

South Africa

The possibility of a cooperative ANC that's prepared to push through reforms with coalition partners, improving operational prospects for the mining sector, and a growing array of financially disciplined corporate players could make South Africa a compelling investment prospect once more. Please read on for your two-minute guide to this key market in Emerging EMEA...

Why we like it:

- Largest public market in the diverse sub-Saharan region and home to a growing range of companies with strong management and compelling earnings in sectors including finance, consumer discretionary and materials.
- A prospective coalition government (see Key Themes below) could drive the reforms and capital investment that South Africa desperately needs.
- The mining sector, the backbone of the South African economy, could benefit from a trough in the price of the commodity basket and improving operations.
- What's more, an increasing demand in key metals is being met by a much more disciplined and cashflow-focused mining industry.
- This, in turn, should support South Africa's fiscal position and deliver capital to further support the economic recovery.

Key themes:

POLITICAL CHANGE: The popularity of the ruling ANC party continues to decline ahead of the parliamentary elections on 29 May 2024. This creates the possibility of the party losing its majority for the first time in recent history, leading to the prospect of a coalition government.

INFRASTRUCTURE CRISIS: 2023's electricity rationing was emblematic of South Africa's deep infrastructure disintegration across energy, rail and other sectors. The government's incapacity to drive reform is leading to private-sector solutions that, for example, have led to electricity supply improving dramatically in private and corporate sectors. This also serves to highlight the importance, and opportunity, of investing in the private sector in South Africa, which is actively improving the country's resilience.

In short:

Given the political uncertainty and ongoing economic challenges, investors need to continue to be selective in equity holdings in South Africa. We maintain a focus on well-managed companies in a position to capitalise on an improving macro-economic picture, which should also support domestically-oriented companies.

SOUTH AFRICA IN NUMBERS

Population:¹

62M

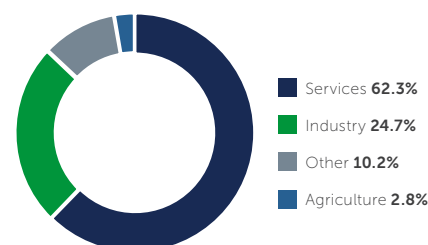
Global ranking by GDP:²

39th

	2022	2023F	2024F
Economic growth (GDP)	6.8%	5.3%	5.8%
Inflation (CPI)	6.9%	5.9%	5.0%

Source: OECD Data.³ F=forecast nominal GDP growth rate.

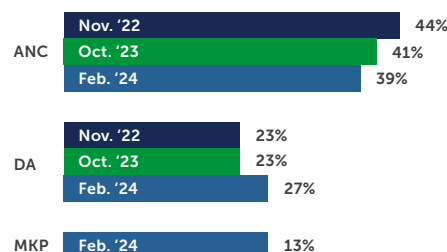
ECONOMIC PROFILE



Source: Statista, 2022.

CHANGING POLITICAL LANDSCAPE

Zuma party founded in December emerges as third-biggest⁴



1 Source: South Africa Census, 2022.

2 Source: World Data, 2022.

3 Source: OECD.

4 Source: Brenthurst Foundation, SABI Strategy Group.

Companies to watch:

CAPITEC

Capitec is the largest digital bank in South Africa, and has achieved strong brand loyalty among retail customers. At the same time as looking to move customers to online self-service, it still retains its branch network to focus on service delivery and selling more complex products. Its online app has increased its user base by over 180,000 per month and has registered over 11 million daily logins – equal to over 500,000 people using the app every hour.⁵

NASPERS

Naspers is a South African multinational internet, technology and multimedia company, with interests in online retail, publishing and venture capital investment. Whilst listed in South Africa, the company is one of the largest technology investors in the world, and has investments across a number of geographies with more than two billion customers using their products and services. This includes food delivery services such as iFood in Brazil, and Swiggy in India, and online marketplaces such as China's Tencent where the company is the largest investor globally.

⁵ Source: <https://businesstech.co.za/news/industry-news/769171/massive-growth-for-capitec-south-africas-leading-digital-bank/>

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26 years of investment
experience



Adnan El-Araby, CFA
Investment Manager,
EMEA
14 years of investment
experience

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