



PUBLIC INVESTMENT  
CORPORATION®

# **DEVELOPMENTAL INVESTMENT STRATEGY ISIBAYA FUND**

**Dr Daniel Matjila  
April 2011**

*Committed to serving our clients*

# PIC Strategic Objectives

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***Our Vision and Mission articulates our long term strategic objectives***

## ***Vision***

- To meet or exceed our clients' investment objectives and commitments to stakeholders

## ***Mission***

- Deliver investment returns in line with client mandates
- Create a working environment that will ensure that the best skills are attracted and retained
- Be a beacon of good corporate governance
- Contribute positively to South Africa's development

***We are determined to bring down the cost of investment management services in South Africa while delivering exceptional service to our clients and our employees***

***To meet PIC's vision of Contributing positively to South Africa's development:***

*Isibaya Fund, a division of the PIC provides finance to commercially viable projects with a strong developmental impact within South Africa.*



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# Isibaya Fund Mandate

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- Public Investment Commissioner Amendment Act of 1999 define the Isibaya mandate which invests 3.5% of Asset Under Management (AUM) as follows:

***“any investment which promotes social responsibility and infrastructure development”***

- In 2005 the GEPI increased the allocation of Isibaya to 5% of GEPI’s AUM.
- Before 2010, Isibaya Fund portfolio was dominated by BEE funding ( i.e. 84% of portfolio) which was fully invested.
- The last 12 months (after the finalisation of the DI policy) has seen migration of the fund towards developmental investments.
- The unwinding of MTN New shelf BEE transaction has allowed enough scope for the Isibaya portfolio to be shaped in line with the DI policy.

# Realisations

INVESTMENT	CAPITAL INVESTED R'million	PROFIT REALISED R'million	REALISED IRR	INVESTMENT THESIS
MTN	10 973	14 462	32.6%	Empowered 3500 HDI's who benefited through share allocations and dividend income.
TELKOM	6 622	3 569	45.47%	Beneficiaries were the Education Trust and Telkom Employees, totaling approximately 25000 individuals.
MVELAPHANDA	250	247	19.00%	Transformation of ownership
BRAMEL	160	64	12.25%	Beneficiaries were the MIH Employee Trust, purpose of transforming of ownership.
AQUARIUS	200	70	15.10%	Transformation of ownership

# Isibaya Fund Mandate

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- GEPF's DI policy required a shift entirely towards developmental investments with focus on ***Job Creation and Poverty Alleviation***
- All approved investment projects from 2010 are in line with the new mandate
- The twin objectives of the GEPF's DI policy is to:
  - Earn good returns for members and pensioners of the fund; and
  - Support positive, long-term economic, social and environmental outcomes.
- GEPF's DI policy focuses on investments in the following categories:
  - Infrastructure (Economic & Social),
  - Sustainable Investment (Green Economy)
  - Job creation, enterprise development, BBBEE,

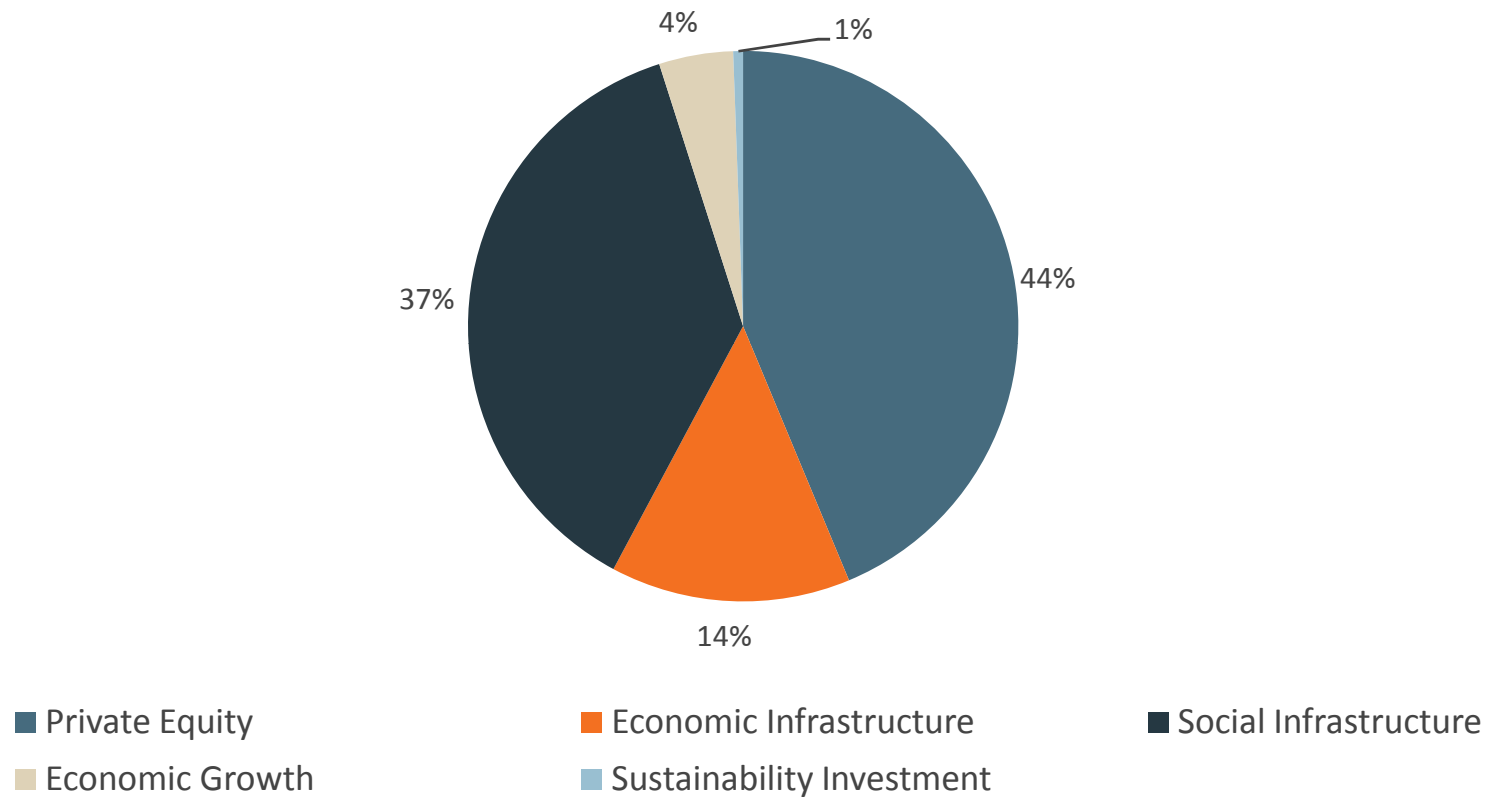
# Asset Allocation

- Total allocation = 5% of GEPF portfolio
- Currently, approximately R45bn
- As at 31 March 2011 R 5.6bn was invested (12% of the portfolio)

Allocation	Current AA	Strategic AA
Economic Infrastructure	14%	25%
Social Infrastructure	37%	25%
Sustainability Investments	1%	25%
New Enterprise and Job Creation	4%	25%
Private Equity	44%	0%

# Portfolio by Investment Pillar

Isibaya Portfolio Split by Investment Pillar – 31 March 2011  
Disbursed and Approved Investments



# Pipeline

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## ***R3.6bn billion deal pipeline comprising of :***

- Renewable energy in line with the REFIT programme = R700m
- Affordable housing and emerging contactors = R100m
- Agribusiness, including food security = R500m
- Water infrastructure = R400m
- Support to BEE fund managers = R350m
- Economic infrastructure projects = R1.4bn
- SME funds R150m

# Implementation Plan for DI Policy

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- Conduct ongoing detailed research into all key sectors listed in the DI Policy which will inform detailed strategy for each pillar.
- In addition to investing in projects which improves the livelihoods of all South Africans, a deliberate strategy will be developed and implemented for projects which have a direct benefit to GEPF members.
- Follow a hybrid delivery model (i.e. making direct investments and use of a Fund of Funds model).
- Key strategic partners will be sought, who have a similar mandate, credibility, capacity, experience, knowledge, geographical reach and investment philosophy.
- Seek to leverage other investors so as to encourage other pension funds and financial institutions to adopt a developmental investment policy as part of their strategic allocations.
- In the immediate term particular attention will be paid to **job creation, housing and education** which are of greatest priority.

Thank You



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