

**SPECIAL REPORT: 25 TOP INSURANCE INDUSTRY PLAYS IN AFRICA**

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# Daniel Matjila

# GROWING ASSETS

## African integration and a \$130bn cheque book to match

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**ALTERNATIVE ASSETS IPO TRENDS TOP INFRASTRUCTURE PROJECTS**

UK £3.90 – US \$6.95 – €4.90 – South Africa R49.90 – West Africa CFA Franc BCEAO F4,500 – Abu Dhabi DH 29 – Bahrain BD 2.50 – Canada C\$6.95 – Dubai DH 29 Egypt EP 39 India INR 350 – Kenya KSh 550 – Kuwait KD 1.90 – Mauritius MR 195 – Morocco Dh 59 – Nigeria NGN 990 – Tunisia TD 10

Business

COVER INTERVIEW: DANIEL MATJILA

A portrait of Daniel Matjila, a middle-aged Black man with a balding head, smiling warmly. He is wearing a dark pinstriped suit jacket over a blue and white striped dress shirt and a red and white striped tie. The background is plain white.


**Daniel  
Matjila**

**GROWING ASSETS**

**African integration and a \$130bn cheque  
book to match**

 **\$25 billion -**  
AuM of the PIC  
in 2003

 **\$139 billion -**  
AuM of the PIC  
in 2014

 **5% -** The percentage of  
AuM the PIC can invest  
in Africa

## Dan Matjila, CEO of PIC, Africa's mammoth \$130 billion asset manager has African integration on his mind and the cheque book to match

**F**rom popular maths lecturer to pension fund manager, Daniel Matjila has always had a head for numbers, and as newly-appointed CEO of South Africa's Public Investment Corporation (PIC) and Africa's largest investment institution, Matjila certainly has rather large sums to work with. The PIC oversees the ZAR1.6 trillion (US \$139 billion) Government Employees Pension Fund (GEPF), the largest pension fund on the African continent.

So let's do the math: during Matjila's tenure as Chief Investment Officer, in the year ended March 2014, the GEPF reported a total return of 14.77% (not including offshore investments). The fund also increased 3.5 times in size, making Matjila a natural choice for the position of CEO.

Here, *Africa investor* speaks to Matjila about his role in leading an African investment giant and what comes next for PIC.

### On a personal note, can you describe your career history, and what stands out as defining moments for you?

It is perhaps important to note that my career advancement has a long and somewhat winding history. I started out as a Senior Mathematics Lecturer at the then University of the North (now University of Limpopo) and, after seven years, took up a similar position at Technikon Northern Gauteng (now Tshwane University of Technology).

headed the application of quantitative techniques in fund management and managed Quant Portfolio. This was very interesting, largely because it required me to apply my knowledge of mathematical and statistical skills to solve risk management and financial aspects of the portfolios we were managing.

After almost two and a half years at Stanlib, I was seconded to the then?? defunct Public Investment Commission as a Risk Manager. With the corporatisation of the Public Investment Corporation (PIC) in 2005, I was promoted to the position of the Chief Investment Officer and Executive Director – the positions I held until my recent appointment as the Chief Executive Officer and Executive Director in December 2014.

Whilst it is difficult to pinpoint defining moments of my career, the one that comes to my mind has been the rolling out of the PIC's offshore and the rest of Africa mandates. This involved doing detailed research on areas we would be investing in, establishing investment processes and procedures as well as establishing relationships with key partners to ensure successful investments. In a way, together with my colleagues at the PIC, we served as midwives in the birth of the PIC's developmental investment programme.

### So what do you do in your free time? How do you relax? Do you have any passions or indulgences?

It is very difficult to get time to relax when you are entrusted with manage-

ment. Church attendance provides me with an opportunity to reflect on life as well as strengthening my governance principles.

### How would you describe your leadership style?

My leadership style combines elements of visionary and inspirational leadership styles. My focus has been on articulating the PIC's vision for the future as well as providing an enabling environment for individuals within the organisation to realise their full potential, whilst at the same time contributing to PIC's investment objectives.

### How would you describe your first few months in the role of CEO of PIC? What will be your priorities in the role going forward?

As you will know, before I was appointed the Chief Executive Officer, I served in the capacity of the Chief Investment Officer. Consequently, I knew what needed to be done differently to take the PIC forward. The first few months have been focused on articulating the PIC's vision for the future. We call this vision 2020/30, as it envisages the PIC as a leading developmental investment manager on the African continent.

Parallel to this, we have had to review our strategies to ensure that they are in alignment with this vision.

### PIC has traditionally been conservative in its investment strategy, but Africa offers potentially great returns

“I knew what needed to be done differently to take the PIC forward”

From there I joined Anglo American, a JSE-listed mining company, as a Senior Manager in charge of quantitative research analysis. There I was responsible for derivatives (fixed income, equity and currency) and applications of quantitative techniques in fund management.

Five years later I joined Stanlib Investment Management, where I spear-

headed the application of quantitative techniques in fund management and managed Quant Portfolio. However, when I am not at work, I spend time with my family.

I consider a balanced lifestyle important. For this reason, I do physical exercise to keep fit. Spirituality is equally important to me, which is why I regularly attend church with my family.

### at perhaps a riskier level. What is PIC's attitude regarding Africa in terms of investment going forward?

Our clients have given us a mandate to invest 5% of assets under management in the rest of the African continent.

Our attitude regarding investment in the rest of the continent is informed by an investment philosophy that hangs on two key pillars. These are potential



return on investment and risk management. Potential return focuses on such factors as market efficiency, time horizon, cost control and, most importantly, valuation.

Conversely, risk management is concerned with addressing environmental sustainability, social as well as governance aspects of investments.

this reason, we approach governance from both macro and micro views. The macro view deals with governance at country level – we select countries in terms of their ranking in the World Wide Governance Indicators (WGI). We remain convinced that well-run countries enjoy a low governance risk premium.

governance is a precursor to creating real wealth for shareholders and satisfying all stakeholders. Driven by effective boards, good governance can result in robust risk management, care for the environment, whilst at the same time addressing social issues.

**Tell us more about your investment into renewables projects; will PIC have a greater focus on renewable energy going forward, and how does this reflect the PIC philosophy?**

The PIC's investment in renewable energy should be understood in context. It is informed by our developmental investments mandate. This mandate identifies a number of investment pillars, one of which is sustainability investments, within which renewable energy is a component.

Our focus will be on addressing all investment areas as outlined in our developmental investment mandate. These include, amongst others, economic infrastructure, social infrastructure, enterprise development as well as renewable energy.

**Does the PIC prefer to invest alone or with partners, and why? What is your overall investment strategy going forward?**

The PIC's investment approach is three-fold. It involves direct investments, co-investments and partnerships as well as indirect investments through third party fund managers. This approach allows the PIC to mitigate risk, as well as tap into expertise and experiences of other like-minded partners. Our overall strategy is to invest in those areas that have positive impact on the economy; those areas that generate both social and financial returns for all the stakeholders.

**Can you take us through PIC's current portfolio of investments? And what investments are you eyeing**

“We remain convinced that well-run countries enjoy a low governance risk premium”

We believe that governance is critical to the success of any investment. For

At a micro level, the focus shifts to the companies in which we invest. Good

over the next few months? The PIC's portfolio straddles various

 **\$250 million** - PIC's investment into Ecobank

 **\$209 million** - The planned investment into Africa this year

 **\$289 million** - PIC's investment into Dangote Cement

sectors of the economy and consists of investments in multiple asset classes, ranging from listed equities, bonds and money market, as well as unlisted investments. The unlisted investments focus on private equity, real estate and other alternative assets.

From the unlisted investments point of view, our focus will be on investing in areas of the economy, which can create jobs both in South Africa and the rest of the continent. Attention will be on transactions in the following sectors, provided they meet PIC's stringent investment criteria: mining, manufacturing, infrastructure (transport and logistics, road, rail, aviation), agriculture and agro-processing, property, construction, telecommunications, the fast-moving consumer goods retail sector, tourism, energy (electricity, renewables), oil and gas, education, affordable housing, healthcare and finance.

We are also taking advantage of opportunities presented through South African government policies such as the National Development Plan, the New Growth Path as well as the Industrial Policy Action Plan.

### What are the overarching aims of PIC for the next five years?

The PIC will be focusing on growing the assets under our management through a number of interventions, chief amongst which will be to continue to invest in assets and projects that have social as well as economic benefits for all our stakeholders.

We will continue to focus our investment strategy on the areas of the economy that catalyse economic growth, such as infrastructure (social and economic), renewable energy and power in general, as well as property, just to name a few.

Creation of wealth through the creation of new assets forms the backbone of our strategy. We are rolling this strategy into the rest of the continent as well as part of our regional integration strategy focus. However, the overarching aim is to entrench corporate governance as we strongly believe that it affects all aspects of investments; it is at the centre of every successful investment. **Ai**

### Daniel Matjila – By the numbers

Dr Daniel Matjila joined the PIC in 2003 as a Risk Manager before being promoted to the position of the Chief Investment Officer and Executive Director in 2005. Dr Matjila is also currently a Non-Executive Director and Board member at Afrisam Ltd, Entabeni Holdings (Chairman) and Harith Partners.

Prior joining the PIC, he was the Senior Manager of Quantitative Research Analysis for Stanlib, where he spearheaded the application of quantitative techniques in fund management and managed the Quant Portfolio for over two years.

Prior to joining Stanlib, Dr Matjila worked for Anglo American, a JSE-listed company, for five years where he was the Senior Manager of Quantitative Research Analysis, responsible for Derivatives (Fixed Income, Equity and Currency) and the application of quantitative techniques in Fund Management.

Dr Matjila started his career as a Senior Mathematics lecturer at the University of the North and worked in academia for over nine years. He holds a Ph.D. (Wits), a M.Sc. (Rhodes) and a B.Sc. Hons (Fort Hare), amongst other qualifications. Dr Matjila is married with two children; a boy and a girl.

### PIC's Africa strategy

Daniel Matjila is clear about Africa: "There are a lot of investment opportunities," he told Business Report. "The returns are high but so are the risks."

PIC's Africa strategy, which includes committing US \$1 billion of its portfolio into the rest of Africa (outside of South Africa), came into play after the GEPIF changed its investment mandate in 2011, requiring the PIC to push 5% of assets under management into Africa.

Since then, the PIC purchased a 39.68% stake in the Pan African Infrastructure Development Fund for about ZAR1bn, paid \$250 million for the acquisition of a 20% stake in Togo-based Ecobank and acquired a 62.5% interest in Tanzania's Tanga Cement. PIC's largest activity in Africa was the acquisition of a 1.5% stake in Nigerian-listed Dangote Cement for \$289m.

As for risk, "Investment decisions are informed by mandate fit," Matjila explained, "an assessment of potential returns, understanding of the risk and ability to manage such and the environmental, social and governance considerations. Political risk is considered as part of risk management. While politics cannot be ignored, it should be noted that it's not more important than returns and risk."

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