



FUND OVERVIEW

Available from Fairbairn Capital via the Investment Frontiers Capital Portfolio, the Private Equity Secondary Fund is managed by Old Mutual Investment Group (OMIGSA) Private Equity. It is invested in two underlying private equity funds which are fully invested with exposure to thirteen companies across a variety of industries and investment vintages. These companies are established, high quality businesses with strong franchises.

The unique benefit of investing in a secondary private equity offering is buying into a fully invested portfolio of investments, allowing an investor to take an investment view based on the actual portfolio of assets.

Private Equity Funds gain access to these growing companies by:

- Looking beyond the widely traded (and often mature) stock market listed companies.
- Providing the capital to allow (often already established) companies to expand.

Naturally there is the risk that some companies will not be successful, and thus the aim is to target a higher return from the other (successful) investments to compensate for this.

INVESTMENT PROCESS

The Fund is exclusively available on Old Mutual's Investment Frontiers product, on the discretionary investment (Capital Portfolio) option. On acceptance of the investment by Old Mutual, funds will be invested into an Early Subscription Fund, earning money market returns until the period for accepting investments has closed.

Tax efficiency

- All investment proceeds are tax-free in the hands of the investor. In terms of current income tax legislation, investment returns within the product are taxed in Old Mutual's hands at a rate (for individual investors) of 30% on interest income and 7.5% on capital gains.

Investment term and form of returns

- Private equity investments are normally long-term with no option to disinvest during the investment term. The Private Equity Secondary Fund will, however, subject to statutory limits and regulations, be able to offer a facility for those investors urgently needing to access their investment.

Disinvestment process

- Due to legal requirements early disinvestments cannot be made directly out of the fund but must switch from the Private Equity Fund to a money market fund first. There is therefore a switch charge of 7% instead of a disinvestment charge.

Note that although the Fund can be disinvested from, regulations limit whether the Fairbairn Capital product can pay out to investors in the following instances:

- Only one disinvestment is allowed within the first five years, and the maximum amount that can be disinvested is restricted to the amount invested plus 5% p.a. compound growth.
- No loans will be allowed due to the inability to repay them into the Fund.

FUND VALUATION AND PRICING

The underlying private equity investments are valued on a quarterly basis, at the end of every calendar quarter. Such valuations are based on the International Private Equity and Venture Capital Association's valuation guidelines as endorsed by the SA Venture Capital Association.

BENEFITS

- Diversification of your investment portfolio
- Potential high long-term returns by accessing companies that:
 - Are expanding/can unlock growth potential
 - Trade at a discount (offer good value)
 - Benefit from black economic empowerment transactions
- Supporting South African companies that require capital



FAIRBAIRN CAPITAL PRIVATE EQUITY SECONDARY FUND

SUMMARY OF INVESTMENT PARTICULARS

Minimum investment into the fund

- R100 000

Investment term

- Until the fund fully pays out (at the latest 31 December 2016), with limited access during the term

Form of returns

- Distributions of capital with gains/losses

Fund benchmark

- CPIX + 10% p.a. (The fund aims to aggressively outperform inflation)

Fund risk rating

- 5 (Aggressive)

Asset management fee

- Underlying Private Equity Funds: The two underlying private equity funds each charge a management fee of 2% (plus VAT) of the initial capital invested in the fund, and the manager earns carried interest of 20% of the net returns earned in the fund (provided a hurdle return of CPI + 8% p.a. has been achieved)*
- More information is provided on the Old Mutual Private Equity Secondary Disclosure Document

Region/Currency

- South Africa/Rand (ZAR)

Administration charges

- Depends on investment size – refer to the Fairbairn Capital charge details or an individual quotation

*Carried interest is a commonly used term in the private equity industry. It is a share of the net returns earned in a fund that accrue to the manager. Carried interest is only payable once all costs have been recovered, the relevant minimum hurdle rate of return has been achieved, and the underlying investments have been realised and the cash proceeds returned to investors.

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For Unit Trust funds only:

Unit trusts are generally medium to long-term investments. The value of the units may go down as well as up and past performance is not necessarily a guide to the future. Unit trusts are traded at ruling prices. A schedule of fees and charges and maximum commissions is available on request from the management company. Commission and incentives may be paid, and if so, would be included in the overall costs. Forward pricing is used. In the case of Money Market Funds, a constant unit price will be maintained.

Other funds:

These are generally medium to long-term investments. The value of the units may go down as well as up and past performance is not necessarily a guide to the future.

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