

SA loses tag as investors' darling

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NOT so long ago the South African economy was the darling of Africa, but now investors have woken up to the fact that the rest of the continent is growing faster than SA and even Zimbabwe is looking like a good bet to some.

While many in SA are pessimistic about Zimbabwe's chance for recovery, one international investor, Robert Levitt, chief investment officer of Levitt Capital Management, based in Florida, said yesterday:

"Those who know it best, love it least." When people are too close to a situation, they don't always see the opportunities, "and often that's when there are the best opportunities for us".

Levitt, who manages \$450m and invests in companies across Africa, said he was a buyer of exchange-traded funds in gold and platinum but was not buying into mining companies in SA due to production problems and operating costs.

But if the platinum price continued rising (it hit a fresh high of \$1856/oz yesterday), he believed many people would take an option on Zimbabwe, with the likes of Impala Platinum poised to "hit a home run" if the political and economic situation were to improve.

With elections due in Zimbabwe next month and a new candidate, former finance minister Simba Makoni, leading the opposition, there was a chance for change.

But Chris Derksen, Africa specialist and portfolio manager for Investec Asset Management, said any real change should come from within the ruling Zanu (PF) itself.

Investec Asset Management, like other fund managers in SA, has made a number of trips to Zimbabwe but Derksen said it had not come across any particularly compelling opportunities within that country's borders.

However, assets such as Impala Platinum could be bought from outside of the struggling African country and would give an investor exposure to the upside should it ever happen, he said.

Last year Sanlam Investment Management (SIM) said it was keen to conduct a due diligence exercise on the Zimbabwean stock exchange with a view to making some sizeable investments.

André Cillié, an equity analyst at SIM, said at the time that a number of Zimbabwean companies were under-valued compared with peers in other countries. But one source yesterday said SIM's plans had not panned out.

"The stock exchange is not that undervalued and there is low liquidity," Derksen said. "It's very tough to build a decent position in listed equities in Zimbabwe. People have also been looking at the property sector.

"Equities and property are inflation-proof so they have appreciated relatively well already."

Nonetheless, Levitt said Zimbabwe was top of mind for his company, as was Nigeria. Levitt Capital Management was buying into Nigeria and not into SA.

As Derksen said, Africa without SA taken into the equation is growing faster than the rest of the world.

Levitt liked South African companies operating in Nigeria and had investments in Mauritius too.

Derksen thought Nigeria and Egypt were the two big opportunities in Africa. He was particularly keen on Nigerian-grown companies because most of their growth was coming from changes in domestic policy rather than relying on world markets, unlike SA.

One thing putting Levitt off SA was the power crisis, which he felt many people overseas had not quite realised the seriousness of just yet.

"The impact on the rand and the economy doesn't appear to be short-term either," Levitt said.

"I don't see any rays of hope — SA appears to be going backwards. At the mining conference this week lots of people were talking about emigrating."

What kept Levitt invested in South African stocks, however, was the fact that many companies had expanded into Africa and this was where he believed the growth was going to come from.

