

# AFRICAAM

## ASSET MANAGEMENT

April 2014

[www.africaammagazine.com](http://www.africaammagazine.com)

### NEWS INSIDE

#### 04 Sanlam launches Africa Floating Rate Credit Fund

The vehicle will aim to raise capital in excess of \$300m

#### 05 Duet Group invests \$50m in Ghana consumers

The firm took controlling stakes in Shop N Save and GN Foods

#### 06 Kenya, Cameroon to trade new products

The NSE will offer derivatives and REITs

#### 07 Absa launches retirement fund

The low-cost product comes at a minimal lump sum investment of \$928

### PROFILE



## OPIC: The American Way

How the US Government's development finance institution supports private equity funds in Africa **12**

### MARKET

## Rwanda

PE industry to grow strongly in East Africa **20**



### STRATEGY

## Hedge funds

How to construct an African hedge **14**

# OPIC: THE AMERICAN WAY



*Africa AM* speaks with OPIC's director of private equity, **Chinesom Ejiasa** (left), and acting vice president of investment funds department, **William Pearce** (right), about the US DFI's support of PE funds

BY ANNA LYUDVIG

**E**stablished as an agency of the US Government in 1971, the Overseas Private Investment Corporation (OPIC) started to support private equity (PE) funds in Africa in the early 1990s, playing an important catalytic role for private sector capital.

William Pearce, acting vice president of OPIC's investment funds department, says that the largest portion of OPIC support comes in the form of project finance loans, whereas private equity is a smaller part of the agency (about \$2.2bn out of a total of \$18bn at the end of fiscal year 2013). OPIC also offers structured finance, SME finance and political risk insurance.

At the end of 2013, the agency's total financial portfolio in Sub-Saharan Africa was about \$3.9bn across almost 120 projects. As part of that, on the private equity side, OPIC has approximately \$700m invested or committed and another \$600m board-approved. "We continue to do well and we are trying to do more on the private equity side," says Pearce.

## Global Engagement Call

In December 2013, the US government's development finance institution (DFI) successfully closed its second "Call for Proposals" to support qualified PE investment funds in emerging markets.

In Africa, OPIC has previously seeded fund managers such as Helios, ECP, Ethos, African Capital Alliance and Phatisa. But it is too early to say who the

DFI will take on board this time as the selection process takes approximately six to eight months to complete. Chinesom Ejiasa, director of investment funds at OPIC, says: "It is a bit hard to indicate when we will start investing with these new GPs, but we hope to take finalists to our board in June this year."

The DFI's commitments do not represent more than 33% of a fund's total capitalisation, but the way in which OPIC commits capital to funds is "a little bit different from some of the other DFIs and also even some of the private investors". "We formerly discuss opportunities with fund managers when we launch our Call for Proposals (CFP), which is somewhat like a Request for Proposal. Essentially, via the CFP we come to the market with our investment thesis and indicate to the market our interests," he stresses.

Ejiasa explains that the process is very much similar to how a private LP or other DFI will look at proposals. "We look at the track record and we make sure that the investment thesis of the particular fund manager aligns with the investment thesis of OPIC. We look at our own internal portfolio and we consider our policy initiatives to ensure that the prospective fund manager is in line with those initiatives," he says.

Pearce adds: "We will look at the commercial and developmental merits of each proposal and shortlist those we feel fit best with the criteria outlined in each call and our agency strategy."

"We seek out managers who are going to be in-

vesting in countries that are politically stable, have high growth trajectories, good rule of law, as well as institutional quality companies that GPs can confidently invest in,” he adds.

### Dual mission

According to Ejiasa, OPIC is driven by demand. “We review a lot of proposals and get to see where the actual demand in the market space is. As we look at fund managers, we think about our portfolio and our portfolio looks different than it did two years ago,” he says.

Currently, the top countries OPIC is invested in Africa are South Africa, Nigeria and Kenya. But as the DFI begins investing in some of these new GPs, its exposure to various countries is expanding. “We have new investments in Cote d’Ivoire, Ghana and the Congo,” says Ejiasa.

Sector-wise, the largest exposure is in financial services, but also telecoms, and real estate, whereas agriculture is building itself up as well. “That portfolio is going to evolve over the next few years as our commitments become investments in some of these funds,” he stresses.

Ejiasa points out that OPIC is also priority driven. For instance, in the second CFP, an additional consideration was given to fund managers investing in infrastructure and power and infrastructure-related sectors within SSA. For Ejiasa, infrastructure is very much funda-

“**We are collectively focused on building on infrastructure in Africa, because we realise that it is a very fundamental building block for economic advancement”**

CHINESOM EJIASA

mental to any sort of PE strategy or any sort of economic development strategy. “We are collectively focused on building on infrastructure in Africa, because we realise that it is a very fundamental building block for economic advancement,” he says. As part of this process

## OPIC IN ACTION (INVESTMENT FUNDS)

Source: OPIC

Project	Commitment level	Country	Year
Access Africa Fund Sub-Fund	\$50m	Africa regional	2013
Maghreb Private Equity III	\$52.5m	Africa regional	2013
Helios Investors II Africa	\$100m	Africa regional	2010
ECP Africa FIII Investments	\$40m	Africa regional	2010
InfraCo Sub-Sahara Infrastructure Fund	\$100m	Africa regional	2010
ECP Africa FIII Investments	\$60m	Africa regional	2009
Capital Alliance Property Investment	\$50m	Nigeria	2009
African Telecoms Media and Technology Fund	\$50m	Africa regional	2008
SAWHF PVE (SA)	\$80m	South Africa	2008
Helios Sub-Saharan Africa Fund I	\$50m	Africa regional	2007
Ethos Private Equity Fund V	\$150m	Africa regional	2005
ECP Africa Fund II Investments	\$100m	Africa regional	2005

and the US’s President Barack Obama’s Power Africa initiative, the DFI plans to commit \$1.5bn towards African power projects over the next five years.

OPIC tries to be very catalytic and not just in the sense of putting money into markets that lack liquidity, but also in the sense of supporting first-time fund managers. Ejiasa says: “We have a dual mission. We place an important emphasis on commercial viability, so supporting managers, who have strong commercial return mind-sets.”

“But then we are also supporting a mission of development. We have a

those managers who “will hit the targets or try to hit the targets that they aspire to hit”. “We believe that being with better fund managers who can execute their strategy and get us close to the targets, is going to be not only a good commercial investment, but also bring developmental returns,” he says.

### Going forward

Because of the tender process, OPIC seeks to be in the market regularly to ensure it optimises “the nuanced fundraising cycles”, according to Pearce. “We want to make sure we are out there on a regular basis. We want to have engagement calls happen every 18-24 months.”

Ejiasa says that the risk-reward outlook for OPIC is somewhat different from private institutional LPs: while from a developmental standpoint OPIC is going to be very much focused on Africa, the projects have to be commercially viable from a reward standpoint, because OPIC is a self-sustaining agency. “We will be involved in Africa as long as those two items exist,” he says.

Ejiasa says that the investment challenges in Africa are not necessarily different from the challenges in other emerging markets, but a general challenge is the realisation that the landscape is evolving every single day, so for OPIC it is challenging to make sure that it is “staying abreast of the evolving market”. ■