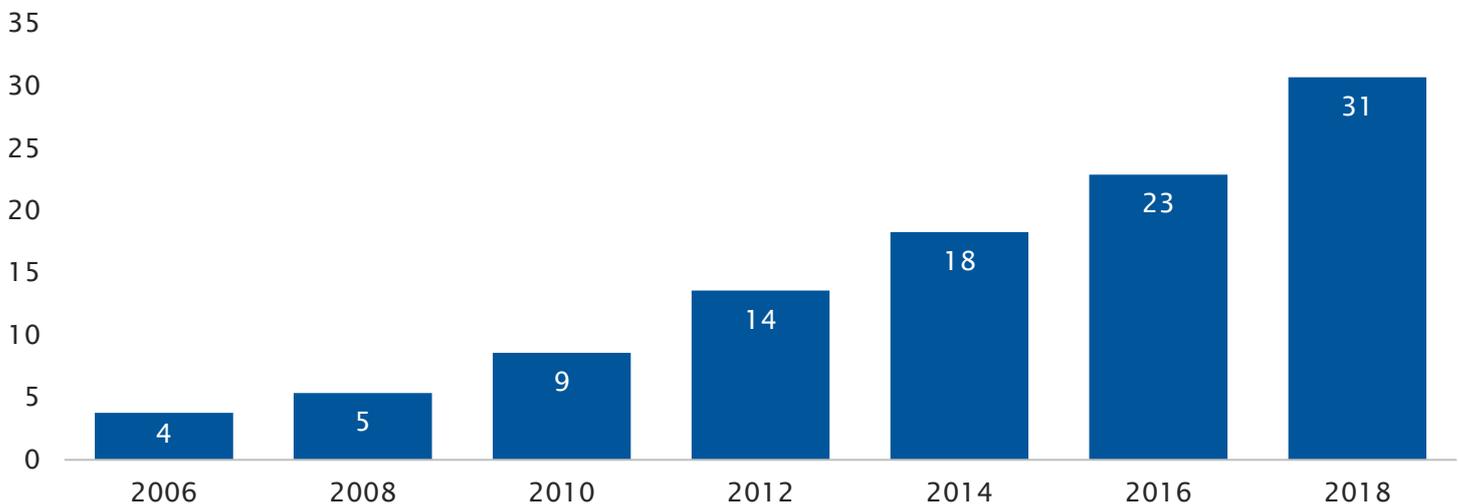


Impact Investing in South Africa

Recent headlines have been very depressing, bringing to the fore the social challenges we face. Growing inequality and prevalent poverty has amplified these challenges based on what we have been experiencing lately. From an investment point of view, this highlights the need to accelerate impact investing to contribute to alleviating some of the social and environmental challenges we face.

Impact investing is a sustainable investing strategy aimed at providing targeted solutions to social or environmental problems. Sustainable investment strategies have grown over the last 12 years as illustrated in **Chart 1** (below). Approximately \$31 trillion of global assets are deployed in sustainable strategies, however, only \$444 billion of this is invested in impact/community investing. This means there is a big opportunity for growth in impact investing to alleviate social woes.

Chart 1: Growth in Sustainable Assets since 2006 (in USD Trillions)



Source: 2018 Global Sustainable Investment Review (31 August 2019)

The picture in South Africa is fairly similar, with a huge opportunity for growth considering the social challenges we face. The 5th edition of the Bertha Centre for Social Innovation and Entrepreneurship's African Investing for Impact Barometer found investing for impact strategies were growing in Africa and South Africa and represented the largest amount of sustainable investing assets. Although local social impact investing has not necessarily been stagnant having seen some growth over the years, it has not grown nearly fast enough for it to have the kind of impact required.

A 2016 Report on the Landscape for Impact Investing in Southern Africa found that only 3% of local financial assets were allocated to impact investment strategies. South Africa is the largest market for impact investing in the region with nearly three quarters all impact investment capital disbursed. Development Finance Institutions (DFI) like the Industrial Development Corporation (IDC) and Development Bank of South Africa (DBSA) had placed \$24 billion. Non-DFI's, like asset managers and banks, had placed \$4 billion showing the huge opportunity that exists for the asset management industry to be more involved in dealing with the countries social challenges. **Table 1** (below) shows some of the larger non-DFI transactions.

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Table 1: Top 10 Non-DFI Transactions in South Africa (Total USD 3.1 Billion)

Investor type	Amount (USD Mil)	Sector	Instrument	Year
Fund manager	1200	Financial services	Equity	2007
Fund manager	700	Manufacturing	Equity	2008
Fund manager	434	Logistics	Equity	2011
Fund manager	107	Infrastructure	Unknown	Unknown
Fund manager	107	Infrastructure	Unknown	Unknown
Fund manager	107	Infrastructure	Unknown	Unknown
Fund manager	106	Energy	Equity	2005
Fund manager	100	Financial services	Equity	2014
Fund manager	97	Real estate	Equity	2012
Fund manager	95	Financial services	Equity	2013

Source: Global Impact Investing Network (2016)

Last year, the Bertha Centre at the UCT Graduate School of Business launched the country's first social impact bond to drive early childhood development targets in the Western Cape. Asset managers like Futuregrowth and Ashburton are leaders in impact investment implementation according to the Impact Barometer, with investments in job funds and development assets in sectors like agriculture, power and infrastructure.

Opportunities exist in numerous sectors like education, agriculture, mining supply chains, financial inclusion, sustainable tourism and energy. Other innovative financing concepts include algorithmic-based lending platforms for social enterprises, affordable housing/small enterprise rental solutions in townships, youth unemployment challenge fund for girls, impact funds for municipalities, stokvel aggregators that create credit scores and build investment portfolios, blended conservation funds addressing poaching and blockchain enabled impact verification funds.

Impact Investing in South Africa

The challenges that the country faces are real and require everyone's participation, and capital strategically allocated, for progress to be made. Actively focusing on "*investing with an impact*", which has been successful in other parts of the globe, is something we can use to address our social challenges and ultimately lead to a better life for all.

Kind regards,



Tawanda Mushore CFA, FRM

Senior Research and Investment Analyst

Impact Investing in South Africa

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