



PUBLIC INVESTMENT  
CORPORATION®  
100 YEARS

# Standing Committee on Finance

24 April 2012

*Committed to serving our clients*

# 10 Year Strategy

## From the Biggest to the Best!

### THE KEY IDEA

There is no doubt that the PIC is the biggest asset manager on the African Continent.

The PIC has to move from being big to being the best and the greatest!



### THE END STATE –

What it means for the PIC to be the best and the greatest:

- \* Consistently deliver returns
- \* Exceed Client expectations
- \* A benchmark for Public & Private Asset Managers
- \* Considered the best partner in growing the wealth and welfare of South Africans & other Africans
- \* Investing for growth and development
- \* An effective piece in the Social Security System
- \* Contribute towards building efficient asset management industry
- \* Reducing costs of asset management services

# Key Empowerment Outcomes

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- Facilitating the biggest empowered **property investor / construction company** to be amongst the “Top 3”
- Facilitating the biggest empowered **property service provider** to be amongst the “Top 3”
- Be the leader in **acquiring and developing** shopping centres in secondary towns and townships
- Develop SMME’s in the retail sector through retailer development and franchisee promotion
- Facilitating the biggest empowered **asset manager** to be amongst the “Top 3”
- Facilitating the biggest empowered **broker firm** to be amongst the “Top 3”
- Facilitating the biggest empowered **private equity firm** to be amongst the “Top 3”
- Be a **leader in facilitating SA Inc** in the BRICS Region
- Be the **leader in infrastructure and private equity financing** in South Africa and on the continent

# Corporate Plan (Pages 9 – 13)

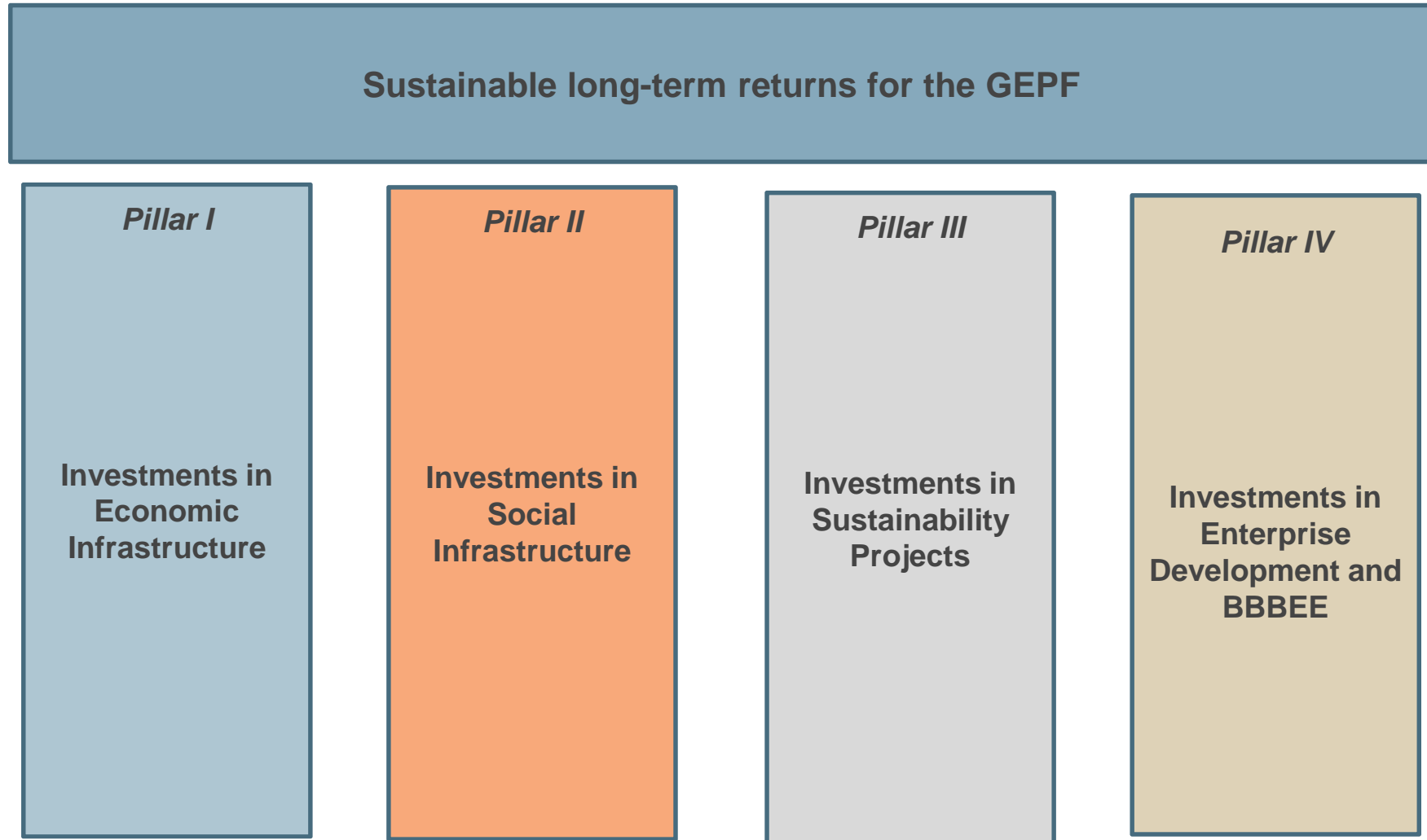
<b>Goals</b>	<b>Deliver investment performance which meets or exceeds the set benchmarks</b>	<b>Conduct sustainable and efficient PIC Operations</b>	<b>Contribute positively to the development of South Africa</b>
<b>Objectives</b>	<ul style="list-style-type: none"> <li>• Conduct Portfolio Analytics/ Risk-Return attribution regularly (<i>Weekly reports &amp; reviews</i>)</li> </ul>	<ul style="list-style-type: none"> <li>• Practise effective Enterprise Risk Management (<i>Reduce residual risk of Top 10 risks</i>)</li> <li>• Improve Client and Customer Collaboration (<i>Improve customer satisfaction</i>)</li> </ul>	<ul style="list-style-type: none"> <li>• Be a leader in developmental investments &amp; promote ESG</li> <li>• Contribute to enterprise development in the asset management sector</li> </ul>
<b>Initiatives</b>	<ul style="list-style-type: none"> <li>• The benchmarks for the top 5 clients to exceed the set benchmarks – regular investment performance reviews</li> <li>• Diversification – going off-shore</li> </ul>	<ul style="list-style-type: none"> <li>• Enterprise Wide Risk Management</li> <li>• GIPS reporting</li> <li>• Customer service and collaboration</li> <li>• New clients and products</li> <li>• Skills retention and talent management</li> <li>• Information technology</li> </ul>	<ul style="list-style-type: none"> <li>• Measure the impact of ESG/development contribution of PIC investments annually</li> <li>• Isibaya Fund Strategy &amp; Developmental investments</li> <li>• Africa Strategy</li> <li>• Corporate Governance</li> </ul>

# Overview of PIC Clients and Assets Under Management

- PIC's clients are public sector pension, provident, social security, development and guardian funds in South Africa.
- Collectively, the assets under PIC management as at 31 March 2012 were R1,17 trillion (unaudited).
- GEPF is PIC's largest client and as at 31 March 2012 had entrusted assets worth R1,04 trillion (unaudited) to the Corporation.

NR	CLIENT	% (unaudited)
1	GOVERNMENT EMPLOYEES PENSION FUND	89.14%
2	UNEMPLOYMENT INSURANCE FUND	5.56%
3	COMPENSATION COMMISSIONER	2.53%
4	ASSOCIATED INSTITUTIONS PENSION FUND	1.15%
5	GUARDIAN FUNDS	0.67%
6	DEPARTMENT OF LABOUR	0.61%
7	OTHER	0.34%

# GEPF Developmental Investment Policy



# Developmental Investments

## ➤ Allocation of 5% of GEPF AUM

Economic Infrastructure	Social Infrastructure	Environmental Sustainability	Job Creation & New Enterprise
<ul style="list-style-type: none"> <li>▪ Energy</li> <li>▪ Logistics Network</li> <li>▪ Water</li> <li>▪ Commuter Transport</li> <li>▪ Liquid Fuels</li> <li>▪ Broadband</li> </ul>	<ul style="list-style-type: none"> <li>▪ Affordable Housing</li> <li>▪ Healthcare</li> <li>▪ Education</li> </ul>	<ul style="list-style-type: none"> <li>▪ Renewable energy</li> <li>▪ Green buildings</li> <li>▪ Energy Efficiency</li> <li>▪ Recycling</li> <li>▪ Clean Technology</li> </ul>	<ul style="list-style-type: none"> <li>▪ SMMEs</li> <li>▪ Listed small caps stock investments</li> <li>▪ High Job Creation Section</li> <li>▪ BBBEE</li> </ul>
<b>40%</b>	<b>20%</b>	<b>20%</b>	<b>20%</b>

# Developmental Investments

(numbers unaudited at 31 March 2012)

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## Economic Infrastructure

<b>Allocation:</b>	<b>R 20.8 bn</b>	<b>Invested &amp; Committed :</b>	<b>R 1.2 bn</b>
		<b>Pipeline :</b>	<b>R 0.8 bn</b>

- The Economic Infrastructure investment pillar considers investments in the energy, logistics network, water, commuter transport, liquid fuels and broadband sectors.
- The current portfolio is mainly concentrated in the logistics network sector.
- The current pipeline also falls within the logistics network sector.

## Social Infrastructure

<b>Allocation:</b>	<b>R 10.4 bn</b>	<b>Invested &amp; Committed :</b>	<b>R 3.9 bn</b>
		<b>Pipeline :</b>	<b>R 0.4 bn</b>

- The Social Infrastructure investment pillar considers investments in the affordable housing, healthcare and education sectors.
- The current portfolio is spread over all three sectors with 64% towards the affordable housing sector, 29% towards the education sector and 6% towards the healthcare sector.
- Ca 84% of the current pipeline is aimed at the affordable housing sector and ca 16% is aimed at the education sector.



# Developmental Investments

(numbers unaudited as at 31 March 2012)

## Economic Growth

<b>Allocation:</b>	<b>R 10.4 bn</b>	<b>Invested &amp; Committed :</b>	<b>R 1.4 bn</b>
		<b>Pipeline :</b>	<b>R 2.6 bn</b>

- The Economic Growth investment pillar considers investments in the following sectors: SMMEs, priority sector\* and BBBEE.
- Ca 48% of the current portfolio represents funding to SMMEs, either directly or through intermediaries and ca 36% represents funding to priority sectors\*.
- The current pipeline relates to priority sector funding.

## Environmental Sustainability

<b>Allocation:</b>	<b>R 10.4 bn</b>	<b>Invested &amp; Committed :</b>	<b>R 5.1 bn</b>
		<b>Pipeline :</b>	<b>R 1.6 bn</b>

- The Environmental Sustainability investment pillar considers investments in the renewable energy, green buildings, energy efficiency, recycling and clean technology sectors.
- The commitments within the current portfolio falls mainly within the renewable energy sector.
- The current pipeline relates to renewable energy funding.

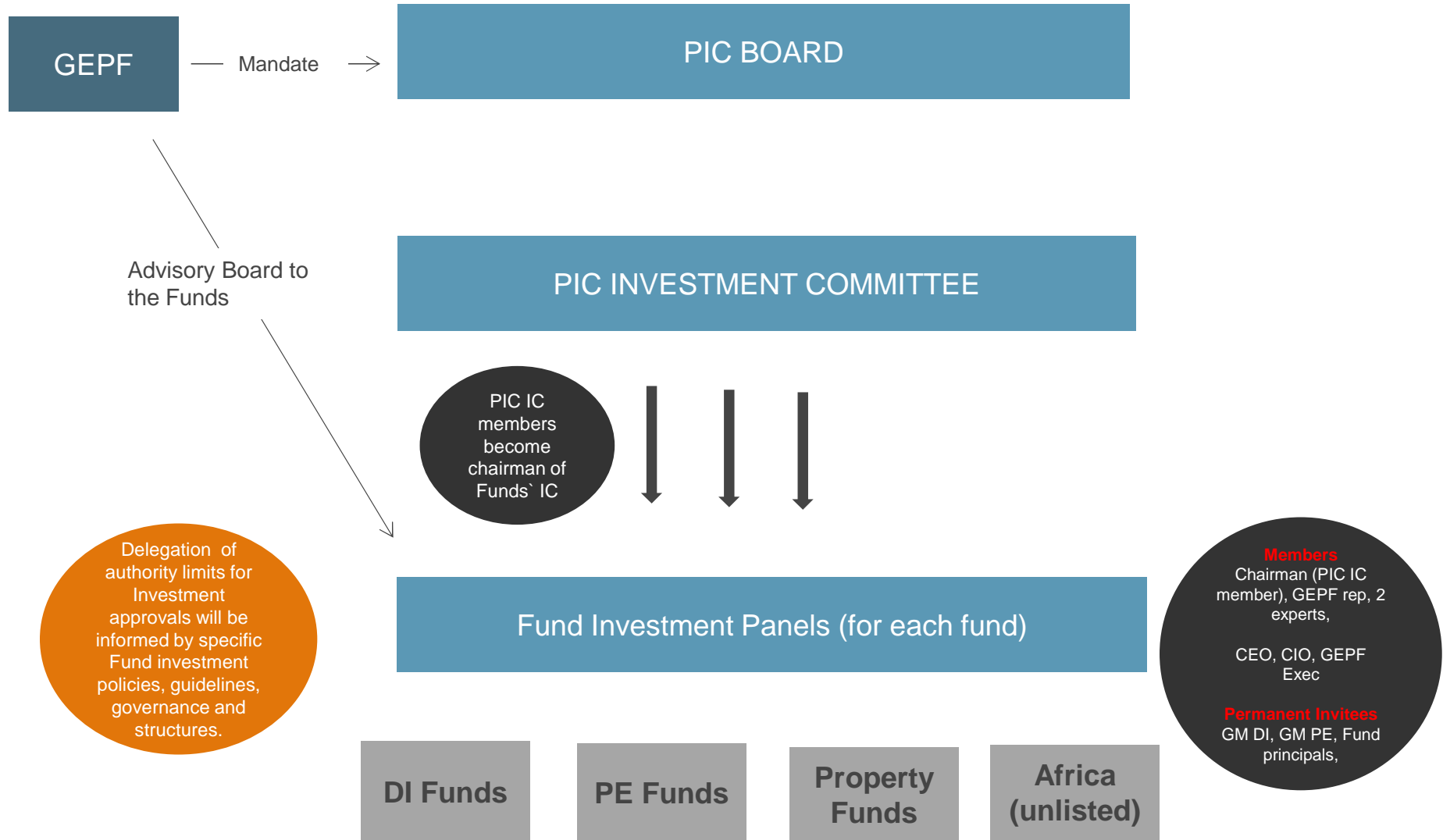
\* Priority sector includes food sustainability and job creation.

# Rationale for Isibaya Restructuring

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- Changes in GEPF Mandate
- PIC will create “Funds”- e.g. economic / social infrastructure fund, private equity fund
- The fund investment strategy and risk parameters will be determined in line with available investment opportunities
- GEPF will play the role of Limited Partner (LP) “Investor” and PIC General Partner (GP) “Manager” in the Private Equity practice. GEPF IC will be the Advisory Board.
- Each fund will be governed by an Investment Panel (IP) chaired by a PIC non-executive director. GEPF will have a direct representation on the IP
- Each fund will have an advisory board which will include the GEPF

# The Structure & Governance



# Africa Strategy - Why Africa?

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- Smart State Strategy – collaboration amongst Government, private sector and other funders.
- SA dependent on development of rest of African Continent – exploring investment opportunities for SA Inc.
- Portfolio diversification.
- From “hopeless Continent” to rising star:
  - Rapid Growth and stabilising political landscape
  - Powerful demographic trends
  - Rich with natural resources
  - Increased regional cooperation
  - Improved governance

# How do we invest in Africa?

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Investment Strategy	Allocation Range
Direct Investment	0% - 20%
Co – Investment and Partnerships	0% - 50%
Fund of Funds and Fund Manager Development	50% - 100%

# Target Sectors

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- Consumer goods and retail sector
- Agri-business and agri-processing
- Resources and mining
- Infrastructure and construction
- Property, business and financial services
- Telecommunications, media and technology

## Progress on Africa Strategy implementation

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- The PIC has already started deploying some funds in the listed investment allocation, for example investment in EcoBank.
- The Africa unlisted investment will be rolled out in the second quarter of the year.
- Drafting of a framework for selecting Africa Fund Managers is in progress.

## Financial Sustainability (Appendix D)

	2011 R m	2012 R m * unaudited	Budgeted 2013 R m	Budgeted 2014 R m	Budgeted 2015 R m
Revenue <sup>#</sup>	387,329	443,062	566,067	737,941	963,435
Growth in Revenue		14%	28%	30%	31%
Operating Expenses @	247,523	321,700	498,458	629,699	719,179
Growth in Expenses		30%	55%	26%	14%
<b>Net profit after tax</b>	<b>109,747</b>	<b>92,630</b>	<b>48,003</b>	<b>76,851</b>	<b>173,421</b>

<sup>#</sup> Equity accounting for Harith is excluded from this revenue

@ Operating expenses exclude tax



# Key Financial Features 2012 to 2015

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- The restructuring of unlisted portfolio
  
- Implication of the restructuring of the unlisted portfolio including offshore:
  - increase in staff compliment
  - increase in asset management fees generated
  - increase in other corporate costs i.e. premises rental, travel, etc.
  
- The restructuring will initially have negative impact on the financial sustainability ratios due to the lag between the costs incurred and achievement of returns, but situation will commence to reverse in 2015.
  
- Based on financial position and declining net profit over the next few years, no dividends to the shareholder has been forecasted.

# Conclusion

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## ➤ What can you expect from PIC:

- A more geographically diverse portfolio
- A better capacitated PIC
- Increased partnerships
- Improved empowerment and developmental investments
- Improved performance