

MAKING YOUR
SMART PHONE
SMARTER

STARTING A
BUSINESS?
DON'T QUIT
YOUR DAY JOB

CLEAN
COAL

PRIVATE EQUITY
REAL ESTATE
A DISASTER FOR TAXPAYERS?

JULY 21, 2008 | WWW.FORBES.COM

Forbes

2008

INTERNATIONAL INVESTING GUIDE

Into Africa

One intrepid investor sees numerous value opportunities despite the continent's turbulent politics. By Megha Bahree



BRUTAL DICTATORS, CIVIL wars and stolen elections tend to dominate the headlines Americans read about Africa. Less visible: cell

phones, the spread of capitalism and World Bank-inspired debt forgiveness, all of which are driving down inflation and driving the boom in sub-Saharan Africa's stock markets.

So says Jonathan Auerbach, managing director of Auerbach Grayson, a cosmopolitan brokerage in New York City for institutional investors that have at least \$100 million to commit. Last year it invested \$850 million in Africa for these clients. His pitch: Most African countries, with the exception of Zimbabwe, have high rates of growth and millions of people aspiring to the

middle class. Many who are already there are not visible in the official statistics because they are a part of the gray economy.

Outside of Johannesburg's, the stock markets are still small and illiquid but growing. Two decades ago there were 5 stock exchanges in sub-Saharan Africa. Today there are 18, with, among them, 1500 listings, according to the International Monetary Fund. North American and European funds specializing in African stocks saw net inflows last year of \$663 million, up from \$82 million in 2006, says EPFR Global, a research firm that tracks funds worldwide. In a small market that modest



Nobel Peace Prize winner, Kenyan environmental activist Wangari Maathai, receives congratulations via cell phone.

sum was enough to send prices soaring. Excluding those in South Africa, African stocks have climbed at an annualized 43% since the end of 2006, according to S&P.

Auerbach, 65, began his career on Wall Street after graduating from Yale and spending two years tending ballistic missiles for the Army. He cofounded his present firm (with David Grayson) in 1993. He spends six weeks

Continued on page 133