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Pension Funds & Alternative Investments Africa

BILAL ADAM, Chief Executive Officer, Stewards Investment Capital

"There is a need for a careful and balanced approach in ESG compliance"

The Pension Funds and Alternative Investments Africa Conference stands as a pivotal gathering, bringing together major investors from across the African continent, particularly pension institutions. For Bilal Adam, Chief Executive Officer of Stewards Investment Capital, this event serves as a nexus for diverse thought leaders with the common objective of sharing information and exploring new investment opportunities. Its significance lies in the potential for investors to diversify their portfolios, stay abreast of the latest trends, and ultimately offer optimal returns. In this interview, Bilal Adam focuses on the recurrent emphasis on private credit, challenges related to currency risk, and an exploration of blockchain and cryptocurrency. He also speaks about pressing issues such as climate change and inflation, highlighting the need for a careful and balanced approach to ESG compliance to avoid disadvantaging smaller businesses.

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What is, from your perspective, the pertinence and importance of the Pension Funds and Alternative Investments Africa Conference?

This conference has been spectacular. What has been amazing about it is that you have big investors from all over Africa, who represent the pension institutions, coming to Mauritius. Then you have got thought leaders from Monaco, the United States, South Africa, and Europe coming here with the objective of sharing information and finding new investment opportunities. All these help investors to diversify their portfolios, get onto the latest trends and offer the best returns to the investors at the end of the day.

Is it your first participation in PIAFRICA?

I have been honoured with invitations to PIAFRICA on multiple occasions in the past. My engagement with this event dates back to my tenure as the CEO of AfrAsia, and subsequently, as the investment manager of Investec, among other roles. Over the years, I have consistently supported and participated in this remarkable gathering. Having witnessed the event's excellence firsthand, my confidence in its significance led our team to proudly sponsor it this year. We are fully committed to its growth and success, and I am delighted to announce our continued sponsorship for the upcoming year. PIAFRICA holds immense value as a platform for fostering investment knowledge, and we believe in its potential to position Mauritius as a hub for expertise in the field. Our enthusiastic participation allows us to bring the majority of our team to this event, a unique advantage that amplifies the wealth of information available locally. We encourage our Mauritian peers to seize this opportunity at their doorstep, ensuring the continued success and expansion of this fantastic initiative.

Having been to multiple editions of the conference over the years, how do you assess its progress?

The growth of PIAFRICA has been remarkable, and is marked by a discernible enhancement in the quality of attendants. We've witnessed a notable improvement in the diversity of skills brought to the table, with representatives from leading pension funds across Africa, sovereign wealth funds, power utilities, metalworkers, nurses, and unions. The array of concerns expressed by participants reflects a rich tapestry of perspectives, and the varied investment strategies discussed contribute to the event's dynamic nature. It's fascinating to note that despite residing in different countries, the shared challenges we face become apparent when engaged in collective discussions. PIAFRICA provides a unique platform where we can learn from one another, realizing that many of our risks are common. This collaborative environment fosters the exchange of insights and solutions, allowing us to draw on the experiences of others who may have successfully navigated similar challenges in their respective countries or industries.

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What are the key takeaways from this edition of the conference?

The key insights I've gleaned from this event are particularly noteworthy. Firstly, there was a recurrent emphasis on private credit, a trend in which our business has actively participated. We've invested in a US-listed private credit entity named Favyo, and have our own remarkable private credit offering. It was intriguing to observe the prominence of private credit in various discussions, including a dedicated session. This trend, already well-established in the US, appears poised for increased adoption in Africa.

Another crucial takeaway pertains to the challenges surrounding currency risk. Many pension funds we engage with are grappling with issues related to accessing US dollars for offshore investments and managing portfolio reporting when the dollar holdings surpass the local currency, presenting intricacies in currency management. The nuanced aspects of managing currency risk in local currencies also surfaced as a key consideration in the discussions.

Lastly, the event touched upon the realm of blockchain and cryptocurrency during its final session. It was noteworthy to witness engagement and interest in this space. In the United States, the presence of nine SEC-regulated ETFs - with BlackRock, a major sponsor of this event, launching a Bitcoin ETF that garnered over a billion dollars in its initial four days - showcases substantial institutional and retail demand. The hope is that by introducing and discussing these concepts in forums like ours, we can gradually sensitize and familiarize African pension investors with blockchain and cryptocurrency technologies. This lays the groundwork for potential investments in these areas in the coming years.

Issues like climate change and inflation were also part of the debate. How do you view the arguments which were brought up during these two days?

The undeniable reality of climate change is a shared concern, and the increasing focus on ESG (Environmental, Social, and Governance) compliance regulations is a positive step toward fostering responsible business practices. These regulations compel businesses to be more mindful of their operations and their impact on the environment. However, a noteworthy concern arises when the compliance requirements become excessively challenging. The risk lies in the potential exclusion of smaller businesses that may struggle to meet these stringent demands. This scenario could result in a disproportionate advantage for larger companies equipped with the financial resources and organizational structures to navigate complex ESG compliance. The fear is that smaller enterprises might find it increasingly difficult to adhere to these regulations, consequently limiting their access to funding and liquidity. Therefore, there is a need for a careful and balanced approach that ensures the positive impact of ESG compliance without unduly disadvantaging smaller businesses in the process.