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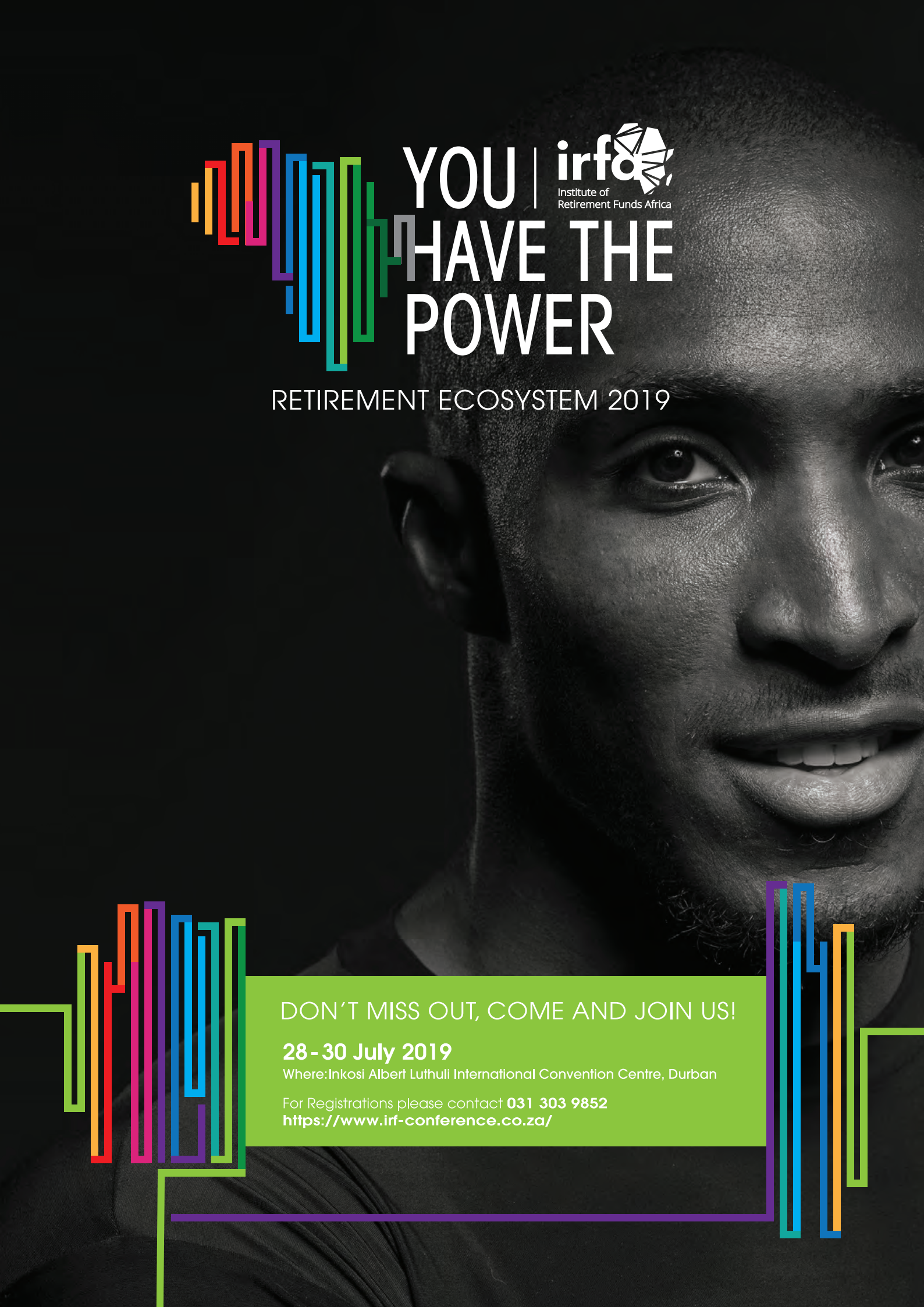
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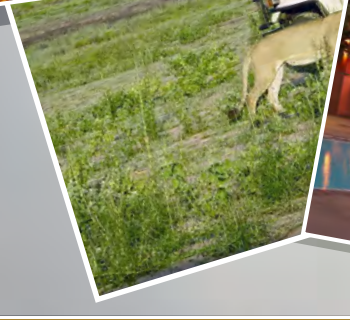

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May- June 2019
Volume 3 Edition 2

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Editor's Note

In this Special edition we focus on Impact Investing and how African Pensions funds are fairing when it comes to investing sustainably.

The Global Impact Investing Network which prides itself as the global champion of impact investing defines Impact investments as *"investments made with the intention to generate positive, measurable social and environmental impact alongside a financial return"*.

The GIIN continues to state that, *"Impact investments can be made in both emerging and developed markets, and target a range of returns from below market to market rate, depending on investors' strategic goals"*.

With Impact investing, responsible investments and ESG generally bundled together world over and in an effort to outline the key characteristics of Impact investing, in April this year the GIIN published what it terms the "core characteristics" of Impact Investing, and which according to the network "complement this (above) definition and aim to provide even further clarity about how to approach impact investing".

These key characteristics according to the GIIN include;

- **Intentionality- "***An investor's intention to have a positive social or environmental impact through investments is essential to impact investing"*.
- **Investment With Return Expectations-** *"Impact investments are expected to generate a financial return on capital or, at minimum, a return of capital"*.
- **Range of return expectations and asset classes-"** *Impact investments target financial returns that range from below market (sometimes called concessionary) to risk-adjusted market rate, and can be made across asset classes, including but not limited to cash equivalents, fixed income, venture capital, and private equity."*

Can Pension funds and other institutional investors in Africa lead the way in sustainable Investing?.This edition is parked with great insights, commentary and analysis on Impact investing and includes contributions from the likes of Sawa Nakagawa on *"Why real impact investing matters in Africa"* to *"Why trustees of pension funds are required by law to adopt sustainable investment strategies"* by Rosemary Hunter from Fasken Attorneys. Angelique Kalam from FutureGrowth looks at whether Impact Investing is gaining momentum and gives a South African perspective into the sector.

Other articles look into ESG reporting, pension funds and climate risk as well as a look at alternative investments opportunities for pension funds in Kenya.

On the retirement side, we have articles on the new default regulation for South Africa and an in-depth look at Employers fiduciary duties in relation to staff retirement from Allan Gray.

Enjoy the read.

Stephen Munyao
Editor/Head of Content

Why real impact investing matters in Africa

The concept of impact investing is spreading in Africa with South Africa, Kenya, and Nigeria being the leaders. South Africa became the first African country to join the Global Steering Group (GSG) for Impact Investing last October. Johannesburg will be the host city for the GSG's annual Impact Summit in 2020.

Early in the new year, I had a conversation with a prominent South African venture capitalist at an event in Johannesburg. As we were discussing my work in the field of impact investing, the venture capitalist asked me: "do you think what we do at my firm is impact investing? We have created jobs."

As I tried to come up with a polite way of saying "no", I began to ask myself questions. As impact investing gains traction in Africa, how do we distinguish what is real impact investing and what is not? Do we simply apply global standard or is it somehow different in Africa?

Beyond hype: increasing momentum in impact investing in Africa

Globally, impact investing is becoming a trendy investment strategy. In the most recent Sizing the Impact Investing Market report, the Global Impact Investing Network ("GIIN"), a U.S. based non-profit organisation dedicated to increasing the scale and effectiveness of impact investing, estimated the current size of the global impact investing market to be US$502 billion. The industry has been growing rapidly at 13% annually over the past five years.

The concept of impact investing is spreading in Africa with South Africa, Kenya, and Nigeria being the leaders. South Africa became the first African country to join the Global Steering Group (GSG) for Impact Investing last October. Johannesburg will be the host city for the GSG's annual Impact Summit in 2020.

"The reason why Africa should not be excluded is that this is the continent that requires the most private investment to achieve the Sustainable Development Goals ("SDGs")," says Dr. Susan De Witt, Senior Project Manager – Innovative Finance at the Bertha Centre for Social Innovation and Entrepreneurship at the University of Cape Town Graduate School of Business (GSB).

Sawa Nakagawa: *Founder & Partner of ThreeArrows Impact Partner.*

The Bertha Centre plays a critical secretariat role for the National Task Force for Impact Investing, which was

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established last year to build the ecosystem to accelerate impact investing in South Africa. Task forces are also being set up in Kenya, Ghana and Zambia.

While capital allocation is still lagging for the continent, the future of impact investing in Africa seems promising. The GIIN's Annual Impact Investor Survey last year said 12% of the total assets under management was allocated to sub-Saharan Africa. It is encouraging that sub-Saharan Africa was allocated the second largest share (36%) of the total investment capital in 2017 by the GIIN's survey respondents. The survey respondents plan to increase allocation particularly to sub-Saharan Africa along with South East Asia.

"Impact washing" is a global concern

As the field grows, however, one of the key concerns is how we stay true to the original mission of impact investing. Some fear that fund managers may begin to jump on the impact investing bandwagon as a way to raise capital or to increase their marketability.

Large part of the challenge comes from the fact that the field of impact investing is wide and the definition of impact investing is seen as vague. There are many approaches and thematic areas to impact investing, and ever-evolving innovation in the field may be confusing for some.

One of the widely used definition of impact investing is by the GIIN: "investments made with the intention to generate positive, measurable social and environmental impact alongside a financial return." Being intentional means making commitments to measure and report on social and/or environmental performance.

Different investors and fund managers develop and adopt various impact measurement and management (IMM) techniques – Impact Reporting and Investment Standards (IRIS), Global Impact Investing Rating System (GIIRS), to name a few. Initiatives such as the Impact Management Project aim to build global consensus on how to measure, manage and report impact.

The GIIN's Annual Impact Investor Survey last year also highlighted the risk of "impact washing" where some misuse impact investing. The survey respondents advocated for transparency around impact investors' strategy and results. Third-party certification of impact investments, voluntary principles to govern investor behaviour, and a code of conduct for investors were also raised as potential solutions to mitigate the risk of industry mission drift. A special report on impact investing by the Financial Times last year also covered the same topic.

Speaking at the 5th Annual Impact Summit Europe in April, Amit Bouri, CEO and co-founder of the GIIN, shared his concerns about "impact washing." "If we let this 'impact washing' become widespread, the brand will be diluted, and the whole industry will suffer from the ensuing scepticism," he said.

In response to such challenges, the GIIN in April launched The Core Characteristics of Impact Investing, which defines the baseline expectations of what it means to practice impact investing. International Finance Corporation (IFC), the private sector arm of the World Bank, also officially launched the Operating Principles for Impact Management during this year's World Bank – IMF Spring Meetings, with 60 first adopters including many of the development finance institutions and large global fund managers such as UBS and Credit Suisse.

Different standards for Africa?

In the midst of more policies and guidelines, there are debates about whether sticking to rigid global definitions suits the impact investing landscape in Africa.

In many parts of the African continent, the line that traditionally separates impact investors from private equity investors and venture capitalists often becomes blurred. Commercial investors on the continent tend to talk more about social and economic impact.

In South Africa, for example, social impact is often associated with job creation and transformation i.e. redressing historical injustices and building an inclusive economy. In a country where official unemployment rate is north of 27% and racial inequality persists, it makes sense that these two issues are the top of any investor's mind.

If we made an investment in a growing commercial company on the continent, it is probable that the company generates employment. It is also possible for the company to have negative impact such as poor employee conditions and environmental disasters that can outweigh any positive impact.

If we unintentionally created social impact alongside our financial return as an investor, should we call ourselves an impact investor or an impact fund manager?

"We can use the global movement to our advantage but it is incumbent on the stakeholders to clearly articulate intention and impact," says Dr. De Witt from the Bertha Centre. She also suggests that contextualising international standards is key. While it may not be suitable to adopt international standards as a blanket approach for the continent, "the language and practice of multi-laterals is helpful to align markets."

There are also practical challenges that particularly early stage social enterprises on the continent need to deal with. Carolyne Kirabo, Investment Principal – East Africa for Mercy Corps Ventures, an early-stage impact investor, empathises with the start-ups that have to grapple with several priorities at once. "They cannot invest either time or resources to the measurement of

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LeapFrog Breaks Impact Investing Record, with $700M Emerging Markets Fund

Investors include many of the worlds leading insurers, pensions and asset managers, development finance institutions, foundations and family offices. The success of the fund reflects LeapFrogs outstanding track record of delivering both strong financial results and large-scale social impact.

LeapFrog Investments has announced the largest-ever private equity fund by a dedicated impact fund manager, surging past its $600m target to reach $700m. The new fund invests in healthcare and financial services companies " tapping into the demand from billions of emerging consumers in Asia and Africa. This fund alone targets reaching 70 million emerging consumers. Investors include many of the worlds leading insurers, pensions and asset managers, development finance institutions, foundations and family offices. The success of the fund reflects LeapFrogs outstanding track record of delivering both strong financial results and large-scale social impact.

It is time for a better kind of capitalism. LeapFrog was founded on a philosophy of Profit with Purpose, rejecting conventional trade-off thinking in financial markets. That has proved a winning strategy, driving strong growth and returns while changing tens of millions of lives, said Dr. Andrew Kuper, Founder and CEO of LeapFrog Investments. Todays announcement marks an unprecedented level of commitment to independent impact investment managers, with a new fund backed by diverse best-in-class institutional investors. It also marks an important moment for respon- sible private equity. As our third fund and largest fund, it is a decisive demon- stration that meeting the real needs of under-served people is great business.

Prudentials lead investment in Leap- Frogs latest fund underscores our con- viction in the power of capital-based solutions to solve the financial, social, environmental, and economic challenges of our changing world, said Charles Lowrey, Chairman and Chief Executive Officer of Pruden- tial Financial, Inc. We are pleased to partner with Leap- Frog to realize the enormous potential for inclusive growth and shared prosperi- ty in emerging Asia and Africa.

The new fund invests in health- care and financial services companies " tapping into the demand from billions of emerging consumers in Asia and Africa. This fund alone targets reaching 70 million emerging consumers.

LeapFrog has invested in 26 businesses to date. They have grown at an exceptional rate of nearly 40 per cent a year on average from the time of investment. LeapFrog companies now reach 168 million people across 35 countries with healthcare or financial services. Over 136 million of those individuals are emerging consumers " defined by The World Bank as living on under $10 a day. Most are accessing quality insurance, savings, pensions, credit, remittances, medicines or health- care services for the first time.

LeapFrogs new fund has already made five investments: WorldRemit is the leading digital remittances provider globally. NeoGrowth provides innova- tive unsecured-credit products to micro, small and medium enterprises across India.

Goodlife Pharmacy chain is now the largest provider of healthcare services in East Africa. Pyramid Pharmais a distributor of medicines and diagnostic and surgical equip- ment across Africa. And Ascent Meditech manufactures and delivers orthopaedic products across India that help avoid crippling pain. These businesses use innovative marketing or distribution via mobile phones to reach millions of customers not well-served by conventional companies.

$700M Emerging Markets Fund

This is LeapFrogs third fund and it will

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once again be oversubscribed.

Most backers are repeat investors with LeapFrog. They include:

- Global insurers Admiral, AIG, AXA XL, Everest Re, Hannover Re, Prudential Financial, QBE and Zurich
- Leading pensions and asset managers such as Ascension Capital, Pinebridge and TIAA-Nuveen (USA), Kempen, Partners Group Impact, Stiftung Abendrot and SBZ (Europe) as well as Christian Super and HESTA (Australia)
- Leading development financiers such as Germanys DEG, IFC and Frances Proparco; also a board-approved commitment from the U.S.s Overseas Private Investment Corporation
- Major corporations such as Merck & Co., Inc., known as MSD outside U.S. and Canada, and foundations including PactWorld, the Ford Foundation and the Rockefeller Foundation

The new fundraise will take LeapFrog to $1.6bn of total commitments, sustaining its position as the largest private equity manager entirely dedicated to impact investing.

As pioneers of commercial impact investing, our goal over the last decade has been to build truly differentiated investment vehicles, that present a compelling opportunity for top-tier investors to access emerging markets " and fulfill their financial and purpose objectives, said Nick Moon, LeapFrog Partner and Head of Investor Relations. We have been delighted with the enthusiasm for this latest fund from longstanding as well as first-time investors.

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The fund also received strong backing from global leaders in development finance. OPIC is committed to supporting breakthrough investment in developing countries. LeapFrog is a compelling fund manager and strong partner for deploying capital into successful companies to bring large-scale impact, concluded David Bohigian, Acting President and CEO of OPIC.

We are very pleased to be a lead investor in this new fund for emerging markets in Asia and Africa. This will expand the reach of development finance through investments in innovative portfolio companies that will serve millions of new consumers in the developing world.

Leading pensions and asset managers such as Ascension Capital, Pinebridge and TIAA-Nuveen (USA), Kempen, Partners Group Impact, Stiftung Abendrot and SBZ (Europe) as well as Christian Super and HESTA (Australia)

We want to substantially increase impact investing for a sustainable world " so we are delighted to be supporting the largest equity fund by a dedicated impact manager in emerging markets, said Philippe Le Hourou, CEO of IFC, the private sector arm of the World Bank Group and a lead investor in the new fund. By investing in this fund, IFC is expanding our long-standing partnership with LeapFrog and together we will drive this investment toward financial inclusion and health access. We want more and more investors who are looking to do well while also doing good.■

Source: *Global banking & finance review / LeapFrog Investments*

14TH PENSIONS AFRICA SUMMIT 2019

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AVANI VICTORIA FALLS RESORT
LIVINGSTONE, ZAMBIA

Remodeling African Pension Funds in the wake of Disruptive Techno/Eco/ Sociological Developments

Turning a 2019 Fund into a 2030 Fund -Think It's Possible?

African pension funds meet in Livingstone Zambia for the 14th pensions Africa summit

Pension funds from across eastern and southern Africa will converge at the Zambian leading tourism destination town of Livingstone for the 14th pensions Africa summit next month in June from the 25th-27th.

Themed "Re-modelling African pension funds in the wake of disruptive techno/eco and sociological developments"the summit brings together key pensions and retirement industry stakeholders.

With technological innovation taking place at unprecedented speed and disrupting almost every industry in every country around the world, the pensions industry is not an exception. This is the fourth industrial revolution, where technological advancements like artificial intelligence and the "Internet of Things" mean that human and digital systems can interact more profoundly than ever before.

The application of this technology in financial services – called fintech –, coupled with easier tools for analysing human socio-economic behaviours, has the potential to reduce costs and improve efficiency, allow customers to transact seamlessly and in real time, and improve providers' understanding of customer behaviour and needs, allowing for the personalisation of financial services, including Pension Funds.

These rapid social and technological development are mostly unregulated and define new frontiers against our regional objective of making Pension Funds more resilient to external shocks, especially the financial instabilities of our local economies. There is a need for progressive conversation around these issues, focusing on how funds, regulators and other service providers to the industry are responding to these new techno-eco-sociological developments.

For the past 13 years, the organisor-AMC International has kept a diligent finger on the pulse of Africa's Pension funds industry, ensuring that trustees are constantly informed of transpiring developments and future trends across the Pension fund management and investment spectra.

"We have developed crucial networks with funds across the continent and with some of the leading minds and thought leaders in the industry and we are yet again excited to bring together all the major role players in the Pension Space for yet another 3-Days of fresh, relevant and though provoking presentations, informative discussions, fruitful networking, solution oriented content and educational workshops at the 14th Annual Pensions Africa Summit 2019 to be hosted, as chosen by Trustees vote at the 13th version of this Summit at Sun city South Africa in 2018, at the Avani Victoria Falls Resort, Livingstone, Zambia on the 25th, 26th and 27th of June 2019" notes a statement from AMC International.

Registration for this Summit is now officially open. To register; info@pensions-africa.com or for any additional information, you may call +27 110192200.

Source: AMC

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- *Investing Impact Capital*
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JUNE 2019

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  10th June 2019
  Birchwood Hotel & OR Conference centre, Boksburg
  Johannesburg, South Africa
- 5th Annual private equity in East Africa Conference
  13th June 2019
  The Sheraton, Addis Ababa
  Ethiopia
- *AAOM Series 2019-Eswatini Forum*
  20th June 2019
  Royal Swazi Spa, Ezulwini
  Eswatini
- *14th Pensions Africa Summit*
  25th-27th June 2019
  Avani Victoria Falls Resort
  Livingstone, Zambia

JULY 2019

- Investing Capital for Sustainable Impact in Nigeria
  16th & 17th July 2019
  Lagos, Nigeria
- *Annual IRFA Conference 2019*
  28th-30th July 2019
  Durban ICC
  South Africa

SEPTEMBER 2019

- Investing Capital for Sustainable Impact in Mauritius
  3-4 September 2019
  Labourdonnais Hotel, Port Louis
  Mauritius

OCTOBER 2019

- Investing Capital for Sustainable Impact in Kenya
  2nd -3rd October 2019
  Villa Rosa Kempinski
  Nairobi, Kenya

Email your industry events to: stevem@pensions-africa.com

S&P Dow Jones indices launches ESG index based on iconic S&P 500®

Global suite of ESG indices based on other core country & regional benchmarks to follow

S&P Dow Jones Indices ("S&P DJI"), the world's leading index provider, announced in April the debut of the S&P 500® ESG Index, an innovative index that is aligned with Environmental, Social and Governance (ESG) selection guidelines and designed to closely replicate the risk and return profile of its most iconic benchmark.

As part of this maiden ESG index launch, S&P DJI is introducing the new S&P DJI ESG Scores, calculated by SAM, the unit of RobecoSAM, which specializes in providing ESG data, ratings, and benchmarking.

In the coming months, S&P DJI will also launch a global family of ESG indices based on its other widely tracked regional and country-specific large and mid-cap benchmarks used in the Americas, Europe, Middle East and Africa (EMEA) and Asia-Pacific (APAC).

"We are excited to bring to market these innovative ESG indices and scores. S&P Dow Jones Indices pioneered ESG indexing over 20 years ago with the 1999 launch of the Dow Jones Sustainability World Index, the first global sustainability benchmark. Our philosophy as an independent index provider is to offer choice to investors. We will continue to contribute to the growth of sustainable finance and economies through our indices," said Alex Matturri, Chief Executive Officer at S&P Dow Jones Indices.

ESG Index Innovation on the Iconic S&P 500®

The S&P 500® ESG Index takes from S&P DJI's most well-known benchmark and provides an ESG criteria selection overlay. The index is developed to serve not only as a performance tracking tool but as a building block to create new ESG index-based investment products and passive investing solutions such as exchange-traded funds (ETFs). S&P DJI expects to license the S&P 500® ESG Index and its upcoming global family of ESG indices to a range of financial services firms globally.

S&P DJI recently entered into a license agreement with UBS Asset Management in Europe for the S&P 500® ESG Index. UBS plans to launch a new ETF based on the index this week.

"UBS aims to be the world's leading sustainable financial provider by developing innovative products to meet the evolving needs of our clients. We are very pleased to have joined forces with S&P Dow Jones Indices and SAM to create a new generation of ETFs, built upon the most widely-tracked U.S. equity index, enabling clients to align their investments with their ESG goals," said Ulrich Koerner, President at UBS Asset Management.

"An increasing number of investors require indices that are aligned not only with their investment goals but also their individual and institutional values. The S&P 500® ESG Index is constructed with both of these needs in mind. Unlike many ESG indices that preceded it - which were more thematic or narrower in their focus - the S&P 500® ESG Index is broader and developed to target the core of an investor's portfolio," said Reid Steadman, Global Head of ESG Indices at S&P Dow Jones Indices.

The S&P 500® ESG Index targets 75% of the traditional S&P 500's market capitalization at the industry-level based on their Global Industry Classification Standard (GICS). The index offers diversification and a profile that is closely in line with that of the U.S. large-cap market. The companies included in the index are selected based on the S&P DJI ESG scoring methodology, powered by SAM.

Robust ESG Scores

S&P DJI collaborated with SAM to introduce an enhanced ESG scoring methodology designed for the new S&P 500® ESG Index and the upcoming country-specific and regional ESG indices. The scores are used as inputs to evaluate companies on the indices. The S&P DJI ESG Scores are available to the market as a standalone product and can be used as a tool for a broad range of research, indexing and investment purposes.

"Typically, investors simply eliminated companies from indices such as the S&P 500 if they wanted to include ESG criteria, which significantly alters their risk and return profiles. The S&P 500® ESG Index, using these granular ESG scores, presents an option for market participants who wish to integrate ESG factors into their investments while maintaining close alignment to the overall profile of the S&P 500," added S&P DJI's Mr. Steadman.

Source: S&P Dow Jones Indices

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impact," says Kirabo. Such early-stage social enterprises often have to depend on grant funding to address impact management as they "do not see the immediate case for this [impact measurement and management] towards their bottom line."

Does it all matter?

Some would argue that any funder that is interested in impact investing is good for the industry and for the African continent, irrespective of whether they are real or not. We have heard the phrase "all investments that you make in Africa are impact investing."

Sadly, there are countless examples of capital inflows into the continent that did not benefit the local community or worse, had exploited people with a damaging effect. Take a look at the all familiar state of cocoa farmers in Ghana, the world's second largest cocoa producer. Despite significant investment and the industry accounting for 7% of Ghana's economy, many cocoa farmers still live in poverty. Cocoa labour's children, who have never seen or eaten chocolate, are often victims of child labour.

According to Kirabo who leads Mercy Corp Ventures' work in East Africa out of Kampala, Uganda, over 60% of the impact capital in Africa is sourced from Western countries and is not always customised to fit in the business environments in which they are meant to serve. She uses fintech as an example: "a question still remains on whether all the innovative models are actually creating income opportunities for the poor or perpetuating cycles or debt and poorly informed financial decision making."

Perhaps it is the nature of a nascent and rapid growing industry that we have to deal with some level of discomfort and conflicts at times. Dr. De Witt prefers an inclusive approach by embracing impact investors that have a broader view on key characteristics such as intentionality. "We think that the market will evolve to a point of understanding where investors are classified according to measurability and intentionality of investment decisions but I'm not sure we are there yet."

Impact investing in Africa is going through a teething phase. As the industry evolves further, however, impact investors should hold ourselves more accountable in Africa – the continent that has been a victim of exploitation and injustice by both foreign and local powers. It matters that the intention of creating impact is documented and properly monitored, evaluated, and disclosed.

We should raise the bar for impact investing in Africa. We must scrutinise the investment strategy and methodologies used for impact measurement and management. We need to make sure that capital is delivering real impact to the people on the continent as intended, rather than all of the financial returns going back to foreign investors with limited social returns achieved for the local communities.

Looking ahead

Back in Johannesburg, the venture capitalist at the end did not pretend to be an impact investor. We agreed that the firm is a venture capital that created jobs, which is still positive news.

If a commercial minded venture capitalist can create jobs, impact investors should be able to generate even more significant and deeper social impact – beyond just number of jobs. Salary level, benefits, and work conditions are some of the indicators that should be tracked and evaluated.

In the wake of the recent The Rise Fund scandal in the U.S., Jed Emerson, author of The Purpose of Capital, wrote a piece called Failing to Rise on Medium. In the article, he reminded us all that impact investing has "always been about re-framing economics, the pursuit of justice and the promotion of sustainable organisational practices."

In many parts of the African continent, societal and economic challenges that exist at our door steps represent an opportunity to support and invest in innovative and scalable solutions.

Local investors such as pension funds can play a critical role in driving local capital into impact investing in Africa. "Local stakeholders are very well placed to find the market opportunities in some of the fastest growing economies in the world. Don't wait for hard currency investors to come in and snap up the deals," says Dr. De Witt.

In order to seize the opportunity and scale impact, it is also critical for the custodians of assets to understand and align investment strategy with the interest of local asset holders. "It's time we listen to what the pension fund members are saying," says Mabatho Seeiso, who serves as an independent trustee on a number of South African pensions funds. "They are asking: how do I make my money worthwhile to improve the quality of life for me and for my children?'"

We have a unique opportunity to create a home-grown impact investing industry in Africa – for people to save and invest long-term to benefit themselves financially while contributing to the improvement and sustainability of their community where they retire. That is real impact.■

Sawa Nakagawa: *is the Founder & Partner of ThreeArrows Impact Partner, a specialized advisory firm focused on impact investing and social innovation. She has over 15 years of financial services experience across impact investing, general management, investment banking, and strategy. Originally from Japan, she has worked in Asia, Europe, Africa, U.S. and Latin America.*

Benchmark boost for African infrastructure as first performance index for the continent could build momentum

For institutional investors, among the main constraints holding back investment into infrastructure in Africa has been the lack of a benchmark. Infrastructure performance indices are a common investment feature in the rest of the world, as they play a critical role in evaluating the risk return profile of investing in this asset class.

If one wish could be granted for the African continent, it would be a steady stream of investment capital destined for effective infrastructure development. Anyone who's visited one of Africa's 54 countries will agree that adequate infrastructure is sorely lacking – though of course some countries are better off than others.

Why is investment into infrastructure lacking?

For institutional investors, among the main constraints holding back investment into infrastructure in Africa has been the lack of a benchmark. Infrastructure performance indices are a common investment feature in the rest of the world, as they play a critical role in evaluating the risk return profile of investing in this asset class. Africa has been lagging with no official benchmarks for investment managers to base decisions on, which means much needed investment in this asset class has been lagging too.

Aiming to fill this gap, boosting investment, RisCura has partnered with Africa Investor to launch Africa's first infrastructure performance index on the first quarter results for 2019, with quarterly insight into investment in this sector thereafter.

The introduction of this index will facilitate increased investment into African infrastructure, which will benefit the people of Africa – and investors. For years, those invested in African infrastructure projects have enjoyed high risk-adjusted returns over the long-term. They say the default rate is low and the returns are attractive, in excess of risk. In other words, investing in African infrastructure presents an exciting opportunity to generate alpha. But without historical data and benchmarks, it's not easy for newcomers to evaluate the investment case.

Heleen Goussard CA (SA); CFA: *Head of Unlisted Investment Services, RisCura*

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Unpacking the investment possibilities

Consider the case of an institutional investor in the process of making an asset allocation decision within alternative investments. The availability of a reliable performance index allows returns to be compared, not only against a benchmark, but between asset classes. As a result, when considering the investor's risk profile, an optimal asset allocation can be made.

Over the last two decades, Africa experienced periods of per capita income growth that were higher than those seen in developed nations. However, numerous factors have led to a recent slowdown in the region's economic activity. Many would argue that the inadequate supply of infrastructure services is one reason for this.

The World Bank has quantified the potential impact infrastructure development would have on Africa's growth trajectory. According to this research, increasing infrastructure development to levels seen in other developing regions could result in GDP per capita growth increases of at least 1.2% annually. Adding in enhancements to the quality of infrastructure would contribute a further 0.5%; increasing growth by a total of 1.7% annually.

Great growth ahead

This growth is even more impactful when compared to the world's leading nations. The impact on GDP growth, from making strides in both the quantity and quality of infrastructure, rises to 2.6% annually. Simply put, the potential benefit of funding Africa's infrastructure deficit is significant.

When looking for answers to Africa's infrastructure financing need, it's easy to look at public investment as the main solution. However, with insufficient current levels of infrastructure spend as a percentage of GDP and increasing debt-to-GDP ratios, most African countries have little room in their fiscus to accommodate a higher infrastructure spend.

The solution could lie with institutional investors. Pension funds' long investment horizon make them especially suited to infrastructure investments. The potential for these investments to deliver a predictable cashflow stream over a sustained period, coupled with an element of inflation protection is attractive for institutional investors.

So, why are we seeing insufficient levels of capital committed to infrastructure funds?

The reasons are complicated. The investment ecosystem is not yet thriving as African countries are still working on developing significant pools of institutional capital, sufficient asset managers and robust regulatory regimes.

Shedding light, building hope

The introduction of infrastructure performance information for Africa is a simple step in the right direction, given that institutional investors often cite a lack of performance data as a constraining factor when considering infrastructure allocations.

As every investment manager knows, diversification is the only free lunch in investing. Africa is an important global diversification opportunity, and the infrastructure asset class offers further diversification. To date, most international institutional investors have been missing out on the opportunities presented here, but we believe the access to historical information this index will provide is going to change this.

The RisCura Africa Investor Infrastructure Performance Index will release performance information for this asset class quarterly, with the first data anticipated to be released in Q2 2019.

The proprietary method and metrics by which we will calculate the performance will include, but not be limited to:

- Internal rate of return (IRR)
- Times Money
- Public Market Equivalent method, Steve Kaplan and Antoinette Schoar (2005)
- Direct alpha method.

This initiative enjoys the support of the African Sovereign Wealth and Pension Fund Leaders Forum, the World Pensions Council, BATSETA, and official institutions such as NEPAD/African Union and the EDFI, the Association of bilateral European Development Finance Institutions, among others.

Heleen Goussard CA (SA); CFA: *Head of Unlisted Investment Services, RisCura:*
With over 14 years' experience, Heleen heads up the RisCura team who provides unlisted investment services for clients across all alternative asset classes such as Private Equity, Infrastructure and Private Debt. In this role, she provides assurance and advice to investors in alternative assets and alternative asset funds including independent valuation, financial modelling, risk and performance reporting and research. This ensures that institutional investors receive accurate reporting and assessment of returns on investments, which in turn allows them to manage their investments more effectively. She joined RisCura in 2012 and has performed and reviewed over 150 valuations since then. She previously worked as a corporate finance partner at PKF Inc.

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Employer? Understand your fiduciary duties when it comes to staff retirement options

More employers are turning to umbrella funds to help provide their employees with retirement benefits. But even though umbrella funds relieve employers of much of the administrative burden of running a retirement fund, employers still owe a fiduciary duty to their employees, says Allan Gray's Saleem Sonday.

In the past, where employers provided retirement benefits to employees this was typically done through a standalone fund administered by employees acting as trustees. However, today many employers are opting to use an umbrella fund, a retirement fund open to multiple participating employers. This change has been driven primarily by the regulatory complexity and associated costs of running your own fund.

"While as an employer you may take advantage of the ease of administration and lower costs that are often provided by umbrella funds, it is important to remember that you are not relieved of your fiduciary duties. Ultimately you remain responsible for the best interests of your employees," asserts Saleem Sonday, head of group savings and investments at Allan Gray.

The term "fiduciary" refers to a person who holds a position of trust, whether in a legal or ethical sense. "In the context of a retirement fund, the purpose of a fiduciary duty is to protect the financial interests of the members and beneficiaries," says Sonday. In terms of common law, a fiduciary duty exists where there is scope for power to be used in a way that affects the interests of beneficiaries and those beneficiaries are vulnerable.

The fiduciary duties of the trustees of retirement funds are well established in terms of the common law and have also been specifically provided for the Pension Funds Act, which states that the trustees have a duty to members and beneficiaries, as well as a duty to the fund, to ensure that the fund is financially sound and is responsibly managed and governed.

An employer's duties regarding retirement funds are also set out in the Pension Fund Act, which states that employers must make sure that contributions are paid to the fund in full and on time. But employers' common-law responsibilities are not always understood.

"If you apply common law thinking, in our view it is clear that as an employer you have a fiduciary duty to protect the financial interests of your employees," says Sonday. His rationale is summarised as follows:

1. Members of occupational funds have little to no control over their employee benefits. As an employer you decide whether or not you will provide employee benefits, which provider to invest with, how contributions are to be invested, which adviser/consultant to engage with and, often, the rate of the members' contributions. Members agree to contribute to a retirement fund in terms of their employment contracts and most are not in a position to negotiate these terms.
2. In standalone funds, the Pension Funds Act requires that at least half of the board must comprise of member-elected trustees. However, umbrella funds are usually exempt from this requirement and their boards comprise mostly of professional trustees who are appointed by a commercial sponsor and who have no personal relationship with the members.
3. Employees often have limited understanding of retirement products, their benefits and the fees that they pay for management, administration and advice. They are often not consulted on how or where their hard-earned money is invested and have little or no say at all in fee negotiations. Fees are often perceived to be excessive relative to investment growth.

Saleem Sonday: *Head of group savings and investments, Allan Gray.*

"The decisions you make have a direct impact on the member's retirement benefits and it could be argued that members are vulnerable, as they have little-to-no opportunity to engage with or object to these decisions. For this reason, it is your ongoing fiduciary duty to act in the best interest of members and to exercise a duty of care," he says.

Sonday offers four practical actions to take in fulfilling your fiduciary duties:

1. Conduct an appropriate due diligence into the preferred umbrella fund before you agree to participate. This should include a review of the

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Unlocking pension funds to accelerate healthcare financing towards universal health coverage in Africa

With increasing economic activity in Africa, pension funds have experienced steady growth and are increasingly looking for attractive assets to invest in and realize an attractive return on investment. Therefore, pension funds could play an important and catalytic role in driving the much needed transformation of the healthcare industry in the region, with the aim of achieving universal health coverage, as well as realizing an attractive return for their membership.

There is overwhelming evidence that investing in healthcare does not only lead to improvements in population health outcomes, but has positive socioeconomic impact that result in a good return on investment in many disparate sectors ranging from agriculture and education to tourism and transportation. However, majority of health systems in Africa often lack adequate financial resources to deliver the much needed quality healthcare to help the region leapfrog into a future of unbounded possibilities.

Health systems in Africa are mostly dependent on the poorly resourced tax-based government funding, which is often constrained by many competing priorities such as agriculture, education and infrastructural development, among others. This (funding model) has left many African health systems to a large extent dependent on external donor funding, which is often unpredictable and mostly directed to vertical health programs, which might not necessarily be aligned to the region's health and developmental priorities. As a result, many have raised questions into the sustainability of these funding models, particularly when the region is faced with increasing healthcare needs, occasioned by the rise of non-communicable diseases and injuries, that often times need complex and long-term care.

Concurrently, the Africa region is undergoing a socioeconomic transformation-characterized by rapid urbanization and an expanding middle class which comprises of discerning consumers, with a significant level of disposable income. Consequently, there is a need for a deeper examination in search of innovative health financing models that could be

Tom Achoki MD, *PhD is a Co-founder and Chief Business Officer at Mass Sciences*

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leveraged to effectively tap into these resources in the efforts to meet the changing population healthcare needs and consumption patterns in the region.

With increasing economic activity in Africa, pension funds have experienced steady growth and are increasingly looking for attractive assets to invest and realize an attractive return on investment in order to safeguard the benefits and entitlements of their membership. Investments from pension funds could play an important and catalytic role in driving the much needed transformation of the healthcare industry in the region, with the aim of achieving universal health coverage, while also realizing an attractive return. In this article, we briefly highlight some of those opportunities that are existing in the current healthcare landscape.

Healthcare service delivery in Africa:
Currently, healthcare service delivery in most parts of Africa is grossly fragmented with exorbitantly high administrative and operational costs. This is a common feature both in the public, non-profit and private sector organizations, where healthcare is delivered.

By and large, in most African countries, fragmentation is not only a feature at the point of service delivery, but across the entire healthcare value chain, including health financing, which is characterized by many small health insurance pools that are often not sustainable.

The public health sector which is used by the majority of the population, comprises mostly of government run hospitals and clinics that have limited capacity to deliver high quality services, due to financial, human resource and technological constraints, among others. On the other hand, the private sector, is largely dominated by independent sole proprietors, usually a doctor or a nurse in a private office (or attached to a private hospital or clinic) providing health services within a given catchment area.

In most cases due to pricing considerations, majority of the private health providers are left competing for a small number of patients with the means to pay for expensive services, and thus making their operations uneconomical and unsustainable.

Further, due to fragmentation, health practice is often not standardized across provider platforms, leading to huge variability in terms of healthcare costs and patient outcomes. In most cases, the norm is for patients to undergo duplicative processes ranging from multiple consultations and diagnostic tests to complex healthcare interventions across a number of different providers, leading to cost escalation and suboptimal health outcomes. This poses huge challenges in terms of efficiency in resource allocation and utilization, raising questions into the capacity of the existing healthcare systems to make progress towards universal health coverage.

Fragmentation of healthcare systems also limits the capacity to adopt and leverage novel health technologies needed for advanced diagnostics and treatments for diseases such as cancer and cardiovascular conditions that are increasingly becoming prevalent in the region. Small and fragmented healthcare operations neither have the economies of scale to procure nor roll out the advanced health technologies that are needed in contemporary healthcare practice. This leaves many of the patients who access services in these facilities deprived of the benefits from recent technological advancements in the healthcare field.

By and large, in most African countries, fragmentation is not only a feature at the point of service delivery, but across the entire healthcare value chain, including health financing, which is characterized by small health insurance pools that are often not sustainable. Another major challenge facing many African healthcare systems is that majority of the basic medicines, technologies and health commodities needed for service delivery are not locally produced, but imported. This makes healthcare delivery in the region expensive and subject to external shocks such changes in foreign currency exchange rates and other trends in global trade.

Investment opportunities for pension funds:

It must be emphasized that the health system challenges highlighted above also present unique investment opportunities for discerning investors to realize an attractive return while having a positive social impact. Pension fund managers could mobilize resources at their disposal towards the creation and development of integrated healthcare business ventures that respond to the rising population health needs in line with the market trends in the region. Priority areas could include key domains in the healthcare value chain such as financing, service delivery, medicines and commodity production, and human resource development.

Health financing
In health financing, the private health insurance market in Africa, could benefit from further integration into larger risk pools that are able to leverage economies of scale in efficiently purchasing health services. In addition, larger risk pools will have the capacity to lower administrative costs and help

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THE FOREMOST GATHERING OF ESWATINI PENSION FUNDS

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in shaping the healthcare market in general towards greater efficiency and effectiveness.

Countries such as Kenya, Rwanda, Ghana and South Africa are making steady progress towards improving national or social health insurance coverage to cover a large section of the population as a way to achieve universal health coverage. These trends in the public health insurance sector present a unique opportunity to catalyze integration within the currently fragmented private health insurance market, by exerting competitive pressure. Notwithstanding the expansion of public health insurance pools, private health insurance will still be an attractive investment segment considering that many countries in the region are witnessing increasing households incomes, resulting in commensurate increases in healthcare spend.

Pension fund managers could mobilize resources at their disposal towards the creation and development of integrated healthcare business ventures that respond to the rising population health needs in line with the market trends in the region. Priority areas could include key domains in the healthcare value chain such as financing, service delivery, medicines and commodity production, and human resource development.

Health service delivery and local production

In many countries in Africa, there are progressive policies and regulations encouraging public private partnership as a way to bridge existing gaps in service delivery. This presents attractive investment opportunities that could be leveraged to meet the prevailing healthcare needs and realize an attractive return on investment for pension funds.

Areas such as education and training to improve human resource for health, as well as local production of essential medicines and other healthcare commodities could be amenable to the public private partnership model. The ongoing efforts towards regional economic integration in Africa to allow for free movement of goods and services across national borders, would make such investments particularly attractive.

Other areas within the healthcare value chain that are ripe of disruption include, health service delivery platforms such as free standing hospitals, clinics, laboratories and pharmacies that could be integrated into larger operations in order to benefit from economies of scale. Integrated healthcare operations would have the capacity to provide holistic healthcare for the patient population, ranging from incentives for preventive lifestyle modifications to efficient curative and rehabilitative services, through standardized care protocols.

In addition, larger healthcare operations would have the capacity to efficiently and effectively adopt essential health technologies that are needed to improved healthcare delivery. Such integrated operations, would be best positioned to generate and use health data to catalyze innovation, optimize care and overall performance of the healthcare systems in the region. By reducing the administrative and operational inefficiency, such integrative investments present an opportunity to not only make progress towards universal health coverage, but also realize an attractive return for investors.

Social impact

There are strong positive indications that the healthcare segment in the African region is bound to realize exponential growth in the medium to long-term horizon. Backed by favorable demographic trends, socioeconomic growth and high unmet needs; investors in the region are likely to realize an attractive return. However, these contributions would not only be limited to economic gains, but also a significant positive social impact that would help the region leapfrog into greater prosperity.

Currently, large sections of the African population remain without access to essential health services, leading to untold suffering, low productivity and loss of life due to ill health. By improving the overall performance of the health system in terms of access to medicines and health services, investors in the sector would be making a huge positive contribution to society and Africa development in general.■

About the Author:
Tom Achoki *MD, PhD: is a Co-founder and Chief Business Officer at Mass Sciences, an integrated data analytics company based in Boston US. He was previously a Sloan Fellow at M.I.T, where he focused on the role of data as a driver of innovation in the healthcare industry. He has worked extensively with African healthcare systems and can be reached at: tom.a@massciences.com*

Why pension sector should go digital

The Pension industry cannot afford to be left behind as other service providers embrace technology to provide quality services to their members.

"Digital transformation is not a waste of money; it is the necessary cost of change." This is according to Edward Humphrey, a tech guru and a digital strategy director at the British Film Institute.

It is true that digital technology is now a necessity for business growth in almost all institutions; more and more organizations are riding on it to improve processes and drive profitable business models.

The Pension industry cannot afford to be left behind as other service providers embrace technology to provide quality services to their members.
The industry must now integrate digital technology into its operations, for growth and better service delivery.

New technologies continue to emerge almost every day; the pension sector can leverage this technology to streamline operations and for better management decisions.
The Retirement Benefits Authority is ready to facilitate the industry to take its rightful place in the digital era as a player in the financial sector.
Digital space is a fast-evolving one with great innovations that our schemes administrators need to adopt.

Despite the many risks that come with technology, I think they can be easily mitigated and properly managed using the correct framework.
Therefore, organizations in their quest for digital transformation need not worry much about cyber threats, privacy concerns and regulatory lag amongst others.

The 2017 Brookings Financial and Digital Inclusion Project facilitated by the Centre for Technology Innovation at the Brookings Institute ranked Kenya number one in the world, for the third year in a row, for commitment and progress towards financial inclusion.

Brookings financial and digital inclusion project top five countries, %
The 2017 Brookings Financial and Digital Inclusion Project ranking have Kenya at number one followed by Brazil, Mexico,Columbia and South Africa are ranked 3rd, 4th and 5th respectively.

Kenya's high ranking stems from the various innovative digital technology cases that Kenya's financial industry has adopted in its operations.

Kenya has for many years been the world leader in leveraging technology to drive financial inclusion.

As indicated in the chart below, Kenya has used digital technology to launch financial service products in different sectors and many of these products were world firsts.

Digital financial products in Kenya
They include Mpesa, Airtel Money and Pesa link for money transfer, Lipa na Mpesa and Mpesa paybill for retail as well as M-Shwari and KCB/Mpesa for credit.

Mutuku Nzomo, MBS: *CEO, Retirement Benefits Authority, Kenya*

Others are services such as M-Kopa and M-tiba, government services like ecitizen and M-Akiba and within the pensions industry you have the Mbao individual scheme for SMEs.

RBA also embraced digital technology with the introduction of Mbao Individual Retirement Benefits Scheme for SMEs. It is the first wholly mobile phone-based pension scheme in the world launched in 2009. Through the scheme members can save as little as sh20 (mbao in street lingo) per day through their mobile phones.

Currently, at least two new mobile phone-based schemes are at advanced stages of development and should be launched soon with a view to further extending coverage in the informal sector.

Pension scheme administrators can strengthen services such as availing member statements online or by phone

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and allowing members to vote during scheme Annual General Meetings through their phones without having to be physically present.

However, there remains an immense untapped digital technology potential in the pension industry. It is often seen as a laggard in the financial sector in terms of innovation and adoption.

But with support from RBA, the pension industry now has a chance to interact competitively with other players in the sector.

Opportunities for adoption of digital technology in pension schemes include:

1. Block chain technology or distributed ledger technology makes it possible to connect multiple parties to each other without passing through intermediaries. These multiple parties all have access to identical copies of a digital record (for example, a contract or transaction data), they can update these records to register a transaction that has taken place and have their amendments validated by the other parties in close to real time. Pension schemes can utilize block chain to create trusted networks with government identification databases, sponsors, regulators and investment vehicles thus eliminating a number of intermediaries. Anti-Money Laundering (AML) and Know Your Customer (KYC) requirements may be simplified using block chain.

2. Cloud computing can remove need for pensions schemes and administrators to own and maintain large servers to maintain member records and other scheme data while reducing costs, improving cost predictability, increasing security and facilitating access to enhanced capabilities.

3. Digital pension platforms and dashboards can allow individuals to manage all their retirement finances from a single platform. Many members in Kenya belong to more than one pension scheme. For example, worker maybe in the National Social Security Scheme (NSSF), one or more Occupational Retirement Benefits Schemes (especially if he has changed jobs and deferred part of the benefits) as well as an Individual Retirement Scheme. A digital dashboard can allow consolidation of the information from these different schemes to give the member a picture of his overall retirement financial health.

4. Digital auto –enrolment has been adopted in a number of jurisdiction including the United Kingdom as a way of increasing coverage particularly in the SME sector. Smaller plan sponsors who may have fewer resources could benefit the most from lower costs and improved efficiency of their workers being auto enrolled digitally into a pension scheme. The employers would then have an option of opting-out into alternative occupational and individual schemes if so desired. Indeed, digital auto-enrollment could be used to registered every Kenyan with a mobile phone number into a pension scheme!

5. Internet of Things (IoT) has resulted in surfeit of information about consumers being made available through internet enabled devices. This can, subject to ensuring privacy is addressed, provide pension providers with critical information to enable them tailor their products to the exact needs of the consumer.

6. Investment processes for pension schemes can be improved through digital technologies in research, analysis, portfolio construction, trading, risk monitoring and settlement. Block chain and Artificial Intelligence (AI) can all strengthen the investment processes to deliver higher returns to members.

7. Investment via robo-adviser is emerging in a number of jurisdictions as an investment tool to provide financial advice and management of customer's investment portfolios. Robo-advisers are software programs that use algorithms and big data to provide advice based on the characteristics and data provided by the member. Being purely online, they are low cost and widely accessible.

8. Reg-tech companies assist regulated entities to ensure compliance with regulatory requirements. For example, reg-tech can monitor scheme investments on real time basis to ensure that the RBA investment guidelines are never breached. Using cloud computing and big data, reg-tech can predict likely breaches of the guidelines in advance and ensure corrective actions are taken pro-actively other than reactively as is currently often the case.

And finally Sup-tech which refers to the adoption of technology by the regulator to better execute its mandate and facilitate the industry to innovate. RBA has adopted sup-tech through various initiatives including a facilitative regulatory framework for innovation, allowing online submission of returns by schemes and service providers (administrators, managers and recently custodians) and provision of an online whistle-blowing portal. RBA also provides a myriad of digital communication channels for customers including a toll free number (0800-720300), free USSD portal (*870#), mobile app, website (www.rba.go.ke) and comprehensive social media presence (twitter, Instagram, Facebook, LinkedIn, google+ and YouTube).

Exploring these opportunities will not only help the pension industry deliver exceptional customer experience to its members but also enhance the schemes' brand reputation.■

Mutuku Nzomo, MBS: *is the CEO, Retirement Benefits Authority, Kenya*

Why trustees of pension funds are required by law to adopt investment strategies that promote the long-term sustainability of the funds and the economies in which they operate

In essence, retirement funds are vehicles for the delivery of social security benefits over the very long term. They will not be able to fulfill properly these objects if their assets are invested in a way designed to achieve high returns over the short to medium term for their current members but expose the funds themselves to the risks that they will not be able to deliver value for money benefits to members, including future members, over the much longer term.

Rosemary Hunter: *Attorney, Fasken Martineau Attorneys.*

Retirement funds are not-for-profit structures through which their members (and/or, in the case of occupational pension funds, their employers) make provision, in a manner that is lawful, effective, cost-efficient and sustainable over the long-term, for the payment of benefits determined in terms of their rules to their members (including future members) on retirement and, if the rules of funds so provide, for the payment on the deaths of their members before retirement, of benefits to the dependants and/or nominees of the members.

These are the objects of pension funds, and, if they are properly fulfilled, the funds will serve the interests of their members and beneficiaries as a group, the employers that participate in them, if applicable, and the public at large. This is why, in South Africa, as in many other countries, investments by fund members in their funds are subsidised by the fiscus (that is, by taxpayers) by the generous tax treatment of contributions paid to

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the funds and the benefits paid by them.

In essence, retirement funds are vehicles for the delivery of social security benefits over the very long term. They will not be able to fulfil properly these objects if their assets are invested in a way designed to achieve high returns over the short to medium term for their current members but expose the funds themselves to the risks that they will not be able to deliver value for money benefits to members, including future members, over the much longer term.

Given their strategic importance, both occupational and voluntary membership retirement funds in both the public and the private sectors are subject to some form of regulation and supervision in most, if not all, countries in the Southern Africa Development Community. Some countries place limits on the percentages of fund assets that may be invested in specified asset classes or in specified jurisdictions. Few, if any, prescribe that funds must invest in specified securities.
In South Africa regulation 28 issued in terms of the Pension Funds Act says in relation to the need to promote sustainability in the investment of fund assets that the board of a fund must-

- take into account both the fund's changing risk profile over time and various risks including credit, market, liquidity and operational risks, and currency, geographic and sovereign risks associated with investments in foreign assets; and
- before making an investment in and while invested in an asset, consider any factor which may materially affect the sustainable long- term performance of the asset including, but not limited to, those of an environmental, social and governance character.

But that's pretty much it.
This means that many of those who act as the 'directing minds and wills' of these funds must make specific investment decisions without clear guidance from regulators.
What they are told, by regulators, courts and others, is that 'the trustees of a fund must act in best interests of both the fund and its members'. Few, however, understand what this means for the way that they must make investment decisions on behalf of their funds.
Many trustees, and, it must be said, fund members, think that it means that trustees must make investment decisions on behalf of their funds that are likely to yield the best short- to medium-term returns for the benefit of the funds' current members.
But this is not correct. It also leads to an inappropriate focus on the relative short-term performances of investment managers responsible for the management of similarly constituted investment portfolios and the replacements of investments in some such portfolios with investments in others, with all the unnecessary investment costs that entails.

In its 2015 judgment in City of Johannesburg v South African Local Authorities Pension Fund & others [2015] ZASCA 4 at para 13 South African's Supreme Court of Appeal said that the duty to act in the best interests of the fund and its members must be 'understood in the context of', and thus subordinate to, 'steps taken in the direction, control and oversight of the fund', that is in fulfilment of the principal object of the board and of the fund itself. The Chancery Division of the UK high court expressed itself in similar terms that same year. Merchant Navy Ratings Pension Fund Trustees v Stena Lines Ltd & others [2015] EWHC 448 (Ch) at para 212.

This means that, when evaluating and considering changes to a fund's investment policies and strategies, the trustees of the fund must first consider the purpose of the fund described above. Then they should take a take a long, hard look at the political and economic circumstances in which the fund now operates and is likely to operate in the long-term future. Finally they should then consider ways in which the fund's investment policies and strategies could be re-designed to improve those circumstances.

For example, if South African funds had which had invested in mining shares had also invested in social housing for mine workers in Marikana and elsewhere, they may have enjoyed only moderate rental incomes from the latter. But they also may not have suffered the terrible losses in the value of their mining shares resulting from the Marikana shooting tragedy of 2012 and from labour unrest in the mining industry since then.

Likewise, if funds that invested in Steinhoff shares had invested, instead, in renewable energy or in well-run and sustainable local manufacturing enterprises entailing job creation and skills development, they are likely to been able to face the future with much greater confidence than they can now.

Retirement fund trustees are custodians of substantial assets held in trust not only for the benefit of their funds and their current members. They are also held in trust for their future members and other stakeholders including their countries and regions. They owe it to all of us to remember that when making investment decisions on behalf of those funds.■

RoseMary Hunter: *Rose Hunter practised as an attorney specialising in pension and employee benefits law for approximately 16 years before she was appointed by the Minister of Finance as deputy registrar of pension funds, deputy registrar of friendly societies and deputy executive officer of the Financial Services for a period of three years from August 2013.*

Following the expiry of her contract of employment in July 2016 Rose returned to legal practice as an attorney with Fasken Martineau (incorporated in South Africa as Bell Dewar Inc) in Sandton.
Rose was the editor and principal author of a text-book The Pension Funds Act: A Commentary which she co-wrote with her then colleagues Johan Esterhuizen, Tashia Jithoo and Sandile Khumalo and which was published by Hunter Law in 2010.
She is a visiting senior lecturer at the University of the Witwatersrand for which she teaches pension law to LLM, PG Dip and Mandela Institute Certificate in Pension Law students.

Is Impact investing gaining momentum in South Africa?

According to the Global Impact Investing Network, who report on impact investors, an estimated $224 billion is managed by impact investors globally.

Impact investing in South Africa

During 2018 and more recently we saw an increased interest in impact investing from a variety of stakeholders, including regulators, policymakers, industry, capital seekers like social enterprises, from early stage to established companies, either seeking capital or wanting to allocate funds into this area. According to the Global Impact Investing Network, who report on impact investors, an estimated $224 billion is managed by impact investors globally.

Some recent events that facilitated these conversations and efforts within the impact investing sector included:

- The Impact Investment South Africa National Task force was constituted in May 2018 with the aim of mobilising the deployment of capital and building an inclusive and sustainable economy in the impact investment sector.
- Many investors have adopted the United Nations Sustainable Development Goals (SDGs) as a guideline framework to gain some commonality on reporting.
- In April 2019, the International Finance Corporation (the development arm of the World Bank) launched its Operating Principles for Impact Management. The aim of the nine principles is to "contribute to measurable positive social, economic, or environmental impact, alongside financial returns". The principles go beyond asset selection that aligns investment portfolios with impact goals (such as the SDGs), to requiring impact considerations to be integrated into investment decisions through out the investment lifecycle.
- Locally, National Treasury is steering policy discussion around defining what sustainable finance is in the context of South Africa, this is expected to gain traction during 2019.

Role of institutional investors

For decades in South Africa, we've seen the private sector playing a role alongside government to address the challenges surrounding South Africa's infrastructure funding requirements. Representing institutional investors in this instance, we seek to allocate capital into impact investments which fit the investors' mandate to invest for impact and at the same time address the funding challenges of these projects.

There are many stakeholders interested in the impact sector and there is an increased recognition that everyone has a unique contribution and role to play in the process. Institutional investors are allocators of capital into the impact sector and they act on behalf of their clients, namely pension funds. Their focus would be on companies that have a developmental mandate, whether an explicit social mandate or implied, with an agreed social outcome that delivers a tangible impact, for instance funding affordable housing, transport infrastructure or renewable energy projects. An example of such an entity that comes to market with a social mandate is the

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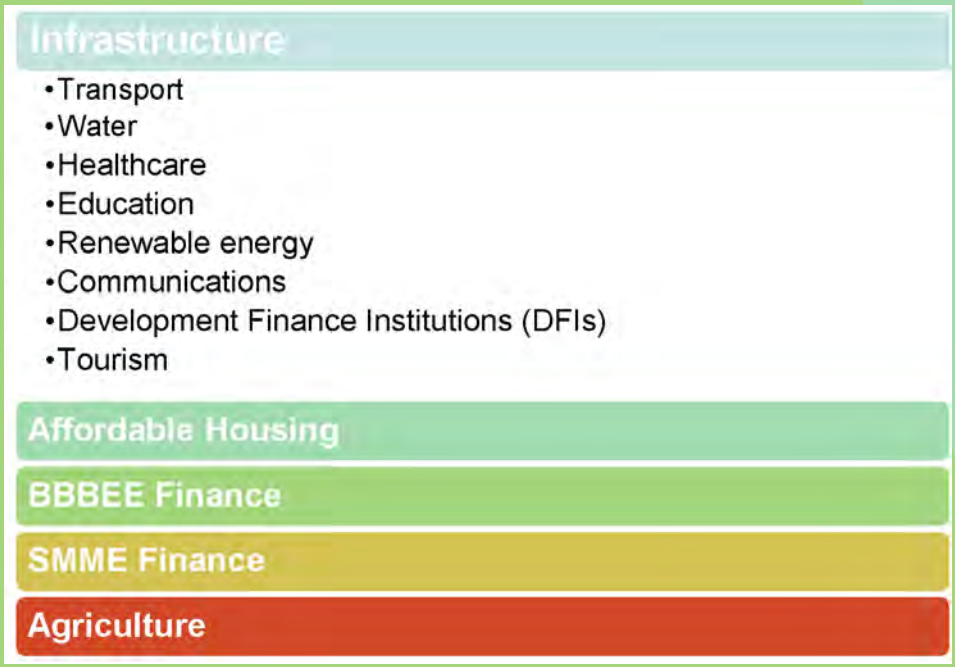
Gauteng Partnership Fund (GPF). This is good illustration of a partnership between institutional funders (like Futuregrowth) and a DFI (the GPF), where the GPF undertakes to provide funding at a subsidised rate by taking on any first loss incurred by the project.

Sectors that facilitate impact

We recognise that continued investment in infrastructure and developmental assets ensures that countries are well positioned for future economic growth as well as increased urbanisation and sustainability. This is particularly true in the context of South Africa, where we have had significant underspending on infrastructure over the past 20 years, resulting in a massive backlog of both maintenance and new capital spent. The South African government has earmarked approximately R4 trillion to be spent on Infrastructure over the next 10 to 15 years. Government, through its own development finance institution (DFI) and state owned entities, will play a large role in funding these projects, but the private sector can play a role as well.

Sectors that facilitate the most diverse impact include those that address South Africa's infrastructure back-log and those that historically had a lower deployment of capital. Most of these sectors are aligned with government's National Development Plan (NDP) goals and contribute to the economic and social development of South Africa, which, in turn, promotes and stimulates job creation. Some examples of these sectors include:

Figure 1: Sectors that facilitate impact



Challenges facing impact investors

There is reasonable consensus regarding some of the challenges facing impact investors, these include:

- **Finding appropriate deal opportunities:** There is no lack of deal pipeline for investors to access, the problem lies in the quality of the deals. Most of the time, companies seeking funding are not "investment ready" (either they are too early-stage with insufficient track-record to demonstrate experience in the sector, or unable to demonstrate sustainable cash-flows or both). These are but a few issues where bottlenecks occur. The challenge is matching appropriate funders with companies in the impact sector, and aligning their funding requirements, since these differ vastly across the risk spectrum. For example, DFIs provide subsidised funding and early-stage investment, which is their role and mandate, whereas private equity companies can invest in venture capital and early-stage investments. Institutional investors tend to participate in more established funding to entities that can demonstrate a track-record, experience and are able to generate sustainable cash flows to service such a loan.

- **Lack of impact data:** Institutional managers are coming under increasing pressure from pension fund clients to supply meaningful numbers that demonstrate impact of their investments, such as the number of jobs created. The usual challenge in the impact sector is access to tangible underlying impact data.

For example, we may receive information on the affordable housing sector about the number of loans advanced to entrepreneurs to finance rental accommodation (therefore we know how many buildings were refurbished), but we do not know how many jobs were created during the refurbishment process. Job creation is important in South Africa for economic development and aligns with government's developmental goals of job creation and SMME development; however, it is one of the most under-reported of all the impact statistics. This is due mainly to a lack of recording of this information, because entrepreneurs/developers do not have the resources, time or systems in place to keep such records.

Another challenge is the accuracy of information supplied (for the same reasons as listed above). Therefore, we always caveat our impact data, saying

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that it is judgement-based and estimated on a reasonable basis.

- **Subjectivity & measuring impact:** Another area of confusion and lack of consistency in the market around reporting on and measuring impact is its inevitable subjectivity. Not all types of impact are created equal. Different investments have varying degrees of on-the-ground impact. For example, funding the provision of low-income housing has a much higher impact than holding a listed parastatal bond. In addition to earning suitable risk-adjusted returns, investors may also want recognition for such a high-impact investment.

  Measuring developmental impact is highly subjective and can be categorised into "High, Medium or Low" impact, for example:
  - *High impact: infrastructure project finance (water & transport infrastructure, etc.), access to finance for the previously "unbanked", social infrastructure (health care, education, etc.).*
  - *Medium impact: access to affordable rental housing.*
  - *Low impact: environmentally-screened ethical investments.*

- **Reporting frameworks:** The reality is that there is no standardised framework that will address all the needs of every investor when it comes to measuring and reporting on the impact of their investments. The SDGs are one of the areas being explored in particular by investors, with many investors having adopted the SDGs as a guideline framework. The SDGs cover 17 goals, which comprise a call for action by both developed and developing countries to end poverty, improve health and education, reduce inequality, and spur economic growth – all while tackling climate change and working to preserve our oceans and forests.

Impact versus risk and return

A myth amongst some investors is that investing for impact means that you have to forfeit returns. As evidenced in South Africa, we have a deep history and track record where the private sector has participated in funding in this area. In addition, through ongoing engagement and education the myth that "impact means lower or subsidised returns" can be dispelled.

Futuregrowth has a 24-year track record of investing in impact investments, with more than R44 billion invested in infrastructure and developmental assets that provide tangible social and developmental impact. This has been possible due to the continued support from our pension fund and corporate clients.

Supporting **investments** into infrastructure development

24 years of consistent long-term performance

Tangible **social and developmental impact**

R44bn invested in infrastructure & developmental investments

Active in all **9 provinces**

Contrary to popular belief, South African pension funds have a long history of investing for impact and, in turn, supporting national development. There are many such examples: Futuregrowth's flagship fund, the Infrastructure & Development Bond Fund has a long-standing track record of sustainable risk adjusted out-performance, proof that impact funds can achieve impact and, at the same time, risk- adjusted returns.

Futuregrowth's suite of development funds forms part of our overall Responsible Investment (RI) strategy and reflects the intentions of our clients to do good, by consciously investing to make a positive impact in society and the broader environment, for both current and future stakeholders. Futuregrowth manages approximately R185 billion of assets in fixed income, including a suite of developmental/impact funds across a variety of asset classes. Our developmental suite of funds consists of the following:

- Infrastructure & Development Bond Fund
- Development Equity Fund
- Community Property Fund
- Agri-Fund
- Development Balanced Fund (Fund of Funds)
- Power Debt Fund
- Power Inflation-linked Bond Fund
- Infrastructure & Development Inflation-linked Bond Fund

Futuregrowth's primary objective is to earn appropriate risk-adjusted returns at all times. Many of these impact investments are usually higher in risk and investors have to be compensated for the higher risk by receiving an appropriate risk-adjusted return. At the same time, investors should reap the benefit of contributing in a meaningful way to the social upliftment of communities and South Africa as a whole. ■

Angelique Kalam: Manager-Sustainable Investment Practices, FutureGrowth Asset Managers

ESG reporting increasingly considered for investment decision making, Refinitiv report shows

A recent Refinitiv report on environmental, social and governance (ESG) gender metrics reporting shows that investors are increasingly considering companies that engage in ESG reporting as part of their investment decision making.

In the report, Refinitiv highlights five key gender metrics findings based on the ESG reporting of over 4000 companies in a five year period (2013 – 2017) from all over the world including South Africa. Highlighted below are five key ESG findings often integrated in the investment decision process.

1. Investors consider companies that report gender metrics

Overall, on a global scale, we see companies more willing to report granular data on gender diversity than ever before. In the last five years, we have seen a 6% increase of companies reporting female manager numbers. Companies reporting female employee numbers is also seen as a positive sign for investors looking for transparency as now almost half of companies report on this metric globally.

Companies reporting gender metrics report that they have an average of 37% female managers and 52% female employees.

2. Changes at the top

While still significantly underrepresented, in the last five years there has been improvement among women at board and executive levels. Little has changed at lower employee level however. The recent improvements at board and executive ranks reflect the increasing focus on gender diversity at the corporate leadership level, with a 5.57% increase in female executives between 2016-2017.

An analysis of the female composition of the workforce reveals the following:

- Female Board Members averaged 13.35% in the 2017 financial year compared to 11.34% in the 2013 financial year;
- Female Executives averaged 18.07% in the 2017 financial year compared to 12.17% in the 2013 financial year;
- Female Managers averaged 26.41% in the 2017 financial year compared to 24.75% in the 2013 financial year; and
- Female Employees averaged 34.92% in the 2017 financial year compared to 33.49% in the 2013 financial year.

3. The corporate ladder gender gap

There are still some significant barriers when it comes to promotion of women to more senior levels. In an ideal world, we would see comparable average percentages of female representation across all levels but the reality is starkly different. Using female employee percentages as a baseline for comparison against board, executive and non-executive levels, the gender gap is substan-

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INVESTING CAPITAL FOR SUSTAINABLE IMPACT IN SOUTH AFRICA

WED, 29 - THUR, 30 MAY 2019
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Investing Capital for Sustainable Impact in Africa takes a deep dive into how Impact Entrepreneurs, Impact Investors, Impact Managers and Impact Enablers are innovating across traditional and alternative assets to allocate capital for social and environmental impact without compromising financial returns.

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tial at all levels.

The gender gap:

	US	Japan	Australia	UK	Canada	Taiwan	South Africa	China	Brazil	France
Female Board Members (%)	20.6	4.7	17.7	22.9	20.2	11.0	23.7	10.3	8.4	42.8
Female Executives (%)	15.1	1.3	17.9	15.5	13.7	13.7	20.3	10.6	8.6	14.4
Female Managers (%)	33.3	9.6	28.2	25.2	31.1	28.6	31.5	26.3	29.1	13.1

4. Gender diversity by region

When comparing countries with the highest GDP, Japanese companies with female board members, executives and managers are conspicuously absent. It is also worth noting that six of the top ten regions have a deficit in female executives, meaning it could be a challenge to keep the board level diverse in the future if there isn't a healthy pipeline of female executives to promote onto the board.

Female representation for six countries:

US Board Members – 20.62% Executives – 15.11% Managers – 33.27% Employees – 38.33%	**China** Board Members – 10.29% Executives – 10.57% Managers – 26.31% Employees – 35.91%	**Japan** Board Members – 4.68% Executives – 1.29% Managers – 9.56% Employees – 26.28%
Germany Board Members – 27.83% Executives – 7.90% Managers – 24.66% Employees – 36.00%	**UK** Board Members – 22.93% Executives – 15.54% Managers – 25.19% Employees – 26.59%	**South Africa** Board Members – 23.67% Executives – 20.27% Managers – 31.54% Employees – 39.65%

Top ten countries with highest female board representation by GDP:

Country	Female Board Percentage in 2017	Refinitiv ESG Company Coverage	GDP Ranking
France	42.80	89	7
Italy	33.50	45	9
Germany	27.85	85	4
United Kingdom	22.93	269	5
United States of America	20.62	875	1
Canada	20.21	259	10
India	13.61	89	6
China	10.29	101	2
Brazil	8.39	96	8
Japan	4.68	413	3

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5. Gender diversity by industry

Our data shows that globally, gender composition of the workforce has changed over the years based on industry group. Although changes have been consistent in the top business sectors, we still see severe underrepresentation of female employees in industries that have been traditionally male dominated.

Top Five Business Sectors Ranked by Female Employee Percentage:

1. Drug and Food Retailing – 56.39%
2. Retailers – 55.90%
3. Insurance – 54.54%
4. Healthcare Services and Equipment – 51.51%
5. Banking and Investment Services- 49.42%

Bottom five business sectors ranked by female employee percentage:

1. Mineral Resources – 15.39%
2. Automobile and Auto Parts – 17.73%
3. Chemicals – 19.73%
4. Applied Resources – 21.54%
5. Industrial Goods – 21.55%

Business sectors ranked by the 2017 female employee percentage:

Top 5 Groups	Female Board Representation			Female Executives			Female Managers (Non-Executive)			Female Employees		
	2013	2017	Delta	2013	2017	Delta	2013	2017	Delta	2013	2017	Delta
Food and Drug Retailers	15.60	23.13	7.5	12.59	17.11	4.5	34.59	33.98	-0.6	52.30	56.39	4.1
Retailers	15.35	21.76	6.5	14.56	18.02	3.5	37.04	38.64	1.6	57.00	55.90	-1.1
Insurance	16.31	22.03	5.7	11.00	13.64	2.6	31.49	35.21	3.7	53.42	54.54	1.1
Healthcare Services and Equipment	15.11	25.21	10.1	12.70	15.29	2.6	37.29	34.38	-2.9	55.93	51.51	-4.4
Banking and Investment Services	13.56	19.16	5.6	13.78	16.00	2.7	34.25	35.98	1.7	49.08	49.42	0.3

The financial sector represents two of the top five economic sectors by female employment with the banking and investment services being ranked at the top by female employees and managers.

Some improvements have been seen by female employees in the retail sector appears in the top five for female employees, female managers and female executives. Insurance, and healthcare services and equipment industries show high representation in female employees and female board members; however, the healthcare services and equipment industry has had a gradual decrease in female managers over the last five years.

Another area to keep an eye on is STEM industries. The technology and engineering economic industries are not represented in the top five business sectors based on female employees. The only STEM business sector that has more than 40% female employees is pharmaceuticals and medical research.

STEM is an area which has received a lot of controversy and attention for their lack of gender transformation in recent years and we are yet to see if they fulfill their commitment to have more female representation in the near future.

@Refinitiv

Insights and findings from a recent Refinitiv report on environmental, social and governance (ESG) gender metrics reporting.

Refinitiv provides environmental, social and governance (ESG) data and solutions.

Photo by Ken Treloar on Unsplash

Pension funds and climate risk- Why pension funds must invest responsibly for climate resilience

Legal opinion on the duty of the boards of South African pension funds to take climate change into account when making investment decisions.

ClientEarth and Just Share NPC commissioned Fasken to provide a legal opinion (the "legal opinion") on the question of whether the boards of pension or provident funds (hereafter referred to as "boards") are required under South African law to take into account climate-related risks and opportunities when making investment-related decisions on behalf of their funds. (Executive Summary)

Rosemary Hunter: Attorney- Fasken Attorneys

As far back as 2011, the South African Government recognised the potentially catastrophic impacts that climate change could have on South Africa in the medium to long-term. The Climate Change Response White Paper stated that:

"Even under emission scenarios that are more conservative than current international emission trends, it has been predicted that by mid-century the South African coast will warm by around 1 to 2°C and the interior by around 2 to 3°C. By 2100, warming is projected to reach around 3 to 4°C along the coast, and 6 to 7°C in the interior. With such temperature increases, life as we know it will change completely…"

In the same year, Regulation 28 of the Pension Funds Act, 1956 (PFA) was published, requiring pension fund trustees to consider environmental, social and governance factors when making investment decisions.

ClientEarth and Just Share NPC commissioned Fasken to provide a legal opinion (the "legal opinion") on the question of whether the boards of pension or provident funds (hereafter referred to as "boards") are required under South African law to take into

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account climate-related risks and opportunities when making investment-related decisions on behalf of their funds.

The answer is an unequivocal "yes", both for funds regulated by the PFA and for those, like the Government Employees Pension Fund (GEPF), that are not.

The opinion, prepared by top pension lawyer Rosemary Hunter, finds that a failure to consider material financial risks arising from climate change may amount to a breach of duty by the board of a pension fund, under both the common law principles and Regulation 28 of the PFA.

Infographics: Design for development (www.d4d.co.za)

Pension Funds governed by Regulation 28

Regulation 28 sets out a number of principles which must at all times be applied by a fund and its board. One of these principles is that, "before making an investment in and while invested in an asset, [the board must] consider any factor which may materially affect the sustainable long term performance of the asset including, but not limited to, those of an environmental, social and governance character" .

This principle must also be adhered to by anyone to whom any investment-related powers and functions of the fund are delegated, for example asset managers and asset consultants.

Climate change is a material financial risk. Climate change risk must therefore be considered before making an investment in and while invested in an asset.

Pension Funds not governed by Regulation 28

There are some pension funds in South Africa that are not subject to the PFA, because they have been established by statues other than the PFA, and because their liabilities either have been or are now underwritten by the State. The largest of these is the GEPF, which is also the largest overall fund in South Africa by asset value.

The legal opinion is clear that these funds are also required by common law principles to take into account any factor which may materially affect the sustainable long-term performance of the fund, including those of an environmental, social and governance character. In other words, funds not regulated by the PFA must also consider the risks associated with climate change when making investment-related decisions.

Key findings of the legal opinion

- The boards of South African pension funds must exercise the powers of the fund in the best interests of the fund, which means for the sole purpose of fulfilling its objects over the long term. Decisions relating to the investment of the fund's assets must therefore be taken with due regard for the risks, both long-term and short-term, associated with those investments. These include climate-related risks.

- Pension funds which are well managed, and which conduct their investment activities in a manner designed to ensure their long-term sustainability, will serve the best interests of both the fund's current members, those who may become their members in the future, and the dependents of current and future members, viewed as a whole.

- A pension fund's dependence on its board for the proper exercise of the fund's powers and fulfilment of its duties means that the board and each of its members occupies a position of trust, and owes a fiduciary duty to the fund when acting in that capacity. In other words, board members owe the duties of good faith, care and diligence to the fund.

- Pension fund trustees derive their powers from legislation, including the Constitution, and the rules of the fund. They do not derive them from any "mandate" given by those who elected or appointed them.

- In exercising the powers of a fund, the board must protect the

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existing rights of the fund's members, but it is not entitled to advance their interests if this would be inconsistent with its fiduciary duty to the fund. The interests of the fund's members and their dependents, and future members of the fund, must be viewed as a whole and treated as subordinate to those of the fund itself, particularly as they may not always coincide.

- This means that, although it may be to the advantage of some of a fund's current members for it to take certain actions in the short-term, if it is evident from information before the board that it would not be in the long-term interests of the fund for it to take such actions, then the board must not take those actions on its behalf. Instead it must ensure that it follows the course of action best aligned with the long-term interests of the fund.

- If the board fails to properly consider relevant information, or, having considered it, fails to give it appropriate weight when making decisions, then it will be acting in breach of its duty to act in the fund's best interests.

- A failure to take into account risks associated with factors such as climate change, which may be relevant to the likely long-term performance of a specific investment, or the fund's investments as a whole, is likely to amount to a breach of the duty of care and diligence.

- Each board member must apply his or her mind to the issues before the board, including the likely environmental, social and governance (ESG) risks associated with any particular investment. A board member may not leave this to other board members or delegate the duty to third parties. He or she cannot remain ignorant when compliance with these duties means that he or she must seek information, nor can he or she blindly accept information and advice from third parties.

- Board members must therefore take all reasonable steps to acquire the information in relation to the risks associated with climate change as they may require, in order to make informed decisions when taking such risks into account when exercising the fund's investment powers.

- The board of a fund is entitled to appoint appropriately qualified and authorised third party investment managers to exercise some or all of the fund's investment powers. However, in order to comply with its legal obligations, the board must still:
  - o Ensure that the terms of appointment bind the investment manager to comply with the fund's investment policy statement and legal duties, including its policies in relation to the application of ESG factors to the assessment of investments; and
  - o Monitor and supervise the conduct by such investment managers of their functions and the fulfillment of their duties.

- If necessary, the board should make it a condition of its appointment of an investment manager that the manager procures the approval of the FSCA of the conclusion of an agreement between them on terms incorporating such duties.

- If a fund suffers financial loss as a result of negligent failure by one or more board members to act with due care and diligence in the formulation of the fund's investment policies and strategies, and/or the implementation of those policies and strategies (including in the mandating of third party investment managers to exercise powers on behalf of the fund), those board members may be held liable to compensate the fund for its loss.

- As the management of investments ordinarily entails the exercise of discretion, and the fund will be dependent on any appointed investment manager for the proper exercise of that discretion, such investment manager occupies a position of trust in relation to the fund. As such, the common law imposes on the investment manager a duty to exercise the powers delegated to it in good faith, with due care and diligence, and in the best interests of the fund. This includes the evaluation of investments taking into account the risks associated with climate change.

- The investment manager must not place itself in a position in which its duty to the fund conflicts with or is inconsistent with the direct or indirect interests of the investment manager.

In light of these findings, the opinion also recommends that the 2007 non-binding guidance note from the Registrar of Pension funds (PF 130), which, inter alia, states that "the primary obligation of [a fund's investments] is to provide optimum returns for its beneficiaries" should be withdrawn.

The legal opinion was commissioned in order to support the boards of South African pension funds in the exercise of their fiduciary duties: we hope that it will assist boards to build climate competence, so that they can carry out their functions in a way that contributes to the future resilience and prosperity of South Africa.■

This legal opinion was commissioned by ClientEarth and Just Share NPC and was prepared by Rosemary Hunter of Fasken Attorneys.

Fedgroup pioneers Impact Farming in SA

With projected returns of between 10% and 16%, Impact Farming offers more than just the chance to do good

A new generation of socially conscious investors, comprising predominantly millennials, is driving a prolific trend in global investing. They want their money to do good in the world, while still realising a fair return.

The trend, known as impact investing, has gained significant traction in first-world markets.

By investing in businesses that benefit society or the environment, be it through renewable energy, sustainable farming, infrastructure development or healthcare, impact investors aim to have a real-world impact. Their mantra is to create a positive future for more than just themselves.

Conventionally, impact investing means only purchasing shares in companies that do good, but South Africa's leading independent financial services provider, Fedgroup, believes that investing directly into sustainable ventures, instead of on a stock exchange, is a smarter alternative.

That's because investing in shares and funds can be unnecessarily complex, and hidden costs and fees eat into your returns. In addition, barriers to entry can be prohibitive.

Instead, Fedgroup has created a mobile app that allows impact investors to own farming assets through a quick, streamlined process.

Fedgroup's Impact Farming investment platform offers investors access to a growing network of local crowd-farming ventures that generate solid profits to deliver competitive returns. From as little as R300, investors can own assets from accredited farming partners, including blueberries, sustainable honey and urban solar farms.

Fedgroup's Impact Farming investment platform offers investors access to a growing network of local crowd-farming ventures that generate solid profits to deliver competitive returns. From as little as R300, investors can own assets from accredited farming partners, including blueberries, sustainable honey and urban solar farms.

Impact investors purchase the individual blueberry bushes, beehives and solar panels through the app. These assets, along with all the others purchased on the app, are installed on an approved site to form a venture network that is managed by farming experts, who take care of the rest.

Fedgroup has contracts in place with partners to ensure that all the honey, blueberries and energy generated by these assets are purchased as they are produced. The owners of the assets then earn a regular income from the sale of these products.

This money can then be enjoyed as passive income, or reinvested to benefit from compounded growth. Impact Farming assets also qualify for a tax benefit associated with renewable energy and sustainable farming.

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Not only does this model significantly lower the barriers to entry inherent in traditional fund investing, but it also allows socially-conscious investors to make an impact with their money, regardless of the amount invested.

And there's also less risk compared to various traditional investments thanks to the innovative approach. Extensive due diligence is performed on every product line to ensure its viability before it is brought to market. The company then carefully vets and selects Impact Farming ventures for both the financial impact they have on investor wealth creation, and the positive impact they have on the world.

The assets are also insured, the cost of which is included in the purchase price. Therefore, if an investor's asset is ever destroyed in a natural disaster, Fedgroup replaces it.

Fedgroup's Impact Farming platform offers a unique wealth creation tool for a new breed of investor. To find out more, visit www.fedgroup.co.za/impactfarming.

Projected Stats:

1. Blueberries

Minimum buy-in:	R300.00
Availability (1st project)	96 000 units
Annual return	12% - 14%
Life expectancy	8 – 10 years

2. Beehives

Minimum buy-in:	R4 000.00
Availability (1st project)	1 500 units
Annual return	14% - 16%
Life expectancy	10 – 12 years

3. Solar

Minimum buy-in:	R5 200.00
Availability (current project)	2 000
20 000 solar panels have been installed to date	
Annual return	10% - 12%
Life expectancy	20 years

Fedgroup : *Established in 1990, Fedgroup has grown into one of South Africa's leading independent financial services group.*

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governance, service, administration capability and costs of those funds, to ensure that members will receive good service and value for money.

2. Assess the appropriateness and cost-effectiveness of the investment arrangements in light of the profile of your employees and, carefully consider the default investment portfolios offered by the Fund.

3. Ensure that adequate and appropriate communication is provided to members so that members understand the benefits and costs associated with the fund. In addition, ensure that there is adequate ongoing member communication and engagement around overall fund performance and appropriateness.

4. Once you have started participating in the umbrella fund, it is important to periodically reassesses your chosen product provider, the governance of the fund, the costs being deducted from employee contributions and benefits, the default investment portfolio you have selected and, where applicable, the fees and services of your appointed adviser.

"If you are not in a position to carry out the above process on your own, consider appointing an adviser or consultant to assist with the above process and/or to provide advice and intermediary services to help you make a more informed decision. In this instance, it is important to maintain an appropriate level of oversight to ensure that due care is taken in all decisions made on behalf of your employees," Sonday concludes. ■

Saleem Sonday: *is head of group savings and investments at Allan Gray.*

Phatisa-led consortium exits Meridian to Ma'aden

Meridian is a prominent African agricultural inputs business, distributing approximately half a million tonnes of fertiliser across four countries; generating revenues in excess of US$ 300 million.

Phatisa, a leading African development and private equity fund manager andthe lead investor of a consortium including Mbuyu Capital as a co-investor, has reached an agreement with Ma'aden on the sale of its controlling shareholding in Meridian Group (Meridian). Phatisa is a sector-specific African private equity fund manager located in and operating across sub-Saharan Africa. The firm currently has three funds under management, totalling more than US$ 400 million, focused on food and affordable housing. Phatisa comprises a team of over 37 dedicated staff and a solid track record of managing private equity funds and commercial businesses throughout the continent.

Meridian is a prominent African agricultural inputs business, distributing approximately half a million tonnes of fertiliser across four countries; generating revenues in excess of US$ 300 million. Meridian's flagship fertiliser brand, Superfert, is available throughout Malawi, Mozambique, Zimbabwe and Zambia, and has earned a loyal customer base due to its superior quality and bespoke blends, proven to stimulate agricultural productivity.

The Meridian executive team will remain with the business, partnering with Ma'aden, a diversified resources company, listed on the Saudi Arabian stock exchange. This partnership will further strengthen Meridian's market position, leveraging Ma'aden's global presence and integrated supply chain, allowing the company to better service the growing demand for fertiliser across the region.

Chris Giannakis, Meridian co-Chief Executive Officer said: 'Through the combined ability and vision of management and Phatisa, Meridian has developed its business to become the regional fertiliser market leader. We are excited to embark on our next chapter with Ma'aden, which will bring a global scale and strategic aspect to Meridian's entrepreneurial culture.'

Impact-Agriculture and food

With US$ 246 million in capital commitments, Phatisa's AAF was the continent's first private equity fund focused solely on the agriculture and food value chain and commenced operations in 2011. It is now fully invested. The portfolio consists of eight companies and one subsidiary fund investment, amounting to a footprint of 22 countries.

Phatisa's impact objectives for AAF are directly aligned with eight SDGs, highlights to the end of 2018 include:

- SDG 1: No poverty – raised and invested US$ 246 million in Africa.
- SDG 2: Zero hunger – produced > 2.8 million tonnes of food and food-related products in Africa.
- SDG 5: Gender inequality – im pacted > 17,500 female employees and beneficiaries directly.
- SDG 8: Decent work and economic growth – impacted > 109,500 smallholder farmers and micro, small and medium enterprises linked to Phatisa food and food-related investment portfolio and associated technical assistance projects.

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- SDG 12: Sustainable develop--ment – 100% of portfolio companies have environmental and waste management policies and 63% have imple--mented recycling initiatives.

Rinolan Moodley, Deal Partner at Phatisa commented: 'Meridian exemplifies Phatisa's ethos of development equity, demonstrating how private equity investments can deliver a tangible and sustainable impact on food security within the continent, as well as driving superior returns for our investors. Our capital and insight were instrumental in developing Meridian's distribution networks, providing smallholders with access to customised fertiliser blends that continually drove volume growth and resulted in EBITDA tripling over our investment period. Importantly, during this growth trajectory, we positively impacted over 13,000 smallholders – 69% of which were women – with our training programmes and technical assistance facility.'

Through its African Agriculture Fund (AAF), Phatisa initially invested expansion capital into Meridian in 2014, enabling the business to accelerate growth, becoming an integral part of the agricultural value chain for smallholder and commercial farmers across the region. In October 2018, Phatisa announced the successful first close of Phatisa Food Fund 2 (PFF 2), the successor fund to AAF. The first close achieved a capital commitment of US$ 121.5 million; the fund is targeting US$ 300 million.

Meridian's core focus is on the importation, blending and distribution of high-quality fertilisers. Meridian sources its raw materials from producers round the globe, importing them into the two main Mozambican ports of Beira and Nacala. Apart from the fertiliser unit, the business extends into three key areas; retail, commodities and value-added production.

The Meridian retail arm is made up of three Malawi-based chains: Farmers World (FW), FW Savemart and Agora. Today the group has more than 110 retail stores across the country. The main product line remains fertiliser but the range has expanded to include groceries, hardware, agricultural inputs and Malawi's main form of transport: the bicycle.

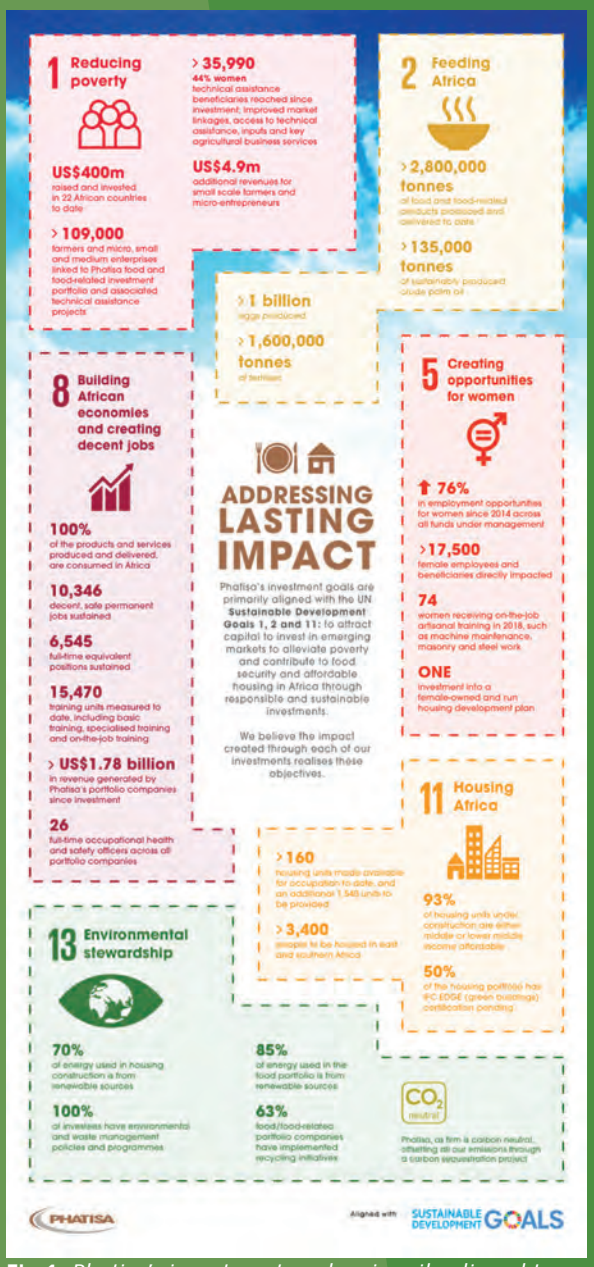

Fig 1: *Phatisa's investment goals primarily aligned to UN sustainable development goals 1, 2 & 11.*

Meridian has three commodity trading companies: Grain Securities (Malawi); Ferts, Seed & Grain (Zimbabwe); and MozGrain (Mozambique). All three entities trade through international, regional and local markets, predominantly in soya beans, maize, wheat, groundnuts and sesame seed as well as exportable commodities such as paprika.

Ma'aden's Phosphate fertilizers

Ma'aden on the other hand is a leading mining and metals company based in Saudi Arabia, operating a diverse portfolio of mineral assets including phosphate, aluminium, gold and copper.

Ma'aden's phosphate assets consist of majority ownership of Ma'aden Phosphate Company and the recently completed Ma'aden Waad Al Shamal Phosphate Company, with a combined production capacity of 6.15 million metric tonnes of phosphate fertilisers. The company has initiated a third large-scale phosphate fertiliser project, which would add three million metric tonnes of capacity, positioning it among the top three producers and exporters in the world.

Ma'aden's phosphate products are known for their high purity and low heavy metals which improves fertility, protects the environment and health, and delivers better crop yields.

Rothschild acted as transaction adviser and DLA Piper as legal adviser to Phatisa and Meridian.

The transaction is subject to conditions precedent, including regulatory approvals.

Source: *Phatisa*

Alternative investments for pension funds in Kenya

Alternative investment asset classes are increasingly becoming popular among pension funds. This is because they present new opportunities for risk diversification for pension scheme members while at the same time promising them potentially higher returns as compared to the traditional asset classes.

The recent past has witnessed a growing urge by institutional investors to spread their investments across a much wider continuum of investments than before. Consequently, the investors are in a continuous search for new sources of return and better diversification of investment risk and pension funds are not an exception in this whole quagmire.

For a long time, investment trends of pension funds in Kenya has favoured the traditional assets classes, that is, Government securities and quoted equities. Data from Kenya's Retirement Benefits Authority (RBA) as at December, 2018 indicate that the current investment by pension funds in government securities stands at 45.4% whereas that in Quoted equities stands at 19.9% of total assets under management. However, market volatilities experienced in recent past arising from among others; the global financial, post-election crisis after every election cycle, Euro crisis of 2009 and the depreciation of the Kenya shilling in 2011 have seen pension funds refocus on alternative investment assets in search for better yield and returns.

Alternative investment asset classes are increasingly becoming popular among pension funds. This is because they present new opportunities for risk diversification for pension scheme members while at the same time promising them potentially higher returns as compared to the traditional asset classes.

Alternative investment asset classes are increasingly becoming popular among pension funds. This is because they present new opportunities for risk diversification for pension scheme members while at the same time promising them potentially higher returns as compared to the traditional asset classes. Even though there doesn't exist a clear cut definition that comprehensively characterize alternative investment due to its broad nature and diversity, there is a common understanding among financial sector players in Kenya on what can be considered as alternative investment asset classes.

Mutuku Nzomo *MBS: CEO, Retirement Benefits Authority -Kenya*

The current alternative investment asset classes for pension funds authorized by

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the Retirement benefits Authority include Private Equity and Venture Capital (PE & VC), Real Estate Investment Trusts (REITs) and Hedge Funds or Derivatives. In addition, there are also other alternative investment assets classes that are upcoming and under consideration by the Authority. These include Infrastructure investment through Public-Private partnership projects and Green bonds or Impact funds.

Private Equity and Venture Capital

Private Equity and Venture Capital are some of the alternative investment asset classes that have been made available for pension funds investment by RBA with a combined investment regulatory limit of 10%. Since the introduction of this asset class, there has been a considerable though not very impressive investment in them by pension funds.

Data from Kenya's Retirement Benefits Authority (RBA) as at December, 2018 indicate that the current investments by pension funds in government securities stands at 45.4% whereas that in Quoted equities stands at 19.9% of total assets under management.

The Current figures, as at December, 2018 indicate that investment in PE & VC is about Kshs. 860 million translating to 0.07% of the total assets. Some of the pension schemes that have invested in this asset class are Nation Media, KTDA, Banki Kuu among others. The low uptake of this asset class is mainly attributed to limited information about it by the pension sector players. As such, the East African Private Equity and Venture Capital Association (EAVCA), a lobby for the fledgling industry is currently working on a capacity building programme to build the knowledge base of the asset, targeting different stakeholders including trustees, fund managers, and administrators as well as advisors.

Real Estate Investment Trusts (REITs)

This another alternative investment asset class that is available to pensions funds to invest in. Traditionally, there are three types of REITS namely; Equity, Mortgage and Hybrid REITs. Equity REIT is used to purchase, own and manage real estate properties. They may also be used to develop properties. Mortgage REIT is invest in loans secured by real estate. Finally, Hybrid REITis used to generate income from rent and capital gains, like equity REIT, as well as interest like a mortgage REIT.

In Kenya, the REITs regulations were gazetted on 18th June 2013 through the legal notice No. 116. Unlike the traditional REITs which invest predominantly in income producing real estates, the Kenya REITs is tailor made to suit the country's development agenda and aspiration of the Kenya Vision 2030.

The Capital Markets (Real Estate Investment Trusts) (Collective Investment Schemes) regulations, 2013 categorizes REITs into two; D-REIT - designed to target development and construction, mainly housing development The I-REIT which targets income producing real estate and is based on the traditional REIT structure with flexibility. Currently, there is only one REIT listed in the stock market. The Fahari REIT issued by Stalib).

Although, the regulatory investment limit for REITs is 30%. The investment in the asset class by pension funds stands at about 1.03 billion which representonly0.1% of the total Assets. The low uptake can be attributed to the appetite by pension funds to undertake direct investment in property.

Derivatives

The third alternative investment class available to pension funds to invest in is derivatives. A derivative is a contract or security that derives its value from that of an underlying asset (as another security), from the value of a rate (as of interest or currency exchange), an index of asset value (as a stock index), ora basket of events (as collateralised debt obligations).

The regulatory investment limit for pension funds in Kenya for derivative is 5%. So far, data available with the retirement benefits authority indicate that no single scheme has invested in this asset class. This can be attributed to limited knowledge available to players in the pension sector on derivative that might entice then to start investing in this asset class.

Other Emerging Alternative Investment Asset Classes

The other alternative investment asset classes for pension funds in Kenya include Green bonds, Infrastructure investment through Public-Private partnership projects and Social impact funds.

Green Bond

A Green bond is a fixed income instrument, either unlisted or listed on a securities exchange, whose proceeds are used to finance or refinance new or existing projects that generate climate or other environmental benefits that conforms to the Green Guidelines and Standards listed on the Exchange and is approved by the Capital Market Authority. The process of introducing this asset class in Kenyan market has already been finalised. Amendments to Nairobi Securities Exchange (NSE) listing rules to introduce green bonds in the capital market have already done and Policy guidance note on green bond were issued by the Capital Markets Authority in January, 2019.

This issuance would present an opportune moment for pension funds to invest in this asset class which is bound to have significant social impact to citizens of Kenya. The Authority in partnership with FSD Africa and NSE have already

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sensitised schemes on the opportunity to invest in a green bonds.

Infrastructure Investment

The other emerging asset class that provides a great investment potential for pension funds investment in Kenya is infrastructure. This is one type of investment has already gained traction and is being frequently discussed, given its potential to match long-term pension assets and provide diversification.

Previously, pension funds exposure to infrastructure has been via listed companies and Infrastructure Bonds issued by the government. However, the idea of investing in infrastructure seems to strike a chord with many pension plan schemes and members. This is because infrastructure feels more -tangible and -real than a lot of other complex products especially where it is difficult to detect the underlying value.

Infrastructure investment has been shown to reduce risk associated with fluctuations in business, interest rates and stock markets. It equally enhances returns, act as a hedge for inflation and deliver strong cash flows to investors.

The one reason that pension funds need to invest in infrastructure is because it is made for the long term which gives it a natural fit with the long-term liabilities of many pension plans. For some people there is also a connotation to sustainable or socially responsible investment, which is an increasingly popular route chosen in particular by public and industry wide pension plans.

Some of the mega infrastructure projects to be implemented in Kenya which pension funds are positioning themselves to invest in include the Nairobi -Nakuru-Mau summit highway which is meant to be an over 200km toll road.

The other example is the second Nyali Bridge which is a new 600m Bridge across Tudor Creek, Mombasa together with 1.7km new roads and expansion of 5km of existing roads. This is a 30 year contract with an availability based payment mechanism and an estimated capital cost of USD 200million. These infrastructure projects are to be implemented through Public-Private Partnership (PPP) arrangements and the procurement process are ongoing.

In order to invest in infrastructure funds, pension funds are positioning themselves to participate through a debt fund or other vehicle. Given the fact that investment in these projects would definitely require huge capital outlay which a single pension scheme may not be able to invest in such projects alone, pension schemes have come together under an umbrella body, the Kenya Pension Fund Investment Consortium. This will afford them an opportunity to participate large scale investments through pooling of resources to achieve economies of scale, lower costs, lower exposures and risks and also importantly benefit from a higher bargaining power.

Finally, there are also other existing alternative investment opportunities for pension schemes through Affordable Housing under "Big4 Agenda" - the national development blue print for next five years. Pension funds have an option to invest either as developers, lenders or through demand side by supporting members to purchase housing units. The other alternative investment opportunities exist in the newly created Kenya Mortgage Refinance Company which is set to issue debt instruments which pension funds can invest. Soon to follow would be exploring ways through which pension funds may invest in the newly discovered oil & gas infrastructure across the East African region.

However, despite the well known high returns in the alternative investment asset class, it has taken some time to take root in the pension industry. This is majorly due to its complexity, difficulty in valuation, and the illiquid nature coupled with low capacity of trustees to make investment decisions.

The retirement benefits authority in partnership with other stakeholders in the industry is making concerted efforts to surmount some of these challenges through continuous capacity building and improvement in the legal and regulatory framework. ■

Private Equity and Venture Capital

The Current figures, as at December, 2018 indicate that investment in PE & VC is about Kshs. 860 million translating to 0.07% of the total assets. Some of the pension schemes that have invested in this asset class are Nation Media, KTDA, Banki Kuu among others. The low uptake of this asset class is mainly attributed to limited information about it by the pension sector players. As such, the East African Private Equity and Venture Capital Association (EAVCA), a lobby for the fledgling industry is currently working on a capacity building programme to build the knowledge base of the asset, targeting different stakeholders including trustees, fund managers, and administrators as well as advisors.

Mutuku Nzomo *MBS: is the CEO, Retirement Benefits Authority -Kenya*

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Is the new default option a good idea?

The amendments were finally written into law on 1 March 2019, and the act now states, in its most simplistic form, that pension funds in South Africa should offer a default investment option to anyone who does not actively choose what to do with his/her pension fund pay-out on retirement.

If you are part of a pension fund, there is a good chance that you have received a notification in the mail about the availability of a new default pension fund option. This new option follows changes in the Pensions Funds Act and could potentially lull many people planning for retirement into a false sense of comfort about their savings.

A good value option

For some keen pension fund observers, the introduction of a new default pension fund option feels like old news. After all, the first draft of this amendment to the Pension Funds Act was published in 2015 and it has since been discussed in the media and in parliament on various occasions.

The amendments were finally written into law on 1 March 2019, and the act now states, in its most simplistic form, that pension funds should offer a default investment option to anyone who does not actively choose what to do with his/her pension fund pay-out on retirement.

In the past, you would receive your pension funds on retirement, and you would engage with a financial planner and perhaps a tax specialist on the best way to invest your funds for retirement. For many people, this process was daunting and potentially overwhelming. After all, you do not suddenly become a pension fund specialist when you retire and there are just too many investment options, clauses, considerations and fees to consider.

It is with this in mind that the law now requires the specialists at every pension fund to create a default option that is the same for everyone. If you do not want to actively invest your money or choose what to do with it, you can simply opt

Wouter Fourie: *MD of Ascor Independent Wealth Managers*

for the default option and the fund will invest your savings accordingly.
While the law is not specific on exactly

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what type of vehicle a pension fund should choose when making an investment decision, it does indicate that the default option should be fair, that fees should be reasonable and that the fund should communicate the option in detail to all members.

.....the law now requires the specialists at every pension fund to create a default option that is the same for everyone. If you do not want to actively invest your money or choose what to do with it, you can simply opt for the default option and the fund will invest your savings accordingly.

One size fits all?

The notion of a "one size fits all" solution sounds like a good plan, and many retirees will probably opt for it, but as with any generic financial product, a single option for many different people isn't always the best solution.

To be clear, the market is riddled with unscrupulous "financial advisors" who simply sell a pre-packaged financial product to retirees with the hope of earning a commission. In comparison to this option, choosing the default option for your pension fund should in most cases be a better choice.

But in the world of financial advice, a single generic option for all members is never the best option. Consider that these generic options do not consider the individual's investment goals, life stage, other debt and savings or even the retiree's personality.

Choosing a default option also does not educate the retiree on the different options available in the market or the underlying tax implications of his/her decision.

One should also keep in mind that the new tax regulations do not force the pension funds to choose a retirement investment option that has to meet any level of financial performance. Put differently, a default option does not have to grow at a rate that beats inflation or even guarantee that the money you invest will last you for the rest of your life.

Seeking good independent financial advice is one of the best decisions you can make to help ensure that you remain financially independent in retirement. These advisors should ideally be certified by the Financial Planning Institute (FPI) and should carry the Certified Financial Planner (CFP) professional designation.

Independent financial advice

It is true that the default option may be a great choice in many instances, and it could serve the pensioner well for the rest of his or her life, but one should not make that decision based on the hope that; that is the case.

For instance, seeking independent financial advice may alert you to some of the other new clauses in the Pension Funds Act, such as the clause that allows you to remain in your employer-elected pension fund if you are going to continue working, even if it is in a freelance capacity. This option may help you grow your funds for a longer time, while you decide when, where and how to retire.

A good financial advisor will also consider the various tax implications of different investment choices and will be able to advise on different investment strategies and options from his/her bird's eye view of the market, which is invariably much wider than a simple product salesman who only has a couple of policies and investment vehicles that he or she can sell to a retiree.

Seeking good independent financial advice is one of the best decisions you can make to help ensure that you remain financially independent in retirement. These advisors should ideally be certified by the Financial Planning Institute (FPI) and should carry the Certified Financial Planner (CFP) professional designation.

Remember that you do not have to wait until the moment that you retire to seek good financial advice. You can meet with an independent advisor now and help set up your budget, savings and tax planning in a way that not only creates good financial habits but sets you up for a good retirement.

Wouter Fourie: *is the MD of Ascor Independent Wealth Managers and 2015/2016 FPI Financial Planner of the Year*

Early planning will help Ugandans retire in comfort- Pension expert

The rate at which Ugandans are saving for retirement is alarmingly low. The overall pension's coverage for the working population is about 9 percent with 3.5 per cent of them covered under the National Social Security Fund (NSSF).

While this low coverage situation is not unique to Uganda- Rwanda's pension coverage ranges between 8 to 9 percent, about the same level as Tanzania and Burundi- it would not hurt to aspire to bring more Ugandans under the pension coverage.

One of the factors that may have contributed to the low savings levels is the fact that most people have no idea how much they will actually need to save to retire comfortably. At the moment, industry experts range the current income replacement ratio for Uganda to be below 40 percent. Income replacement ratio is the gross income of an individual after retirement, divided by their gross income before retirement, meaning that at the current situation, whatever an individual is earning, they will earn 60 per cent less when they retire. This is alarming.

Income replacement ratios for countries such as Canada and China are about 53 percent and 83 percent respectively, according to a 2016 global pensions report, with the highest being Croatia at 129 percent.

"If Uganda becomes like Croatia, a Ugandan earning a salary of about Ugx 2,100,000 will earn pension salary of about Ugx 4,900,000. Retirement would be so enjoyable, majority of Ugandans would make early retirement an option," says Mercy Gakii-Muiruri, the Client Relations and Business Development Manager for Regional Markets at Enwealth Financial Services Uganda, the newest entrant in the Pensions sector.

"But as of now most people have to continue working hard even after retirement in-order to provide for their families with basic needs," the pensions expert adds.

From the Enwealth Manager's perspective, there are key elements that Ugandans can observe in-order to live comfortably after retirement such as making retirement savings a key financial planning priority.

Pension experts say that the secret to successful retirement lies on the 'journey of a thousand miles' premise. Investing small amounts over a long period of time is more feasible and secure than the intention to set aside large amounts at the last minute. This requires opening of a personal pension scheme for non-members of a pension scheme. They are ideal for business people and other individuals whose employers have not yet started a scheme.

"The beauty of personal pension schemes is that they are very easy to set-up, and contributions can be received anytime, not necessarily monthly. Personal pension schemes are also useful for consolidating pension benefits from previous employers since these cannot be cashed out before attaining retirement age," Enwealth's Gakii says.

Asked to advice on the best ways to improve financial security in retirement, she said that topping up pension through additional voluntary contributions is one of the approaches.

"Pension service providers issue online tools for members to track savings and project the future value of savings. Providers also get quotations showing how effectively accumulated pension would replace salaries at retirement. One is thus able to tell how much they will be earning at retirement in the form of a regular pension," she says adding that Enwealth's Pension Scheme members have full time access to an online portal.

The financial plan has to be accompanied by action. "It is important for members to increase their contributions giving priority to growing their pension's income as they grow older. By contributing that Ugx 175,000 every month, individuals stand to have a retirement lumpsum worth at least Ugx 122.5 million after 20 years or Ugx 213.5 million after 25 years due to the effect of compound interest. If individuals have less than 10 years to retirement they may need to save up more," the Enwealth Manager adds.

According to a survey by Enwealth which offers financial literacy training, an individual contributing 10 per cent of their salary to a pension scheme is likely to achieve an average salary replacement rate of 51-55 per cent of their pre-retirement salary in the form of a pension at 55 years.

Pension experts also advise on the importance of starting early to save for the same course. This can be enhanced by use of standing orders for banks to debit a certain sum of money. Automation not only eases up the payment process but it is also a decision individuals have to make once unless they decide otherwise. Experts reveal that the hardest bit is starting, then the consistency, but small positive choices done regularly eventually show after years of hard work and sacrifice.

Mercy Gakii-Muiruri: *Client Relations and Business Development Manager, Enwealth Financial Services Uganda.*

Individuals are however advised to avoid making withdrawals every time they leave an employer. Instead, consolidate those funds through a personal pension scheme for ease of access in the future as they further take advantage of compounded interest.

Those investing in pension plans are required to ensure that they are informed on their savings in a pension scheme. But everything cannot be left to the pension administrator, attending AGMs and the member education forums organised by employers and scheme trustees is the best way to keep members informed about their pension plans as well as any available options.

It is common knowledge that old age comes with higher expenses. Things that cost retirees a ton of money include healthcare, housing, food and home renovations, which can be taken care of with a pension plan.

Enwealth Financial Services Uganda.

INVESTMENTS	ASSET AND FUND MANAGEMENT	GOVERNANCE / ESG	TAXATION	RISK & COMPLIANCE
EMPLOYEE BENEFITS	PRIVATE EQUITY	TECHNOLOGY AND INNOVATION	ALTERNATIVE INVESTMENTS
PENSION POLICY	REGULATORY FRAMEWORKS

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