



Constant Capital



Investing in Growth

Constant Capital Partners is a leading pan-African financial services institution. It specialises in public equity sales, trading and research offering these services to global institutional clients, using its local expertise to drive success. It also has corporate finance advisory services and principal investing.

Constant Capital Partners is active in a number of markets across Africa and offers services to its clients around the world.

It has a South African-based brokerage, Constant Capital (Pty) Limited, which is a member of the

Johannesburg Stock Exchange. The firm's research covers over 150 listed South African companies using a free cash flow valuation of these companies as opposed to the more traditional fundamental research. In addition to local South African execution, the company offers its South African clients international electronic execution across 60 global markets. It also offers pan-African execution across Africa's 13 biggest markets and covers over 200 Sub-Saharan African companies with fundamental research and 110 of these companies are also covered using free cash flow valuations. This research is used by many leading global financial institutions.

Constant Capital isn't the type of firm to follow trends and instead works hard to find developing markets and invest in their growth. Thorough research and bold investments have led the company to investing in a brokerage in Nigeria. The company is also currently in the process of setting up a brokerage in the Indian Ocean island paradise of Seychelles and investing in the Seychelles Stock Exchange, Trop-X, which is anticipated to open by the end of the year.

Developing Markets

Peter Jardine, head of global equities at Constant Capital, believes the Sub-Saharan African markets have seen significant growth since 1990. "These African markets have outperformed and had lower volatility than the MSCI Far East, MSCI Asia and the MSCI Eastern Europe," he says.

This market growth is a good indicator of Africa's viability for investors. However, it is important to note that despite the promising growth there are challenges to need to be closely monitored, the biggest of which is dealing with unexpected political risks.

Some regions of Sub-Saharan Africa are unfortunately still potentially politically volatile. This obviously impacts the markets and investors can be drastically affected by changes in political environments, which can bring along a rapid shift in economic policy as well. To counter this, investors need current political intelligence, something that Constant Capital is able to offer its clients.

Another common challenge is the lack of liquidity in many of these African markets. "It is often difficult to get significant holdings in these markets," says Jardine.

However, these Sub-Saharan African markets are seeing substantial growth outside of South Africa. Constant Capital has its eyes on places like Nigeria and Kenya, both of which are performing very well. Jardine believes that Nigeria in particular has a lot of growth potential moving into the future, which is why Constant Capital already has a brokerage there.

"Nigeria is a place of the future. No doubt about it," he says.

The biggest drive for market expansion, according to Jardine, is the rising consumerism in Africa. Since the 90s, Africa has seen the rise of a new middle class and with this middle class has followed a whole new burst of consumerism.

"A lot of people just think of Africa for commodities and minerals and that this has been fuelling the growth. But, in reality, there has been really big consumer demand in Africa. That has led to about 60 per cent of the GDP growth of the continent," explains Jardine. "The recent numbers show that the middle class of Africa is about 300 million people. That starts to put them on par with India and China."

This trend is attracting multi-nationals who are looking to offer their products on an increasing scale in Africa. All this new investment is making the Sub-Saharan African market ripe for increasing growth.

Seychelles Stock Exchange

One of Constant Capital's most exciting projects is the development of the Seychelles Stock Exchange, Trop-X. Talks about opening an exchange in Seychelles have been ongoing for about ten years but now the plans are moving forward and a group of investors have signed on, agreeing to list a variety of instruments on the exchange when it opens.

Jardine is confident in the potential of this exchange.

The big advantage it presents is that it is able to start fresh and with the latest technologies. Many developed markets are plagued with older infrastructure and the cost of switching to an electronic system is substantial. Seychelles will be able to start out with a state-of-the-art electronic system that will make it ready for the future as well as cost efficient.

Another benefit is that the securities will be listed in both the local Rupee and US Dollars. Constant Capital has seen the vast potential of the Seychelles Securities Exchange and is proud to be in on the ground floor. "We are the first full service broker to be setting up there," says Jardine.

Future Growth

Constant Capital plans to continue investing in developing markets in order to maximise the knowledge and services it can offer to clients. By unifying local expertise with international quality, Constant Capital is able to compete on a global scale and help drive the African capital markets to even further growth.

The company plans to grow its African coverage outside of South Africa and Nigeria. After Seychelles, Constant Capital is looking at Kenya as a viable market to set up shop in 2013. Jardine also notes that the company is currently doing some fixed income business in West Africa, business which it wants to develop

across other markets on the continent.

“What we plan to be is one of the premiere pan-African investment banks,” says Jardine. This goal will be achieved by continued innovation and attention to developing markets and by maintaining a high level of quality in all services provided to clients.

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