

African pension & sovereign fund capital moving from stock markets to real estate investments

Statistics and trends

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African Pensions industry

How big is it and how exposed is it to real estate?

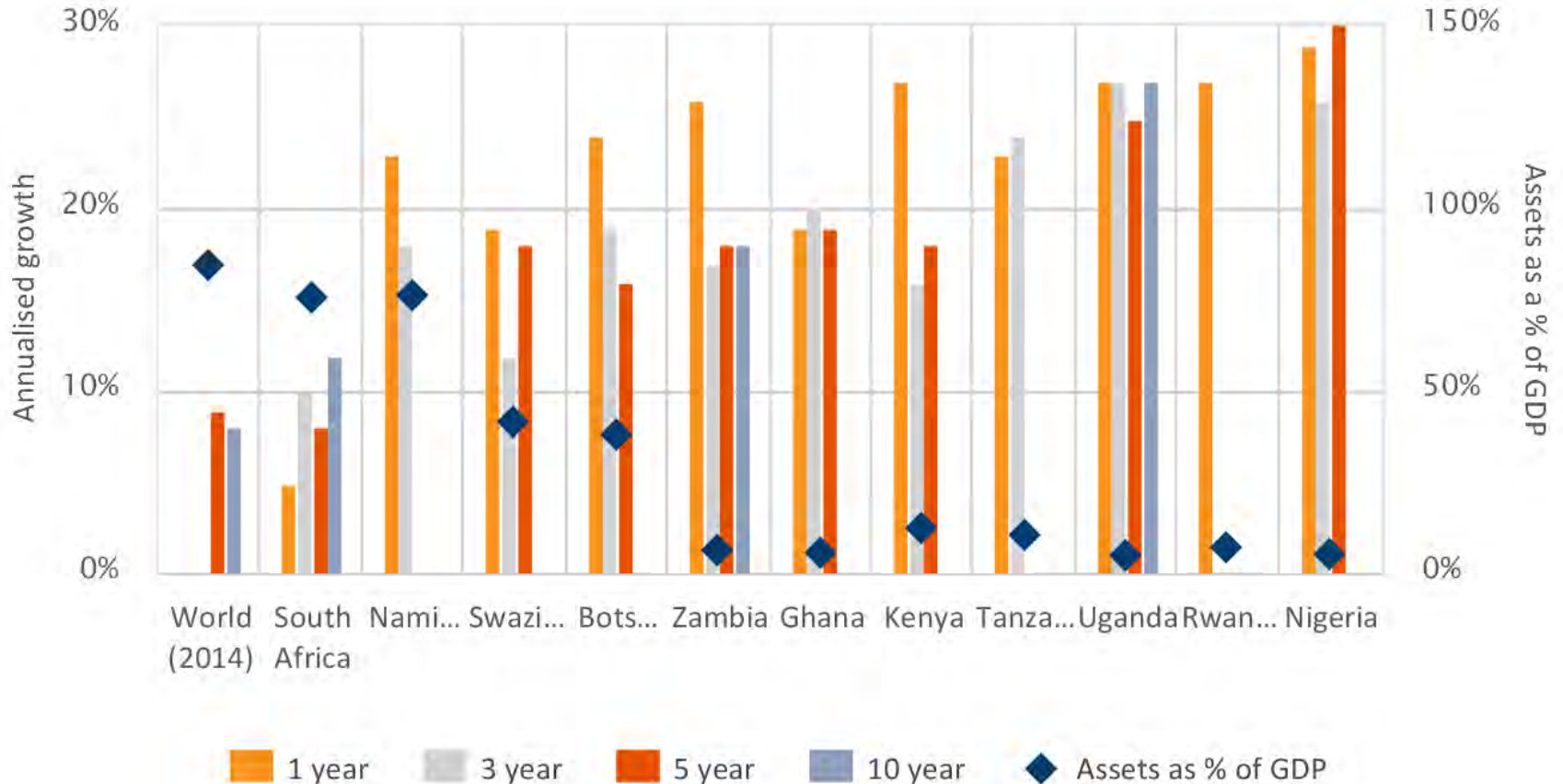
Social security in Africa: pension fund assets

REGION	COUNTRY	Year	Currency	Currency Code	AUM (LCL) million	AUM (USD) million	GDP (IMF 2014) billion	AUM as % GDP
East Africa	Burundi	2013	Burundian Franc	BIF	20 000	13	3.0	0.4%
East Africa	Kenya	2013	Kenyan Shilling	KES	696 700	7 696	62.7	12.3%
East Africa	Rwanda	2013	Rwandan Franc	RWF	383 500	557	8.0	7.0%
East Africa	Tanzania (including Zanzibar)	2014	Tanzanian Shilling	TZS	6 587 400	3 799	36.6	10.4%
East Africa	Uganda	2013	Ugandan Shilling	UGX	3 481 170	1 259	26.1	4.8%
Egypt & Sudan	Egypt	2013	Egyptian Pound	EGP	39 397	5 509	284.9	1.9%
Nigeria	Nigeria	(Q3 2014)	Nigerian Naira	NGN	5 491 900	30 011	594.3	5.1%
Other East Africa	Seychelles	2012	Seychellois Rupee	SCR	12 779	970	1.5	65.8%
Other West Africa	Ghana	2013	Ghanaian Cedi	GHS	6 300	1 960	35.5	5.5%
South Africa	South Africa	Q1 2014	South African Rand	ZAR	2 976 355	257 753	341.2	75.5%
South Africa	Swaziland	Q1 2014	Swazi Lilangeni	SZL	18 364	1 590	3.8	41.4%
Southern Africa excl. SA	Botswana	2013	Botswana Pula	BWP	58 651	6 174	16.3	37.9%
Southern Africa excl. SA	Mauritius	2015	Mauritian Rupee	MUR	25 1224	7 912	12.7	62.2%
Southern Africa excl. SA	Namibia	2013	Namibian Dollar	NAD	105 267	9 116	12.0	76.1%
Southern Africa excl. SA	Zambia	2013	Zambia Kwacha	ZMW	10 295	1 609	25.6	6.3%
Southern Africa excl. SA	Zimbabwe	Q3 2014	US Dollar	USD	4 500	4 500	13.7	32.8%
Total						340 427		

Source: Regulator annual reports and websites, other industry sources, EAC review of pension sector (Callund Consulting), Towers Watson Global Pension Study 2015, RisCura analysis

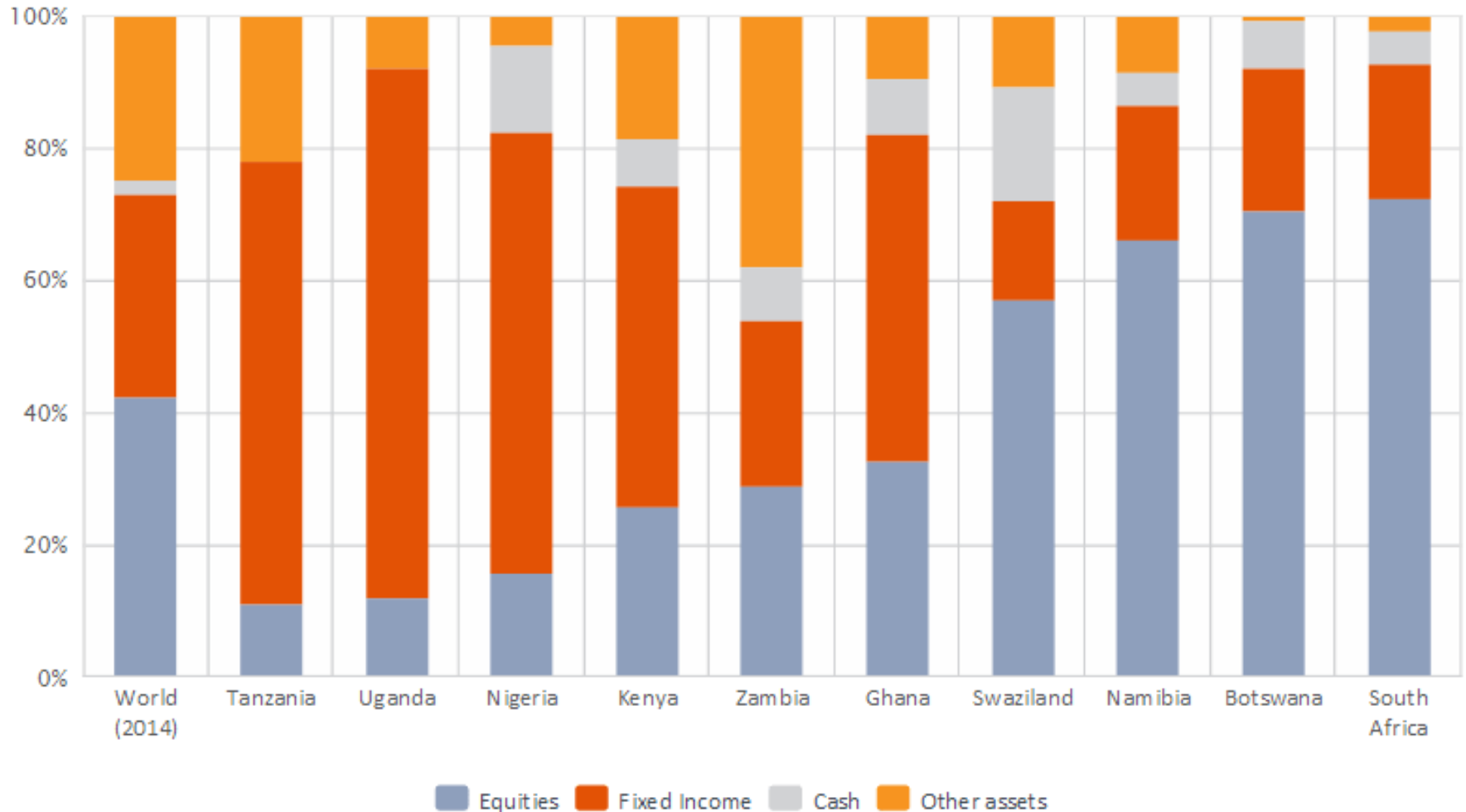
African pension assets growing quickly

Annualised growth rates (local currency) vs. Asset as a % of GDP



Asset allocation of pension funds across Africa

Allocation to "Other Assets" is predominantly Real Estate



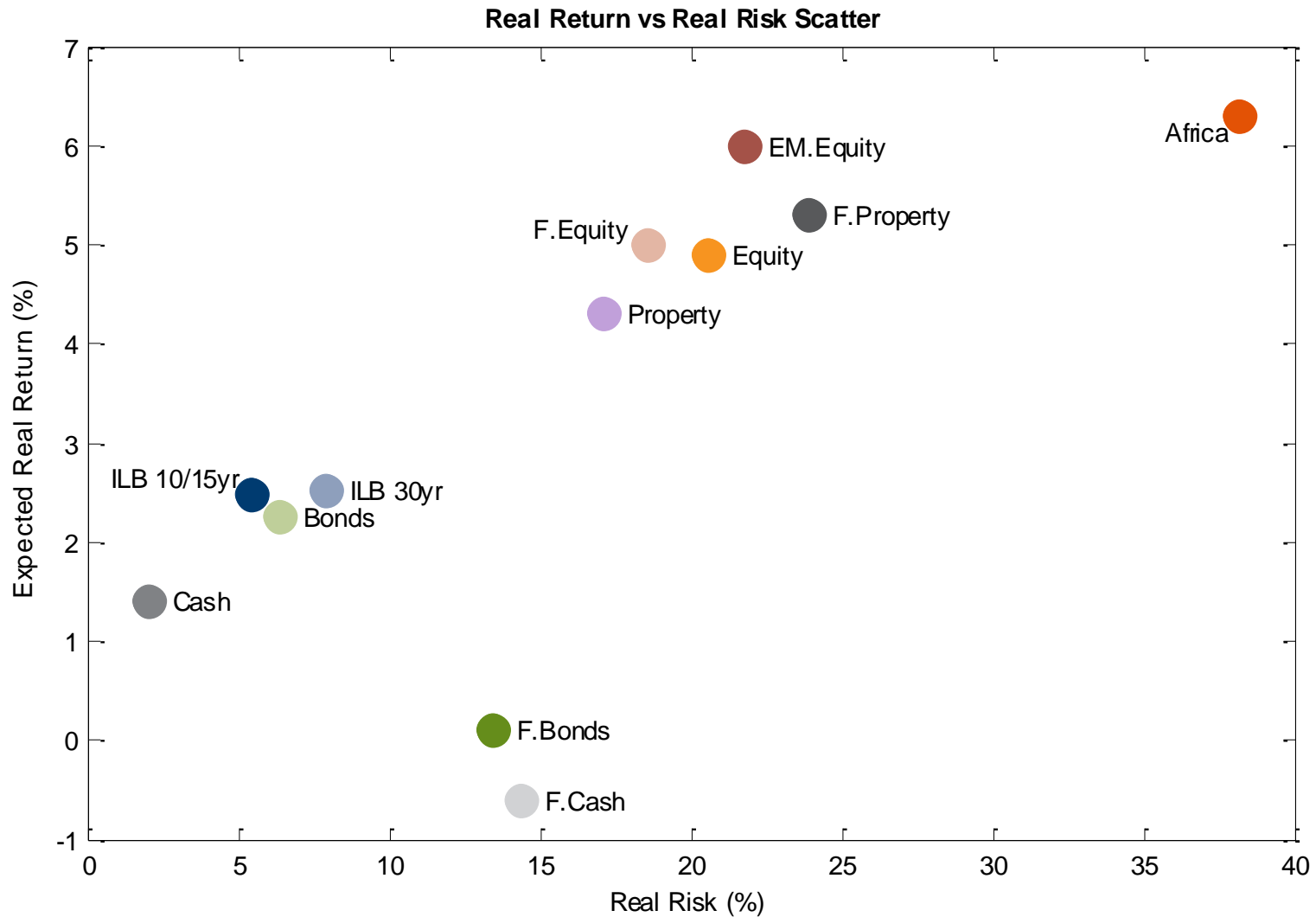
Source: Regulator annual reports and websites, other industry sources, EAC review of pension sector (Callund Consulting), Towers Watson Global Pension Study 2015, RisCura analysis

The case for African Property

Is there a case for pension funds to invest?



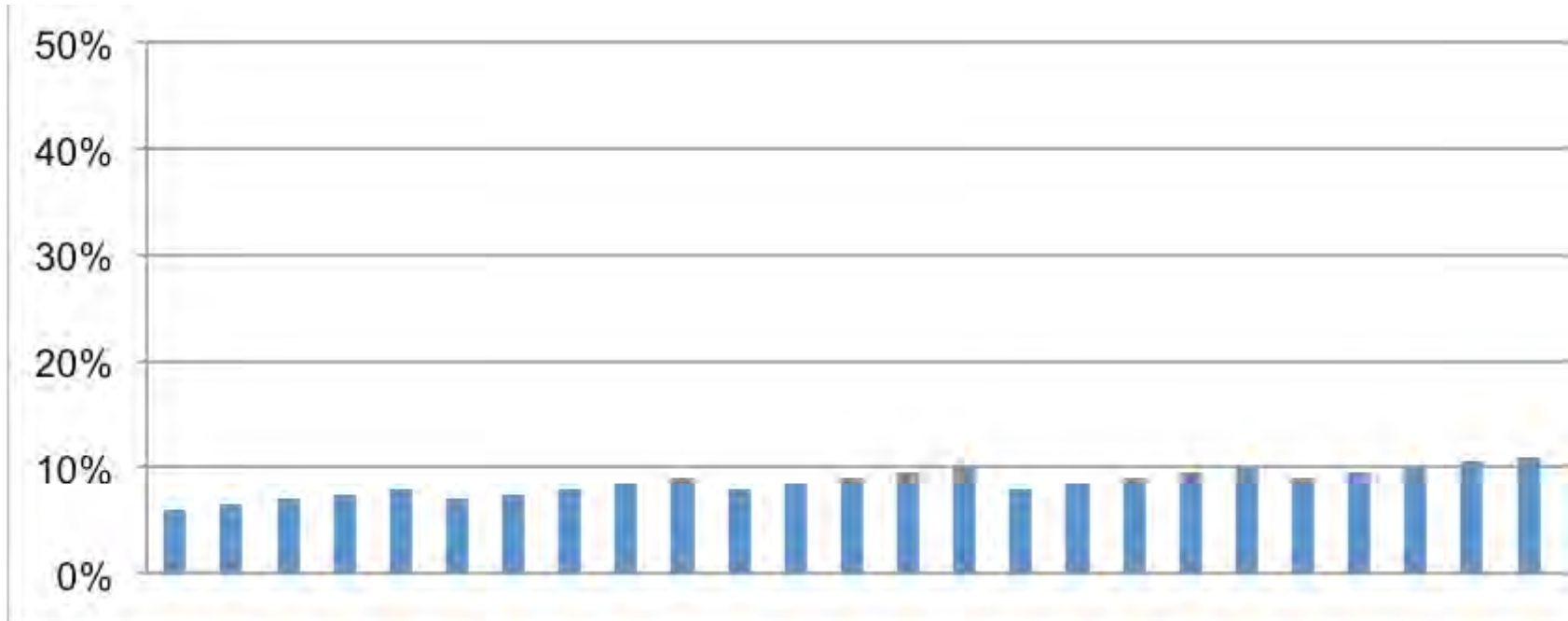
Modelling Property as an Asset Class: Risk and Return



Model asset classes from a risk and return perspective, most importantly their **covariance**

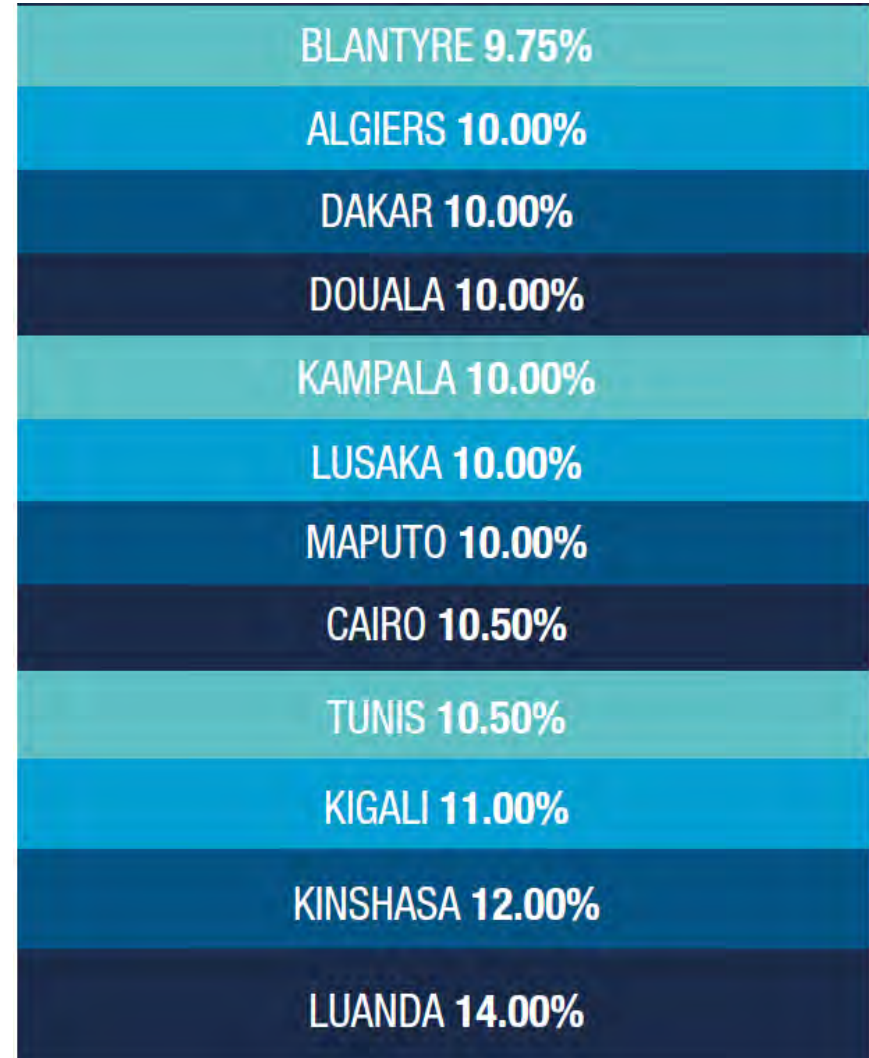
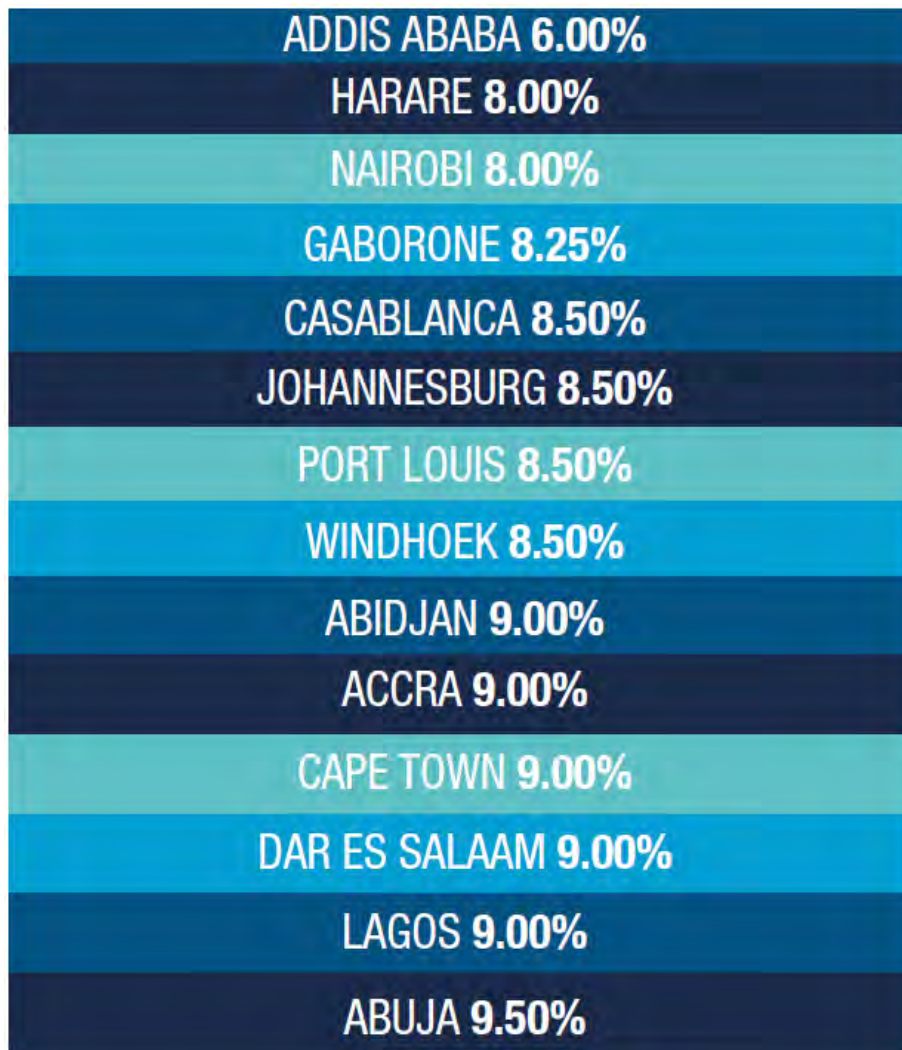
Rental Cash Flows: a good match for Pensioner Increases

Rental increases are often above inflation



Rental yields in African cities are attractive

Africa prime office yields



Pensions investing in Property

Not so fast...



Investment regulations

Country	Investment regulations
South Africa	Regulation 28 (Pension Funds Act), SARB
Nigeria	Regulation on investment of pension fund assets (Pencom)
Namibia	Regulation 28 and 29
Kenya	Retirement Benefits Act, Retirement Benefits Authority
Zambia	Pensions and Insurance Authority Pension Scheme Regulation (Amendment) Act
Botswana	Non-Bank financial institutions Regulatory Authority

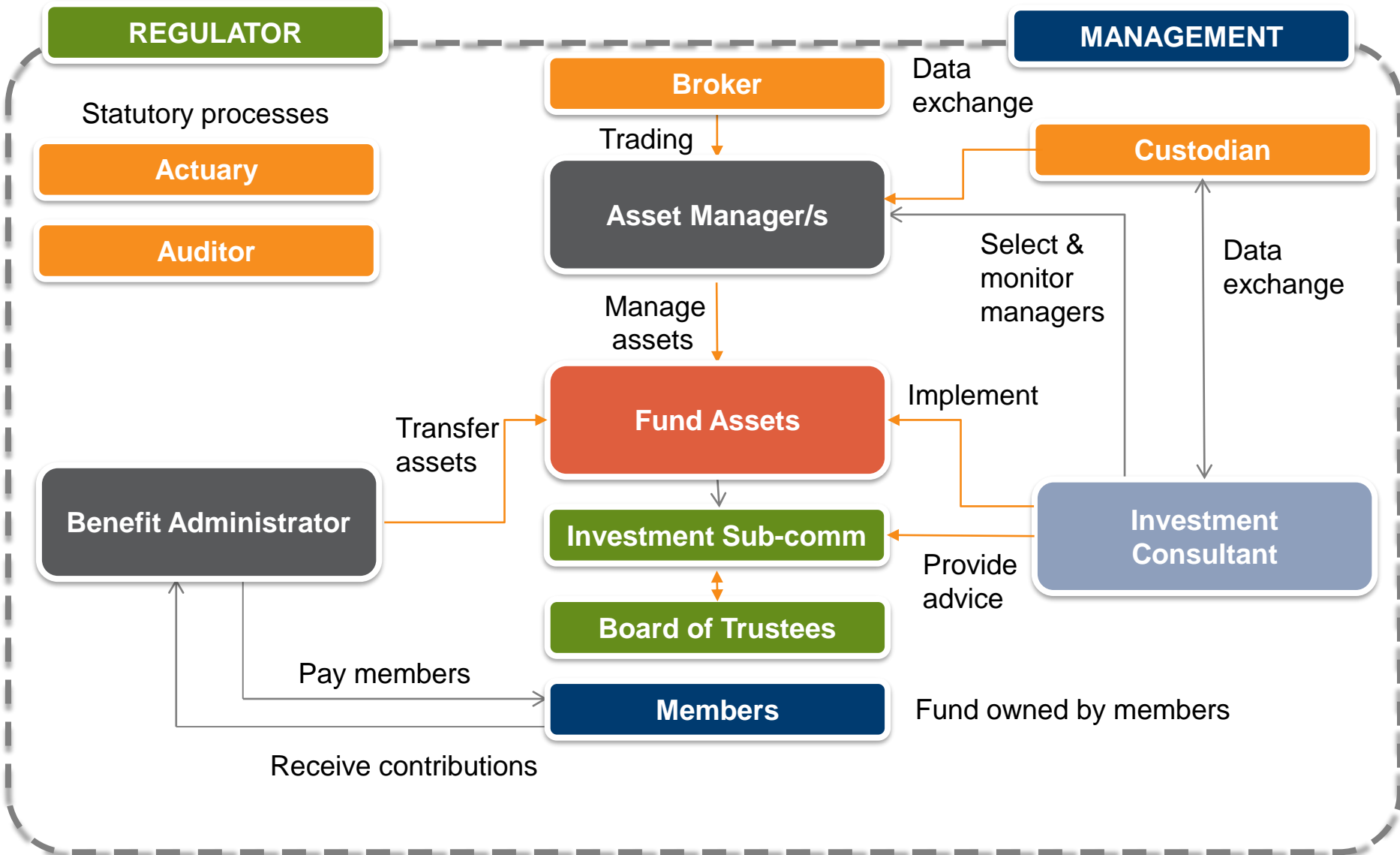
Fund Size Counts

Fund Size	\$ equivalent of 1% of assets	% of Fund of a \$10m investment
\$100bn	\$1bn	0.01%
\$10bn	\$100m	0.1%
\$5bn	\$50m	0.5%
\$1bn	\$10m	1%
\$500m	\$5m	2%
\$200m	\$2m	5%
\$100m	\$1m	10%
\$50m	\$500k	20%
\$10m	\$100k	100%

For many Funds in Africa, the governance required outweighs the allocation possible

Pensions Investment Governance: Can be complex

Botswana Case Study



Property vs. Equity

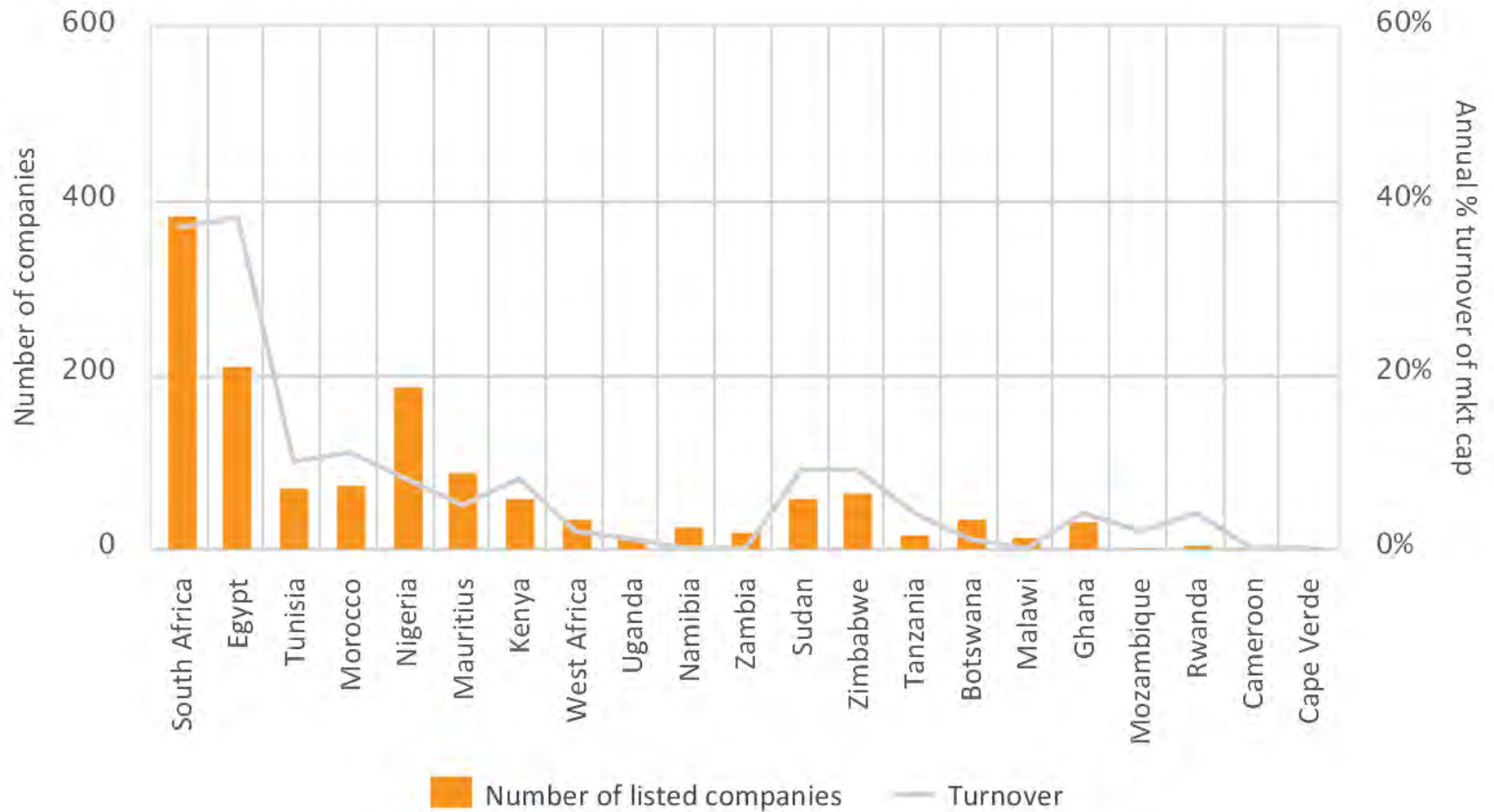
In many countries... a compelling choice

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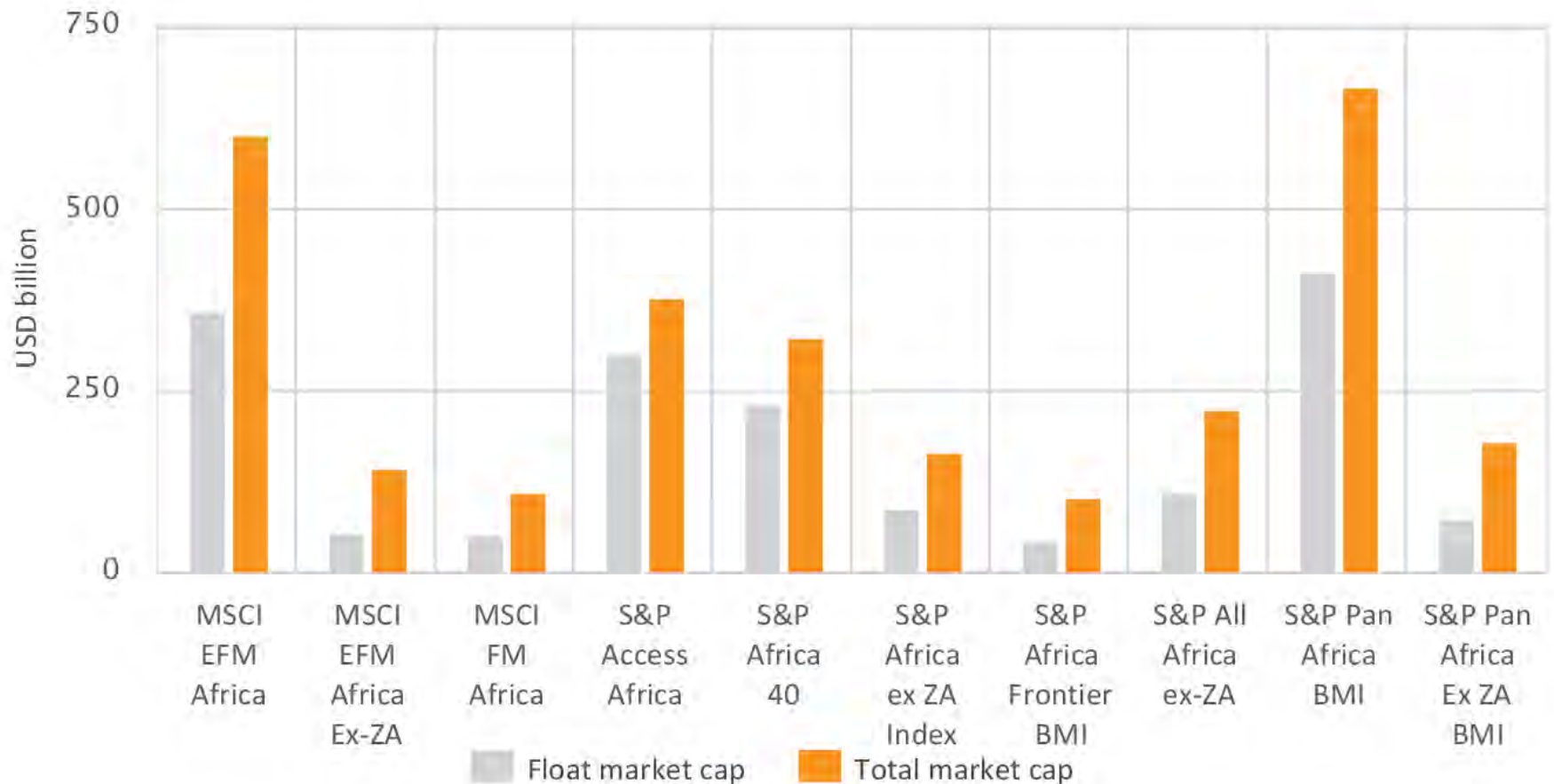
Listed Equity opportunities are few

Number of companies listed vs. % of companies traded



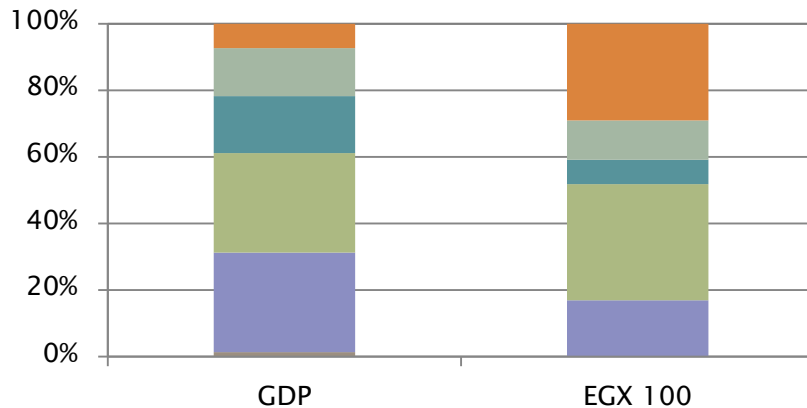
What proportion of indices are investible?

Free float market cap vs. total market cap



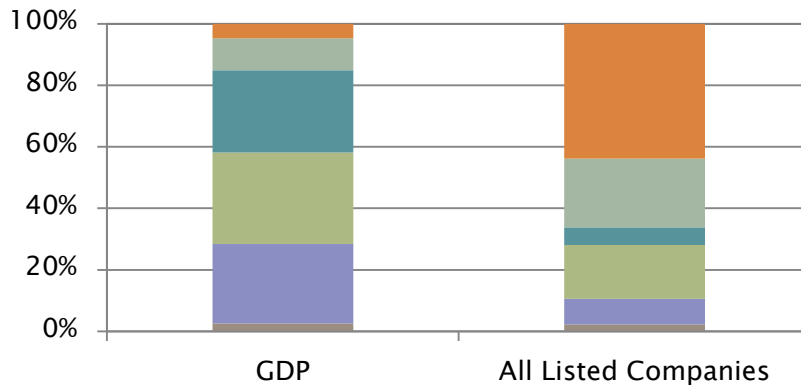
Listed Sector Exposure is Concentrated

EGYPT LISTED MARKET VS. GDP

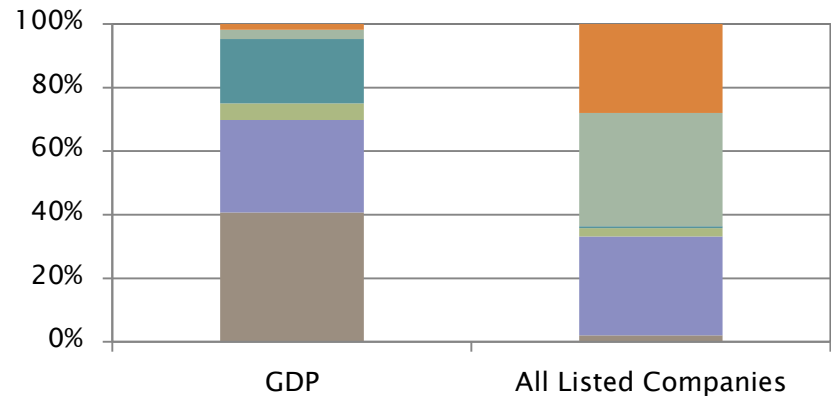


- Financials
- Staples
- Discretionary
- Industrials, Telecomms & IT
- Materials
- Energy

KENYA LISTED MARKET VS. GDP



NIGERIA LISTED MARKET VS. GDP



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