

TOMORROW BELONGS TO THE PEOPLE
WHO PREPARE FOR IT TODAY

AFRICAN PROVERB



HARITH FUND MANAGERS

**The Development and Evolution of the
“PAN AFRICAN INFRASTRUCTURE DEVELOPMENT FUND”**

“Laying the foundation”

19 OCTOBER 2010

SOUTH AFRICAN PRIVATE EQUITY ROUNDTABLE

TOMORROW BELONGS TO THE PEOPLE
WHO PREPARE FOR IT TODAY

AFRICAN PROVERB



CONTENTS

- The Idea (then Opportunity)
- The Challenges & Results
- The Current Picture



THE IDEA (2010) [OPPORTUNITY 2005–2008]

- **Africa - large and diverse; investor perception is not favorable; Africa must be assessed on a country-by-country basis:**
 - consists of 53 countries and 14 regional economic communities; Africa is the 2nd largest continent and possesses the highest number of countries with no access to the coast, resulting in need to spend x3 as much as OECD countries getting goods to market; many countries too small to enjoy national project economies of scale, therefore regional approach to project management important
 - accounts for 30% of the world's proven mineral resources, making Africa the ideal partner for industrialising nations (viz. China and India); possesses 7.3% of world oil reserves
 - Multiple infrastructure investment opportunities – USD40bn a year backlog until 2015
 - Around 600 million people in Africa are without power. In Sub-Saharan Africa almost 80% of people do not have access to power.



OPPORTUNITY 2005–2008

- **Selective countries in Africa continue to perform:**
 - in 1990, a handful of countries in Africa rated; in 2008 handful of countries not rated
 - Africa achieved a 5.8% growth rate in 2007 and year-on-year growth over the last 5 years; World Bank forecast for Africa 2008-2010 is 6.3% - higher than in OECD; S&P, Fitch, IMF and AfDB all reassert (2008) positive views on Africa, chiefly as a result of Africa being net commodity exporter and improving stability; economic reforms and debt relief have also contributed
 - Sovereign ratings reflect a general positive outlook in spite of the surge in oil and commodity prices

TOMORROW BELONGS TO THE PEOPLE WHO PREPARE FOR IT TODAY

AFRICAN PROVERB



	<u>1995 GDP(bil\$)</u>	<u>GDP Growth 90-95</u>	<u>GDP Growth 2006</u>
Kenya	9.1	1.4	6.0
Tanzania	3.6	3.2	5.9
Congo	14.4	1.8	5.1
Zambia	4.0	(0.2)	6.0
Zimbabwe	6.5	1.0	(5.1)
Malawi	1.5	0.7	8.4
Uganda	5.6	6.6	5.4
Angola	0.5	(4.5)	15.3
Botswana	0.2	4.2	4.2
Mozambique	0.4	7.1	7.9
Namibia	0.4	3.8	4.5
South Africa	136.0	0.6	5.0
Lesotho	1.0	7.5	1.6



Map source: <http://www.politicalresources.net/africa-map.htm>

TOMORROW BELONGS TO THE PEOPLE
WHO PREPARE FOR IT TODAY

AFRICAN PROVERB



FUND RAISING CHALLENGES

- **New investment class for most African pension funds**
 - Requires policy changes
 - Requires education of private equity as an asset class
- **Regulatory challenges**
 - Requires legislation change or exemptions
- **Central bank approvals to externalise funds**
 - Requires approvals
- **Currency exposure**
 - Might lead to parallel structures and increased operating costs
- **Want to see investment commitment to “home” country**
 - Self preservation view in most countries on the Continent
- **Political Influence**
 - Needs political assistance but not interference

TOMORROW BELONGS TO THE PEOPLE
WHO PREPARE FOR IT TODAY

AFRICAN PROVERB



FIRST CLOSE INVESTORS

Investor	Amount Committed
Government Employees Pension Fund	US\$ 250 million
Barclays/ ABSA Bank	US\$ 125 million
Development Bank of Southern Africa	US\$ 100 million
Old Mutual	US\$ 50 million
African Development Bank	US\$ 50 million
Standard Bank	US\$ 15 million
Liberty Life	US\$ 15 million
Metropolitan Asset Managers	US\$ 10 million
Social Security and National Insurance Trust	US\$ 10 million
Total Amount Committed	US\$ 625 million

“Our success has really been based on partnerships from the very beginning”

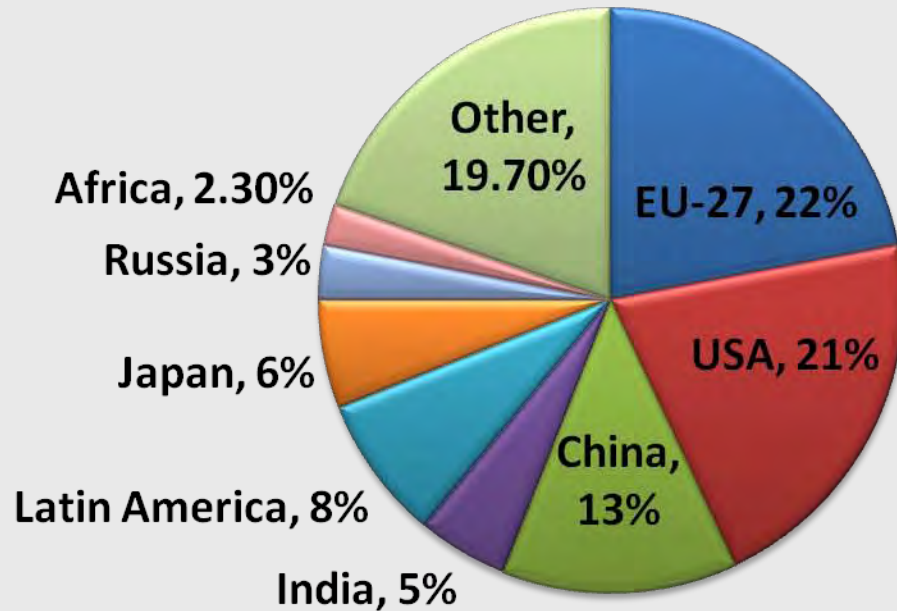
Bill Gates

TOMORROW BELONGS TO THE PEOPLE
WHO PREPARE FOR IT TODAY

AFRICAN PROVERB



AFRICA & THE WORLD



\$69 trillion

**“We are continually faced by
great opportunities brilliantly
disguised as insoluble
problems”**

Lee Iacocca

TOMORROW BELONGS TO THE PEOPLE
WHO PREPARE FOR IT TODAY

AFRICAN PROVERB



AFRICA & COMPETITION

Within this global market place countries compete for exports, foreign direct investment and other capital resources, for technology and managerial know-how and for access to natural resources

Purpose – reduce poverty, accommodate urbanization, create jobs and increase living standards

“It is not the strongest of the species that survive, nor the most intelligent, but the one more responsive to change”

Charles Darwin

TOMORROW BELONGS TO THE PEOPLE
WHO PREPARE FOR IT TODAY

AFRICAN PROVERB



AFRICA & THE WORLD

- Challenges
 - Institutions
 - African agenda (lack thereof)
 - Context (fragile democracies 53 small economies)
 - Leadership (It Matters)
 - Infrastructure

“Change can be managed but, it requires time, effort and resources”

TOMORROW BELONGS TO THE PEOPLE
WHO PREPARE FOR IT TODAY

AFRICAN PROVERB



AFRICA

TODAY

- Collective GDP 2008 \$1,6 trillion
- \$860 Billion consumer spending
- 316 Million mobile phones connected since 2000

TOMORROW

- GDP 2020 \$2,6 trillion
- \$1,4 trillion consumer spending 2020
- 1,1 billion Africans of working age in 2040
- 50% of Africans will be living in cities by 2030

Source: McKinsey Global Institute Report 2010

“If you are going to be evaluated quarterly, your long term will inevitably become quarterly”

TOMORROW BELONGS TO THE PEOPLE
WHO PREPARE FOR IT TODAY

AFRICAN PROVERB





SSA compares
favourably to
other emerging
markets as a
place to conduct
business

Index of Economic Freedom*

Rank	Country	Overall Score
1	Hong Kong	89.7
2	Singapore	86.1
8	United States	78.0
11	United Kingdom	76.5
19	Japan	72.5
23	Germany	71.1
64	France	64.2
71	Poland	63.2
72	South Africa	62.8

Rank	Country	Overall Score
76	Uganda	62.2
87	Ghana	60.2
97	Tanzania	58.3
101	Kenya	57.5
106	Nigeria	56.8
113	Brazil	55.6
124	India	53.8
140	China	51.1
143	Russia	50.3

 = SSA country

 = Other emerging market

*The Heritage Foundation 2009, The Wall Street Journal,

TOMORROW BELONGS TO THE PEOPLE
WHO PREPARE FOR IT TODAY

AFRICAN PROVERB



OUR INVESTMENT THESIS

Changing the Face of Africa

VISION:

Mobilise global capital to unlock wealth and potential in Africa

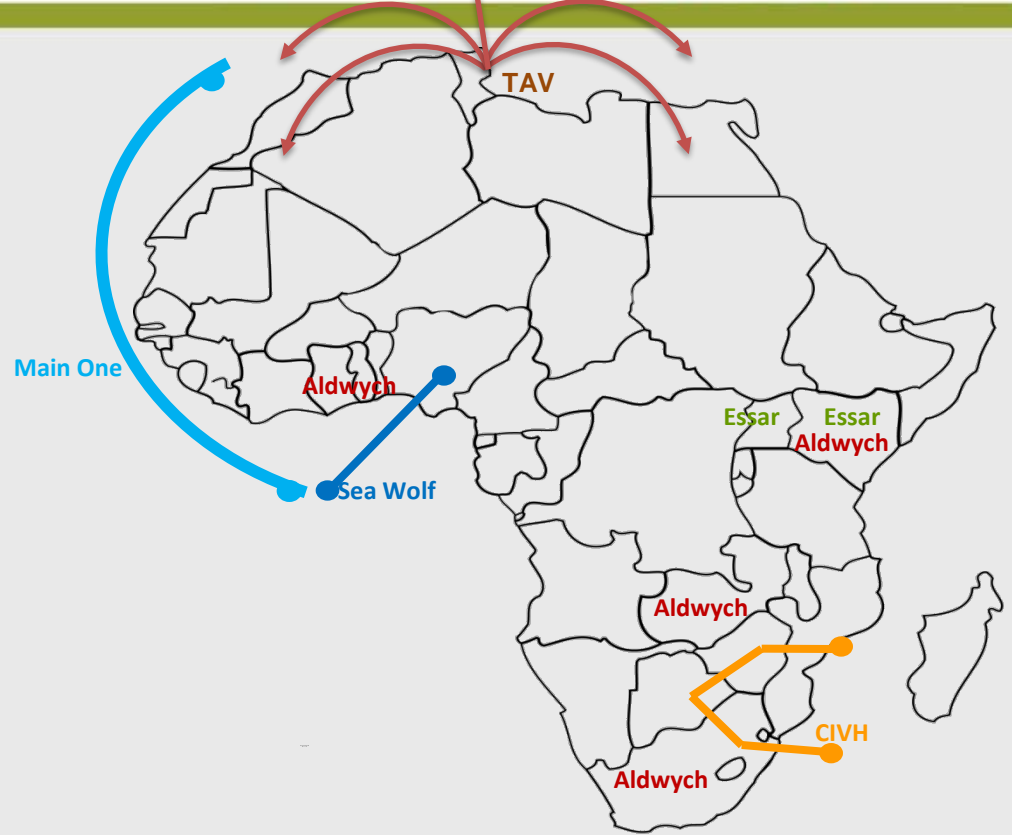
- Regional integration
- Cities (urbanization)
- Courage (unique partnerships)
- Improve processes so as to produce good outcomes

“Well, when you’re trying to create things that are new, you have to be prepared to be on the edge of risk”

Michael Eisner

TOMORROW BELONGS TO THE PEOPLE
WHO PREPARE FOR IT TODAY

AFRICAN PROVERB



TOMORROW BELONGS TO THE PEOPLE
WHO PREPARE FOR IT TODAY

AFRICAN PROVERB



TOMORROW BELONGS TO THE PEOPLE
WHO PREPARE FOR IT TODAY

AFRICAN PROVERB

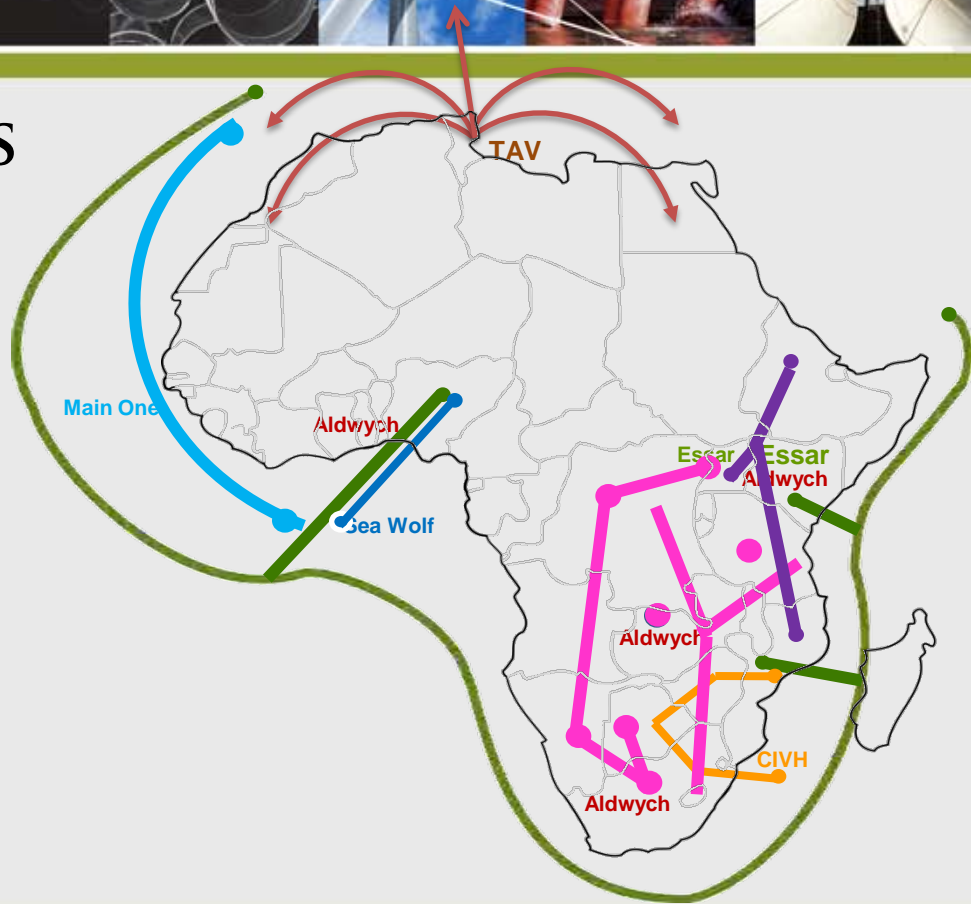


OUR INVESTMENT THESIS

“Powering out of the recession”

Investment Commitment
June 2010
\$259,8m

Investment Valuation
June 2010
\$274,3m



TOMORROW BELONGS TO THE PEOPLE
WHO PREPARE FOR IT TODAY

AFRICAN PROVERB



ONE MORE QUESTION:

What does success mean?

“Doing Good” for the African continent whilst **“Doing Great”** for our investors.

“Strong profitability is a necessity not a luxury”

Prof Bill Fruhan

TOMORROW BELONGS TO THE PEOPLE
WHO PREPARE FOR IT TODAY

AFRICAN PROVERB



ENCOURAGING STATISTICS

- **Seawolf**

- 100% African ownership
- 365 Direct jobs created-89% are African
- creating opportunities that empower and promote Nigerian service providers, equipment suppliers;
Nigerian and African drilling professionals

- **Main One**

- access to telecommunications in the region
- increased regional business transactions
- contributed to the creation of new service businesses
- MD - Woman

TOMORROW BELONGS TO THE PEOPLE
WHO PREPARE FOR IT TODAY

AFRICAN PROVERB



ENCOURAGING STATISTICS..CONT..

- **Aldwych**

- 787 jobs created
- provide much needed power in Pan African region of Africa
- Implementation of international best practice in region where asset is domiciled, i.e Corporate governance
- MD - Woman

- **CIVH**

- Enabled ease of communication by opening up access to ICT and faster connectivity
- complies with environmental regulations and standards



ENCOURAGING STATISTICS..CONT..

- **TAV**
 - 1537 jobs created
 - Increase in tourism industry
 - development of new export orientated industrialisation which results in increased economic activity
- **Essar**
 - makes telecommunication affordable for masses of Kenyans by providing cost effective communication services
 - minimize adverse environmental footprint by sharing of base sites

TOMORROW BELONGS TO THE PEOPLE
WHO PREPARE FOR IT TODAY

AFRICAN PROVERB



“Determined people working together can do anything”

James E Casey



“Africans doing it
for themselves”



Competitiveness
of the continent