

Foreign investors show faith in Africa

Londiwe Buthelezi

INTEREST from international investors in Africa was on the rise as they continued to inject money into the continent despite perceptions of ongoing political turmoil, Coronation Fund Managers said yesterday.

The firm said African portfolios attracted significant interest from investors in the six months to March and it continued to build a strong performance track record.

Releasing its interim financial results for the six months to March, Coronation reported a 26 percent increase in diluted headline earnings a share to 81.7c from 64.8c in the comparable period last year.

The company said strong inflows, particularly to its retail business, coupled with excellent asset allocation and a positive market environment helped increase its assets under management to R231 billion from R176bn a year before.

Coronation chief executive Hugo Nelson said the correction in global markets in March created the opportunity for it to buy equities in developed markets at a lower price, adding to positions with value within the company.

But he said it was the stronger inflows, particularly when Coronation reopened its trading in Egypt after the turmoil, that alerted the company to the extent of the interest of international investors in African markets, giving momentum to Coronation's strong retail inflows for the period.

"With these political developments in Egypt and Libya, one could have expected them to chase away the investments, but on the day we opened we had more positive inflows," Nelson said.

Imara SP Reid analyst Stephen Meintjes said investors were steadily exploiting the potential in the African frontier markets.

The African frontier funds had largely become the target of these investors.

"It is a steady trend where almost everyone wants to enter into the African frontier markets," Meintjes said.

Nelson said positivity was the new trend.

"It is one thing to be positive but with all the unrest in the continent, you would expect people to shy away, but instead we've seen the opposite. I'd say positivity is the second-biggest trend now," he elaborated.

Coronation's revenue jumped 32 percent to R865 million, translating to a profit of R299m, 32 percent higher than the same time last year.

But Coronation cautioned against future revenue growth expectations, saying the investment environment was likely to remain challenging in the foreseeable future.

Nelson said the past six months' performance was the company's all-time high and the volatile environment required investors to stay singularly focused.

"We say we've seen volatility so we are saying to investors, 'don't naively assume that because things had gone well they'll continue doing so'. They must make informed and realistic decisions," he said.

Coronation declared an interim dividend of 80c a share, a 57 percent increase from 51c a share in March 2010.

Its shares rose 1.2 percent to R19.05 yesterday. **page 16**