



## **NEWS RELEASE**

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### **STRONG INVESTMENT CASE FOR AFRICA**

With political risk on the decline and prospects for economic growth solid, the investment case for Africa has never been stronger, says Eugene Visagie, Risk Manager at specialist emerging markets financial services company, Novare.

“Over the past few years leaders of frontier African nations have changed policies and engaged with globalisation to attract foreign capital. This decreasing political risk, combined with English and French legal systems across the continent, presents investors with considerable opportunities.”

Visagie points out that since 2000, GDP growth in Africa has been second only to Asia. Looking ahead, the International Monetary Fund (IMF) is projecting that sub-Saharan Africa will achieve growth of 4.7% this year and 5.9% in 2011 - against advanced economies' 2.3% and 2.4% respectively.

Despite this, he says investment opportunities in Africa continue to be overlooked. “The supply of capital relative to demand is tilted in favour of investors, resulting in under-valued but profitable, well managed companies on which there is little research.”

Where skills are concerned, Visagie says the international credit crisis saw large numbers of people being retrenched in developed economies. As a result, many Africans are returning to their home countries, reversing the brain drain that the continent experienced due to failing economies, high unemployment, armed conflict and inadequate social services.

Low debt levels, combined with a young derivatives market, contributed to the credit crises not having the same severe effect on sub-Saharan countries that it did on the developed world. This was further supported by high savings compared to debt levels which were not predicated on huge stimulus packages, corporate bail-outs or extremely low interest rates.

“Robust economic growth, strong corporate earnings and well-capitalised banks without toxic assets all contribute to the potential for significant profit opportunities in Africa,” argues Visagie. He adds that low debt levels mean that African nations can sustain robust domestic demand supported by their large populations and a growing emerging middle class.

While African economies continue to present a degree of political, economic, liquidity, market, credit and operational risk, there are exceptional opportunities for investors who can manage the risks and who are bold enough to look past traditional perceptions of the continent.

Besides investing directly in Africa, Visagie says another way of sharing in the expected prosperity is to buy into companies that are increasing their business focus on Africa. These include Shoprite, SABMiller, MTN and Standard Bank, all of which are listed on recognised international stock exchanges.

Says Visagie: “Fund managers who invest in African markets are another possibility. They include managers of private equity, listed equities and bonds and give investors the benefit of their expertise in these markets, managing Africa’s unique risks while maximising returns.”

Later this year, Novare intends publishing a survey of managers that invest in African markets. The *Novare African Manager Survey* joins the annual *Novare SA Hedge Fund Survey*, which has been published for the past six years with a substantial following locally and abroad.

“Our intention with the *African Manager Survey* is to facilitate a better understanding of the African investment universe and to establish Novare as a leading gateway to African investments,” says Visagie.

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Eugene Visagie, Risk Manager (CV and Photo attached)