



## OPPORTUNITY PRIVATE CAPITAL

Economic Snapshot March 2021

### LOCAL HIGHLIGHTS & LOWLIGHTS

- All-Share Index on 15 Mar: 67,566.44.
- Market PE ratio: 26.05
- USD/ZAR currently strong at R14.88/\$
- South Africa 10Y Government Bond yield: Current 9.275%

(Data: Bloomberg; Sharenet; [www.tradingeconomics.com](http://www.tradingeconomics.com))

### NEWS

- The Coronavirus surges ahead while countries grapple with vaccine procurement delays, covid variants, anti-vaxxers and rulebreakers. Israel is reported to be leading the way with their vaccination strategy.
- World Bank is reporting that China may see 7.9% economic growth this year, while global growth is expected at around 4%.
- The EU has started legal action against the UK for Brexit agreement violation.
- Locally, the Zondo commission is arguing that Zuma must go to jail.

### ALTERNATIVES: Angel Investing

With our focus on alternative investment options, this month we take a look at what is known as Angel investing. The name stems from the business phase that the investment occurs in, which is the early stage or start-up phase in which not many people are willing to take on the risks of an unproven company. You thus need an 'angel' to intervene and help the business grow. Typical examples of businesses in this phase are a store that wants to expand and open multiple outlets, a product (anything from handbags to security monitors) that someone developed and wants to start exporting or producing overseas, etc. It is often stated in the media that small businesses have a big role to play in employment in South Africa, so let's have a look at the environment that often helps these businesses grow.

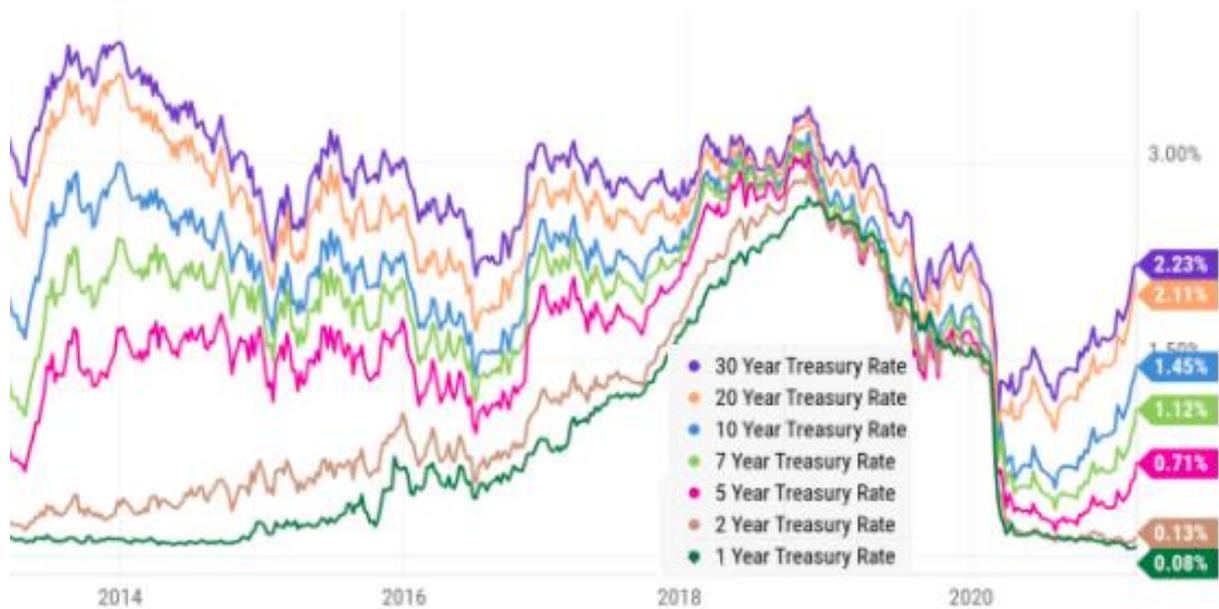
The Angel investor starts by doing a due diligence and then buys part of the business, often bringing business expertise and connections that can both expand and optimise the business' efficiency. Angel investors typically want from 25 to 40 percent return on the money they invest in an early-phase company. Venture capitalists may take even more – especially if a product is in development, an investor may want 40+ percent of the business as reward for the high risk it is taking. In America, it is reported that over \$24 billion was invested in the Angel phase per year pre-Covid.

Unfortunately, Forbes.com reports that sub-Saharan Africa is lagging behind the rest of the world with angel investments. They report the following: "While it's hard to pin down the total dollars invested by angels in Africa, it's clearly not significant enough. In 2018, \$133.5M of venture capital (the phase after angel investing) was invested in Nigeria, the continent's leading destination for venture investment behind South Africa. That same year, the Lagos Angel Network, the most active angel investment network on the continent, invested only \$1.5M." Why would Angel investment in Africa be lower than elsewhere?

There are two theories: (i) TGS South Africa reports that South Africa has a higher failure rate of SMMEs than elsewhere in the world (70% – 80% of our small businesses fail within 5 years). In previously disadvantaged communities only 1% of businesses progress from employing less than 5 people to having staff of 10 or more, hence investors being skittish to contribute is understandable. (ii) Africa is reported to have less millionaires that come from tech backgrounds than the rest of the world, leaving them in a position where they do not understand many of the new start up business models and favour more traditional models of growing big businesses.

That said, there are diamonds in the rough that offer exceptional growth opportunities, and technology will play more and more of a role to connect investors with businesses who cannot get on an episode of SharkTank (For instance, [www.investmentnetwork.co.za](http://www.investmentnetwork.co.za) is trying to connect investors with new businesses).

### GRAPH OF THE MONTH: Rebounding US bond yields



Source: <https://awealthofcommonsense.com/2021/03/a-bleak-future-for-long-term-government-bonds/>

[Click to view Current Available Investments](#)

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