



NEWS RELEASE

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EMERGING MARKET ETFs: AN UNEXPLORED OPPORTUNITY FOR AFRICA

The use of exchange traded funds (ETFs) to obtain exposure to emerging markets is gaining in popularity.

Eugene Visagie, Risk Manager at Novare Investments, commented that: "Since the start of the century Africa's substantial growth as an investment destination has been driven by improved macroeconomic fundamentals, increased political stability, higher commodity prices and robust domestic demand.

"Africa is relatively under-researched which creates exciting investment opportunities, including in often overlooked, well-established companies."

He said the use of ETFs and exchange traded notes (ETNs) for emerging market exposure had gained in popularity in recent years as investors sought exposure to these unexplored opportunities.

"Due to difficulties sometimes associated with entering these markets directly, such as liquidity constraints and foreign ownership restrictions, an ETF framework might be well suited," said Visagie.

Investment issues associated with emerging markets can include high trading costs, low liquidity, exchange controls and limited good quality research. Emerging markets like India and China have successful ETF's tracking the broader financial market. Frontier markets such as Kenya and Nigeria can also be accessed via an ETF or ETN framework, rather than investing directly.

Investments in an African ETF context can either be defined as South African (due to the depth and sophistication of the market) or African focused long biased funds with limited exposure to South Africa.

In general South Africa is classified as an emerging market compared to the rest of Africa which is regarded as comprising frontier markets. Some South African institutions have already launched ETF and ETN products, but Visagie believes there is significant scope for expansion.

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Notes:

Wikipedia: An **exchange-traded fund** is an investment fund traded on stock exchanges, much like stocks. An ETF holds assets such as stocks, commodities, or bonds, and trades close to its net asset value over the course of the trading day. Most ETFs track an index. ETFs may be attractive as investments because of their low costs, tax efficiency, and stock-like features.

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Novare Actuaries and Consultants is an independent implemented consulting firm providing specialist support to institutional clients in Southern Africa. Johan Henn is chief executive of Novare Actuaries and Consultants.

Novare Investments is an independent multi-manager firm providing tailor-made investment solutions to both retail and institutional clients in Southern Africa. Marius Kilian is chief executive of Novare Investments.

Novare Equity Partners is a private equity fund manager focusing on investment opportunities in Sub-Saharan Africa. It is the manager of the Grand Towers Africa Property Fund 1 domiciled in Mauritius. Derrick Roper is chief executive of Novare Equity Partners.

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