

IFC EXPERTISE

INCREASINGLY VITAL IN SUPPORTING SOUTH AFRICA'S AMBITIONS



By: Allan Wood,
Global Head of Business Development


Jersey Finance
Delivering Insight • Driving Innovation

Jersey's Value
to Africa



Tighter yields and strong competition in traditional markets have prompted European institutional investors to slow down in deploying their capital, despite having accumulated record levels of investable capital in recent years.

One of the repercussions of this search for yields in new and different areas has resulted in an increasing appetite amongst investors to look at foreign direct investment (FDI), and Africa has risen to the fore in this context, as a market offering significant growth opportunity.

At the same time, there's no doubt that FDI remains vital to Africa's future – a study published in 2014 by Jersey Finance found that over the next 30 years Africa needs to invest \$85trn in its infrastructure to support its growing population, and that in order to meet that demand it needs to attract in excess of \$6trn of FDI.

With European investors looking increasingly at Africa, this is all presenting African-based alternative fund managers looking to fund raise with a considerable opportunity – but navigating the global, and particularly the European, institutional investor landscape requires specific expertise.

Of course, the landscape is rendered even more complex at the moment by the COVID-19 pandemic, which is challenging operational platforms globally, including in South Africa, and is heightening the demand for expertise, robust platforms and solid advice even further.

Whether raising capital for direct investment or seeking liquidity through a permanent capital vehicle as an exit strategy for current investors, it is vital for a fund or corporate vehicle to address the complex regulatory and legislative requirements of Europe.

It is for this reason that a rising number of African managers, particularly in South Africa, are turning to specialist international finance centres (IFCs) like Jersey, that have considerable experience in navigating global regulation and compliance requirements, to support their future ambitions.

Specialist fund domiciles that are tried and tested, that offer high standards of corporate governance and that can provide guaranteed and seamless market access are vital in bridging the gap between Europe and Africa.

It's crucial, for instance, for managers to consider the substance, governance and operational risk requirements of the investors themselves – concepts and processes that have become embedded in the approach of IFCs that strive to be at the forefront of global



Cape Town, South Africa

For more information, visit www.jerseyfinance.je

regulation and oversight. Jersey introduced new economic substance legislation last year, for instance, which should give managers added confidence.

INVESTOR FAMILIARITY

It's a theme that came out strongly in some recent research Jersey Finance undertook with IFI Global, which found that investor familiarity is absolutely key when it comes to fund domiciliation decisions – investors don't like regulatory or economic surprises, and those domiciles that can offer those sorts of reassurances will be vital in supporting long-term cross-border fund activity.

Although a piece of research with global significance, the findings are particularly true where European investors looking to explore new opportunities in Africa are concerned. They absolutely want certainty, stability and reassurance as they explore a new market – and in all scenarios, Jersey ticks the boxes.

In fact, Jersey's alternative funds community has been reporting a rise in activity touching Africa in recent months, in particular South Africa. South African fund managers now account for the eighth largest pool of capital globally in respect of Jersey-based fund promoters, according to the Monterey Insight report. This includes firms such as Stanlib, Ashburton, Alexander Forbes, Melville Douglas, Novare, Ethos, Westbrook and Fountainhead.

There is sound rationale for this. Jersey's fund structuring and market access capabilities are perfectly honed to enable fund managers in Africa to attract investment from European institutional investors. Jersey's ability to offer rapid, cost-effective and straightforward private placement route to market into the EU and the UK, outside of the red tape of the EU's AIFMD regulation, is highly attractive and proven to work extremely well.

Further, global institutional investors are demanding world-class corporate governance to ensure they are fully in line with global regulatory initiatives and the highest levels of oversight and controls – and again these are areas where Jersey can deliver.

With around a thousand regulated funds, total funds activity growing by 8% in 2019 to reach more than £345bn of assets under administration, and the largest number of FTSE 100 companies registered outside of the UK, Jersey is clearly providing an appealing platform to support global, including African, managers, enabling

them to access European investor capital, and ensure they meet their obligations.

While Jersey is at the heart of the European alternative funds landscape, it has been building a strong relationship with African markets for more than two decades too. As a result, it has built up a formidable understanding of the African landscape – and it's a relationship that continues to evolve, with Jersey increasingly acting as a bridge between Africa and capital raising in Europe. Jersey currently accounts for around £15.5 billion in deployed capital across African markets, including Egypt, Kenya, Uganda and South Africa.

Throughout 2020, Jersey will remain focussed on working with African managers and European investors, drawing on our expertise and experience as a jurisdiction to help both realise their objectives and potential.

Already this year, for example, we participated in the South African Private Equity and Venture Capital Association (SAVCA) Conference and undertook a series of gatekeeper meetings in the country. This built on a range of ramped up activity at the end of 2019, when we hosted a lunch for more than 30 asset managers in South Africa, hosted a funds masterclass event for managers and professionals, and spoke at an Invest Africa event on the periphery of SuperReturn Africa.

LOOKING FORWARD

What has become abundantly clear is that there is a mutual ambition shared by African managers and European investors.

With investor appetite for African opportunities expected to persist – and as we aim to return to a 'new normal' in the longer-term post COVID-19 – IFCs such as Jersey that can demonstrate a quality service, sophisticated expertise, a commitment to the highest standards of governance and regulation, leading digital capabilities and global reach will continue to prove attractive to managers needing to meet the expectations of European and global investors.

Looking forward, those IFCs, including Jersey, that can respond positively to these demands will have the potential to play an increasingly vital role in sourcing overseas capital securely and efficiently to ensure Africa can achieve its future aspirations.