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J.P. Morgan's Pilot Programme for South African Small and Medium Enterprises Reports Strong Progress in Year One

Entrepreneur companies have seen an overall average of 43% increase in revenue and 19% increase in permanent staff, with successful application for finance rising by 13%.

Three investment firms join the programme to access high-potential entrepreneurs; new business development support (BDS) rating tool to be developed and launched.

October 17, 2013 (JOHANNESBURG): J.P. Morgan announced today that Cadiz Asset Management (through their Protected High Impact Fund), GroFin and Imprint Capital have become the first investment partners in the firm's *SME Catalyst for Growth Programme (C4G Programme)*. These *C4G Programme* investment partners will not only have access to a pipeline of high-performing SMEs that are currently seeking finance, but will have information for investment already collated and verified directly by the business development support (BDS) providers, thereby limiting transaction costs. Additionally, the *C4G Programme* will develop and launch an independent rating platform to help bring accountability and transparency to the South African BDS market.

The *C4G Programme*, supported by the JPMorgan Chase Foundation, is the firm's first significant social investment in the SME space in South Africa, with an investment of more than \$1 million. The two-year pilot programme is run in collaboration with three core partners: Aurik Business Incubator (Aurik), Raizcorp and Dalberg Global Development Advisors (Dalberg). *C4G* supports the provision of BDS to selected entrepreneurial companies, while building knowledge and experience on the value and impact of effective BDS services.

Historically, the inability to assess or compare different types of BDS has been a hurdle to SMEs seeking assistance to grow. The new *C4G Programme* rating platform will address this knowledge gap by providing performance data on BDS providers across the country. The ratings will be based on information gathered from SMEs that have received support from these types of providers in areas such as business growth, improvement of systems, financial performance and literacy.

John Coulter, Senior Country Officer for J.P. Morgan in Sub-Saharan Africa (SSA), said:

"We are very pleased with the progress of this innovative *C4G Programme* for SMEs and excited that three investment partners have joined the initiative after only one year. Their participation allows further scale to the *C4G Programme*, and is a strong independent endorsement to the programme. The ratings tool that will be developed in the coming year will also start to address the inconsistent quality that currently exists across BDS providers and will enable SMEs and investors to have an independent and verified platform of information. It can also accelerate growth in the BDS market across Africa by diverting scarce resources to the most impactful providers."

Evidence shows that after one year into the *C4G Programme*, the entrepreneurs' businesses have significantly improved, which indicates that strengthening business systems is leading to enhanced revenue, increased employment and better access to finance. Since the programme was initiated in 2012, the overall average increase in revenue of participating SMEs was 43%, with a 19% increase in permanent employees. The SMEs also appear to be having more success in accessing capital, as the percentage of successful applications for finance among the group has risen by 13%.

Speaking at a J.P. Morgan event last night updating clients and partners on the programme, the Minister for Trade and Industry (dti), Dr Rob Davies, said that The J.P. Morgan *Programme* has a number of synergies with the dti's initiatives to transform the SMME space in South Africa.

"Government alone cannot address the enormous need to create more entrepreneurs. We need to collaborate with the private sector to empower many more South African people to find a livelihood and to create job opportunities. In line with this, the dti has focused on initiatives such as incubator programmes to ensure that SMMEs graduate into the mainstream economy, as well as addressing red tape, as we realise complex requirements are huge impediments inhibitors to small business.

"For example, the new Companies Act reduces the burden of registration on companies and the department has also amended the Broad-Based Black Economic Empowerment codes to assist partnerships with big business. The amended codes will further alleviate the financial burden on small black-owned companies, as they will no longer be required to be rated by empowering agencies to prove their credentials. The codes are also prioritising supplier development and have adjusted thresholds for

exempted micro enterprises and qualifying small enterprises."

Welcoming the Minister at the event, Lord Renwick, Vice Chairman of J.P. Morgan said:

"The *Programme* reaffirms J.P. Morgan's global commitment to South Africa and the development of SMEs in the country. Over half of South Africa's current employment is created by small to medium enterprises. The additional efforts that government is making to stimulate this important sector will ultimately have a positive effect on South Africa's economy."

Dr. Agostinho Zacarias, UNDP Resident Representative in South Africa, said:

"The UNDP is committed to SME development to promote growth that is both inclusive and sustainable. We are proud to be in partnership with the Department of Trade and Industry in the implementation of a supplier development programme that uses best practice from similar middle income countries globally. The programme is designed to increase the competitiveness of small and medium-sized enterprises through the adoption of corporate good practice and financial controls that enable higher profitability in both domestic and international markets. In this regard, we are happy to link with J.P. Morgan's efforts to further the development of this sector."

Pavlo Phitidis, the CEO from Aurik, said:

"The J.P. Morgan *C4G Programme* provided us with the opportunity to prove the benefit of our BDS programmes across start-up, early stage and growth companies in the eye of the public domain. As 94% of businesses started are never being sold, value for entrepreneurs is eroded on a personal basis, as well as for big business through their supply chains and for government in achieving fiscal growth and economic inclusivity. This is devastating and makes high impact BDS a necessity if we want to succeed as a country."

Allon Raiz, the CEO from Raizcorp, said:

"J.P. Morgan has been extremely supportive and proactive in ensuring the success of the *Programme*. It is wonderful to see such a large organisation put their weight behind a programme in a way that keeps the entrepreneurs' best interests at heart. Our continuing journey with these entrepreneurs has significantly added to Raizcorp's body of knowledge about entrepreneurs, and particularly high growth entrepreneurs. This has led to meaningful adjustments to our learning methodology and guiding approach."

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Notes to editors

J.P. Morgan

J.P. Morgan's Corporate & Investment Bank is a global leader across banking, markets and investor services. The world's most important corporations, governments and institutions entrust us with their business in more than 100 countries. With \$19.7 trillion of assets under custody and \$386 billion in deposits, the Corporate & Investment Bank provides strategic advice, raises capital, manages risk and extends liquidity in markets around the world. For more information, go to www.jpmorgan.com.

Aurik Business Incubator

Aurik Business Incubator was started in 2001 from a genesis of starting, building and selling 12 businesses. With two failures, two listings and eight trade sales, the overall portfolio achieved an IRR of 44.2%. This direct experience led to the development of three business development support programmes suited to start-up, early stage and growth businesses. With over 512 businesses engagements in Aurik's programmes, an average annual revenue growth rate of 102% has been achieved across the portfolio. The programmes include proprietary selection, assessment and engagement processes focused on achieving a single outcome, working with entrepreneurs to build their businesses into an asset of value. Aurik provides its services in five of South Africa's provinces, serving individual entrepreneurs and business owners directly as well as big businesses and corporates through various supplier and enterprise development programmes. For more information, go to www.aurik.co.za.

Raizcorp

Raizcorp is Africa's only unfunded for-profit business incubator/Prosperator model, which provides full-service business support programmes that guide entrepreneurs to profitability. Raizcorp was founded in 2000, and has since become one of Africa's premier business incubator models. Raizcorp has developed a rigorous selection process that ensures that those who make it into the various programmes are indeed those with the highest potential to succeed. Once selected, the entrepreneurs are exposed to a high touch support programme that continues to produce excellent results. Raizcorp has worked with over 1 150 businesses and currently supports in excess of 420 companies in eight locations in South Africa and Angola. Approximately

86% of Raizcorp's partner companies have growth rates of over 15% per annum. Over a period of one to two years, Raizcorp has managed to increase the revenue and profitability of over 95% of its partner companies. For more information, go to www.raizcorp.com.

Dalberg Global Development Advisors

Dalberg Global Development Advisors is a strategy and policy advisory firm focused on global development.. Its mission is to mobilize effective responses to the world's most pressing issues. Dalberg works with senior decision-makers in governments, international organisations, NGOs and corporations to help bring about change and lasting impact.

Dalberg's core advisory services include: (i) the development of innovative strategies, approaches and market mechanisms; (ii) internal organizational reforms and restructuring initiatives; (iii) market and investment analysis and market-entry strategies; and (iv) coordination and facilitation of large multi-stakeholder initiatives. We focus on eight key sectors: Access to Finance, Agriculture, Conflict & Humanitarian Aid, Corporate, Economic Development and Competitiveness, Energy & Environment, Global Health, and Strategy & Performance.

Dalberg has a global network of offices located in Bogota, Copenhagen, Dakar, Geneva, Johannesburg, London, Mumbai, Nairobi, New York, San Francisco, and Washington, D.C. It serves global clients and fields international and local teams in developing countries. For more information, go to www.dalberg.com.

United Nations Development Programme (UNDP)

UNDP partners with people at all levels of society to help build nations that can withstand crisis, and drive and sustain the kind of growth that improves the quality of life for everyone. On the ground in 177 countries and territories, the UNDP offers global perspective and local insight to help empower lives and build resilient nations. For more information, go to www.undp.org.

Cadiz Asset Management

Cadiz Asset Management (CAM) is an independent, award winning asset management company focused on enriching lives through sustainable investment excellence. CAM has been managing investments on behalf of investors since 1996. We offer a premier range of segregated and pooled products for pension funds, public institutions, medical schemes, universities, charities, foundations, multi-managers and insurance companies and individual investors.

CAM is renowned for an investment philosophy strongly underpinned by rigorous risk management processes leading to consistent investment performance and for our commitment to building and sustaining successful client relationships and service.

We continue to win awards for investment excellence and have received several multi-asset performance awards over time in the absolute return, balanced fund and socially responsible investment space. These include successive Morningstar awards, Africa Fund Manager Awards and more recently Raging Bull and Principal Officers Association awards.

CAM is a pioneer in high impact investing in South Africa, and has provided funding to high impact investments for more than 5 years. These investments have made a tangible impact on improving the social circumstances of the base of the pyramid society often ignored or overlooked by conventional funders. Our partnership with GreaterCapital provides our investors with social reporting which is IRIS compliant. GreaterCapital is the only South African IRIS accredited entity. In addition to our funding ability, the Cadiz ASSIST Fund, established in partnership with AMSCO, provides us with a unique capacity building ability for High impact businesses we invest into.

CAM is a wholly-owned subsidiary of Cadiz Financial Services Group, a JSE-listed financial services group. For more information, go to www.cadiz.co.za.

GroFin

GroFin, the pioneering SME development financier, drives job creation and socio-economic empowerment by assisting entrepreneurs and enterprises achieve success through access to appropriate finance, tailored business support, as well as market linkages. GroFin invests responsibly in viable businesses, providing unique and tailor made solutions, and empowering entrepreneurs through sharing skills and transferring business knowledge. This unique combination assists entrepreneurs maximize profitability and encourages sustainability and success. Established in 1998, GroFin operates in 12 countries, with on-ground local teams in 14 offices spanning Africa and the Middle East, and enjoys the support of 24 leading international investors, development partners, corporate foundations and family foundations with over USD 320M in committed funds and funds under management. For more information, go to www.grofin.co.za.

Imprint Capital

Imprint Capital offers a full set of advisory services to create and manage high-performing impact investing portfolios for foundations, families, and financial institutions. As at October 2013, the firm had more than \$360 million in assets under advisement. With its clients, Imprint has made more than 90 impact investments globally across asset classes and sectors as diverse as education, healthcare, food and agriculture, the environment, and the economic development of low wealth communities. Founded in 2007, Imprint Capital is the longest standing independent advisory firm in the United States dedicated exclusively to impact investing. The firm, which has offices in San Francisco and New York City, has worked with nine of the 25 largest grant making foundations in the U.S. For more information, go to www.imprintcap.com.