

PERFORMANCE REVIEW

The NEF proudly presents its performance for the year 2015/16 financial year. This performance report is based on the revised targets as approved by the Minister of Trade and Industry.

The NEF has done well in discharging its financial support part of the mandate despite the tough economic conditions that continue to prevail both globally and in South Africa. During the course of the year, the NEF focused on building a healthy deal pipeline. This allowed the organisation to exceed its financial targets for the year. The Northern Cape office was opened in the third quarter of the year meaning that the NEF now has presence in all nine provinces. The NEF continues to excel in discharging non-financial support to investees and their communities through investor education, business incubation, business development and social facilitation training.

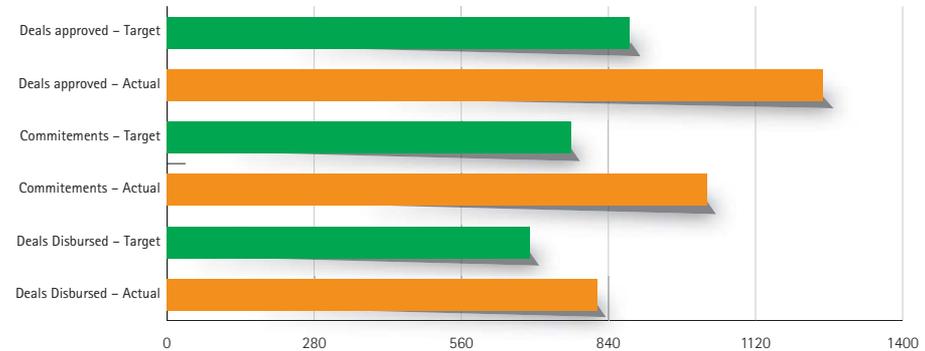
Advancing B-BBEE: Provide finance to business ventures established and managed by black people

For the financial year 2015/16, the NEF has approved a total of one hundred and twenty-seven (127) transactions worth R1.2 billion. One hundred and twenty (120) transactions worth just over R1 billion were committed, and total disbursements amount to R819 million. The NEF exceeded its targets against all financial KPIs as it continues in its quest to facilitate investment in the economy in support of black economic participation as illustrated by Figure 1 below.

“30% of commitments made in the year were towards businesses partially or wholly owned by women, against a target of 45%. Total women ownership disbursed in the year is 29% vs target of 40%.”

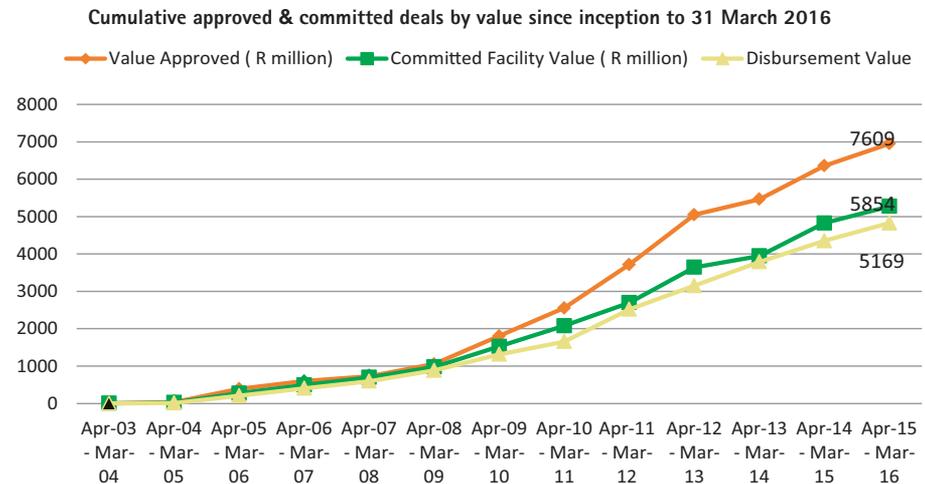
Ms Philisiwe Mthethwa

Figure 1: Actual Investment Performance against Targets 2015/16



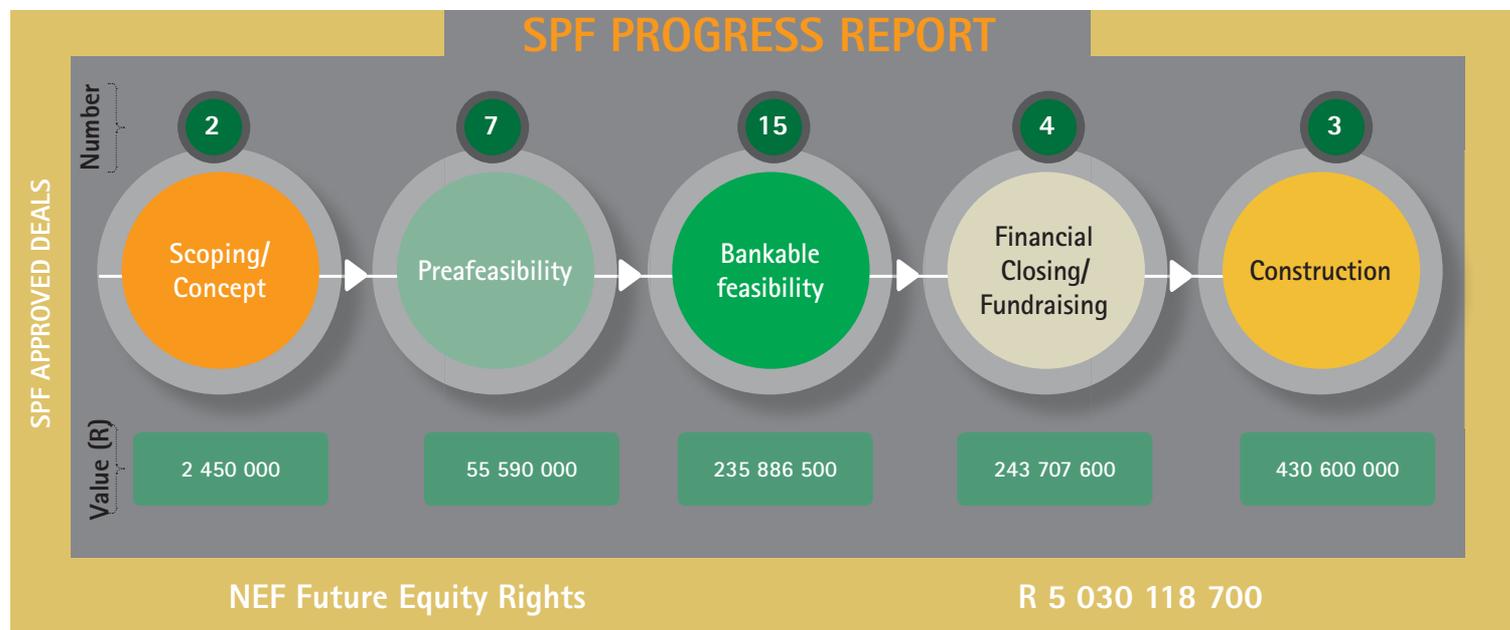
Using these base targeted milestones assuming adequate capital resources being made to the organisation in the short term, the NEF aims to approve and disburse in excess of R4.1 billion and R3.2 billion respectively into the economy between the 2017 and 2019 financial years. Through these activities, the NEF aims to support about 19 500 job opportunities during the same period.

Figure 2: NEF Investment Performance Since Inception



The NEF continues to support the initiatives and intentions of the Black Industrialists Programme through the progress made in our SPF pipeline. Deals in our pipeline have been progressed through various stages of the project development phases (Figure 3).

Figure 3: Strategic Projects Fund Process Report as at 31 March 2016



The current SPF portfolio consists of 31 projects spread across the respective development stages. 70% of the portfolio (by value) is at advanced development stages (i.e. financial close and construction). The approvals in the SPF portfolio are valued at R900 million, which has unlocked R5 billion in third party funding. Furthermore, the portfolio is expected to create 86 500 jobs at financial close, and 3 600 jobs opportunities have been created to date.

Maximising the empowerment dividend

Through its financial activities, the NEF is geared to support 4938 job opportunities, of which 3 377 are new. This brings the number of job opportunities geared to be supported since inception to 86 859 (of which 61 231 are new). The South African Institute of Race Relations (SAIRR) says not only does every worker in South Africa support themselves but three additional unemployed people on average. This means that the job opportunities supported by the NEF in the year are in fact geared to support 14 814 individuals and 260 577 individuals since inception.

Twenty-nine percent (29%) of the portfolio disbursed in the 2015/16 financial year is owned by black women and 30% of committed deals were to businesses owned by black women. It is taking time to build a deal pipeline that has

increased women ownership, and the NEF continues to make dedicated efforts towards facilitating women participation in the economy and strive to meet its targets.

Studies from the Organisation for Economic Cooperation and Development (OECD) have shown low female participation rates in entrepreneurship largely due to a number of market failures. Besides lack of access to information as compared to male counterparts, women face an acute lack of finance. Few women sit on the boards of finance institutions and this seems to have an impact on the amount of funding allocated to women entrepreneurs with women receiving up to 67% less funding from finance institutions than men. Other studies have shown that women are often reluctant to use family assets as collateral and in many cases would need to obtain spousal agreement in order to apply for loans.

The NEF established the Women Empowerment Fund (WEF) in order to address some of these market failures and accelerate the provision of funding support to women. Women ownership has thus largely been driven through the WEF, which is in its second year running. Administered through the other four funds, the NEF exceeded all its WEF targets.



Table 1: WEF performance against targets

Women Empowerment Fund	Approvals		Commitments		Disbursements	
	Target	Actual	Target	Actual	Target	Actual
Total	220	252	192	194	174	202

The NEF has made great strides towards increasing the value of the collective portfolio outside of Gauteng province. Gauteng's proportion of the portfolio has decreased from about 60% in 2009 and currently stands at about 45%. During the third quarter, the NEF opened its Northern Cape branch, making it a truly national organisation. Our regional presence has contributed to us significantly exceeding our targets with regards to the percentage of the portfolio disbursed to the underrepresented provinces of Eastern Cape, Limpopo, Mpumalanga, Northern Cape, North West and Free State.

Optimising non-financial support

The NEF acknowledges that non-financial support is as crucial to the success of an enterprise as financial support. As such, we further contribute to the delivery of our mandate through a variety of programmes that offer entrepreneurial development and support as well as promote a culture of savings and investment amongst black people. These include:

- Investor Education campaigns that are accessible to the general public and include Industrial Theatres delivered to the youth in tertiary institutions in various locations around the country. The NEF offered 44 Investor Education seminars, exceeding its target of 32 seminars.
- Business training activities enhance NEF's impact in developing entrepreneurship in South Africa. To this end the NEF conducted 25 training sessions against a target of 18.

- Business Incubation supports the development of aspirant black entrepreneurs by nurturing entrepreneurial ideas into feasible business opportunities. The NEF facilitated the incubation of 36 entrepreneurs against a target of 10.
- Social Facilitation also supports the development of NEF investees and promotes sustainable entrepreneurship through corporate governance training. There were 25 training sessions against a target of 18 during the financial year.

Establish the NEF as a sustainable DFI

The sustainability of the NEF is vital and is monitored through performance indicators such as impairments, return-on-investments (ROI) and collection ratios.

Despite active portfolio monitoring, the tough economic climate continues to exert pressure on our investees and contributes to increased distress, accounting for a higher impairment provision of 24% against a target of 18%. NEF Management continues to actively work on various interventions to remedy issues that have arisen in our investee companies. Our Post-Investment and Turnaround, Workouts and Restructures Units are intervening where necessary to stabilise investee companies and ensure that loan impairments are kept at a minimum.

ROI for the year was 9.5%, falling within the targeted range of 9-10%. The collections ratio is 97% against a target of 80%, and this is directly attributable to early interventions in the portfolio.

Performance against the Annual Performance Plan

The NEF has met twelve of fifteen (80%) targeted performance indicators. These are outlined below:

Output	Performance Measure or Indicator	Annual Target	YTD Annual Achievement	Reason for Variance
Provide finance to business ventures established and managed by black people	Value of deals approved by the NEF (R million)	R880 million	R1 248 million	The deal pipeline progressed very well through various committees particularly during the last quarter, allowing the NEF to exceed annual targets.
	Value of new commitments (R million)	R770 million	R1 028 million	Commitments are in response to the number of and value of approved transactions in the pipeline.
	Value of new Disbursements (R million)	R691 million	R819 million	Collection of conditions precedent was expedited to allow disbursements.
Strategic Objective 2: Maximising the empowerment dividend				
Invest in black empowered businesses that have high employment creating opportunities.	Number of jobs expected to be supported or created	Support 4 252 new or existing job opportunities	4 938 (of which 3 377 are new)	No significant variance noted
Support the participation of black women in the economy	Percentage of portfolio disbursement owned by women	40% (on annual disbursements)	29%	The NEF continues to make efforts towards facilitating women participation in the economy and strives to meet its target.
	Percentage of committed deals partially/ totally owned by women	45%	30%	
Facilitate investment across all provinces in South Africa	Percentage of disbursement target to be invested in EC, NC, NW, MP, FS and LP	25% of disbursement target to be invested in EC, NC, NW, MP, FS and LP	<p>Year-to-date, a total of 75 deals worth R367 million is invested as follows:</p> <p>NC: 6 worth R31 million FS: 8 worth R24 million LP: 16 worth R96 million MP: 20 worth R87 million NW: 7 worth R76 million EC: 18 worth R53 million</p> <p>This represents 45% of the YTD disbursements</p>	The presence of the regional offices continues to enhance our efforts to increase investments across all provinces in South Africa enabling the NEF to exceed its target.

Output	Performance Measure or Indicator	Annual Target	YTD Annual Achievement	Reason for Variance
Strategic Objective 3: Black economic empowerment is advanced through commercially sustainable enterprise				
The provision of non-financial support and training for black owned businesses and entrepreneurs	Number of Business Today Training sessions provided	18 training sessions per year, with an average score of 60% required in the post-training assessment	A total of 26 training sessions have been conducted, with an average score of 71%	No significant variance noted
	Number of entrepreneurs who successfully complete business incubation	10 entrepreneurs in the final incubation stage	36 entrepreneurs have made it to the final incubation stage	
	Number of Social Facilitation Sessions for NEF investees	18 Social Facilitation Sessions	25 Social Facilitation sessions for the year to date	
Conduct investor education seminars in provincial towns and increase understanding by participants	Number of seminars held across the country	32 Investor education seminars per year	44 Sessions completed, (made up of 36 seminars and 8 Industrial Theatres)	
Strategic Objective 4: Financial efficiency and sustainability				
Establish the NEF as a sustainable DFI.	Percentage of portfolio impaired	18%	24%	Tough economic climate contributes to increased distress of NEF investee companies
	Target ROI before impairments (to be reviewed annually)	9-10%	9.5%	No significant variance noted
	Collections ratios	80%	97%	Active portfolio management
	Manage portfolio risk	High risk clients: <35%	High risk clients: <27%	Target is based on active portfolio.



Investee Profile:

Rural and Community Development Fund

Halala Shopping Centre

The shopping centre is located in Soshanguve, Gauteng Province. Halala shopping centre is a 100% black owned project measuring 5 000 m² in building size and the current Gross Lettable Area (GLA) is 1 578 m². The second phase expansion is geared to increase GLA from 1 151 m² to 2 729 m². New tenants will take the new GLA. Increase in the GLA will result in an increase in the monthly revenue and sustainability of the project.

The property has a 100% tenancy confirmed, with 63% national tenants and 37% regional. Among the tenants listed are *Shoprite Usave*, *TAB Horse Racing and Betting*, *Halala Pharmacy*, *Standard Bank*, *Spykos Foods*.