

Address by Dr. Claudia Manning, Member of the Board of the Public Investment Corporation on the occasion to launch Partnership between PIC, GEPF, SA Homeloans and GEHS, 13 July 2016, Hyatt Hotel, Johannesburg.

- Deputy Minister of the Department of Public Services and Administration, Ms Ayanda Dlodlo;
- Members of the GEPF Board of Trustees
- Senior Government Officials present;
- Members of the Board of SA Homeloans;
- Ladies and Gentlemen, all protocol observed

The PIC is proud to be embarking on this partnership with the GEPF, SA Homeloans the Government Employees Housing Scheme, and the Department of Public Services and Administration. The PIC makes many investments on behalf of our clients in the normal course of our business, but this investment feels particularly special, and worthy of celebration because of the impact it will have on the lives of so many people.

For many of us in this room, our homes are not only our place of shelter, but it represents our largest asset. Our homes allow us to build our family's wealth, provides us with a basis to borrow money to invest in education or to grow a small business. In other words, our homes are vital to building economic stability and even prosperity for our families and the next generation.

This is not the case for many South Africans, who do not own their own homes, and therefore cannot use the equity value of their homes to improve their economic circumstances.

This partnership aims to change that reality for many South Africans, and help to place them on the path to acquiring homes, with all the developmental gains that this will afford them.

A few years ago, the PIC together with our Principal, the GEPP adopted a developmental investment (DI) mandate. This mandate has two key objectives: to generate financial returns as well as to ensure substantial social returns. This development mandate has five pillars, which are:

- Economic Infrastructure, with a focus on Roads, Rail, Transport & Logistics, Energy, and Ports;
- Social Infrastructure, with a specific focus on Affordable Housing, Health, Education;
- Priority Sector Investments, focusing on Agriculture, Agro-processing, Manufacturing and beneficiation, as well as Tourism);
- Environmental & Sustainability, focusing on Renewable energy, Clean technology, Green buildings, Sustainable environment ;and
- Small and Medium Enterprises across all sectors.

This investment falls within the social infrastructure pillar. The investment in SA Homeloans aims to provide government employees and qualifying members of the public with end-user home finance as well as development finance for approved affordable housing projects.

The investment is structured as follows:

- **R 5 billion for members of the Government Employees Pension Fund (GEPF);**
- **R 2 billion for affordable housing end user financing as defined in terms of the Financial Sector Code;**
- **R 2 billion to enable SAHL to extend home loans to the rest of qualifying home loan applicants; and**
- **R 1, 5 billion which will be used to fund affordable housing developers.**

We are all familiar with the massive housing challenges that face South Africa and the much-talked-about concept of the “missing middle” – South Africans whose income is too high for them to qualify for government housing, yet cannot afford housing finance from the commercial banks. We believe that this investment with our partners here today will help to overcome this challenge, and will advance home ownership in the country, particularly for affordable housing.

On that note, I am happy to announce that over and above the R10.5 billion investment in SA Homeloans, the PIC on behalf of the GEPF, has allocated a further **R500 million** equity to be invested directly into Affordable Housing Development Company (DevCo), which will assist with developing affordable housing. The process of setting up the DevCo is well underway and an announcement regarding its operations will be made once this process is complete.

This investment in SA Homeloans has been in the making for a while. The PIC is committed to providing sustainable returns for our clients, and this guides all our investment decisions. This particular investment needed to fundamentally meet this criterion before it could be approved, and hence needed to be subjected to rigorous due diligence and internal investment processes. The investment not only met our commercial criteria, but over and above that, provided us with an attractive vehicle to achieve the social objectives required by us and our partner, the GEPP.

May I point out that this is not a grant! Instead, it is an innovative way of unlocking value for both the GEPP and the beneficiaries of the Fund. The returns made from this investment will contribute to the growth of the Fund, whilst at the same time benefitting government employees twice: first during their working life, in the form of a comfortable and affordable home, and later, in retirement, when the returns from the investment secure their pensions!

Beyond this investment, the PIC will continue to:

- Seek out more strong investment opportunities for our clients; and
- Develop more products that will benefit the members of our clients during their working life and in their retirement years.

We truly believe that consideration of the environment, social and governance in investee companies remains an important aspect of sustainable investments. We will therefore escalate our efforts to entrench ESG in companies in which we invest. We further call upon companies to take ESG matters seriously as they have an uncontestable bearing on their long term sustainability.

Five days before we remember the life and celebrate the birthday of South Africa's most formidable leader, Nelson Mandela, it would be appropriate for me to conclude with some words of wisdom from him: "As long as many of our people still live in utter poverty, as long as children still live under plastic covers, as long as many of our people are still without jobs, no South African should rest and wallow in the joy of freedom." Our wish is that the collaboration that we are celebrating today will ensure decent and affordable homes to many of those still in need of a place that they can call home, and which can help them achieve the real freedoms that Mandela spoke about.

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