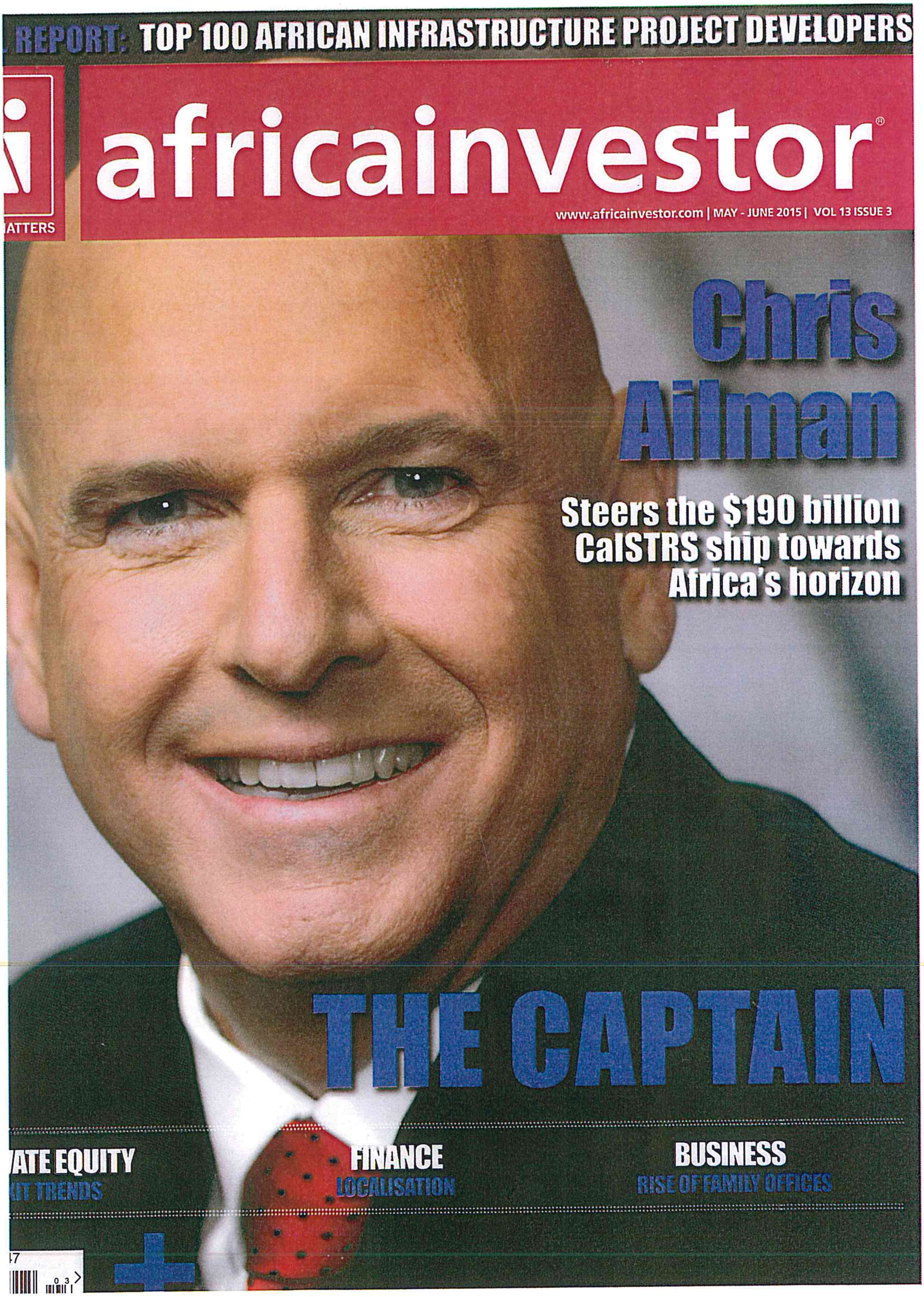
REPORT: TOP 100 AFRICAN INFRASTRUCTURE PROJECT DEVELOPERS
africainvestor®
ATTERS
www.africainvestor.com | MAY - JUNE 2015 | VOL 13 ISSUE 3
Chris Ailman
Steers the $190 billion CalSTRS ship towards Africa's horizon
THE CAPTAIN
ATE EQUITY
IT TRENDS
FINANCE
LOCALISATION
BUSINESS
RISE OF FAMILY OFFICES

The world's ultra-rich family investors have followed their head and hearts into Africa, seeking out bold long-term plays, believing Africa offers great prospects for solid long-term gains for patient investors with good local knowledge. Tom Minney investigates

Over the centuries, Africa has made fortunes for rich families worldwide through a variety of trades and resource extractions. Now it is the turn of a new generation of independent African ultra-high-net-worth men and women who are building fortunes in oil and gas, telecoms, cement, construction, beer, sugar, cement and IT. Many are excited at the opportunity to make money while developing their continent.

Tanzania-born Karim Shariff, founder of Dubai-based Majlis Investment Management, is bullish: "It's an exciting time to be thinking about Africa, because of the size of the opportunity and the likely impact of any innovative approach we may make. Whether it's Bono or KFC, investors and market-makers have a much more informed view of the investment opportunity and social impact that may be made in Africa. It is this combination that has proven attractive for individuals outside of Africa looking at Africa: the scale and the impact."

Family offices

The World Wealth Report puts Africa's population of high-net-worth individuals (HNWIs – usually defined as having investable finance over US $1 million) at 140,000, with total assets of $1.34 trillion. A South African 2015 Wealth Report says there are 46,800 HNWIs in the country with combined wealth of $184 billion. Some of these families are starting to institutionalise their investments and finances, usually through setting up a professional family office, and Shariff says this is happening across the continent, including in Nigeria.

It is hard to draw clear geographic boundaries as most ultra-wealthy are global citizens, with residences and family spread across several countries. Africa's role in international equity and bond portfolios as part of asset allocation and diversification tends to be small, but most of enthusiast family investors believe they should go further into Africa than their private banker might suggest. Meanwhile some African families are spreading their wings in the opposite direction. Greg Harris, Senior Investment Manager with Maitland in London, says: "We find more frequently that African family offices are looking to diversify their exposure outside of Africa"

> "We find more frequently that African family offices are looking to diversify their exposure outside of Africa"

Comment from CMA-ME.com

Direct investments

Many of Africa's richest men and women are making their money in African businesses and continuing to invest in expanding their successful businesses. Top of the list, Aliko Dangote (worth an estimated $21.6bn, although this fluctuates with currency and share price changes) reportedly never stops working on building opportunities such as cement, sugar and other enterprises across the continent. South Africa is home Johann Rupert ($7.3bn), Nicky Oppenheimer ($6.8bn) and Christo Wiese ($5.4bn). Egypt's richest are Nassef Sawiris ($6.1bn) and Mohamed Mansour ($4bn) while Nigeria has Mike Adenuga ($4.6bn) and Angola's Isabel dos Santos ($3.7bn) is Africa's richest woman.

Maitland's Harris says a key attraction for African and international entrepreneurs is that Africa offers "the opportunity of making outsize returns in operating businesses that they can understand." Local players have strong local connections and are establishing powerful families, while foreign families may seek alliances as they expand businesses they have already run successfully in other parts of the world. These are power players with long reach within their countries and internationally. For instance, Middle East investors may favour countries such as Morocco where they have connections. Less connected investors may rely on expert advisers and connections.

Sid Wahi is from an international family working hands-on to build wealth from combining the growth opportunities with family expertise elsewhere. CMA Investment Holdings is a family investment holding company that grew out of the perseverance of his father, Rakesh, an engineer who rose through the an illustrious career in the Indian Army and built long-term value through international investments. He founded Capital Management Advisors (CMA) in 2002 and co-founded television channel CNBC Africa, Forbes Africa, ABN Productions, Murdoch University Dubai, Trans National Education Africa (Lancaster University Ghana), Tech One Global and Ananya Farms.

Wahi tells *Africa investor* there are several other family interests, including education. Their first university is Lancaster University in Ghana. "Our rollout plan is to launch another five campuses in the next five years. Education is a growth area for investment". The family is focused on disruptive technologies and how these will change consumers' future consumption patterns and blending old-school management with entrepreneurial young leaders.

He describes the family investment style as "opportunistic" and able to focus on "long horizons, not looking at short-term returns", while still bench-marking opportunities against the alternatives. Future investment interests include retail and agriculture.

Family investors may even seek to make history by transforming economies and markets. For example, Nigeria's Tony Elumelu, with a fortune of $1bn, has established Heirs Holdings, co-owner of Africa Exchange Holdings Ltd (AFEX). Berggruen Holdings, founded by Germany's Nicolas Berggruen and which takes "a long-term, patient capital value-oriented approach", and 50 Ventures, based in Virginia, USA, and owned by former US Assistant Secretary of State for African Affairs, Ambassador Jendayi Fraser, are also co-owners.

AFEX was set up in 2012 and is establishing new securities and commodities exchanges across Africa, including an East African Exchange. Berggruen says: "A transparent, modern exchange will make investment much more likely. Agriculture is key to Africa's prosperity, and so aiding the flow of information and finance within the agricultural sector will be especially helpful."

Alternative assets and infrastructure

Family wealth is often backed by a core of property investment or traditional family businesses, such as hotels, and the same is true in Africa as urban property prices and tourism numbers soar. Families can take chances that institutional investors with strict mandates may not touch, such as farmland. Any view of long-term trends in food production and water availability suggests that land with water can only go up in value, and cheap prices and tax in countries such as Ethiopia and South Sudan have lured some speculative investors as well as genuine farmers.

Africa needs $90bn a year to invest in infrastructure. Shariff explains: "Infrastructure bottlenecks are said to cut growth in Africa by two percentage points a year. The investment thesis in Africa especially needs longer-term investors to pay for railways, power lines and the like. Continued investment in and development of transport and logistics infrastructure will be a key driver of economic growth in Africa, not only by allowing resource extraction companies cost-effective routes to market for raw materials, but more importantly by facilitating intra-regional trade and economic integration, and the continued development of the agri-business sector."

> "It's an exciting time to be thinking about Africa, because of the size of the opportunity and the likely impact of any innovative approach we may make"

Public and private equity

Private equity has dominated institutional investment in Africa in recent years. Globally family offices were key early investors in private equity and they have been filling gaps left by the development finance institutions, which initially helped the private equity boom get underway and build a track record in Africa. Family offices offer flexibility, risk-taking, speed of taking decisions (many offices are run by entrepreneurs), the ability to invest into smaller funds and long-term horizons. General partners (GPs) find them welcome partners in the face of rigid and slow-moving international institutions. Families feature increasingly in the biggest deals, such as the close of the $1.1bn Helios III fund in January 2015.

Family office investors can bring more than just funds. The One Thousand and One Voices Fund, set up by John Coors of Coors Brewing, offers "three dimensional capital" including family investors who bring extensive relationships in their own industries, intellectual capital as business expertise and entrepreneurial insight, and patient financial capital. It started operations in 2014 and intends to deploy $300m. Family offices have also been key investors in the entrepreneur-focused Ascent Africa funds.

Where families go direct, such as Schulze Global in Ethiopia, they can sometimes move years ahead of the competition. SGI Ethiopia set up its professional local team in 2008 and started building relationships and teaching people what private equity means. Vice President Blen Abebe says there are advantages as many Ethiopian successful businesses are run by families: "We have closed deals partly because we were on the ground and could relate better to locals than other private equity firms. And it makes sense, because most family businesses have been passed down through generations so they wouldn't necessarily trust or be willing to work with you before they get to know you." SGI's head start could mean they are ready to exit some deals just as other investors come in.

Impact investing

One of Africa's biggest attractions for family offices local and international is that they can make money while doing good.

Paul van Aalst, Managing Director of SOVEC NL based in Netherlands, tells *Africa investor* that the fund does not call itself an "impact fund" as it focuses on financial returns, although it also measures its social and development impacts: "We chose to invest in Africa and we chose to be in four sectors – health, housing, education and clean energy – and to do so via small and medium enterprises (SMEs) and from there onwards it's business as usual. Our general shareholders want to see financial numbers but we do measure jobs created, pupils enrolling and other impacts".

He says good historic performance and closeness to Europe is fuelling family and other investor interests in Africa and they are busy raising the \$30m first tranche of SOVEC II fund.

Africa's successful entrepreneurs, such as Strive Masiyiwa (\$600m) are also setting up businesses with social impact such as Econet Solar, which is using its relationships with mobile customers to establish credit arrangements and collect payments over time on \$200 solar power kits for households that will save on the \$8-\$10 spent each month on candles, kerosene and biomass fuels which also damage health.

Amit Bouri, CEO of the Global Impact Investing Network (GIIN), says sub-Saharan Africa is top of the list for impact investors: "Many family offices see sub-Saharan Africa as a region where they can make significant impact with their capital. Certain sectors, such as sustainable agriculture, access to renewable energy and financial services, are particularly attractive for investments in this region. In a recent report released by the GIIN and JP Morgan (*Eyes on the Horizon: The Impact Investor Survey*), investors indicated that sub-Saharan Africa is the region where respondents intend to make the greatest increase in allocations in 2015." He adds; "The ecosystem necessary to enable these investment opportunities is also growing, with more asset managers, intermediaries, advisors, and others increasing their on-the-ground presence. Early impact investments in Africa are building track records.

"Sub-Saharan Africa is often cited as an area primed for economic growth, yet there is still a need to improve access to higher-quality housing, healthcare, education and energy. Encouraged by the success of recent investments and the maturation of the practice in general, more family offices are looking to broaden their exposure in the region."

Possibly even more than elsewhere in the world, Africa's families and entrepreneurs are also philanthropists, many of them establishing foundations to feed the hungry, provide hundreds of thousands of scholarships, offer grants to universities, schools, cultural, religious and other causes and offer fast responses in cases of emergency such as floods.

The more family-office investors succeed in Africa, both financially and in positive impact, the more interest there will be in future. Channelling these funds effectively will need advisers, lawyers, accountants, analysts, policy-makers and many more based in those countries that are keen to attract long-sighted investors to fuel their forecast economic growth and development. Ai