



BRIGHTAFRICA

REPORT 2019

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FOREWORD

The process of compiling this report again highlighted the marked structural differences between regions in Africa. A clear distinction in the 2019 report is the assessment of Africa’s meaningful markets and its comparison to global meaningful markets. It has become important to not only analyse Africa, but to consider how the different regions measure up to their global counterparts.

We have also sought to expand the breadth of our analysis by including analysis around the inter-Africa connectivity, currency risk, sources of capital on the continent and the inclusion of sovereign bonds, real estate and infrastructure asset classes.

Nigeria still has the largest economy within Africa, followed closely by South Africa and the Maghreb region. The continent continues to feel the adverse impact of the commodity cycle, with total exports (mostly extractive commodities) decreasing from 2014 to 2018 by 21% in USD terms. Thanks to the recent oil discovery in Ghana, crude oil petroleum has overtaken cocoa beans to become that country’s largest export product. Trade within Africa remains poor, as two-thirds of African imports come from Europe and Asia, whereas intra-continental trade is a mere 13% of all African imports.

Most African countries follow a conventional pegged exchange rate regime. While a pegged exchange rate may provide lower exchange rate volatility, it is unable to protect a currency from major currency shocks as seen in Nigeria and Angola. Furthermore, most African countries have overvalued currencies, with the Nigerian naira and the Ghanaian cedi being the most overvalued.

Southern Africa remains the leader in pension coverage across the continent. South Africa boasts the fourth largest insurance sector in the emerging markets sector.

While Africa’s development needs are on the rise, a slowdown in the global economy reduces the expected foreign direct investment and the level of foreign trade. The increase in the cost of equity for most African countries illustrates the potential shift in investor sentiment away from emerging and frontier markets to safer developed markets. This shift tends to occur during global economic downturns.

However, several themes unite the continent. The private equity industry continues to grow, with deal activity still increasing and asset prices remaining robust. The growth of Africa’s pensions and insurance industries and the resulting increase in local capital available for investment also provide significant opportunity. With the reversal in the commodity cycle, this is likely to provide an additional boost.



GILBERT ANYETEI
Associate, Alternative Investment
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ABOUT BRIGHT AFRICA

Africa's investors have become markedly more sophisticated in recent years. They understand that the continent is one of the world's fastest-growing and most rapidly changing regions, and they need to look past the headline GDP numbers to understand what is really happening on the continent. More importantly, Africa's investors want to know the most effective ways to harness the continent's growth.

RisCura - through its ongoing research endeavour Bright Africa - seeks to answer some of these questions by providing insight into the drivers, enablers and managers of investment on the continent. This includes in-depth updates on Africa's:

- Investment in Africa
- Sources of capital on the continent
- Listed equity markets
- Private equity markets
- Sovereign bonds
- Infrastructure
- Real estate

RisCura's Bright Africa research is ongoing, with new sections added regularly. The findings can be accessed at brightafrica.riscura.com

For more information, follow [@BrightAfrica_](https://twitter.com/BrightAfrica_) on Twitter.

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Investment in Africa

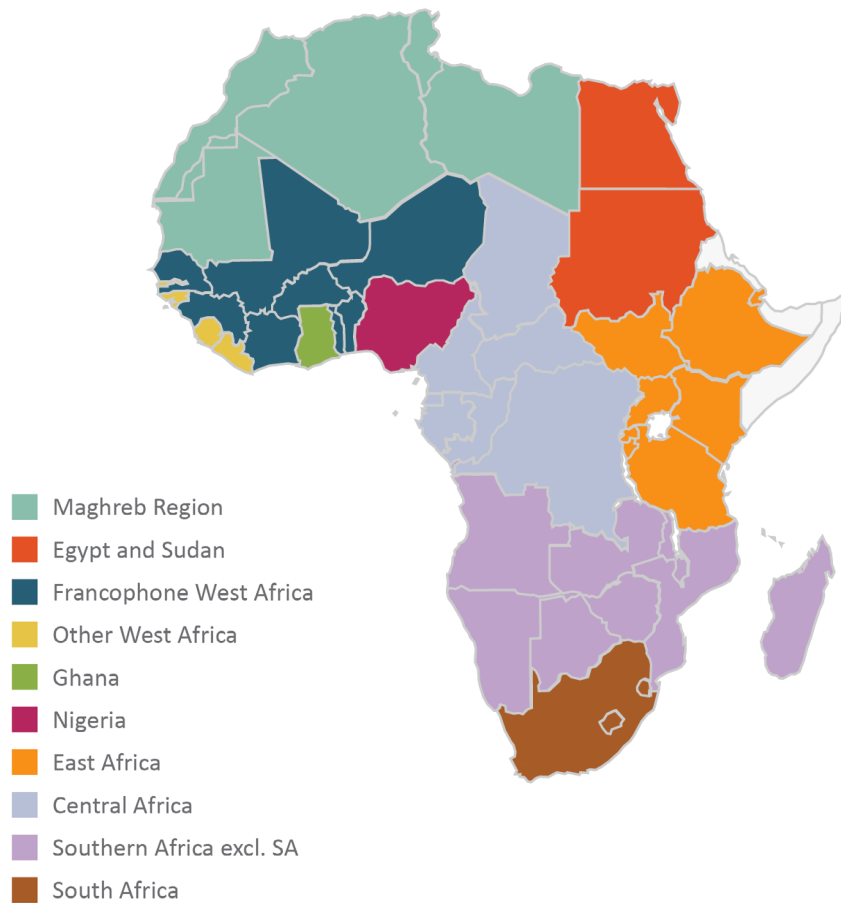
Investors consider regional opportunities. It has become important to not only analyse Africa, but to consider how its different regions measure up to their global counterparts.

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SEGMENTING AFRICA INTO MEANINGFUL MARKETS

It is important to recognise that Africa is not a single investment destination with a single set of standardised risk factors and homogenous potential for reward. Segmenting Africa into meaningful markets is an important exercise. Although some high-level similarities are evident, as one digs down into the specifics of certain regions and countries, it becomes clear that Africa is comprised of a range of distinct investment destinations; each with its own attractions, flaws, cultural differences and business practices.

Investors looking at Africa for the first time may begin by identifying the largest economies by GDP or the largest cities by population. While it is certainly useful to explore country- and city-level detail, it may be more pertinent to start at a regional level by identifying groups of countries with similarities. By assessing Africa at a regional level, one can get a better understanding of the strengths and weaknesses of an investment destination by not only analysing the characteristics of the country of interest, but also the support that it receives from its regional partners. It also allows investors to identify the long-term potential of an investment by better understanding the potential growth areas into neighbouring countries. RisCura has identified these meaningful markets by analysing cultural connections, interconnectivity through trade blocs, sharing of expertise, good business relations, and relative ease of transportation, among others.



**Note: The following countries are commonly excluded from the analysis due to insufficient data. When included, the impact is immaterial: Eritrea, Somalia.*

The Maghreb region, or the western portion of Northern Africa, constitutes the countries that form the Arab Maghreb Union, established in 1989 (Note: Western Sahara is excluded from all analysis). The region was established with the goal of functioning as a unified political and economic grouping. Political unrest in the region has stunted progress since its inception but hope still remains that the Union will fulfil its purpose in years to come. The region includes important cities such as Casablanca, Algiers and Tunis.

Egypt & Sudan previously united under British rule, still share strong ties, as well as one significant commonality – the trade facilitation through transport on the Nile River. As Egypt does not fall within the Arab Maghreb Union, it is separated from the rest of North Africa. However, Egypt’s strong economic and cultural ties with the Middle East bring natural trading partners, and it is often seen grouped with the Middle East for investment purposes.

Francophone West Africa is a commonly recognised region on the continent, and typically includes Mauritania. However, RisCura has allocated Mauritania to Maghreb region as it is found to have closer ties to the North African countries. These French-speaking countries share more than just a language. Due to their common history as French colonies, they also share similar legal and socio-political systems.

Other West Africa includes Ghana, Liberia, Sierra Leone, GuineaBissau and The Gambia. This ‘region’ is included in the analysis where appropriate. Of course, due to the geographic placement of these countries, an analysis of intra-regional trade or transport infrastructure linking the ‘region’ would not be meaningful. Where appropriate, Ghana has been compared at a country level, rather than as a part of the ‘Other West Africa’ region. The Ghanaian economy is of a substantial size on a stand-alone basis and at times operates in isolation from its French-speaking neighbours.

Nigeria on its own is the size of the entire Maghreb region on an aggregated-GDP basis. While Nigeria is traditionally grouped with the rest of West Africa, its reliance on the rest of the region is less pronounced, likely as a result of its massive standalone GDP, its access to international markets via its three large ports, and its population of over 190 million people.

The countries constituting **East Africa** are a combination of the East African Community (Kenya, Tanzania, Uganda, Rwanda, Burundi), the LAPSET corridor (Kenya, South Sudan and Ethiopia) as well as Djibouti, a crucial link to the Indian Ocean for Ethiopia and South Sudan. Kenya has traditionally headlined this region through consistently generating the largest GDP and acts as the primary route to international trade through the Mombasa port.

(Note: Somalia and Eritrea are excluded from all analysis).

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The **Central Africa** market is the same as that defined by the African Development Bank (AfDB) with the exception of Madagascar, which RisCura has classified as Southern Africa (ex-SA). On a GDP basis (Current, USD) and by population, the Central Africa region is on par with the Francophone West African region.

Southern Africa excluding South Africa (ex-SA) incorporates those countries south of central and eastern Africa, and north of the South African border. This region offers substantial oil resources in Angola, copper in Zambia and has access to both the Atlantic and Indian oceans. The region has support from the most developed economy on the continent from the South, and access to capital coming out of South Africa as large companies look to expand into the rest of the continent.

South Africa, like Nigeria, is a large African economy on a standalone basis. Due to the developed nature of South Africa relative to the rest of the continent, it has not been included in the Southern African region. South Africa boasts the largest GDP per capita of all the regions (double that of Nigeria) and is the most advanced investment destination on the continent. The South African market includes Lesotho and Swaziland due to their reliance and proximity to SA. The Swazi lilangeni is pegged to the South African rand, which is also accepted as currency within the country.

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HOW AFRICA'S REGIONS COMPARE

1.2.1 HOW DO GLOBAL REGIONS COMPARE?

In the previous section, we have segmented Africa into its meaningful markets. This is done to reflect that investors consider regional opportunities rather than the small and fragmented national markets within Africa.

The next step was to identify how the segmented African regions compare to other global markets. To do this comparison, we identified other markets that have similar investment characteristics as the meaningful African markets that we analysed.

We have analysed both the FTSE and MSCI market indexes to understand which markets compare to the different meaningful African markets identified. These indices broadly classify markets as developed, emerging, and frontier markets. The distinction between each classification is determined by the sustainability of economic development; size and liquidity requirements, and market accessibility.

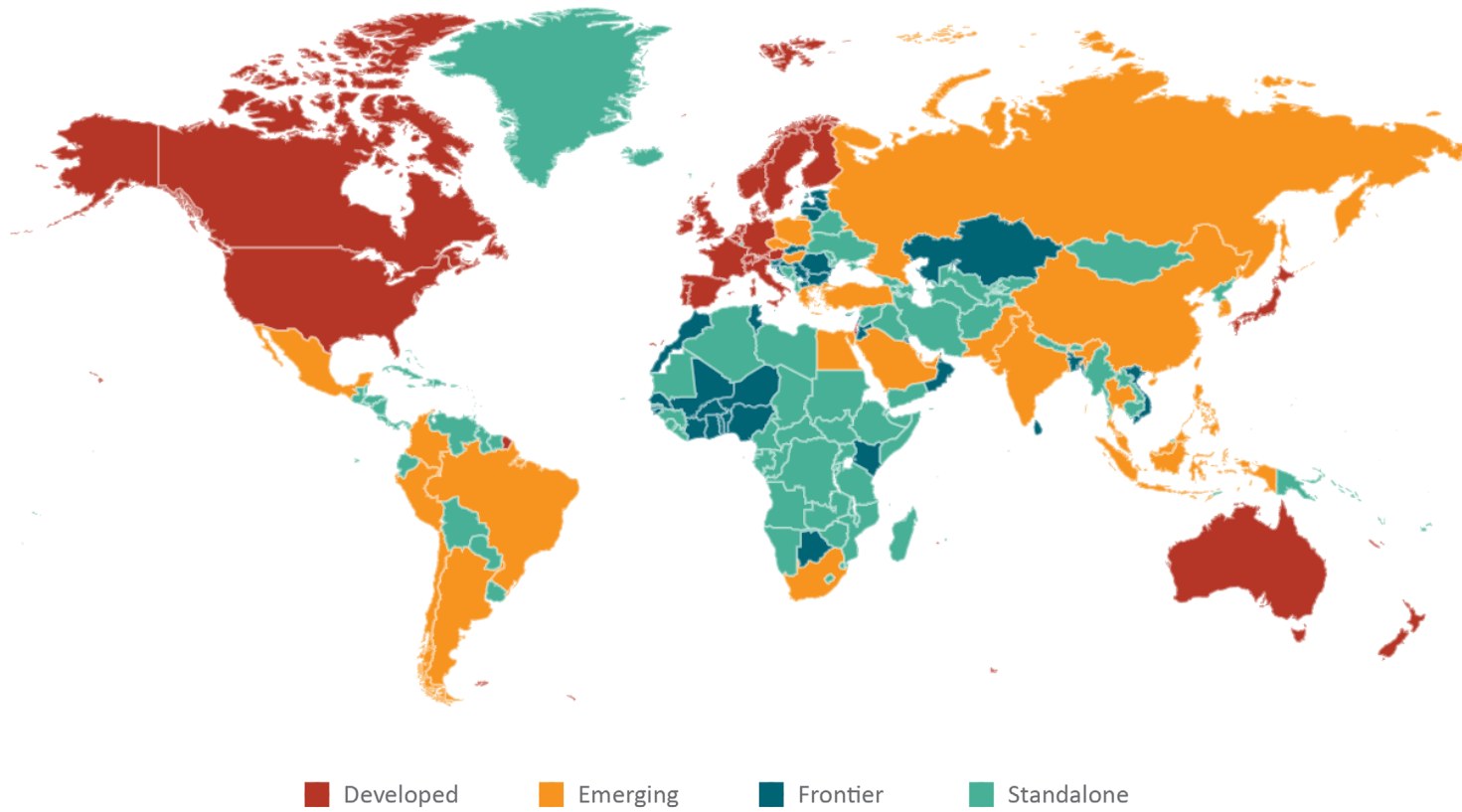
All the African markets are either classified as emerging or frontier markets. The distinction between emerging markets and frontier markets is nuanced; however, it comes down to the investability of capital markets. Emerging markets are less developed than developed markets, but have relatively stable and liquid capital markets. Frontier markets represent the riskiest markets to invest in regarding depth, access and efficiency of capital markets.

The map below shows the latest market classification by MSCI and FTSE. Of the markets that we analyse in this publication, only Egypt and South Africa are classified as emerging markets and from an investor's perspective, should be compared to Brazil, Mexico, Poland and China.

Botswana, Cote D'Ivoire, Ghana, Kenya, Mauritius, Morocco, Nigeria, Tunisia, Benin, Burkina Faso, Ivory Coast, Guinea-Bissau, Mali, Niger, Senegal and Togo are classified as frontier markets and from an investor's perspective, should be compared to Croatia, Serbia, Jordan and Bangladesh.

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COUNTRIES AS CATEGORISED BY MSCI AND FTSE



Source: BMI Research, IMF World Economic Outlook, RisCura analysis

1.2.2 GDP OUTPUT BY REGION

Nigeria still has the largest economy in Africa, followed by South Africa and the Maghreb region. Growth has slowed slightly in the Maghreb region, and the GDP output remains in line with the prior year. Considering the need for high growth both to reward investors and promote socio-economic security, the low rates of growth in Nigeria, South Africa, Southern Africa (ex SA) and Central Africa are worrying. In contrast, the high growth in the Maghreb region, East Africa, Ghana and Francophone West Africa, will reinforce investor interest in these regions.

“Agriculture is a significant proportion (>20%) for Nigeria, East Africa, Francophone West, Ghana and other West Africa.”

Across all countries, agriculture, manufacturing and the wholesale and retail trade sectors contribute the most to GDP. These represent key sectors for production and economic activity across all countries in Africa. Agriculture is a significant proportion (>20%) for Nigeria, East Africa, Francophone West, Ghana and other West Africa. These regions are large producers of cocoa beans, wheat, raw sugar, coconuts, cashews, tea, coffee, rice and frozen fish. South Africa’s agriculture sector contributes only 2% to its GDP and is the only market analysed where agriculture contributes less than 10% to GDP.

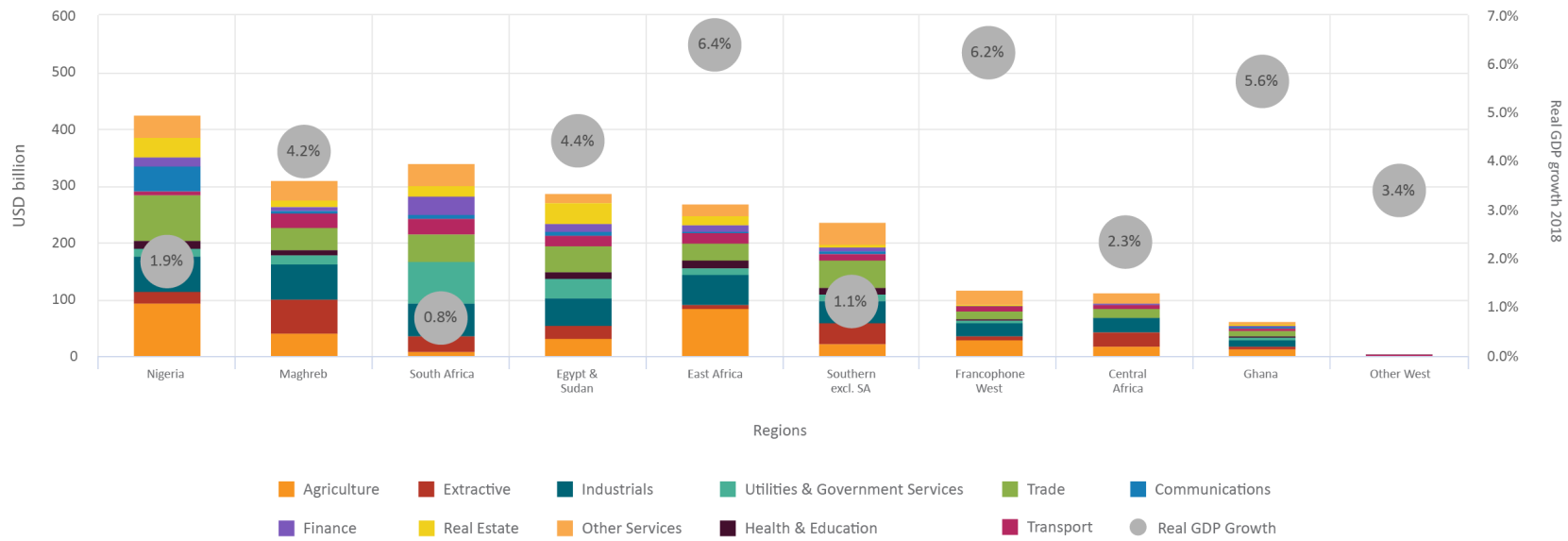
It’s interesting to note that, although extractive industries made up over 95% of exports in Nigeria in 2018, they only contributed approximately 5% to GDP output. This illustrates a degree of resilience, but still leaves the economy subject to significant currency and commodity price risk. Extractive industries contribute approximately 19% and 21% to GDP for the Maghreb region and Central Africa, respectively.

Utilities and government services contribute approximately 21% to South Africa’s GDP. This is considerably higher than all the other African regions analysed. This highlights the structural difference between the South African economy and other sub-Saharan African countries. This further highlights the impact that mismanaged state-owned enterprises could have on the South African economy.

Across all countries, GDP output is far more diversified than exports, which is significantly concentrated in extractives. This domestic diversification served as a mitigating factor against the impact of the commodity cycle in recent years. The impact, however, remains significant, and include a decrease in government revenue, devaluation of currencies and curtailed public and private spending.

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GDP OUTPUT BY REGION



Source: BMI Research, IMF World Economic Outlook, RisCura analysis

1.2.3 AFRICAN EXPORTS BY PRODUCT

The total value of Africa's exports decreased from 2014 to 2018 by an average of 21% in USD terms. This was driven by the decline in global commodity (especially oil) prices.

Nigeria, Southern Africa (excl. SA), Central Africa and the Maghreb region rely most heavily on extractive industries. As a result, these regions saw the largest decline in total export value over the 2014-2016 period, with muted recoveries between the 2016-2018 period. Oil prices were at an all-time high with an average closing price of USD 93.17 per barrel during 2014, decreasing dramatically to a low of USD 45.13 in 2016, recovering to an average price of USD 64.90 during 2018.

“Ghana and Francophone West Africa are the only regions to report increases in the total export value of extractives over the 2014-2018 period.”

Ghana and Francophone West Africa are the only regions to report increases in the total export value of extractives over the 2014-2018 period. The increase in Ghana was driven by new facilities coming on stream. Crude oil petroleum has overtaken cocoa beans as Ghana's largest export. Francophone West's increase in export value is driven by the increase in the export of cocoa beans.

South Africa has one of the most developed economies and boasts a diverse export basket. South Africa's top exports include gold, platinum, diamonds, coal briquettes and vehicles.

“The Maghreb region boasts the largest exports in 2018, with exports totalling USD 118 bn.”

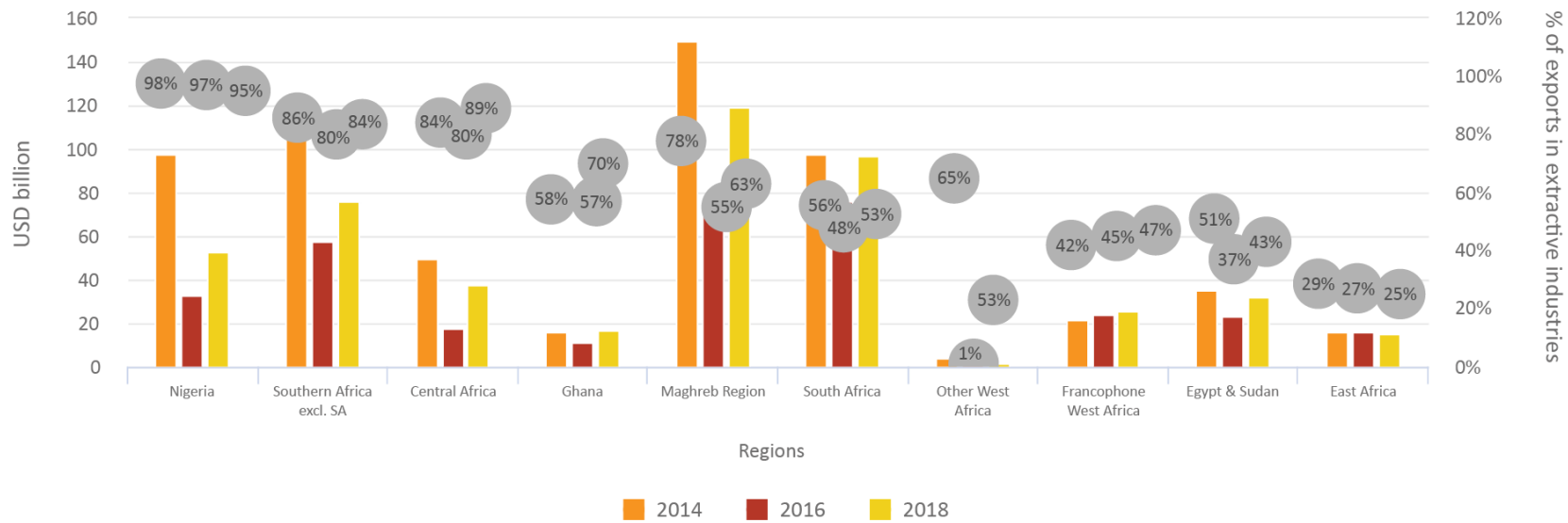
The Maghreb region boasts the largest exports in 2018, with exports totalling USD 118 bn. This region is the largest exporter of extractive commodities in Africa. The region's reliance on extractive commodities has declined from 78% in 2014 to 63% in 2018 with increases in the exports of fertilisers and organic and inorganic chemicals, electrical machinery and equipment, and vehicles.

East Africa has a relatively low level of exports, as compared to the other regions. Some 82% of the regions' exports comes from Kenya, Tanzania and Uganda; of which tea, gold and coffee are the top exports, respectively.

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DECLINE IN EXPORTS AND CONCENTRATION TO EXTRACTIVES

Exported value by region, % of exports in extractive industries



Source: TradeMap, RisCura analysis

1.2.4 RELATIVE WEALTH OF REGIONS

South Africa has the greatest wealth per individual on the continent (using GDP per capita as a proxy). However, the country also has the highest Gini coefficient than all the other regions in Africa. This contrast provides both opportunities and heightened risks for investment activity.

A high GDP per capita suggests a high living standard. This creates an opportunity from an investment perspective as it provides an apparent demand for a diverse array of products and services. However, a high Gini coefficient indicates a large degree of income inequality within the population, suggesting that the wealth of the country is concentrated amongst the high-income earners of the population. This creates an investment risk, as the depth of demand for products and services may be concentrated in a small sector of the population.

The Maghreb region and Egypt and Sudan regions have large GDPs per capita, and the lowest Gini coefficients in Africa. The combination of these two factors make these regions attractive for business and investment activity as it indicates a broader base of consumers.

“Southern Africa and East Africa both have a Gini coefficient higher than the global median and GDP per capita below the African median.”

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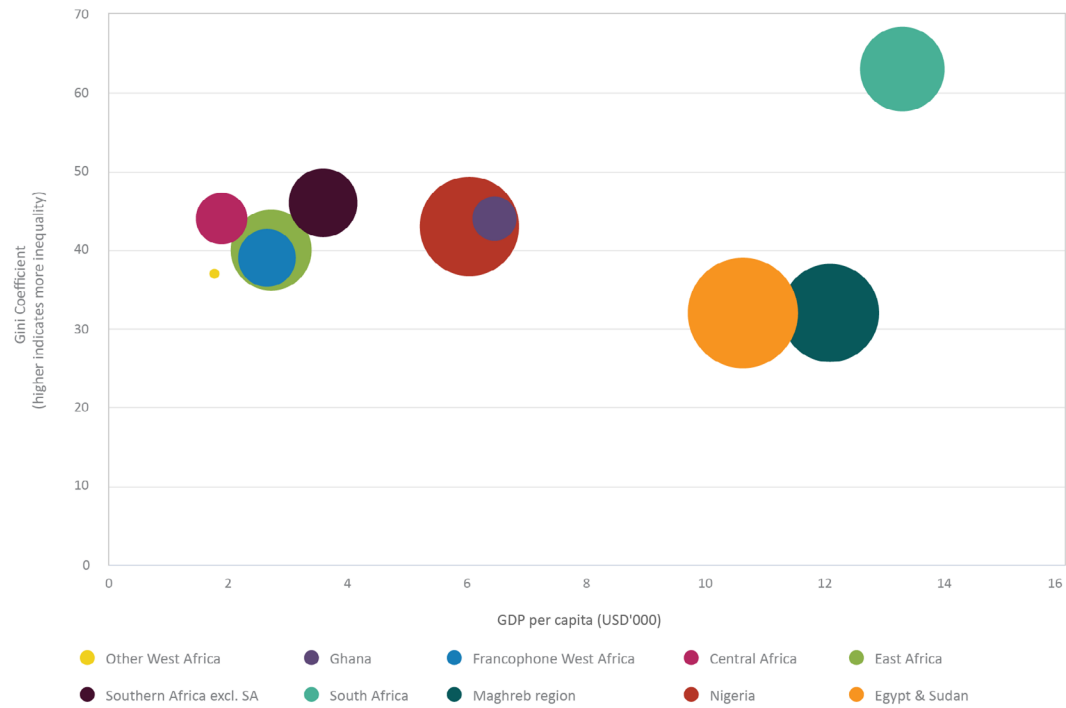
Most of the regions have managed to retain their relative positions, except Ghana. Ghana’s GDP per capita has increased by 36% and has overtaken Nigeria. This strong performance stems from improved performance in the industrial sector, driven by increased output from the oil, electricity and manufacturing sub-sectors.

The modified calculation of the Gini coefficient considers income and free services received because of income and wealth redistribution policies established by the government. Consequently, we have found the modified Gini coefficient to show lower levels of inequality for countries that have established redistribution policies. Thus, the modified Gini coefficient for South Africa would be materially lower than the traditional Gini coefficient, because of the government’s established redistribution policies. We have not used the modified Gini coefficient in our analysis, as it would make comparability difficult from country to country as many African countries do not have established redistribution policies. Furthermore, the modified Gini coefficient is not commonly used and published.

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WEALTH OF INDIVIDUALS AND EQUALITY NOT ILLUSTRATED IN GDP

GDP per capita, Gini coefficient and size of economy by region

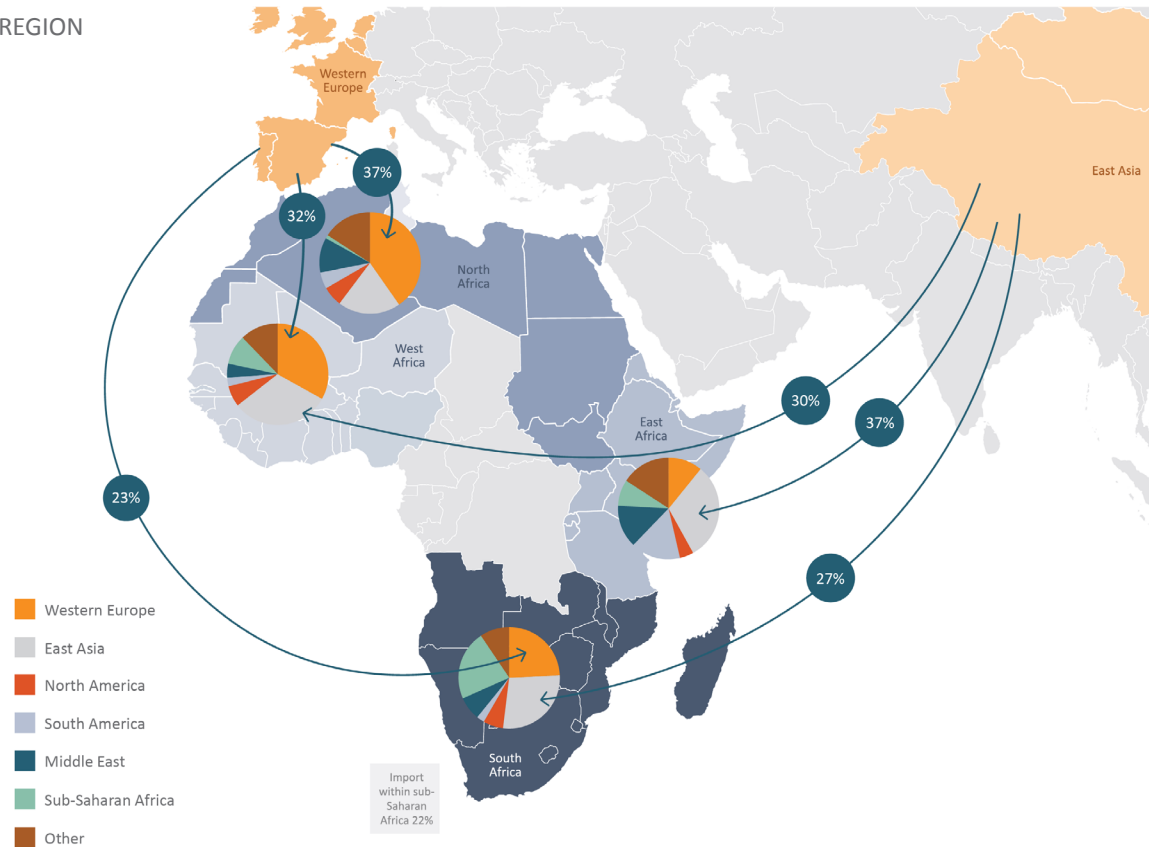


Source: World Bank, IMF World Economic Outlook, RisCura analysis

AFRICA'S LINKS TO THE GLOBE

REGIONAL TRADE DIFFERENCES

IMPORT PARTNERS BY REGION



Source: Trade Map, RisCura analysis

East Asia and Western Europe remain the continent’s most significant import regions, at 26% and 30%, respectively. Overall, African imports have remained relatively consistent with the prior year. However, a significant variation in North African imports was experienced as imports from Western Europe decreased from 41% in 2017 to 37% in 2018. This reduction is driven from the shift in imports from Western Europe to the Middle East and East Asia.

“Trade relations between Egypt and China have witnessed steady growth contributing to the 23% increase in imports experienced from East Asia.”

These increases can be attributable to the imports by Egypt and Sudan from countries such as Saudi Arabia, Turkey, United Arab Emirates and China. Trade relations between Egypt and China have witnessed steady growth contributing to the 23% increase in imports experienced from East Asia.

East Africa continues to place a far larger reliance on East Asia for its imported goods, making up 37% of the region’s total imports. The region also has a much larger exposure to the Middle East and significantly lower exposure to Western Europe than the rest of the continent. This variation is partially the result of geography and cultural ties.

Trade in West Africa remains relatively consistent with 2017 as Western Europe (32%) and East Asia (30%) remain the largest import partners.

Southern Africa maintains the largest intra-continental trade, as 23% of imports were from within the sub-Saharan African region. This is mainly due to South Africa exporting to its neighbours in Southern Africa, highlighting the potential for intra-African trade as well as the importance of good transport links. However, South Africa’s exports experienced constraints in the latter part of 2018 due to loadshedding, implemented as a result of power supply shortages. The disruption to manufacturing and mining output, coupled with weaker external demand, has hindered further growth.

North Africa’s trade with sub-Saharan Africa remains negligible – which can be attributed to, amongst other factors, the poorly developed infrastructure linking sub-Sahara Africa with North Africa.

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SOUTH AFRICA'S SIGNIFICANT IMPORTS AND EXPORTS

Africa's Significant Portions of Imports (29%)



Machinery



Electronics



Vehicles

Africa's Significant Portions of Exports



Agricultural Products



Basic Commodities



China remains the continent's top import partner (16% of all imports)



France, Germany and the US make up 15% of all Africa imports in 2018

“The difference between regions is due to the large impact of transport costs on import decisions, as well as cultural preferences and relationships established over time.”

The difference between regions is due to the large impact of transport costs on import decisions, as well as cultural preferences and relationships established over time. Because most products imported into Africa are sourced from geographically distant locations, the proximity to the import destination makes a big difference in the selection of trade partners. By far the most economical way to get goods to Africa is by sea, meaning that the shortest oceanic voyage becomes the preferred partner, by default.

There is very little differentiation across regions in terms of the products that the continent needs to import. A significant portion of imports (29%) is machinery, electronics and vehicles imported from more developed regions, while primary products such as agricultural products and other basic commodities are Africa's significant exports.

China remains the continent's top import partner, constituting 16% of all imports; and is the primary import source in 14 African countries for machinery, electronics, vehicles, mineral fuels and cereal. France, Germany and the US made up 15% of all African imports in 2018.

Source: RisCura analysis

The Maghreb region is the top importer on the continent and their top imports consist of machinery, metals and materials and mineral products.

Despite the continent's significant exports of crude oil, about 18% of Africa's imports is made up of mineral products, most of which are refined fuels. Nigeria's Dangote refinery, estimated to be completed in 2020, will have a major impact on the number of refined fuels imported into Africa from offshore, as the refinery will have sufficient capacity (estimated to process 650 000 barrels per day) to meet the country's needs and supply the surrounding region. According to the Organization of the Petroleum Exporting Countries (OPEC), Nigeria's 2018 oil demand is 445 500 barrels per day. Ghana has also recently publicised its interest to import petroleum from the Dangote refinery rather than internationally once it comes online. This highlights the need for improvement in infrastructure between countries and efficiency in border posts and bureaucracy.

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INTER-AFRICA CONNECTIVITY

Trade within Africa remains poor, as two-thirds of African imports come from Europe and Asia, whereas intra-continental trade is a mere 13% of all African imports. The poor inter-connectivity amongst African nations is one of the obstacles that the continent faces.

“The World Bank Forum estimates that road networks carry USD 200bn of trade in Africa – approximately less than 10% of total GDP on the continent.”

Weak transport infrastructure has long been an issue for African trade contributing to the continent’s low level of competitiveness. The World Bank Forum estimates that road networks carry USD 200bn of trade in Africa – approximately less than 10% of total GDP on the continent. Whereas in comparison, according to US Bureau of Transportation Statistics, it is estimated that approximately USD 260bn (Approx. 85%) of Mexico’s exports to the US occur via road, alone. The road network density is much lower in Africa than in other regions. The African highway network has many missing links and sections remain unpaved or require substantial repair, and some areas are considered to have serious safety concerns. These conditions are partially caused and further exacerbated by the sheer size of the continent and the resulting large distances between cities.

The continent’s railway conditions are equally poor. Colonial powers each built different railway networks in different countries that do not necessarily link up, which makes it difficult for countries to move goods between them.

Intra-national trade costs are high in many countries in Africa. These costs are incurred both when transporting goods over long distances, and when clearing the goods at harbours or border controls. Doing Business measures the time and cost (excluding tariffs) associated with three sets of procedures documentary compliance, border compliance and domestic transport within the overall process of exporting or importing a shipment of goods. The most recent round of data collection for the project was completed in May 2018. Sub-Saharan Africa ranked last out of all global regions, with a border compliance time of 97.3 hours, compared to the much more favourable 58 hours of North Africa. The total cost to import 15 metric tons of containerised auto parts was a staggering USD 605.8 USD; where North Africa’s cost to import was USD 442.4.

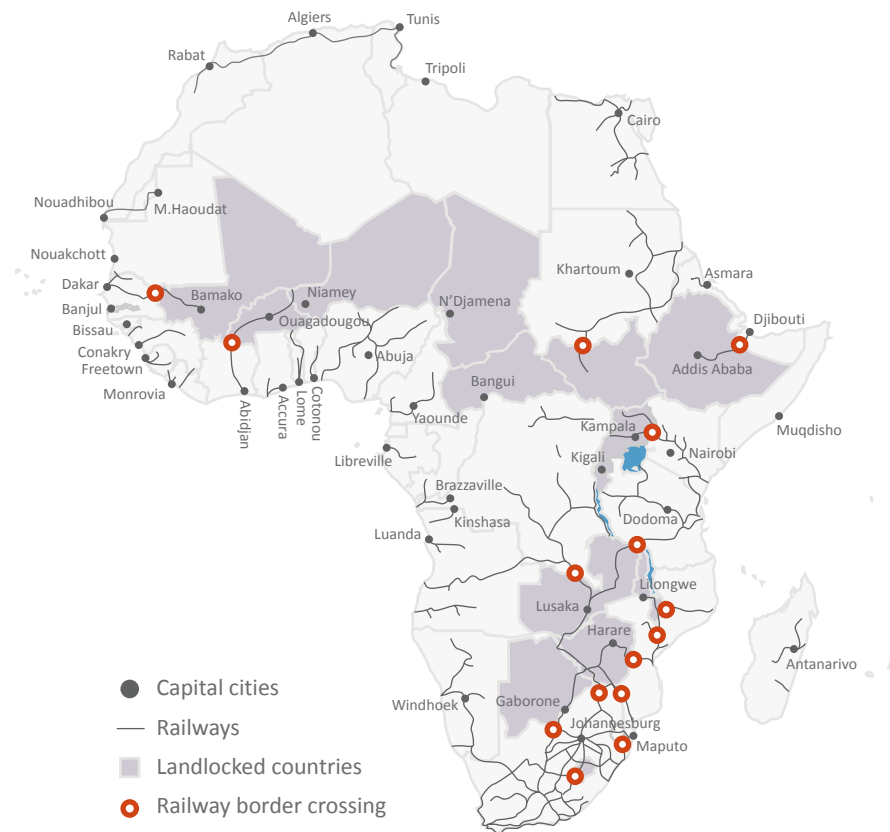
The cost of moving goods domestically can also be up to five times higher in Africa than in the US. According to RMB’s “Where to invest in Africa” 2019 publication, the estimated cost of transportation in Africa is around 50% - 175% higher than other parts of the world. Data from the UN Economic Commission for Africa (UNECA) has estimated that removing the high border tariffs between African nations could increase intra-African trade by 52% in less than five years.

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“The launch of the “operational phase” of the agreement in July 2019 may enable investment opportunities in transport infrastructure and cross border trade.”

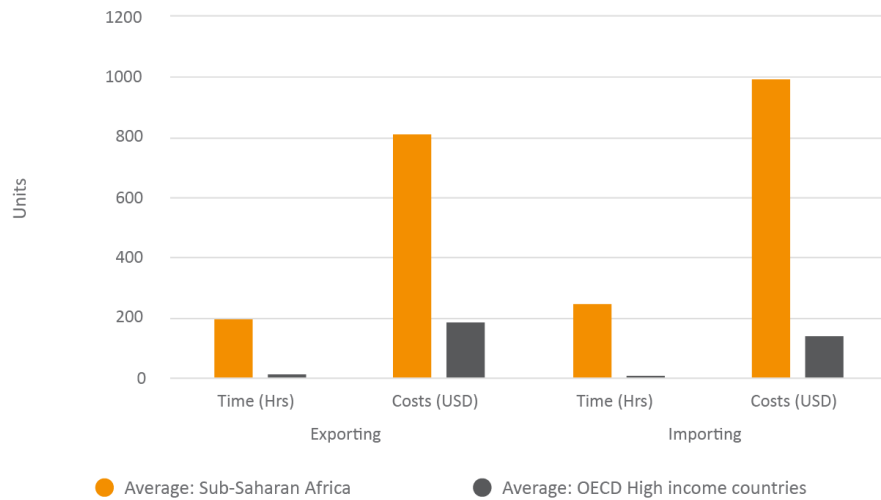
The African Continental Free Trade Agreement (ACFTA) seeks to tackle these challenges facing trade within Africa, such as pricing, burdensome administration, infrastructure and governance. The agreement was signed by 44 countries in March 2018 and has the potential to boost the continent’s global connectedness, especially as additional countries continue to join the agreement. The launch of the “operational phase” of the agreement in July 2019 may enable investment opportunities in transport infrastructure and cross border trade.

AFRICA’S RAIL NETWORK



Source: African Development Bank

EASE OF TRADING ACROSS BORDERS



Source: World Bank, *Doing Business Report 2017*

Some of the factors contributing to the significantly high costs, and prolonged time of exporting and importing by sub-Saharan African countries include, according to The International Growth Centre, the price of inputs such as fuel, labour, and equipment; as well as market characteristics such as regulations, transport industry, and burdensome trade procedures.

Exporters and importers require 50% more time to get exports to market in Africa than in East Asia. Reducing such delays could have a dramatically positive effect on export volumes (Source: Arvis et al., 2014). Lastly, inferior technology, for example, old truck fleets that are fuel-inefficient, may severely increase the cost of intranational trade (Source: Atkin and Donaldson, 2015).

CURRENCY RISK - EXCHANGE RATE REGIMES

There are three basic types of exchange rate regimes: pegged exchange, floating exchange and pegged-float exchange. For many countries, there is often a distinction between the official exchange rate policy, and the actual (de facto) policy implemented. While some countries, particularly developing economies, may claim to have a floating exchange, they often intervene in the foreign exchange market to stabilise their currency.

A pegged exchange rate is a regime applied when a government or central bank ties the official currency exchange rate to another country's currency or the price of gold. The purpose of a pegged exchange rate system is to keep a currency's value within a narrow band. Pegged exchange rate regimes lower exchange rate volatility, provide greater certainty for importers and exporters and help the government maintain more moderate levels of inflation.

However, pegged regimes limit the extent to which central banks can adjust interest rates for economic growth and prevent adjustments for currencies that become under or overvalued.

A floating exchange rate regime is where the currency price is set by the market based on the supply and demand relative to other currencies. The main advantages of floating rates are monetary independence that allows automatic adjustments to trade shocks. This flexibility, however, brings additional currency volatility and in economies where the financial system is not sufficiently developed enough to allow for adequate currency hedging instruments, this volatility could be a significant

concern for investors. A pegged currency removes the ability of a country to have an effective monetary policy; rather, the focus is on maintaining the target exchange rate.

One of the significant disadvantages of a fixed exchange rate regime is that interest rate hikes in the anchor country currency may also strengthen the pegged currency. This artificially increases the wealth of the pegged currency country due to reasons other than improved growth, which is problematic in the long-run.

“Most African countries have a pegged exchange rate regime, with conventional pegs being the most popular.”

Most African countries have a pegged exchange rate regime, with conventional pegs being the most popular. Due to the prevalence of the CFA-Franc zone, the Euro is the dominant anchor currency, followed by the US Dollar and the South African Rand.

While a pegged exchange rate may provide lower exchange rate volatility, it is unable to protect a currency from major currency shocks as seen in Nigeria and Angola, following the significant depreciation of the oil price in 2015. In Nigeria, the central bank managed to keep the peg at approximately 200 naira to the dollar, until foreign reserves ran dry in June 2016 and forced a 30% devaluation in the currency.

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An artificial currency peg also creates parallel rates as few parties are willing to transact at the official rate. This leads to significantly decreased levels of liquidity. Euro and dollar shortages will follow as those with hard currency are also not willing to buy local currency at the official rate. Before the oil price collapse in 2015, Nigeria had USD 43bn in reserves. By June 2016 following efforts by the Central Bank of Nigeria to support the naira, total reserves decreased to below USD 27bn. Enforced official rates are significantly different from a currency's fair value and lead to foreign currency shortages that prevent the repatriation of foreign capital.

A similar situation occurred in Angola over this period. Although Angola had significantly higher foreign reserves going into the crisis, which enabled it to manage the collapse in the oil price, the country was not able to avoid a currency depreciation.

The situation in Egypt was very similar to that in Nigeria in 2015, facing high levels of debt, a foreign currency crisis and in need of an IMF bailout. However, unlike Nigeria, Egypt took the decision to float its currency in 2016. Today, inflation has decreased to single digits, down from highs above 30% and portfolio inflows increased substantially. According to the UN, Egypt also received the most foreign direct investment (FDI) in 2018 than any other African country.

“As African financial markets deepen, more countries are likely to float their currencies as a natural consequence of increased international capital flows and less reliance on government intervention.”

As African financial markets deepen, more countries are likely to float their currencies as a natural consequence of increased international capital flows and less reliance on government intervention. For now, pegged exchange regimes remain in favour with the vast majority of African countries. During relatively stable economic times this brings a degree of price stability to investors, provided the country in question has sufficient reserves to be able to defend the peg during economic shocks.

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IMF ANNUAL REPORT ON EXCHANGE ARRANGEMENTS AND EXCHANGE RESTRICTIONS 2018

Crawling Peg

 Botswana

Crawling-like Arrangement

 Rwanda

 Tunisia

Conventional Peg

 Burkina Faso

 C. African Republic

 Chad

 Cote D'Ivoire

 Equatorial Guinea

 Guinea-Bissau

 Lesotho

 Mali

 Namibia

 Niger

 Republic of Congo

 Swaziland

 Morocco

 Senegal

 Libya

 Gabon

 Cameroon

 Eritrea

Stabilised Arrangement

 Angola

 Egypt

 Ethiopia

 Guinea

 Kenya

 Malawi

 Nigeria

 Tanzania

 South Sudan

Free Float

 Ghana

 Mozambique

 South Africa

 Uganda

 Zambia

 Madagascar

 Mauritius

Other Managed Arrangement

 Algeria

 DRC

 Liberia

 Sierra Leone

 Sudan

 Zimbabwe

Pegged Exchange rate horizontal bands

 Togo

Source: IMF Annual Report on Exchange Arrangements and Exchange Restrictions 2018

1.5.1 THE CFA FRANC ZONE

The CFA franc resulted from French influence in the region, with most members being former French colonies. After independence, these countries signed a monetary cooperation agreement with France.

Members of the CFA franc zone include: Benin, Burkina Faso, Côte D'Ivoire, Guinea-Bissau, Mali, Niger, Senegal, and Togo comprise the West African Economic and Monetary Union and Cameroon, Central African Republic, Chad, Republic of Congo, Equatorial Guinea, and Gabon.

At a superficial level, proponents of the policy regard it as a stabilising force that has provided exchange rate certainty and low levels of inflation amidst a period that was typically characterised by highly volatile exchange rate movements and high levels of inflation seen in other African countries.

Critics of the policy regard it as a policy tool that cedes power from the member countries to France and central banks of the CFA area. Through using the euro as an anchor, countries must follow the policies adopted by the European Central Bank to keep parity.

“Empirically, exports from the CFA zone to Europe fell from 50% to 25% in the last 20 years, as countries such as Nigeria, India, Thailand and China become more dominant trading partners.”

Empirically, exports from the CFA zone to Europe fell from 50% to 25% in the last 20 years, as countries such as Nigeria, India, Thailand and China become more dominant trading partners.

Inflation levels in the CFA franc zone have remained lower than other comparable countries and while growth was relatively subdued, it was not significantly different from other countries with comparable levels of development. The peg enabled the CFA franc countries to survive the fall in the oil and commodities prices without any resulting currency collapse. However, this may have negatively affected exports due to the strength of the euro over this period.

The CFA franc faces several challenges and remains a politically contentious issue. There were benefits gained through the use of the single currency, at the very least through the adoption of fiscal discipline. However, the long-term survival of the CFA franc is uncertain. One of the more recent proposals involves the adoption of a new currency, ECO, which would replace the franc and see the addition of more countries into the single currency zone. However, challenges here remain much the same as with CFA, including financial integration among different member states.

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CURRENCY RISK - THE MILK INDEX

The famous Big Mac index is an informal way of measuring the purchasing power parity (PPP) between two currencies and provides a test of the extent to which market exchange rates result in goods costing the same in different countries. However, in terms of Africa, the Big Mac index is less applicable, as Big Mac's are not readily available across all the markets. An alternative take is the Milk Index, which looks at the relative cost of milk, a product consumed across the continent.

Like the Big Mac Index, the Milk Index infers price levels across the markets, seeking to identify under and overvalued currencies against the US dollar.








“The findings from this index suggest that many African countries’ currencies are overvalued. Currently, the two most overvalued currencies are the Nigerian naira and the Ghanaian cedi.”

The findings from this index suggest that many African countries’ currencies are overvalued. Currently, the two most overvalued currencies are the Nigerian naira and the Ghanaian cedi. This may be connected to depressed commodity prices as most African economies depend on commodity exports as a source of foreign exchange. As a result, central banks such as the Nigerian and Ghanaian central banks tap into their reserves to protect their currencies and guard against imported inflation.

Although central banks have shown readiness to continue to support stable exchange rates by supplying US dollars to the market, the Bank of Ghana has recently discontinued this policy to reduce the losses of reserves, which has resulted in higher depreciation of the Ghanaian cedi in the first quarter of 2019. However, there is a limit to which the central banks can protect the currency from falling. As witnessed in 2016, when the price of crude oil dramatically dropped in the international market, the central banks of oil-exporting countries had no choice but to let their currencies devalue. This is because they didn't have large enough reserves due to reduced earnings from crude oil sales to support their currencies.

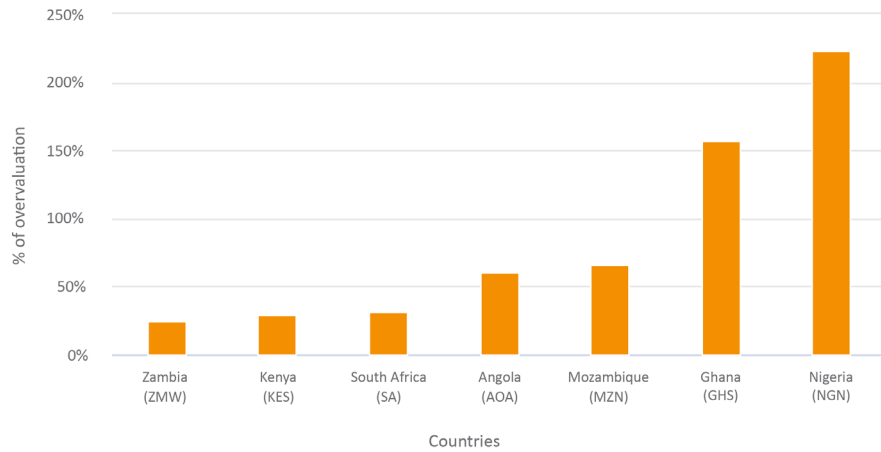
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AVERAGE PRICE FOR A LITRE OF MILK OVER A YEAR ASSUMED FOR MILK INDEX

| Country and Country Code | Actual Price of Milk | | | | Price Index Exchange Rate Vs Average Exchange Rate | | |
|--|----------------------|-------------|-------------|-------------|--|-----------------|----------|
| | 2015 | 2016 | 2017 | 2019 | Calculated | Average LCU/USD | Diff (%) |
|  Angola (AOA) | 290.82 | 352.57 | 442.36 | 440.2 | 536.61 | 335.67 | 60% |
|  Ghana (GHS) | 7.28 | 9.02 | 6.50 | 11.19 | 13.65 | 5.30 | 157% |
|  Kenya (KES) | 86.50 | 98.58 | 103.93 | 107.75 | 131.40 | 101.50 | 29% |
|  Mozambique (MZN) | 70.00 | 102.53 | 71.74 | 86.80 | 105.85 | 63.81 | 66% |
|  Nigeria (NGN) | 347.98 | 714.29 | 613.92 | 813.33 | 991.87 | 307.50 | 223% |
|  South Africa (ZAR) | 13.43 | 13.78 | 14.81 | 15.41 | 18.79 | 14.40 | 31% |
|  Zambia (ZMW) | 18.25 | 14.22 | 12.44 | 13.20 | 16.10 | 12.85 | 25% |
| USD | 0.92 | 1.08 | 0.86 | 0.82 | | | |

Source: Numbeo, RMB Global Markets (data as at May 2019), FitchConnect (data as at July 2019), RisCura analysis

MOST OVERVALUED CURRENCIES BASED ON MILK INDEX



Source: Numbeo, RMB Global Markets (data as at May 2019), FitchConnect (data as at July 2019), RisCura analysis

In East Africa, the Kenya shilling is currently overvalued by 29%. Though the government denied the overvaluation, there is no immediate currency crisis as the reserve is sufficient to support the currency. There might be a gradual correction of the overvaluation in the coming period. The Southern African Currencies (SA rand and Zambian kwacha) are free-floating currencies and should, therefore, autocorrect to fair market value. However, both are currently overvalued. While the kwacha is close to fair value, the rand is overvalued by approximately 31%. This overvaluation may be attributable to the volatility in the currency given that it serves as a proxy for Emerging Markets currencies and is therefore highly-traded. Other African currencies are relatively illiquid, except for Nigerian naira and the Egyptian pound.

Differences in the relative availability of the local milk, as well as supply and demand across African countries, may hinder the usefulness of the Milk Index. That could explain why large importers of milk have overvalued currencies compared to others. Furthermore, the index does not adjust for some distorting factors such as tariffs which may differ depending on each country's fiscal policy.

Sources of Capital on the Continent

This section highlights and analyses the main institutional investors on the continent, including the sources of capital and the size and depth of these various pools of capital.

PENSION FUNDS

2.1.1 SOCIAL SECURITY SYSTEMS AND COVERAGE

African countries are at different stages of creating comprehensive and inclusive social security systems. Although some are further along this journey than others, most have introduced some form of arrangement for pension provision or have social security as a strategic goal.

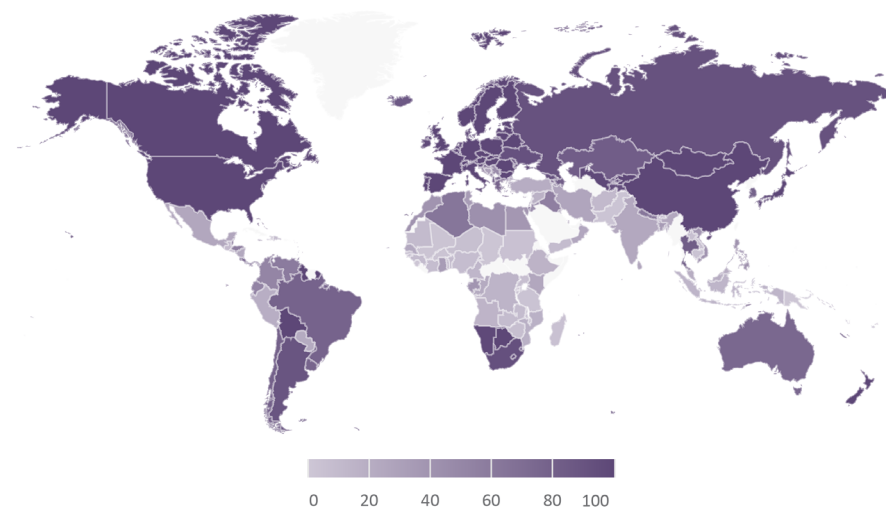
In line with global trends, most retirement income in Africa is funded by governments, derived from taxes or other forms of government revenue. As a large proportion of formal sector workers are concentrated in the civil service, pension funds for public sector workers are well-established and benefits are often more substantial compared to the private sector.

Defined Benefit (DB) schemes are dominant across the continent, although there are regional differences. DB schemes are common in many Francophone West African countries, in the Maghreb region, as well as Egypt and Sudan. Defined Contribution (DC) schemes (often provident schemes) are more prevalent in the English-speaking parts of Africa, especially in sub-Saharan Africa (Source: Stewart and Yermo, OECD paper).

“Pension coverage on the continent, however, is much lower compared to the rest of the world.”

Pension coverage on the continent, however, is much lower compared to the rest of the world. African countries are amongst those with a smaller proportion of individuals above the statutory pensionable age who receive a pension. The below figure illustrates how African countries are amongst those with the least pensioners receiving pensions.

PERCENTAGE OF PERSONS ABOVE STATUTORY PENSIONABLE AGE RECEIVING A PENSION



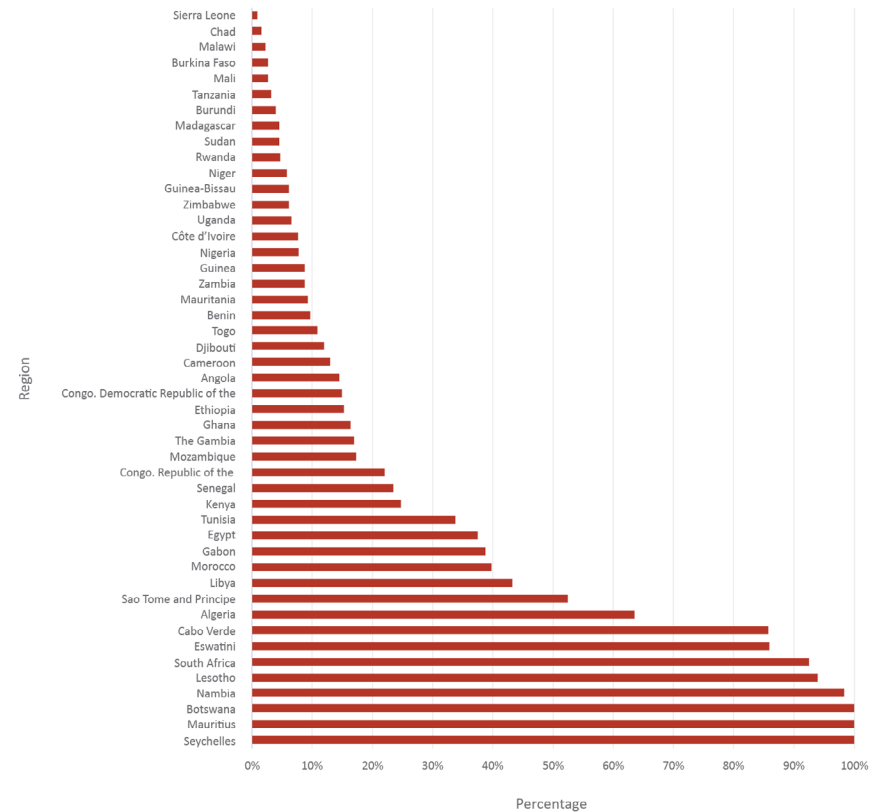
Source: World Social Protection Report Data 2017-2019

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Southern Africa is the exception of pension coverage when compared to the rest of Africa; which can be attributable to factors such as a well-developed established retirement industry in this part of Africa. South Africa’s Government Employee Pension Fund (GEPF), for instance, is Africa’s largest pension fund with over 1.27 million active members and assets worth more than ZAR 1.8trn (Source: GEPF 2018 Annual Report). Namibia’s Government Institutions Pension Fund’s (GIPF’s) assets are worth more than NAD 110.4bn. Both of these funds are Defined Benefit (DB) plans, therefore the benefits defined are guaranteed and don’t depend on how much has been contributed by members and employers. This, coupled with the sheer size of these funds, have contributed to the high coverage ratios experienced in this region.

The figure below details pensioner coverage across 47 African countries:

PERCENTAGE OF PERSONS ABOVE STATUTORY PENSIONABLE AGE RECEIVING OLD-AGE BENEFITS



Source: Social Security Programs throughout the World: Africa 2013; and World Bank

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Only 10, of the 47 countries, have 50% or more of their pensioners receiving a pension. For the remaining 37 countries, 12 are currently involved in or are experiencing post-war conflict and tension. As a group, these 37 countries have more than 55% of their population living in rural areas. In countries such as Burundi, about 87% of the population lives in the rural area. Unsurprisingly, pension receipts are likely to be minimal in less urbanised environments where the financial system does not readily facilitate the movement of capital between parties. The above percentages are a stark contrast to the rest of the world whereby 68% of older persons receive old-age pensions (Source: World Social Protection Report, 2017 – 2019)

“In data presented by the World Bank South Africa, Mauritius and Botswana were the only countries whose coverage rate was supplemented by occupational schemes, set up by employers.”

In data presented by the World Bank South Africa, Mauritius and Botswana were the only countries whose coverage rate was supplemented by occupational schemes, set up by employers. Other African countries sourced most of their coverage from national schemes, with civil schemes playing an intermittent role on the continent. Civil schemes are pension schemes that are limited to civil servants. National schemes are government-sponsored pension schemes aimed at reducing poverty in the elderly.

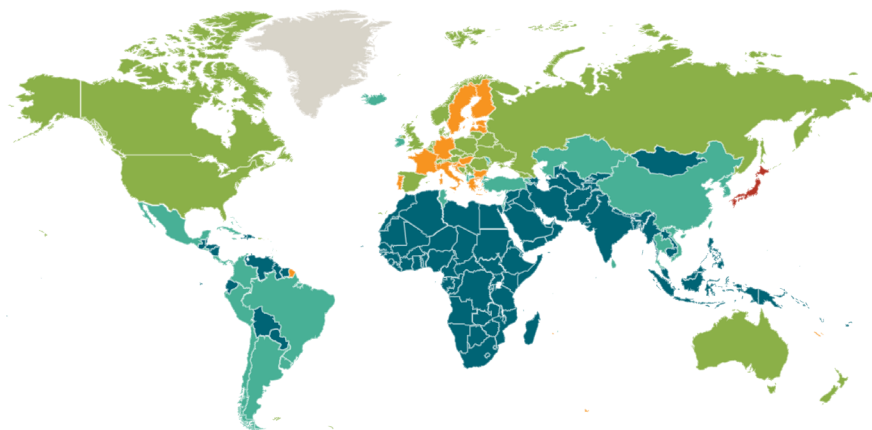
There is seemingly a trade-off between the number of pensioners receiving a pension and how much is received by each pensioner relative to their last salary. In Seychelles, many pensioners receive a pension, but it is very low compared to their last salary. Alternatively, Namibia has one of the highest coverage rates and replacement ratios. Studies have shown that coverage rates are highly correlated to GDP per capita.

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2.1.2 HARNESSING AFRICA’S YOUTH AND INFORMAL SECTOR

Africa’s youthful population and growing middle class are generally considered positive investment themes for the continent. But, will African pension systems be able to serve this youthful cohort when they reach retirement? Africa’s youth will not only age but will also live longer. According to United Nations research, Africa is projected to gain nearly 11 years of life expectancy by 2050, reaching 71 years in 2045 – 2050.

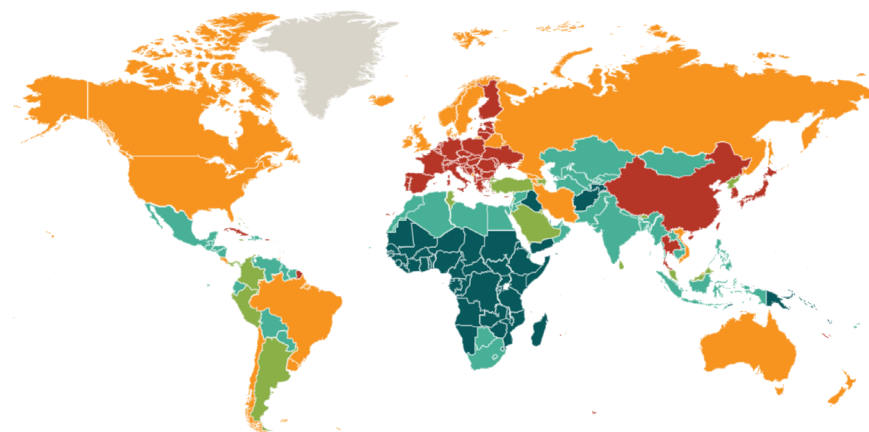
POPULATION PROPORTION AGED 60 OR OVER IN 2015



■ 0-9% ■ 10-19% ■ 20-24% ■ 25-29% ■ 30%+ ■ No Data

Source: UNDESA Population Division, World population prospects: the 2015 revision, DVD Edition, 2015

POPULATION PROPORTION AGED 60 OR OVER IN 2050 (ESTIMATED)



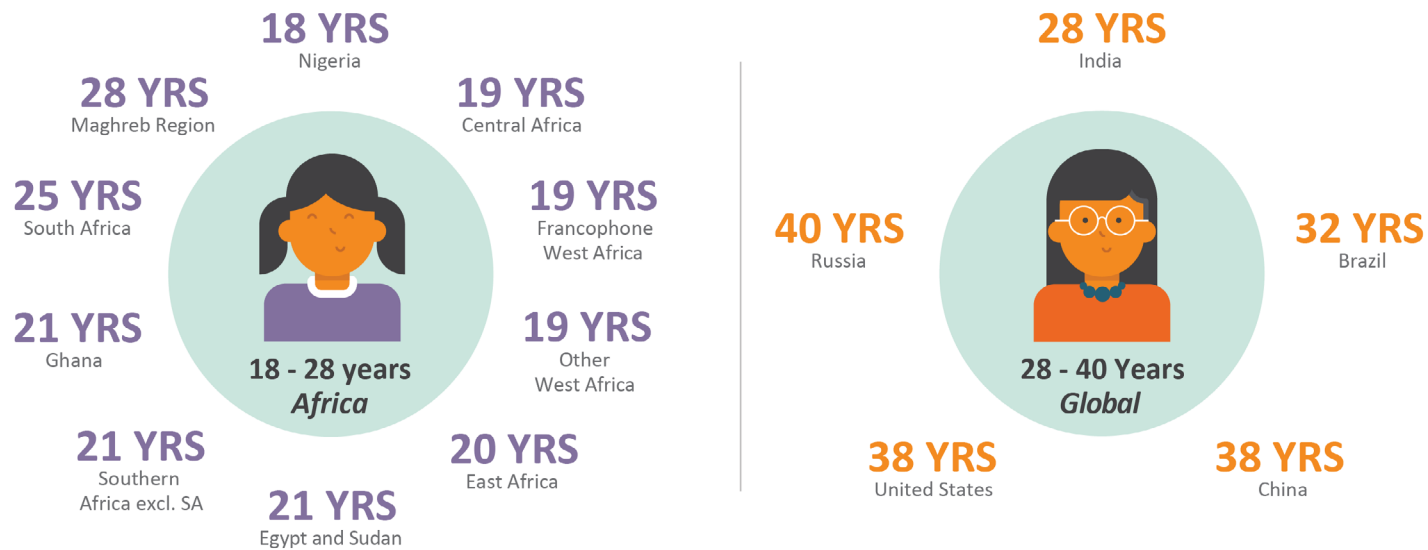
■ 0-9% ■ 10-19% ■ 20-24% ■ 25-29% ■ 30%+ ■ No Data

Source: UNDESA Population Division, World population prospects: the 2015 revision, DVD Edition, 2015

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Furthermore, one can see that the median age of African countries remains low in comparison to its global counterparts (see figure below). However, the median age of more developed regions, such as South Africa and the Maghreb region, rises favourably when compared to the lesser developed regions in Africa.

THE MEDIAN AGE OF POPULATIONS ACROSS REGIONS




Source: CIA World Factbook, RisCura analysis

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2.1.3 AFRICA'S PENSION FUND ASSETS

Globally, pension funds have become significant investors, both as fiduciaries in global capital markets and in their capacity as investors in local and international development projects. According to research by Willis Tower Watson, pension fund assets are estimated to be USD 40.173bn at the end of 2018. A massive 91% of these assets is held by seven of the largest markets, with the US being the largest at USD 24.71bn.

A common measure used to determine the significance of pension assets to a country's economy is the pension assets to GDP measure. Our review uses nine countries in Africa, representing approximately 50% of Africa's 2017/2018 GDP as measured by the IMF, and comprises those countries with significant economic influence in each region.

| Region | Country | Currency | Currency Code | Year | AUM (USD m) (Per OECD Data) | AUM (USD bn) (Per FITCHCONNECT) | AUM as % GDP |
|-----------------------------|--|--------------------|---------------|------|-----------------------------|---------------------------------|--------------|
| Nigeria |  Nigeria | Nigerian Naria | NGN | 2018 | 28 136 | 415.90 | 6.77% |
| South Africa |  South Africa | South African Rand | ZAR | 2018 | 213 000 | 370.80 | 57.44% |
| Egypt |  Egypt | Egyptian Pound | EGP | 2018 | 3 757 | 249.00 | 1.51% |
| East Africa |  Kenya | Kenyan Shilling | KES | 2018 | 11 452 | 88.81 | 12.90% |
| |  Tanzania | Tanzanian Shilling | TZS | 2017 | 4 444 | 53.23 | 8.35% |
| Sub-Saharan Africa |  Malawi | Malawian Kwacha | MWK | 2018 | 944 | 7.93 | 11.91% |
| Southern Africa excl. SA |  Mauritius | Mauritian Rupee | MUR | 2017 | 633 | 13.24 | 4.78% |
| |  Namibia | Namibian Dollar | NAD | 2017 | 10 864 | 13.57 | 80.06% |
| |  Botswana | Botswana Pula | BWP | 2018 | 7 358 | 17.76 | 41.44% |
| Other West Africa |  Ghana | Ghanian Cedi | GHS | 2018 | 2 700 | 64.18 | 4.21% |

“Interestingly, two of Africa’s biggest economies, namely Nigeria and Egypt, have some of the lowest pension assets to GDP percentages at 6.77% and 1.51%, respectively.”

Interestingly, two of Africa’s biggest economies, namely Nigeria and Egypt, have some of the lowest pension assets to GDP percentages at 6.77% and 1.51%, respectively. Nigeria’s 2004 pension reform, for instance, has assisted the country in overcoming issues with the pay-as-you-go system that was subject to political risks. Although confidence concerning the pension reform is slowly restoring, there is a large proportion of the working population, especially in the informal market, not contributing to pension assets; resulting in a low ratio of pension assets to GDP. However, once issues such as mismanagement of funds; growing informal sector contributions; and fulfilling the knowledge gap are resolved, and given Nigeria is Africa’s most populous nation, there is significant room for growth within the industry.

Egypt’s pension schemes, on the other hand, are considered to be inefficient and unsustainable. The country’s pension schemes invest their reserves at low, sometimes negative real interest rates, and members can easily manipulate the level of their pensions. As a result, Egypt’s pension schemes are spending more on pension payments than they generate from members’ contributions (Source: Markus Loewe and Lars Westemeier, 2018). However, Egypt’s new Social Security and Pensions Act ratified by its parliament in 2019 could bring about the much-needed change.

“Although South Africa’s 57.44% ratio of pension assets to GDP is within the average of 60% (per the Willis Towers Watson research), the vast majority of African countries’ pension assets to GDP remains well below the 60% average.”

Although South Africa’s 57.44% ratio of pension assets to GDP is within the average of 60% (per the Willis Towers Watson research), the vast majority of African countries’ pension assets to GDP remains well below the 60% average.

Namibia, on the other hand, has the highest ratio in Africa, at approximately 80%. According to the 2018 annual report of the GIPF, Namibia’s largest pension fund, the fund balance growth can be attributed to good investment returns due to a diversified investment strategy and a strong asset allocation process. The fund is estimated to more than double the assets held in the banking sector (Source: The Namibian, 2019). However, these pension funds face the regulatory burden of investing 45% of their assets in Namibia, where limited options are available.

When compared to emerging countries, as defined by FTSE, pension assets to GDP were quite similar to their African counterparts. For instance, the percentage of pension assets to GDP was 12.7%, 4.8%, and 15.4% for Brazil, India, and Mexico, respectively (Source: Willis Towers Watson research, 2019).

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Similar to the global picture, the same big-country bias is present in Africa, with 90% of the assets concentrated in Nigeria, South Africa, Namibia, and Botswana. Within these countries, several large funds also tend to dominate. Examples include the GEPF in South Africa, GIPF in Namibia, Botswana Public Officers Pension Fund (BPOPF) in Botswana and some larger vehicles in Nigeria.

“But, the pace and direction of regulatory reform now taking place in Africa speaks to a common purpose in funding retirement and contribution towards the development of the continent’s economy and capital markets.”

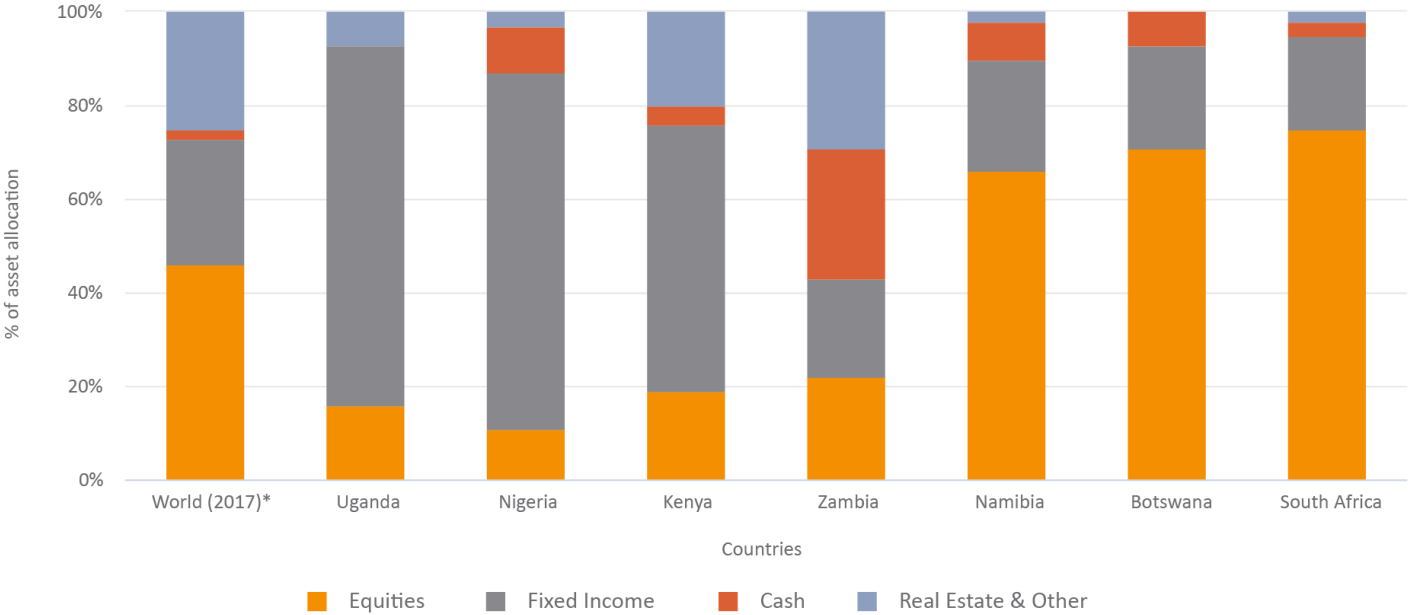
The assets in African pension funds are still relatively small, in global terms. But, the pace and direction of regulatory reform now taking place in Africa speaks to a common purpose in funding retirement and contribution towards the development of the continent’s economy and capital markets. The introduction of a basic safety net or retirement income, and further introduction of private pension funds, are likely to improve coverage and increase asset growth within the continent’s pension industry.

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2.1.4 ASSET ALLOCATION

PENSION FUND ASSET ALLOCATION (2017/2018)

Pension fund asset allocation (2017/2018); *average global asset allocation of seven largest markets



Source: Respective annual reports

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In most OECD and many non-OECD countries, bonds and equities remain the two predominant asset classes for pension funds. While globally, there is a larger allocation to equities (40%, according to Willis Towers Watson study), the picture in Africa is different. Asset allocation in sub-Saharan Africa has continued to favour equities, which have shown a steady increase enabled by the development of capital markets and regulatory change. In Nigeria and East Africa, however, asset allocation is dominated by fixed-income allocations, mainly comprising of local bonds. When viewed alongside the high asset-growth in these regions, this can be attributed to regulation as well as a lack of alternative local investment opportunities.

Local regulation remains one of the main drivers of asset allocation. While much of African regulation is supportive of local investment, there are often significant differences between the regulatory allowances for pension funds, the size of local capital markets and actual portfolio allocations. The basis of asset allocation is reflective of several factors, including familiarity with alternative asset classes, such as private equity, development of local capital markets, and availability of investment opportunities. In many countries, assets are growing much faster than products are being brought to market, limiting investment opportunities if regulation does not allow for pension funds to invest outside of their own countries.

“Several countries, including South Africa, Botswana, Nigeria, and Namibia have led the way for alternative asset classes such as private equity.”

Several countries, including South Africa, Botswana, Nigeria, and Namibia have led the way for alternative asset classes such as private equity. South African pension funds, for example, are active in African private equity investment, both locally and across the continent, enabled by regulatory change. Since 2011, Regulation 28, which is the governing law for pension funds in South Africa allows up to 10% of pension assets to be invested in private equity, an increase from the previous 2.5% allowance for all ‘other’ asset classes. However, it is argued that this allowable allocation is not fully utilised due to several barriers such as the illiquid nature and complexity of private equity investments.

In Nigeria, the regulator, National Pension Commission (PENCOM), also prescribes restrictions such as a minimum of 75% of the private equity fund to be invested in Nigeria, registration of the fund with the Nigerian SEC, and a minimum investment of 3% in the fund by the General Partners.

Regulation can also enable regional and international diversification. Namibia, for example, allows up to 35% of assets outside the Common Monetary Area (Lesotho, South Africa, Namibia, and Swaziland) however, with a limit of 30% outside Africa, while Botswana allows up to 70% investment abroad. This diversification allows pension funds the freedom to find suitable investment opportunities without being constrained by the current limitations of local market development. Whereas, in East African countries such as Uganda and Tanzania, offshore investment is not allowed, although in Tanzania, it is unclear whether the restriction applies on a country or regional level.

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INSURANCE ASSETS UNDER MANAGEMENT IN AFRICA

The insurance industry is an important source of capital for investment on the continent. Insurance companies receive premiums from policyholders and invest in capital markets to have sufficient capital to pay back claims as they arise. This makes insurance firms key institutional investors. Insurance firms are heavily regulated, in terms of the assets that they can invest in; and this impacts the extent to which capital can be allocated.

Africa measures up quite well and has the fourth largest insurance industry in the emerging markets group. Furthermore, South Africa has the highest insurance penetration and insurance density in the emerging markets group. The South African insurance market is supported by a sound regulatory environment, diversified multichannel distribution and high level of local competition.










2.2.1 SIZE OF INSURANCE MARKETS- EMERGING MARKETS

“China’s insurance industry is significantly more developed than any other emerging market, and the Swiss Re Institute expects the insurance industry to grow by more than its 10-year historic average in 2019 and 2020.”

The African insurance industry is largely underdeveloped when comparing it to the rest of the world. Gross insurance premiums written (GPW) in Africa account for 1.56% of global GPW. South Africa is the leader in this respect, with its GPW accounting for 0.93% of global GPW. When comparing Africa to its global meaningful markets, China is the insurance market leader in emerging markets, accounting for 11.07% of global GPW. China’s insurance industry is significantly more developed than any other emerging market, and the Swiss Re Institute expects the insurance industry to grow by more than its 10-year historic average in 2019 and 2020. South

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EMERGING MARKETS










| Region | Premium Volume (USD m) | Insurance Penetration (Premiums as % GDP) | | | Share of World Market 2018 E (%) | Insurance Density (Premiums per Capita in USD) | | |
|--|---------------------------|--|------------------|----------------------|-------------------------------------|---|------------------|----------------------|
| | 2018 E | Total Business | Life Business | Non-Life Business | | Total Business | Life Business | Non-Life Business |
|  China | 574 877 | 4.22 | 2.30 | 1.92 | 11.07 | 406 | 221 | 185 |
|  India | 99 838 | 3.70 | 2.74 | 0.97 | 1.92 | 74 | 54 | 19 |
|  Brazil | 72 840 | 3.90 | 2.10 | 1.80 | 1.4 | 345 | 186 | 159 |
|  South Africa | 48 269 | 12.89 | 10.27 | 2.62 | 0.93 | 840 | 669 | 170 |
|  Mexico | 27 344 | 2.23 | 0.99 | 1.24 | 0.53 | 209 | 93 | 116 |
|  Russia | 23 593 | 1.53 | 0.47 | 1.06 | 0.45 | 164 | 50 | 114 |
|  Poland | 16 574 | 2.81 | 0.74 | 2.07 | 0.32 | 436 | 115 | 321 |
|  Turkey | 10 452 | 1.33 | 0.18 | 1.15 | 0.20 | 127 | 17 | 110 |
|  Egypt | 1 579 | 0.63 | 0.27 | 0.36 | 0.03 | 16 | 7 | 9 |

Source: Sigma 3/2019 World insurance: the great pivot east continues, RisCura analysis

2.2.2 SIZE OF INSURANCE MARKETS - FRONTIER MARKETS

Most of the African countries in our analysis are classified as frontier markets, except for Egypt and South Africa. The insurance market size in the frontier markets is considerably small and largely underdeveloped. This is evidenced by the low insurance premiums, share of world market and insurance density present in the frontier markets. It is interesting to note that Morocco, Kenya, Namibia and Tunisia have relatively high insurance penetration rates, which are comparable to the emerging market penetration rates; which indicates that although these markets have low levels of GPW, these are reasonable in relation to the size of their respective economies.

FRONTIER MARKETS

| Region | Premium Volume (USD m) | Insurance Penetration (Premiums as % GDP) | | | Share of the World Market 2018 E (%) | Insurance Density (Premiums per Capita in USD) | | |
|--|------------------------|---|---------------|-------------------|--------------------------------------|--|---------------|-------------------|
| | 2018 E | Total Business | Life Business | Non-Life Business | | Total Business | Life Business | Non-Life Business |
|  Vietnam | 5 839 | 2.42 | 1.58 | 0.85 | 0.11 | 61 | 39 | 21 |
|  Morocco | 4 579 | 3.88 | 1.82 | 2.06 | 0.09 | 127 | 59 | 67 |
|  Kenya | 2 134 | 2.37 | 0.96 | 1.42 | 0.04 | 42 | 17 | 25 |
|  Lebanon | 1 604 | 2.95 | 0.96 | 1.98 | 0.03 | 269 | 88 | 181 |
|  Nigeria | 1 220 | 0.33 | 0.15 | 0.18 | 0.02 | 6 | 3 | 3 |
|  Algeria | 1 189 | 0.68 | 0.06 | 0.62 | 0.02 | 28 | 3 | 26 |
|  Namibia | 1 009 | 7.25 | 5.19 | 2.06 | 0.02 | 390 | 279 | 111 |
|  Tunisia | 870 | 2.14 | 0.46 | 1.69 | 0.02 | 75 | 16 | 59 |
|  Zimbabwe | 735 | 3.91 | 2.44 | 1.47 | 0.01 | 43 | 27 | 16 |

Source: Sigma 3/2019 World insurance: the great pivot east continues, RisCura analysis

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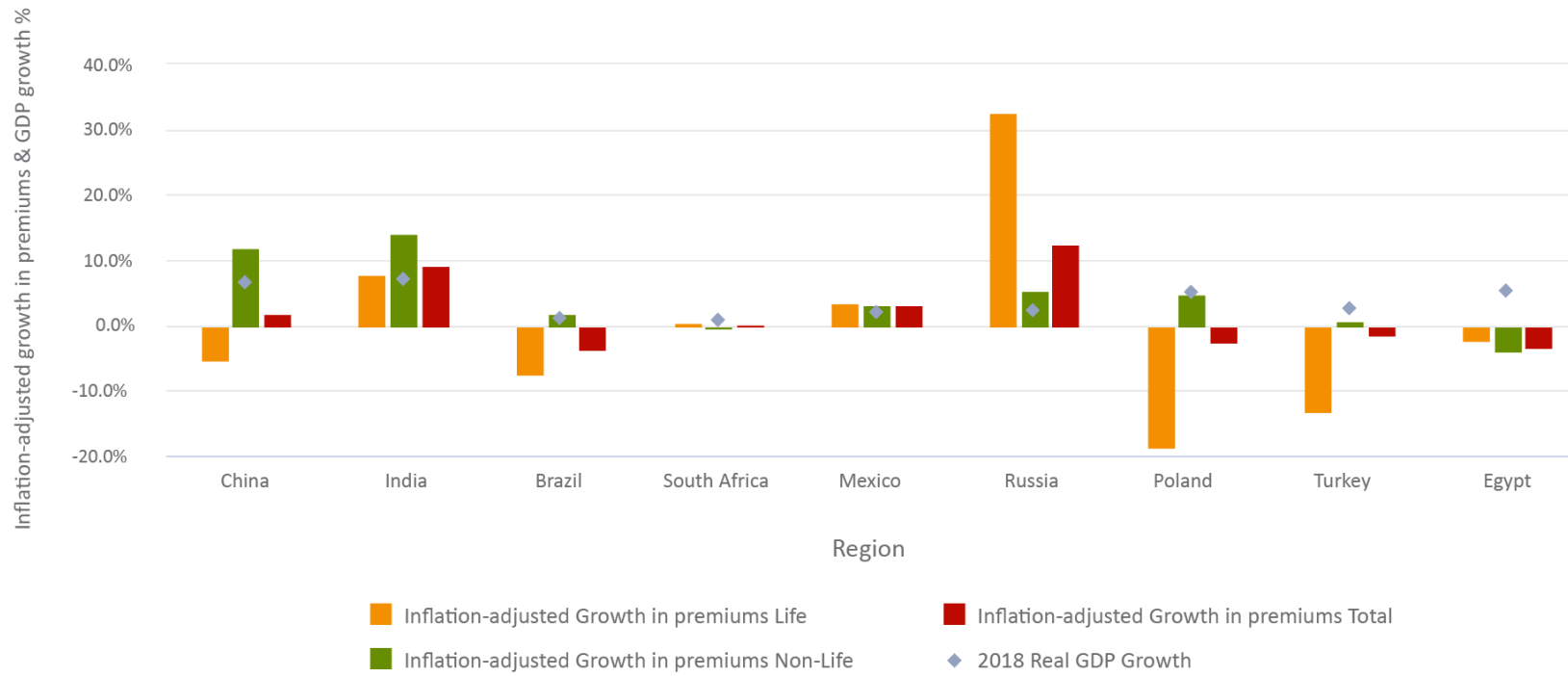
2.2.3 GROWTH INSURANCE INDUSTRY- EMERGING MARKETS

“The stagnant growth of the total premiums in South Africa is in line with the stagnant economic growth and high unemployment rates.”

Russia has experienced the highest total premium growth in 2018, at 12.5%. This is mostly driven by increased demand for loans and mortgages that drove demand for life insurance products. Mexico, India and China experienced positive total premiums growth in 2018, which was mostly driven by the non-Life premium increase. In general, the growth in non-life premiums is correlated to the macroeconomic environment, and thus positive economic growth generally supports non-life premium growth. Egypt is a clear exception in this regard. However, the reduction in total premiums is mostly due to the gross underdevelopment of the industry. The stagnant growth of the total premiums in South Africa is in line with the stagnant economic growth and high unemployment rates.

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EMERGING MARKETS PREMIUM GROWTH VS 2018 GDP GROWTH



Source: IMF World Economic Outlook, Sigma 3/2019 World insurance: the great pivot east continues, RisCura analysis

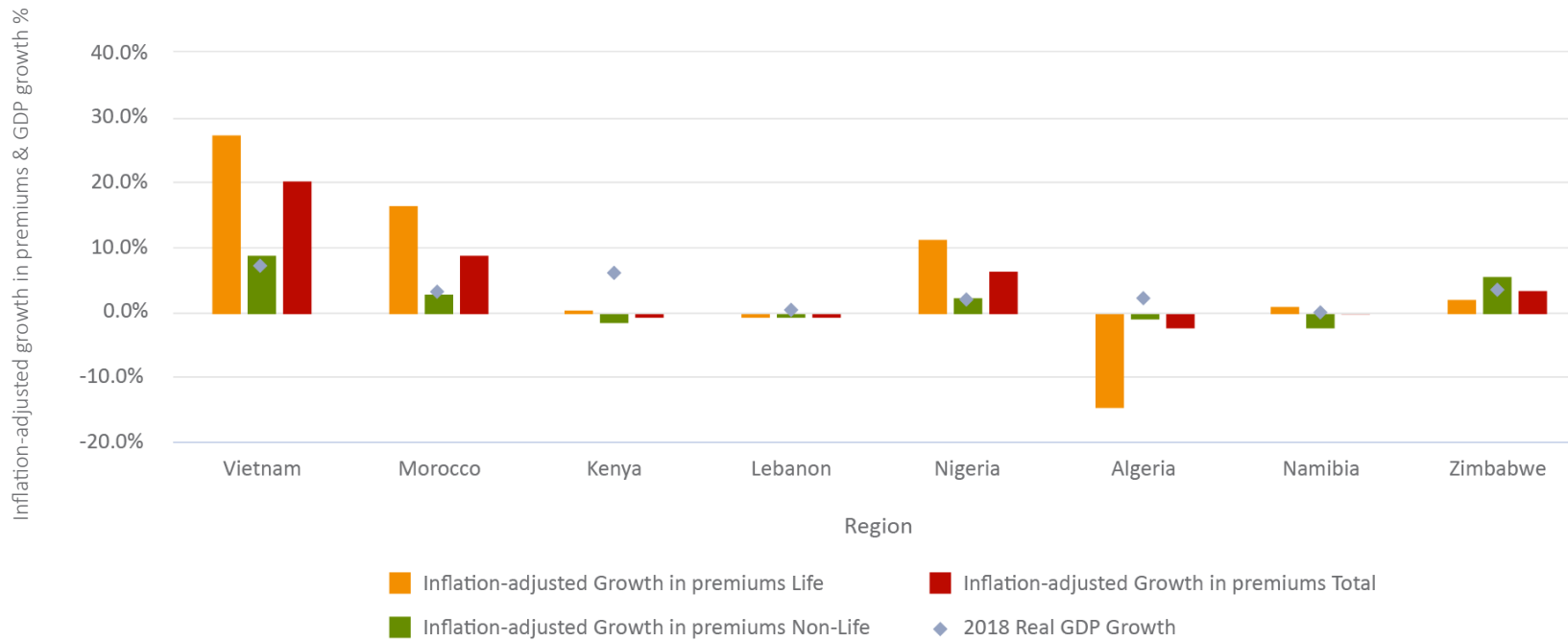
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2.2.4 GROWTH INSURANCE INDUSTRY - FRONTIER MARKETS

In Africa, Morocco, Nigeria and Zimbabwe have experienced positive total premium growth in 2018. For Morocco and Nigeria, this is mostly driven by the increase in Life premiums. The increase in savings and protection-related financial products have boosted the demand for life insurance in Nigeria. Vietnam is the clear leader in the Frontier markets, with total premiums growth of 36.5%, which has mostly been driven by growth in life premiums which surged due to strong promotion through agency and bancassurance channels. The low growth levels in Kenya are mostly due to the country's low insurance penetration levels; which also stems from the country's low levels of urbanisation.

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FRONTIER MARKETS PREMIUM GROWTH VS 2018 GDP GROWTH



Source: IMF World Economic Outlook, Sigma 3/2019 World insurance: the great pivot east continues, RisCura analysis

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DEVELOPMENT FINANCE INSTITUTIONS

While Africa's development needs are on the rise, a slowdown in the global economy is making it increasingly difficult for the continent to access international financial markets to fund its developmental objectives. This challenge is compounded as many African countries are unable to access global debt markets because their sovereign credit ratings are below investment grade. Furthermore, many African countries have considerable budgetary constraints on their public finances. A UN report estimates that between USD 600bn and USD 1.2tn will be needed annually to achieve the UN sustainable development goals (SDGs) in Africa (Source: UNCTAD).

In this context, development finance institutions (DFIs) are playing a critical role in plugging the finance gap in terms of funding development and supporting Africa's infrastructure needs. DFIs are government-funded institutions that make investments into underserved geographies, sectors and countries that would otherwise not attract significant capital. They combine the development objectives of traditional multilateral aid agencies with the commercial approach of private-sector banks and investors. DFIs require commercial viability in the projects they invest in and seek sustainable returns. While DFIs are mostly government-funded, they often sustain their operations and growth from their investment returns. A crucial role of DFIs is to mobilise capital from private investors by being 'first-movers' and derisking projects that are often considered too high risk by private investors.

“Some of the major DFIs investing in Africa are the International Finance Corporation (IFC), the Overseas Private Investment Corporation (OPIC), as well as several European DFIs such as the European Investment Bank, the CDC, DEG, FMO, Proarco, Swedfund, Norfund and several others.”

Some of the major DFIs investing in Africa are the International Finance Corporation (IFC), the Overseas Private Investment Corporation (OPIC), as well as several European DFIs such as the European Investment Bank, the CDC, DEG, FMO, Proarco, Swedfund, Norfund and several others. There are also a few African DFIs, the most prominent being the African Development Bank (AfDB).

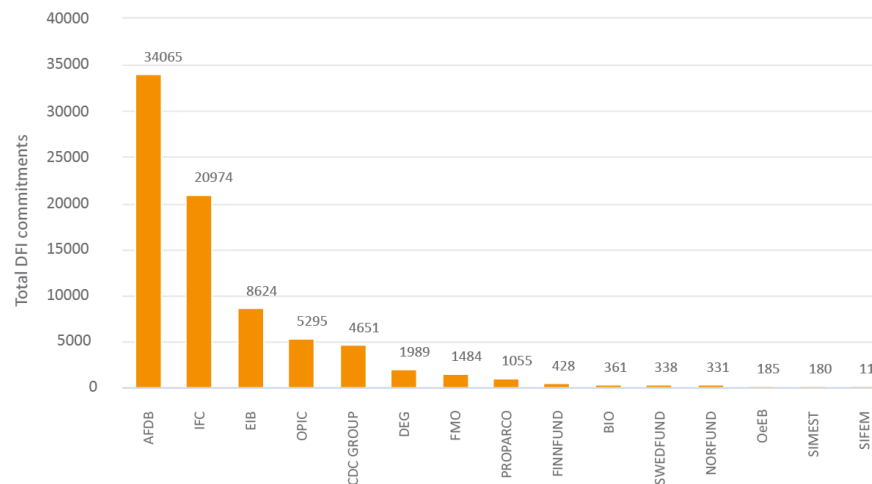
Only in the last few years have the DFIs started publishing summary information of their investment projects. However, the information is presented in ways that make aggregation and comparison across DFIs challenging. The dataset reviewed covers a considerable portion of total DFI flows, but does not cover several prominent multilateral institutions and regional institutions such as the European Bank for Reconstruction and Development, the Asian, African and InterAmerican Development Banks or the Industrial Development Corporation (IDC).

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2.3.1 TOTAL DFI COMMITMENTS

As at 2018, total DFI commitments to Africa amounted to USD 80bn. The most significant DFI in terms of commitments to Africa is the AfDB with total commitments of USD 34.1bn. Next is the IFC (USD 21.0bn), EIB (USD 8.6bn), CDC (USD 4.6bn). The DEG, FMO and Proparco also have material commitments of USD 2.0bn, USD 1.5bn and USD 1.1bn, respectively. These top eight DFIs make up 97.58% of total DFI commitments in our data set.

TOTAL DFI COMMITMENTS (USDm)



Source: EDFI, AfDB, IFC, EIB OPIC, RisCura analysis

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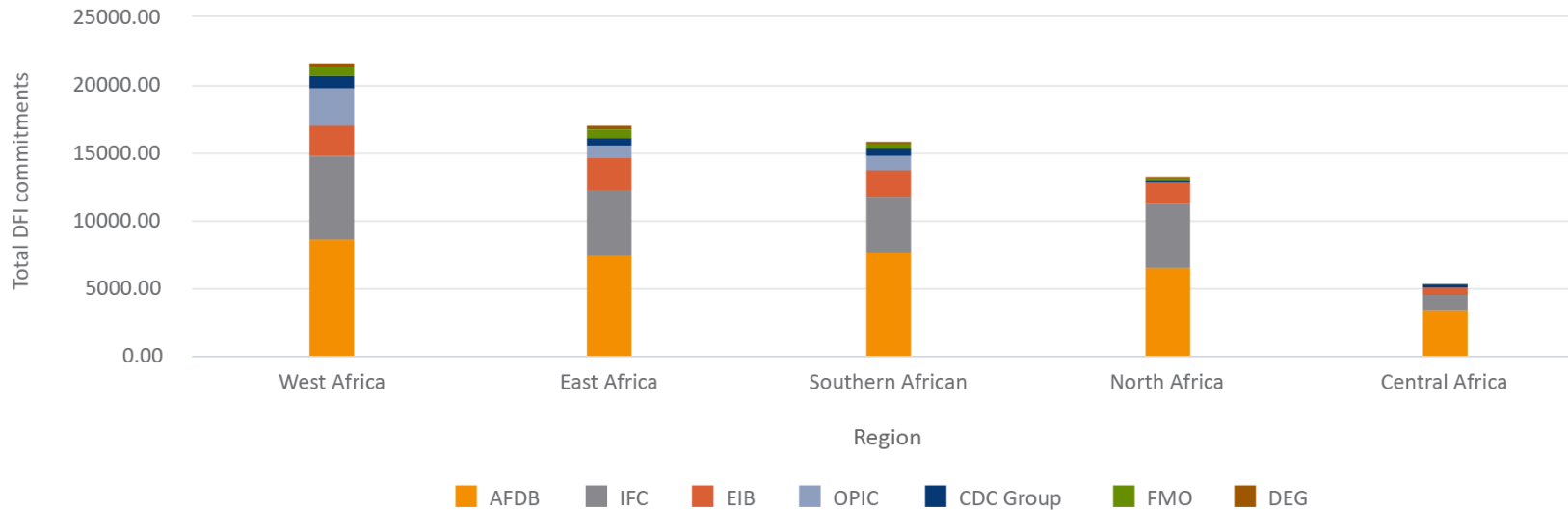
2.3.2 DFI COMMITMENTS BY REGION

Unsurprisingly, out of the top seven DFIs by commitments (Proparco not included as does not report regional breakdown), the AfDB and the IFC have the largest commitments across all five African regions followed by the EIB and OPIC. West Africa received the most in DFI commitments at USD 21bn, followed by East Africa (USD 17.3bn) and Southern Africa (USD 16.5bn).

Note: OPIC figures for North Africa are combined with the Middle East and therefore not shown in this graph.

Note: Proparco not included as does not disclose regional breakdown.

DFI COMMITMENTS BY REGION (USDm)



Source: AfDB, IFC, EIB, OPIC, CDC Group, FMO DEG Norfund, RisCura analysis

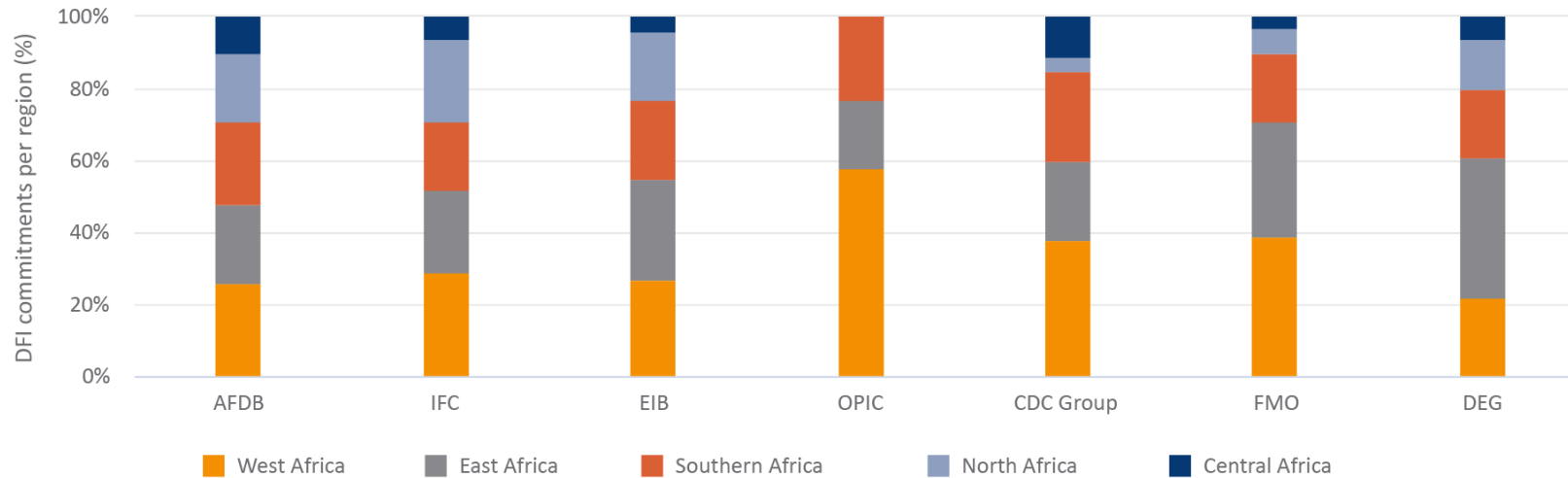
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Most of the DFIs had a somewhat consistent allocation of their portfolios to the different regions with no significant concentration to any particular region. OPIC has a higher concentration of its portfolio invested in West Africa at 58% with no exposure to Central Africa. The DEG had some concentration in East Africa which constituted 39% of its portfolio. On average, 31% of the DFIs' portfolios were invested in West Africa, 27% in East Africa, 26% in Southern Africa, 11% in North Africa and 5% in Central Africa.

Note: OPIC figures for North Africa are combined with the Middle East and therefore not shown in this graph.

Note: Proparco not included as does not disclose regional breakdown.

REGIONAL DFI PORTFOLIO BREAKDOWN (%)



Source: AfDB, IFC, EIB, OPIC, CDC Group, FMO DEG Norfund, RisCura analysis

2.3.3 DFI COMMITMENTS BY COUNTRY

“It’s important to note that South Africa has three major local DFIs (not included in data set), the Industrial Development Corporation (IDC), Development Bank of South Africa (DBSA) and the National Empowerment Fund (NEF) that have disbursed more capital (USD 17.1bn) in Southern Africa than all the international DFIs combined (Source: GIIN).”

Although DFI commitments to the African regions appear evenly disbursed, when looking at the individual country allocations, the differences become starker. In Southern Africa, South Africa has the lion’s share of DFI commitments. Of the USD 8.6bn disbursed in the region (excludes AfDB and EIB as country breakdown not provided), almost USD 4.6bn (almost 70%) was disbursed to South Africa. This is over five times higher than that committed to Mozambique and seven times higher than that committed to Zambia, the two countries with the next most in DFI commitments. The high allocation to South Africa reflects the investable opportunities in South Africa, which has a much larger market. It’s important to note that South Africa has three major local DFIs (not included in data set), the Industrial Development Corporation (IDC), Development Bank of South Africa (DBSA) and the National Empowerment Fund (NEF) that have disbursed more capital (USD 17.1bn) in Southern Africa than all the international DFIs combined (Source: GIIN).

In East Africa, investments in Kenya make up almost 50% of DFI commitments, followed by Ethiopia (19%), Uganda (17%) and Tanzania (14%). Together, these four countries account for 98% of DFI funding in the region. Kenya’s dominance in the

region can be attributed to several significant investments into renewable energy projects in the country’s growing energy sector.

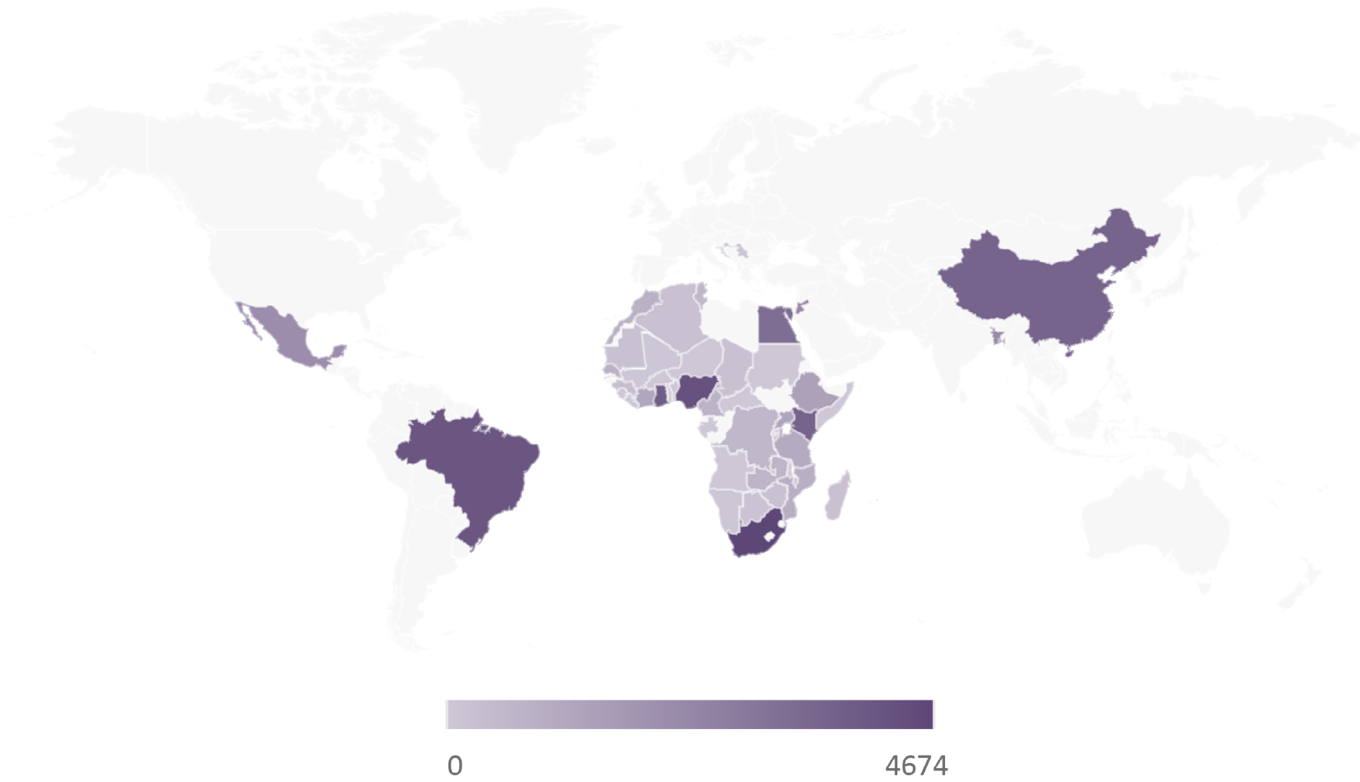
West Africa follows the same trend as the other regions with DFI investment concentrated in just two countries. Of the USD 10.7bn deployed (excludes AfDB, EIB and Proparco), Nigeria accounts for USD 4.3bn (40% of DFI commitments), and Ghana accounts for USD 3.9bn (36% of DFI commitments). The next highest recipients of DFI funding are the two francophone countries of Cote d’Ivoire and Senegal, which account for 11% and 7% of DFI commitments, respectively.

In Central Africa, Cameroon, DRC and Chad make up 47%, 38% and 13% of the USD 1.6bn of DFI disbursements, respectively. While in North Africa, Egypt accounts for 64% (USD 3.2bn) of DFI commitments, followed by Morocco at 16% (USD 0.8bn) and Tunisia at 11% (USD 0.6bn)

Comparing Africa to its meaningful markets, in terms of the emerging markets, Brazil, China and Mexico attracted USD 4.1bn, USD 3.6bn and USD 2.1bn, respectively. South Africa and Egypt attracted similar amounts in DFI commitments of USD 4.6bn and USD 3.2bn respectively. In the case of the meaningful frontier markets, Bangladesh and Jordan each received roughly USD 2.2bn in DFI disbursements, which is higher than the prominent African frontier markets of Ethiopia, Tanzania, Uganda, and Cote d’Ivoire but significantly less than Nigeria, Ghana and Kenya, which received USD 4.3bn, USD 3.9bn and USD 3.6bn, respectively.

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DFI COMMITMENTS BY COUNTRY (USDm)



Note: AFDB, EIB and Proparco excluded as they do not provide country breakdown of their commitments.

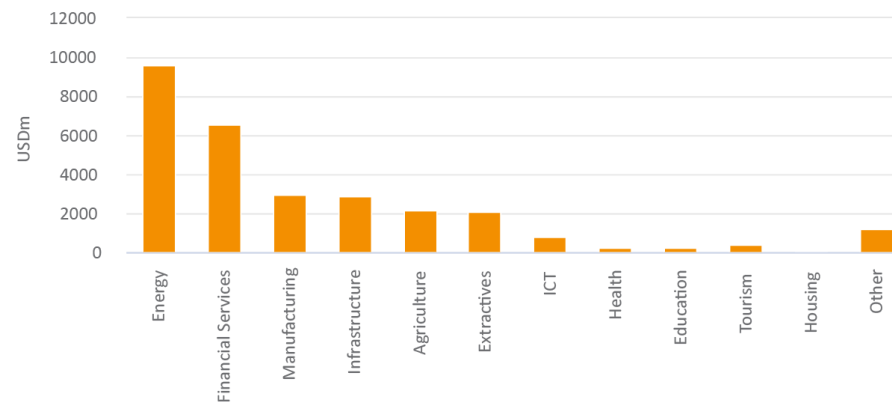
Source: IFC, OPIC, CDC Group, FMO DEG Norfund, RisCura analysis

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2.3.4 DIRECT DFI COMMITMENTS BY COUNTRY

DFIs focus on sectors that can absorb large amounts of capital while still delivering their development priorities. The preference for large deals naturally attracts DFIs to capital-intensive industries, such as energy, manufacturing and infrastructure. Furthermore, the costs associated with due diligence and structuring deals leads DFIs to focus on a smaller number of larger investment opportunities. In sub-Saharan Africa, energy (9.6bn), financial services (USD 6.6bn), manufacturing (USD 3.0bn) and infrastructure (USD 2.9bn) have attracted the most in DFI commitments. The agricultural sector and extractives have also attracted a significant amount of investment at USD 2.2bn and USD 2.1bn, respectively. While DFI disbursements to health and education services were modest (under 2% of disbursements). The reason for the significant investments in the financial services sector is due, in part, to local banks and financial institutions establishing a presence in their local markets and perceiving lower risks. DFIs also indirectly invest across the sectors through their investment in private equity funds. Only direct DFI investments have been reported in the below charts.

DIRECT DFI SECTOR COMMITMENTS (USDm)



Note: As at 2015. Data set excludes North Africa.

Source: GINN, RisCura analysis

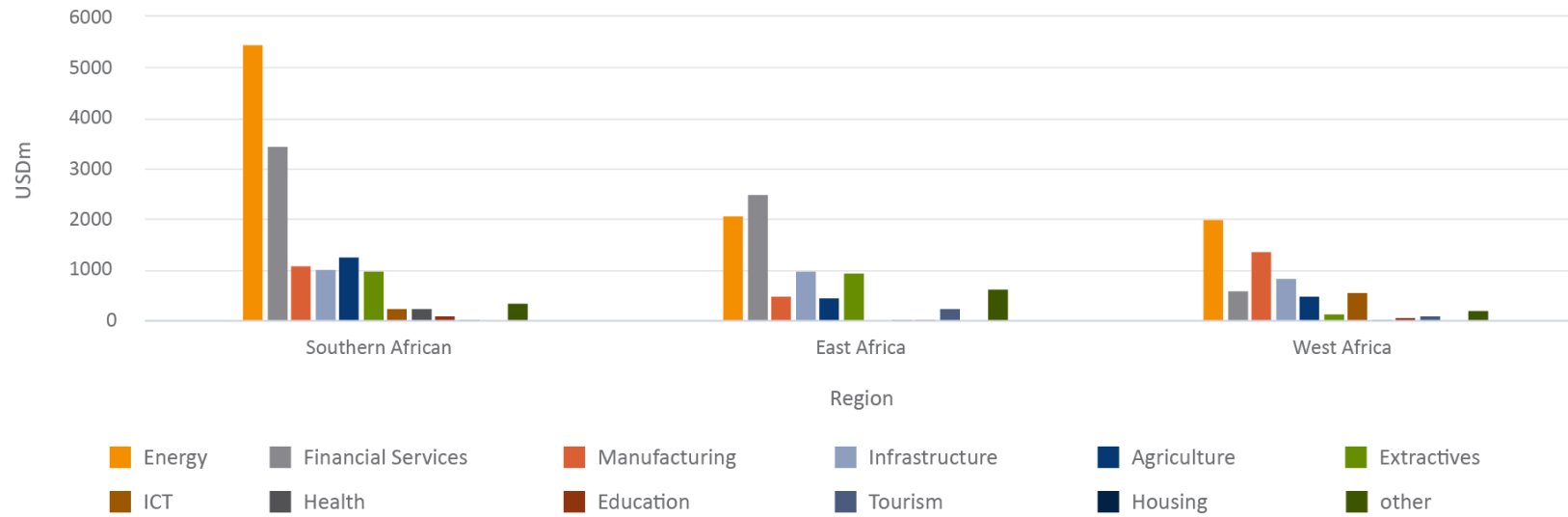
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“In Southern Africa, the energy sector attracted the most in DFI commitments at USD 5.5bn.”

While energy, financial services, manufacturing and infrastructure sectors typically received the largest amount of DFI disbursements, there are some differences in the various African regions. In Southern Africa, the energy sector attracted the most in DFI commitments at USD 5.5bn. This was followed by financial services (USD 3.5bn) and agriculture (USD 1.4bn). In East Africa, the top three sectors that received DFI funding were financial services (USD 2.5bn), energy (USD 2.1bn) and infrastructure (USD 1.0bn). In West Africa, the energy sector also received the most in DFI funding at USD 2.0bn. However, manufacturing and infrastructure were next at USD 1.4bn and USD 0.8bn, respectively.

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REGIONAL BREAKDOWN OF DIRECT DFI COMMITMENTS BY SECTOR (USDM)



Note: As at 2015, data set excludes North Africa

Source: GINN, RisCura analysis

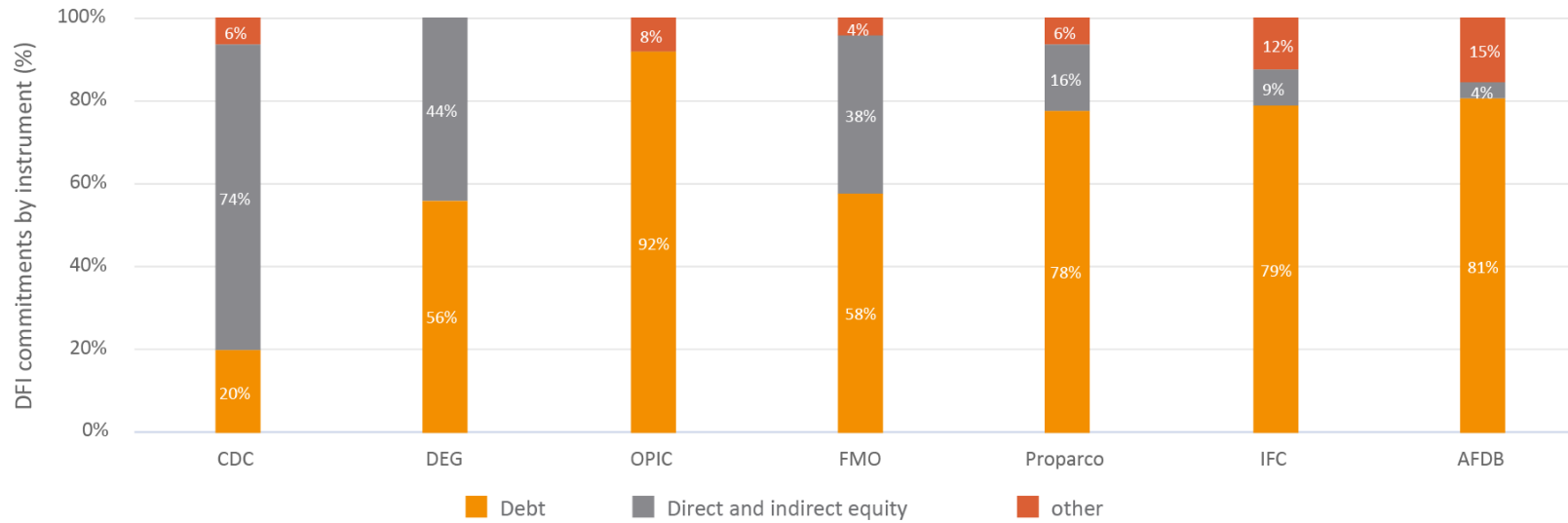
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2.3.7 DIRECT DFI COMMITMENTS BY INSTRUMENT

Except for the CDC, most DFIs commitments are in the form of debt. This reflects the nature of project finance for energy and infrastructure projects. DFIs also lack the internal structures and resources to provide substantial oversight that direct equity investments require. However, many DFIs have successfully been making equity investments by taking minority stakes; and in some cases, DFIs have invested both debt and equity into the same investee. Many DFIs have indirect equity exposure through their investments in private equity funds. Overall, equity investments are generally smaller than debt investments. Amongst the various DFIs, the types of financing instruments of their portfolios is varied. In the case of the CDC, 74% of its commitments are in the form of direct and indirect equity, while OPIC is one of the few DFIs that does not offer equity and the only DFI that provides political risk insurance.

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DFI INSTRUMENT COMMITMENTS (%)



Note: Indirect equity includes investments in private equity funds and other includes guarantees and political risk insurance.

Source: EDFI, IFC, OPIC, AFDB, RisCura analysis

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BANKS

Banks play a crucial role in the efficiency of an economy by allocating funds from savers to borrowers, at ideally, the lowest cost available in a given market. Banks are critical for facilitating financial inclusion in developing economies. Financial inclusion is imperative for poverty reduction and inclusive economic growth. Considerable economic and demographic variations across African countries have translated into vastly different banking sectors per country.

2.4.1 THE BANKING INDUSTRY IN AFRICA

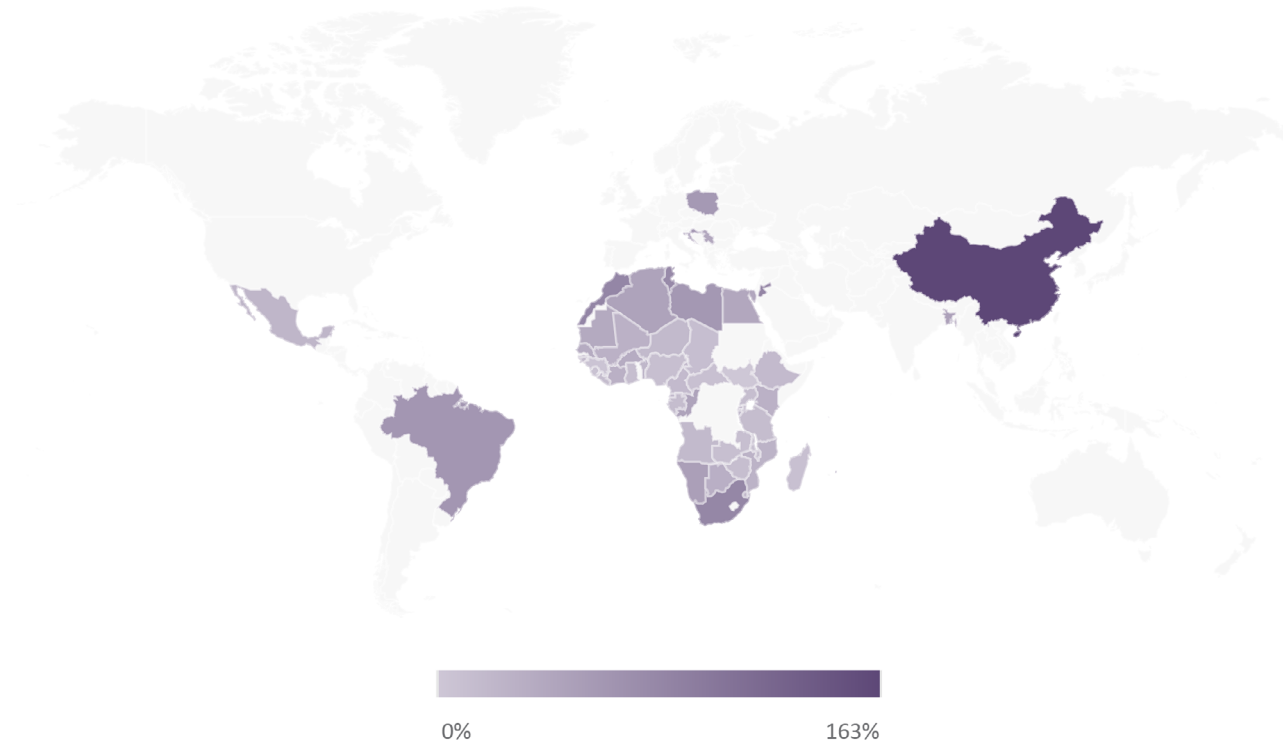
Financial depth is a measure used to capture the financial sector relative to the economy and is defined as the size of a country's financial institutions relative to its GDP. The measure used for financial depth is private credit as a percentage of GDP. A high rate represents higher access to capital for customers within an economy. Financial depth varies significantly across the various African markets. Interestingly, Nigeria has the highest population in the continent, but it also has low private credit to GDP at 10%. This presents opportunities for the banking sector to increase its penetration of the country's underbanked areas. Nigeria's gross national income (GNI) is within the low income (LIC) to low-middle-income (LMIC) range at USD 1 960. Among African countries, Mauritius has the highest private credit to GDP at 95% and a GNI of USD 12 050, which is within the upper-middle-income (UMIC) and high income (HIC) range, while South Sudan has the lowest at 0.26%. Among the comparable emerging markets, China has the highest private debt to GDP at 163% with a GNI of USD 9 470 which is in the UMIC and HIC range, while Mexico has the lowest at 22% with a GNI of USD 9 180 which is also in the UMIC and HIC range.

An analysis of the African regions shows that the Maghreb region has the highest private credit to GDP on a weighted average basis at 25%.

An analysis of the African regions shows that the Maghreb region has the highest private credit to GDP on a weighted average basis at 25%. Southern Africa ex SA has the next highest private credit to GDP at 21%, followed by Francophone West Africa at 17%.

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CLIENT LOANS AS A PERCENTAGE OF GDP



Note: For the current 2019 fiscal year, low-income countries are defined as those with a GNI per capita of US\$995 or less in 2017, lower-middle-income countries fall within the US\$996 to US\$3 895 range and upper-middle-income are between US\$ 3 896 and US\$ 12 055.

Source: Fitch Solutions, RisCura analysis

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2.4.2 AUM

Mozambique has the smallest banking sector by AUM, and it consists of just one bank.

South Africa being Africa's most advanced economy has the biggest banking sector by total assets. Egypt has the second biggest banking sector by total assets. It does not come as a surprise that South Africa and Egypt have the biggest and second-biggest banking sector in the continent, given that these are the only countries classified as emerging markets. Interestingly, South Africa's banking sector total assets are double that of Egypt, while the latter has double the number of banks as compared to South Africa. This highlights the concentration of the banking sector, especially in South Africa. Mozambique has the smallest banking sector by AUM, and it consists of just one bank.

Banking capital in Africa is concentrated between the top five countries as measured by total assets. These countries are South Africa, Egypt, Morocco, Nigeria and Algeria. The banking sector of these countries makes up 83% of the continent's total banking assets. Tier one capital held by banks in the top five countries makes up 78% of total tier one capital. Interestingly, among the top five countries, Nigeria has the highest tier one capital as a percentage of total assets at 10% followed by South Africa, Morocco and Algeria at 8%. While Egypt has the lowest tier one capital as a percentage of total assets at 7%. Egypt has, however, grown tier one capital by 31% from 2017 to 2018, which is the most growth among the top five countries. Most of the capital invested by banks is invested in fixed income instruments, especially government debt instruments. Banks are geared towards fixed income instruments because of liquidity requirements. Banks are required to invest in government bonds under the liquidity coverage ratio. These fixed income instruments are also used as collateral by central banks in repurchase agreement transactions.


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| Country | Banks in Ranking | Total Assets (USD m) | Asset Growth (%) | % of Assets in Ranking | Tier 1 Capital (USD m) | Agg. Tier 1 Growth % | # of Foreign Owned Subsidiaries (FOS) | FOS as % of Assets |
|--|------------------|----------------------|------------------|------------------------|------------------------|----------------------|---------------------------------------|--------------------|
|  South Africa | 8 | 495 074 | 16.5 | 39.8 | 37 510 | 19.4 | 1 | 0.2 |
|  Egypt | 14 | 203 659 | 0.3 | 16.4 | 15 150 | 30.6 | 6 | 15.3 |
|  Morocco | 9 | 166 091 | 16.3 | 13.3 | 13 701 | 11.3 | 3 | 13.4 |
|  Nigeria | 14 | 111 150 | 11.5 | 8.9 | 11 394 | 10.6 | 4 | 14.8 |
|  Algeria | 5 | 59 250 | 7.1 | 4.8 | 4 671 | 4.5 | 3 | 12.6 |
|  Kenya | 10 | 32 761 | 9.4 | 2.6 | 4 512 | 5.0 | 3 | 23.8 |
|  Angola | 7 | 48 005 | 1.5 | 3.9 | 4 214 | 2.4 | 2 | 17.1 |
|  Mauritius | 7 | 48 005 | 1.5 | 3.9 | 4 214 | 2.4 | 2 | 17.1 |
|  Togo | 1 | 22 432 | 9.4 | 1.8 | 3 179 | 5.1 | 0 | 0 |
|  Tunisia | 9 | 32 227 | 7.7 | 2.6 | 2 591 | 6.6 | 3 | 25.6 |
|  Gabon | 1 | 5 452 | 15.6 | 0.4 | 798 | 25.2 | 0 | 0 |
|  Botswana | 3 | 4 756 | 13.6 | 0.4 | 793 | 17.8 | 2 | 80.9 |

Source: www.thebankerdatabase.com, RisCura analysis

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| Country | Banks in Ranking | Total Assets (USD m) | Asset Growth (%) | % of Assets in Ranking | Tier 1 Capital (USD m) | Agg. Tier 1 Growth % | # of Foreign Owned Subsidiaries (FOS) | FOS as % of Assets |
|--|------------------|----------------------|------------------|------------------------|------------------------|----------------------|---------------------------------------|--------------------|
|  Namibia | 3 | 7 782 | 24.7 | 0.6 | 783 | 25.1 | 2 | 67.6 |
|  Mali | 1 | 9 228 | 12.2 | 0.7 | 646 | -3.2 | 1 | 100 |
|  Tanzania | 2 | 5 112 | 7.3 | 0.4 | 561 | 1.3 | 1 | 48.2 |
|  Ghana | 2 | 3 369 | 23.2 | 0.3 | 413 | 25.1 | 1 | 35.4 |
|  Sudan | 1 | 5 342 | 93.4 | 0.4 | 289 | 32.8 | 1 | 100 |
|  Uganda | 1 | 1 487 | 17.0 | 0.1 | 181 | 20.1 | 1 | 100 |
|  Mozambique | 1 | 1 481 | 32.6 | 0.1 | 170 | 53.7 | 1 | 100 |
|  Ethiopia | 1 | 1 816 | 27.1 | 0.2 | 165 | 12.5 | 0 | 0 |
| Total | 100 | 1 245 420 | 11.6 | 100 | 105 118 | 15 | 40 | 11.7 |

Source: www.thebankerdatabase.com, RisCura analysis

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Listed Equity

The liquidity of Africa's exchanges took a significant knock in 2019 and the cost of trading on its stock exchanges is significantly higher than in developed markets.

AFRICA'S STOCK EXCHANGES

3.1.1 LIQUIDITY

Like many emerging and frontier markets, the liquidity of Africa's exchanges took a significant knock in 2019. On aggregate, the average daily turnover dropped by 30% from 2018 to 2019. The decline is primarily due to the emerging markets contagion in the second half of 2018, which led to an overall withdrawal of capital by investors from emerging and frontier markets.

“Apart from the Stock Exchange of Mauritius (MUSE), which experienced a 57% increase in daily turnover, all other exchanges experienced a decline in daily turnover when compared to 2018.”

Apart from the Stock Exchange of Mauritius (MUSE), which experienced a 57% increase in daily turnover, all other exchanges experienced a decline in daily turnover when compared to 2018. The improvement in the MUSE daily turnover is partially due to an increased size of the real estate sector. According to the IMF, there were significant foreign direct investments into the offshore and real estate sectors. The drying up of liquidity in other African countries is mainly due to a global risk-off environment. Turkey's currency and debt crisis in the second half of 2018 contributed to the risk-off environment as it led to the emerging market contagion. The Cairo and Alexandria Stock Exchange (CASE) and the Lusaka Stock Exchange (LUSE) had more substantial decreases in liquidity at 43% and 94%, respectively. The LUSE was affected by credit downgrades by Fitch and Moody's during the second half of 2018 and contradictory monetary policy through an increase in interest rates during May 2019. The CASE saw a relatively less substantial decrease due to the higher liquidity compared to other Africa markets (ex SA). The challenging macro environment

deterred state-owned companies in Egypt from listing in the exchange; these IPO's were expected to improve liquidity in the exchange.

The Johannesburg Stock Exchange (JSE) remains Africa's largest and most liquid stock exchange with USD 1 431m traded daily. The second-largest and most liquid exchange with a daily turnover of USD 44m is the CASE. The fact that South Africa and Egypt have the highest and second-highest daily turnover does not come as a surprise given that these are the only two emerging markets as classified by MSCI. Of the comparable emerging markets, Bolsa de Valcres de Sao Paulo (BOVESPA) has an average daily turnover, equivalent to South Africa at USD 1 856m, while the Bolsa Mexicana de Valcres (BVM) and Warsaw Stock Exchange (WSE) have a daily turnover of USD 326m and USD 212m, respectively.

“Of the comparable frontier markets, only the Dhaka Stock Exchange (DSE) has a high daily turnover at USD 66m.”

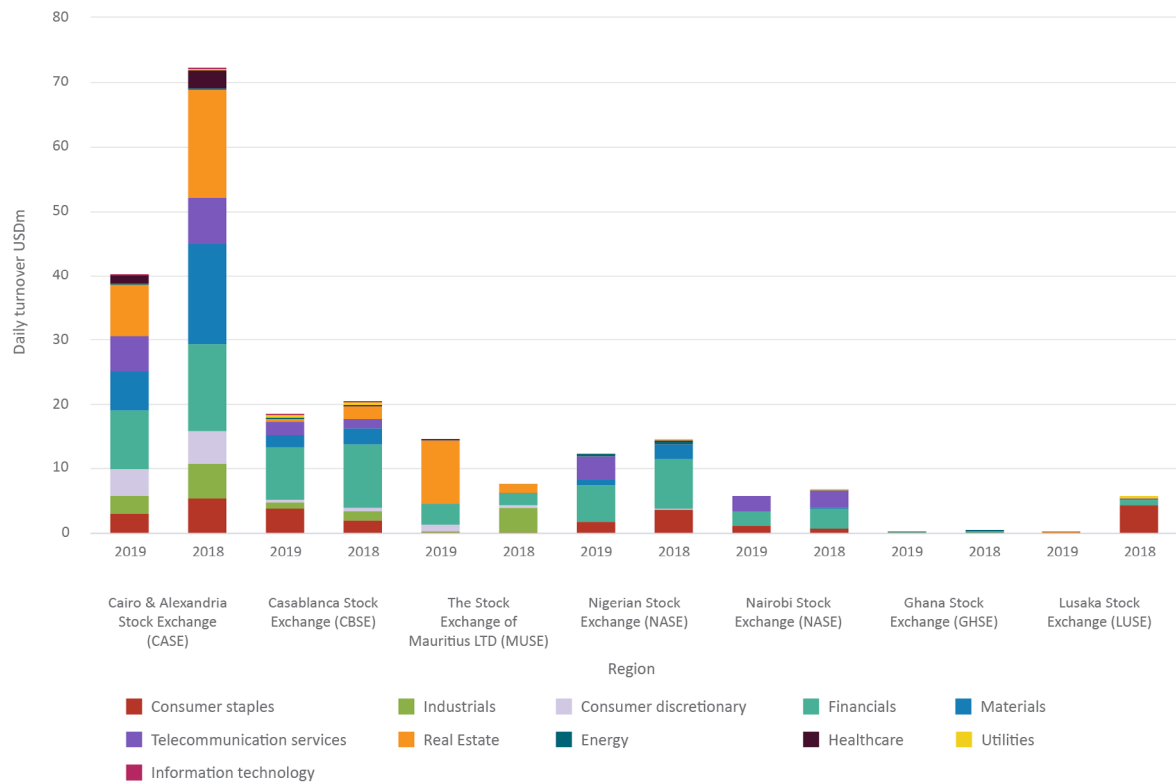
The next most liquid exchange, by turnover for 2019, is the Casablanca Stock Exchange (CBSE) followed by the MUSE, at USD 19m and USD 15m, respectively, but this still represents less than 1% of the daily trade on the JSE. Interestingly, the MUSE has overtaken the Nigerian Stock Exchange (NGSE) as the third biggest stock exchange by turnover. Of the comparable frontier markets, only the Dhaka Stock Exchange (DSE) has a high daily turnover at USD 66m.

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The financial sector has, on average, the highest daily turnover value across the African exchanges (ex. JSE) and continues to account for most of the market capitalisation. The real estate sector has the next highest daily turnover. Of the capital held within the financial sector, 59% of this is concentrated across the CBSE, CASE and MUSE exchanges at, 30%, 18% and 11%, respectively. While the real estate sector is 96% concentrated across the MUSE and CASE at 53% and 43%, respectively.

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DAILY TURNOVER OVER TIME BY SECTOR



Source: S&P Capital IQ, RisCura analysis

3.1.2 COST OF TRADING

The cost of trading on African exchanges is substantially higher than developed markets, particularly in sub-Saharan African exchanges (ex. SA and Mozambique). A substantial portion of trading fees is made up of brokerage commissions. In South Africa, the significant portion of other fees mostly represents Securities Transfer Tax, which is not charged in most developed markets.

The limited pool of licensed brokers in each country limits the ability of investors to switch to a more affordable competitor. In addition, the low trade volumes on these exchanges means that brokers have to charge more on each trade to cover their costs. It's a difficult position for investors to be in as there is little incentive for brokers to lower their fees.

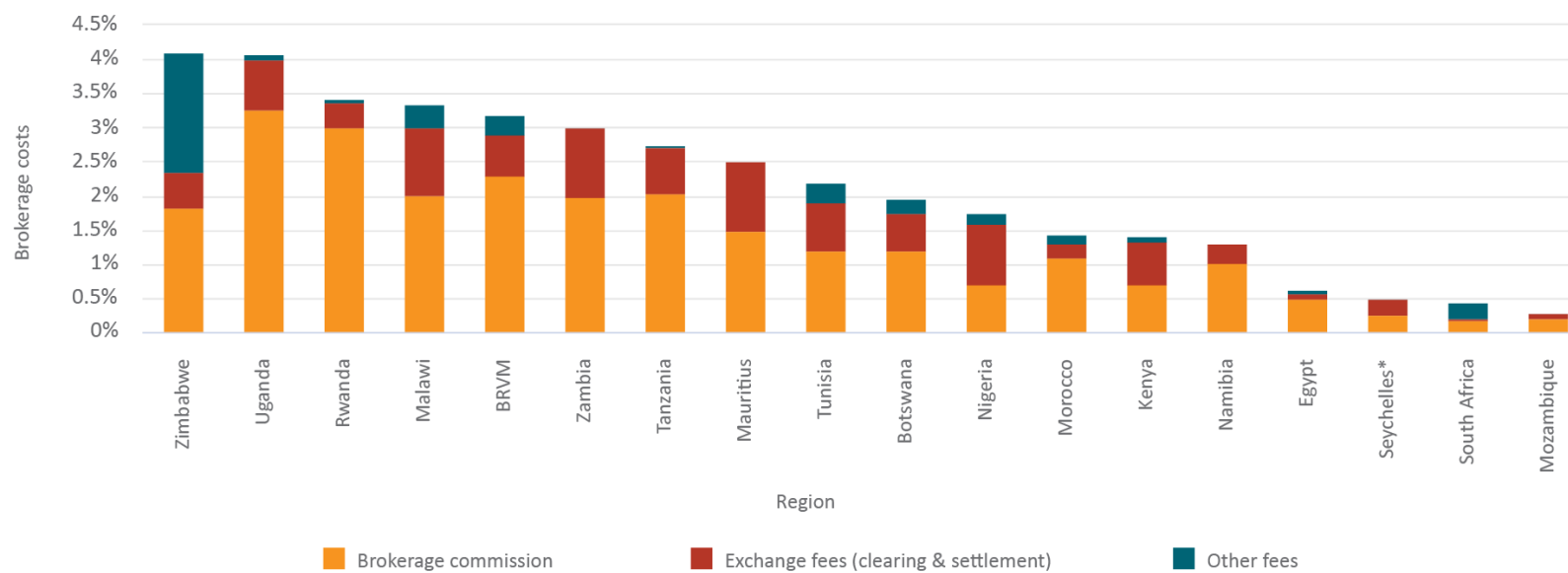
“Mozambique has the lowest trading costs, while Zimbabwe has the highest trading costs. South Africa has the lowest brokerage commissions at 0.18%, and Uganda has the highest brokerage commissions at 3.28%.”

The cost of trading below represents the round trip costs for each transaction. Trading costs of up to 4% make short-term trading strategies expensive, further reducing the liquidity in these markets. Both Zimbabwe and Uganda have trading costs that exceed 4%. Mozambique has the lowest trading costs, while Zimbabwe has the highest trading costs. South Africa has the lowest brokerage commissions at 0.18%, and Uganda has the highest brokerage commissions at 3.28%. South Africa has the lowest exchange fees at 0.01%, while Malawi, Zambia and Mauritius have the highest exchange fees at 1%. Since investors consider transaction costs in their investment decisions, the markets with high transaction costs also have low liquidity. Brokerage commissions are regulated at 0.92% in Zimbabwe, and 1.5% Rwanda and BRVM on single trip costs.

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BROKERAGE COMMISSIONS SUBSTANTIAL COST IN AFRICA EXCHANGES

Explicit costs - Total transaction fees for investing into a share



Note: This is data last obtained in 2018. More recent data could not be reliably obtained at the time of publishing this report.

Source: African Alliance, Barclays Africa, Mozambique Stock Exchange (BVM), RisCura analysis.

3.1.3 INVESTABILITY OF AFRICA'S LISTED MARKETS

A driving factor of investability is the size of the free-float, which represents the proportion of a listed company's shares that is available for active trading. Thus, it excludes any director's holdings, shares with lock-in periods and those otherwise held without the intention of trading because of a regulatory or commercial requirement. Excluding these shares from the liquidity consideration provides a more accurate representation of the investability and liquidity of an exchange.

The JSE, which is not shown due to its comparative size, has an adjusted market capitalisation of USD 852bn and a free-float of 76%. In the emerging markets, the JSE has the third-highest market capitalisation after the Shanghai Stock Exchange (SHSE) at USD 1.4trn with a free-float of 43% and the Shenzhen Stock Exchange (SZSE) at USD 918bn with a free-float of 48%. In the comparable frontier markets, the Dhaka Stock Exchange (DSE) has the highest market capitalisation at USD 38bn with a free-float of 31%. The Casablanca Stock Exchange (CBSE) has the highest market capitalisation among the comparable frontier markets.

“Interestingly, the four largest exchanges (ex. SA) measured by market capitalisation (CBSE, CASE, NGSE and NASE) had lower free-floats, while the smaller exchanges by market capitalisation tended to have higher free-floats.”

The lack of liquidity across the African exchanges is further shown by the relatively low levels of free-float across several African exchanges. Interestingly, the four largest exchanges (ex. SA) measured by market capitalisation (CBSE, CASE, NGSE and

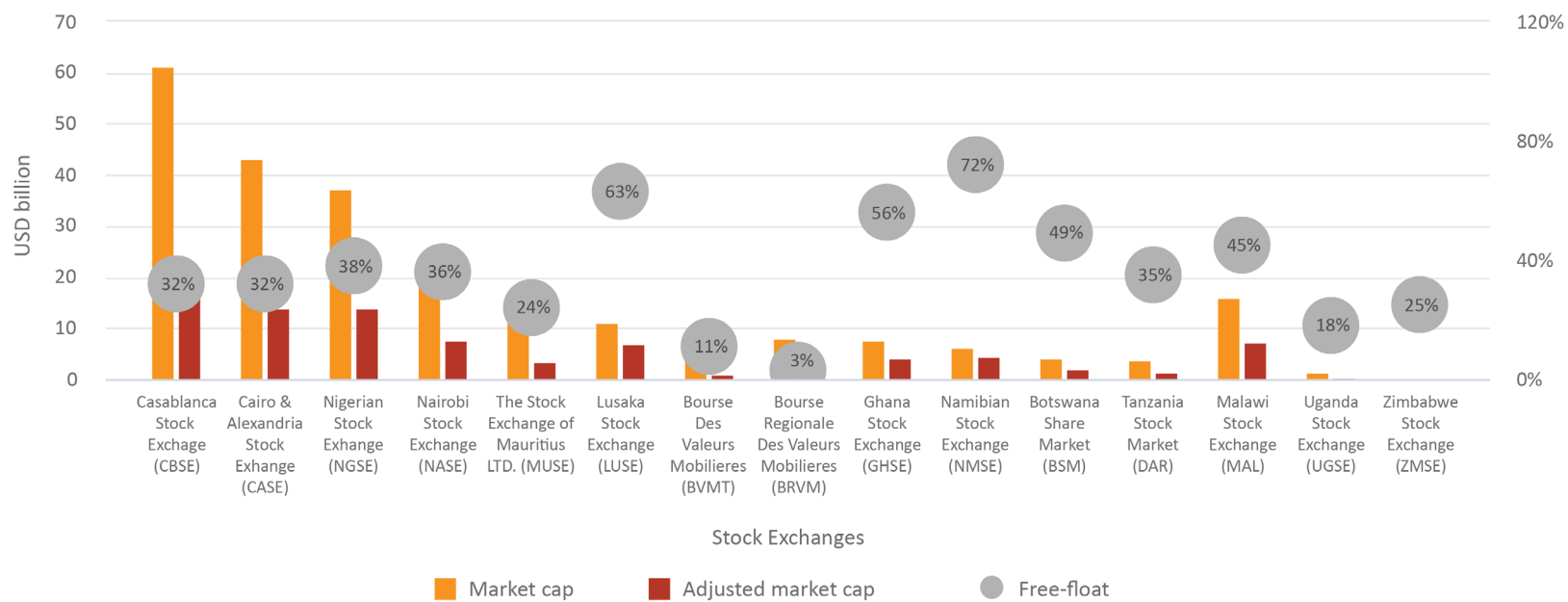
NASE) had lower free-floats, while the smaller exchanges by market capitalisation tended to have higher free-floats. The significant difference between the market capitalisation and adjusted market capitalisation of the four largest exchanges is mainly due to their relatively low free-floats.

The JSE ranks the highest in terms of market capitalisation and on an adjusted market capitalisation basis. It also has the highest free float of 76%. Outside of the JSE, the CBSE leads the group of African exchanges as having both the highest market capitalisation and adjusted market capitalisation. While the CASE ranks ahead of the NGSE in terms of market capitalisation, it has a slightly lower adjusted market capitalisation due to the relatively lower free-float. It is interesting to note that despite the CASE's relatively low level of free-float of 32% it has the highest daily value traded (ex. JSE) by far.

The Namibian stock exchange (NMSE) exhibits the highest free-float (ex. JSE) at 72%, followed by the LUSE at 63%. In this report's 2018 edition, the Ghana Stock Exchange (GHSE) had the highest free float (ex JSE) at 66%, which has since decreased to 56%. The lowest free-float level relates to the Bourse Régionale des Valeurs Mobilières (BRVM) exchange, which has a free-float level of only 4%.

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MARKET CAPITALISATION VS. ADJUSTED MARKET CAPITALISATION



Source: S&P Capital IQ, RisCura analysis

Private Equity in Africa

Fundraising activity on the continent remained relatively stable, most regions showed an increase in cost of equity, transaction activity is up since 2017, the upward trend in multiples continues and Information Technology and Consumer Discretionary remain the two sectors with the highest investment activity.

MARKET CONDITIONS

In this section, the market conditions that influence private equity pricing in African markets are discussed. First, we cover the theoretical cost of equity, which reflects the risk and reward profile of the markets. Second, we review the supply and demand of capital in the private market by examining fundraising for private equity funds. Last, we discuss the pricing of the listed market.

COST OF EQUITY

Risk versus reward is a key determinant of investment activity. Cost of equity represents an investor's evaluation of the risk that the enterprise is exposed to. We estimate that the GDP weighted cost of equity for the continent is 21.35% and has increased in the current year by 0.33%.

“Most regions showed an increase in the cost of equity except Egypt and Sudan, which were the only countries to show a decrease.”

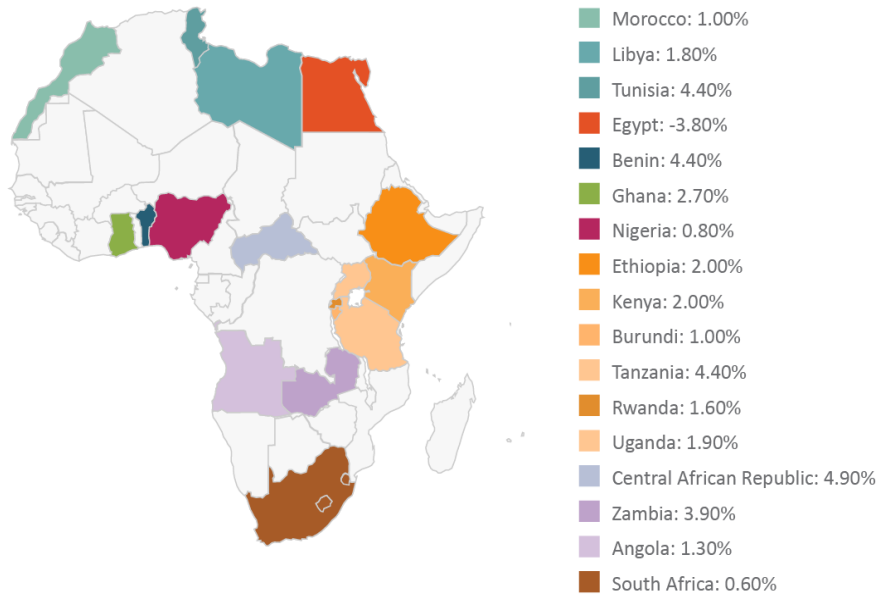
Most regions showed an increase in the cost of equity except Egypt and Sudan, which were the only countries to show a decrease. Egypt's reduction in cost of equity is mostly driven by improved investor sentiment, which is driven by the investor related reforms, reduction in the central bank policy rate and the reduction of inflation towards the target inflation rate.

There are several driving forces for the increase in cost of equity for the different African regions. The overarching factor is the potential shift in investor sentiment away from emerging and frontier markets to safer developed markets. This shift tends to occur during global economic downturns.

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CHANGE IN PERCEIVED RISK ON CONTINENT

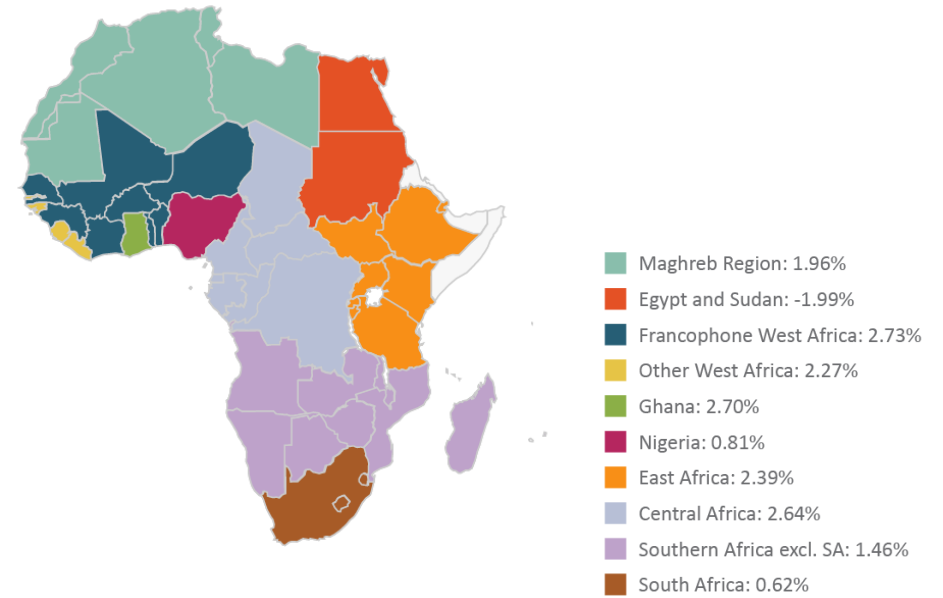
Change in cost of equity in 2018: Country



*Note: The zones in Western Sahara controlled by Sahrawi Arab Democratic Republic (SADR) are shown separately and the rest of the territory is shown as part of Morocco.

Source: RisCura, Moody's, BMI Research

Change in cost of equity in 2018: Regional



*Note: The following countries are commonly excluded from the analysis due to insufficient data. When included, the impact is immaterial: Eritrea, Somalia.

Source: RisCura, Moody's, BMI Research

PRIVATE EQUITY FUNDRAISING OVER TIME

Private equity (PE) fundraising activity on the continent remained relatively stable. The total value of PE fundraising in 2018 reached USD 2.7bn, up from USD 2.3bn in 2017 and USD 2.6bn in 2016. A total of seven funds raised capital in 2018, the largest being Africa Infrastructure Fund, ECP Fund IV, Frontier Energy II and Maghreb Private Equity Fund IV.

- Africa Infrastructure Fund closed at USD 982m and will have a Pan-African focus.
- ECP Fund IV closed at USD 640m and will have a Pan-Africa focus.
- Frontier Energy II closed at USD 227m and will have a sub-Saharan Africa focus.
- Maghreb Private Equity Fund IV will cover North Africa and reached a final close of USD 221m.

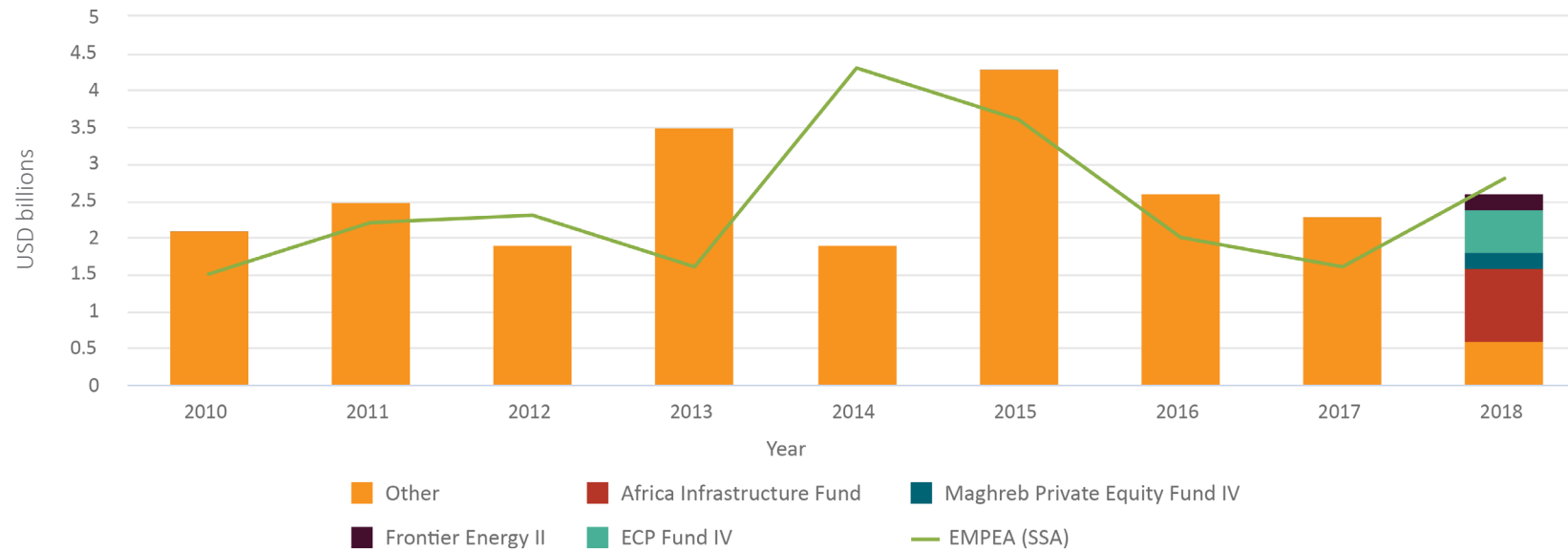
“Development Finance Institutions (DFIs) make up the largest share of investment in African PE, while PE fund of funds are also making substantial commitments.”

In global terms, the largest commitments into private equity funds were made by pension funds and endowment funds. The long-term time horizon of a private equity investment makes it an ideal vehicle for pension funds and endowment funds to deploy capital. Development Finance Institutions (DFIs) make up the largest share of investment in African PE, while PE fund of funds are also making substantial commitments.

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FUNDRAISING IN 2018

Total value of African private equity fundraising, by year of final close, USDbn



Source: AVCA, Preqin, EMPEA, RisCura analysis

AFRICA'S PRIVATE EQUITY

4.4.1 GEOGRAPHIC FOCUS

Total private equity (PE*) transaction activity has increased by 10% from 2017 to 2018 as fund managers continue to deploy the significant amount of dry powder created in the market during the 2013 and 2015 fundraising years.

“The proportion of transaction activity has increased in East Africa from 18% in 2017 to 25% in 2018.”

While South Africa historically has made up a large proportion of PE transaction activity, its concentration has reduced significantly from 50% in 2009 to 22% in 2018. From 2017 to 2018 alone, transaction activity in South Africa has decreased by 26% and East Africa has surpassed South Africa as having the most substantial proportion of PE transactions. The proportion of transaction activity has increased in East Africa from 18% in 2017 to 25% in 2018.

In South Africa, limited growth opportunities are the catalyst for the downward trend in investment activity. In 2018, the South African economy was plagued by sluggish GDP growth, mismanaged state-owned enterprises, increasing unemployment, structural economic bottlenecks, and political and policy uncertainty. In East Africa, the IMF predicts the region to have the highest GDP growth rates (above 6%) for the periods 2018-2023. Kenya accounts for 69% of East Africa's 2018 investment activity. It continues to dominate the region's PE investment landscape because of the country's large and diversified economy, pro-business government policies, and relatively low dependence on extractive commodities.

“Egypt maintains its ranking as the number one investment destination in Africa by RMB's *Where to invest in Africa 2019* report.”

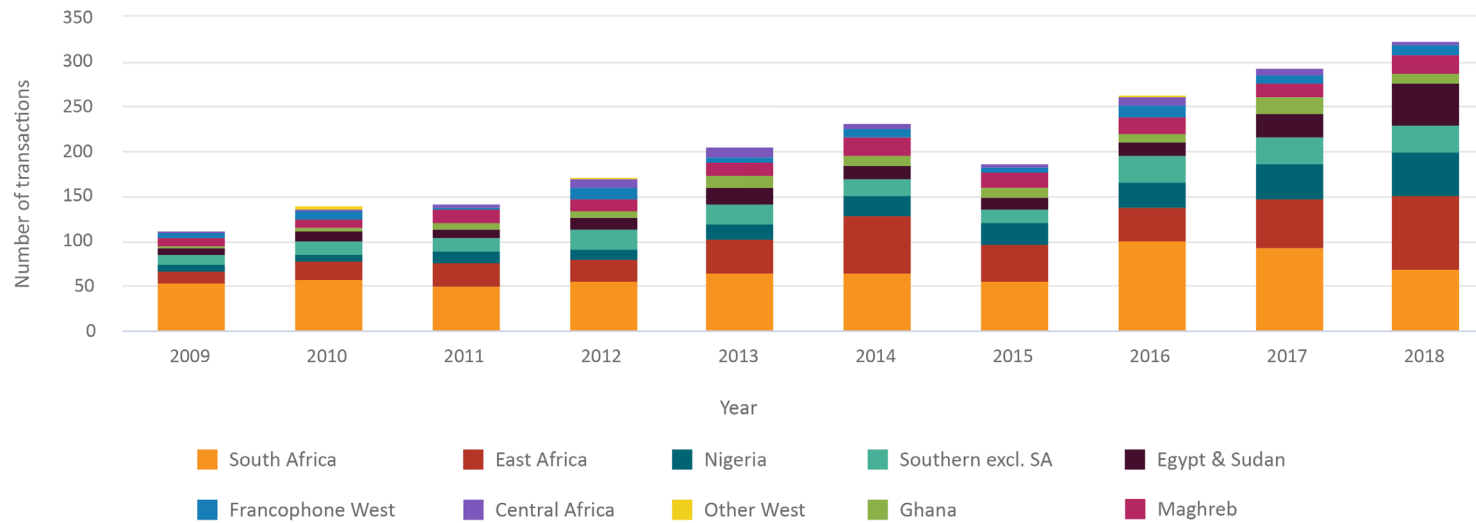
Following the trend seen in 2017, there was a significant uptick in deal activity in Egypt in 2018. Deal activity in Egypt has increased from 9% in 2017 to 15% in 2018. Egypt maintains its ranking as the number one investment destination in Africa by RMB's *Where to invest in Africa 2019* report. Investor sentiment has improved in Egypt due to its large and diversified economy and improved business environment stemming from recent investment-related legal reforms. Deal activity in Nigeria has increased slightly from 14% in 2017 to 15% in 2018. The increase in Nigeria is driven by improved investor sentiment, which results from higher than expected GDP growth, recovery of the oil price, government incentives and improved foreign exchange liquidity.

[*Note: The definition of PE when looking at the number of transactions taking place includes transactions in venture capital, real estate and the private equity sector.]

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ACTIVITY CONTINUES TO TREND UPWARD IN 2018

Number of private equity transactions by region



Source: S&P Capital IQ, RisCura analysis

4.4.2 SECTOR FOCUS

Investment activity in consumer discretionary has increased from 15% in FY17 to 17% in FY18 and investment activity in consumer staples has increased from 10% in FY17 to 12% in FY18. Consumer products have historically been the focus of private equity in Africa, due to the perceived opportunities resulting from the continent's growing middle-class. Within consumer discretionary, investor interest has moved toward online retail, education services, advertising, and publishing; possibly showing a shift from a lower to a higher income group. The increases in the above mentioned sectors are predominantly driven by the continent's increasing population and middle class.

The other two traditionally large sectors for investment, Financials and Industrials, have also attracted similar levels of investment in the current year when compared to the prior year. The above mentioned sectors have contributed a total of 11% and 12% of the total investment activity, respectively.

“Information Technology (IT) has been the most attractive PE investment sector in Africa over the past three years.”

Information Technology (IT) has been the most attractive PE investment sector in Africa over the past three years. In 2018, 30% of all African PE transactions were in the IT sector, up from 27% in 2017. Investment in IT in Africa mostly consists of payment processors and integrated software and services. South Africa, Nigeria, and Kenya attract the highest level of IT investment on the continent. These investments are positioned to take advantage of the continued increase in internet usage due to growing smartphone penetration.

Africa's large and growing youthful population is expected to continue to drive demand for internet software and services due to their affinity for technology.

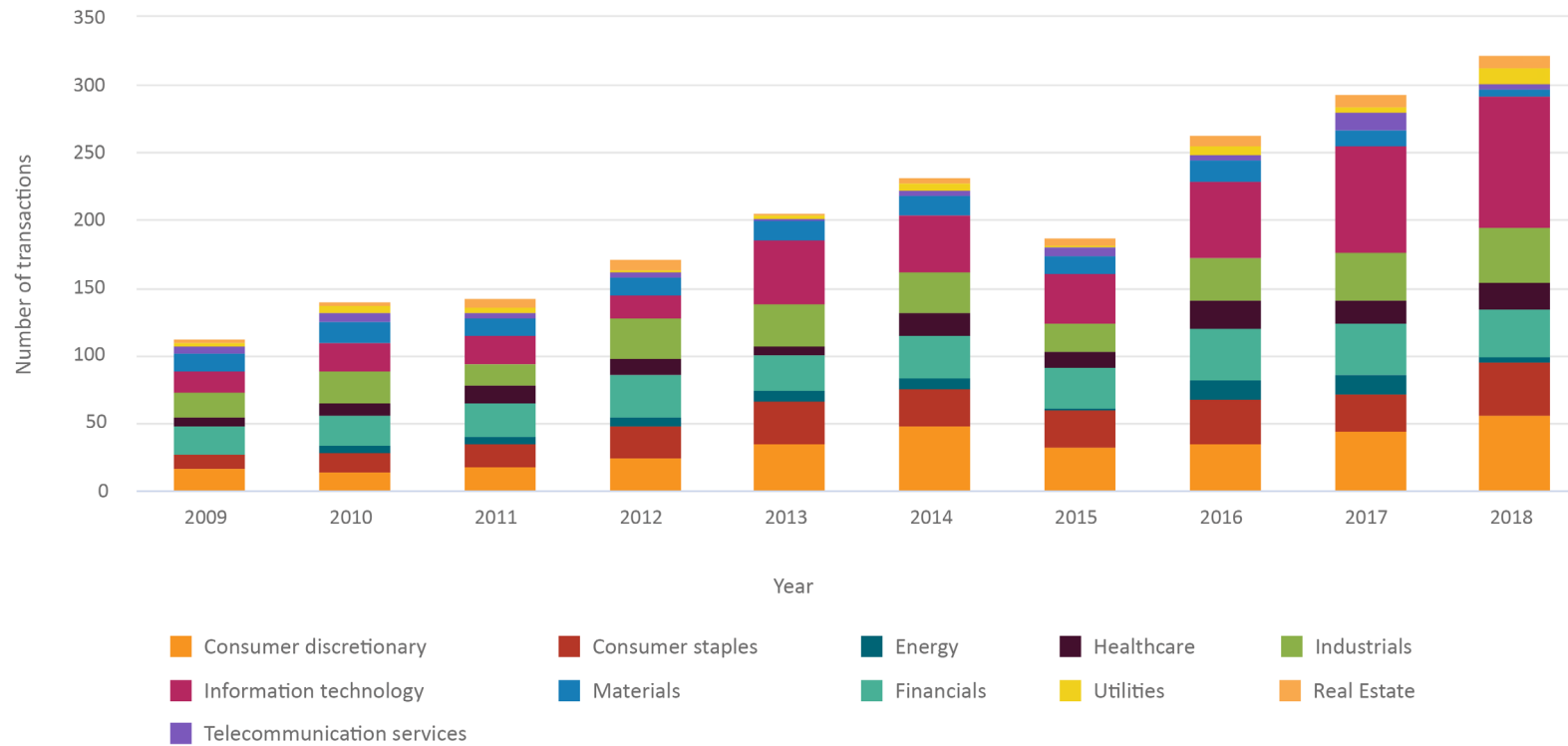
“Investment is mostly in the light industrial sector with a focus on import substitution.”

Industrials remains another popular sector for investment, including the construction, engineering, transport, logistics, equipment and machinery industries. Investment is mostly in the light industrial sector with a focus on import substitution.

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INFORMATION TECHNOLOGY IN DEMAND

Number of private equity transactions by sector



Source: S&P Capital IQ, RisCura analysis

LISTED EV/EBITDA MULTIPLES

We've found there is a significant difference between listed EV/EBITDA multiples on the North African exchanges and the sub-Saharan African exchanges.

“The Maghreb region is set to have a strong 2019, following positive investment reforms taking place in several countries.”

The listed EV/EBITDA multiples on the North African exchanges have been significantly higher than the rest of the continent and converged with the rest of the world* in the first quarter of 2019. This reflects the relatively advanced nature of these economies in comparison to other African countries and their strong links to Europe. The Maghreb region is set to have a strong 2019, following positive investment reforms taking place in several countries. Morocco and Egypt have continued to position themselves as high-quality African investment destinations. The global uptick in commodity prices will likely add further stimulus to the Egyptian economy.

In contrast, the sub-Saharan African exchanges have diverged from the rest of the world since the downturn in global commodity prices. However, slow signs of recovery in the past year suggest that a price correction is imminent and may have already begun.

African countries experienced a decline in EV/EBITDA multiples as most countries ended 2018 with multiples below 8x. The downward trend since 2016 in African listed multiples reflects how the investment and growth outlook remained

challenging during 2018 as the commodity cycle started to turn again. The continued impact of the downturn on countries, and political uncertainty in some of Africa's largest markets, continued to dampen listed market multiples.

“EV/EBITDA multiples in Tunisia increased the most, at 10% over the year; with the average EV/EBITDA multiple moving from 10.28x at December 2017 to 11.4x at December 2018.”

EV/EBITDA multiples in Tunisia increased the most, at 10% over the year; with the average EV/EBITDA multiple moving from 10.28x at December 2017 to 11.4x at December 2018. Ghana's EV/EBITDA multiples decreased by 9.5%, while the multiple for Francophone West decreased by 0.05% over the period.

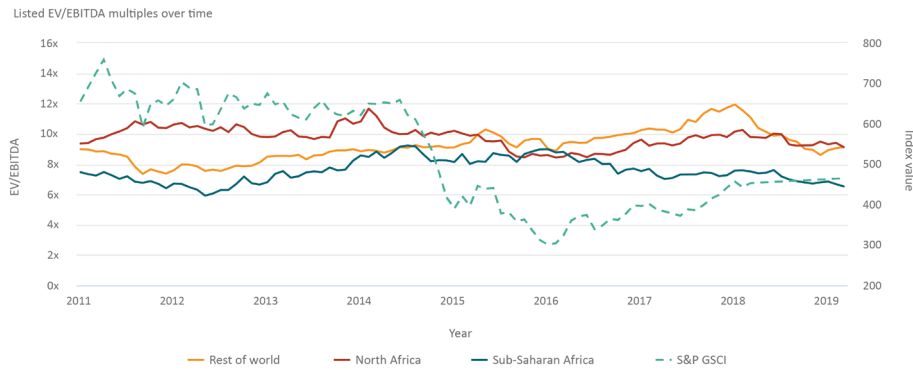
In Nigeria, EV/EBITDA multiples increased by 6%, from 5.25x at December 2017 to 5.57x at December 2018. So far, the Nigerian multiple remained relatively flat in 2019, as the economy is recovering from the economic headwinds faced in 2016. Higher commodity prices, lower inflation and monetary policy reform have all contributed to this recovery, which is beginning to reflect in the country's listed multiples.

*Note: Rest of the world refers to US, UK, Japan, LatAm, BRIC markets as a proxy.

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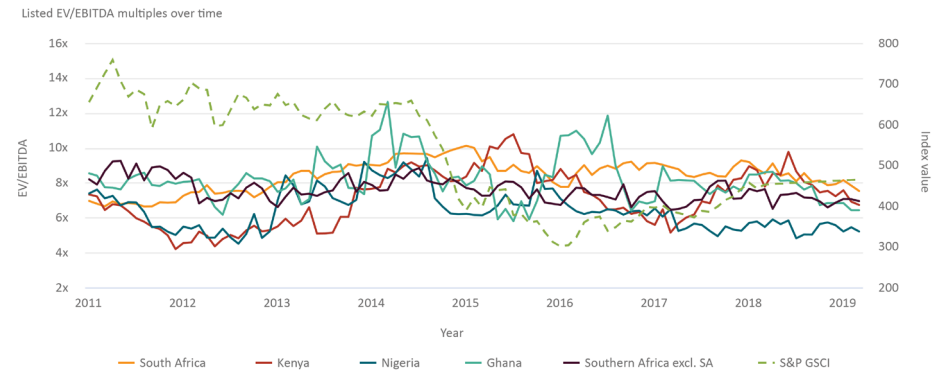
In 2018 the EV/EBITDA multiples in South Africa decreased by 15% over the year amidst political uncertainty and low levels of consumer and business confidence, while multiples in Southern Africa decreased by 3.5%. Multiples in the Maghreb region steadily increased by 3% over the period, whereas the Kenyan multiple decreased by 12%. The reduction in the multiple is mostly due to the poor performance of the trading multiples of several listed financial companies.

AFRICAN DIVERGENCE AND POSSIBLE RECOVERY



Source: S&P Capital IQ, RisCura analysis

SUB-SAHARAN AFRICA VS COMMODITIES



Source: S&P Capital IQ, RisCura analysis

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PRIVATE EQUITY MULTIPLES IN AFRICA

4.6.1 OVER TIME

As was discussed in more detail in previous sections, the median EV/EBITDA multiples of listed equity in Africa have trended downward since the end of 2014.

Conversely, median private equity EV/EBITDA multiples have steadily increased since 2011. There is a convergence of private equity and listed equity multiples at around 8x EV/EBITDA in 2018.

The increase in private equity multiples should be considered with reference to the trade-off between growth expectations and risk perception in Africa. Growth expectations in the most active Africa PE markets in 2014 were 7% (Nigeria), 3.3% (South Africa) and 6% (Kenya). Real GDP growth forecasts for FY19 are 2.15%, 1.20% and 5.84%, respectively. Overall economic growth then is not likely the driving factor. Has the reduction in risk on the continent been large enough to cause such an increase in multiple? Perhaps it's more of a case of reduction in perceived risk, as investors grow more comfortable with the African investment landscape.

“Another contributor to higher EV/EBITDA multiples is increased competition from strategic acquirers for attractive investment opportunities.”

Another contributor to higher EV/EBITDA multiples is increased competition from strategic acquirers for attractive investment opportunities. With a substantial amount of dry powder in the market, there is more capital chasing high-quality deals, and with an increase in the number of deals taking place via auction in recent years, this could be the reason that prices are being driven up.

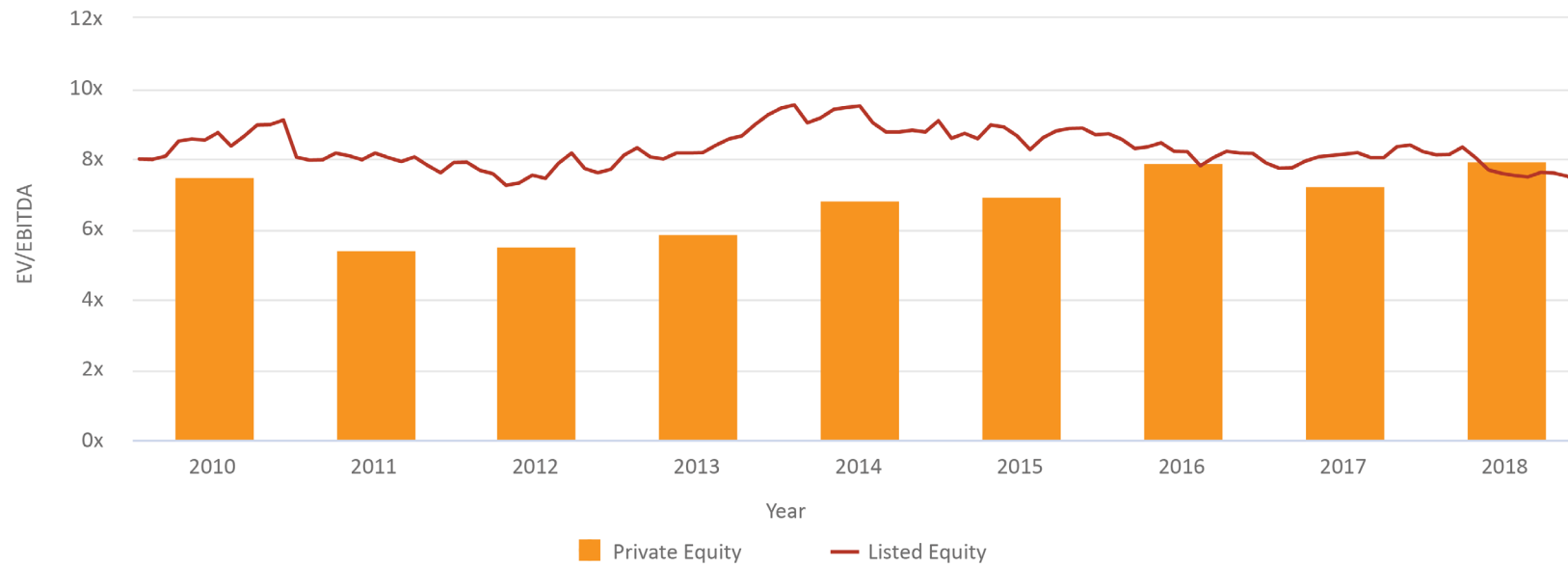
A final factor to consider is that the number of large, established companies in Africa is limited. As a result, the nature of private equity on the continent may be taking on a slightly more early-stage growth equity approach to African PE. This is achieved through investing in earlier-stage companies with higher risk, but also higher growth expectations. Earnings are still ramping up in the early stages of operations, resulting in a higher historic multiple being paid.

Rising prices and low leverage on deals may put downward pressure on future returns in the private equity space. Nonetheless, the upward trend in multiples continues to persist.

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PRIVATE EQUITY PRICES ON THE RISE

Median EV/EBITDA of listed and private equity transactions in Africa



Source: RisCura analysis, S&P Capital IQ, Pitchbook

In the US, debt consistently remains a determinant of the multiples paid for PE transactions and the availability of debt within the US market remains a contributor to fluctuations in multiples. In the US, multiples are typically determined by adding a relatively fixed equity margin onto the amount of debt that can be raised.

“In 2018, the median Debt/EBITDA multiple was 0.46x, which represents a decrease of 64% compared to 2017.”

Of the African transactions with reported Enterprise Value, just over half of companies entered by PE funds in the 2009 to 2018 period reflected a Net Debt position on their balance sheets. The average Debt/EBITDA position of these companies was 1.10x over the period, which drops down to 0.95x if 2010 is excluded. In 2018, the median Debt/EBITDA multiple was 0.46x, which represents a decrease of 64% compared to 2017.

The consistently low level of debt indicates that the private equity industry in Africa is still not debt -driven, with poorly developed local debt markets.

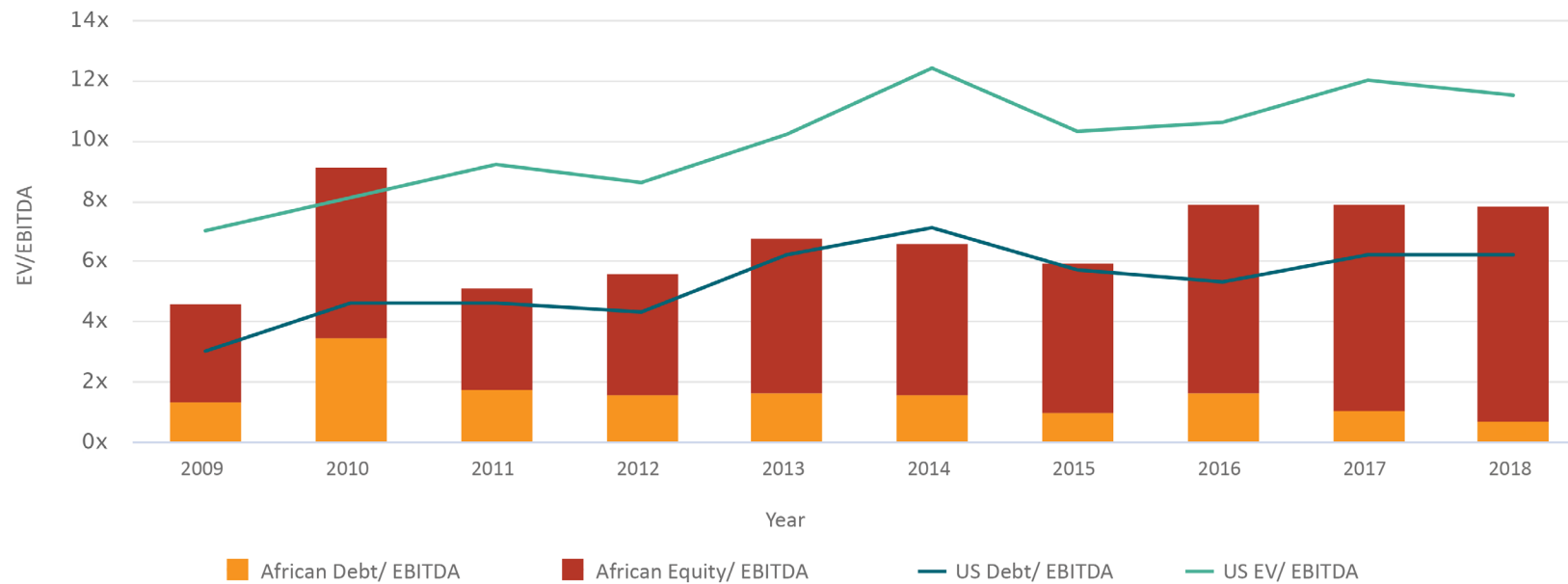
Instead, African PE is driven by earnings growth and multiple expansion. Most fluctuation in multiples relates to investors’ availability and willingness to provide equity funding.

PE firms do provide financing where obtaining affordable debt is not a viable option, as is the case across many African countries. There was a significant uptick in interest for private credit, with several private credit funds being raised in recent years.

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INCREASE IN AFRICAN MULTIPLES DRIVEN BY EQUITY

Median EV/EBITDA of transactions with debt



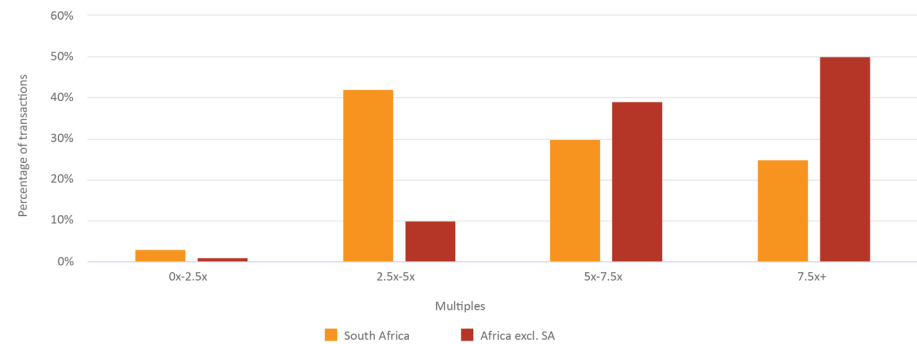
Source: RisCura analysis, S&P Capital IQ, Pitchbook

4.6.2 BY PRICE RANGE

Transactions in South Africa occur predominantly in the 2.5x-5x bracket, whereas the remainder of Africa has a clear majority in the higher brackets. The African multiples that exceeded the highest South African multiple did so on average by 32% and the place of investment for the majority of these was West Africa.

According to the 2018 Deloitte SAVCA Africa Private Equity Confidence Survey, most respondents expect entry multiples on transactions across Africa to increase or remain the same over the next 12 months due to increased competition in investments. Increased interest is expected to drive increased competition by DFIs in East Africa and the recovery of oil price and improved foreign exchange liquidity in the West Africa region.

COUNT OF EV/EBITDA MULTIPLES BY PRICE CATEGORIES (POST-2012)



Source: S&P Capital IQ, RisCura analysis

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4.6.3 BY DEAL SIZE

There is a clear relationship between the size of the transaction and the size of the EV/ EBITDA multiple used to price the investment.

Higher priced transactions tend to take place at the larger end of the spectrum, in this case in the category of companies with Enterprise Values greater than USD 250m, which are attracting multiples of over 8x.

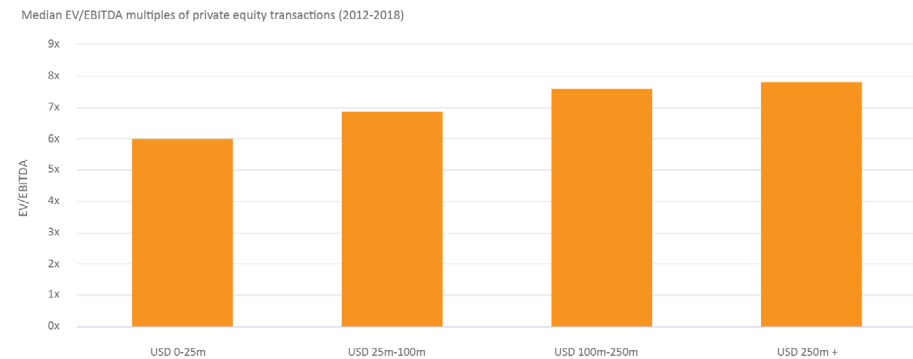
On the other end of the spectrum, the median multiple for small transactions (under USD 25m) is around 6x.

The size of investee companies is largely determined by the fund's investment approach and fund size. Larger size funds will target larger companies with established market positions. Funds may also strategically target larger, later-stage companies with stable and sustainable cash flows, particularly during uncertain economic times.

“For instance, the average Debt/EBITDA ratio for US leveraged buyout transactions in 2018 is more than 5x (Bain & Company, 2019).”

The debt level in African private equity increases marginally with size, but doesn't rise higher than 2x Debt/EBITDA. Compare this to the global norm, where Debt/ EBITDA increases more quickly and to a higher level as company size increases. For instance, the average Debt/EBITDA ratio for US leveraged buyout transactions in 2018 is more than 5x (Bain & Company, 2019).

TRANSACTION MULTIPLES INCREASE WITH SIZE



Source: S&P Capital IQ, RisCura analysis

4.6.4 BY SECTOR

Historically, the range of EV/EBITDA multiples across sectors and company sizes is relatively small. While there is notable activity across most sectors in Africa, value is achieved by understanding the fundamentals within the industry and the context of the macroeconomic environment.

Information Technology and Consumer Discretionary remain the two sectors with the highest investment activity –similar to the 2018 China Mainland outbound activity. Globally, the Technology (including Fintech sector was active in 2018, with the USD 14bn funding round by Ant Financial being the largest ever private fundraising (PwC, 2018). In China, internet and technology deals are wildly overpriced compared with other sectors; at 31x EBITDA, median deal multiples for Chinese internet and tech companies are twice as high as those for other industries in Greater China (Source: Bain & Company, 2019).

“The highest EV/EBITDA multiples were historically seen in the consumer discretionary (7.0x) and consumer staples (6.39x) sectors, which promise high growth due to African demographics.”

The highest EV/EBITDA multiples were historically seen in the consumer discretionary (7.0x) and consumer staples (6.39x) sectors, which promise high growth due to African demographics.

There was a transition in the Energy sector from larger, lower multiple deals to smaller, higher multiple deals. The current EV/EBITDA multiple of 7.3x is a 48% increase from the prior three years’ average of 4.94x. An increase in investment in earlier-stage energy companies in industries such as gas distribution has resulted in higher EV/EBITDA multiples.

Industrials remains another popular sector for investment, including the construction, engineering, transport, logistics, equipment and machinery industries. Investment is mostly in the light industrial sector with a focus on import substitution. The EV/EBITDA multiple of 5.21x has slightly decreased by 3% year-on-year, although an 8% in transaction activity was experienced.

The Telecommunication sector has experienced a 58% decrease in transaction activity in 2018. However a year-on-year increase of 6% in the EV/EBITDA multiple was experienced (5.71x in 2018). Most 2018 deals in this sector were focused on alternative carrier and wireless telecommunication services companies.

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RANGE OF MULTIPLES ACROSS SECTORS IS SMALL

Deal multiples by sector (2006-2018)



Source: S&P Capital IQ, RisCura analysis

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Sovereign Bonds

African Eurodollar and local currency sovereign bonds, bills and notes had a total value of around USD 0.5trn as at July 2019.

SIZE OF THE UNIVERSE

As at July 2019, African eurodollar and local currency sovereign bonds, bills and notes had a total value of around USD 0.5 trillion¹. The total value of the debt outstanding is concentrated in five countries (South Africa, Egypt, Nigeria, Morocco and Kenya), making up 83% of the total bonds outstanding. South Africa and Egypt make up the most substantial portion of bonds outstanding at 35% and 28%, respectively. The concentration between South Africa and Egypt does not come as a surprise given that these are the only two countries classified as emerging markets by MSCI. South Africa and Egypt have relatively stable and liquid capital markets compared to the rest of the continent according to the MSCI classification. South Africa's inclusion into the FTSE World Government Bond Index (WGBI) gives it further access to global debt markets. South Africa is the only country included in the index. The size of its local bond market exceeds USD 50bn, and it has an investment-grade rating by Moody's giving it access to the WGBI.

Given that investors consider a country's credit rating when analysing investment risks, the sovereign bonds market has been broken down by credit rating. Rating agencies rate different countries according to the likelihood of default. Moody's rates countries from a scale of AAA representing prime down to C, which is in default. A country rated from Baa3 up to AAA represents investment grade, while countries rated from Ba1 down to C are below investment grade.

¹ Data could not be reliably gathered for the following African countries: Algeria, Cape Verde, Central African Republic, Comoros, Democratic Republic of Congo, Djibouti, Eritrea, Ethiopia, Guinea, Liberia, Libya, Mauritania, Niger, Republic of Congo, Sao Tome and Principe, South Sudan and Sudan.

DEBT OUTSTANDING SKEWED TOWARDS TOP 5 COUNTRIES



35%
South Africa



28%
Egypt



17%
All Others



8%
Nigeria



7%
Morocco



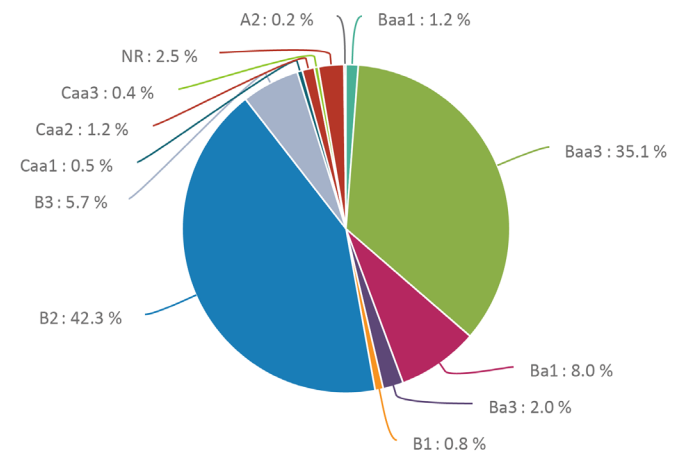
5%
Kenya

Source: Bloomberg, RisCura analysis

“Only three countries on the continent have an investment-grade credit rating (South Africa, Botswana and Mauritius).”

Only three countries on the continent have an investment-grade credit rating (South Africa, Botswana and Mauritius). Moody’s rated 25 African countries below investment grade, and 26 countries are not rated. However, the total value of bonds issued by countries, which are not rated is around 3%. Most of the bonds are issued by countries that have a below investment grade rating. Some 61% of total outstanding bonds are below investment grade of which Egypt makes up the majority. South Africa makes up the majority of investment-grade debt which is 31% of total outstanding debt.

DEBT PER RATING



Source: Bloomberg, Moody’s, RisCura analysis

Further analysis of bonds issued shows that local currency bonds dominate bond issuance. Local currency bonds make up 83% of the total bonds outstanding while foreign currency bonds make up 17%. The maturity of the bonds issued are long-term bonds. Treasury bonds make up 69% of the total value outstanding, while treasury bills and notes make up 31%.

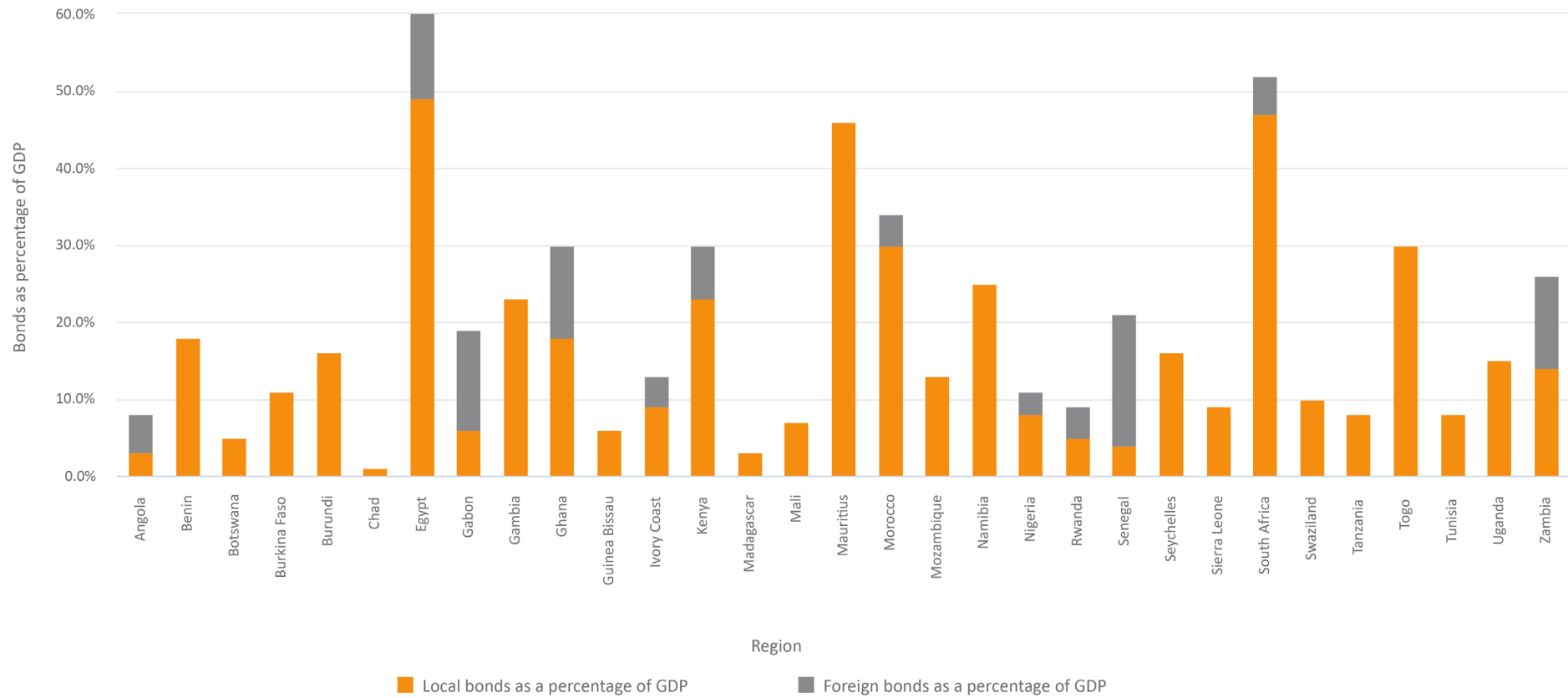
Bonds outstanding to GDP is below 60% for all the African countries. The higher the debt to GDP, the more a country is exposed to credit risk. Although there is no optimal debt-to-GDP ratio, the IMF highlights that high debt to GDP ratios can cause the debt to become unsustainable.

Egypt has the highest bonds to GDP percentage at around 60%. In Egypt, the local currency bonds as a percentage of GDP is sitting at approximately 49% with foreign currency bonds at the remaining 11%. When looking at South Africa, the total bonds to GDP is sitting at around 51% with local currency debt and foreign currency bonds making up 47% and 5% as a percentage of GDP, respectively.

“Only three countries on the continent have an investment-grade credit rating (South Africa, Botswana and Mauritius).”

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BONDS AS A PERCENTAGE OF GDP



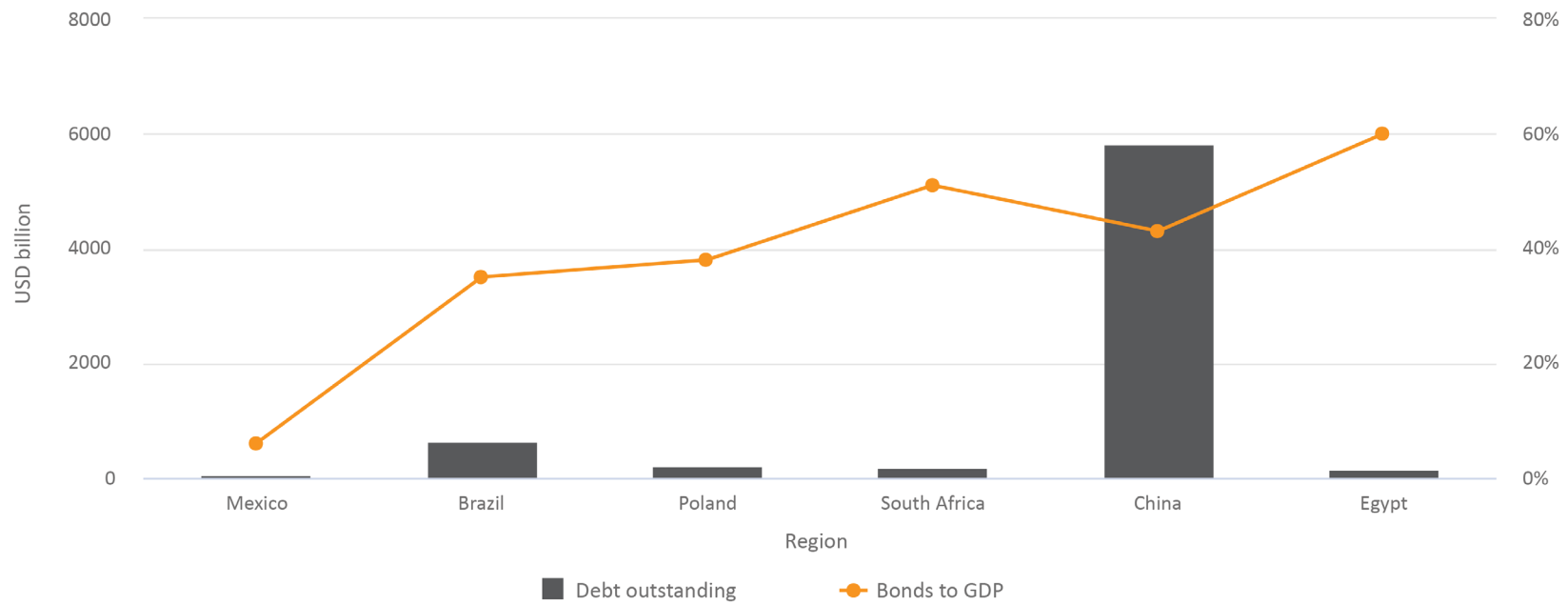
Source: Bloomberg, IMF, RisCura analysis

MSCI classifies South Africa and Egypt as emerging markets, and they are comparable to Brazil, China, Mexico, and Poland. Among the emerging markets, Egypt has the highest bond debt to GDP ratio. South Africa and China have the second and third-highest bond debt to GDP ratio at 51% and 43%, respectively. However, in nominal terms, China has the biggest bond market among the comparable emerging markets and the third biggest bond market in the world. The total value of bonds outstanding is USD 5.8trn. South Africa and Egypt have the third and second lowest value of bonds outstanding, respectively. Only Mexico is lower.

“Despite having one of the biggest bond markets across frontier markets, Nigeria has a low bond debt to GDP ratio at 11%.”

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BOND MARKET SIZE AND BOND VALUE TO GDP RATIO



Source: Bloomberg, IMF, RisCura analysis

Africa has a larger number of frontier markets compared to emerging markets. Frontier markets in the continent are analysed together and compared to Bangladesh, Jordan, Serbia and Croatia. Croatia has the biggest bond market followed closely by Nigeria and Morocco at USD 42.6bn, USD 41.9bn and USD 40.4bn, respectively. Botswana and Guinea Bissau have the smallest bond markets across the frontier markets, both sitting at USD 1bn. Despite having one of the biggest bond markets across frontier markets, Nigeria has a low bond debt to GDP ratio at 11%. Morocco has a slightly higher bond debt to GDP at 34%, but lower than that of Mauritius and Croatia at 46% and 70%, respectively.

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BOND MARKET SIZE AND BOND VALUE TO GDP RATIO



Source: Bloomberg, IMF, RisCura analysis

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HOLDERS OF SOVEREIGN BONDS

An analysis of the holders of government bonds is made looking at the two biggest countries measured by the value of bonds outstanding. Egypt and South Africa make up 63% of the value of bonds outstanding on the continent. Both local and foreign investors are holders of government bonds in both countries.

In South Africa, foreign investors hold 38% of sovereign bonds, and local investors hold the majority at 62%. In Egypt, the picture is slightly different; foreign investors own 20% of the bonds and bills on a weighted average basis, and domestic investors own 80%. In Egypt, foreign investors hold more treasury bills compared to bonds at a split of 26% in bills and 3% in bonds. The discrepancy in foreign holdings between the two countries is in part due to South Africa's inclusion into the WGBI.

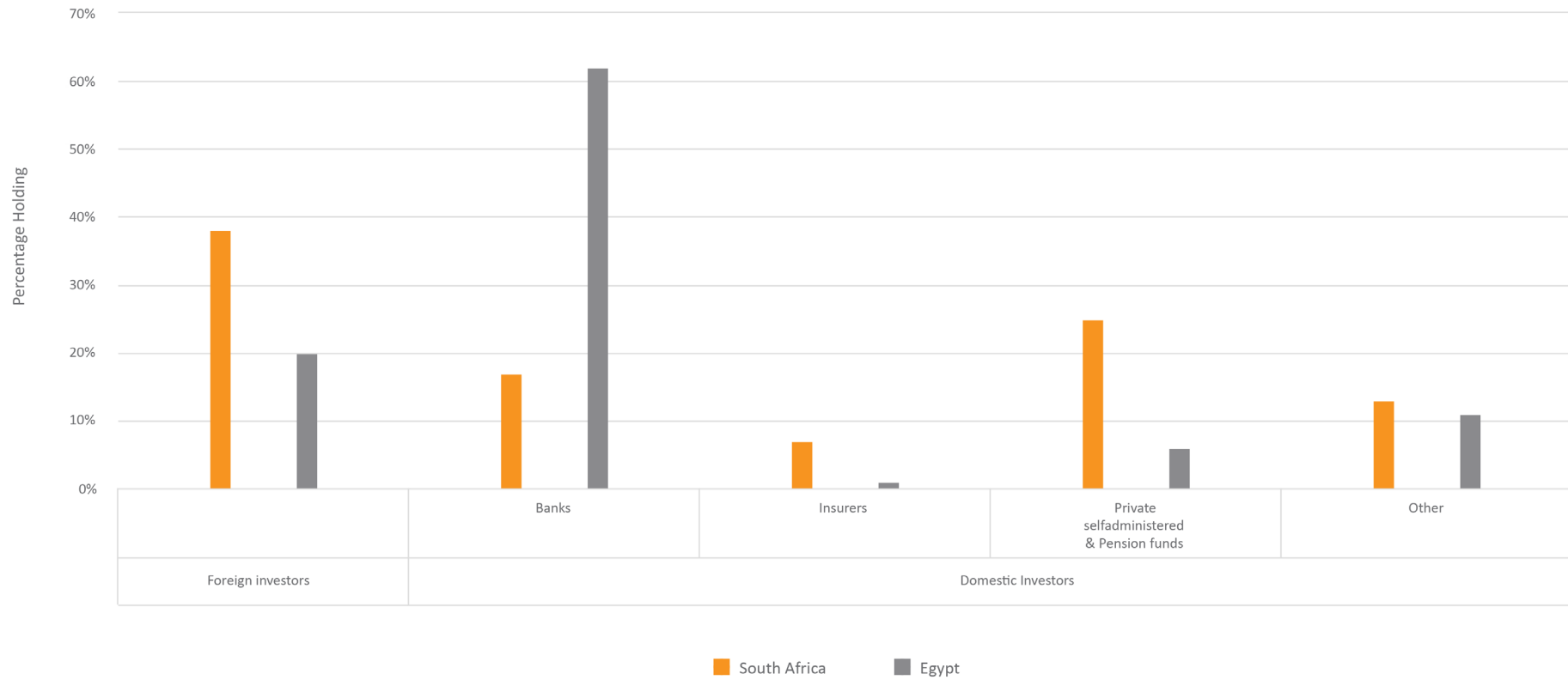
In terms of domestic investors, banks are a significant player in the bond market. In Egypt, banks hold a majority of the bonds at 62%, while in South Africa banks hold 17%.

In terms of domestic investors, banks are a significant player in the bond market. In Egypt, banks hold a majority of the bonds at 62%, while in South Africa banks hold 17%.

Private self-administered funds and pension funds hold 25% of the bonds in South Africa and 6% in Egypt. In Egypt, pension funds regulation stipulates that a minimum of 15% of assets must be invested in government bonds, bills and notes while South African pension funds can invest a maximum of 100% of assets in government debt instruments. Egypt is below the 15% requirement due to the smaller size of assets, which OECD reports at USD 3.7bn. Insurance companies in both countries hold a tiny portion of bonds, and this is more so in Egypt than in South Africa. Insurance companies hold 7% and 1% of the bonds in South Africa and Egypt, respectively. The reason for Egypt's smallholding could be due to the smaller size of the insurance market in that country relative to South Africa.

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SOVEREIGN BOND HOLDERS



Source: Bloomberg, South African National Treasury, Egypt Ministry of Finance, RisCura analysis

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Infrastructure

Globally, investors allocated a record high of USD 85bn to Africa's infrastructure funds in 2018, and the positive momentum is expected to continue.

The AfDB estimates around USD 35-47bn is needed annually in Africa to spend on road, rail, air and port infrastructure, with most (80%) allocated to maintenance and rehabilitation of existing infrastructure, which has become outdated and inefficient. Globally, investors allocated a record high of USD 85bn to infrastructure funds in 2018, and the positive momentum is expected to continue into 2019 (Source: Preqin).

FINANCING

As it stands, DFIs together with national governments finance the bulk (70%) of infrastructure investment in Africa. China provided 24% of the funds raised for infrastructure on the continent in 2017. Outside of these investors, participants in the asset class in Africa are few and far between, with the private sector making up less than 3% (Source: ICA Infrastructure Financing Trends 2017).

However, the infrastructure investment gap is substantial and African governments don't have the budgets to support the required level of investment. Many African governments generate relatively low tax revenue, which is traditionally a good source of financing for long-term projects such as infrastructure, due to the stability of such income. Many generate the bulk of their revenue via royalties on oil and other commodity exports. As a result, the drop in the commodity cycle over the past few years has caused governments to delay infrastructure investment.

“Some of the barriers to private sector involvement in infrastructure include currency risk for international investors and uncertain legal and regulatory frameworks, often exacerbated by corruption.”

Some of the barriers to private sector involvement in infrastructure include currency risk for international investors and uncertain legal and regulatory frameworks, often exacerbated by corruption. Additionally, the lack of skill and experience in project planning and preparation means that many viable and necessary projects won't reach bankability, the stage of development at which private lenders and investors are willing to come on board.

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STRUCTURE

The infrastructure industry has developed over the last 10 years as new structures and avenues to access the asset class have emerged. Financing historically involved traditional debt, provided by banks, and equity from a sponsor. However, the cost of bank debt has increased with the implementation of stricter banking regulations following the global financial crisis, and an alternative structure of project financing for infrastructure has emerged. Project bonds provide an alternative to traditional debt and allow institutional investors to access the asset class more readily. In a project bond scenario, the investors underwrite debt securities issued by the project SPV. These bonds also open the potential investor pool for project developers to the institutional investors' capital pool, rather than drawing funding solely from large banks.

Another avenue for institutional investors to invest in infrastructure is via a corporate bond issued by an investment development company. Viathan Group in Nigeria issued the country's first corporate infrastructure bond in December 2017. InfraCredit guaranteed the NGN 10bn (approx. USD 28m) bonds, which offer a fixed rate of 16% interest and a 10-year term. Local currency bonds with a strong guarantee partner provide a compelling investment case to local institutions.

“Due to the large size of infrastructure projects, African institutions are often too small on their own to make a meaningful investment, and struggle to get a seat at the table.”

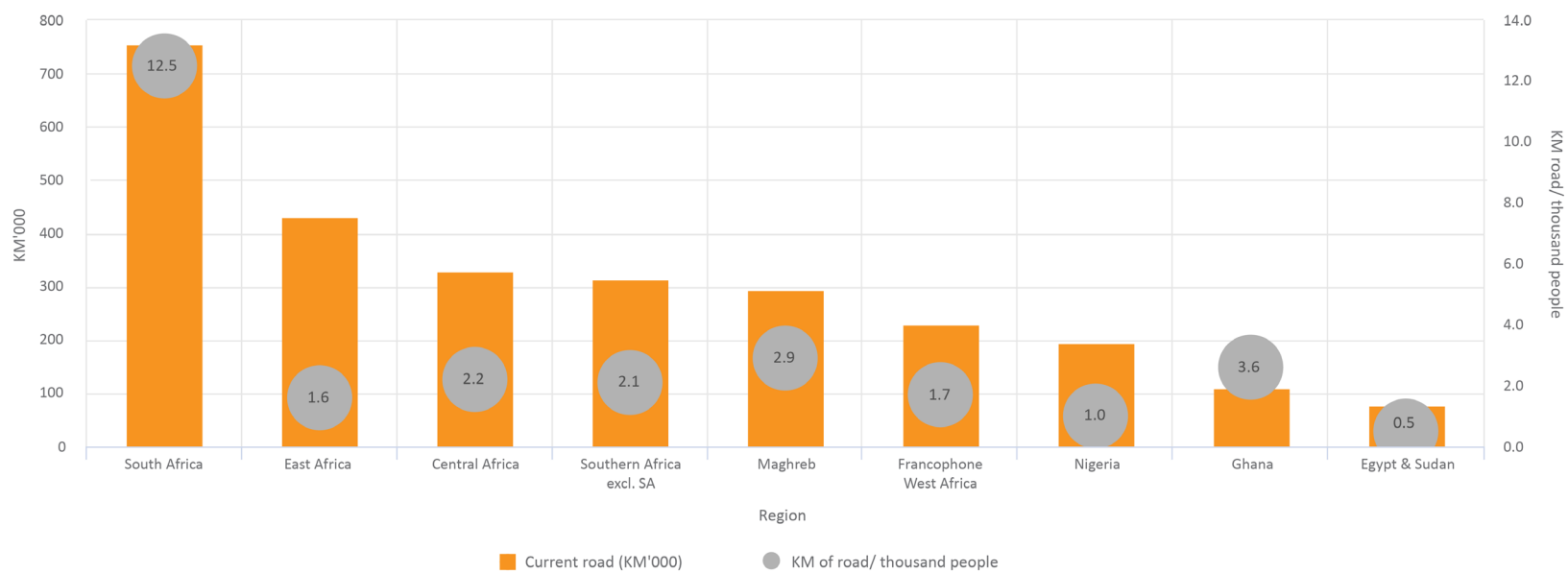
Due to the large size of infrastructure projects, African institutions are often too small on their own to make a meaningful investment, and struggle to get a seat at the table. In Kenya, a group of nine pension funds looking to overcome this obstacle have formed a consortium with a focus on infrastructure, private equity and real estate. As a collective, they will still make a relatively small investment in large projects, but it will allow them to increase their allocation to these alternative asset classes.

In South Africa, in a drive to increase private sector flows into state-driven infrastructure, the African National Congress (ANC), the country's governing party, is investigating the option of a prescribed asset allocation towards infrastructure, housing, and employment creation. If the ANC implements such a policy, pension funds and possibly other asset managers would be forced to allocate a portion of their AUM to finance state development projects. This raises concerns due to the artificial demand that would be created, reducing the incentive of project developers to deliver an efficient project and competitive returns. As it is, state infrastructure projects in South Africa are often characterised by delays and cost overruns, delivering poor returns as a result. More concerning for asset managers is that this policy undermines their fiduciary duty to their investors.

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ROAD

ROAD NETWORK BY REGION



Source: CIA World Factbook, BMI Research, RisCura analysis

Ethiopia is among the countries with the largest need for road infrastructure, with its substantial population and land area. It also has the greatest investment activity, with plans to double its road network by 2020, from 2015 levels, in a bid to improve the time and cost of logistics in the country. Its road network stood at around 100 000km in 2015 and has since increased to 120 000km. The country has completed several projects with the support of Chinese investment. East Africa imports 36% of its products from China, so China stands to benefit from improved logistics in the region. The Addis Ababa – Adama expressway is one such project and is the first of its kind in Ethiopia. Completed in 2014, the financial success of this project, particularly the ability of the investors to generate a good return through the collecting of tolls, could serve as an important precedent for future private sector investment.

“A quarter of the Ethiopian government’s annual spending on infrastructure is allocated to roads, and with interest from private sector bidders, several flagship projects are going ahead.”

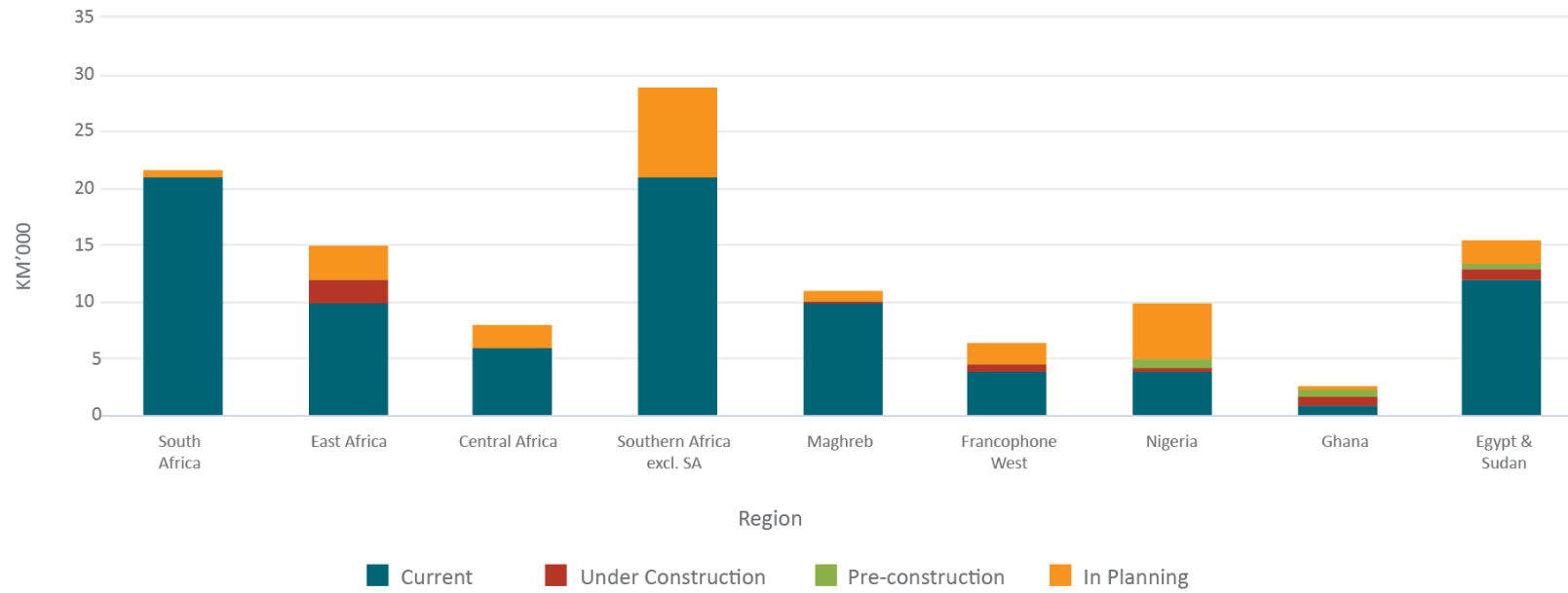
A quarter of the Ethiopian government’s annual spending on infrastructure is allocated to roads, and with interest from private sector bidders, several flagship projects are going ahead. One such project is the 200km Hawassa expressway, estimated value of approximately USD 500m, which has begun construction and will be built in four phases. Each phase was financed separately by a combination of international banks and the Ethiopian government.

The West Africa Trans-Sahara Highway Project, running through Algeria, Tunisia, Mali, Nigeria, Niger and Chad, looks to add or refurbish over 8 000km of roads to the region. The Nigerian and Algerian sections were completed in 2017 and 2018, respectively. However, there are sections within the remaining countries still under construction, and parts of the highway that are in poor condition.

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RAIL

RAIL NETWORK BY REGION



Source: CIA World Factbook, BMI Research, RisCura analysis

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The Southern Africa excl. SA region has the largest rail network in absolute terms due to multiple routes to each country's ports for export, as well as routes into South Africa, where most of the region's imports originate. South Africa's rail network far outstrips the rest of the continent, but parts of it have become abandoned, and others need an upgrade.

The large portion of East Africa's expansion projects under construction refers to the region's joint railway that is intended to link Kenya's Mombasa port to Uganda, Rwanda and South Sudan. Kenya has completed the initial phase of the project linking Mombasa to Nairobi. However, the project has recently experienced delays, as is common with multi-country projects. Both Rwanda and Uganda are said to have switched focus to other projects at the expense of this one. Ethiopia has over 1 000km of rail expansion currently under construction, however, it has similarly seen delays due to financial shortages.

“In Southern Africa, several expansion projects are in the early planning stages. In addition to what is shown in the graph, several upgrade and maintenance projects are currently underway.”

In Southern Africa, several expansion projects are in the early planning stages. In addition to what is shown in the graph, several upgrade and maintenance projects are currently underway.

Upgrade and maintenance projects are underway in Nigeria, most notably the Lagos-Kano railway line modernisation project. The larger expansion projects in the planning and feasibility stages are the Ogun state intercity railway line and the Abuja light rail project. The Nigerian government recently approved funding for the new coastal railway between Lagos and Calabar. The project is expected to cover 1 400km and to run across the south east and south of the country.

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ENERGY

The more advanced, industrial economies of South Africa and North Africa have the largest installed capacity in the continent. Although conventional thermal power makes up the bulk of capacity in these markets, the primary fuel source differs by market.

FUEL SOURCE OF CONVENTIONAL THERMAL POWER

South Africa



Coal

Algeria



Natural Gas & Crude Oil

Egypt



Natural Gas

Morocco



Coal, Natural Gas & Crude Oil

Tunisia

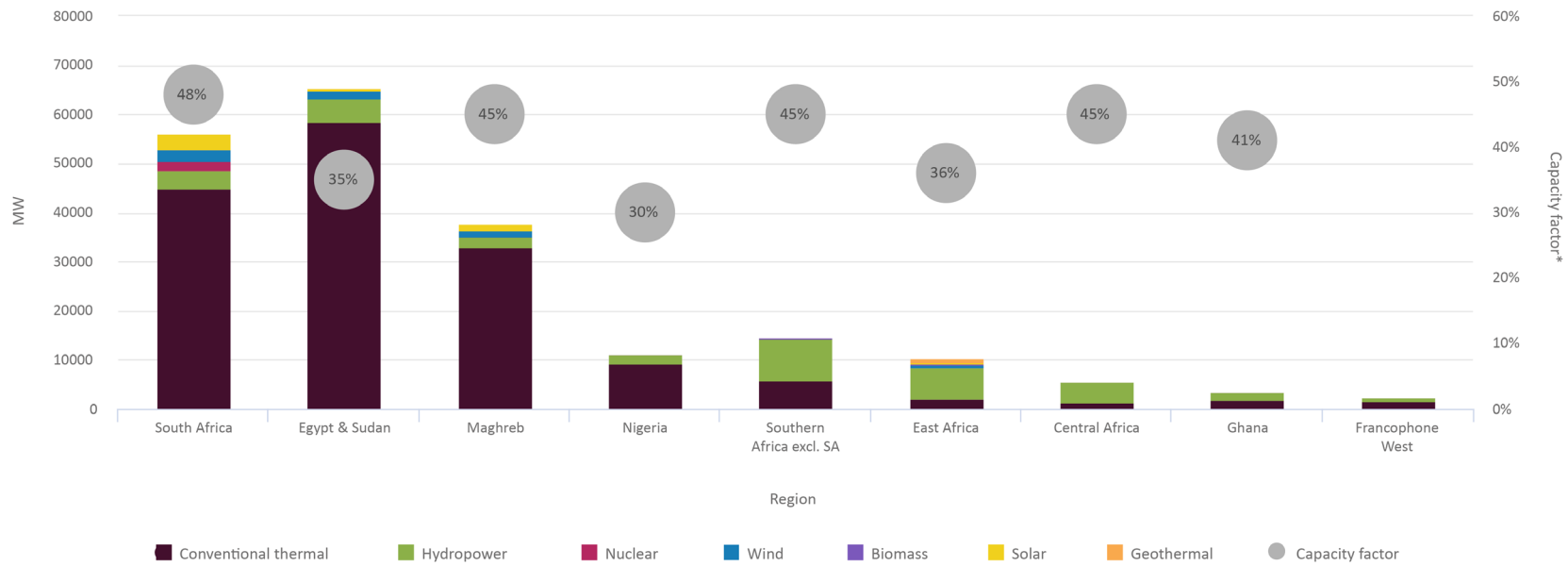


Natural Gas & Crude Oil

Source: BMI Research, RisCura analysis.

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REGIONAL ENERGY CAPACITY BY TYPE (2018)



* Capacity factor = $\frac{\text{Production (KWH)}}{\text{Capacity (MW)} \times 1000 \times 365 \times 24}$

Note: Capacity factor not available for Francophone West Africa due to incomplete data

Source: BMI Research, RisCura analysis

Even though Egypt's power production capacity is higher than South Africa's, they produce about 15% less energy than South Africa. This is because they have a lower capacity factor, meaning that they convert a lower percentage of their potential power resource into usable energy. Different types of electricity-generating technologies have different capacity factors. For example, solar and wind plants have a generation capacity of around 20%, due to the sun not shining 24 hours a day and the wind not constantly blowing. In comparison, nuclear and fossil fuel-driven thermal technologies have much higher averages of around 75% and 45% worldwide (Source: U.S. Energy Information Administration).

However, considering the power capacity mix of Egypt compared to South Africa and the Maghreb, their capacity factors should all be close to 45%, with the high exposure to conventional thermal power. Similarly, Nigeria's energy production is operating below its potential, with only a 30% capacity factor. Reasons for a lower capacity factor could be constrained resource availability to run the plant, age of infrastructure and downtime caused by maintenance, or lower efficiency of technology, among others. The lower capacity factor in these markets means a relatively smaller investment is needed to upgrade existing capacity to achieve significant increases in production, compared to other markets that would need to invest in brand new capacity.

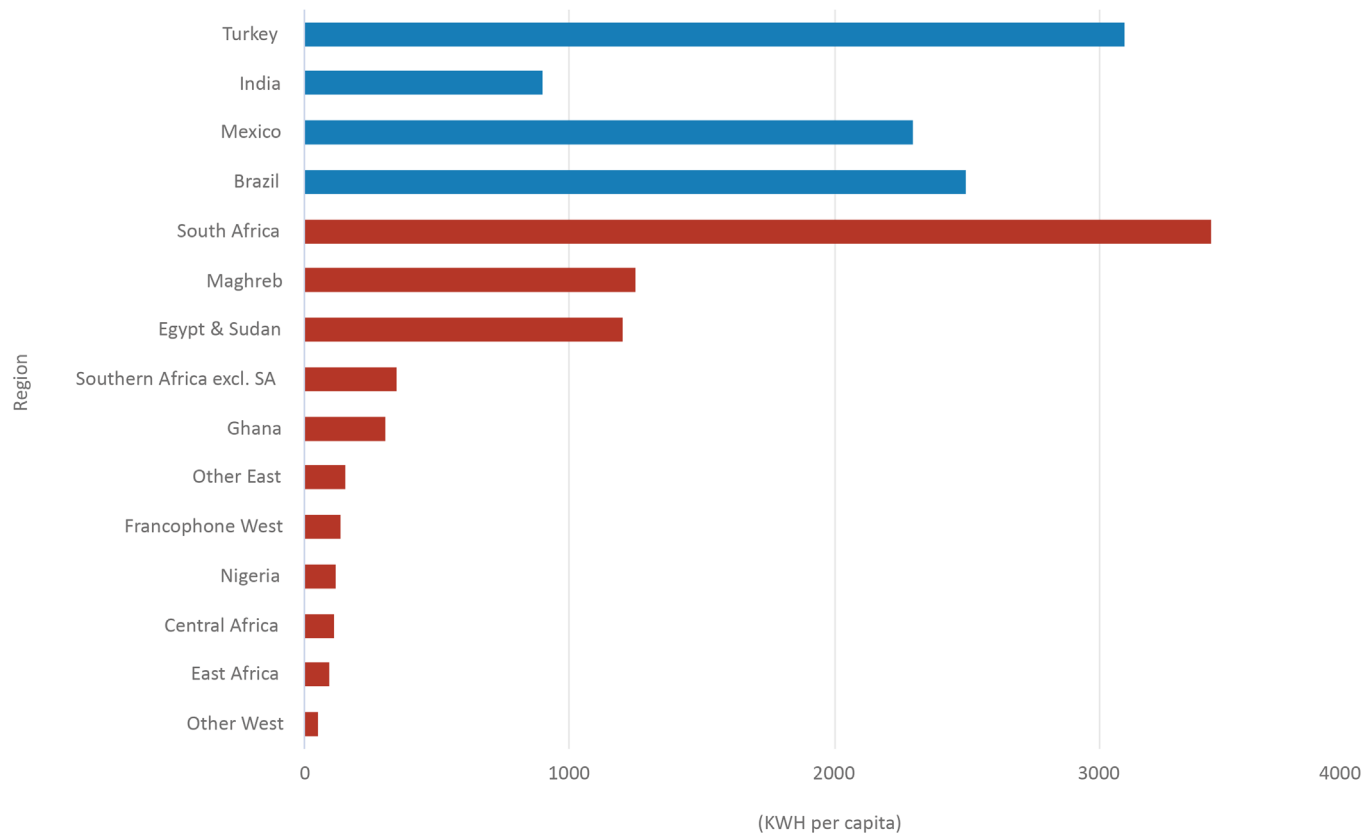
“There is good potential for growth in the use of renewable energy on the continent.”

There is good potential for growth in the use of renewable energy on the continent. The International Energy Agency (IEA) predicts that by 2040, 44% of total capacity in sub-Saharan Africa will consist of renewable resources, with hydro remaining the most significant contributor at 26%, and increased contributions from bioenergy, wind, geothermal, solar PV and concentrating solar power.

In some of Africa's markets, the exposure to hydropower is already substantial, particularly in Southern, East and Central Africa. The Grand Ethiopian Renaissance Dam, which recent reports suggest is over 60% completed, is expected to start generation in the next few years. This dam will add 6 000 MW of hydro capacity to power the region.

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CONSUMPTION PER CAPITA



Source: BMI Research, IMF, IEA Atlas of Energy, RisCura analysis

According to the U.S. Energy Information Administration, less than one million people are without access to electricity in North Africa. However, in sub-Saharan Africa (excl. SA), the picture is very different.

Per-capita consumption in Ghana (310 KWH) is higher than its neighbours due partly to the country's smaller population of 30 million people. In comparison, Nigeria, with a population of close to 200 million people, has a much lower consumption per capita of 120 KWH. Notably, East Africa has one of the lowest ratios on the continent. Having a closer look, electrification within the countries in East Africa varies greatly, and Kenya (160 KWH) and Tanzania (109 KWH) outperform the region.

“An alternative option which has gained traction over the past few years is small-scale solar installations that are financed by private companies and paid off as the infrastructure is used.”

The question of demand for additional energy per capita is an interesting one. We don't believe that investment in energy capacity is expected to substantially increase the amount of electricity that the general population uses in a short space of time, particularly in rural areas. The cost and time to build distribution networks in these areas are not always viable. An alternative option which has gained traction over the past few years is small-scale solar installations that are financed by private companies and paid off as the infrastructure is used. This removes the need for transmission and distribution networks covering thousands of kilometres into rural Africa.

However, large-scale investment in energy infrastructure offers a massive opportunity in terms of operational efficiencies in the economy. Businesses currently spend a fortune on power supplied by back-up, diesel generators to avoid constant power cuts. The World Bank estimates that Nigeria experiences up to 4 600 hours of power outages per year and relies on diesel generators for 22% of its power as a result.

A reliable power supply from the grid or captive power plants could unlock substantial value through cost-savings by reducing the use of generators.

Additionally, the lack of reliable power on the continent acts as an inhibitor to certain energy intensive industries. Local companies are unable to compete with imports due to the high cost of running a factory on generators. A reliable power source would enable new, value-additive industries to develop on the continent. Importantly, this energy does not necessarily have to come from a national grid and utility company. In countries where energy generation is open to private parties, captive power plants can offer a cheaper and more reliable alternative with private partners, who develop their plants and distribution lines within a localised area.

“Approximately 70% of planned and ongoing infrastructure projects are publicly funded, with about 25% set up as public private partnerships, and the remaining 5% operating privately.”

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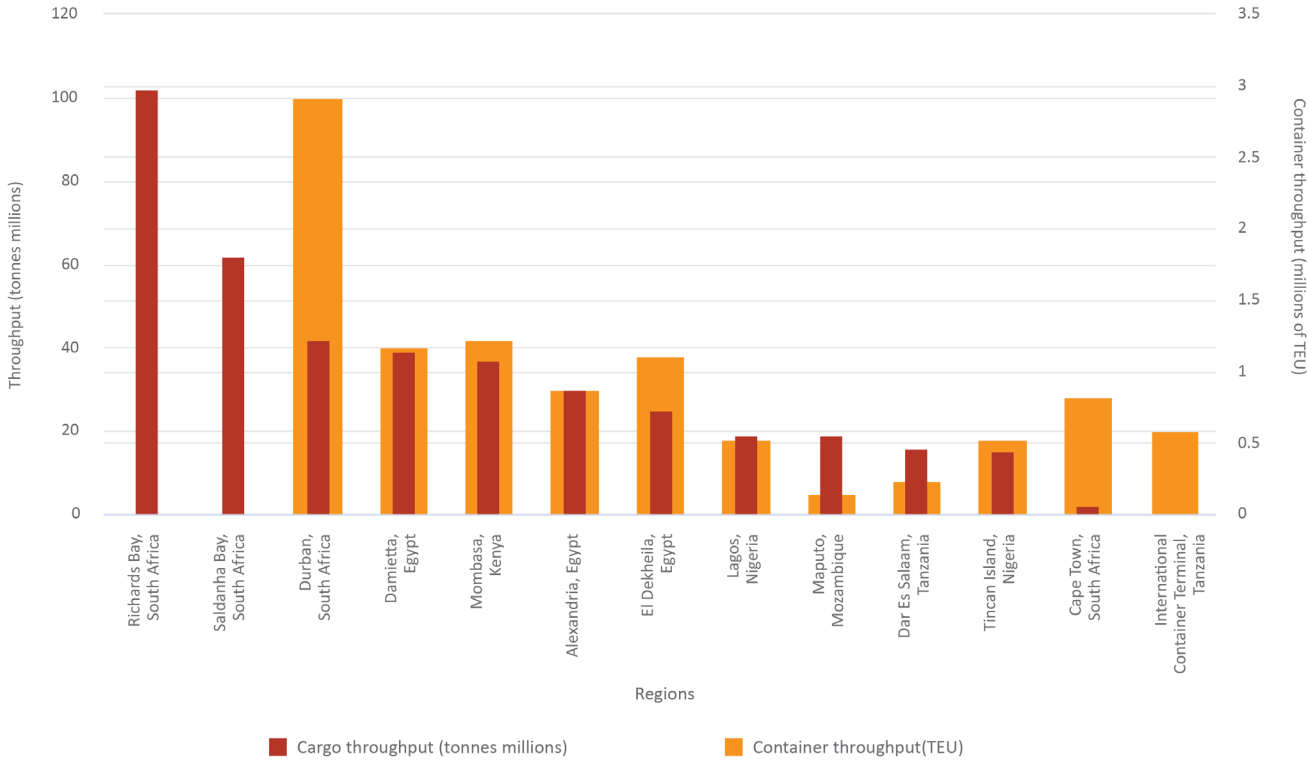
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PORTS

Despite the majority of all African trade being through imports and exports at its largest regional ports, the continent's ports handle only 6% of global water-borne traffic and only 3% of global container traffic (Source: World Atlas).

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VOLUMES LOADED AND UNLOADED AT AFRICA'S LARGEST PORTS (2018)



Source: BMI Research, RisCura analysis

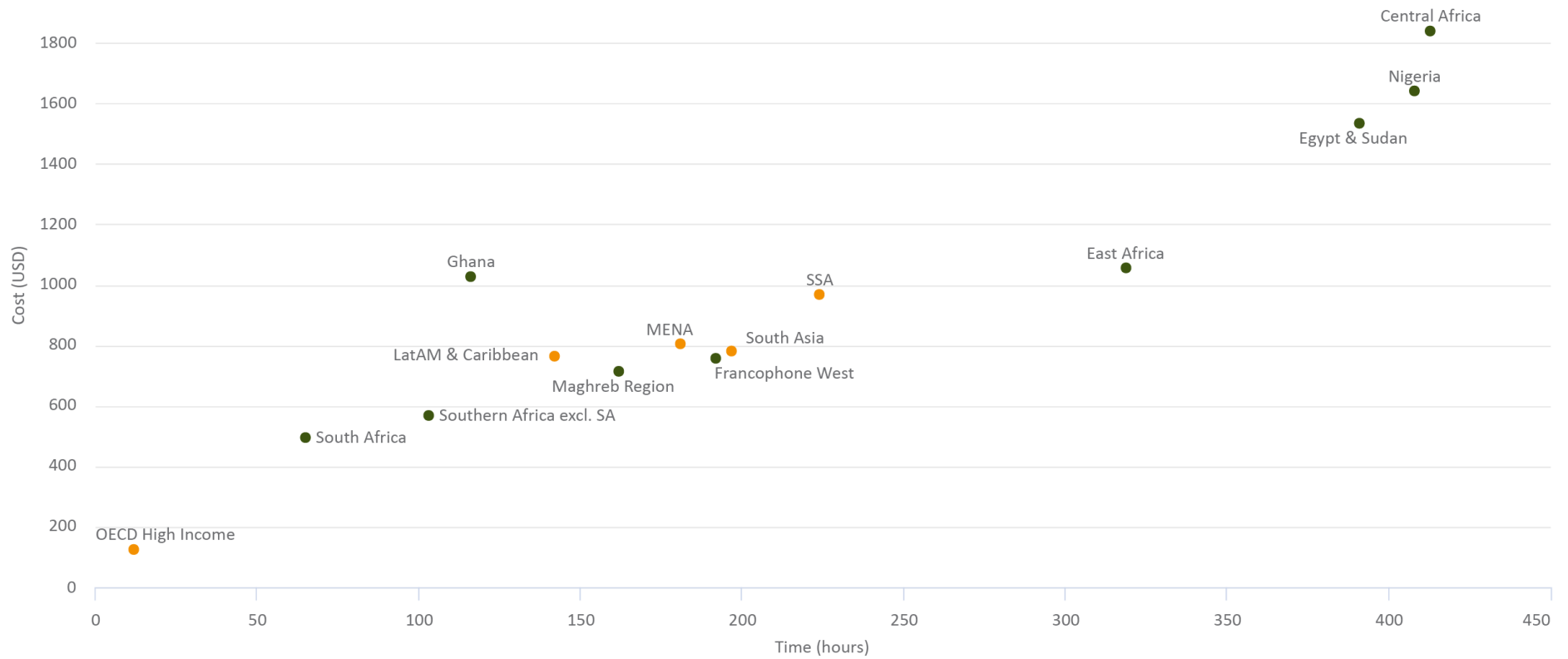
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South Africa's Richard's Bay and Saldanha Bay ports handle predominantly bulk and breakbulk cargo, and throughput the highest volumes of cargo on the continent. Saldanha Bay handles mainly iron ore for export and Richard's Bay primarily coal. Durban is the continent's largest container terminal, handling 2.6 million twenty foot container equivalents (TEUs) in 2018.

Mombasa is East Africa's port hub, handling double the cargo throughput volumes of neighbouring Dar Es Salaam and nearly 10 times the container throughput. The Mombasa port facilitates imports and exports via Kenya to and from landlocked East and Central African countries. Throughput volumes at Mombasa's port have doubled in the last 10 years, enabled by the expansion of the port between 2012 and 2016. This expansion was Phase 1 of the Mombasa Port Development Project and increased the container terminal capacity to 1.7m TEUs from 1.1m TEUs. However, the port is becoming congested and reports suggest that cargo clearance is a significant issue causing delays and increasing trading costs. Phase 2 of the port's expansion is underway, which involves further expansion of the port's container terminal to 2.1m TEU's, an additional 24% increase in capacity.

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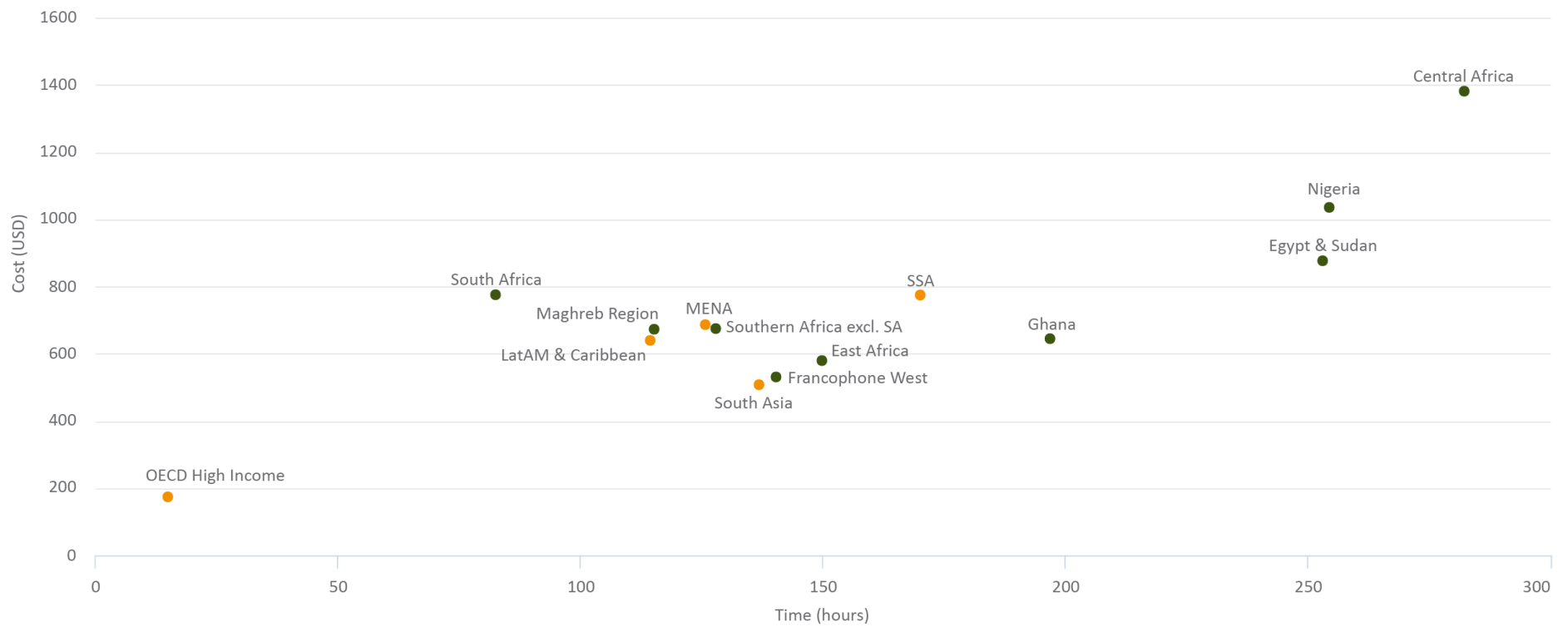
AVERAGE TIME AND COST TO IMPORT GOODS



Source: The World Bank Doing Business database, RisCura analysis

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AVERAGE TIME AND COST TO EXPORT GOODS



Source: The World Bank Doing Business database, RisCura analysis

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Growth in port activity is constrained not only by the size and physical infrastructure of the ports, but by the burden of paperwork, customs procedures, loading efficiency, storage capacity around the ports, and transport logistics to move goods and cargo inland. On both the import and export front, Nigeria, Egypt & Sudan and Central Africa fare very poorly on both time and cost to trade. In Nigeria it takes over 400 hours to complete the border and documentary compliance procedures for import, and over 250 hours for export. While this is a concern for the current systems in place, it should also be seen as an opportunity to bolster trade through improvements in these areas.

“Approximately 70% of planned and ongoing infrastructure projects are publicly funded, with about 25% set up as public private partnerships, and the remaining 5% operating privately.”

It is quite clear that there is a positive correlation between time and cost when it comes to trade. A focus on increased efficiency in these areas would allow increased volumes at the ports without immediate investment in physical infrastructure.

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Real Estate

Even though many international companies have looked to expand into Africa in the last decade, the uptake of physical office and retail space is slower than expected.

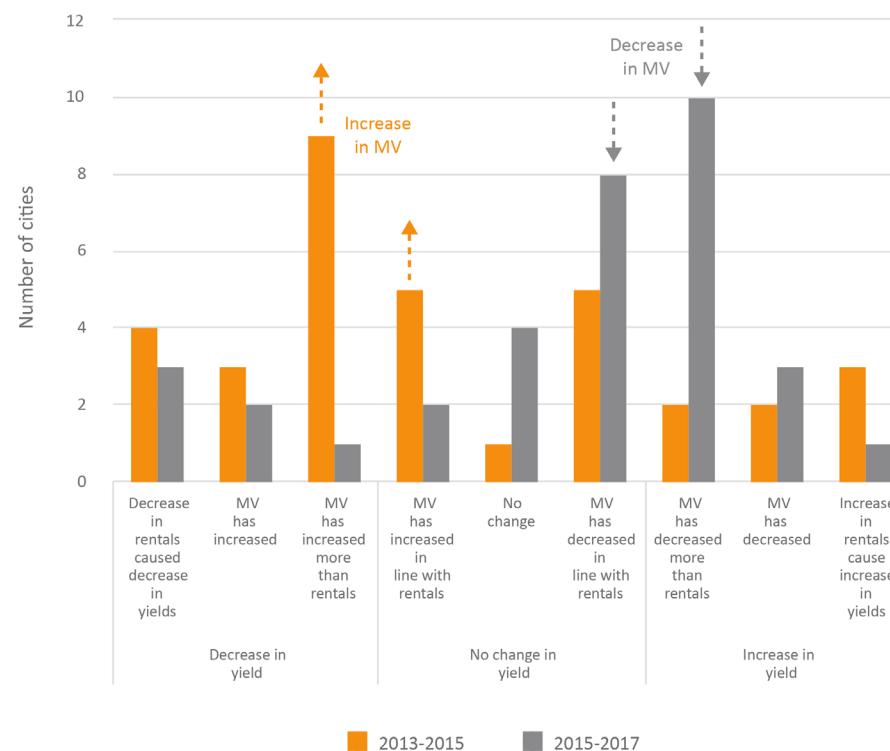
OFFICE SPACE

The property market has long received attention from Africa’s institutional investors, being the most available alternative asset class available to them. Pension funds in countries with relatively small and under-developed capital markets have invested in real estate to fulfil the required local allocation. This has caused concerns about oversupply in several markets for many years.

“Investment in the property market peaked around 2016 and has since tapered down. As shown in the graph, there has been an average decrease in market values over the 2015-2017 period in reaction to a lower rental environment.”

However, during the 2013-2015 period, economic growth on the continent was strong, just before the drop in the commodity cycle impacted so many countries. Rental rates and the market value of property were still on an upward trend. An optimistic market view caused an average increase in market values over this period. In many cases, this increase was at a higher rate than rentals, which reduced prime yields in nine countries from 2013 to 2015. Investment in the property market peaked around 2016 and has since tapered down. As shown in the graph, there has been an average decrease in market values over the 2015-2017 period in reaction to a lower rental environment.

CHANGES IN YIELD AND THE CAUSE



Source: Knight Frank Africa Report (2013, 2015 and 2017), RisCura analysis.

Even though many international companies have looked to expand into Africa in the last decade, the uptake of physical offices was slower than some may have hoped. Many new A-grade office buildings have come up in recent years and this area of the market has become oversupplied, pushing down rental rates and with them, the market value of properties.

IN OFFICE PRIME YIELDS



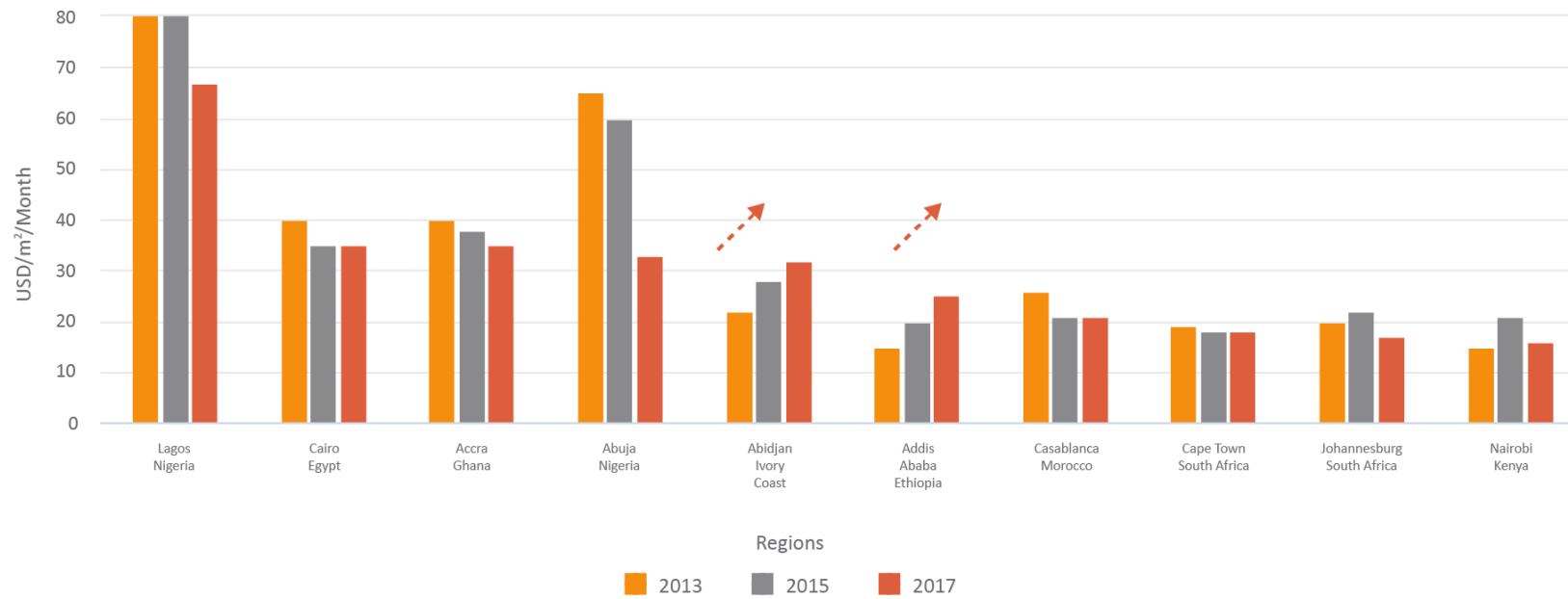
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“Abidjan, however, has had the fastest rental growth rate in Africa over the past four years, with a significant increase in international interest in recent years.”

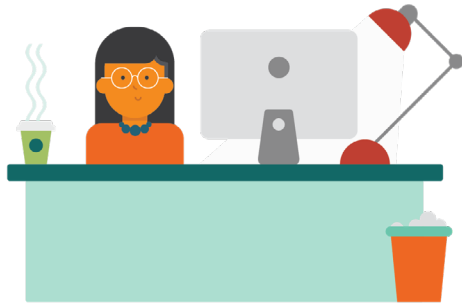
Most major cities in Africa have seen a decline in rental rates over the two years from 2015 to 2017, with Nigeria’s Abuja (-45%) and Lagos (-21%) being the most severe. Addis Ababa has bucked that trend, with an increase in demand from local companies pushing up rental rates. International participation is limited, however, due to the country’s restrictions on foreign investment in key sectors such as banking, financial services and telecoms. Abidjan, however, has had the fastest rental growth rate in Africa over the past four years, with a significant increase in international interest in recent years.

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OFFICE: PRIME RENTAL RATES



Source: Knight Frank Africa Report (2013, 2015 and 2017), RisCura analysis.



\$22 (2013) → \$28 (2015) → \$32 (2017)

Source: Knight Frank Africa Report (2013, 2015 and 2017), RisCura analysis

After the end of the civil war in 2011, the Ivory Coast's GDP rebounded swiftly to 11% in 2012. The return of the African Development Bank's (AfDB) headquarters to its previous location in 2013 further supported the economic recovery of the country, and real growth has remained above 7% annually since then.

The arrival of international companies to Abidjan over the past five years caused an increase in the demand for A-grade office space. This has required investment in new, high-quality offices, but is also being met through the rehabilitation of older buildings. Companies with a long-term outlook for their businesses within the region are finding it more suitable to build new office buildings to the standards they require. Ecobank built their new headquarters in 2015 and FIBA, the International Basketball Federation, did the same earlier this year. Independent developments in Abidjan include the Green Buro, which was leased to international tenants including Pfizer, GE and ExxonMobil in 2016 (Source: Knight Frank Africa Report, 2017) at unparalleled rates, setting a new benchmark for rental rates in the city. Actis has partnered with local government to develop the Renaissance Plaza in Abidjan's Plateau business district, but to date there have been some delays in getting the project into construction.

RETAIL SPACE

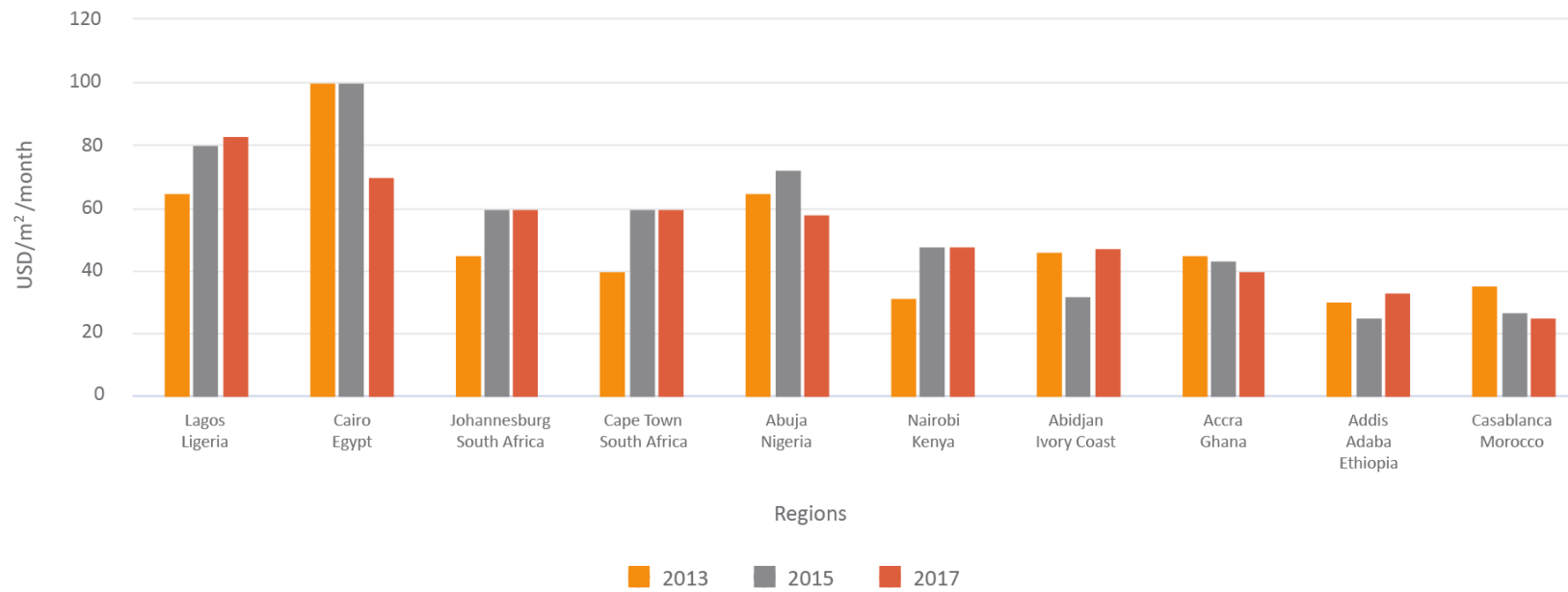
New developments in the retail sector over the past ten years have increased the supply of A-grade shopping centres and contributed to increased rental rates in local currency over this time. However, sharp currency devaluations have caused rental rates to decline in USD-terms, which has negatively impacted international investors into the sector in countries such as Nigeria and Egypt.

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The largest malls in Africa remain in Egypt’s Cairo and most of South Africa’s large cities, with mall sizes ranging from around 100 000 m² up to 267 000 m², in the case of Egypt’s Mall of Arabia. In comparison, the largest malls across the rest of the continent range from 15 000 to 30 000 m², many of which opened their doors as recently as 2015 and 2016.

In Accra and Nairobi, a substantial increase in supply over the past five years has sparked concerns that the retail market may soon reach a saturation point, which is evident in slower lease-up rates and stagnation of rental growth. Vacancy rates in Nairobi, Lagos and Accra ranged between 15-20% in 2018. This compared to the seven-year high vacancy rate published by Forbes for the US of 9.1%, and 7.8% for European shopping centres in the same year.

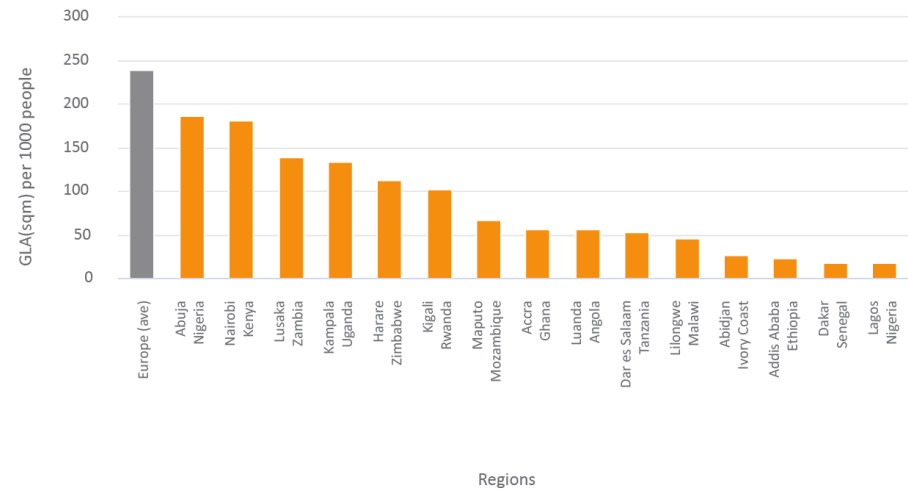
RETAIL: PRIME RENTAL RATES



Source: Knight Frank Africa Report (2013, 2015 and 2017), RisCura analysis.

As a measure of the relative supply of retail space, we look at gross lettable area (GLA) of shopping centres per 1 000 people in African cities. This varies greatly among countries worldwide and is influenced by culture, wealth of the population, even the weather, amongst others. Despite obvious differences in all the above-mentioned factors between African cities and those in developed and developing Europe, there appears to be space to increase the supply of shopping centres further.

GLA PER 1 000 CAPITA



Source: Knight Frank Africa Report (2017-2018), World Population Review (2019), RisCura analysis.

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TERMINOLOGY

ACFTA – The African Continental Free Trade Agreement

AFDB – African Development Bank

BPOPF – Botswana Public Officers Pension Fund

CASE – The Cairo and Alexandria Stock Exchange

Cost of Equity – Investors evaluation of risk that the enterprise is exposed to

DB – Defined Benefit

DC – Defined Contribution

DFI – Development Finance Institution

FDI – Foreign Direct Investment

FTSE – The Financial Times Stock Exchange

GEPP – Government Employee Pension Fund

GIPF – Government Institution Pension Fund

GLA – Gross Lettable Area

GNI – Gross National Income

GPW – Gross Premiums Written

IFC – International Finance Corporation

IPO – Initial Public Offering

IT – Information Technology

JSE – Johannesburg Stock Exchange

LUSE – Lusaka Stock Exchange

MUSE – Stock Exchange of Mauritius

NGSE – Nigerian Stock Exchange

OPEC – Organisation of the Petroleum Exporting Countries

OPIC – Overseas Private Investment Corporation

PE – Private Equity

PENCOM – National Pension Commission

SDG – Sustainable Development Goals

UNECA – UN Economic Commission for Africa

WGBI – World Government Bond Index

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