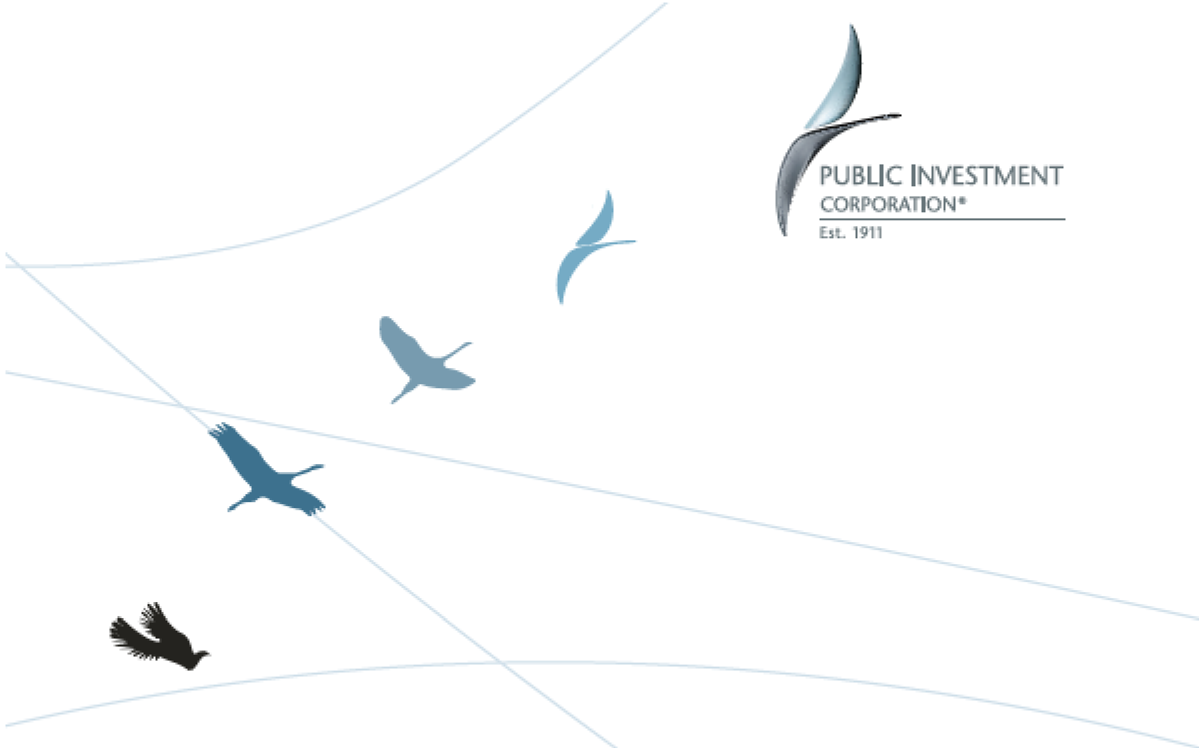
2018

PIC Unlisted Investments Schedule

DISCLOSURE REQUIRED BY THE STANDING COMMITTEE ON PUBLIC ACCOUNTS



Inspired by its presence in the National Coat of Arms, the PIC has adopted a highly stylised icon of the Secretary Bird as our logo.

On the Coat of Arms, the Secretary Bird represents vigilance, as well as the rise and pride of modern South Africa. As committed investors in the future of South Africa, we admire and aim to uphold this symbol in all of our dealings.

Unique to Africa, the Secretary Bird is widely recognised as a symbol of freedom, strength and courage, values that exemplify the PIC, our mission and our investment philosophy.

PUBLIC INVESTMENT CORPORATION

PIC UNLISTED INVESTMENTS SCHEDULE

31 MARCH 2018

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EXECUTIVE SUMMARY

In response to the letter dated 2017/10/09 as well as subsequent follow-up communication from the Standing Commitee on Public Accounts (SCOPA), this document seeks to address the questions and clarity sought regarding investments made by the PIC on behalf of its clients for the period 2014 to 2017.

Informed by clients' mandates, the investments are underpinned by a strong investment philosophy, principles and sound governance, the various holdings are geared towards achieving the PICs strategic objectives. Through investing directly into the economy, the PIC aims to generate sustainable financial returns, while also contributing to the realisation of South Africa's socio-economic objectives. We refer to this as Impact Investing. It is PIC's mission to always exceed clients' expectations, while investing for sustainable growth, promoting inclusivity and fostering transformation.

The PIC is an organisation that plays a crucial role in the South African economy. The Corporation's Assets under Management (AuM) are close to half the size of the South African economy, with close to 90% invested within the local economy. There is, therefore, correlation between performance of the local economy and the performance of the PIC. This report provides a review of the period characterised by anaemic domestic economic growth amid heightened geopolitical risk.

The PIC's investment decisions are guided by the clients' mandates, Board approved investment strategy and within approved investment processes as well as established governance framework. Further, the PIC investments are made with due consideration to and alignment to the National Development Plant (NDP) and United Nation's Sustainable Development Goals (SDGs). The latter is due to alignment with the PIC's own environmental, social and governance (ESG) principles. From the risk-sharing perspectives, PIC's investments seek to crowd-in like-minded investors and also ensure that there is sufficient 'skin in the game' from investee companies and/or their sponsors. The PIC invests in two broad asset classes: 1) Listed Investments and 2) Unlisted Investments. Listed Investments are managed both internally and outsourced to external fund managers. Robust risk management calls for diversification of investments across asset classes. The segregation between the management of listed and unlisted investments contributes to effective risk management and governance. For the financial year ending 31 March 2018, the total AuM grew by R155 billion to R2.08 trillion when compared to the previous year. Listed Investments makes up 94% of AuM, with 6% made up of Unlisted Investments. Close to 90% of AuM is invested within the domestic economy. In advancing the continental objectives of Africa's integration, the PIC invested approximately 5% of the AuM in the rest of Africa (ROA). The balance is invested offshore, dominated by listed equities and bonds.

Through PIC's investment strategies, the listed investments delivered higher results against the benchmark for eight (8) years running. The performance is noteworthy, given that it was achieved at a time when the South African economy was volatile and muted. The offshore investments, heavily weighted to the developed economies, are under pressure due to geopolitical risks. Efforts will be expanded to rebalance the portfolio in favour of emerging economies. Unlisted investments also recorded subpar performances due to weaker economic growth. Listed investments, however, continue to grow as new projects are approved and implemented, albeit with some lags.

In an effort to foster transformation of the financial services sector, the PIC initiated a programme that sought to increase the number of BEE fund managers. The strategy and programme is delivering and increasingly bearing fruits. During the reporting period, approximately 60% of the externally managed funds were allocated to BEE fund managers.

The PIC internal research unit has been critical in developing sector strategies to guide targeted investment areas that are capable of delivering sustainable financial returns. For the period under review, different sectors delivered mixed performances.

For instance, early indications are that agriculture and tourism are in recovery mode. The former from the drought, particularly in the Western Cape and animal disease outbreak and the latter due to regulatory reviews. Investments in the renewable energy grew significantly during the last decade and the trend is set to continue over the next decade. Economic infrastructure is a critical economic enabler and investment is set to increase in the future. Finance sectors together with information and technology sectors posted mild positive performances during the period under review. The health sector also reported increasing new investment, particularly in the area of patient clinics. Government continue to make positive strides on increasing access to clean water.

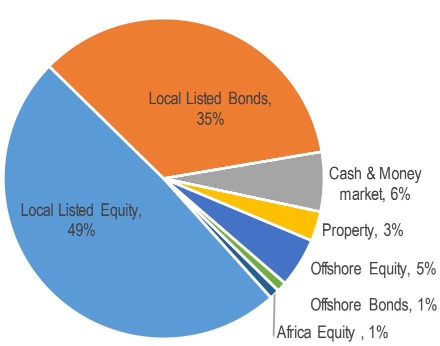
For the period under review and despite the above mixed performances, PIC investments facilitated the creation and maintenance of approximately 150 000 jobs, supported 785 SMEs and contributed to food security through investments in 37 farms.

However, housing, construction, private education and mining (local) continue to face significant headwinds. The same can be said of the manufacturing sector whose performance is positively correlated to macroeconomic performances. However, new investments continue to be made within the private education sector by new and existing operators.

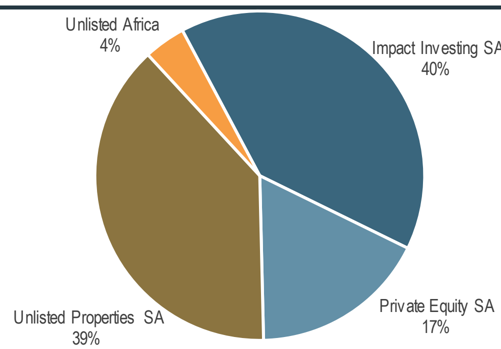
It is worth emphasizing that the above investments were made in line with the PIC Board-approved governance structures, including investment committees and stringent processes in line with client mandates. All investments are informed by fundamental in-house research and extensive Environmental, Social and Governance (ESG) oversight.

Summary of PIC AuM at 31 March 2018

Listed Investments: R1 960bn (94.07% of AuM)



Unlisted Investments: R123bn (5.93% of AuM)



CORPORATE PROFILE

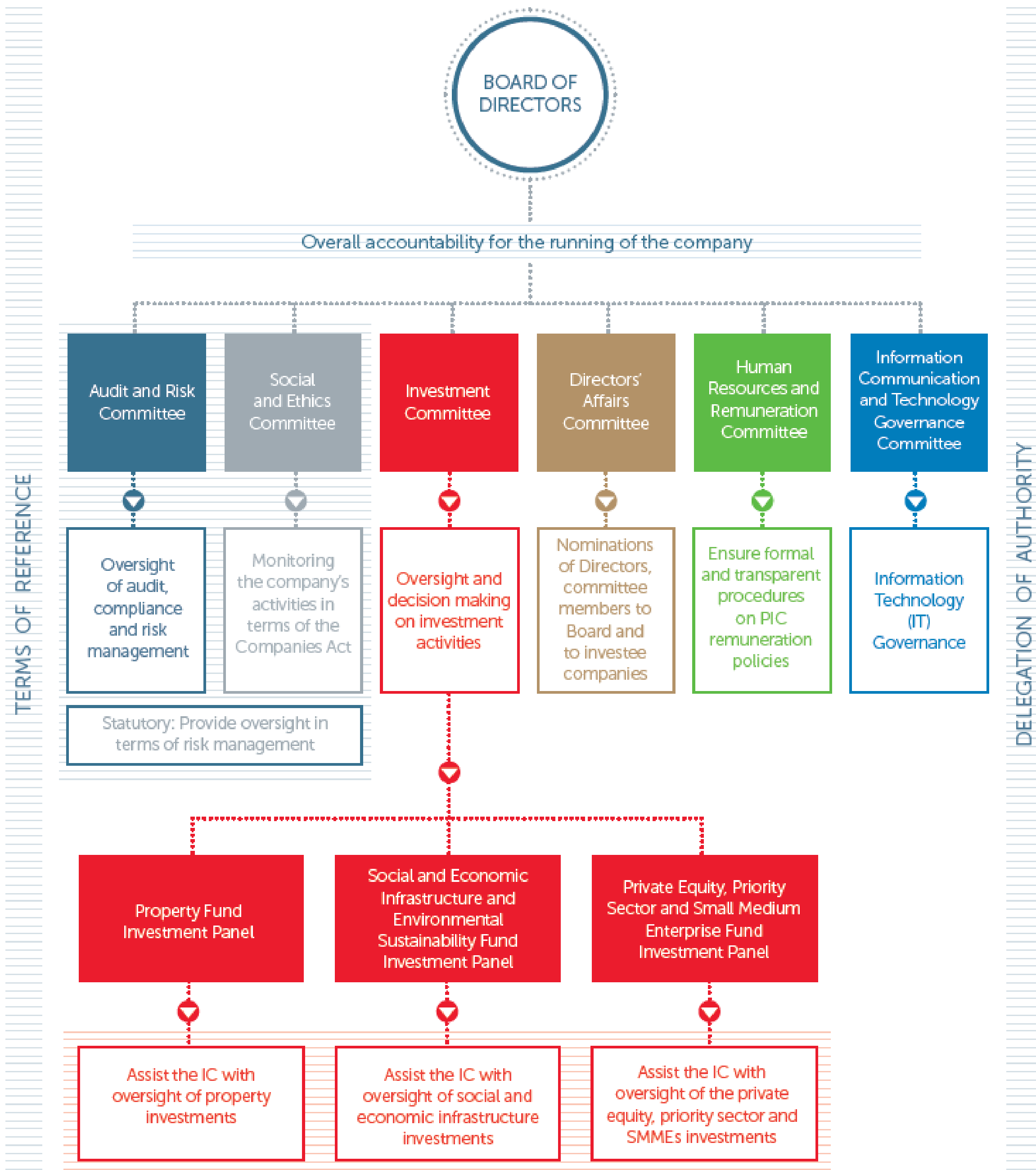
The Public Investment Corporation (PIC) is a South African state-owned asset management company that manages assets for clients, all of which are public sector entities. As a financial services provider, registered with the Financial Sector Conduct Authority (FSCA), our investment activities are governed by the Financial Advisory and Intermediary Services Act, 2002 (Act 37 of 2002) (FAIS Act). The Government Employees Pension Fund (GEPF) makes up 87.12% of the funds that the PIC manages. Other clients include Unemployment Insurance Fund (UIF), Compensation Commissioner Fund (CC), and Compensation Commissioner Pension Fund (CP). The PIC's role is to invest funds on behalf of its clients, based on the investment mandates set by each client and approved by the FSCA.

Our Mission and Vision

The PIC is an organisation with values that the Corporation's leadership, management and employees have agreed to strive for and live by, in order to achieve the vision, mission, goals and objectives of the company.

Governance Structure

The PIC governance framework, as approved by the Board, enables arrangements for delegation within the structures which promotes independent judgment and the effective discharge of its duties.



Risk Management and Assurance Process

Effective management of risk is a critical lever and enabler in delivery on the PIC strategy and is integral to good corporate governance. The PIC recognises that it has a responsibility to its shareholder, clients and other stakeholders to manage risk effectively, with the aim of protecting the AuM against undue losses and minimising uncertainty in achieving its strategic objectives.

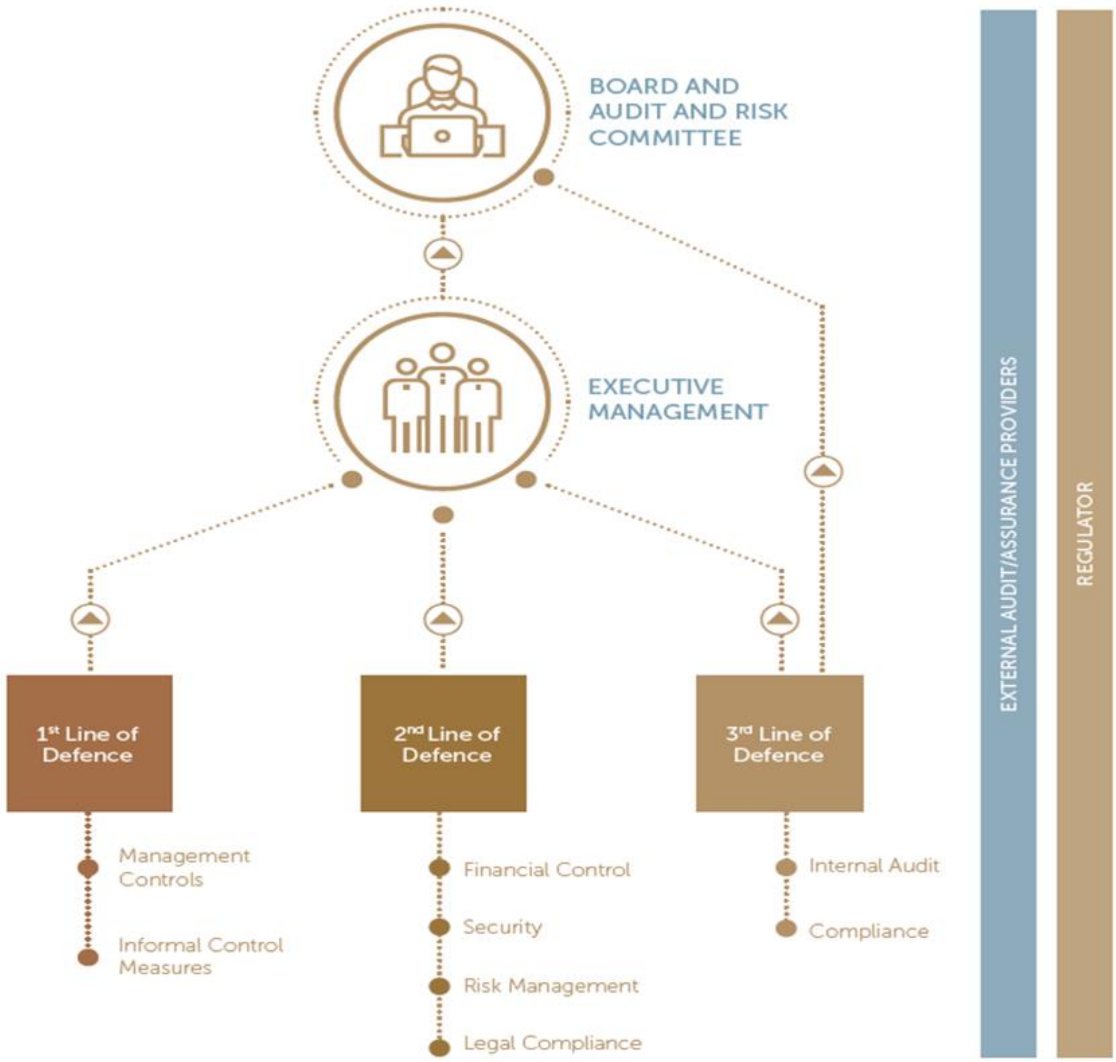
Risk management is a process that involves the identification, assessment, prioritisation and response to risks affecting the organisation. The management of identified risks ensure that PIC minimises the probability and impact of negative events, and maximises the potential for credible investment opportunities. The PIC has adopted an enterprise-wide approach to managing risk, which is embodied in the Corporation's Enterprise Risk Management Framework (ERMF). This framework codifies the PIC's approach to identifying, measuring, monitoring, reporting and managing risks throughout the Corporation. In its design, the ERMF adopts risk management and governance principles from the ISO 31000 risk management standard, and the King Code on Corporate Governance.

The PIC is acutely aware that some risks can never be completely eliminated and constantly evaluates its operating environment to proactively identify and respond to risks. Through this continuous process, the PIC identifies risk inherent to the Corporation's core activities and adopts controls and business practices to manage these risks within acceptable levels. Evaluation and assessment of risk is conducted though 'bottom-up' and 'top-down' approaches, where risk is reported at management and Board level. The treatment of risk is dependent on the severity level of the impact of the inherent risk to the Corporation. The risk treatment responses, which follows from the ERMF for the corporation to consider are:

- Manage ~ Accept the risk
- Reduce ~ Reduce the risk
- Transfer ~ Share the risk
- Avoid ~ Reject the risk

As a good corporate citizen, the PIC also subscribes to the principles of the King Code as it relates to the robustness of both risk management and good governance. The PIC has adopted the principles of Combined Assurance contained within the King Code. Under Combined Assurance, PIC follows the three-lines of defence methodology, shown below. The PIC Combined Assurance partners comprise of Risk Management, Compliance and Internal Audit departments. Over and above independent internal assurance, the PIC is also overseen by external assurance providers, including the external auditor as well as other regulatory bodies.

The Three Lines of Defence Model

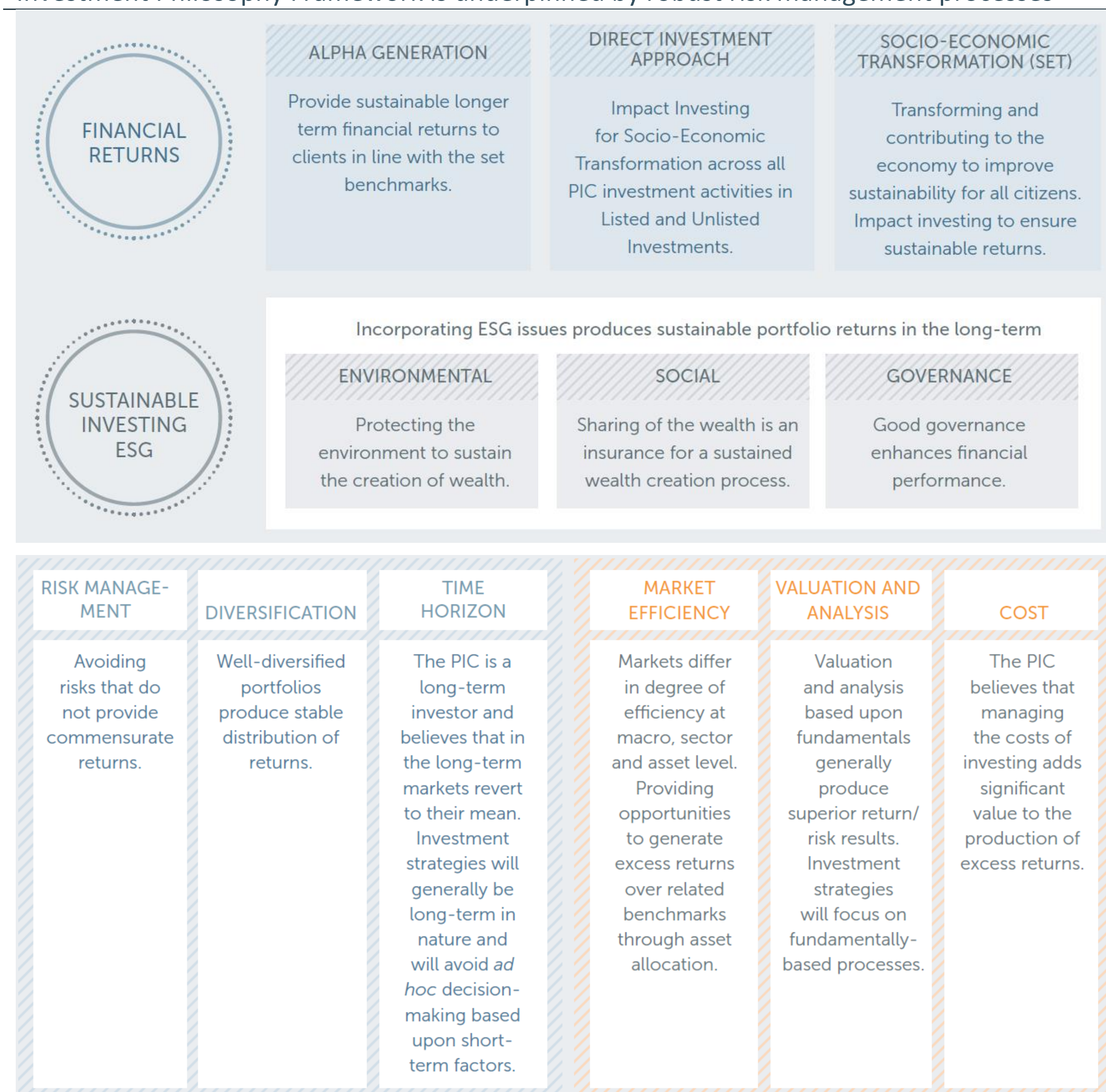


Investment Philosophy

The PIC's investment philosophy is underpinned by two broad objectives, namely generating Financial Returns and Sustainable Environmental Social Governance (ESG) impact. Together, these objectives are called the FRESG approach: a smart way of making investment decision to yield "a green alpha".

Central to the PIC investment philosophy is to invest in a manner that acts as a catalyst in attracting other like-minded investors in directing funds towards impact investing.

Investment Philosophy Framework is underpinned by robust risk management processes



Investment Process

Informed by clients' mandates, the investments are underpinned by a strong investment philosophy, principles and sound governance, the various holdings are geared towards achieving the PICs strategic objectives.

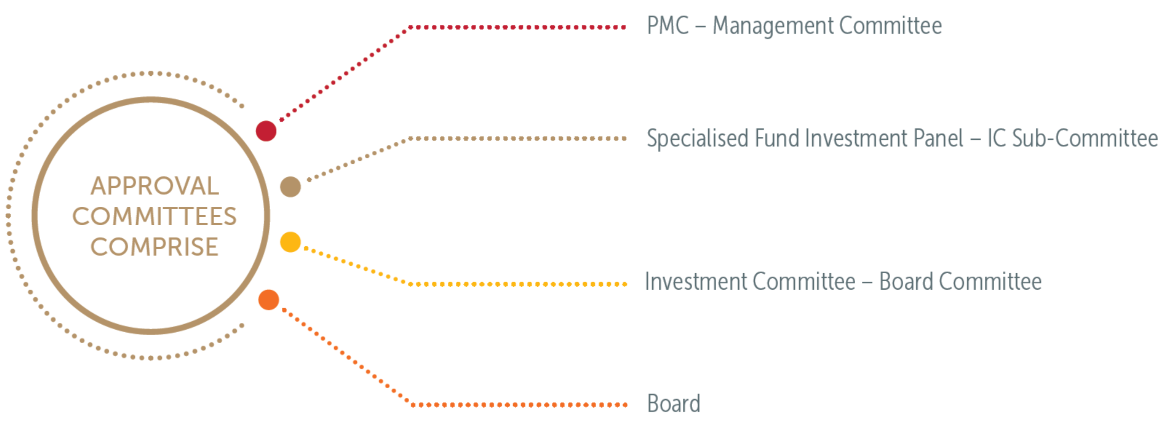
Policies and Frameworks

All transactions are subject to various (Board-approved) policies, as well as ESG frameworks and policies, all of which are based on international best practice and are aligned with applicable legislations and regulations. The Delegation of Authority (DoA) Framework delegates responsibilities for different transactions to the variety of role-players across the PIC. The DoA also outlines the powers of the Board, as well as the committees of the Board and those of the Executive.

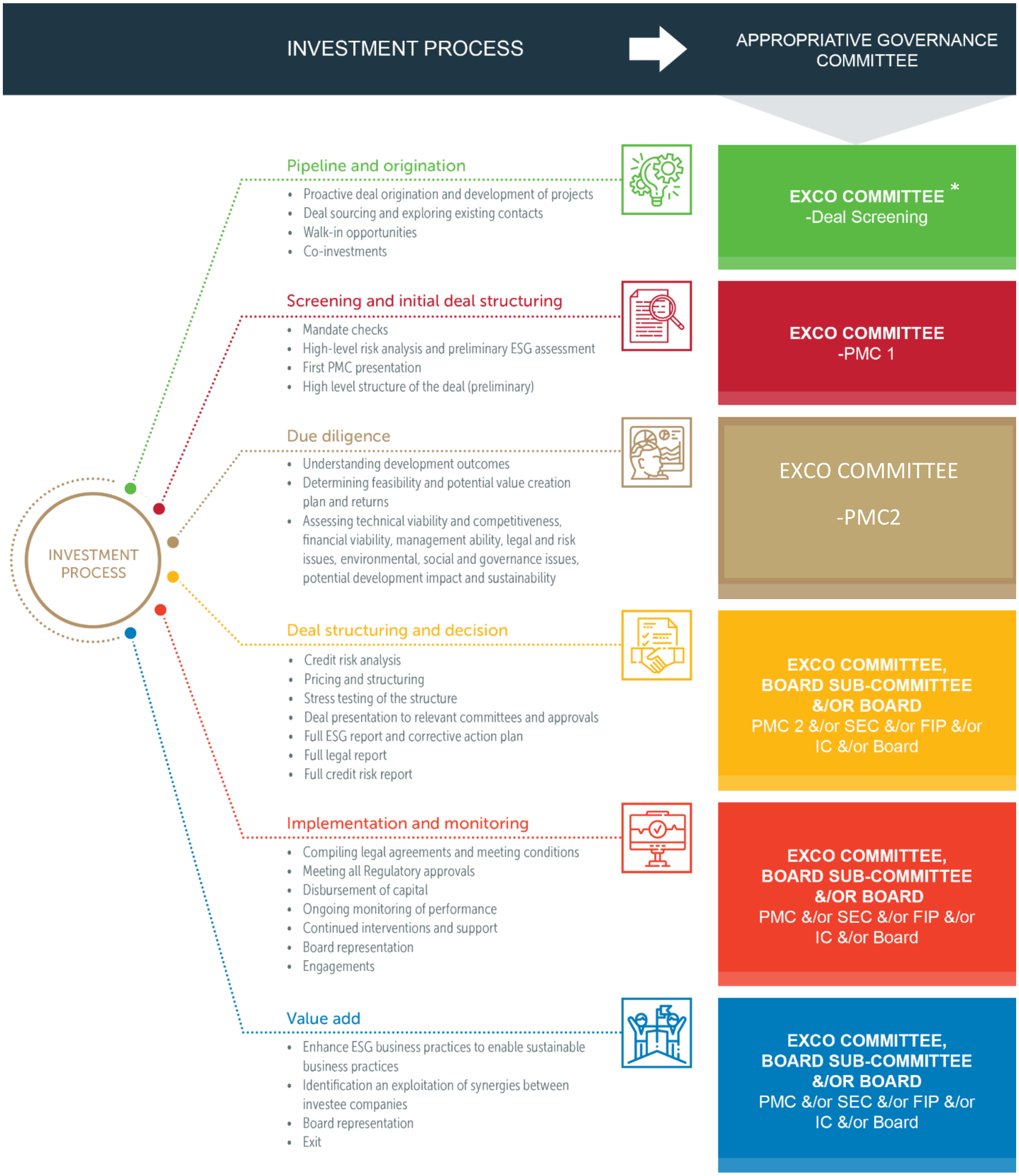
Operating Governance

The PIC has implemented a rigorous due diligence process, which any transaction worth pursuing is subjected to. This process includes, but is not limited to, independent risk assessment, financial due diligence, technical assessment, legal due diligence, environmental social and governance due diligence as well as commercial due diligence. Where there is lack of internal capacity, these are outsourced to external experts. The various PIC support functions assist with post investments monitoring, value-add and reporting throughout the investment tenure until exit.

The PIC approval committees that preside over investment considerations comprises:



The investment life cycle comprises of the following steps:



- Deal Screening is a new committee currently being implemented

The Investment Approval Process

The investment life cycle comprises of the following steps:

EXCO COMMITTEE	EXCO COMMITTEE	BOARD SUB-COMMITTEE	BOARD COMMITTEE	BOARD
PMC 1	PMC 2	FIP	IC/SEC	
Request permission to proceed to due diligence and incur due diligence costs	Return to PMC to request approval or recommendation for approval**	Request approval from relevant Governance Committee in accordance with the PIC-approved DoA*	Request approval from the relevant Governance Committee in accordance with the PIC-approved DoA*	Request approval in accordance with the PIC-approved DoA

*All committees to approve investments operate in line with Terms of Reference

**In Line with DoA where PMC2 is delegated to approve

Investment Committee Mandate

The Board has established various committees to assist it in discharging its duties and responsibilities. The Investment Committee (IC) was established to provide oversight and decision-making in respect of investment activities. The primary purpose of the IC is to assist the Board to discharge its statutory duties and its oversight responsibilities in relation to Listed and Unlisted (including properties) investment activities. The IC is comprised of a majority of Independent Non-Executive Directors. The IC operates in line with approved Terms of Reference (ToR), DoA Framework and policies which are reviewed on an annual basis.

The responsibilities and duties of the IC are to:

- Ensure that investments, disposals and acquisitions (listed, unlisted and properties) are in line with the PIC's overall investment strategy;
- Ensure that appropriate due diligence procedures are followed when acquiring or disposing of investments;
- Ensure that investments/divestments are in the best interest of clients, increase shareholder value and meet the PIC's financial and ESG criteria;
- Make recommendations to the Board concerning further action about investment/divestment opportunities;
- Give due consideration to the relevant provisions of the Companies Act, read in conjunction with the Companies Act Regulations, the PIC Act, the approved DoA

Framework, King IV, competition laws and any other legislation and regulations;

- Monitor performance of the investments, at least on a quarterly basis;
- Review and evaluate policies and procedures that PIC Management has implemented to monitor compliance with client mandates;
- Oversee the implementation of client mandates by reviewing PIC Management's quarterly reports, including but not limited to, the regulatory requirements under the FAIS Act, the PFMA and the Financial Markets Act, 2012 (Act 19 of 2012);
- Report quarterly to the Board on issues relating to the investment of funds under management;
- Consider and approve investments, acquisitions and divestments in line with the approved DoA Framework;
- Review the deal approval process, policies and criteria on an annual basis;
- Ensure that risk management is incorporated in all investment recommendations and decisions;
- Approve the criteria and process for the selection of external investment managers and notify the Board of approvals;
- Approve the process for establishing the mandates of external investment managers;
- Approve the process for monitoring external investment managers;
- Evaluate performance of external investment managers;
- Make recommendations to the Board, which it deems appropriate, on any area within its authority where action or improvement is needed; and
- Perform such other investment-related functions as may be determined by the Board from time to time.

ASSETS under MANAGEMENT (AuM)

The total AuM as at 31 March 2018 was R2.08 trillion, having grown by R155bn compared to the previous year. This reflects the combined and separate mandate of each of our clients, Government Employee Pension Fund (GEPF), Unemployment Insurance Fund (UIF) and Compensation Commission (CC). Each client has specific investments objectives, expressed in the investment mandate given to PIC to execute. These client investment mandates are based on actuarial asset and liability studies and approved by the Financial Sector Conduct Authority (FSCA).

The diagram below depicts the asset class composition of the portfolio as at 31 March 2018. Each asset class as indicated in the table below, is aligned with the PIC investment philosophy. The investment principles and objectives of each asset grouping is detailed in the sections which follow.

*ASSET CLASSES

LISTED INVESTMENTS		UNLISTED INVESTMENTS
~ Listed Equities (Managed in-house) 39.94%	Global Listed Equities 4.38%	Private Equity 1.02%
Listed Fixed Income (Managed in-house) 33.20%	Global Listed Bonds 0.99%	Impact Investing 2.35%
Listed Funds (Externally Managed) 9.32%	^Africa Listed Investments 0.86%	Properties 2.26%
Cash and Money Markets 5.38%		^Africa Unlisted Investments 0.30%

~ Includes Listed Properties *Asset class as a percentage of AuM, Domestic unless otherwise specified ^Adjusted to reflect disclosure requirement categories

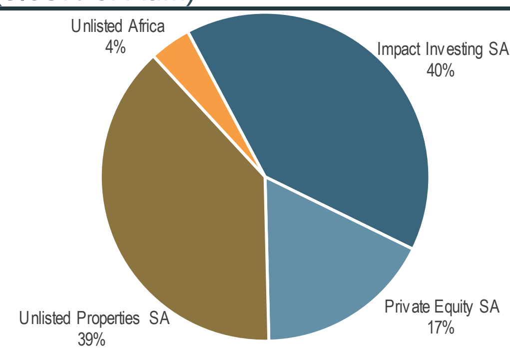
UNLISTED INVESTMENTS

Unlisted Investments Overview

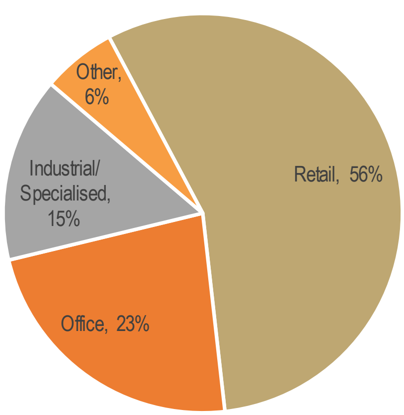
To ensure long term sustainable investment returns, portfolio diversification of various asset classes is necessary. The increase in PIC's investments in unlisted assets presents these diversification benefits to its clients, while also ensuring broader economic development benefits. Given the size of the PIC portfolio, which represents a significant portion of the economy, the investment decisions have both a direct and indirect impact on the economy.

The PIC Impact Investing comprise investments in new enterprises and expansion of existing enterprises, whilst Private Equity investments comprise mainly supporting whole or partial buy-outs by potential investors with the principle objective of tranformation at shareholder level. Unlisted property comprises investment in non-listed properties across the retail, industrial, office and residential sectors.

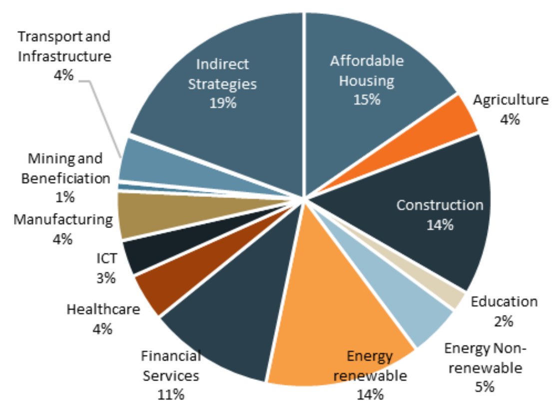
Unlisted Investments AuM R123bn (5.93% of AuM)



Unlisted Properties (R47bn or 39% of Unlisted AuM)



Isibaya (R76bn or 61% of Unlisted AuM)

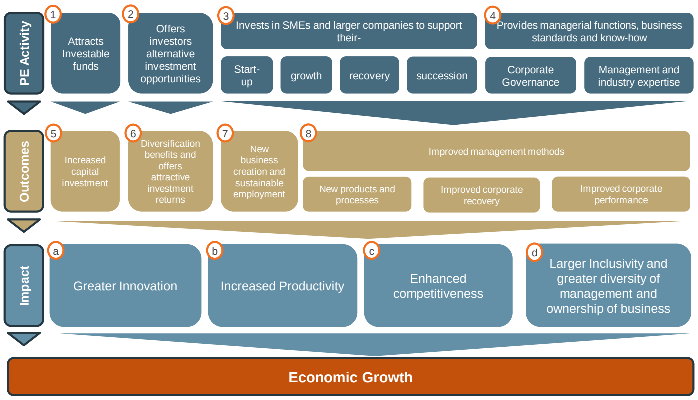


Unlisted investments provides diversification, reducing portfolio risk and increasing developmental impact

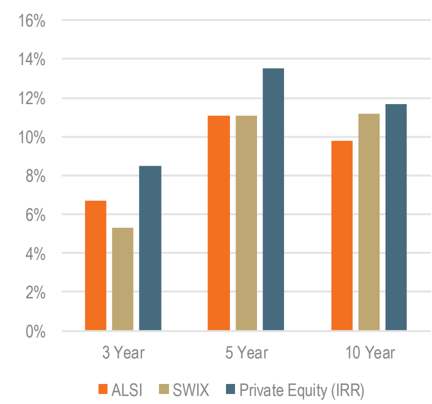
The key principle to diversification is to ensure that a range of risk and return exposures are present in the combination of assets owned. Diversification of the PIC portfolio, by holding Unlisted Investments, improves the overall portfolio performance through:

- Risk reduction: this is through longer term investment horizons, different sectors and economic cycle correlations and different investment instruments.
- Better risk-adjusted return: generally, there is a low correlation between various listed and unlisted assets, as indicated in the graph below.
- Impact to the economic growth: ability to more directly influence, measure and monitor the implementation of business strategies for the benefit of the economy. See diagram below:

Economic and Developmental Impact of unlisted



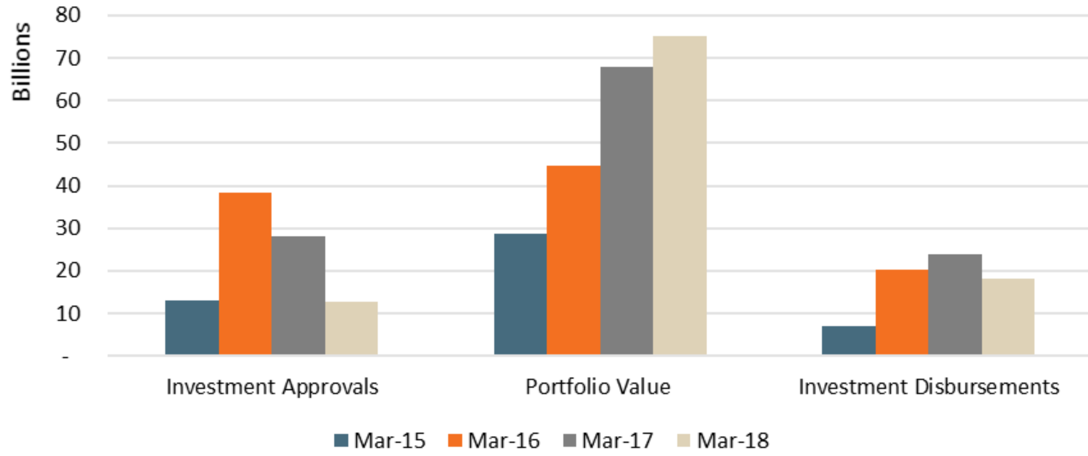
JSE vs PE returns



Unlisted Investment Activities

The investment activities over the last four years as depicted by the graph, particularly in 2016 indicates an increase of 194% in the approvals and an increase of 55% in total portfolio value when compared with approvals in 2015 respectively. In that year disbursements represented 52% of the total approvals. This mainly was due to concerted efforts by the Unlisted Investments to deploy the R25bn allocation approved by the GEPF and an increases of the Strategic Asset Allocation ("SAA") by the Unemployment Insurance Fund ("UIF") from 10% to 20% of its AuM in 2013. In 2017 the R25bn was almost fully committed to investments and PIC commenced the discussions with GEPF to raise a further R70bn, which was approved in the second half of the 2017 financial year. During that period, investments were mainly funded from the Compensation Fund ("CF") and UIF SRI mandates. To support the decrease in the approvals in 2017 including a decrease of 19% in respect of disbursements when compared to 2016. Although the portfolio continued to grow over the period as approved investments are implemented portfolio returns on investments were lower than expected.

Unlisted Investment Activities



The unlisted portfolio represents continued investment of capital into the SA economy as demonstrated by the R27bn still to be injected in the economy from approved projects

Given the size of the PIC AuM of R2.08 trillion which is about 44% of SA GDP, the growth of the economy is critical for our clients' asset growth and ability to match liabilities. The unlisted portfolio represents continued investment of capital into the SA economy to stimulate growth as demonstrated by the R127 billion invested to date and more than R27bn still to be injected into the economy from approved projects.

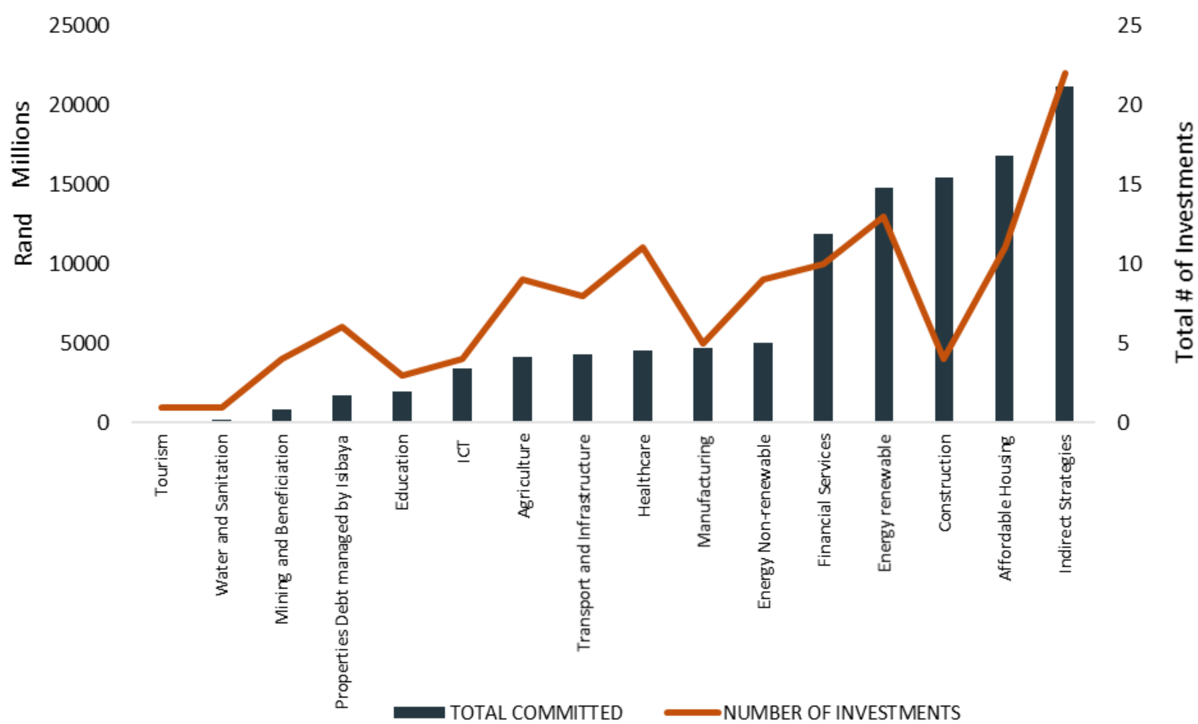
	% of Total AuM	AuM (Rbn)	% of Unlisted AuM	Committed Investments (Rbn)	Invested Investments (Rbn)	Undrawn Commitment (Rbn)
Impact Investing SA	2.35%	49.0	40	54.3	38.2	16
Private Equity SA	1.02%	21.2	17	45.2	39.3	6
Unlisted Properties SA	2.26%	47.1	38	43.2	40.2	3
Unlisted Rest of Africa	0.30%	6.2	5	11.2	9.2	2
Total	**5,93%**	**123.5**	**100%**	**153.9**	**126.9**	**27**

The following principles anchor the decisions making process in unlisted investments:

- Investment strategies are based on detailed, well researched, in-house analysis – linking Macro-economics, global structural thematic investment trends and local sector market competitiveness fundamentals;
- Targeted investment returns and social returns are not mutually exclusive. No compromise is made for economic returns over social returns;
- ESG principles must be incorporated in the investment decision-making process;
- Central to the PIC investment philosophy, is the requirement to invest in a manner that acts as a catalyst to economic growth, with an intention to attracting other investors in directing funds towards impact investing;
- The PIC invests directly in new and existing

- enterprises as well as through the use of intermediaries such as external fund managers and retail intermediaries;
- B-BBEE principles must be applied in all investments, including operational involvement of BEE-funded parties;
- The PIC must be represented on Boards of companies in which it has significant shareholding to ensure high governance principles are applied as well as alignment of strategic objectives with the principle objective of tranformation at shareholder level; and
- Investments may comprise of a combination of senior loans, mezzanine funding and equity.

PIC Unlisted Investments diversified portfolio by sector (Rm) and number of companies



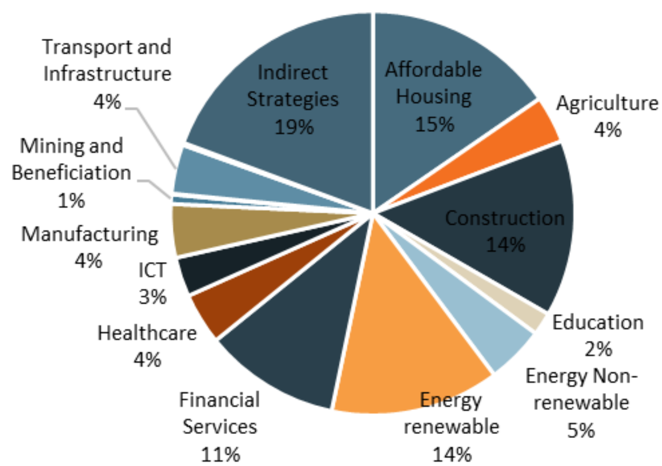
Isibaya: Impact Investing and Private Equity

Investment approach

The PIC's Isibaya Division executes the unlisted investments of the clients across various sectors and comprises Impact Investing and Private Equity. These mandates require the PIC to invest in enterprises with potential to generate sustainable financial returns, whilst supporting positive, long-term economic, social and environmental outcomes and transformation in South Africa and the rest of the African continent. The overarching theme for unlisted investments is transformation and inclusive growth.

Through the lens of the South African National Development Plan (NDP), our investment strategies align with the 17 United Nations' Sustainable Development Goals (SDGs) 2030. Our strong and robust governance and investment processes are rigorous, ensure accountability and transparency, whilst yielding consistent strong performance for our clients and benefits for all South Africans.

Isibaya (61% of Unlisted AuM, 72% of Unlisted Commitments)



The primary objective of Isibaya is to generate sustainable financial returns while supporting positive and long term socio-economic development in South Africa and the Rest of the African continent in the following investment Pillars. The following demonstrates the core focus areas, within and/or across sectors, recognising the dynamic construct of our economy, the challenges and opportunities.

- **Priority Sectors**

  The Priority Sectors (PS) investments focus on projects that contribute to growth in the South African economy through job creation, skills transfer, poverty alleviation and rural development. The PS covers the following sectors; manufacturing, agro-processing, agriculture, tourism, any other sector that has high job creation impact.

- **Economic Infrastructure**

  Economic Infrastructure (EI) investments focus on large scale and long-term infrastructure projects that will achieve good capital returns while also acting as catalysts to unlock South Africa's economic potential and attract foreign direct investments. The EI pillar covers the following sectors; energy, commuter transport, broadband, water, liquid fuel, logistic network.

- **Social Infrastructure**

  Social Infrastructure (SI) investments are primarily concerned with health, education and affordable housing and related projects as well as businesses that will yield financial returns and contribute to the economic and social development needs of South Africa. The SI pillar covers the following sectors: affordable housing, healthcare, education and skills development.

- **Environmental Sustainability**
  Environmental Sustainability (ES) is concerned with projects that will result in reduced environmental impact, while delivering a real economic return. The ES pillar covers the following sectors, renewable energy, biofuels, energy efficiency, energy storage, clean technology, green buildings, green firms' conservation and recycling.
- **Small and Medium Enterprises**
  The Small and Medium Enterprise (SME) progamme seeks to invest in and support small and medium enterprises in a manner that yields satisfactory financial returns for investors, whilst contributing positively to the South African economy, particularly in terms of entrepreneurship, new enterprises and job creation. SMEs cover all sectors except gambling, arms and ammunition and sin sectors.
- **Private Equity**
  Private Equity (PE) focuses on investing in financially viable companies that demonstrate sustainable returns and to promote the transformation of key sectors such as Financial Services, Fast Moving Consumer Goods (FMCG) and Manufacturing. To achieve its desired investment returns, the PIC follows a thematic investment strategy, whereby key macro-economic themes are followed to identify long-term structural trends. Sectors and geographical locations in which to invest are selected on their ability to benefit from these trends, with companies that fall within those selected sectors and geographies being preferred.
- **Africa Developmental Investment**
  Africa Developmental Investments (ADI) aims to invest in large scale and long-term infrastructure projects that will achieve good capital returns, while also acting as catalysts to unlock Africa's economic potential and attract foreign direct investments. The ADI pillar covers the following sectors, energy, transport and logistics, social infrastructure and other related sectors, water infrastructure, information, communication and technology and broadband.

Portfolio Performance

The Impact Investing and Private Equity portfolio continues to grow, as approved projects are implemented. There is a lag mainly in the Impact Investing portfolio between approvals and investments due to the long implementation periods inherent in infrastructure projects. During the year under review, construction started at several private hospitals, which will become operational in the next two financial years. Renewable energy projects implemented in the prior financial year have started yielding strong financial returns, whilst contributing to increased energy output, albeit modestly. The portfolio's return on investment was lower than expected this year, in line with the weak macro-economic environment. The Private Equity Fund II's lower investment performance is attributable to the portfolio being in its infancy. However, we supported (primarily through shareholder equity funding), our investee companies as they raised funds for growth, either organically or through acquisitions.

Unlisted Properties

Investment Approach

The Unlisted Property Investments portfolio includes both directly and indirectly held properties.

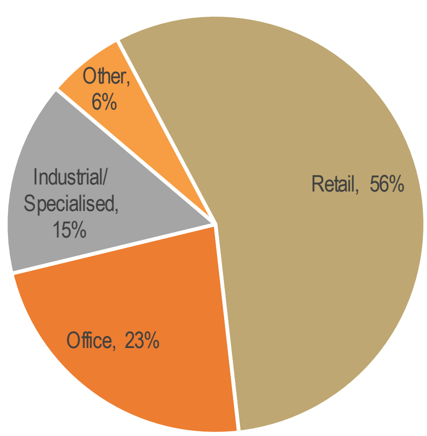
The definition for the different portfolios per the client mandate is as follows:

- Directly held portfolio: Properties directly owned and held on the balance sheet of the Client. The title deed reflects the Client as the registered owner.
- Indirectly held portfolio: Where the Client is a shareholder in an unlisted property company. The properties are held by the company. The Client holds the shares/ units in these companies.

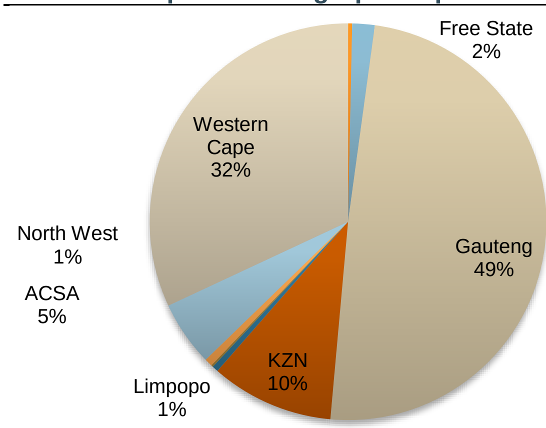
The total value of the properties held within the portfolio is R45.11 billion, representing assets that measure a total Gross Lettable Area (GLA) of over 3.424.000 m2. For the period under review, the PIC portfolio had its first exposure to investments in other parts of the continent. Through the indirectly held portfolio, an investment in Gateway Delta Development Holdings Limited was realized in December 2017, which forms part of the PIC's rest of Africa investment strategy.

At the end of the 2017/18 financial year, the actual asset allocations for all Clients were within their mandate prescripts which range from 0% to 7% of the unlisted property strategic allocation.

Unlisted Properties (39% of Unlisted AuM)



Unlisted Properties Geographic Spread



In ensuring that the unlisted properties portfolio outperforms the relevant benchmarks innovative options are continually explored to grow and improve existing assets under management as described by the strategic objectives below:

Unlisted Properties strategic objectives

Growth

- To maintain the PIC's leading position by focusing on quality new developments and redevelopment of non-performing assets; and
- Positioning the PIC clients as the preferred provider of office space accommodation for government and related entities while developing effective rental collection mechanisms.

Transformation

- Leading the transformation of the property sector through strategic investments that ensure skills transfer and wealth creation to previously disadvantaged groups.

Quality and Service

- Developing and acquiring assets that have world class facilities in preferred locations to ensure that the tenants associate the PIC with first class service and superior quality; and
- Pioneer the development of quality infrastructure coupled with excellent services for previously neglected markets such as townships and rural areas.

Environmental and Sustainability

- Upholding the principles of the United Nations Principles of Responsible Investing (UNPRI) as one of the founding signatories and implementing industry accredited practices and standards in managing the portfolio which include Green Building initiatives and Leadership in Energy and Environmental Design (LEED) certifications; and
- Emphasis on sustainability and positive performance over the long term, to ensure significant impact that is aligned to our Clients' mandate.

Social Impact

- The creation of employment opportunities in communities through the development of infrastructure whilst ensuring progressive spatial planning and integration;
- Ensuring practices of spatial integration according to industry standards by the creation of trade areas and the establishment of ties with the core areas and surrounding communities;
- Serving as a catalyst for local economic development in communities by promoting trade facilitation SMME growth; and
- Partnering and engaging with communities to build a sense of pride and ownership of assets that are located in their geographical location.

Portfolio Performance

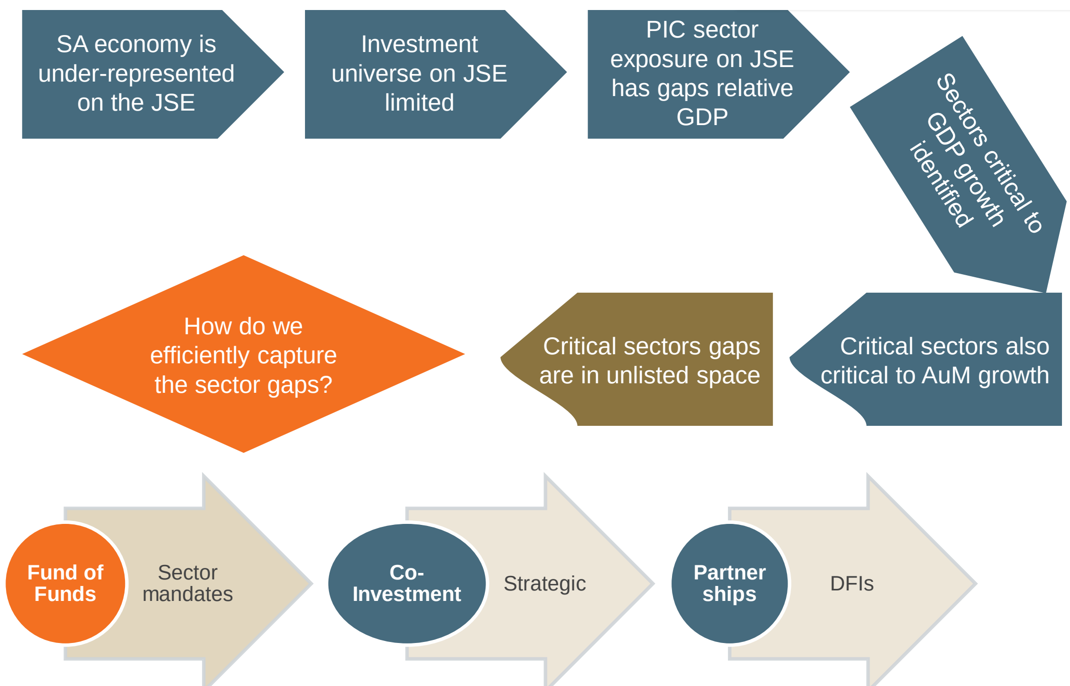
The Unlisted Property business prioritises the performance of all property investments across all portfolios to ensure that the business meets the client's expected returns as per the strategy and mandate. The financial year was a tough trading year for the commercial property sector, due to the low levels of business and consumer confidence, and a lacklustre domestic macro-economic environment, characterised by low growth. The difficult economic climate, prolonged policy uncertainty and the challenges of SOEs, have all contributed to structural hurdles that prevented the economy from achieving higher growth in 2017, in line with its true potential. This negatively affected the property market, as investors in the sector held off on deploying capital into the market or making expansionary decisions. Most investors took a cautionary stance that arose from public concerns that further investment could affect them financially if the prospects for political and policy certainty and good governance did not improve. As a result, 2017 proved to be a much more difficult operating environment in which to achieve the expected returns. The PIC manages super-regional shopping centres for the GEPF in three indirectly held property investment companies, namely Pareto (76%), Business Venture Investments – BVI (76%) and the V&A Waterfront (50%). It also manages retail, office and industrial property assets under the directly held portfolio. Despite the tough environment, the weighted total return for the property sector was 11.17%, which showed the resilience of property as an investment class.

Unlisted Investments Fund of Funds (Externally managed)

Investment Approach

The PIC has historically been able to successfully participate in South Africa's economy through investment in listed instruments and unlisted debt instruments in state owned entities. Its participation in unlisted instruments has largely been limited. PIC attempt to meaningfully participate in direct unlisted investment through Isibaya Fund has not reached the depth and critical mass to meaningfully participate in the wider economy on similar scale as its listed investments. In addition, economic activity of unlisted is significantly higher than official statistics would estimate. We believe that Fund of Funds approach to unlisted investment strategy is a critical component to delivering on our primary mandate of delivering returns to our clients that have impact in line with National Development Plan. Fund of Funds approach enables the PIC to have access to deals it would not typically have access to. It increases the reach and depth of its investment activities.

Unlisted Fund of Funds market opportunity



Another important characteristic of South Africa's private equity industry, in general, is that it is still largely untransformed in similar vein as its listed counterpart. The Fund of Funds investment approach in unlisted equities enables bilateral negotiation of the terms of each investment. For the PIC, transformation and ESG have been non-negotiable terms of our investments. This strong negotiating vantage point enables the PIC to transform not only the financial services industry (private equity), but the underlying industries in which the private equity fund invests. The ripple effect of this transformation is significant. In many cases, the PIC finds itself as the lone voice in pushing for transformation and diversity, as part of its responsible investing drive to achieve sustainable developmental goals. These investments enable the PIC to contribute to inclusive growth as enshrined in the national development plan. The PIC has recently launched a request for proposal (“RFP”), calling on black-owned fund managers to submit proposals to assist PIC in implementing its private equity mandate. The RFP further aimed to achieve triple goals of transforming the private equity industry in South Africa, to increase youth and female participation in mainstream economic activity and to bring sector specialists such as agriculture scientists, health and education specialists into the private equity industry as they are best placed to identify attractive investment opportunities in their respective fields. The response to the RFP has been overwhelming, which demonstrates the eagerness of ordinary South Africans to participate in economic activity to grow our lagging economy.

It is also evident that there is no correlation between the JSE and the real economy of South Africa. The All Share Index continues to grow, but the GDP growth has been pedestrian and, in some cases, contracting. This makes a case for increasing unlisted investments, especially through Fund of Funds. Increasing unlisted investments can assist in diversifying PIC portfolio and generate returns through different economic cycles. The PIC believes that Fund of Funds model is the best way to capture the promising growth story of the rest of Africa and to diversify PIC portfolio from being concentrated in South Africa. We believe that investments in unlisted equities, especially through Fund of Funds will provide the PIC with cost effective investment opportunities and leading market indicators that will inform investment decision on the existing portfolio and new investment decisions. The culmination of these strategies will yield a sustainable risk adjusted alpha for our clients.

Fund of Funds has been investing in private equity funds since 2004. To date the PIC has invested in over 25 private equity Funds - both South Africa and the rest of Africa.

Unlisted Fund of Funds Value Proposition

Extension of reach of PIC Strategy	**Transformation** Anchoring Black Fund Managers	**Portfolio Diversification** Geographies, fund types, asset classes, fund maturities
Best Vehicle to invest in **Rest of Africa**	Best Vehicle to invest in **SME**	Best Vehicle to invest in **Mezzanine Debt/VC**
Access to **Proprietary Deal Flow**	Access to **Market Intelligence**	Specialized Field with **Specialized Skills**

Fund of Funds is well placed to generate sustainable risk adjusted alpha returns

Unlisted Investments Developmental Impact

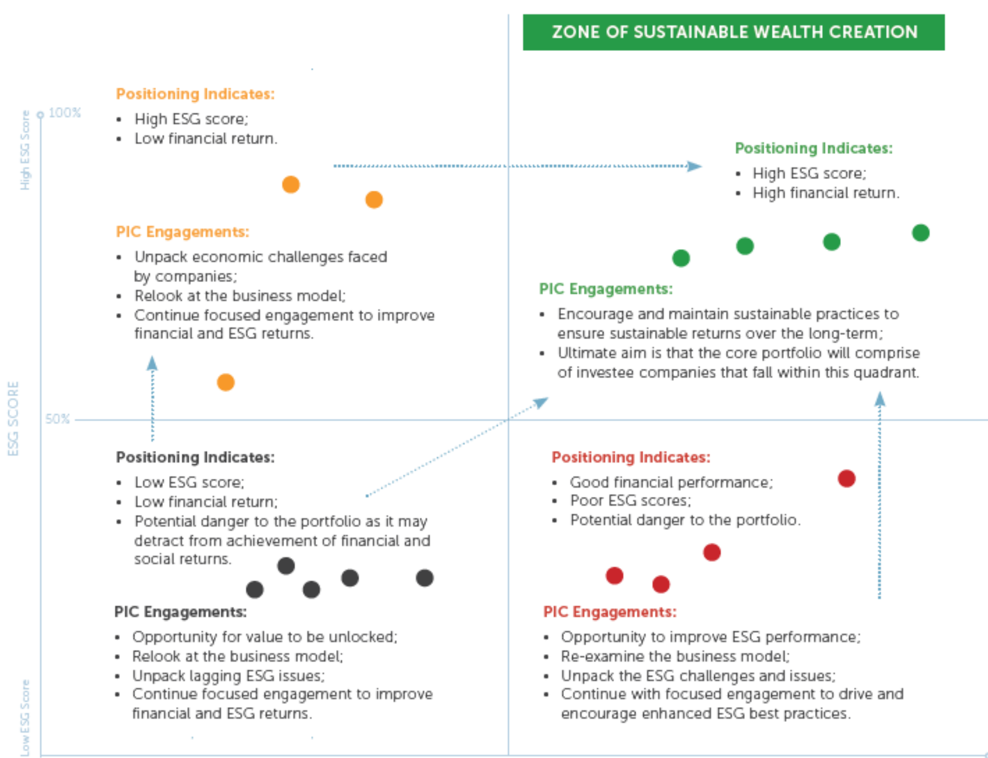
This section summarises the PIC's journey of becoming an impactful investor. Impactful investing is underpinned by ensuring the ESG performance of all investee companies within PIC's unlisted portfolio contributes meaningfully to sustainable wealth creation for its clients and the broader economy. Furthermore, there is a strong alignment of the PIC's unlisted portfolio with the United Nations' Sustainable Development Goals (SDGs).

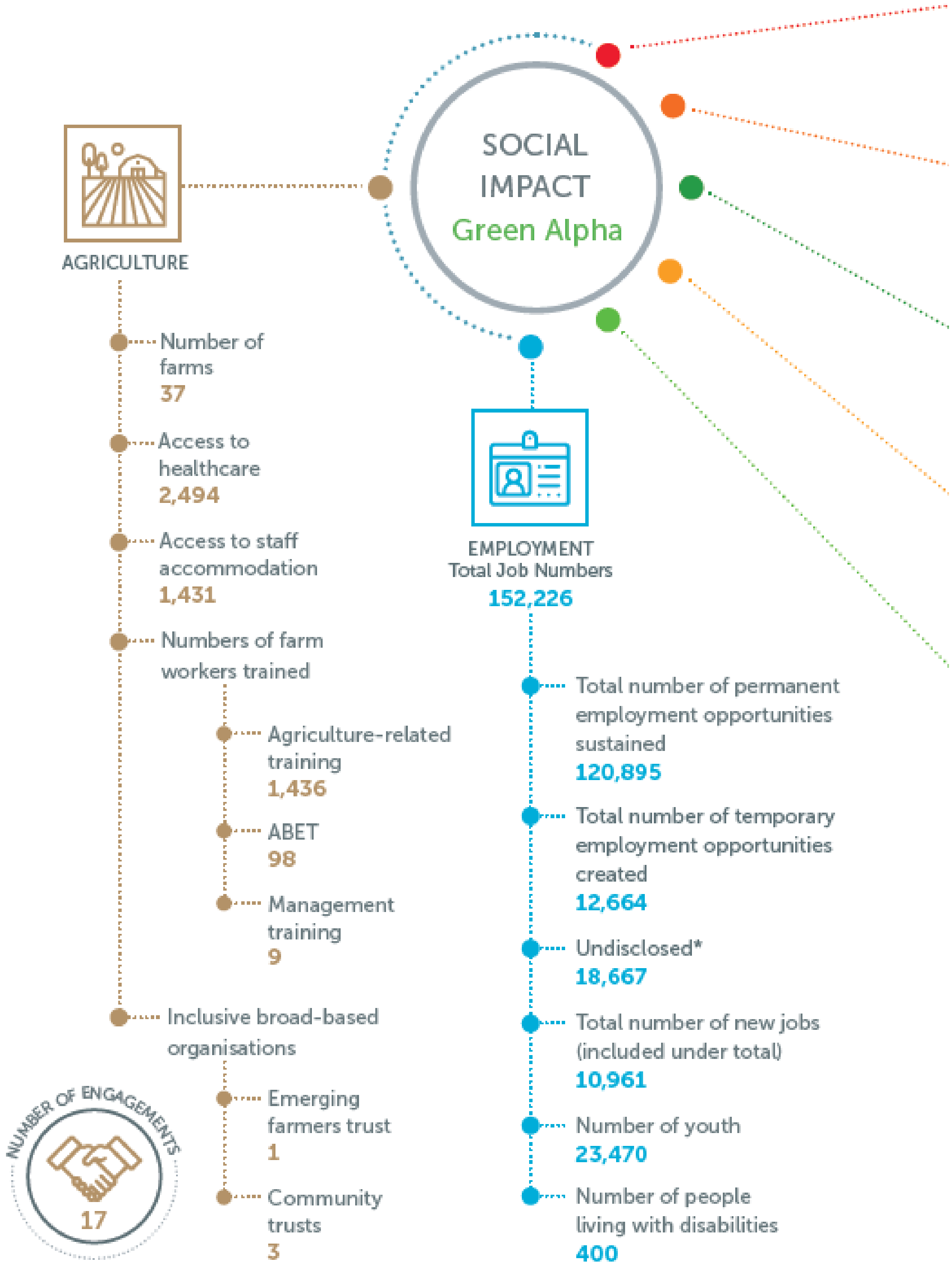
Environmental Social and Governance (ESG Investment Matrix)

Integration of ESG in investment decision making is important, with some of the benefits including the following:

- ESG issues can have an impact on the possibility of meeting investment objectives and can affect the long-term sustainability of returns;
- ESG issues are a source of risk in any investment portfolio that must be managed and bolstered;
- Proper identification of ESG issues places the investment in a better position to deliver long-term sustainable and balanced investment returns;
- Effective stewardship can play a role in enhancing risk-adjusted performance of investment; and
- ESG assessment and monitoring has the potential to reduce risks and manage the ESG impact on the investment return by potentially protecting and enhancing the investment wealth over the long term.

ESG Investment Matrix





* Not all companies disclosed terms of employment

COMMUNITY UPLIFTMENT AND ECONOMIC BENEFIT

- Number of SMEs supported
  785
- SMEs supported in excess of
  16,000 jobs

EDUCATION

- Number of student loans disbursed
  43,679
- Number of GEPF member received loans
  24,555
- Total number of student beds
  11,964
- Number of schools supported
  33
- Number of students (basic education)
  21,578

NUMBER OF ENGAGEMENTS
08

HEALTHCARE

- Total number of hospital projects
  22
- Total number of beds
  3,049

NUMBER OF ENGAGEMENTS
14

AFFORDABLE HOUSING

- Number of housing projects
  667
- Housing units
  45,359
- Number of housing finance
  55,886
- Housing finance for GEPF
  7,869

NUMBER OF ENGAGEMENTS
22

ENVIRONMENTAL

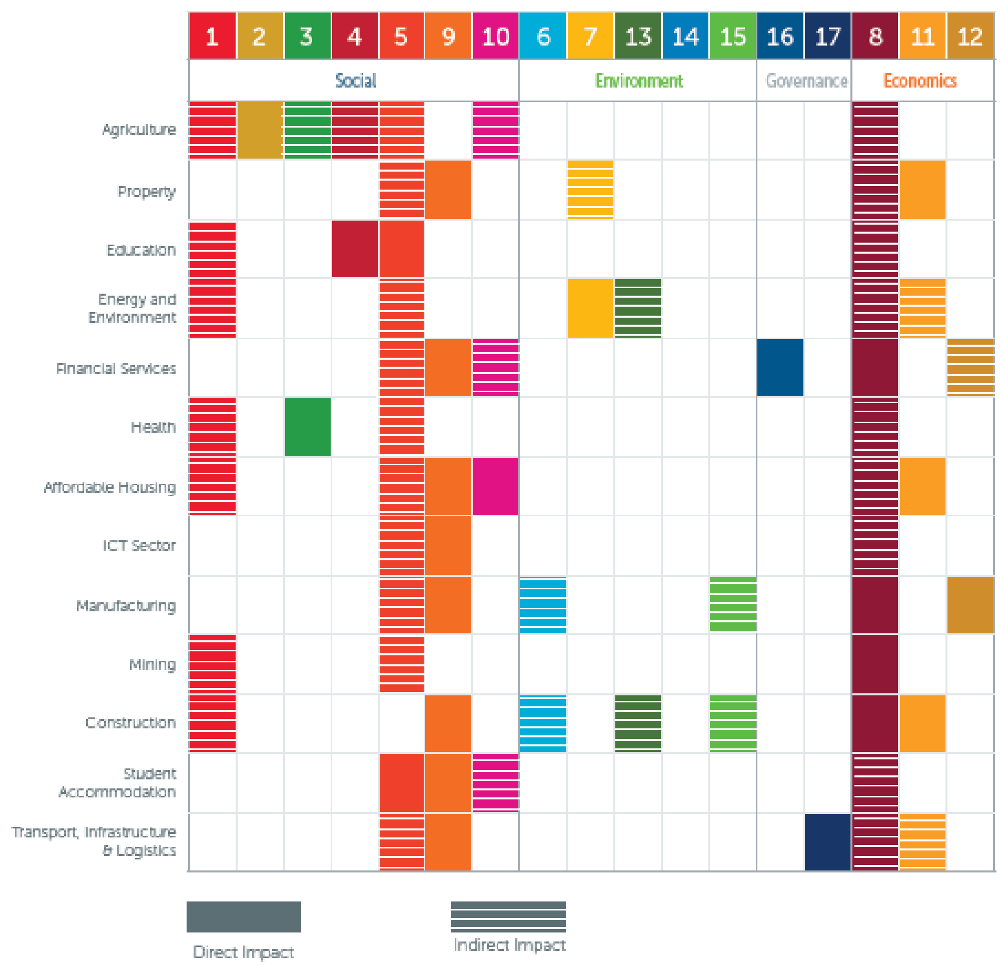
2,654.25MW (Direct and Indirect)

- Total number of projects
  41 (Direct and Indirect)
- Total number of MW that reached commercial operation date (COD)
  804

NUMBER OF ENGAGEMENTS
60

The PIC investments are geared towards responding to initiatives that support meaningful development in South Africa and rest of Africa as well as support the Sustainable Development Goals (SDG 2030), the National Development Plan (NDP) and Broad Based Black Economic Empowerment (BBBEE). The SDGs also known as the Global Goals, are a universal call to action to end poverty, protect the planet and ensure that all people enjoy peace and prosperity agenda. SDGs also seek to strengthen universal peace. They recognise that eradicating poverty in all its forms and dimensions, including extreme poverty, is the greatest global challenge and an indispensable requirement for sustainable development.

In line with the NDP, the SDGs thrive to promote sustainability growth and a faster-growing economy through job creation, and the removal of structural impediments, such as poor-quality education or spatial settlement patterns that exclude the historical disadvantaged individuals (HDI).



SA jobs per sector

The table below outlines the impact of jobs facilitated by South African companies on the different sectors of the economy.

The South African working-age population increased by 153 000 or 0.4% in the first quarter of 2018, compared to the fourth quarter of 2017. The rise in both employment (up by 206 000) and unemployment (up by 100,000) over the quarter led to a rise in labour force participation rate (from 58.8% to 59.3%). The quarterly employment increase of 206 000 in Q1: 2018 was driven by six of the ten industries. The contributors to the increase were community and social services (95,000), manufacturing (58,000), construction (40,000), trade (36,000) and finance and other business services (30,000) industries. Employment declines were recorded in transport (41,000), mining (14,000), utilities (6,000) and agriculture (3,000) (Statistics SA).

Sector	Jobs/sector*	PIC contribution	Contribution to the sector
Agriculture, forestry and fishing	846,610	13,351	1.58%
Mining and quarrying	397,006	10,236	2.58%
Manufacturing	1,849,017	12,860	0.70%
Energy	143,147	6,757	4.72%
Construction/ housing	1,430,517	5,414	0.38%
Transport and communication	960,396	5,366	0.56%
Health and education (social services)	3,785,363	5,536	0.15%
Financial services	2,402,413	68,296	2.84%
** Stats SA, Quarterly Labour Force Survey 2018 Q1*			

Employment: Over 150 000 jobs supported

Through its investments, the PIC, on behalf of its clients, has contributed meaningfully to the facilitation of jobs. Investments by the PIC can contribute to industrial development and increased production in targeted sectors where comparative advantage already exists and/or create new opportunities that will contribute to economic growth. The table below outlines how PIC-funded companies performed in line with specific sectors.

Sectors	Total	Male	Female	Permanent	Temporary
General fund*	60,255	13,265	8,517	51,613	2,370
Health*	7,413	2,343	3,564	7,286	127
Mining	9,015	7,948	1,067	8,635	380
Transport infrastructure	1,087	542	545	1,066	21
Housing*	2,828	2,109	374	1,763	1,065
Renewable energy*	6,091	2,597	507	5,996	95
Properties~	752	350	402	713	39
Financial*	21,714	3,846	5,473	8,751	568
Oil and gas	336	240	96	326	10
Logistics	1,314	952	362	1,233	81
Manufacturing*	8,871	6,467	1,462	8,062	809
Education	1,410	453	957	1,377	33
Tourism	1,94	112	82	164	30
Agriculture*	15,264	6,630	4,663	10,009	5,255
Consumer goods	8,190	4,266	3,924	7,136	1,054
Student Accommodation	445	285	160	432	13
ICT	2,824	1,825	999	2,824	0
Construction	3,942	3,280	662	3,228	714
Energy (coal)	281	263	18	281	0
Total	152,226	57,773	33,834	120,895	12,664

* Some companies disclosure weren't disaggregated into gender and terms of employment

~ This excludes construction development jobs which we estimate as 6 509

Transformation Engagements

South Africa continuously strives to correct the ills of the past through regulation and policy initiatives and, specifically, to empower Historically Disadvantaged Individuals (HDI). The B-BBEE Act provides the guidelines and thresholds for advancing transformation and empowerment. Albeit that true transformation, as intended, remains a challenge for some investee companies, the amended B-BBEE Codes have had an adverse impact on the BEE scores of most portfolio investee companies in meeting the required targets. The PIC, thus, continuously engages and advises investee companies on where and how to improve their B-BBEE status.

B-BBEE aims to address the imbalances of how the domestic economy is structured and to promote transformation that can enable meaningful participation for the majority of citizens in economic activities. The PIC believes that an appropriately transformed company - specifically a transformed ownership structure, management and workforce - creates a more cohesive operating environment that ultimately improves the operational efficiency for companies, adding to the bottom line, thus improving client investment returns. Based on our clients' mandates, the PIC is well positioned to drive transformation in a manner that ensures there are diverse and equitable distribution of economic benefits and decision making in our economy.

The objective of transformation within PIC investee companies is to give effect to the country's transformation agenda and the PIC's transformation objectives, which are, among others, to:

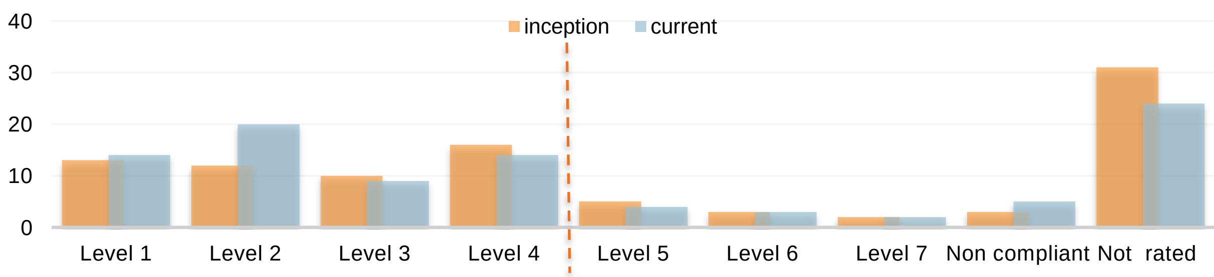
- Promote and incubate the growth of broad-based empowerment;
- Achieve wide-reaching social transformation;
- Stimulate economic growth and transformation in South African investee companies; and
- Integrate all the B-BBEE elements into business processes.

PIC's Unlisted Investment strategy includes exiting investments knowing that the company is commercially sustainable, empowered and profitable. With the B-BBEE facilitator status and broader empowerment objectives, the Unlisted Investment division believes that it will be able to transform companies to a level where their commercial success is contingent on it being appropriately transformed and socially responsible.

B-BBEE Level Contributor

The PIC transformation policy requires companies to achieve level 4 and higher. The discussion below demonstrates how investee companies performed against their transformation targets.

BEE black contributor level



The figure above reflects the performance of 91 portfolio investee companies since inception, with majority meeting the PIC's minimum required BEE rating level. Although the overall performance has improved, there has also been an increase in the number of companies that fall within the PIC B-BBEE non-compliant levels (levels 5, 6, 7, non-compliant and not rated). Reasons for the increase have been companies that have been adversely affected by the change in B-BBEE legislation (old to new codes). The revised BEE Codes have seen the government taking a more interventionist approach in transformation, with increased emphasis on black ownership. The new legislation is stricter, especially in its manner of scoring and calculating B-BBEE compliance levels, or status.

The majority of the companies that fall under level 5 to non-compliant categories are in the renewable energy sector, as conducting B-BBEE verification in environmental infrastructure is optional, as a result of the Department of Energy (DoE) developing a different method of measuring transformation. The DoE's matrix focuses mainly on local content and the benefits that flow to local communities. It is worth noting that all our investee companies comply with the DoE's transformation mandate.

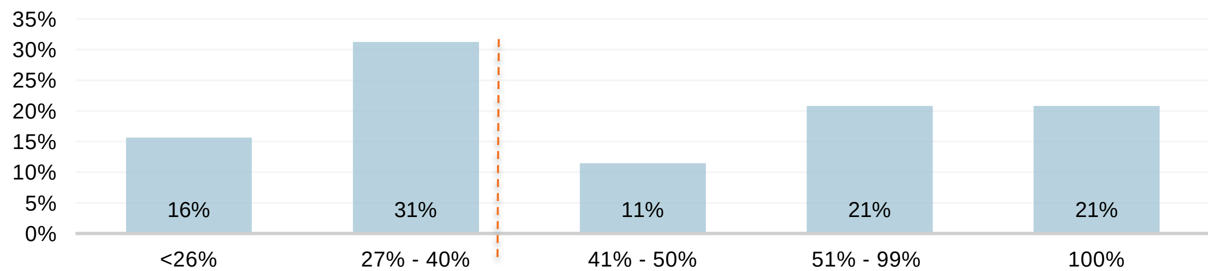
B-BBEE Ownership

B-BBEE ownership is seen as integral to the transformation mandate as it ensures that there is equitable distribution of economic benefits and power within a company. As part of the PIC's mandate to drive transformation, it is understood that true transformation occurs when black people (as defined in the B-BBEE Codes) participate in the economic interest and control of investee companies. It is anticipated and negotiated that, over time, investee companies should achieve the following PIC targets:

- HDI ownership should ideally be, at least 40% of the most senior class of shares. This target includes broad-based groupings such as Non-Governmental Organisations, Community Based Organisations, Employee Schemes, with minimum holdings of 10%;
- Minimum 15% to 20% black women ownership;

- HDI representation shall be equitable, including black youth, women and people with disabilities;
- When funding HDIs to acquire shares in an investee company, the PIC shall strive to secure step-in rights, pledge and cession of shares at a minimum; and
- Funding employee scheme acquisitions shall require representation by an unrelated or inter-related trustee(s) to the investee company.

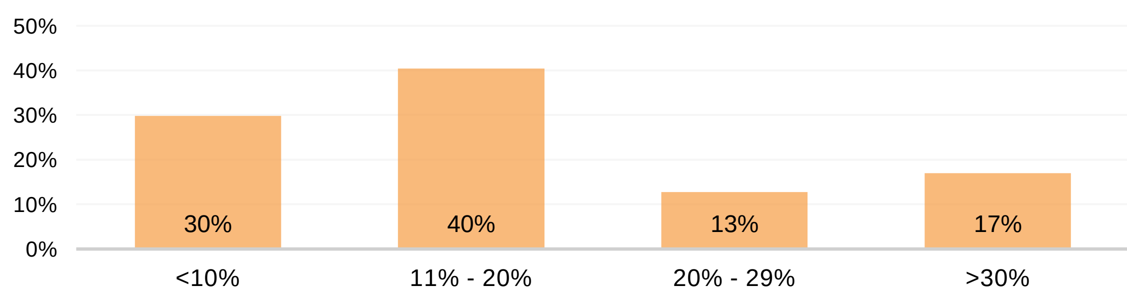
BEE ownership



Although 47% of the investee companies are below the PIC B-BBEE Policy threshold of >40% black ownership, only 16% of companies have performed below the B-BBEE Codes 26% threshold. All the companies that are below the PIC B-BBEE Policy threshold have developed corrective action plans and undertakings have been provided to the PIC, to ensure that when opportunities arise, they will ensure they increase their black ownership and also that black people, including employees, shall reap financial benefits.

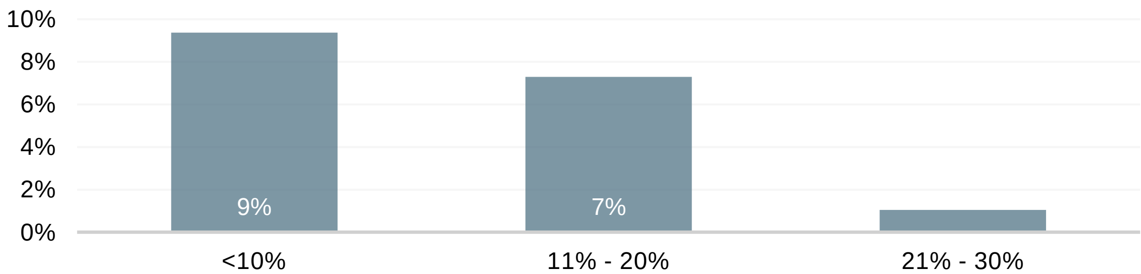
It should be noted that 49% of investee companies have incorporated women as part of their shareholding structures and 17.7% broad-based organisations, through employee share ownership plans, community trusts and/or organised groups of HDIs such as doctors and farmers.

BEE Women ownership of portfolio investee companies



Although in all instances, both women and broad-based group ownership are in the minority, as part of the PIC's active ESG engagement and negotiation, the PIC ensures that both groups are afforded an opportunity to form part of the decision-making. Minority protection provisions are included in legal documents to ensure that as minorities, the status of such groups isn't deliberately diluted.

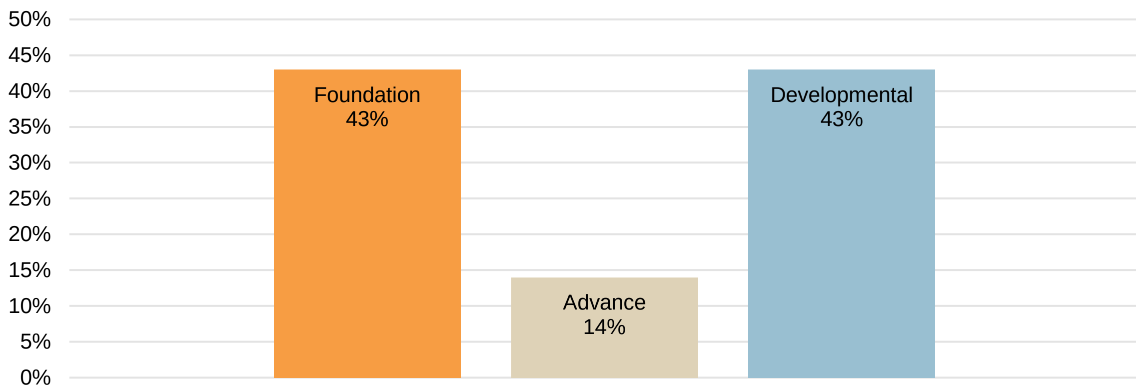
BEE Broad-Based ownership across portfolio investee companies



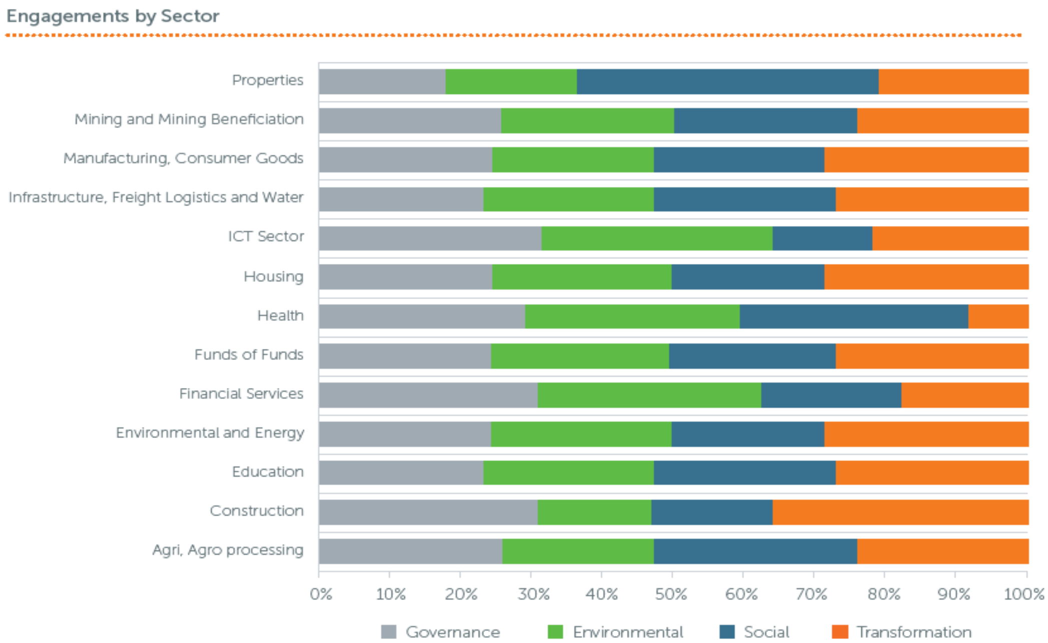
Promoting Good Investee Governance

The PIC believes that good corporate governance will ensure that there is a balance of interest between an organisation and its stakeholders. The PIC assessment framework assesses governance practices in the context of the business strategy, its environmental context and the company's key business risks, to determine whether the board is positioned to fulfil stakeholder needs. The PIC requires an effective corporate governance framework be present/implemented which is under pinned by an appropriate and effective legal, regulatory and institutional foundation, upon which all market participants can rely.

Governance Maturity of investee companies



ESG Engagements: 372 engagements during the financial year



Small and medium enterprises: 785 supported across multiple sectors

SMEs are regarded as key drivers for economic growth, innovation and job creation. These enterprises contribute significantly to national GDP and have proved to be major contributors to job creation. The NDP proposes that for South Africa to overcome poverty, and to reduce the proportion of people who are dependent on welfare payments from the state, the SME sector would have to grow significantly. The NDP expects that, by 2030, 90% of new jobs will be created by the SME sector. The NDP anticipates that 90% of the proposed 11 million jobs will be created by SMEs. Research conducted by the South African Institute of Chartered Accountants (SAICA) shows an increase in the number of people employed by SMEs depending on the size and the age. The PIC mandate is in line with the NDP chapter on economy and employment. Among the key focus areas have been sectors and clusters, which provide decent employment opportunities resulting in a skilled and capable workforce to support an inclusive growth path. The PIC has directly invested in businesses that support SMEs through financial support and capacity building. During the reporting period, the PIC supported 785 SMEs in different sectors through direct investment and contracting. It is anticipated that the number of people employed in SMEs will grow rapidly, with increased turnover and with the length of time a SME survives. SMEs supported have created more than 16,000 jobs.

It is anticipated that through the PIC client investments in infrastructure developments and projects, the PIC is playing a critical role to advance enterprise development in the country through sub-contracting. Although the majority of the businesses supported are in Gauteng, there has been a reasonable split to provinces including Mpumalanga, North West, Western Cape and KwaZulu-Natal.

Training and skills development

To enhance sustainable employment opportunities, the PIC encourages companies to continue advancing training opportunities to all employees, especially those with low education levels. The skills development element ensures long-term sustainability of projects and promotes ownership and accountability in the project as it instils a sense of recognition and value. The Skills Development Act and B-BBEE Codes play a crucial role in addressing the skills development shortage and has helped to increase productivity in the workforce. Skills development has become a crucial aspect of economic development in South Africa, with most investee companies striving to achieve the skill development targets set by different legislation.

The agricultural sector plays a leading role in providing Adult Basic Education Training (ABET) due to the nature of its employees, who are mainly women from previously disadvantaged communities. During the year under review, more than 7,400 received ABET and technical skills training. Infrastructure development plays a role in skills development in local communities – 6,312 local, unskilled employees have been exposed to new skills through their employment in different sectors. In addition, infrastructure development promotes and can achieve skills development in the market, as there is a great focus on unskilled labour and empowerment of women. In addition, the PIC's investments have supported 1,086 learnership programmes across various sectors.

Unlisted Case Studies

Business Partners

Business Partners Limited ("BPL or the Group") was founded in the historically recognized need to fund small and medium enterprises ("SME's") to drive entrepreneurship and job creation in South Africa.

The PIC on behalf of the GEPF approved and invested a 10-year term R400 million loan into BPL in April 2012. This has assisted the Group to successfully grow its loan book to c.R3 billion as at June 2018. The investment was instrumental in accelerating the Company's strategic plan and has assisted in making a total of more than 71 000 investments in excess of R18.5 billion since inception until March 2018. Furthermore, in assisting government with initiatives of curbing unemployment since inception BPL has facilitated in excess of 620 000 jobs.

For the year ended 31 March 2018, the Company made available in excess of R1 billion in funding to business owners and thereby significantly contributing to sustaining businesses and in the process, creating and facilitating employment. R889,3 million of the R1,049 billion approved for the financial year was disbursed, and this translated into 11 601 number of jobs facilitated in 295 investments approved.

The Company, which has been in existence for 37 years, has a dual mandate of pursuing profit as well as social impact. Its industry sectors are wide and cover the manufacturing, retail and franchise sectors, amongst others.

The Group, which has a staff complement of 289 employees, makes available (at a fee) non-financial support through mentorship support services and technical assistance to its clients. These services are available through the Group's national infrastructure and computerized database. BPL also has a flagship enterprise development programme called the SME Toolkit that provides free resources for entrepreneurs.

BPL's net profit for 2018 has increased by 5,4% to R218,4 million (FY2017 net profit was R207,1 million), with its total assets increasing by 7,5% to R5,1 billion (FY2017 total assets were R4,8 billion).

South Point

Through the acquisition of South Point, the PIC gained instant access to targeted investment area with tangible social returns in the education sector which can be measured through access to student housing etc.

South Point was established in 2003 to meet the growing need of student accommodation in South Africa and has been operational for 11 years. Historically, exploitative landlords were the prevailing alternative to on-campus housing, with the majority of students living in poorly maintained and expensive accommodation. South Point has since redefined the industry, by becoming the country's largest provider and manager of student accommodation outside of the universities housing some 12,000 students nationally.

South Point has become a market leader in South Africa as the only independent owner and manager of student accommodation, targeting undergraduate and postgraduate students at public and private institutions operating nationally.

In early 2004, South Point identified Braamfontein as the next frontier to consolidate ownership and establish a new residential node to rival what existed to the north east of the CBD through the conversion of under-utilised and distressed commercial buildings into student accommodation.

South Point provides professional management services to its 41 building portfolio and is headquartered in Braamfontein with properties in Johannesburg, Port Elizabeth, Bloemfontein, Cape Town, Durban and Pretoria with a staff contingent of 420 individuals. The current portfolio of SPMS's properties includes the student, commercial, retail and a hospitality portfolio.

South Point have redeveloped buildings into student accommodation providing safe, affordable and convenient living for some 12,000 students across five Provinces. South Point also has a related apartment style residential portfolio (3 buildings) in Braamfontein that accommodates 1,000 senior/post-graduate students and young urban professionals.

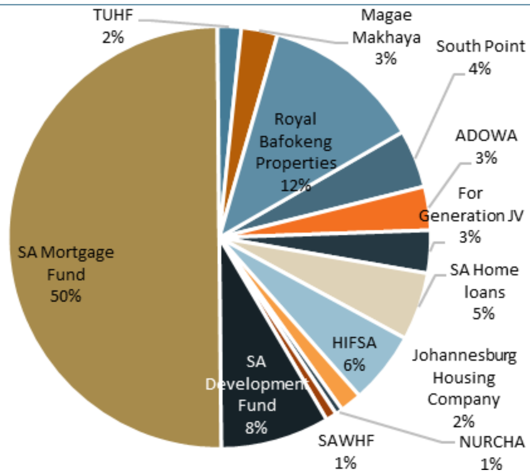
UNLISTED SUMMARISED COMPANY INFORMATION by SECTOR

Following on from the summary provided of the Unlisted Investment holdings provided earlier in this document, this section sets out the detailed sector level investments as at the financial year end 31 March 2018. It provides further discussion on the sector investment drivers, linked to the specific company investments made. Going forward, increased emphasis has been placed on improving the distribution of the allocation of funds across sectors. Investments are made based on availability of transactions and the appropriateness of the investment case at a point in the economic cycle. Although this represents a snapshot of the current exposure, it needs to be read in context of an ongoing unlisted investment strategy with a long-term investment horizon. Ongoing fundamental in-house research is undertaken to ensure the dual mandate objects are achieved.

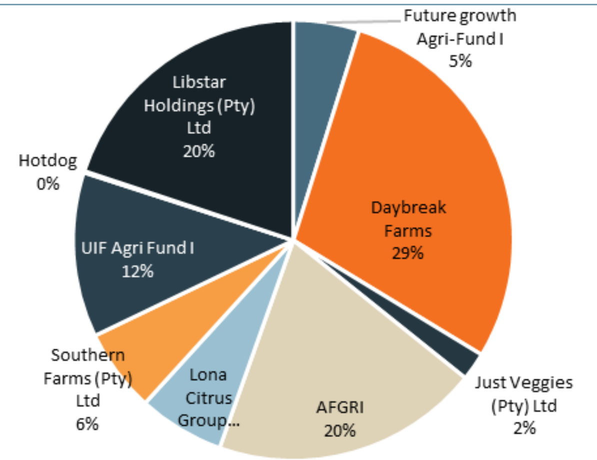
Summary of Unlisted Investments by Sector at 31 March 2018: R154bn

Isibaya Investments (72% of Unlisted Committed Investments)					
Sectors (including Africa Holdings)	Number of Investments	Total Committed (Rands)	% of total committed	Total Invested (Rands)	% of total invested
Affordable Housing	11	16,812,000,000	15%	9,169,176,551	9%
Agriculture	9	4,131,800,824	4%	4,104,108,824	7%
Construction	4	15,425,634,581	14%	15,334,877,554	3%
Education	3	1,999,300,000	2%	1,638,805,771	2%
Energy: Non-renewable	9	5,045,551,876	5%	4,722,301,725	7%
Energy: Renewable	13	14,758,082,489	13%	9,757,730,235	11%
Financial Services	10	11,877,799,298	11%	10,322,298,002	8%
Healthcare	11	4,522,884,175	4%	3,887,571,678	9%
ICT	4	3,449,766,083	3%	3,008,935,165	3%
Manufacturing	5	4,667,657,951	4%	4,591,669,142	4%
Mining and Beneficiation	4	821,270,994	1%	677,549,205	3%
Tourism	1	83,210,000	0%	83,210,000	1%
Transport and Infrastructure	8	4,301,520,242	4%	4,061,869,710	7%
Water and Sanitation	1	187,500,000	0%	187,500,000	1%
Indirect Strategies	22	21,097,524,195	19%	14,033,604,780	18%
Properties Debt managed by Isibaya	6	1,734,074,267	2%	1,256,056,845	5%
Total Isibaya Committed Capital	**121**	**110,915,576,975**	**100%**	**86,837,265,186**	**100%**
Unlisted properties (28% of Unlisted Committed Investments)					
Property Equity Investments	**188**	43,289,585,086	100%	40,257,662,086	100%
TOTAL Unlisted Committed Capital	**309**	**154, 205,162,061**		**127,094,927,272**	

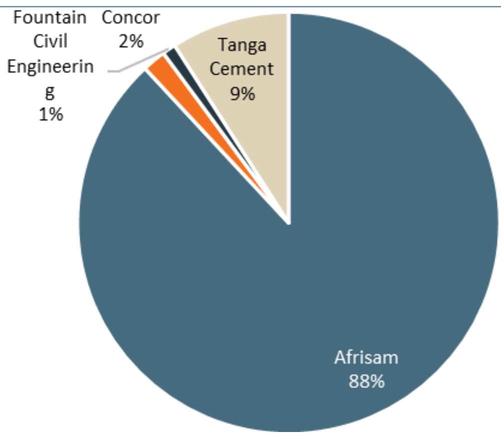
Affordable Housing, (15% of Isibaya Total Committed Capital)



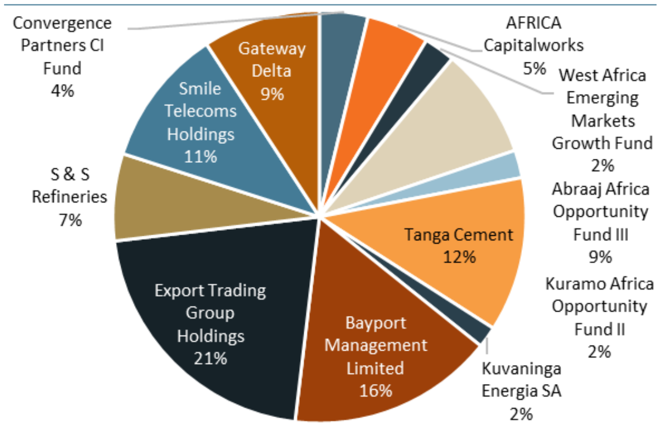
Agriculture, (4% of Isibaya Total Committed Capital)



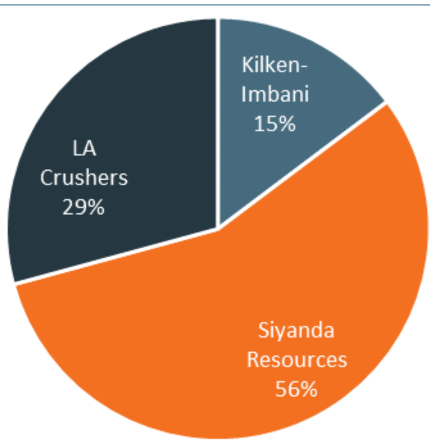
Construction, (14% of Isibaya Total Committed Capital)



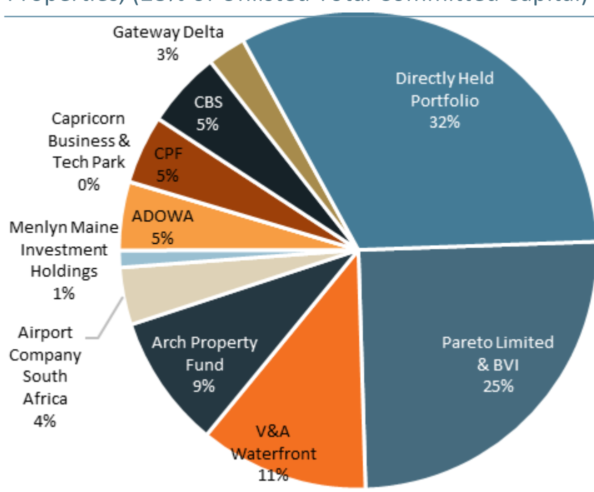
Africa, (11% of Isibaya Total Committed Capital)



Mining, (1% of Isibaya Total Committed Capital)

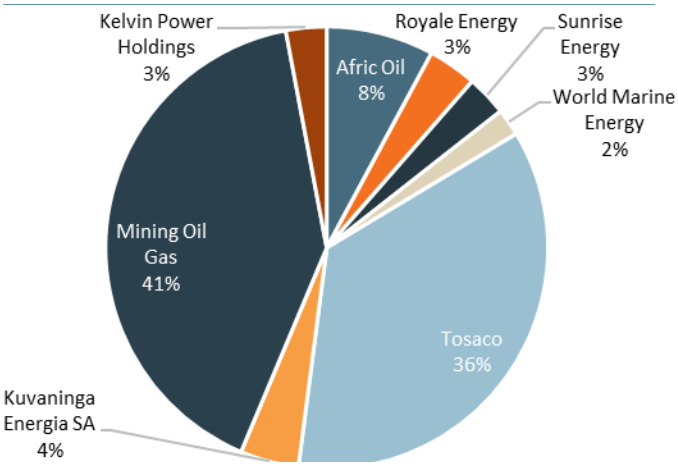


Properties, (28% of Unlisted Total Committed Capital)

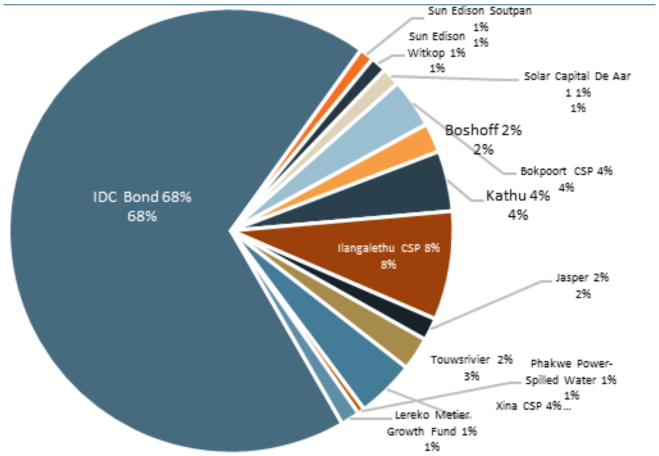


PUBLIC INVESTMENT CORPORATION®
Est. 1911

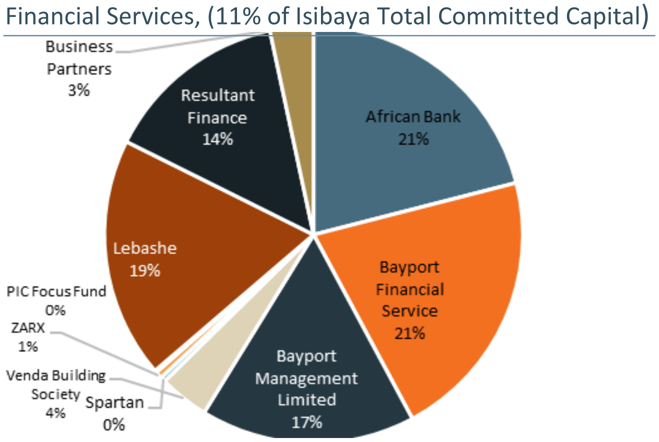
Energy, Non Renewables, (5% of Isibaya Total Committed Capital)



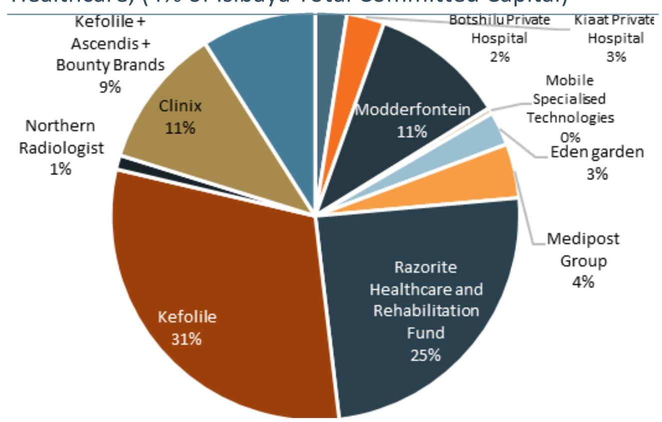
Energy, Renewables, (13% of Isibaya Total Committed Capital)



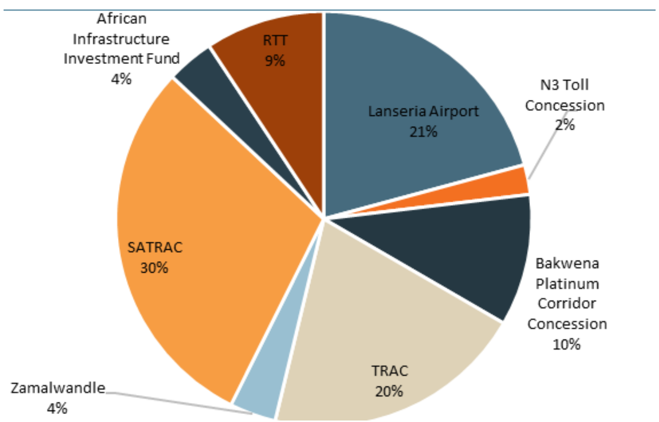
Financial Services, (11% of Isibaya Total Committed Capital)



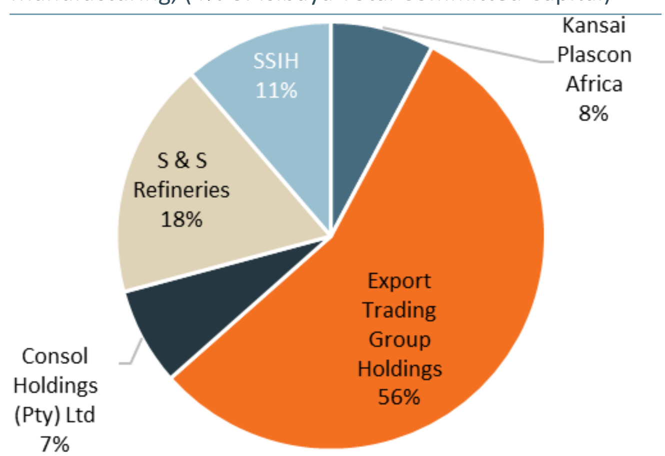
Healthcare, (4% of Isibaya Total Committed Capital)



Transport and Infrastructure, (4% of Isibaya Total Committed Capital)



Manufacturing, (4% of Isibaya Total Committed Capital)



Affordable Housing

Market investment drivers and outlook

The housing market remains in a difficult phase amidst a poor performing economy, continued financial pressure on household balance sheets and subdued building confidence. The number of new housing units completed declined by 8.0% year-on-year (y/y) in the first eight months of 2018. This decline can be attributed to the segment of houses smaller than 80 m^2 (affordable housing falls within this category), which contracted by 31.2% y/y, more than offsetting the 12.0% y/y growth in the number of new flats and townhouses built and 1.2% growth for houses larger than 80 m^2. Regionally, Gauteng led the decline in building activity, where the number of new houses completed, decreased by 13.7% in the first eight months of this year. Six other provinces also recorded a contraction. Average building costs for completed houses rose by 5.4% y/y to R7 435 per square meter between January to August 2018. Building costs for houses smaller than 80 m^2 rose by 22.1% y/y in the eight months to August of 2018, while building costs for houses larger than 80m^2 and flats and townhouses increased by 3.2%y/y and 2.9%y/y, respectively.

The subdued environment in the housing market is also reflected by moderate house price inflation. The Standard Bank House Price Index shows that year to date, house prices have increased by 4.4% compared to 4.8% in 2017. When factoring consumer inflation (4.5% average for the year to date), this implies no real appreciation in house prices this year. The rental market is also experiencing challenges, with rental inflation of 4.0% in September, much lower than headline inflation of 4.9%.

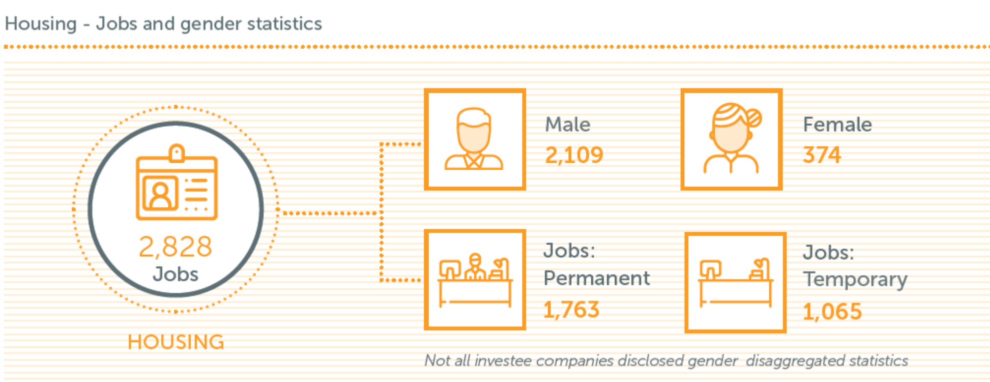
Looking ahead into 2019, we can expect an improvement in building activity as the number of building plans approved increased by 11.0% y/y to 41 480 units in the period January to August 2018. This growth mainly reflected 29.5% y/y growth in building plans approved for flats and townhouses. Plans approved for houses smaller and greater than 80m^2 showed a marginal decline compared to last year. The growth in building plans came mostly from Gauteng and Western Cape.

The **listed housing sector** stocks have been under pressure, largely affected by the poor macroeconomic conditions in South Africa. Year to date, the sector is still suffering from weak macro fundamentals that has had a dire impact on the target consumer market.

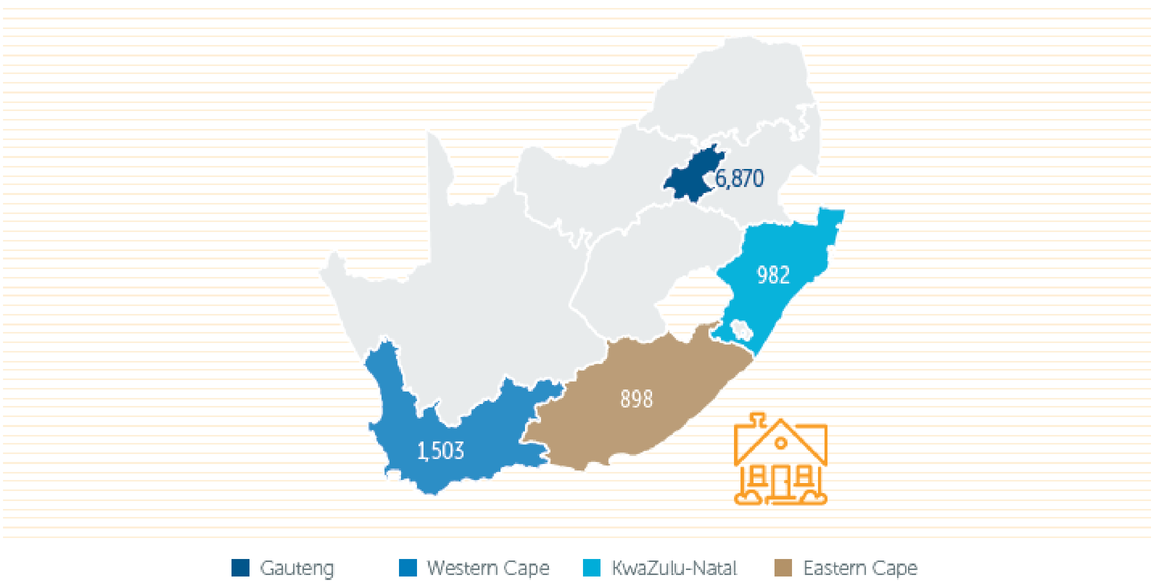
We expect the squeeze in household finances to moderate going forward as the MTBPS signalled no further tax hikes in 2019, creating room for demand to increase next year. In addition, mortgage lending is gradually improving, albeit from low levels, and the deleveraging by households in the past two years, means that they are in a position to borrow. Two factors that may weigh on the outlook include the uncertainty around land expropriation without compensation and property rights as well as the anticipated rise in interest rates going into 2019

PIC holdings as at 31March 2018: Affordable Housing (R16 812m or 15% of Isibaya Total Committed capital)

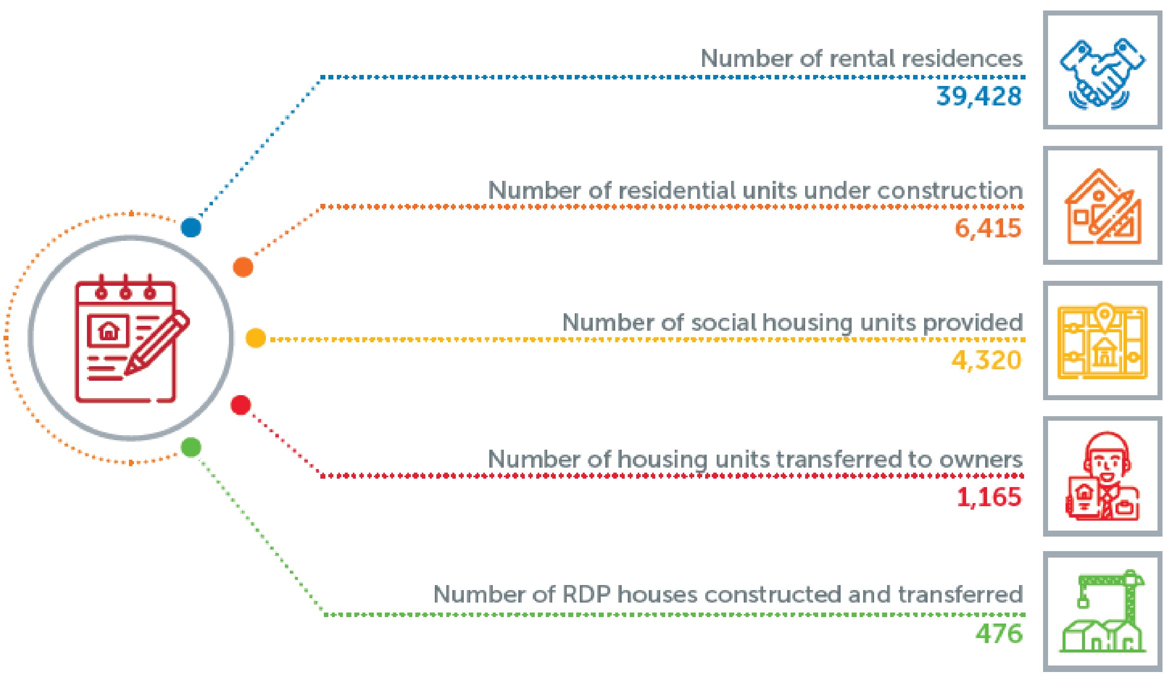
INVESTEE COMPANIES	% CONTRIBUTION	AMOUNT COMMITTED (Rands)	AMOUNT INVESTED (Rands)
South Point	4%	800,000,000	780,000,000
SA Home loans	5%	937,000,000	909,465,626
HIFSA	5%	1,000,000,000	879,009,299
Johannesburg Housing Company	2%	300,000,000	91,389,727
NURCHA	1%	100,000,000	70,000,000
SAWHF	1%	150,000,000	141,985,717
SA Development Fund	8%	1,500,000,000	93,742,000
SA Mortgage Fund	48%	9,000,000,000	4,860,373,901
TUHF	2%	325,000,000	321,560,457
Magae Makhaya	3%	500,000,000	79,765,798
Royal Bafokeng Properties	12%	2,200,000,000	941,884,026
TOTAL	**100%**	**16,812,000,000**	**9,169,176,551**
% Total of Isibaya Total Committed Capital		**15%**	



Geographical spread of the housing projects in South Africa



Housing - Statistics

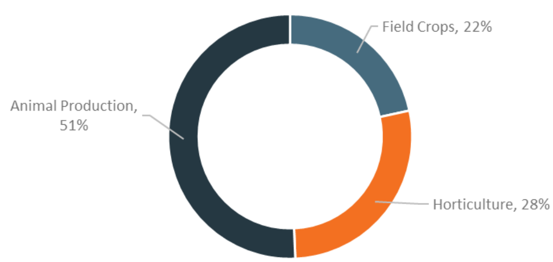


Agriculture and Agro-Processing

Market investment drivers and outlook

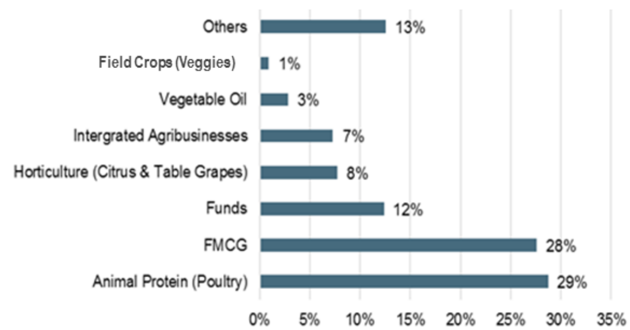
Despite anemic macroeconomic growth during the first half of 2018, the primary agricultural sector grew by 2,1% year-on-year to R273 billion with the Net Farm Income increasing by 6,2% over the same period. This positive movement of the Net Farm Income is indicative of farmers managing to keep costs under control. Animal products is the biggest subsector of the South African agricultural sector, accounting for 51% of the sector (see below).

Composition of SA farming by gross income, R273bn by June 2018



Source: Crops and Market Report, June 2018 (DAFF)

PIC Unlisted Agricultural AuM, June 2018



Source: PIC research

Despite the negative impact of drought and animal disease outbreak, the animal protein sector is benefiting from two mega trends: 1) macroeconomic growth and 2) consequent increase in the population of the middle-class with insatiable demand for all things animal protein on the back of changing dietary patterns. Horticulture, which is largely composed of high-value export crops is the second biggest sub-sector, contributing to 28% to the total gross farm income. The last contributing sector is the field crops such as maize, wheat and sunflowers contributing sum total of 22%.

Animal Protein

Animal Protein is the biggest sector value at R143 billion as at June 2018, representing an increase of 13% relative to June 2017. Within this sector, poultry is the biggest for reasons of affordability and health considerations by consumers. Following contraction due to negative impact of drought and lately that of animal disease outbreak, all animal products types recorded an increase of between 5% and 15% on a year-on-year basis to June 2018. The near-term outlook is indicative of the return of El Nino, which is associated with drought. However, it is still early days and conditions could improve during the early part of the summer planting season. Currently, beef and poultry industries are in recovery mode from the impact of animal disease outbreak such as the N5H8 Avian Influenza (AI) in birds and ducks and drought. Both these incidences led to the culling of animals to avoid the spread of disease and also to limit the negative impact of high feed costs on the farming businesses and profitability.

Beef farmers are currently rebuilding their lost herds and this is reflected in the high beef and egg prices in the market as market supply is still limited due to lower stock. Poultry and eggs were also affected by the outbreak of AI as stated above that led to the total culling of more than 2 million birds.

Eggs recorded the biggest gross value increase of 15% to R11,8 billion and this is on the back of reduced egg laying flock and thus lower egg production relative to domestic demand. Eggs were followed by poultry products whose gross value increased by 14,6% to R46 billion over the same period. This was closely followed by cattle whose gross value increased by 14,3% to R37 billion

Horticulture

The South African horticultural sector is largely an export oriented sector, growing high-value fruits for exports. The sector is valued R78 billion, having grown by 1,8% year-on-year to June 2018. The sector is specifically composed on vegetables, deciduous fruits, citrus fruits, viticulture and subtropical fruits.

The horticultural sector, dominant in the Western Cape, was largely affected by the drought, which impacted not only the fruit's size but also lead to reduced volumes harvested. The sector's strong performance is however due to positive net export realization and weakening of the rand exchange rate.

Amid the growth of the health consciousness among consumers, there is an accompanying increase in the market demand for vegetables. The real risk of drought has placed a premium on access to good water bodies for irrigation. The product mix however has to be right and thus in line with market demand. Variability of the weather is possibly one of the major risks facing all farmers in South Africa and elsewhere.

High-value export crops also had a positive contribution to the increase in the gross value of agriculture. For instance, citrus value increased by 7,8% to R19 billion while the value of subtropical fruits such as apples and pears increased by 5,9% to R4 billion. High value export crops are largely found in the Western Cape, Mpumalanga, Northern Cape and Limpopo provinces. It is therefore worth noting that the positive contribution from horticultural fruits come at a time when the Western Cape was at the most severe drought to ever grip the province. South Africa is known globally as among the top producers of many of the horticultural fruits. For instance, the country is among the top five producers of citrus. Although there are early indication of another onset of El Nino, Western Cape appears to have entered the tail end of the drought and thus returning to normal weather conditions.

Field Crops

Field crops are by and large low value crops in their unprocessed form but valued at R52 billion following a decline of 19% year-on-year to June 2018. The biggest contributor to the decline were sunflower seeds (-34%), maize (-30%) and wheat (-20%). The prices of these soft commodities are highly volatile based on seasonal production and rand exchange rate movement. Maize is a major proxy for the field crops and its performance has wide impact on other sectors such as animal protein by virtue of being the major input into animal feed. According to the first intention to plant summer crops, farmers are planning to increase maize planting by 5,5% to 2,4 million hectares. This is further confirmed by the increase in the purchases of farm machinery. For instance, June tractor sales of 569 units were almost 19% up on the 479 units sold in June last year. On a year-to-date basis, tractor sales for the first five months of the year are almost 12% higher compared the previous year.

Overall outlook: The South African agricultural sector is well on recovery from the impact of drought and that of animal disease outbreak. However, full recovery will take longer time as it takes time for herd to be rebuilt to the pre-drought population. Drought has also brought to the fore the major risks of rain fed farming.

In response, many farmers are installing irrigation infrastructure. Policy uncertainty on land ownership due to current work by the Constitutional Review Committee on land expropriation without compensation remains a real risk to PIC's exposure, particularly to the Funds investment vehicle. This is more so because South African agricultural land is the prime target of these PIC exposed funds. Besides exposure to the Funds, PIC has investments across all three segments of the agricultural sector. Although the agricultural portfolio may not be optimally balanced currently, exposure to different segments mitigate against some of the industry systemic risks. Incremental future investments will ensure increased diversification into high return and high impact segments of the agriculture market, further mitigating risks and improving the agriculture portfolio return.

Context with the listed investments: For the financial year to March 2018, the food producing companies have demonstrated strong growth with earnings per share growing of 24.49%, driven by low feed costs for producers, increased production, and improvements in the drought of the Western Cape etc. However, Food producing companies have underperformed relative to the JSE All Share Index for the financial year ending March 2018, and this is due to weak economic growth, listeria outbreaks, avian flu epidemics amongst other causes, which affected production. Post year-end, the market is expecting an average earnings growth of 12% over the next two years, which will be driven by continued low maize prices, favourable weather conditions, contained outbreaks on diseases, weak currency supportive of exports. Earnings outlook is supportive of this sector going forward, unit sales of the month of June were 5 units more than units sold in June last year. On a year-to-date basis, combined harvester sales are now approximately 5% down on last year.

PIC Commitments as at 31 March 2018: Agriculture (R4 131m or 4% of Isibaya Total Committed Capital)

INVESTEE COMPANIES	% CONTRIBUTION	AMOUNT COMMITTED (Rands)	AMOUNT INVESTED (Rands)
Future growth Agri-Fund I	5%	200,000,000	200,000,000
Daybreak Farms	29%	1,191,790,036	1,191,790,036
Just Veggies (Pty) Ltd	2%	85,000,000	82,100,000
AFGRI	20%	813,936,688	813,936,688
Lona Citrus Group	6%	261,489,891	261,489,891
Southern Farms (Pty) Ltd	6%	252,340,000	230,800,000
UIF Agri Fund I	12%	500,000,000	500,000,000
Hotdog	0%	5,000,000	1,748,000
Libstar Holdings (Pty) Ltd	20%	822,244,209	822,244,209
TOTAL	**100%**	**4,131,800,824**	**4,104,108,824**
% TOTAL OF Isibaya Total Committed Capital		**4%**	

Agriculture - Jobs and gender statistics

15,264 Jobs Facilitated

AGRICULTURE

Male
6,630

Female
4,663

Jobs: Permanent
10, 009

Jobs: Temporary
5, 255

Not all investee companies disclosed gender disaggregated statistics

Number of farms
37

Number of Agri-SETA accredited learnerships
14

Access to healthcare
2,494

Access to staff accommodation
1,431

Numbers of farm workers trained

- Agriculture-related training
  1,436
- ABET
  98
- Management training
  9

Inclusive broad-based organisations

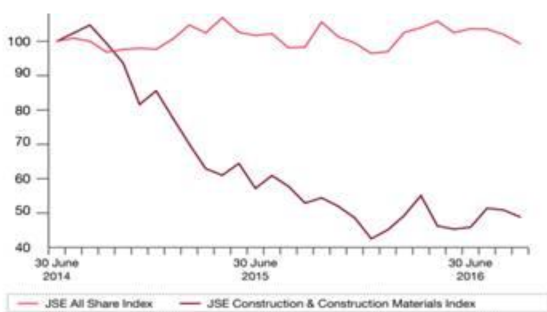
- Emerging farmers trust
  1
- Community trusts
  3

Construction

Market investment drivers and outlook

The SA construction industry is a significant contributor to employment and growth in South Africa. It is estimated to currently contribute some 4% to SA GDP. It has, however, been in a slump since 2009 according the PWC Construction outlook report. The local market has also been plagued by competition commission investigations into collusion in the industry, with seven of the nine listed construction companies entering into an agreement with Government in 2016. This, along with high cost inflation and a declining order book has resulted in the JSE construction index significantly underperforming the JSE All share index, as illustrated below:

JSE All Share vs JSE Construction and Materials Index



Source: PWC, Inet Bridge

The local construction industry is dominated by a handful of large construction, mainly listed companies, namely Aveng, Basil Read, Esor, Group Five, Murray & Roberts, Raubex, Stefanutti Stocks and WBHO. A number of smaller unlisted construction counters are making headway into the industry, although market conditions remain challenging.

Market analysts are reporting that confidence in the SA construction industry reached multi decade lows in 2017, as a result of policy uncertainty, slow economic growth and an underperforming rand environment. Generally low market sentiment continued into 2018. It is reported that 2017's challenges were as a result of a reduction of skills, budget constraints and government's propensity to divide projects into smaller components in support of emerging BEE based SMMEs, which resulted in a dramatic rationalization of the industry (KH Plant).

The local outlook was somewhat more positive with a spike in building plans passed in 2018 up 6% compared to the previous year.

Government's plan to spend more than R940bn on infrastructure development is noted to be a welcome relief for the industry. Social housing, renewable energy and roads infrastructure are expected by the industry to underpin moderate growth in the sector.

Some key trends (according to Inyatsi Construction Group Holdings forecast) to impact the industry in the future include the following:

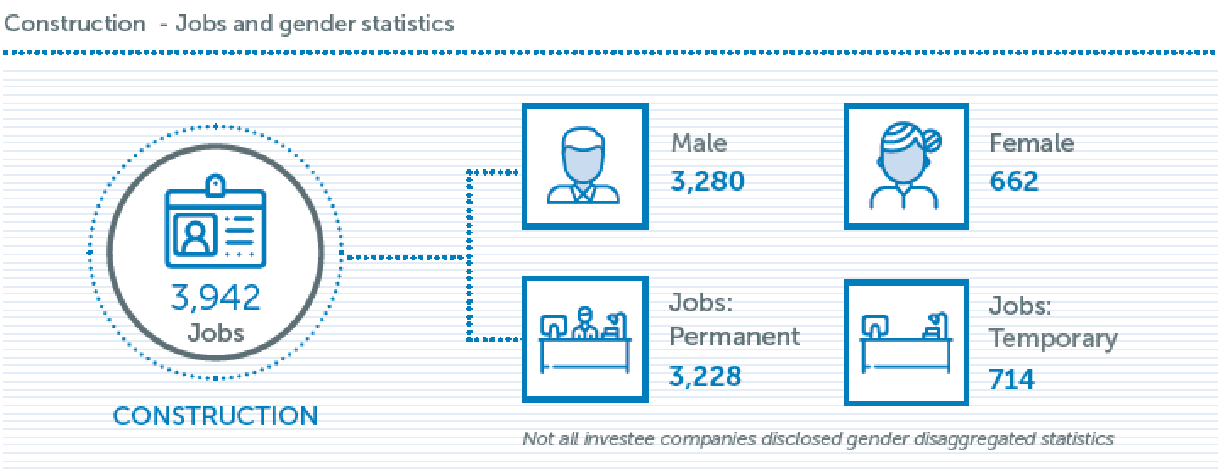
- Increased use of Mobile, Cloud and augmented reality technologies, which will improve communication and remote management of sites
- Modular construction methods will increase, with elements built off-site to allow for faster, more cost effective building construction
- Green building methods and materials will remain a key theme

Current risks to the local sector remain the drought in the Eastern and Western Cape, which is expected to place companies in the regions under pressure.

Due to the difficult operating environment in South Africa, many large construction companies are looking offshore for growth opportunities, in the rest of Africa as well as Australia and Asia-Pacific regions. With a low growth environment persisting in South Africa, we believe that diversification into other geographies will ensure that the construction companies are hedged against the rand as well as gaining exposure to far higher growth environments.

PIC Commitments as at 31 March 2018: Construction (R15 425m or 14% of Isibaya Total Committed Capital)

INVESTEE COMPANIES	% CONTRIBUTION	AMOUNT COMMITTED (Rands)	AMOUNT INVESTED (Rands)
Afrisam	88%	13,587,634,581	13,587,634,581
Concor	2%	278,000,000	277,600,000
Fountain Civil Engineering	1%	160,000,000	120,000,000
Tanga Cement	9%	1,400,000,000	1,349,642,973
TOTAL	**100%**	**15,425,634,581**	**15,334,877,554**
% Total of Isibaya Committed Capital		**14%**	



Education

Market investment drivers and outlook

The provision of education by the private sector continues to grow in South Africa, at both schooling and tertiary education level. Since 2000, independent school enrolment has grown by 130% and in the last year, enrolment has increased by over 10% y/y.

Enrolment in private tertiary institutions has increased by more than 51% since 2012. This higher demand has been met by rapid expansion of educational sites across the country and different education providers have plans to expand even further and beyond South Africa's boarders, particularly into East Africa. In the past three years we have also witnessed new players enter the market including the likes of SPARK, NOVA Pioneer, Sparrow and African School of Excellence, amongst others. These new players target the growing middle class population who are dissatisfied with the public education system. They charge fees that range from R15 000 to R35 000 per annum, in line with former model C schools. Private tertiary institutions address the gap left by public universities in that they can only absorb 40% of school leavers. While demand for private education is rapidly rising, the sector faces the problem of learner retention due to financial pressures and immigration. In addition, independent schools/institutions take three to five years to operate at full capacity and to become profitable. Investment in education has a seven to ten year horizon as it requires high upfront capital requirement and takes time to set up operations. The well-established businesses enjoy double-digit profit growth and return on investment in the high teens.

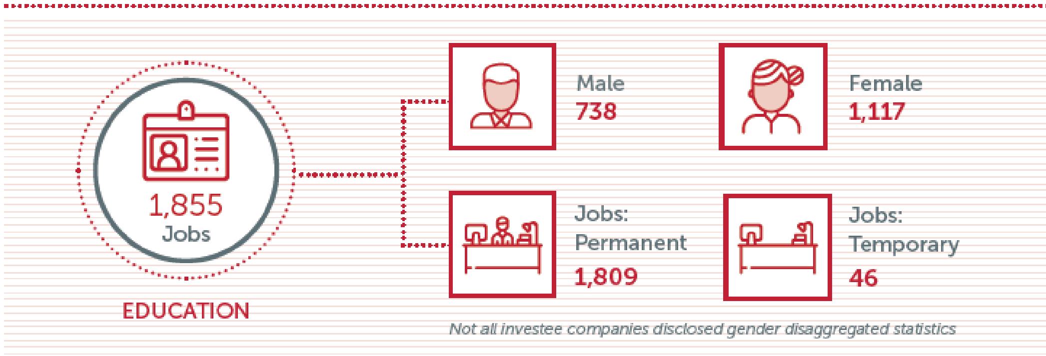
The listed education sector stocks have been under pressure till year end, December 2017. Share prices have plummeted across the board. This has been driven predominantly by tough economic conditions in South Africa. Post year end we have not seen stable recovery as yet as the macroeconomic conditions have had a severe impact on consumers, where private school provider, Curro is down by over 40% year to date. However, earnings outlook is supportive of a strong recovery in the sector in the next few years.

Going forward, we can expect the sector to continue to grow exponentially underpinned by the demand for affordable quality education. There are opportunities for investment across the education value chain from early childhood development to tertiary sector and in ancillary services such as technology, student financing, teacher training and education support. An analysis of South Africa's population, shows that 40% of the population is aged between 0 and 14 years and 20% is between the ages of 15 and 24. This is the school going population. The population is projected to grow to 70mn by 2040 and over 70% of that population is expected to be living in urban areas. This increases the demand for education and government will not be in a position to fully meet the demand.

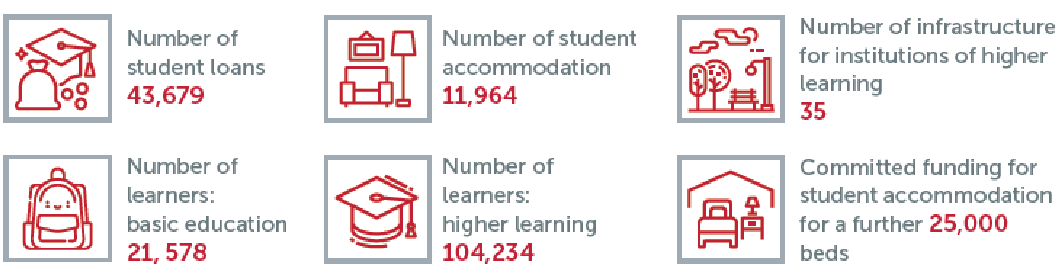
PIC Commitments as at 31 March 2018: Education (R1 999m or 2% of Isibaya Total Committed Capital)

INVESTEE COMPANIES	% CONTRIBUTION	AMOUNT COMMITTED (Rands)	AMOUNT INVESTED (Rands)
Eduloan/Fundi Capital	12%	244,300,000	244,300,000
SEIIFSA	50%	1,000,000,000	685,296,495
Educo Property Holdings	38%	755,000,000	709,209,276
TOTAL	**100%**	**1,999,300,000**	**1,638,805,771**
% Total of Isibaya Committed Capital		**2%**	

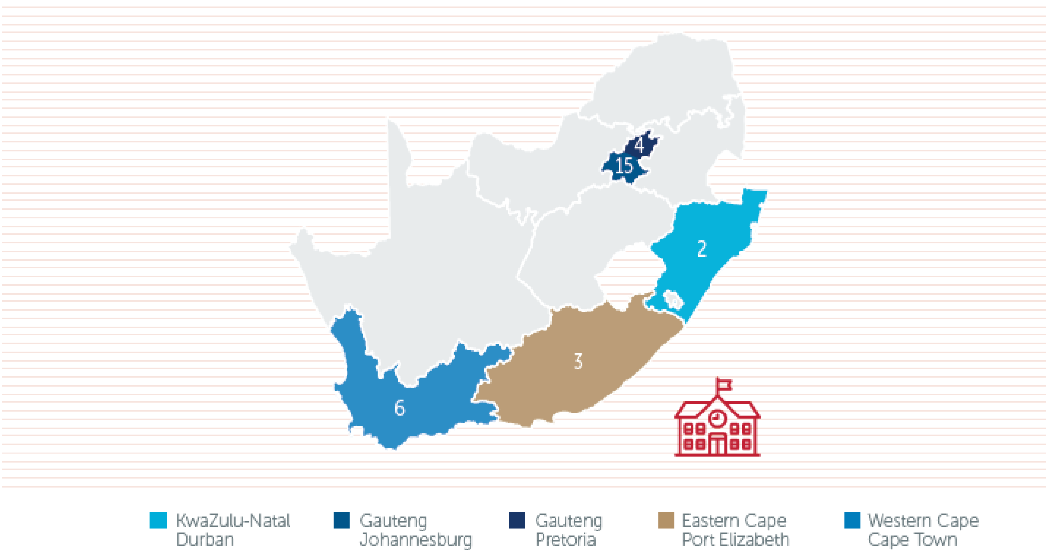
Education - Jobs and gender statistics



Education – Key development indicators



Schools per Province



Energy

Market investment drivers and outlook

Renewable Energy Sector

The key drivers behind the growth of the global renewable energy industry are government policies, new, cheaper technologies and social preferences. It is the fastest growing energy source, in line with a global trend towards cleaner energy and lower carbon emissions. The sector has grown in leaps and bounds from c800 GW to 2 179GW over the last decade (c.100% since 2008 and c.150% since 2000). Growth in 2017 alone was 8.3%. This trend is expected to continue, as the world moves away from coal towards renewable energy sources. Hydro makes up 53% of current renewable energy, followed by wind at 23% and solar at 18%. Bio-, geothermal- and marine energy make up the remaining 6%. Research by British Petroleum (BP) estimates that under its most likely scenario, renewables will grow by a further 400% over the next 25 years or by 900% under the highest transition-to-renewables scenario.

Locally, South Africa has also seen a significant shift towards renewables, with SA growth in this sector at c.500% over the last decade. Total SA renewable energy is estimated at c. 4 500MW (Eskom). In October 2018, the release of the draft 2018 IRP has given the industry a degree of certainty regarding the outlook for the SA renewable energy sector, and energy generation as a whole. According to the IRP, SA renewable energy (hydro (less international purchases), Solar PV / CSP and Wind) will increase 429% by 2030 from 4 300MW to 23 100MW.

Key risks to the renewable sector include:

Demand: Lower than expected demand will result in overinvestment in generation capacity.

Technology costs: If the assumed technology costs turn out higher than those forecasted, the expected price of electricity will increase.

South Africa has no listed renewable energy counters. The S&P global clean energy index performed relatively well during the year ended March 2018 at +8% (USD). It however declined marginally by 1% (USD) over 1Q18. The sector is more volatile than most as it is a new industry and many companies are in ramp up.

Solar CSP: Currently SA solar concentrated solar power (CSP) makes up 300MW of Eskom's installed capacity. This figure is expected to grow by 300MW in 2019, but thereafter no more capacity is expected from CSP. Of the installed 300MW of CSP, the PIC has investments in 194MW via three projects. Of the 2019 additional 300MW of CSP, the PIC has exposure via two projects which will produce have 200MW of capacity.

Solar PV: South Africa currently has 1 474MW of installed PV capacity, via independent IPPs. This sector is forecast to growth significantly up to 2030, with an additional 6 484MW of capacity forecast to be added to the grid. Of this, 5 670MW is uncommitted, indicating that there could be significant additional funding required in this sector.

Wind: Wind energy is globally the second largest renewable energy generator at 23%. In the South African context, wind makes up 53% of current IPPs, and only 4% of South Africa's current installed capacity.

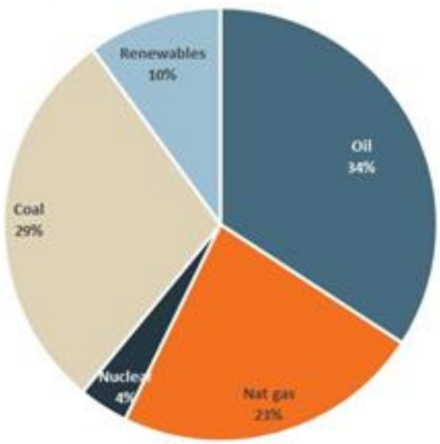
The sector is expected to grow from having 1 980MW of installed capacity to 11 442MW. Of this total amount, forecast by 2030, 8 100MW is currently unallocated, implying that there is expected to be significantly more funding required for this sector. By 2030, wind is forecast by the IRP to make up 15% of South Africa's installed capacity. The PIC currently only has one investment into this sub sector.

Non-Renewable Energy Sector

Market investment drivers and outlook

Crude oil is the world's leading fuel, accounting for about a third of global energy consumption according to BP's Statistical Review of World Energy 2018. Oil also supplies c.95% of the energy powering the global transport systems in the form of petroleum fuels (US EIA, 2017).

Global primary energy consumption by fuel (BP Statistical review 2018)



South Africa's transport system similarly depends on petroleum fuels for almost all of its energy needs, with more than 80% of the petroleum fuels consumption made up of petrol and diesel according to the Department of Energy (DoE).

It is South Africa's largest import product in terms of revenue, as the country does not have oil reserves. The country will remain reliant on petroleum for transport, for the foreseeable future.

South Africa has historically been reliant on non-renewable energy for primary energy production, with renewables only recently coming to the fore.

Coal is South Africa's largest export commodity revenue contributor, and a significant employer at some 77 000 direct and 170 000 indirect jobs created by the industry. It currently makes up 81% of the SA energy mix, but this is forecast by the draft Integrated Resources Plan to decline to between 17% and 42% by 2050, as renewables become more prolific.

Globally gas makes up 23% of primary energy consumption. Although natural gas is the cleanest of all the fossil fuels, it is still viewed as a non-renewable energy source, and is insignificant in SA.

Coal sector: The local South African coal market is forecast to decline in line with the energy mix as per the IRP. Currently, Eskom consumes some 120mt of coal annually. This figure is forecast to decline to 101mt by 2030 and to 56mt by 2040, a decline of 15% and 51% respectively. This could be partially offset by increased exports from South Africa, although this is dependent on Transnet increasing capacity on coal export lines (from 78mt to 91mt), as well as mining companies committing capital to this growth.

Gas sector: The IRP expects the addition of 8 100MW of gas to the energy mix in South Africa by 2030, from a relatively low base of 3830MW (including diesel). It is expected that this gas will be imported. This increase in the gas makeup of the IRP will require capital investment and skills development.

PIC Commitments as at 31 March 2018: Energy (R19 607m or 18% of Isibaya Total Committed Capital)

Energy Non-Renewable			
INVESTEE COMPANIES	**% CONTRIBUTION**	**AMOUNT COMMITTED (Rands)**	**AMOUNT INVESTED (Rands)**
Afric Oil	8%	396,551,723	396,551,723
Royale Energy	4%	180,000,000	180,000,000
Sunrise Energy	3%	150,000,000	150,000,000
World Marine Energy	2%	100,000,000	100,000,000
Tosaco	36%	1,800,000,000	1,800,000,000
Kuvaninga Energia SA	4%	216,000,000	221,399,850
Mining Oil Gas	41%	2,053,000,153	1,737,120,152
Kelvin Power Holdings	3%	150,000,000	143,500,000
TOTAL	**100%**	**5,045,551,876**	**4,728,571,725**
% Total of Isibaya Committed Capital		**5%**	

Energy Renewable			
INVESTEE COMPANIES	**% CONTRIBUTION**	**AMOUNT COMMITTED (Rands)**	**AMOUNT INVESTED (Rands)**
IDC Bond	69%	10,000,000,000	6,000,000,000
Sun Edison Soutpan	1%	153,000,000	129,240,704
Sun Edison Witkop	1%	170,965,658	170,473,838
Solar Capital De Aar	1%	196,314,103	195,857,672
Bokpoort CSP	4%	525,000,000	525,000,000
Boshoff	2%	312,778,128	290,623,705
Kathu	4%	642,000,000	240,673,922
Ilangalethu CSP	8%	1,156,997,500	627,323,500
Jasper	2%	239,434,659	236,201,363
Touwsrivier	2%	353,800,000	346,010,233
Xina CSP	4%	622,792,440	612,069,319
Phakwe power- Spilled Water	1%	75,000,001	74,255,979
Lereko Metier Fund	1%	200,000,000	200,000,000
Solar Capital De-Aar 3	1%	110,000,000	110,000,000
TOTAL	**100%**	**14,758,082,489**	**9,757,730,235**
% Total of Isibaya Committed Capital		**13%**	
Total of Isibaya Committed Capital	**19,607,320,262**	**18%**	

Energy and environment - Jobs and gender statistics

ENERGY AND ENVIRONMENT

6,296 Jobs

Male 2,796

Female 513

Jobs: Permanent 6,221

Jobs: Temporary 95

Not all investee companies disclosed gender disaggregated statistics

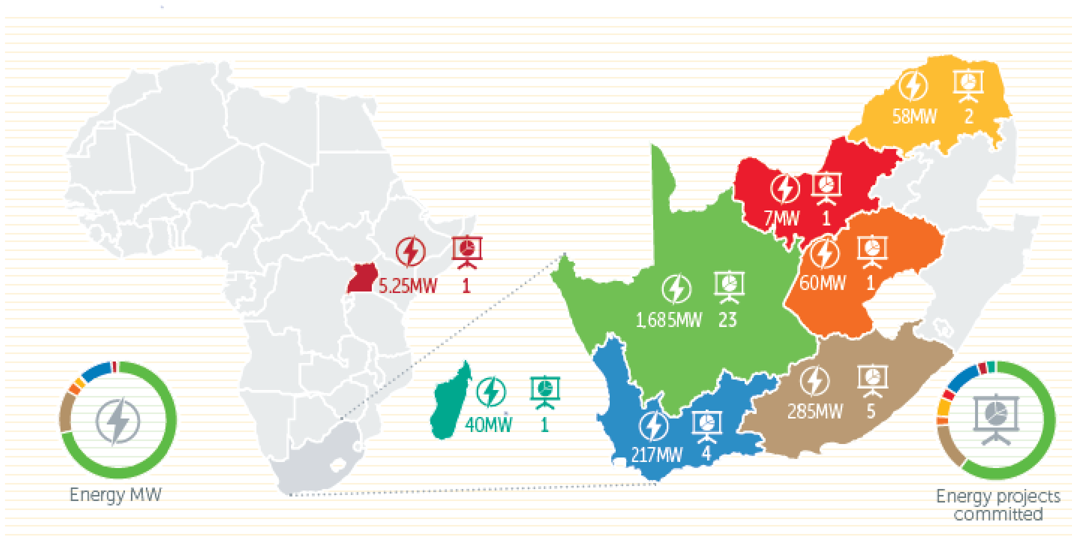
Local employment opportunities 1,104

Number of community trusts 7

Number of projects 41

Total megawatts 2,654MW (Direct and Indirect)

Geographical dispersion of energy projects in MW



Western Cape | Northern Cape | Limpopo | Eastern Cape | Free State | North West | Mozambique | Uganda

Financial Services

Market investment drivers and outlook

Financial services companies (including banks, insurers and other providers of finance) remained relatively resilient over 2017.

Banks

Banks in particular, saw higher return on equity measures (at 18.6%, which is up 72bps from the previous year for the top 5 listed banks). This was largely driven by higher net interest margins over the year and lower cost to income ratios (which using the top 5 listed banks as a proxy; increased by 26 bps to 4.68% and came down by 22 bps to 55.8% respectively). This improved performance was further seen in listed equity market performance (whose market sector return was 36% in the period-outperforming the JSE All Share Index's returns at under 10%, significantly, for the year ended March 2018). Furthermore, the dividend yield was significantly higher for listed banks, at just over 4% relative to 3.23% for the overall market). In 2018, we expect the cost to income ratios to continue to be a closely managed metric by banks. This is expected to be seen in an increased drive towards integrating digitization and optimising delivery models - more so as competition in the sector is expected to increase ahead of the entry of new players. Credit loss ratios did however increase during the previous year (by 11 bps to 0.73%). This was largely driven by banking player's adaptation to the new reporting requirements under the International Financial Reporting Standards 9 (IFRS 9), which was officially implemented on 1 January 2018.

Credit Providers

Overall credit granted for the year ended March 2018 increased by 4.4% (that is, R5.2 billion). Number of credit agreements entered into for the year also increased by 1.2% over the year. Although not very high growth rates; this still speaks to the strong resilience of credit providers amidst challenging economic conditions. Banks drove much of this growth (having granted 9.2% more in loan amounts, compared to the year ended March 2017). Credit granted by retailers also grew (by almost 4% over the year), while declines were seen in non-bank vehicle financiers and other credit providers. By credit type; we note the highest increases in credit granted being from the unsecured credit and credit facilities categories (which grew by 16% and 10% respectively). Short-term credit grew at just under 7%, while mortgages grew the least at 3.3%. Credit granted for developmental purposes fell significantly over the year (at almost 70%).

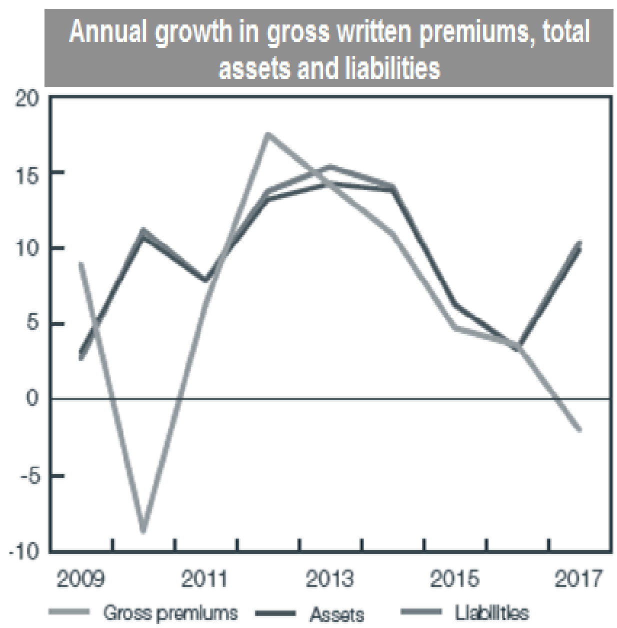
Insurers

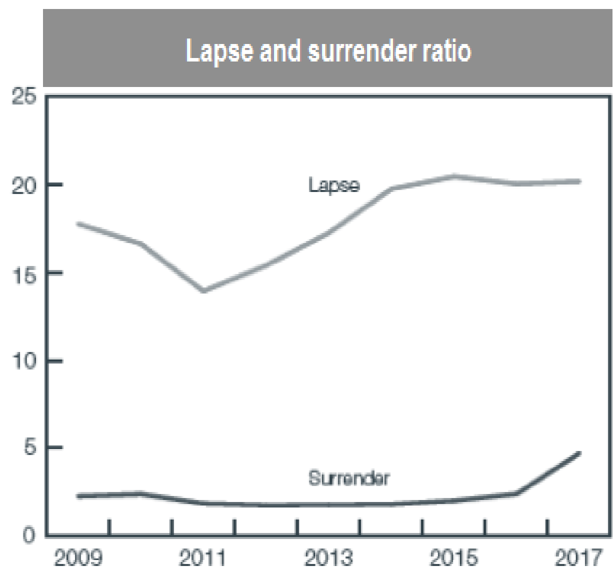
The challenging economic conditions (as well as other industry factors like increased competition) have impacted South Africa's insurance sector more severely. Growth in gross written premiums has consistently been slowing since 2012 as seen in the figure below. However, this growth was still positive (at 8% p.a. on average in the period) until recently. In 2017, gross written premiums fell reducing the insurance penetration of the country to 12.6% from 13.7% in the previous year. This is mirrored by a reduction of 1% in total life insurance sales in the year. This was mostly driven by negative growth in sales for segments like Retail Affluent and Employee Benefits, but up-kept by the Entry Level and Other Emerging Markets segments which both grew at 7% over the year). Furthermore, lapse rates have increased slightly while surrender ratios have increased more over the last year (as seen in the figure below), indicating the pressure on insurance consumers as a result of economic conditions.

Overall insurance profitability has remained positive with ROEs at 11.8% (which is up by 4% from the previous year - using major listed entities as proxies). Despite the poorer sales picture, life insurance profitability was still positively driven by the Entry Level segment, whose margins were almost 10% (relative to an average of 2% for the remaining segments over the year). This was a 2.1% increase in profitability in the Entry Level segment- relative to the previous year and led to this segment driving 32% of value of new business (compared to a 25% contribution in the previous year).

From a JSE return perspective; listed life insurers continued to perform well (that is, the sector saw a market return of 22%, which is a significant outperformance relative to the JSE All Share index performance - at 9.25%, for the year ended March 2018). However, dividend yields were lower than the All Share average at 2.93% relative to 3.23% for the former). We note however, that profitability from segments like credit life insurance can be expected to reduce given the implementation of the Credit Life Insurance regulations from August 2017 that cap premiums to a maximum of R4.50 per R1000 worth of benefits (in the case of credit facilities). The Retail Affluent segment was expected to rebound (and drive the life insurance sector's improved performance over 2018). However, poorer outcomes in the economic landscape, business and consumer confidence in the earlier parts of 2018 imply that this may not hold and that insurance sector growth may continue to be muted over the coming year.

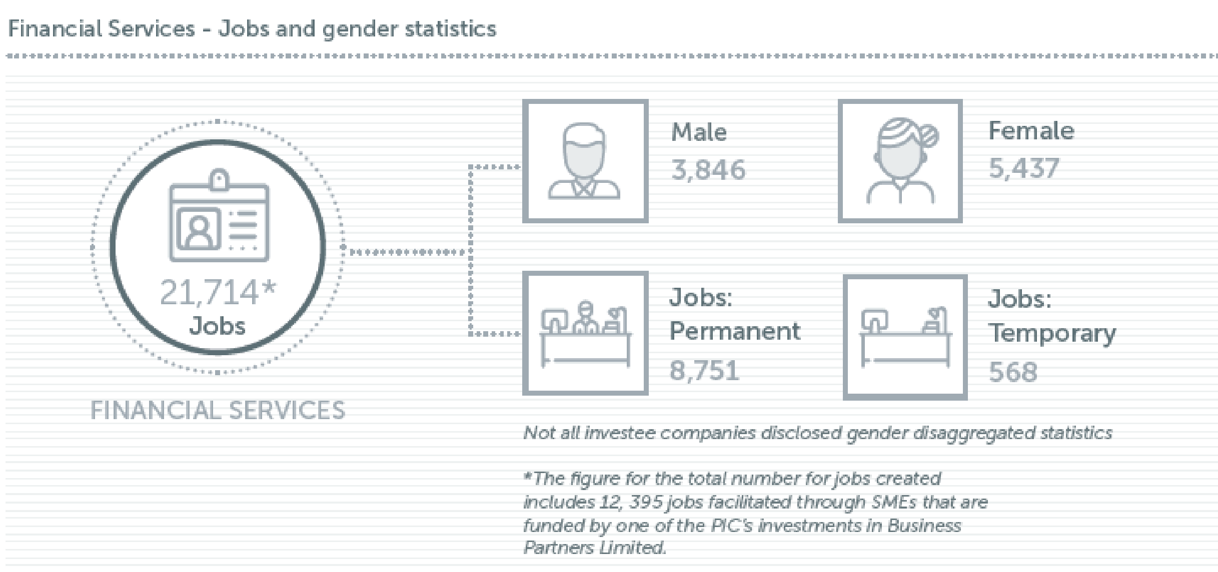
Key Insurance measure (Source: FSB)





PIC commitments as at 31March 2018: Financial Services (R11 877m or 11% of Isibaya Total Committed Capital)

INVESTEE COMPANIES	% CONTRIBUTION	AMOUNT COMMITTED (Rands)	AMOUNT INVESTED (Rands)
African Bank	21%	2,500,000,000	2,500,000,000
Bayport Financial Service	21%	2,487,609,849	2,487,609,849
Bayport Management Limited	17%	1,974,250,000	1,974,250,000
Venda Building Society	4%	458,000,000	435,719,800
Spartan	0%	48,000,000	44,464,248
ZARX	1%	62,500,000	62,500,000
PIC Focus Fund	0%	20,000,000	20,000,000
Lebashe	19%	2,219,939,449	2,023,671,835
Resultant Finance	14%	1,700,500,000	374,082,270
Business Partners	3%	400,000,000	400,000,000
TOTAL	**100%**	**11,877,799,298**	**10,322,298,002**
% Total of Isibaya Committed Capital		**11%**	



Healthcare

Market investment drivers and outlook

South Africa's private healthcare sector had stagnated for the past two to three years owing to policy uncertainty, low economic growth and lack of employment creation, which in turn affected the number of insured lives. However, in 2018, the sector returned to positive growth boosted by an increase in patient days and a rise in revenue per bed. Average length of stay in hospital started to increase, albeit modestly. Occupancy rates remain steady around the 67-69% range. Given the tough operating environment, acute hospitals have been engaging in cost management and efficiency initiatives such as optimizing ward and theatre staffing, automation and centralization of administrative processes, curbing costs of electricity, water and waste. These have contributed positively to EBITDA margins and can be expected to result in even healthier margins going forward.

Several hospital groups have embarked on expanding existing hospitals and investing in new equipment and replacing and upgrading existing equipment, rather than setting up new hospitals. There are indications to spend more capital on this type of expansion and maintenance in 2019 as well. In this way hospitals are still able to increase the number of licensed beds in high growth areas. The sector has reached maturity with limited opportunities for material growth in the large multi-disciplinary acute care hospital environment. This explains why major hospital groups are now exploring opportunities in day care clinics and are rolling them out in provinces outside of Gauteng. Hospitals are also rolling out a digitization strategy of patient and clinical records which will improve patient care and safety, accuracy of record keeping and allow patients to have quick and easy access to their own medical records.

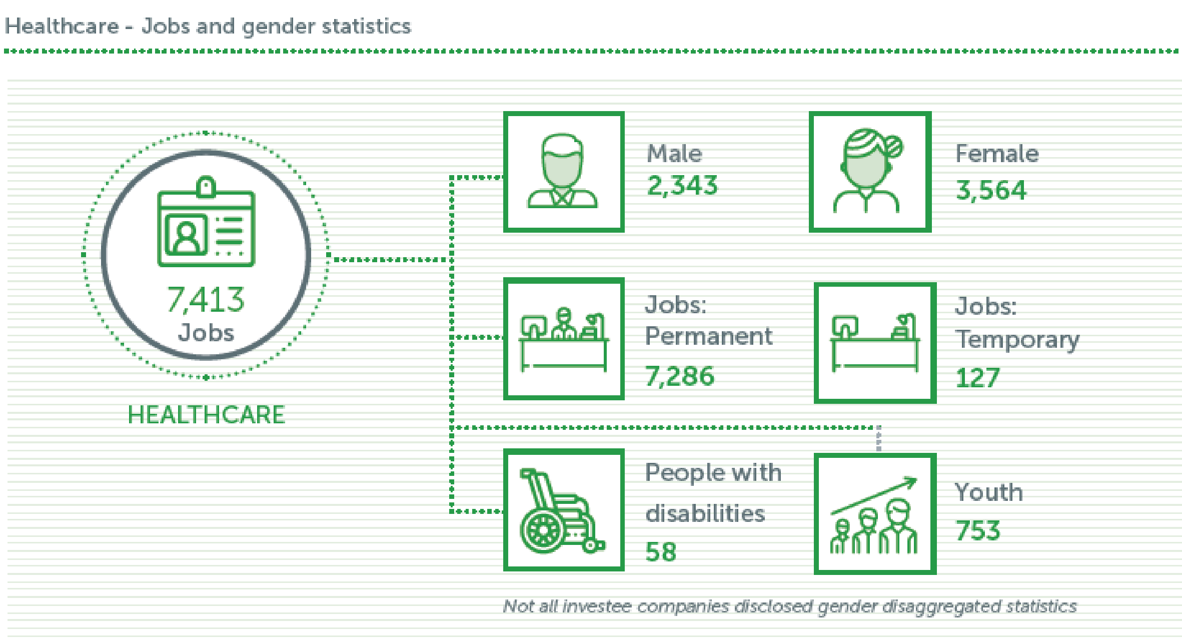
The listed healthcare sector has experienced difficult trading and regulatory conditions, where year to date the FTSE/JSE Healthcare index is down by over 30%, where the JSE has outperformed the health index by c.20%. The large players have had tough conditions, particularly in their foreign operations, predominately driving its poor performance. Moreover, in South Africa, weak economic fundamentals, a general decline in patient days and plateau of beneficiary growth has impacted performance. However, earnings outlook remains positive as the market is expectant of a rebound.

Going forward, demand in South Africa's private healthcare sector is expected to remain resilient over the medium to longer term supported by the aging population, growing burden of disease and medical innovation. There is a gradual move away from acute care to preventative and primary care. This will help lower the cost of healthcare and improve access for a larger portion of the population. Focus remains on improving efficiency of healthcare delivery across the value chain in a fragmented market in attempts to help reduce the cost of services.

The National Health Insurance (NHI) is expected to be phased in over a 14yr period and the implementation thereof remains an uncertainty for the sector. The latest white paper on the NHI was published in June 2017 for consultation and hospital groups have made submissions.

PIC commitments as at 31 March 2018: Healthcare (R4 522m or 4% of Isibaya Total Committed Capital)

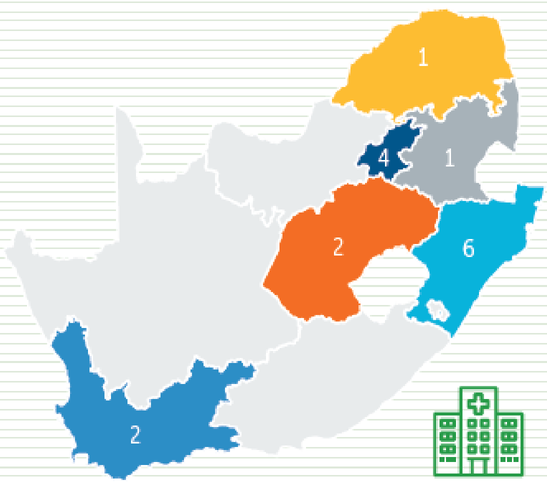
INVESTEE COMPANIES	% CONTRIBUTION	AMOUNT COMMITTED (Rands)	AMOUNT INVESTED (Rands)
Botshilu Private Hospital	2%	111,849,776	109,640,000
Kiaat Private Hospital	3%	148,411,964	133,137,951
Modderfontein	11%	491,482,360	441,179,725
Mobile Specialised Technologies	0%	21,000,000	21,000,000
Eden garden	3%	133,000,000	86,592,216
Medipost Group	4%	192,140,000	181,000,000
Razorite Healthcare and Rehabilitation Fund	24%	1,100,000,000	871,532,621
Kefolile	30%	1,369,000,030	1,369,000,030
Northern Radiologist	1%	50,000,000	50,000,000
Clinix	11%	499,999,995	218,489,085
Kefolile + Ascendis + Bounty Brands	9%	406,000,050	406,000,050
TOTAL	**100%**	**4,522,884,175**	**3,887,571,678**
% Total of Isibaya Committed Capital		**4%**	



Number of hospitals – direct and indirect
22

Total number of hospital beds
3,049

Hospitals per Province



KwaZulu-Natal | Gauteng | Western Cape | Free State | Limpopo | Mpumalanga

Information, Communications and Technology (ICT)

Market investment drivers and outlook

There are structural shifts that are occurring in the Telecoms space. Fixed line is under pressure as there is a structural shift from fixed line to mobile. Revenue from voice is also on a decline, but this is offset to an extent by the continued strong growth in data. At the moment, this is translating into slow revenue growth for local and global players, as flattening subscriber growth combined with falling prices take effect. However, we see this growth in data accelerating as the fourth industrial revolution, which is entrenched in the digital world, sets in.

In the local market, we see mobile delivering mid-single digit growth since pricing power is still eroding in this sector. However, if government can follow through on the additional spectrum being awarded, then potentially we could see high single digit growth as increased volumes compensate for the decline in prices.

Hence, we argue that ICT players that can tap into the structural growth in mobile and data will deliver superior returns.

For the March 2018 financial year, the listed SA telecommunications sector delivered a marginal 2% return versus the JSE ALSI of 9.3%. However, this positive absolute return has reversed this year with the sector down -3.4% YTD. The sector, though, has largely been pulled down by the underperformance of MTN on the back of the announcement that the Nigerian central bank had asked MTN to refund US$8.13bn that it allegedly illegally repatriated.

Media

In the media space, we continue to see print being in a structural decline. This is seen in readership numbers, as digital readership continues to take market share from print. More importantly, though, we also see this in advertising spend. Advertising spend is on a steady decline in print as is moving to digital media.

We do not view all forms of digital media being successful, though. We strongly believe that only those players that can provide an ecosystem of offerings to consumers will be successful. Arguably, Tencent is one of the few companies that have been able to deliver such an ecosystem, which is why we view continued growth from this platform.

On the broadcasting side, the performance of the sector is highly correlated to the strength of the consumer. The South African consumer is undergoing tremendous strain as unemployment, a weak economy and high oil prices play out. The sector is further negatively impacted by the proliferation in OTT players, like Netflix. This leads to our negative view on the broadcasting sector.

Listed equity sector performance: For the March 2018 financial year, the listed SA media sector delivered a 25.5% return versus the JSE ALSI of 9.3%, mainly driven by the outperformance of Naspers, which in turn was driven by solid growth from its subsidiary Tencent. This year, the sector is down almost 2% on a combination of a de-rating in global technology and concerns on the growth outlook of Naspers.

PIC commitments as at 31March 2018: ICT (R4 667m or 3% of Isibaya Total Committed Capital)

INVESTEE COMPANIES	% CONTRIBUTION	AMOUNT COMMITTED (Rands)	AMOUNT INVESTED (Rands)
Smile Telecoms Holdings	52%	1,325,000,000	1,135,525,000
Allied Mobile Communications	30%	772,750,000	772,750,000
Convergence Partners CI Fund	18%	463,750,000	212,394,082
Independent Media	16%	888,266,083	888,266,083
Total	**100%**	**4,667,657,951**	**3,008,935,165**
% Total of Isibaya Total Committed Capital		**3%**	

Manufacturing

Market investment drivers and outlook

Manufacturing

The manufacturing sector is driven by end demand factors (GDP, consumer spend) as well as sentiment in the sector. The sector is therefore highly impacted by the state of the economic cycle. The sector continues to remain depressed and we argue that this is likely to continue. High frequency data supports this view. SA's Manufacturing PMI remains below the key 50 level (42.4 October 2018) while business confidence in the sector remains at multi-year lows. GDP forecasts for South Africa (both consensus and PIC view) remain anemic, although GDP growth is expected to show a slow recovery in the next few years. A serious concern for the local economy remains that the potential GDP has been coming down. Providing some support to the sector is the fact that the rest of Africa still shows strong demand driven by a growing consumer and high GDP growth rates, albeit from a low base. Further, global economic activity remains robust, even in the midst of a brewing trade war. Manufacturers that are able to export into the rest of Africa and globally should fare materially better.

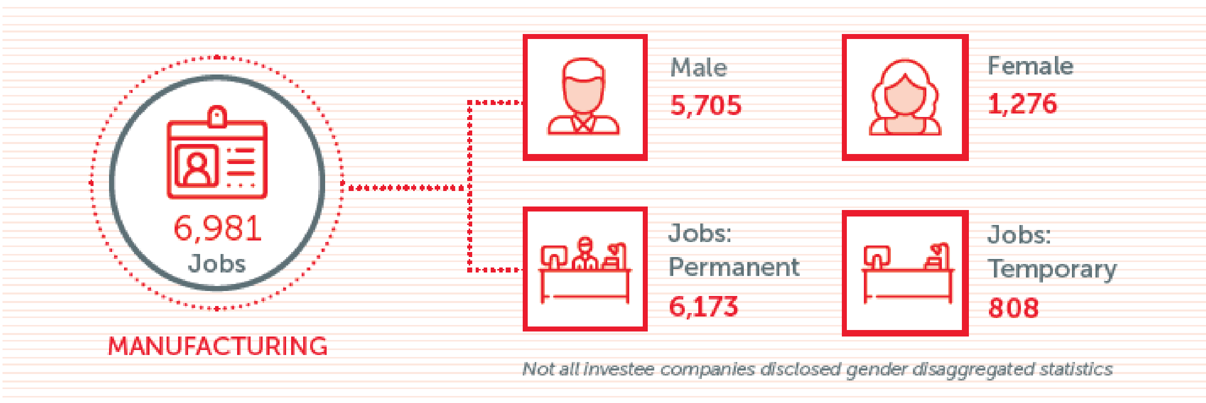
In the longer term, the theme of the fourth industrial revolution will impact the manufacturing sector. This is a global disruption and will provide both opportunities and risks to players in the sector. We argue that firms that embrace this opportunity will deliver superior returns.

Listed equity sector performance: For the March 2018 financial year, the listed SA industrials sector delivered a 17.7% return versus the JSE ALSI of 9.3%, driven by a combination of re-rating of the sector and good cost control which drove earnings growth. However, this outperformance has partially reversed this year with the sector down -1.7% YTD. This is on the back of a general de-rating in equity markets as well as a constrained consumer environment.

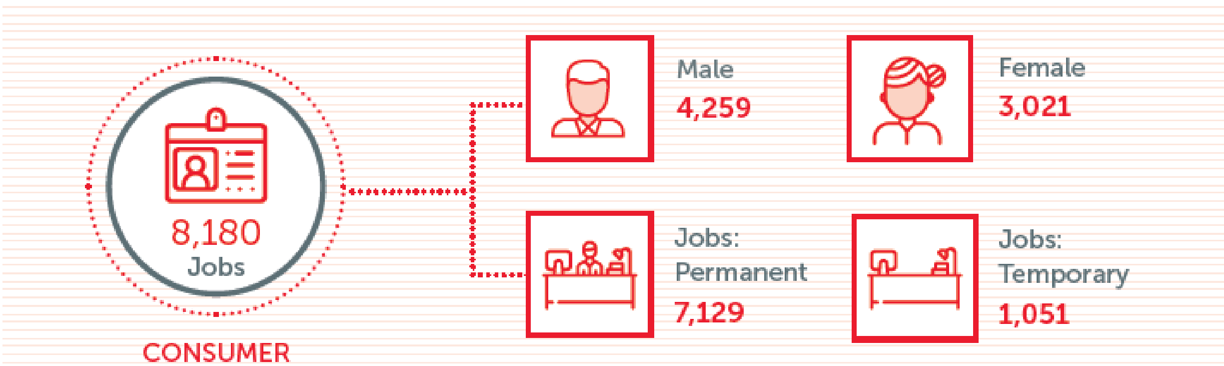
PIC commitments as at 31March 2018: Manufacturing (R4 667m or 4% of Isibaya Total Committed Capital)

INVESTEE COMPANIES	% CONTRIBUTION	AMOUNT COMMITTED (Rands)	AMOUNT INVESTED (Rands)
Kansai Plascon Africa	7%	364,685,180	364,685,180
Export Trading Group Holdings	47%	2,597,000,000	2,560,221,949
Consol Holdings (Pty) Ltd	6%	343,682,771	343,682,771
S & S Refineries	15%	834,750,000	834,750,000
SSIH	9%	527,540,000	488,329,242
TOTAL	**100%**	**4,667,657,951**	**4,591,669,142**
% Total of Isibaya Total Committed Capital		**4%**	

Manufacturing - Jobs and gender statistics

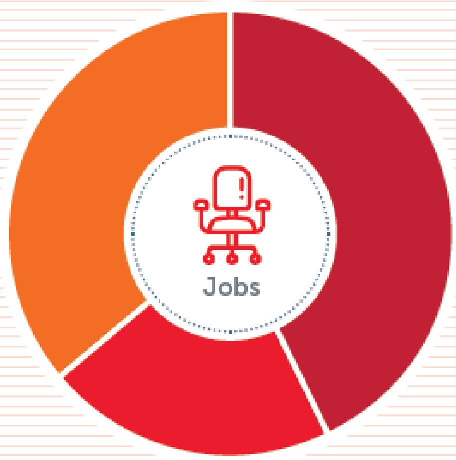


Consumer - Jobs and gender statistics



Not all investee companies disclosed gender disaggregated statistics

Jobs per skills level



Skilled   Semi-skilled   Unskilled

Geographic dispersion of manufacturing plants in South Africa

Gauteng   Western Cape   KwaZulu-Natal
Free State   North West   Northern Cape
Eastern Cape

Mining and Beneficiation

Market investment drivers and outlook

Mining

The key driver behind the mining sector is global growth and urbanization, and overall, the outlook for the global mining industry is relatively positive on the back of global growth and sustained demand from the majority consumer, China. This bodes well for the SA commodity export market, dominated by coal, gold, platinum and iron ore.

Long term themes that will dominate commodity supply include technical innovation and tighter environmental regulations, while themes dominating the demand side include the shift to a low-carbon economy. The dominance of recycling will negatively impact the mining industry in the long term. In the shorter term, volatility can be expected due to trade tensions between the US and China.

The local South African mining industry is, however, generally seeing a decline in production and employment, especially in the precious metals space. Bulks are rail constrained, although some growth could be seen from the export coal sectors as well as manganese, as and when Transnet expands capacity. The local coal sector will decline in line with lower demand from Eskom as per the Integrated Resources Plan.

Key risks to the mining sector include above inflation cost increases, dominated by labour and electricity costs increasing by >10% per annum over the last decade. Deep and aging mines also add higher cost pressures. Regulatory uncertainty has dominated the mining industry for many years, and even though Mining Charter III has been released, it is widely criticized for not incentivizing new investment into the industry, as it increases the cost burden of local mining operations. The industry is also clouded by labour unrest.

Opportunities in the sector include new modernized mining operations that compete well globally in terms of costs, as well as Africa's battery mineral endowment. Select new mining projects are forecast to come on line in South Africa, although these will mostly be replacement of high cost and short life operations.

The JSE listed mining index performed relatively strongly over the year ended March 2018, with a return of 16%. JSE Banks performed best over the period, returning 36%, while JSE Reits performed worst at negative 7%.

Over 1Q18, JSE mining returns were negative at -4%, along with most sectors over this period.

Contract Mining Sector

Due to the decline in the mining output expected, competition in the mining contracting space will increase, as existing companies compete for a shrinking pool of projects.

The trend of employing contractors over permanent staff has seen ebbs and flows in South Africa mining industry, but we believe that there is currently a lean towards contractors, which should be priced lower than permanent staff, especially as mines near the end of life. A key competitive advantage for mining contractors is to have geographical and commodity diversification, offshore exposure a key competitive advantage.

PGM Sector

South Africa is host to 80% of the global Platinum Group Metals (PGMs) and produces some 44% of total production. The PGMs are found predominantly in three structures, namely the western, eastern and northern limbs of the Bushveld Igneous Complex, which span some 400km from N-S and E-W. Some of the mines have been in production for many decades and are reaching ever increasing depths, especially on the western limb, which is where mining first began and has some of the oldest operations.

The industry is expected to undergo a structural decline from current levels as old mines reach the end of their productive lives and others are closed as they face increasingly costs coupled with a depressed pricing outlook. South African PGM production peaked in 2008 and since then has remained flat. Future production is expected to decline by 12% by 2028 and halve to c.3.5Moz by 2038.

Mining on the western limb is forecast to decline the fastest over the next decade, with production already declining by 25% over the last decade. Analysts forecast that the regions' output could continue to decline, with only Northam's Zondereinde mine and RBPlat's BRPM and Styldrift operations with long lives. Mining on the northern limb on the other hand is forecast to increase, with Anglo's Mogalakwena open to expansion possibilities, and even without, it has a life of more than 40 years. Ivanhoe's Platreef project is expected to begin production in the next 5 years and the Impala/PTM's Waterberg project also possibly coming into production over the next decade. The northern limb mines are far shallower, more mechanized and more palladium rich than the western and eastern limb mines.

Beneficiation

The beneficiation of South African commodities has for many years been on the top of the Government's agenda in terms of an avenue to boost the mining value chain, increase manufacturing and create new jobs. South Africa and Africa have been laggards in this sector due to high input costs negatively impacting the smelting of metallic ore, lack of skills in the precious metals and diamond industries and lack of market off-takers, to name but a few.

We believe that this sector could see growth, in very select areas, with the main area amenable to development, with a clear benefit to the PGM industry, being clean energy related technologies, including Fuel Cells and the growth in the Hydrogen economy.

Fuel Cell Sector

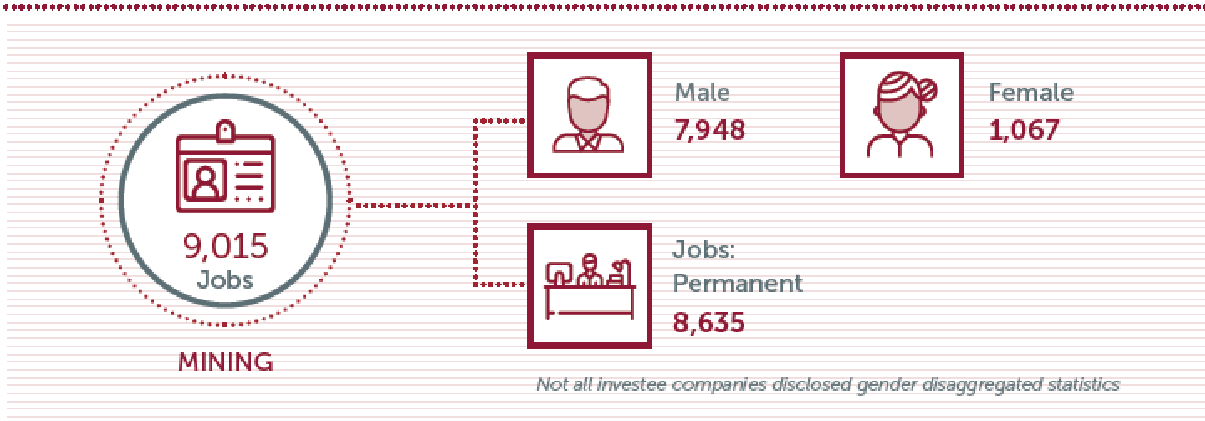
Fuel Cells are electrochemical cells that convert chemical energy into electricity via the electrochemical reaction of hydrogen with oxygen. A number of different types of fuel cells exist, with PEM and Phoshoric acid fuel cells utilizing platinum group metals as catalysts.

The sector is thought to be at the stage that solar energy generation was a decade ago, and still requires significant cost reduction in order to be cost competitive with other types of energy. We expect, however, that these types of batteries will find niche applications. The market is still in development.

PIC commitments as at 31 March 2018: Mining and beneficiation (R821m or 1% of Isibaya Total Committed Capital)

INVESTEE COMPANIES	% CONTRIBUTION	AMOUNT COMMITTED (Rands)	AMOUNT INVESTED (Rands)
Kilken-Imbani	6%	121,000,000	121,000,000
Siyanda Resources	21%	460,270,994	356,613,118
LA Crushers	11%	240,000,000	199,936,087
TOTAL	**100%**	**821,270,994**	**677,549,205**
% Total of Isibaya Total Committed Capital		**1%**	

Mining - Jobs and gender statistics



Tourism

Market investment drivers and outlook

The tourism industry showed positive performance during the previous year. The direct contribution towards GDP increased by R136.1bn in 2017 (from a R127.9 bn increase in 2016). This overall increase was primarily driven by sub-sectors such as hotels, travel agents and airlines. This increase further provided the tourism sector with increased jobs (with a total of 726500 jobs in 2017, compared to 716500 in 2016).

Foreign tourism supported much of this growth (as it grew by 2.4% in 2017). This was mostly driven by the high increase in overseas tourists (of 7.2% over the year). The growth in Latin American tourists contributed significantly to this rise (particularly that of Brazilian tourists). Other countries like France and Germany were also strong contributors to the increased overseas tourist volumes in 2017. By contrast, the number of African tourists remained fairly flat - growing at only 0.8% over the year (and continues to be driven by visitors from the SADC region). Domestic tourism also performed strongly over 2017; increasing by 4.2% in 2017 (the largest growth seen in domestic tourism since 2014). This is largely attributable to the slightly better economic conditions at the time.

This growth was further reflected in the financial performance of the hotel industry (which, being a large component of the sector, is often used as a proxy for the broader tourism industry). More specifically, total hotel revenue increased by 4.6% to R16.6 bn. in 2017 relative to the previous year. Likewise, similar listed entities (using the constituents of the JSE Travel & Leisure index as a proxy) showed improved operating results - with an average increase in sales of 17% over the year (compared to 11% in the previous year). Furthermore, profitability of these constituents (measured in earnings per share) also improved significantly over the period (being up 13%, compared to an increase of 3% in the previous year).

Despite the higher inbound tourism numbers; accommodation occupancy rates remained fairly flat at 61.0% in 2017 (relative to 61.2% in 2016). This was driven by a supply-side increase in the overall number of hotel rooms by 1.3% in 2017 - being the largest increase since 2011. This reduction in occupancy rates, together with slower domestic inflation contributed to the slower growth in average daily rates (ADR) as well. As a result, South Africa saw its smallest increase in ADR (of 3.9%) since 2011. This affected sentiment negatively as overall returns for the JSE Travel & Leisure index were down almost 20% for the year ended March 2018, which is a significant underperformance relative to the JSE All Share Index over the same period.

Looking forward, the expectation is that further improvements in the Visa regulations will continue to have a positive impact on foreign tourism - which, as one of the largest revenue generators of the sectors, will further stimulate its growth. However, effects of the Western Cape drought (and the negative publicity from the Day Zero campaign) may, however, still dampen foreign tourist interest. This may have a significant impact on the tourism sector's performance as Cape Town is the most dominant tourist destination for foreign tourists. Hotel supply is also expected to pick up in the 2018 year (with major developments such as the Menlyn Time Square, and redeveloped Grandwest and Carnival City resorts coming into effect in the year).

PIC commitments as at 31March 2018: Tourism (R83m or 0.1% of Isibaya Total Committed Capital)

INVESTEE COMPANIES	% CONTRIBUTION	AMOUNT COMMITTED (Rands)	AMOUNT INVESTED (Rands)
Entabeni Holdings (Pty) Ltd	100.0%	83,210,000	83,210,000
% Total of Isibaya Total Committed Capital		0.1%	

Transport and Infrastructure

Market investment drivers and outlook

The PIC has directly (in Roads and Airport transactions) and indirectly (through funds) invested into economic infrastructure within a dedicated impact investing pillar to spur on economic development and growth.

Economic infrastructure is a crucial enabler to stimulate economic development and unlock economic growth and opportunities in South Africa. Post 1994, the Government of South Africa concentrated on delivering Social Infrastructure to tackle the imbalances experienced by communities during the apartheid era. Subsequently, the new growth path of South Africa has led to more demand for economic infrastructure (water, transport, energy, telecoms) and thus it now plays a pivotal part of the National Development Plan (NDP) and the New Growth Path. Like many countries in Africa, South Africa is experiencing greater urbanisation trends, raising demand for efficient and quality infrastructure systems. According to Oxford Economics, over 75% of the population will be urban. The SA Government has since developed the National Infrastructure Plan and the Presidential Infrastructure Co-ordinating Commission (PICC). The PICC is focused on delivering new infrastructure projects, with a focus on water, energy, health and road maintenance. To this end, the public sector has invested an estimated R2 trillion into infrastructure over the last decade, though the Government has since provided budget facility for infrastructure development in the country to tackle large projects. The facility requires government to provide guarantees and support to alleviate planning and execution problems of projects The medium term budget for economic development is c.R200bn (12% of budget), of which almost a half will be focused on infrastructure. Additionally R126 billion focused on water infrastructure. National Treasury estimates that infrastructure development will increase long-term GDP by 1.3%. Moreover, infrastructure allocation in global pension funds have risen from 2.8% to 3.5% over the last few years, as they offer long term predictable cash flows, akin to pension funds. However, at the current state of the economy, demand exceeds infrastructure supply. According to the G20 Global Infrastructure, South Africa requires $441 billion investment by 2040 (4.3% of GDP), with majority of this spend in the transport sector. This leaves the estimated funding gap at 1.5% of GDP. The G20 rates our infrastructure quality to be above average at 4.2 out of 7, relative to the emerging market score of 3.9.

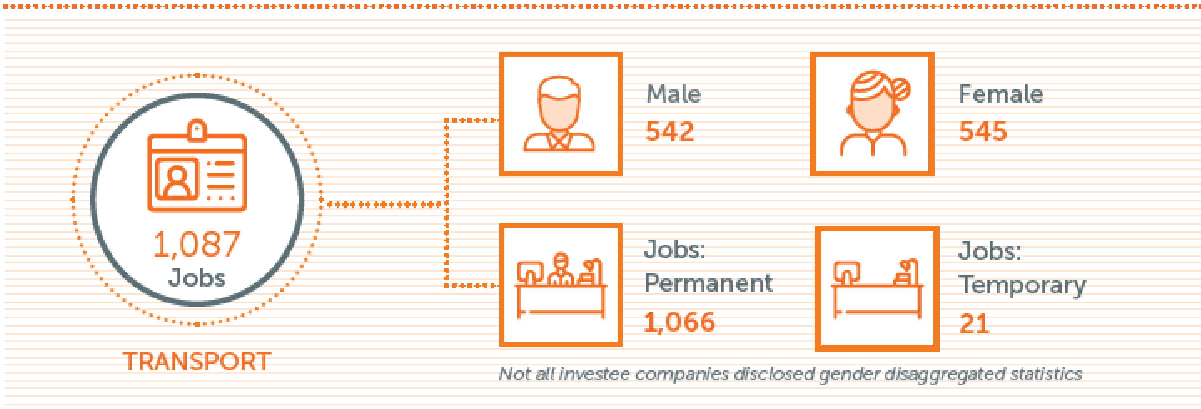
South Africa is in critical need for all economic infrastructure, where the NDP states that electricity, water, transport and telecommunications are key for our development. Even though our infrastructure is on average better placed than the rest of Africa, we are far below developed nation’s standard. In the transport sector, AfDB estimate that only 20% of our roads are paved whilst the country faces gridlocked roads amongst other things. Yet, the challenges are not just the funding. Challenges range from integrated planning between regions, lack of skill-base and asset management systems. In the energy sector, c.80% of South Africa has access to electricity, whilst North America has full access and; in broader Sub Saharan Africa, only 42%. Yet, according to the State of Economic Infrastructure Report, aging infrastructure is a key challenge. In the water sector, security of supply has become an imperative objective as the recent droughts leave the operational, capacity and skills issues exposed in the sector. The ICT sector has seen immense growth, though regulatory obstacles and affordability plague inclusiveness. Access to internet is still entrenched in the upper economic segments.

Even though, there has been considerable rise in importance of infrastructure in South Africa, performance of the listed building, construction, and material sector have been under severe pressure. The construction and materials index (J235) has underperformed the JSE index by ~16% over the last calendar year ended December 2017 (year ended March 2018 the index underperformed by ~7%). This is mainly due to weak economic fundamentals hampering the trading environment. Year to date the index is still experiencing tough conditions, down ~10%, but this may continue as demand is subdued whilst the trading environment remains restrained.

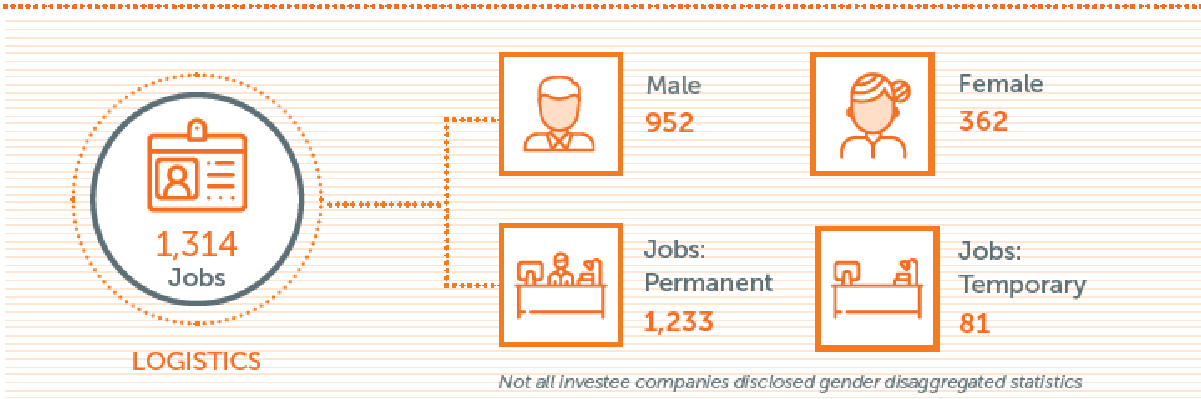
PIC commitments as at 31 March 2018: Transport and Infrastructure (R4 301m or 4% of Isibaya Total Committed Capital)

INVESTEE COMPANIES	% CONTRIBUTION	AMOUNT COMMITTED (Rands)	AMOUNT INVESTED (Rands)
Lanseria Airport	21%	900,000,000	728,155,000
N3 Toll Concession	2%	100,000,000	32,945,740
Bakwena Platinum Corridor Concession	10%	444,463,000	444,463,000
TRAC	21%	882,265,512	882,265,512
Zamalwandle	4%	156,000,000	155,998,724
SATRAC	30%	1,282,849,571	1,282,099,575
African Infrastructure Investment Fund	4%	158,426,426	158,426,426
RTT	9%	377,515,733	377,515,733
Total	**100%**	**4,301,520,242**	**4,061,869,710**
% Total of Isibaya Total Committed Capital		**4%**	

Transport - Jobs and gender statistics



Transport Jobs and gender statistics



Water and Sanitation

Market investment drivers and outlook

Being a water-stressed country, South Africa, faces growing demand for water and sanitation to meet the needs of its economy and a growing population. Government is the main provider of bulk water and sanitation services. Significant investment in increasing dam capacities and distribution across the various areas of the country is needed.

According to the 2017 Statistics SA General Household Survey, the percentage of households with access to improved sanitation increased from 61.7% in 2002 to 82.2% in 2017. Areas with the highest access are the Western Cape (94.1%) and Gauteng (90.5%). In Limpopo and Mpumalanga, access remains limited at 58.9% and 67.6% respectively.

During the 2017/18 period, the department managed to provide 159 463 households with sustainable and reliable water supply and sanitation services. Although there seems to be increased access, there is still a long way to go until acceptable levels are reached.

Sanitation

The Department of Water and Sanitation (DWS) is on a mission to eradicate the bucket system. The percentage of households without sanitation, or who used the bucket system decreased from 12.6% to 3.1% between 2002 and 2017.

The DWS' collaboration with the Water Research Commission will allow new partners in the water and sanitation space to showcase and present new technology in the market that could assist in alleviating water and sanitation challenges. Private sector funding in this sector is still severely lacking even though opportunities exist.

Government has put in place a number of initiatives and plans in order to improve the situation. In the 2018/19 budget speech, it was announced that public sector will spend R91.6 billion over the next three years to extend, upgrade and maintain water resource infrastructure. R34 billion will be invested in water services, largely through municipal grants. Bulk infrastructure for water and sanitation services will be supported through funding for 73 regional projects and 180 small interim projects amounting to R34.2 billion.

PIC investment exposure

With the rise in urbanization, increased population growth and climate change effects that have led to increasing water scarcity, new innovative solutions are needed to reach universal sanitation coverage. Unconventional solutions such as dry sanitation have many benefits such as eliminating the need for sewers or faecal sludge management. Waste can be treated at the source. Dry sanitation creates opportunities for businesses that not only manufacture toilet parts but manage the facilities after installation.

Struggling municipalities can reduce their financial burden by partnering with dry sanitation service providers and cutting costs of bulk sewer infrastructure.

PIC commitments as at 31 March 2018: Water and Sanitation (R187m or 0.2% of Isibaya Total Committed Capital)

INVESTEE COMPANIES	% CONTRIBUTION	AMOUNT COMMITTED (Rands)	AMOUNT INVESTED (Rands)
Amalooloo	100%	187,500,000	187,500,000
% Total of Isibaya Total Committed Capital		0.2%	

Properties

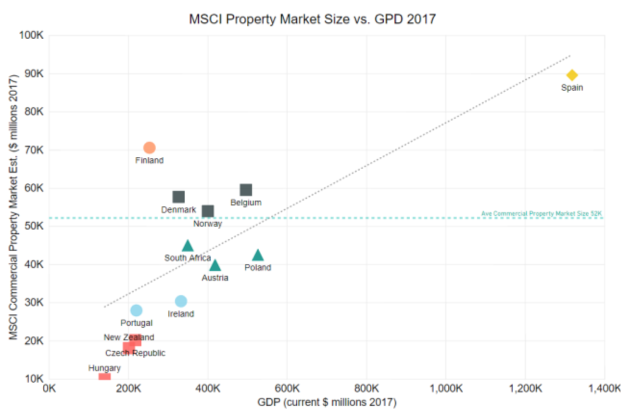
Market investment drivers and outlook

South Africa has a relatively well developed commercial investment market compared to GDP; it is clustered with Austria and Poland in terms of the ratio of GDP to Property Market Size. The whole of the non-residential property market has been estimated at R2tn (2015), with the commercial property market sub-total at R1.3 trillion. This shows that the provision of property infrastructure for business, Government and other institutions is a significant part of the South African economy. The South Africa institutional commercial property market alone, was estimated by MSCI at US$45 Billion or R589 billion in December 2017.

The average return for all commercial property types has been 12.5% per annum (2010 – 2017), according to MSCI which collects data from most of the institutional property owners. The returns have ranged from 7.4% in 2010 to 18.4% in 2013, with the most recent December 2017 return well below average at 10.4% for all assets.

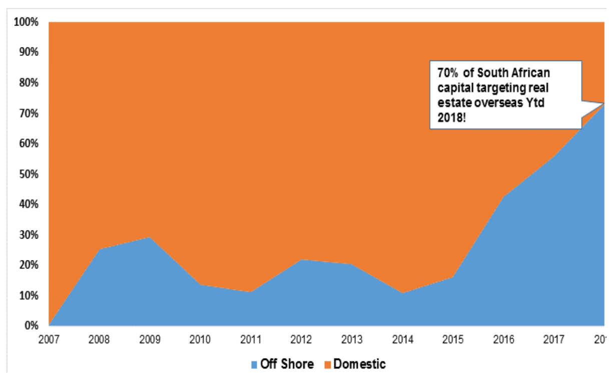
A current trend of concern to the domestic market, is the significant increase in overseas allocation of real estate capital allocation. Historically, the overseas allocation within real estate averaged 10% and is currently at a very high level of 40%.

Global Property Market size vs GDP



Source: MSCI & World Bank

Domestic vs Overseas Investor Activity in real estate



Source: Real Capital Analytics

Retail

The retail property sector is the largest property sector in South Africa. The average return since 2010 has been 13.3% (source: MSCI Annual).

The nominal retail trading density for retail shopping centres experienced a sharp fall from 6% y/y in Q4 2016 to -2.6% in Q4 2017. The most recent data points to continued weakness, albeit with a slight improvement at 0.2% in Q2 2018 (Source SAPOA & MSCI).

In the last two years super regional shopping centres have suffered some increase in vacancies after years of out-performance against smaller centres.

This is due to larger centres having a greater percentage of clothing and durable goods versus the smaller centres having larger relative food offerings.

Retail centre owners have responded by upgrading their centres to compete for customers.

Office

Slow economic growth and low business confidence has correlated to low fixed investment in the Financial and Business Services Sector. The Office property sector as the second largest property sector in South Africa has been affected by this slow down. The December 2017 returns were below average at 10.1% compared to with an average return since 2010 of 11.3%. (Source: MSCI Annual Review).

The national office vacancy rate was 11.2% as of Q 3 2018 (SAPOA) – this has been consistently high with only 6 quarters of improvement out of the last 33 quarters since Q4 2010. This has resulted in reducing the rental growth rate – having declined 1% to 5.3% y/y in Q3 2018.

Large corporates in nodes such as Sandton and Cape Town CBD consolidated their offices and also demanded new green building which now account for 22% of the national P and A grade office space as of Q3 2018 (SAPOA).

The current office development pipeline is more than half of its Q4 2007 peak and is largely tenant driven rather than speculative. Asking rental growth has been negative since 2011, indicative of the slow economic growth environment and significant over supply will continue.

Industrial

The industrial property sector is the third largest property sector with growth currently of 11.8% below the long term average return since 2010 of 13.8% (source: MSCI Annual).

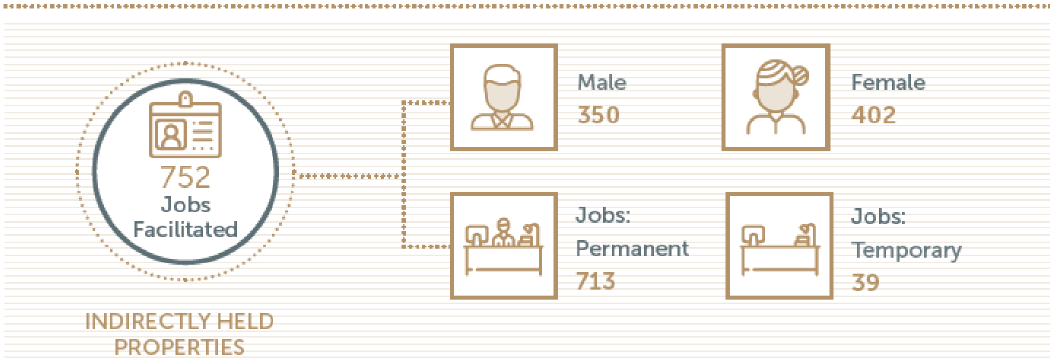
The vacancy rate has come off a recent high of 4.9% in December 2016 and improved to 3.9% in June 2018. This is close to the long term average vacancy rate for the sector.

Net income growth of 3% is lower than expected due to increasing operating costs but basic rental growth is in line with inflation. The improvement in the vacancy rate normally has a lag of about 18 months before it is reflected in real rental growth.

PIC commitments as at 31March 2018: Unlisted Properties (R43 289m or 28% of Unlisted Total Committed Capital)

INVESTEE COMPANIES	% CONTRIBUTION	AMOUNT COMMITTED (Rands)	AMOUNT INVESTED (Rands)
Properties Debt - Isibaya			
Precinct Developers	17%	294,617,806	282,007,566
Sakhumnotho Properties	31%	543,421,369	543,421,369
Tshwane Mall	17%	299,592,469	126,660,979
Mara Delta	27%	463,750,000	172,250,000
ProjectProp - Leloko	5%	85,000,000	85,000,000
Riverside Office Park	3%	47,692,623	46,716,931
TOTAL	**100%**	**1,734,074,267**	**1,256,056,845**
% Total of Isibaya Total Committed Capital		2%	
Properties Equity - Unlisted Properties			
Indirect Properties			
Pareto Limited & BVI	25%	10,855,567,974	10,855,567,974
V&A Waterfront	11%	4,945,816,521	4,945,816,521
Arch Property Fund	9%	3,900,000,000	3,900,000,000
Airport Company South Africa	4%	1,675,000,000	1,675,000,000
Menlyn Maine Investment Holdings	1%	498,175,793	498,175,793
ADOWA	5%	2,000,000,000	61,130,000
Capricorn Business & Tech Park	0%	6,068,720	6,068,720
CPF	5%	2,002,159,402	2,002,159,402
CBS	5%	2,233,946,676	2,233,946,676
Gateway Delta	3%	1,126,250,000	33,197,000
Direct Properties	32%	14,046,600,000	14,046,600,000
% of Total Properties Total Committed Capital		28%	
TOTAL Unlisted Properties Equity		**43,289,585,086**	**40,257,662,086**

Property - Jobs and gender statistics



Unlisted Rest of Africa Unlisted Investments (extracted from Sector Summaries)

Market investment drivers and outlook

Africa has recorded strong economic growth over the last two decades, predominately benefitting from the commodity super cycle. Economic growth during this time has averaged~5%, which was about ~2% higher than global growth. However, its dependency on commodities grew rapidly. The recent slump of commodity prices has had an impact on the continent's growth. According to the World Bank, Sub-Saharan Africa's growth outlook is at 2.7% in 2018, as the continent recovers from the slump in prices. This recovery is expected to continue, driven predominately by the non-oil rich countries, which have been more resilient to external shocks, proved to be experiencing solid economic performers, through strong agriculture, consumptive led sectors and a focus on domestic resource mobilization. The World Bank predicts that long term growth is expected to reach 3.6% by 2020.

Majority of this growth is based on diversified economies and as a result of countries, particularly those in East Africa, shifting away from resource dependency, diversified. Nonetheless, growth outlook in West Africa improves as oil price recovers, North Africa posts a stable outlook after recovery from the Arab Springs. Central Africa, troubled by political unrest, has a low growth outlook; and Southern Africa are relatively steady growers. Though, in effort to diversify away from commodities and develop the continent further, Africa is more than ready for economic transformation.

Several key investment themes have emerged beyond the extractive sectors to assist in this. Infrastructure development (including Powering Africa), Industrialization and Intra-Africa trade, are arguably the three most important themes to activate an inclusive Africa. Furthermore, but not limited to, themes such as Financial Inclusion, Food Security, Demographic dividends, ICT, Tech and Innovation, Beneficiation and Capital market growth.

However, the continent still faces many hurdles that impede investors, such as:

- Poor governance, regulatory frameworks, political instability and corruption;
- Liquidity constraints;
- Weighing up risk vs reward;
- Embracing more than 3 000 ethnic groups; and
- Poor infrastructure to access markets.

We have invested throughout the continent, directly, in Telecoms, Manufacturing and Financial Service investments, whilst also utilizing an indirect approach through investing in sector specific and agnostic funds that capture a broad range of themes and regions. These are invested through and alongside strong strategic partners, whilst cognizant of aligning our investments with Agenda 2063 and the Sustainable Development Goals.

The **growth of Africa stock markets** over the last couple of years, stalled, predominately due to the fall in commodity prices and the selloff of emerging market equities which tainted investor confidence. Recently, however, we saw markets recovering, driven by non-resource dependent nations. Albeit, the Financial Services sector still remains the dominant sector, most prevalent in the MSCI Emerging Frontier Markets Africa ex-SA index. Yet, growth in consumer staples, telecoms, materials are becoming more prevalent on the market, eroding financials dominance. Similarly, Nigeria's dominance is being eroded by growth in other capital markets, like Morocco and Egypt. However, year to date, we saw that investors were selling off emerging market equities, driven by developments in Turkey and Argentina. The MSCI EFM Africa ex-SA has suffered, down 12% in Dollar terms.

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PIC commitments as at 31 March 2018: Rest of Africa Unlisted Investments

($922m or c.11%* of Unlisted Total Committed Capital)

These commitments are extracted from the discussion on sectors above, i.e. they are not additive.

INVESTEE COMPANIES	AMOUNT COMMITTED (USD)	AMOUNT INVESTED* (Rands)	% CONTRIBUTION
Convergence Partners CI Fund	35,000,000	212,394,082	4%
AFRICA Capitalworks	45,000,000	12,728,308	5%
West Africa Emerging Markets Growth Fund	22,522,500	236,015,190	2%
Abraaj Africa Opportunity Fund III	80,000,000	523,768,114	8%
Kuramo Africa Opportunity Fund II	20,000,000	167,628,652	2%
Tanga Cement	112,000,000	1,349,642,973	12%
Kuvaninga Energia SA	15,400,000	221,399,850	2%
Bayport Management Limited	149,000,000	1,974,250,000	16%
Export Trading Group Holdings	196,000,000	2,560,221,949	20%
S & S Refineries	63,000,000	834,750,000	7%
Smile Telecoms Holdings	100,000,000	1,135,525,000	10%
Gateway Delta	85,000,000	30,507,873	9%
TOTAL	**922,922,500**	**9,261,521,117**	**100%**

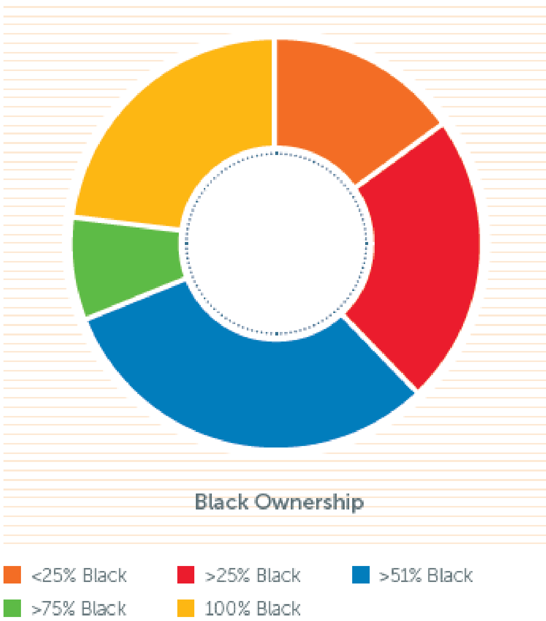
**Assuming an average R/$ of R13.50, and an average of €/$ of 1.17*

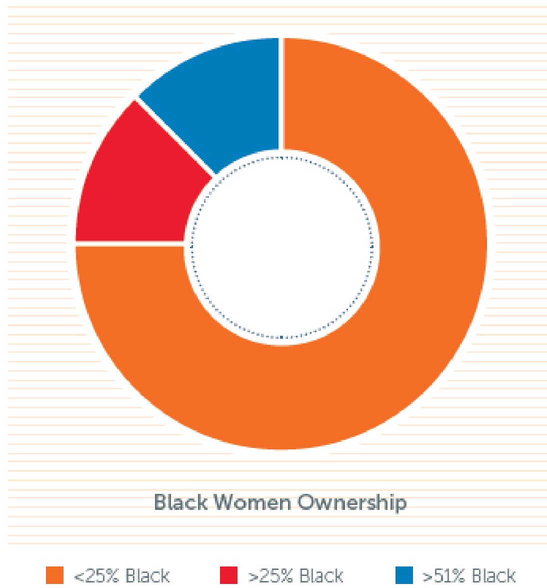
Indirect strategies – Including Funds, Holding companies, SIPs

PIC commitments as at 31March 2018: Indirect strategies (R21 097m or 19% of Isibaya Total Committed Capital)

SECTOR AGNOSTIC FUND of FUNDS	% CONTRIBUTION	AMOUNT COMMITTED (Rands)	AMOUNT INVESTED (Rands)
Abraaj Africa Opportunity Fund III	22%	1,060,000,000	523,768,114
Kuramo Africa Opportunity Fund II	6%	265,000,000	167,628,652
Ethos Fund VI	16%	750,000,000	523,780,157
Kleoss Fund I	16%	750,000,000	357,023,822
Makalani Fund II	6%	300,000,000	1,986,561
Medu Capital Fund II Partnership	2%	75,000,000	61,895,713
Medu Capital Fund III	5%	250,000,000	148,108,498
Africa Capitalworks	13%	596,250,000	12,728,308
Sphere Fund I	1%	50,000,001	41,676,372
Trinitas Private Equity Fund	3%	133,750,249	116,575,878
Vantage Mezzanine Fund II Partnership	4%	200,000,000	179,455,636
Vantage Mezzanine Fund Trust	1%	50,000,000	50,000,000
West Africa Emerging Markets Growth Fund	6%	288,750,000	236,015,190
Total Rands	**100%**	**4,768,750,250**	**2,420,642,901**
		4%	
OTHER	% CONTRIBUTION	AMOUNT COMMITTED (Rands)	AMOUNT INVESTED (Rands)
King Sabata Municipality	0%	55,100,000	55,100,000
Madibeng Municipality	2%	347,776,573	347,776,573
Musa Group	6%	950,002,400	950,002,400
SA SME FUND	2%	400,000,000	40,000,000
Sphere Holdings	1%	158,383,933	153,610,649
Gurb Investments	1%	87,000,100	87,000,100
SIPS			
Steinhoff/Lancester	58%	9,400,000,000	9,400,000,000
Texton	4%	579,472,157	579,472,157
Pareto CRO	27%	4,351,038,782	-
Total Rands	**100%**	**16,328,773,945**	**11,612,961,879**
% Total of Isibaya Total Committed Capital		**15%**	
Total Indirect Strategies	**19%**	**21,097,524,195**	

Majority PIC-funded asset managers are majority owned by previously marginalised groups





Disclaimer

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Personal trading by staff is regulated to ensure that there is no conflict of interest. All directors and employees who are likely to have access to price sensitive and unpublished information in relation to the Public Investment Corporation are further regulated in their dealings. All employees are remunerated with salaries and standard short-term and long-term incentives. No commission or incentives is paid by the PIC to any persons and all inter-group transactions are done on an arm’s length basis. The PIC has comprehensive crime and professional indemnity insurance.

Directors: Mr Mondli Gungubele (Chairperson), Dr Xolani Mkhwanazi (Deputy Chairperson) | Ms Matshepo More (Acting Chief Executive Officer; and Chief Financial Officer), Ms Sandra Beswick, Mr Trueman Goba, Ms Dudu Hlatshwayo, Ms Mathukana Mokoka, Mr Pitsi Moloto, Ms Lindiwe Toyi, Ms Sibusisiwe Zulu | **Acting Company Secretary**: Deon Botha

For more details, as well as for information on how to contact us and how to access information please visit www.pic.gov.za

Appendix 1: Abbreviations and Definitions

ABET	Adult Basic Education Training
Abraaj	Abraaj Investment Management Limited
ACSA	Airports Company South Africa
ADRIASA	ADR International Airports South Africa
AEs	Advanced Economies
AFS	Annual Financial Statements
AGM	Annual General Meeting
Agrigroupe	Agrigroupe Holdings (Pty) Ltd.
Ai	Africa investors
AIPF	Associated Institutions Pension Fund
AuM	Assets under Management
ARC	Audit and Risk Committee
Bafepi	Bafepi Agri (Pty) Ltd
B-BBEE	Broad-Based Black Economic Empowerment
BCM	Business Continuity Management
BEE	Black Economic Empowerment
BIP	Black Industrialist Programme
BOE	Bank of England
BVI	Business Ventures Investments (Pty) Ltd
CBOs	Community-based Organisations
CC	Compensation Commissioner Fund
C2C	Coast to Coast Proprietary Limited
CD	Childhood Development
CEO	Chief Executive Officer
CIPC	Companies and Intellectual Properties Commission
CM	Contract Manufacturing
CP	Compensation Commissioner Pension Fund
CSR	Corporate Social Responsibility
CTC	Community Training Centre
DAC	Directors' Affairs Committee
DBE	Department of Basic Education
Dti	Department of Trade and Industry
DOA	Delegation of Authority
DOI	Declaration of Interest
DPSA	Department of Public Service and Administration
EAP	Economically Active Population
EBIDTA	Earnings before interest, tax, depreciation and amortisation
ECB	European Central Bank
ED	Enterprise Development
EEA	Employment Equity Act
EIHL	ETG Input Holdings
Ems	Emerging Markets
ERMF	Enterprise Management Framework
ESG	Environmental, Social and Governance
ETG	Export Trading Group
EXCO	Executive Committee
FAIS Act	Financial Advisory and Intermediary Services Act, 2002
FDI	Foreign Direct Investment
Fed	Federal Reserve
FIPs	Fund Investment Panels
FMCG	Fast Moving Consumer Goods
FSCA	Financial Sector Conduct Board
GEHS	Government Employees Housing Scheme
GEPF	Government Employees Pension Fund
GDE	Gross Domestic Expenditure
GDP	Gross Domestic Product
HEIs	Higher Education Institutions
HDIs	Historically Disadvantaged Individuals
HRRC	Human Resources and Remuneration Committee
I&B	Infrastructure and Building
IC	Investment Committee
ICTGC	Information Communication and Technology Governance Committee
IMF	International Monetary Fund
IMSS	International Maths and Science Study
IoDSA	Institute of Directors of Southern Africa
IRR	Internal Rate of Return
IT	Information Technology
ITRC	Information Technology Risk Committee
JIBAR	Johannesburg Interbank Average Rate
JSE	Johannesburg Stock Exchange
KENGEN	Kenya Electricity Generating Company

KRIs	Key Risk Indicators
LIA	Lanseria International Airport
Libstar	Liberty Star Consumer Holdings
M&A	Merger and Acquisition
MMIH	Menlyn Maine Investment Holdings (Pty) Ltd
MPRDA	Mineral and Petroleum Resources Development Act
MOCAA	Museum of Contemporary Art Africa
MOI	Memorandum of Incorporation
MST	Mobile Specialised Technologies
NGOs	Non-governmental Organisations
NSFAS	National Student Financial Aid Scheme
NDP	National Development Plan
NT	National Treasury
OECD	Organisation for Economic Cooperation and Development
OLG	Open Learning Group
ORMF	Operational Risk Management Framework
PAA	Public Audit Act of South Africa
PAIDF	Pan Africa Infrastructure Development Fund
PE	Private Equity
PE SA II	Private Equity South Africa Fund II
PE RoA II	Private Equity Rest of Africa Fund II
PFMA	Public Finance Management Act, 1999
PIC	Public Investment Corporation SOC Limited
PIC Act	Public Investment Corporation Act, 2004
PL	Private Label
PMC	Portfolio Management Committee
POPI	Protection of Personal Information Act, 2013
PPAs	Power Purchase Agreements
PPMs	Private Placement Memorandums
QSRs	Quick Service Restaurants
QAR	Quality Assessment Review
Resultant	Resultant Finance (Pty) Limited
RFPs	Request for Proposals
SAA	Strategic Asset Allocation

SAICA	South African Institute of Chartered Accountants
SDGs	Sustainable Development Goals
SEC	Social and Ethics Committee
SED	Socio-economic Development
SIPs	Structured Investment Products
SOEs	State-Owned Entities
SMEs	Small and Medium Enterprises
SNG	Sizwe Ntsaluba Gobodo
SPAC	Special Purpose Acquisition Company
Sphere	Sphere Holdings (Pty) Limited
SPMS	South Point Management Services
SRI	Socially Responsible Investment
S&P	Standard and Poor's
ToR	Terms of Reference
UIF	Unemployment Insurance Fund
US	United States
WHO	World Health Organisation

Definitions

The following words and expressions bear the following meanings, unless the context indicates otherwise:

- "Assets Under Manager Procurement" means all procurement of advisors or consultants by the PIC on behalf of its clients for the provision of transaction related support activities which include due diligence services, legal services etc.
- "Alpha" refers to the difference between the return achieved by the portfolio compared to the benchmark (or Index or absolute number) return as set by the client on a risk adjusted basis.
- "Benchmark" means the reference point used relative to what the actual performance has been
- "Capitalized Transaction Costs" means transaction costs which are capitalized to the funding instruments are repaid are repaid to the lender as part of the loan, in case of debt instruments.
- "Deals Approved – But not yet Disbursed" means deals which have been approved by the delegated committee but funds have not yet been disbursed.
- "Deals in Progress" means deals which are still undergoing due diligence process and not yet approved by the delegated committee.
- "Declined Deals" means deals which have gone through due diligence process and were declined by the delegated committee.
- "Disburse Deals" means deals which have approved by the delegated committee, legal's have been concluded and funds have been disbursed to the investee company.
- "Due Diligence" means an investigation or audit of a potential investment or product to confirm all facts, such as reviewing all financial records, plus anything else deemed material. It refers to the care a reasonable person should take before entering into an agreement or a financial transaction with another party.
- "Excess Returns" means the return of the portfolio achieved above the expected benchmark return.
- "Expensed Transaction Costs" means transaction costs which not capitalized to the funding instruments and therefore not recoverable.
- "Participation Fees" means fees charged by PIC, on behalf of its clients, to the investee companies or borrowers to recover transactions costs incurred.
- "Politically Exposed People": The PIC classifies all PIC Non-Executive directors and employees nominated to investee company boards as PEPs/PIPs.
- "Transactions Costs" mean Includes all costs incurred in Due Diligence (Financial, Technical, Commercial, Risk, Legal, ESG, etc), structuring, negotiation, contracting, implementation including workout and recovery costs.

Annexure 1: Unlisted Investment Holdings Schedule

Annexure 2: Unlisted Properties Investment Holdings Schedule