

Frequently Asked Questions

BGL Private Equity (BVI) Club 1



1 Q Who is BGL Private Equity Limited?

BGL Private Equity Limited ("BGL PE") is a Nigerian company registered with the Corporate Affairs Commission ("CAC") and is also a wholly owned subsidiary of BGL PLC, one of Nigeria's leading independent investment banking institutions. BGL Private Equity is committing US\$50 million to its BGL Private Equity Funds. BGL PE has two funds, BGL Private Equity (Mauritius) Fund 1 and BGL Private Equity (BVI) Club 1.

2 Q What is Private Equity?

Private Equity (PE) is an alternative form of investment or asset class. Private equity firms provide long-term equity finance to companies in exchange for a stake in the firm. Private equity firms usually invest in companies that are not quoted on public stock markets which is why it is called 'private' equity.

3 Q What is the difference between financing a project or company through private equity and public offers or debt?

Financing a project through private equity has more advantages than public offers and debt. Other advantages include:

- **Collateral:** Private equity unlike project financing and debt financing does not require collateral from investee companies.
- **Fewer Shareholders:** Financing projects through private equity firms reduces the number of shareholders of the company when compared to a public offer which opens equity to a larger number of investors.
- **Better Management:** Unlike most financing options, private equity firms also bring management expertise to the company, thereby increasing productivity.
- **Longer term financing:** Most debts, particularly loans, are for a fixed term, typically very short term unlike private equity investments which are for 5 or more years.
- **Active involvement by PE investor:** PE firms tend to help investee companies with improvement of their governance, operations and financial management but providers of debt or public equity do not get involved in day to day operations of the company.

4 Q What is BGL Private Equity (BVI) Club I?

BGL Private Equity (BVI) Club I ("The Fund"), with a fund size of US\$200 million, is one of the two flagship private equity funds designed to capitalize on the increasing number of high quality investment and funding opportunities across sub Saharan Africa.

5 Q Is BGL Private Equity (BVI) Club I different from Mutual Funds?

Yes it is different. Mutual funds invest largely in shares of quoted companies and derive their value from the underlying assets with no influence on the management of the companies they are invested in. BGL PE Funds invest directly in companies, quoted and unquoted, and offer technical expertise to investee companies to create superior value and return. Mutual funds are open ended investments, while BGL PE Funds are close ended funds with a series of closings, after which, funds will no longer be accepted.

6 Q Who regulates BGL Private Equity (BVI) Club I?

The Fund Manager, BGL Private Equity (BVI) Limited, is registered under the laws of the British Virgin Islands. The BGL Private Equity (BVI) Club I is also registered in the British Virgin Islands.

7 Q What is the investment strategy of BGL Private Equity (BVI) Club I?

The Fund whilst pursuing gross IRR of 30% will seek to invest in rapidly growing companies with outstanding corporate governance, superior market opportunities with upside potential, and sustainable sources of competitive advantage. Such investments will not be limited to Nigeria alone but will extend to viable and high return driven opportunities within sub Saharan Africa. Also, the Fund will be looking at opportunities in oil & gas, real estate, infrastructure, telecommunication, financial services, manufacturing, agriculture and any other project with potentials of high returns at minimal risk exposure. The Fund may also invest in other funds.

8 Q Is my investment safe?

Historically, private equity investment has shown records of high return on investment and very few have been failures even in jurisdictions where there are limited investment opportunities. Furthermore, the Fund has an Investment Committee which is responsible for approving the investments and an Advisory Committee which is responsible for advising on issues relating to conflicts of interest. The Fund also has a Fund Manager that monitors investments to ensure that investment objectives are achieved.

9 Q How is the Fund Administered?

BGL Private Equity (BVI) Limited has appointed International Management (Mauritius) Limited (IMM), an independent world class fund administrator, to provide fund administrative services to the Fund.

10 Q Is my Investment Guaranteed?

The Fund does not offer any guarantee to investors. However, the fact that the Fund is strong on corporate governance and that its quality deal flow process has been institutionalized provides a reasonable comfort for investors that superior returns are achievable.

11 Q What kind of Reports will investors get?

Investors, through the Fund Manager, will receive semi-annual investment reports on the performance of the Fund. Also, periodic newsletters will be circulated with updates on the activities of BGL PE and the Fund.

12 Q What are the advantages of investing in the BGL Private Equity (BVI) Club I?

There are a lot of advantages of investing in the BGL Private Equity (BVI) Club I:

- **Tax:** The Fund is registered in a tax friendly jurisdiction where the effective tax could be as low as zero when compared to the corporate tax of 30% in Nigeria. Nigerian investors will have a potential tax saving of about 30%. There is no withholding tax or capital gains tax.
- **Superior Risk / Return Profile:** BGL Private Equity (BVI) Club I will pursue projects with IRR of 30% per annum and above and will have an influence over the management in the investee companies, thereby improving efficiency and ensuring value delivery.
- **Diversification:** Funds will be invested in various projects across sub Saharan Africa, further reducing country and business risk.
- **Good Management:** The management of BGL PE has over 100 years of combined local and international expertise in deal flow origination, management and execution. Furthermore, BGL PE will partner with independent qualified professionals and advisers, ensuring that the management of investee companies meets set goals.
- **Low investment entry:** Investors can purchase shares in the Fund with a minimum of US\$ 250,000.

13 Q How long is my investment in BGL Private Equity (BVI) Club I?

BGL Private Equity (BVI) Club I will have a lifecycle of 10 years. However, the Fund will pursue investments with exits of 3-5 years.

14 Q Can I terminate my investment in The Fund?

No. Investors can however transfer their interest in the Fund subject to approval by the Fund Manager.

15 Q What returns do I expect at the end of The Fund?

There are three types of returns to investors:

- **Tax Shelled Return:** An average return of 30% corporate tax saving
- **The Hurdle Rate:** A minimum of 8% per annum (compounding) return distributed to investors at the point of asset realization; and
- **Distribution Income:** There is potentially a minimum growth IRR of 30% per annum and the distribution may be made whenever the Fund realizes its investments in portfolio companies.

16 Q How does The Fund expect to exit from its investments?

The Fund will seek the best exit strategy available at any given time. Options include: Initial Public Offers, Offer for Sale, Management Buy-Outs, Sale to Strategic Investors, Anchor Tenants / Offtakers etc.

17 Q Who can invest in BGL PE (BVI) Club I?

BGL Private Equity (BVI) Club I is targeted at sophisticated investors with a minimum of US\$ 250,000 to invest at US\$ 100 per share.

18 Q Do I have to make my capital contribution in one go?

Investors can make their contributions throughout the three closings for capital raising. The closings are 31 January 2009, 31 May 2009 and 30 September 2009. After the final closing, the Fund Manager will no longer accept contributions.

19 Q Will I have to pay interest if I invest after the first closing?

Yes. Investors who invest after the first closing may be liable to 8% per annum pro-rated from the date of the first closing to the day before the investment is made.

20 Q How do I reach BGL PE?

BGL Private Equity Head Office is located on Plot 417 Tigris Crescent, Off Aguyi Ironsi Street, Maitama, Abuja, Nigeria. Email: chris.omeruo@bgltd.com, ify.umunnakwe@bgltd.com