

REPORT OF THE BOARD INVESTMENT COMMITTEE

The Board Investment Committee (the BIC) was established by the Board of Trustees of the NEF in order to assist the Board to, amongst other matters, evaluate, approve or decline investment proposals, consider investment valuations and investment policies and monitor the performance of the investment portfolio.

The macro-economic conditions in South Africa improved in the 2011 year, with a real GDP growth of 3.1% compared with 2.9% in 2010. The annual average prime overdraft rate in 2011 was 9% compared with 9.9% in 2010. This boosted entrepreneur confidence and the NEF saw an increase in deal activity, especially for new ventures and expansion of existing businesses. (Acquisition of businesses was still low and according to Who Owns Whom a total of 19 BEE transactions worth R10 billion were completed in 2011 compared with 58 transactions worth R48 billion in 2010).

The 2011/12 financial year was a very exciting year for the NEF as the organisation restructured the Fund Management Division to ensure focus and specialisation to promote participation of black people in the mainstream economy. This included streamlining our approval processes for increased efficiency, as turnaround times of applications by development finance institutions is very topical in the public domain. The organisation saw two projects from its Strategic Projects Fund move from feasibility stage to financial close, which will contribute towards the quest to create black industrialists. In this quest to focus on small and medium enterprises (SMEs), the NEF implemented its SME strategy which is also anchored by the opening of six regional offices.

A debt-restructuring programme, successfully implemented in seven major transactions during the past year to assist NEF investees which were adversely impacted by the effects of the global credit crisis, together with continuous monitoring of the whole book, resulted in positive effects on a generally well-performing portfolio. An improved 97% (including additional payments) collection rate resulted in the reduction of overall impairments to 12% (excluding write-offs). We continued to provide free mentorship, coaching and technical support to most of the investees at a cost of approximately R3 million.

During the period under review, the NEF Executive Committee submitted 19 transactions with an aggregate value of R781 million to the BIC for consideration and approval. The BIC approved a total of 16 of these transactions worth R556 million and recommended three transactions worth R225 million to the BoT for final approval. The improved success rate indicates that the organisation's risk management processes are strengthening and that there is congruence between management and the BIC regarding the types of projects that would qualify for NEF funding in line with the strategic objectives of the NEF.

The Fund Management Division approved 98 transactions worth R1.162 billion and disbursed approximately R620.1 million in 73 new investment projects. The NEF continued to show its commitment in supporting SMEs with approximately 62% of the investments



Mr Thabiso Tielai
Chairman of the Board Investment Committee

in projects equal to or below R5 million. The industries supported by the NEF during the year under review are diverse, with the major sectors by value being construction and materials (13%), services (14%), energy (5%), agro processing (6%) and media (9%). Engineering, financial services, food and beverage, mining, arts and culture, printing services, manufacturing, chemicals and pharmaceuticals, tourism and entertainment, retail, property and transportation are all between 1% and 7%.

As in 2010/11, the focus during the year under review was once more on expansionary empowerment in order to ensure that the beneficiary organisations supported the creation of new capacity in the form of job creation and economic growth. The investment projects supported during the year are categorised into the following products by value: venture capital (30.7%); acquisition finance (22.7%); expansion capital (15.4%); entrepreneurship finance (14.4%); franchise finance (12.6%), rural and community development projects (3.1%); new ventures (previously project finance 1.0%) and procurement finance (0.1%). NEF interventions during the year created or maintained approximately 3 124 decent jobs. Approximately 2 367 of these were new jobs and the average job investment ratio for the creation of new jobs for the year is R466 649.

“ The demand for Africa's natural resources offers renewed opportunities for Africa's development prospects. ”

Deputy President Kgalema Motlanthe,
During his visit to Accra in Ghana, 18 April 2012.



Board Investment Committee Members and Attendance

The Membership of the Board Investment Committee is as follows:

- T. Tlelai (Trustee and Chairman)
- P. Buthelezi (CEO - ex officio)
- L. Bakoro (Member)
- N. Mosala (Trustee)
- A. Raiz (Trustee)
- J. Molisane (Trustee)



The attendance at meetings for the period under review was as follows:

Member	29 June 2011	13 July 2011	8 September 2011	14 September 2011	7 December 2011	15 December 2011	25 January 2012	8 March 2012	28 March 2012
Thabiso Tlelai (Chairman)	√	√	√	√	√	√	√	√	√
Philisiwe Buthelezi (CEO)	√	√	√	√	Apology	√	Apology	Apology	√
Lindiwe Bakoro *	√	√	√	Apology	√	√	√	Apology	√
Nomalanga Mosala	√	√	√	√	√	√	√	√	√
Allon Raiz	√	√	√	Apology	√	√	Apology	√	√
Jacqui Molisane	Apology	Apology	√	Apology	Apology	Apology	√	√	Apology

* Non-Trustee Member

Mr Thabiso Tlelai

Chairman of the Board Investment Committee