

# Investors in Africa funds well rewarded

Investors in African focused funds have been handsomely rewarded with the average compound return of funds participating in the Novare Investments Africa Fund Manager Survey measuring 30.2% after fees for the 12-month period to end June 2013.



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This compared to the MSCI Emerging Market Index with a return of 0.4% and the MSCI Africa ex SA index, which delivered 29.8% over the same time frame.

"While sub-Saharan Africa countries have considerable room for growth, and stock markets have gone from strength to strength, there has been a wide dispersion in returns. In dollar terms one of the best markets over the 12 months was Ghana with 108.4%, while one of the worst performers was the Egyptian market which ended the period 13.6% lower," said Eugene Visagie, portfolio manager at Novare Investments.

"Despite challenging market conditions, funds participating in the survey provided effective capital preservation and outperformed equity markets in the region over the period."

The Novare Investments Africa Fund Manager Survey 2013 focuses on funds that invest in African stock markets with limited or no exposure to South Africa. Assets under management of the 39 participating funds were US\$3.2 billion as at 30 June 2013.

## Popular countries

The survey found that portfolios with assets of less than US\$10 million earned an average compound return of 14.5% over the 12 months, while larger funds managing between US\$50 and US\$100 million delivered 38.1%. Funds with assets over US\$100 million returned 36.2%.

The most popular fund domiciles were the Cayman Islands and Ireland, each with 22.2% of participants. There was a big

jump in funds domiciled in Mauritius - up from 2.8% in 2010 to 16.7%. Other destinations included the British Virgin Islands (11.1%), South Africa (8.3%) and Luxembourg (13.9%). Funds were also domiciled in Jersey, Malta and Guernsey.

"A total of 30.8% of funds representing 40.1% of assets were UCITS compliant, while 66.7% of funds representing 36.3% of assets listed on a regulated exchange, the most popular being the Irish Stock Exchange," says Visagie.

## **Location of managers**

In terms of the preferred location for fund management teams, approximately half of all assets included in the survey were advised on or managed from South Africa, followed by the US with some 25% of assets and the UK with 9.0%.

Nearly a third of investors (31%) were located in South Africa. North American investors held 30.6% of assets, up from 3.6% in 2010, while investors from the UK accounted for 16.0% of assets. Other African-based investors were the fourth largest allocator with 12.2%.

"The fact that Africa is under-researched results in investment opportunities being overlooked. These opportunities are often in well established companies, with strong verifiable cash flows. With the assistance of professional fund managers in these markets, exposure to quality companies can be obtained," Visagie concluded.

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