Agree or Disagree: Certain African markets will replace the BRIC markets as the next great global investment opportunity.

I broadly agree that a new financial hub could emerge in Africa. The key for investors, however, is to gain a deeper understanding of the continent's economics and its financial markets. A big issue is the availability of information at a price that makes sense to both those creating this "product" as well as those paying for it. Such information would guide potential investment flows in a sensible way that leads to solid long-term returns rather than creating a boom–bust cycle. Achieving this result will require better coordination between individual countries and international agencies geared towards regulation to support positive trends. In practice, the private sectors and local financial markets should fund more local development (rather than local development being funded mostly by external agencies). The development of a local private sector strong enough to articulate its views, even when they might differ with the government, is critical if this take-off is to happen. Success will occur faster if the private-sector participants recognize that they must start to take a longer-term view rather than the very short-term perspective that historically has been taken. In this way, the local private sector (rather than international agencies) would take the lead in defining a development path. These developments are prerequisites for successful growth.

Onchera Maiko is director and partner of Evolution Capital Partners in Nairobi, Kenya.

Growth is a euphemism for increased demand, and where else can you find demand in greater abundance than in a continent that still has a huge thirst for even the basic goods and services?

Take the telecom revolution in Nigeria as an example. Investors were a bit skeptical at first. As a financial analyst and modeler, I witnessed the fervent redrafting (quarterly at one point) of projected income due to investors' gross underestimation of the demand for telephony in a nation of more than 150 million people. From about 400,000 active telephone lines in 2001, Nigeria now has a mobile phone subscriber base of over 84 million. During the same period, investment in the telecom industry grew from US$50 million to US$50 billion.

This sector is just one of many primed for geometric growth. The next big wave of investment, demand, and returns will be in Nigeria's power sector. With an immediate energy shortfall of at least 20,000 megawatts, 96 percent of Nigerians are willing and eager to pay more, and the fact that about US$13 billion is spent annually fueling private power generators, the naysayers can stay out of this gold rush at their peril.

David Brown is a financial consultant with dbrown consulting in Lagos, Nigeria, and a member of CFA UK.

I disagree that certain African markets will replace the BRIC markets as the next great global investment opportunity. The BRIC countries offer unique potential and opportunity because of several distinct factors. First, each ranks among the world's largest countries in terms of geographic area. Second, they also boast some of the world's largest populations and labor forces. Third, each is rich with various resources. Fourth, each is well positioned in terms of international trade. Finally, the political situation within each of the BRIC nations has been generally stable for some time. As a consequence of these factors, the BRICs truly have the potential to become the dominant global economic force in the 21st century.

The same cannot be said for Africa. While selected nations do show great promise for growth in the coming years, the continent as a whole still has major challenges to overcome on the metrics that make the BRIC nations so unique. While the geographic area of sub-Saharan Africa is certainly large, it is composed of a broad list of nations that is continuing to increase in number even today. Even when taken collectively, the total sub-Saharan population across all of these countries is still a fraction of China's or India's. The idea of trying to bring these countries together to form a unified economic force is fraught with major challenges, as each of these countries has varying ethnicities, developmental pace, political stability, and economic agendas. And on an individual basis, even the largest and most resource-rich African nations lack the size and scale to match the significance of the BRICs. All of these factors suggest that countries from Africa will not be positioned to supplant the BRICs in the future.

Instead, African nations will likely offer more targeted investment opportunities in the coming decades. But instead of being a broad political and economic force like the BRICs, these opportunities more likely will be niche oriented and occur on a country-by-country basis at various points over time.

Eric Parnell, CFA, is founder and director of Gerring Wealth Management in Glenmoore, Pennsylvania, and a member of the CFA Society of Pennsylvania.

The change that has taken place in the majority of countries in Africa over the past decade cannot be overestimated. A continent once rife with conflict (to some extent arguably as a result of the Cold War) continues to emerge and beat growth expectations since the beginning of the millenium, economic growth has averaged in excess of 5 percent annum, and this is set to improve further. Of course, it is coming off a low base, but improvements to infrastructure (which in many cases hasn't been upgraded since colonial times) coupled with economic and political reforms as well as increasing democratization are encouraging long-term investment in what is seen by many investors as the final frontier.

Whilst Africa's natural resources are an important part of its future, they are by no means the whole story. As GDP per capita rises, the recent emergence of a middle class with disposable income is transforming Africa's capital cities, which increasingly look like Western counterparts, with shopping malls and traffic jams becoming the norm. The game-changing developments of mobile telephony and increasing access to the internet mean that Africans are becoming increasingly aspirational and consumption oriented. Further, with Africa's fast-growing population of one billion, it should be no surprise that China and other BRICs are rapidly becoming some of Africa's largest trading partners or that foreign direct investment from all over the world is on the increase.

Admittedly, not every one of Africa's 54 countries is a perfect candidate for growth, but compared with 10 or 20 years ago, the positive change is very obvious and bodes well for future development. Although capital markets remain small and illiquid, they are evolving, and policymakers are increasingly cognizant of the need for long-term capital to fund economic development.

The bottom line is that Africa is growing and has a strong wind at its back. It is maturing and becoming increasingly connected with the rest of the world, and while there is a long way to go, economic catch-up is taking place. A decade ago, foreign investment in Africa was limited largely to a few international development institutions and long-standing multinationals, but since then, Africa has been creating its own pension savings, private equity funds are being established, and international portfolio flows into an ever increasing number of country stock exchanges have been rising. In this enabling environment, it is hard not to imagine that Africa will become a recognized financial hub in the not too distant future.

Jonathan Stichbury, ASIP, is managing director and chief executive of PineBridge Investments East Africa in Nairobi and a member of CFA UK.

Some of the world's fastest growing economies are found in Africa. The growth in sub-Saharan African markets comes off a relatively low base, and the growth is not yet reflected in investment valuations. This may be attributable to investors generally being unaware of the changes some African countries have undergone during the past 20 years. These changes include generally improved governance structures and an increasing level of foreign direct investment aimed at the exploitation of Africa's rich natural resources. The economic growth in Africa has created an educated, growing middle class that drives consumption. The result is an African domestic market with favorable demographics and huge potential as it migrates from subsistence-based economies to consumer-driven economies. Consider the example of Angola, which is undergoing exponential growth because of its rich natural resources and the need to rebuild the country after nearly 30 years of devastating civil war. An advantage of the reconstruction efforts in Africa is that the latest technology can be deployed without passing through all the development stages. As a result, the level of technology recently introduced in many African countries may surpass that of many Western countries.

The BRIC markets still show some good growth potential, but the pace of growth is expected to slow and the market has already priced the expected growth into the investment valuations. Compared with African countries, the BRICs are large countries with huge balance sheets and will therefore continue to dominate if economic growth is measured in absolute numbers, and they hold a lower investment risk because of their comparative maturity. African markets, however, can be expected to provide superior returns driven by rapid economic growth, although perhaps at a higher level of risk.

Erwin Friedrich Wiss, CFA, is principal credit officer at Africa Development Bank in Tunis, Tunisia.

Investors are always on the lookout for the next best opportunity that will garner higher returns. In that context, the untapped and hidden potential of the African markets will be a natural progression for investors, just as BRICs were the natural progression from developed markets. But portfolio allocations to emerging markets traditionally have been negligible, given the inherent risks of such investments. Investing in BRICs gained popularity primarily as a function of the difficult recent economic experiences of the developed economies. In fact, in current circumstances, it would not be too far-fetched to conclude that the developed economies of Europe (e.g., the PIIGS) and even the United States (with its ongoing monetary and fiscal policy, debt situation, and political bickering about the same) have exhibited emerging market-like risks, whereas the BRIC nations are showcasing traits of developed economies. Prudent investors look not only at the opportunity for higher returns but also at associated risks (i.e., risk-adjusted return). In this regard, African markets will not find pervasive favor for investment outlays. The risks of these so-called frontier markets (well documented in financial literature) far outweigh the higher return expectations. As such, in the current scenario and for the next 5–10 years, BRICs will maintain their status as favorite destinations for investors. African markets most definitely will have their time in the sun, but it is not now.

Gaurang Trivedi, CFA, is an investment management professional based in Mumbai, India. ››

I disagree—not because I do not expect to continue witnessing the emergence of hot capital destinations and accompanying growth stories across Africa but because I see such a trend being complementary to the growth in the main emerging markets (BRICs) rather than becoming a significant alternative destination, at least in the medium term.

The main trend behind the recent rapid growth in various African economies has been the rise in commodity prices, which have been underpinned by growth in demand in the main emerging markets, with China playing a central role. In the event of significant weakness in the global economy, in turn affecting the main commodity supply markets, in particular China, the rapid growth would be at risk. The main challenge is for the countries with commodity-induced growth stories to figure out ways of sustainably reorienting their economies to be more diversified and less dependent on natural resources.

That said, the Africa growth story has not been restricted to countries that have a significant natural resources sector, nor has the growth in countries with significant natural resources been restricted to this sector. From telecommunications to transportation to banking and finance, the growth story has been replicated in many sectors and countries across the region.

Finally, while efforts continue across Africa to integrate regional markets, reduce barriers to trade, and achieve greater uniformity in commercial practices and institutional and regulatory provisions, the continent is made up of 54 countries that have significant variations in history, socio-cultural practices, political and governance arrangements, flora and fauna, levels of economic development, and so forth. Increasing integration is both a major challenge and an opportunity as well as a factor that will benefit from longer-term structural shifts across the continent.

Richard Warugongo, CFA, is an investment officer for the International Finance Corporation in Johannesburg, South Africa, and a member of CFA South Africa.

The main reason why Africa has traditionally lagged behind is the knowledge and information gap that set it apart from the developed markets. This gap partly accounted for the civil wars, dictatorships, and corruption that Africa used to be synonymous with. Over the past few years, the gap has been narrowing rapidly thanks to developments in telecommunications, particularly access to the internet. Global mobility has also resulted in many African professionals working in more developed countries and returning to impart their knowledge back home. A number of African markets have the potential to surpass even the BRIC markets because of the abundance of extractive resources, especially minerals and oil. Added to this advantage are the huge population base and increasing literacy levels (factors which were also important to the emergence of the BRICs). These demographic and technological developments may not be apparent to everyone now but, like the rise of the BRICs before, will catch many investors by surprise soon.

Welcome Mavingire, CFA, is head of risk and advisory services at Kingdom Bank Africa in Gaborone, Botswana, and a member of CFA South Africa.

From the remotest village to the biggest city, Africa is on the move. Technology advances allow a leapfrog jump over old-style business techniques. Members of the "Cheetah Generation" (so named by economist George Ayittey) aren't waiting for governments or foreign aid agencies to make things right. They are launching businesses, creating jobs, and transforming economies.

Africa is poised to move beyond a history strewn with poor policies, poverty, wars, famine, and wasted resources. Recent GDP growth stats are, in my view, just the beginning of what should be a multi-decade expansion in countries that are able to tap into the productivity of this up-and-coming generation.

For investors, the implications are serious. Africa's headline growth may outpace that of developed and other developing markets. Although the path won't always be smooth, Africa's importance will extend far beyond mere demand growth. Competition will be ferocious in sectors where Chinese, Indian, Turkish, and other emerging markets-domiciled companies operate. Investors must understand how the companies they own will sustain market share, profitability, and return on capital in such a changing world.

Capital is already flowing into Africa. One key example is Carlyle's US$750 million sub-Saharan Africa fund. Many global investors are already aware that they must understand Africa's opportunities, but the current capacity/infrastructure of African financial markets still limits large-scale investments into public equities. Nairobi, Lagos, and Johannesburg are all poised to emerge as financial hubs. Harmonization of regulations, financial disclosure, and trading-platform technology will be critical.

"Hot money" flows are disruptive in such illiquid markets, and I hope investors with longer-term time horizons will take the time to differentiate between the promising markets in Africa and put capital into well-run companies. Investments in Africa will complement BRICs investments in much the same way as Brazilian investments are complementing Mozambique's economic development or as China's construction projects in Kenya are complementing the country's emergence as East Africa's commercial hub.

Melissa Cook, CFA, is an Africa investment strategist at Enclave Capital/African Sunrise Partners in New York City and a member of the New York Society of Security Analysts.