
CEO AND CFO REPORT

Dear Stakeholders,

A negative person seldom creates anything positive. PSG Group has deliberately and consistently chosen to have a positive attitude towards the challenges facing South Africa. Let us be honest, challenges are not unique to our country – most countries, both emerging and developed, have their own specific issues. In South Africa, at least, we understand our country's dynamics and are able to take advantage of any opportunities.

PSG Group seeks the opportunity in every challenge, which to a large extent has been a key ingredient to our recipe for success. In life, and in business, one cannot expect to always have the wind from behind – it is important to stay focused, no matter the circumstances. This is exactly what the PSG group of companies again did in the past year.

WHO WE ARE

PSG Group is an investment holding company consisting of underlying investments that operate across a diverse range of industries including banking, financial services, education and food and related business, as well as early-stage investments in select growth sectors. Our market capitalisation (net of treasury shares) is approximately R57bn, while we have strategic influence over companies with a combined market capitalisation of approximately R212bn.

There are seven main business units on which we report, namely:

- Capitec (retail banking);
- PSG Konsult (wealth management, asset management and insurance);
- Curro (private basic education);
- PSG Alpha (early-stage investments in select growth sectors);
- Zeder (investments in food and related business);
- Dipeo (BEE investment holding company); and
- PSG Corporate (investment management and treasury services), including PSG Capital (corporate finance).

OUR OBJECTIVE

Our long-term economic goal remains to continuously create wealth for our shareholders through a combination of share price appreciation and the payment of dividends. To achieve this, we have invested in a diversified portfolio of businesses with high-growth potential that consistently yield above-market returns, while contributing positively to society.

OUR INVESTMENT PHILOSOPHY

The investment universe is complex with a myriad of variables. Astute investors base their decisions on sound fundamentals and proven investment principles. PSG Group is a disciplined investor, remaining committed to its core philosophy of simple, good and ethical business.

- We invest in:
 - Enterprises with uncomplicated business models, operating in large markets;
 - Industries that exhibit either a fragmented market dynamic or one with large inefficient incumbents; and
 - Honest, focused, talented, hard-working and passionate management whom we believe are the best in their respective fields.
- We are long-term investors with no predetermined exit strategy.
- Sound corporate governance is non-negotiable – we believe in accurate, transparent and succinct information.
- A key tenet of success is trust – without trust, companies lose clients and leaders lose their teams. We advocate trust through our philosophy of ultimate empowerment. We employ honest, smart, competent individuals, and empower them through trust.
- We believe in co-investing with management. Management as co-owners are aligned with other shareholders and generally more focused and dedicated to growing their businesses. This also applies to PSG Group – the board of directors owns 6% of the company.
- We provide our early-stage investments with the necessary capital to enable management to focus on growing their business rather than on meeting funding requirements. Once these businesses mature, they will be able to leverage their balance sheets when needed.

OUR STRATEGY

PSG Group's biggest successes have emanated from early-stage investing by building businesses alongside entrepreneurs from the development stage. Both Capitec and PSG Konsult were started from within PSG Group's offices, and the investment in Curro was made when they only had three campuses. Our strategy remains unchanged:

- We acquire sizeable influential stakes in businesses we believe exhibit significant growth potential and offer management our strategic input to help them establish and drive ambitious plans.
- We provide access to capital that helps expedite future growth, both organically and through acquisitions.
- We participate actively at board level, and often also at an executive committee ("Exco") level.
- We either serve on or attend audit and risk committee meetings as a measure to ensure good corporate governance.

OUR CORE INVESTMENTS

Capitec, PSG Konsult, Curro and Zeder are all well-established businesses and separately listed on the JSE. PSG Group, as a major shareholder, is represented by executive management on these companies' respective boards of directors and attend their audit and risk committee meetings as invitees – this way, PSG Group assists these companies in formulating and driving strategy, and supports continuous good corporate governance.

Our core investments are all among the best in their respective sectors with quality management, strong corporate governance and attractive growth prospects. These businesses have often revolutionised their respective industries, and continue to do so. As an example – Capitec's low-fee banking and unsecured lending products have forced the traditional banks to critically review their service offerings to better address the client's needs.

Continued growth from PSG Group's core investments, and in particular the extent to which it translates into improved dividend inflows as the likes of Curro continue to mature, will enable PSG Group, through PSG Alpha, to invest further in and help establish the businesses of tomorrow. Had PSG Group in the past not been able to leverage aforementioned growth and cash flows from the more mature businesses, the extent of investment in the likes of Curro would not have been possible – which investment has been a major contributor to value creation for PSG Group shareholders.

BENCHMARKING OUR PERFORMANCE

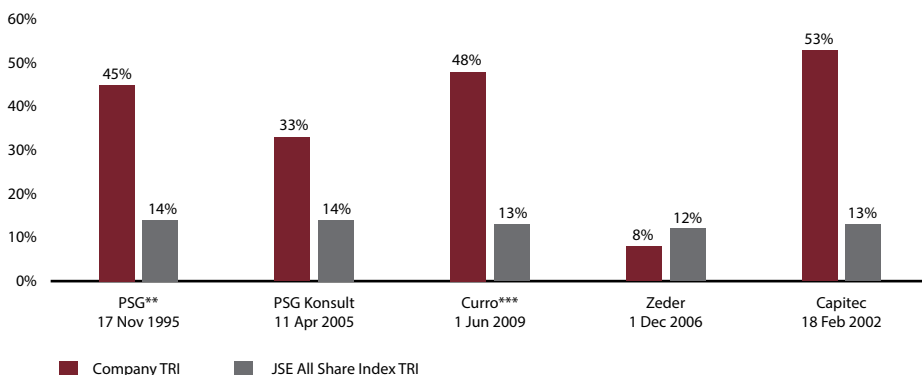
We believe that performance should be measured in terms of the return that an investor receives over time, with a focus on *per share* wealth creation. When evaluating PSG Group's performance over the long term, one should focus on the *Total Return Index ("TRI")* as a measurement tool. The *TRI* is the *compound annual growth rate ("CAGR")* of an investment and is calculated by taking cognisance of share price appreciation, dividends and other distributions. This is a sound measure of wealth creation and a reliable means of benchmarking different companies.

PSG Group's *TRI* as at 28 February 2019 was 45% per annum over the approximately 23-year period since establishment. Had you purchased R100 000 worth of PSG Group shares in November 1995 and reinvested all your dividends, your investment would be worth around R557m as at 28 February 2019. The same investment in the JSE All Share Index over this period would only be worth R2m. We are proud of the wealth we have created for our shareholders.

CEO AND CFO REPORT *(continued)*

The graph below illustrates that, apart from Zeder, our core investments have all outperformed the JSE All Share Index over their respective measurement periods. It should be noted that Zeder, being invested in the agricultural sector, faced significant challenges such as severe drought and heat conditions in recent years, which had a major negative impact on its performance. The expected recovery thereafter has also been slower than anticipated with the consumer remaining under pressure.

PSG Group companies' TRI vs JSE All Share Index TRI*



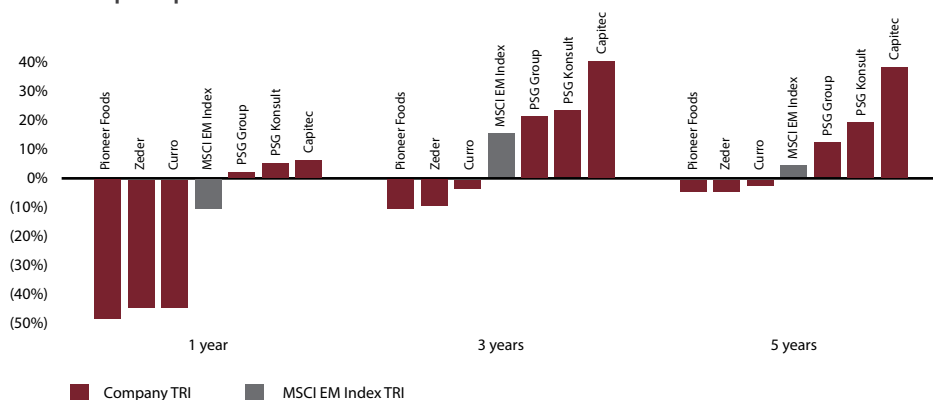
* Measured since the respective dates set out above until 28 February 2019.

** Capitec unbundling in November 2003 treated as a dividend.

*** Stadio unbundling in October 2017 treated on the assumption that Curro shareholders retained their Stadio shares.

PSG Group's share trading liquidity for the year ended February 2019 was 47%. Given that our overall foreign ownership in recent years increased to around 22%, it is fitting to benchmark the TRI of PSG Group and its core investments (expressed in US dollar terms) against that of the MSCI Emerging Markets Index ("MSCI EM Index") over one, three and five years, respectively.

PSG Group companies' TRI vs MSCI EM Index TRI



It is evident from the graph above that the group also performed well in US dollar terms, with PSG Group, Capitec and PSG Konsult outperforming the MSCI EM Index over these terms.

OUR PERFORMANCE OVER THE PAST FINANCIAL YEAR

The two key benchmarks used by PSG Group to measure performance are *sum-of-the-parts* ("SOTP") value and *recurring earnings* per share, as long-term growth in PSG Group's SOTP value and share price should depend on, inter alia, sustained growth in the *recurring earnings* per share of our underlying investments.

The calculation of PSG Group's SOTP value is simple and requires limited subjectivity as more than 90% of the value is calculated using JSE-listed share prices, while other investments are included at market-related valuations. At 28 February 2019, the SOTP value per PSG Group share was R311,45 (2018: R255,17), representing a 22% increase. The five-year CAGR of PSG Group's SOTP value per share and share price at 28 February 2019 was 27% and 24%, respectively.

Asset/(liability)	28 Feb 2014 Rm	28 Feb 2018 Rm	28 Feb 2019 Rm	Share of total	Five-year CAGR [#]
Capitec*	5 989	29 540	46 351	66%	48%
PSG Konsult*	4 004	7 048	8 700	12%	16%
Curro* (incl. Stadio until unbundling in Oct 2017)	4 660	7 987	5 714	8%	(2%)
PSG Alpha	949	5 201	4 712	7%	21%
Stadio* (since unbundling from Curro in Oct 2017)		2 379	1 253		
Other investments**	949	2 822	3 459		
Zeder*	1 698	4 823	3 166	5%	1%
Dipeo (prev. Thembeke)**	1 243	535			n/a
Other assets	1 505	2 603	1 702	2%	
Cash [^]	180	1 000	323		
Pref investments and loans receivable [^]	722	1 558	1 297		
PSG Corporate ^{^^}	383				
Other [^]	220	45	82		
Total assets	20 048	57 737	70 345	100%	
Perpetual pref funding*	(1 393)	(1 278)	(1 367)		
Other debt [^]	(615)	(949)	(1 020)		
Total SOTP value	18 040	55 510	67 958		
Shares in issue (net of treasury shares) (m)	189,9	217,5	218,2		
SOTP value per share (R)	95,01	255,17	311,45		27%
Share price (R)	89,02	217,50	259,78		24%

* Listed on the JSE ** SOTP value

[^] Carrying value ^{^^} Valuation [#] Based on share price/SOTP value per share

Note: PSG Group's live SOTP containing further information is available at www.psggroup.co.za

CEO AND CFO REPORT *(continued)*

PSG Group's *recurring earnings* per share increased by 9% to R10,86 (2018: R9,94) following commendable performance from Capitec (up 19%), PSG Konsult (up 4%) and Curro (up 23%), offset by PSG Alpha (down 7%) and Zeder (flat).

PSG Alpha's negative *recurring earnings* per share performance was to be expected following its investment in initially low earnings-yielding start-up businesses such as Stadio and Evergreen, with a corresponding dilutionary effect on per-share *recurring earnings* performance.

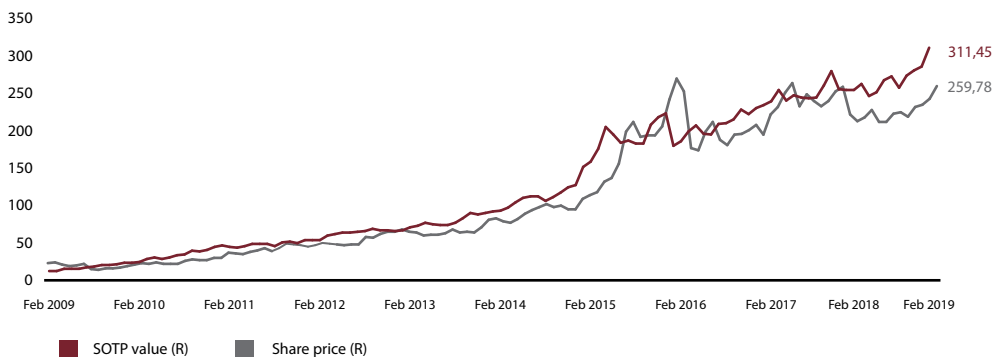
	28 Feb 2017 Rm	28 Feb 2018 Rm	Change %	28 Feb 2019 Rm
Capitec	1 164	1 369		1 625
PSG Konsult	300	348		361
Curro <i>(incl. Stadio until unbundling in Oct 2017)</i>	96	110		137
PSG Alpha <i>(incl. Stadio since unbundling in Oct 2017)</i>	133	172		216
Zeder	275	205		207
Dipeo	(20)	(56)		(29)
PSG Corporate	29	(7)		(45)
Other <i>(mainly pref div income)</i>	112	136		84
Recurring earnings before funding	2 089	2 277	12	2 556
Funding <i>(net of interest income)</i>	(104)	(135)		(199)
Recurring earnings	1 985	2 142	10	2 357
Non-recurring items	160	(186)		(163)
Headline earnings	2 145	1 956	12	2 194
Non-headline items	17	(42)		(268)
Attributable earnings	2 162	1 914	1	1 926
Weighted average number of shares in issue (net of treasury shares) (m)	214,2	215,5	1	217,0
Earnings per share (R)				
– Recurring	9,27	9,94	9	10,86
– Headline	10,01	9,08	11	10,11
– Attributable	10,09	8,88	-	8,88
Dividend per share (R)	3,75	4,15	10	4,56

PSG Group's *headline earnings* per share increased by 11% mainly due to the aforementioned increase in *recurring earnings* per share, while *attributable earnings* per share showed no growth mainly as a result of Zeder's impairment of its investment in Pioneer Foods following the decline in its share price.

OUR SHARE PRICE DISCOUNT TO SOTP VALUE

It is evident from the graph below that the discount at which PSG Group's *share price* was trading to its *SOTP value* was at $\pm 17\%$ as at 28 February 2019 compared to the five-year average of $\pm 6\%$. It is not clear whether this still has anything to do with the Steinhoff debacle in the previous year which saw them selling their 25,5% shareholding in PSG Group, or perhaps the significant portion that Capitec represents of our *SOTP value*. We as management, however, remain focused on growing the underlying businesses together with the respective management teams and to unlock value for shareholders where possible. If successful, the PSG Group *share price* will continue to grow.

PSG Group share price vs SOTP value per share over the past 10 years



GEARING AND LIQUIDITY MANAGEMENT AT PSG GROUP HEAD OFFICE

PSG Group has a prudent approach to gearing. Simply put, we do not borrow money unless certain that we will be able to repay it.

The simple philosophy of “cash is king” rings true in any business. Accordingly, PSG Group’s rolling 12-month cash flow forecast is closely monitored by both the CFO and the PSG Group Exco on an ongoing basis. Although we do not manage the underlying investee companies’ cash flows as each investee is responsible for its own treasury function, it is imperative to have visibility thereof to ensure the integrity of PSG Group’s cash flow forecast. This way we can plan well ahead, including refinancing redeemable debt when necessary.

Furthermore, the PSG Group Board has previously imposed internal debt covenants, being more stringent than those imposed by third-party funders:

- Gearing, inclusive of PSG Financial Services’ (being a wholly-owned subsidiary of PSG Group) JSE-listed perpetual preference shares, not to exceed 40% of PSG Group’s consolidated balance sheet equity; and
- PSG Group’s interest cover ratio, calculated using free cash flow, to exceed 2x at all times.

For the avoidance of doubt, PSG Group’s gearing includes that of the standalone company and head office-managed subsidiaries (all being wholly-owned apart from PSG Alpha in which PSG Group owns 98%). Compliance with all debt covenants, whether internally or externally imposed, is regularly monitored by the CFO and group finance team and reported on to the PSG Group Audit and Risk Committee, as well as to the relevant third-party funders.

As at the reporting date, PSG Group’s gearing comprised:

1. PSG Financial Services’ JSE-listed perpetual preference shares, with a market value of R1,37bn; and
2. Five-year redeemable preference shares of R1,02bn (R1bn capital and R20m accrued preference share dividends).

CEO AND CFO REPORT *(continued)*

PSG Group also maintains a strict policy not to provide any guarantee or surety in respect of investee companies' borrowings, unless wholly-owned and managed at a head office level. Accordingly, none of the borrowings of Capitec, PSG Konsult, Curro, Zeder, PSG Alpha, Dipeo or any of their respective underlying investments have any recourse to PSG Group.

The table below sets out PSG Group's gearing position as at the latest reporting date. The gearing ratio has been calculated as a percentage of both PSG Group's consolidated balance sheet equity and *SOTP value*, also including and excluding PSG Financial Services' JSE-listed perpetual preference shares. Seeing that such perpetual preference share funding is non-redeemable, this instrument could arguably be excluded when assessing gearing considering its quasi-equity nature. It is evident that PSG Group's gearing and interest cover ratios are conservative and well within the board-imposed covenants.

	Perpetual preference shares			
	2018		2019	
	Including	Excluding	Including	Excluding
Gearing as % of consolidated equity	13,0%	5,5%	13,2%	5,6%
Gearing as % of SOTP value	4,0%	1,7%	3,5%	1,5%
Interest cover ratio calculated using free cash flow	4,7x		4,8x	

Investee companies are similarly committed to managing their cash flows and gearing prudently. PSG Group's core investee companies are well capitalised, for example –

- Capitec: conservative capital adequacy ratio ("CAR") of 34%, with cash and liquid assets of R49bn.
- PSG Konsult: healthy solvency capital requirement ("SCR") ratio of 1,8x, with low gearing.
- Curro: strong cash flow generation, with interest service cover ratio of 4,1x (excl. Meridian).

OUR INVESTMENTS

CAPITEC (30,7%)



- *Simple and focused business model*
 - lending and transactional banking
- *High barriers to entry*
 - regulatory requirements and funding
- *High growth potential*
 - increase in transactional banking clients and growth in credit book (including credit card)
 - new products (funeral insurance) and markets (business banking)
 - significant growth potential given its current market share:
 - approximately 3% of credit card market
 - approximately 6% of the total South African consumer credit book
 - approximately 3% of the formal funeral insurance market

Capitec is a South African retail bank and must be the most successful business established in South Africa in the past 20 years.

Its *TRI* since listing on the JSE was 53% as at 28 February 2019, versus that of the JSE All Share Index of 13% over the same period. Capitec is currently the third largest bank in South Africa based on market capitalisation.

From the outset, Capitec has put the client's needs first through a relentless focus on the simplicity and affordability of its banking products. Management has consistently stayed ahead of the banking curve through innovation and the use of technology. Today, Capitec has more than 11m active clients with a product offering that includes the extension of credit, banking solutions and funeral insurance cover across its widespread branch and digital distribution platforms.

Capitec continues to offer attractive growth prospects while being conservatively managed. Its credit granting criteria and bad debt provisioning policy remain prudent, while management continues to increasingly target middle to higher income clients. With a 34% capital adequacy ratio, it has sufficient capital to meet its growth requirements.

Capitec's investment in new payment solutions, digital development and advanced data and analytics will allow it to offer retail clients easier ways to bank and more personalised credit offerings. In addition, Capitec regards its acquisition of Mercantile Bank as a strategic move to accelerate the development of a unique new business bank offering.

Capitec's comprehensive results are available at www.capitecbank.co.za.



PSG KONSULT (60,6%)

- *Simple and focused business model*
 - the provision of wealth management, asset management and insurance solutions
- *High barriers to entry*
 - regulatory requirements
- *Key competitive advantage*
 - extensive distribution platform
 - trusted brand
- *High growth potential*
 - relatively low market share:
 - less than 5% of wealth management
 - less than 3% of asset management
 - less than 4% of short-term insurance

PSG Konsult is a financial services company, focused on providing wealth management, asset management and insurance solutions to clients. It has the largest independent financial advisor distribution network in southern Africa with 932 advisors across 254 offices.

With the legal and regulatory environment within the industry becoming increasingly onerous, PSG Konsult continues to attract quality advisors. It provides them with support through its well-established systems and its risk and regulatory compliance platform, allowing the advisors to focus on their clients.

PSG Konsult's results for the year ended 28 February 2019 need to be considered against its equity market dependence – the JSE/FTSE All Share Index suffered a 4% decline during the year under review, compared to a positive return of 14% in the previous financial year. Despite this, PSG Konsult managed to increase its assets under management and assets under administration by 8% and 5% to R222bn and R422bn, respectively. PSG Insure's gross written premium increased by 36% to R4,5bn.

PSG Group remains optimistic about PSG Konsult's growth prospects and is excited about the positive financial contribution that the recently acquired Absa insurance brokerage businesses will make to PSG Insure's results in the years to come.

PSG Konsult's comprehensive results are available at www.psg.co.za.



CURRO (55,4%)

- *Simple and focused business model*
 - private school education
- *High barriers to entry*
 - capital intensive
- *High growth potential*
 - Curro has 14% of the private school market and 0,4% of the total school market in South Africa
 - global trends for developing countries indicate private schools representing approximately 13% of total schools – with private school learners representing only 3% to 4% of the total school-going population in South Africa at present, the local private school market should grow substantially in the next 10 years

Curro is the largest provider of private school education in southern Africa with more than 57 000 learners across 68 campuses.

Considering Curro's growth in *headline earnings* and the quality of its cash flow generation, it declared its maiden dividend in respect of the year ended 31 December 2018.

Curro continues with its aggressive expansion drive and plans to invest a further R1,8bn in business acquisitions and new and existing facilities during 2019. We remain excited about its growth prospects.

Curro's comprehensive results are available at www.curro.co.za.

CEO AND CFO REPORT *(continued)*



ZEDER (43,8%)

- *Simple and focused business model*
 - investment in food and related business
- *Focused management throughout the underlying investments*

Zeder is an investor in the broad agribusiness industry. Its largest investment is a 27,1% interest in JSE-listed Pioneer Foods, comprising 43% of Zeder's total SOTP assets as at 28 February 2019.

Zeder had another tough year given the ongoing challenges facing the agricultural sector and with the consumer remaining under pressure. Coupled with a slower than expected recovery following the drought and heat conditions in recent years, Zeder reported no growth in *recurring headline earnings* per share for the year under review.

Zeder will continue to drive platform growth. Complementary investment opportunities are reviewed on an ongoing basis as Zeder aims to expand its portfolio. Management remains cautiously optimistic about a recovery in the food and related sector, which should bode well for the performance of Zeder's investee companies.

Zeder and Pioneer Foods' respective comprehensive results are available at www.zeder.co.za and www.pioneerfoods.co.za.



PSG ALPHA (98,1%)

PSG Alpha serves as an incubator to identify and help build the businesses of tomorrow. As mentioned, PSG Group has always excelled at early-stage investing by building businesses alongside entrepreneurs from the development stage. PSG Alpha's focus is therefore predominantly on early-stage investing.

The PSG Alpha portfolio currently comprises 12 investments, mainly in their development phase. We continue to support these investments not only through providing capital when necessary and deemed appropriate, but also working alongside management in building these businesses – be it acting as a soundboard, assisting with problem solving, complementary deal-making, stakeholder relationships, promoting good corporate governance, establishing appropriate remuneration structures, etc. Members of the PSG Alpha Exco as a rule serve as directors on all its investees' boards and on numerous sub-committees, including the audit and risk committees.

During the past two years, PSG Alpha invested R1,3bn cash in the following key investees to fund growth:

- R775m in Evergreen;
- R328m in Stadio;
- R163m in FutureLearn/ITSI; and
- R71m in Energy Partners.

These investments all provide compelling growth prospects.

Overview of select PSG Alpha investees



Evergreen (50%)

- *Simple and focused business model*
 - retirement lifestyle villages
- *High barriers to entry*
 - capital intensive and need for specialist services
- *High growth potential*
 - ageing population and large, fragmented market

PSG Group, through PSG Alpha, has co-invested in Evergreen with property expert, Amdec. Evergreen owns and operates retirement lifestyle villages on a life-right model. Although this model is well established in other parts of the world, especially in the United States, Australia and New Zealand, it is still a fairly new concept in South Africa.

Evergreen offers significant benefits to its residents – i) state-of-the-art lifestyle centres, typically including a bistro, lounge, salon, bar, library, gym, games room and entertainment area; ii) health and frail care; iii) excellent security; and iv) a sense of community among fellow retirees.

At the reporting date:

- Evergreen operated 604 units across seven villages;
- It had 519 units under construction across four existing villages and one new village; and
- It had a further 3 699 units planned for construction within the next five years, for which the sites had already been identified and secured.

Aforementioned expansion would bring the total number of units owned and operated by Evergreen to 4 822 across 12 villages in five years' time. Evergreen's 10-year target of owning and operating 10 000 units across more than 22 villages should have a gross asset value of more than R30bn.

More information about Evergreen's service offering is available at www.evergreenlifestyle.co.za.

STADIO
— HOLDINGS —

Stadio (44%)

- *Simple and focused business model*
 - private higher education
- *High barriers to entry*
 - capital intensive
 - accredited qualifications
- *High growth potential*
 - growing number of students
 - limited capacity in traditional higher education institutions

Stadio is a JSE-listed private higher education provider in its development phase. It currently comprises six private higher education institutions offering over 80 accredited programmes to ±30 000 students, ranging from higher certificates to doctorates through contact and distance learning. Key to future growth will be Stadio's pipeline of 64 new programmes currently being accredited. This should increase as, among other, new faculties are established.

Stadio is busy amalgamating its six institutions into one *Multiversity* and offers a comprehensive range of faculties across the 14 existing campuses. It will also develop new multi-faculty campuses in due course in the Western Cape, Gauteng and KwaZulu-Natal. Stadio will continue to pursue strategic acquisitions and to develop and expand its product offering as part of its journey to reach 100 000 students over time. PSG Alpha is actively assisting Stadio management in achieving their stated objectives.

Key statistics are set out in the table below:

	31 Dec 2017	31 Dec 2018	Year-on-year growth
Number of students by faculty			
Commerce, law and management	23 761	25 105	6%
Creative economy	2 727	2 878	6%
Education and humanities	1 039	1 839	77%
Engineering and information technology	57	63	11%
	27 584	29 885	8%
Number of students by mode of learning			
On campus (contact learning)	4 117	4 737	15%
Off campus (distance learning)	23 467	25 148	7%
	27 584	29 885	8%

More information about Stadio's service offering is available at www.stadio.co.za.

CEO AND CFO REPORT *(continued)*



FutureLearn & ITSi (88,4% following their merger)

- *Simple and focused business model*
 - accessible learning solutions
- *High barriers to entry*
 - proprietary technology platforms and learning content
- *High growth potential*
 - demand for quality learning at affordable prices

Effective 1 April 2019, FutureLearn and ITSi, both being existing investees of PSG Alpha, merged their businesses to enable cross-selling to their respective clients and to unlock further synergies.

FutureLearn provides accessible learning and support to learners and tutors using technology and centralised assistance to reduce the cost of and to improve the quality of education. Services are rendered to the following distinct segments:

- Schools (teachers, management and learners);
- Home (parents, learners and tutors); and
- Corporates (businesses/government departments and their employees).

ITSi is an education technology company and its patented e-learning solution bridges the gap between traditional and technology-based teaching – making learning visible, measurable, collaborative, integrated and mobile.

Key statistics are set out in the table below:

Channel	Customers
Home education	22 000 learners 1 500 tutors
School	1 500 schools
Corporate and tertiary	200 corporate and government institutions 100 000 learners

More information about FutureLearn and ITSi are available at www.futurelearn.co.za and www.itsieducation.com, respectively.



Energy Partners (54,1%)

- *Simple and focused business model*
 - private energy utility provider
- *High barriers to entry*
 - capital intensive
 - skilled expertise
- *High growth potential*
 - size of the energy market
 - attractive economies of on-site generation
 - trend towards outsourcing utilities

PSG Alpha originally invested in Energy Partners when it was an engineering consulting business focused on providing energy-efficient solutions to its clients in return for a consultancy fee. Energy Partners has since been transformed into a fully-fledged manufacturer, owner and operator of energy-producing assets – which include solar, steam, refrigeration, water and fuel.

Although owning and operating the energy-producing assets is less profitable in the short term, it is significantly more profitable over the long term and provides the business with valuable annuity income. Accordingly, Energy Partners' focus remains on expanding its current investment book of ±R200m to more than R1bn within the next three to five years. Its ultimate objective is to grow this book to around R20bn, which would represent approximately 1% of the South African energy market.

Key statistics are set out in the table below:

Cumulative energy asset investments					
2015	2016	2017	2018	2019	4-year
Rm	Rm	Rm	Rm	Rm	CAGR
7	28	53	107	206	133%

More information about Energy Partners' service offering is available at www.energypartners.co.za.

Other investees

A complete list of PSG Alpha's investees is set out below:

Investment	Description	Interest (%)	
		2018	2019
Alaris	Global radio frequency technology group specialising in defence and other antennas	26,5	25,4
Carter	Redefine new car sales experience	40,0	71,1
CA Sales	Route-to-market services for fast-moving consumer goods in Sub-Saharan Africa	48,1	47,7
CSG	Diversified outsourced services (personnel, security, mining, cleaning and catering services)	12,6	12,4
Educartis	Education listing website with Africa focus	20,0	20,0
Energy Partners	Private energy utility	52,5	54,1
Evergreen	Retirement lifestyle villages	50,0	50,0
FutureLearn*	Innovative and accessible education solutions to schools, tutors, parents and learners	93,3	91,4
ITSI*	Leading e-learning platform for schools and other institutions	72,7	72,7
ProVest	Diversified mining services	50,5	42,3
SNC	Scalable, high-throughput nanofiber production	55,8	55,8
Spirit Capital	Investment holding company focussed on leveraged transactions	49,3	49,3
Stadio	Private higher education	45,4	44,0

* Merged effective 1 April 2019.

CEO AND CFO REPORT *(continued)*



DIPEO (49%)

Dipeo, a BEE investment holding company, is 51%-owned by the Dipeo BEE Education Trust of which all beneficiaries are black individuals. This trust will use its share of value created in Dipeo to fund black students' education.

Dipeo's most significant investments as at 28 February 2019 included shareholdings in Curro (5,2%), Stadio (3,4%), Pioneer Foods (4,3%), Quantum Foods (4,4%), Kaap Agri (20%) and Energy Partners (15,7%). The investment in Energy Partners remains subject to a BEE lock-in period.

During the year under review, Dipeo's *SOTP value* turned negative (i.e. liabilities exceeded assets) following a continued decline in mainly Pioneer Foods' share price, with a resultant negative impact on PSG Group's *SOTP value* through reducing its investment in Dipeo to zero and impairing PSG Group's preference share investment in Dipeo to the extent required. PSG Group also ceased to account for the related recurring preference share dividend income from 1 September 2018.

THE FUTURE

We remain excited about PSG Group's future – we have a diversified and well-established core investment portfolio together with early-stage investments in select growth sectors, all with promising growth prospects. As always, we will continue to look for "the next big thing".

A handwritten signature in black ink, appearing to read 'Piet Mouton'.

Piet Mouton
PSG Group CEO

A handwritten signature in black ink, appearing to read 'Wynand Greeff'.

Wynand Greeff
PSG Group CFO

Stellenbosch
5 June 2019