Putting faith in Africa's **transformation**

The South African asset management industry is up there with the best in the world and is set to be a leader in breaking into the African frontier market during the next decade or two.

This is according to former CEO of RMB Asset Management, Deon Gouws, who was recently appointed to a top job at the London-based Credo Group.

He points to several African entities having good balance sheets and looking healthier than many of those in developed countries. He also likes Africa because it's less likely to overheat than bigger emerging markets.

Leon Kok spoke to him about these challenges and a range of other issues.

■ What will you be doing abroad?
I'm moving across to Credo as chief investment officer. It's a relatively small business, which means that I'll also be intimately involved with business development.

After 16 years in the strictly institutional space, I look forward to interacting directly with clients rather than always having to work through intermediaries and concentrating on client strategy rather than pre-eminently focusing on relative performance.


Deon Gouws

■ What made you leave Momentum?
As you know, the merger between RMBAM and METAM took place. There was considerable restructuring and much of it led to redefined roles. My role as CEO of RMBAM was largely in the context of a free-standing business, with a fully empowered executive. That structure doesn't really exist anymore – it's been largely integrated into Momentum. The role of CEO today is therefore quite different to the position I held.

■ When you headed Sanlam's multimanager operation in London, you visited around 150 different investment houses/funds around the world. Given that broad perspective, how does the South African fund industry rate against its First-World peers?
There are various elements to that answer, but in terms of skills and processes, I believe that SA is on a par with most of the First World. To say that we're ahead of many of our First-World counterparts would probably be arrogant, but it would also be untrue to say that we're far behind. There are certain pockets of excellence in SA that rate with the very best in the world.

■ What would you consider as a future cutting edge?
Spearheading the new African frontier (also referred to as the second generation of emerging markets). We are part of Africa, in Africa, and better able to engage with it than institutions in, say, London or New York.

■ Isn't the Africa story overrated?
No. Africa has the potential for significant growth through import substitution, intraregional trade as well as traditional export markets. As in Asia and elsewhere, the private sector will be the engine of growth. Several countries, such as Botswana, Namibia, Mozambique, Nigeria, Angola, Ghana and Kenya are forging ahead at a rapid rate.

A few years ago, Africa's equity market capitalisation was less than 20% of GDP. This figure has since surged to well over 60%. Much of it has been a response to the boom in commodity prices and a rapid growth in mining and oil.

Besides, emerging markets remain attractive to international investors because they present high rates of return compared with developed markets and offer considerable opportunity for diversification.

If I were 15 years younger, I would move to Lagos with like-minded people to set up a financial business. To be on the ground there would allow for incredible leverage. Nigeria has treble SA's population, and the penetration of financial products is less than 10%. All you need to do is get your formula right.

■ Prospects for alternative asset platforms?
The Africa story should provide considerable opportunity for SA private equity. The domestic hedge fund industry will continue to grow, but it might also be said that it has been too easy for too long. In hindsight several funds in the industry should perhaps not have been there in the first place. There may be some truth in the statement that remunerative philosophies have been masquerading as investment strategies!

■ If your new London clients were to ask you for two SA share tips, what would they be?
Probably MTN and BHP Billiton. MTN is a world-class company with excellent management; it's cheap and has a decent dividend yield. The bad newsflow around it has created a considerable buying opportunity. Billiton is also tremendously cheap for what you get; I believe that at current level it's even better value than Anglo American, which is also highly attractive. ■