

## SAVCA Conference 2021: Day 1 in review:

### A selection of Coffee Conversations

The first day of the 2021 annual SAVCA conference kicked off virtually with a number of coffee conversations where delegates were invited to share their views on a range of topics. Sthembile Nkabinde, CEO: Khulasande Capital led a conversation on how PE fund managers can have a positive impact. The group broadly agreed that PE fund managers do, indeed, have a responsibility to ensure their investments generate positive social impact, as well as financial returns, particularly in a country like South Africa, with its myriad of social challenges.

Cathy Goddard, CEO: FyreFem Fund Managers took us through five gender lens investment strategies that can be implemented in the private equity world to address historic inequalities. They're part of a CDC/IFC gender investing toolkit and involve investing in businesses:

1. Where women are in leadership positions
2. Where women are significantly represented in the workforce
3. That are committed to a gender-inclusive value chain
4. That are designed to find solutions for women consumers
5. That are committed to doing no harm to women

It was pointed out in the session that while gender lens investing is spoken about in the industry and at a regulatory level, meaningful execution is distinctly lacking. There was also a conversation that revolved around "The good, the bad and the ugly of starting a new PE fund as an emerging manager" that was led by Yvonne Maitin, CEO: One Africa Capital and complimentary to this was the Fundraising during Covid session with Langa Madonko, Investor Relations: Summit Africa. Both of these conversations alluded to the fact that it is becoming increasingly difficult for GPs to raise funds. This is partly down to a lack of differentiation in investment strategy – it seems the vast majority of fund managers have a generalist investment mandate rather than a specialist one, and partly due to the impact of Covid on existing investor capacity.

Kasief Isaacs, Senior Investment Principal: Mergence Investment Managers discussed the importance and role of infrastructure investments in a well balanced portfolio, with the proposed changes to Regulation 28 dominating the discussion. Whilst Samantha Pokroy, CEO: Sanari Capital gave us food for thought on how to make most of the megatrends, not just during Covid but to be future fit.

### Main platform events

The main platform events followed, with a warm welcome from our inspirational MC Zipho Sikhakhane and SAVCA Chairman, Mr Lelo Rantloane.

This year's theme is centred on the notion of re:imagine, a fitting concept given the momentous changes heralded over the past year. In Zipho's words: "Some are calling it the new normal. I like to think of it as the beginning of the middle. There's no way we're going back to life like it was pre-COVID."

With this in mind, the first session, lead by Anne-Marie D'Alton, CEO: Batseta, dealt with whether the proposed changes to Regulation 28 can enable a much-needed revival in economic growth post the pandemic.

### **Session 1: Regulation 28 Debate: To change or not to change, that is the question**

The aim of the changes is to make it easier for retirement funds to invest in infrastructure as a way to generate the returns investors need, while also acting as a resource to rebuild the economy. The panellists were all supportive of the changes. Thomas Mketelwa, Principal Officer of the KwaZulu Natal Municipal Pension Fund, expressed his relief that the changes to Regulation 28 have replaced the prescribed assets debate. "The changes to Regulation 28 are hitting the mark and we'd like to see them implemented without further delay," he said.

Tebogo Kgosi, Deputy Principal Officer Transport Sector Retirement Fund, agreed that the proposed changes put us on the right track but pointed out that collaborative effort is needed. Interestingly, much of the discussion revolved around looking further afield than the urban areas for infrastructure investments in order to truly transform the country. It was suggested that decision-makers should include those who "understand the true plight of the people" according to Mantuka Maisela, Chairman of the Motor Industry Retirement Fund. Those based in rural areas, who genuinely understand the socioeconomic challenges facing so many of our people should undoubtedly be incorporated into the decision-making in her view.

Overall, the session highlighted just how much work still needs to be done in this area for the implementation and execution of the proposed changes to be successful. Soyisile Mokweni, Chairman: Consolidated Retirement Fund concluded alignment between retirement funds, that proper classification and definitions exist and that oversight and monitoring is effectively undertaken are all steps in the right direction.

### **Session 2: The business case for investing in Southern African private equity**

The second informative session was also positive in tone as the expert panellists discussed the business case for investing in Southern African private equity.

Encouragingly, both Runa Alam, Co-Founding Partner and CEO Development Partners International (DPI) and Vuyo Ntoi, Joint Managing Director ALLM, pointed out that despite the devastation Covid-19 has wrought, the fundamental business case for investing in Southern African private equity has not changed. "Demographics are still young and driving productivity, urbanisation is still high and technology take-up has accelerated as a result of Covid-19," said Alam.

Yan Ng, Executive Director Intercontinental Trust Limited, took us through the sectors which have done well in the COVID environment. These included food-related industries and import substitution industries, telecommunications and fintech.

Similarly, Ntoi highlighted how attractive an investment opportunity infrastructure is, not least because it is risk mitigated in the sense that there are contracted revenue streams. Importantly, government coffers are being emptied by the need to provide fiscal support in rebuilding

economies. This creates a good opportunity for private-public partnership projects especially in the infrastructure space.

Wherever the opportunities lie though, execution needs to be your defining feature, according to Alam. "Once you've chosen your investment thesis, your ability to execute is what really matters.

This means an excellent and cohesive team with complementary skillsets, a supportive culture and following proper processes and procedures," she said.

### **Session 3: Re:imagine value creation with Stan Slap**

Fittingly then, the final session of the day was about how to execute on company culture to set your people and company up for success.

The session was hosted by Stan Slap, culture guru and CEO of SLAP Consulting, who emphasised how very central corporate culture is to every business, no matter your industry or sector. He pointed out that it's not how you design your strategy but rather how that strategy enables success that's important, and stressed that getting strategy right is the best way to create value.

He talked through how culture really works, how to make it work for your business, and how to use it to protect and maximise the private equity investments you make.

But, "people don't trust companies, they trust people", he reminded us. So his parting advice was to be human first, and a manager second.

Bringing in the humanity element, especially against a backdrop of a virtual conference, made for a thought-provoking end to what was a dynamic, engaging and insightful first day.