

# The Inyosi Enterprise Development Investment



Minimum Disclosure Document December 2017

KEY FEATURES	
INCEPTION	11 November 2012
BENCHMARK	SA CPIX (one month lagged)
SECTOR	Domestic – Unlisted debt to qualifying SME's
RISK PROFILE	High
ASSET COMPOSITION	Unlisted loans, debt, short term borrowings and any other form of debt funding
MINIMUM INVESTMENT	Lump sum: R20 000 Monthly: N/a Adhoc: N/a
ANNUAL MANAGEMENT FEE (excl. VAT)	Asset management fee: 3% per annum Life administration fee: 0.25% per annum
FINANCIAL ADVISER FEE (excl. VAT)	Either 1.75% upfront and 0.25% p.a. ongoing, or up to 0.50% upfront and 0.50% p.a. ongoing
TAXATION	Income subject to normal tax paid by Cadiz Life according to Section 29A of the Income Tax Act.
EMPOWERDEX RECOGNITION FACTOR	51%
FUND SIZE	R 113 million
FUND MANAGER	Evan Jones

## FUND OBJECTIVE

The Inyosi Enterprise Development investment makes commercial, unlisted fixed income investments, thereby providing diversified exposure into qualifying enterprise development investments, together with meaningful and measurable social benefits. Companies can now invest their enterprise development spend strategically, by combining a real return on their investment and earn accredited enterprise development points. In so doing, companies can take an active role in shaping a commercially scalable approach to SME growth and job creation by investing in the fund. This results in the potential for shared value – investments that are good for their business, good for the enterprise that receives growth funding, and ultimately good for the country.

## INVESTMENT PROFILE

Inyosi Enterprise Development is suited to corporates who wish to improve their BEE scorecard by investing into a well-diversified loan portfolio of qualifying entities, as defined in the Broad Based BEE Codes of Good Practice. The portfolio comprises unlisted fixed income investments of up to 5 years in term, so investors should have a long term investment horizon.

## INVESTMENT PROCESS

The Inyosi Enterprise Development investment undertakes to invest into unlisted debt investments with an explicit goal of complying with the Broad Based BEE Codes of Good Practice ('the Codes'), specifically Code 600 which relates to enterprise development.

In terms of the Code and the investment mandate, target investments can be in the form of loans advanced to organisations that meet any one of the following requirements:

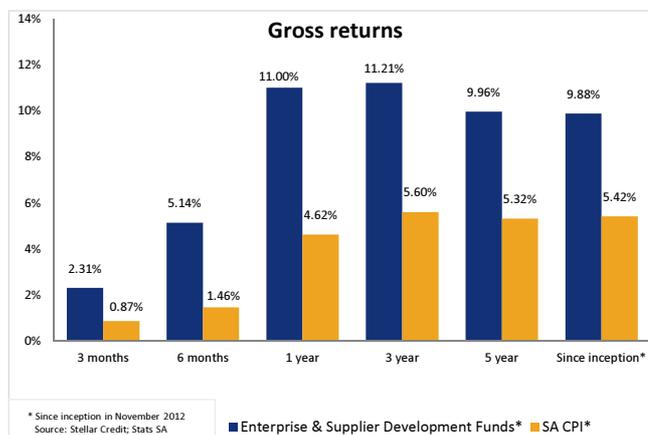
- Category A Investments: Microenterprises with turnover below R5 million or loans to organisations that are 50% black owned and have turnover of between R5 million and R35 million, or
- Category B Investments: Loans to organisations that are 25% black owned with a BEE status of between Level 1 and Level 6 and have turnover greater than R35 million.

As the Code ascribes a higher recognition factor to Category A investments, Inyosi Enterprise Development prioritises sourcing and structuring investments that fall into this category.

All investment opportunities are rigorously screened in terms of a robust investment process. This screening includes a full qualitative and quantitative review of the business. Prior to an investment being made, the process requires that Empowerdex confirm that the investment complies with the Code so as to ensure maximum recognition of the investment for ED purposes.

Screened businesses thereafter are submitted to a credit committee, which carefully reviews the investment recommendations before approving each loan. Once disbursed the organisation is monitored on an on-going basis until the loan matures.

## PERFORMANCE



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## QUARTERLY CADIZ ENTERPRISE DEVELOPMENT INVESTMENT FUND MANAGER COMMENTARY: 3<sup>rd</sup> QUARTER 2017

Stellar Credit (Pty) Ltd and Mineworkers Investment Company (MIC) have joined forces to offer the Inyosi Enterprise Development Investment to investors who are looking for a scalable, professional and market leading solution to their enterprise development needs. This investment was previously known as the Cadiz Enterprise Development Investment.

The total portfolio size is over R105 million and has no sector exclusions. The underlying investments are performing well, with interest and capital repayments being comfortably serviced by the investee companies. On 31 March 2016, the World Economic Forum announced the 11 recipients of the Schwab Foundation's Global award for Social Entrepreneurs. We are delighted that, of the two award winners from South Africa, both have been funded by our Enterprise Development Portfolios; one from this Portfolio and the other from our ICT Enterprise Development Portfolio. The recognition factor for the Inyosi Enterprise Development Investment as verified by Empowerdex (after evaluating all the investments made to the underlying beneficiaries) is 51.62% of the value of the investment. This recognition applies to all Measured Entities whose measurement period occurs during the one year validity of the Empowerdex rating, which expires on 27 April 2018.

### SOCIAL IMPACT

The Inyosi Enterprise Development Investment impact (since inception to 31 December 2016) as compiled and verified by Greater Capital shows that the Inyosi Enterprise Development Investments have meaningful impact in South Africa. Investors in the Inyosi Enterprise Development Investments have recognised that a specialist investment skill set applied by informed and experienced professionals has created an alternative pool of capital from which black owned businesses can source much needed stable and affordable loan funding.

We have managed to raise over R200m since inception across both our Enterprise Development and Supplier Development offerings. We have advanced over R245m since inception (thereby demonstrating that our offering recycles loans from one investee to another as and when loans are repaid). These investments have supported job opportunities for entrepreneurs in small and micro businesses as well as in the construction and waste management sector. In total, the Inyosi Enterprise Development Investments currently support 767 jobs and have supported 32,454 jobs since inception.

The Inyosi Enterprise Development investments have supported over 27,845 entrepreneurs since inception, most of whom come from previously disadvantaged groups – 99% of SME owners are black and 99% are female. Each of the sectors invested in have also created social impact. Within the Affordable Housing industry, 424 units have been built which house 1,060 individuals. 32,056 households have been served by the Waste Management investment, and within the ICT industry 8,536 students have been trained and 12 SMEs have received financing and leased IT hardware. The Inyosi Enterprise Development investments support employment at an average cost of R7,017 per job supported.

During the 3rd quarter of the year we funded one more business, bringing to 13 the total loans advanced in the 2017 year. Included in these loans beneficiaries are 3 businesses which deliver internet and training facilities to marginalised communities in the Western Cape. We are proud to assist these 3 entrepreneurs to build much needed infrastructure to connect these communities to the digital world. We also funded a construction business and advanced additional working capital funding to a chemical importer. We are working closely with a number of our borrowers to provide them with access to markets – we believe that this is the next area of innovation to which we can positively contribute. When added to the 5 loans made in the first quarter this brings our loan advances to 10 for the first 6 months of the 2017 year alone. We would expect to see an acceleration in the number of loans made in the next 6 – 12 months.

With a deep investment pipeline of businesses that have the potential to generate positive social impact and financial returns, Inyosi Enterprise Development investments are well positioned to continue to provide a vehicle for corporate investors who wish to ensure that their enterprise development commitments maximise job creation and helps Black owned businesses to grow and become more sustainable. In addition, the fund's focus on sectors such as affordable housing, microfinance and SME development that directly targets some of South Africa's deepest socio-economic challenges further confirms its potential to contribute to the country's growth.

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