

REPORT OF THE BOARD INVESTMENT COMMITTEE



Mr Thando Mhlambiso

The Board of Trustees of The National Empowerment Fund established a Board Investment Committee (the BIC) to assist the board to, among other matters, evaluate, approve or decline investment proposals that would otherwise be considered by the Board, to consider investment valuations and investment policies and to monitor the performance of the investment portfolio.

During the period under review, the NEF Executive Committee tabled 17 transactions worth an aggregate of R613 million to the BIC for consideration and approval. The BIC approved 12 transactions worth R438 million and declined five transactions totalling R175 million. Importantly, the BIC continued to play a critical oversight role, ensuring that transactions approved contribute to NEF's strategic objectives, while ensuring adherence to sound investment risk management principles.

The BIC considered transactions covering a diverse range of industry sectors and investment stages, ranging from early stage projects to equity transformation transactions. In line with the NEF's strategy of accelerating financial and non-financial support to Black-owned SMEs, the BIC approved two bulk finance facilities amounting to R100 million. This included a facility of R50 million relating to a partnership between NEF and the Independent Development Trust (IDT). The facility will see the NEF providing working capital finance and technical support to an estimated 30 small construction companies that were awarded contracts under IDT programmes.

The BIC approvals also include an amount of R60 million to Motseng Investment Holdings to facilitate the acquisition of the Trennplast group of companies operating in the furniture wholesale industry. The transaction enables Motseng to take operational control of a leading mid-market player in the furniture industry. The transaction includes broad-based empowerment, including participation by Black employees.

The NEF has also identified the empowerment of local communities as a critical strategic objective. To this end, BIC approved an investment of R50 million in support of community groups to acquire a 25% beneficial interest in a commercial property development in KwaZulu-Natal. The transaction entails innovative financial structuring and technical support by the NEF to empower community beneficiaries.

The BIC also approved a R38 million investment into a renewable energy project. The project will see the NEF acquiring a 26% equity interest in a strategic project with a view to warehousing the stake for BB-BEE parties. The project includes downstream economic opportunities for local communities thereby contributing to job creation.

The NEF invested R279 million in 43 investee companies throughout its fund management operations during the period under review.

The major sectors supported during the year under review are manufacturing (33%), services (25%), transportation (18%) and ICT and media (7%).

As at 31 March 2009, the NEF investment portfolio has been invested 61% in Gauteng, 15% in Western Cape, 13% in Eastern Cape, 6% in KwaZulu-Natal and 3% in Mpumalanga by value.

The NEF investment policies and procedures are now firmly in place. The investment team have been strengthened in terms of skills and capacity and are now well placed to increase delivery on the NEF's mandate of being a catalyst for BB-BEE.

Membership and Attendance

As at 31 March 2009, the BIC comprised the following seven individuals:

- Mr Thando Mhlambiso, Chairman of the BIC and NEF Trustee,
- Ms Philisiwe Buthelezi, Chief Executive Officer and NEF Trustee,
- Ms Lindiwe Bakoro, Member,
- Ms Cora Fernandez, Member,
- Ms Jennifer Hoffmann, Member and NEF Trustee (term ended on 2 December 2008),
- Ms Polo Radebe, Member and NEF Trustee (resigned on 24 April 2008),
- Mr Kugan Thaver, Member, and
- Ms Nomonde Mesatywa, Member and NEF Trustee (appointed on 3 December 2008).

The attendance record of the members of the BIC during the year under review was as follow:

Member	17/04/2008	29/05/2008	04/07/2008	24/07/2008	28/08/2008	18/09/2008	16/10/2008	01/12/2008	19/02/2009	19/03/2009
Mr T Mhlambiso	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Ms P Buthelezi	✓	✓	Apology	Apology	✓	✓	Apology	✓	✓	Apology
Ms C Fernandez	Apology	✓	Apology	✓	Apology	Absent	✓	✓	✓	✓
Ms J Hoffmann*	✓	Apology	✓	Apology	✓	Apology	✓	Apology	-	-
Ms P Radebe [#]	✓	-	-	-	-	-	-	-	-	-
Mr K Thaver	Apology	Apology	✓	Apology	✓	✓	Apology	Apology	✓	✓
Ms L Bakoro	Apology	✓	✓	Apology	✓	✓	✓	✓	✓	✓
Ms N Mesatywa [#]	-	-	-	-	-	-	-	-	-	Apology

* Resigned 24 April 2008

• Term ended on 2 December 2008

Appointed on 3 Decemeber 2008

Mr Thando Mhlambiso
Chairman of the Board Investment Committee