

670 Venture Capital Overview for January 2018



About 670 Ventures

670 Venture Capital Limited (670 Ventures) is an investment company, registered with SARS as a Venture Capital Company (VCC) in terms of Section 12J of the Income Tax Act (Section 12J). Its mandate is the management of investments in equity shares in companies which are classified as Qualifying Companies in terms of Section 12J.

670 Ventures was established to provide investors with superior, risk-adjusted after-tax returns over the medium term.

About Section 12J

Section 12J is a tax incentive to encourage investment in a range of small and medium sized South African private companies which meet defined criteria.

Tax Deductibility

Investors are entitled to deduct 100% of the investment in Venture Capital Shares (VC Shares) against taxable income in the year of investment. This provides a 45% upfront tax relief (at the maximum marginal South African income tax rate for individuals and trusts), reducing the net investment amount and the nominal risk of the investment.

A certificate to substantiate a claim for tax deduction is provided by 670 Ventures to investors. Given this upfront income tax relief, the base cost of the investor's VC Share investment will be reduced to zero.

Investors must remain invested for a minimum of five years if they wish to avoid a recoupment of the upfront tax deduction. If an investor sells the VC Shares within the five years, the upfront tax deduction is recovered (under the general recoupment rules of section 8(4) of the Income Tax Act).

Asset Allocation

Section 12J requires that after the expiry of 36 months from the first issue of VC Shares, at least 80% of the investments made by the VCC must have been made to acquire Qualifying Investments. No more than 20% of the proceeds of the issue of VC Shares may be utilised to purchase shares in any one Qualifying Company.

670 Ventures has an extensive investment pipeline and intends to deploy capital raised well ahead of this deadline.

Qualifying Investments

Qualifying Investments are equity shares in Qualifying Companies. A Qualifying Company must meet the following Section 12J criteria:

- Is unlisted, South African tax resident and not a controlled group company in relation to the VCC;
- have a gross asset value below R50 million at time of investment;
- does not invest in immovable property (other than a trade carried on as a hotel keeper);
- trades mainly in South Africa; and
- not trade in the financial services, gambling, liquor, tobacco, arms or ammunition industries.

Offer Information

Offer Closing Date	28 February 2018.
Investment	VC Shares in 670 Ventures.
VCC Registration No.	VCC-302.
Asset Class	Private Equity.
Risk Profile	High.
Minimum Investment	R250 000.
Suitable Investors	High Net Worth Individuals, trusts and companies.
Tax Deductibility	Full amount invested in 670 Ventures allowed as a deduction against taxable income of the investor.
Investment Term	Minimum five years.
Target Return	Annualised net after-tax return of CPI + 15%*.
Dividend Policy	Distributions of 100% of total (cash realised) after-tax net profit and investment realisations during financial year.
Liquidity	Two years' notice may be given five years after the subscription date.
Capital Gains Tax	Calculated on the investor's full investment realisation.
Fees and expenses	Capped at 2% plus VAT per annum.
Performance Participation payable to 670 Ventures	Cumulative annual participation dividend of 10% of net investment profits, with a high-watermark arrangement to recover any shortfall.

**Target Return is applicable to individuals with a marginal tax rate of 45%. This return is net of management fees and expenses and performance participation, and takes into account the upfront income tax relief and capital gains tax payable on realisation after 5 years.*

Investment Strategy

The investment focus is on risk mitigation and capital preservation through an investment strategy that aims to deliver superior after-tax returns, uncorrelated to traditional investment markets.

The portfolio will be a blend of investments made in high yielding equity investments and in Qualifying Companies with high growth potential.

- High yielding equity investments will provide attractive dividend returns with a lower risk vs return profile than traditional private equity instruments and should be replicable, allowing for larger-scale rollouts.
- Growth investments will be made in companies founded by promising high impact entrepreneurs supported by sound management and geared for growth in attractive markets.

Directors, Management and Investment Committee



GC Swanepoel

Non-executive Chairman



Ockert Goosen

CEO and Investment Committee Member



Reghard Hamman

Executive Director



Thys du Preez

Non-executive Director



Tienie van der Mescht

Non-executive Director



Dr. Steve Booyesen

Investment Committee Chairman



Bruce Chelius

Investment Committee Member



Ian Groenewald

Investment Committee Member

Management Experience

The management team has a proven track record in private and strategic equity investments and in tax and investment structuring. This blend of experience is a significant advantage in an investment offering such as 670 Ventures.

Current Portfolio

670 Ventures made its first investment in May 2017, in Thunderbolt Solutions (Pty) Ltd. Founded in 1999, Thunderbolt is a leading black-owned-and-managed supplier of capital equipment and consumables to the Southern African graphic arts and printing industry, representing as agent a number of established principals (www.thunderbolt.co.za).

Investment Pipeline for 2018

High-dividend yielding investments are expected to be 670 Ventures' investment focus in 2018.

The pipeline includes businesses focussing on asset-backed operating rental solutions of renewable energy production, storage and energy monitoring and energy efficiency systems and equipment. The equipment is rented out on a fully maintained basis to a diverse base of selected South African corporate clients.

This should provide investors with predictable revenue streams at an above-average return on investment. The return profile is focused on capital preservation, with a self-liquidating portfolio for an efficient exit.

The investment pipeline of high-dividend yielding investments also includes:

- Sale of industrial steam: Investments in businesses providing steam generated by industrial coal and oil-fired boilers to high-quality corporate customers.
- Agriculture: Co-investment in a business providing specialist operating rental solutions covering various technologies, building assets and other value-added services.

Corporate Information

Investment Manager	TBI Investment Managers (Previously Ora Fund Managers) FSP number: 42968.
Company Secretary	Adams Schouw & Cain 2 Inc.
Tax Advisors	Norton Rose Fulbright (South Africa) Inc.
Reporting Accountants and Auditors	PKF RademeyerWesson.
Commercial Bankers	First National Bank Limited.
Corporate Advisors on the Prospectus	Bridge Capital Advisors Proprietary Limited.

Disclosure

This document is proprietary to TBI Investment Managers (Pty) Ltd (TBI IM). It is for information only and may not be distributed or used by any person without the express written consent of TBI IM. It does not address the circumstances of any particular person or entity and is not a recommendation or advice in relation to any transaction or investment. Proper advice should be sought from a registered independent financial adviser before any decision or step is taken by an individual or entity in respect of the information provided in this document. We have taken care to ensure that the information included in this document is accurate and not misleading, but do not guarantee its accuracy, relevancy or completeness or that it will not change. TBI IM, its directors, officers and employees shall not be responsible and disclaim all liability for the loss, damages or expenses which may be suffered by any person or entity as a direct or indirect result of that party relying on or failing to act on any of the information provided. The investment value of the financial product mentioned in this document is not guaranteed. TBI IM and 670 Ventures are licensed financial services providers.