

GUIDED BY EXPERIENCE

ALTERNATIVE INVESTMENT FAQ



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Frequently asked questions

○ WHAT IS PRIVATE EQUITY?

Private Equity is a type of investment that involves investing in companies that are not publicly traded on a stock exchange. Private Equity managers accept funds from accredited and institutional investors and deploy these funds towards acquiring companies, either outright, as a controlling stake or form of debt transaction. They then work with the management team to improve the company's performance and operations, with the goal of creating a stable profits as well as increasing its value for the longevity of investment.

○ WHAT IS THE DIFFERENCE BETWEEN A PRIVATE COMPANY, LISTED COMPANY, AND VENTURE CAPITAL?

Private Company

A private company is a company that is not publicly traded on a stock exchange. This means that its shares are not owned by the general public but are instead held by a sophisticated shareholders, other private investors. Institutional investors or fund managers. Not being listed gives a trade-off of risk to these investors in the form of giving up immediate liquidity/tradability of investment in exchange for less volatility of capital pricing.

Listed Company

A listed, or public company, is listed on a stock exchange. It has issued shares, or stock, which represents small portions of ownership of that company. These shares can be bought and sold by investors, which rise and fall in value according to their demand. These companies are more liquid/tradable however far more volatile in capital pricing due to sentiment, supply, demand, and many other external factors.

Venture Capital

Venture Capital (VC) is a type of Private Equity financing that is provided to high-growth start-ups with the potential to generate large returns on investment. VC firms typically invest in companies that are still in the early stages of development and need funding to scale their business.

○ WHY WOULD A COMPANY BECOME LISTED?

- Access to capital
- Brand recognition
- Liquidity for existing shareholders
- Capital for acquisitions
- Employee incentives
- Debt reduction
- Increased market valuation

○ WHY WOULD A COMPANY DELIST?

- Cost reduction
- Limiting regulations
- Enhanced privacy
- Changes in corporate structure

○ IS PRIVATE EQUITY MORE RISKY THAN LISTED EQUITY?

Risk is subjective and therefore we define it as different risk not higher risk. Listed Equity is subject to risk due to the value of the share price being significantly influenced by external factors not within a fund manager's control, such as investor speculation, politics, economics, etc. Private Equity in general refers to a more subjective risk, which is determined by the nature of the acquired asset and its performance which is far less impacted by uncontrollable external factors. A Private Equity fund is typically well-diversified, which helps to mitigate significant risks and volatility.

○ WHAT RISK CATEGORY DO THE EVEREST WEALTH FUNDS FALL INTO?

Our portfolios are positioned in the moderate to high-risk category – this is however due largely to the following factors and again it must be understood that different risk, can mean less risk, to certain investors dependent on their own subjective risk focus:

The probability of default on capital or return: Everest Wealth has an impeccable 8-year track record due to diversification of our assets.

Volatility, which measures the frequency and magnitude of changes in returns, has been minimal for Everest Wealth. The return has only changed twice, both times resulting in an increase, in March 2017 and April 2024.

Liquidity of investment – this is a subjective measurement, due to our clients' choosing various lock-in periods. Typically, Private Equity requires a longer time period to receive capital payments. Our terms are based on a 5-year period, with a notice period of 120 days.

○ WHAT ARE THE SPECIFIC RISKS INVOLVED IN PRIVATE EQUITY FUNDS AND HOW DOES EVEREST WEALTH MITIGATE THIS RISK?

Risk has several driving factors such as the level of security (asset backing) and the level of fluctuations throughout the investment period. Our investors benefit from a balance sheet of underlying portfolio assets spanning multiple sectors, subsectors, and smaller investment sizes to properly maintain diversity and a 5-year investment horizon.

○ HOW DOES A PRIVATE EQUITY FUND / INVESTMENT WORK?

A typical Private Equity fund involves an “en commandite” partnership where there are limited partners (the investors) and a general partner (the investment manager). This structure typically caters to very high net-worth individuals.

Portfolios managed by Everest Wealth, differ from a typical Private Equity fund by offering a consistent retail offering, and has a structured portfolio similar to a conventional unit trust, whereby there is a participatory interest (security) allocated to investors within a the portfolio (asset holding company) and managed by Everest Wealth (the investment manager).

○ WHICH ASSETS ARE INCLUDED IN THE FUNDS THAT EVEREST WEALTH MANAGE?

The fund mainly invests in growth opportunities where businesses are established within their life cycle, already operational and profitable, but in need of a capital injection or operational expertise.

○ WHAT IS EVEREST WEALTH'S INVESTMENT STRATEGY AND PHILOSOPHY?

It is our core philosophy to promote stable and secure investments for our clients.

Our portfolios promote:

- An established dividend return that is inflation-driven - improving on tax efficiency.
- Returns that are anticipated, net of fees - promoting a clear expectation of returns.
- investment term of 5 years - lowering transactional fees and improving stability.

○ WHAT ARE THE MAIN BENEFITS OF INVESTING IN AN EVEREST WEALTH MANAGED FUND VS A LISTED EQUITY FUND?

Everest Wealth has 5 advantages over listed investments.

1. Consistent Returns

Our returns are fixed and reviewable as opposed to listed solutions that experience daily capital volatility.

2. True 'real' returns

Since our inception, our local offerings have maintained a double-digit return, after fees and taxes, to our investors.

3. Diversification

Everest Wealth products exist in the alternative asset class, enabling you to diversify your investment portfolio independently and completely uncorrelated to the traditional investment market. Your portfolio is diversified further across multiple sectors and sub sectors.

4. Absorbed EAC

We structure our investment process in such a way that the investment costs are absorbed into the investment solution, as opposed to being deducted from our clients' yield.

5. Efficient tax structures

Our solutions' returns are dividend-based, subject to a tax rate of 20% (0% for SA company investors) instead of interest returns, which are taxed at the client's marginal income tax bracket rate (0-45%).

○ WHAT IS THE CURRENT SIZE OF THE FUND?

Just under R3bn

○ WHAT DOES A "FIXED" RETURN MEAN?

Fixed returns

Fixed returns are investment returns that are predetermined/pegged and therefore are protected from fluctuation with the market. If an investment consistently generates higher-than-average total returns, it can predetermine/peg yields to different classes of investors.

Volatile returns

Where capital value is priced, and changes daily, the yields in the form of interest, dividends or rental income will fluctuate more frequently. Historically this risk has been compensated for with higher returns over the long term, however we have seen this to no longer be the case as global markets have shifted over the recent decade.

Guaranteed returns

Where capital value, as well as yields, are secured by the balance sheet of an institution, typically a bank. Important is that extreme economic events have taught us that there is no such thing as a true guarantee, free of any risk, in our volatile global economic climate. Furthermore, guaranteed returns often come at an increased cost/reduction of return.

○ WHAT IS THE DIFFERENCE BETWEEN INTEREST AND DIVIDENDS?

Interest

Interest typically denotes the expense incurred by borrowing money or the earnings generated from invested capital. It represents the fee charged by a lender to a borrower for utilizing assets (such as money) or the profit gained by an investor for lending or depositing funds. Interest also refers to compensation paid to an entity or individual for borrowing money, usually in exchange for regular payments. These payments are subject to taxation based on the investor's marginal income tax bracket, with SARS specifying very small amounts of tax-free interest, ranging from R23,800 to R34,500.

Dividends

Dividends refer to the amount received due to direct ownership of equity in an entity where the owner is subject to the profit share of that particular entity but taxed at a fixed rate of 20% when the entity invested into is a South African company. If another South African company is also the investor receiving the dividend, then this 20% tax rate drops to 0%.

○ WHY IS THE RETURN NOT GUARANTEED?

Issuing a Guarantee typically involves allocating investments to more cash like instruments or derivative trading which has typically not offered as great a return as fixed investments. It must be understood that both guaranteed investments as well as fixed investments rely on the balance sheet of the issuer and accepting a guarantee often comes at the expense of potential return.

○ WHAT COULD AFFECT THE ANNUAL RETURN?

Continued economic underperformance of all economic sectors simultaneously, which is highly unlikely other than in an extreme market crisis.

○ HOW LONG IS THE INVESTMENT TERM?

A minimum 5-year investment term to ensure appropriate long-term security of investments.

○ HOW CAN I VIEW MY INVESTMENT PERFORMANCE?

You can request your investment statement via email from servicing@everestwealth.co.za or directly from your financial advisor.

○ IS THERE AN ONLINE PORTAL?

The Everest Wealth online portal and app are currently being developed.

○ HOW OFTEN WILL I RECEIVE AN INVESTMENT STATEMENT FROM EVEREST WEALTH?

Statements will in future be issued monthly, but presently either quarterly, or at requested from your financial advisor.

○ WHERE CAN I ACCESS THE FORMS TO UPDATE MY PORTFOLIO?

These forms can be requested from your financial advisor or downloaded from the Everest Wealth website - www.everestwealth.co.za

○ WHO CAN ASSIST ME IF I CAN'T FIND WHAT I AM LOOKING FOR ON THE WEBSITE?

Contact your financial advisor or alternatively, call our head office at 087 654 8705. Alternatively, you can send us an email to info@everestwealth.co.za.

○ IN THE EVENT OF A CLIENT'S DEATH WHAT HAPPENS TO THEIR INVESTMENTS.

Upon entering an Everest Wealth voluntary investment, the beneficiaries should be nominated by the client within their estate. Upon death, the estate's executor must notify Everest Wealth, and our administrative staff or fiduciary specialists will guide them through the process.

○ WHAT ARE THE OPTIONS IF A CLIENT PASSES AWAY?

- The investment may be transferred into the names of the beneficiaries.
- The investment may be transferred into the name of the deceased estate.
- The investment may be liquidated or redeemed, and the cash proceeds may be paid to any beneficiaries, or
- The investment may be liquidated or redeemed, and cash proceeds may be paid into the deceased estate.

○ WHAT IS THE PROCESS IN THE CASE OF A DEATH CLAIM?

- A 'Death Claim' form should be completed and submitted with supporting documents.
- Upon signing the Death Claim form, the executor will advise Everest Wealth which option has been selected.
- Everest will accordingly, and within the T's and C's of the investment, ensure the disposal, redemption, or transfer of the underlying investments.

○ HOW DO I REDEEM AND WHAT ARE THE T'S AND C'S AROUND A REDEMPTION?

- Redemptions of Everest investments are subject to approval prior to year 5.
- Once approved, if redemption is within 5 years of inception, early redemption fees will apply.
- All redemptions, whether prior to, at, or post year 5, require a notice period of 120 days for receipt of funds.

○ WHAT HAPPENS AT MATURITY AND WHEN ARE MY FUNDS AVAILABLE?

At maturity investors will be given 2 options:

1. Cumulative returns or special dividends

You have the option to re-invest these returns, or to have them paid out (payment will occur 7 days post the maturity date.)

2. Capital value

You may choose to renew for an additional term or to redeem the capital. A 120-day notice period still applies, and clients are encouraged to complete the required 'Maturity form' 4 months prior to the investment maturity date.

○ WHAT ARE THE ANNUAL TAX IMPLICATIONS FOR THE INVESTOR?

The dividend returns are paid out on an after-tax basis and will thus not be subject to any taxation. An IT3(b) form will be sent to each investor to submit to SARS.

○ WHAT ARE THE TAX IMPLICATIONS IF I INVEST VIA A COMPANY OR TRUST?

Dividends from South African companies to:

- Individuals - taxed at a fixed rate of 20%. Net funds received are then tax free.
- Trusts - taxed at a fixed rate of 20%. Net funds received are then tax free.
- South African companies - taxed at a rate of 0%.

○ WHEN CAN I EXPECT MY TAX CERTIFICATE?

Tax certificates are issued between the end May and the end August each year, for the prior tax year.

○ CAN I CEDE THE INVESTMENT?

Legally, yes. However Private Equity is typically not accepted as a form of collateral due to its illiquidity.

○ **WHAT IF I DON'T NEED THE MONTHLY INCOME?**

Some investors choose to reinvest their dividend payment into a third-party fund to further diversify their portfolios.

○ **HOW DOES EVEREST WEALTH MAKE ITS MONEY?**

Everest believes in aligning itself to be at risk with their clients meaning, other than initial fees already structured into the investment post full client investment allocation, Everest earning additional fees only once all client returns have consistently been generated.

○ **WHO HOLDS THE SHARE CERTIFICATE?**

For voluntary investments, fund share certificates are issued in the name of the investor and kept in safe keeping according to Custody of Securities regulations. Everest Wealth reports all details and value of the investment to the client, who can request a copy at any time.



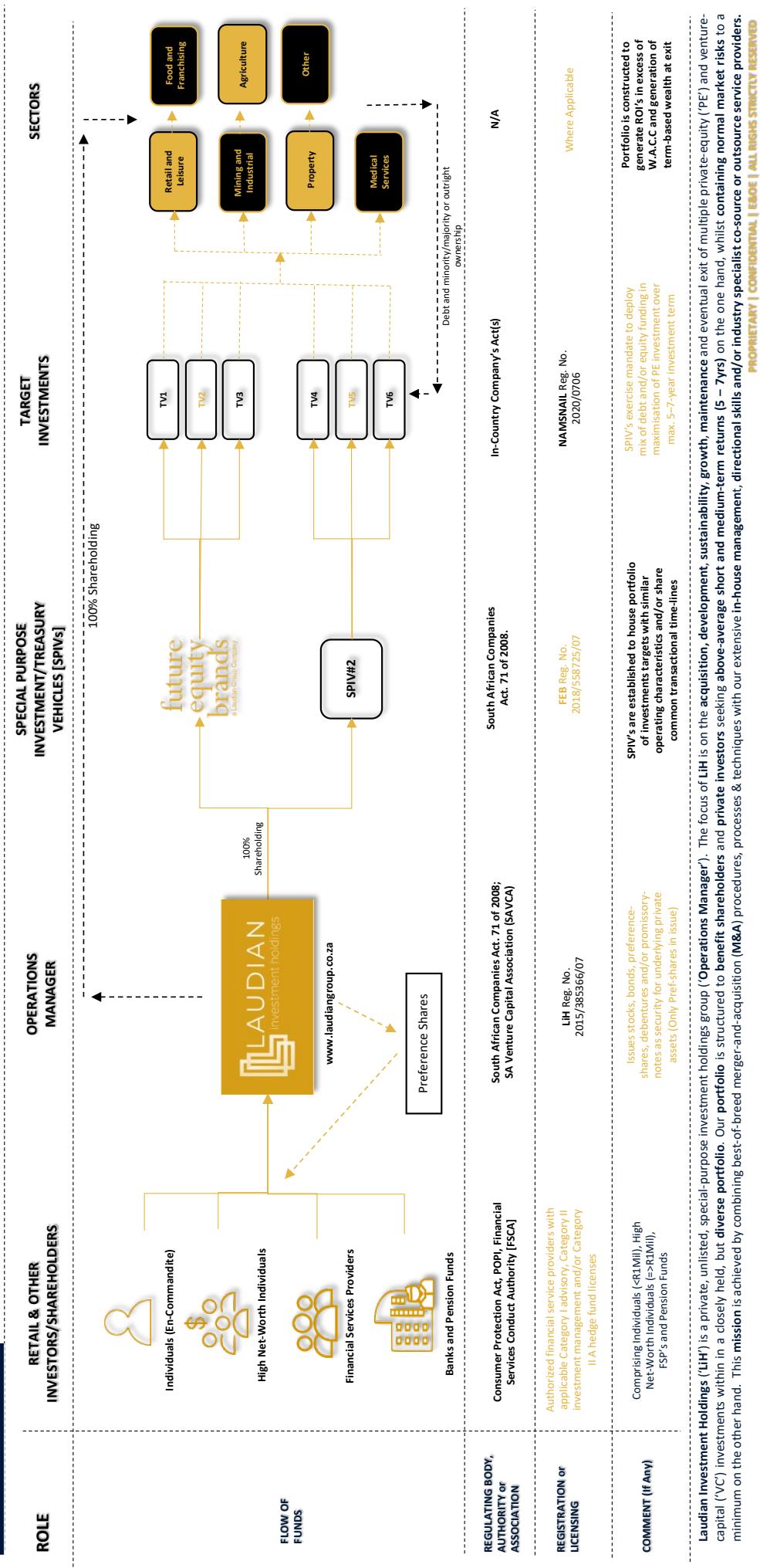
How does the structure work



Generic FLOW OF FUNDS [F.o.F] // Shareholding Illustration

[High-Level Illustrative Purposes Only – March'24]

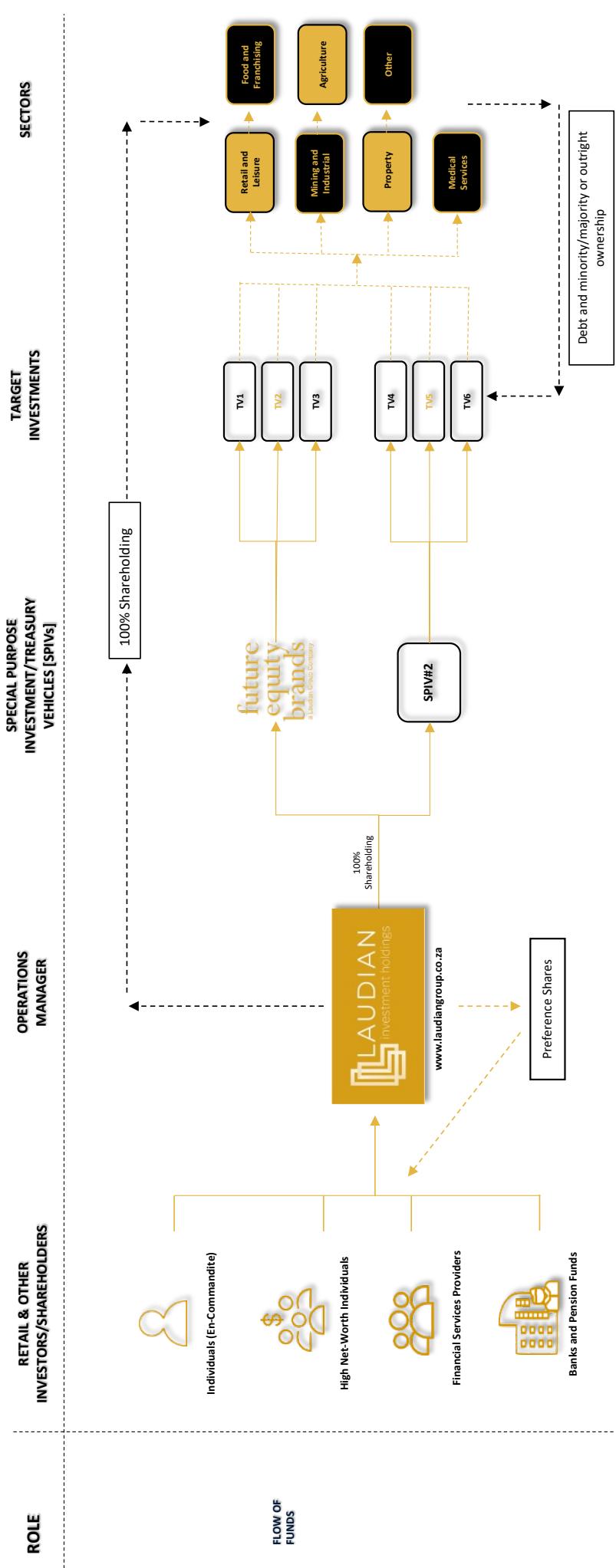
High-Level Illustrative Purposes Only – March' 24





Generic FLOW OF FUNDS [F.o.F] // Shareholding Illustration

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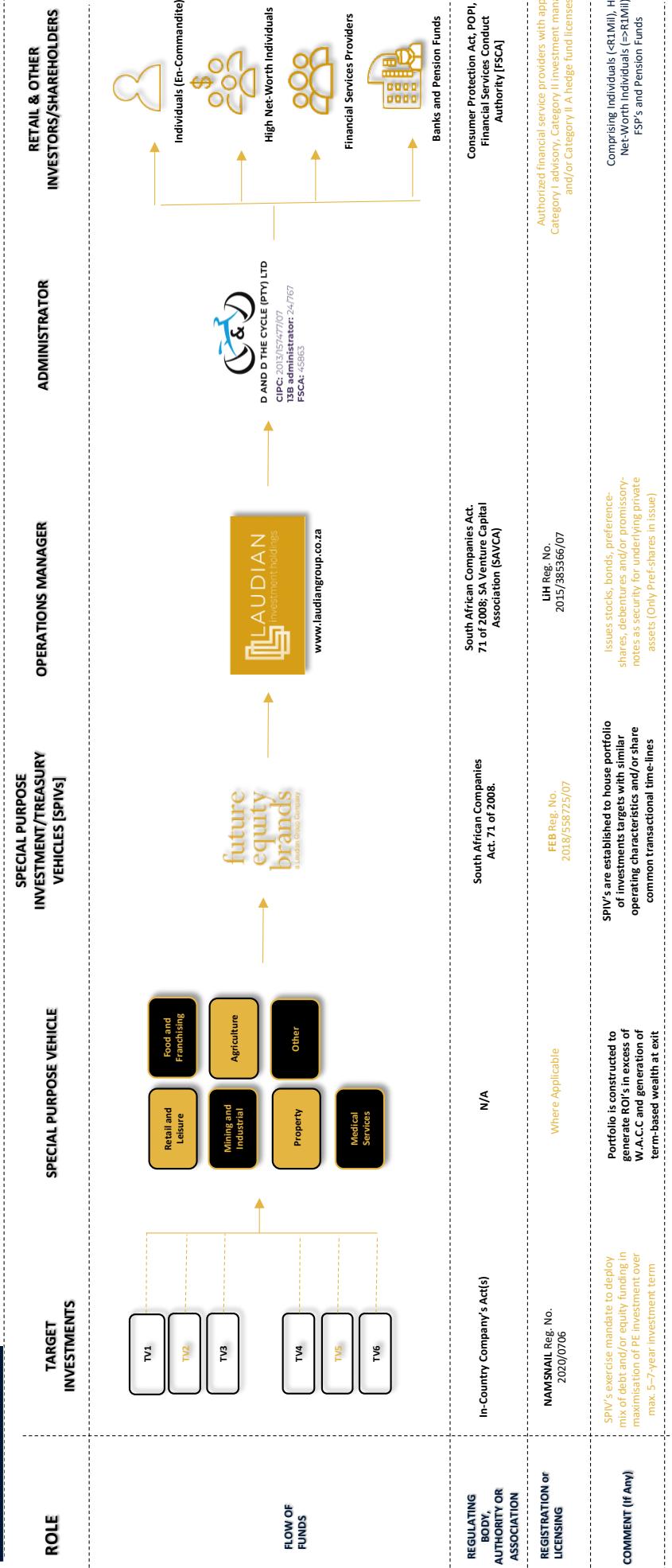
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Distributions to Shareholders [D.t.S]

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INVESTMENT MANAGER

Everest Wealth Management (Pty) Ltd (2002/004025/07) an Authorised Financial Services Provider (FSP 795) CAT I , II & IIA and registered credit provider NCRCP 21504

STANDARD CONFLICT DISCLOSURE

Everest Wealth Management (Pty) Ltd (2002/004025/07), an authorised financial services provider, with FSP number 795 CAT I & II & IIA ("Everest Wealth") and Laudian Investment Holdings (Pty) Ltd (2015/385366/07) ("Laudian Investment Holdings"), a private equity company, at times, whether directly or indirectly, jointly and/or independently, have a vested right, by way of shareholding, in the portfolios they manage. Therefore, the re-imbursement of fees and values are directly based on the performance of underlying assets within the portfolio(s) and is not deducted from clients' investment allocation(s). Therefore, Everest Wealth and Laudian Investment Holdings strive to better align themselves with investors' goals and improve on their business-, and the portfolios' performance.

PRIVATE EQUITY HOLDINGS COMPANY

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