

The Khumovest Private Equity Fund I

Investment Criteria



Introduction

The Khumovest Private Equity Fund I has been established to address a key restriction to economic growth within South Africa, being the lack of access to capital and support available to the SME sector. The principle objective of the Fund is to achieve long term sustainable capital growth by principally investing in SMEs, while at the same time being a driver for economic growth and job creation.

Strategic Focus

The Fund makes investments into companies who; are defined as SMEs and who meet our Investment Limits:

SME Definition

have a full-time staff contingent of between 10 to 200 people; and

have an EBITDA of between R10 million and R50 million.

Investment Limits

Significant minority stakes of 25.1% (minimum) and up to 49% (maximum) equity shareholding; and

Cheque sizes of R20 million (minimum) and R60 million (maximum) (Sweet Spot: R40 million).

Investment Attributes

The Fund invests in assets that display a combination of the following attributes:

Require funding for growth. Acquisitive transactions may be considered (however not preferred), subject to Khumovest's internal decision matrices.

Strong and well aligned management teams.

Cash flow generative profile, as well as dividend paying.

Strong, yet underleveraged balance sheet.

Market need for the product/ service offering.

Blue chip client base.

Strong offtake agreements/ annuity revenue.

Defensive business model.

Salient Features

Companies must demonstrate the following:

At least (3) year profitable operating track-record.

In possession of reviewed and/or audited financial statements.

Business plan and strategy outlining use of funds.

Excluded industries

Primary farming and primary mining	Hazardous chemicals
Direct real estate	Ozone depleting substances
Arms and ammunitions	Radioactive materials

Regulatory Information:

Khumovest Advisory (Pty) Ltd ("Khumovest" and/or the "Manager") is a licensed Financial Services Provider (FSP No. 46637) and a Regulated Credit Provider (NCR Reg no. NCRCP10355).

This Investment Criteria Sheet (the "Sheet") is being distributed with a view to establishing the basis for further discussions on the investment opportunities regarding the Khumovest Private Equity Fund I (the "Fund"). This Sheet is in draft form and is subject to updating, amending, revision, correction, completion and/or verification without notice. This Sheet does not constitute marketing, offering or placement of Interests in the Fund.