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There are several obstacles for investors in Africa. Hence, in this month's issue we focused on the challenges for Africa-focused asset managers. Read what the industry experts have to say on pp. 12-13.

In this month's issue, we also hear from Francisco Machado of Vital Capital, who shares his thoughts on how to capitalize on the growth of Africa's institutional investor base (pp.14-15).

In addition, Nadia Kouassi Coulibaly reviews the first half of 2023 venture capital activity in Africa. There were 263 VC deals taking place in Africa's venture ecosystem, allocating a cumulative \$2.1bn of capital to 258 unique companies (p.20).

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If you would like to get in touch with any comments or suggestions for future issues, please e-mail myself at a.lyudvig@africaglobalfunds.com

Best regards,

Anna Lyudvig
 Managing Editor

Infra Impact's Fund 1 Closes Above Target



Mark van Wyk,
Co-founder and Co-managing partner
Infra Impact Investment Managers

The Infra Impact Mid-Market Infrastructure Fund 1, managed by Infra Impact Investment Managers, has exceeded its fundraising target, reaching a successful final close at R2.15bn (\$115m).

Mark van Wyk, Co-founder and Co-managing partner, said: "Clients have entrusted us with more than R2bn in commitments, enabling us to actively contribute towards the development of our country and uplifting communities."

"Using the Fund, we aim to continue our track record of delivering strong investor returns alongside positive outcomes for people and the planet. Investing in infrastructure is crucial for fostering economic growth, creating jobs, and enhancing the overall quality of life in our communities. We are very pleased by the strong support shown by our investors, who share our vision of universal access to sustainable and reliable infrastructure services. Together, we will build a better future for South Africa."

The investor group comprised a well-diversified array of fourteen prominent limited partners, including local funds of funds, university foundations, insurers, banks, pension funds, and an esteemed international development finance institution.

The final close marks a momentous occasion for Infra Impact as the Fund continues to provide growth capital for South African focused mid-market infrastructure businesses.

The businesses the Fund invests in own real assets that provide essential services and have value creation potential.

The Fund is deployed in line with the teams historically successful

mid-market, value-add infrastructure strategy concentrating on the water, waste, energy, telecommunications, and related sectors.

Infra Impact believes the market opportunity remains unprecedented, but trillions of rands of investment are still required to develop sustainable infrastructure across South Africa.

This in turn will support job creation and economic growth.

"We are delighted to have surpassed our initial fundraising target of R1.5bn with overwhelming commitments and support from our esteemed limited partners. This exceptional achievement in a challenging fundraising environment is a testament to our remarkable team, track record, and the unwavering trust our clients have placed in us to execute on our mandate," said Morné Edas, Co-founder and Co-managing partner.

The successful fundraising of the Fund positions the firm as a significant player in the mid-market infrastructure investment landscape in South Africa.

With this impressive pool of capital at their disposal and a history of success, Infra Impact is well-positioned to identify, develop, and manage infrastructure projects that generate attractive risk-adjusted returns.

The Fund has already allocated nearly R300m across four strategic investments, including Eagle Towers, Cybersmart, Maru Towers, and Rhino Energy.

"While the drivers of change in the South African infrastructure sector remain complex, Infra Impact has the sector specialism to navigate this landscape," said Edas.

"Combining this with our differentiated strategy, we are well positioned to develop and maximise the growing interest in the infrastructure sector," he added.

DEALS

SPE Takes Stake in Danny's Auto

Sanlam Private Equity (SPE) has acquired a majority stake in Danny's Auto Body Parts, a provider of a wide range of high quality aftermarket automotive parts and accessories for various vehicle types and models in South Africa and other sub-Saharan countries.

SPE made the acquisition through its private equity fund, SPE Mid-Market Fund I, and aims to make a significant impact on job creation and support the democratisation of vehicle repairs and maintenance.

Based in Springfield, Gauteng, Danny's Auto has a 76-year track record as a successful wholesaler of aftermarket automotive parts and spares, and now developing products under its own brand, including Imoto Chemicals.

Through an extensive range of over 30 000 stock items and strategic partnerships with leading brands such as Dunlop, Lucas Automotive and FIAMM Energy Technology, Danny's Auto has built a strong reputation as

Deals & Exits

a trusted supplier to wholesalers and automotive retail outlets.

Paul Moeketsi, Managing Partner at SPE, said: "We are excited to announce our investment in Danny's Auto. This strategic move aligns with our investment strategy of supporting established businesses with strong growth potential. We believe that our partnership with Danny's Auto will create significant value and contribute to the continued success of the company and positively impact the business and the industry."

He said the deal has been made at a time of exceptional growth opportunities in the automotive aftermarket industry: "The need for mobility has reverted to pre-Covid levels. However, the pandemic and economic downturn means the new car market has slowed, with local vehicle production being geared towards export markets and people owning cars for longer, which increases the demand and frequency for aftermarket vehicle repairs and maintenance. Coupled with this, the Competition Commission's introduction of the right-to-repair guidelines will see the removal of restrictions imposed by original equipment manufacturers (OEM) regarding service providers and replacement parts for under-warranty vehicles. The new guidelines allow car owners to choose an independent service provider for repairs and maintenance without automatically losing warranty coverage."

The guidelines align with global trends of deregulating the automotive industry to provide consumers with greater flexibility to repair and service their vehicles, sparking increased demand for aftermarket service providers. "With its existing scale and brand quality, Danny's Auto is well positioned to capitalise on this opportunity through its established network and extensive access to a wide range of affordable

international automotive content."

Gift Pule, Principal at SPE, said the deal will also deliver strongly on Sanlam Investments' commitment to investing for impact. "The business is poised for significant growth over the next five years and is expected to grow direct employment by between 16% and 26%. Beyond the direct employment growth, significant upstream value chain jobs and an estimated 300 downstream jobs in the wholesale, retail, and vehicle repair markets are expected to be supported within the next five years."

Pule said this relative job growth in direct positions, the downstream value chain employment and enabling the democratisation of vehicle repairs and maintenance, highlights the substantial impact of this investment on the automotive industry and local communities.

Danny's Auto also supports over 3 400 mostly owner-managed wholesalers, retailers, and parts shops, predominantly located in lower LSM communities. Through its extensive supply chain, strategic relationships with international brands and knowledge of the local car parc, Danny's Auto provides its customers access to affordable, OEM-quality aftermarket parts and spares, which directly helps the sustainability of local enterprises and contributes to economic growth in these communities.

Ahmed Ismail, CEO of Danny's Auto, expressed his enthusiasm about the investment, stating, "We are thrilled to have Sanlam Private Equity as our partner. Their expertise, network, and financial support will empower us to capitalise on new growth opportunities, expand our product offering and markets, and further strengthen our competitive position in the industry. This investment marks an important milestone for Danny's Auto, and we look forward to a fruitful collaboration."

EXITS

AfricInvest Exits Promamec

AfricInvest has exited from Promamec, a Moroccan producer and distributor of medical devices for the public and private sectors.

Founded in 2000, the company has steadily grown to become one of the Moroccan leaders in the provision of a diverse range of medical devices.

Thanks to its innovative strategy and dedicated teams, Promamec engaged in exclusive partnerships with several internationally renowned brands allowing the company to cover a wide spectrum of medical specialties.

Mehdi Mahtat, Partner at AfricInvest, said "It was a privilege to partner with Promamec for more than five years and witness the outstanding achievements of growth and product diversification, as well as the transformation that we have supported and accompanied with unwavering conviction, alongside the CEO Naoufal Lahlou and Lahlou Family."

"With this transaction, we celebrate not only financial success but also the positive impact of Promamec on the Moroccan Health sector. I have no doubt that Promamec, together with their new partner Vantage Capital, will continue to thrive and remain a reference in the Medical Devices industry, both in Morocco and the wider region."

AfricInvest's investment enabled Promamec to fuel its growth by

launching new medical specialties, offering new products, acquiring additional market share in historically covered sectors, and exploring new markets, mainly West Africa. Over the holding period, AfricInvest teams have actively supported Promamec on its growth journey.

Financially, the fund's investment has allowed the company to increase its working capital and fuel growth.

MPEF IV teams also assisted the management, when needed, in assessing several growth opportunities, including M&A projects in Morocco and Sub-Saharan Africa.

AfricInvest also helped Promamec enhance its ESG standards, supporting the company's alignment with operational Health and Safety best practices, via implementing new standards that ensure employee safety as a priority.

Changes included the implementation of Environmental and Social Management, ISO standards, as well as a pollution prevention management system.

Naoufal Lahlou, CEO of Promamec, said, "As we are concluding this partnership with AfricInvest, it has been our utmost pleasure to collaborate together. We are grateful to our AfricInvest partners for supporting us to lift the company to a leading position in its market and look forward to continuing the journey with our new partners."

DEALS

Triodos Backs Bridge Taxi

Triodos Microfinance Fund and Triodos Fair Share Fund have provided a \$10m loan to Bridge Taxi Finance in South Africa, which provides affordable credit facilities to entrepreneurs in the minibus taxi industry. The loan supports Bridge Taxi Finance in its growth ambition.

South Africa's minibus taxi industry is vital for the country's economy, accounting for over 70% of all public transport trips and is the most widely used form of public transport in Africa. Every day, over 15 million South Africans make use of a 16-seater minibus taxi to get to and from work, school, hospital, and others social activities. Most of them are living on a low income.

An efficient public transport system is a core enabler of a country's economy, critical to development. However, the minibus taxi financing landscape is a niche market with very few financial players opting to enter due to the perceived risk of its client base. As a result,

entrepreneurs - many of whom are first-time taxi owners - have been historically excluded from accessing finance to start their taxi operating business. Also, there are roughly 200,000 minibus taxis on the road, the majority of which are old, unsafe and legislation requires them to be replaced.

Triodos said that Bridge Taxi Finance fulfils this financing gap by providing a full suite of services that includes vehicle finance, day-to-day tracking, advice and management, and vehicle repairs and services.

"Bridge Taxi Finance's impact is two-fold: it fosters job creation by providing opportunities for entrepreneurial people to start a business. Furthermore, the company encourages the replacement of older vehicles with newer, less environmental damaging vehicles with better fuel economy, better passenger safety and lower carbon emissions."

DEALS

Vantage Invests in Aquasantec



Warren van der Merwe,
Managing Partner
Vantage Capital

Vantage Capital, Africa's largest mezzanine debt fund manager, has made an investment into Aquasantec International, a manufacturer and distributor of water tanks, pipes and related products, addressing water, sanitation and hygiene needs across the East African region.

Vantage invested \$25m into Aquasantec in June 2023, in the form of mezzanine debt and ordinary equity, acquiring a controlling shareholding in the Group as part of a leveraged management buy-out.

The founding Shah family, Ramco Group (a diversified conglomerate in Kenya) as well as Terra Mauricia (a publicly listed conglomerate in Mauritius) disposed of their shareholding in the Group as part of the transaction.

Roshal Ramdenee, Associate Partner at Vantage Capital, said: "Vantage is thrilled to announce its investment into Aquasantec International. We see water security as a core priority for the African continent and look forward to supporting a strong management team in achieving their ambitions of delivering innovative water security solutions across the continent."

Aquasantec was originally founded in Kenya (trading as Kentainers) over 30 years ago by Chandulal Shah and family. Since then, the

business has grown organically, becoming a household name across the region.

With the recent addition of a new state-of-the-art factory in Nairobi, alongside factories in Uganda, Rwanda and Zambia, the business is poised to continue its mission of securing the water needs of East Africa. Kentank, the Group's flagship water tank brand in Kenya, was ranked the number 1 brand in its category by Superbrand on multiple occasions over the past decade.

Aquasantec's core product range includes various sizes and types of water storage and supply products including water tanks, underground tanks, drums and pipes. Other products include septic tanks, grain silos and pallets. The Group has a moulding capacity of over 12,000 tons annually and an extrusion capacity of over 15,000 tons annually.

Vantage's investment will contribute positively towards improving water security and access to water supply in a region characterised by water scarcity.

Access to safe water, sanitation and hygiene aligns directly with the UN's Sustainable Development Goal 6 (Clean Water and Sanitation), and is crucial for life, health, socio-economic development and upliftment.

Warren van der Merwe, Managing Partner at Vantage Capital, said: "Vantage is proud to back a successful company with such a strong social impact and a management team which has a proven track record of building Aquasantec into the leading regional player in its sector."

Investors

We share management's vision to capitalise on Aquasantec's market-leading brands and new factory premises to launch its next phase of growth."

Kalpesh Patel, CEO at Aquasantec, who represents KRUZ IN Limited, management's shareholding vehicle, noted: "Aquasantec welcomes Vantage Capital, a partner in progress, as we share the common desire to continue the three-decade long journey of "transforming lives" across the region of East Africa by providing safe, clean access to water

in water-challenged families and communities. The partnership will help accelerate the pace of growth towards achieving our ambitious growth objectives. We also take this opportunity to thank departing shareholders for their contribution to the growth of the Group to date."

Caroma Consulting acted as financial advisor to the transaction, Coulson Harney and Werkmans acted as legal counsel for Vantage and management. Other advisors to the transaction included Ernst and Young, Webber Wentzel and IBIS Consulting.

EXITS

Carlyle Exits Tessara to AgroFresh



Clinton Lewis,
CEO
AgroFresh

Carlyle has agreed to sell its majority stake in Tessara, a provider of post-harvest solutions in South Africa, to AgroFresh Solutions.

The financial details of the transaction were not disclosed.

Established in 1988, Tessara has grown to become a leader in post-harvest preservation solutions, which it provides to fresh produce growers worldwide.

The company focuses on table grapes, berries and flowers. Today Tessara's products are supplied in over 30 countries and protect more than \$3bn worth of fresh produce annually.

Carlyle invested in Tessara in 2018 through its Carlyle Sub-Saharan Africa Fund (CSSAF).

In 2020, the CSSAF team formed a separate private equity firm, Alterra Capital Partners, which continues to manage CSSAF's investments including Tessara.

During the ownership period, the Alterra team worked closely with Tessara management to strengthen R&D, launch new products and

invest in expanding the capacity of its manufacturing facilities.

Bruce Steen, Partner at Alterra, said: "It has been a pleasure working with Jaco and the rest of the Tessara team. Management's unwavering focus on reducing food waste combined with their "fresh science" approach to achieving this has seen the business go from strength to strength. I believe Tessara is well-positioned for the future, and I wish the team every success in the next chapter of their journey."

"We're looking forward to bringing onboard the innovative team at Tessara," said Clinton Lewis, CEO at AgroFresh.

"The acquisition is a perfect fit given Tessara's and AgroFresh's alignment on leveraging science-based solutions to advance freshness and quality across the global produce supply chain."

Jaco Smit, CEO of Tessara, said: "We are proud of the Tessara team and our distinctly South African roots and culture. We are also humbled and excited to be part of AgroFresh, a leader in the post-harvest Ag-tech space and together we will look to leverage our combined network and innovation resources to build a world-class market leader."

Rabobank served as financial adviser to Alterra and Tessara. White & Case acted as legal adviser for Alterra and Tessara, and Morrison & Foerster and Bowman Gilfillan acted as legal advisers for AgroFresh.

INVESTORS

IFC Invests \$25m in Metier

IFC has announced an equity investment of \$25m in Metier Capital Growth Fund III (MCGF III) as well as a co-investment envelope of \$15m to invest alongside the fund in select companies.

The fund, which will be managed by Metier Private Equity International, will invest in 8 to 12 mid-market companies primarily in Southern and East Africa.

The fund will invest in sectors including telecommunications, fast moving consumer goods, healthcare, non-banking financial services, manufacturing as well as infrastructure and energy. MCGF III will invest at least 40% of the fund outside of South Africa.

IFC's investment will help the fund reach its first close and, through a co-investment envelope, enable the fund to attract more follow-on

equity for its investee companies.

IFC will also support Metier in strengthening its gender-lens investing approach and promoting gender diversity, both within the fund manager and its investees.

"Beyond delivering top quartile returns, Metier's core objective is to contribute towards positive and sustained impact across Africa," said Paul Botha, CEO and Co-Founder of Metier.

"Our active deal pipeline is characterized by growth capital investments that will develop new business opportunities that will have a positive impact on the effects of climate change, create decent jobs with a broader focus on gender-lens investing, support the connectivity of rural communities, and enhance small business development across Africa. We are excited about our continued partnership with IFC."

Private equity investment in Africa remains among the lowest in emerging markets, representing just 4% of total volumes.

Challenges include perceptions of high risk, foreign exchange risk, high inflation, and economic uncertainty.

As a result, equity financing for mid-market companies has been scarce, hindering the development of the private sector.

"A strong private sector is an essential driver for sustainable growth, job creation, market competitiveness and shared prosperity," said Sérgio Pimenta, IFC Vice President for Africa.

"IFC's investment in Metier Capital's Growth Fund III will increase access to much needed private capital that will catalyze value creation for these companies and help bolster Africa's private equity industry."

IFC's investment is aligned to its strategy to strengthen the African private equity market.

It will also demonstrate that investing in African markets can generate commercial returns for investors as well as positive developmental impact for the continent.

INVESTORS

IFC, Proparco, And MIGA Back Kasada Hospitality Fund

IFC, Proparco, and MIGA have invested \$49.5m in Kasada Hospitality Fund, which will be used to refurbish, modernize, and expand the former Crowne Plaza in Nairobi's Upper Hill, a business district that hosts embassies, international organizations, and the headquarters of some of East Africa's largest corporations.

Following this revamp, the property will re-open as a dual branded Pullman & Mercure property and include a state-of-the-art co-working

and global organizations.

Demand from corporations is a key driving factor behind the hotel market. The Pullman & Mercure Upper Hill hotel is well placed to cater to this demand.

The hotel aims to become EDGE certified, an innovation from IFC that helps clients reduce their environmental footprint by using more environmentally friendly building materials and less water and energy.

"This asset is about to enter a new life cycle and contribute to the revitalization of the Kenyan hospitality sector post the COVID-19 pandemic"

- Olivier Granet, Kasada's Managing Partner and CEO

space under the brand WOJO, which will cater to a growing demand in the market for more flexible workspaces.

"We look forward to bringing our multi-disciplinary expertise in creating value and impact with this hotel and aim to reposition it to attract more international travelers as well as the place to be for the local community. This asset is about to enter a new life cycle and contribute to the revitalization of the Kenyan hospitality sector post the COVID-19 pandemic," said Olivier Granet, Kasada's Managing Partner and CEO, and David Damiba, Kasada's Managing Partner and CIO.

The financing package to Kasada includes an \$11m loan from IFC, an \$11m parallel loan from development finance institution Proparco, and a \$27.5m guarantee from MIGA, a member of the World Bank Group that offers political risk insurance guarantees to private sector investors and lenders.

The travel and tourism sector accounts for an estimated 9% of Kenya's GDP, with Nairobi contributing a significant portion due to its status as a commercial center within Eastern Africa and a hub for many regional

The financing is part of a broader partnership announced in July 2021 between the Kasada Hospitality Fund and IFC, where IFC committed to invest up to \$160 million in Kasada's fund to help the fund build a strong and resilient hotel portfolio across sub-Saharan Africa as the industry recovers from the effects of the COVID-19 pandemic on tourism and business travel.

"IFC invests in the hotel and tourism industry because it is a major contributor to employment, foreign exchange earnings, and tax revenues. IFC's partnership with Kasada is supporting the development of a strong and resilient hospitality sector across key markets in Africa," said Henrik Elschner Pedersen, IFC Regional Industry Director in Africa for Manufacturing, Agribusiness, and Services.

The MIGA guarantees are part of a master contract issued by MIGA in 2021 to cover the Kasada Hospitality Fund's equity investments in the redevelopment and construction of hotels in Sub-Saharan Africa. The guarantees provide coverage against the risks of transfer restriction, expropriation, and war and civil disturbance for up to 15 years.

“Tourism is vital for developing economies, helping support employment, strengthening supply chains, and bringing in foreign exchange. MIGA’s partnership with Kasada contributes to the current

recovery of the tourism and hospitality sector from the impact of COVID-19 across Sub-Saharan Africa,” said Muhamet Bamba Fall, MIGA’s Director of Operations.

INVESTORS

BII And DFC Invest in SDG Outcomes Fund

British International Investment (BII), the UK’s development finance institution (DFI) and impact investor, has announced a \$10m commitment to the SDG Outcomes Fund as an anchor investor alongside the US International Development Finance Corporation (DFC).

Both DFIs will support the first fund dedicated to development impact bonds in lower and middle-income countries globally including Africa and South Asia.

Sara Taylor, Director and Head of PE Funds and Co-Investments at BII, said: “We are very excited to be working alongside high calibre partners and scaling an innovative and flexible financial mechanism that centres on delivering impact. The first projects in West Africa are well-aligned with our mission to provide patient capital to create productive, sustainable and inclusive economies and mobilise private investment capital to support communities in Africa and South Asia that are a priority for BII.”

Set up as a partnership with UBS Optimus Foundation as lead investor and Bridges Outcomes Partnerships, a specialist not-for-profit entity, as fund manager, the Fund uses an innovative blended finance structure to invest in impact bonds and similar outcomes-based contracts that support the UN Sustainable Development Goals.

The Fund targets essential healthcare, education, employment, child protection and environmental outcomes aimed at improving the lives and livelihoods of some of the world’s most vulnerable populations.

SDG Outcomes has made initial investments in West Africa, providing upfront capital to initiate and deliver education and environmental

services.

Through the SDG Outcomes Fund, impact investors fund the up-front costs of delivering these services.

The commissioners of the programmes, which can include a government or NGO, commit to repaying this capital only if certain social and/or environmental outcomes are achieved.

This approach offers multiple benefits that result in better service delivery and greater impact.

Mila Lukic, CEO of Bridges Outcomes Partnerships said: “We’re hugely excited by the potential of SDG Outcomes to improve lives at scale and, over time, to transform the way in which development projects are designed and delivered. Around 600 million young people globally lack numeracy and literacy skills; millions more are suffering from the effects of plastics pollution. We are pleased that SDG Outcomes’ first projects are helping to address these challenges through innovative, outcomes-based partnerships.”

Maya Ziswiler, CEO of the UBS Optimus Foundation, added: “The SDG Outcomes initiative is one of the first of its kind to provide the scale so desperately needed to provide real impact. By creating an investible solution, we can help our clients and partners to mobilise all forms of capital - from philanthropic, through to public and private investors motivated by both financial and non-financial returns on their investments. We are excited to be bringing this landmark initiative to market.”

INVESTORS

Norfund Invests \$10.5m in Miniplast Ghana



Obafemi Awobokun,
Investment Manager
Norfund

The Norwegian Investment Fund for Developing Countries (Norfund) has invested \$10.5m in Miniplast Ghana to support its expansion

plans across its manufacturing and recycling segments.

“Supporting local manufacturing and recycling initiatives will help create many decent jobs not only at Miniplast, but across the entire plastics value chain. This impact is further amplified in what is a challenging macroeconomic climate for many Ghanaians,” said Obafemi

Awobokun, Investment Manager, Norfund.

Miniplast Ghana is a leading plastics manufacturing company in Ghana and the West African sub-region.

Established in 1988, Miniplast specializes in injection moulding and blowmoulding, with its key offerings being products made from High/Low Density Polyethylene (H/LDPE), Polypropylene (PP) and PET Plastics.

In 2020, Miniplast established an in-house plastics recycling business segment that uses plastic waste that it sources locally and processes into recycled plastic materials.

Headquartered in Accra, Miniplast has a current production capacity of 41 tonnes of plastic per day, and directly employs over 650 people, whilst indirectly giving employment to over 200 more. The company also has waste collection and grinding hubs in Kumasi and Tamale.

Norfund's investment will go towards purchasing new manufacturing equipment and supporting Miniplast to expand into new product offerings.

Also, the investment will finance new machinery to increase the Company's recycling capacity to 1,700 tonnes a month, further substituting locally sourced recycled materials for imported plastic resins, and hence, reducing production costs in the process.

This investment is in line with Norfund's strategy to invest patient capital in scalable enterprises in manufacturing and waste management within Sub-Saharan Africa.

In addition to supporting increased local tax revenue and foreign exchange generation in one of West Africa's major markets, Norfund's

investment in Miniplast is expected to create more than 850 jobs across the plastics value chain.

Nadim Ghanem, CEO of Miniplast, said: "Norfund is the ideal partner to assist with our sustainable expansion. We are confident that we will have outstanding ESG results and innovative business impacts for the industry and country, especially with Norfund's expertise guiding us."

Through this investment, Norfund is supporting efforts to develop a circular economy in Sub-Saharan African markets to help tackle Ghana's waste management challenges.

Norfund will also look to support Miniplast in its efforts to institutionalise what has historically been a family-run business, particularly on the environmental, social and governance fronts.

"We are excited to be growing our portfolio in Ghana by partnering with the management and owners of Miniplast, a company which is doing important work on the local value addition front whilst also contributing to addressing the country's plastic waste problem. By investing to further increase the company's production and recycling efforts, whilst increasing local sourcing, job creation and import substitution, we aim to contribute to the company's growth and institutionalization, as well as to development," said Naana Winful Fynn, Regional Director for West Africa for Norfund.

Norfund was advised on this transaction by the following consultants: Emsy Capital, Ernst & Young (Ghana), Norwaste, Control Risks (West Africa) Ltd, Bentsi-Enchill, Letsa & Ankomah(BELA), Wikborg Rein (Norway) and IBIS Environmental Social Consulting (East Africa).



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What Are the Biggest Challenges for Africa-Focused Asset Managers?

By Africa Global Funds



Nicholas P. Piquito,
CEO, Asset Management
African Alliance Group

In a world awash with yield-seeking capital the single biggest challenge for Africa-focused asset managers remains origination. More specifically - the origination, structuring and matching of bankable opportunity to an optimal combination of local and global capital. This requires a change of mindset on the part of asset managers; from traditional capital deployment and oversight to a more proactive 'capital conduit' business model. Embedded entrepreneurial and operational skills within asset managers will become a de facto requirement in the near future.

Related to this, we see increased demand for facilitating the co-deployment of local, regional and global capital across African private markets. This requires a higher level of insight and innovation from asset managers in order to meet the return, risk and broader economic, political and societal goals of an increasingly diversified investor base.

Data dependency and access to information remains an evolving challenge. In this regard the innovative use of technology and smart

systems has increased both the quantity and quality of data broadly available. The challenge is thus evolving from data availability to data analysis in order to generate actionable insights for efficient capital deployment. The in-progress revolution in machine learning and broader artificial intelligence is just starting to play a role here, and we expect this to become a core competency of successful managers in the not-to-distant future as asset managers morph - in a sense - into quasi-technology companies.

Finally, while the long-term opportunity in private markets across Africa remains significant, there is ultimately a high level of path dependency driven by competing (and inherently unforecastable) structural forces. On the supportive side are declining demographics and structurally low growth in the developed world which is driving a broader search for return to satisfy what look like increasingly unattainable societal expectations. On the negative side are increasingly volatile global macroeconomic conditions (driven in no small part by questionable major central bank monetary policies) and heightened geopolitical risk.

Navigating a path through this complexity will be a challenging but necessary requirement for Africa-focused asset managers.



Thabo Khojane,
MD, Africa
Ninety One

Equity investors in Africa face several obstacles. Structural growth challenges, high unemployment rates and poor education levels make it difficult for Africa-focused

companies to grow earnings in a meaningful and sustainable manner. Furthermore, the high cost of doing business in Africa borne by companies, not just in terms of higher interest rates but rather added costs of security, logistics and energy, erodes their profit margins.

Investors also have to contend with currency volatility and political uncertainty. Companies that invest in Africa often run the

risk of being unable to repatriate cash out of certain jurisdictions. Investors therefore apply higher discount rate to earnings out of Africa to capture this risk.

From a sovereign fixed income perspective, Africa-focused investment managers face two significant challenges. Firstly, debt sustainability concerns remain. An increase in debt balances over the last three years combined with a shutdown in external

financing markets amid higher global yields, has meant that liquidity concerns can result in solvency concerns if fiscal and external imbalances are not addressed quickly enough. Secondly, and related to the above, foreign exchange convertibility and liquidity in local markets are an issue for offshore investors as countries look to ration the availability of dollars given tight funding conditions.



Jason Horn,
Executive Trader, Macro Analyst
Steyn Capital Management

More than a decade of successful investing in Africa has taught us that macro matters. If you had asked us when we started our Africa fund about macro risks, we would have quoted Peter Lynch: “If you spend 13 minutes a year on economics, you’ve wasted 10 minutes.”

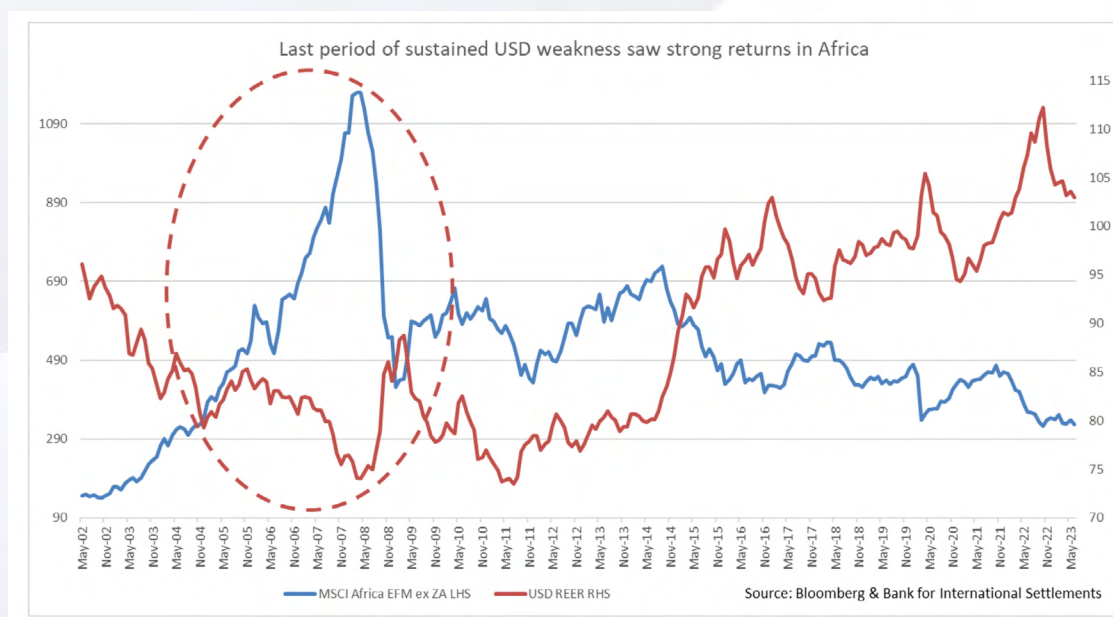
The last decade has been characterized by low rates, continuous budget deficits and a meaningful rise in debt-to-GDP to fund those deficits. The abrupt shift in US monetary policy last year has meant that the age of free money and getting away with fiscal recklessness could finally be over. The stress induced by the past decade’s spending have led us to refine our process, which now incorporates macro analysis to identify and mitigate country and currency risks. Macro factors have a habit of dominating markets, and Africa is no different.

The historically rapid rise of interest rates in the US, and the subsequent USD strength, have been among the biggest headwinds when investing in African markets. As the macro environment has deteriorated globally, investors have flocked to the US, resulting in a liquidity drain from most emerging and frontier markets. This

has resulted in greater demand for USD and an increase in foreign portfolio outflows from frontier and emerging markets. This, in turn, has pushed up the funding and debt service costs for all these countries. Anaemic global growth, coupled with these funding pressures, have led to imbalances in the balance of payments, which have started to reveal themselves – leading to multiple IMF programs being disbursed, painful currency adjustments and debt restructurings across the continent.

While we are not quite there yet in terms of peak rates, we are certainly closer to maximum pain now than when these headwinds started to emerge. We believe that the USD is too strong and over time it should revert back towards its mean. While the higher rate environment has been a headwind to Africa investors, the converse is also true. As the dollar reverts back to a more reasonable level, this will provide a tailwind for African markets – we have seen this play out previously, leading to periods of very strong returns (see chart).

Valuations in Africa continue hover around decade lows versus their US peers, which are back near their post-Covid highs. This, coupled with potential fundamental tailwinds on the horizon, make for a highly compelling investment case.



Capitalizing on the Growth of Africa's Institutional Investor Base



By Francisco Machado,
Investment Director
Vital Capital

Until recently, Ghana was considered a macroeconomic and political model in sub-Saharan Africa: in 2019, the World Bank described it as 'a rising growth star'. However, in May 2023, the IMF signed a new bailout agreement worth \$3bn over three years. It's a program that's widely seen as a band-aid for a host of long-term economic challenges facing the country - a net importer - including a balance of payments deficit. The

reliance on international investment, the international currency markets and interest rate fluctuations at the same time. Research conducted by the IFC in 2022 highlights that "a well-functioning local institutional investor base may play a role in bolstering the economy" and "financing the ambitious development agenda ahead calls for an enhanced role for the region's institutional investors."

Africa's institutional investor base has become an increasingly important source of capital over the past few decades, having grown strongly and steadily accumulated assets under management. The IFC analysis found that pension fund AUM grew by an average of 65%

"The nation's public debt is nearly as large as its annual economic output, inflation has been running at over 40% in 2023 and Ghana's currency, the Cedi, has fallen by more than 45% against the dollar since January 2022"

- By Francisco Machado, Investment Director, Vital Capital

nation's public debt is nearly as large as its annual economic output, inflation has been running at over 40% in 2023 and Ghana's currency, the Cedi, has fallen by more than 45% against the dollar since January 2022. The bailout will do little to address poverty, create new jobs, boost salaries or address the rising cost of living facing Ghanaians.

Ghana is not alone in facing economic headwinds, and other countries on the continent face a similar fate driven by a range of factors, including the Russia-Ukraine conflict, the rising cost of food imports, a reduction in foreign direct investment and rising interest rates globally that are increasing cost of debt servicing. Kenya, East Africa's largest economy, is in the process of agreeing new funding amounting to around \$1bn to help relieve pressure caused by rising debt servicing and effects of drought.

GROWTH OF INSTITUTIONAL INVESTOR BASE

One solution to help advance economies in Africa and provide some insulation from global economics might lie in the growth of local institutional investors. They are uniquely positioned to help boost industry, agriculture and overall economic development, while reducing

between 2016-2020 across the seven African economies they looked at.

These investors have typically been very conservative in their investments, investing primarily in government bonds in their territory. The IFC research found that pension fund investment in "alternative assets" accounts for a very small share of assets; across five markets they found it accounted for between 0 and 2.7% of AUM.

A lack of familiarity with and capacity to evaluate the associated risks, along with uncertainty over policy approaches to these assets, may be holding back allocations. But as seen with Ghana, excessive investment concentration in government bonds can carry its own risks. As a result, these investors are missing out on the opportunity to diversify and manage risk, as well as the opportunity to generate alternative sources of returns and create sustainable impact in their communities.

By diversifying their portfolios into other asset classes, including alternatives such as private equity and infrastructure, investors will mitigate against the risks associated with concentrated portfolios. Furthermore, private equity firms can be nimble and uncover opportunities that might not be immediately apparent.

They can also target very specific social and environmental goals, mitigating risks for entire communities and contributing to their development, as well as creating financial returns for their underlying beneficiaries.

CHOOSING A FUND MANAGER

With little in the way of experience of investing in alternatives for many institutional investors in the region, the prospect may seem daunting. Some considerations to make when considering such investments include assessing alignment with investment objectives and target outcomes. This could be a return profile, types of investment, sector focus or an impact objective such as building and maintaining critical infrastructure, mitigating climate change or providing more affordable housing. When investing in impact funds, investors should look for alignment with international best practices and their impact measurement and management processes. Of course, track record is also important, both in terms of financial returns and the creation of meaningful, measurable impact. An understanding of, and experience

CONCLUSION

Institutional investors need to embrace alternatives, and alternative asset managers need to do a better job of explaining the benefits and providing relevant investment solutions that meet the needs of this investor base. Efforts to encourage more institutional capital to be invested locally are underway. For example, the Kenya Pension Funds Investment Consortium (KEPFIC), an initiative supported by the World Bank and US Aid, has brought together the country's leading pension funds to encourage them to increase in their allocation to alternative investments. Such initiatives help with professionalization and resourcing to support allocation to alternatives, but it's only one part of the puzzle. This needs to be followed elsewhere and accompanied by supportive legal and regulatory frameworks.

For example, regulators might consider introducing - and enforcing, where applicable - minimum allocations to alternative assets within their portfolios to encourage diversification. Furthermore, they might follow practices in Europe and elsewhere to limit personal responsibility for trustees of pension schemes

“Kenya Pension Funds Investment Consortium (KEPFIC), an initiative supported by the World Bank and US Aid, has brought together the country’s leading pension funds to encourage them to increase in their allocation to alternative investments

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in, the local investment landscape is also essential. Finally, investors should look for fund managers that are operationally minded and quick to adapt.

By embracing alternative assets, local institutional asset managers across Africa can better manage risk, diversify their portfolios, and contribute to positive social, environmental and economic development within their communities. With substantial assets at their disposal, this has the potential to be transformational for countries across Africa, making them more self-reliant and insulated from the swings of macroeconomic and geopolitical events, creating more stable - and more sustainable - economies.

for investment decisions. Here, it is common for pension scheme rules to include exoneration and indemnity rules for trustees where losses result from properly taken actions to ensure they aren't held personally responsible - with liability insurance also available. This could and should be replicated for trustees of pension funds across Africa. As the amount of assets managed by institutional investors in Africa continues to grow and the market matures, the role for alternative assets within portfolio construction is becoming more important, both as a means of diversification and risk, but also to the development of economies across the continent.

AFRICAN MARKETS PERFORMANCE

AFRICA SOVEREIGN BOND INDICES (TOTAL RETURNS USD %)

Country	July	3-Month	1-Year
Botswana	3.73%	2.41%	0.49%
Egypt	0.82%	5.72%	-33.08%
Ghana	2.58%	-8.95%	-53.68%
Kenya	-3.00%	-6.10%	-12.08%
Mauritius	2.76%	3.36%	3.09%
Morocco	1.20%	5.33%	-0.71%
Namibia	8.71%	9.06%	8.71%
S&P/FMDQ Nigeria	4.85%	-32.70%	-37.25%
South Africa	8.66%	4.69%	1.07%
Tanzania	-0.80%	-2.38%	2.02%
Uganda	5.32%	12.00%	31.04%
Zambia	-5.56%	-1.17%	6.07%

Source: S&P Dow Jones Indices

AFRICA EQUITY INDICES (BMI GROSS TOTAL RETURNS USD %)

Country	July	3-Month	1-Year
Botswana	7.13%	6.11%	15.74%
Cote d'Ivoire	6.87%	11.97%	14.90%
Egypt	-0.61%	-0.73%	19.09%
Ghana	6.22%	17.73%	-14.50%
Kenya	-0.92%	-4.86%	-29.65%
Malawi	6.41%	39.90%	220.29%
Mauritius	1.44%	4.49%	3.44%
Morocco	7.62%	21.05%	10.48%
Namibia	6.27%	18.24%	64.04%
Nigeria	6.14%	-11.14%	-4.28%
Rwanda	-1.45%	6.99%	1.40%
South Africa	12.06%	5.52%	7.96%
Tanzania	-1.40%	-3.98%	6.35%
Tunisia	0.48%	7.39%	16.84%
Uganda	-1.94%	14.98%	40.24%
Zambia	-7.58%	-3.19%	14.91%

Source: S&P Dow Jones Indices

FUND FOCUS:

The Enko Africa Debt Fund B-Class

By Enko Capital

EADF-B generated a net return of +3.38% in July. This follows a strong Q2, during which the Fund produced its 2nd (+10.3% in May) and 3rd (+7.8% in June) best monthly returns since inception.

July's return pushed the YTD number to +10.67%, elevated the 12-month return to over 41%, and generated a new all-time high on a cumulative return basis.

African hard currency credit (EMBI SSA) continued to rally in July gaining 4.19% on the month. The index now has a YTD return of 13.79%. Local currency African debt (S&P Africa x SA) rebounded, with a return of 1.17%. However, the dismal start to 2023 and the impact of the Nigerian Naira and its 40% depreciation in Q2, have left the index down by -11.33% for the year.

Global hard currency EM debt (EMBI) gained 1.61% on the month, bringing the 2023 return to 5.48%.

The Fund's July result lifted the annualised return since inception to just under 13.9%.

Cumulatively, the Fund has generated over 142% since inception, putting the Fund ahead of the EMBI SSA and the S&P Africa ex SA by

115% and 147%, respectively.

The Fund's Sharpe ratio remains positive (1.80) on a 12-month basis and is over 1.1 since inception.

The Fund also remains uncorrelated to local currency debt and moderately correlated to hard currency debt.

Persistent inflation in Africa continues to keep pressure on central banks to maintain a hawkish monetary policy stance, albeit at a tempered pace. In a still uncertain global risk environment, FX liquidity pressures and the ensuing currency weakness continued to increase inflation expectations in most countries. Barring Uganda and Zambia, where policy rates may remain accommodative, Monetary Policy Committees in Kenya, Nigeria, Egypt, and Angola should tighten further in coming months (Ghana and Nigeria central banks hiked by 50bps and 25bps, respectively in July). Except for Zambia where we have recently seen a wave of foreign participation, local market activity has remained lackluster in Nigeria, Egypt, Ghana, and Kenya.

PRIVATE EQUITY FUNDS & DEALS

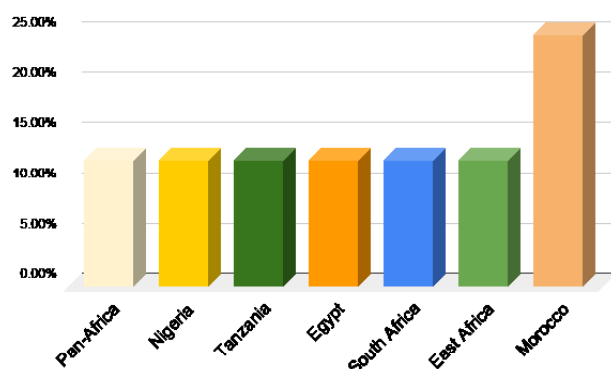
(as of 31st July 2023)

DEALS

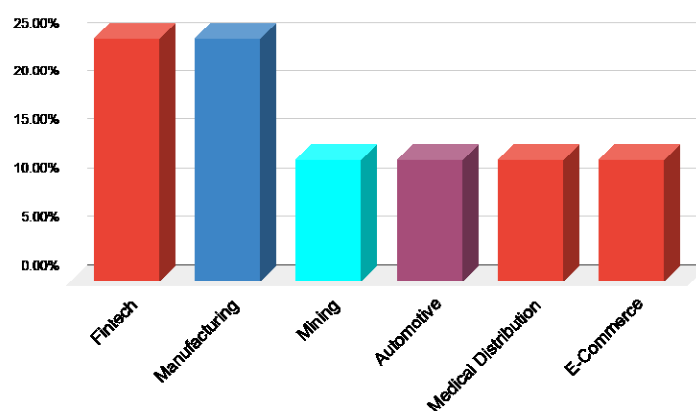
For more information on each transaction, visit Africa Global Funds's website

Company	Investment	Industry	Country	Deal Type	Deal Value
Absa Corporate and Investment Banking	Moove	Fintech	Pan-Africa	Growth Capital	\$8m
Aruwa Capital Management	Fastizers	Manufacturing	Nigeria	Growth Capital	\$2m
Gemcorp Capital Management	Walkabout Resources	Mining	Tanzania	Loan	\$25m
Plus Venture Capital (+VC), Seedstars International Ventures, Flat6labs	Agel	Fintech	Egypt	Pre-Seed	Undisclosed
Sanlam Private Equity	Danny's Auto	Automotive	South Africa	Growth Capital	Undisclosed
Vantage Capital	Aquasantec International	Manufacturing	East Africa	Mezzanine Debt & Equity	\$25m
Vantage Capital	Promamec	Medical Distribution	Morocco	Secondary Buyout	\$30m
Verod-Kepple Africa Ventures	Chari	E-Commerce	Morocco	Venture Capital	\$1.5m

DEALS BY COUNTRY



DEALS BY INDUSTRY



EXITS

Company	Divestment	Industry	Geography	Buyer (s)	Nature of exit
AfricInvest	Promamec	Medical Distribution	Morocco	Vantage Capital	Secondary Buyout
Carlyle Group	Tessara	Agribusiness	South Africa	AgroFresh Solutions	Trade

FUNDRAISING

Company	Fund	Geography	Style	Sectors	First Close	Target	Date Announced
Infra Impact Investment Managers	Infra Impact Mid-Market Infrastructure Fund 1	South Africa	Growth Capital	Mid-market infrastructure businesses	R2.15bn	R1.5bn	26 July 2023

Source: AGF

YTD (%)	1 Month	1 Year	3 Year	5 Year	AUM (\$m)	Strategy	Focus	Domicile	Type	Start
337 Frontier Capital - Kimberlite Frontier Africa Fund (as-of 2023-07-31)										
12.37	1.5	13.48	10.01	-3.22		Equity	Africa ex-SA	Cayman Isl.	Open-End	06/14
African Domestic Bond Fund (as-of 2023-07-31)										
	2.8	-13.6	-13.9			ETF - local currency FI	African region	Mauritius	Open-End	9/18
African Lions Fund (as-of 2023-05-31)										
7.47	4.4	2.98			21.02 (05/23)	Equity	SSA ex-SA	BVI	Open-End	10/20
Allan Gray Africa Bond Fund (as-of 2023-07-31)										
10	6.8	15.4	3.2	4.1	294.00 (07/23)	Fixed Income	Africa ex-SA	Bermuda	Open-End	3/13
Allan Gray Africa ex-SA Equity Fund (as-of 2023-07-31)										
0.77	-0.28	-5.76	10.98	-0.86	408.00 (07/23)	Equity	Africa ex-SA	Bermuda	Open-End	1/12
Alquity Africa Fund (as-of 2023-08-18)										
-7.27	-0.31	-15.87	-3.2	-5.95	3.03 (07/23)	Equity	African region	Luxembourg	SICAV	6/10
Bellevue Funds Lux - BB African Opportunities (as-of 2023-08-18)										
0.57	-1.73	-8.87	-2.49	-4.58	45.64 (07/23)	Equity	African region	Luxembourg	SICAV	06/09
Commonwealth Africa Fund (as-of 2023-08-18)										
0.52	8.82	-1.05	11.17	-2.27	3.28 (07/23)	Equity	African region	USA	Open-End	11/11
Coronation Africa Frontiers Fund (as-of 2023-07-31)										
7.66	-3.05	11.49	7.62	-3.14	264.68 (07/23)	Equity	Africa ex-SA	Ireland	Unit Trust	10/08
DWS Invest Africa (as-of 2023-08-18)										
-6.08	-0.72	-13.18	1.1	-4.78	26.26 (07/23)	Equity	African region	Luxembourg	SICAV	07/08
EFG-Hermes MEDA Fund (as-of 2023-08-18)										
8.88	4.5	0.52	29.12	13.88		Equity	Africa & Middle East	Bermuda	Open-End	12/11
Emerging Africa Bond Fund (as-of 2023-07-31)										
2.1					1.66 (07/23)	Fixed Income	African region	Mauritius	Open-End	09/16
Enko Africa Debt Fund (as-of 2023-07-31)										
10.67	3.38	41.36	8.46	14.53	579.80 (07/23)	Fixed Income	Africa ex-SA	Mauritius	Open-End	10/16
Fidelity Funds - Emerging Europe, Middle East and Africa Fund A (as-of 2023-08-18)										
6.04	-0.62	0.29	-8.8	-5.16	236.99 (07/23)	Equity	EMEA	Luxembourg	SICAV	06/07
Imara Africa Fund (as-of 2023-07-31)										
-1.55	-3.18	-2.4	-0.26	-5.11		Equity	African region	Cayman Isl.	Open-End	04/09
Imara African Opportunities Fund (as-of 2023-07-31)										
-5.24	0	-2.8	-4.47	-10.3		Equity	African region	BVI	Open-End	06/05

DISCLAIMER: All data is provided "as is" for your information and personal use only, and is not intended for trading purposes or advice.

YTD (%)	1 Month	1 Year	3 Year	5 Year	AUM (\$m)	Strategy	Focus	Domicile	Type	Start
JPMorgan Funds - Africa Equity Fund (A) (as-of 2023-07-31)										
6.48	11.67	1.63	-0.64	-4.07	92.64 (08/23)	Equity	African region	Luxembourg	SICAV	05/08
Laurium Limpopo Master Fund (as-of 2023-07-31)										
6.7	1.4	7.1	0.6	-4.6	156.90 (06/23)	Equity	Africa ex-SA	Cayman Isl.	Open-End	01/14
Mazi Capital Africa Fund (as-of 2023-07-31)										
-8.19	-0.03	-7.85	-2.85	-7.13		Equity	Africa ex-SA	South Africa	Open-End	01/16
MCB Africa Bond Fund (as-of 2023-07-31)										
	2.1	-15.3	-18	-4.3		Fixed Income	African region	Mauritius	Open-End	2/14
Ninety One Premier - Africa Fund A (as-of 2023-07-31)										
13.79	-12.99	-5	-23.09	-17.95	0.64 (07/23)	Equity	African region	Guernsey	Open-End	01/07
Old Mutual African Frontiers Flexible Income Fund (as-of 2023-08-18)										
3.48	1.16	2.68			21.32 (07/23)	Fixed Income	African region	Ireland	OEIC	05/22
Old Mutual African Frontiers Fund (as-of 2023-07-31)										
9.62	0.53	4.11	0.68	-1.72	289.94 (07/23)	Equity	Africa ex-SA	Ireland	Open-End	5/10
Optis African Frontier Fund (as-of 2023-07-31)										
-4.77	-5.57	-3.71	-10.14		18.29 (07/23)	Equity	African region	BVI	Open-End	08/09
Robeco Afrika (as-of 2023-05-31)										
-6.47	-3.01	-12.1	9.32	-3.07	21.90 (05/23)	Equity	African region	Netherlands	Open-End	06/08
Sanlam Africa Equity Fund (as-of 2023-07-31)										
5.82	3.3	8.39	8.86	-0.62		Equity	Africa ex-SA	Ireland	Open-End	07/15
Sanlam Centre Africa Equity Fund (as-of 2023-07-31)										
-4	2.18	-0.34			56.64 (07/23)	Equity	Africa ex-SA	Cayman Islands	Open-End	05/19
Steyn Capital Africa Fund (as-of 2023-07-31)										
13.01	-3.06	16.23	16.69	-1.46	171.00 (07/23)	Equity	Africa ex-SA	Malta	SICAV	09/11
Sustainable Capital Africa Alpha Fund (as-of 2023-07-31)										
3.78	3.07	2.16	9.91	-2.08		Equity	Africa ex-SA	Mauritius	Open-End	02/12
TCM Africa High Dividend Equity (as-of 2023-07-31)										
-4.38	1.78	-7.01	-0.02	-7.4		Equity	Africa ex-SA	Holland	Open-End	03/08
T. Rowe Price Africa & Middle East Fund (as-of 2023-07-31)										
11.1	6.08	2.9	18.17	4.99	104.72 (07/23)	Equity	MENA & SSA	United States	Open-End	10/11

Venture Capital Activity in Africa: 2023 H1 In Review



By Nadia Kouassi Coulibaly, Head Of Research, AVCA

The first half of 2023 saw 263 VC deals take place in Africa's venture ecosystem, allocating a cumulative \$2.1bn of capital to 258 unique companies. This corresponds to a 40% decrease by both volume and value compared to the \$3.5bn raised in 2022 H1. At slightly over \$1bn raised each quarter, this contraction in startup funding is being referred to by some as a "funding winter" for African venture capital. Sensationalist headlines aside, channels of capital to African startups have undoubtedly tapered off since Q3'22, in a belated but anticipated knock-on effect of the global macroeconomic downturn. However, rather than a funding winter, the funding dips of Q1'23 and Q2'23 are better described as a funding plateau. When evaluated against the historical average for the period between 2017-2022, industry activity in Africa's venture capital ecosystem in 2023 compares favourably. A long-term lens is therefore necessary to temper overly pessimistic concerns of what may appear at first glance to be a

continent's five megadeals in 2023 H1 raised a substantial amount of debt financing as part of the investment round.

Over \$200m of Kenyan asset financing platform M-Kopa's fundraiser was sustainability-linked debt financing, South African car subscription startup Planet 42's fundraiser included a \$75m credit facility, while Egyptian FinTech unicorn MNT-Halan raised \$140m through two securitized bond issuances to complement their \$260m equity raise.

DOUBLE DIGIT YOY AND QOQ DECLINES AT EVERY INVESTMENT STAGE

Although most acute at the late stage, every investment stage saw significant contractions by both volume and value in 2023 H1. On the early stages of the venture capital continuum, seed-stage deals assumed the largest proportion of venture capital deal activity in Africa in both Q1'23 and Q2'23. While this is a recurrent trend in Africa's venture ecosystem, seed-stage deals accounted for a colossal 71% and 72% of venture deal flow to startups on the continent in the first two quarters of 2023, respectively. Nevertheless, deal counts in this category fell by

"Rather than a funding winter, the funding dips of Q1'23 and Q2'23 are better described as a funding plateau. When evaluated against the historical average for the period between 2017–2022, industry activity in Africa's venture capital ecosystem in 2023 compares favourably"

- Nadia Kouassi Coulibaly, Head Of Research, AVCA

nosedive in deal activity, particularly as the ecosystem comes down from a two-year trend of triple digit acceleration. In contrast to the capital free-for-all of 2021 H2 into 2022 H1, VC investors are applying a more judicious approach to investment - but are still actively allocating capital to startups with strong fundamentals.

INVESTORS RETREAT FROM SUPER-SIZED DEALS

VC investors shied away from big-ticket funding rounds in the first six months of 2023. 5 super-sized deals raising just over \$1bn took place in 2023 H1, falling from 9 such deals that brought \$1.3bn to the industry in the same period in 2022. Although the number of startups concluding deals with a value of \$100m or more fell in 2023 H1, the proportion of overall funding assumed by these large, high profile funding rounds in each quarter remained largely consistent with the historical average. Of note, while super-sized deals routinely comprise both equity and debt, venture debt is assuming a larger component and consequently playing a more prominent role in these funding rounds. Three of the

55% from 2022 H1, debunking to some extent early predictions that seed rounds would remain unaffected in 2023. These initial predictions were based on the premise that the smaller ticket sizes characteristic of seed-stage deals would lend this investment stage a higher degree of insulation from global macroeconomic headwinds. The anomalous dominance of seed-stage deals is in part due to the virtual absence of late-stage deals on the continent in 2023 H1. Just two late-stage deals took place in Q1'23 while three occurred in Q2'23, accounting for a cumulative \$0.5bn of venture capital. Given the significant market uncertainty in developed markets, the fall of the later stages comes as no surprise as global VC investors (which disproportionately lead the charge for these large, late-stage deals) continued to pull back from mega rounds. Nevertheless, even with this slowdown in late-stage funding, a number of high-profile deals took place in 2023 H1. Examples include the \$77.8m pre-Series C round in South African digital bank TymeBank and the \$330m Series F in drone designer and manufacturer Zipline.



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