
Strategic Transformation Holding Company to Fund

Strategic Shift Towards Efficiency

Investia Capital Group

Strategic Challenges

LIMITING VALUATION AND CAPITAL ACCESS

📉 Valuation Discount

Holding Company (HC) structures often trade at a discount, masking underlying asset value.

🧩 Asset Complexity

Unique assets create market uncertainty and regulatory complexity.

👛 Investor Appeal

Structure limits access to institutional investors seeking fund-like governance.

📷 Capital Constraints

More limited ability to raise capital compared with specialized vehicles.



Fund Structure: Tangible Value Creation

TRANSFORMATION UNLOCKS SIGNIFICANT SHAREHOLDER VALUE

Enhanced Valuation

Professional fund structures command higher multiples. B Investments (Egypt) saw a **70% increase** in price-to-book valuation after transformation.

Risk Isolation

Specialized ring-fencing of challenging assets protects the broader portfolio valuation while maintaining strategic options for future realization.

Investor Expansion

Attracts institutional investors with specific mandates for professional vehicles, broadening the capital base for regional and global investors.

Fee Generation

Management and performance fees create **sustainable revenue streams** while ensuring perfect alignment with investor interests.

Strategic Insight:

The shift to a fund structure is not merely administrative; it is a value-creation event that directly impacts the company's valuation multiple and revenue model.

Regulatory Advantages & Governance

SPECIALIZED FUND STRUCTURES PROVIDE TAX EFFICIENCY, REGULATORY COMPLIANCE, AND ENHANCED GOVERNANCE

Regulatory Access & Compliance

Financial Regulatory Authority (FRA)-compliant vehicles enable broader participation from regulated investors who are restricted to professionally managed fund structures. This significantly expands the potential investor base beyond traditional holding company shareholders.

Targeted Co-Investment Vehicles

The structure allows for the creation of specialized vehicles tailored to specific sectors or geographies. This flexibility enables the isolation of risks and optimization of tax treatments for different investment strategies.

Market Signal & Valuation

Adopting a professional fund structure sends a clear market signal about strategic direction and governance standards. This improved positioning directly combats the "NAV discount" typically applied to holding companies.



Egypt-Specific Strategic Benefits

FUND STRUCTURE ALIGNS WITH EGYPT'S EVOLVING REGULATORY LANDSCAPE

Market Leadership Position

Positions HC for more growth compared to traditional holding companies, attracting a premium valuation from investors seeking exposure to professional asset management.

Regulatory Alignment

The structure aligns with Egypt's modernizing financial regulations, adopting global best practices while remaining fully compliant with local requirements. This "best of both worlds" approach mitigates regulatory risk.



Liquidity Enhancement

Improved access to capital markets enables more efficient fundraising. The fund structure is more attractive to international institutional investors looking for clear, governed entry points into the Egyptian market.

Strategic Autonomy

Maintains the HC's strategic control while professionalizing the operating structure. The 12-18 month implementation timeline allows for a smooth transition that preserves operational continuity.

Tax Efficiency & Treatment

FUND STRUCTURE DELIVERS SUPERIOR TAX EFFICIENCY FOR COMPANY OWNER AND INVESTORS

Structural Efficiency

Enables the creation of a collective capital pool managed efficiently. Unlike holding companies, this allows for diverse asset management with flexibility in investment strategies.

Risk & Liability

Investor risk is strictly confined to the amount invested. This structure is essential for attracting institutional capital to high-return opportunities.

Operational Optimization

Detailed, frequent reporting enables better tax planning for investors compared to traditional corporate reporting cycles.

Risk Segregation

Allows for the segregation of risks across different strategies. This prevents cross-contamination of liabilities and optimizes tax treatment for specific asset classes.

Interest Alignment

Performance-based compensation ensures fund managers are incentivized to maximize after-tax returns, aligning directly with investor net outcomes.

Asset Unitization

Translates diverse assets into units, enabling tax-efficient distribution of returns to different investor classes based on their specific tax positions.

Strategic Advantage

The fund structure transforms tax management from a compliance burden into a value creation lever, offering superior net returns through structural optimization.

Consolidated Fund Operations

FUND CONSOLIDATION DELIVERS IMMEDIATE OPERATIONAL BENEFITS AND ENHANCED FINANCIAL CONTROL

Liquidity & Efficiency

Real-time visibility of cash positions across all accounts enables effective allocation for investment or debt repayment, optimizing working capital.

Control & Compliance

A holistic view of all cash flows is essential for identifying financial risks early. Consolidation allows for proactive management of subsidiary deficits.

Cost Savings

Consolidation significantly reduces bank fees and administrative costs by minimizing the number of active accounts and idle balances.

Streamlined Reporting

Simplifies the financial statement preparation process and improves data accuracy, reducing the administrative burden on finance teams.

Investment Power

Larger consolidated assets under management provide better negotiation leverage with financial institutions and access to higher-yield opportunities.

Regulatory Compliance

Centralized monitoring aids in compliance with AML (Anti-Money Laundering) and KYC (Know Your Customer) regulations across all jurisdictions.



Operational Insight

Centralization transforms finance from a support function into a strategic asset, driving efficiency and reducing risk.



Global Benchmarks: Successful Transformations

PROVEN VALUE CREATION THROUGH FUND-LIKE STRUCTURES

| | |
|---|--|
|  EGYPT B Investments | <p>Transformed from a traditional holding company to a listed private equity structure to professionalize management.</p> <p><i>Key Outcome: 70% increase in price-to-book valuation & significantly improved liquidity post-transformation.</i></p> |
|  EUROPE Eurazeo | <p>Evolved from a holding company to a multi-strategy investment firm structure to diversify capital sources.</p> <p><i>Key Outcome: Improved analyst coverage, reduced NAV discount & enhanced capital raising capabilities.</i></p> |
|  FRANCE Wendel | <p>Repositioned as an investment company with fund-like characteristics to attract global capital.</p> <p><i>Key Outcome: Significant reduction in NAV discount & improved access to institutional investors.</i></p> |
|  SWEDEN Investor AB | <p>Transformed structure to incorporate fund-like elements while maintaining strategic control of core assets.</p> <p><i>Key Outcome: Improved valuation metrics & enhanced capital formation capabilities.</i></p> |

Regulatory Horizon: Imminent Tax Reforms

GOVERNMENT CONSIDERS MAJOR TAX CUTS FOR INVESTMENT FUNDS

The Proposal: 40-50% Reduction in Dividend Tax with Potential Full Exemption for Fund Entities



Distribution Tax Cut

Reducing the tax on fund distributions significantly from current levels (5% Individual / 15% Corporate) to stimulate market participation.



Direct Exemption

Potential exemption of the fund entity itself from direct taxes, eliminating double taxation layers and shifting burden solely to profit realization.



Global Framework

Aligning with global standards to attract foreign investment and stimulate local trading volume by removing fiscal barriers.

Legislative Path

Final Drafting

Ministry of Finance & FRA

1

Council of Ministers

2

House of Representatives

3

Impact Analysis: The Regulatory Game Changer

REFORMS ELIMINATE STRUCTURAL DISADVANTAGES AND UNLOCK POTENTIAL



Eradicating the Tax Penalty

The exemption neutralizes the 20.25% tax gap, making the Fund structure tax-neutral versus the Holding Company and removing the main financial drag



Unlocking Valuation Multiples

With the tax disadvantage gone, markets can price the governance and management premium, enabling the valuation uplifts seen in global peers.



Global Capital Access

Reforms align the framework with international norms and remove the key friction for foreign institutional capital, making the entity investable globally.

Strategic Verdict: The reforms turn the Fund from a tax-inefficient choice into the undisputed optimal vehicle for long-term value creation.

Comparative Analysis: Post-Reform Scenario

REGULATORY CHANGES ELIMINATE STRUCTURAL DISADVANTAGES

⚖️ Tax Neutrality:

With the proposed exemption, the Fund structure achieves **effective tax parity** with the Holding Company, removing the tax differential barrier.

👥 Investor Access:

Reduced withholding taxes align Egypt with global standards, unlocking access to **international institutional capital** previously deterred by fiscal inefficiency.

★ Valuation Premium:

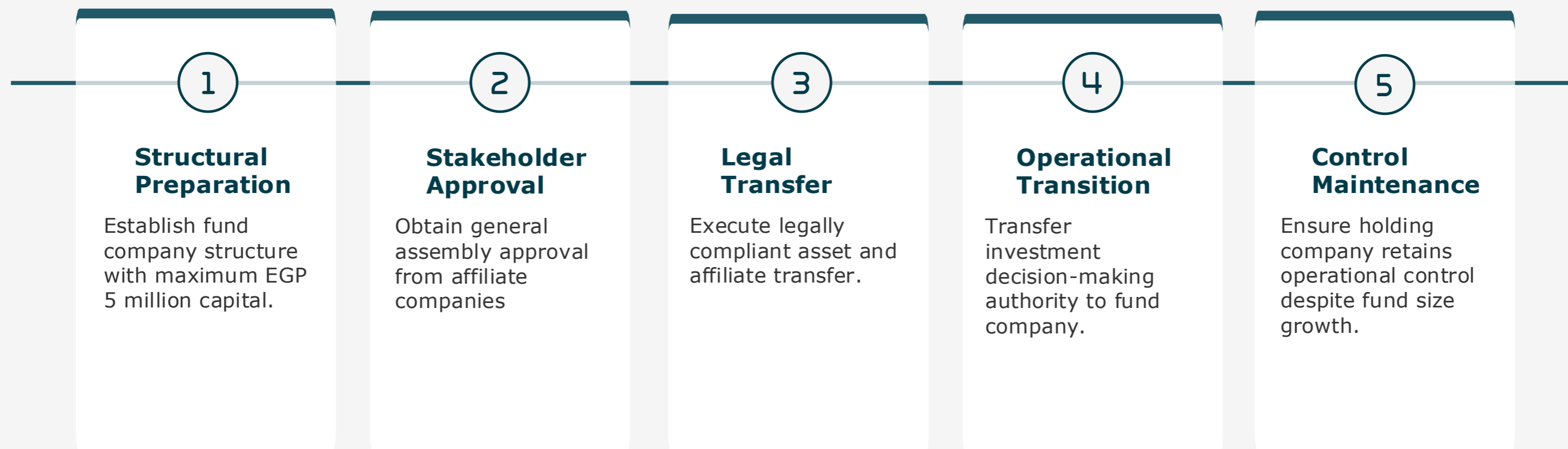
The "Conglomerate Discount" of the Holding Company is replaced by the **NAV-based valuation** of the Fund, without the penalty of tax leakage.



Strategic alignment of tax efficiency, operational structure, and market valuation drives the transformation success.

Conversion Framework Overview

FIVE-PHASE CONVERSION STRATEGY FOR HOLDING COMPANY TO FUND TRANSFORMATION



Strategic Insight: The conversion process maintains strategic continuity while professionalizing the investment vehicle structure, ensuring no disruption to existing operations.

Phase 1 – Fund Company Establishment

CREATING THE FOUNDATION WITH REGULATORY COMPLIANCE

01 Capital Structure
Max EGP 5M initial capitalization per FRA guidelines.

03 FRA Registration
Obtain preliminary license from FRA before operations.

05 Articles of Association
Draft articles defining objectives, scope, and affiliates.

02 Legal Form
Joint Stock Company (JSC) as per Capital Market Law No. 95/1992.

04 Governance Setup
Establish a qualified Board of Directors for oversight.

Regulatory Requirements

- Founders must meet integrity criteria (no misconduct).
- Minimum two shareholders required for JSC.
- Detailed investment policy documentation required.
- Fund manager appointment submitted with registration.

Strategic Insight: The EGP 5 million capital limit provides a manageable entry point while maintaining regulatory compliance and positioning the fund for growth.

Phase 2 – General Assembly Approval

SECURING SHAREHOLDER MANDATE FOR STRUCTURAL TRANSFORMATION

01

EGM Convocation

Formal invitation to an Extraordinary General Assembly (EGM). The agenda must explicitly state the transfer of affiliate company ownership to the new Fund Company.

02

Strategic Case

Presentation to shareholders highlighting the valuation uplift, tax efficiencies, and professional management benefits to secure minority shareholder alignment.

03

Voting & Resolution

Voting on the resolution to approve the asset transfer. Requires a specific quorum (typically 50% or 75% depending on bylaws) to pass the motion legally.

04

GAFI Ratification

Submission of the EGM minutes to the General Authority for Investment (GAFI) for official ratification, making the decision legally binding and enforceable.

Critical Success Factor: Clear communication of the "Fund Value Proposition" is essential to prevent minority shareholder objections that could delay the ratification process.

Phase 3 – Legal Transfer & Asset Movement

EXECUTING THE TRANSFER VIA IN-KIND SUBSCRIPTION MECHANISM

01 Independent Valuation

Mandatory Fair Value assessment of the affiliate company shares by an Independent Financial Advisor (IFA) registered with the Financial Regulatory Authority (FRA).

02 In-Kind Subscription

The Holding Company subscribes to the Fund's investment certificates (units). Instead of cash, payment is made using the affiliate company's shares.

03 Title Transfer Execution

Formal transfer of share ownership executed at the Egyptian Exchange (EGX) or MCDR, moving the assets from the Holding Company's balance sheet to the Fund.



The "Asset Swap" Mechanism

This process is legally structured as a swap: Assets for Units. No cash liquidity is required from the Fund to acquire the initial portfolio.

Result: The Holding Company becomes the primary "Unit Holder" of the Fund, retaining economic interest while changing the legal ownership structure.

Phase 4 – Investment Decision Authority Transfer

ESTABLISHING THE FUND COMPANY AS THE CENTRAL DECISION-MAKING BODY

The New Core

The Fund Manager

Authority shifts from the Holding Company's Board of Directors to a professional, regulated Fund Manager. This separation of ownership and management is the cornerstone of the fund structure.

Management Agreement

A binding legal contract appoints the Fund Manager, defining their powers, fee structure (management & performance), and fiduciary responsibilities to the Fund Company.

Investment Committee (IC)

Formation of a specialized IC, typically comprised of the Fund Manager's key principals. The IC holds the sole authority to approve buy/sell decisions and portfolio allocation.

Strategic Oversight

The Fund Company's Board retains a supervisory role, ensuring the Manager adheres to the Investment Policy Statement (IPS) without interfering in daily execution.

Phase 5: Control Maintenance Framework

SEPARATING MANAGEMENT RIGHTS FROM CAPITAL CONTRIBUTION

The Fund Company

THE GOVERNANCE VEHICLE

-  **100% Ownership**
Holding Company retains full ownership as the governance vehicle
-  **Decision Authority**
Exclusive right to appoint the Fund Manager and Investment Committee.
-  **Fixed Capital**
Capital capped at EGP 5 Million; no new investor shares issued.

The Investment Fund

THE ASSET VEHICLE

-  **Shared Ownership**
Owned by Holding Company and external investors (LPs) by contribution
-  **Unlimited Growth**
Fund can scale to EGP 1 Billion+ without changing Fund Company governance.
-  **Passive Rights**
Investors hold economic rights but have limited operational voting rights.

Golden Rule: *Control is decoupled from Capital.* Even if the Holding Company's economic stake dilutes to 10%, its control over the Fund Company remains intact.

Regulatory Compliance Checklist

ESSENTIAL REQUIREMENTS FOR A SUCCESSFUL FUND CONVERSION

✓ FRA Licensing

Obtain the specific license for "Establishing and Managing Investment Funds" from the Financial Regulatory Authority (FRA).

✓ Capital Adequacy

Ensure the Fund Company meets the minimum paid-in capital requirement of EGP 5 Million, fully deposited in a licensed bank.

✓ Prospectus Filing

Draft and submit a comprehensive Information Memorandum (Prospectus) detailing investment policy, risks, and fees for FRA approval.

✓ Governance Structure

Appoint a Board of Directors where the majority of members are nonexecutive and independent, ensuring proper oversight.

✓ Service Providers

Contract with essential third parties: a licensed Custodian Bank for asset safekeeping and an FRA-registered Auditor

✓ Reporting Protocols

Establish systems for weekly Net Asset Value (NAV) calculation and quarterly financial reporting in compliance with Egyptian Accounting Standards.

Timeline and Implementation Roadmap

12-18 MONTH STRATEGIC CONVERSION SCHEDULE

Preparation & Approval

MONTHS 1-3

- ✓ Appoint Independent Financial Advisor (IFA) for valuation.
- ✓ Finalize Fund Company structure & bylaws.
- ✓ Convene EGM for shareholder approval.

Licensing & Setup

MONTHS 4-6

- ✓ Incorporate "Fund Company" with GAFI (EGP 5M Capital).
- ✓ Submit Fund License application to FRA.
- ✓ Appoint Auditor and Legal Counsel.

Restructuring

MONTHS 7-12

- ✓ Execute In-Kind Subscription (Asset Swap).
- ✓ Transfer titles at EGX/MCDR.
- ✓ Obtain tax clearance for transfer.

Launch & Growth

MONTHS 13-18

- ✓ Appoint Fund Manager & Investment Committee
- ✓ Launch Fundraising Roadshow.
- ✓ First Close with new investors.

Critical Path: The FRA Licensing and IFA Valuation are the primary time-sensitive dependencies. Delays in these steps will directly impact the overall timeline.

Affiliate Company Management

ENSURING OPERATIONAL CONTINUITY AND STRATEGIC ALIGNMENT POST-CONVERSION

Operational Independence

Affiliate company CEOs retain executive authority over daily operations while the Fund Manager provides strategic direction and capital allocation

Board Governance

Affiliate company Boards remain the primary governance bodies; the Fund appoints representatives to ensure alignment with the investment thesis.

Performance Monitoring

Reporting shifts to a standardized, data-driven framework with monthly KPIs and financial reports submitted to the Fund.

Continuity Assurance: The conversion changes who the affiliate companies report to (Fund Manager vs. HC Board), not how they operate their core business.



Risk Management & Mitigation

PROACTIVE STRATEGIES TO SAFEGUARD THE CONVERSION PROCESS

Regulatory Delays

Extended approval timelines from FRA or GAFI impacting the launch schedule.

Mitigation Strategy

Early engagement with regulators through pre-filing meetings and appointing specialized legal counsel with a track record of similar conversions.

Tax Exposure

Potential disputes regarding capital gains tax on the transfer of assets.

Mitigation Strategy

Strict adherence to the "In-Kind Subscription" mechanism which is legally tax-neutral, supported by a binding tax ruling request if necessary.

Shareholder Dissent

Minority shareholders blocking the EGM resolution due to lack of understanding.

Mitigation Strategy

Comprehensive investor roadshow demonstrating the "Valuation Uplift" and "Professional Management" benefits to secure consensus

Valuation Disputes

Disagreement on the Fair Value of affiliate shares used for the swap.

Mitigation Strategy

Appointment of a Tier-1, FRA-registered Independent Financial Advisor (IFA) to provide an unassailable valuation report.

Assessment: With these mitigations, the residual risk profile of the conversion is considered Low to Moderate.

Fund Manager Role & Responsibilities

PROFESSIONAL MANAGEMENT AS THE CORE GOVERNANCE MECHANISM

The Fund Manager is an independent, FRA-licensed entity acting as the fiduciary agent for the Fund. This separation of management from ownership ensures professional execution and aligns with global best practices.

Investment Excellence

Deal Sourcing & Execution

Identifying high-potential opportunities and executing rigorous due diligence to build a quality portfolio.

Portfolio Strategy

Active management of asset allocation to optimize risk-adjusted returns and ensure diversification.

Operational Governance

Regulatory Compliance

Ensuring full adherence to FRA regulations, anti-money laundering (AML) laws, and investment policies.

Risk Management

Implementing robust frameworks to monitor and mitigate market, liquidity, and operational risks.

Investor Relations

Capital Fundraising

Leading efforts to attract new capital from institutional and private investors to scale the Fund.

Transparency

Maintaining open communication channels with Unit Holders regarding fund performance and strategy.

Shareholder Communication & Transparency

BUILDING INVESTOR CONFIDENCE THROUGH EVERY PHASE OF TRANSFORMATION

Phase 1: Pre-Conversion

Securing the Mandate

EGM Circulars: Rationale, valuation and tax benefits.

Town Hall Meetings: Direct engagement to address shareholder concerns.

Value Proposition: Clear articulation of valuation uplift.

Phase 2: Transition

Maintaining Trust

Milestone Updates: Regular updates on approvals and progress.

Operational Continuity: Assurances that operations remain stable.

Governance Setup: Announce Fund Manager and committee members.

Phase 3: Fund Operations

Standard of Excellence

NAV Reporting: Move to frequent NAV updates for better visibility.

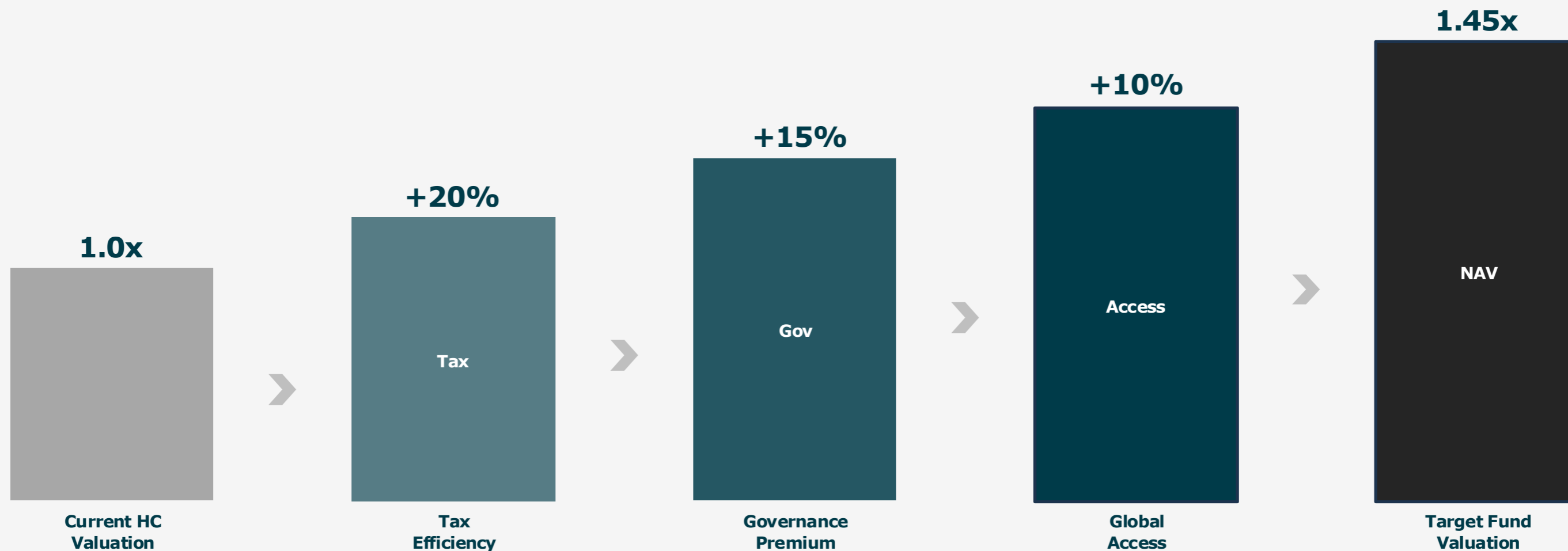
Investor Portal: Digital access to performance and documents.

Quarterly Calls: Institutional-grade earnings calls by Fund Manager.

Strategic Goal: Move investors from passive holders to informed partners to attract institutional capital.

Valuation Uplift Roadmap

QUANTIFYING THE VALUE CREATION FROM STRUCTURAL TRANSFORMATION



1. Tax Neutrality

Eliminating the double-taxation layer on dividends and capital gains immediately improves Net Asset Value (NAV).

2. Governance Premium

Replacing the "Conglomerate Discount" with a premium for professional, independent fund management.

3. Liquidity & Access

Opening the capital structure to global institutional investors who are restricted from investing in traditional HoldCos.

Comparative Analysis

STRUCTURAL ADVANTAGES: HOLDING COMPANY VS. INVESTMENT FUND

| Dimension | Traditional Holding Co. | Investment Fund Structure | |
|-----------------------------|---|---------------------------------------|---|
| Tax Efficiency | Corporate and dividend taxes cause value leakage | Tax neutral | Exempt on portfolio returns |
| Management | Board-led; ownership often blends with control | Professional manager | Clear owner/manager split |
| Valuation | Frequently trades below NAV (conglomerate discount) | Nav-based | Transparent mark-to-market pricing |
| Capital Access | Limited channels; harder to attract global LPs | Global Standard | Familiar to international LPs and DFIs |
| Regulatory Framework | General corporate governance under Companies Law | Capital Markets Law No.95/1992 | Stronger investor protections |

Strategic Verdict: Fund structure provides a superior, more efficient platform for investment activity.

Success Factors & Best Practices

CRITICAL ELEMENTS FOR A SMOOTH AND EFFECTIVE CONVERSION



Stakeholder Alignment

Securing early consensus among major shareholders and board members is paramount. A unified front prevents delays during the critical EGM voting phase.



Regulatory Precision

The conversion involves complex interactions between GAFI, FRA, and EGX. Zero-error compliance in filings and disclosures avoids costly restarts.



Talent Acquisition

The Fund's credibility hinges on the quality of the Fund Manager. Recruiting a team with a proven track record is the single biggest value driver.



Strategic Clarity

Defining a clear, compelling Investment Policy Statement (IPS) ensures that the new Fund has a focused mandate that resonates with target investors.

Best Practice: Treat the conversion not just as a legal restructuring, but as a complete corporate "re-founding" event.

Summary & Strategic Verdict

THE EVOLUTION FROM HOLDING COMPANY TO INVESTMENT LEADER



Structural Efficiency

The conversion eliminates the tax leakage, creating a tax-neutral vehicle that competes on equal footing with global investment structures.



Valuation Uplift

By adopting professional fund management and transparent NAV reporting, the entity sheds the "Conglomerate Discount" in favor of a premium valuation.



Global Access

The new structure aligns with international standards, unlocking access to institutional capital and enabling unlimited scalability without governance dilution.

The Bottom Line

This transformation is not merely a legal restructuring; it is a strategic leap that positions the company as a premier, investable asset manager in the Egyptian market.

Conclusion & Next Steps

MOVING FORWARD WITH CONFIDENCE: THE PATH TO TRANSFORMATION

The shift from Holding Company to Fund is the definitive step toward unlocking true shareholder value.

By aligning with global standards, we eliminate structural inefficiencies and position the entity for sustainable, long-term growth.

- 01 Board Resolution**
Formal approval to initiate the conversion study and allocate necessary resources.
- 02 Advisor Selection**
Appoint Legal Counsel and Independent Financial Advisor (IFA) to guide the process.
- 03 Feasibility Study**
Finalize the detailed business case and financial model for regulatory submission.
- 04 Stakeholder Alignment**
Engage major shareholders and key regulators (FRA/GAFI) to ensure consensus.

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