

Media statement:

Futuregrowth makes venture capital investment in LifeCheq

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Now more than ever, the South African economy needs the dynamism and growth potential that early-stage innovative companies have to offer. Venture capital (VC) investments provide the funding that supports the growth of these entrepreneurial engines of economic growth.

Futuregrowth Asset Management, eager to participate in the exciting potential returns offered by these companies, has been making selective VC investments into businesses that it believes offer distinctive business propositions and strong growth opportunities. It makes these investments through the Futuregrowth Development Equity Fund (DEF).

In May 2020, DEF invested in LifeCheq, a digitised holistic personal finance business that aims to make expert advice accessible to professionals and entrepreneurs who are currently not served well by the existing financial advice industry.

Says Amrish Narrandes, Head of Unlisted Equity Transactions at Futuregrowth, "What we most liked about LifeCheq is that it has taken something like personal finance, which can be complex and as a result easily avoided, and uses technology to offer a financial service in an attractive way to a far broader market."

The business has two target markets: 1) individuals, for their personal use; and 2) employers, who are interested in offering their employees a financial wellness programme. These potential markets give it diverse sources of revenue and expand the reach of the business across a wide variety of individuals and company employee bases.

The company's competitive edge is that it tailors and personalises financial advice to suit different individuals with different risk profiles by using data and algorithms to generate solutions.

Narrandes says LifeCheq more than met Futuregrowth's investment requirements. It is a disruptor in the financial services industry, with a well-defined, addressable market, providing wealth management technology-based services to mass-affluent and emerging-affluent individuals. "We also took comfort from the fact that the business had already built up traction and had proved its credentials and, as a result, we bought into the business vision and proposition."

"Most importantly," says Kearon Gordon, Investment Analyst at Futuregrowth, "the business has an impressive management team, with all the credentials and experience to qualify as an A-team. The four co-founders and members of the executive management team have a diverse range of experience from financial services product design to software engineering."

Abu Addae, co-founder and CEO, rapidly rose through the ranks of Old Mutual, eventually serving on Old Mutual Emerging Market's executive committee. He has an extensive understanding of all levels of financial services, from product design to customer service. On the operational side, Shen Tian, co-founder and COO, has a computer science and actuarial science background, with a wide range of management experience, from leading highly technical projects to operational planning for a business unit. In charge of the technology side, David Jacka, co-founder and CTO, combines a deep software engineering background with a passion for using technology to simplify people's lives. Finally, Dylan Flint, co-founder and Head of Advice, has extensive experience in all aspects of modern finance, including capital markets and product design.

On Futuregrowth's investment, Addae says what LifeCheq was looking for in an investor was a long-term partner whose business was synonymous with integrity and trust. "As founders, we wanted to know that we have an investor who will be there in good times and bad times, whose mandate and objectives align to what we are trying to achieve, and with whom we can build a high trust relationship. Futuregrowth Asset Management met all these criteria."

LifeCheq aims to become the primary way in which clients engage with their finances and navigate their most important life decisions. "Our business is founded on high quality, tech-based independent advice to a new generation of professionals and entrepreneurs. Our clients are not very well served by an existing financial services industry that is very product- and commission-driven, so the need for independent advice is key. Not only has Futuregrowth supported our vision, but they have also pushed us to take it even further."

Futuregrowth's recent investment in LifeCheq supplements DEF's other early-stage investment. In late 2018, the asset manager made another VC investment in Yoco, the innovative technology-driven point-of-sale payments provider. DEF was the first South African institutional investor in the company, and, to date, the investment has proved to be a success.

DEF is well-positioned to benefit from the significant growth potential of these entrepreneurial, early-stage investments - while relying on its core established investments to provide the security and consistency of returns needed to balance out the risk-return profile of the Fund.

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