

The AFRICAN INVESTING *for* IMPACT BAROMETER

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RISCURA

Overview

The 6th edition of the African Investing for Impact Barometer (AIFIB) has maintained the coverage and scoring of Anglophone Africa's formal investment markets as the 5th edition.

This includes four countries in East Africa, two in West Africa and nine in Southern Africa as we strive to objectively depict the spectrum of investments that seek to combine financial returns as well as the positive impact on society and the environment. For the 6th edition, we prioritised the top 20 fund managers by assets under management (AUM) in South Africa rather than all the registered fund managers in that market. This delimitation enabled deeper analysis of those top 20 fund managers who control over 75% of AUM in the South African market.

The AIFIB is compiled primarily from publicly available information sourced from fund manager disclosures on their websites, reports and fund-fact sheets as at 31 July 2021. Additional information is sourced from fund manager submissions, regulators and industry associations where publicly available. The 6th edition is also the first edition conducted in partnership with the global, purpose-driven investment firm, RisCura.

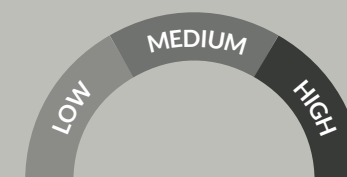


Scoring Methodology

IFI STRATEGIES	INDICATORS USED TO ASSESS IMPLEMENTATION	PTS
ESG Integration The systematic integration of Environmental, Social and Governance (ESG) factors into investment analysis, valuation and decision-making based on appropriate research sources and metrics.	1. Integration of ESG data into research and analysis.	1
	2. Use of ESG data and ratings from ESG data service providers.	1
	3. Integration of ESG data into valuation and ratings of instruments.	1
	4. Integration of ESG data into portfolio construction.	1
	5. Integration of ESG performance into investment performance measurement.	1
	6. Presence of dedicated staff/analysts for ESG integration.	1
	7. Measurement of the impact/outcome of ESG integration.	1
	8. Public disclosure of the impact/outcome of the ESG integration.	1
Investor Engagement An investment strategy that seeks to influence company behaviour by active ownership through proxy voting, board participation and/or engagement with companies on ESG matters.	1. Public disclosure of engagement process and/or policy.	1
	2. Use of dedicated staff or service providers for investor engagement.	1
	3. Evident engagement with investees on governance matters.	1
	4. Evident engagement with investees on environmental matters.	1
	5. Evident engagement with investees on social matters.	1
	6. Measurement of the impact/outcomes of ESG engagements.	1
	7. Public disclosure the impact/outcomes of your engagements	1
Screening Inclusion or exclusion of investments based on ESG or ethical screening. The screening may be positive, negative, norms-based or best-in-sector screening.	1. Public disclosure of ESG screening policy or process.	1
	2. Screening of investees using environmental criteria.	1
	3. Screening of investees using social criteria.	1
	4. Screening of investees using governance criteria.	1
	5. Measurement of the impact/outcomes of ESG screening process .	1
	6. Public disclosure of the impact/outcomes of your ESG screening process.	1
Sustainability-themed Investment Investments made along the themes of environmental sustainability and sustainable development.	1. Evidence of sustainability-themed targets for investments.	1
	2. Evidence of investments aligned with targeted sustainability themes.	1
	3. Measurement of the impact/outcomes of sustainability-themed investments made.	1
	4. Public disclosure of the impact/outcomes of your sustainability-theme investments.	1
Impact Investment Investment intentionally aimed at generating measurable positive Environmental and/or Social impact alongside a financial return.	1. Explicit declaration of additional investment intention to achieve a social or environmental impact.	1
	2. Public disclosure of policy indicating specific Environmental & Social impact objectives for investment.	1
	3. Evidence of investments aligned to specified Environmental & Social objectives.	1
	4. Measurement of the impact/outcome achieved through investments.	1
	5. Use of inhouse and/or external resources to measure impact.	1
	6. Public disclosure of the impact outcomes achieved through impact investing.	1

How scoring works

The AMs and PE/VC accumulate points according to the IFI strategy assessment indicators. Those rated as “low” satisfy the least number of indicators and those rated as “high”, satisfy most if not all indicators.



Leaders in implementation, are those who reach a high scoring based on information sourced in the public domain.

	LOW	MED	HIGH	MAX
ESG Integration	1 - 3	4 - 6	7 - 8	8
Investor engagement	1 - 2	3 - 5	6 - 7	7
Screening	1 - 2	3 - 4	4 - 6	6
Sustainability-themed	1	2 - 3	4	5
Impact investing	1 - 2	3 - 4	4 - 6	6

What We Uncovered

Compared to the previous edition, Southern Africa keeps its leading position with a considerable increase of assets dedicated to one or more IFI strategies from USD4.28bn to USD613bn. West Africa jumps from USD10bn to USD23.6bn and takes the second place ahead of East Africa which remains stable at USD18.1bn.

South Africa remains the country with the largest amount of assets in USD dedicated to one or more IFI strategies, followed by Nigeria and Kenya.

ESG Integration and Screening attract the most amount of assets overall with ESG integration attracting USD337.2bn, and Screening attracting USD231.3bn.

Overall, Impact investing and Sustainability-themed Investing continue to attract the least amount of assets relative to other IFI strategies despite them showing the most potential for

demonstrable impact. They attracted AUM USD65.2bn and USD72.6bn respectively. These strategies remain niche compared to the other IFI strategies but we do see a notable jump in reported impact investing assets.

Investor engagement attracts the third-highest amount of assets among the IFI strategies overall attracting over USD145bn.

ESG integration is the leading IFI strategy in Southern Africa and East Africa attracting more than USD320bn and USD7.63bn in assets respectively. Sustainability-themed investing is the leading strategy in West Africa attracting USD15.8bn in assets.

We have seen a notable increase AUM dedicated to one or more IFI strategies reported in Southern Africa mainly due to better disclosure by the investment firms (particularly in South Africa). This is despite the depreciation of most of the Southern African currencies against the USD. We have noted a decrease in AUM in East Africa since the previous edition.

This can be attributable to currency depreciations against the USD in Kenya, Rwanda and Tanzania since the previous edition. We've also seen the consolidation of investment managers, the exit of some large fund managers asset (such as Abraaj) in East Africa as well as PE/VC firms who have realised their portfolio holdings since the previous edition. In West Africa, we noted an increase in IFI AUM despite the consolidation of active fund managers in Ghana and the depreciation of both the Nigerian Naira and Ghanaian Cedi against the USD. This points to fund manager improvements in disclosure of portfolios and AUM since the previous edition of the AIFIB. This also suggests increased IFI market building and IFI product development activity in SSA, especially in Southern and West African markets.

Overall, we have noted an increase in the quality of how fund managers disclose on IFI strategies, which has allowed us to measure the size of the IFI market in the respective regions and to score fund managers more accurately than in previous editions.



Increase in the quality of disclosure regarding the implementation of IFI strategies

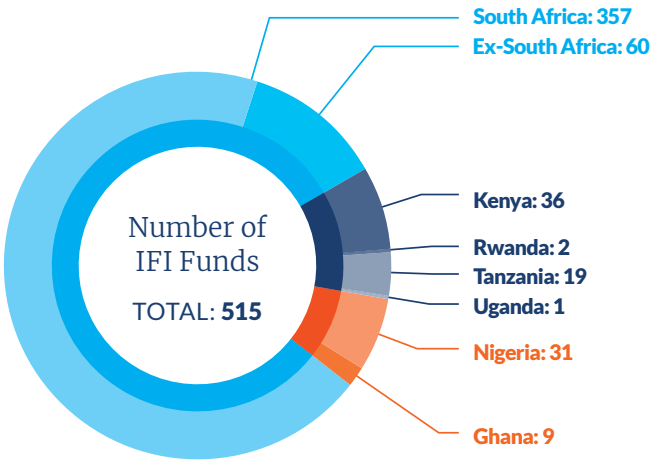
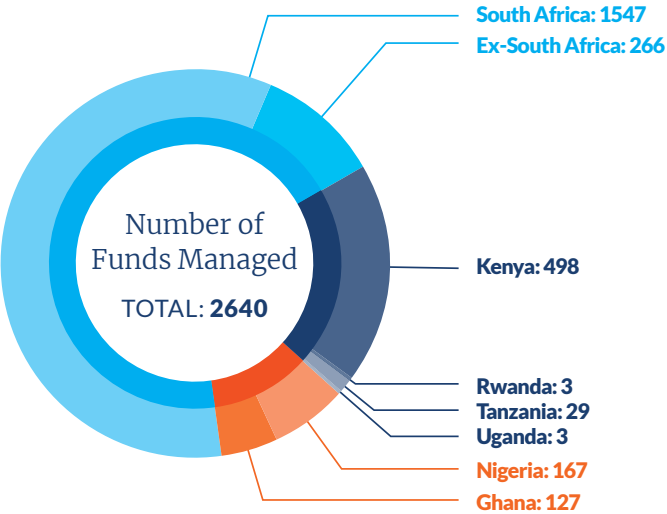
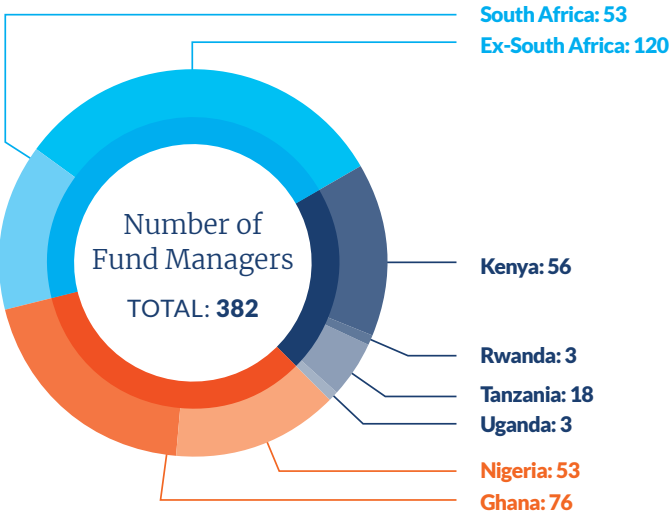
With **USD337.2bn**, ESG Integration gets the largest allocation of assets compared to the other IFI strategies.

What we surveyed

The 6th edition of the AIFIB has a regional focus and includes countries with a presence of an established retirement and professional fund management industry. The regions covered are Southern, West and East Africa.

This study examines the proportion of assets managed by professional fund managers (i.e. AMs and PE/VC firms) for a fee. The study includes assets that are deployed locally by AMs and PE/VCs within the three respective regions (i.e. We exclude assets invested outside of these three regions). To minimise double-counting, we exclude assets managed in Fund of Funds

(FOF) arrangements and assets managed internally by asset owners who do not delegate fund management to AMs or PE/VC fund management for a fee. AUMs are expressed in USD to facilitate comparison between countries. Hence the effects of currency fluctuations need to be factored when comparing Barometer results across editions.



West Africa

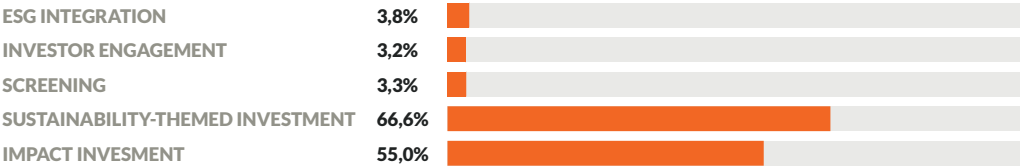
Number of impact investment funds
per country within the region

- Ghana 4
- Nigeria 32

There has been a decrease in the number of impact investing funds managed by professional fund management firms (particularly in Ghana). Nigeria continues to dominate in West Africa in terms of number of professionally managed impact investing funds. Publicly available information by Ghana impact investing fund managers has decreased substantially since the previous edition.

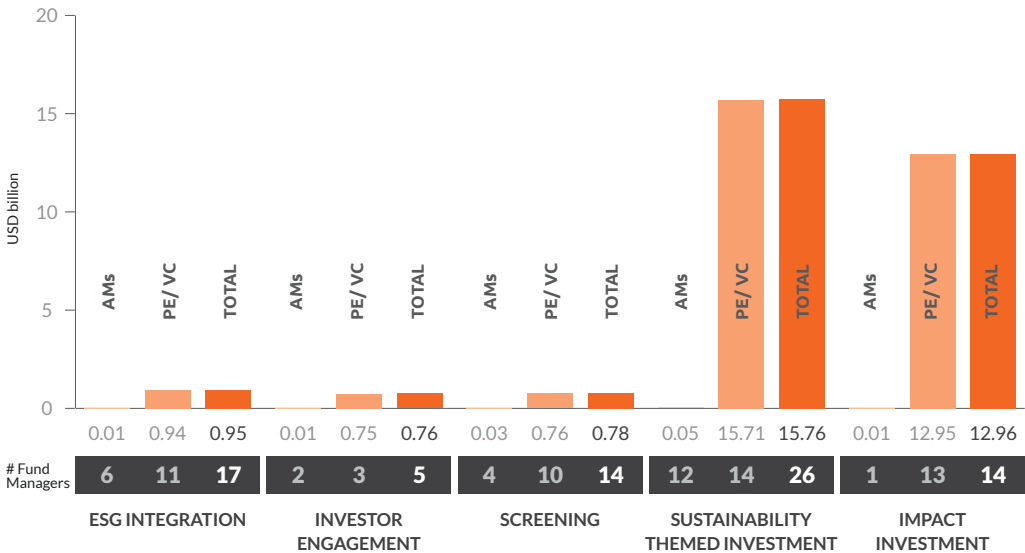


Weight of IFI strategies as % of total assets



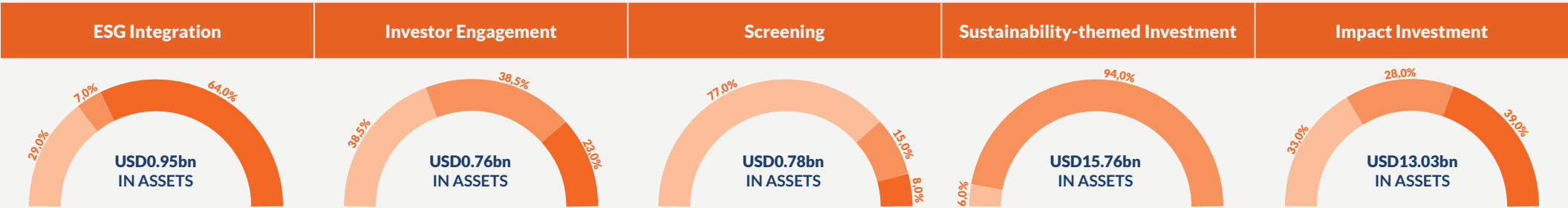
NB: Organisations surveyed can implement more than one IFI strategy to the same pool of assets.

AMs vs PE/VCs: Size of assets managed per IFI strategy
EXPRESSED AS USD BILLION



Barometer scoring results

LOW MEDIUM HIGH



LEADERS

AM or PE/VC	Barometer score	AM or PE/VC	Barometer score	AM or PE/VC	Barometer score	AM or PE/VC	Barometer score	AM or PE/VC	Barometer score
Alitheia Capital	High	ARM-Harith Infrastruc-ture Investment	High	Emerging Capital Partners	High	ARM-Harith Infrastruc-ture Investment	Medium	Carlyle	High
FBNQuest Funds	High	Carlyle	Medium	Lotus Capital	Medium	Chapel Hill Denham Management	Medium	Convergence Partners	High
Carlyle	High	Sahel Capital	Medium	Sahel Capital	Medium	TBL Mirror Fund	Medium	Oasis Capital Ghana Ltd	Medium

East Africa

Number of impact investment funds
per country within the region

- Kenya 38
- Rwanda
- Uganda 12
- Tanzania

There has been a slight increase in the number of impact investing funds managed by professional fund management firms in East Africa.

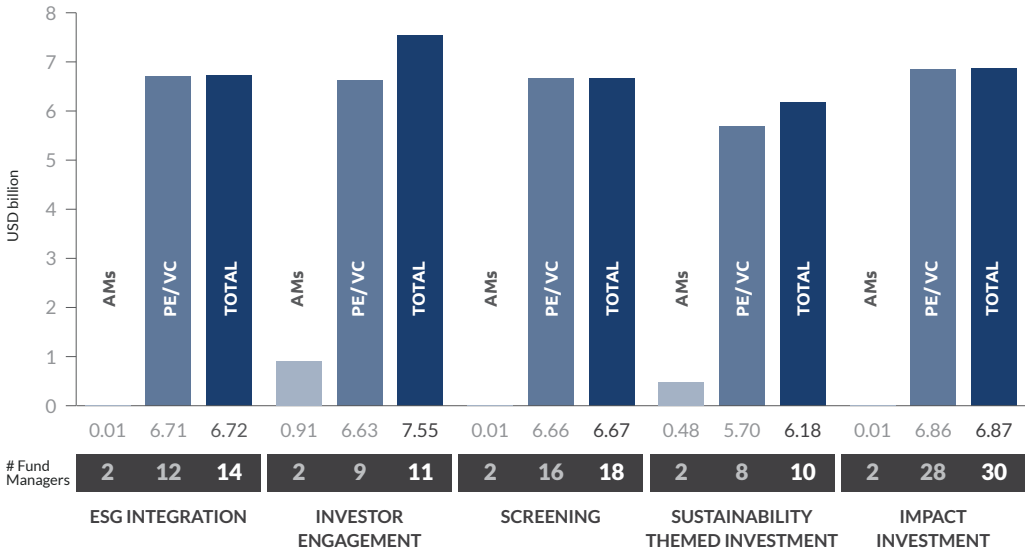


Weight of IFI strategies as % of total assets



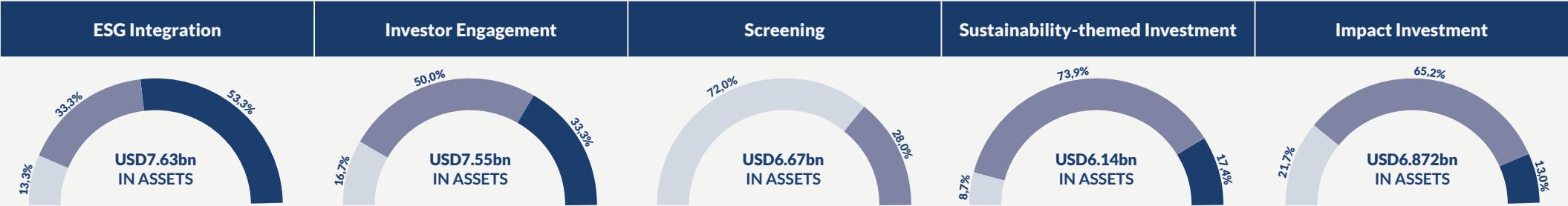
NB: Organisations surveyed can implement more than one IFI strategy to the same pool of assets. Kenya continues to dominate in terms of number of impact investment funds distributed.

AMs vs PE/VCs: Size of assets managed per IFI strategy EXPRESSED AS USD BILLION



Barometer scoring results

LOW MEDIUM HIGH



LEADERS

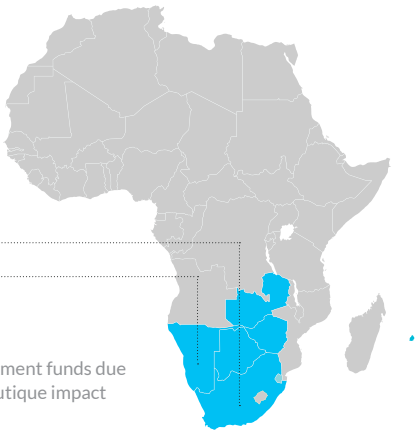
AM or PE/VC	Barometer score	AM or PE/VC	Barometer score	AM or PE/VC	Barometer score	AM or PE/VC	Barometer score	AM or PE/VC	Barometer score
Standard Chartered Investment Services Ltd	High	Norfund	High	CrossBoundary LLC	Medium	D.O.B Equity	High	One Acre Fund	High
African Capital Alliance	High	CrossBoundary LLC	Medium	African Capital Alliance	Medium	Grofin	High	Pearl Capital	Medium
Catalyst Principal Partners	High	Catalyst Principal Partners	Medium	Norfund	Low	One Acre Fund	High	Grassroots Business Fund	Medium

Southern Africa

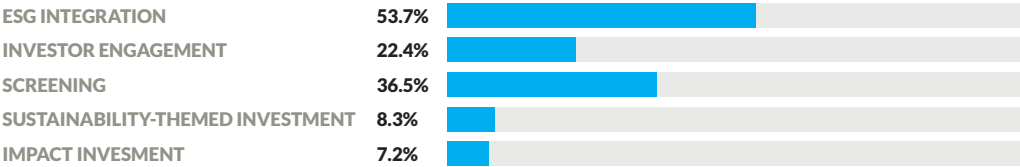
Number of impact investment funds
per country within the region

South Africa 120
Ex-SA 25

Southern Africa witnessed a notable growth in the number of impact investment funds due to increased demand by asset owners such as the PIC. A number of new boutique impact fund managers have been established.

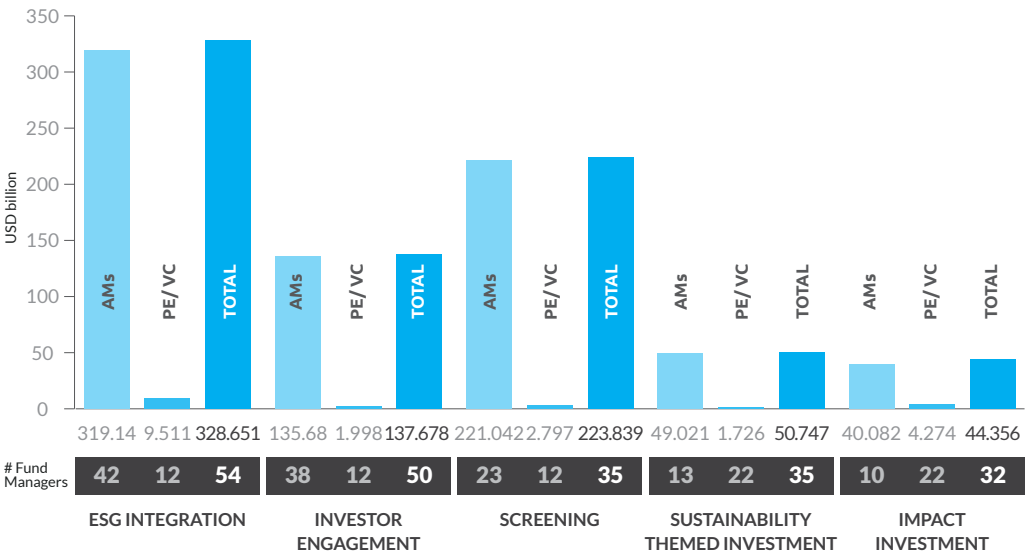


Weight of IFI strategies as % of total assets



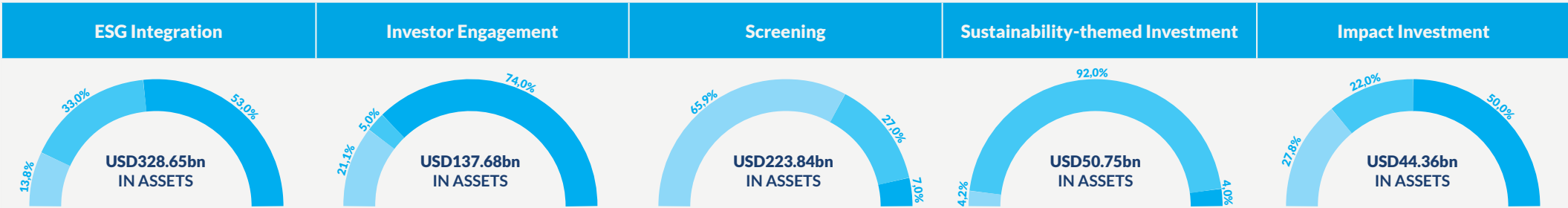
NB: Organisations surveyed can implement more than one IFI strategy to the same pool of assets.

AMs vs PE/VCs: Size of assets managed per IFI strategy EXPRESSED AS USD BILLION



Barometer scoring results

LOW MEDIUM HIGH

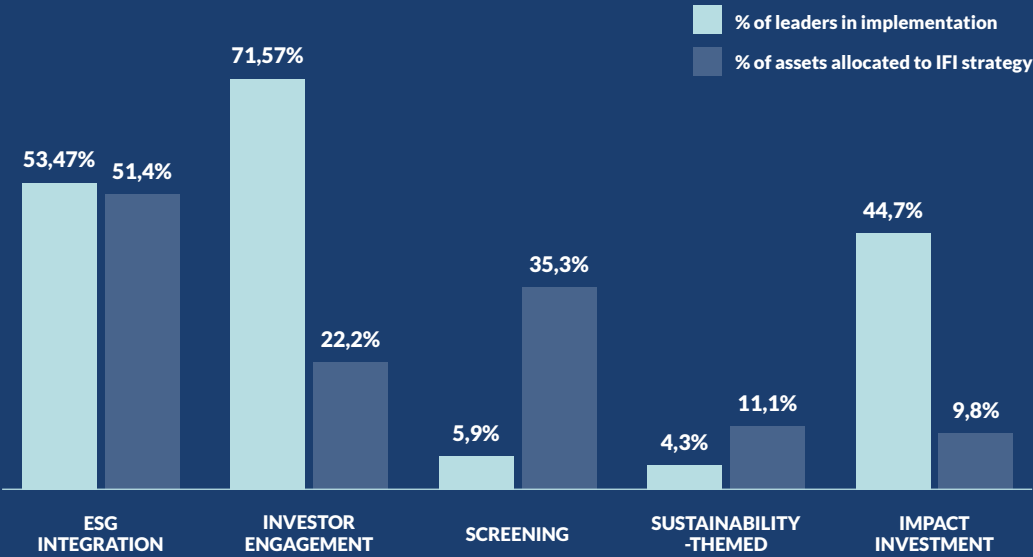


AM	Barometer score	PE/VC	Barometer score	AM	Barometer score	PE/VC	Barometer score	AM	Barometer score	PE/VC	Barometer score	AM	Barometer score	PE/VC	Barometer score	AM	Barometer score	PE/VC	Barometer score
Ninety One	High	African Infrastructure Investment Managers	High	OMIG (SA)	High	Metier	High	OMIG(SA)	High	African Infrastructure Investment Managers	High	Futuregrowth Asset Management	High	Summit PE Investment Managers (Pty) Ltd	High	Futurgrowth Asset Management	High	Old Mutual Alternative Investments	High
Sanlam Investments	High	Summit PE Investment Managers (Pty) Ltd	High	Ninety One	High	Tamela Capital Partners	High	Sanlam Investments	High	Vuna Partners	High	Ninety One	High	Metier	High	Mergence	High	Sanlam Investments	High
OMIG (SA)	High	Adenia Partners	High	Sanlam Investments	High	Novare Equity Partners/ Novare Fund Manager	High	Prowess Investment Managers (Pty) Ltd	High	Tamela Capital Partners	High	Sanlam Investments	High	Harith General Partners	High	Ashburton Fund Managers (Pty) Ltd	High	Third Way Investment Partners	High

Comparing IFI Strategies

As in previous years, the data indicates that ESG Integration is the most commonly used IFI strategy. Screening is the second most used IFI strategy although it has a low proportion of leaders in implementation (fund managers obtaining high scores).

Fund managers are lagging in terms of disclosing the impact of implementing the Screening strategy. The South African fund managers continue to improve their disclosure of Investor Engagement beyond the listed equity category. However, this is still weak in terms of reporting the impact of their engagements with portfolio companies. Fund managers improved their processes of measuring the impact of their investment activities since the last edition.



ESG Integration

ASSET SIZE

Cross Region: Ranks first with USD337.2bn AUM

Regional Leader: Southern Africa with 97.5% of assets.

AM versus PE/VC: In Southern Africa AMs control 97.1% of ESG integration assets. In West Africa and East Africa, PE and VC are leading the way controlling 99.6% and 88.0% of ESG integration assets respectively.

IMPACT QUALITY

The % of leaders in implementation is 53.5%. Southern Africa has the highest % of leaders in implementation at 52.2% followed by 1.1% and 0.2% in East Africa and West Africa.

Investor Engagement

ASSET SIZE

Cross Region: Ranks third with USD146bn AUM

Regional Leader: Southern Africa with 94.3% of assets.

AM versus PE/VC: In Southern Africa AMs control 97.1% of Investor Engagement assets. In West Africa and East Africa, PE and VC are leading the way controlling 99.6% and 87.9% of the assets respectively.

IMPACT QUALITY

The % of leaders in implementation across the three regions is 76.1%. Southern Africa is ahead with 69.9% followed by 1.5% and 0.1% in East Africa and West Africa respectively.

Screening

ASSET SIZE

Cross Region: Ranks second with USD231.3bn AUM

Regional Leader: Southern Africa with 96.8% of assets.

AM versus PE/VC: In Southern Africa AMs control 98.6% of Screening assets. In West Africa, PE and VC are leading the way controlling 96.7% and 100% of the IFI strategy assets.

IMPACT QUALITY

The % of leaders in implementation across the three regions is 5.9% dominated by Southern Africa.

Sustainability-themed Investment

ASSET SIZE

Cross Region: Ranks fourth with USD72.6bn AUM

Regional Leader: Southern Africa with 83.7% of assets.

AM versus PE/VC: In Southern Africa AMs control 96.6% of Sustainability-themed Investment assets. In West Africa and East Africa, PE and VC are leading the way controlling 98.7% and 92.2% of assets respectively.

IMPACT QUALITY

The % of leaders in implementation across the three regions is 4.3%. Southern Africa features the highest % of leaders followed by 2.9% for West Africa and 1.4% for East Africa.

Impact Investment

ASSET SIZE

Cross Region: Ranks fifth with USD64.3bn in AUM

Regional Leader: Southern Africa with 83.8% of assets.

AM versus PE/VC: In Southern Africa AMs control 90.36% of Impact Investment assets. In West Africa and East Africa, PE and VC are leading the way controlling 99.9% and 100% of assets respectively.

IMPACT QUALITY

The % of leaders in implementation across the three regions is 44.7%. Southern Africa counts the highest number of leaders at 34.5% followed by 8.9% and 1.3% in West Africa and East Africa respectively.

Key Insights

ESG INTEGRATION: A much-needed push for hiring ESG professionals

The challenges of demonstrating and disclosing the impact of ESG integration still persist compared to previous years. AMs and PE/VC firms struggle to score points on measuring the impact of implementing ESG integration and public disclosure of the impact of implementing the ESG engagement strategy. However, the firms we surveyed are making strides towards broadening ESG integration to asset classes that are beyond public and private equity. More fund managers incorporate ESG factors in the management of fixed income instruments by private (credit) and some public issuers. More of the firms we surveyed, particularly in Southern Africa, meet the scoring criterion of having dedicated ESG professionals within their investment teams. This positive development could influence the efficacy with which ESG factors are integrated beyond the initial screening and research phases of the investment processes (i.e. to improve ESG integration in valuation and portfolio construction). More AMs are using third-party ESG and CSR data providers to support their ESG processes, which should partly address challenges to ESG integration related to sourcing extra-financial data.

ENGAGEMENT: Getting more sophisticated and innovative

AMs are moving away from simply listing AGMs attended and votes cast, particularly in Southern Africa, to producing stewardship reports with more details about engagement activities beyond proxy voting. These stewardship reports do a better job of demonstrating engagements that happened outside of AGMs (such as those behind closed doors with company executives/management). The reports also reveal increased efforts to specify whether the engagements were related to E, S or G matters. It is becoming evident that fund managers are engaging on environmental issues even though governance issues remain the dominant factors of engagement.

Social issues related to Covid-19 were prevalent in this period. Climate change has dominated engagement discussions on environmental issues, presumably influenced by developments in climate action initiatives emerging from the Paris Agreement. Collaborative engagement among investment firms, particularly in Southern Africa, is an emerging engagement practice. For investment firms in East and West Africa, engagement practices are still not adequately disclosed in public domains. Investor engagement remains the activity of holders of equity securities. Evidence of ESG-related engagements by holders of fixed income securities and other asset classes remains relatively muted among the firms we studied. The introduction of standalone stewardship services by the Old Mutual Investment Group could be a game-changer for an IFI market where specialised service providers and skills can be developed to improve the quality and impact of engagement as a distinct IFI strategy.

SCREENING: Largely in stand-by

Positive screening remains muted across the regions and there has been no notable product development of best-in-class options. This is disappointing since positive screening approaches offer a pragmatic solution in markets with underdeveloped and highly concentrated public markets. The underdeveloped nature of the Sub-Saharan public markets makes it challenging to implement exclusionary screening approaches that limit investment options. Generally, investment firms were found to disclose nothing more than screening policies and criteria. More work needs to be done to increase the practice of positive and best-in-class screening. The developments of social and environmental taxonomies, as well as better sustainability reporting guidelines, can enable investors to access data for more sophisticated screening practices. The Sub-Saharan asset owners also need to play their role in pushing for more sophisticated screening practices in the market.

SUSTAINABILITY-THEMED: A rising focus on social infrastructure

Despite positive developments in sustainability-themed investing, the measurement and demonstration of the impact achieved remains a challenge for the market. This edition of the AIFIB reveals the development of infrastructure investment options with increased allocation to social infrastructure, not just economic and environmental infrastructure. For example, PE/VC firm Summit Africa launched an infrastructure fund focused only on social infrastructure in healthcare, education and housing. This is a positive development signalling confidence that there are opportunities to invest in social infrastructure and generate positive financial returns. This could bode well for investments in themes such as water and sanitation, which have not received a lot of much-needed private sector capital injections. However, there is room to improve the supply of sustainability-themed investment products to attract more assets towards this IFI strategy both on the environmental and social dimensions. The rising interest from stock exchanges in the three regions surveyed for consolidating the green bonds, but also progressively social and sustainability bond markets, could be supportive of this needed development for the continent.

IMPACT INVESTING: An agile but niche market

The ongoing challenges of impact measurement and reporting haven't deterred demand-driven progress in impact investing activity, although impact investing is still attracting the least amount of assets. For example, the PIC, the continent's largest investment manager, added impact investing as a strategy for unlisted investments after requesting impact investing proposals from fund managers. This has seen a number of emerging investment firms attracting assets in search of impact investing opportunities.

We have also seen African countries such as Nigeria, Ghana, South Africa and Zambia joining The Global Steering Group for Impact Investment (GSG) to develop impact investing activity. However, some impact investors identified product development opportunities the Covid-19 pandemic presented. A notable and agile response was Sanlam Investments in Southern Africa seeding a series of impact funds aimed at supporting business to be resilient and recover from the Covid-19 disruptions while seeking financial returns.

RETAIL OFFERINGS: Innovation at the gate

The tax ministry has removed the incentive of investing in Venture Capital Companies (VCCs) in South Africa, reducing the attraction of VCCs for high-net-worth individual retail investors. However, with the emergence of diaspora portfolio investments aimed at enabling Africans living outside the African continent to channel financial capital towards investing for impact in their countries of origin, there are potential alternatives to VCC vehicles for retail investors wishing to invest for impact in Africa. These diaspora portfolio investment portfolios don't have the same barrier to investing as VCCs, which are primarily accessible to high-net-worth individuals and small companies. The Kenyan investment firm African Diaspora Asset Management is one of the early movers in this space. Another noteworthy collaborative innovation by MSCI and Old Mutual Wealth has been the development of ESG scoring and classification of unit trusts offered to individuals. This potentially empowers retail investors with information to select unit trust portfolios that resonate with their desired IFI objectives.

Glossary of terms

AGM: Annual general meetings of corporations

ASSET MANAGERS (AM): Investment managers who invest primarily in listed instruments such as listed equity, listed debt and money-market instruments. These investments may also hold small amounts of unlisted instruments.

BEST IN CLASS SCREENING: An inclusionary investment screening approach where investees are selected and weighted according to their respective ESG scores relative to industry or sector peers.

ENGAGEMENT: Communication between an investor and a company regarding issues of management.

GSG: Global Steering Group for Impact Investment

NEGATIVE SCREENING: An investment approach in which an investor excludes or avoids investing in companies, sectors or countries that do not meet ESG or ethical criteria set by the investor.

NORMS BASED SCREENING: An exclusionary investment screening approach in which investees are excluded based on the violation of international norms.

PIC: The Public Investment Corporation of South Africa

POSITIVE SCREENING: An investment approach in which the inclusion or targeting of investments in companies, sectors or countries is based on meeting desirable ESG or ethical criteria set by the investor.

PRI: United Nations-supported Principles for Responsible Investment

PRIVATE EQUITY AND VENTURE CAPITAL (PE/VC) MANAGERS: Investment managers who invest

primarily in unlisted companies using private equity, mezzanine debt, and venture capital.

PROXY VOTING: Process of voting on corporate and management matters by virtue of being an owner of a security with voting rights in the portfolio company.

RETAIL ASSETS: Assets belonging to or invested by retail clients such as individuals and HNWI investors

SDG: Sustainable Development Goals.

VCC: Venture Capital Companies.

RisCura

A global leader in emerging and frontier markets, RisCura is known for its investment expertise and offers insights, advice, and investments to asset owners, investment managers and service providers across the industry. Through constantly exploring new ways to invest with care and meet the needs of clients, RisCura has helped to bring about impactful investment opportunities in the markets it operates in, while steering global capital towards investments that benefit society and the planet in the long run.

www.riscura.com

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