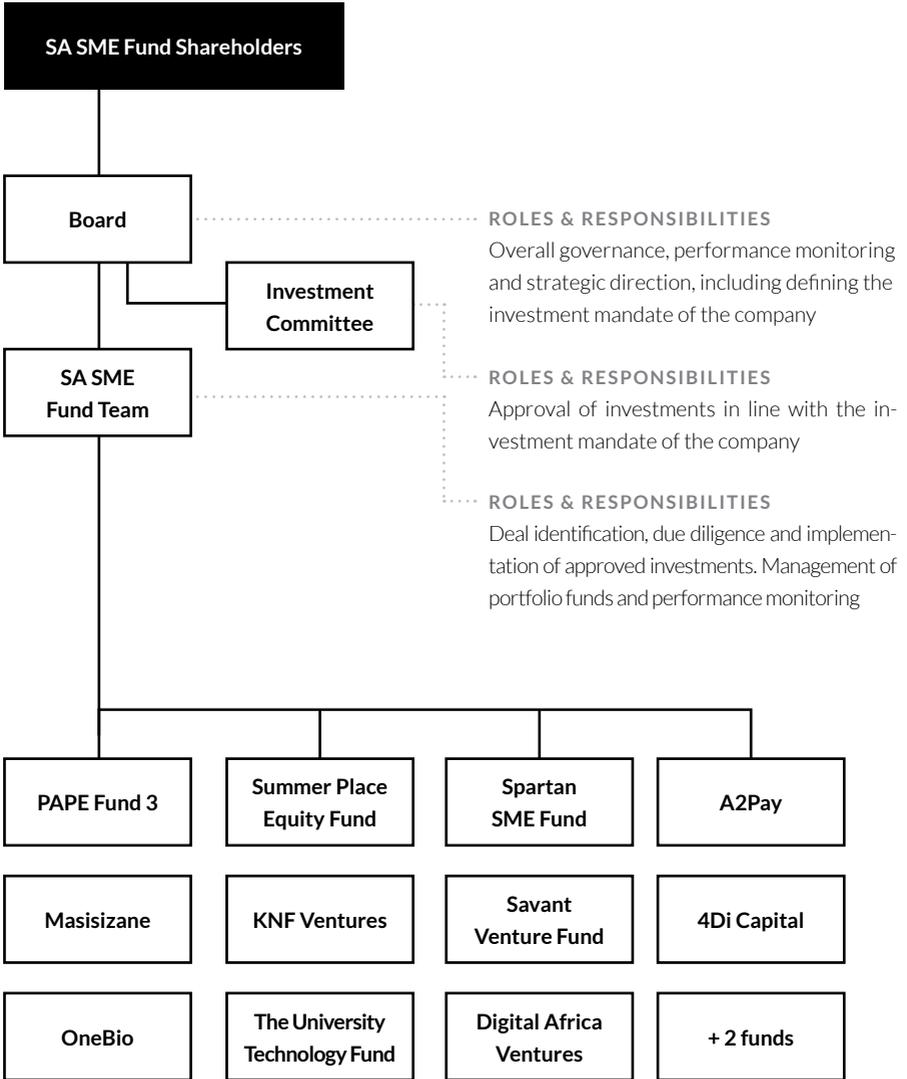




# SA SME Fund Review: 2020



# SA SME Fund's Mission



**Create and scale hundreds of new businesses**



**Commercialise and showcase SA intellectual property (IP)**



**Leverage additional capital for SMEs and startups**



**Catalyse Venture Capital (VC) asset class**



**Create and incubate new fund managers**



**Build narrative of business as a national asset**



## Foreward by Adrian Gore, SA SME Fund Chairman

I am pleased to present this review of the Fund's work to date. To recap, the mandate of the Fund is to use our collective resources as large businesses to stimulate the economy by helping mainly black entrepreneurs and small businesses scale and increase the attractiveness of investing in this sector.

Our goal over the next 5 years is to invest in and help scale 200 sustainable black SMEs, 5 world-class black entrepreneurs and 10 significant black-owned businesses. To this end, the Fund's capital will be fully deployed by the end of the 2020 financial year, divided between venture and growth (equity and debt) capital.

We launched the CEO Circle in March 2019, with the aim of leveraging our corporate shareholder base to scale 10 black-founded and -led high growth companies into businesses of significant scale. Personalised pathways have been developed for the 7 selected companies to help them scale. The CEO Circle 2020 will get underway early next year.

I greatly appreciate the time and support you have given to the Fund's initiatives to date, and remain excited by what we as business can collectively achieve.

# SA SME Fund: Achievements to date

## Investment Overview

The Fund has made significant progress in its investment strategy and deployment of funds. The Fund has committed R925m to date in growth and venture capital investments:



Growth

**R400m**

**PAPE Fund 3**

R100m

**SummerPlace Equity Fund**

R125m

**Spartan SME Fund**

R100m

**A2Pay**

R25m

**Masisizane**

R50m



Venture Capital

**R525m**

**KNF Ventures**

R30m

**Savant Venture Fund**

R110m

**4Di Capital**

R125m

**One Bio**

R75m

**University Technology Fund**

R150m

**Digital Africa Ventures**

R35m



Pipeline

**R225m**

Establishment of Black-managed VC fund with incubation and financial support from an experienced investment house; and a supply chain solution deal.

## Industry building initiatives

Transforming and broadening the VC and Fund Manager landscapes:



**GRINDSTONE**

Partnered with Knife Capital to run Grindstone Johannesburg, designed to accelerate and develop black VC entrepreneurs



**SAVCA**  
SOUTH AFRICAN VENTURE CAPITAL  
AND PRIVATE EQUITY ASSOCIATION

Partnered on a flagship transformation initiative to increase the number of black and female fund managers in Private Equity and VC spaces

# 4Di Capital Fund 3: R125m

## Fund Overview

4Di Capital (4Di) is a specialist in deploying funding to high-growth, high-impact technology start-up companies in the early stage, with a focus on investing in scalable South African start-ups.

4Di Capital Fund 3 is a generalist venture capital fund investing into seed and early stage start-up technology companies with high growth potential in verticals such as FinTech, InsureTech, EdTech and AgTech.

The Fund's First Close was in early 2019, with the SA SME Fund as the anchor.

## Investment Overview

4Di has made 1 investment to date.

Life Q: LifeQ is a biometric data and health-tech company with offices in Stellenbosch and Atlanta, USA that has developed technology that supports the world's leading wearables and biometric companies.





**Anton van Vlaanderen** (Partner)

Anton is an entrepreneur, angel investor and venture capitalist. He also plays an advisory role for ESET Southern Africa, a 4Di Group company.



**Justin Stanford** (Partner)

Justin is an entrepreneur, angel investor and venture capitalist from Cape Town, South Africa. With more than 15 years' experience, he is founder, board member, advisor, or investor to a wide variety of companies in the technology industry.

# A2Pay: R25m

## Fund Overview

A2Pay provides technology solutions to the informal retail market in South Africa. Through its collaboration with the Jobs Fund, A2Pay provides a solution to the unbanked spaza shop merchants to assist them to monitor the financial performance of their shops.

The SA SME Fund IC has approved a R25m facility to A2Pay which will allow A2Pay to foster financial inclusion via the provision of loans to existing spaza shop owners for growth and expansion.

## Investment Overview

A2Pay provides debt financing to entrepreneurs in the township economy. The loans will enable spaza shop owners to:

- Increase turnover as a result of being able to increase stock holdings;
- Open additional spaza shops; and
- Build back rooms as an additional annuity income stream.





**Tina Mason** (Director)

Tina has a proven track record in various corporate enterprises, including the successful implementation of the Jobs Fund programme.

# Digital Africa Ventures Fund 1: R35m

## Fund Overview

Digital Africa Ventures (“DAV”) is the first black female venture capital fund in South Africa and it is linked to AfricArena and the AfricArise Accelerator, providing pipeline to the fund and support to investee companies.

DAV is a generalist venture capital fund investing into seed and early stage start-up technology companies with high growth potential.

The SA SME Fund has committed R25m at First Close with an additional R10m on meeting the fundraising milestone.

PAPE Fund Managers will be supporting DAV with compliance oversight, office space, and mentoring at no cost to DAV.

## Investment Overview

As the fund is not yet established; no investments have been made to date, however investments will initially emerge from AfricArena and AfricArise.





**Nonkululeko Komanyane** (Principal)

Nonkululeko started her career at a private equity firm and worked her way up to co-founding a technology accelerator with a focus on connecting startups to the South African ecosystem.



**Thandeka Xaba** (Principal)

Thandeka is a CA(SA) with a background in corporate finance. Her passion for entrepreneurship led her to found GlamAlly, a beauty tech start-up, and Tariro Foundation, a youth development NPO.

# KNF Ventures: R30m

## Fund Overview

KNF Ventures (Pty) Ltd (“KNF”) is a South African Section 12J Venture Capital Company (“VCC”) managed by Knife Capital. KNF has the sole objective of investing in qualifying VC companies. Knife Capital as the Investment Manager is tasked to Find, Make, Grow and Realise investments for KNF with a focus on innovation driven ventures with proven traction.

KNF closed in February 2019 with commitments of R178m.

## Investment Overview

KNF has concluded 7 investments to date:

- Quicket – Cloud-based ticketing platform for any size event.
- DataProphet – AI/ Machine learning for the manufacturing industry.
- SkillUp – E-Learning platform connecting tutors and learners.
- PharmaScout – IoT temperature monitoring solutions for the pharmaceutical industry.
- PURA – Carbonated beverage brand with low sugar and natural flavour innovation.
- Granite WMS – SaaS warehouse management solutions for SMEs.
- Snapplify – EdTech marketplace and eBook publishing business.





**Keet van Zyl** (Co Managing Partner)

Keet is a venture capitalist, on the SAVCA Board, and worked at HBD Venture Capital, Investec and Procter & Gamble.



**Andrea Bohmert** (Co Managing Partner)

Andrea was previously at Hasso Plattner Ventures Africa, Siemens and Dimension Data.

# Masisizane: R50m

## Fund Overview

The Masisizane Fund is an Old Mutual initiative which provides funding and business development support to SMEs. The SA SME Fund has partnered with Masisizane to establish the Fuel Franchise Fund which will invest capital (debt and equity) into experienced franchisees seeking to operate fuel retail stations.

Masisizane has an extensive track record in funding fuel retailers across SA and so will provide support related to franchisor, franchisee and site selection, as well as post-investment oversight.

The SA SME Fund has committed R50m and Masisizane has committed R20m, bringing the Fund to first close at R70m in the last quarter of 2019.

## Investment Overview

Masisizane Fund has a strong portfolio of loans to SMEs, having approved over R600m in loans to SMEs and assisted more than 400 enterprises.

The Masisizane Franchise Fund will make its first investments in Q1 2020. One is a new fuel retail store, which will consist of a major fuel retailer forecourt, truck stop and branded food outlets, resulting in 105 permanent new jobs.





**Zizipho Nyanga** (CEO)

Zizipho has over 14 years' experience in development finance, financial management and external audit. She has worked in various organisations such as the IDC, EY and Kagiso Media.



**Portia Zilwa** (Investments Head)

Portia's career in the Financial Services sector, includes First National Bank and Anglo-American Zimele, where her passion for entrepreneurship blossomed.

# OneBio: R75m

## Fund Overview

OneBio Seed Investment Fund ("The Fund") is a venture capital fund dedicated to investing in biotech companies. The Fund borrows from the highly successful Silicon Valley model of combining science, business and investment and will provide early stage seed capital to biotech start-ups from across South Africa. The Fund will be the only biotech seed investor in Africa, and will capitalise on the global growth in biotech investment opportunities driven by the falling costs of basic biology tools. The Fund will focus on biotech startups that are late in the research cycle and early in the product cycle. Particular areas of interest include healthcare, agricultural, food, bio-fabrication and biological tools sectors.

The Fund will close in the first quarter of 2020.

Current commitments into the Fund: the SA SME Fund (R75m) and the Technology Innovation Agency (TIA) (R8.5m).

## Investment Overview

OneBio is a new Fund, achieving its First Close in October 2019.

The Fund has identified a strong pipeline of potential investments, including a biotech company that harnesses the floral diversity of the Cape Floral Kingdom to identify and harvest novel and useful biological enzymes, used in laboratory applications.





**Michael Fichardt (CEO)**

Michael is an entrepreneur, technologist and investor, with experience working in banking, private equity, business consulting, and technology startups.



**Nick Walker (CSO)**

Nicholas is a scientist, entrepreneur and venture builder. During his career he has worked in business development and venture building.

# PAPE Fund 3: R100m

## Fund Overview

PAPE Fund 3 ("The Fund") is a generalist private equity fund investing in unlisted, mid-cap SME investments operating predominantly in South Africa.

PAPE Fund Managers ("PAPE") is an established, black-owned boutique private equity manager with offices in Bryanston and Stellenbosch.

The Fund closed in July 2019 at R951m with support from PIC, EPPF, FMO, Rosebank Wealth Group, 27 Four, Transport Sector Retirement Fund and Alexander Forbes.

## Investment Overview

PAPE Fund 3 is a generalist private equity fund investing in unlisted, mid-cap SME investments. It is managed by PAPE Fund Managers, an established, black-owned boutique private equity firm.

Laser Group: a third party logistics company operating across all industry sectors.

Singular Systems develops bespoke software in the financial technology sector.

Angelo Kater provides bespoke conversions of panel vans into ambulances, buses, mobile clinics and mobile offices.

The logo for LASER, featuring the word "LASER" in a bold, blue, sans-serif font.The logo for singular systems, with "singular" in a dark grey font and "systems" in a teal font, both in a lowercase, sans-serif font.The logo for Angelo Kater, featuring the lowercase letters "ak" in a bold, dark grey font, with a red triangle pointing to the right, and the text "ANGELO KATER" in a smaller, dark grey font below it.



**Zuko Kubukeli** (CEO)

Zuko has worked in private equity since 2002, leading more than 40 investments with 24 exits returning in excess of 34% IRR.



**Guy Baxter** (Director)

Guy has been involved in private equity in South Africa since 2006 as well as establishing a successful manufacturing for export business.

# Savant Fund 1: R110M

## Fund Overview

Savant Fund 1 is a hardware and engineering focused early stage VC fund, focused on investing in and partnering with highly skilled science and technology inventors for their start-up growth journey.

Savant Fund 1 achieved First Close at the end of 2018 with the SA SME Fund as its anchor investor.

## Investment Overview

Savant has made 2 investments to date.

SmartBlade: SmartBlade is a medical-tech start up that offers a cost effective, novel and practical solution to the management of difficult airways in human patients. The device allows single operators of varied skill levels to intubate difficult airways.

Jonga: Jonga is a security-tech startup, focused on providing home security and monitoring to low income communities that leverages community policing.





**Nick Allen** (Principal)

Nick is an engineer with an MBA. He has spent 17 years working with startup companies, and has a passion for building businesses from first principles.



**Kate Turner-Smith** (Investment Manager)

Kate is an experienced and passionate investment professional with a strong scientific background. She leads Savant's life sciences portfolio and heads up the operations function.

# Spartan SME Fund: R100m

## Fund Overview

Spartan is black-owned and led Non-Bank Financial Institution (NBFI) with a proven track record of providing specialised financing to SMEs. Its strategic aim is to back entrepreneurs so they can grow.

## Investment Overview

Spartan provides a range of debt facilities to SMEs to facilitate growth, including working capital finance, asset based finance and medium term loans. Among other impacts, Spartan has enabled entrepreneurs to:

- Grow by providing funding specifically for contracts that the entrepreneur would otherwise not have been able to fulfil; and
- Retain jobs by providing working capital finance to bridge the payment gap due to late payments by SOEs.

89% of Spartan's loans have been to black entrepreneurs, with 63% being African black.



XDSL TRADING



AVENIR HOLDINGS



**Kumaran Padayachee** (CEO)

Kumaran has been funding established SMEs for the past 23 years so has a deep understanding of, and expertise in SME financing.



**Alun Frost** (Chairperson)

Alun has 30 years experience with owner-managed businesses through debt, PE, VC and BEE transactions.

# SummerPlace Fund I: R125m

## Fund Overview

SummerPlace Equity Fund I is a South Africa focused growth equity fund that invests in established, cash-generative medium-sized South African-domiciled enterprises operating across various sectors.

The Fund seeks to make equity (and equity-like) investments of between R15m and R50m in exchange for equity positions of between 26% and 50% and seeks to deploy more growth than replacement capital in any one investment. All Fund investments come with a board seat as a prerequisite, to influence strategy development and support management.

## Investment Overview

The Fund's first transaction – Cool (kids') Cabs, was approved on 25 March 2019, with pay-away on 14 June.

Founded in 2009 by owner, Tiffini Hein, the business offers a personalised scholar transportation service anchored on safe transportation in the form of appropriate child restraints at all times, coupled with other safety features such as on-board cameras, hands-free communication in transit, anti-hijack driver training, female-only drivers, to name a few.





**Modula Mofolo** (CEO)

Modula is an experienced private equity practitioner with 12 years' investment experience in SMEs and mid-cap companies across various sectors in South Africa.



**Barbara Grantham** (Director)

Barbara spent seven years at the IDC and four years growth coaching for SMEs, before combining her love for investing and SME value-addition in establishing the Fund.

# The University Technology Fund: R150m

## **Fund Overview**

The University Technology Fund (“UTF”) is a University IP commercialisation fund, that works to invest in and commercialise valuable South African IP originating from universities. The UTF is the first of its kind in South Africa and is based on best practice from Oxford and Cambridge universities, tailored to the South African context.

The UTF was approved by the SA SME Fund IC in September 2019 with its First Close expected in late 2019.

## **Investment Overview**

As the fund is not yet established; no investments have been made to date. Below are 2 examples of the fund’s pipeline.

Pipeline Opportunity 1: A University spin-off that produces antibodies for use in vaccines.

Pipeline Opportunity 2: A University biotech spin-off working to understand and isolate communicable diseases.



**Daniel Strauss** (Partner)

Daniel is a Private Equity and Venture Capital entrepreneur, with a B.Eng. and MBA from Stellenbosch University, with many years experience working with entrepreneurs and investors.



**Wayne Stocks** (Partner)

Wayne is a CA and co-founder of Stocks and Strauss, and has held executive roles in SA, USA, UK and Dubai. He has launched and built effective teams to scale technology in 9 African markets.

**NOMINATED**  
**143 companies**

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**FIRST ROUND**  
**49 companies**

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**SECOND ROUND**  
**33 companies**

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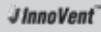
**INITIAL SELECTION PANEL**  
**13 companies**

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**FINALISTS**  
**7 companies**

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 (Endeavor)	 (Vodacom)	 (Vodacom)	 (Mr Price)
 (FNB)	 (Endeavor)	 (Sasol)	 (Discovery)
 (Endeavor)	 (Distell)	 (Adcock)	 (Nedbank)
 (Independent)	 (Anglo)	 (Investec)	 (Discovery)
 (Absa)	 (Telkom)	 (Nedbank)	 (Mr Price)

 (Mr Price Group)	 (Discovery)	 (Discovery)	 (Discovery)
 (Nedbank)	 (Nedbank)	 (Endeavor)	 (Endeavor)

## CEO Circle Overview

The CEO Circle was launched on 28 March 2019, as part of the Fund's vision to leverage the collective resources of our corporate shareholder base. We have a bold goal: to scale 5 to 10 black-founded and led high growth companies into businesses of significant scale - value of R500 million plus - in a period of 3 to 5 years.

We ran a rigorous 3 month selection process with Endeavor ScaleUp to select 7 companies as recipients of the CEO Circle Entrepreneurs Award 2019.

These companies are receiving personalised pathways of support to help them scale. Of greatest importance is introductions to business leaders, to provide these entrepreneurs with guidance and to open doors.

The CEO Circle companies are impressive: most have revenue of R100 million+ p.a., are high growth and have been in business for 5+ years.

We will shortly be launching the CEO Circle 2020, and will build on the optimism generated by the initial cohort.

(Sasol)	(Nedbank)	(MTN)	
(Discovery)	(Kumba)	(Distell)	
(Sasol)	(Vodacom)	(Endeavor)	
(RMI)	(Nedbank)	(Adcock)	
(Kumba)			

(Kumba)	(Vodacom)	(RMI)	
(Adcock)	(Adcock)		

# CEO Circle Entrepreneurs 2019



[www.bt-industrial.co.za](http://www.bt-industrial.co.za)

Manufactures High Density Polyethylene (HDPE) pipes and provides an array of complementary services to customers including engineering, project management, quantity surveying, and maintenance solutions.

Nominated by Endeavor



**KGOMOTSO LEKOLA**



[www.InnoVent.co.za](http://www.InnoVent.co.za)

Dual offering: asset rental (computer hardware) to corporates, and re-rental of refurbished computers. Leading independent/brand agnostic IT leasing company in SA. Offices in London, Zambia, Zimbabwe, and Tanzania.

Nominated by Discovery



**DJ KUMBULA**



**ZAKHE KHUZWAYO**



[www.tskinteriors.co.za](http://www.tskinteriors.co.za)

Deliver high quality, multi-million Rand turn-key interior fitouts and related construction solutions through strategic partnerships with skilled core suppliers. National footprint, with blue-chip client base.

Nominated by Nedbank



**THUSO KOBOYATAU**



**THATO SETATI**



[www.v-vsigs.co.za](http://www.v-vsigs.co.za)  
[www.signcraft.co.za](http://www.signcraft.co.za)

A one-stop shop that manufactures, installs, delivers and maintains corporate signage. Operates nationally, and has a presence in 14 African countries.

Nominated by Nedbank



GRANT VAN GREENEN



SIYEZA  
FINE  
CHEM

Procures, supplies and distributes Active Pharmaceutical Ingredients and other raw materials to pharmaceutical, nutraceutical and cosmetics manufacturers.

Nominated by Adcock



SUNGIE MOODLEY



[www.sentio-capital.com](http://www.sentio-capital.com)

Boutique asset manager focused on integrating AI and machine learning with qualitative bottom-up research to build client portfolios. Over R16bn of assets under management which have tripled in the last 3 years.

Nominated by RMI



RAYHAAN JOOSUB



MOHAMED MAYET



[www.kelemining.co.za](http://www.kelemining.co.za)

Niche contract mining services with a view to using data analytics to improve safety, productivity and efficiency in the industry. Founded by a husband and wife team, Kele has 250 employees on 10 mining sites.

Nominated by Kumba



JOMO KHOMO



KEFILWE KHOMO

# Our future plan: a fund of Venture Capital funds

The SA SME Fund will be fully committed with the completion of its last 2 pipeline transactions.

With a significant exposure to VC in the Fund's current investment programme, the SA SME Fund has become one of the largest institutional investors in VC in SA. This was a deliberate strategy aimed at growing the South African VC market, which is essential to stimulating South African innovation and economic growth. Investment in VC in SA lags substantially behind many of our peers, including countries with much smaller economies.

We have partnered with two of the most experienced VC managers in SA, and have supported 4 new VC managers who have raised first time funds. The SA SME Fund has adopted this approach of funding experienced, as well as first time fund managers, in order to both deepen and widen the VC market in SA, in line with global best practice.

The capital that we will inject into growing the VC market is intended to be catalytic, to attract more funding into VC in SA.

The dearth of capital for VC in SA has led the SA SME Fund to raise a new Fund dedicated to funding Venture Capital. The proposed Fund of Venture Capital Funds (FoVCFs) will be structured as follows:

- A limited liability partnership offering investors tax transparency
- First close of R750 million
- The new Fund will not charge investors any fees or take any carry
- The current SA SME Fund will provide a first loss of R50 million to limit potential downside of other investors and to attract more capital into the fund
- It is anticipated that the new Fund of Venture Capital Funds will provide capital to between 6-8 VC Fund Managers, both existing and new Fund Managers, who in turn will invest across the funding spectrum including seed capital, Series A and Series B.

The SA SME Fund will be approaching potential investors into the new Fund of Venture Capital Funds early in 2020.

# Shareholders:

Corporate South Africa and the Public Investment Corporation have played a pivotal role in the set up and continuing success of the SA SME Fund. We are grateful to our shareholders for their ongoing support and are excited about what we can collectively achieve.

Adcock Ingram

ABSA

Anglo American Platinum

Arrowhead Properties

Bidcorp

Bidvest

Capitec Bank

City Lodge Hotel Group

Clientele

Consolidated Infrastructure Group

Coronation Fund Managers

Curro

Discovery

Distell

Firststrand

Grindrod

Growthpoint Properties

Hollard

Impala Platinum

Imperial

Investec

Investec Property Fund

JSE

Kumba Iron Ore

Liberty

Multichoice

Momentum Metropolitan Holdings

Mr Price Group

MTN

Murray & Roberts

Nandos

Nedbank

Netcare

Old Mutual

Pioneer Foods

PSG Wealth

PSG Group Limited

RMI

RCL Foods

Remgro Limited

Sanlam

Santam

Sappi

Sasol

Spar

Standard Bank

Sun International

Telkom

Vodacom

Woolworths

Zeder

Public Investment Commission

Unemployment Insurance Fund

Employees Compensation Commission



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