

US-Africa pension funds explore investment opportunities in African infrastructure

Highly attractive infrastructure and private equity investment opportunities abound in Africa, but foreign pension funds' willingness to invest in the region will depend on a more stable political and regulatory environment, and the availability of local peers to collaborate and co-invest in projects.

This was one of the key take-outs from the U.S.-Africa Pension Funds Trustees Roundtables conference that took place in Johannesburg, hosted by the National Association of Securities Professionals (NASP) and USAID as part of their “Mobilizing Institutional Investors to Develop Africa’s Infrastructure” (MiDA) program.

Organised in partnership with the Association for Black Securities and Investment Professionals (ABSIP), the Batseta Council of Retirement Funds for South Africa and the Institute of Retirement Funds Africa (IRFA), the day focussed on exploring investment outlooks and opportunities in African infrastructure and private equity, as well as views and experiences related to diversity and financial inclusion.

Attended by some 75 pension fund trustees, executives and investment professionals from across Southern Africa and the United States, the event saw participants actively engage in sharing findings, successes and concerns for achieving the best possible outcomes for retirees.

Martin Kuscus, Chairman of the Board of the Mineworker’s Provident Fund, stated that the day represented a welcome opportunity to exchange views with representatives from the United States as both the world’s biggest economy and a country with highly developed capital markets.

“South Africa is one of the leading economies on the African continent, so from our perspective it is encouraging to hear that the world would like Africa to succeed. It has also been useful for calibrating our thinking with global best practice, and to gain a sense of context from foreign investors in understanding where they may be risk averse to investing on the continent,” he said.

For example, U.S. delegates seemed to agree that while Africa holds a wealth of long-term investment opportunities, many asset allocators prefer to invest in regions they are familiar with and need some sense of comfort of the security of investments. Participants present indicated that while Africa offered a favourable risk/return investment profile, political instability, the ability to perform a comprehensive due diligence and potential illiquidity remained some of the key risks.

Delegates commented that the day was therefore extremely useful in facilitating information sharing between the two regions, and that it was particularly beneficial for U.S. delegates to gain a more detailed understanding of the challenges, benefits, risks and realistic returns of investments in African infrastructure and private equity.

Charles Burbridge, Executive Director of the Chicago Teachers' Pension Fund, explained for instance that while African infrastructure investments represented similar levels of risk to infrastructure investments in the United States, U.S. pension trustees and executives would prefer to partner with another pension fund or investment agency with in-depth regional experience and political understanding to help de-risk investments.

“Considering the potential for returns in consumer driven economies, and in terms of the age of its citizenry, we see huge long-term investment opportunities in Africa,” he said.

“But as investors you tend to manage to what you know and fear the unknown, and while today has shifted more of the world into the known, we would also look at what partners are available with boots on the ground that can do the necessary due diligence.”

Delegates also shared common experiences in implementing diversity and inclusion initiatives. While many agreed that the dearth of experienced black asset managers continued to represent a challenge, diversity and financial inclusion policies and initiatives offered the advantage of enabling funds to support the incubation of new firms and strategies and the diversification of manager types for the next generation of asset managers.

Donna Sims Wilson, Chair of the National Association of Securities Personnel (NASP), stated, “This gathering was an excellent experience for our members seeking to engage with industry peers in Africa to further our understanding of the opportunities in the region. We look forward to more exchanges with investors on the ground with similar investment philosophies, and that will ultimately lead to U.S. investors doing more business in Africa and opportunities for co-investments”.

CEO of Batseta, Anne-Marie D'Alton added, “The day has really been about leveraging the collective wisdom and expertise of like-minded local and global pension funds, participating complementary organisations and industry service providers. It marked the first step in building sustainable and strategic relationships. Institutional investors are the main suppliers of capital within the alternative investment space. Emerging market economies have much to offer and we welcome the opportunity to explore areas of future collaboration.”

As a key take away, MiDA and the associated organizations - ABSIP, BATSETA, IRFA, Standard Bank and BNY Mellon - have agreed to further the new partnership to pursue actions around three main focus areas, namely:

- 1) Facilitating trustee to trustee engagement to explore investment outlooks and key trends in African infrastructure and private equity, as well as to share experiences and best practices on board governance and financial inclusion;
- 2) Facilitating meetings between trustees and service providers to connect with some of the best and most diverse products, asset managers and service providers in African and off-shore markets; and
- 3) Fostering relationships and exchanges among respective members and clients in Africa and the United States, leading to a second joint event in 2019 in South Africa, then releasing publications on lessons learned from these exchanges and offering thought leadership on ensuing solutions.

Ends

Photographs available on request.

Note to editors:

Batseta is a leading industry body which actively contributes towards the advancement of the retirement fund industry through engaging with appropriate authorities and stakeholders. It undertakes interventions that ensure that consumers are financially literate and protected, that the regulatory environment is conducive to foster a culture of retirement savings and that retirement funds are active owners of the assets under their care.

Batseta aims to contribute towards the personal development and growth of its members in order to provide services of high quality in the interest of retirement fund members and beneficiaries.

Batseta promotes transparency, cooperation and collaboration as well as the highest ethical and governance standards for retirement funds and their fiduciaries.

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