



VANTAGE CAPITAL

VANTAGE MEZZANINE FUND II **PAN AFRICA SUB-FUND**

Vantage Mezzanine is currently raising \$400 million for its second mezzanine debt fund ("Fund II"). In 2006/07 Vantage raised its first South African Rand denominated mezzanine fund of \$125 million which is 95% invested ("Fund I").

Fund II is establishing a Pan-African sub-fund to invest across Africa alongside the North African and South-African focused entities.

The South African sub-fund has already achieved a first closing and as a consequence Fund II is already actively seeking investment opportunities whilst the fund raising process continues. A first investment in South Africa is currently being implemented.

Mezzanine is a hybrid asset class which seeks to provide investors with some of the downside protection associated with debt (e.g. covenants, security, contractual cash flows) whilst sharing in value creation via equity kickers (e.g. warrants) in order to achieve 80% of top quartile private equity returns for 50% of the risk.

Mezzanine has many uses including the funding of expansion and acquisition programs by mid-market businesses, the provision of replacement capital to secure the exit of minority shareholders, support for management buy-outs or buy-ins and the restructuring or refinancing of existing debt and equity structures. In order to provide its funding, Vantage works closely with the leading private equity funds across the African continent.

Vantage is managed by the most experienced mezzanine investment team in Africa and is the largest independent mezzanine provider on the continent.

Vantage's well-rounded and diverse team includes a successful entrepreneur, experienced private equity and leverage finance professionals (with prior experience at institutions such as ABN Amro, Barclays, Brait, Commercial International Bank, FMO, International Finance Corporation, McKinsey & Co., Rabobank, Sal Oppenheim, Standard Bank, UBS and Wachovia), as well as one of South Africa's leading industrialists (the



former CEO of leading companies in the engineering, leisure and paper sectors).

The key members of the team have in aggregate, over 180 years of private equity, banking and leverage finance experience.

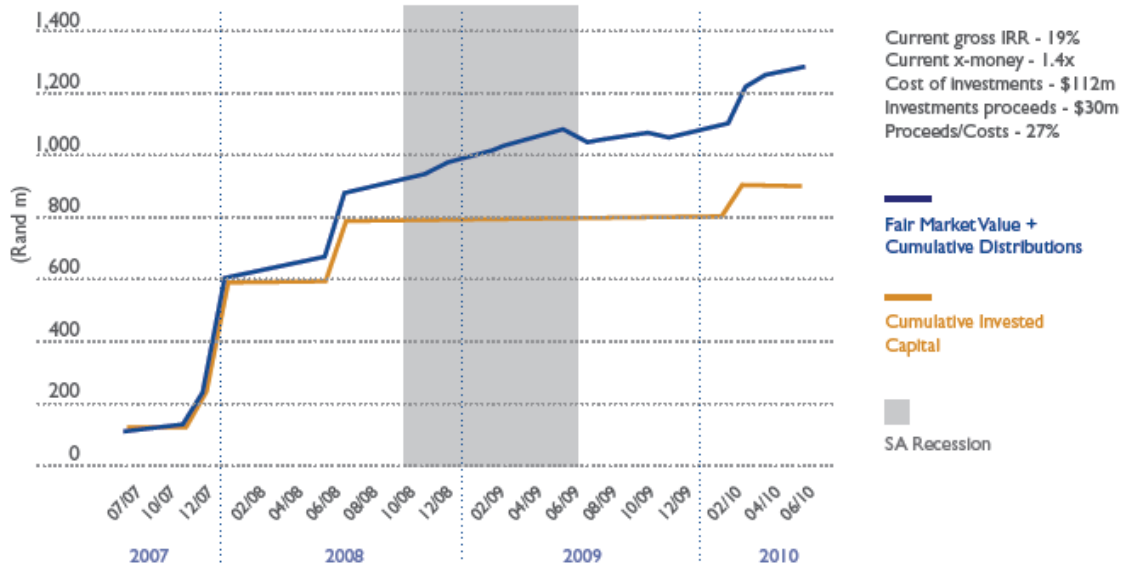
To date, the team has executed mezzanine investments for an aggregate value of about \$500 million and has the best track-record on the continent in this asset class. The senior team members, which include Arabic and French speakers, have overseen investments in all the key markets targeted by the Pan African Mezzanine Fund and have in-depth knowledge of the local market dynamics. The team's network of relationships with private equity sponsors in the region is unrivalled.

Since 2001, Vantage has built relationships with 15 local and foreign institutional investors. These include some of the largest pension funds and insurance companies in Africa, as well as leading international development finance institutions.

Vantage has been able to deliver high, income-generating returns which have proved resilient in the downturn

The resilience of Fund I's returns in the downturn can be demonstrated by the graph overleaf which tracks the monthly fair market value and distributions of Fund I and compares this against invested capital since the first investment was made by Fund I in August 2007.

FUND I's Track Record Fund I: Invested Capital Vs. FMV & Distributions (Aug 2007 – Jul 2010)



With an expected gross return of 20%+ (2.0x to 2.5x money), Vantage has been able to deliver high, income-generating returns which have proved resilient in the downturn. *Notes:* JSE Industrial Index return has been 4.5% over this period.

As a leading independent mezzanine provider in Africa, Vantage is receiving substantial pre-vetted deal-flow from Africa's major private equity firms

Based on the private equity funds under management in South Africa and in the rest of Africa of over \$20 billion (which includes 'dry-powder' of approximately \$9 billion), the growth potential of mezzanine is substantial. Today, mezzanine represents in aggregate less than 2% of African private equity funds under management against global benchmarks closer to 10%. South Africa accounts for virtually all of African mezzanine with other substantial African private equity markets such as Egypt that are at present almost completely untouched.

Vantage has estimated the cumulative potential size of the African mezzanine market between 2010 and 2015 at \$1.6 billion. Given the size of this potential market, Fund II can remain highly selective as it examines investment opportunities over its commitment period.

Vantage is establishing offices in three of the most stable and active African private equity markets

Since 2006, Vantage has developed a leading position in the mezzanine market in South Africa and is now looking to transfer its skills and experience into other African markets. As such, Vantage will be playing an important developmental role as a promoter of a new asset class in these markets.

With its new offices in Botswana and Cairo, and its planned office in Casablanca, Vantage will be able to access the bulk of private equity funds operating in

Africa. Each office will be staffed with local team members who have a deep knowledge of the domestic investment environment and a wide network of contacts.

Post the 2008/9 downturn, Africa has good growth prospects (5% GDP growth expected in 2011) and investors are benefiting from an improving business environment as African governments such as Egypt implement business-friendly reforms.

With Vantage, investors benefit from enhanced downside protection that is an important feature of Vantage's mezzanine investments.

The Pan African Mezzanine Fund provides investors with the opportunity to enjoy superior risk-adjusted returns and invest with the most experienced mezzanine financier in Africa.

Africa represents a highly attractive market for Fund II given the lack of alternative sources of mezzanine coupled with the availability of "first loss" private equity capital. As a consequence, Vantage is able to target high absolute returns which compare well with top quartile private equity returns whilst still being able to provide investors with significant downside protection and current income generation typically associated with lower return, fixed-income investments. The net returns that Vantage is able to deliver are further enhanced by reduced fee drag which is a consequence of the current returns that the mezzanine fund can provide.

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