

> ARM Investment Managers:

Institutional Change and the Shaping of the Nigerian / African Opportunity



In many ways, Nigeria, the continent's largest market and its second largest economy, epitomizes the burgeoning "African Opportunity" theme which underpins the on-going reassessment of the region's economic potential.

This comes on the heels of an impressive run of economic growth and development that helps lift the continent out of the socio-economic quagmire it has languished in over the past two decades. This renaissance has been adduced to factors ranging from demography and the global commodities boom, to a more benign geo-political environment with the end of cold-war intrigues, among others.

However, while these factors have doubtless played a significant role the gradual structural and institutional changes that are currently underway rarely receive much emphasis as sensational headlines and sound-bites continue to dominate viewpoints on the continent.

This oversight is at the heart of a lingering perception gap which, even now, scuttles efforts to efficiently locate the continent's opportunities on the risk-reward frontier. Investors, it would seem, are invariably too timid on the prospects or too naïve about the risks.

Nevertheless, bridging this gap perhaps provides the widest window of opportunity. Consequently we at ARM believe that a fundamental understanding of this dynamic is prerequisite to harnessing the African Opportunity. Indeed, since its inception, ARM has staked its strategic bets and thrived on the careful reading and interpretation of these very features.

TECHNOLOGY AND ACCOUNTABILITY

While they are necessarily conjoined, it is nonetheless illustrative to consider the constituent parts of these structural shifts separately.

First is the impact of technology. Playing a central role in the confluence of traditional factor endowments, global demographic shifts and the evolving socio-political environment, technological change is massively skewing the inherent tension between opportunity and extant barriers in favour of the former.

"Over the years, ARM has taken advantage of opportunities in various sectors of the Nigerian economy and has established a solid track record in identifying and developing new strategic businesses to further strengthen its asset management business model."

Those familiar with Africa's technological deficit may find this assertion surprising, but it is, in fact, this very feature that amplifies the "technological multiplier" on the continent. Crucially, technology creates multidimensional access that has not only transformed the nature of demand — not just for goods and services, but more importantly for progress and accountability — while providing a robust platform for information and knowledge-building that continues to empower its population at an unprecedented pace. A demographic profile dominated by more adaptable youth is clearly favourable in this regard.

BREAKING DOWN BARRIERS TO DEVELOPMENT

More importantly, pressures created by this demand are rapidly eroding the basis for the ideologically driven failed policies of the past and now force African policy makers toward more intelligent choices that better align incentives amongst developmental stakeholders.

In Nigeria's specific case, these factors come together powerfully in combination with its mammoth demography and ample resource endowment, alongside a cultural disposition that strongly favours education and other forms of self-improvement.

For those familiar with the country's complex heritage, the impact of these factors are perhaps better appreciated when seen in the context of the barriers created in the past by thorny socio-political legacies. Indeed the harmful impact of labour market and other structural rigidities—often perpetuated by unions and other political

interests—has recently come into renewed focus in thriving emerging markets like India, Brazil and South Africa.

A TURN AROUND DRIVEN BY FLEXIBILITY

Remarkably, across diverse areas, Nigeria's opportunities are being progressively expanded by breakthroughs that evince an enviable and inherent flexibility in the country's otherwise nearly intractable socio-political arrangements.

Events in the telecoms sector over the past decade are widely heralded as proof of this flexibility, but the recent privatization of the all-important power sector is less often appreciated as are unfolding activities in areas such as agriculture, retail, transport and logistics and finance. These are no less momentous and merit more attention.

Even in the recidivistic energy sector, where political wrangling continues to hold reform hostage, recent deals have broken the government's monopoly of the value chain, setting the stage for a turnaround. Significantly, neither the depth of the underlying demand for progress—and the scope this creates for lasting change—nor the significance of these dynamics on the old barriers to progress are widely recognized.

This is hardly surprising for it requires a broad-based understanding of the complex interaction between the articulation of the popular will and the evolution of political incentives and policy choices in Nigeria's specific context.

This is why ARM frames its expertise as going well beyond mere technical knowledge and competent execution to, more importantly, its deep immersion in the socio-economic fabric and astute contributions in shaping macro-level policy choices. It is also this intuition that informs the breadth of its ventures and investment offerings that cut across virtually all segments of the economy.

ARM: POISED TO REAP BENEFITS OF OPPORTUNITY

ARM is a diversified, integrated, non-bank financial services provider with over nineteen years of asset management expertise. It started operations as a traditional asset management company specialising in the management of quoted equities and fixed income securities.

However, over the years, the Firm has taken advantage of opportunities in various sectors of the Nigerian economy and has proven its ability to identify and develop new strategic businesses and integrate these to strengthen its asset management business model. This ability has resulted in the evolution of the Firm into a diversified financial services institution with businesses divided into two distinct parts within which various products and bespoke asset management services are offered to our diverse clients, focusing on Traditional Asset Management and Specialised Funds.

Within the Traditional Asset Management space, ARM provides services ranging from mutual funds, pension plans, wealth management service and discretionary savings plans to trust services and stock broking execution as well as life assurance products and services. ARM's pension administration subsidiary, ARM Pension Managers (PFA) Ltd became the one of the largest PFAs in Nigeria upon the acquisition of First Alliance Pensions and Benefits Limited in 2009, and rapidly established itself as an industry leader with the unrivalled post-inception performance of its RSA Fund.

Within the scope of ARM's Specialised Funds (non-traditional asset management), the firm offers its expertise through different investment platforms such as ARM Hospitality & Retail Fund, ARM Real Estate Fund (ARM Properties Plc.), ARM Private Equity Fund and ARM Infrastructure Fund. Its Infrastructure Fund, culminated the award of a 30-year concession for the rehabilitation, upgrade and maintenance of the Eti-Osa Lekki-Epe Expressway along the fastest growth axis in Lagos, Nigeria.

These funds enable ARM to explore investment opportunities in the nation's growth sectors and to proffer solutions tailored to meet the unique investing needs of institutional and high net worth clients. ARM's business lines have been strategically established to take full advantage of the many unfolding opportunities in Nigeria as well as those in other parts of the West African sub-region.

With headquarters in Lagos, Nigeria and branch offices across the country, ARM currently manages total assets of over ₦453 billion (as at 31 August 2013 — equivalent to \$2.8bn).

The company is regulated by the Nigerian Securities and Exchange Commission (SEC). ❖