

# pangaea

Africa Fund of Funds



**The Pangaea Africa fund of funds** offers global institutional investors the opportunity to participate in the growth and development of one of the world's fastest growing regions. As the continent comes off its low base and enters a protracted growth phase following economic liberalisation and industrialisation, the continent presents an attractive source of returns in an era where developed economy policy measures are leading to low yields and significant increases in public debt.

WE LIVE INVESTMENTS.

**27**

f	o
u	r

  
INVESTMENT MANAGERS



# 20 YEARS OF DEMOCRACY

1994 - 2014

**27**

f	o
u	r

INVESTMENT MANAGERS

## About the Pangaea Africa Fund of Funds

The Pangaea Africa Fund of Funds (the "Fund") is an equity Fund that invests in a range of Africa focused mutual funds (or collective investment schemes). Utilising a fund of funds investment approach, the team at 27four Investment Managers follows an exhaustive process of fund screening, and qualitative and quantitative due diligence in selecting the best Africa focused equity funds. Through extensive travel and networks we proactively search for top fund management talent that meet our stringent requirements of repeatable investment skill and quality operational compliance. We then apply our sophisticated process of fund of funds construction, designed to deliver superior risk adjusted performance. Ongoing risk monitoring of the Fund is an integrated, multi-layered process that seeks to minimise both endogenous and exogenous risks.

## The investment case for Africa

Over the last decade, many African countries have enjoyed economic growth in excess of 6% per annum which is twice the average growth rate of the developed market economies and many emerging economies as well. According to the IMF, over the next 5 years, 9 out of the top 20 fastest growing economies in the world are expected to be in Africa. There are two broad factors at play which are driving this growth in economic output across many African countries:

- Demographics - a young and growing urbanised workforce that is more literate and healthier than previous generations.
- Broad economic reform - a result of improving institutional and political governance.

Parallels with the Asian tiger economies in the 1970/80's can be made. While Africa has huge challenges and these frequently dominate headlines, more and more investors are recognising that the incremental improvements (governance, infrastructure etc.) being witnessed across most of the continent are having a greater and more positive impact on the ease of doing business (and hence economic growth) relative to most other countries worldwide. This is the opportunity Africa offers.

Africa (excluding South Africa which dominates the market by size) currently hosts 17 investable stock markets, with over 600 listed companies, who have a combined market capitalisation in excess of USD 200bn. In addition, there are numerous companies with listings on foreign market exchanges (Toronto Stock Exchange, London's AIM, Australia Stock Exchange etc.) that offer exposure to assets located across Africa. As African countries move up the development curve, it is expected that the breadth and depth of its capital markets will grow as well.

African equities have historically displayed a low correlation (<0.6x) to world markets. As such, adding Africa exposure to a global portfolio leads to risk reduction and the potential for excess returns.

## Our investment universe

Our investment universe comprises funds that have the following mandates:

- May only invest in the equity of listed companies with significant business interests in Africa excluding South Africa. The location of the stock exchange listing of the company may be anywhere in the world.
- Must employ a long only equity strategy.
- Can employ either an active or passive equity investment strategy.
- Must be an open-ended fund.

The Fund does not employ any leverage and will be invested in 5 to 10 underlying funds at any point in time.



## **Investment objective of the Fund**

The investment objective of the Fund is to achieve attractive, consistent and stable investment returns by investing primarily in shares, participations or other units of collective investment schemes.

The Fund will seek to attain its investment objective by investing with a range of purposely and strategically identified fund managers, with the aim of providing Fund Investors with the benefits of enhanced risk diversification and a resultant improved risk-reward relationship through a fund of funds construct. This is achieved through skillfully balancing alpha generation and risk management to produce strong risk adjusted returns with low correlation to developed markets by way of multiple levels of diversification between African countries, currencies, underlying funds, differing investment styles and sectors. Further information can be obtained from the Fund Offering Supplement.

## **The benefits of using a fund of funds approach to access African markets**

Given the depth and breadth of the African continent it comes as no surprise that there exists a large variability in the returns of Africa funds. This is as a result of the specialisation of individual Africa managers. Some may only focus on specific regions and may also have a bias to specific sectors within those regions. Accessing the African markets through a single managed fund exposes the investor to all the risks associated to one investment house. These include investment view risk, investment team risk as well as company and operational risks. Diversified exposure to a number of successful managers with different skill sets and areas of speciality increases the potential for excess returns at a much lower risk than investing in a single managed fund.

## **Experience counts**

Whilst we recognise that Africa is an attractive investment destination, we also know that investing in Africa can be risky. African equity markets are categorised as “frontier markets” and are considered high risk. Exogenous risk factors such as commodity prices, political conflict, regulatory changes etc., tend to have a greater impact on asset prices in frontier markets than in more economically diversified, liquid and politically stable economies. In times of global capital market stress, frontier markets may often significantly underperform developed and emerging markets as investors flee to perceived safe haven assets. Liquidity is also significantly lower than that of emerging markets as the capital markets go through their development phase and investing across regions introduces currency risk.

Fund selection in Africa is also more challenging than picking funds within developed and even emerging economies. This task is made complicated due to short fund track-records which limit the usefulness of quantitative analysis; and the absence of a universally accepted benchmark, reflective of the investment opportunities for performance management purposes.

For the reasons described above, an in-depth understanding and practical working knowledge of the mechanics of African markets is essential. Qualitative judgment in the absence of long track records and limited information flow is fundamental. Our Africa investment team responsible for managing the Pangaea Africa Fund of Funds comprises experienced investment professionals who have been involved in African capital market research since 2005. Our knowledge base and extensive networks coupled with our hands on experience in managing money in Africa positions 27four Investment Managers as a leading provider of Africa fund solutions to professional investors worldwide.



## Senior team member profiles:

### **Fatima Vawda, Managing Director, MSc Applied Mathematics**



Fatima is the founder and Managing Director of 27four Investment Managers. She has over 18 years experience in financial markets.

Fatima started her career as a lecturer at the University of Witwatersrand in 1995. She also previously worked at Standard Corporate and Merchant Bank, Peregrine Securities and Legae Capital.

Her areas of expertise include asset allocation and portfolio construction. Fatima has received numerous accolades, some of which include the 2008 Mail & Guardian's 200 Young South Africans You Must Take to Lunch, the 2009 ABSIP Award for Entrepreneur of the Year, the 2011 Africa Fund Manager Award for Outstanding Achievement and the 2013 Africa Asset Management Power 50 where Fatima was identified as 1 of the 50 most influential figures in African asset management.

### **Claire Rentzke, Head of Manager Research, BBusSci (Hons), CFA**



As Head of Manager Research at 27four Investment Managers, Claire is responsible for manager research across asset classes locally, globally and across Africa.

Claire is also highly skilled in the design of institutional investment strategies and adds significant value through her expertise in asset allocation, Asset Liability Modelling and Liability Driven Investments.

Prior to joining 27four, Claire worked at RisCura Solutions for 9 years, where she consulted to some of the largest retirement funds in South Africa. Before RisCura Claire worked for Citigate Financial Intelligence.

### **Oliver Hoffmann, Portfolio Manager – Africa, BCom (Hons), CFA, MBA**



Oliver has over 12 years of equity investment experience, having started his career as a sell-side research analyst and subsequently working in private equity and hedge fund management.

Oliver joined 27four in 2011 from African Alliance where he held the position of Head of Banking research. His team was recognised as "Best Banking Research House" by Africa Investor and Euromoney. He is responsible for the management of our Pangaea Africa Fund of Funds.

This senior team is supported by the broader investment team comprising investment analysts, risk managers and compliance managers.



## FUND DETAILS

Investment manager contact details	<p>27four Investment Managers (Pty) Ltd</p> <p>54 on Bath, 54 Bath Avenue, Ground Floor, Rosebank, Johannesburg, 2196, South Africa</p> <p>Tel: +27 11 442 2464 Fax: +27 11 442 2465 Web: www.27four.com Email: info@27four.com</p>
Fund name	Pangaea Africa Fund of Funds
Fund domicile	Malta
Fund structure	A distinct sub-fund of the Knights of Malta Investment Funds SICAV PIC
Fund reserve currency	US Dollars (USD)
Fund benchmark	MSCI Emerging Frontier Markets excluding South Africa Index
Date of Fund inception	01 June 2011
Regulatory status	<p>The Investment Manager, 27four Investment Managers (Pty) Ltd, is regulated by the Financial Services Board (FSB), South Africa.</p> <p>The Fund is licenced by the Malta Financial Services Authority (MFSA) as a Professional Investor Fund promoted to Qualifying Investors only.</p>

## FEES AND EXPENSES

Management fee	Up to 1% per annum of NAV
Performance fee	Up to 20% per annum subject to a hurdle rate and high watermark
Subscription fee	None
Redemption fee	None

## INVESTMENT, REDEMPTION AND LOCK UP TERMS

Minimum initial investment	USD 100,000
Minimum subsequent investment	USD 50,000
Subscription frequency	Monthly on the first business day of the month
Redemption frequency	Monthly on the first business day of the month
Redemption notice period	90 days
Redemption cash proceeds time period	30 days
Lock-up period or other liquidity constraints	None



## FUND SUPPORT

Administrator	<p>IDS Fund Services Malta Limited 276 Fleur-de-Lys Road Birkirkara, BKR 9067 Malta</p> <p>Tel: +356 2258 9500 Fax: +356 2258 9519</p>
Auditor	<p>PricewaterhouseCoopers 167 Merchants Street Valletta VLT1147 Malta</p> <p>Tel: +356 21 000 Fax: +356 21 768</p>
Legal advisor	<p>MamoTCV Advocates Palazzo Pietro Stiges 90 Strait Street Valletta VLT1436 Malta</p> <p>Tel: +356 2123 1345 / 2123 2271 Fax: +356 2124 4291 / 2123 1298</p>
Fund directors	<p>Ian Hamilton (South African resident) Tel: +27 21 439 4680</p> <p>Andrew Frankish (South African resident) Tel: +27 21 402 1605</p> <p>Mark Matthias (UK resident) Tel: +44 7947 125920</p>





**30221532km<sup>2</sup>  
of the world is  
now open for  
business.**

For more information on the Pangaea Africa Fund of Funds, please email us at [info@27four.com](mailto:info@27four.com) or call us on **+27 11 442 2464**. Alternatively you can visit our website at [www.27four.com](http://www.27four.com).

**27**

f	o
u	r

  
INVESTMENT MANAGERS

27four Investment Managers (Pty) Ltd is an authorised financial services provider.

WE LIVE INVESTMENTS

**Disclaimer:**

This document is strictly for information purposes only and should not be considered as an offer, or solicitation, to deal in any of the investments mentioned herein. Any information and opinions contained in this communication, and any supplemental information provided, is believed to be reliable but no representation or warranty is given as to its correctness, accuracy or completeness. Any representation or opinion is provided for information purposes only. We do not undertake to update, modify or amend the information on a frequent basis or to advise any person if such information subsequently becomes inaccurate. It is not intended to create, and shall not be capable of creating, any obligation or liability on the part of 27four Investment Managers or any of its affiliates, and shall not form part of any contract. All information and opinions provided are of a general nature and are not intended to address the circumstances of any particular individual or entity. We are not acting and do not purport to act in any way as an advisor or in a fiduciary capacity. Any decision to invest must be made by the recipient solely on the basis of its own independent judgment and research and subject to the terms and conditions governing applications to any relevant fund. No one should act upon such information or opinion without appropriate professional advice after a thorough examination of a particular situation. While opinions stated are honestly held, they are not guarantees and should not be relied on. Please note that past performance figures are not audited and should not be taken as a guide to the future. 27four Investment Managers will not be held liable or responsible for any direct or consequential loss or damage suffered by any party as a result of that party acting on or failing to act on the basis of the information provided in this document. This document may not be amended, reproduced, distributed or published without the prior written consent of 27four Investment Managers. 27four Investment Managers is an authorised financial services provider.