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Catalyst

Ballast water treatment boom

Hedge funds get tough on money laundering

Global PE survey points to 2011 recovery

SA's quarterly Private Equity & Venture Capital magazine

From the Editor's desk

What makes working in the venture capital and (to a lesser degree) private equity space truly remarkable and rewarding is the discovery of 'that' golden investment – the winner that ultimately confines all the long hours of due diligence work, travel, background research and analysis to the nothing-ventured-nothing-gained file. It's these unearthed gems that, once polished, become the jewels in the investment crown and provide the holy grail of returns that far outstrip any other form of investment.

In this issue of **Catalyst** the story of one such rare gem in the form of Triumph Venture Capital's investment in Resource Ballast Technologies is profiled on page 1. It involves several key ingredients that make for the perfect venture capital *piece de resistance*, not least of which is the spawning of an entirely new industry.

Unfortunately, this investment story had its genesis in the pre-credit crisis era and there is little currently in the way of dripping roast investment tales to provide much cheer heading into the festive season either locally or abroad.

Private equity research firm Preqin reckons that, based on conversations it has had with institutional investors around the world, placement agents and fund managers, conditions will continue to improve slowly in 2010, with a more dramatic rise coming in 2011. In other words more of the same for the fourth quarter is predicted. Total global fundraising for 2010 is expected to reach around US$260bn by the end of the year.

But this doesn't equate to the industry just sitting on its hands while the storm blows over. The highly successful *South African Venture Capital Association (SAVCA) Industry Congress* dates have been announced for the 4th annual Congress. It will take place in Cape Town on February 10 2011.

There's also a pre-conference master class for limited partners taking place on Wednesday February 9.

This event is fast developing into an essential forum for private equity players across the spectrum to discuss and discover emerging trends and unpack the issues that affect the direction of the local industry.

I'd like to take this opportunity to thank Vanessa Aitken who works tirelessly on composing the private equity tables for **Catalyst**, among other things.

And, as we head into the festive break I would also like to wish readers a period of reflection and restoration as 2011 promises to usher in a period of increased activity and the possibility of discovering that elusive golden investment.

Catalyst

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Profile

Having thrown its weight behind a groundbreaking South African technology that aims to help eradicate one of the biggest threats to our oceans, Triumph Venture Capital, the venture capital subsidiary of the firm Quintessential Africa Holdings (QAH), is now set to reap large benefits.

A triumph for home-grown innovation

The threat doesn't involve oil spills and gathers very little mainstream media attention but this doesn't make it any less dangerous. Invasive species caused by the decanting of container or bulk cargo ships' ballast water, predominantly along the world's major shipping routes, has been recognised by the UN as one of the four greatest threats to the world's oceans.

Shipping moves more than 80% of the world's commodities and transfers approximately three to five billion tonnes of ballast water internationally each year. A similar volume may also be transferred domestically within countries and regions each year. Ballast water is absolutely essential to the safe and efficient operation of modern shipping, providing balance and stability to un-laden ships. However, it may also pose serious environmental threats.

Unlike other forms of marine pollution, such as oil spills, where ameliorative action can be taken and from which the environment will eventually recover, the impacts of invasive marine species are most often irreversible according to the International Maritime Organisation (IMO).

Consequently, whole ecosystems have been disrupted. For instance, the Mediterranean mussel, which is native to Europe, has dominated the rocky shores of the South African coast from Cape Point to Luderitz in southern Namibia.

The acuteness of the problem caused the IMO to pass a resolution in February 2004 requiring member countries to introduce legislation barring ships that do not have approved ballast water treatment systems from docking. This immediately created a potential global market estimated at a staggering US$30 billion.

Now the technology to treat this ballast water, developed in South Africa by Resource Ballast Technology (RBT), is at an advanced stage of commercialisation and owes its success to the investment and bold vision of the team at Triumph Venture Capital (TVC).

The future looks promising for RBT: it is currently the leading seller of ballast water treatment systems in the world; and, it is in partnership with the leading distributor of safety-related marine equipment in the world. RBT's global image received a further major boost recently when the leading global market research firm, Frost & Sullivan, ranked RBT the most entrepreneurial company in the world ballast water industry for 2010.

Catalyst caught up with the CEO and founder of TVC, Wellington Chadehumbe and his partner Mark Eccles, a TVC director, to uncover what is an intriguing story of determination and innovation of the highest order.

Chadehumbe formed TVC back in 2001 with Eccles and subsequently formed QAH to broaden the scope of the firm's activities. Chadehumbe and Eccles met when Chadehumbe was Senior Vice President at a USAID-funded private equity firm called the Southern African Enterprise Development Fund, which was securing legal advice from Brink Cohen Le Roux, where Eccles worked as a corporate attorney.

"We were motivated by the desire to contribute to the restructuring of the South African and African economy away from an unbalanced focus on commodities, without much beneficiation, to a

Mark Eccles

Wellington Chadehumbe

dynamic economy that is driven by entrepreneurship and innovation," explained Chadehumbe.

RBT was the first investment made from TVC's first fund, aptly named the South African Intellectual Property Fund ("SAIP Fund"). It's a technology venture capital fund focused on the commercialization of South African technologies which by 2004 had raised R120m for investment by 2004.

The SAIP Fund has invested in another two investments, which have also made impressive progress in penetrating global mass markets. For example, ISiAVA (Pty) Ltd, another SAIP Fund investment, is ahead of global leaders like Intel in the development of semiconductor technology to be used in new chips that will use light rather than electrical conductors to transfer data between chips and on a chip.

"We have immersed ourselves in literature on strategy, entrepreneurship and the strategic management of innovation gleaning out of it techniques that we have adopted and adapted to South African conditions and then empirically applied to our portfolio companies," says Chadehumbe.

TVC started-off entrepreneurially and was bootstrapped into existence. For example, Chadehumbe sold his house while Eccles had to live off savings until they landed their first investors, the CSIR and the University of Pretoria. As a result, QAH distinguishes itself as a totally independent entrepreneurial venture capital firm which is not associated with the big financial institutions.

Sanlam Private Equity soon joined the fold, investing R50 million in the Fund and also entering into a strategic partnership with TVC aimed at raising further capital. Other investors in the SAIP Fund include the IDC, and the dti. "Sanlam came on board because they recognized the value of innovation and liked our strategic approach. Their positive attitude was infectious among our investors," says Chadehumbe.

The entrepreneurial ethos of QAH is a cardinal reason behind TVC's success. "When we talk to investee companies about the need to preserve cash flow as well as the importance of differentiation and strategy creativity we can do with credibility," explains Eccles. "It makes us able to balance empathy with resoluteness."

Eccles observes that the private equity model of investing for five to seven years just doesn't fit the extended timeframes required to commercialize a technology from seed stage to global roll-out. "QAH has decided in future to use an investment holding company model that permits investors to exit without terminating QAH's relationship with the underlying portfolio companies," Eccles advises.

The inventor behind RBT's technology, the Ballast Water Treatment system (BWT System), is Ian Vroom, a Cape Town water engineer who has been in the field for all his life. Vroom was soon joined by Bernard Jacobs, a chartered account with an entrepreneurial streak who founded RBT with Vroom.

The BWT System combines the use of cavitation, sterilisation and filtration. This combination of treatment methods allows the system to handle diverse water conditions such as high turbidity (cloudiness or haziness of a fluid caused by individual particles) and the full salinity range from river fresh water to ocean salt water.

Invasive species caused by the decanting of container or bulk cargo ships' ballast water, predominantly along the world's major shipping routes, has been recognised by the UN as one of the four greatest threats to the world's oceans

The solution is applicable for most vessel types and is available across the full range of sizes required by the commercial maritime market. It is also delivered in a range of sizes from 100 to 4000 m3/hr per ballast pump. In order to reach capacities above 4000m3 modules can be installed in parallel, making the system applicable for vessels with extremely large treatment requirements.

The modular design and small footprint which ranges from 1.6 to 6.6 m^2, enables easy retrofitting even where space is limited.

The BWT System has an exceptionally low power requirement, typically just 45kW for a 4000m3/hr system. This significantly reduces the costs associated with the installation and operation of a BWT System, which has great margin implications according to Jacobs.

Jacobs invested his own capital to help develop the first two prototypes and then sought venture capital from TVC.

"We searched high and low for start-up capital until we eventually met TVC. Their due diligence process was thorough. They insisted on the importance of identifying a global strategic partner to assist with the distribution of our system.

This made lots of sense to us because we understood that the shipping industry is characterized by high barriers to entry in the form of credibility, pedigree and reputation," reminisces Jacobs.

The breakthrough in this regard came in 2008, when RBT entered into a mutually exclusive worldwide manufacturing and distribution agreement with Wilhelmsen Maritime Services (WMS), after a grueling screening process in which RBT competed against the best the world has to offer in this field.

WMS is a Norwegian global market leader in the supply of safety equipment to the marine industry.

"WMS has built a factory in China for the manufacture of our system. It has a global network of more than 2,200 ports in 116 countries. Their leading position in the maritime services industry as well as their enthusiasm for offering ecological solutions to the worldwide fleet makes them the ideal partner to give us the global market exposure that our system deserves," says Jacobs.

RBT has lived up to the expectations of its shareholders and WMS. Its BWT System acquired full certification in August this year, the timing of which could not have been more opportune.

"Ratification of the IMO convention is imminent. We are two countries short of the required threshold for the full ratification of the IMO convention. We have already sold more than twenty systems, making us the leading seller of systems worldwide and WMS has now gone all out to market our system," explains Jacobs. ◆

As a member of the Financial Action Task Force (FATF), South Africa has adopted the 40 FATF recommendations and South African legislation has been aligned to that of the recommendations.

Trimming the hedge ensures safety for fund managers

Michael Denenga

Most hedge funds in South Africa have anti-money laundering policies but it remains to be seen how many have developed AML programmes that are tailored towards hedge fund specific risks as opposed to standard AML policies. There is recognition that, as hedge funds become more regulated, and as more effort is exerted by regulators to make hedge funds more transparent and to define even further their business and their scope of mandates, so too, in AML, hedge funds will be required to elevate AML compliance to an even higher degree of importance.

Why develop an AML programme?

An effective AML programme will assist the hedge funds in:

- Complying with South Africa's AML legislation.
- Complying with international best practices, in particular, the recommendations.
- Mitigating against the AML risks for the hedge funds and the financial services industry as a whole.
- Cooperating with other entities that hedge funds procure assistance from, such as prime brokers and administrators.

South African legislation

The main AML legislation applicable to South African hedge funds is:

- The Prevention Of Organised Crime Act (121 of 1998), which criminalised money laundering in three separate provisions which cover the conversion of transfer, concealment or disguise, possession, or acquisition of property in a manner that is largely consistent with the 1998 United Nations Convention against Illicit Traffic in Narcotic Drugs and Psychotropic Substances (Vienna Convention) and the 2000 UN Convention Against Transactional Organised Crime (Parlemo Convention). POCA is an omnibus Act dealing, among other things, with money laundering, racketeering and criminal and civil forfeiture. POCA sets out the

Denenga

substantive money laundering offences.

In South Africa the acquisition, possession or use of proceeds of unlawful activities does not apply to the person who committed the predicate offence. South Africa has adopted an "all crimes" approach which covers a range of offences in each of the 20 designated categories of offences. There is also a broad range of ancillary offences to the money laundering offences. In broad outline, these offences are the money laundering offence itself, assisting another to launder the proceeds of unlawful activity and the acquisition, use or possession of laundered property.

- The Financial Intelligence Centre Act (38 of 2001) which complements POCA and provides an administrative framework to combat money laundering.
- The Protection of Constitutional Democracy Against Terrorist and Related Activities Act, 2004 which is a comprehensive Act that criminalises the collection or provision of property with the intention that it be used for the purpose of committing a terrorist act by a terrorist organisation or individual terrorist for any purpose. The term property is broadly defined and there is no requirement that the property actually be used to carry out and or attempt a terrorist act, or be linked to a specific terrorist act. Terrorist financing is also a predicate offence for money laundering.

Main obligations

In South Africa hedge funds are classified as "accountable institutions" in terms of FICA and as such they have more onerous obligations than entities that are not accountable institutions. Some of their major obligations are as follows:

- Identify and verify new and existing clients. An accountable institution may not establish a business relationship or conclude a single transaction with a client or prospective client unless it has taken certain prescribed steps to establish and verify the identity of the client. There are different identification and verification requirements depending on whether the client or prospective client is a company (foreign or local), close corporation, partnership, trust or individual (resident or foreigner). In terms of the AML programme, hedge funds should implement templates that set out the information and documents that would be required from each category of client and that should be utilised by any entity to which the hedge fund managers delegate the identification function, such as the administrators.
- Keep records of identities of clients and of transactions entered into with clients.
- There is an obligation to keep records of the following information:
  - The identity of a client and, if applicable, the identity of the client's agent or principal.
  - The manner in which the identity of the client and the client's agent or principal was established.
  - The nature of the business relationship or transaction; in the case of a transaction, the amount involved and the parties to that transaction.
  - All accounts that are involved in transactions concluded by the accountable institution in the course of a business relationship or a single transaction, as the case may be.
  - The name of the person who obtained the information referred to above.
  - Any document or copy of a document obtained by the accountable institution to verify a person's identity.
- The records must be kept for at least five years.
- Reporting suspicious and unusual transaction. It will be critical for hedge funds to put in place processes to guide their employees on how to identify suspicious transactions and to whom such reports will be made and any conduct that involves that report.
- Formulate and implement internal rules.
- Train employees.
- Appoint a responsible person to monitor compliance.

The general education training

An AML programme is futile without appropriate training for hedge fund managers to ensure they are equipped to detect not only possible money laundering scenarios but also the common predicate offences. This is especially so for hedge funds which invest in various underlying products and which are by nature created through complex structures. With respect to hedge funds, money laundering will mostly occur in the layering and integration stages as opposed to the placement stage. It is, however, comforting that the investor is usually a sophisticated institutional investor. The AML programme would deal with more than what is required by legislation at the moment and should include a risk-based approach to AML regulation. This should include:

- A list of all the high-risk investors that should necessitate more onerous due diligence.
- Policies on cash investments.
- Types of entities and their associated risk. Unregistered entities are more risky than registered ones.
- Foreign investors should also be assessed differently from local investors and where the hedge fund structure is cross jurisdictional what mechanisms are in place to mitigate risk.
- Policies on redemption should be clear, for instance, whether redemption can be made to a separate account from which the investor made their investment.

Training on predicate offences, such as insider training and market, should be an integral part of the AML programme.

Black-listed entities and individuals

It is important for hedge fund managers to be aware that POCDATARA provisions allow authorities to freeze assets pursuant to United Nations Security Council Resolutions S/RES/1267(1999) and S/RES/1373(2001). Following on these UN Security Council Resolutions, s25 of POCDATARA provides that the President of the Republic of South Africa must give notice by proclamation in the Gazette (the President's black list) of those who have been designated by the UN Security Council as:

- An entity that commits or attempts to commit any terrorist and related activity or participates in or facilitates the commission of any terrorist and related activity.
- An entity against whom member states of the United Nations must take the actions specified in UN Security Council Resolutions, to combat or prevent terrorist and related activities.

Each hedge fund should be aware of the updated President's black list and include the person listed on the list as high risk, if not a prohibited person.

Together with this, the AML programme should require a policy on dealing with investors who are located in "non-cooperative jurisdictions" as designated by FATF and also any politically exposed persons.

The implementation of an effective AML programme is of paramount importance to hedge funds and the focus should be to create a programme that is sensitive to the nature of the hedge fund environment, not a "tick the box" programme to merely satisfy legislative requirements. A risk-based approach to the AML programme is ideal and important to mitigate the risks of money laundering in the South African hedge fund industry. ◆

Denenga *is the founder of Michael Denenga Attorneys ("The Corporate Counsel"), a specialist corporate law firm. A former partner of Webber Wentzel, Michael specialises in financial services law and compliance; hedge fund and private equity formation, treasury documentation and capital markets.*

Many in the financial services industry have been eagerly awaiting information from the Financial Services Board (FSB) on the dates for the regulatory examinations for key individuals and representatives in terms of the Financial Advisory and Intermediary Services Act (FAIS Act).

FAIS exam dates finalised

Finally, on 29 October 2010, the FSB announced that all key individual and representatives may now enrol for Level 1 regulatory exams, which assess knowledge of FAIS and other applicable legislation.

All key individuals will be required to write first Level regulatory examination for key individuals (RE) and all representatives will be required to register first level regulatory exams for representatives (RE 5).

Sole proprietors or individuals that are both Key individuals and representatives will have to write both exams. The deadline for writing these regulatory exams is 31 December 2011 but early enrolment is advised to avoid the rush at the end of 2011. Further, all financial services providers need to start implementing their training plans and scheduling training courses in preparation for the regulatory examinations.

Enrolment for the exams may be done through examination bodies. Four examination bodies have been registered by the FSB, that is FPI Examination Body (a division of the Financial Planning Institute of Southern Africa); Lesolo Examination Body; Moonstone Information Refinery; and South African Institute of Financial Markets.

We still await further information from the FSB on the exact dates for the examinations and further information on preparation and training material. It is not yet possible to enrol for the Level 2 exams which are product specific. ◆

Information supplied by the Corporate Counsel

It looks as though life is slowly flowing back into the global private equity industry.

Global Private Equity fundraising improving

Results released by Preqin, an independent research firm focusing exclusively on alternative assets, show that 81 private equity funds worldwide reached a final close in Q3 2010 raising an aggregate US$57bn, a 16% increase on the US$49bn collected in Q2. The research firm says conditions are still challenging, but further improvement are expected in the fourth quarter and beyond

"Although it is not yet coming through in the figures for fund final closes, we are seeing confidence in the asset class returning," says Tim Friedman of Preqin.

Funds primarily focusing on the US have raised the most capital during Q3 2010, with 37 funds raising a total of US$41,1bn. 21 primarily European focused funds raised an aggregate US$8,3bn, while 23 funds focusing primarily on Asia and the Rest of World region gathered a total of US$7.8bn.

Buyout funds raised the most capital, with 11 funds raising an aggregate US$20,4bn. This figure includes Blackstone Capital Partners VI, which closed on US$13,5bn in mid-July. Five distressed private equity funds raised an aggregate US$8,9bn. 19 private equity real estate funds closed with total commitments of US$8,8bn. Three infrastructure funds closed raising US$8,3bn while 20 venture funds held final closes totaling US$3,7bn.

After the number and aggregate fundraising target of funds in market fell consistently over the last year, Q4 2010 sees a small rise in both the number and value of funds being raised when compared to the previous quarter – possibly a sign of rising confidence among fund managers that conditions are starting to improve. There are currently 1,550 funds on the road seeking US$573bn worldwide.

Friedman says that investors are increasingly enthusiastic about making new investments, partly as a result of increasing distributions coming their way, and also due to further improvement in existing fund portfolios as the industry continues to recover.

"Fund managers are responding, with some established names having launched new fundraising efforts in Q3 2010, and more planning to launch in the coming months," says Friedman.

For funds closed in 2010 the average time taken was 19,8 months, double the average time taken in 2004 – further evidence of the challenging nature of the fundraising market.

The increased time taken for funds to achieve a final close is leading to more funds holding multiple interim closes in order to put capital to work while continuing to attract new investments. Forty four percent of funds currently raising have held an interim close, with these funds seeking an aggregate US$247bn. Thirteen percent of funds in market have now held two or more interim closes, meaning that they are likely to hold a final close within the next few months. This does indicate good momentum in the market and hints at possible improvement in the future.

"Preqin has always reported fund closing statistics based on final close rather than interim close data," explains Friedman, "partially for reasons of consistency, but mostly due to this being the point in time when a lot of fund managers will begin to start putting capital raised to work in earnest. Although our figures show fundraising reaching a low point this year, much of the capital raised by funds achieving a final close in 2009 was actually committed prior to the financial downturn, with very little capital being committed in 2009 itself. We are now starting to see funds close which raised most or all of their capital post September 2008, showing that private equity investors remain confident towards the asset class and its ability to produce returns in the current financial climate."

While the number of funds achieving a final close has remained low, the LP community is growing in confidence according to Friedman, and is planning to commit to more private equity funds in the future. In a survey of 100 conducted by Preqin in Q3 2010, 39% stated that they would be committing more capital in 2011 than 2010, with 49% committing the same levels, and only 12% intending to commit less.

"Based on our conversations with institutional investors around the world, placement agents and fund managers, we are predicting that conditions will continue to improve slowly in 2010, with a more dramatic rise coming in 2011. We are projecting total fundraising for 2010 to reach around US$260bn by the end of the year." ◆

"On 9 September 2009, the International Private Equity and Venture Capital board issued updated guidelines for the valuation of financial instruments held by a wide range of types of private equity funds."

International Private Equity and Venture Capital valuation guidelines

Heather Carswell

These guidelines are recommended globally by most of the major private equity and venture capital associations, including the Southern African Venture Capital and Private Equity Association (SAVCA).

The intention is to promote best practice where private equity investments are reported at fair value as well as compliance with International Financial Reporting Standards (IFRS). Two changes which directly impact on the valuation of investments are:

- Removal of the reference to a benchmark of one year for valuing an investment at the price of a recent investment (often its original price)
- Removal of the deduction of a marketability discount as the second last step in arriving at the equity value.

Carswell

The guidelines allow for the price of a recent investment to be used as an indicator of fair value where the price of the recent investment was representative of the fair value at the time and the conditions at the reporting date are materially the same as those at the transaction date. The length of the period for which this methodology remains appropriate depends on the specific circumstances of the investment.

However, the guidelines previously noted that a period of one year is often applied in practice. This resulted in many practitioners and funds using this methodology for the first year of ownership of an investment with limited consideration of the other factors required to ensure that it remained an appropriate indicator of fair value. By removing the reference to the period of one year and giving greater emphasis to the stability of market conditions in determining how long this methodology can continue to be applied, more onus is placed on the valuer to justify the use of this methodology.

Previously, a marketability discount was deducted as the second last step in arriving at the equity value and illustrative examples with benchmarks of the discount were provided. These examples have been removed in the updated guidelines and the reference to a discount for lack of marketability of an instrument (also referred to as a lack of liquidity) is limited to the discussion on adjustments to market multiples. This implies that the discount is now effectively applied to the enterprise value instead of equity value but remains open to interpretation.

Other changes include:

- An update to the definition of fair value
- The inclusion of two new potential valuation methodologies (enterprise value/revenue market multiples and adjusted price of recent investment)
- New guidance on valuing an interest in a fund
- A greater emphasis on current values, current multiples and current market conditions.

The guidelines continue to prioritise valuation methodologies based on market multiples over the discounted cash flow methodology. Due to the limited number of truly comparable listed South African companies from which to derive market multiples for valuation purposes, the discounted cash flow is generally the primary valuation methodology for valuation practitioners and certain private equity funds.

Ultimately, more than one valuation methodology should be applied to check the resulting values for reasonableness, regardless of which is the primary methodology. ◆

Carswell is Associate Director Corporate Finance with KPMG

SOUTH AFRICA PRIVATE EQUITY DEALS Q1, Q2 & Q3 2010

NATURE	PARTIES	ASSET	ADVISERS	VALUE	DATE
Acquisition by	Agri-Vie	equity stake in Dew Crisp	Bowman Gilfillan	not disclosed	Feb 3
Acquisition by	Aurora Empowerment Systems from Link Private Equity	45,7% stake (90 106 335 shares) in Labat Africa	Vunani Corporate Finance; Arcay Moela; Eversheds	R4,5m	Feb 9
Sale by	Labat Africa to Link Private Equity	all assets, subsidiaries and liabilities	Vunani Corporate Finance; Eversheds	R6,6m	Feb 9
Sale by	Pamodzi Investments to BlueBay Asset Management, Capitau SA Partnerships and management and staff	77% stake in Foodcorp	Capitua; Nedbank; J.P.Morgan; Rand Merchant Bank; KPMG; Cliffe Dekker Hofmeyr; Paul Weiss; Shearman & Sterling	R637,43m	Mar 10
Acquisition by	Investec Africa Frontier Private Equity	7% stake in OK Zimbabwe	Webber Wentzel	$4,4m	Apr 15
Acquisition by	Mayibuye from Blue Financial Services	64,9% stake in Blue Financial Services	Rothschild; PricewaterhouseCoopers Corporate Finance; Grindrod Bank; Garlicke & Bousfield; Cliffe Dekker Hofmeyr; Deloitte	R163m	Jun 10
Acquisition by	Trinitas Private Equity	stake in Le-Sel Research		R50m	Jun 17
Acquisition by	Brait IV Investments LP, Brait IV SA Partnership (Brait SA) and Coronation Asset Management (Coronation Fund Managers)) from Westbrooke and Interactive	16% stake (170 000 000 shares) in Buildmax	Java Capital; Macquarie First South Advisers; PKF; QuestCo; Read Hope Phillips	R42,5m	Aug 10
Acquisition by	Brait IV Investments LP, Brait IV SA Partnership (Brait SA) and Coronation Asset Management (Coronation Fund Managers)) from minorities	53% stake in Buildmax (partial offer)	Java Capital; Macquarie First South Advisers; PKF; QuestCo; Read Hope Phillips	R31,26m	Aug 10
Acquisition by	Investec Africa Frontier Private Equity and Pan Africa Investment Partners	Equity investment in I H S Nigeria	Webber Wentzel	$75m	Aug 16
Acquisition by	Imbewu Capital Partners	minority stake in construction firm Icon		not disclosed	Aug 26

National news

SAVCA AGM: The SAVCA Industry update and general meeting took place on Wednesday 8 September 2010. Daniel Hatfield of Edge Growth, Siyabonga Nhlumayo of Medu Capital and Anthony Siwawa of VPB were elected onto the SAVCA Board. The presentations included an update on the regulation of the private equity industry. These slides are available through the SAVCA Office.

SAVCA and Global Remuneration Solutions launched the 2010 remuneration **survey** on 28 September 2010 at a kick off presentation held at Sanlam's offices in Dunkeld. This is the definitive research document in terms of remuneration related trends for South African venture capital and private equity investment professionals.

International round-up

The Wall Street Journal reports that buyouts are likely to be a vibrant area for private equity in coming months as venture capital continues to labour under an overhang of capital, according to panelists at the Dow Jones Private Equity Analyst Conference in New York held in late September.

Several buyout investors said they expected to see the reappearance of the multi-billion-dollar deals that were common until the onset of the financial crisis.

"There's capacity ... [so] it's inevitable," Stephen Murray, president and chief executive of New York-based CCMP Capital Advisors, told the ***WSJ***.◆

Government of Singapore Investment Corp., manager of more than US$100 billion of reserves, said real estate and private equity in emerging economies will present more rewarding opportunities than equity markets according to ***Bloomberg***.

"While publicly listed equities is likely to remain GIC's main implementation vehicle for our emerging market strategy, our view is that the private markets such as real estate and private equities will present even more rewarding opportunities," GIC's Chief Investment Officer Ng Kok Song said at a private wealth management conference in Singapore.◆

A year after tackling fund terms in its Private Equity Principles, the US-based Institutional Limited Partners Association announced that it is setting its sights on financial reporting. The trade organisation, which represents institutional investors in private equity, in November plans to roll out a new set of financial reporting standards aimed at improving "uniformity and transparency in financial information provided to private equity investors."◆

The third quarter's largest-announced PE deals according to ***Thompson Reuters*** were:

1. Dynegy: $4.76 billion by The Blackstone Group
2. Tomkins PLC: $4.63 billion by Onex Partners and Canada Pension Plan Investment Board
3. Burger King: $3.94 billion by 3G Capital

Year-to-date PE activity is now at over $140 billion or more than twice last year's total at this date.◆

Reuters reports that up to a quarter of funds in Australia's $21 billion private equity industry could close as investors lose patience with weak returns at underperforming firms. That's according to buyout executives.

New fund-raising is also becoming more difficult, with investors turning cautious after a limited number of private equity sales over the past three years has stretched the period without returns, the executives said.

"Perform or perish is what is going to happen," Jon Freeman, partner at global private equity firm Coller Capital, told the Australian industry's biggest annual conference, which was held in Australia's Gold Coast resort area. ◆