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African Development Makes Way For Potential Growth

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The sub-Saharan African equity market is set to grow substantially due to the region's economic development and maturing financial markets. According to [Henry Gabay](#), co-CEO and founder of [Duet Asset Management](#), the sub-Saharan African market is currently "underinvested and untapped." Its growth potential is based on improving macroeconomic fundamentals, a constantly improving political situation and an improved corporate governance and regulatory investment laws, he added.

[Susan Payne](#), CEO of [Emergent Asset Management](#), said South African land is undervalued and should appreciate by more than 300% over the next five years. There will be growing investment by international agrifunds in Southern Africa as large land areas are required for bio-fuel plantations, she continued.

Emergent has recently opened a fund—*Emergent African Agricultural Land Fund*—that will invest in agricultural land and crops in South Africa, Zambia, Namibia, Botswana, Democratic Republic of Congo, Angola and Mozambique. Institutional investors will benefit from price appreciation on the undervalued land, Payne explained. The fund has a target size of EUR1 billion and will charge 2.5% in management fees and 20% in performance fees. It will be co-managed by [The Grainvest Group](#) in South Africa.

Duet has also just launched *Duet Victoire Africa Index Fund*, the first sub-Saharan African index tracking fund. [Ayo Salami](#), director of African business research at Duet, said that it is difficult to generate alpha through actively managed funds in Africa. "Actively managed funds in Africa are compelled to use a bottom-up approach to stock selection with liquidity and market size as two of the key initial screening criteria." He added that by the time that a stock meets the minimum liquidity and size constraints that most active fund managers apply, the stock is likely to be overvalued.

The Duet fund tracks the *Sub-Saharan Africa Large Companies Index*, which is composed of companies listed on stock exchanges of Botswana, Ghana, Kenya, Malawi, Mauritius, Nigeria, Tanzania, Uganda and Zambia. It has a USD100,000 minimum investment with a target size of USD500 million and charges 1.25% in management fees. The manager will target institutional investors such as large pension funds, funds of funds and high-net-worth individuals.