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## Sustainable Capital launches Nigeria fund

25 Jun 2012

Keywords: [Launches](#), [News](#), [nigeria](#), [sustainable capital](#)

Sustainable Capital has launched the Sustainable Capital Nigeria Fund, the firm's first country-focused product, with anchor capital from Advanced Emerging Capital (AEC), *Africa AM* can reveal.

"The Nigeria fund has been launched in response to a direct request from AEC, which has been investing in Africa for many years and has made an asset allocation call on Nigeria," said Sustainable Capital managing director Kevin MacDonald.

According to MacDonald, AEC chose Sustainable Capital based on its stockpicking ability and the Nigeria fund's flat fee of 2%. "This is significantly more competitive than other country funds because they tend to use the performance fee over an absolute benchmark," he said. "We are seeing a lot of pushback against that – investors are redeeming from other funds purely based on costs and fees."

MacDonald added that the Nigeria fund, which will invest in Nigerian listed equities using the same rules-based approach as the firm's three-year-old Africa Sustainability Fund, has also won seed investment from a Scandinavian institution and launches with \$6m. The fund employs a maximum exposure to any one stock of 15% but no cap on sector exposure, with commercial banks accounting for 58% of the fund's investments. "The key opportunity in Nigeria is commercial banks and that is reflected in the weighting of our portfolio," said MacDonald.

He believes investor demand for country-focused funds will grow as they become comfortable investing in Africa through pan-Africa products. "As more European and South African investors are invested in Africa for longer time periods they may begin to develop their own asset allocation preferences that differ from their asset managers – they may see the long-term value in Nigeria and may want higher exposure," he said.

MacDonald added Sustainable Capital has the capability to develop additional country, sector or regional funds if there is demand. "It's feasible for us to do that if a client has a specific requirement and there is a business case for it," he said.

"We could launch any geographical fund using the rules-based investment process of the Africa Sustainability Fund without stretching the resources of the team, as it would be led from the existing company research base we conduct on the ground – we could get a fund up and running in the space of a month."

In August, the Sustainable Capital team will be bolstered by the arrival of analyst Omar Fahmy from Egyptian asset manager Prime Investments.

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