

THE SOUTH AFRICA INVESTING FOR IMPACT BAROMETER

Responsible Investing | SRI | Impact Investing | Social Innovation

BERTHA CENTRE
FOR SOCIAL INNOVATION
AND ENTREPRENEURSHIP

GRADUATE
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● Investing for Impact?

In recent years there has been marked international interest in investments, which seek financial return but also aspire to proactively achieve a positive impact on society and the environment as a whole.

	NO OF ORGANIZATIONS SURVEYED	NO OF FUNDS	TOTAL SIZE
ASSET MANAGERS	20	61	R38.7 bill
PRIVATE EQUITY & VENTURE CAPITAL FIRMS	78	139	R386 bill

SRI/RI Asset Managers were selected on the basis of previous academic (Giamporcaro, Viviers) and practitioners' (Association for Savings and Investment in South Africa (ASISA), Alexander Forbes, Africa SIF, Riscura) research done on the SRI/RI market. Data was retrieved from websites and investment brochures and checked through systematic telephone calls to asset managers and accounted as at December 2012. Considering that academic and practitioner research has been to date not extensive on the private equity and venture capital investing for impact space, we used the South African Venture Capital and Private Equity Association (SAVCA) Matrix 2012 as our exploratory sample. GroFin, which is not included in the SAVCA matrix 2012, was included in the exploratory sample due to its impact investor profile which was recognized in previous research. The SAVCA Full Members Matrix 2012 includes past, present and future funds.

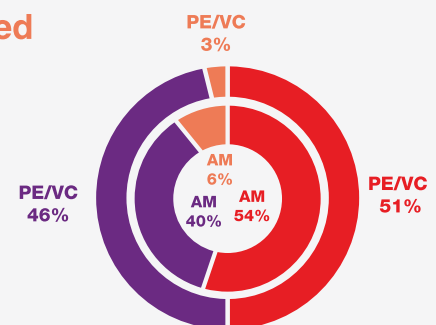
The first edition of the Investing for Impact Barometer focused on South Africa, the first in an annual series, proposes to look at SRI, responsible investing, and more recently impact investing as a diverse spectrum of investment philosophies and strategies united by a common goal of investing for impact. It includes detailed data on South African asset managers, which have been identified as implementing investing for impact strategies through specific funds usually labelled under the SRI or RI umbrella. The Barometer also explores what is happening in terms of investing for impact strategies among Private Equity and Venture Capital firms. Furthermore, The Barometer ventures into the sphere of enterprise incubators, who are taking the first step to boost social innovation.

The barometer seeks to understand if the organizations surveyed identify their mission as investing for impact. Systematic analysis of their websites and their marketing brochures was undertaken to discover that only a small majority makes reference to the concept of impact:

% of Organizations Surveyed that Make Reference To:

- Investing for/with Impact
- No reference to the concept of impact
- Being an impact investor

Based on size of funds



A good indicator of overall awareness on investing for impact for investment organizations is to measure their engagement with international initiatives and coalitions. Asset Managers appear to be engaging while, PE and VC firms are lagging behind:

UN PRI

The United Nations-supported Principles for Responsible Investment Initiative promotes the six Principles for Responsible Investment and aims to clarify the implications of ESG integration for investors.

CARBON DISCLOSURE PROJECT

The CDP is an international, not-for-profit organization providing the global system for companies to measure, disclose, manage and share environmental information.

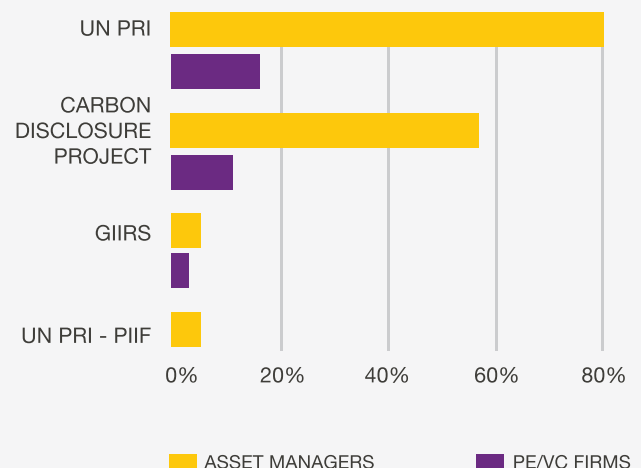
GIIRS

The Global Impact Investing Ratings System is a system for assessing the social and environmental impact of companies and funds with a ratings and analytics approach.

UN PRI PIIF

The Principles for Investors in Inclusive Finance provide a framework for responsible investment in inclusive finance.

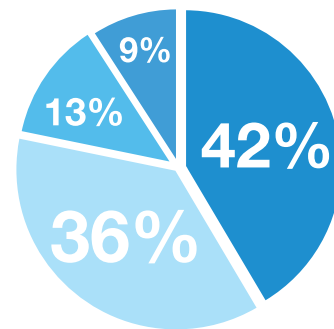
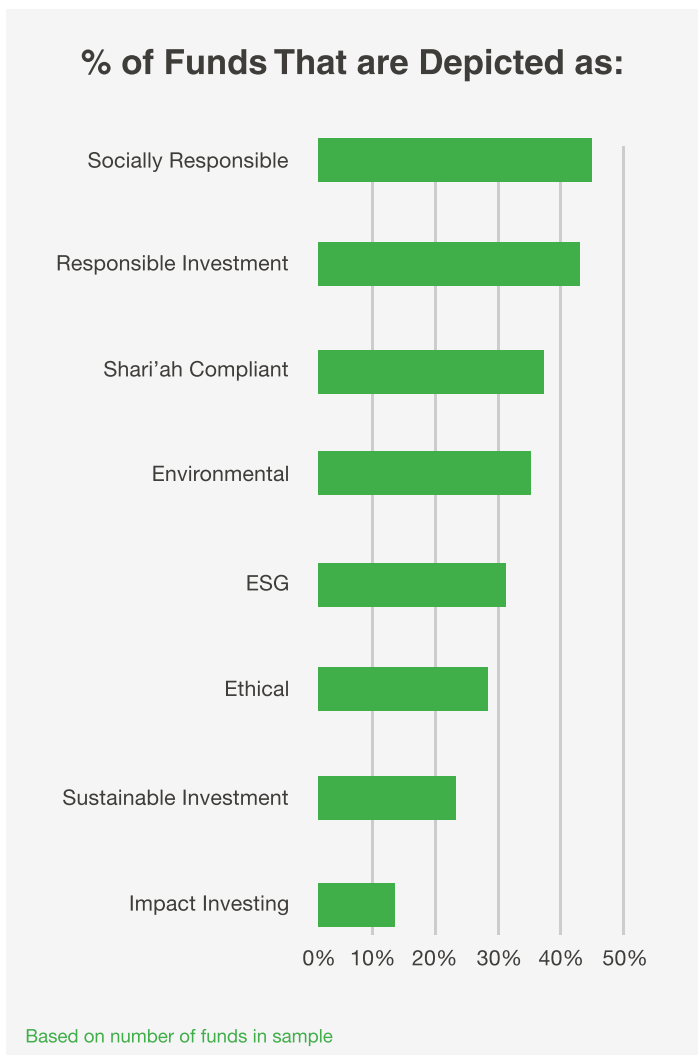
% of Organizations that are Signatories or Members of:



● Zoom in on Asset Managers

BIGGEST ASSET MANAGERS BY SIZE		
FUTUREGROWTH ASSET MANAGEMENT	R19.3 bill	50%
OASIS CRESCENT MANAGEMENT GROUP	R7.1 bill	18%
COMANCO	R3.5 bill	9%

Data in this table is sourced from asset managers' websites and fund brochures. Futuregrowth AM is a member of the Old Mutual Investment Group SA (OMIGSA). In addition, COMANCO (Community Growth Management Company) is owned by OMIGSA and Unity Inc.



Asset Class Allocated by Fund Size

Equity Fixed Income Property Balanced

Investing for Impact: A variety of labels and definitions

The Barometer's systematic survey of websites and investment brochures shows that in majority assets managers use the terms responsible investment (RI) and socially responsible investment (SRI) to describe their fund strategies.

In comparison the label Sustainable Investment which has been promoted notably in South Africa through the work done by the International Finance Corporation (IFC) is less borrowed by the organisations surveyed. Moreover less than 30% of funds surveyed are depicted as integrating ESG (environmental, social and governance factors) in the manner of the PRI and the Code for Responsible Investment in South Africa (CRISA).

The label Shari'ah compliant is overall applied to depict an investment strategy that excludes business activities that do not abide by Islamic law. Ethical investment is also used to describe Shar'iah compliant funds but also works for a range of funds excluding certain investment categories based on moral principles.

A zoom in on Asset Managers identifying themselves as impact investors:

Mergence Investment Managers uses the Impact Reporting & Investment Standards (IRIS) and manages a Global Impact Investing Rating System (GIIRS) pioneer fund (Mergence I). Cadiz Asset Management is a lead sponsor to the South African Network for Impact Investing (SAII) and has an impact investing joint venture with Greater Capital. Greater Capital is the consulting arm of the Greater Good group, which is a social enterprise.

● A Zoom in on PE/VC Firms and Business Incubators

THREE BIGGEST PE AND VC FIRMS MAKING REFERENCE TO THE IMPACT CONCEPT

OLD MUTUAL INVESTMENT GROUP SOUTH AFRICA	R46 Bill	12%
ACTIS	R16.3 Bill	4%
ABRAAJ CAPITAL	R4.5 Bill	1%

This table excludes the Industrial Development Corporation and the Public Investment Corporation (including PIC's Pan African Infrastructure Fund, which is managed by Harith General Partner). The Old Mutual Investment Group SA funds include past, present and future funds of both OMIGSA and African Infrastructure Investment Managers as reported on the SAVCA Full Members Matrix 2012. In addition, Abraaj Group bought Aureos, which managed funds that are included in the SAVCA Matrix 2012.

PRIVATE EQUITY & VENTURE CAPITAL IDENTIFYING THEMSELVES AS IMPACT INVESTORS

Among the investors that describe themselves as impact investors a couple have joined the Global Impact Investing Rating System (GIIRS) or the Global Impact Investor Network (GIIN). In this respect, Business Partners Limited and Agri-Vie are members of the GIIRS. The Abraaj Group is a member of the Investors' Council of GIIN and Phatisa is part of the GIIN Network. In addition to these 4 players, Edge Growth and GroFin indicate that they are impact investors and 15 other players make reference to impact.

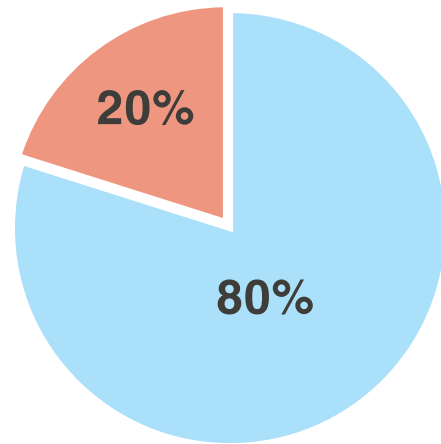
A business incubator is a virtual and/or a physical environment designed to support the successful development of entrepreneurial ventures before the VC and PE stage at which the majority of impact ventures are presently found. However, most organizations in the survey target later stage investment opportunities. Business incubators are increasingly playing a role in the support of new and existing businesses in South Africa and neighboring countries. The following table seeks to give a snapshot of this growing industry based on research done by the Bertha Centre for Social Innovation and Entrepreneurship.

CATEGORY	EXAMPLE	FOCUS
GOVERNMENT	SEDA	Seda's mission is to develop, support and promote small enterprises throughout the country, ensuring their growth and sustainability.
CORPORATE	ANGLO ZIMELE FUND	Anglo American's Zimele fund aims to create and develop commercially viable and sustainable small and medium enterprises (SMEs) by providing empowerment opportunities for previously disadvantaged South Africans.
COMMERCIAL INCUBATORS	88MPH	88mph makes investments in early stage mobile-web companies targeting the African market; focusing purely on ideas with potential to scale across Africa.
	AURIK	Targets entrepreneurs with industry experience and businesses that have been operational for two years.
	RAIZCORP	Targets entrepreneurs with businesses that have been operational for 6 months.
SOCIAL ENTERPRISE SUPPORT	RLABS	RLabs's vision is to impact, empower and reconstruct local and global communities through innovation.
	IMPACT AMPLIFIER	Impact Amplifier's mission is to accelerate the growth and capital provision of high impact, innovative business in Africa.
SUPPORTIVE CO-WORKING ENVIRONMENTS FOR TARGETED ENTREPRENEURS	JOZI HUB	Targets technology entrepreneurs
	BANDWIDTH BARN	Targets technology entrepreneurs
	THE BUSINESS PLACE	Targets technology entrepreneurs
	SHANDUKA BLACK UMBRELLA	Targets previously disadvantaged entrepreneurs
BUSINESS PRE-INCUBATION ACTIVITIES	MLABS	Targets entrepreneurs with business ideas in the mobile applications and services industry.

● Priority Impact Sectors

BASIC NEEDS	BASIC SERVICES
AGRICULTURE	EDUCATION
WATER	HEALTH
HOUSING	ENERGY
	FINANCIAL SERVICES

As defined in J.P. Morgan (2010) Impact Investments: an Emerging Asset Class. The J.P. Morgan report recognizes technology, infrastructure and SME finance, but did not include these separately in the model.



Priority Impact Sectors for AM

■ Specific Sectors ■ Generic Sectors
Based on size of funds.

The priority impact sectors as identified by J.P. Morgan, represent a broad framework that separates sectors between basic needs and basic services. The Barometer brings in a further elaboration on the broad framework specific to South Africa. The Barometer focused on asset managers' and private equity & venture capital firms' websites and brochures to discover what sectors they target. This also means that some funds might not invest in the targeted sector. Excluded from the asset managers list are those that refer to generic sectors i.e. resources, industrials or financials. Therefore, the bar chart represents only 21 AM funds that specified the sector they target and 21 PE and VC funds that are explicitly referring to the concept of impact.

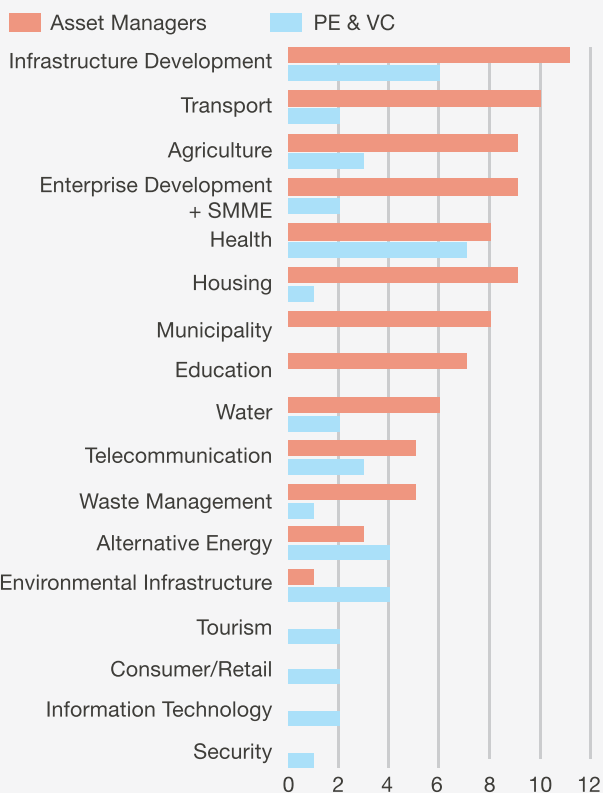
The Barometer establishes that some organizations specifically refer to the alternative energy sector as opposed to 'energy' as a broad concept. 'Alternative energy' in the sample includes reference to renewable energy. Furthermore, waste management and environmental infrastructure are specifically mentioned as investment sectors and can be seen as a refinement of the broad 'infrastructure' segment. In this respect, the sector 'municipality' is a broad sector and might e.g. refer to waste management and infrastructure, to name but a few. Another addition to the basic framework is tourism, which 1 organization further refines to eco-tourism. In the South African context it is not a surprise that enterprise development and small & medium (micro) enterprise funding are high on the list of identified impact sectors. The Barometer shows that there is a wide spectrum of impact sectors and that there is an opportunity for further refinement of the basic needs and basic services framework.

Source: J.P. Morgan (2010). Impact Investments: an Emerging Asset Class.

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Funds that identify Specific Investment Sectors for Impact



Source: Asset Managers and private equity & venture capital companies' websites and brochures. Housing refers to affordable and low-income housing. Alternative Energy also includes renewables and renewable energy.

The South Africa Investing for Impact Barometer is powered by the Bertha Centre at the University of Cape Town Graduate School of Business.

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Disclaimer

The information compiled in the Barometer is derived from the Internet, which includes asset managers' and private equity and venture capital firms' websites and brochures, and the SAVCA Full Members Matrix 2012 and although elaborate consideration has been taken in compiling the information; the reliability of the sources and the results presented cannot be guaranteed by the Barometer report. Any liability is disclaimed, including incidental or consequential damage arising from errors or omissions in the Barometer report.