



THE AFRICAN INVESTING FOR IMPACT BAROMETER 2014



BERTHA CENTRE FOR
SOCIAL INNOVATION &
ENTREPRENEURSHIP



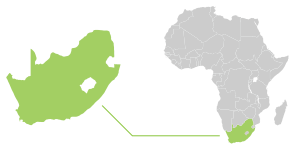
The African Investing for Impact Barometer strives to objectively depict the spectrum of investors in Africa who seek to combine financial returns and positive impact on society and the environment. Our definition of "investing for impact" (IFI) strategies includes impact, responsible, Shari'ah-compliant, green and socially responsible investing.

The study's first issue was published in 2013 and looked at the South African market with a limited scope. This year, the study includes a comprehensive view of South Africa and a first scoping of Nigerian investors. In each country, investment management firms investing in either listed or private equity have been analysed. The study is based on website consultations, fund fact sheets and industry association reports such as the SAVCA Matrix 2014 and ASISA's Local Fund Statistics December 2013.

N.B: This study looks specifically at how funds include impact criteria in their investment process. Corporate Social Investment initiatives that are taken separately from the funds managed are hence not considered. Lastly, Development Finance Institutions have been excluded from the scope.

IFI IN SOUTH AFRICA

Sample and overview of the market



We surveyed 951 listed funds and 213 private equity funds or holdings. All surveyed investors include South Africa in their investment scope and have local investment teams. The total IFI industry in South Africa represents R717bn, i.e. approximately US\$67bn.



Asset Management



Private Equity

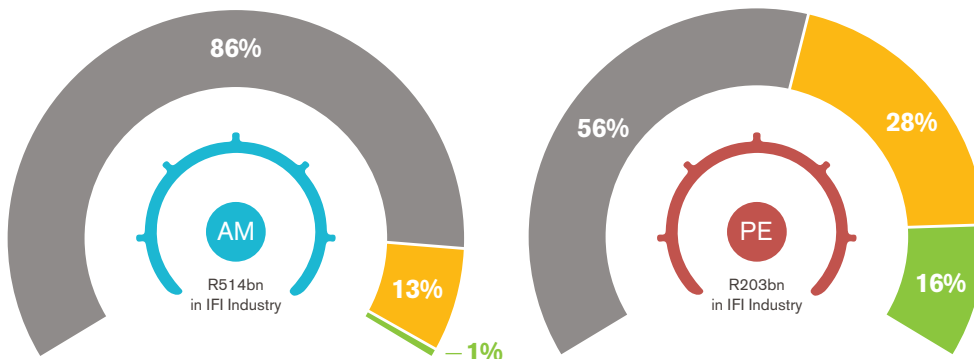
| | The overall industry | | | Investing for Impact (IFI) industry | | | % of money committed to IFI |
|--------------|----------------------------------|-------------------------|-----------------------------------|-------------------------------------|-----------------|-----------------------------------|-----------------------------|
| | Number of organisations surveyed | Number of funds managed | Total money committed (in bn ZAR) | Number of organisations | Number of funds | Total money committed (in bn ZAR) | |
| AM | 63 | 951 | 1 407* | 28 | 132 | 514 | 36% |
| PE | 138 | 213 | 328 | 45 | 93 | 203 | 62% |
| Total | 201 | 1 164 | 1 735 | 73 | 225 | 717 | 41% |

*ASISA figures

The IFI space represents a rising and significant part of the South African investment industry. This momentum needs to be acknowledged and, going forward, calls for advanced and refined measures to be developed in order to assess how IFI positively impacts society and the environment at large.

Funds* describe their investment strategy as...

■ Traditional investing ■ Responsible investing** ■ Impact investing



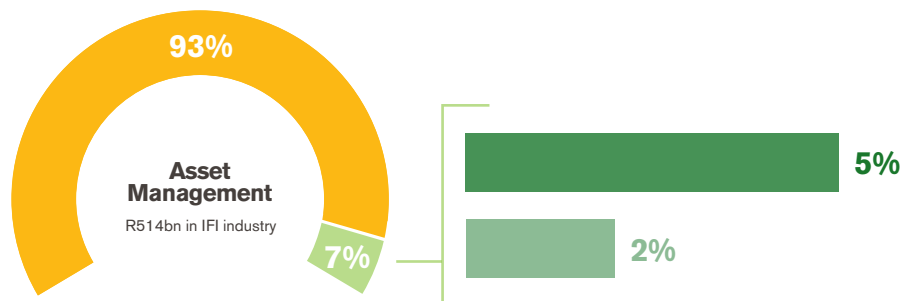
In the IFI space, "responsible investing" is the predominant term used for both listed funds (R457bn under management) and the private equity industry (R104bn under management). "Impact investing" is mainly used in the private equity space with R29bn under management.

*Percentage of the total number of funds. **Includes RI, SRI, ESG and Shari'ah.

Asset management in South Africa

The money managed by IFI players is depicted as...

■ Broad responsible investing
 ■ Core responsible investing
 ■ Shari'ah-compliant



Asset managers hold a total of R514bn in IFI in South Africa. The majority declares to have adopted broad responsible investment policies including responsible integration, responsible stewardship, responsible voting and engagement. Nevertheless, it remains difficult to obtain information on the actual depth and breadth of these practices. Funds with specific investment strategies, i.e. core responsible investing or Shari'ah, still represent a very small part of the industry.

Leaders in each category

| Broad Responsible Investing | | Core Responsible Investing | | Shari'ah-compliant | |
|-----------------------------|---------|-------------------------------------|--------|---------------------------------|-------|
| Allan Gray | 181 796 | Future Growth Asset Management | 18 932 | Oasis Crescent Management Group | 7 449 |
| Investec | 151 551 | COMANCO Community Growth Funds | 1 485 | Old Mutual | 2 385 |
| Prudential | 67 750 | Atlantic Asset Management (Pty) Ltd | 1 144 | Kagiso Asset Management | 1 039 |

(in million ZAR)

A CLOSER LOOK AT ATLANTIC ASSET MANAGEMENT

In 2012, Atlantic Asset Management opened a new division called Atlantic Specialised Finance. Since then, the firm has become one of the leaders in core responsible investing in South Africa and the division has launched four funds with a specific focus on impact investing: Atlantic High Impact Money Market Fund, Atlantic High Impact Bond Fund, Atlantic Environmental Impact Fund (in partnership with WWF) and Atlantic High Impact Fund, underwritten by a Jobs Fund Guarantee.

A CLOSER LOOK AT MERGENCE INVESTMENT MANAGEMENT

Mergence Investment Management is a leader in South African responsible investing. It was one of the first asset managers to sign the UN Principles of Responsible Investing in 2008. The firm now manages three funds with specific impact strategies: Mergence High Impact Debt Fund, Mergence ESG Equity Fund, and Mergence SRI Fund. Mergence is also the first South African asset manager to incorporate GIIRS impact measurement criteria into the investment strategy of one of its funds.

The South African industry overall

Signatories of South African and international IFI initiatives

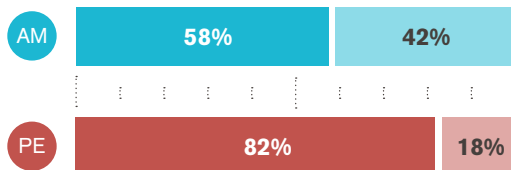
| | AM | | PE | |
|----------------------|--|---|--|---|
| | Number of organisations disclosing they signed | Total amount under management (in bn ZAR) | Number of organisations disclosing they signed | Total amount under management (in bn ZAR) |
| South African | | | | |
| CRISA | 18 | 489 | 2 | 35 |
| International | | | | |
| PRI | 29 | 526 | 14 | 145 |
| GIIN | 3 | 9 | 2 | 4 |

Asset managers display a higher number of IFI initiatives' signatories than private equity firms. Two private equity firms – Ethos Private Equity and OMIGSA – have signed both PRI and CRISA. Across the spectrum, more surveyed firms communicate PRI signing than CRISA.

CRISA: Code for Responsible Investing in South Africa. PRI: United Nations-supported Principles for Responsible Investment. GIIN: Global Impact Investing Network.

When communicating their IFI involvement, they...

■ Dedicate a specific page
 ■ Just mention it

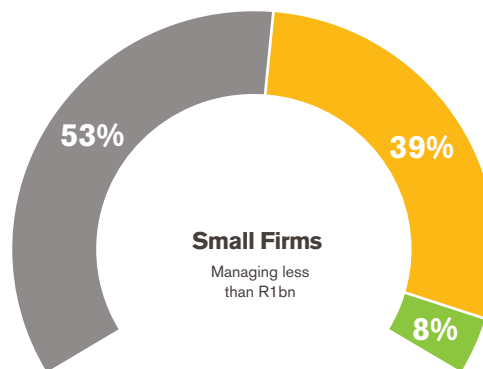
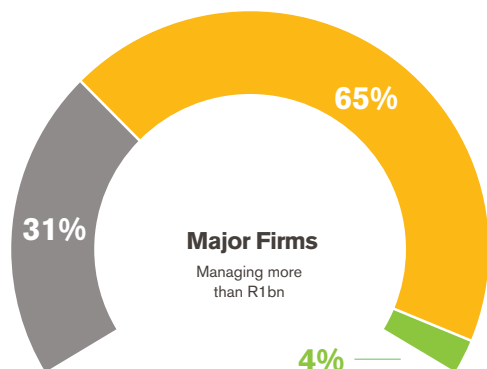


We found that 82% of private equity firms and 60% of asset managers who discuss IFI have a specific web page dedicated to their firm's involvement. We interpret this public display as a positive intention on the part of investors to communicate their strategies. We do however note that more details could be given on the practical implementation of these policies.

Private equity in South Africa

Funds* describe their investment strategy as...

■ Traditional investing ■ Reponsible investing** ■ Impact investing



*Percentage of total amount under management. **Includes RI, SRI, ESG and Shari'ah.

Private equity firms that have adopted IFI principles manage more than half the committed private equity capital in South Africa. Of the funds managed by major players in this space, 65% take into consideration social and/or environmental criteria in their investment strategy, compared to only 39% of funds managed by smaller firms. Two factors could explain this result. Firstly, bigger players have more resources that can be allocated to the

development of a responsible investment policy. Secondly, many of these big players are international firms that have to comply with policies defined by their headquarters. For impact investing, a reverse correlation to firm size seems to exist: impact investing represents only 4% of major firms, compared to 8% of smaller firms managing funds under R1bn. We see this as an indication that, in the current private equity space, impact investors tend to raise smaller funds.

Leaders in each category

| Responsible Investing | |
|--------------------------------|--------|
| Actis | 29 348 |
| OMIGSA Alternative Investments | 21 400 |
| Abraaj Capital | 14 974 |

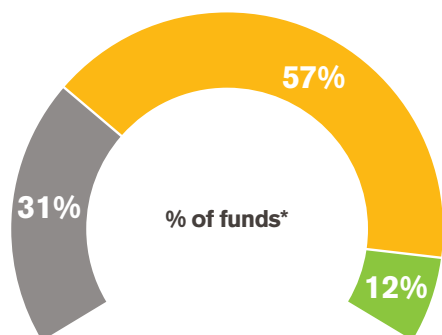
(in million ZAR)

| Impact Investing | |
|--------------------------------|--------|
| OMIGSA Alternative Investments | 19 400 |
| Grofin | 3 360 |
| Phatisa Group | 3 019 |

Focus: Black Economic Empowerment (BEE) private equity investors

BEE private equity investors describe their investments strategy as...

■ Traditional investing ■ Reponsible investing** ■ Impact investing

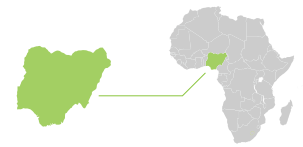


With R63bn under management, of which R28bn is invested in private equity, BEE investors represent a significant portion of the funds that contribute to change in South African society. Moreover, 57% of the assets under management committed to BEE funds are managed by investors that pursue IFI.

*Percentage total amount under management **Includes RI, SRI, ESG and Shari'ah

IFI IN NIGERIA

Sample and overview of the market

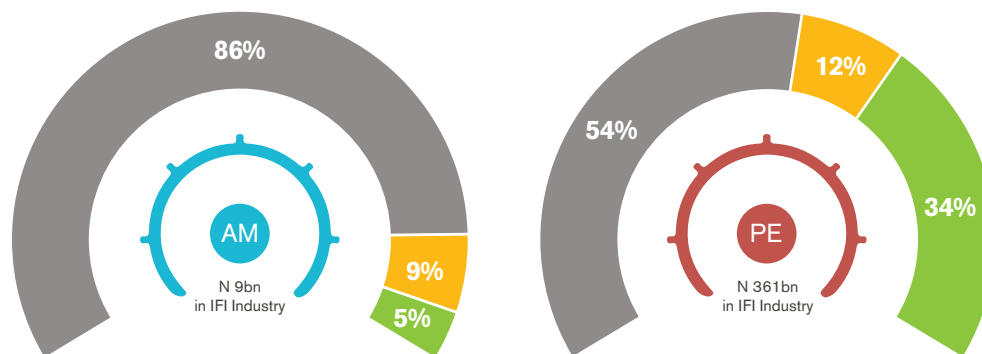


| | The overall industry | | | Investing for Impact (IFI) industry | | | % of money committed to IFI |
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| | Number of organisations surveyed | Number of funds managed | Total money committed (in bn NGN) | Number of organisations | Number of funds | Total money committed (in bn NGN) | |
| AM | 37 | 63 | 170 | 6 | 9 | 9 | 5% |
| PE | 28 | 59 | 923 | 12 | 27 | 361 | 39% |
| Total | 65 | 122 | 1 093 | 18 | 36 | 370 | 34% |

Focusing on a representative sample of 63 asset management funds and 59 private equity funds, this section of the African IFI Barometer highlights the investment philosophy of the Nigerian asset management and private equity firms. The IFI industry in Nigeria represents N370bn, i.e. approximately US\$2.3bn.

Funds* describe their investment strategy as...

■ Traditional investing ■ Reponsible investing** ■ Impact investing



A close look at the investment philosophies of the sampled organisations reveals that, in terms of numbers, the private equity space is leading the IFI industry in Nigeria. There are more impact investors among the private equity firms than there are among asset management. However, no conclusion can be drawn about the quality of IFI – i.e. if private equity players have a higher interest in positively impacting society than asset managers. Most of the financial institutions surveyed do not display many (if any) details on how they include impact criteria in their investment strategies.

*Percentage of the total number of funds. **Includes RI, SRI, ESG and Shari'ah.

PRIVATE SECTOR POWER

Most of the private equity firms target Nigeria and West Africa, such as the investment company of philanthropist Tony O. Elumelu, **Heirs Holdings Limited**. Elumelu is also the originator of the term **Africapitalism**, a “philosophy that views the African private sector as the key driver of lasting economic transformation in Africa.”

THE IFI LONE RANGER

RegCharles Finance and Capital Ltd – a firm with more than N488 million under management – is the only impact investor that is a member of UNPRI, IRIS metrics and GIIRS. The firm offers both equity and debt solutions as well as venture incubation services for startups. When will the others follow suit?

OUR FINDINGS

- Given the sample size, Nigeria has more impact investors than South Africa.

- More than 22% of the Nigerian private equity players are specialised in agricultural development, which represents about N90bn.

Glossary of Abbreviations AM: Asset Management | ASISA: Association for Savings and Investment South Africa | BEE: Black Economic Empowerment | CRISA: Code for Responsible Investing in South Africa | ESG: Environmental, Social and Governance | GIIN: Global Impact Investing Network | GIIRS: Global Impact Investing Ratings System | IFI: Investing for Impact | IRIS: Impact Reporting and Investment Standards | N/NGN: Nigerian Naira | PE: Private Equity | PRI: Principles for Responsible Investment | R: South African Rands | RI: Responsible Investing | SAVCA: Southern African Venture Capital and Private Equity Association | SRI: Socially Responsible Investing | ZAR: South African Rands

FULL COLOUR THINKING

BERTHA CENTRE

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