

THIS WEEK:

- >> **Motoring:** A new motor show comes to SA *p.37*
- >> **Employee management:** What's the deal with millennials? *p.40*
- >> **Entrepreneur:** The making of a craft beer *p.42*
- >> **Management:** How to ace that exit interview *p.44*

CEO INTERVIEW

By Buhle Ndweni

Venture capital and the \$29bn local opportunity

Erika van der Merwe started her career as an economist before moving into financial journalism. Today she is the CEO of the Southern African Venture Capital and Private Equity Association (SAVCA). We spoke to her about the challenges facing the venture capital industry in the country and what the future holds.



Erika van der Merwe
CEO of SAVCA

Erika van der Merwe is known to many as a presenter on the then Summit TV, and previously on RSG, but today this economist and former financial journalist is in charge of the Southern African Venture Capital and Private Equity Association (SAVCA).

Van der Merwe was at Summit TV, having obtained her chartered financial analyst (CFA) accreditation in 2011, when SAVCA offered her the role of CEO.

She took the position in 2012.

SAVCA's activities include the promotion of the venture capital and private equity industry in Southern Africa, and to stimulate capital raising for venture capital and private equity investments.

Van der Merwe notes that the venture capital (VC) industry is relatively new and underdeveloped in South Africa.

"VC in SA is still some way away from the level of development seen in Israel or in the US or UK, where there's a longer history and track record [and] greater confidence and willingness to take on risk," says Van der Merwe. "At this stage South African VC is fairly reliant on a few angel investors – individuals who have made their money and who understand what entrepreneurial success looks like – rather than benefitting from capital allocations and other support from large, institutional investors and from government."

Following mandate changes at government institutions like the Technology Innovation Agency (TIA) and the Industrial Development Corporation (IDC), these organisations no longer provide targeted capital backing for VC.

Private equity advocacy

Compared with VC, the South African private equity asset class enjoys a little more support from institutional investors, although there is still much scope for a greater allocation to the asset class.

"The importance of private equity in a large, diversified institutional portfolio," she explains, "is that **it boosts returns, promotes diversification and thus risk reduction, and brings about positive impact on businesses and the community.**"

Referring to the returns benefit of private equity, Van der Merwe cites the RisCura-SAVCA publication that tracks the performance of South African private equity. "If you look at the returns over a 10-year period, it outperformed listed equity most of the time."

With South African institutional backing for private equity still being limited, fund managers continue to complement their capital raising by targeting international investors. Given that these funds are raised in dollars or other so-called "hard" currencies, and with the private equity investment in many cases being made in rands, it does make it more challenging to meet a dollar-return target for the investor. "For the time being, South African private equity fund managers will be careful how much new dollar capital they are raising, and will be focused on constructing well-diversified and robust portfolios to ensure healthy returns for investors," she says.

SAVCA actively engages with pension funds and other institutional investors in Southern Africa with the purpose of promoting the private equity asset class. It currently offers, in partnership with Gibs, a foundation programme in private equity for industry practitioners, and hosts training workshops for pension fund trustees about the workings of this asset class.

"What we see in the South African pensions industry is a huge reliance on asset consultants," she says. This was confirmed by a SAVCA report, *New Frontiers*,

released recently. "The bulk of the pension funds we surveyed use consultants for a variety of services... If asset consultants aren't looking at private equity as an option, then the pension fund client doesn't get to hear about that opportunity," says Van der Merwe.

Where does she want to see the industry headed in future?

"Conservatively estimated, there's \$29bn held by African pension funds that can go to private equity – if you look at what local pension fund regulations permit, [that's] what we can mobilise. It's our dream and vision as SAVCA to see more of that capital being mobilised. And to enable that, we need clear advocacy for the asset class, more interacting, research and training," she says. ■ editorial@finweek.co.za

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WHO IS ERIKA?

With a Master's degree in economics from Cambridge, and an MCom in economics from the University of Natal, Erika van der Merwe started her career as economist at the then Old Mutual Asset Managers (OMAM) in 1995.

In 2002 Erika ventured into financial journalism at Moneyweb, as presenter on *RSG Geldsake met Moneyweb*.

Five years later, in 2007, she fulfilled her dream of working as a television journalist by joining the then Summit TV in the Avusa Group (now Business Day TV under the Times Media Group.) "I remember being at home with my children and watching Sky News and Becky Anderson and thinking – that's what I want to do, sitting in studio and interviewing people and getting them to tell their stories", she says.

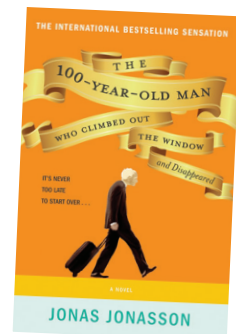
She joined SAVCA in 2012.

What is your management style?

Being a manager is new to me and it's been a challenging experience. Because I set the bar high for myself, I expect a great deal from others, too. Having said that, it is important to me to have an enjoyable working environment and we really like each other in the office and it feels like a family.

What is your favourite book?

Last year I read the comic novel *The Hundred-Year-Old Man Who Climbed Out the Window and Disappeared* by Swedish author Jonas Jonasson. I highly recommend it, just for silliness and laugh-out-loud escapism. I guess the Swedish humour is different from what I'm accustomed to.



Gadgets you cannot do without?

Cellphone, hair iron and my car.

What is your favourite pastime?

Being with my family and spending quality time with my three children aged 17, 14 and 13 – time filled with laughter and inside jokes. And my favourite pastime is for all of us to go to Wakaberry. That's our thing at the moment.



What do you miss about journalism?

The luxury of focusing purely on that skill of providing content. It's great being operational, but it's so much simpler if you can focus on content and do your best to aim for a well-constructed article or broadcast interview that's perfectly balanced and has good word choice. And there is the immense privilege of interviewing people at the top of their game, like talking to the CEOs of the Top40 JSE-listed companies about their financial results. That was a wonderful experience. ■