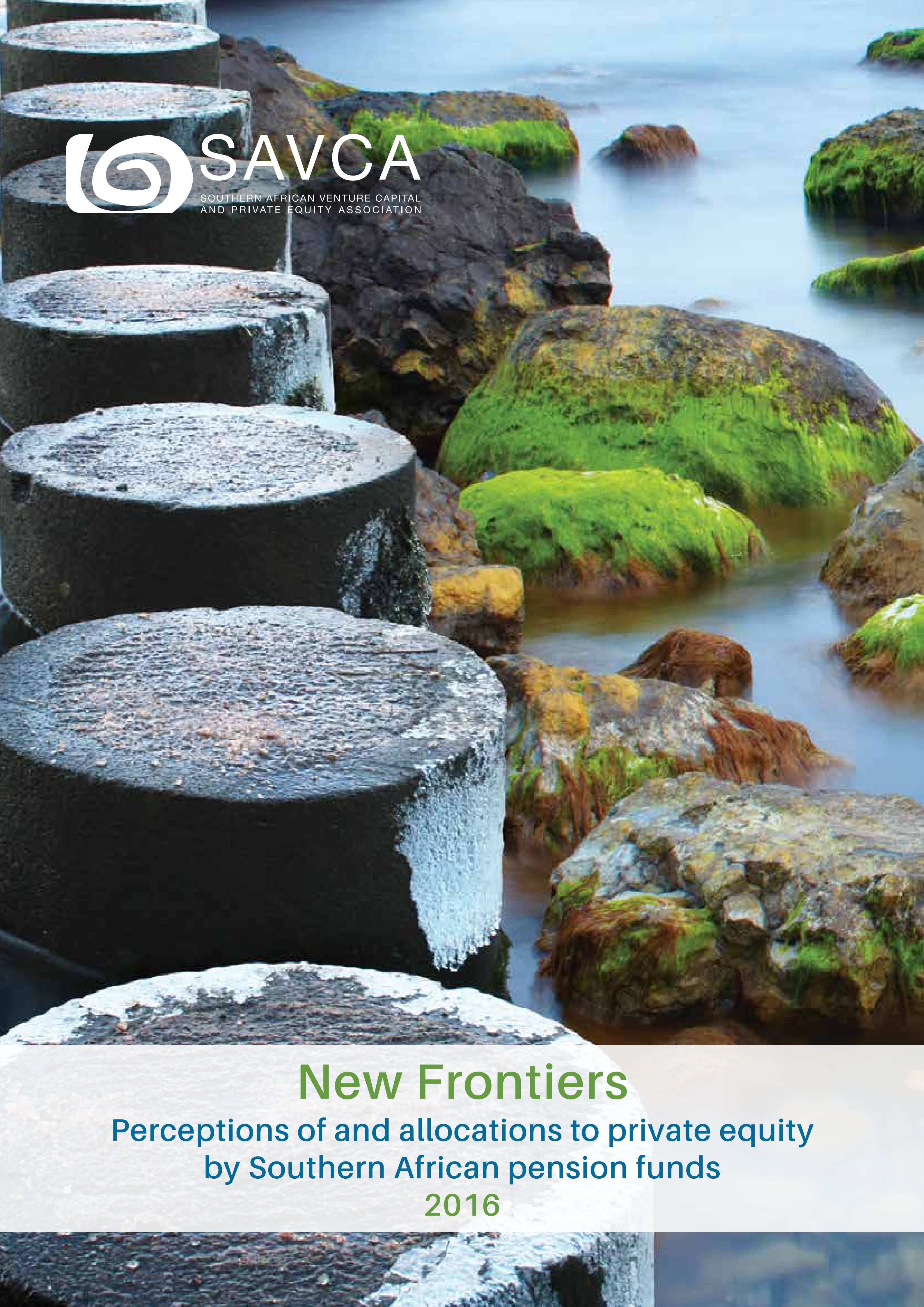


SAVCA
SOUTHERN AFRICAN VENTURE CAPITAL
AND PRIVATE EQUITY ASSOCIATION

New Frontiers

Perceptions of and allocations to private equity by Southern African pension funds

2016

Foreword

The pension industry, both in Southern Africa and across the continent, is undergoing rapid change. Pension assets under management are rising, a result of demographics and an increase in employment, and regulations are changing to accommodate the growth.

This trend is particularly important for the private equity industry, as rules governing allocation to alternative assets continue to change and, in some instances, are becoming more supportive of allocations to the asset class. Take-up of private equity investment by pension funds has been relatively slow, though, which indicates that there is more to the asset-allocation decision than regulatory rules.

Given the role of the Southern African Venture Capital and Private Equity Association (SAVCA) in the Southern African region, we believe that it is our responsibility to take the lead in understanding the needs, concerns and requirements of the pension industry in regard to private equity investments. This initial survey, conducted in the last quarter of 2015, represents an important facet in an ongoing conversation between our industries, and we are proud to be progressing the discussion.

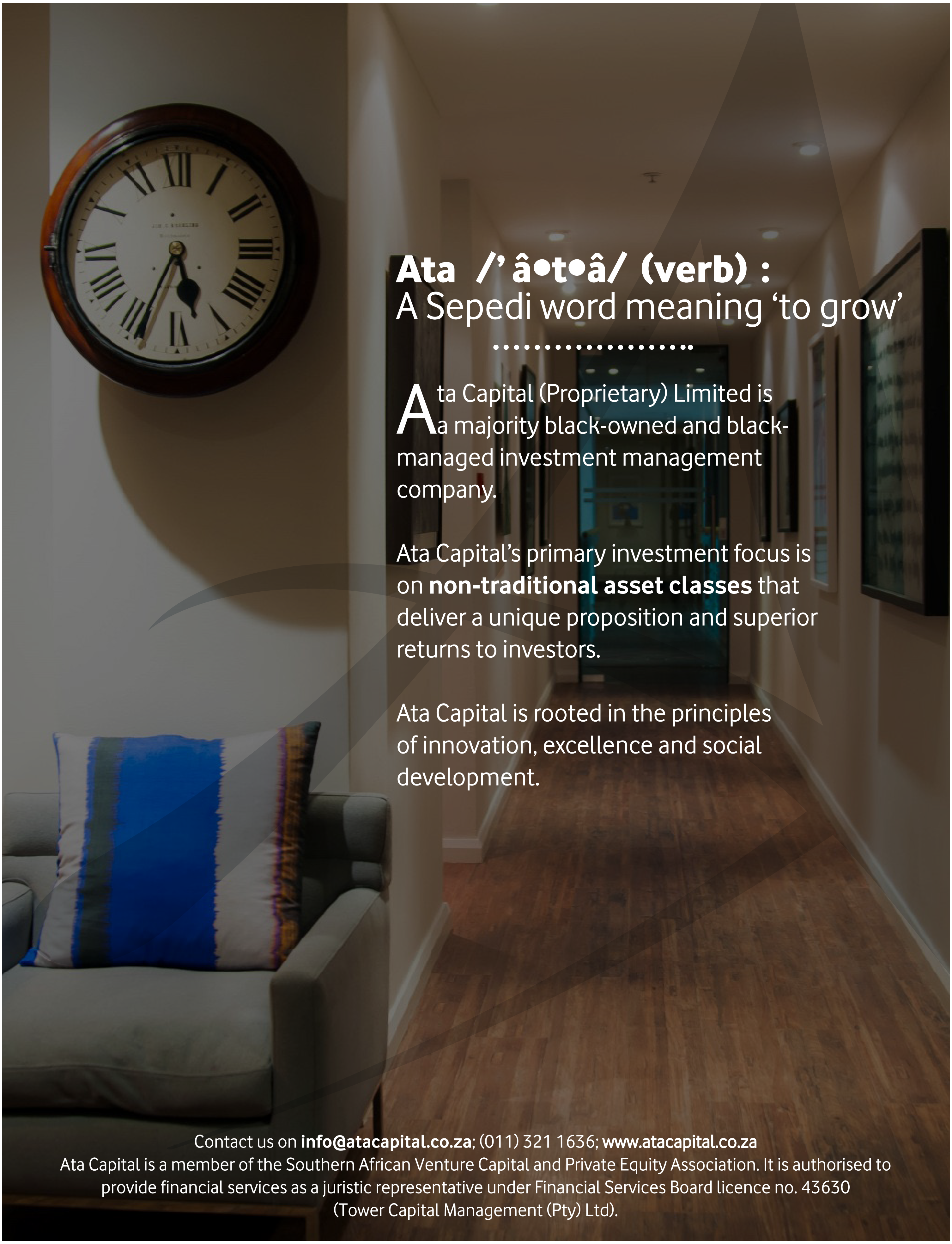
It is intended that SAVCA will conduct a follow-on survey, which will build upon this study and which will expand its scope. For the present, we will take the prime lessons from this study, namely, that there is a significant need for education and communication about our private equity asset class, in a format that is tailored to the needs of pension managers, trustees and principal officers.

Batseta, the Council for Retirement Funds of South Africa, made this research possible by encouraging its members to participate in this survey process and to shed light on their exposure to and views on private equity. We are immensely grateful to Batseta for its support and partnership. We extend our thanks to all survey participants, who were drawn from Southern Africa's top 100 pension funds.

Dave Stadler

Chairperson: Southern African Venture Capital and
Private Equity Association (SAVCA)

Ata CAPITAL


Ata /' â•t•â/ (verb) :
A Sepedi word meaning 'to grow'
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Foreword

Batseta, the Council for Retirement Funds of South Africa, is pleased to support this research initiative by SAVCA.

Batseta members and friends, which include the majority of the top 100 retirement funds in Southern Africa, represent a core component of the regional savings pool; developing a clearer understanding of the perceptions amongst these asset owners of private equity is in line with Batseta's mission to, amongst other objectives, promote active ownership and long-term wealth creation for retirement.

In an environment that is in constant evolution, it is vital that retirement funds have access to a comprehensive picture of the investment context and opportunities, and that they are equipped to make informed decisions about the entire spectrum of asset class options – including alternative asset classes such as private equity.

A further element of Batseta's mission is to ensure industry best practice and to help to influence policy direction. To this end, partnerships and conversations with other industry organisations, as is represented through this publication, are valuable and constructive.

We trust that the insights provided by our members through this research is helpful to both the pensions and the private equity industries, and that it leads to productive conversations and collaboration.

Anne-Marie D'Alton

CEO: Batseta | Council for Retirement Funds of South Africa

Contents

1. Executive Summary

The Southern African pension funds industry has undergone significant growth in the past decade. In South Africa, the largest market in the region, pension assets are estimated to have nearly doubled between 2004 and 2014, to $234 billion. The ten-year compound annual growth rate (CAGR) of industry assets was 5% for the period in dollar terms; when taken in rand terms, the growth rate is above 10%.[1]

In tandem with this growth has come a wave of regulatory change in South and Southern Africa, which has begun to liberalise the ability of pension funds to invest in alternative assets, including private equity. Thus far, take-up of the private equity investment opportunity by pension funds in the region has been slow.

To research this issue, SAVCA conducted an anonymous online survey of the top 100 pension funds in South Africa and of the major pension funds in the Southern African Development Community (SADC) region beyond South Africa. This yielded some 39 completed surveys, representing 38 South African pension funds and one Namibian fund. Fourteen of the respondents have implemented a private equity programme, 23 indicated that they do not have a private equity programme, and two respondents did not specify whether they have a private equity allocation. None of the respondents has a venture capital allocation, with the exception of the Namibian respondent, which has a mandated exposure to venture capital and private equity.

Other important findings from the research include:

First, the majority of the surveyed pension fund managers employ asset consultants for certain support services. While the level of participation and influence of asset consultants vary considerably according to survey responses, it is clear that the role of advisors to the pensions industry is vital.

Second, defined contribution and standalone funds (the latter referring to those pension funds of a single employer, with an asset base of such an economic size that it does not need pooling with other pension funds) are less likely to allocate funds for private equity investment.

[1] Towers Watson, *Global Pension Assets Study 2015.* February 2015.

Third, while the majority of the small pension funds in our survey do not make allocations to private equity, there are some small pension funds (with assets under management of less than R10 billion) which do invest in the asset class. Therefore, size is not a singular determinant of the appetite for private equity investment.

Fourth, pension funds with an existing private equity mandate and which are already invested into the asset class are most likely to consider an increased allocation through new investment partnerships and are also more familiar with the process of private equity investment.

Fifth, the main impediments to private equity investment are liquidity concerns and limited familiarity with the asset class amongst pension fund managers, principal officers and trustees.

A key interpretation of the survey findings is the opportunity for private equity funds to focus on education, both for existing and potential pension fund investors into private equity – and for their advisors.

Note: Pensions in South Africa fall into a number of structures. Unless specifically noted, for the purpose of this study the term "pension fund" or "pensions" will be used to apply to all of these structures generically, rather than referring to a specific structure.

2. Background

2.1 The state of pension funds and private equity

2.1.1 The Southern African pensions industry

The Southern African pension industry has undergone significant growth in the past decade. In South Africa, the largest market in the region, pension assets are estimated to have nearly doubled between 2004 and 2014, to $234 billion. The 10-year CAGR of industry assets was 5% for the period in dollar terms; when taken in rand terms, the growth rate is above 10%.[2]

South Africa has by far the largest pool of pension assets in Africa. It accounts for around 85% of the combined pension assets in the ten countries examined by EMPEA and the organisation Making Finance Work for Africa, in its 2014 study of pension funds and private equity in Africa.[3]

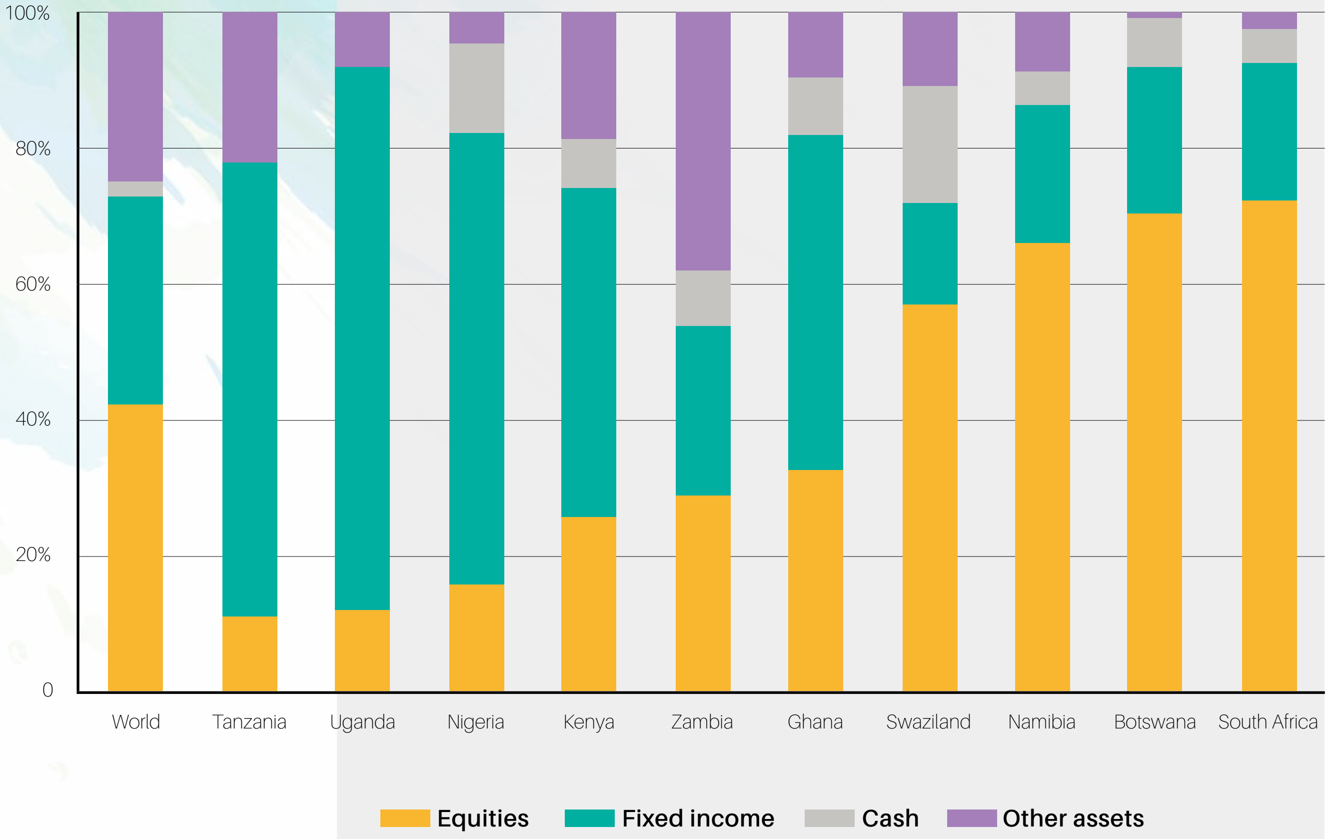
2.1.2 Private equity investment by Southern African pension funds

A key change for South Africa's pension industry occurred in 2011, when Regulation 28, which governs pension funds in South Africa, was amended to allow a greater allocation to alternative investments. The limitation on "other" asset classes (a grouping of alternative asset classes that includes private equity funds, hedge funds and other derivative or pooled vehicles) was increased from 2.5% to 15% of funds under management, of which 10% could be allocated to private equity, with a maximum allocation of 2.5% to any single investment or 5% to a fund-of-funds.

Take-up of private equity among Southern African pension funds has been slow. While a number of South Africa's largest pension funds are experienced investors into private equity funds, most others have been hesitant to allocate to this alternative asset class. Indeed, in a study by RisCura of asset allocation by pension funds across ten African markets, South Africa has the second-lowest allocation to "other" assets. South Africa's allocation of 2.3% compares with the 0.7% allocation in Botswana, 8.5% in Namibia, 10.9% in Swaziland and 38% in Zambia. The global average allocation to this "other" category is estimated at 24.8%.[4]

2 Ibid.
3 EMPEA/MFW4A, *Pension Funds and Private Equity: Unlocking Africa's Potential*. 2014.
4 RisCura, *Bright Africa*. 2015.

Asset allocation of pension funds across Africa



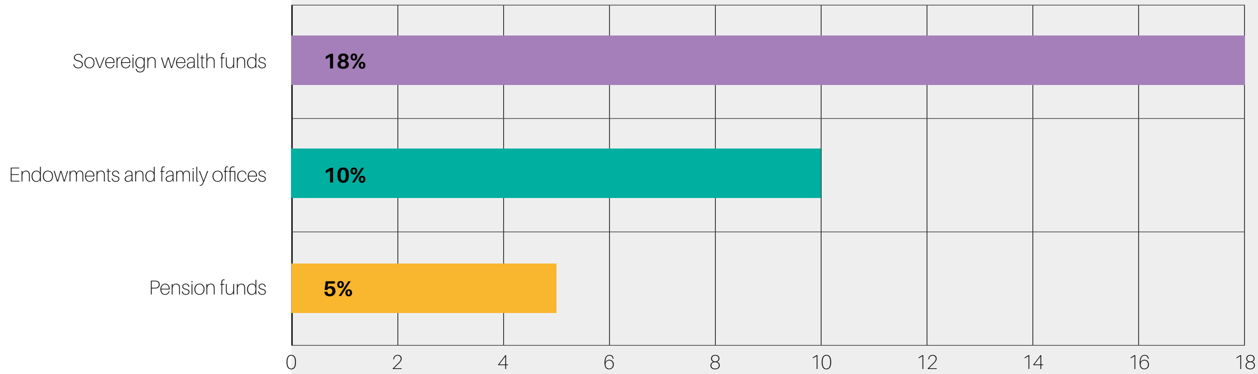
Source: RisCura, *Bright Africa.* 2015.

2.1.3 Private equity trends across pensions worldwide

While Southern African pension funds tend to allocate a small percentage of their funds under management to private equity and other alternative asset classes relative to pension funds globally, it is notable that pension funds globally tend to allocate a smaller percentage to private equity compared with other institutional investors.

Global pension allocations to private equity average approximately 5% of assets under management, compared to some 10% for endowments and family offices and some 18% for sovereign wealth funds. Notably, allocations to the asset class by pension funds are increasing, both in terms of absolute commitments and as a percentage of funds under management.[5]

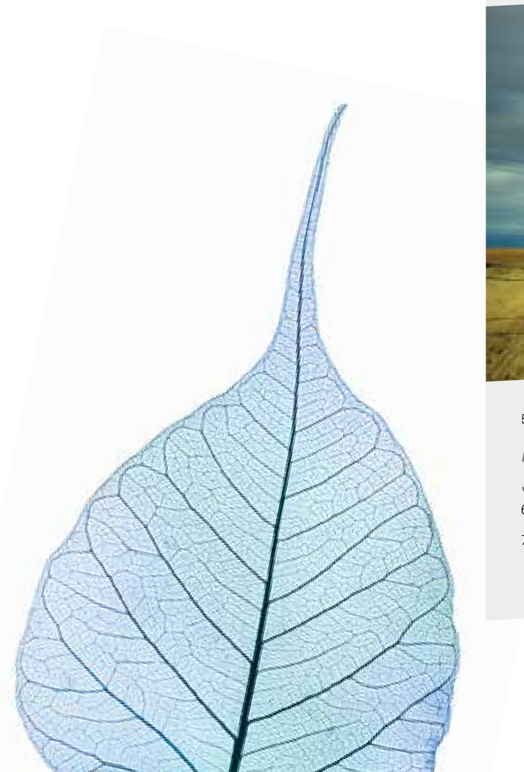
Allocations to Private Equity



Source: Coller Institute of Private Equity, London Business School, *The Extent and Evolution of Pension Funds' Private Equity Allocations.* The Adveq Applied Research Series. January 2014.

Experienced pension fund investors into private equity have, unsurprisingly, increased their allocations the most. These investors tend to be dominated by public pensions, which nearly doubled their allocation to the asset class from 2005 to 2012, from 4,6 percent to 8 percent of assets under management.[6]

The average allocation to private equity by pensions worldwide is 5.12% of funds under management, compared to an average listed equity allocation of close to 45% of funds under management.[7]



[5] Coller Institute of Private Equity, London Business School, *The Extent and Evolution of Pension Funds' Private Equity Allocations,* The Adveq Applied Research Series. January 2014.

[6] Ibid.

[7] Ibid.

2.2 The case for private equity

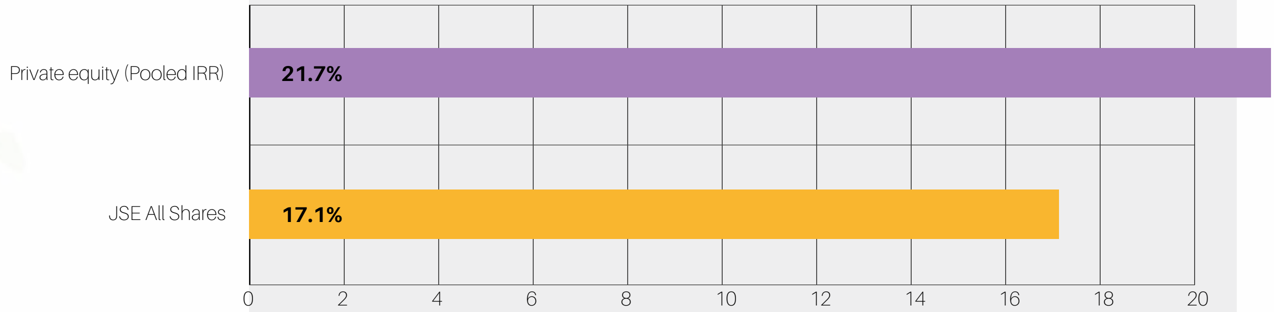
There is a strong case to be made for private equity investment by pension fund managers.

A survey of 86 public and private pension fund managers in Europe identified several key positive attributes to private equity investment, including high returns potential and portfolio diversification opportunities.[8]

While the European economic and business environment differs from the Southern African environment, these attributes nevertheless apply to the local pension industry.

Returns to investors in private equity funds in Southern Africa have exceeded listed equity returns over the past decade. Over that period, in rand terms, the asset class returned 21.7%, net of fees (measured as an internal rate of return (IRR)), compared to a 17.1% return of the JSE All Share Index.[9]

Ten-year returns



Source: RisCura-SAVCA, *South African Private Equity Performance Report. June 2015.*

Further, private equity has diversification characteristics that are essential to institutional portfolios such as pension funds. The asset class offers the opportunity for investors to gain exposure to compelling sectors and businesses that are not represented in listed markets. This, combined with the long-term and hands-on nature of private equity management, means that private equity tends to generate returns that behave differently from listed equity; that is, private equity returns are not perfectly correlated with public equity.

Finally, the private equity industry – including pan-African private equity – has a track record of furthering environmental, social and governance (ESG) initiatives, in a way that improves the quality, sustainability and valuations of the businesses into which it invests. For asset owners such as pension funds who have mandates to ensure the achievement of social, developmental, good governance and environmental targets while driving investment returns, private equity is a desirable fit.

[8] European Private Equity and Venture Capital Association, *European Pension Funds' Perceptions of Private Equity.* March 2015.
[9] RisCura-SAVCA, *South African Private Equity Performance Report.* June 2015.

3. The Survey

3.1 Methodology

SAVCA conducted a confidential online survey over the course of two months, ending in December 2015. Target respondents were the top 100 pension funds in South Africa and the major pension funds in the SADC region beyond South Africa. At the closing of the survey period, 39 responses comprising 38 South African pension funds and one Namibian pension fund had been received; two of these 39 survey responses were incomplete. It is probable that the relatively low response rate reflects the limited take-up rate of private equity investments by pension funds in the region.

The individual survey results were collated and analysed by an independent third-party service provider. Based on the aggregated information, SAVCA prepared this survey report.

3.2 Key findings

Investment in private equity among the pension fund respondents is low, with 14 out of 39 respondents indicating that they have a current allocation or commitment to private equity investment. Of the total group, 23 indicated that they do not have a current allocation or commitment, and two did not indicate their position.

The respondents shared some notable attributes:

3.2.1 Attributes common to the sample of pension funds

- The majority of the surveyed pension fund managers employ asset consultants for certain support services. While the level of participation and influence of asset consultants vary considerably according to survey responses, it is clear that the role of advisors to the pensions industry is vital.

- Despite the regulatory changes made in South Africa in 2011, which allow for greater allocation to private equity investment by pension funds, there has been only a limited subsequent increase in allocation by pension investors into private equity funds: only eight of 38 pension funds in the sample indicated that they increased their private equity allocation after the changes to Regulation 28.

- While the majority of the survey focused on private equity (that is, the provision of late-stage and growth capital), it also included questions on venture capital (that is, the provision of start-up and early-stage) investment. With the exception of the Namibian respondent, none of the respondents has a mandate or an allocation specifically to invest in venture capital. Reasons for this ranged from risk concerns related to venture capital, to the lack of specification on the asset class in the mandate of the pension funds. Based on expanded responses, the concerns that pension fund managers have regarding venture capital are similar to those which they have about private equity.

3.2.2 Pension fund managers that allocate to private equity investment

14 respondents have a current commitment or existing allocation to private equity investment.

- These pension fund managers are diverse in terms of assets under management, pension fund member size and structure. For instance, there is a subset of very small pension funds which are private equity investors.

- The most common access to the asset class is through a fund-of-funds structure (six of 14 respondents). To the question of how these funds would make a greater allocation to private equity, all responded that they would increase their allocation to existing private equity fund-of-funds managers.

- The second most common form of access is via direct investment into private equity funds (five of 14). To the question of how these funds would increase their allocation to the asset class, all responded that they would increase the number of private equity manager relationships. This represents an interesting opportunity for private equity fund managers looking to expand their pension relationships: existing funds which invest directly with other private equity funds are a strong potential prospect.

- The remaining three respondents did not specify how they are allocated to private equity.

3.2.3 Pension fund managers that do not allocate to private equity investment

23 respondents do not have a current commitment or existing allocation to private equity investment. (Note: A further two respondents did not complete this part of the questionnaire, which could suggest that 25 survey respondents out of the 39 do not have a current commitment or existing allocation to private equity).

- Pension fund managers who do not invest in private equity are more likely to be defined contribution and standalone funds.

- For these pension funds, the key reasons for not investing in private equity funds are liquidity constraints and a lack of familiarity with the asset class. The response for both reasons was weighted somewhat towards smaller funds. Thirteen of 23 funds which said they do not allocate to private equity have no intention of establishing a private equity investment policy.

- An understanding of finance and investment varies widely among pension fund trustees, and even experienced trustees may not be proficient in private equity investment.

- Transparency and management fee structures are not prominent concerns of the respondents.

A key interpretation of the survey findings is the opportunity for private equity funds to focus on education, both for existing and potential pension fund investors into private equity.

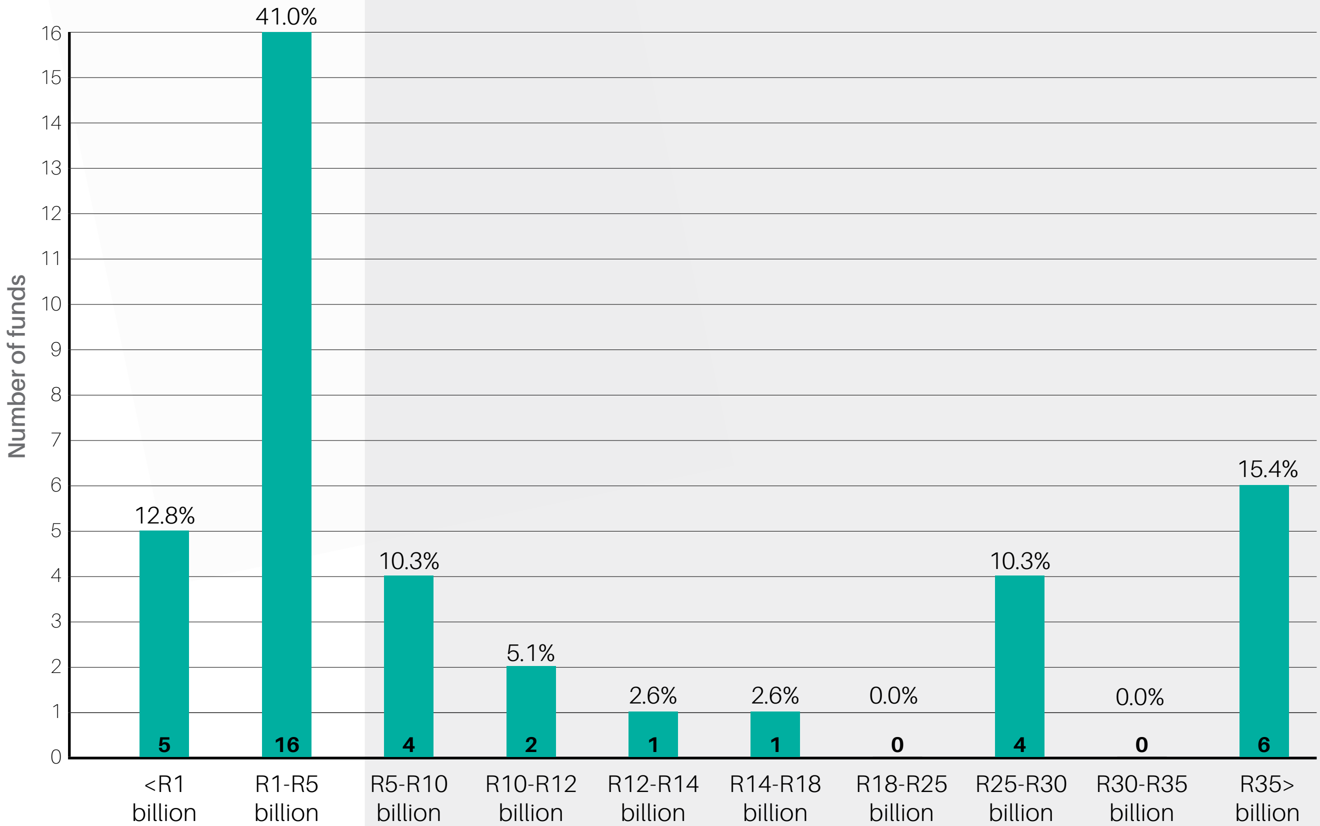
3.3 Respondent profile

Survey respondents are stratified across the spectrum of size, structure and fund type.

A profile of the pension funds surveyed is as follows:

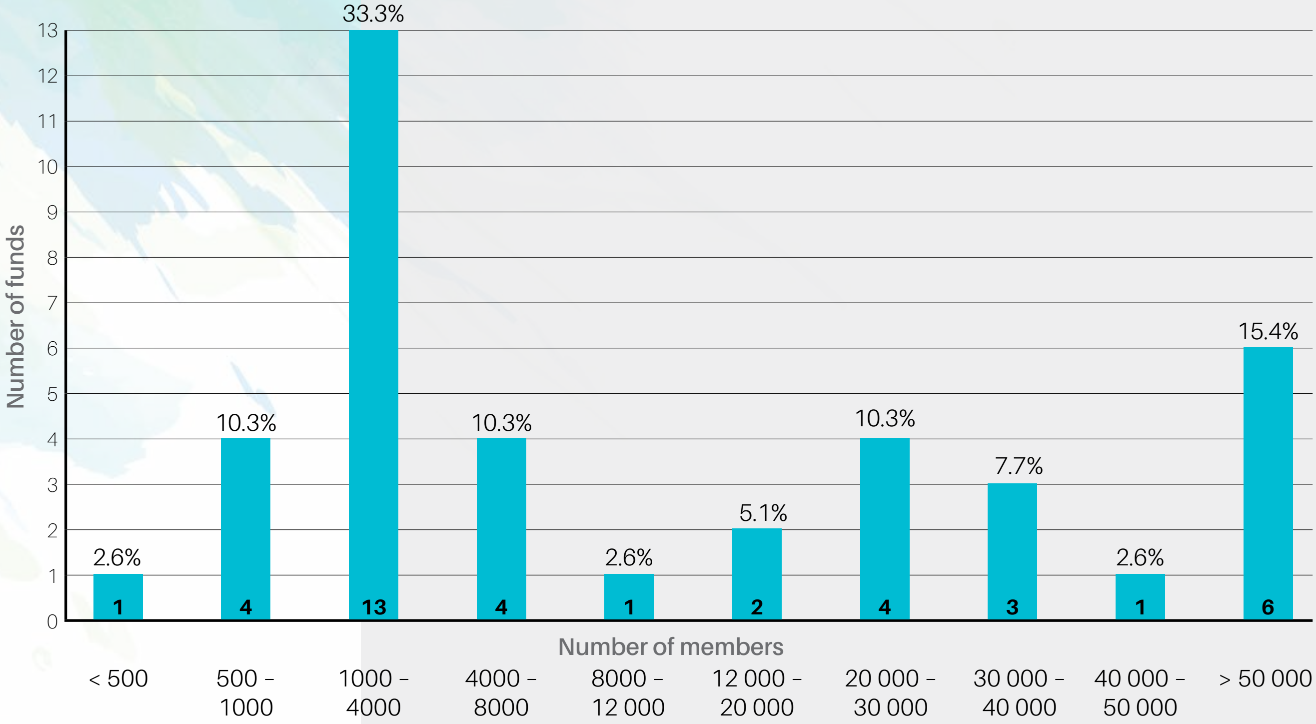
- 51% have assets under management of under R5 billion.
- 15% of respondents, six funds in total, have assets under management of greater than R35 billion.
- Just over 46% of respondents have fewer than 4 000 members and almost 67% have a defined contribution scheme.

Respondent distribution by fund size: Assets under management
Number of respondents, as a percentage of the sample



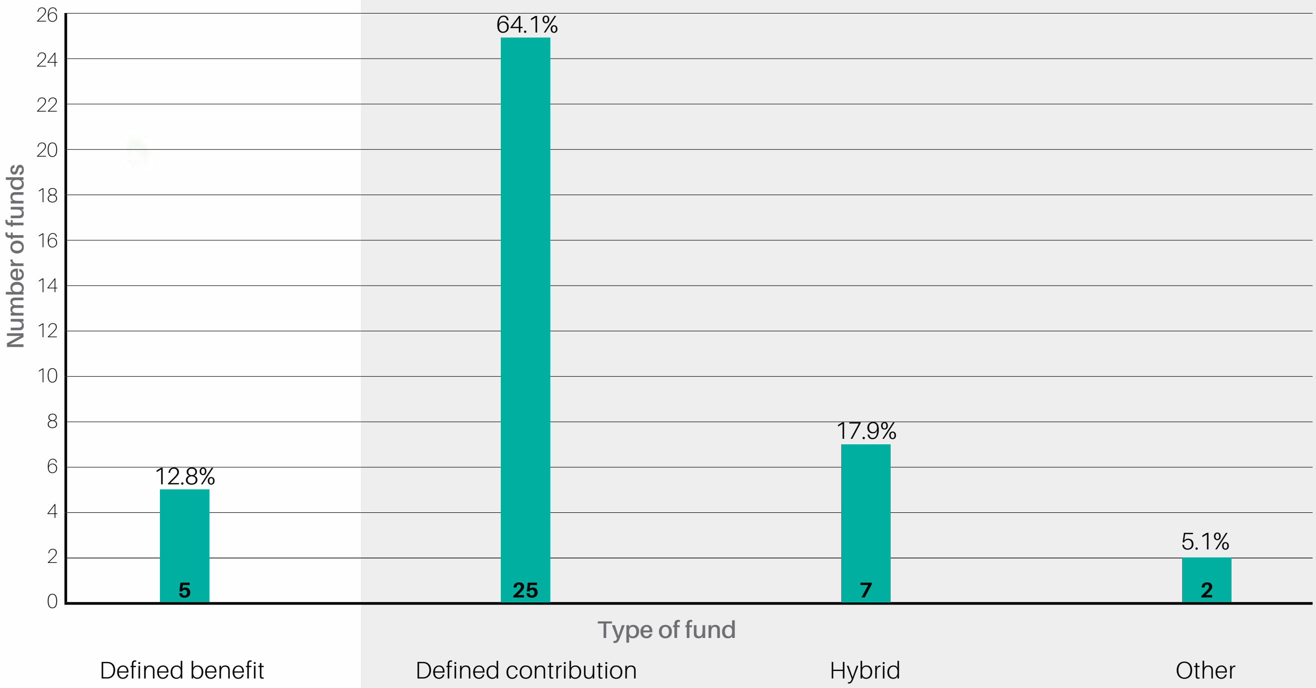
Respondent distribution by fund size: Number of members

Number of respondents, as a percentage of the sample



Respondent distribution by type of fund structure

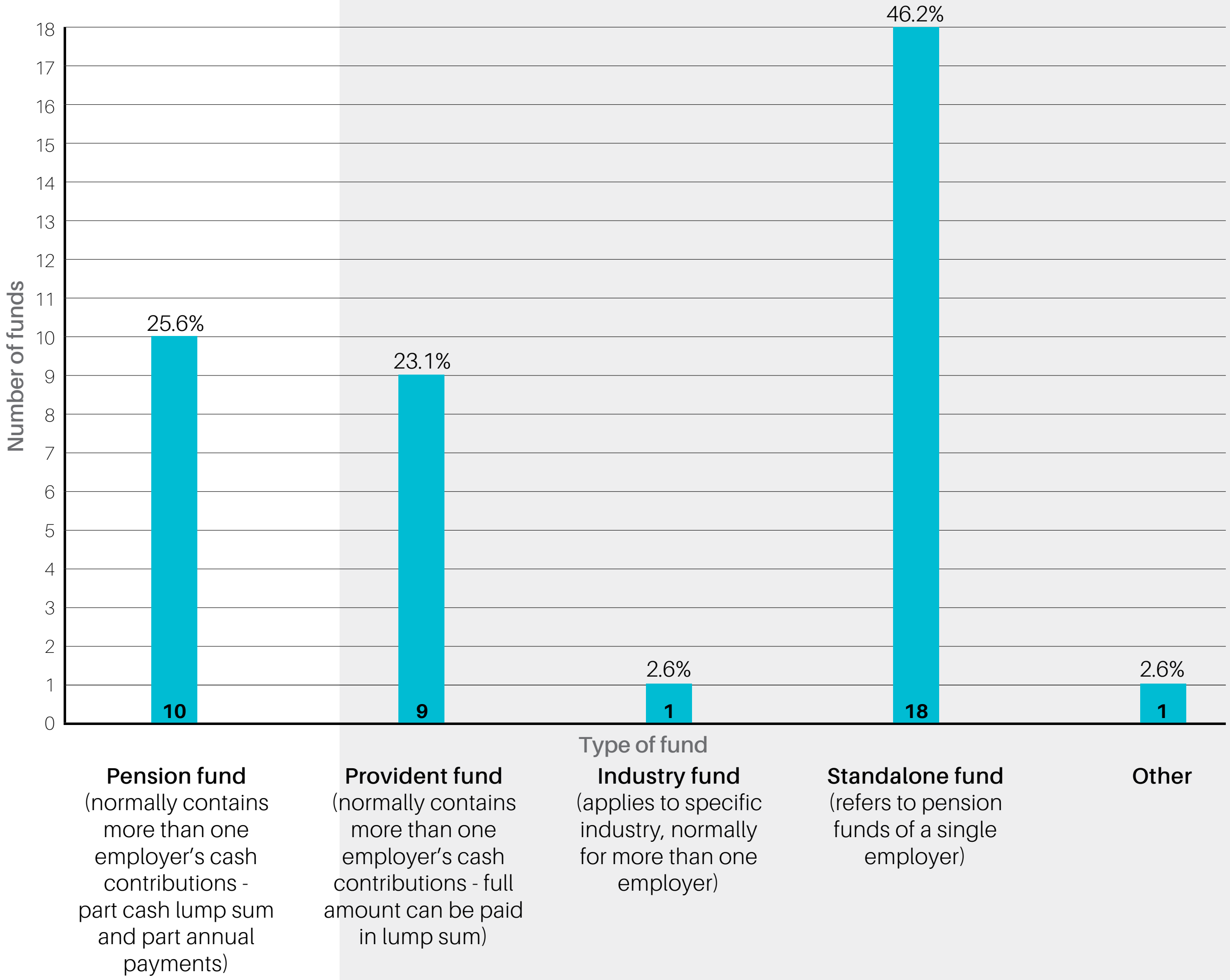
Number of respondents, as a percentage of the sample



The sample mostly consists of standalone funds (18 respondents, or 46% of the sample). Pension funds, which generally are pooled and require a portion of withdrawals to be paid in annual payments, represent ten pension funds (26% of the sample). Provident funds, which are pooled but may distribute funds in a lump sum, represent nine respondents (23% of the sample). One respondent manages a mix of pension funds and one is an industry fund, which is a pooled special purpose vehicle for a specific industry group.

Respondent distribution by fund type

Number of respondents, as a percentage of the sample



Finally, almost all surveyed pension funds either employ third-party management for portfolio construction or seek investment advice from a consultancy in making portfolio decisions. Even funds which have in-house portfolio management generally consult with an advisor on some aspects of their investment process.

Thus, the role of third-party advisors and consultants to the pension fund industry is significant. While their degree of influence varies considerably, asset consultants and managers are key participants in the Southern African pension industry and represent a valuable source of knowledge and guidance for pension fund managers.

3.4 Private equity investors and non-investors

Close to two-thirds of the survey respondents have neither a mandate nor an allocation to private equity investment. Pension funds which do have a commitment or allocation to the asset class have allocations ranging from 2.5% to 10% of assets under management.

Across the sample, though, the average allocation to private equity nears zero.

Of the respondents, 14 have an allocation to private equity; 23 indicated that they do not, and two did not complete this portion of the questionnaire.

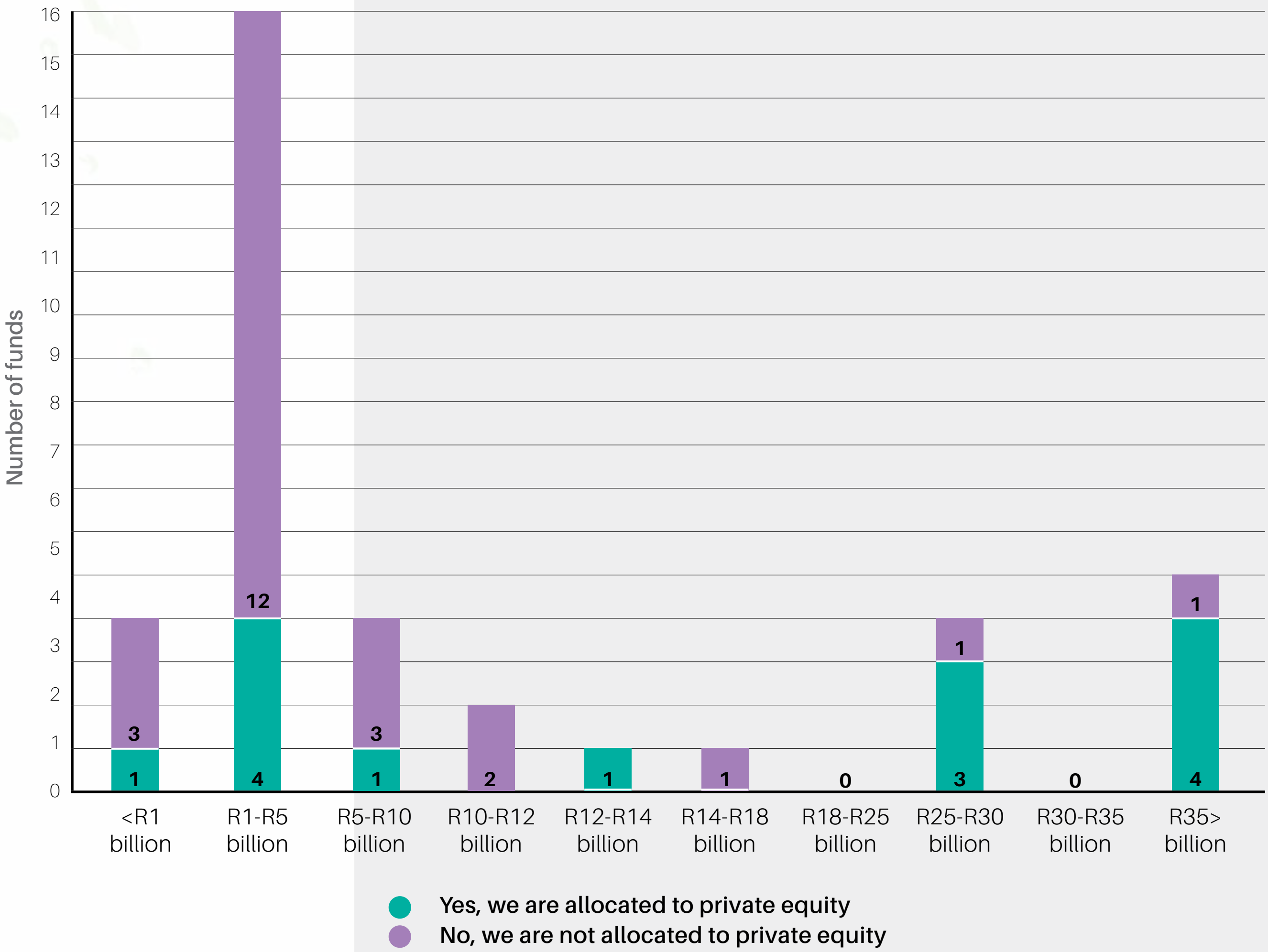
There are a few notable differences between the pension funds which allocate to private equity and those which do not.

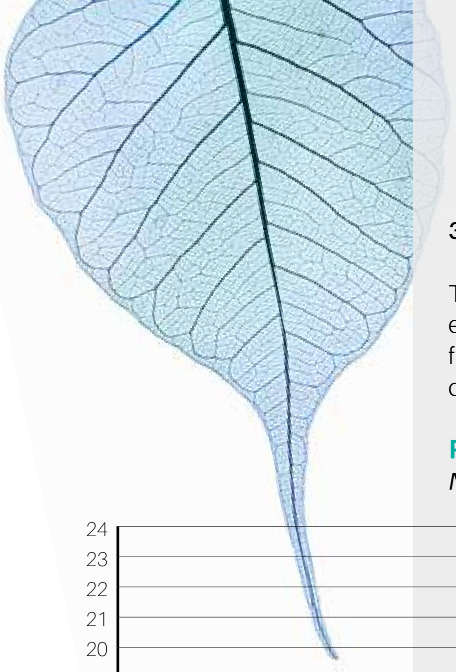
3.4.1 Pension fund size

Larger pension funds, both in terms of membership numbers and assets under management, are more likely to be private equity investors.

Profile of allocation to private equity: Assets under management

Number of respondents per size category



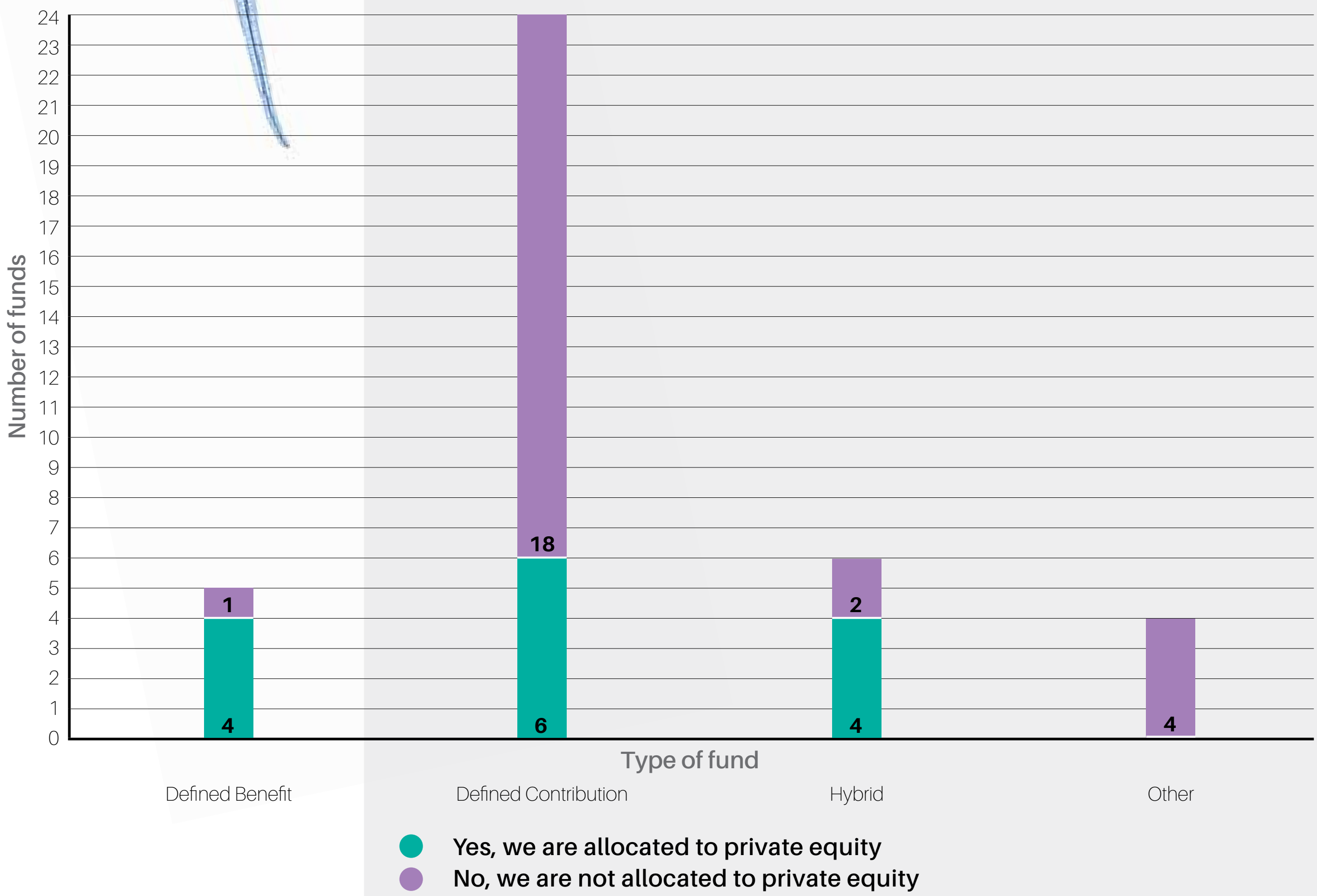


3.4.2 Fund structure

The pension funds that allocate to private equity investment were approximately equally split between defined benefit, defined contribution and hybrid funds. Pension funds which do not invest in private equity are overwhelmingly structured as defined contribution plans.

Profile of allocation to private equity: Type of fund structure

Number of respondents per fund type

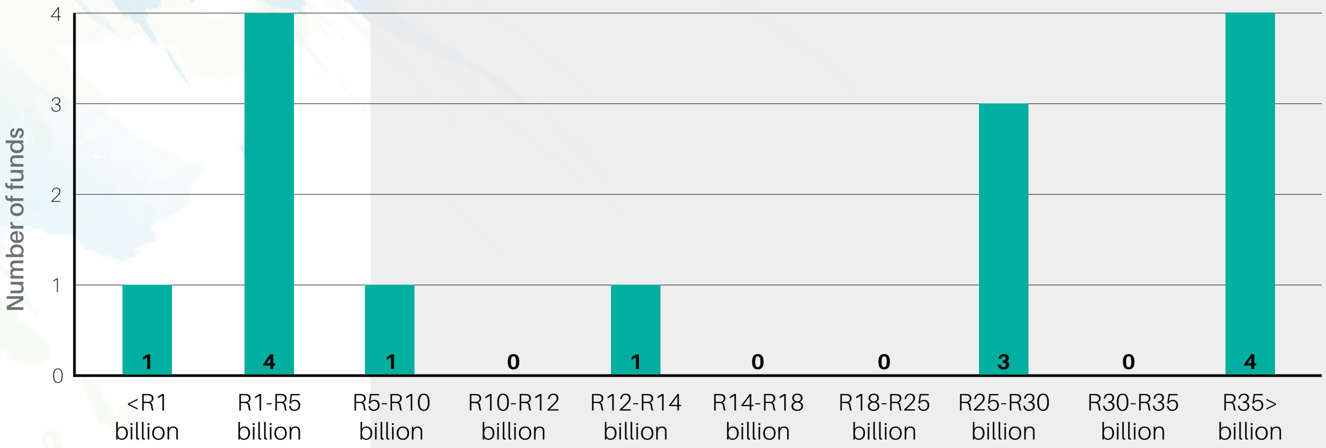


Funds which invest in the asset class include approximately an equal number of pension, provident and standalone funds. Funds without an allocation to private equity are more likely to be standalone funds. Only one defined benefit plan in our survey is not allocated to private equity.

3.5 Characteristics of pension funds which invest in private equity

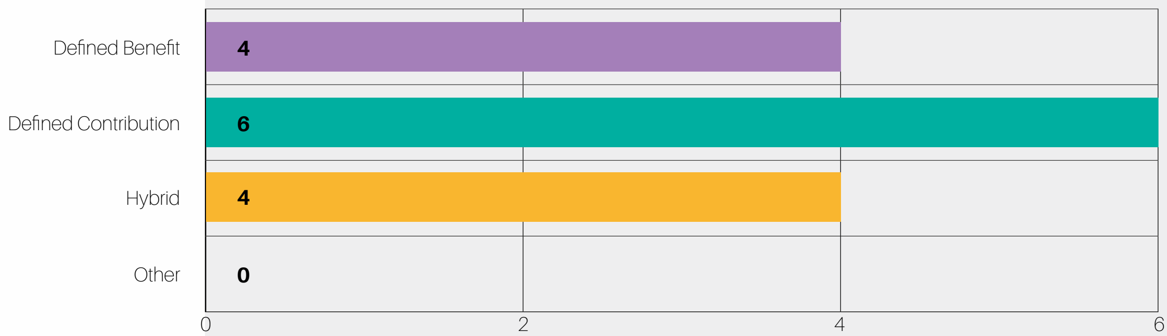
The distribution by size of pension funds in the sample which are invested in private equity are as follows: 35% are below R5 billion in assets under management, 30% are between R5 billion and R35 billion in assets under management, and 35% are above R35 billion in assets under management.

Funds with an allocation to private equity, by assets under management
Number of funds



Funds allocating to private equity tend to be balanced across the different pension fund structures. Defined contribution, defined benefit and hybrid pensions are all represented, as are an approximately equal number of pension, provident, and stand-alone funds.

Investors in private equity, by structure
Number of funds



Private Equity investors are fairly well distributed throughout the structural options

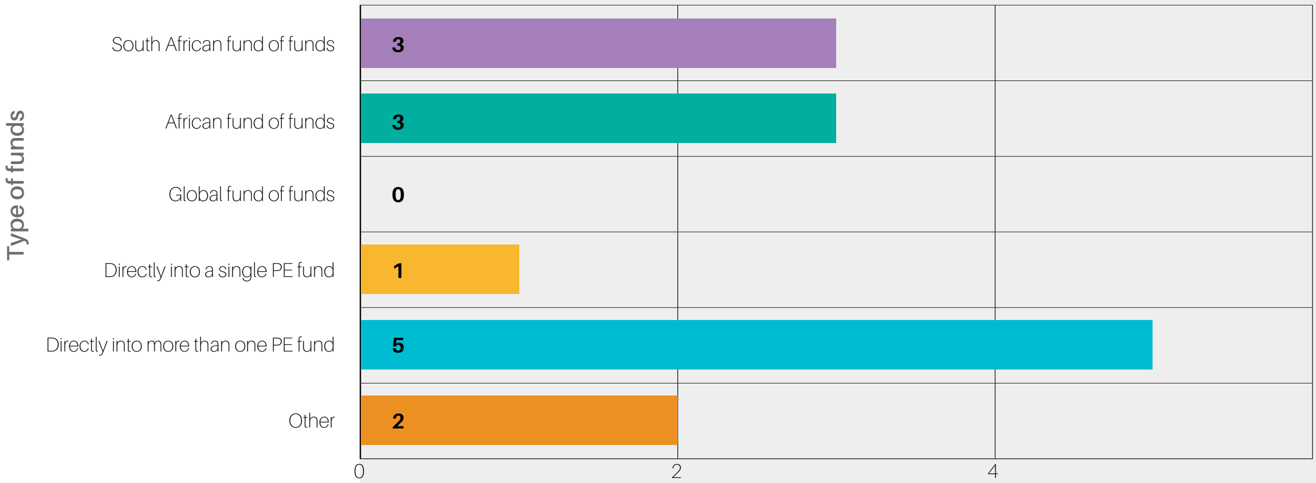
The most common means of exposure to the asset class is through fund-of-funds structures. Six out of the 14 are investors into either domestic or pan-African fund-of-funds.

Six pension funds chose to allocate directly into private equity funds, with five of these six funds investing in more than one private equity fund.

Two respondents used more than one of the available methods (represented in the "other" category).

Nature of exposure to private equity

Number of funds



Of 14 pension fund managers which allocate to the private equity asset class, eight have increased their allocation subsequent to the changes to Regulation 28.

When asked how they would increase their allocation to the asset class, six respondents reported that they would increase the number of funds into which they are invested, while four would allocate to existing funds.

These findings are split precisely across two investment strategies: pensions which allocate directly to private equity funds, would seek to increase their exposure by investing in an increased number of private equity funds; pension funds that utilise private equity fund-of-funds would increase their allocation through these existing providers.

Respondents were asked about their potential interest in allocating to new private equity funds, in which partners do not have a track record as a team. Out of 14 respondents, ten would be willing to consider investing with a private equity fund in which the team members do not have a track record together (with one having responded "yes" and nine having responded "maybe" to this question). In written comments, respondents indicated that the previous individual track record of the partners would be weighted heavily in their decision, as would the proposed strategy and focus.

A range of views on using first-time private equity fund managers

A selection of responses from the survey

"Part of the due assessment process requires that investment vehicle has track record."

"Depends on the individuals managing the fund. Due diligence will be important."

"Individuals with strong individual track record can offer attractive opportunity, provided partnership agreements are sound to address concerns regarding absence of team-based experience. Additionally, fund-of-fund arrangements could mitigate some of the risk. The deal-flow opportunities/arrangements also very important."

"It's dependent on the value proposition."

"We do not have the expertise and our investment consultant does not believe this to be appropriate, at the moment."

"Unlikely, but it may depend on sector being targeted."

"Will not expose fund to a manager with no proven track record"

The key survey findings with respect to the characteristics of pension fund managers investing in private equity provide some guidance for private equity managers:

- Pension fund managers that invest in private equity have a diverse range of assets under management and structures. Private equity fund managers ought to have an open mind regarding the type of pension funds which they approach for fundraising. They should not, for example, exclude small pension funds.

- Targeting pension funds with an existing private equity mandate and which are already invested into the asset class is prudent. These pension funds are the most likely to consider an increased allocation through new investment partnerships and are also more familiar with the process of private equity investment.

- There is interest in new private equity teams and the majority of pension fund managers currently exposed to private equity investment, would consider a proposition from a new fund manager.

3.6 Characteristics of pension funds which do not invest in private equity

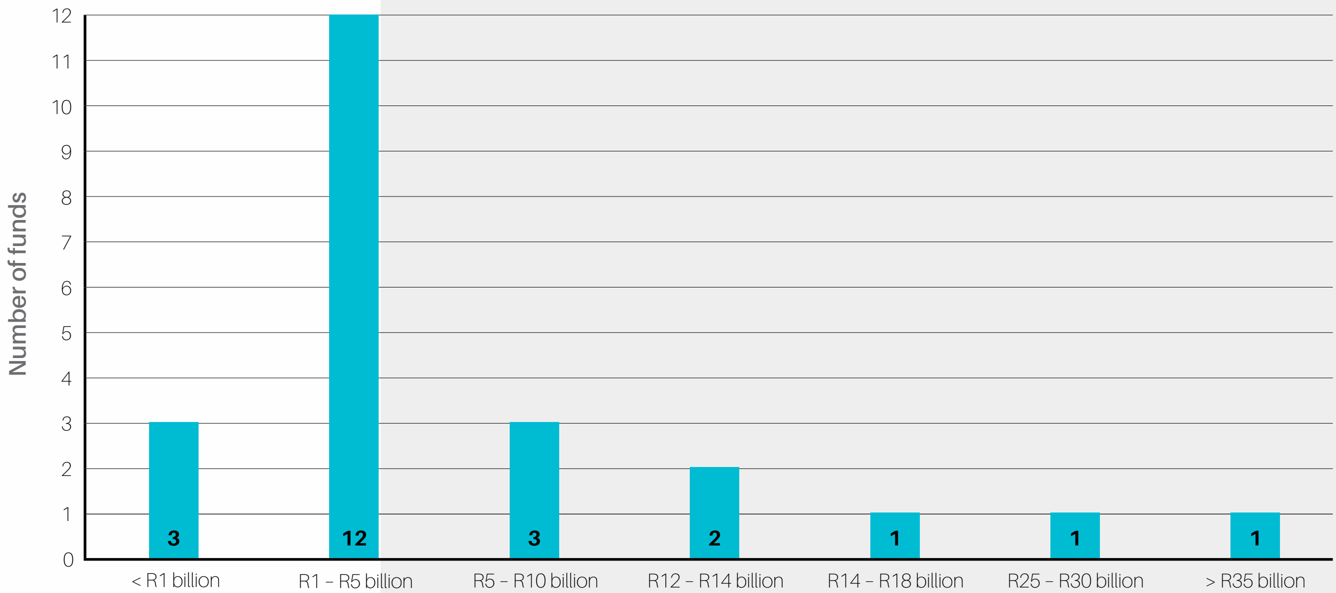
3.6.1 Key characteristics

Pension fund managers which do not have a private equity mandate are likely to be at the small end of the pension fund spectrum, both in terms of assets under management and membership numbers, and are also more likely to be defined contribution plans.

The majority of pension funds (18 out of 23) which do not allocate to private equity have assets under management of less than R10 billion. Thus, while there certainly is a subset of small pension funds that have an interest in private equity, these small pension funds generally avoid the asset class.

Funds without an allocation to private equity, by assets under management

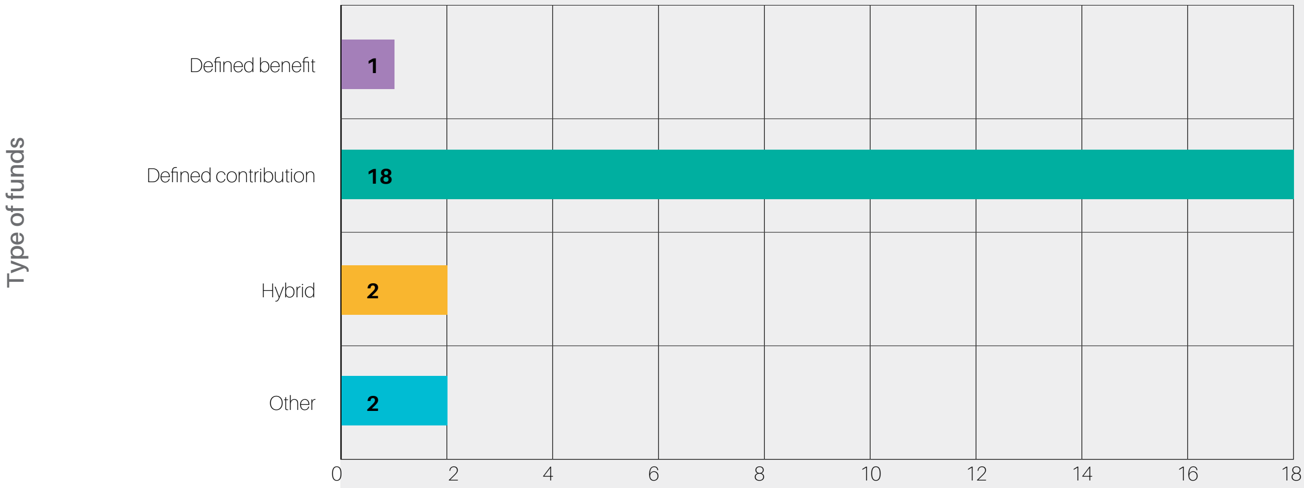
Number of funds



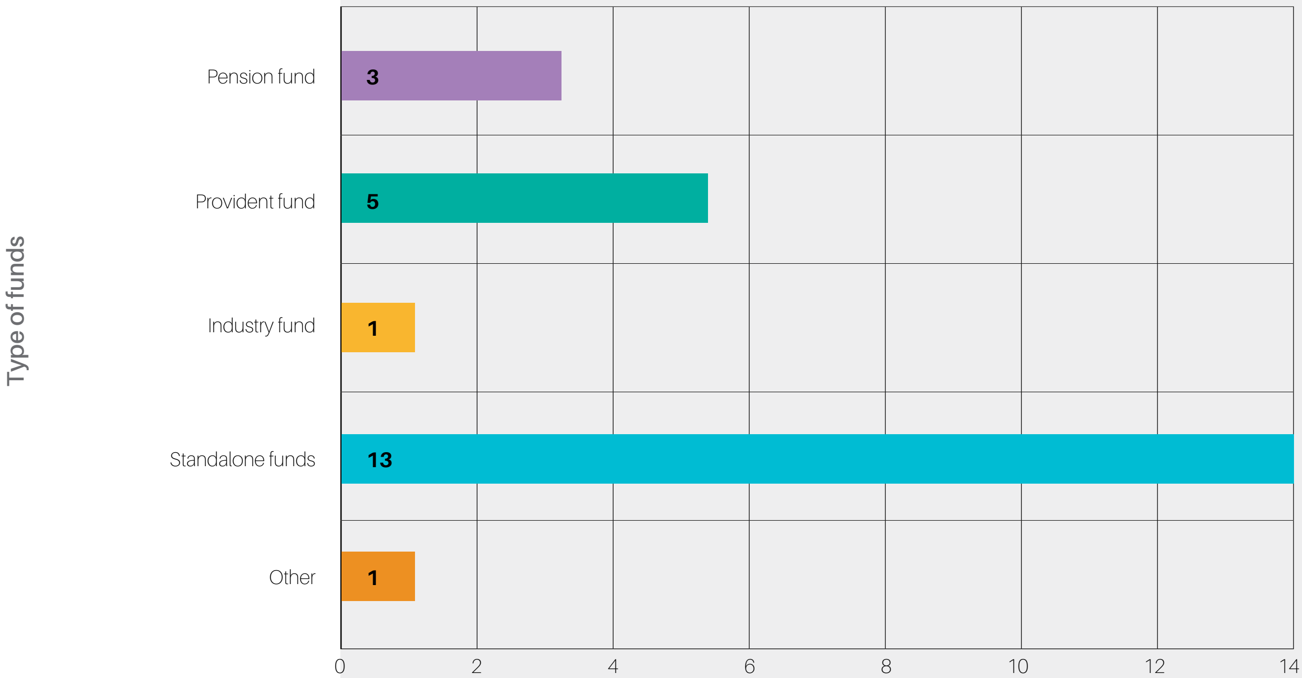
In terms of structure, the majority of standalone funds are non-investors into private equity. Out of 13 standalone funds in the non-investment category, 12 have assets of under R5 billion.

Non-investors into private equity, by structure

Number of funds



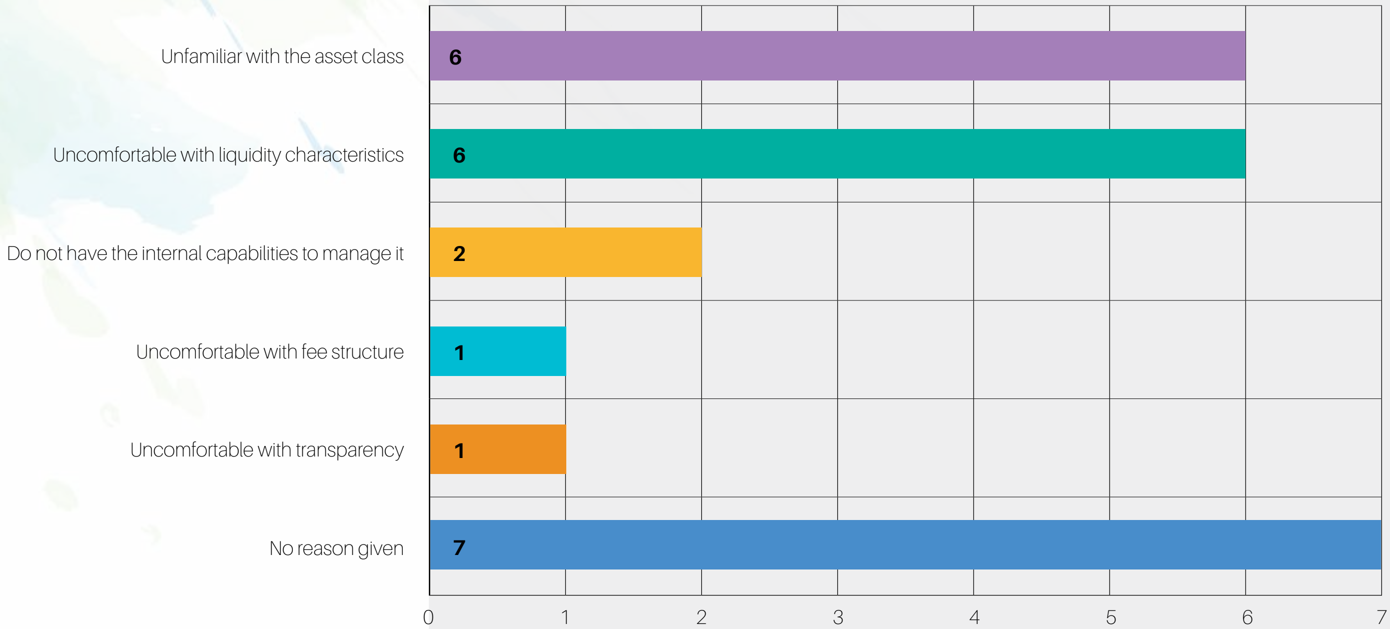
Pension funds which do not allocate to private equity are more likely to be defined contribution and standalone funds.



3.6.2 Why not allocate to private equity?

There are two key reasons for pension fund managers not investing in private equity: pension fund managers either are too unfamiliar with the asset class to make a commitment or they are uncomfortable with its liquidity characteristics. Of 23 funds, six cited a lack of familiarity and six a lack of liquidity as the key factors against implementing a private equity programme.

Top reason against private equity as an asset class
Number of funds



Feedback regarding familiarity with private equity is more nuanced, however, when taken alongside written comments regarding the internal ability of each pension fund manager to assess the asset class. These responses provide a more fluid view of capability: one fund has several former executives from high-ranking investment banks among its trustees, while another reported that the trustees were political appointees with limited experience. These qualitative factors carry a great deal of influence in final decisions of asset allocation and may also indicate the varying level of influence and advice that third-party service providers are able to offer their clients.

The skills level of trustees varies considerably:
A selection of responses from the survey

"Our board consists of three chartered accountants, one actuary who was formerly the chief actuary at [a regulator], one trustee who is the head of investments for [a leading asset manager], the president of [an overseas asset manager], and two lawyers."

"The chairperson of our investments subcommittee is one of the founder members of [a prominent fund management company]"

"The employer-appointed trustees are mostly chartered accountants, so do have financial skills, but not always investment skills. Employee representatives are elected from employees, who do not always have formal education. "

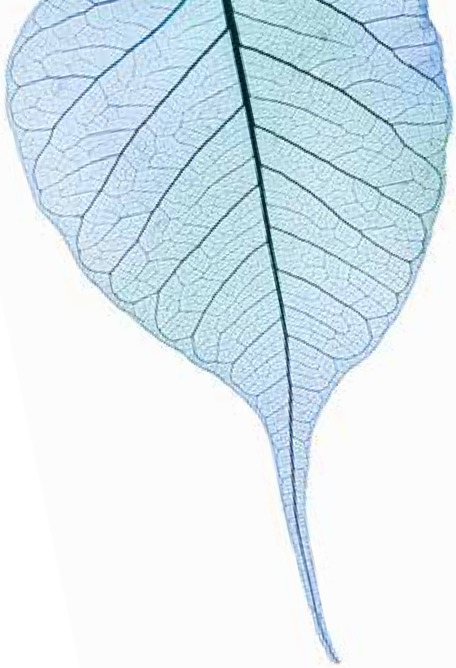
"Trustees are representatives of the employees, pensioners and employer. Not investment experts."

"Given guidance by investment consultants."

"Trustees act on advice from Fund's Investment Advisor"

"Delegated to investment committee with required skills base."

"Due to political interference, new trustees are in office with no knowledge."



The prominence of liquidity as a concern, while a factor for most small funds, is evident in other studies. In Europe, 83% of surveyed pension fund managers cited liquidity as a key constraint which has "a direct impact" on comfort with the asset class.[10]

3.6.3 Other reasons against private equity

Far less prominent – but with at least one respondent reporting in the affirmative for each – were three other concerns about private equity investment.

One pension fund, with over R35 billion in assets under management, cited fee transparency as a concern, while two others, respectively with assets under management of between R5 billion and R10 billion, and between R14 billion and R18 billion, expressed concerns about their internal capabilities in building and managing a private equity mandate. Another fund, with R10 billion to R12 billion under management, expressed concern about the fee structure of the asset class.

3.6.4 Plans to establish a private equity investment programme

Four respondents indicated that they do plan to establish a private equity investment programme; two by the end of 2016 and two in the next five years. Notable about these respondents is their varying sizes of assets under management and types of structures: These respondents are represented in the assets-under-management categories of less than R1 billion, between R1 billion and R5 billion, between R5 billion and R10 billion, and between R25 billion and R30 billion. Further, one is a provident fund, one a pension fund and one a hybrid. Three of the four are defined contribution plans.

The majority of the 13 funds which do not plan to establish a private equity investment programme represent smaller funds: six out of 13 have assets under R5 billion and all but two have assets of under R14 billion.

Structurally, nine of these funds are defined contribution plans (the number rises to 11 when including pensions with more than one structure) and seven are standalone funds.

On plans to establish a private equity investment plan
A selection of responses from the survey

"We are reviewing this asset class. Historically insufficient data / liquidity / cost transparency, but with maturity of the asset class, we will consider it."

"It's on our list of alternative investments to consider in the future to enhance returns."

"Just not required at this stage – have assessed this but happy with current strategy."

"We do not want to take on unnecessary risks."

"Uncomfortable with fee structure, liquidity constraints, unfamiliar with workings of asset class, as well as not having the internal capabilities to manage an investment into private equity."

[10] European Private Equity and Venture Capital Association, *European Pension Funds' Perceptions of Private Equity.* March 2015.

4. Key Observations and Conclusions

The majority of pension funds in the survey currently do not allocate to private equity. With growing awareness of the role that private equity investment is able to fulfill in an institutional portfolio, including its diversification, returns enhancement and impact characteristics, the appetite of pension fund managers will change over time.

To promote this change and to stimulate such appetite, the private equity industry should take into account the following learnings:

- A key constraint to an increased allocation to private equity by pension funds is a lack of familiarity with the asset class. There is a wide range amongst pension fund trustees of the understanding of finance and investment. Even experienced institutional investors may believe that they do not have adequate exposure to and experience of private equity to enable them to implement a private equity mandate. The private equity industry should be proactive in addressing these deficiencies, by offering an educational programme to potential pension fund investors about private equity, its activities, valuations processes and developmental impact.

- Liquidity remains a major concern of pension fund managers, particularly those managing smaller funds. A positive conversation is required between pension fund managers and the private equity industry, to find solutions to these concerns.

- Asset advisors and consultants play a vital role in pension management. Asset consultants bring a depth of understanding of their clientele and of the needs of individual pension funds; engaging with these advisors will help to transfer knowledge to pension fund managers about the benefits of private equity, while serving to enlighten private equity managers about the requirements of pension funds.

About SAVCA

The Southern African Venture Capital and Private Equity Association (SAVCA) is the industry body and public policy advocate for private equity and venture capital in Southern Africa. It represents around 150 members, accounting for approximately R170 billion in assets under management.

SAVCA promotes Southern African private equity and venture capital by engaging with regulators and legislators on matters affecting the industry, providing relevant and insightful research, offering training and creating meaningful networking opportunities for industry players.

Website: www.savca.co.za
Twitter: SAVCA_news

Acronyms explained

AUM	Assets under management
CAGR	Compound annual growth rate
EMPEA	Emerging Markets Private Equity Association
EVCA	European Private Equity and Venture Capital Association (now rebranded as Invest Europe)
IRR	Internal rate of return
SAVCA	Southern African Venture Capital and Private Equity Association

ETHOS

PRIVATE EQUITY

Early last year, Ethos identified Nampak's corrugate division as a business requiring lift.

"The business was two-dimensional," recalls Richard Fienberg, Ethos' Value-Add Partner. "While robust and reputable, it lacked vitality and purpose."

Due diligence confirmed significant opportunities to stimulate innovation and inject fresh thinking into customer orientation and manufacturing excellence.

However, key to realising our strategic ambition was the introduction of executive leadership. We sought expansive thinkers and found Kevin Clayton and Brian Jacobs to shape and implement the operational strategy.

"Our approach shifted from thinking about the box to believing we could animate it," Richard added.

Together, we share a vision of a revitalised, innovative packaging company — Neopak.

Our growth agenda will lift Neopak to new heights. Consequently, we intend to expand the horizons of customers, suppliers and employees.

Thinking differently about the ordinary pushes boundaries. Institutionalising innovation drives long-term success.

That's why we encourage our teams and management to think detail and dream big.

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