



# **INVESTMENT MANAGEMENT INCUBATION PROGRAM**

## **A TRANSFORMATIVE CATALYST FOR AN EMERGING MARKET**

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**BY** : Mr. LEEVI JORDAN TSHOOPARA  
**MANAGER** : LISTED INVESTMENTS

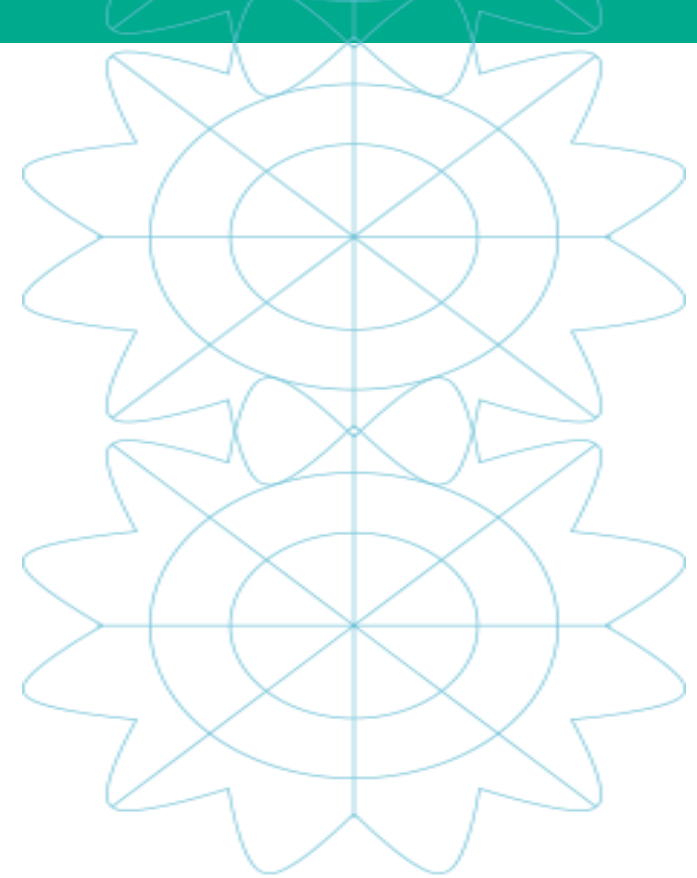


**GIPF**

*To guard, and to grow.*

# Discussion Points

1. WHY?
2. WHAT?
3. HOW?
4. PROGRESS?
5. FUTURE?





# Relevant, Resilient and Resourced “R3”

- The above mantra is ideal for the topic at hand.
- Linkage to my topic is through the element of “**Relevant**” and “**Resourced**”.
- As the largest asset owner with close to N\$160 billion of pension fund assets, we consider ourselves **Relevant** and for that we must ensure **that we become the thought leaders in innovation within our space.**
- As the largest asset owner, we must ensure that we have sufficient **Resources** to create a **conducive environment for the financial services industry’s eco-system** which includes Banks, Custodian, Investment Managers, Stockbrokers, Investment and the domestic Stock Exchange.
- The Investment Management Incubation Program meets our objective **of ensuring there is a deliberate effort from our end to be “Relevant” and “Resourced” by ensuring that opportunities are created for deserving Previously Disadvantage Namibians “PDN” to become beneficial owners of businesses in the financial services eco-system.**

# WHY

- **The history of GIPF revolves around a change in the political regime from 1989 to the final taking on of the administrative functions in the late 90's.** This led to the formation of the GIPF and its move towards formalizing the administration of all functions from Namibia as opposed to from South Africa.
- **The GIPF was a Transformation Catalyst in the sense that most of the key financial services were as a result of the formalization of the GIPF.** These included Investment Managers, Stockbrokers, the Stock Exchange, Custodians, etc.
- Namibia as an Emerging Market player has a role to play in inculcating global best practices in all the activities we partake, including being an asset owner.
- We as **Namibia are blessed with a functional financial services eco-system** that has all structures in place, both from a legislative perspective to the trade execution level.
- We however still have a **skills and ownership disparity between certain race groups** in our industry that requires redressing and improvement.



# WHAT?

- **Incubation is the nurturing until maturity.**
- **The Investment Management Incubation Program is not a unique concept**, in fact South Africa has many derivatives of such initiated by either ESKOM Pension and Provident Fund, the Public Investment Corporation and Sentinal Pension Fund.
- **GIPF is however the front-runner of such program in Namibia** and this is mainly driven by our need to be a steward and champion of the industry.
- **GIPF looked at this concept and formulated a Concept Note to address what we want to achieve in our domain.**
- **Our overall objective is to foster an environment where skills are rewarded and not inhibited.**
- Through our incubation program we are **promoting inclusivity and ensuring that Namibians are given an opportunity to showcase these skills** in an otherwise very competitive environment where opportunities are given to those with a credible track-record.

# WHAT NOW?

- GIPF commenced with the planning of the concept through a formal engagement process between with our Board of Trustees back in 2017 and 2018.
- The brief to us was, **to set up a Concept Note that addressed the possible Financial and Non-Financial Support that GIPF as the asset owner can provide to an Incubation Program targeting PDNs with the correct skills and expertise to operate as an Investment Manager.**
- Concept Note formed the genesis of the program and from there we were able to formulate the Terms of Reference for the Request for Proposal.
- Key caveats covered in the Concept Note included:
  - **Funding allocation for the Program**
  - **Funding per Investment Manager**
  - **Fee**
  - **Tracking Error**
  - **Mandate Specifications (eg. SA Listed Equity Mandate)**
  - **Graduation Criteria upon fulfilment of the tenure.**

# HOW

- To address our vision we commenced in 2018 with the Request for Proposal for Investment Management Incubation. The idea was to identify those individuals that showed interest in setting up companies in the industry.
- Some individuals were highly paid and experienced executives in their field already and therefore to entice them to leave their jobs and become both employee and employer was challenge to overcome.
- The GIPF had a few non-negotiable requirements, namely:
  1. **The appointment of the entities was based on the “Key Persons” skill and experience.**
  2. **The Portfolio Management function was not to be outsourced and should be conducted by the “Key Person”.**
  3. **The “Key Person” was to hold no less than 26% shareholding in the entity.**
  4. **During the 5-year tenure of the program, that no shares are to be sold to parties outside of the entity.**
  5. **That companies be register as Investment Managers with NAMFISA and ensure that they comply to requirements as set out under that registration, such as ensuring a Compliance Officer is appointed.**
  6. **The company was to be domiciled in Namibia and operate from a office location.**

# HOW

- **Initial participants in the program were 6 (six) Investment Managers.**
- Each were allocated a **South African Listed Equity** mandate of N\$700 million (N\$4.2 billion commitment to the program at the onset)
- **Consideration of Financial (through higher management fees) and Non-Financial Support (initially GIPF registered for the constituents of the index with the JSE and supplied these to the Investment Managers).**
- To manage risk, we reduced **the tracking error to at least 3% maximum.**
- The benchmark was the **JSE/LSE SWIX Capped Index.**
- **Tenure of the Incubation Program is for 5 years**, following which if they meet the graduation requirements, they would then be eligible to manage the GIPF assets for an indefinite period at the discretion of the Fund (similar to more established managers in the listed space).
- **GIPF conducted an interim Operational Due Diligence** during 2022 as a monitoring activity in addition to the monthly investment performance reporting.
- Following that exercise, we terminated the mandate of 1 (one) investment manager due to governance breaches. We now have 5 (five) incubation investment managers on the program.
- **In total we have 11 (eleven) managers within the South African Listed Equity bucket.**



# CHALLENGES



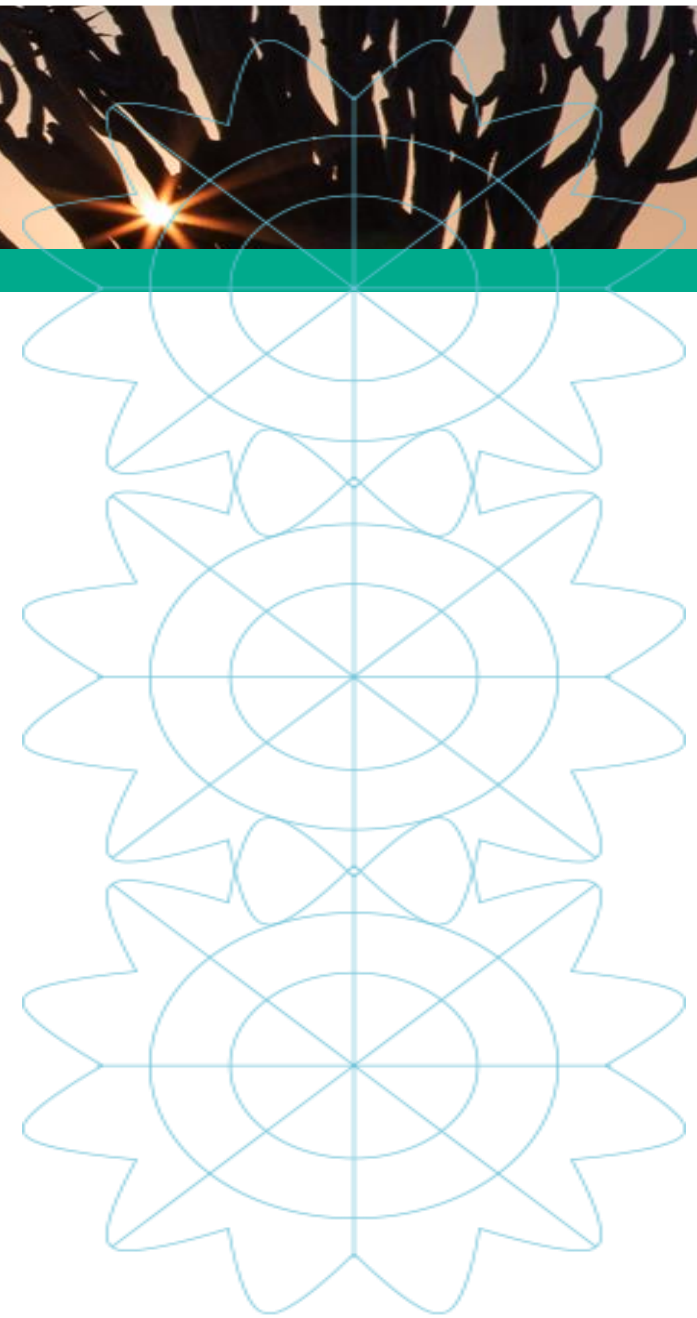
The program has experienced the following challenges:

1. **Market turmoil.**
2. **Ability to access Company Research.**
3. **Key Persons juggling between being an Investment Professional and an Entrepreneur.**
4. **Ability to attract additional and more diverse mandates and clientele.**

# PROGRESS

Overall, the program has delivered on the following metrics:

1. **Employment**
2. **Tax revenue**
3. **Domestic Skills Deployment**
4. **Investment Returns**
5. **Gaining market recognition.**



# FUTURE

- **Considering the progress and success we have had with the program to date, the GIPF is considering expanding the program to other asset classes.**
- **The goal is not to disrupt the industry but to rather widen the opportunities for skilled Namibians.**
- **Although there may be critics to this program, we believe the long-term benefits for the country far outweigh the negatives and our objectives also talk directly to the R's as referred to at the onset of this presentation, namely "Relevant" and "Resourced".**





**GIPF**

Government Institutions  
Pension Fund

*To guard, and to grow.*

