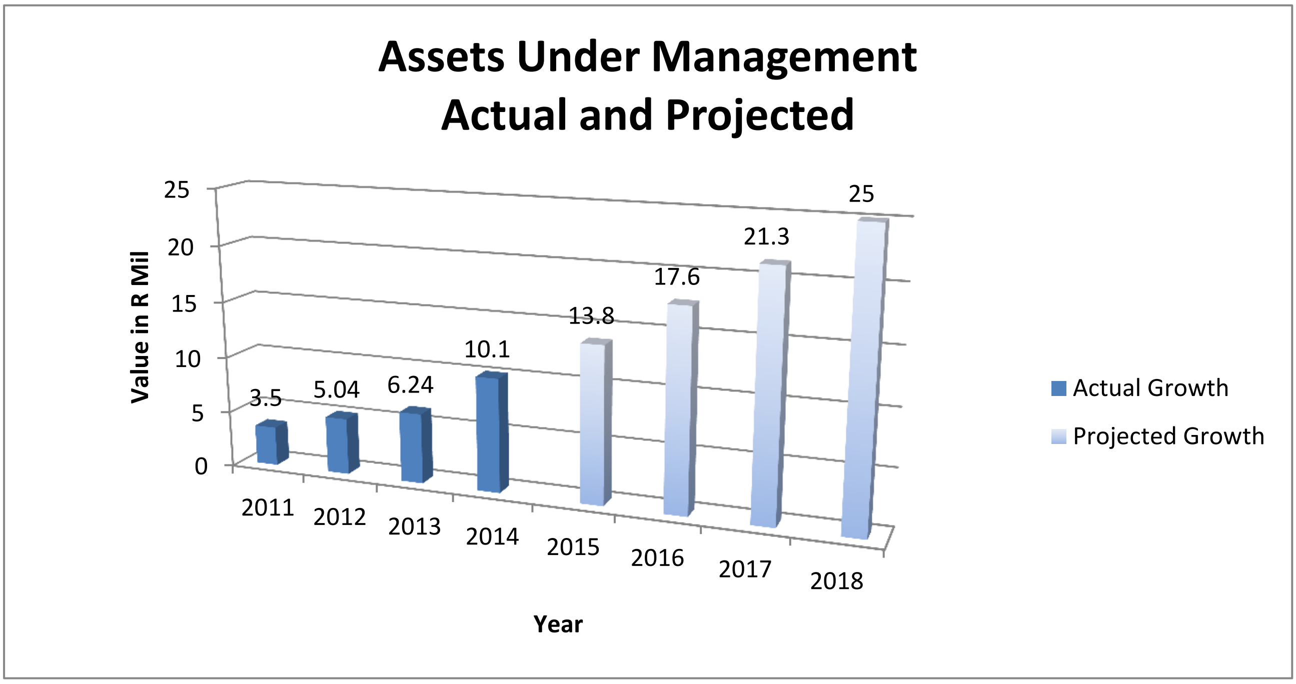
HOLBIZ.COM

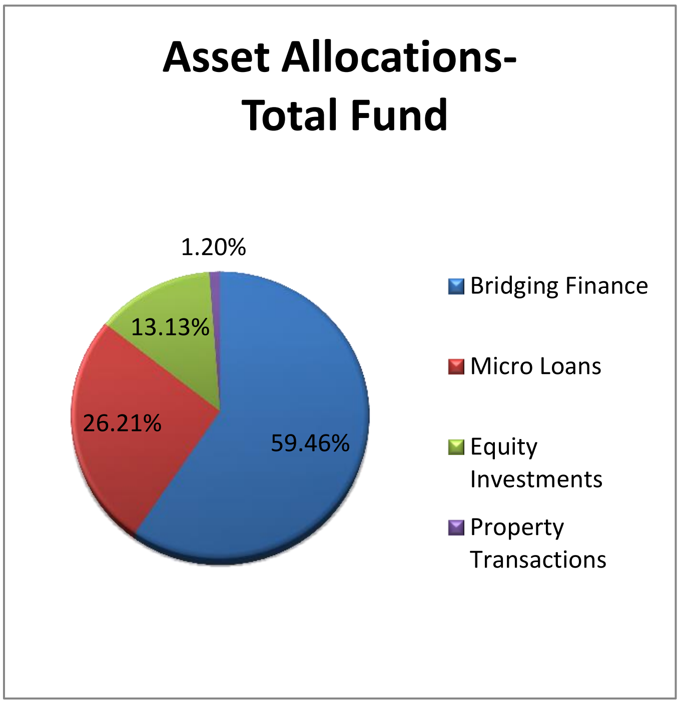
LETTER TO SHAREHOLDERS & INVESTORS 2014

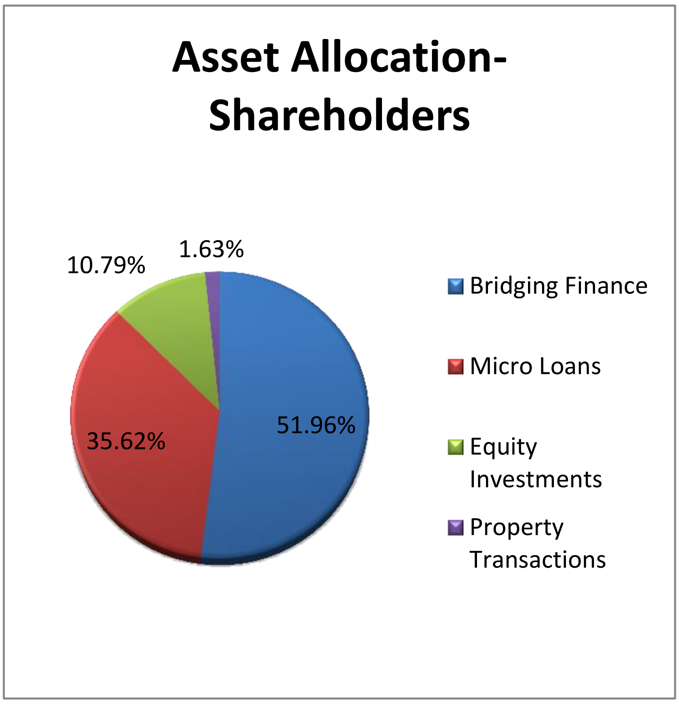
Highlights

Holbiz has had another fantastic growth year with a 62% increase in assets under management and is on track to reach its 2018 goal of 25 Million.



We have seen a significant increase in the size of our bridging investments, as well as good performance from our equity portfolio over the year.





Firstly I would like to thank all our shareholders and investors for their support during the 2014 Financial Year (FY = 01 March 2013 to 28 February 2014). This year has been challenging as we move away from our unsecured lending operations and into our new dual pronged bridging and equities strategy.

Your continued support and trust in Holbiz has been duly noted, and appreciated, as we endeavour to continue to provide secure, above average, returns to all our stakeholders.

From an administrative stand point this year has been busy, with the sale of our short term debtor's book to Bridge and the issuing of our 13% preference shares. We are happy to announce that both these have been completed successfully. The amendments to the company MOI for the issue of the additional shares has been placed on file with CIPC. I am sure our decision to shift away from the more cumbersome loan agreements and to focus on the preference shares, will not only provide much needed tax relief for our major investors but will also help to secure the long term funding needed for our investment goals.

Overview of Operating Activity for 2014.

Unsecured Lending-Bridge

The sale of our unsecured debtors book to Bridge Corporate (Pty) Ltd in the first part of this year was a major adjustment for Holbiz to say the least. This has challenged us to find new and inventive ways to continue to provide our stakeholders with the high returns to which they have become accustomed.

I am happy to report that the decision taken at our shareholder meeting last year to significantly reduce our exposure to the short term lending market is progressing well. While at the end of last year short term loans formed over 82% of our portfolio we are now down to just under 29%. With 22% in unlisted shares and 7% in debentures that are still under contract to be sold. While we cannot put a fixed date on it, we anticipate the sale of the debentures to be completed by mid 2014.

22% of our current portfolio is no small figure and we continue to monitor the progress of Bridge with interest although as stated previously we do consider this a long term investment with a 3 to 5 year time frame. On that note the unsecured short term lending market has had a challenging time of late. The slow growth in the economy, coupled with increased competition and increasing pressure on low LSM individuals has reduced profitability for all the major players in the market. This can clearly be seen in the lacklustre performance of the shares of the major JSE listed companies such as African Bank (ABIL) and Capitec (CPI). However it is interesting to note that the number one performing share in 2013 Finbond(FGL) is a micro lender.

Bridge has had a difficult year with the consolidation of the numerous debtors books purchased at the beginning of the year and has seen an overall reduction in the size of their book. They have also written off a substantial amount of bad debt. This has reduced profitability and we will continue to manage this situation with the upmost care. That said Bridge is still well placed and profitable with sound management. They are close to launching their retail securitisation program offering 12% 5 year retail bonds which should help to reduce cost of capital and provide much needed capital inflows to fuel growth.

We still feel that our long term investment in Bridge will pay significant dividends within our 5 year time horizon, particularly if the company lists on the JSE.

Bridging Finance – Rio Ridge

Bridging finance has been by far the star of our operations in 2014. We have seen a 490% increase in the size of our investment which equates to approximately 20% of Rio's entire book. Returns have been consistent and timeously paid and our working relationship with executive management continues to grow. As mentioned in our monthly statements we have started negotiations for a JV with Rio Ridge to extend their operations into KZN. These negotiations are still taking place and we anticipate slow organic growth in this area which will provide additional security as well as increased profitability to our bridging investments.

Rio has shown steady growth over the year and has expanded their operations into trust funds and insurance. However we still remain focused on pure property based bridging finance. All legal agreements have been reviewed and completely renovated during the year by one of the foremost advocates in the field of the Credit Law and the National Credit Act (NCA). Allowing for continued compliance with the requirements set by the NCR. Rio has also submitted an application with the FSB to further enhance their credibility in the market and to allow them to deal more extensively with attorneys' trust funds.

The bridging market remains stable and there are no foreseeable regulator risks on the horizon. We anticipate for our bridging investments to continue to develop going forward. Bridging currently forms approximately 59% of our fund portfolio.

Assisted Property Transactions- JVP Property Solutions

We have dabbled into the property market through investment with JVP Properties unique win-win JV agreement with distressed sellers. This investment is still ongoing but forms only 1 % of our fund value. At the time of writing JVP has accepted an offer on the property, based in Greymont Johannesburg. Funds are secured against property equity and backed by JVP. We believe that this investment is still sound however it is unlikely that we will continue with this business model due to the illiquidity of the funds. We anticipate this transaction to be completed in the first quarter of the 2015 FY.

Trading Activity- Binary Options Trading

While Bridging may have been the star of the year our binary trading operation has most definitely been the dog. Our dealing with the trading operation Altvest set up by Mr Muller has caused numerous sleepless nights and undue stress. It has resulted in a complete write off of the entire investment including both the funds in our trading account and the funds on loan.

The behaviour of Mr Muller can only be classified as grossly negligent and in some cases purely fraudulent. Our endeavours to recover the funds through legal means have proved fruitless, the sequestration application has been revoked on advice from our legal team as we believe Mr Muller will not have the funds to pay any kind of dividend in the event of liquidation. In fact our analysis has shown that his assets base is so depleted that should we continue with the application we would most likely end up getting lumped with the liquidators bill rather than get anything out of the estate. While we have been approached to side with other investors to continue with the liquidation proceedings, we have made the decision to settle with Mr Muller for the balance of our legal fees.

While we never like to see any investment go belly up, we have to dust ourselves off and try again, to put things in perspective our investment formed only 3% of our fund value when our agreements were terminated. While this has put a dent in our bottom line for the year the stellar performance of our other investments more than makes up for this temporary setback.

Equity Investments – Geared CFD Holdings

With a slow start our equity portfolio has really come into its own in the latter part of the 2014 FY. Our quantitative investment strategies are performing well with our combination momentum/value strategy providing an impressive 30% + return for the year after fees, while keeping our beta at 1.087. This means that we have managed to double the market return while taking on practically the same risk as the market itself.

Our pure momentum fund is still in its infancy but is performing well , on a particularly bright note it has weathered the capital outflow in emerging markets experienced in January 2014 well with a downside capture of only 51%.

We continue our close association with Tom De Lange so as to continue to fine tune our strategy. Equity derivatives currently form around 13% of our fund at this stage, although we anticipate sustainable growth in this area going forward.

Risk Report

While we certainly experienced exposure to greater risk than anticipated during the 2013/2014 financial year with the insolvency of Altvest, we feel comfortable with our risk exposure going forward.

We have completely reviewed our risk framework in light of the developments this year and have reduced our dependency on third party money managers across the board. The two lessons learned from Mr Muller were cut your losses quickly and if you want a job done properly, do it yourself. We believe that the best way to keep a handle on our risk is to keep as much in house as possible.

With regards to our bridging loan section we have once again seen almost zero defaults during the period which shows our continued focus on good quality pure bridging is paying off.

In our equity section we have reduced money managed by outside firms by 50% and look to continue this trend into the future. Overall we feel comfortable that we can achieve our investment goals for the year with a 75% confidence level.

Growth and New Investment Opportunities

Holbiz was founded on seeking out and implementing new, out of the box investment opportunities, and while the 2014 FY saw our first major iteration come to an end it also saw the start of a new and exciting chapter in our history.

We have implemented a new opportunity review structure with regular meetings and brain storming activities. We currently have two highly probable options in our pipeline that we are looking to implement in the new year.

We have reviewed over 30 new investment opportunities during the year, everything from financing second hand car sales in Bloemfontein to buying and renting shipping containers manufactured in Cape Town to a chrome wash plant in the North West. Of those 30 plus opportunities about 10 made it to our due diligence stage, of those three were implemented during the year. One was highly successful, one is performing as expected but won’t be renewed and one was a flop.

Looking forward we are looking into an interesting debtors book discounting firm down in the Cape as well as the possibility of setting up a geared CFD portfolio in London.

We are constantly looking for new opportunities and welcome any feedback or leads you may have for us.

Summary

All our investors have seen 100% on time payments on their loan agreements and our shareholders can expect another profitable year. We look forward to our continued cooperation with our entire stakeholder network. If you have any question with regards to the above please feel free to contact me directly.

Kind Regards,

Rowan Hewitt