



The Nesa Enterprise Development Fund

Investor Report

For the year ended 28 February 2019

A vertical photograph on the left side of the page shows a white paper boat with a dark sail floating on a body of water. The water is dark blue with gentle ripples, and the boat's reflection is visible on the surface.

ABOUT THE NESA ENTERPRISE DEVELOPMENT FUND

The Nesa Enterprise Development Fund is a social impact investment fund aimed at providing a sustainable solution for unemployment and poverty alleviation by promoting job creation through supporting small and medium enterprises (SMMEs) with enterprise and impact investment capital.

Capital is invested into SMMEs as unlisted debt on condition that the SMME meet the Fund's required minimum permanent job creation requirements and become sufficiently empowered in terms of BBBEE legislation.

The Fund is a registered credit provider with the National Credit Regulator of South Africa and Nesa Capital, the investment manager, is an authorised financial services provider.

Fund Objectives

The Fund has both social as well as financial objectives:

Social Objectives

- ❖ To **reduce unemployment and poverty** by providing enterprise development support and capital to SMMEs.
- ❖ To **promote broad based black economic empowerment** in SA.
- ❖ To enable investors of the Fund to **claim meaningful recognition** for their enterprise and supplier development investment therein.

Financial Objectives

- ❖ To achieve **capital preservation** in real terms.
- ❖ To achieve a **real return on capital**.



Fund Performance

For the year ended 28 February 2019

Gross NAV:	R 1.036/unit
Distribution NAV:	R 0.015/unit
Annual gross Return:	11.768 %
Annualised return since inception (gross):	14.685 %
Total direct jobs created:	128
Facilities advanced (total):	30
Facilities outstanding:	18

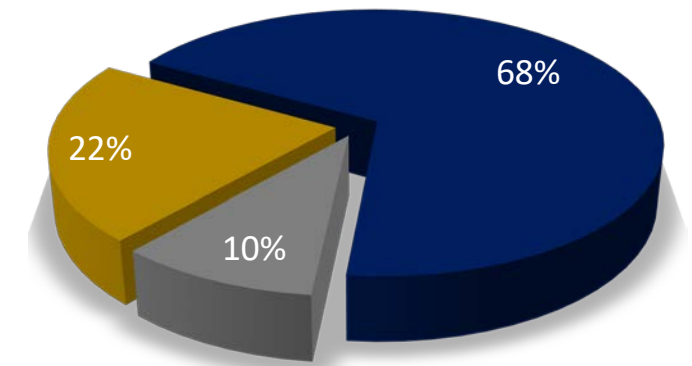


Fund Returns

FUND FEATURES

Launch Date	1 January 2014
Benchmark	CPI + 3%
Sector	Fixed Income – Unlisted SMME Debt
Min. Investment	Lump sum: R 50 000
Annual Fee (Excl. VAT)	<ul style="list-style-type: none">• 2.5% once off admin fee• 65% of income return generated (includes on-going intermediary fees)
ESD Recognition	<ul style="list-style-type: none">• 70%* of capital invested• 135%* of management fees
Fund Size	R20.89 million
Fund Manager	Nesa Capital (Pty) Ltd

Nesa ED Fund Assets



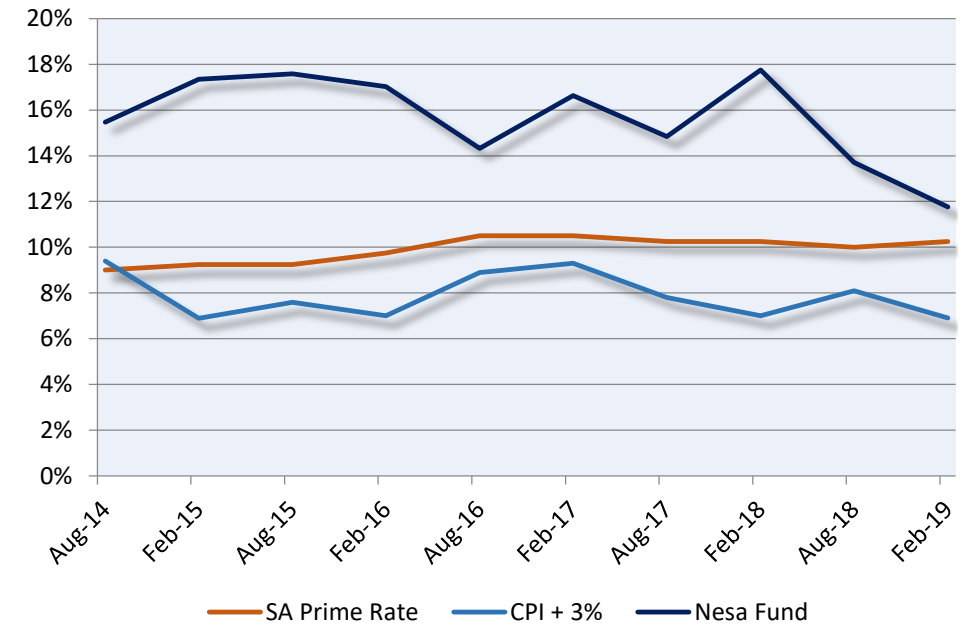
■ Cash & cash equivalents ■ Capital for SMMEs
■ Unlisted SMME Debt

Fund Returns



NESA ED FUND ANNUALISED QUARTERLY RETURN ON INVESTMENT

Financial Year	31-May	31-Aug	30-Nov	28-Feb	TOTAL
2014/5	3.282%	3.867%	2.938%	4.337%	14.424%
2015/6	4.142%	4.397%	3.750%	4.255%	16.543%
2016/7	3.790%	3.582%	3.244%	4.158%	14.774%
2017/8	3.177%	4.242%	4.119%	4.437%	15.975%
2018/19	2.770%	3.426%	3.359%	3.328%	11.768%
Since Inception Return					14,685%



FUND PERFORMANCE & COMMENTARY

The Fund generated a 4th quarter gross return of 3.328% and an annual gross return of 11.768% (2018: 15.975%). The decrease in year on year performance is due to a variety of reasons that included:

1. Successive credit facilities granted to existing SMME clients were granted at more competitive pricing as track record of SMMEs indicated risk perception.
2. Doubtful debts being provided for SMMEs experiencing trading difficulties.
3. The Fund experienced unexpected premature redemption of larger facilities that resulted in a cash drag on fund performance as new deals were being vetted before capital allocation could occur.

The Fund raised additional ESD investment capital of R7.835million during the financial year (2018: R6.485million) from new and existing investors. The Fund's investor base has grown significantly and currently provides enterprise and supplier development solutions to 64 investors (2018: 41 investors). The Fund experienced withdrawals during the period totalling R145,312.00 during the year.

The Fund approved and advanced 9 new credit facilities for a total value of R13.51million and serviced drawdowns on 2 existing facilities totalling R1.9million. 4 credit facilities were repaid in the year. The Fund has advanced a cumulative total of 29 credit facilities since its launch. At the reporting date, the Fund has 17 facilities outstanding with SMMEs.

The total value of credit value advanced by the fund since inception is now R23.05million and has resulted in the direct creation of 128 permanent jobs within the SMMEs supported by the fund.

The majority of SMMEs are operating satisfactorily and are expected to repay their facilities as agreed with the Fund. Provisions have been made for SMME's currently experiencing trading difficulties and management is working closely with these SMMEs to ensure that they are able to trade out of their challenging circumstances and service their obligations with the fund.

The Fund's social returns continue to be reported on in terms of the IRIS framework, an internationally recognised framework for impact investment reporting metrics (Report attached).



OUTLOOK & PROSPECTS



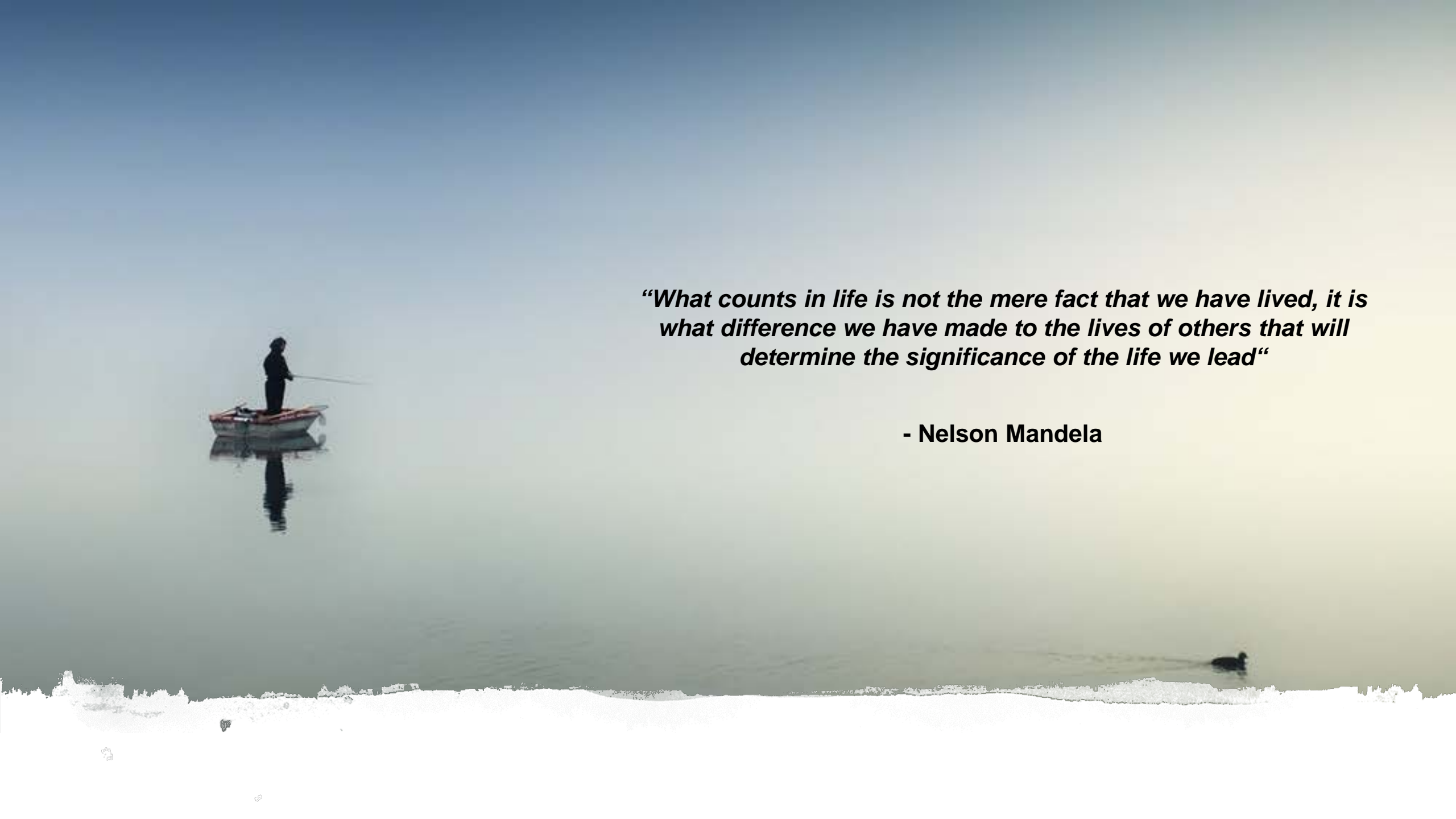
The reporting period marked a period of positive growth for the Fund as it entrenches itself in the market as a transparent ESD investment solution for its investors. Despite challenging macro economic and trading conditions, the Fund managed to generate a positive return on assets and grow its asset base. The fund managed to advance a record amount of credit to SMMEs during the year, particularly in the 2nd half of the year, which will reduce cash drag and generate positive returns for investors.

Although the South African economy continues to prove challenging for the private sector and in particular small business, the Fund's strategy of identifying and partnering with experienced SMMEs in niche growth sectors of the economy continues to reap returns benefits and was able to generate significant financial and social returns.

As BBBEE continues to be a vital factor in South African commerce, the Fund has positioned itself in the market as a leading retail ESD investment solution with its unique investment offering to South African corporates seeking a transparent and professionally managed solution for their ESD obligations.

The short term focus for management will be to advance remaining available capital to quality SMMEs to accelerate growth and job creation and to reduce drag on returns. The Fund also continues to develop and service its SMME pipeline and will look to provide financial support to accelerate their growth trajectories and promote organic job creation within these organisations.

Globally it has been acknowledged that small businesses are the catalyst to economic stimulation and ultimately, job creation. The Fund is confident that its model will continue to play a key role in the country by acting as a successful intermediary between enterprise development capital and SMMEs.

A person in a small boat is silhouetted against a calm sea at sunset. The sky is a gradient of blue and yellow, and the water is still, reflecting the person and the boat. A small dark object is visible in the distance on the right side of the water.

“What counts in life is not the mere fact that we have lived, it is what difference we have made to the lives of others that will determine the significance of the life we lead“

- Nelson Mandela



IRIS Report

WHAT IS IRIS ?

IRIS is the catalogue of generally-accepted standardised performance metrics that leading impact investors use to measure social, environmental, and financial success, evaluate deals, and grow the credibility of the impact investing industry.

IRIS is managed by the Global Impact Investment Network (“GIIN”), a non-profit organization dedicated to increasing the scale and effectiveness of impact investing. The GIIN offers IRIS as a public tool to support transparency, credibility, and accountability in impact measurement practices across the impact investing industry.

NESA ENTERPRISE DEVELOPMENT FUND METRICS ?

The Fund considers the IRIS framework of impact measures to be best practice in the social investment sector, offering measures that are specific to the Fund’s objectives. The Fund’s management team feel the measures reported are the most relevant measures for the Fund.

The Fund firstly measures social metrics of the underlying SMMEs it supported during the period, and secondly measures the consolidated social impact the Fund made during the reporting period.

This IRIS report covers the Fund’s interim period for the year ended 28 February 2019.



IRIS Report

IRIS REPORT – NESA ENTERPRISE DEVELOPMENT FUND

#	IRIS Code	Impact Name	Measure	28-Feb-19	28-Feb-18
1	PI9652	Client Organizations: Total (investors)	No. of Investors	64	41
2	PI3687	Jobs Created at Directly Supported Enterprises: Total	No. of People	128	128
3	FP9717	Loan Write-offs	ZAR	-	-
4	FP8293	New Investment Capital	ZAR	7,835,005	6,485,382
5	PI8381	Total Number of Loans Disbursed (cumulative)	No. of loans	27	19
6	PI5476	Value of Loans Disbursed during period	ZAR	15,411,875	4,885,000
7	PI1478	Number of Loans Outstanding	No. of Loans	17	11
8	PI7569	Value of Loans Outstanding	ZAR	14,298,108	5,809,452

IRIS Report

IRIS Description			Credit agreements outstanding/ repaid	Investment Capital	Full-Time employees	Jobs Created
#	SMME Designation	Industry	No.	FP8293	OI3160	PI3687
OUTSTANDING CREDIT AGREEMENTS						
1	Steptal	Manufacturing	2	1 540 295	4	0
2	Signs4SA	Manufacturing	4	2 721 057	48	20
3	CIH	Renewable Energy	5	2 408 970	4	2
4	Mboma	ICT	1	403 384	10	8
5	Propmaven	ICT	1	1 000 000	10	4
6	Alley Roads	Construction	2	2 365 584	27	7
7	Emergent Solar	Renewable Energy	2	4 127 199	25	5
REPAID CREDIT AGREEMENTS						
1	Steptal	Manufacturing	1	50 000	8	4
2	Oakleaf	Recycling	1	150 000	6	1
3	Maxiconcepts	Manufacturing	2	750 000	20	16
4	PEAC	HR Solutions	2	745 000	65	58
5	Signs4SA	Manufacturing	2	850 000	55	32
6	Matswani	Agriculture	1	400 000	17	11
7	CIH	Renewable Energy	3	3 450 000	4	2
8	Billancioni	Manufacturing	1	1 000 000	5	7

IRIS Report



IRIS METRICS DEFINITIONS

FP8293	Value of funds invested in the organization (both loans and investments) during the reporting period.
FP9717	Value of loans written off by the organization during the reporting period.
OI3160	Number of paid full-time employees at the organization as of the end of the reporting period.
PI1478	Number of loans on the organization's balance sheet at the end of the reporting period.
PI3687	Net number of new full-time equivalent employees working for enterprises financed or supported by the organization at the end of the reporting period, and since the beginning of support by the Fund.
PI5476	Value of loans disbursed by the organization during the reporting period.
PI7569	Value of loans on the organization's balance sheet at the end of the reporting period.
PI775	Value of the revenue from sales of the organization's products/services during the reporting period.
PI8381	Number of loans disbursed by the organization during the reporting period.
PI9652	Number of enterprises that were clients of the organization during the reporting period.



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