

Last Price: **505(ZAC)**      Volume: **838**      52-week high: N/A  
 Price Target(12m): **645 (ZAC)**      Listed Exchange: **CTSE**      Recommendation: **Buy**  
 Upside: **27.7%**



## Valuation Summary:

1. Industry is still untapped, massive opportunities to explore in the space of Alternative Investments.
2. AltVest's strategic partners will be key in its ability to attract and retain individual investors.
3. Company trades at 505c, estimates indicate an upside opportunity as the stock is undervalued.
4. Opportunity presented (Umhlanga Lodge) shows great potential, but the arbitrage opportunity is difficult to estimate, although, given its within range, there isn't any expectation for substantial returns.

## Business Description:

AltVest Capital Limited is a South African based investment holding company. The company is mainly engaged in the practice of investing in unlisted companies that would otherwise not have the opportunity to raise equity capital. The company will generally finance a company with the intention to scale its operations and yield a sufficient return on the equity it has invested in. The company will use a variety of financial tools to take advantage of investment opportunities. This will include, but not limited to, SPACs and fractionalized ownership of shares. The company will also, through its strategic partners, offer, cost-effective trading platforms, social media engagement and media participation, to reduce information asymmetries.

**Business Model:** AltVest's business model is centered around leveraging its strategic partnerships, to share information on its listings, build traction, provide a platform to facilitate the trading of said investments.

**Strategic Partners:** An integral part of AltVest's business model is its ability to accelerate its operations through its strategic partners. Through its media partnership with Arena Holdings the company can leverage its media presence, enabling the company to efficiently communicate with the public on matters of interest. The partnership with A-Trade (with a 50% acquired stake) and the CTSE will help facilitate the trading of these various opportunities the company is objectively perusing.

**Acquisition of A-Trade:** A-Trade serves as more than just a partner, but as a key instrument to the functioning of AltVest. A-Trade is a retail brokerage platform that aims to facilitate trading on the CTSE platform. The online trading platform will provide a seamless trading platform with no minimum trading fees and access to market research. AltVest owns 50% of the company

**Strategic Positioning:** Through the synergy provided by the above-mentioned partners, AltVest can utilize its resources to provide investors with value and growth investing opportunities, while being prudent and continuously engaging with stakeholders on ways to further increase investor engagement. The main consensus here is that AltVest aims to democratize financial markets by providing a trustworthy platform for retail investors, as well as tailored investment opportunities that will allow investors to explore endless opportunities offered by capital markets. The Investment holding's group structure will enable it to execute prudently on its strategic position as founders own considerable interest in the company's issuance.

**Industry Overview:** The Alternative Investment Management Association estimates that South Africa contains in excess, 80 operating hedge funds with an approximate value of over 9,5bn ZAR assets invested. This is a relatively low number that in a part explains the whole notion of alternative investments in South Africa. There are a number of reasons that might explain the subpar state of investment appetite in such investment vehicles in this country. With the most notable being the lack of access to alternative opportunities in the country.



Figure 1  
Source: AltVest

**PESTEL:**

Alternative investments are specifically exposed to a variety of exogenous risk that would not be apparent with traditional investments. Some of these risks are explained below.

**Political:** From a political point of view, Government oversight may ensure the alternative investment environment is prudent and asset classes are marketed with enough details to allow the general public information asymmetry. The lack of Government oversight induces counterpart risk.

**Economic:** Despite having low correlation with inflation, adverse economic conditions (such as Covid-shock) can evoke correlation, which might increase exposure to broader market risk.

**Social:** South Africa's general high unemployment, accompanied by lack of financial literacy might contribute to the slow adoption of alternative investments.

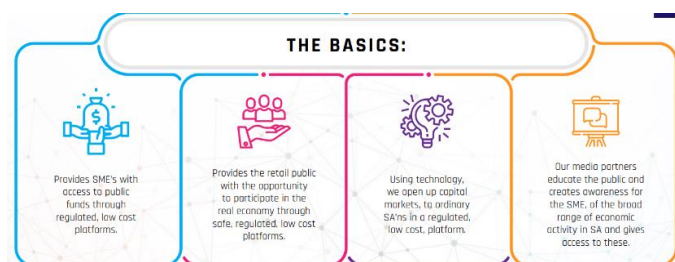
**Technology:** The increase of social media usage and digital trading may induce international companies with cost advantages to infiltrate the South African market share, leveraging their access to cheap capital and experience to take advantage of alternative investment opportunities

**Environmental:** Alternative investment vehicles have greater flexibility in dealing with a wide array of risk, this includes environmental risk. Nevertheless, policies that govern the exposure these types of vehicles have on the environment might affect the rating of said vehicles as well as their attractiveness to investors who are environmentalists.

**Legal:** Regulation in alternative investments remain one of the key drivers of value. Should regulation be strengthened, this might restrict not only alpha seeking activities, but also the flexibility in which these vehicles can leverage to increase risk management practices.

**ESG:** Since the company is relatively new, we cannot reflect on its environmental impact yet. Our main concern should be directed to its social impact, as well as its governance structure.

**Social:** AltVest is dedicated to exposing individual investors, not only to bespoke investment opportunities, but also the information they require to take these opportunities. Through BankerX, another one of AltVest strategic partners, we have seen how much community mean. Financial education is important to AltVest, that is why it is incorporated into their business model.



**Governance:** The firm has strong business ethics, with employees and leadership alike having an equity stake in AltVest issuances. Having a stake in the business mitigates any agency problems that may arise. Furthermore, the directors are well equipped with addressing South African related opportunities. Richard Stronach (Figure 5), who serves as a director is experienced in support for SMEs. While Koshiek Karan and Warren Wheatley have served as corporate bankers, making them well equipped to deploy corporate finance practices in the private equity space. Directors own a major stake in the company as such can lead the company without risk of an agency problem (Figure 6).

Details of each directors current shareholding in AltVest (Shareholding at listing date,%)

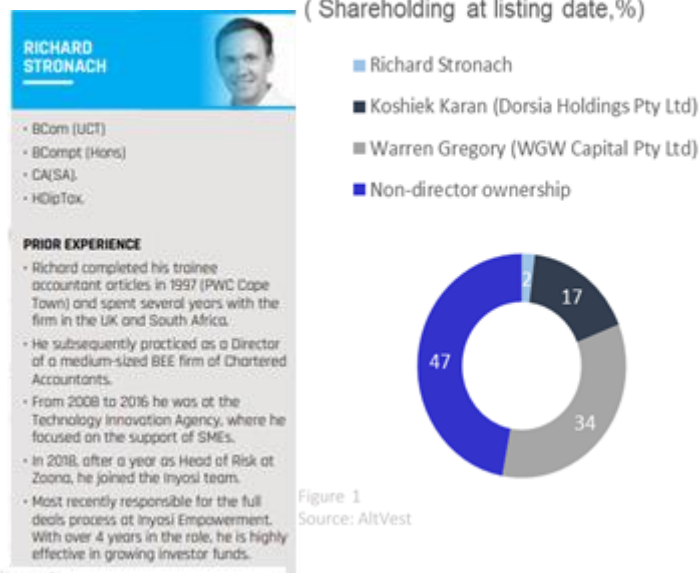


Figure 1 Source: AltVest

**Financial Analysis:** Through analysis of the company's forward-looking financial statement, there is clear detail on what the general partners aim to achieve. By growing assets under management, a substantial amount of their total revenue will come from annual management fees.

AltVest raises capital through the issue of Preferred Ordinary Shares, this amount is then used to acquire interest in investee companies. Upon each capital raise, AltVest will charge a fee of 2% on the gross capital raise.

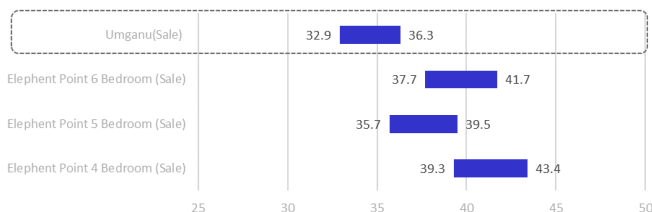
AltVest aims to raise on average R241m per year for the next five years, which will result in an estimated average capital raise fee of R4.82m within those five years. By 2025 the company aims to generate R46.2m in management fees (Figure 7).



Figure 7 Source: AltVest Financial Statement Forecast

**Investments:** AltVest's sole investment interest as of now is Umganu Game Lodge, a 5-bedroom luxury lodge situated in the Elephant Point Development. Umganu is valued at R34.6m, comparable sales around the area suggest a range of ZAR 37.5m – ZAR 41.5m, which puts Umganu slightly below the midpoint price (Figure 8). Although, important to note, is that the company still represents a discount from its range and is fairly valued within that range

Key valuation figures and comparable sales suggest a discount to fair value with significant returns potential

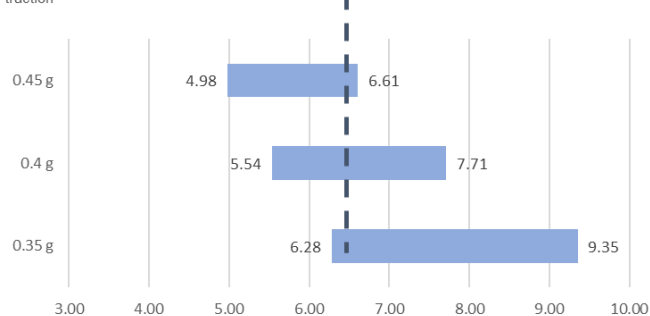


The lodge is managed by Legacy hotels, which ensures that the maintenance of the lodge will be effectively sustained. AltVest aims to leverage the companies upside potential by attracting longer bookings from foreign guest, increasing community participation and marketing. This will enable for increased occupancy rates and revenue. With current occupancy at 30%, to drive value, the company will require extensive consideration of the above mentioned techniques to break the 50% mark.

**Valuation:** The company is currently trading at R5.05, which is considerably a premium from its 12-month expected price. There are a number of methods that could be used, but the lack of comparable and the relative information asymmetry that exists in Alternative Investments mean we can only assume of upon the information we have. The considered model used to value AltVest in this instant is the Warranted Equity Method with a base scenario.

Growth rate assumption football field

Price is within the midpoint of base case and on the upper end of the extreme growth rate, further substantiating AltVest's aggressive approach to build traction



The 12-month target price is R6.45, which represents a 27.7% upside. The Warranted Equity Method allows for the consideration of financial companies.

Growth assumptions are simulated through priors and other data fitting methods to allow for a realistic interpretation of

growth. In our extreme case, AltVest is expected to trade at R9.35, while the lowest price that's expected to trade is 4.98.

		Growth Rate		
		0.35	0.4	0.45
COE	0.15	9.35	7.71	6.61
	0.10	7.52	6.45	5.68
	0.05	6.28	5.54	4.98

**Investment Risk:** There are several factors to consider when evaluating the Alternative investment risk. Given there isn't easily accessible information in private equity. The great discount opportunities are often accompanied by:

1. Zero-yield companies: Companies that grow at an exponential rate and burn cash at a hazardous rate. But with AltVest committing to actively manage these portfolios will guarantee an investee companies meet relevant solvency and liquidity tests.
2. Valuation Trap: Being unable to price companies correctly due to lack of peer listed comparable. AltVest will achieve fair valuation if investee companies are thorough disclosure to provide an anchor on valuation.
3. Information Asymmetry: The industry is heavily dependent on the efficiency of information. When investors don't understand the full scope of information available for investment opportunities, managing risk on their own accord becomes hard. AltVest is committed to building a platform that allows access to relevant education and information.

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