



NEWS RELEASE

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AFRICA'S OUTPERFORMANCE EXPECTED TO CONTINUE

Economic growth in Africa will continue to outperform developed countries, and forward looking investors in the continent's markets can expect superior investment returns.

Eugene Visagie, Risk Manager at specialist emerging markets financial services company, Novare, commented on the release of *Novare Investments' Africa Funds and Manager Survey 2010* that, "Growth rates in Africa will be sustained by powerful demographics that include a large youthful population, as well as a strong emerging middle class.

"These factors, combined with improved macroeconomic fundamentals, increased political stability, high commodity prices and robust domestic demand will attract investors who are likely to be rewarded with returns not generally available in the developed world."

Visagie says capital flows indicate that the world only really started taking notice of Africa during 2007, just before the international financial crisis.

Due to the limited exposure of the region's institutions to complex financial products engineered in the developed world, Africa was largely unaffected by the first round effects of the crisis. While they did experience large outflows as investors sought risk-free assets, capital inflows into emerging markets have since escalated dramatically.

There are currently 29 operating stock markets in Africa, up from only seven in 1988. Most of these are classified as frontier markets, with only South Africa, Egypt and Morocco classified as emerging markets.

"The countries in which Africa's stock markets are situated generally have considerable room for growth. There is also an appreciation by local governments that to attract long-term

capital, sensible fiscal and monetary policies, as well as control over inflation, are crucial,” says Visagie.

According to Novare’s research, 70% of Africa’s total market capitalisation is situated in South Africa with a total capitalisation as at 30 June 2010 of \$588.2 billion. Egypt is the second largest contributor to total African market capitalisation with \$71.2 billion.

Visagie says it is advisable to use the services of a frontier or emerging markets fund manager when considering an investment into Africa, where an experienced eye is valuable when dealing with various political, currency, liquidity and market factors. Relevant expertise is also useful in identifying often overlooked investment opportunities.

“With the assistance of a professional fund manager in these markets, investors should be able to achieve exposure to high quality companies and portfolios capable of benefitting from a diverse set of performance drivers. The emergence of specialised African funds over the past few years illustrates increasing investor confidence in these markets, on the part of managers as well as investors,” says Visagie.

A total of 39 funds participated in the Novare survey, with the majority long only equity funds. Only a few African stock markets allow shorting, but as liquidity and depth improve they are expected to facilitate a broader investment universe, including derivatives.

As at 30 June 2010 the bulk of capital invested in African financial markets was invested in listed equity (86.8% of assets), 0.1% in listed fixed income instruments, 1.1% was exposed to direct currency, with 0.1% in unlisted equity and a total of 11.9% in cash.

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Novare Investments’ Investing Africa Managers Survey 2010 can be obtained at www.novare.co.za

Notes

- Just over a quarter of participating managers indicated that their funds are domiciled in Ireland (housing a total of 10.8% assets). A quarter of managers indicated that their funds are domiciled in the Cayman Islands (housing 38.1% of assets). Managers indicating that their funds were domiciled in the British Virgin Islands

accounted for 16.7% of participants and 5.8% of assets. Another 11.1% of participants indicated that their funds are domiciled in South Africa, housing 28.2% of assets.

- The European market is moving towards a regulated asset management industry in the form of UCITS III and UCITS IV (“Undertakings for Collective Investments Transferable Securities”) compliant funds. Only a quarter of participants indicated that their Africa focused fund is UCITS III compliant.
- On an aggregate basis the assets covered in the survey were allocated to African markets as follows: 26.5% to Nigeria, 19.4% to Egypt, 4.9% to Zambia, 4.8% to Kenya, 4.7% to Mauritius and 4.5% to South Africa. Even though a significant amount of managers invest in the Ghanaian Stock Market, total investments amounted to 1.6% of assets.