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Social Infrastructure: Pensions Chief Aims To Build Up Trust Beyond The Border

By Andrew England

South Africa's state-owned Public Investment Corporation, the behemoth of African pension fund managers, with more than R1,000bn (\$114bn) under management, is planning to ratchet up its investments across the continent.

Elias Masilela, PIC's chief executive, told the Financial Times that the 100-year-old entity has up to R50bn to deploy in other African states, is recruiting an Africa team and will look to build on its recent \$250m acquisition of a 20 per cent stake in Ecobank, a pan-African group with operations in 32 countries.

"We are going to be driven by opportunities. It's difficult to say upfront what sectors we're going to prioritise," Mr. Masilela says. "But our view is that anything that has an effect on economic and social infrastructure, telecommunications, power, roads, dams ... are going to be the kinds of things we are looking at."

The focus beyond South Africa's borders traces its roots to a 2010 decision to allow the PIC to invest up to 10 per cent of its assets outside its home country, half of which would be designated to other parts of Africa.

Some of the reasoning was that South Africa's economic growth will be in part dependent on the development of its continental peers, Mr. Masilela says.

In its home market, the PIC has a dual mandate: to ensure a level of return on its investments with significant holdings in blue-chips listed on the Johannesburg Stock Exchange, and to contribute to the development of the country.

As a consequence, the PIC is the biggest investor in South Africa's road network and one of the largest developers of shopping malls, Mr. Masilela says. It manages 30 retail centres in townships and rural areas.

This is an investment process that PIC will look to replicate across the continent, but with more activity in private equity, given the lack of developed capital markets outside South Africa.

It will also consider partnerships with institutions such as the African Development Bank and other asset managers, as well as local entities, he says.

“We still have to identify the partners that we will go with to the rest of the continent – we need to identify the projects and a host of other things. So there’s going to be a gestation period before we start seeing fruition,” Mr. Masilela says.

“We don’t understand the African market very well. We don’t understand the risks.”

The Ecobank deal, announced in April, was PIC’s first significant direct non-South African deal and Mr. Masilela describes it as a strategic acquisition that will enable it to accelerate a broadening footprint across the continent.

“They already have representation in 32 countries across the continent. We would not have hoped to achieve that in the next seven years,” he says. “One, it will give us the necessary investment information that they pick up on the ground ... two, it will give us the right networks in those countries, which we need for what we want to achieve.”

He is aware of the sensitivities that can accompany South African investment. The largest and most developed economy in Africa, it has been criticised at times for displaying arrogance, while other nations can be wary of its economic power.

“There are those concerns and I think it’s purely a function of how we [South Africa] present ourselves. If we can, start presenting ourselves as partners with the continent rather than bullies,” Mr. Masilela says.

“It’s small things that will change how we penetrate the continent and, for me, the issues of trust and relationships are key.”

In South Africa, meanwhile, the governing African National Congress has been debating greater state intervention in the economy.

The PIC, which has significant holdings in all the big companies listed on the Johannesburg Stock Exchange, is one of its potential tools.

But Mr. Masilela is confident there will not be political pressure to change the corporation’s mandate.

The Government Employees Pension Fund accounts for about 90 per cent of PIC’s assets under management and its board has an important role in determining the PIC mandate.

“We are totally independent. Even though we are owned by the state, they understand or the state understands, that we are driven by client mandates,” Mr. Masilela says.

<http://www.ft.com/intl/cms/s/0/14396f14-21ca-11e2-b5d2-00144feabdc0.html>

Source: *The Financial Times Ltd* 2012