

100% Tax deduction

of the amount invested against your taxable income.

Section 12J offers access to a well-regulated, tax-managed private equity investment entitling investors to a 100% tax deduction of the amount invested against their taxable income.

About 670 Ventures

670 Venture Capital Limited (670 Ventures) is as 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.

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).

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.

Key Information

Investment	VC Shares in 670 Ventures.
Risk Profile	High.
Minimum Investment	R250 000.
Suitable Investors	High Net Worth individuals, trusts and companies.
Investment Term	Minimum five years.
Net After-tax Target Return	Annualised CPI + 15%*.
Net Pre-tax Target Return	Annualised CPI + 7%.
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 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.
Investment Manager	TBI Investment Managers (FSP number: 42968).

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

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, focused on investment in a range of small and medium sized South African private companies, which meet defined criteria.

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
- does not trade in the financial services, gambling, liquor, tobacco, arms or ammunition industries.

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.

Current Portfolio

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 such as Muller Martini, Agfa, Kodak and Weilburger. It has a Level 2 B-BBEE rating. Thunderbolt's philosophy is to supply the printing industry with top-quality products and to support them with highly-trained, customer-driven, technical service and support personnel. (www.thunderbolt.co.za).

Seam is a niche rental company owning specialised assets, which are rented to corporate clients in terms of operating rental agreements (to the exclusion of finance leases or hire purchase agreements). The operations and the portfolio of Seam will be managed by TBI Rentals, a business formed by TBI and the well-established former EOH Securities and Building Technologies rental team.

Seam will grow its portfolio by acquiring assets through the discounting of rental agreements. It is envisaged that rental assets will include, but will not be limited to, hotel equipment, IT equipment and software, security and access control equipment, renewable energy equipment and medical equipment.

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

Developments and Investment Pipeline

Asset mix: The strategy to build a blend of assets that have high growth potential along with high dividend-yielding, lower risk investments remains the current focus for 670 Ventures. The first high-dividend yielding investment was made with a R7 million investment commitment to Seam.

Alternative Thinking

Thunderbolt was recently awarded tenders from two large listed customers, to provide printing plates and related consumables to in excess of R25 million per annum. Thunderbolt also secured two large equipment orders. Another positive development was the global acquisition by Muller Martini (a Thunderbolt agency), of the business of Kolbus, a major competitor. As a result Thunderbolt acquired the domestic Kolbus agency. In addition, the agency for the local Japanese based Screen Computer to Plate (CTP) devices was also acquired.

Despite some setbacks, the newly-established **Thunderbolt Paper** business has established itself in its home markets of Gauteng, Durban and Cape Town. It submitted a major tender to supply paper to the Government Printing Works which, if successful, could catapult the Thunderbolt Paper business forward.

Pipeline: During the past year, a number of opportunities were pursued and many discarded. The investment pipeline remains strong and a number of potential transactions are being investigated, the most important of which is **Thunderbolt Supply Co**, specialising in supplying customers with the right of use of graphics and printing equipment as well as concomitant consumables over a specific term.

Additional Corporate Information

Company Secretary	Adams Schouw & Cain 2 Inc.
Tax Advisors	Norton Rose Fulbright (SA) Inc.
Reporting Accountants & Auditors	BDO Cape Incorporated
Commercial Bankers	First National Bank Limited.

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Disclosure

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