

EMERGING MARKETS & ASSET CLASSES

Navigating the New Frontiers
for Investment Growth



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Kiwauka, MD**

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Introduction



An economy that is not too rich, not too poor, and open to foreign capital. Emerging markets are poised for growth, offering new investment opportunities.



A group of investments with similar characteristics (e.g., equities, fixed income, real estate). Investors diversify portfolios by combining assets from different classes to manage risk.

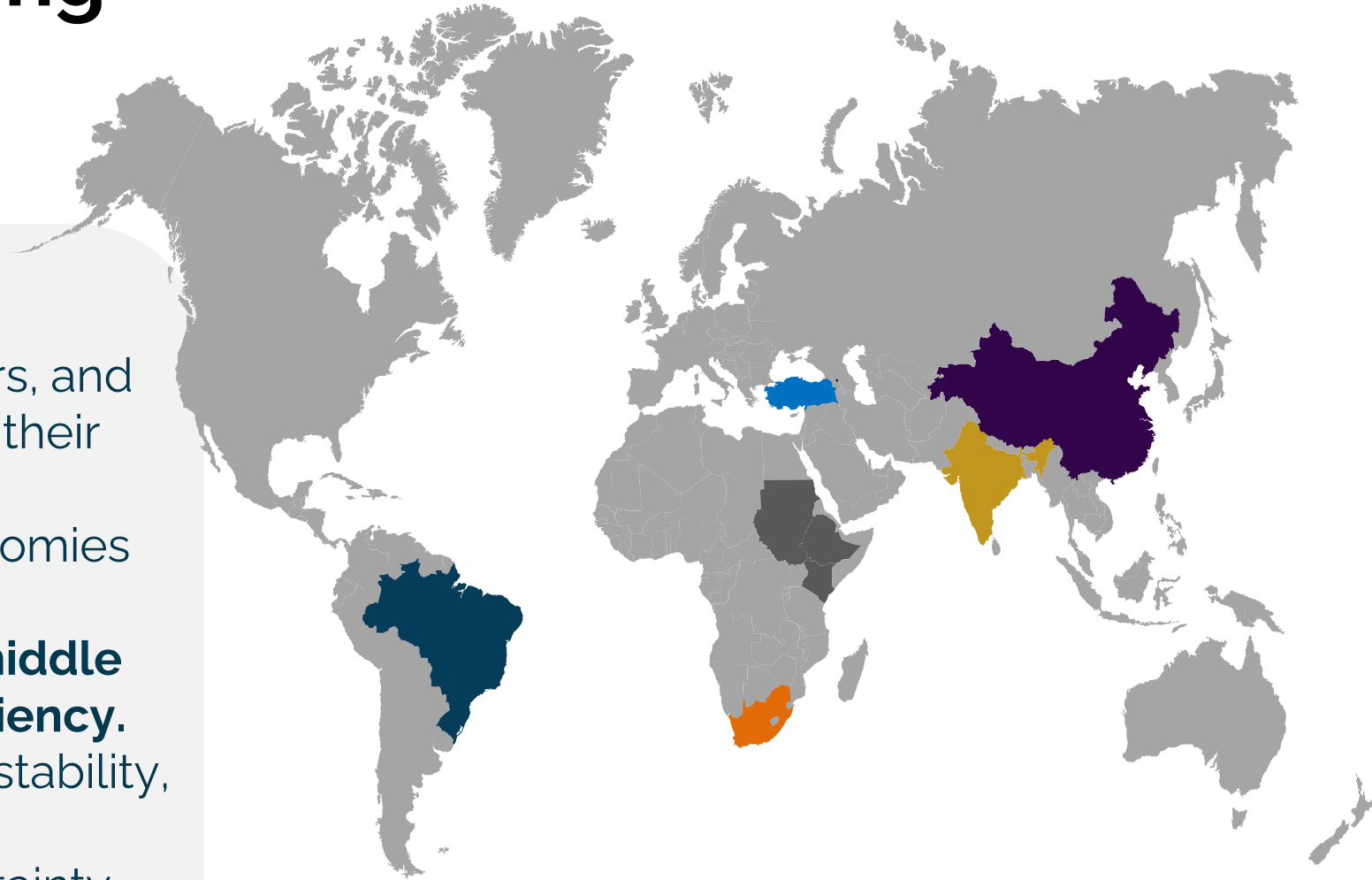
The evolving pension landscape demands a proactive investment approach.
Focus on emerging markets and various asset classes is crucial for sustainable growth.

Examples of Emerging Economies

They **offer opportunities** and challenges for businesses, investors, and policymakers who seek to tap into their potential.

Factors that define emerging economies are **high economic growth, rising disposable incomes, increasing middle class, and improving market efficiency.**

They face risks such as political instability, social inequality, environmental degradation, and regulatory uncertainty.



Examples of Asset Classes



Asset class **diversification** is important in investing because it helps to **spread risk** and **reduce exposure** to any one particular asset class. By investing in a variety of asset classes, investors can minimize the impact of market fluctuations on their portfolio.



Diversification Investment

“Key to achieving a
harmonious balance between
growth and stability”
– Balanced Portfolio

Why is it Important...



Risk Reduction: Spread investments across asset classes and regions.



Increased Positive Returns: Greater chance of positive outcomes by diversifying.



Protection Against Volatility: A balanced portfolio mitigates market fluctuations.



Opportunities for Growth: Invest in multiple sectors to capitalize on emerging trends.





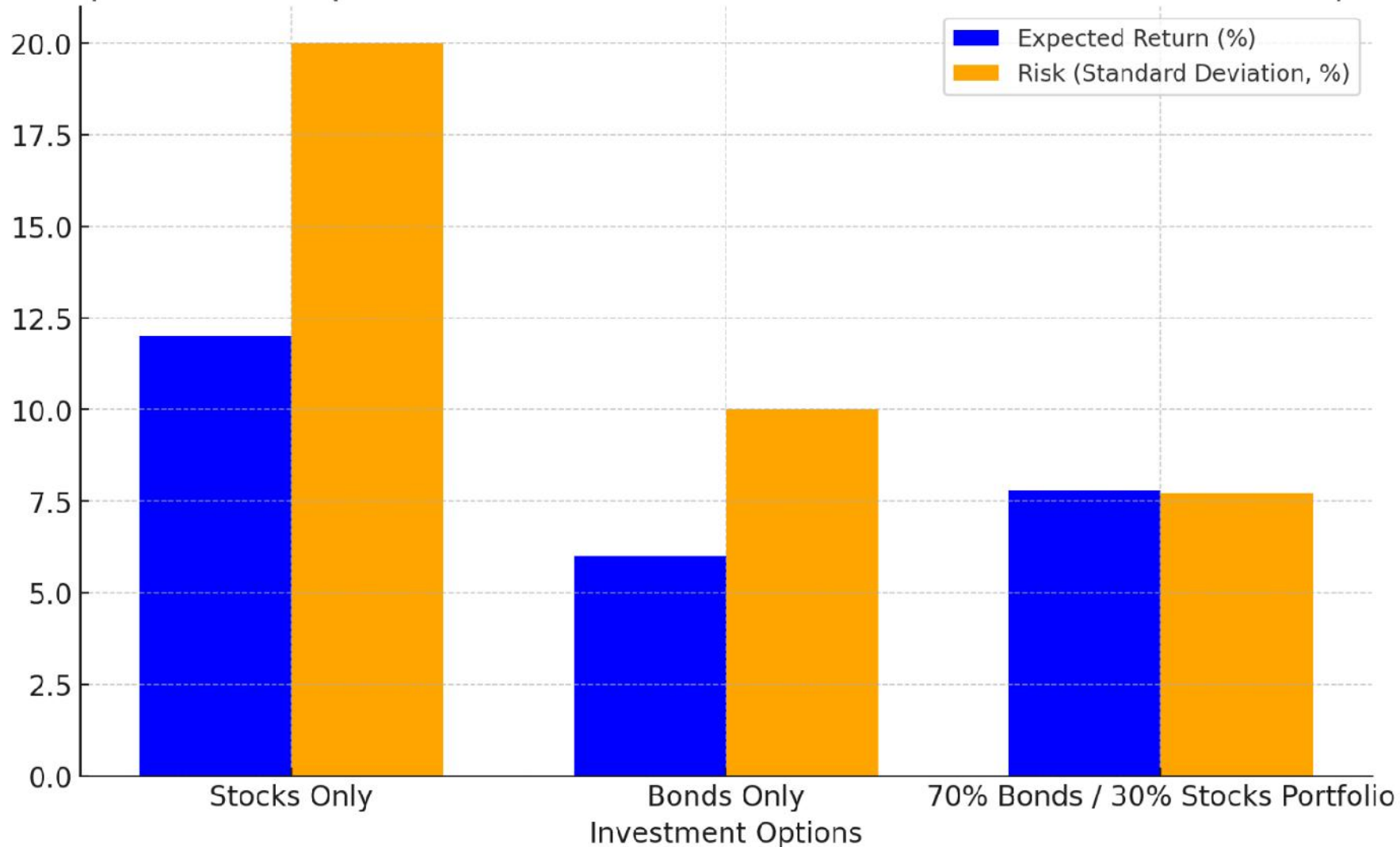
To Illustrate...

Assume stocks have a 12% return and a 20% risk (standard deviation), while bonds have a 6% return and a 10% risk (standard deviation), with a correlation of -3. If you have a lower risk tolerance, you might prefer to play it safe while still aiming for higher returns. In this case, you would invest predominantly in the less risky asset, which is bonds. For example, if you allocate 70% to bonds and 30% to stocks, your expected return on this portfolio would be 7.8% with a risk of 7.73%. This means you would earn a higher return compared to investing solely in bonds (from 6% to 7.8%), while also experiencing lower risk compared to investing solely in stocks (from 20% to 7.73%).



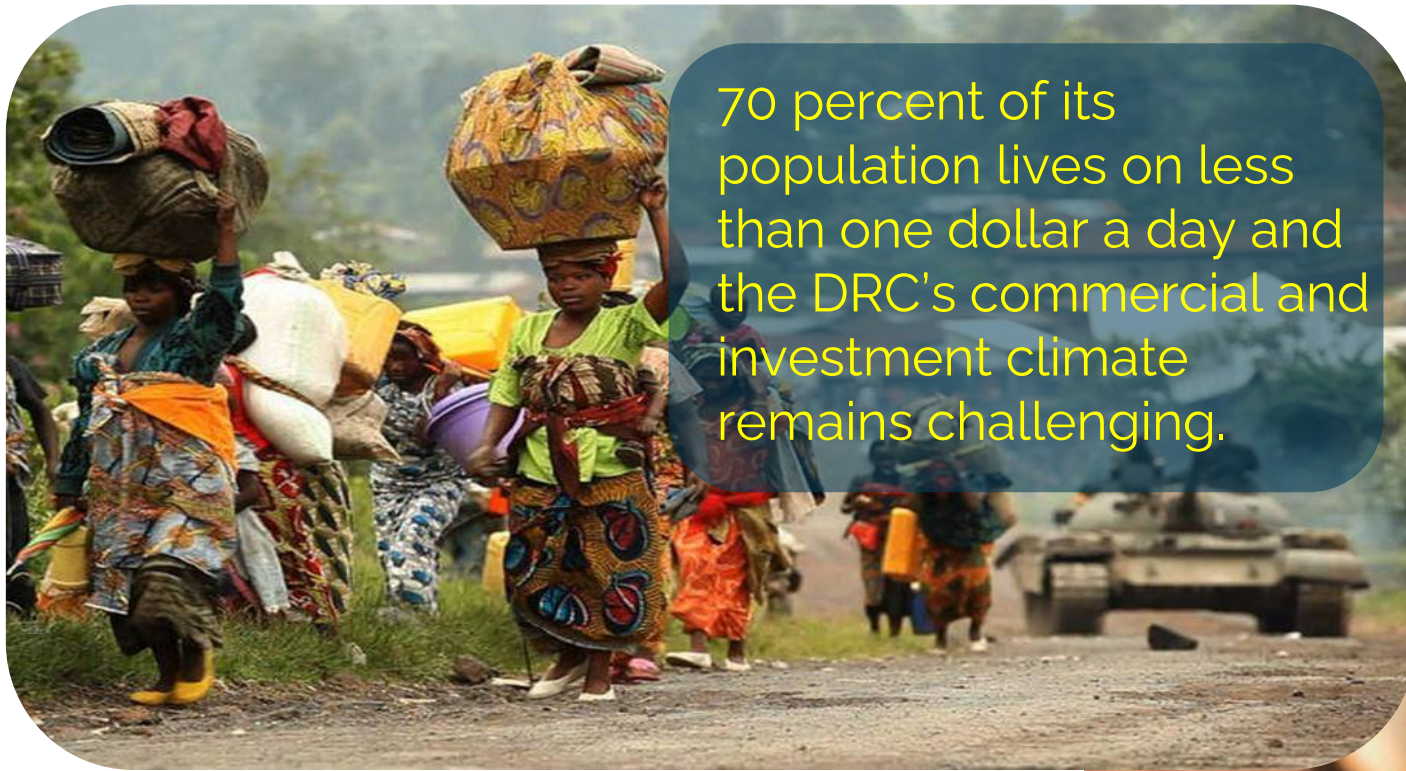
...a portfolio with 70% bonds and 30% stocks offers a balanced approach, providing a higher return than bonds alone with significantly lower risk compared to stocks.

Comparison of Expected Return and Risk Across Different Investment Options





Case Studies & Statistics



70 percent of its population lives on less than one dollar a day and the DRC's commercial and investment climate remains challenging.

DR Congo



“In DRC, Equity bank’s return on assets employed improved marginally by 0.8 percentage points to 15.7 percent in 2022 from 14.9 percent in 2021, while in Tanzania this increased to 7.2 percent from 1.6 percent.” East African

<https://www.theeastafrican.co.ke/tea/business/equity-group-raises-stake-in-drc-subsiary-4200416>
Democratic Republic of the Congo - Market Overview (trade.gov)



Economic growth in the DRC is driven mostly by extractive industries, followed by manufacturing, public works, and agriculture, though a substantial portion (88%) of the DRC's economic activities are dominated by the informal sector.



The World Bank in Ethiopia

The World Bank is following a people-centric approach, security, and addressing the needs of vulnerable populations as a development focus.

[Ethiopia Home](#)
[Overview](#)

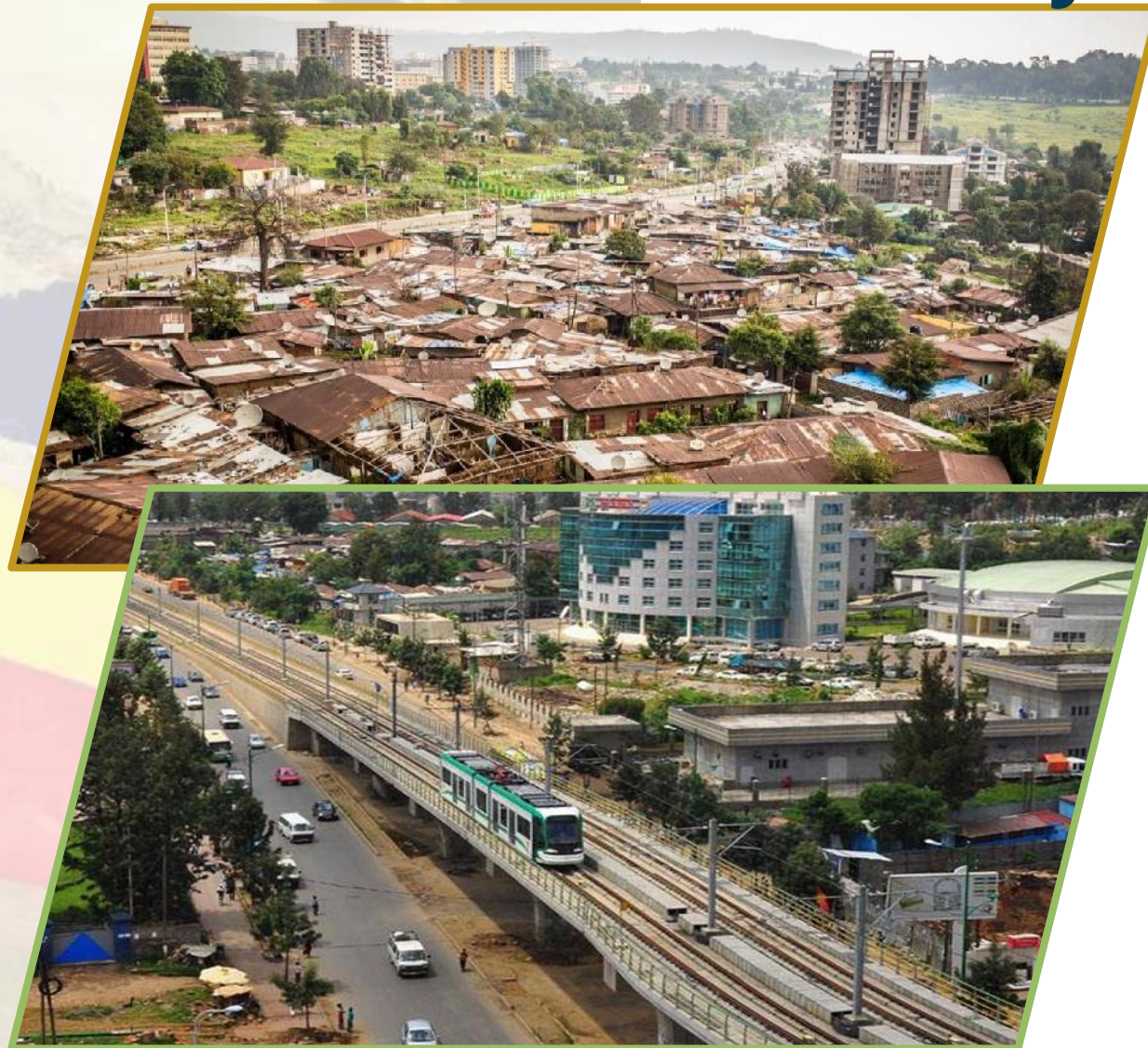
With about 126.5 million people (2023), Ethiopia is the second most populous nation in Africa after Nigeria, and one of the fastest-growing economies in the region, with an estimated 7.2% growth in FY2022/23. However, it also remains one of the poorest, with a per capita gross national income of \$1,020. Ethiopia aims to reach lower-middle-income status by 2025.

Ethiopia's strong growth rate builds on a longer-term record of growth over the past 15 years where the country's economy grew at an average of nearly 10% per year, one of the highest rates in the world. Among other factors, growth was led by capital accumulation, in particular through public infrastructure investments. Ethiopia's real gross domestic product (GDP) growth slowed down from FY2019/20 to FY2021/22 due to multiple shocks including COVID-19, with growth in industry and services easing to single digits. However, agriculture, where over 70% of the population is employed, was not significantly affected by the COVID-19 pandemic, and its contribution to growth slightly improved compared to previous years.

[Ethiopia Overview: Development news, research, data | World Bank](#)

[Ethiopia Economic Outlook | African Development Bank Group \(afdb.org\)](#)

Ethiopia's Growing Economy





“...you can never be quite clear what it is the Ethiopian government is doing,” he said. “It’s liberalising one minute and then the next minute it’s taking everything back.”

**– Russell Southwood, CEO
Balancing Act Telecoms Consultancy**

Safaricom's Ethiopia struggle deters potential telecoms investors

By Aaron Ross and Dawit Endeshaw

December 21, 2023 6:55 PM GMT+3 · Updated 8 months ago



“The performance in Ethiopia dragged Safaricom Group's EBIT operating profit down 5.5% to KSH 80.2bn. Excluding Ethiopia, EBIT at Safaricom's Kenya operation was up 20.4% to KSH 140bn for the full year.” 10 May 2024

<https://www.telcotitans.com/vodafonewatch/safaricom-dials-down-ethiopia-spending-plan-as-loss-drags-group-profits/8066.article#:~:text=The%20performance%20in%20Ethiopia%20dragged,140bn%20for%20the%20full%20year>

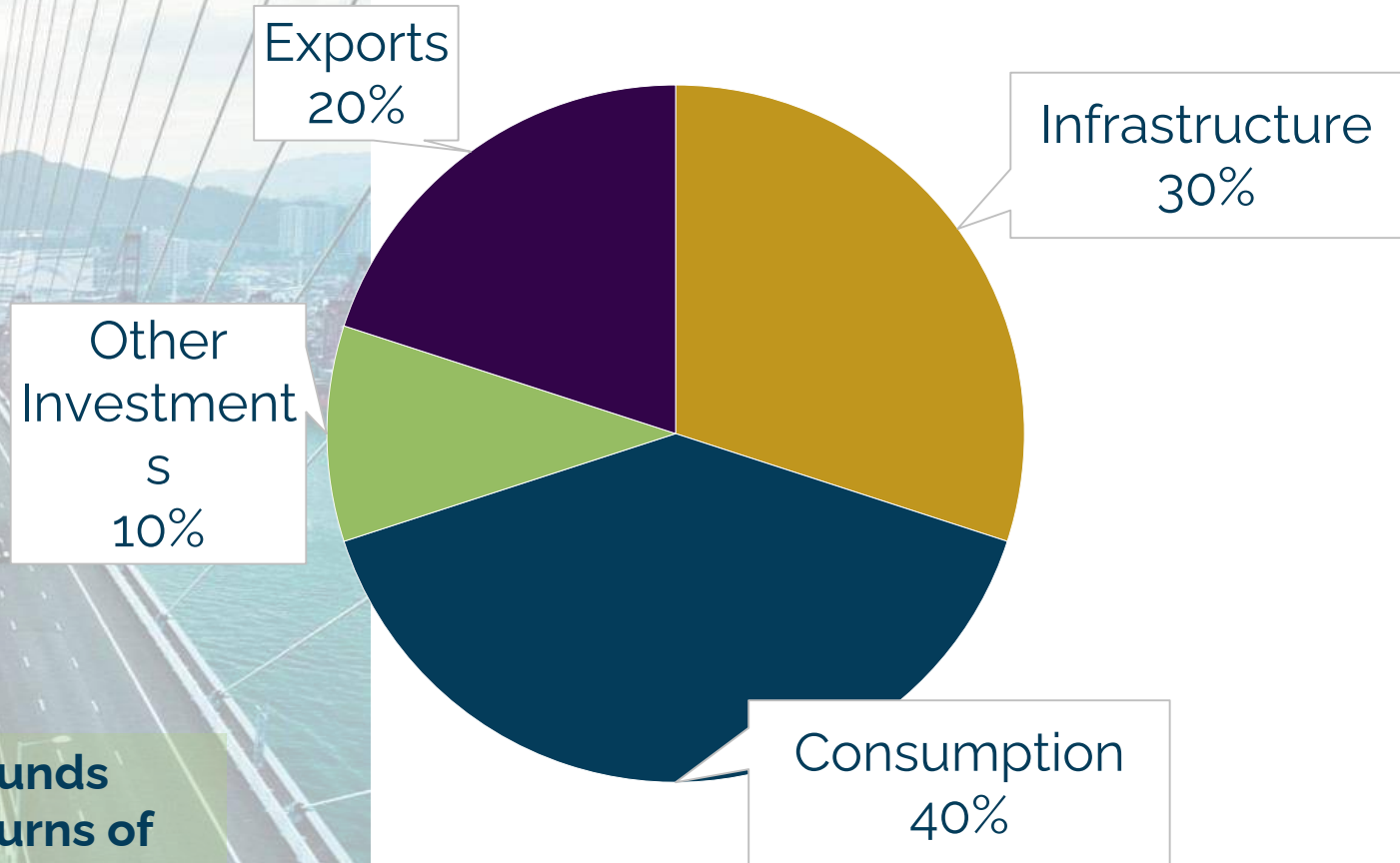
Safaricom's Ethiopia struggle deters potential telecoms investors | Reuters

The development of high-speed rail, urban infrastructure, and energy projects has spurred economic growth and provided substantial returns for investors.

China's Infrastructure Investment

Investors who participated in infrastructure funds tied to China's growth have seen average returns of **12% annually** over the past decade.

Contribution to China's GDP Growth (2023)

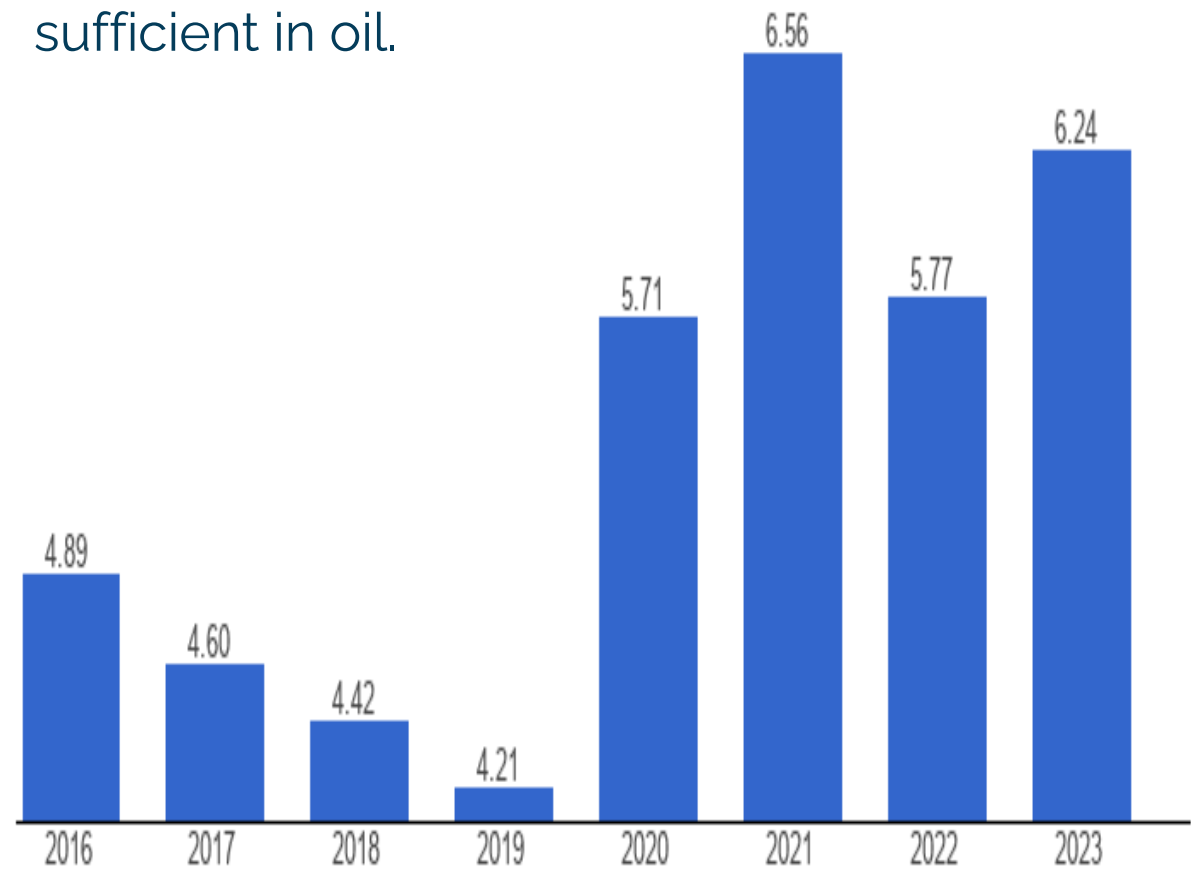




Brazil's Agricultural Industry

Investments in this sector have yielded an average annual return of approximately 8-12%, in 2022, during this period, though specific figures can vary based on the type of investment, the crops involved, and other external economic factors

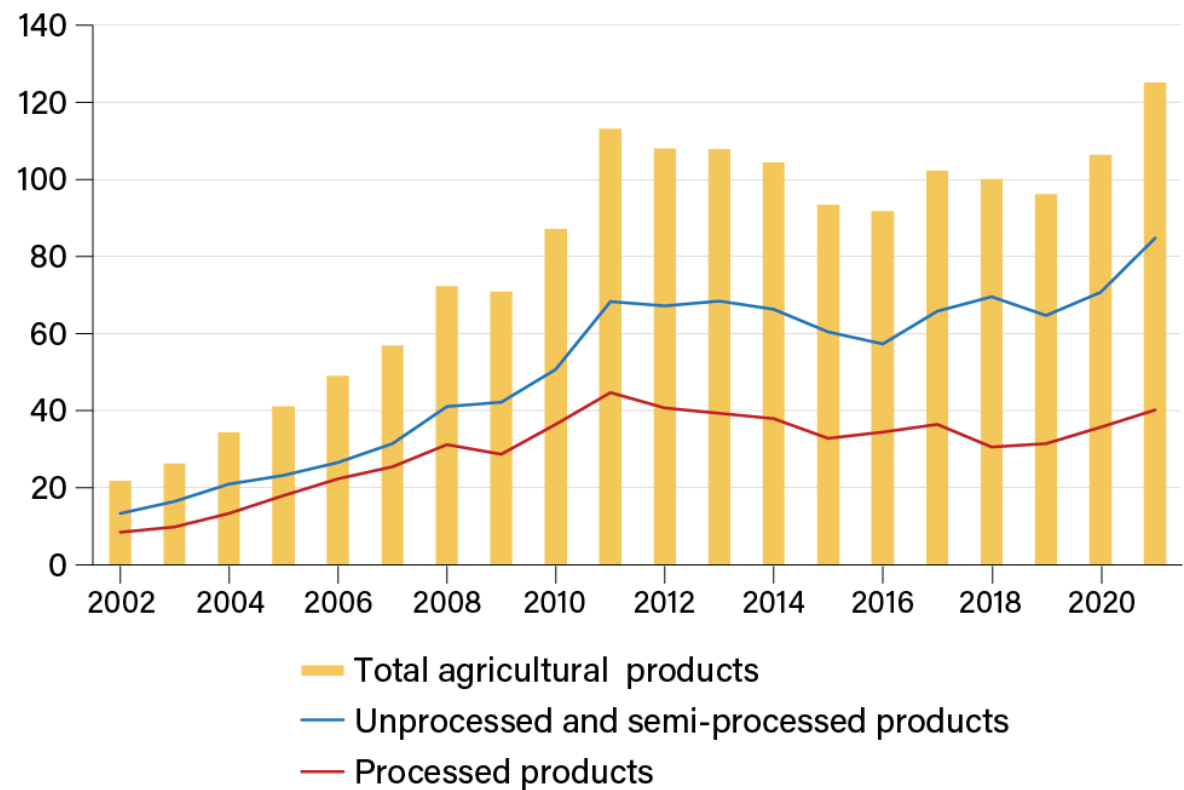
Brazil's agricultural industry is significant as commodities are Brazil's biggest exports. Brazil is the world's leading producer of soyabeans, coffee, cocoa and sugar, and is even one of the few countries that is self-sufficient in oil.



Brazil GDP share of agriculture - data, chart | TheGlobalEconomy.com

Brazil's value of agricultural exports has expanded around 10 percent annually since 2002

Exports (billions of U.S. dollars)



Source: USDA, Economic Research Service using data from U.S. Department of Commerce, Bureau of the Census.

Medical Tourism In India




India



The services sector is the largest sector of India. Gross Value Added (GVA) at current prices show the services accounts for 54.86%, the Industry sector contributes 27.55% and while Agriculture and allied sector share 17.59%. of total India's GVA", April 2024

<https://mospi.gov.in/data>

India Equity Market



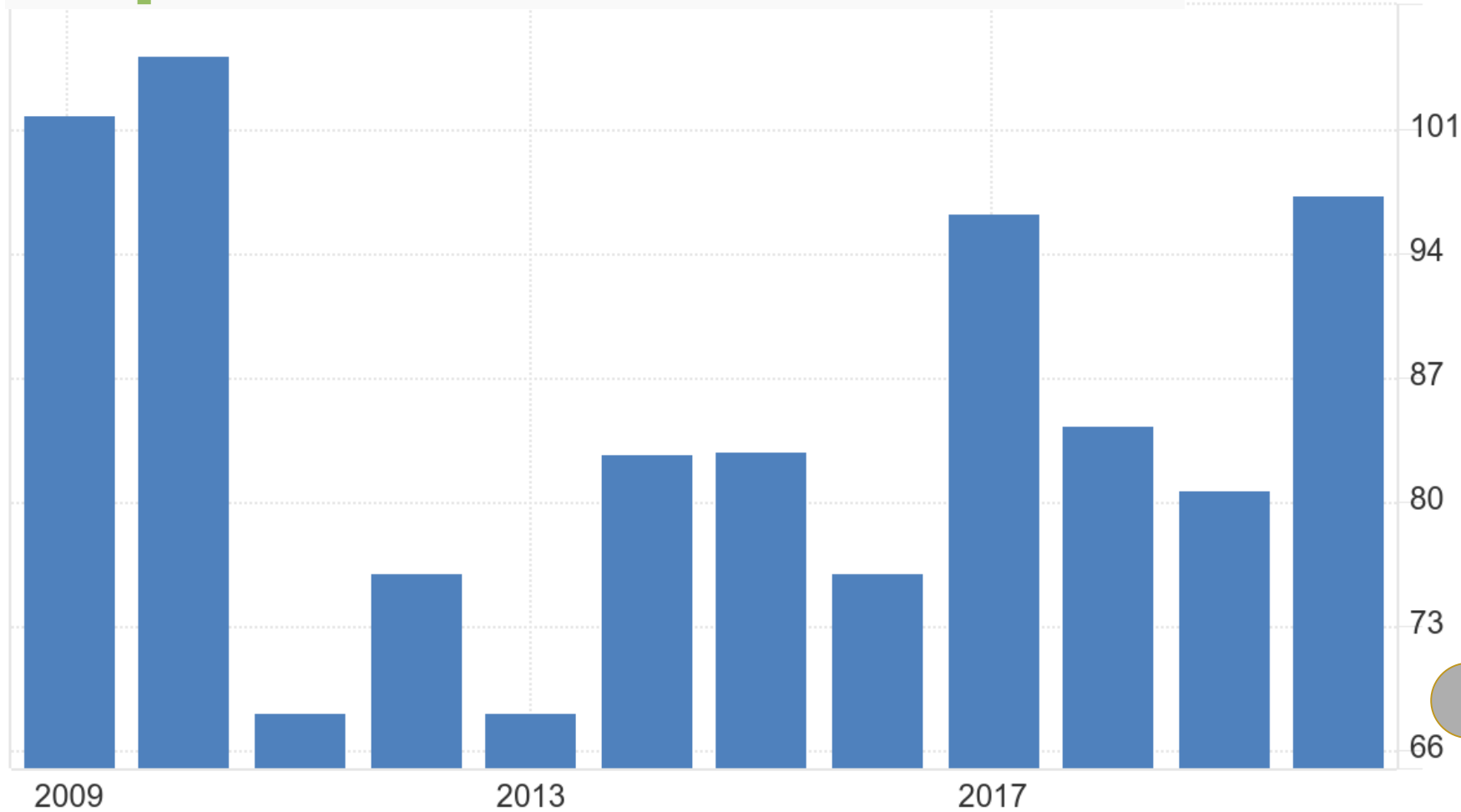
**BSE Sensex grows
at 14% annually
(2010-2023).**

Outcome:
Higher returns for
pension funds
invested in equities.

RANK	COMPANY	SECTOR	MARKET CAP (IN INR, LAKH CRORE)
1	Reliance Industries	Oil Exploration and Production	19.29
2	Tata Consultancy Services (TCS)	Information Technology	14.38
3	HDFC Bank	Banking	11.01
4	ICICI Bank	Banking	7.61
5	Bharti Airtel	Telecommunications	6.94
6	Infosys	Information Technology	6.47
7	State Bank of India (SBI)	Banking	6.44
8	LIC India	Insurance	5.55
9	Hindustan Unilever (HUL)	FMCG	5.32
10	ITC	FMCG	5.11

Top 10 Indian companies by market value in 2024 | Business Insider India

India's Stock Market Capitalization to GDP (%)



India's equity market has become one of the most attractive investment destinations due to economic reforms, a young population, and a burgeoning middle class.

<https://tradingeconomics.com/india/stock-market-capitalization-to-gdp-percent-wb-data.html>

Source: tradingeconomics.com | World Bank

Kenya's Real Estate Market

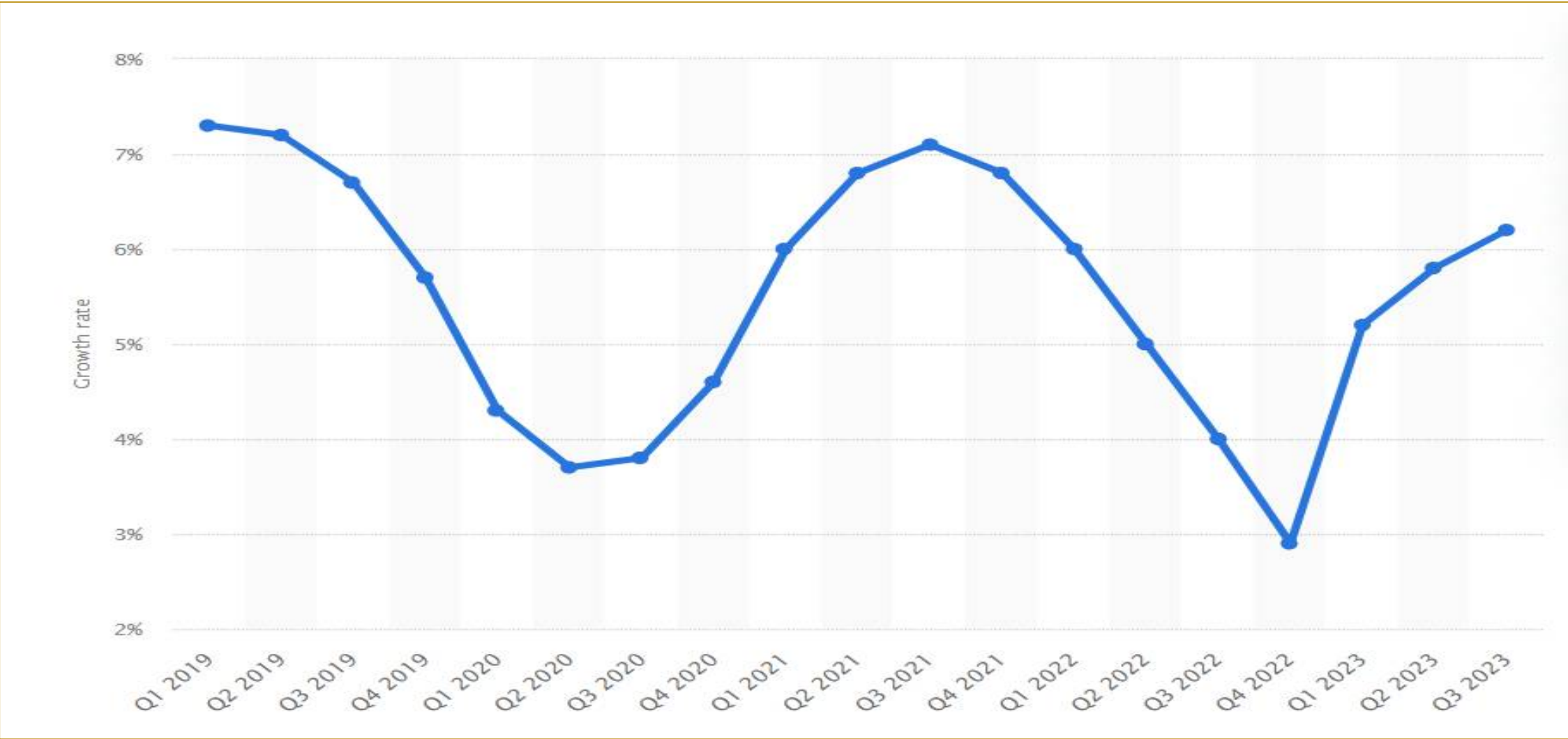
Over the last five years, the real estate sector in Kenya has grown by an average of 8% annually. Pension funds investing in real estate have seen an average return of 10% per annum, outperforming traditional asset classes like government bonds.



Millennials, Gen Zs storm real estate market to gain 'now' and later
(the-star.co.ke)

Kenya's Real Estate Market Report 2022 – Saif Real Estate
(saifproperties.com)

The Gross Domestic Product (GDP) growth rate of Kenya's real estate sector grew by 6.2 percent in the third quarter of 2023. This represented a slight increase in the growth rate compared to the corresponding quarter in 2022, which grew by 4 percent.



PE, venture capital firms lead East Africa deals in 2023

MONDAY, JANUARY 01, 2024 - 3 min read



“Private equity (PE) and venture capital (VC) firms led the investment landscape in East Africa during 2023, focusing on sectors like financial services, technology, and renewable energy. The region saw significant deal activity, with PE and VC firms closing more transactions than any other type of investor. The growing interest is driven by East Africa's strong economic fundamentals and a young, tech-savvy population. The trend is expected to continue, with investors seeking opportunities in emerging sectors to capitalize on the region's growth potential.”

Renewable Energy Investments in East Africa

East Africa, including Kenya, has significant potential in renewable energy, particularly in geothermal and wind energy. Investments in these sectors not only offer financial returns but also align with sustainable investment principles.

Kenya's geothermal energy sector has attracted over \$1 billion in investments since 2015. Pension funds investing in this asset class have realized returns exceeding 15% annually, demonstrating the viability of alternative investments in emerging markets.

[How Kenya is helping its neighbors develop geothermal energy](https://www.sciencenews.org/article/how-kenya-is-helping-its-neighbors-develop-geothermal-energy)
([sciencenews.org](https://www.sciencenews.org))

For

Polymymakers & Trustees

Trustees

- Governance and Oversight
- Fiduciary Duty
- Strategic Planning
- Accountability

Polymymakers

- Legislation and Regulation
- Public Welfare
- Economic Stability



Navigating the Risks & Opportunities



Currency
Volatility



Political
Instability



Regulatory
Challenges

Opportunities

Risks



Diversification



Local Partnerships



Long-term
Perspective



Apple Inc. Navigating Emerging Markets

Adapting to Local Needs

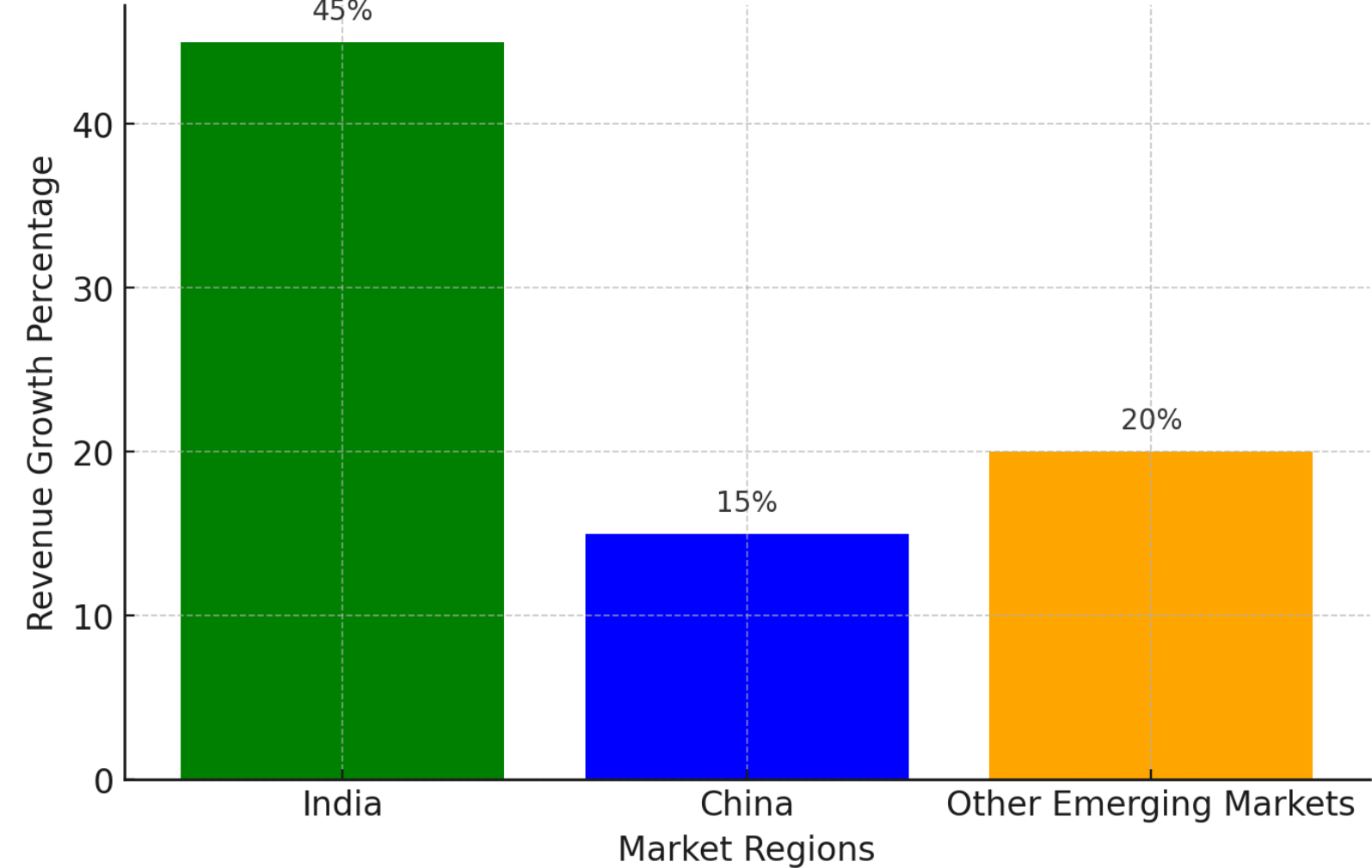
Customizing products and services to align with local consumer preferences. Offering localized content, language options, and regional partnerships. Launching budget-friendly models like the iPhone SE to attract price-sensitive customers. Investment in Local Manufacturing:

Investment in Local Manufacturing

Building manufacturing facilities to reduce costs and increase supply chain efficiency. Collaborating with local suppliers to comply with government regulations (e.g., Make in India initiative). Employment generation and skill development in emerging markets.

Apple's Revenue Growth in India and China

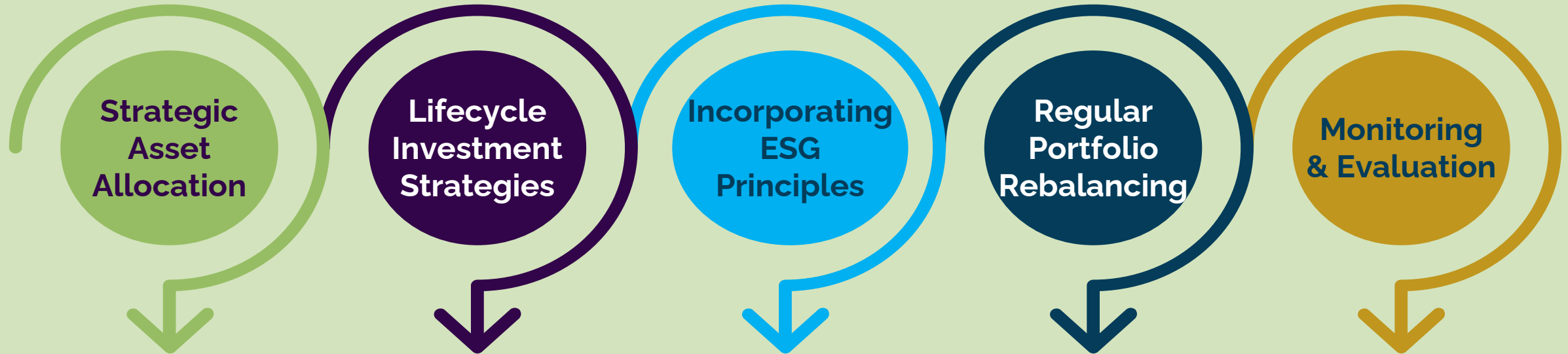
Apple's Revenue Growth in Key Emerging Markets (2021 vs. 2022)



[Apple sales revenue by country/region 2024](#) | Statista

Conclusion & Key Takeaways

Emerging markets and diverse asset classes offer unparalleled growth opportunities



Diversification helps in managing risk and achieving stable returns over the long term.

Younger members might have a higher allocation to equities for growth, while older members might shift towards bonds for stability.

ESG-focused investments can lead to sustainable long-term growth and align with the values of the pension fund members.

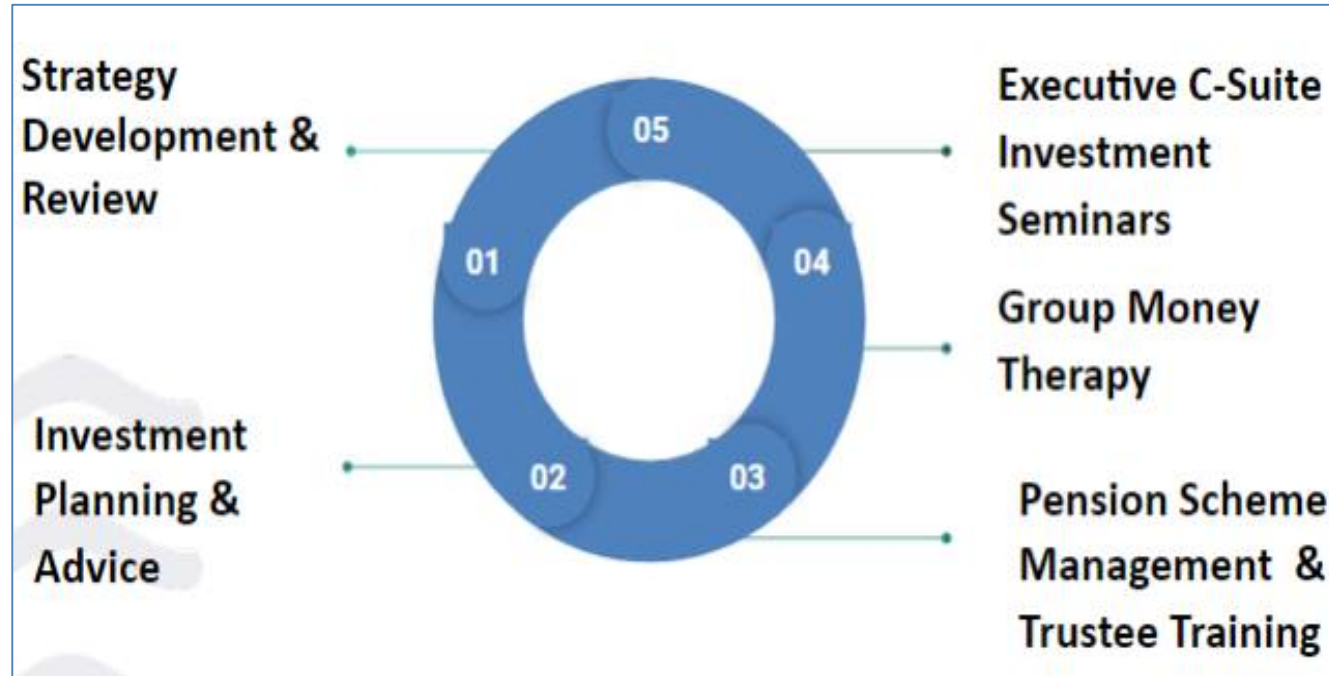
Adjusting the portfolio to maintain the desired asset allocation helps in managing risk and taking advantage of market opportunities.

Continuous monitoring of the investment performance and making adjustments based on market conditions and fund objectives is essential for long-term success.

Revenu Stream Ltd...our story

- **Founded** in October 2017
- Revenu Stream specializes in **pension and investment** consultancy that combines the **disciplines of investment management and psychology**.
- We tailor our services and allow clients to execute, monitor and evaluate their strategies in a **practical manner**.
- Team that is entrepreneurial, multi-background and flexible
- Clients include: Safaricom, Absa, CMA, RBA, Telposta, KCCA, UoN, etc.

FOR CORPORATES AND PENSION SCHEMES



Personal Client list include:

- Individuals: bankers, lawyers, business people, executives, house wives, couples, chamas
...**most of us have money concerns** 😊

Q&A



Thank You.

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www.revenustream.com

