

Africa insights

From leading investment managers

Thabo Ncalo & Humphrey Gathungu, Stanlib

- 1** Economies and markets in Africa **face challenges** – for example Nigeria is affected by the fall in the oil price, and Egypt was affected by the uprising. Liquidity is also a challenge – investors need to be very aware of it.
- 2** **Regionalization** is a big theme in East Africa – where one economic block includes five countries.
- 3** You need to get **good info** and you need to validate it.



Hywel George,
Old Mutual
Investment Group

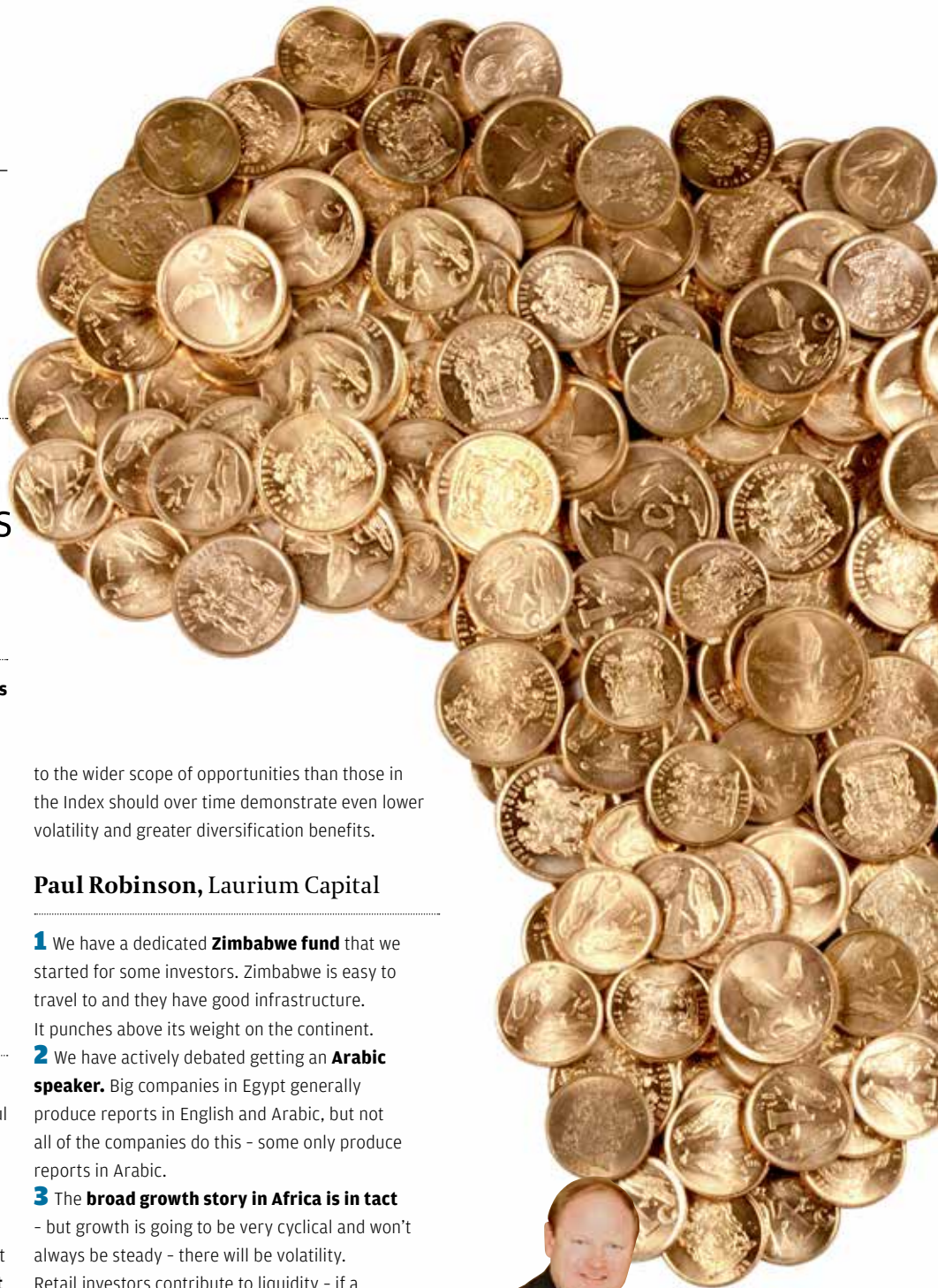
- 1** Over the past few years we have made a meaningful impact in the region by **committing investment funding of around**

USD500m across a broad array of investments.

- 2** While private equity investments on the continent remain long term and illiquid, they are giving us **net real returns of 2% to 3% above listed assets.**
- 3** The real story remains that of the **developing consumer market** across the continent, driving the growth of the retail sector. These consumers are increasingly accessing services in banking, insurance and mobile telecoms. Housing and infrastructure development also remains a key theme as well as the substantial opportunities in agriculture.

Godfrey P. Mwanza,
Absa Asset Management

- 1** **Good policy trumps bad politics.** How governments attain power matters but what they do with that power matters more in frontier African markets than in emerging or developed countries.
- 2** **Diversification works.** An African fund open



to the wider scope of opportunities than those in the Index should over time demonstrate even lower volatility and greater diversification benefits.

Paul Robinson, Laurium Capital

- 1** We have a dedicated **Zimbabwe fund** that we started for some investors. Zimbabwe is easy to travel to and they have good infrastructure. It punches above its weight on the continent.
- 2** We have actively debated getting an **Arabic speaker.** Big companies in Egypt generally produce reports in English and Arabic, but not all of the companies do this – some only produce reports in Arabic.
- 3** The **broad growth story in Africa is in tact** – but growth is going to be very cyclical and won't always be steady – there will be volatility. Retail investors contribute to liquidity – if a market has active retail investors it is likely to be more liquid.



Mishnah Seth,
Momentum

- 1** **Embrace volatility:** it can be your friend as it creates both buying and selling opportunities.
- 2** Given the tough operating environment, investing in companies with **strong management teams** and a good history of execution is important.
- 3** **Don't panic:** distinguish between structural (permanent or long term shifts) and cyclical (shorter term) changes.



John Legat, Imara

- 1** **On-the-ground representation vital:** Africa is a continent of 53 states, including island nations. It cannot be treated as one market.
- 2** **Bottom-up research crucial:** Many major companies in Africa are monopolies or duopolies. Others enjoy significant advantage because of high barriers to entry into their sectors. But strategic factors are only half the story.
- 3** **A long view essential:** Africa rewards long term investors rather than tacticians. To derive significant gains, investors must show patience and be prepared for occasional reverses. Macro factors may be positive – but the delivery of bottom-line benefits will take time; in some cases, decades.