

Fully tax-deductible investment in asset-backed operating rental businesses offering a predictable dividend stream.

670 Ventures provides a practical and competitive source of funding to alternative rental income and similar businesses for the next stage of their growth, stimulating economic growth and job creation, and providing investors with a tax-deductible investment producing attractive and predictable dividends.

OVERVIEW FOR JANUARY 2019

About 670 Ventures

670 Venture Capital Limited (*670 Ventures*) is an investment company established to provide investors with superior after-tax returns, focussing its investment portfolio on low-risk, asset-backed *Contractual Cash-flow* businesses that generate predictable revenue streams.

Through an investment in 670 Ventures the investor accesses:

- A strategy focused on capital preservation;
- Quarterly dividend declaration;
- 100% deductibility of the investment against taxable income;
- Self liquidating portfolio for efficient exit;
- Portfolio diversification.

Investment Focus

The investment focus of 670 Ventures is on risk mitigation and capital preservation through an investment strategy that aims to deliver superior after-tax returns, uncorrelated to traditional investment markets.

Going forward, the portfolio will consist of investments in low-risk asset-backed Contractual Cash-flow businesses. This provides attractive dividend returns with a lower risk vs. return profile than traditional private equity instruments.

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

Typical Contractual Cash-flow businesses targeted will include:

- Operating rentals and comparable businesses (to the exclusion of finance leases or hire purchase agreements) in unsaturated domestic markets; and
- Selective renewable energy opportunities.

Investments by the investee companies should be replicable, allowing for larger-scale rollouts.

Key Information

Investment	Unlisted A-Ordinary Shares in 670 Ventures.
Fund size	R21 million, including the Convertible Loan Facility.
Risk profile	Medium.
Minimum investment	R100 000.
Suitable investors	Domestic high net worth individuals, trusts and companies.
Net after-tax target return ¹	Annualised CPI + 15%.
Target dividend yield on net investment ²	9% - 11%.
Convertible Loan Facility ³	TBI has committed a R10 million callable equity convertible loan to 670 Ventures.
Liquidity	Liquidity is offered on two year's notice, given at least five years after subscription.
Capital Gains Tax	Payable by investors on the entire investment realisation.
Fees and expenses	Capped at 2% (plus VAT) per annum.
Performance participation payable to Administrator	Cumulative annual participation dividend of 10% of net investment profits, with a high-watermark arrangement (to recover shortfalls).
Administrator	TBI Investment Managers (FSP number: 42968).
Financial year-end	31 March.

¹ Applicable to individuals with a marginal tax rate of 45%. The return considers the upfront income tax relief from the investment, dividend withholding tax and capital gains tax payable on realisation after 5 years, net of management fees, expenses and performance participation.

² Applicable to individuals with a marginal tax rate of 45%, based on net after-tax capital invested and before dividend withholding tax.

³ The committed convertible loan facility is callable in tranches, convertible into equity at the discretion of 670 Ventures, in compliance with Section 12J.

Tax Deductibility

670 Ventures is registered with SARS as a Venture Capital Company in terms of Section 12J of the Income Tax Act (*Section 12J*). This entitles investors to deduct 100% of their investment in *Venture Capital Shares* issued against taxable income, providing up to 45% upfront tax relief for individuals and trusts, or 28% for corporate investors. A certificate to substantiate a claim for tax deduction is provided, investors simply quote 670 Venture's reference number when completing their tax returns.

Investment Horizon

Investors should remain invested for a minimum of five years if they wish to avoid a recoupment. If an investor sells their Section 12J investment within the five years, the upfront tax deduction is recovered⁴.

Leadership

The management team and Board have 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.



GC Swanepoel

Non-executive Board Chairman and Member of the Audit Committee

BCompt (Hons), CA (SA)



Wynand Marais

Executive Director and Chief Executive Officer

MCom Finance and Risk Management, BCom (Hons) Financial Analysis and Portfolio Management



Ockert Goosen

Executive Director and Member of the Investment Committee

BCom (Hons)(Acc), MBA (Wits), CA (SA)



Tienie van der Mescht

Non-executive Director and Member of the Audit Committee

BSc, MBA



Abrie du Preez

Non-executive Director and Member of the Audit Committee

BCom (Hons) Accounting, CA (SA)

Dividends

Subject to solvency and liquidity, dividends will be distributed to shareholders on a quarterly basis. The first dividends are expected to be paid in the following financial year.

Current Portfolio

Thunderbolt was founded in 1999 and 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 several established principals such as Muller Martini, Agfa, Kodak and Weilburger. (www.thunderbolt.co.za).

SEAM is a niche rental company, owning specialised assets in the unsaturated market, which are rented to corporate clients in terms of operating rental agreements. Seam is managed by TBI Rentals.

Developments

Strategic refocus: 670 Ventures refocused its strategy to invest in companies that offers Contractual Cash-flow alternatives to their clients, providing attractive dividend returns and capital preservation to its investors.

Thunderbolt was awarded tenders from two large listed customers, to provide printing plates and related consumables to in excess of R25 million per annum. It also secured two large equipment orders and acquired two new major agencies, from the (Swiss) *Kalbus* and (Japanese) *Screen* corporations.

Seam: The first Contractual Cash-flow investment was made with a R7 million investment commitment to Seam, of which R2.4 million has been invested in two operating rental assets.

Additional Benefits to Investors

Selective opportunities in private equity investments will, going forward, be packaged as look-through investments (via a different class of 670 Ventures' shares). Existing investors will be offered the right of first refusal to take part in any such opportunities arising. This allows investors to diversify into potentially high growth private equity, claiming additional tax deductions.

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.

⁴ Under the general recoupment rules of section 8(4) of the Income Tax Act.

Investment Pipeline

In line with the refocused strategy, several potential Contracted Cash-flow transactions are currently being investigated, all with sufficient scalability. We foresee many opportunities in the operating rentals and renewable energy sectors which we will be able to exploit over the short and medium term. We expect that the investment opportunities will require frequent investment drawdowns to fund their growing operations.

Opportunity	Description	Investment potential in next 12 months
Seam	Unique operating rental company owning specialised assets in the unsaturated market space.	R10-R20m
Thunderbolt Supply Co	Supply company providing right of use of graphics and printing equipment, together with contracted term consumables supply to selected clients.	R10- R20m
CSC	Niche operating rental company focusing on servicing large corporates with premium coffee machines and related consumable products.	R3-R5m
RMS	Operating rental company focusing on providing large corporates with remote energy monitoring systems.	R2-R5m
RE 1	Commercial and industrial scale renewable energy production and energy saving products.	R5m-R20m
RE 2	Commercial and industrial scale renewable energy production and energy saving products.	R5m-R20m

Section 12J Technical Notes

Qualifying Shares

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

- Is unlisted and a South African tax resident;
- Has less than 70% of its equity shares held, directly or indirectly, by 670 Ventures and group companies;
- 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

The purpose of the tax benefit is to encourage equity investment in small and medium-sized SA companies. To receive and maintain these tax benefits, the following are some of the major rules of Section 12J that must be adhered to:

- After the expiry of 36 months from the date of the first issue at least 80% of the investments made must have been made to acquire Qualifying Shares in Qualifying Companies (each with a gross asset value below R 50 million at time of investment).
- No more than 20% of any proceeds of issue of Venture Capital Shares may be utilised to acquire Qualifying Shares in any one Qualifying Company.

The manager will ensure that 670 Ventures continuously adhere to these rules.

Contact Details



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Disclosure

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Alternative Thinking

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