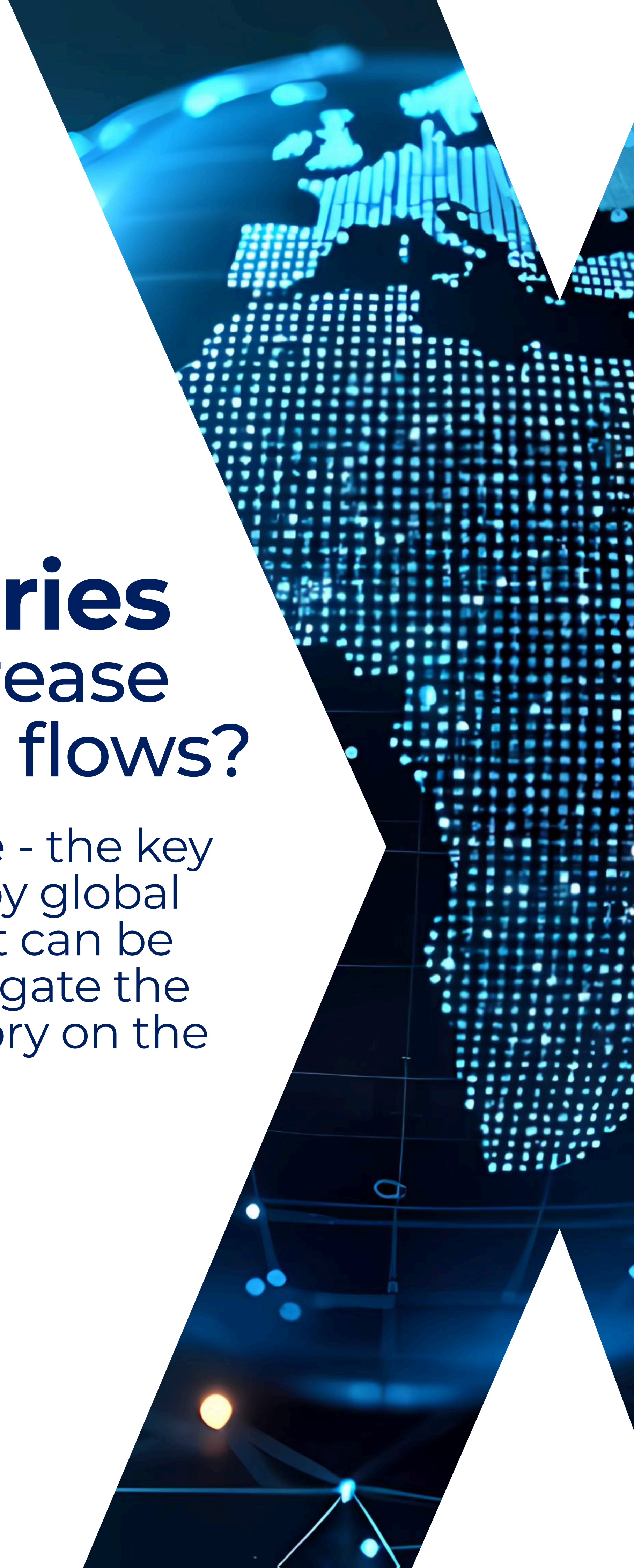
the ValueExchange

World to Africa Series
How to increase investment flows?

From the front line - the key challenges faced by global investors and what can be done to safely navigate the region. The real story on the ground.



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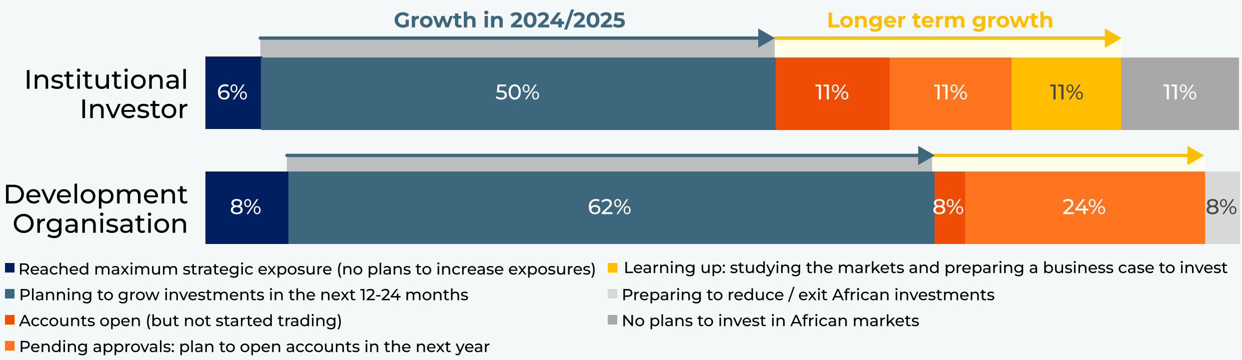
Introduction

"If a developed market is a straight road, Africa is a winding road with turns and potholes. The difference is in the destination. The straight road leads to a moderate pot of gold, but the winding road, if you can navigate it correctly, leads to a mountain of gold. The "potholes" and "turns" are the new challenges that emerge every year, each one creating a new manoeuvre for the clever investor."

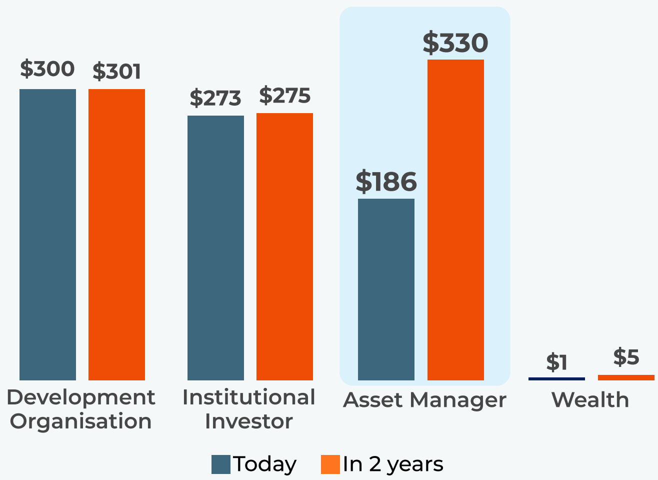
Sola Adegbesan, Head of Global Markets, Standard Bank

Our research from the end of last year revealed a compelling story: **50% of global investors are looking to grow their African investments,** particularly in the mid-tier asset management sector. We are talking about the potential for hundreds of millions, even billions, of dollars to flow into the continent. Why? Because many feel they are currently underexposed in the region and that there's a huge capacity for growth.

Africa investment status by segment (% of respondents per stage)



Current and Expected Investments into Africa
(Average AUM for all African markets, by investor total AUM)



But the question that will be on many investors' minds is **'how do we make it happen and overcome the key challenges in the African investment lifecycle'?**

In this, our second journey to Africa in 2025, we take a look at the latest trends and experiences on the ground in this exciting and compelling region joined by market experts from **Standard Bank, Sola Adegbesan,** Head of Global Markets and **Hari Chaitanya,** Head of Investor Services Product Management, alongside **Craig Stanley,** CEO, **Enco Capital** who each bring the intermediary and investor experience to life.

Listen here

In this report, which accompanies our podcast, our experts tackle the big question: **how do you truly make a success of investment into Africa?**

What's pulling 50% of investors towards African markets?

“If we could explain to people that Africa can be a profitable investment and that you can still manage the risks that come with those investments like any other part of the world, then I think my job will be done.”

Sola Adegbesan, Head of Global Markets, Standard Bank

Why Africa?

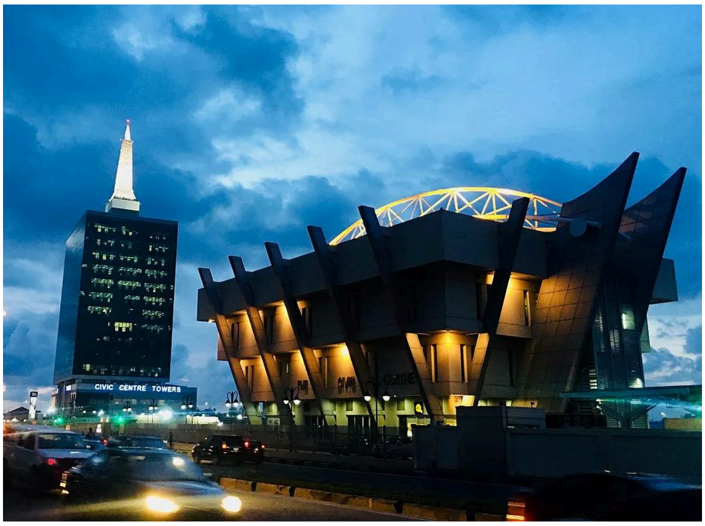
The evolution of Africa’s financial markets is helping Africa to become one of the most profitable investment destinations in the world.

Nigeria has seen an astounding transformation over the last two years. A swing of almost 800bps in Nigerian government securities since November 2024 grabs headlines, but policy developments such as mandatory electronic FX trading also plays its part. **The market is modernising** and there has been a surge in capital flows, with gross reserves jumping by billions of dollars in a matter of months adding to a renewed confidence in the market.

And Nigeria is not alone. By making simple changes, such as forcing gold sales through the central bank, **Ghana’s driven a significant currency appreciation**, bolstered foreign reserves, and has hit its IMF debt-to-GDP target years ahead of schedule. It's a turnaround so dramatic it has left **Craig Stanley** asking, **"Why didn't they do this sooner?"**

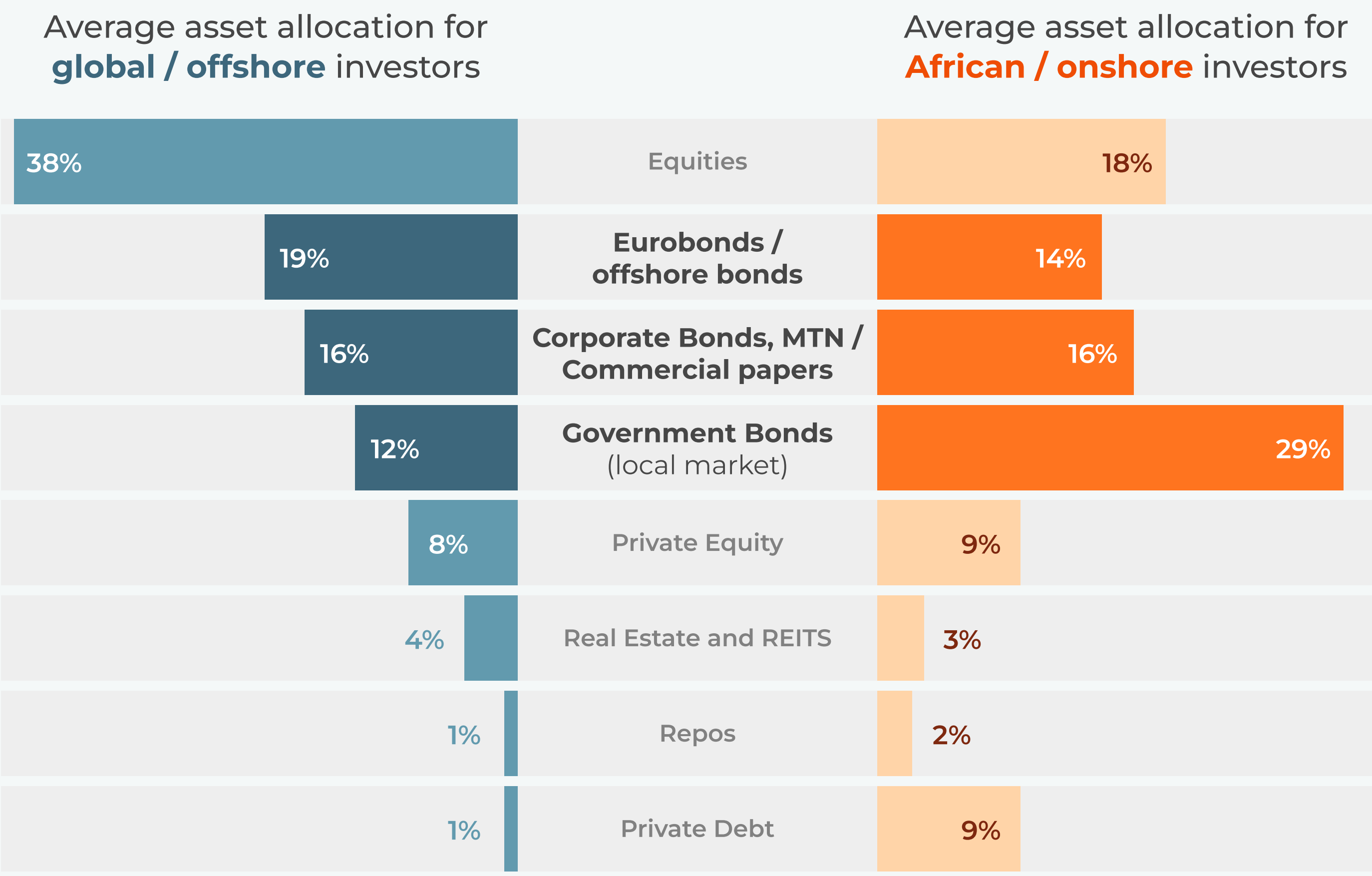
Capital is flowing back into Africa

Hari Chaitanya notes that portfolio investment in Nigeria, which makes up more than 90% of **capital inflows**, is **up 30% quarter-on-quarter**. With Standard Bank's **AUC up by over 40%,** it is a clear indication that foreign and domestic investment across the region is on the rise.



Where is the capital going? Equity issuance experienced a record low in H1 2025. The MSCI Emerging Frontier Markets Africa ex South Africa Index[1] launched in 2008 with a value of 1,000, today it is in the high 800s. In nearly 17 years, that's a cumulative loss. This demonstrates a core problem: as a region, **Africa has not provided the positive beta that investors expect.**

Bonds are proving to be a stable alternative for global and domestic investors

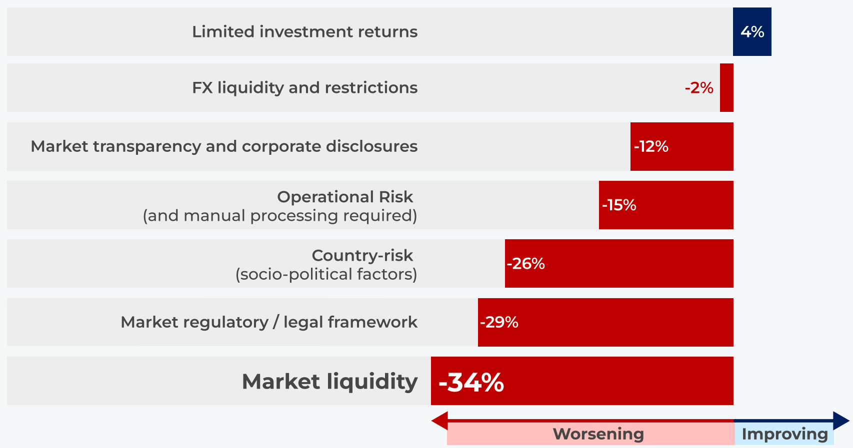


According to our experts, there is **renewed interest in** the **African bond market** from bond investors across the entire region, showing that capital is not just returning, but it's also diversifying across markets.

Striking a balance – risk vs reward

But as with any opportunity, there are downsides. Our research shows that whilst returns may be improving, an undercurrent of macro and micro-level challenges still exists in the region.

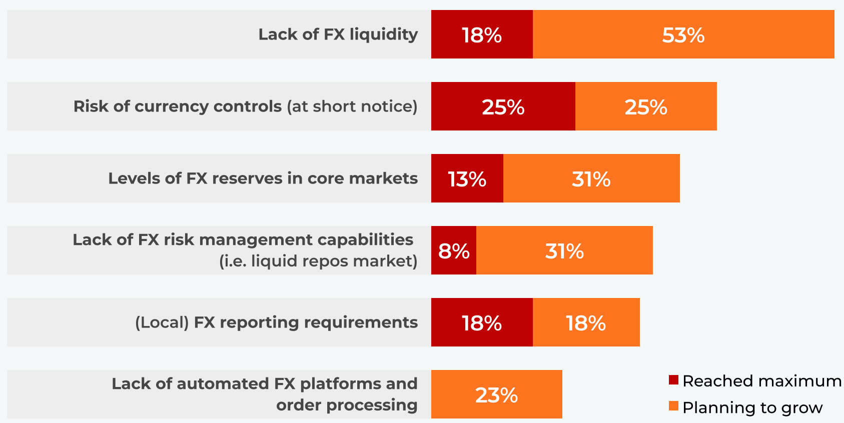
Net Change in % of respondents facing caps on their volumes due to issues
(Change from 2021 to 2024)



34% of the industry find market liquidity to be an increasingly acute issue for investors

Whilst **regulatory and socio-political factors** take their toll too.

% of respondents whose African investments are blocked or limited by FX issues

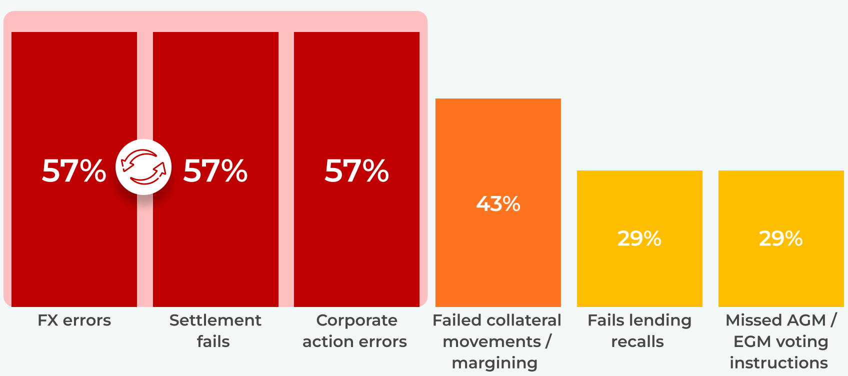


FX - a simmering area of concern

Whilst 70% of respondents struggle with FX liquidity, **25% are unable to see past the threat of FX restrictions**.

There's the persistent problem leaving 50% of respondents feeling that while money can come in, it can't always get out.

Areas where error rates are seen as unnecessarily high
(% of respondents citing each area)



Compounding the FX struggle is the rate of FX errors and fails

Risky in any market but for **57% of investors** in a region that can experience FX liquidity volatility and pricing swings it **presents more urgent risk**.

So, does fortune favour the brave?

However, here's the crucial insight many miss. The big difference between investing in Africa and other parts of the world comes down to two things: **attentiveness and expertise.** This isn't a passive, 'set it and forget it' investment. This is tactical. You have to be on top of your positions, knowing when to get out and when to get back in.

Craig Stanley has some sterling advice to not buy into the middle—the "beta" that traditional investors seek.

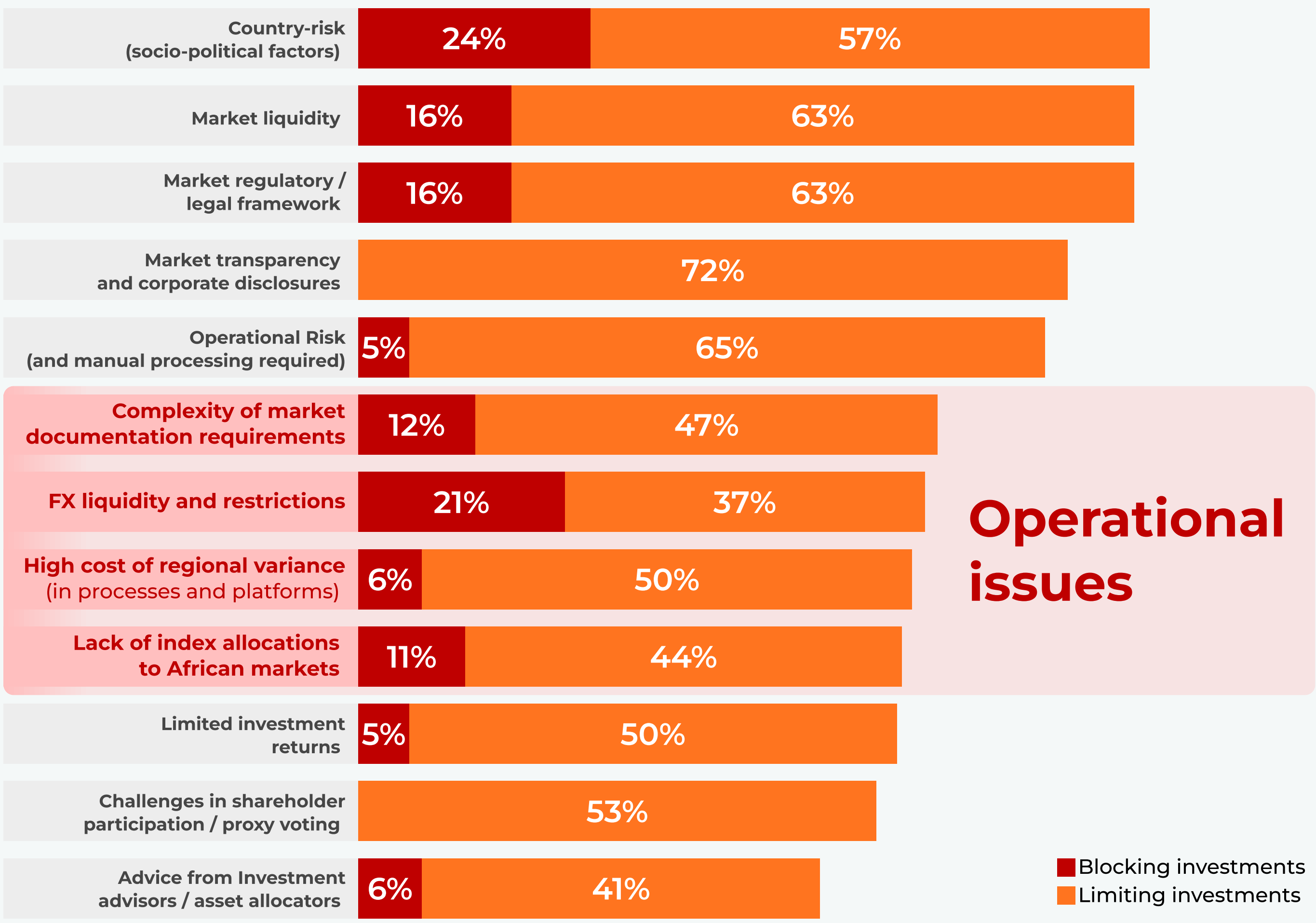
> **"We focus on very short-term government securities in the bond market. Because we believe, we have a framework and an understanding to understand both the debt sustainability of the hard currency and the local currency."**
>
> Craig Stanley, SEO, Enco Capital

So, it's not a straightforward case of "very risky but very profitable." The truth is, it can be **very profitable, and those risks can be easily mitigated.** Fortune may favour the brave, but **it is the informed who truly prosper.**

The two most valuable assets: Speed and Expertise

Our research highlights that up to **70%** still see their volumes capped by operational issues.

% of Respondents facing issues that limit their being fully invested and optimized
(2024, by issue)



Yet, despite unpredictability and operational challenges, African markets demand speed and agility. This presents a fundamental paradox: **How do you build a model that reconciles these two paradigms?**

Our experts consider that **the real risk can often lie with those who are new to Africa**, or who believe they can apply the same investment strategies they use in mature, stable markets.

> **"I always advise foreign investors coming into the continent to employ someone who's traded in these markets before. It's not about how intelligent you are it's more about what you know and how many African stories you've heard before, because most of these things happen over and over again."**
>
> Sola Adegbesan, Head of Global Markets, Standard Bank

Investing in Africa is a tactical game of speed and nuance. Market events happen fast, and the window of opportunity to act on critical information is brief.

A notable example of this is a past FX liquidity crisis in Nigeria. Sola Adegbesan recalls, while many investors were focused on interest rate differentials and the cost of forwards, a select few understood the real story: the forward was not a price hedge, but a liquidity hedge. Those who acted quickly were able to exit at a price far superior to what the rest of the market later faced.

And where a regulator can change the game in an instant—like Zimbabwe's two-day notice for a new currency it highlights **the single most important rule: you must work with people who know Africa.**

... and an operating model tailored for Africa

"Entering Africa isn't complex from an operations perspective. The biggest hurdle is that regulators consistently overlook the needs of foreign investors. As a custodian, we constantly have to work with them to ensure the needs of a significant player in the market is kept in mind."

Hari Chaitanya, Head of Investor Services Product Management, Standard Bank

"I always have to have the mindset of the great Wayne Gretzky. I need to be skating where the puck is going, not where it's been."

Craig Stanley, CEO, Enco Capital

KYC - a different mindset for alpha

To trade in Africa, you must first be set up to trade. Yes, you need to do this in the developed markets, but this isn't a market for spontaneous decisions and quick KYC and account opening.

The reality on the ground is that opening an account in the continent is a painstaking, time-consuming process. **The operational hurdles are significant** – for example, to open an account in Nigeria an investor will need a BVN which requires in-person fingerprinting in Lagos.

To be ready to capitalize on market dislocations you need to be ahead of the game and set up your infrastructure ahead of time. **For those with the right infrastructure and expertise, there's returns to be made.**

The Post-Trade Evolution

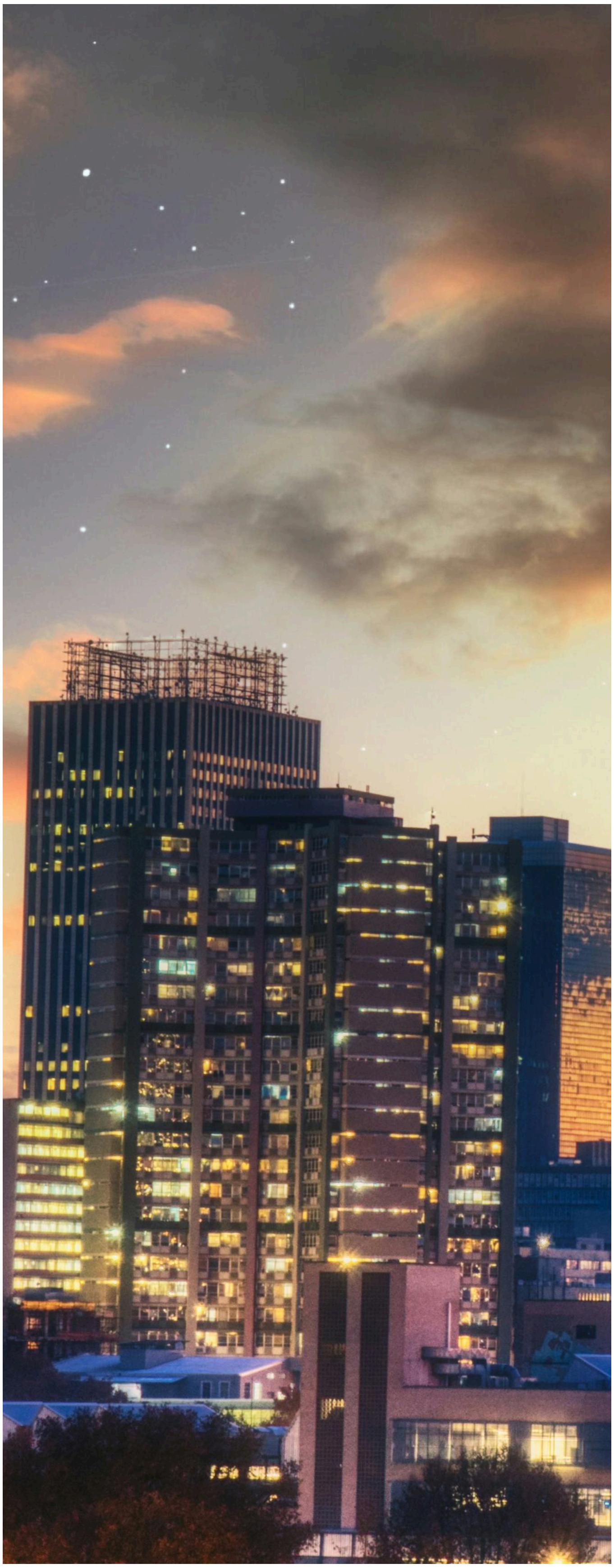
The post-trade landscape in **Africa is undergoing a significant strategic shift.** Over the last few years, firms have been reworking their operational models. Some are going direct to the market to gain control and speed, while others are centralizing operations to manage risk and complexity.

This isn't about one model being right over another. It's about **a new maturity in the market**, where investors are creating **flexible operating models** that are tailored to their specific investment patterns and objectives. This willingness to experiment and find what works is a good sign for the market's evolution.

Looking forward, the global push for **shorter settlement cycles** is also now reaching African markets. This signifies an important desire to **align with global best practices**. Nigeria has already announced a move to T+2, with other countries expected to follow suit. This is a clear indicator that **market infrastructure is continuing to evolve** and align with the needs of international investors.

"We are seeing that firms are reworking their model depending on what their investment patterns are. And I see that as a good sign. Instead of just following, a direct custody model, firms are willing to experiment between three markets in hub and three markets direct. Creating flexible operating models."

Hari Chaitanya, Head of Investor Services Product Management, Standard Bank



Steering the world to Africa

Our World to Africa series is about demystifying the African story, and the numbers certainly do their part. **40% year-on-year asset growth** and double-digit swings - the profit and return potential are remarkable. But so is the risk of significant loss if you get it wrong. It is not a market to be taken lightly.

The goal is to **balance the high-return potential with the operational reality**, ensuring you have the right team and systems in place to avoid that catastrophic moment when the market turns. But it is a two-way street which requires commitment, ingenuity and a **continuous cycle of innovation** from the regulators and FMIs while preserving the unique, exciting nature of the market. **Without these changes**, the operational hurdles will continue to cap the volumes of up to 70% of investors.

The world to Africa is a partnership:

Global Investors

Understand the Market

Investing in Africa requires nuance, close monitoring and quick reactions.

Manage Risk

Focus on strategies that mitigate risk, such as short-term government securities, rather than seeking "beta".

Seek Expertise

Investment success needs knowledge and experience. Partner with local experts to navigate the market effectively.

Be Operationally Ready

Get the right team and systems in place to avoid significant loss if / when the market turns.

Regulators & Market Infrastructure

Adopt Global Best Practices

Continue to evolve and align with the needs of international investors. E.G Nigeria's move to T+2 settlement and electronic FX.

Address Liquidity & FX Issues

Address the foreign exchange and liquidity problems that make it difficult for investors to repatriate funds.

Improve Operational Efficiency

Streamline and simplify operational processes, such as the painstaking, time-consuming process of opening accounts.

Ensure Regulatory Certainty

Ensure a predictable and stable regulatory environment to build investor confidence and attract long-term capital.

To put it simply, it's not a matter of whether the risks are too high, but whether and how they can be managed effectively.

Africa - the real definition of a frontier market, and it is what makes it so dynamic and exciting. A region with a continuous cycle of innovation in **a market that demands ingenuity**.

By leveraging the insights we have covered, you can optimize your approach and navigate the complexities to capture the immense value that the region has to offer.

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