

South African private equity continues its steady upward climb

According to the findings of the fourth quarter 2014 RisCura-SAVCA South African Private Equity Performance report, South African private equity funds continued to offer relatively strong performances despite the backdrop of significant volatility across all investment markets during 2014.



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The report shows that private equity funds have largely bucked the mixed-fortune trend observed across most other asset classes, and continued to deliver solid returns for investors.

Particularly pleasing for private equity investors is the reported overall headline return for the ten years to December 2014 of 19.1%, which outperformed major listed-market indices for the same period, including the FTSE/JSE All Share Total Return Index (ALSI TRI) and the FTSE/JSE Shareholder Weighted Total Return Index (SWIX TRI). The FINDI TRI marginally outperformed private equity.

The report also shows that, in the shorter term, the relative performance of South African private equity continues to improve, with internal rates of return over a five-year period that have outperformed the ALSI TRI over the same period, and are rapidly closing the gap on the SWIX TRI.

Diversification benefits

"Private equity fund performance to December 2014 was very strong and highlights the diversification benefits these investments offer, as well as the ability of funds to actively engage with the management of investee companies," says Rory Ord, head of independent valuation at RisCura.

In absolute terms, the private equity industry in South Africa also appears to be continuing with its steady upward climb. The report shows headline returns measured over ten years in South African rands increased to 19.1%, from the 18.5% reported for the ten years to the end of quarter three.

Erika van der Merwe, CEO of the Southern African Venture Capital and Private Equity Association (SAVCA), says that the sturdy overall industry performance is supportive of fund-raising efforts by private equity fund managers. "A significant portion of the SAVCA membership is in the process of raising new funds, or have recently announced the successful launch of new funds, into which local, regional and international institutional investors have made ten-year investment commitments."

Positive changes

"These commitments come in recognition of the returns benefit that private equity brings, as well as of the capacity of private equity fund managers to bring about positive and lasting economic, environmental, social and governance changes in the investee companies," Van der Merwe says.

With newly raised capital available for deployment, private equity deal-making is expected to continue picking up in 2015, following on from the stream of deal announcements made during 2014. Exit activity - the realisation of assets at the end of the fund life - is also expected to pick up during the course of 2015, as part of the private equity life cycle.

Ord concludes that the latest performance numbers are testament to the long-term investment culture of private equity funds and shows there are real rewards from this asset class for patient investors.

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