ASHBURTON MEZZANINE FUND I

Fund fact sheet as at 31 May 2018

ASHBURTON INVESTMENTS

Investment objectives & strategy

Ashburton Mezzanine Fund I aims to provide investors with a diversified portfolio of mezzanine investments and targets a gross IRR of 17% – 22%. The objective of the Fund is to provide investors with regular cash distributions, in the form of interest repayments, together with longer-term capital gains, in the form of equity related upside. The Fund invests in established companies that are looking to grow, recapitalise or acquire new businesses. The Fund also seeks to provide funding to experienced management teams for management and leveraged buy-outs as well to provide financing for high quality BEE related transactions.

Key differentiators

- **Experienced team with successful track record:** Over 54 years combined experience, supported by the expertise of the Ashburton Credit Risk Management team.
- **Regular cash pay distributions:** Investments are structured to generate a contractual yield of approximately 15%, the bulk of which will be paid quarterly, providing liquidity and reducing investor value at risk.
- **Strong deal origination capabilities:** Team's proprietary networks coupled with origination from the FirstRand Group and Ashburton Investments' established investment platform.
- **Faster deployment:** A smaller fund of between R1 billion – R1.5 billion to ensure quicker deployment.
- **Positive selection bias:** The periodic coupon and capital repayment requirement creates a bias for investments into more stable and resilient industries and companies.
- **Enhanced downside protection:** Comprehensive due diligence and structuring to ensure stringent financial covenants, security and vigilant monitoring.
- **Skin-in-the-game:** The GP will commit at least 1.5% of the Fund's capital commitments.

Market environment

- **Domestic lenders are retreating:** Banks have reduced their exposure to mezzanine debt due to higher regulatory capital requirements.
- **Companies want to avoid dilution:** Entrepreneurs of growing companies are hesitant to bring in private equity due to the equity dilution which accompanies such investment.
- **Limited alternative lenders:** The market has very few alternative lenders with mezzanine fund managers only making up a small portion of the region's fund managers.

Investment mandate

- **High quality investments** into companies with:
  - **Sound financial performance**.
  - **In excess of R15 million** in profits after tax.
  - **Experienced management** teams.
- Structured as a debt instrument with **enforceable downside protection**, **regular cash pay distributions** together with a **self-liquidating equity kicker**.
- To generate **equity like returns** taking **debt like risk**.

Specialist expertise

Professional	Title	Years exp.	Relevant experience	Education
Ashley Benatar	Head: Mezzanine Finance	17	Vantage Capital, Renaissance Capital, Investec, Global Capital	Bcompt (Hons), CA(SA), OPM, Harvard Business School
Rudigor Kleyn	Co-Head Private Markets	19	Rand Merchant Bank	Bcom (Hons), CA(SA), CFA
Lindiwe Buthelezi	Principal: Mezzanine Finance	14	Vantage Capital, Industrial Development Corporation, Enterprise Equity Partners	BCom (Hons)
Kagiso Rantloane	Investment Analyst: Mezzanine Finance	4	Ashburton Investments, Ata Capital	BCom (Hons), CFA Level II

Disclaimer

Key facts

General information

Fund size	R507.5 million at first close (Target R1 billion - R1.5 billion at final close)
Minimum commitment	Institutional investors: R50 million
	High net worth individuals: R10 million
Target return	Target gross fund IRRs of 17% - 22%
Fund manager	Ashburton Fund Managers (Proprietary) Limited
Commitment period	5 years
Fund term	10 years (with two potential one-year extensions)
Alignment of interest	The general partner and the team will commit at least 1.5% of the Fund
Number of deals	7 – 12 deals
Deal size	Between R75 million and R225 million with an average size of around R150 million
Single asset allocation	Maximum 15% of Fund size (20% with advisory board approval)
Geographic allocation	South Africa with up to 20% allocation for CMA plus Botswana and Zambia
Distributions	From current income, after covering Fund expenses, on a quarterly basis; and from investment exits
Management fee	2%
Hurdle rate	Jibar + 350 bps
Carried interest	20% after the hurdle rate with 100% catch up

For more information

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