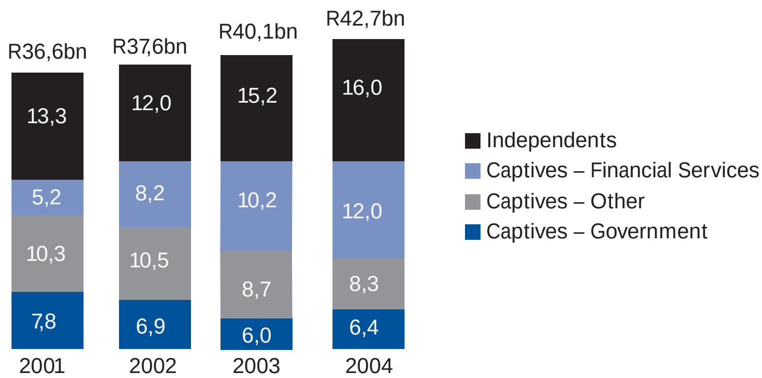
Whilst the immediate effect of exits by private equity investors is to reduce funds under management, the historic low level of exits, particularly exits via IPOs, may have been hampering the ability of private equity players to raise further funds from third party investors. The increased disposal trend has again continued in the current year and is 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 International Finance Corporation (a division of the World Bank) and the Southern African Enterprise Development Fund (which is funded by the US Agency for International Development).

Significant captive funds include corporate private equity players (classified as Captive – Other in figure 2) such as VenFin and Business Partners and financial services private equity players such as Sanlam Private Equity (a division of Sanlam Life Insurance Limited), ABSA Corporate & Merchant Bank, Nedbank Capital Private Equity, Old Mutual Asset Managers, RMB (Ventures and Corvest), Investec and Standard Bank.

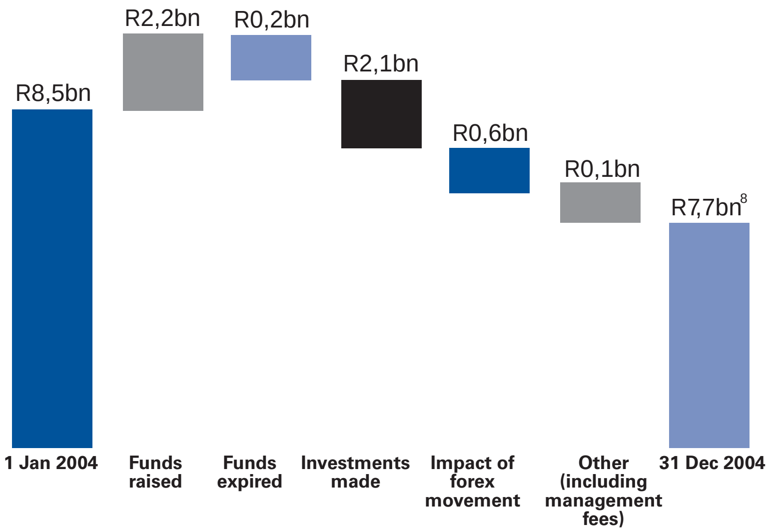
The total of all captive funds account for approximately 63% of the total funds under management at 31 December 2004. Independent funds make up the remaining 37%. These independent funds, which generally manage third party funds, increased funds under management from R15,2 billion at 31 December 2003 to R16,0 billion at 31 December 2004. This was mainly as a result of funds raised (explained in detail in the Fund Raising Activity Section of this survey).

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



Although total undrawn commitments are R14,4 billion at the end of 2004 (2003: R13,8 billion), R7,7 billion[8] (2003: R8,5 billion) reflects the undrawn commitments of third party raised funds committed to independent fund managers.

Figure 4: Roll-forward of undrawn commitments raised from third parties by independent fund managers



The strengthening of the rand by some 14%[9] against the US Dollar from the end of 2003 to the end of 2004 has had the effect of reducing committed but undrawn funds at the of 2004 by approximately R600 million in local currency terms.

There is still a significant, although decreasing, amount of undrawn commitments. This bodes well for seekers of capital. These funds often work on a ‘use it or lose it’ principal, meaning that, there will be a continual incentive for fund managers to invest their funds as soon as possible. The timing, however, is also dependent on prevailing economic factors.

The level of undrawn commitments at the end of 2004 must be seen in the context of the fund raising activity of 2004 (R2,2 billion) and the record levels of 2003 (R4,9 billion), most of which was raised toward the end of that year. This does indicate the length of time involved in identifying opportunities and ultimately investing funds.

Of the total R8,1 billion[8] available for independent fund managers at 31 December 2004, only R0,6 billion (2003: R0,8 billion) is available from early stage funds while the remaining R7,5 billion (2003: R8,2 billion) is available from later stage funds.

Although the independent funds 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 such as Blue Catalyst.

Captives continue to dominate the local market with 63% of total funds under management at 31 December 2004. This is in stark contrast to the international experience. In the US, independent funds 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.

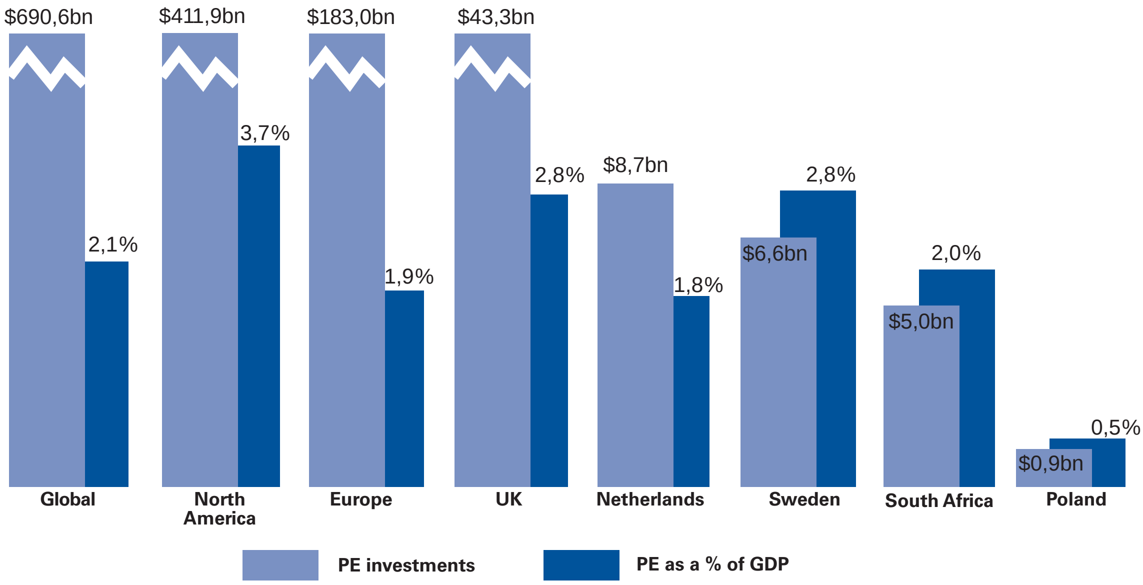
2001 was certainly not a positive year for North America as investments and funds raised decreased dramatically by 54% and 35% respectively. The level of investments stabilised in 2002 but funds raised continued their downward trend losing a further 52% to reach $57,1 billion raised during that year. Fund raising activity continued its freefall during 2003 reaching $45,3 billion although investment activity recovered to $60,2 billion for the 2003 year. Whilst comparative 2004 data is only available for the first 6 months of the year it appears that fund raising levels of 2003 will be maintained while investment activity is again down on 2003 levels[2].

Figures released for the first half of 2004 for Europe reflect continued difficult conditions with annualised fund raising down significantly on the 2003 period although levels for investments made appear to be in line with 2002 and 2003[2].

Overall global data for the first 6 months of 2004 indicates the continued downward trend, although moderate, for investments and fund raising. It appears that it will be the fourth consecutive year of global declines for fund raising activity[2]. The uptake in private equity investment activity seen in the current year's results are especially positive when seen in the context of a global market with very subdued activity.

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 (2.0%) is higher than the European average (1.9%), but is still some way off that of North America (3.7%) and the UK (2,8%).

Figure 5: Relative size of international private equity markets[10] (measured by cumulative investments at cost)



Note that for the purpose of the above analysis, South African undrawn commitments have been removed to ensure comparability. Data at 31 December 2003 for Global, North America and Europe; 31 December 2002 for UK, Netherlands, Sweden and Poland and 31 December 2004 for South Africa

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 19th during 2002 and 16th during 2003 on the back of the strengthening rand and the increased level of activity. On a comparative basis, using 2004 figures for South Africa as included in this survey, the further strengthening of the rand and the increased level of investment activity, places us at 12th on the global rankings.

If fund raising activity was used as the measure for the ranking, South Africa would be placed 11th (2003: 9th).

Figure 6: PwC 3i country ranking

Rank	Country	Investments $ Billions	Funds raised $ Billions
1	USA	59,2	43,9
2	United Kingdom	15,9	17,6
3	Japan	7,2	1,4
4	France	5,0	2,4
5	Italy	3,6	2,3
6	Australia	2,9	0,2
7	Germany	2,9	1,4
8	Korea	2,8	0,3
9	China	1,7	0,3
10	Spain	1,6	1,0
11	Netherlands	1,3	2,4
12	**South Africa**	**1,2**[a]	**0,4**[a]
13	Sweden	1,2	2,5
14	Canada	1,0	1,4
15	India	0,9	0,3
16	Israel	0,8	-
17	Indonesia	0,7	-
18	Singapore	0,5	0,1
19	Finland	0,5	0,2
20	Denmark	0,5	0,3

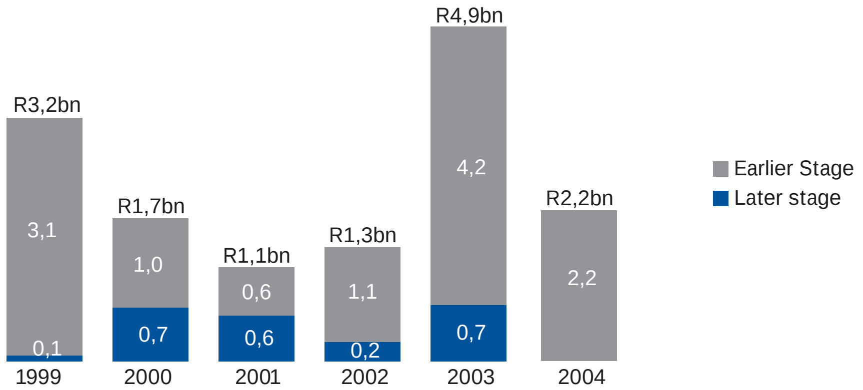
a 2004 figures for South Africa, 2003 for all others. SA Rands converted to US Dollars using the spot rate at 31 December 2004 of US$1=R5.6950

Fund raising activity

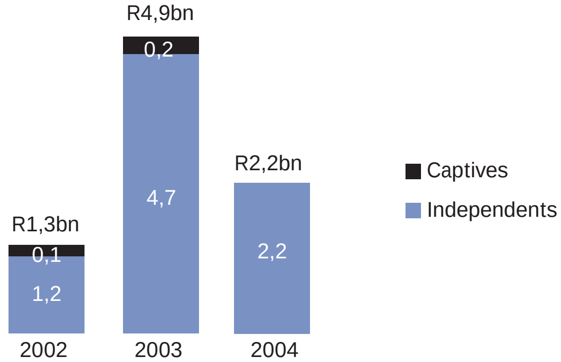
Figure 7 highlights a decrease in the amount of funds raised from R4,9 billion in 2003 to R2,2 billion in 2004.

All the fund raising activity of 2004 was by later stage funds which makes it the first year since this survey commenced that earlier stage funds did not report any fund raising activity.

Figure 7: Funds raised analysed by fund stage



Funds raised analysed by fund type



All reported fund raising activity during 2004 was by Independents. R160 million of the funds raised during 2003 was from Captives – Government.

The funds that each raised at least R300 million during 2004, are listed below (management company and amount raised in brackets):

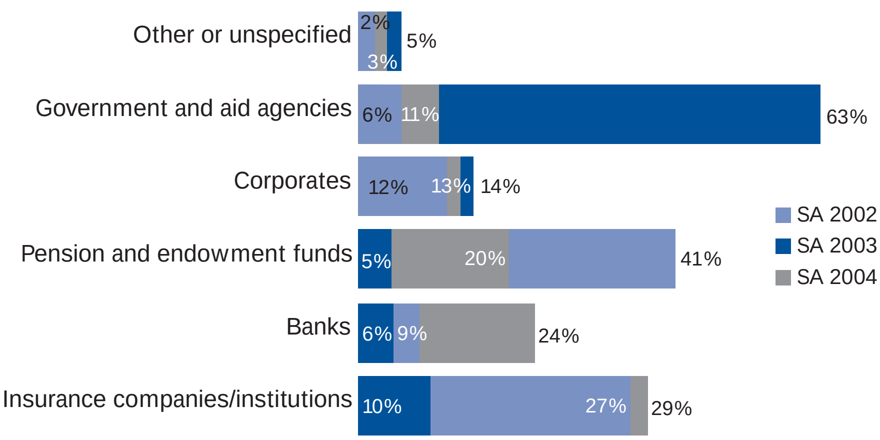
- African Infrastructure Investment Fund (African Infrastructure Investment Fund Managers – R1,32 billion);
- Tiso Private Equity Fund 2 (Tiso Private Equity – R352 million); and
- PAIP-PCAP (Zephyr Management Africa (Pty) Ltd) – R345 million).

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

29% of all third party funds raised during 2004 were from insurance companies and institutions followed by 24% from banks and 20% from pension and endowment funds.

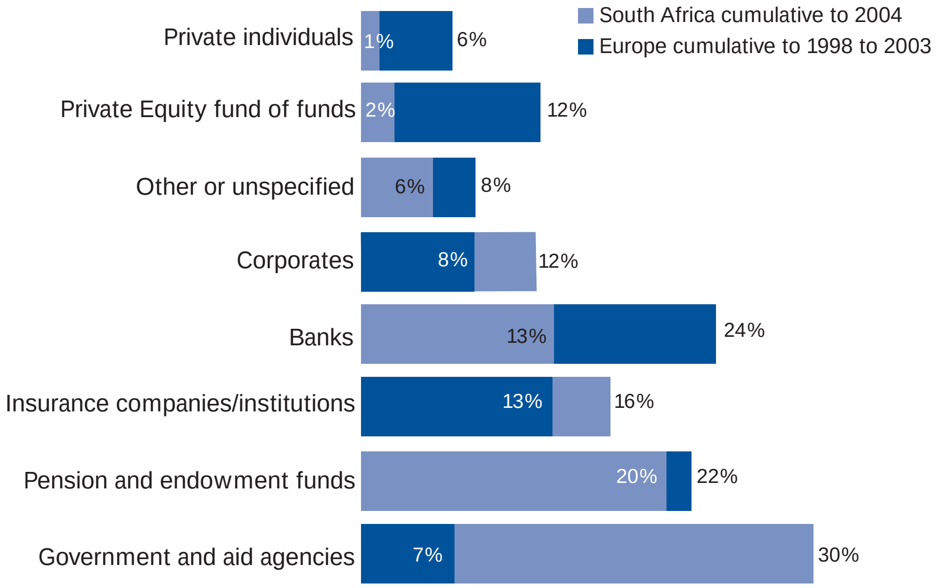
The record fund raising activity during 2003 was mostly from governments and aid agencies. The most significant contributor to this was the UK Government. Governments and DFI's were also the major source of funds raised during 2001 although pension and endowment funds contributed the most funds raised during 2002.

Figure 8: Sources of third party funding during the year



30% of cumulative third party funds raised and not returned to investors at 31 December 2004 have been from governments and aid agencies followed by pension and endowment funds with 20%. This is compared to Europe where governments and aid agencies had only contributed 7% of cumulative funds raised while banks were the main source of funds raised from 1998 to 2003.

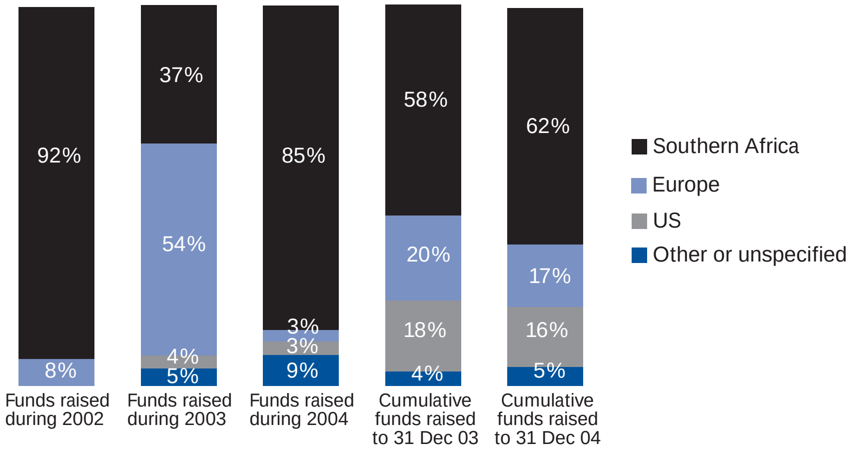
Figure 9: Cumulative sources of third party funding[3]



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, who appear not to share these concerns about private equity, 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 during 2002. This nevertheless indicates that private equity is becoming a more attractive asset class for institutional investors.

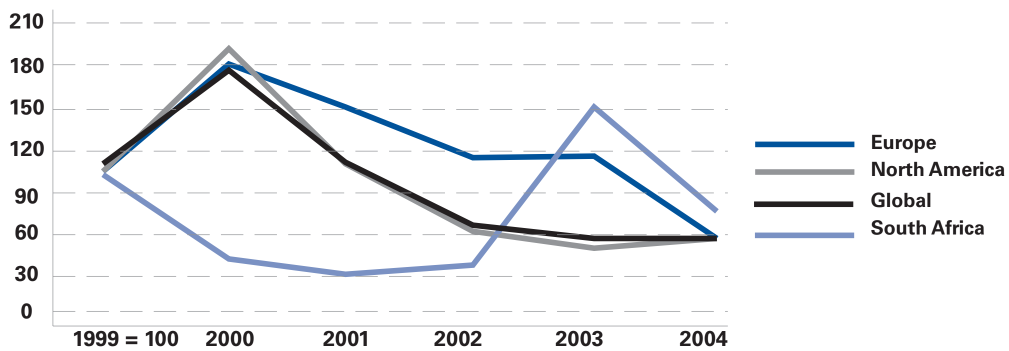
85% of third party funds raised during 2004 have been sourced from Southern Africa and a further 6% equally from Europe and the US. Local funders have contributed substantially to fund raising efforts during the last few years which has resulted in cumulative funds raised and not yet returned to investors at 31 December 2004 being 62% from Southern African sources while Europe and the US share a further 33% almost equally.

Figure 10: Geographic source of third party funding



The decrease in fund raising activity levels during 2004 from 2003 in South Africa is not unlike the trends being experienced by the rest of the world as seen in the graphic below.

Figure 11: Global and South African fund raising activity



Global, North America and Europe for 2004 based on a simple annualisation of reported levels for the first half of 2004

Investment activity

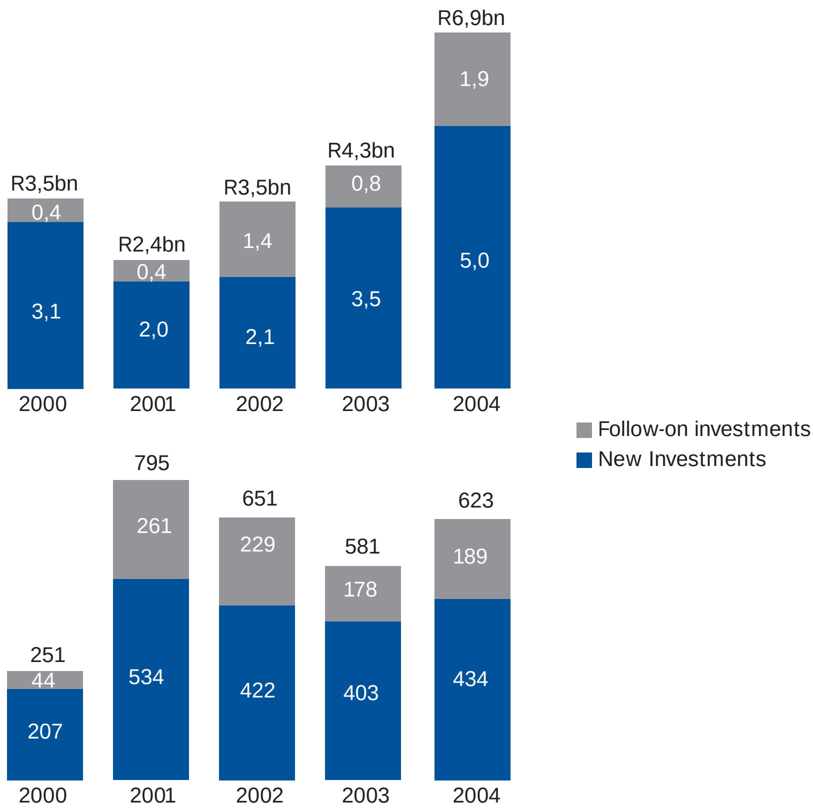
Reported private equity investments increased by 61% from R4,3 billion in 2003 to R6,9 billion in 2004. The total number of investments also increased from 581 to 623. Investment activity was undoubtedly stimulated by BEE considerations.

The overall average investment deal size has increased from R7,3 million during 2003 to R11,0 million during 2004. The new investments average deal size increased from R8,7 million to R11,6 million and follow-on investments average deal size increased from R4,2 million to R9,8 million.

In terms of the number of reported investments, Business Partners (previously 'The Small Business Development Corporation'), classified as a 'Captive – Other' fund, was again by far the most active investor player in the South African private equity market contributing 72% of 2004 (2003: 74%) number of investments made although only 5% (2003: 6%) in terms of the cost of total investments made during the year.

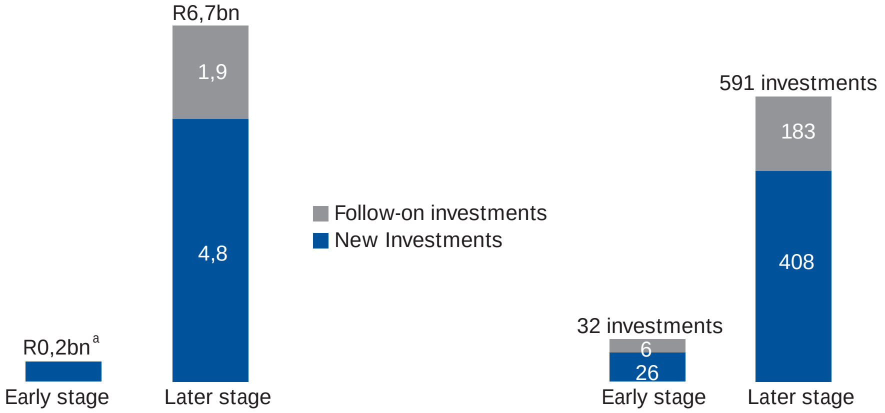
If Business Partners' investments are excluded, the total average deal size increases to R36,7 million (2003: R26,5 million), the new investments average deal size increases to R39,7 million (2003: R34,0 million) and follow-on investments average deal size increases to R30,4 million (2003: R13,0 million).

Figure 12: Cost and number of investments made



Later stage focused funds continued to be the biggest investors during 2004 although the differential was especially large during 2004.

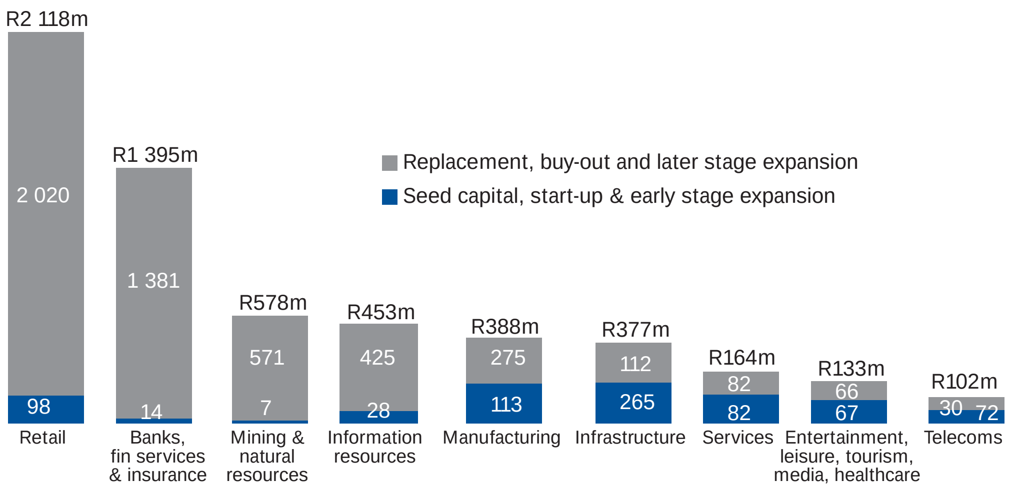
Figure 13: Cost and number of investments made during 2004 – analysed by fund stage



a R10 million early stage, follow-on investments were made during 2004 but are not shown on the graphic due to their relative small contribution

17% of investments made during 2004 were classified in the 'other' sector category or not classified at all. Of the 2004 investments classified into sectors, 37% were in the retail sector while the banks, financial services and insurance sector comprised 24% as shown below.

Figure 14: Cost of investments made during 2004 by sector and stage



The consumer related and communications sectors were the largest recipients of European investments during 2003 with 19.4% and 16.9% respectively[3].

The manufacturing sector overtook the services sector as the dominant cumulative recipient of private equity funding across all types of funds. It comprises 17% of all classified investments at 31 December 2004 followed by retail at 16%. Information technology, interestingly, only occupies fifth position with 11%.

Figure 15: Cumulative cost of investments at 31 December by all funds by sector[11A]

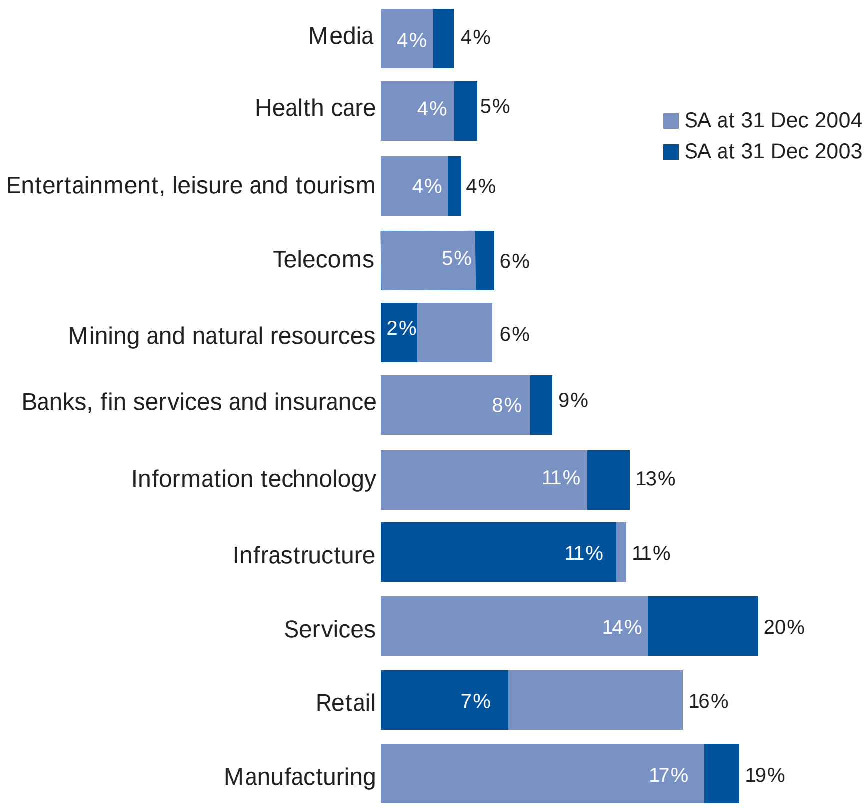
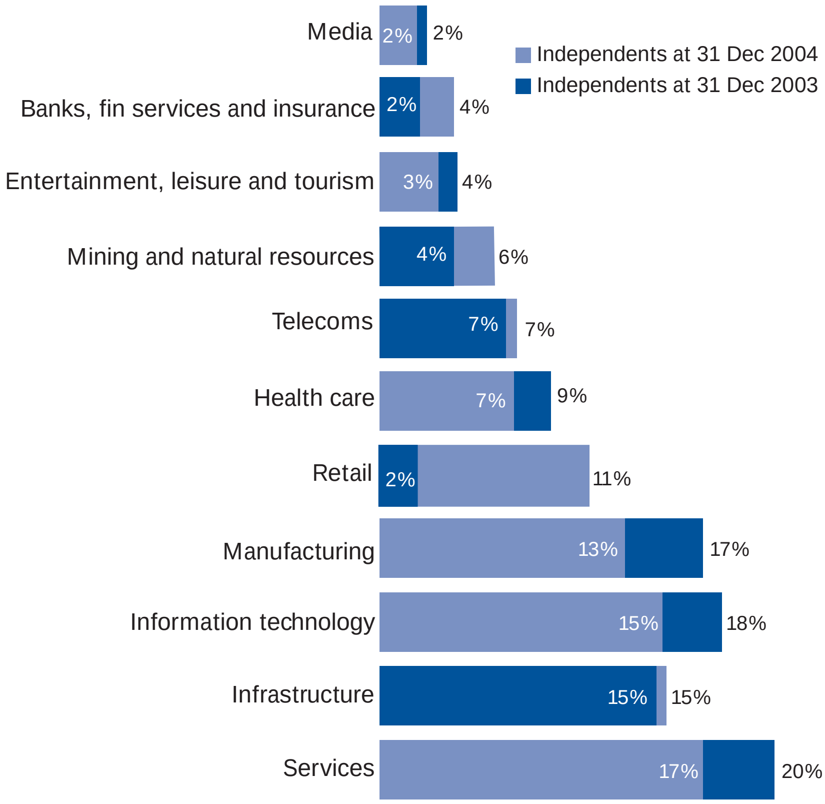


Figure 16: Cumulative cost of investments at 31 December by Independent funds by sector[11B]



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 61% of total global investments during that year. Its global proportion has decreased since then and was 33% of total global investments i.e. $38 billion of a total $115 billion for 2003[2].

Investments into seed, start up and early stage entities remains at insignificant levels in South Africa. The largest cost of cumulative investments is still deployed into replacement and buy-out transactions, although by number of transactions the sector only accounts for 15% of cumulative investments at 31 December 2004. This is indicative of the proportionally larger transaction values for these types of deals.

Figure 17: SA investments by stage (based on cost of investments made)[11C]

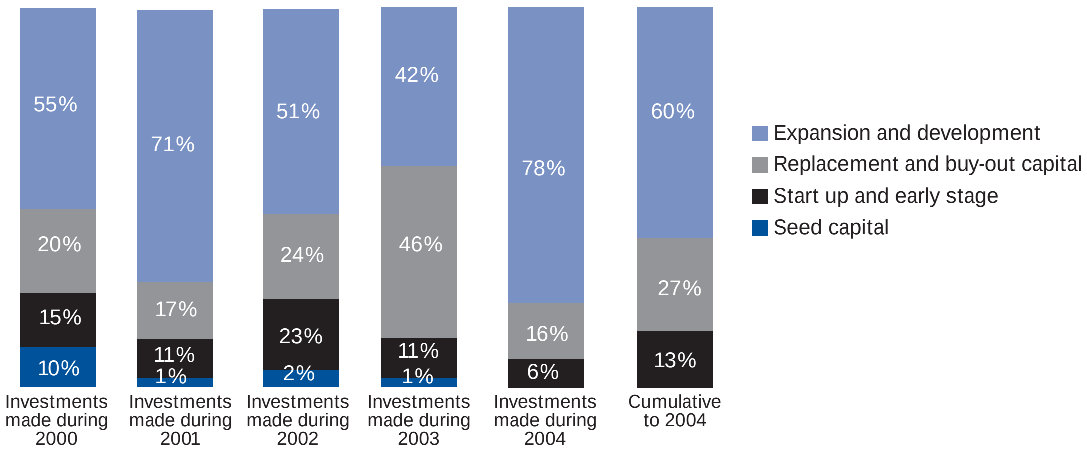
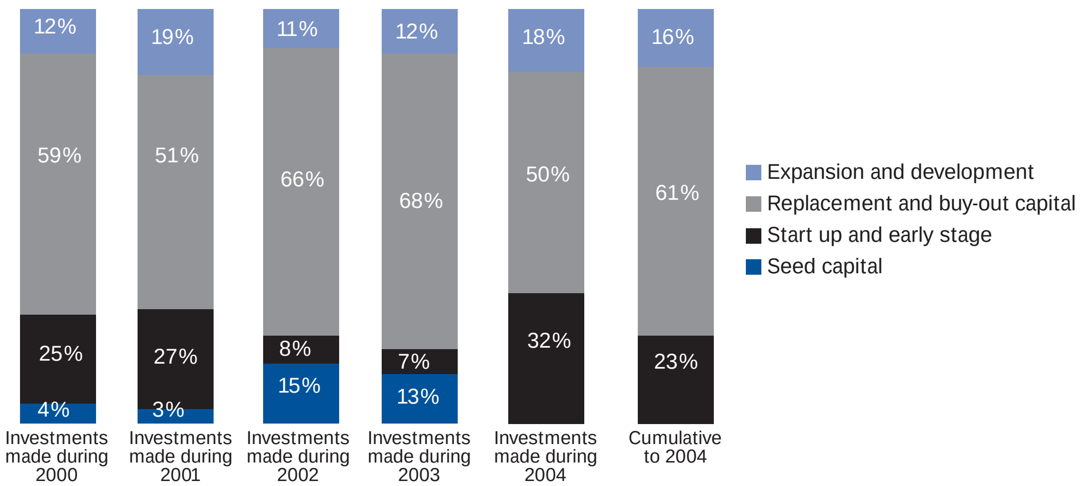


Figure 18: SA investments by stage (based on number of investments)[11D]



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 from 21% of investments during 2000 to a mere 6% in North America and 8% for Europe during 2003. Globally, expansion and development investments have also decreased from 46% of investments during 2000 to 18% during 2003. This trend is expected to continue during 2004 where early stage investments have only accounted for 8% of investments during the first half of 2004 in the three main regions of the world. Buyouts have accounted for 59% of all investments during the first six months of 2004 in the same three regions[2].

Figure 19 provides an analysis of the top 10 largest reported private equity transactions in 2004. Transactions where private equity providers have not acquired an equity stake, but have only provided debt financing, have been excluded.

Figure 19: Table of the largest private equity deals – 2004 (Total funding arranged)

Name of investment	Private equity participant/s	Debt provider/s	Total funding raised (Rm)	Type of investment	PE participants' equity interests	Part of syndication	BEE credentials of investee
Metcash Trading Africa	Nedbank, OMLACSA[a]	Nedbank, Investec, OMSFIN[b], Absa, Commerzbank	2 064	MBO	39%[c]	Yes	Black empowered
Net1 U.E.P.S. Technologies Inc (Aplitec)	Brait, Southern Cross Capital, FFNP Asset Management	-	1 486	Later stage expansion capital	31%	Yes	Not empowered
Alexander Forbes	VenFin	-	1 159	Replacement capital	25%	No	Not disclosed
Idwala Industrial Holdings	Tiso Private Equity, RMB	RMB, Nedbank, FNB Corporate, Standard Bank	972	LBO	32%	Yes	Black company
IST	Ethos	Barclays	326	LBO	53%	No	Black empowered
N3 Toll Concession	African Infrastructure Investment Managers	-	96	Replacement capital	10%	No	Black influenced
Sitogo[d]	OMLACSA	OMLACSA	84	Replacement capital	67%[e]	No	Black company
Springlaske Holdings	New Africa Mining Fund	IDC	68	Later stage expansion capital	45%	Yes	Black empowered
Yomhlaba Coal	New Africa Mining Fund	-	43	Early stage investment	45%	Yes	Black empowered
Trans African Concession	African Infrastructure Investment Managers	-	43	Replacement capital	6%	No	Black influenced

a Old Mutual Life Assurance Company of South Africa
b Old Mutual Specialised Financing
c 26% by Nedbank, 13% by OMLACSA
d Vehicle established for the Brait empowerment transaction
e Shareholding of 'A' ordinary shares

Figure 20 provides information about private equity transactions in excess of R100 million reported in the 2003 survey.

Figure 20: Table of larger private equity deals – 2003 (Total funding arranged)

Name of investment	Private equity participant/s	Debt provider/s	Total funding raised (Rm)	Type of investments	PE participants' equity interests	Part of syndication	BEE credetials of investee
Cobra Watertech Group	Ethos	RMB	168	LBO	50%	Yes	Not empowered
Coronation Investments & Trading Limited	OMAM Private Equity	N/A	440	Replacement capital	21%	No	Not empowered
Dimension Data	VenFin[a]	VenFin[a]	864	Replacement capital	12%	No	Not disclosed
Fraser Alexander	ACMB	N/A	130	Replacement capital	62%	No	Not empowered
Lenco Holdings	Actis, Brimstone	Investec	410	LBO	83%	Yes	Black empowered
Ozz Industries	Ethos, RMB Corvest	RMB	500	LBO	90%	Yes	Black empowered
Pepkor Limited[b]	Brait, OMLACSA[c]	Old Mutual Specialised Finance	3 956	LBO	Between 15%-25% for each of Brait and OMLACSA	Yes	Not empowered
The Fuel Group	RMB Corvest, RMB Ventures	RMB	675	LBO	61%	Yes	Black influenced

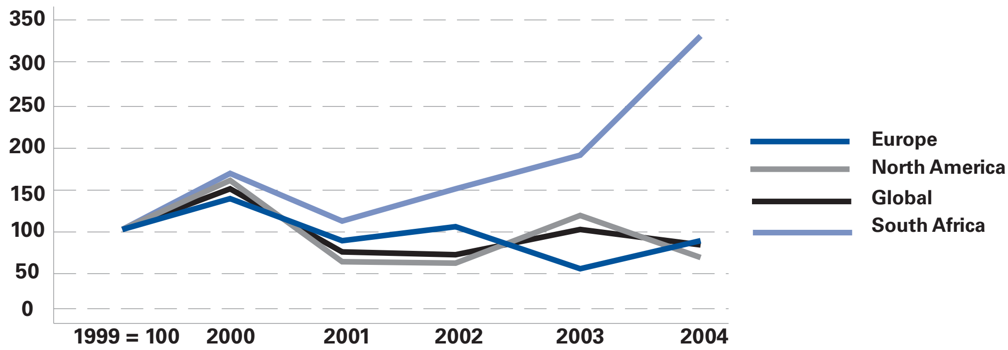
a Made through an associate of VenFin in the form of a convertible bond at 31 December 2002.

b 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 fund flowed. It was reported in the interests of a more complete appreciation of private equity activity during 2003. It did not form part of the investment activity for 2003 reported in the 2003 survey but is included in the 2004 investment activity reported in this survey.

c Old Mutual Life Assurance Company of South Africa

The positive fund raising trend in South Africa over the last two years is also reflected in investment activity. Global investment activity is expected to be maintained (based on a simple annualisation of $50,6 billion[2] invested in the first 6 months of 2004) while local investment activity has increased substantially during 2004.

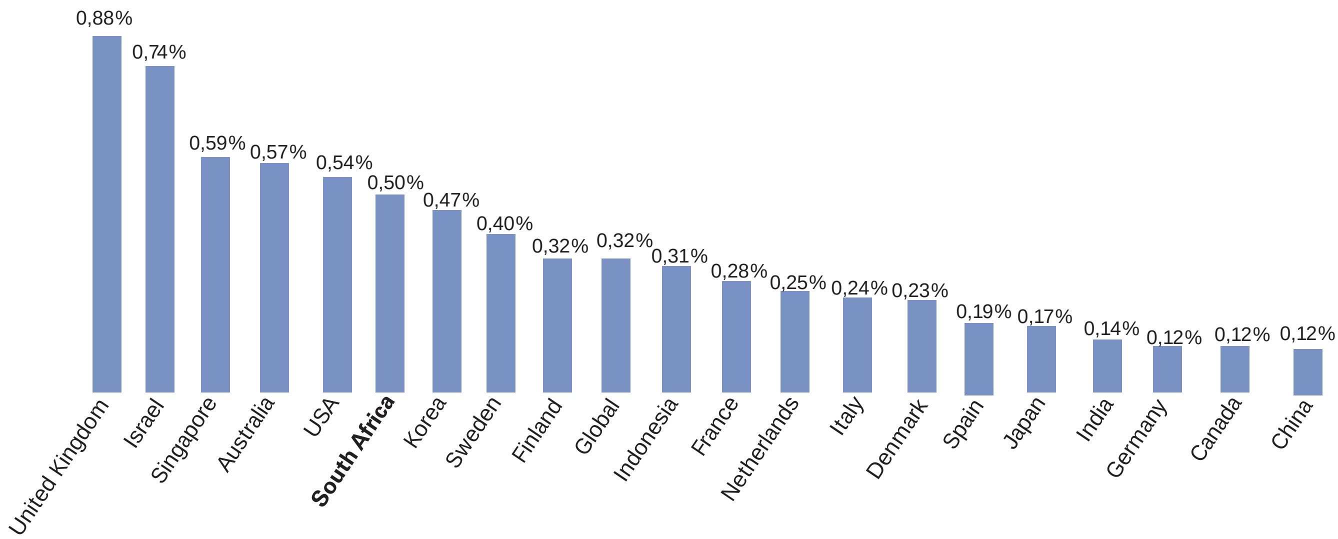
Figure 21: Global and South African investment activity



Global, North America and Europe for 2004 based on a simple annualisation of reported levels for the first half of 2004

South African investments during 2004 comprised 0.5% of GDP. This is significantly lower than the 0.88% for UK but higher than the European average of 0.28% for 2002 and the Global average of 0.32% for 2003.

Figure 22: Investments during the year as a % of GDP[12]



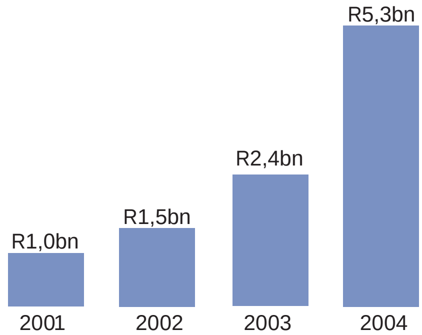
2004 for South Africa, 2003 for all others

Exits

Total funds returned to investors

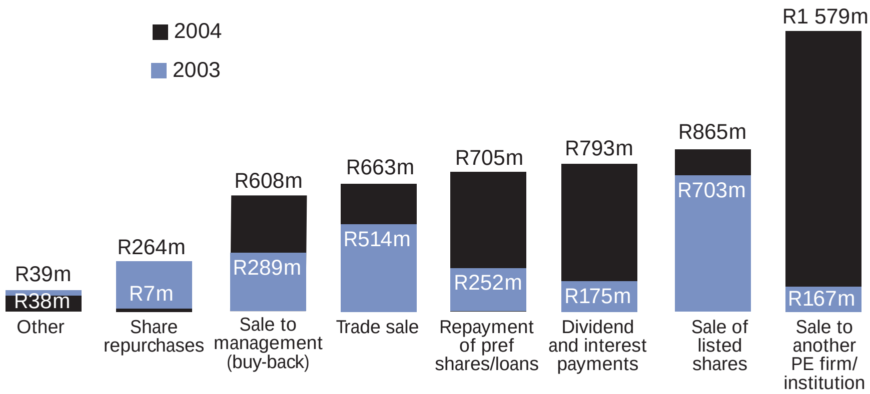
Funds returned to investors, being the proceeds on exit of investments through disposals, repayments of loans and dividend receipts, increased from R2,4 billion during 2003 to R5,3 billion during 2004.

Figure 23: Funds returned to investors



The analysis of funds returned to investors during 2003 and 2004 is shown below.

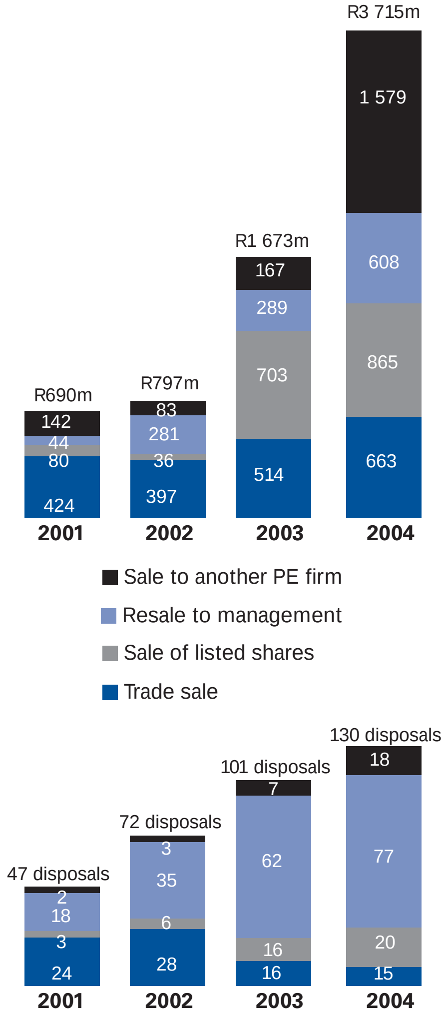
Figure 24: Funds returned to investors during 2003 and 2004



Disposals

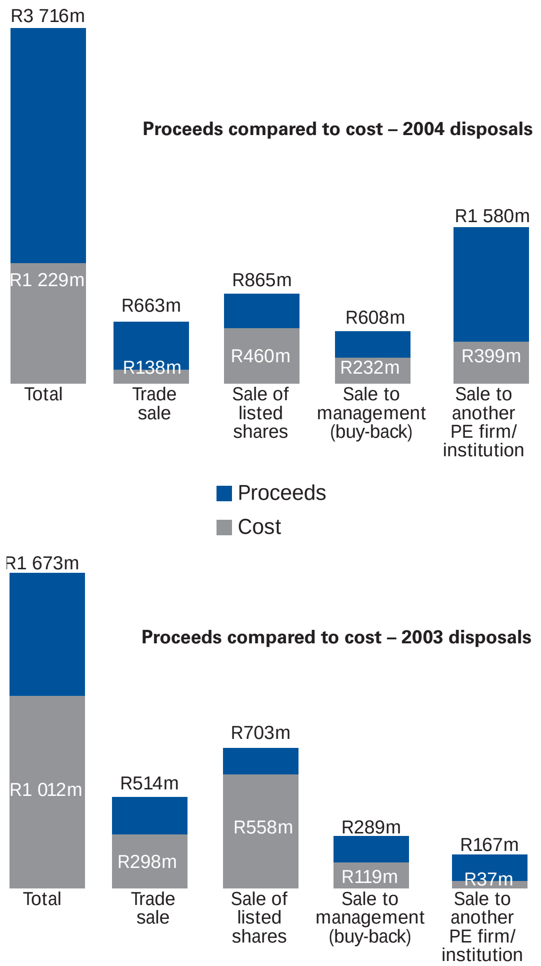
The value of disposals increased to R3,7 billion in 2004 from R1,7 billion during 2003. Disposals to other private equity firms or financial institutions was certainly the option which attracted the most transactions in value terms, although sales to management (buy-backs) attracted the highest number of disposal transactions.

Figure 25: Disposals proceeds during the year



The average proceeds per disposal have increased from R17 million in 2003 to R29 million in 2004. The reported profit (proceeds less cost of investment) on disposals for 2004 was R2,5 billion (2003: R662 million) with sales to other private equity firms or financial institutions being the main contributor with R1,2 billion (2003: R130 million) followed by trade sales with R526 million (2003: R216 million).

Figure 26: Disposals profits during the year



The ratio of cost of investments made to disposal proceeds of 1.8 during 2004 is promising in comparison to 2.5 in 2003, 4.4 in 2002 and 3.5 in 2001. This trend indicates that disposal proceeds are getting closer to the cost of investments made during the year and thus also an indication of increased disposal activity as well. We can only hope that the trend continues and that the generally subdued M&A market activity of the recent past enjoys a revival.

2004 saw the listing of Peermont Global Limited, the first local private equity investment listing in many years. The lack of listings though remains a concern for the local industry since 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[13]. 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. The formation of the Alt-X more than a year ago has not resulted in the listing of any private equity investments as yet.

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 recent years.

Write-offs

The number of write offs reported (including sales for a nominal amount) decreased from 74 in 2003 to 61 in 2004 although in original cost of investment terms it increased from R279,2 million in 2003 to R283,7 million in 2004.

Cancelled/expired funds

R243,9 million of committed but undrawn funds at 1 January 2004 were cancelled and/or expired during 2004 and are thus are no longer available by the applicable fund manager.

Performance

Consistently measuring the performance of private equity funds is always difficult since private equity investments 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.

In reviewing the IRRs reported in this survey, a number of issues need to 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. Although net IRRs are the most relevant performance measure to a third party investor, which is the basis shown for the US and Europe, we believe that only a few of the independent fund managers would have been able to calculate 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;
- Participants were asked to base their reported IRRs using the timeline and not the zero based method; and
- 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.

It has historically been difficult to reach a conclusion on the performance level of private equity and venture capital investments in South Africa due to the limited number of respondents reporting their performance in the survey Questionnaire. The lack of sufficient data has even been mentioned as a key issue that limits the participation by institutional investors in the private equity industry.

In view of this low historic participation level, it was decided to rather request the participants' performance level in tabular format in the survey Questionnaire. This has had the desired effect with an increased number of participants reporting IRRs to 26 respondents for realised and unrealised investments and 18 respondents for realised investments only. Respondents with total funds under management of R25,1 billion at 31 December 2004 (2003: R22,8 billion) comprises the population of participants reporting realised and/or unrealised investment performance, which is almost 60% of total funds under management. We can thus, for the first time since performing this survey, report IRR performance levels of the majority of funds under management.

Figure 27 presents the total return of the fund since inception including unrealised investments. Figure 28 presents the realised IRRs only which are the returns of funds deployed and subsequently realised and returned to investors. Figure 28, therefore, presents a less subjective picture of fund returns (although it would exclude the negative effect of investments that are difficult to exit).

Figure 27: Gross IRR including realised and unrealised investments (26 respondents to 2004, 24 for 2003)

Years included in IRR calc	0 – 5 years		5 - 10 years		>10 years	
IRR	2004 No. of respondents	2003 No. of respondents	2004 No. of respondents	2003 No. of respondents	2004 No. of respondents	2003 No. of respondents
Below 10%	5	5	-	1	-	-
10% - 20%	2	4	3	1	-	-
20% - 30%	5	3	2	2	-	-
30% - 40%	2	2	1	1	2	1
> 40%	4	3	-	-	-	1

Figure 28: Gross IRR for realised investments only (18 respondents to 2004, 17 for 2003)

Years included in IRR calc	0 – 5 years		5 - 10 years		>10 years	
IRR	2004 No. of respondents	2003 No. of respondents	2004 No. of respondents	2003 No. of respondents	2004 No. of respondents	2003 No. of respondents
Below 10%	4	3	1	1	-	-
10% - 20%	2	1	1	2	-	-
20% - 30%	-	1	1	-	-	-
30% - 40%	1	2	2	1	-	-
> 40%	4	4	-	-	2	2

Twenty-three participants in the survey claimed compliance with BVCA/SAVCA's valuation guidelines in the valuation of their unrealised investments. These did not necessarily report their IRR performance shown in figure 27 and 28.

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[14]

	US (at 30 Sept 2004)				Europe (at 31 Dec 2003)			
	1 Year %	**3 Year %**	**5 Year %**	**10 Year %**[a]	**1 Year %**	**3 Year %**	**5 Year %**	**10 Year %**
Early stage	-1.9	-11.8	16.6	41.5	-13.1	-11.1	-1.8	1.3
Development	N/a	N/a	N/a	N/a	-7.2	-4.8	4.6	10.7
Balanced	17.7	-4.6	11.1	21.3	-5.4	-10.2	4.2	12.3
Later stage	12.9	-3.0	2.5	15.9	N/a	N/a	N/a	N/a
All venture capital	**8.9**	**-7.4**	**10.5**	**26.9**	**-7.5**	**-9.0**	**2.3**	**8.3**
Buyouts	17.3	5.2	2.7	8.1	1.6	1.0	9.6	12.7
Mezzanine/Generalist	11.8	1.8	4.4	7.4	2.4	-10.7	7.8	14.6
All private equity	**15.0**	**1.3**	**4.7**	**12.5**	**-0.6**	**-3.8**	**7.3**	**11.9**

a Performance on the NASDAQ and S&P 500 was 9,5% and 9,2% respectively

10-year returns for all venture capital and private equity was 26.9% and 12.5% respectively for the US at 30 September 2004. This is higher than the return of the NASDAQ and S&P 500 for the equivalent horizon.

‘The mistakes made during the tech bubble are working the way out of the system but are well-balanced by today’s market which is getting healthier each quarter. Long term, venture capital will always be a tough asset class to beat as it consistently outperforms other investment options,’ said Mark Heesen, the president of the NVCA, in a press release on 19 January 2005.

Black Economic Empowerment

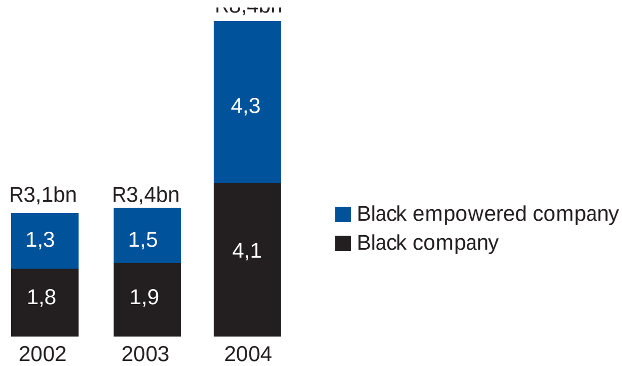
Analysis of BEE total funds under management by BEE fund managers

Total funds under management of participanting fund managers that themselves are black owned or empowered companies (i.e. have at least 25,1% black ownership – refer to the glossary for definitions) increased 147% from R3,4 billion at the end of 2003 to R8,4 billion at the end of 2004. Although this only represents 23%[15] of total 'qualifying' funds under management it does represent a significant increase from the 10%[15] at the end of 2003.

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 in this section. This obviously understates private equity BEE investments significantly. Also where participants did not return a completed Questionnaire but we were able to include them in certain parts of this survey using publically available information, all these funds under management have been classified as 'not empowered' in this survey.

Further, participanting fund managers with funds under management totaling R9,2 billion have not been included in figure 30 below but have indicated that they are black influenced companies. This represents a very substantial increase from 2003 where only R5,3 billion of funds under management was classified as being under the management of black influenced fund managers.

Figure 30: Funds under management by BEE fund managers



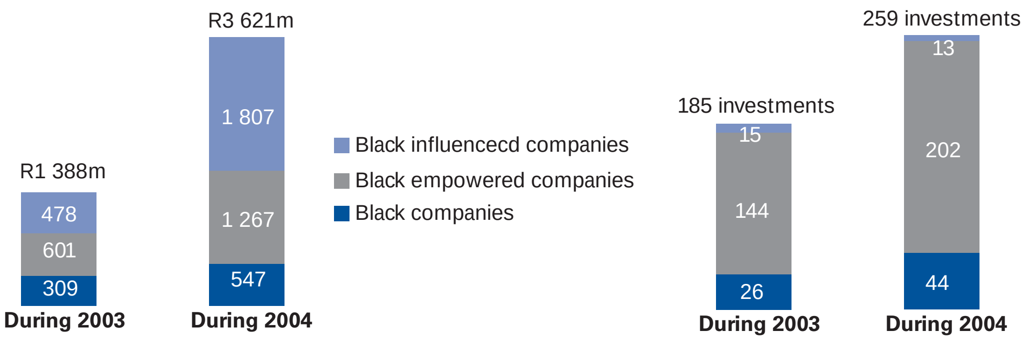
The substantial increase in funds under the management of black companies is mainly due to Ethos Private Equity's empowerment transaction announced during November 2004 with Sphere Holdings. Brait contributed to the increase in funds under the management of black empowered companies as it become 26% black owned during 2004.

R3,4 billion of the funds at 31 December 2004 under the management of at least black empowered companies remained undrawn at the year end. The investment of these undrawn facilities will continue to 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. It must however be noted that these undrawn funds will not necessarily be invested in BEE related transactions.

Analysis of BEE investments

It is encouraging to note that of those funds completing our Questionnaire, remembering that all Government Captive Funds have been excluded from all numbers being reported in this section, the cost of investment into entities that are at least black influenced companies in 2004 showed growth of 161% relative to 2003. This reflects the private equity industry's continued realisation that black economic empowerment investments are an increasingly important element of the South African economy and it holds good prospects for growth.

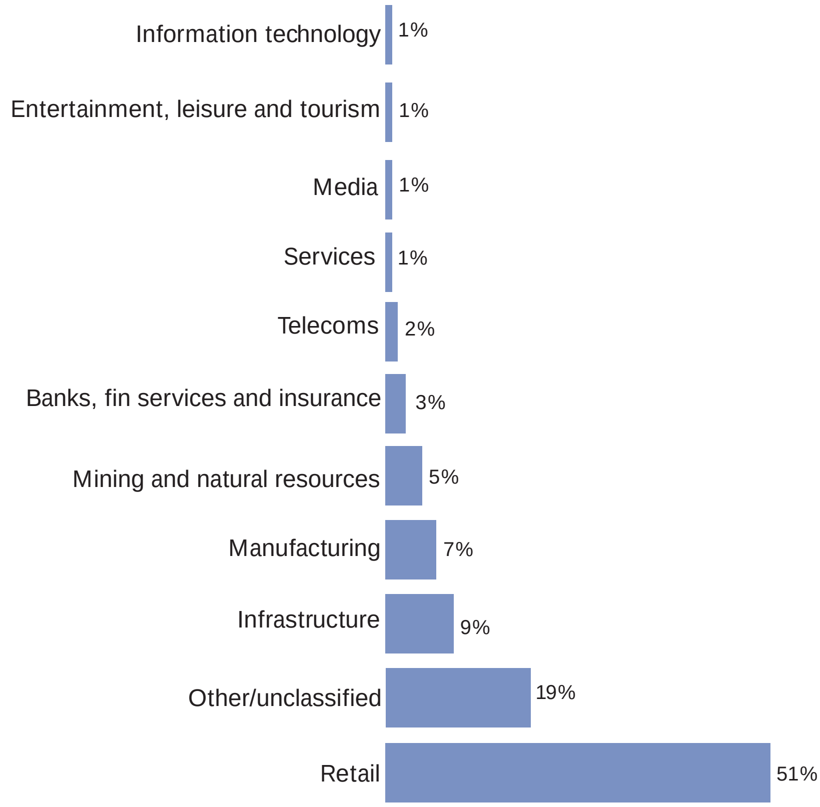
Figure 31: BEE credentials of investments made during the year (cost and number)



The average deal size into black owned, empowered or influenced companies during 2004 was R14,0 million compared to R7,5 million in 2003. This is higher than the average for all investments of R11 million for 2004.

The retail sector enjoyed the highest level of BEE investment activity during 2004. 19% of all BEE investment activity was either classified as other or not classified at all.

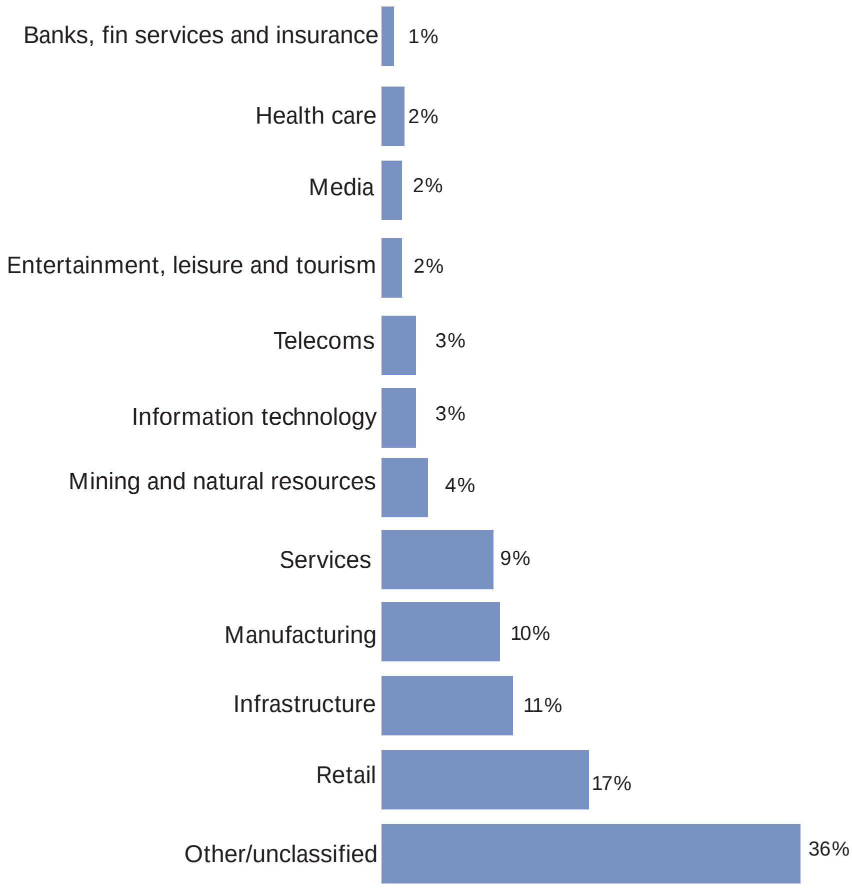
Figure 32: BEE investments during 2004 by industry for the year[16]



The analysis above includes investments into black owned, empowered and influenced companies

It is difficult to report on the sector/s that enjoy the highest level of cumulative BEE investments at 31 December 2004 since 36% of all BEE investments at the year end were classified as other or not classified at all. 26% of classified investments were in the retail sector, followed by infrastructure with 17%.

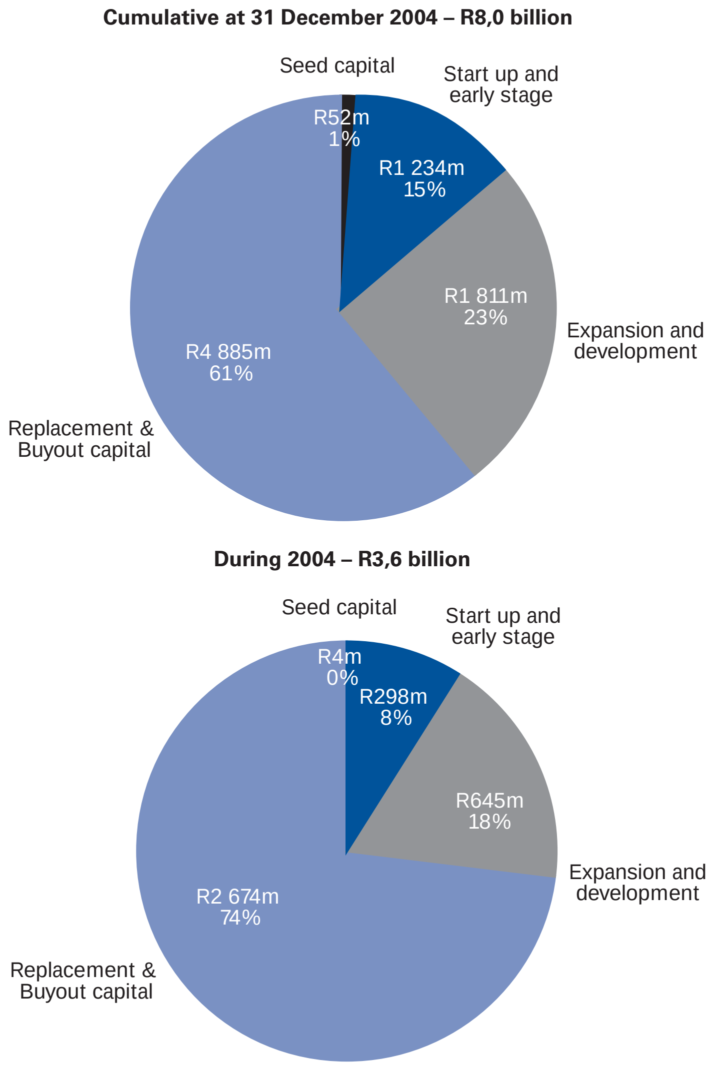
Figure 33: Cumulative BEE investments reported at 31 December 2004 by industry



The analysis above includes investments into black owned, empowered and influenced companies

Replacement and buy-outs are, like the entire industry, the most dominant stages for investment in BEE entities.

Figure 34: Cumulative BEE investments at 31 December 2004 and during 2004 – by stage based on cost of investment (includes investments into black owned, empowered and influenced companies)



Private equity investment professionals

As figure 35 illustrates, the industry remains dominated by white males who constitute approximately 52% of private equity investment professionals at 31 December 2004. The second largest group are black males contributing 12% of the total reported numbers for 2004.

Only 46 females of all population groups were reported as being private equity investment professionals at 31 December 2004. Although this is an unacceptably low number, it does represent an increase of 4 from 31 December 2003 despite an overall decrease of staff numbers.

Figure 35: Racial and gender constitution of private equity investment professionals

	2004						2003					
	White	Indian	Coloured	Black	Not specified	Total	White	Indian	Coloured	Black	Not specified	Total
Male	196	23	12	44	-	275	200	23	15	47	-	285
Female	22	4	2	18	-	46	21	5	1	15	-	42
Not specified	-	-	-	-	54	54	-	-	-	-	57	57
Total	218	27	14	62	54	375	221	28	16	62	57	384

The industry showed a 2% decrease from 384 professionals in 2003 to 375 professionals in 2004.

Data tables

Year ended 31 December 2004

	Total funds under management at year end R millions	Undrawn commitments at year end R millions	Fund raising activity during the year R millions	Investment activity during the year R millions	Funds returned to investors during the year R millions	Proceeds from disposals during the year R millions
Early stage funds						
Independents	1 017	596	5	157	34	-
Captives - Other	133	26	-	9	-	-
Captives - Government	355	316	-	32	-	-
Captives - Financial Services	-	-	-	-	-	-
	1 505	938	5	198	34	-
Later stage funds						
Independents	14 988	7 503	2 239	2 344	2 342	2 177
Captives - Other	8 227	2 639	-	2 095	942	358
Captives - Government	6 043	0 316	-	4	-	-
Captives - Financial Services	11 956	3 020	-	2 224	1 941	1 181
	41 214	13 478	2 239	6 667	5 225	3 716
	42 719	14 416	2 244	6 865	5 259	3 716

Year ended 31 December 2003

	Total funds under management at year end R millions	Undrawn commitments at year end R millions	Fund raising activity during the year R millions	Investment activity during the year R millions	Funds returned to investors during the year R millions	Proceeds from disposals during the year R millions
Early stage funds						
Independents	1 207	775	578	49	27	10
Captives - Other	96	3	-	10	-	-
Captives - Government	340	332	140	8	-	-
Captives - Financial Services	-	-	-	-	-	-
	1 643	1 110	718	67	27	10
Later stage funds						
Independents	13 983	8 154	4 206	1 251	1 559	1 214
Captives - Other	8 625	1 575	-	1 167	17	8
Captives - Government	5 602	369	20	12	-	-
Captives - Financial Services	10 197	2 610	-	1 760	764	405
	38 407	12 708	4 226	4 190	2 340	1 627
	40 050	13 818	4 944	4 257	2 367	1 637

References and footnotes

1 The economics of the private equity markets, Ice Millar Donandio & Ryan.

2 PWC 3i Global Private Equity 2004 survey. Relates to the 2003 calendar year but includes preliminary data on the firsy half of 2004.

3 Press Material: The Annual EVCA Symposium 2004 (contains extracts of the EVCA 2004 handbook covering the 2003 calendar year).

4 In the US, independent funds are normally structured as Limited Liability Partnerships.

5 Referred to as limited partners in the US.

6 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.

7 Although the 2003 survey reported total funds under management of R41,5 billion at 31 December 2003 (with undrawn commitments of R13,9 billion), the 2003 results now include certain private equity funds which were excluded last year and vice versa. The restatement of comparative data by certain participants has also resulted in the change.

8 It should be noted that Independents have reported a further R335,6 million (2003: R380,6 million) of undrawn commitments that are available for investments but have not been raised from third parties. These sources include their own balance sheet cash resources. Total committed but undrawn funds under the management of independent fund managers is therefore R8,1 billion at 31 December 2004.

9 31 December 2003: US$1 = R6,6500; 31 December 2004: US$1 = R5,6950

10 31 December 2004 for South Africa, 31 December 2003 for Global, North America and Europe and 31 December 2002 for all others. Specific European country information has been sourced from the EVCA Year Book 2003 (covering the 2002 calendar year) while Global, North American and European (total) data has been drawn from the PWC 3i Global Private Equity 2004 survey (covering the 2003 calendar year). The quantum reported for Global, North America and Europe (total) in figure 5 is based on cumulative investments at cost made from 1998 to 2003. South African GDP for 2004 was sourced from The South African Reserve Bank (estimate at February 2005). South African data was converted to US Dollars using the spot rate at 31 December 2004 of US$1=R5.6950.

11A The 2004 analysis in figure 15 is only of R12 billion (2003: R13,8 billion) since R15,4 billion (2003: R15,8 billion) of investments were classified as ‘other’ or not classified at all by participants. 56% (2003: 53%) of cumulative investments at 31 December 2004 are thus not included in the analysis of figure 15.

11B The 2004 analysis in figure 16 is only for R5,7 billion (2003: R7 billion) since R0,8 billion (2003: R1,2 billion) of investments were classified by Independents as ‘other’ or not classified at all. 12% (2003: 15%) of cumulative Independents’ investments at 31 December 2004 are thus not included in the analysis of figure 16.

11C The analysis in figure 17 of the cumulative cost of investments by stage made to 2004 excludes unclassified investments of R14,5 billion representing 49% of total investments at the end of 2004.

11D The analysis in figure 18 of the cumulative number of investments by stage made to 2004 excludes 288 unclassified investments, representing 9% of the total number of investments at the end of 2004.

12 31 December 2004 for South Africa, 31 December 2003 for all others. Investments for all other territories besides South Africa was sourced from the PWC 3i Global Private Equity 2004 survey (covering the 2003 calendar year) and GDP sourced from The World Bank Development Indicators (2003 total GDP). South African GDP for 2004 was sourced from The South African Reserve Bank (estimate at February 2005).

13 Private equity: Examining the New Conglomerates of European Business, Peter Temple.

14 US – NVCA and Thomson Venture Economics preliminary data as at 30 September 2004 (press release of 19 January 2005); and

Europe – EVCA and Thomson Venture Economics European Pan-European Survey of Performance since inception to 31 December 2003.

15 Captive government funds under management have been excluded from total funds under management for the purpose of this calculation.

Participants

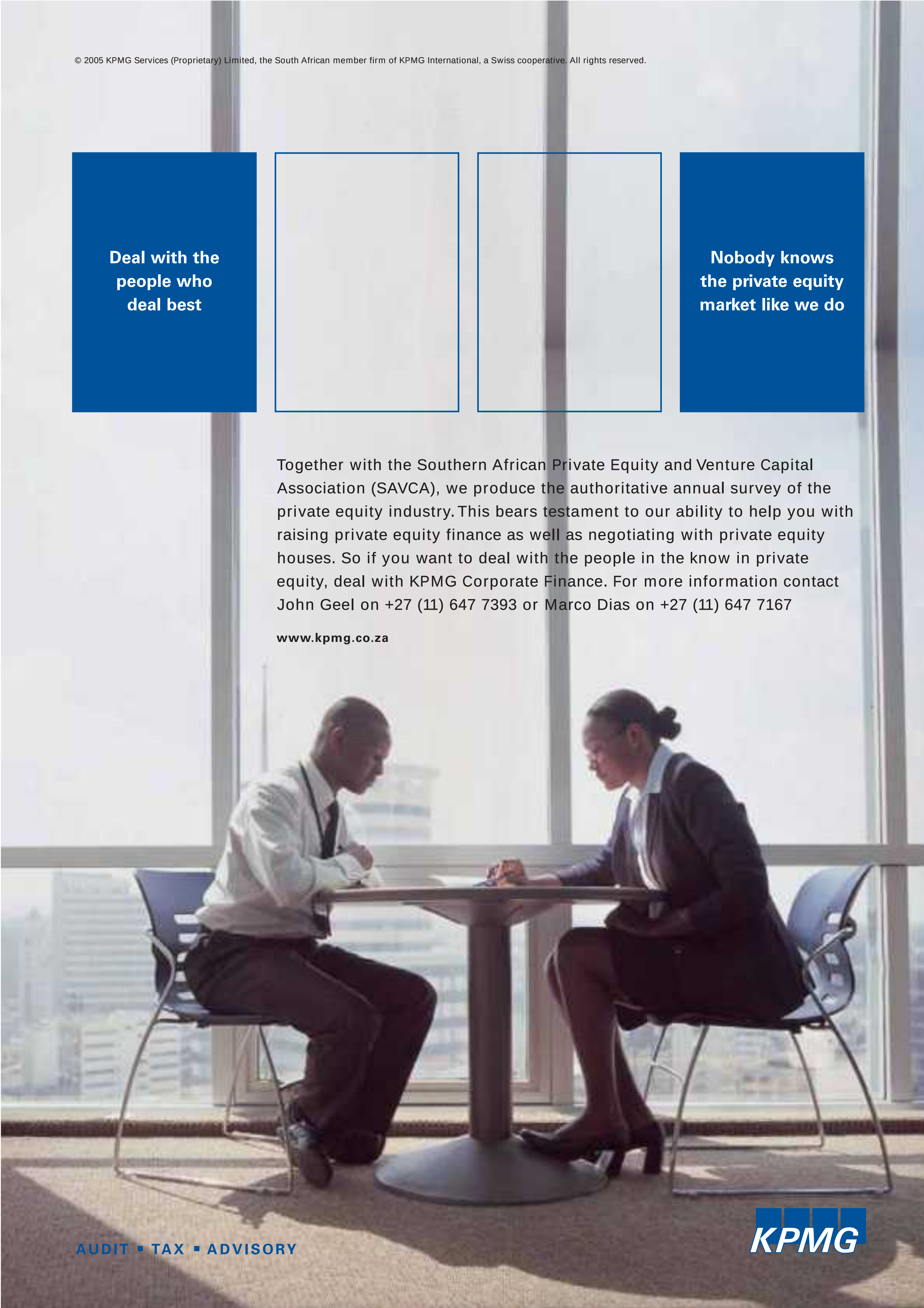
KPMG and SAVCA wish to thank the following firms who have participated, and have consented to the inclusion of their names, in this survey.

Name	Min investment (Millions)	Max investment (Millions)	Contact name	Contact telephone
SAVCA members				
ABSA Corporate and Merchant Bank	R25	R250	Grant Frew	(011) 350 - 2587
Actis	US$5	US$100	Garth Jarvis	(011) 778 - 5900
AMB Private Equity Partners Ltd	R25	R200	Andrew Hall	(011) 215 - 2000
Argil Venture Capital (Pty) Ltd	R3	R15	Paul Dixon	(011) 772 - 3427
Aureos Capital	US$0,5	US$4	Ron den Besten	(011) 884 - 2066
Biotech Venture Partners (Pty) Ltd	R2	R12	Heather Sherwin	(021) 462 - 2152
Brait Private Equity	R5	R700	John Gnodde	(011) 507 - 1000
Business Partners Ltd	R0,150	R15	Jo'Schwenke	(011) 480 - 8700
Decorum Capital Partners (Pty) Ltd	-	-	Arthur Mashiatshidi	(011) 380 - 3540
Ethos Private Equity Ltd	R5 – R50*	R50 – R500*	Andre Roux	(011) 328 - 7400
Glenhove Fund Managers (Pty) Ltd	R2	15%	Busi Mabuza	(011) 507 - 2000
Global Capital (Pty) Limited	R0,5	R100	Larry Nestadt	(011) 728 - 0255
HBD Venture Capital	R0,25	R10	Wendy Ndzotoyi	(021) 970 - 1000
i Capital Fund Managers	R6	R15	Rowan Williams	(011) 784 - 2230
Industrial Development Corporation	R1	-	Call Centre	086 - 069 - 3888
Intrepid Venture Capital (Pty) Ltd	R1	R3	Shane Kidd	(011) 283 - 0000
Investec Private Equity	R20	-	Melinda Horn	(011) 286 - 7341
Kingdom Zephyr Africa Management Co.	US$5	US$25	Mark Jennings	(011) 268 - 6911
Medu Capital (Pty) Ltd	R30	R70	Sue Dickens	(011) 268 - 9140
National Empowerment Fund	R3	R10	Nhlanhla Nyembe	(011) 447 - 2341
Nedbank Capital Private Equity	R20	R500	Dave Stadler	(011) 295 - 8316
NIB-MDM Fund Managers (Pty) Ltd	R5 – R20*	R15 to -*	Malcolm Segal	(011) 885 - 3690
Old Mutual Asset Managers	R10 – R50*	R30 – R150*	Mark Gevers	(021) 509 - 2400
PSG Capital Ltd	R0,5	R50	John Morgan	(021) 887 - 9602
RMB Corvest Ltd	R10	R500	David Rissik	(011) 268 - 0555
RMB Ventures South Africa	R15	R250	Ketso Gordhan	(011) 282 - 8319
Sanlam Private Equity	R50	R500	Cobus Foster	(021) 950 - 2500
Shanduka Fund Managers (Pty) Ltd	R20	R75	Kojo Mills	(011) 305 - 8900
Standard Bank Private Equity Division	R10	-	Wade de Jager	(011) 636 - 9115
Tiso Private Equity	R15	R75	Darrell West	(011) 549 - 2400
Treacle Venture Partners (Pty) Ltd	R5	R35	Christoff Botha	(011) 463 - 7476
Vantage Capital Fund Managers (Pty) Ltd	R5	R22	Chris Lister-James	(011) 880 - 5730
VenFin Ltd	-	-	Hein Carse	(021) 888 - 3200
Wipprivate Equity (Pty) Ltd	R5	-	Shaun Rosenthal	(011) 715 - 3500
Non-SAVCA members				
Mvelaphanda Strategic Investments	R50	-	Craig Lyons	(011) 327 - 5430
Umsobomvu General Fund	R0,05	R5	Dineo Skwambane	(011) 651 - 7000

*Fund dependent

Notes

Notes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