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Ai INVESTMENT MATTERS

FOSTERING US - AFRICA LONG- TERM INVESTMENT PARTNERSHIPS:

American Asset Owners' Views on US Government Leadership to Facilitate Valuable, Strategic Institutional Investment in Africa

Foreword

Africa investor hosted its 9th annual Pension and Sovereign Wealth Funds Leaders' Summit on September 19th, 2016 on the eve of the US-Africa Business Summit at the NASDAQ in New York. The Summit convened leaders of US and African pension funds, insurance companies, sovereign wealth funds, banks, and infrastructure investment to share investment strategies and co-investment opportunities, and recommend specific actions that the US administration could implement to facilitate US institutional investment in Africa.

These recommendations for the US government are centre stage of the Africa-US Business Partnership Agenda: Setting forth specific actions required for US pension funds and other institutional investors to access the required information to assess investment opportunities, formulate investment strategies, mitigate risks, and identify the required partners for execution and co-investment (African, US, and others already investing in Africa).

The following is a summary of two keynote sessions from the Summit: one session focused on the role of investment consultants in facilitating institutional investment and the other session on engaging the Chief Investment Officers of US pension funds and other institutional investors for their views on issues and solutions. The participants in these sessions detailed specific investment impediments and recommendations on how US government support and facilitation can increase the capacity of US institutional investors to invest on the African continent.

The Summit was opened by Hubert Danso, CEO and Vice Chairman of Africa investor, and Sandy Meyer Frucher, Vice Chairman of NASDAQ. Participating guests included CEOs from more than 12 African stock exchanges, senior executives of leading US and African pension and sovereign wealth funds, development finance institutions, and banks as well as leaders from national governments. The Summit also hosted three members of President Obama's Advisory Council on Doing Business in Africa, including the Chairperson.

Africa investor applauded the commitment of the US government in Africa to encompass trade and investment and most recently its focus on the energy sector with Power Africa. Given the daunting gap in finance, the critical new focus for the US Administration is to further extend the African economic partnership to institutional investment, as the final frontier and pillar required for African economic development, political stability and opportunity for US private sector growth.

The Ai Summit dialogue outcomes summarized in this paper will be as discussion models, to the US Administration and key officials, as well as the leadership of the World Bank Group, the IMF, the African Union, the African Development Bank, and key leaders in the business and investment community in the US, Africa, and other countries. The following is a summary of the **Ai US Institutional Investor Dialogue on Investing Africa.**

2nd Annual Ai Roundtable on North American Pension Funds and Endowments Investing in Africa

Participants:

Chair:
Dr. Barbara Samuels
Director
Global Clearinghouse for Development Finance

Vicki Fuller
Chief Investment Officer
New York State
Common Retirement

Angela Miller-May
Director of Investments
Chicago Teachers' Pension Fund

Jae S. Yoon
Chief Investment Officer
New York Life Investment Management

Richard Ingram
Executive Director
Teachers' Retirement System of Illinois

This session convened leading US institutional investors to build on the previous year's dialogue and the ongoing relationship developing from the Obama-led US-Africa Summit on practical steps to mobilise and engage US institutional investment leadership on investing and co-investing in Africa. The session explored the practical challenges, opportunities and strategies to successfully allocate and invest in the continent.

Dr Barbara Samuels - Director Global Clearinghouse - Vicki Fuller - CIO New York State Common Retirement, Angela Miller-May - Director of Investment, Richard Ingram - Executive Director and Jae S. Yoon - CIO.

Introduction: A continent of growth

In Africa, there is an enormous need to finance economic development and meet the Sustainable Development Goals (SDGs). Basic needs such as energy, sanitation and water must be met if Africa is to realise its economic potential. However, if Africa is to fill the financing gap, governments and the private sector need to collaborate and work hand-in-hand to ensuring the required investment environment with the required information and responsible investment strategies. The demand for investment in Africa is a perfect match for pension fund assets, but the investment data we have indicates the lack of investment from institutional investors. For example, according to the OECD only 1.1% of pension fund investment is now placed in infrastructure globally. Of that investment, almost all is in OECD countries and only in investment grade-assets.

However, Africa's star is on the rise. Vicki Fuller, Chief Investment Officer of the US$ 180 billion New York State Common Retirement Fund, has announced that the Fund has allocated 3% of its portfolio to African investments. She explained that the Fund views the continent in the context of its unique growth in critical areas that are associated with high and diversified investment returns: the emerging consumer middle class, very high rate of urbanisation, and the growth of renewable energy. Therefore the growth opportunity and the diversification is seen as representing important financial opportunities to the pension fund.

These same growth prospects and demographic potential are of prime investment interest to the Chicago Teachers' Pension Fund. However, in this case the pension fund has not yet invested in the continent. Director of Investments, Angela Miller-May, explained, "The growth of the region, the needs and opportunities in infrastructure, power, energy, finance, and agriculture; these are all things that we feel, through the urbanisation and through the demographics, will grow in the interim."

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Heading off risk

However, Ms. Miller-May points out that the Chicago Teachers' Pension Fund has very stringent due diligence investment requirements, which necessitates conservative and risk-averse investment strategies substantiated by extensive credible track records of acceptable financial performance. Given the lack of information on Africa investment, the perceived and actual risks of investing in Africa present a very real challenge for US institutional investors. The challenge is how to invest in the continent in a way that can be documented as responsible at the fiduciary level.

Ms. Miller-May explained: "[When] investing in non-US, emerging markets or frontier investments, there is a perceived risk and a real risk….. There has to be controls around those risks and we need to find a way to mitigate them for us to even potentially look at investing. "The common challenges are in three areas: (1) liquidity risk, (2) availability and quality of data, and (3) overall investment risk."
This requirement for more data and information was echoed by Ms. Fuller: "Demystifying the continent is a necessary step to making the investment case and this can be achieved with in-depth research and spending more time on the ground exploring the market." Ms. Miller-May elaborated: "We are at a gap where we don't have information on how to invest in the continent. Information and performance data has to be readily available to us."

Access to required information and data is also needed for Trustees to support investing in Africa. To be fair, says Jae S. Yoon, Chief Investment Officer of New York Life Investment Management, managing US $300 billion, the consulting community has a fiduciary duty and do not intentionally exclude frontier markets. He explained: "When I first started working in this industry, most mandates did not include emerging markets. Today, emerging markets are almost a given." However, Mr. Yoon agrees on the information gap impeding investment in Africa: "What will it take for us to deliver to [institutional investors] the information they need to get comfortable with frontier markets broadly?"

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Partnering for success

Ms. Fuller, Chief Investment Officer for New York State Retirement Fund, also underscores the fundamental need to secure partners to invest with: "We need partners who can get us access to the smaller funds," she says. "Given our large size, it's really hard to make an investment decision that is less than US $100 million. So [in order to invest in Africa], there are a number of partnership problems we need to solve."

However, it is important to understand that potential investment partners need to be very carefully assessed against strict criteria. Ms. Miller-May explains the high standards required for the selection of investment managers, especially given their role as first time investors in Africa: "We need the right investment philosophy, process, and methodology. We look for reasonable and repeatable investment strategies, risk controls, consistency of application, ease of fund structure, willingness to comply with applicable laws within Illinois, and the potential for the required performance over the long term.

We look for growth, the right people and the right firm. We look at the stability of the organisation and structure, the track record of key professionals, experience and tenure of the investment team, team cohesiveness, and length of time together. We look for a record of business ethics."

Ms. Miller-May reiterates the import of data and information as well as the requirement for a coherent, credible and scalable investment strategy: "These are all things that we need from [our partners]; we need to understand how you will deliver these things to us. We need the data. We need the relationships, which are first and foremost. We need to know everything there is to know about the strategy and we need to believe in that strategy and understand that it is repeatable, and that over time, the investment is going to grow."

The headline point is that US institutional investors require local African-based anchor partners who have long-term successful professional track records, have the required credible information, and can formulate attractive, credible and scalable investment strategies.

> "We need partners who can get us access to the smaller funds. Given our large size, it's really hard to make an investment decision that is less than a US $100 million in size. So there are a number of partnership pushes we need to solve."

US interests and Potential Action Steps

Although the appetite of US institutional investors for African investments is still low, the time has never been better in terms of the potential for high financial returns needed to offset the unfunded liabilities facing many US pension funds. In addition, the US government has a larger political interest in supporting the economic development of the continent on several fronts, as Africa's economic growth will benefit US business, increase US exports, and reduce political instability that can create terrorism risks for the US. In fact, China has increased its economic and political power in Africa through its massive investment. Given the importance of increasing US investment in Africa, the current US administration has created the President's Advisory Council on Doing Business in Africa and other investment programs such as Power Africa. However, there is more that the US government can do to facilitate institutional investment in Africa and capitalize on the resulting benefits.

First, Ms. Fuller explained that the US government could help provide information on potential African investment opportunities and also the risk mitigation instruments that can help institutional investors meet their strict credit requirements. "If we are looking at partnering on a large scale infrastructure project with a locally-based pension fund, what kind of risk mitigation tools can the US government and others provide?" she asks.

Building capacity entails establishing direct dialogues with other pension institutions to assess investment opportunities, and making sure that staff is knowledgeable on the potential investment. Ms. Fuller explains: "I never wanted to invest in places that I could never say I saw. I have that philosophy generally with staff; they know that I encourage travel. If you don't know a dime about where you are investing your capital, you haven't talked to the cab drivers, you haven't seen the way they do business; you shouldn't have money there."

Second, the US government could explore how to enact African investment mandates, similar to the investment windows and tax concessions for venture capital in its formative years in the US. Such mandates could motivate trustees and the investment consulting community to develop the needed capacity to invest in Africa.

A proactive US government role is essential, says Richard Ingram, Executive Director at the Teachers' Retirement System of Illinois: "Good public policy can really make a difference", he says, "especially in regards to trustee and consultant dynamics." Mr. Yoon, Chief Investment Officer of New York Life Investment Management agrees, stating that the investment consulting community must increase their capacity to include frontier markets in their portfolios and be able to access the required information.

Emerging market asset managers are also seen as critical enabling resources to facilitate African investment. Ms. Fuller points out, "It would be an interesting idea to be talking to an emerging market asset manager who can help us invest on the continent." Ms. Miller-May concurs, "I think within an emerging manager's programme we could definitely look at Africa as its own emerging mandate." Third, there is the need for new financial guarantee instruments that could be supported by the US government. US institutional investors have traditionally relied on US financial guarantee companies (monolines) to provide the required risk mitigation for investments.

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Africa's Role

The question must also be asked: What can African market participants do to help US institutional investors invest in Africa? What actions can be taken to inform US institutional investor decision makers about the most effective ways to secure attractive financial returns, diversification, and manage the perceived and actual risks associated with investing in Africa?

Ms. Fuller indicated that she would like to spend more time with African business leaders: "There are some very large companies in Africa, some of them are domestic-market based and some of them are pan-African. These businesses have navigated the continent successfully and figured out how to invest the capital they have to generate returns. So this is an area where I don't have information. I hear from funds etc., but the entities on the continent that have successfully navigated, I would love to hear more from them."

Again, Ms. Fuller points to the essential need for research and insights: "The more insights that we can get from the players, then the better investor and partner we can be for Africa." Mr. Ingram also stressed that conversations and building of relationships need to take place, as does additional education and understanding of each other's challenges. All parties need to understand the risk-averse investment criteria used by US pension funds. Ms. Miller-May indicated her desire to speak with public pension plans providers and consultants in Africa in order to understand their investment strategies. "I think it would be a good idea if we had an all African meeting where eight to nine potential managers from Africa come and educate our trustees," she says.

Ms. Miller-May cautioned the long lead time for African investment, stating that it will take time ("a 50-year horizon") as well as commitment. However, the envisioned long-term outcome is positive: "I think that in the foreseeable future we can get to a point where we are investing in Africa like we are investing in Europe."

Mr. Ingram called for the development of understanding each other's perspectives: "Let's walk in each other's shoes and do it together." Mr. Yoon stressed the need for Africa's leaders to engage US investors and convince them that there is stability in Africa and a longer term economic plan.

> "Africa's leaders must engage the US and convince investors that under their leadership, there is stability and a longer term economic plan."

Conclusion

Most US pension funds and other institutional investors currently consider Africa investments as a subsection of the alternative asset investment class, including private equity and real assets. Such investments are expected to generate out-sized annual returns of at least of 7%. The Africa investor (Ai) infrastructure co-investment platform for pension and sovereign investors, launched at the Summit, addressed a number of the challenges raised in the panel. In particular, the platform addresses the need for co-investment between US and African pension plans, the need to identify and apply fiduciary ratings and best manager selection practice to its unique catalogue of investment managers on the platform and the origination and due diligence behind all investable infrastructure assets.

The African opportunity now needs to be harnessed. The following are summaries of the **recommendations** seeking support from the US Administration and President Obama's Doing Business in Africa Advisory Council:

Recommendations:

1. Collect better information & provide easy access to it, including investment opportunities & risk mitigation instruments
2. Implement the right partnerships with the right organisations
3. Implement the right pricing
4. Legislate an Africa investment window to incentivise plans to consider investing in Africa
5. Design and implement better risk mitigation and risk controls
6. Facilitate engagement with African business leaders, including the stock exchanges
7. Facilitate engagement with African pension fund leaders
8. Improve relationship building, education, and capacity-building
9. Create incentives to invest into minority businesses in Africa
10. Engage African-American state representatives who have an interest in encouraging investment in Africa
11. Form an investment grade financial guarantee insurance company (monoline).

Keeping Africa on Consultants' & Trustees' Radar

This session explored strategies and market practices used by consultants when evaluating Africa as an investable market. It discussed how research is generated and proposed to Boards of Trustees, consultants' mandates, RFPs and the options available to trustees to increase their knowledge and exposure to the African market.

Participants:

Chair: Kerry Kennedy
President
Robert F. Kennedy Centre for Justice and Human Rights

Jay Ireland
CEO
GE Africa
Chair President's Council on Doing Business in Africa

Charles (Chuck) Burbridge
Executive Director
Chicago Teachers' Pension Fund

John Robinson,
Senior Managing Consultant
PFM Group

Roselyn Spencer
Executive Director and CIO Baltimore Employees'
& Elected Officials Retirement Trust Fund

Ajit Singh
Chief Investment Officer
Houston Firefighters' Relief and Retirement Fund

Kerry Kennedy - President Robert F. Kennedy Centre for Justice and Human Rights, Charles (Chuck) Burbridge - Executive Director Chicago Teachers' Pension Fund, John Robinson - Senior Managing Consultant PFM Group, Roselyn Spencer - Executive Director and CIO Baltimore Employees' & Elected Officials Retirement Trust Fund, Ajit Singh Chief Investment Officer, Jay Ireland - CEO GE Africa Houston Firefighters' Relief and Retirement Fund

Introduction:

> An amazing time to be investing on the continent.
>
> - Kerry Kennedy

A myriad of factors has, in recent times, put Africa on the radar of global institutional investors. Coming from a relatively low-base, opportunities abound for the investor with a long-term orientation. With four of the world's ten fastest growing economies, an estimate by the IMF of 3% growth for 2016, and a youthful population coupled with a burgeoning middle class, Africa's combined GDP will be US $2.6 trillion by 2020. Indeed, Kerry Kennedy, President of Robert F. Kennedy Centre for Justice and Human Rights, acknowledges it is "an amazing time to be investing on the continent."

Taking the long position

Large corporations such as GE have taken a long position on Africa as they have not only invested dollars, but have poured money into skills development and capacity building. According to Jay Ireland, President and CEO of GE Africa and Chairman of President Obama's Doing Business in Africa Advisory Council. GE is in the process of investing US $2 billion in facilities and has also grown its staff presence to 3000 from 800 in just five years.

Headwinds such as the commodity cycle slump and currency volatility have indeed proven to be challenges. However, optimism surrounding the long-term trajectory of the continent helps to keep investors such as GE committed.

> “GE is in the process of investing US $2 billion in facilities and has also grown its staff presence to 3000 from 800 in just five years.”

Navigating the African market

The 120-year old Chicago Teachers' Pension Fund (CTPF) sees the African opportunity. However, for trustee-managed funds such as these, there remains a variety of barriers to entering into investments on the continent.

Says Chuck Burbridge, the Fund's Executive Director: "How do you actually de-risk some of these investments? Do you get co-investments? How do you handle the currency risk, political risk and lack of transparency on deal generation?" Thus, the thin flow of quality information regarding opportunities on the continent has emerged as a key issue for US funds with intentions of diversifying their portfolios into Africa.

Nonetheless, CTPF is not idle in its efforts to move beyond traditional markets. Burbridge highlights that they "dedicated the first Friday of every month to talk to emerging managers".

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Getting Africa on the radar

In the context of facilitating a pipeline of quality information, consultants play a key role in relaying to US pension funds the opportunities in African markets. Acquiring an in-depth education of the continent by establishing a regular presence is a tool that Senior Managing Consultant at the PFM Group, John Robinson, views as central to addressing the perceived versus actual risks that trustees may raise.

He thinks that "Spending time and going over to the continent and learning the various market places", and asking questions such as "what's the next opportunity? What can be the next China or India?" play a vital part in developing the correct strategies and comfort levels for allocating into Africa.

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Market yourself better

Co-investments and partnerships are viewed by Spencer, as one of the methods that can be used to engage US funds that have a minimal appetite for risk on one hand, but a keen interest in a market that presents unique growth opportunities on the other. Says Spencer, "collaboration with the larger funds in the US as well as in Africa is another way of getting to the table to be recognised by the pension boards. From there, there could be step-outs from those funds".

Another key theme touched upon by the fund's Executive Director is the need for African pension funds to market the continent as a lucrative investment destination in a professional manner. Indeed, consultants with an understanding of US markets can be the outlet for this kind of marketing; hence the need to craft a coherent and clear knowledge case about the continent's opportunities.

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On the horizon

With 15% of the world's population, 30% of the world's mineral reserves, 10% and 8% of oil and gas reserves respectively, and 1.1 billion people who will be the highest amount of working age population by 2036, Ajit Singh, CIO of Houston Firefighters' Relief and Retirement Fund sees the investment case for Africa as 50 years or more. This is a spectacularly long-term view, but one which is necessary in order to possess an advantage in the future and be able to beat benchmarks. However, in order for investors to practically take their positions, Singh proposes that the continent is in need of easy-to-understand data in the form of indices. In his own words, "As a CIO, we live and die by the indices" and consequently there is an urgent need for African markets to make theselves visible to major index providers globally.

> "As a CIO, we live and die by the indices."

Time to re-think the risk models

In the context of allowing for trustees to be in positions where they can comfortably engage the African investment case, Burbridge is of the opinion that there is a necessity to change the risk model. For instance, he poses the question, "Do we need to segment our portfolio so that we have 50-year money as opposed to ten-year money and try putting that to work in a different manner with different expectations for return?" Consultants, in this case, become a key part of the equation, their education on the available opportunities and how to maximise on them is a vital component of socialising trustees to the idea of developing a long-term view of investing in Africa.

From a consultant's perspective, John Robinson consolidates the education aspect by advocating for platforms where concrete solutions can be shared through "peer discussion, collaboration and looking at different types of index models and structures." For her part, "Network, network, network" is a practical view that Roselyn Spencer holds strongly in order for the African case to be successfully promoted to US institutional investors.

Ireland points out, "Africa has a number of requirements by many investors where they try to take their so-called risk out of the investment. In reality, they have over-credit-enhanced and really have a great return profile when you talk to a number of the people that have done project financings around the region. Whether it is a World Bank, IFC, Exim Bank etc., Africa tends to be one of their highest returning and most profitable regions."

A recent Moody's report bears this out, which compared the performance of project finance transactions around the globe between 1983 and 2013. When looking at the average default rate per region, as per Basel II regulation, Western Europe historically showed a default rate of 5.2%, South East Asia a rate of 10%, North America a rate of 9.9%. But Africa only showed a rate of 2.2%. Looking at Moody's definition of default, Africa is only 1.1%, when North America is at 8.7%. In fact Africa has the lowest default rate of all regions around the world and has 4 to 10 times less default than in North America evidencing that the risk perception is overstated.

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Coming to Africa

Because many US pension funds may not have adequate budget space to consistently travel to Africa and map out opportunities, Singh points out that a potential solution for Africa to present itself for investment is to develop the stock exchanges on the continent. Once this has been achieved, he believes that they can become part of indexes and subsequent to that, be part of ETFs (Exchange Traded Funds). This way, institutional investors can have their share of what African markets have to offer without the investors deploying a physical presence. Jay Ireland takes a more skin-in-the-game approach and encourages investors to "invest now". Collaboration is also part of his rhetoric as he points out that "I have been beating up our own pension fund at GE to invest in Africa and they picked a partner and they have started doing that".

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Conclusion

In order for US institutional investors and consultants to position themselves for the long-term opportunity that Africa has to offer, the following **recommendations** were raised as areas seeking leadership and support from the US Administration and President Obama's Doing Business in Africa Advisory Council

Recommendations:

1. Develop more US-Africa partnerships on indexes & ETFs in the US
2. Engage, incentivise & educate consultants to develop & pursue African allocation solutions
3. Facilitate & enable better deal origination & co-investments
4. Support efforts that assist African fund managers to reach & demonstrate good governance & fiduciary ratings to US pension funds
5. Incentivise & motivate US corporates especially those on the Doing Business in Africa Advisory Council to encourage their own pension plans to partner with experienced Africa managers & invest in Africa
6. Employ public policy to create an incentive driven special Africa investment window, for US pension plans to invest on the continent
7. Investigate the options to assist plans to revise business models, to accommodate 50-100-year windows
8. Remove barriers preventing Boards of Trustees from receiving education, access to information as well as exposure to the continent & its investment dynamics & successful allocation strategies
9. Investment consultants should be better supported & networked to generate proprietary Africa research & allocation solutions to better serve their US Pension fund clients.

4 Programmatic Recommendations for the US Government

Africa investor (Ai), represents global investors and African institutional investors through the Ai African Sovereign Wealth and Pension Fund Forum (ASWPFF).

The ASWPFF, is a high-level platform for African Sovereign Wealth and Pension Fund (SWF & PF) leaders to network and share best practices on key issues related to improving the investment environment for long-term co-investment partnerships and has drawn on its collective experience to offer analysis and recommendations for the US Administration and its development agencies, on how to strengthen American engagement with Africa in the areas of institutional investment partnerships for mutual benefit.

By creating an enabling environment for increased US institutional investment, through appropriate credit enhancement, incentives and reciprocal partnerships with African institutional investors (by way of their local co-investment capacity and collaborative investing on their own international allocations being enhanced and directed to the US entities and markets) this initiative can help to catalyse sustainable growth and infrastructure investment and development in both Africa and the US.

Africa investor is committed to working with the Administration, Industry and other stakeholders to dialogue and translate these opportunities into economic dividends for the African and the American people.

We believe that active and regular engagement with the American and African institutional investment community is essential to optimise US-Africa economic relations and government planning for their respective national interests. Long-term institutional investors bring a unique balance of short and long term perspectives to unlocking the benefits of macro and micro economic growth, global trade flows, capital market growth and infrastructure investment in particular. Such investors facilitate sustainable economic development and job creation, as well as meaningful employment. This report was drafted with the active participation of Ai's stakeholders and participants at the Ai Institutional Investment Summit at NASDAQ on 19 September 2016.

The authors addressed key factors that hamper US institutional investment allocations to African assets and opportunities. The overarching barriers were underdeveloped capital markets, inadequate access to quality data on available opportunities in Africa, regulatory restrictions in the US and lack of relationships with stakeholders on the continent amongst other issues. Taken together, these recommendations offer pragmatic prescriptions that can help underpin a transformative US institutional investment policy toward Africa.

The recommendations offer an opportunity to facilitate exciting developments across the spectrum of US – Africa investment interests and fresh capital to deliver infrastructure development in both the US and Africa.

Recommendation 1

Provide Enabling Information: US institutional investors require easy access to credible information in order to identify, assess, and justify their investment decisions. Key types of enabling information cut across data, assessments, analytic investment frameworks, risk mitigation, and investment opportunities. The existing information sources and analytic services (e.g., rating agencies, investment advisory firms, asset managers, investment consultants, etc.) do not provide the quality and scope of information that US institutional investors require for investing significantly in African assets.

Action Steps that the US government and its development agencies can support in collaboration with other public initiatives and private sector experts include:

IMPROVE ACCESS TO FUNDAMENTAL DATA

- Proactively market the "Investment project Perfomance Database & Benchmarks "the existence of information does not mean it will be used. There will need to be intensive engagement of the institutional investment community in defining the specifications of the database, benchmarks, indices and the user interface. This will ensure that the platform is systematically integrated into the investment ecosystem and decision-making, thus advancing the mainstreaming of African assets.

- Create on-line access to an "Investment Project Performance Database and Benchmarks." Institutional investors cannot make investments without a credible source of data on investment performance. Therefore it is critical to develop a coordinated, centralized database of information provided in a user-friendly on-line platform designed to meet investor decision-making needs, coordinating with other on-going initiatives to eliminate redundancy. It will be critical to highlight the performance of credit-enhanced assets and the role of the public sector in successfully protecting investors against investment risks.

- Support the development of new indices and benchmarks, and integration of African assets into existing indices and benchmarks. Due to the fact that investment consultants and officers may not always have the flexibility to deploy a presence on the continent, it is necessary to facilitate for this integration of African assets into global indices to make them easily available on a wider scale and thus increase capital flows to the continent.

PROVIDE ACCESS TO ANALYTICS, INCLUDING WAYS TO MITIGATE RISKS

- Develop "Key Best Practice Principles for Investment-Grade Assets" that identify risk issues and potential mitigating solutions. The Best Practice Principles would need to be structured as a standardized framework to meet due diligence assessment requirements for the range of investment modalities related to the African asset class, including a systematic assessment of the different risks and menu of investment and risk-mitigation solutions.

- Proactively encourage the scaling up of credit ratings for African projects, project developers and investment products. Institutional investors require solid documentation of African risks and often require the assessments and credit ratings provided by rating agencies. Therefore a key means of facilitating institutional investment is by supporting the expansion of credit ratings for African assets.

PROMOTE INVESTABLE OPPORTUNITIES

- Promote and Facilitate Access to Existing Investment Products and co-investment Platforms. Institutional investors report the lack of information on existing investment assets. Africa investor has established a Co-Investment platform for African Institutional Investors to access investable projects. A programme should be developed to broaden and promote access to the platform to the US institutional investment community.

Recommendation 2

Develop a US-Africa Progamme that facilitates liquidity depending and capacity building.
America has the most sophisticated and liquid capital markets in the world, while investment into public markets in Africa is significantly stymied by the low levels of liquidity. As a consequence institutional investors are unable to maximize the opportunities on the markets. Mindful of the potential catalytic economic and industrial impact they have, African Stock Exchange leaders called on the US administration and its development agencies to regard capital market development as an essential economic development activity that could be supported through technical assistance and capacity building.

Action Steps that the US government and its development agencies can support in collaboration with African Stock Exchanges:

CREATE US-AFRICA STOCK EXCHANGE LIQUIDITY DEEPENING CAPACITY BUILDING AND INVESTMENT FACILITATION PROGRAMME

- The programme would be a US-Africa Stock Exchanges Initiative which leverages America's deep capital markets expertise, knowledge and existing programmatic frameworks similar to those formerly used by USAID to support capital market development in Eastern Europe.

- The programme would focus on assisting exchanges develop liquidity growth related strategies and operations specifications of the database, benchmarks, indices and the user interface. This will ensure that the platform is systematically integrated into the investment ecosystem and decision-making, thus advancing the mainstreaming of African assets.

- Programme outcomes would include the development of capital market friendly investable indices, tools and mutually supportive cross listed products and bond programmes

Recommendation 3

Facilitate Needed Relationships for US Institutional Investment:

Institutional investors make their investment decisions through a complex ecosystem that involves internal decision makers (e.g. trustees, executives, and staff), contracted firms and individuals (e.g. investment consultants, asset managers, etc.), and co-investors (e.g. limited partners, other institutional investors, public sector entities, funds, etc.)

The existing US institutional investor ecosystem does not have the needed relationships to source, assess, and invest in African assets. Specific actions need to be taken to facilitate the development of the ecosystem to enable US institutional investors to consider investment in Africa.

Action Steps that the US government and its development agencies can support in collaboration with other public initiatives and private sector experts include:

CREATE AND FACILITATE CO-INVESTMENT OPPORTUNITIES

- Support the development of Co-Investment Platforms (such as the "African Pension and Sovereign Wealth Fund Co-Investment Platform").
The Platform is a practical collaboration platform which leverages the long-term investment horizon of public financial investors, such as sovereign wealth funds and pension funds, to invest in de-risked African infrastructure assets that meet their mandates and investment criteria.

Recommendation 4

Improve the investability of potential African investments:

Institutional investors need to invest in high-quality assets. The lack of investable assets in Africa has been well documented. Specific actions need to be taken to facilitate the development of the investable assets to enable US institutional investors to invest responsibly in Africa.

Action Steps that the US government and its development agencies can support in collaboration with other public initiatives and private sector experts include:

EXPAND THE TYPES OF INVESTABLE ASSETS THAT MEET US INSTITUTIONAL INVESTMENT CRITERIA

- Scale up intermediation investment vehicles. To secure the investment required by African national and regional projects and leverage limited public funding, the public sector needs to aggressively support the scaling up of debt and equity investment vehicles that can credibly serve as intermediaries channelling capital to African projects. Partnerships with the private sector are critical in designing and operating such intermediation investment vehicles. To be effective, investor surveys indicate that these initiatives need to be private sector-led and managed.

- Recycle existing African assets held by Development Financial Institutions (DFIs) to institutional investors. DFIs should immediately proceed to recycle their existing African assets to the host country institutional investors: This process would serve to jumpstart the required transformation in the investment ecosystem of the main sources of institutional investment.

- Proactively encourage the scaling up of credit ratings for African projects and investment products Institutional investors require solid documentation of African investment risks and often require the assessments and credit ratings provided by rating agencies. Therefore a key means of facilitating institutional investment is by supporting the expansion of credit ratings for African investment assets.

EXPAND CAPACITY TO DEVELOP INVESTABLE AFRICAN ASSETS

- Provide training in project finance techniques. Studies have provided solid evidence that project finance techniques are a key success factor in the development of African infrastructure assets that are of investment-grade quality, including developing countries and specifically in Africa. Given the pivotal role of project finance techniques in ensuring the investability of African infrastructure assets, the public sector needs to aggressively facilitate the scaling up of the required training courses in developing countries.
ratings for African investment assets.

DEVELOP RECIPROCAL US CO-INVESTMENT OPPORTUNITIES FOR AFRICA PENSION FUND ALLOCATIONS.

- Most African pension and sovereign funds have international allocations that could (on a reciprocal basis) be directed to infrastructure co-investments in the US. This process, supplemented by other actions, would serve to deepen relations and co-investment experiences, transactional capacity and partnerships between US and African pension funds.

Appendix A
The Ai African Infrastructure Co-Investment Platform

The emergent nature of long term institutional investors on the continent, combined with the lack of internal infrastructure specific investment expertise and deficit of information on investable infrastructure assets, make the African infrastructure investment market difficult for domestic and international institutional investors to participate.

The Ai African Infrastructure Co-Investment Platform, is an industry response, designed with participation from long term investors, to overcome these obstacles by building a practical collaboration platform that leverages the long-term investment horizon of institutional investors, especially sovereign wealth funds, pension funds, and insurance companies, to invest in de-risked African infrastructure assets that meet their mandates and investment criteria. This platform, initiated by Africa investor (Ai), with an initial portfolio of infrastructure assets totalling over US $1.5 billion, is expected to increase to over $3bn within three years.

The initial investment partners include a select group of African and global pension and sovereign funds committed to investing cross border in infrastructure assets. Through the platform, Ai has sourced investable projects and instruments that match pension and sovereign investors' risk profiles and criteria, yield expectations and direct investment and manager selection criteria.

The platform will originate projects through Ai's extensive and close working relationships with infrastructure-focused private equity firms, asset managers and its 500-strong network of Africa's foremost private sector infrastructure project developers. This network has enabled Ai to build the continent's largest and strongest single-point platform of investable infrastructure projects with facilitation support and risk mitigation solutions.

The platform uses a 'combined' fund of funds model (with unique manager selection IP) and a direct investment approach, supporting access to capital and growth for both African infrastructure funds, as well as the continent's most prominent and successful private sector infrastructure project developers.

Participating investors will reap numerous benefits from using the platform to pursue infrastructure investment strategies, given the greater transparency of fees, unparalleled access to prime co-investment opportunities and cost-efficiency, as platform investors will not pay more to invest in investments showcased on the platform than traditional approaches.

Appendix B
The Ai Pan-African Infrastructure Investment Index

Africa investor Research provides a family of products and services that support our clients' investment processes in major asset classes across Africa. Our goal is to leverage our deep understanding of Africa's financial markets to turn data-driven insights into tools that our clients can use to meet their investment process needs.

Brief guide to the Ai Pan-African Infrastructure Index:

• Recognising the growing interest in African infrastructure, Africa investor has created an index tracking the performances of listed companies with operations partly or solely in Africa, on 1 May 2014

• The Index includes companies that derive at least 75% of their revenues from Africa

• These 50 companies comprise the top ranked listed infrastructure companies by market capitalisation from 14 countries around the world

• With the exception of two companies, all companies included have a market capitalisation of not less than $500,000,000.

• There is no country limit or sector cap

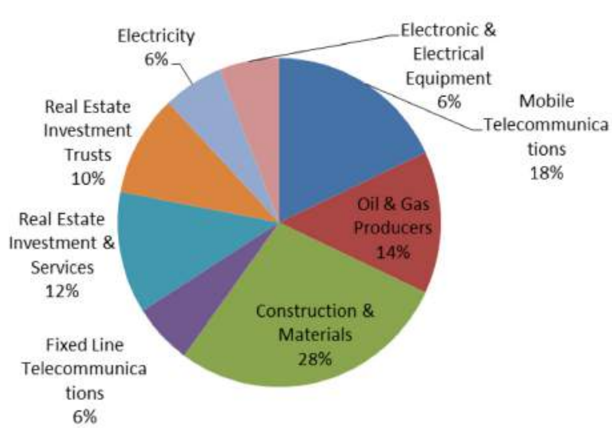
• The primary purpose of the Index is to give investors an overview of progress across the African infrastructure investment spectrum

• It is designed to be an investible index

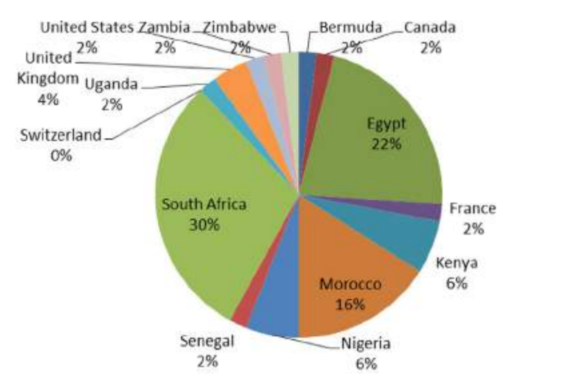
Ai Pan-African Infrastructure Index Summary

Constituents	50
Number of markets	14
Base Date	1 May 2014
Base Value	100
Reporting Currency	US$
Market capitalism	$201 737 260 804

Ai Pan-African Infrastructure Index - Sectors



Ai Pan-African Infrastructure Index - Countries



Ai Fiduciary and Investment Governance Rating Pilot Programme

An innovative tool to assist pension funds and government meet the investment management transformation agenda, whilst supporting Emerging Managers access new pools of international and African capital

As competition quickly escalates on the mutual fund and investment manager front of emerging markets, Africa investor, in cooperation with leading pension funds, offers a whole new catalyst to prop up international capital flows to the local market through a new experience of risk rating.

A UNIQUE INVESTMENT GOVERNANCE INITIATIVE —
The primary focus of the iniative is to support emerging investment managers with great experience, remarkable practices and persistent returns. The initiative involves the process of Ai's proprietary fiduciary rating, the assessment of enduring practices of investment organisations through a mix of questionnaires, interviews and site visits. Unlike most ranking services, the system centres around professional practices more than returns, because practices are likely to be more consistent than performance or return volatility. Once practices are evaluated, according to asset classes and investment strategies, coherence tests are made with performance results. The rating will reflect the link and consistency, between both factors (practices) and result (performance), regardless of benchmarks or tracking error.

25 INDICATORS —
The overall process is based on 25 key proprietary indicators, 15 of which focus on governance issues from leadership, compliance and risk control to human resources, technology support, compensation and back to middle office quality management. The remaining 10 outline the reliability of systems, from the investment team and strategy to financial analysis and forecasting, portfolio construction, trading, transaction cost analysis, performance measurement and quality oversight. The outcome generates two rating scores on both governance and systems, helping institutional investors, consultants and financial advisors to tailor their risk and performance appetite with the profile of each portfolio management organization.

BENEFITS FOR THE MARKET —
The main advantage for managers is that Ai assists them to share the findings of the rating process through an in-house seminar reviewing various strengths and weaknesses of their organisation. For investors or their representatives, the benefits are to gain a standardised approach to the functioning of several organisations and being able to compare them in relationship with their capital accumulation and risk tolerance needs. Since both sides of the market contribute financially to the exercise, it reduces the asymmetry and conflicts of interests that often contaminate standard credit risk rating practices. The general public may also profit freely from the exercise by having access to summary results (the two ratings, size, products and leadership).

SPECIAL FEATURES —
The Ai rating is reviewed each year, thus providing continuous tracking to investors (pension funds, life insurers, family offices, corporate treasuries, endowments) and their representatives (financial advisors, brokers, dealers, small collective saving plans, etc.). Each rating is released to the Ai Infrastructure Co-investment platform catalogue of investment managers and made available to its group of pension and sovereign investment institutions and broadcast through Ai's professional financial media platforms.

Appendix D
Ai African Sovereign Wealth and Pension Fund Association launched at NASDAQ in New York

Press Release: NASDAQ 19 Spetember 2016

Johannesburg, South Africa; New York, USA; 19 September 2016: Africa investor (Ai), a leading international investment and communications group, today announced that Ai has established the continent's first platform for sovereign wealth fund and pension fund leaders: the ***Ai African Sovereign Wealth and Pension Fund Forum (ASWPFF).***

This new Forum recognises and addresses the critical role African pension and sovereign wealth funds are playing in Africa's development and their commitment to collaborate and do more together. It is a high-level platform for African sovereign wealth and pension fund leaders to network and share best practices on key issues related to improving the investment environment for long-term intra-African investment.

The Forum is designed to foster and facilitate a conducive environment for inbound investment in the continent's financial markets, together with northern hemisphere asset owners and supranational institutions.

The Forum also has a strong training component, to build capacity and skills in areas such as infrastructure investment, co-investing, risk management and fiduciary rating of third-party custodians of capital and manager selection.

It is the result of a series of Ai-led consultations and events for African sovereign wealth fund and pension fund leaders to assess and determine existing barriers to investment in Africa – including non-listed assets such as infrastructure. You can visit the Forum's website at www.aiswpff.com.

As a follow-up, Africa investor will also be hosting the next iteration of the *Ai Sovereign Wealth and Pension Fund Leaders'* ***Forum from 1-3 May in South Africa, ahead of the World Economic Forum*** on Africa.