

BAROMETER EXPANDS AND UNCOVERS  
**\$353.9BN IN ASSETS**  
DEDICATED TO 1 OR MORE IFI STRATEGIES  
ACROSS 9 COUNTRIES

**45%**  
OF PROFESSIONALLY  
MANAGED FUNDS  
SURVEYED IMPLEMENT  
IFI STRATEGIES

**\$12.6BN**  
ALLOCATED  
TO IFI IN  
WEST AFRICA

Sustainability-Themed  
Investment gets  
the spotlight in East  
and West Africa

Southern Africa leads  
with \$325.9bn in assets  
dedicated to IFI strategies

East Africa  
looking strong  
with \$15.4bn  
dedicated to  
IFI strategies

# THE AFRICAN INVESTING FOR IMPACT BAROMETER 2016

4TH EDITION

# OVERVIEW

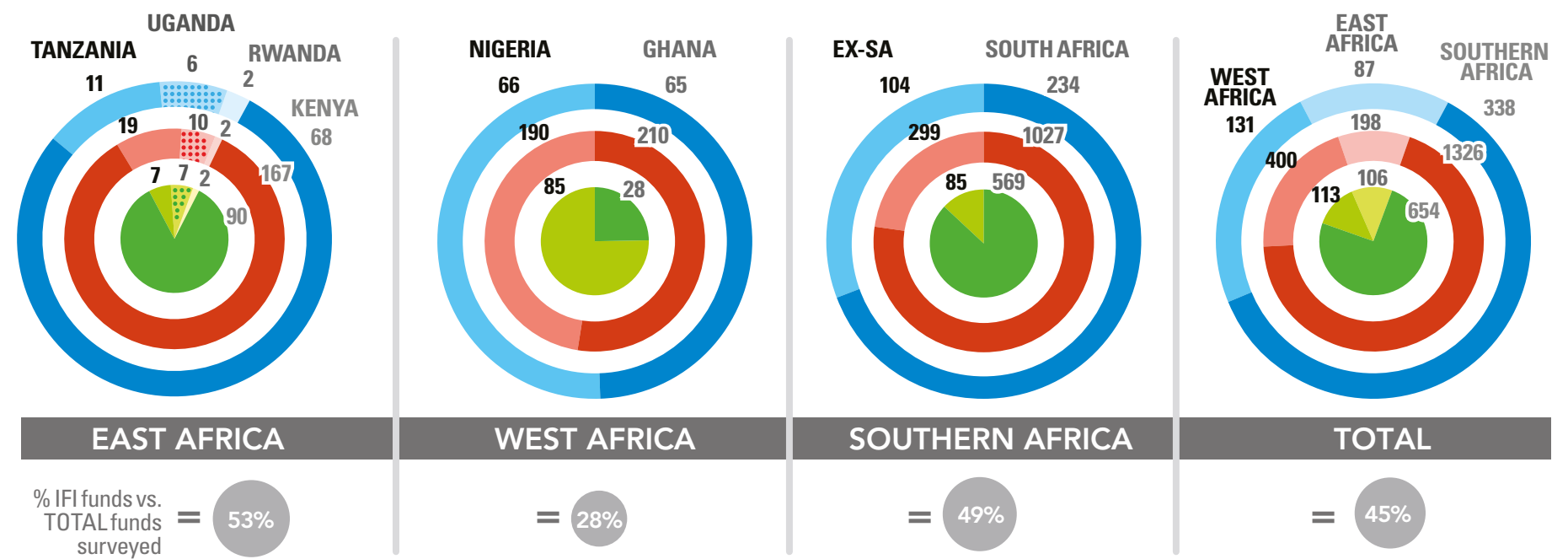
The African Investing for Impact (AIFI) Barometer provides a snapshot of the growing investing for impact (IFI) market and strategies which are implemented on the African continent. by professional fund managers in East, West and Southern Africa.

The 2016 edition has expanded its coverage of Africa's formal investment markets as it strives to objectively depict the spectrum of investments which seek to combine financial returns and positive impact on society and the environment. It also provides a scoring system to gauge impact of IFI strategies employed

The Barometer is compiled from publicly available information sourced from fund manager disclosures on their websites, reports and fund-fact sheets as at 31 December 2015.

Additional information is sourced from regulators and industry associations, again where information is publicly available.

## WHAT WE SURVEYED



COVERAGE: NO. OF IFI FUNDS NO. OF FUNDS MANAGED FUND MANAGERS



## IFI STRATEGY

## INDICATORS USED TO ASSESS IMPLEMENTATION

## POINTS

### SCREENING

Inclusion or exclusion of investments based on ESG or ethical screening. The screening may be positive, negative, norms-based or best-in-sector screening.

Disclosure of ESG screening criteria/policy	1
Disclosure of screening process and rationale	1
Evidence of environmental screening in investment process	1
Evidence of social screening in investment process	1
Reporting	1

### ESG INTEGRATION

The systematic integration of Environmental, Social and Governance (ESG) factors into investment analysis, valuation and decision-making based on appropriate research sources and metrics.

Integration of ESG data into research and analysis	1
Integration of ESG data into valuation and ratings	1
Integration of ESG data into portfolio construction	1
Integration of ESG into financial performance measurement	1
Presence of ESG objectives into staff KPIs	1

### INVESTOR ENGAGEMENT

An investment strategy which seeks to influence company behaviour by active ownership through proxy voting, board participation and/or engagement with companies on ESG matters.

Investor engagement process and/or policy publicly disclosed	1
Votes and engagements on ESG issues reported or disclosed	1
Evident engagement on corporate governance matters	1
Evident engagement on environmental matters	1
Evident engagement on social matters	1
ESG impact/results of the engagement disclosed or reported	1

### SUSTAINABILITY THEMED INVESTMENT

Investments made along the themes of environmental sustainability and sustainable development.

Statement of sustainability themes along E & S issues	1
Evidence of investments aligned to E & S themes	1
Showcasing investment cases with measure of impact	1

### IMPACT INVESTMENT

Investment intentionally aimed at generating measurable positive E and/or S impact alongside a financial return.

Explicitly identify themselves as impact investors	1
Explicit articulation of E & S impact objectives	1
Visibility of the impact projects	1
Reporting on impact	1

## WHAT WE UNCOVERED

- Southern Africa leads with **\$325.9bn** of assets being reported to implement at least one IFI strategy. East Africa is second with **\$15.4bn** of overall assets deploying at least one IFI strategy and West Africa features last with **\$12.6bn** of assets.
- **South Africa** remains the country with the largest amount of assets dedicated to one or more IFI strategies followed by Nigeria and Kenya.
- **Sustainability-Themed investment** is the leading strategy in East and West Africa, attracting **\$11.7bn** and **\$9.8bn** in assets respectively.
- The leading strategy in Southern Africa is ESG Integration attracting **\$307.7bn**.
- Impact Investment presents the most potential for impact but assets still need to grow.
- Communication around IFI strategies is improving but more progress needs to be made notably on investor engagement.

## WHAT WE SURVEYED

The 2016 Barometer adopts a wider regional focus and includes countries with a presence of an established professional fund management and retirement investment industry. This study examines the proportion of assets managed for a fee by professional fund managers (i.e. AM's and PE/VC firms). The study includes assets deployed locally by AM's and PE/VC's within the three respective regions (i.e. We exclude assets invested outside of these respective regions).

Also excluded from the study are DFI's direct AUM.

In order to minimise double-counting, we exclude assets managed in funds of funds (FOF) arrangements and those assets managed internally by asset owners who do not delegate fund management to AM's or PE/VC fund management for a fee.

## HOW THE SCORING WORKS

The AM's and PE/VC accumulate points according to the IFI strategies assessment indicators. Those rated as "cool" satisfy the least amount of indicators and those rated as "hot", satisfy most if not all indicators.



= **HOT**

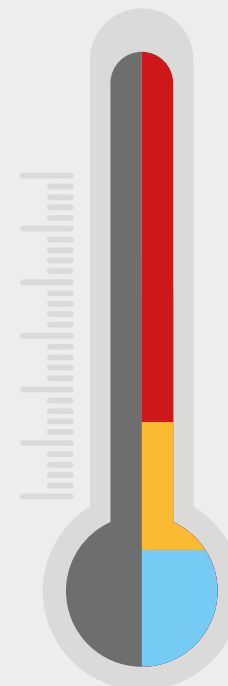


= **WARM**



= **COOL**

Leaders in implementation, are those who lead in comparison to peers implementing the same IFI strategy based on information sourced in the public domain.



## GLOSSARY OF TERMS

**ASSET MANAGERS (AM):** Investment managers who invest primarily in listed instruments such as listed equity, listed debt and money-market instruments. These investment may also hold small amounts of unlisted instruments

**B-BBEE:** Broad-based black economic empowerment as per the Broad-Based Black Economic Empowerment Amendment Act, 2013 (Act No. 46 of 2013).

**ENGAGEMENT:** Communication between an investor and a company regarding issues of management.

**GIIN:** Global Impact Investing Network.

**IFC:** International Finance Corporation.

**KPI:** Key Performance Indicators.

**NEGATIVE SCREENING:** An investment approach where the exclusion or avoidance of investments in companies, sectors or countries which do not meet ESG or ethical criteria set by the investor.

**POSITIVE SCREENING:** An investment approach in which the inclusion or targeting of investments in companies, sectors or countries is based on meeting desirable ESG or ethical criteria set by the investor.

**PRI:** United Nations-Supported Principles for Responsible Investment.

**PRIVATE EQUITY AND VENTURE CAPITAL (PE/VC) MANAGERS:** Investment managers who invest primarily in unlisted companies using private equity, mezzanine debt, and venture capital.

**PROXY VOTING:** Process of voting on corporate and management matters by virtue of being an owner of a security with voting rights in the portfolio company.

**RENEWABLE ENERGY:** Energy from sources that are replenishable and not finite such as solar, wind, rain, tides, waves and geothermal heat energy.

**RETAIL ASSETS:** Assets belonging to or invested by retail clients such as individuals and HNW investors.

**SAIIN:** South African Impact Investing Network.

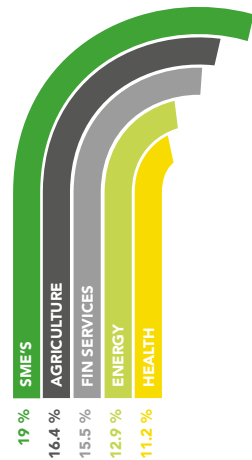
**SDG:** Sustainable Development Goals.

**SHARI'AH COMPLIANT INVESTMENTS:** Investments that are compliant with Islamic law of Shari'ah.

# EAST AFRICA



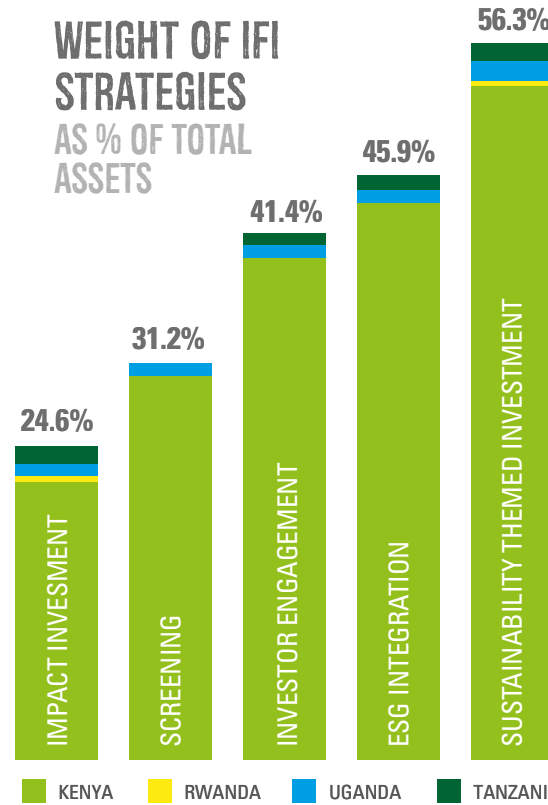
## TOP 5 INVESTMENT THEMES AMONG IMPACT & SUSTAINABILITY THEMED INVESTORS



## NUMBER OF IMPACT INVESTMENT FUNDS PER COUNTRY WITHIN THE REGIONS

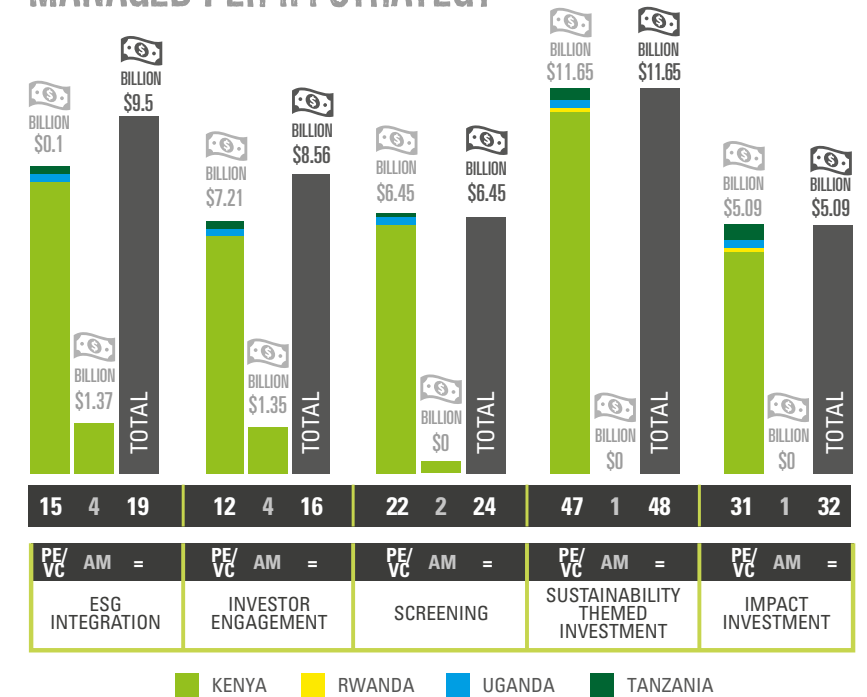
Large international players based in Kenya lead the Impact Investment industry in East Africa.

## WEIGHT OF IFI STRATEGIES AS % OF TOTAL ASSETS



NB: Organisations surveyed can implement more than one IFI strategy to the same pool of assets.

## AM's vs PE/VC's: SIZE OF ASSETS MANAGED PER IFI STRATEGY



PE/VC's dominate the Sustainability Themed and Impact Investment strategies compared to AM's.

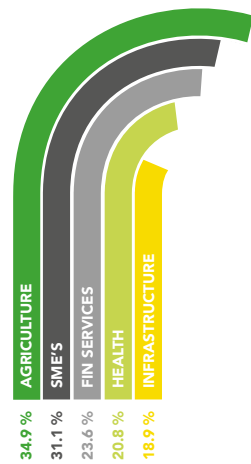
## BAROMETER RESULTS

ESG INTEGRATION: US\$ 9.5bn		INVESTOR ENGAGEMENT: US\$ 8.56bn		SCREENING: US\$ 6.45bn		SUSTAINABILITY THEMED INVESTMENT: US\$ 11.65bn		IMPACT INVESTMENT: US\$ 5.09bn	
Leaders in Implementation	Assets (USD) Billions	Leaders in Implementation	Assets (USD) Billions	Leaders in Implementation	Assets (USD) Billions	Leaders in Implementation	Assets (USD) Billions	Leaders in Implementation	Assets (USD) Billions
ACTIS	\$2.26bn	ACTIS	\$2.26bn	GROFIN	\$0.35bn	THE ABRAAJ GROUP	\$1.37bn	QALAA HOLDINGS EAST AFRICA	\$1.30bn
THE ABRAAJ GROUP	\$1.37bn	THE ABRAAJ GROUP	\$1.37bn	AGRIVIE	\$0.10bn	QALAA HOLDINGS EAST AFRICA	\$1.30bn	EMERGING CAPITAL PARTNERS	\$0.61bn
EMERGING CAPITAL PARTNERS	\$0.61bn	FUSION INVESTMENT MANAGEMENT	\$0.05bn	EMERGING CAPITAL PARTNERS	\$0.61bn	EMERGING CAPITAL PARTNERS	\$0.61bn	GROFIN	\$0.35bn

# WEST AFRICA



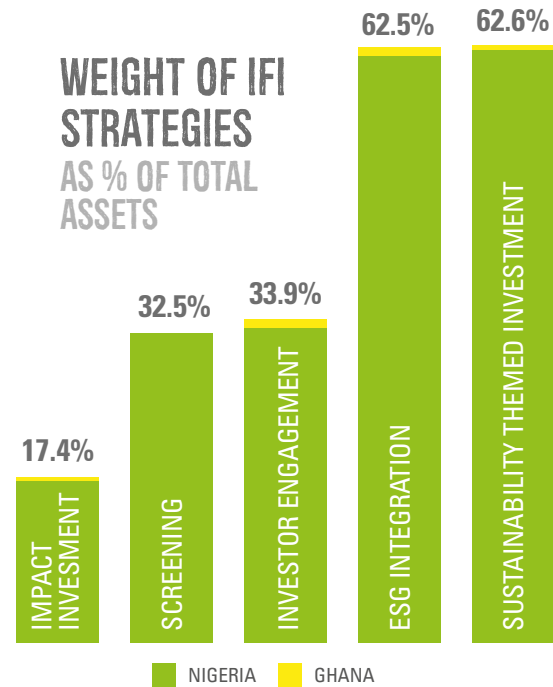
## TOP 5 INVESTMENT THEMES AMONG IMPACT & SUSTAINABILITY THEMED INVESTORS



## NUMBER OF IMPACT INVESTMENT FUNDS PER COUNTRY WITHIN THE REGION

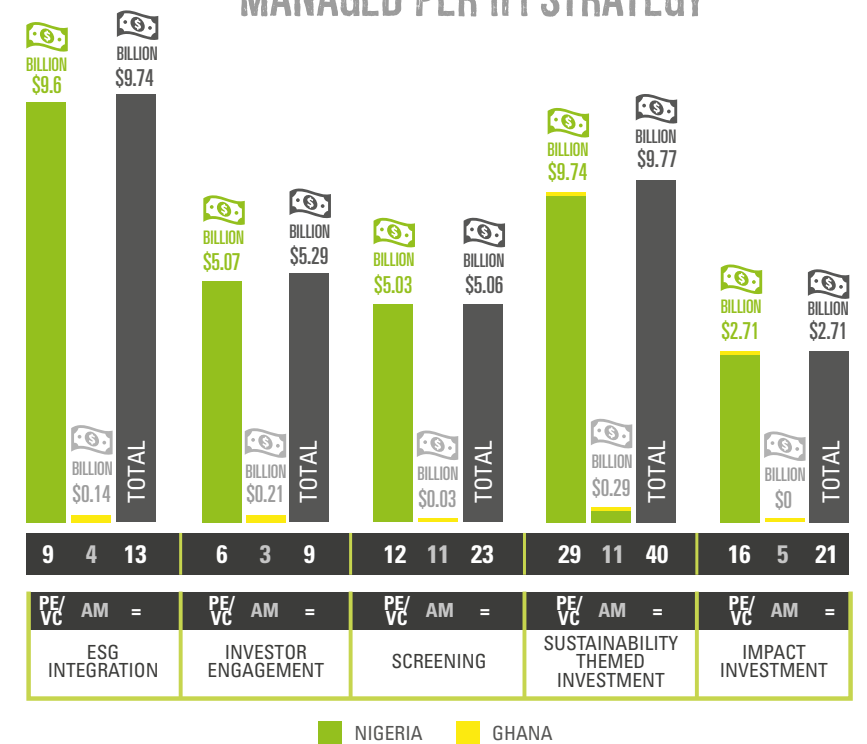
Nigerian impact investors are leading in West Africa. Ghana on the other hand lags in the number of funds and quality of impact disclosure.

## WEIGHT OF IFI STRATEGIES AS % OF TOTAL ASSETS



NB: Organisations surveyed can implement more than one IFI strategy to the same pool of assets.

## AM's vs PE/VC's: SIZE OF ASSETS MANAGED PER IFI STRATEGY



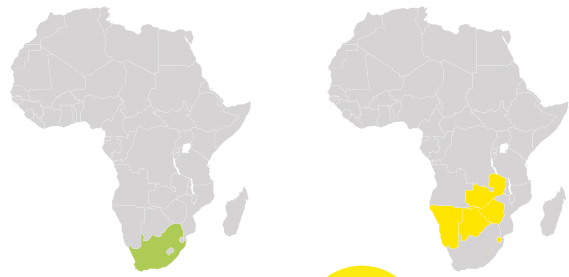
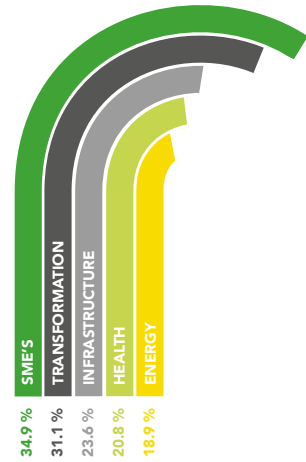
A hand full of PE/VC's with large asset pools are targeting infrastructure growth in West Africa.

## BAROMETER RESULTS

ESG INTEGRATION: US\$ 9.74bn		INVESTOR ENGAGEMENT: US\$ 5.29bn		SCREENING: US\$ 5.06bn		SUSTAINABILITY THEMED INVESTMENT: US\$ 9.77bn		IMPACT INVESTMENT: US\$ 2.71bn						
15.4%	7.7%	76.9%	11.1%	11.1%	77.8%	13%	21.7%	65.2%	15%	32.5%	52.5%	14.3%	61.9%	23.8%
<b>LEADERS IN IMPLEMENTATION</b>	<b>ASSETS (USD) BILLIONS</b>	<b>LEADERS IN IMPLEMENTATION</b>	<b>ASSETS (USD) BILLIONS</b>	<b>LEADERS IN IMPLEMENTATION</b>	<b>ASSETS (USD) BILLIONS</b>	<b>LEADERS IN IMPLEMENTATION</b>	<b>ASSETS (USD) BILLIONS</b>	<b>HOT LEADERS IN STRATEGY</b>	<b>ASSETS (USD) BILLIONS</b>					
ACTIS	\$2.26bn	ACTIS	\$2.26bn	GROFIN	\$0.40bn	EMERGING CAPITAL PARTNERS	\$0.61bn	GROFIN	\$0.40bn					
EMERGING CAPITAL PARTNERS	\$0.61bn	CARLYLE	\$0.70bn	AFRICAN CAPITAL ALLIANCE	\$0.40bn	GROFIN	\$0.40bn	DOREO PARTNERS	\$0.04bn					
CARLYLE	\$0.70bn	FBN CAPITAL AM	\$0.07bn	LOTUS CAPITAL LIMITED	\$0.01bn	DOREO PARTNERS	\$0.04bn	ACUMEN	\$0.01bn					

# SOUTHERN AFRICA

TOP 5 INVESTMENT THEMES AMONG IMPACT & SUSTAINABILITY THEMED INVESTORS



12 EXCLUDING-SA  
48 SOUTH AFRICA

## NUMBER OF IMPACT INVESTMENT FUNDS PER COUNTRY

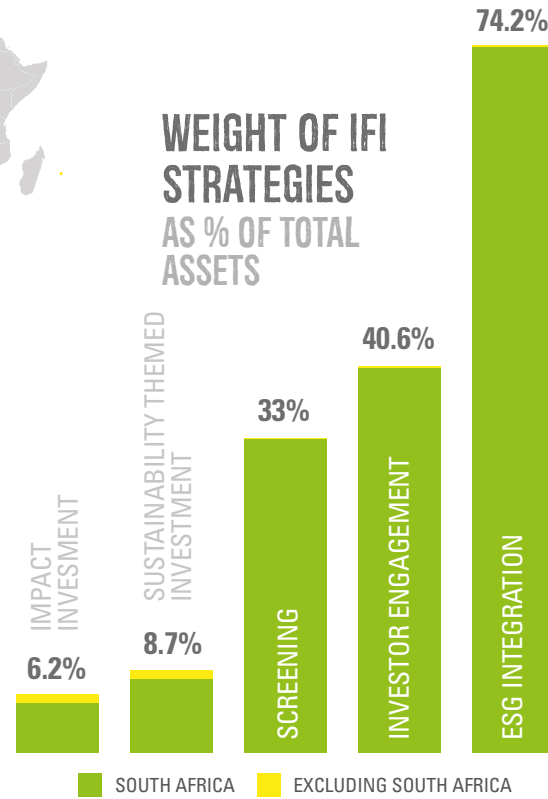
South Africa Impact Investors lead but assets allocated relative to total IFI market size remains low.

## BAROMETER RESULTS

ESG INTEGRATION: US\$ 307.7bn		INVESTOR ENGAGEMENT: US\$ 168.28bn		SCREENING: US\$ 136.74bn		SUSTAINABILITY THEMED INVESTMENT: US\$ 35.99bn		IMPACT INVESTMENT: US\$ 25.57bn						
AM LEADERS IN IMPLEMENTATION	PE/VC LEADERS IN IMPLEMENTATION	AM LEADERS IN IMPLEMENTATION	PE/VC LEADERS IN IMPLEMENTATION	AM LEADERS IN IMPLEMENTATION	PE/VC LEADERS IN IMPLEMENTATION	AM HOT LEADERS IN IMPLEMENTATION	PE/VC LEADERS IN IMPLEMENTATION	AM LEADERS IN IMPLEMENTATION	PE/VC LEADERS IN IMPLEMENTATION					
9.2%	12.3%	78.5%	8.3%	25%	66.7%	15%	12.5%	72.5%	20.7%	33.9%	45.5%	30%	60%	10%
ELEMENT IM	ACTIS	ALLAN GRAY	CARLYLE	FUTUREGROWTH AM	EMERGING CAPITAL PARTNERS	FUTUREGROWTH AM	OLD MUTUAL ALTERNATIVE INVESTMENTS	FUTUREGROWTH AM	OLD MUTUAL ALTERNATIVE INVESTMENTS					
\$0.07bn	\$0.65bn	\$7.26bn	\$0.70bn	\$10.44bn	\$0.61bn	\$1.25bn	\$0.78bn	\$1.25bn	\$0.78bn					
INVESTEC AM	EMERGING CAPITAL PARTNERS	INVESTEC AM	ACTIS	KAGISO AM	AMETHIS FINANCE	MERGENCE	CARLYLE	MERGENCE	INTERNATIONAL HOUSING SOLUTIONS					
\$8.99bn	\$0.61bn	\$8.99bn	\$0.65bn	\$0.07bn	\$0.15bn	\$0.08bn	\$0.70bn	\$0.01bn	\$0.41bn					
MERGENCE	AMETHIS FINANCE	OLD MUTUAL MACRO SOLUTIONS	AMETHIS FINANCE	OASIS CRESCENT MANAGEMENT	ETHOS PRIVATE EQUITY	OLD MUTUAL INVESTMENT GROUP (Nam)	ETHOS PRIVATE EQUITY	WBD INVESTMENT HOLDINGS	GROFIN					
\$0.78bn	\$0.15bn	\$1.44bn	\$0.15bn	\$0.52bn	\$0.56bn	\$1.94bn	\$0.56bn	\$0.19bn	\$0.10bn					

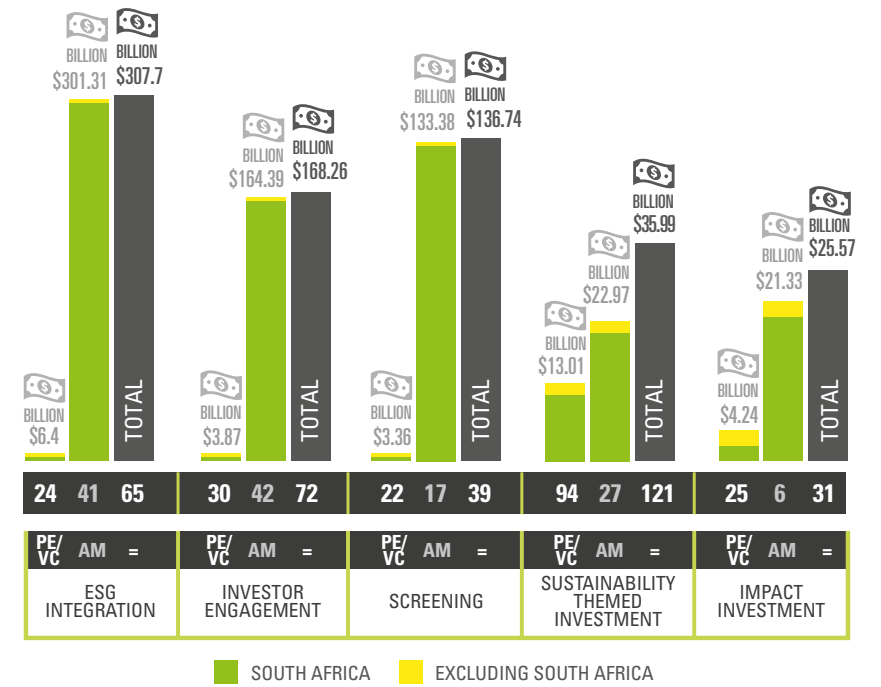
TO NOTE: Excluding-SA includes Mauritius, Namibia, Zambia, Zimbabwe, Botswana, Swaziland

## WEIGHT OF IFI STRATEGIES AS % OF TOTAL ASSETS



NB: Organisations surveyed can implement more than one IFI strategy to the same pool of assets.

## AM's vs PE/VC's: SIZE OF ASSETS MANAGED PER IFI STRATEGY

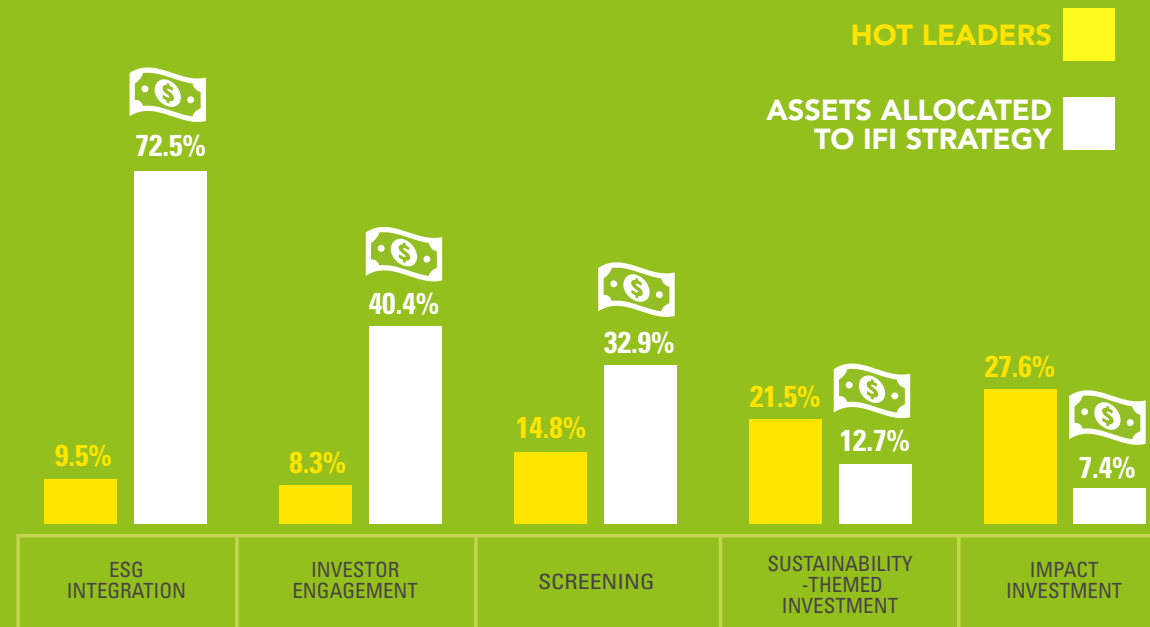


PE/VC's are leading in investing towards socio-economic transformation, especially in B-BBEE.



# COMPARING IFI STRATEGIES:

This graph demonstrates as at last year that while strategies such as ESG Integration and Investor Engagement are allocated a larger percentage of IFI assets, the communicated impact is lower as indicated by the percentage of firms in the hot category. The strategies with the lowest allocation of industry assets (Screening, Sustainability-Themed and Impact Investment) have higher percentages of hot leaders. Investors implementing these strategies demonstrated in a stronger way their impact according to the Barometer scoring system.



## IMPACT INVESTMENT

### Asset Size:

- **Cross-country:** Ranks five with **US\$21bn** AUM
- **Regional leader:** Southern Africa with **76.6%** of assets.
- **AM versus PE/VC:** In Southern Africa AM's control **63.9%** of Impact Investment assets. In East Africa and West Africa, PE and VC are leading the way controlling **8.1%** and **15.2%** of assets respectively.

### IMPACT QUALITY:

Southern Africa holds the highest % of **hot leaders** at **23%** followed by far by **3.8%** and **1.2%** in East Africa and West Africa respectively.

## ESG INTEGRATION

### Asset Size:

- **Cross region:** Ranks first with **US\$303bn** AUM.
- **Regional leader:** Southern Africa with **94.2%** of assets.
- **AM versus PE/VC:** In Southern Africa AM's control **92.2%** of ESG assets. In West Africa and East Africa, PE and VC are leading the way controlling **2.9%** and **2.5%** of ESG assets respectively.

### IMPACT QUALITY:

Southern Africa scores the highest % of hot leaders at **8.7%** followed by **0.5%** and **0.3%** in West Africa and East Africa respectively.

## INVESTOR ENGAGEMENT

### Asset Size:

- **Cross region:** Ranks second with **US\$166bn** AUM.
- **Regional leader:** Southern Africa with **92.4%** of assets.
- **AM versus PE/VC:** In Southern Africa AM's control **90.3%** of Investor Engagement assets. In East Africa and West Africa, PE and VC are leading the way controlling **4.0%** and **2.8%** of assets respectively.

### IMPACT QUALITY:

Southern Africa is ahead with **7.7%** followed by West Africa and East Africa both at **0.3%** each.

## SCREENING

### Asset Size:

- **Cross region:** Ranks third with **US\$133bn** AUM.
- **Regional leader:** Southern Africa with **92.3%** of assets.
- **AM versus PE/VC:** In Southern Africa AM's control **90%** of Screening assets. In East Africa and West Africa, PE and VC are leading the way controlling **4.3%** and **4.3%** of assets respectively.

### IMPACT QUALITY:

Southern Africa scores the highest % of **hot leaders** at **13.8%** followed by **0.5%** and **0.4%** in East Africa and West Africa respectively.

## SUSTAINABILITY THEMED INVESTMENT

### Asset Size:

- **Cross region:** Ranks fourth with **US\$23bn** AUM.
- **Regional leader:** Southern Africa with **62.6%** of assets.
- **AM versus PE/VC:** In Southern Africa AM's control **40%** of Sustainability Themed Investment assets. In East Africa and West Africa, PE and VC are leading the way controlling **20.4%** and **16.5%** of assets respectively.

### IMPACT QUALITY:

Southern Africa gets the highest % of **hot leaders** at **12.9%** followed by **6.3%** and **2.5%** in East Africa and West Africa respectively.



## KEY INSIGHTS

### ENGAGEMENT: BETTER DISCLOSURE OF INVESTOR ENGAGEMENT PRACTICES, BUT THERE IS ROOM FOR IMPROVEMENT

While organizations surveyed are continuously improving the disclosure of their proxy voting practices regarding corporate governance, they rarely communicate on environmental and social engagements. Industry leaders such as Allan Gray, Investec AM and Old Mutual, are paving the way by providing a more transparent account of their engagement strategy with various companies on a range of specific ESG challenges. Across the industry, however, asset managers have room to improve in disclosing their engagement strategies about social and environmental issues, as well as the results of these engagements.

### SOUTH AFRICAN AM'S ARE GOING PAN-AFRICAN WITH THEIR IFI COMMUNICATION

South African AM's are increasingly going Pan-African and are increasing communication of their IFI strategies within the countries they operate in. Large AM's such as Old Mutual, Stanlib and Allan Gray have extensive operational footprints across the three regions surveyed. They have also been increasing their IFI strategies' communication efforts albeit with varying degrees of consistency. Allan Gray redirects readers in other African locations to the Responsible Investment information contained on its South African website. Stanlib provides a tab for responsible investment which is visible for readers in all countries. The Old Mutual Group goes a step further by disclosing country-specific information regarding their IFI strategies but the level of disclosure is not yet consistent across different markets. For instance; the Old Mutual Investment Group Kenya website provides a dedicated section for Responsible Investment providing only its proxy voting policy, whilst the Old Mutual Investment Group Zimbabwe discloses the proxy voting policy as well as the record of votes cast. Asset Managers are moving towards better disclosure of their IFI strategies as they go Pan African but consistency is needed.

### BEYOND THE GRID, BUT ON THE RADAR: INVESTING IN COLLABORATION

A growing industry of investors and energy access entrepreneurs is bringing electricity to more than 600 million people on the African continent living off the grid. The Bertha Centre's report "Switching on Finance for Off-grid Energy" demonstrates that while capital has been committed to the industry, more coordination and financial ingenuity is needed from investors in order to deploy funds effectively and support industry growth. The USAID's noteworthy collaboration initiatives, Beyond the Grid and Power Africa have identified more than 43 private sector investors and practitioners including Barometer hot leaders Abraaj Group, Acumen and Harith General Partners, who have committed USD 1 billion to emerging energy access enterprises over the next 5 years through the Beyond the Grid initiative. Beyond the Grid is focused on unlocking investment and growth for off-grid and small-scale energy solutions on the African continent.

### AN IMPACT INVESTMENT SCENE DOMINATED BY A FEW INTERNATIONAL PE/VC'S

Less than a quarter of Impact investors in East Africa are found to originate from outside the region. A large number of these investors are GIIN and PRI members. In contrast, local West African Impact investors outnumber Impact investors from outside the region. However, in terms of AUM, international firms dominate in both regions. This may not be representative of local investors' commitment to impact, but rather a result of international firms' quality and quantity of communication around impact.

# KEY INSIGHTS

## SUSTAINABILITY-THEMED INVESTMENT VS IMPACT INVESTING: COMPLEMENTARY STRATEGIES IN AFRICA

Impact and Thematic investors are focusing on agriculture, socio-economic infrastructure, inclusive finance, SME development and renewable energy. Investments in agri-focused SME's are popular in Kenya and Nigeria. Investments in South African SME's are mainly by PE/VC firms, across various sectors with a focus on BBBEE transactions. Investments in renewable energy, specifically solar, hydro and thermal energy are gaining momentum (Sustainability-Themed Investment and Impact Investment). Impact Investment across the three countries is implemented mostly by PE/VC funds. South Africa and Kenya have the lowest proportion of industry assets allocated to Impact Investment relative to Nigeria. In Kenya, international Impact investors outnumber local ones.

## CAN MORE BE DONE TO ACHIEVE SOCIAL IMPACT THROUGH TRANSFORMATION IN SOUTHERN AFRICA?

Investments towards socio-economic transformation (e.g. Zimbabwe's "Indigenisation and Economic Empowerment" as well as "Broad-Based Economic Empowerment" in Namibia and South Africa) appear to be more prominent among PE and VC investments. Investments in this theme by AM's, on the other hand, are marginal with only 2 AM's offering a co-managed B-BBEE portfolio in South Africa. The "Alexander Forbes Annual Retirement Fund Survey 2015" reveals that none of the 10 largest AM's, which control more than 70% of assets managed in South Africa, are level 1 B-BBEE rated firms. The same Top 10 Fund managers are also large managers of assets in Southern Africa. Southern African asset owners such as pension funds and insurance companies could further drive transformation by procuring more fund management services to PE/VC firms and engaging further AM's towards socio-economic transformation.

## SUSTAINABILITY-THEMED INVESTMENT TAKES CENTRE STAGE, PARTICULARLY IN EAST AND WEST AFRICA

The IFI strategy gaining great momentum amongst African fund managers is Sustainability-Themed Investment, most notably in East Africa and West Africa. Prominent sustainability themes receiving allocations of assets include agriculture, SMEs, energy, health, inclusive financial services and substantial allocations to infrastructure investments. This is encouraging for the achievement of the United Nations Sustainable Development goals (SDG's), which will require private capital to be achieved. However investments in other key sustainability themes for the SDG's, such as education or water and sanitation, are not as prominent (in fund manager portfolios). Education is in 9th position in Southern Africa whereas in East and West Africa, education stands at the 6th position. In Southern Africa, water and sanitation is the 12th most prominent sustainability theme funded. The water and sanitation sustainability theme is in 7th and 9th position respectively in East and West Africa.

### ACKNOWLEDGEMENTS:

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**Researcher:** Mr. Xolisa Dhlamini (PhD Bertha Scholar) and Mr. Baraka Msulwa (Research Assistant, Bertha Centre), UCT Graduate School of Business

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