



PFAs advised to invest in private equity

By Sesan David

L-R: Mrs. Oluwadunni Ogunbanwo, wife of the permanent secretary, Lagos State Television representing Mrs. Abimbola Fashola, wife of the Lagos State governor; Mrs. Risikat Akiyode, permanent secretary, Ministry of Women Affairs and Poverty Alleviation Lagos State representing the deputy governor and Mr. Dominic Kimani, marketing director, Unilever Nigeria Plc at the Omo Stains Challenge media launch in Lagos recently.

Pension Fund Administrators (PFA) in Nigeria have been advised to invest in private equities as alternative investment outlets. Mr. Rotimi Sekoni, managing partner, Cloudleap Partners gave this advice in an interview in Lagos recently.

He said pension funds' assets in future will not match the demands by pensioners for their benefits, and said there is need for Pencom to allow the pension fund managers to invest in alternative investments like private equity which he said can help them to generate returns in excess of fixed income benchmarks.

"Nigerian Pension Commission (Pencom) will need to look into the future by looking at how PFAs could have a balanced and diversified portfolio. This it can do by allowing investments in private equity funds, hedge funds, real estate vehicles, bonds and public equities, globally. We are excited about the growth of the Nigerian pension industry and we will like to be part of it," he said.

According to him, even though the pension fund system in Nigeria is still in its infancy, being new he said, does not mean that it should not operate at optimal levels. "Pension funds in the United States realised 25 years ago that they can not simply invest in fixed income securities and government bonds, because at some point, the actuarial tables start to spit out alarming figures."

Private equity, he said is the main staple of investment portfolios of majority of pension funds in the Western world. He gave example of Calpers, the California state pension fund, which he said with a little less than \$200 billion assets under its management has between 10 to 14 percent of its funds invested in private equity.

He expressed the company's readiness to partner Pencom and the PFAs on crafting suitable alternative investment strategies. "Liberalisation is just step one, carefully selecting the general partners is step two. Step three is actually making investments and four is participating in the process." He said in order to expedite this process, Cloudleap remains open to the idea of sharing with Pencom the firm's practices, how it reaches its decisions, and how the firm is run on daily basis. All this, he said was to make sure that there is no gap between the company and its investors.

The company according to him has reviewed a handful of businesses that need revival and found one of them very attractive. "My partners and I have spent time talking to the management, suppliers, current customers, potential customers and banks about what the company should look post-transaction. Those talks have been very promising" he stated.

Speaking further, Rotimi said his company will want to invest capital in suitable and attractive businesses, but think it is important to review potential investments and the locals market through global lenses. "So, it takes us time to study such companies, anywhere between three or four months, which is not unusual. However, Cloudleap has the capability to expedite the execution timetable on a case by case basis, usually for extremely time-sensitive rescue situations."

He said the company hopes to restart about 15 companies in the next five years.

"Fifteen is not an arbitrary number, it is a number that is manageable to the firm within its current structure. Cloudleap is a change of control investor, which means that we want majority stakes in companies we invest in," he concluded.