

AFRICA GLOBAL FUNDS

CREDIT PRICING INSTABILITY IN SOUTH AFRICA

MARKET:

TACKLING CLIMATE CHANGE PRESENTS LONG-TERM OPPORTUNITIES FOR INVESTORS

ANALYSIS:

AFRICA IS PAYING A SERIOUS PRICE FOR RUSSIA'S WAR IN UKRAINE

COMMENT:

VERDANT CAPITAL, A PROUD SUPPORTER AND SPONSOR OF AFSIC

NEWS:

NREIF HITS FIRST CLOSE AT \$45M





AGF SERVICE PROVIDERS AWARDS 2022

Be recognised and honoured in the African Fund Services space by participating in the 2022 AGF Africa Service Providers Awards. The Awards were created to honour and generate both industry and public recognition of the outstanding efforts and accomplishments of Fund Service Providers covering Africa. The 6th edition of the prestigious AGF Service Providers Awards are a recognized symbol of excellence as we are the only international awards in African Fund Services.

The winners will be invited to participate in the November issue (Special Edition) of Africa Global Funds magazine. The Awards issue will feature interviews, analysis, and/or opinion commentary with participating companies. The Awards issue will be distributed free of charge.



We are now accepting submissions for the period of July 2021 to June 2022.
Visit www.agfawards.com to create a profile today!

**WEB:**

www.africaglobalfunds.com
 Twitter: AfricaGlobFunds
 LinkedIn: Africa Global Funds

EDITORIAL:

Anna Lyudvig
 +1 (718) 787 6105
 a.lyudvig@africaglobalfunds.com

COMMERCIAL:

Roman Onosovski
 +1 (561) 866 0737
 r.onosovski@africaglobalfunds.com

SUPPORT/TECHNICAL:

support@africaglobalfunds.com

CONTRIBUTORS:

Sithembiso Garane
 Philippa Owen
 Bryan Turner



In this month's issue of Africa Global Funds, we focus on the South African credit market. Sithembiso Garane of Futuregrowth Asset Management writes that after a low first quarter issuance, the listed credit market picked up, registering a R61.65bn gross issuance in Q2 2022 from R57bn in Q1 2022. Read on to find out more on the primary and secondary market activity and outlook on pp. 12-15.

The climate crisis is no longer being seen as a distant threat, according to Philippa Owen of Gray Swan Financial Services. Globally, asset managers are coming together to tackle climate risks, but are there investment opportunities? Find on p.17.

The Russian-Ukrainian war continues to be on the investors' radar. What's less well known is that Africa has been particularly hard-hit by the war's impact. It's not impossible, however, to mitigate those effects, says Bryan Turner of Spear Capital. Read on p.16.

Finally, we're reminding you about the AFSIC conference in London this coming October. Verdant Capital has been a supporter of AFSIC – Investing in Africa since its inception and is one of the key sponsors for AFSIC 2022. Learn more on p. 22.

On the fundraising front, Actis, a global investor in sustainable infrastructure, has recently concluded a first close of its real estate fund, Actis West Africa REIF at \$45m. More on p.4.

For more up-to-date news, analysis and insights visit africaglobalfunds.com and don't forget to follow the magazine @AfricaGlobFunds on Twitter.

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

NREIF hits first close at \$45m



Funke Okubadejo,
Director Real Estate
Actis

Actis, a global investor in sustainable infrastructure, has recently concluded a first close of its real estate fund, Actis West Africa REIF (NREIF) at \$45m.

Funke Okubadejo, Director Real Estate, Actis said: “We’re extremely pleased to announce first close of our West Africa focused Real Estate Fund focused on stabilised, yielding real estate assets.”

“We look forward to building on our sustainability track record in Real Estate with a focus on achieving an internationally recognised green certification, such as IFC Edge, for all assets within the portfolio,” she told Africa Global Funds.

When asked about the target size for the Fund, Okubadejo said: “Actis cannot comment publicly on fund size.”

Anchor investors in the first close included Stanbic IBTC Pensions Managers, FCMB Pensions Limited and Pensions Alliance.

The Fund will invest in market leading, stabilised real estate assets across West Africa, with a special emphasis on Nigeria.

There are two main reasons for the emphasis on Nigeria, commented Okubadejo: “The first is that Nigeria features a number of Grade A assets in the target sectors. Secondly, the bulk of the investors in the NREIF have regulations that require 60% of the investments to be domiciled in Nigerian assets.”

NREIF will acquire and manage real estate assets across a range

of sectors, including retail, office, industrial, education and healthcare.

All assets in the portfolio will attain a minimum standard of IFC Edge certification.

Okubadejo said that IFC Edge is a leading international green certification awarded by the IFC, a member of the World Bank Group.

It has a guidelines which developers can follow to deliver residential and commercials buildings that are resource efficient, in a quick and affordable manner.

“It is important because it ensures that all the assets that will be admitted into the fund will be operating at an international standard for sustainability. This results in a lower carbon footprint for the building(s), lower lifecycle costs and ensures that the buildings remain relevant at the time of exit,” he said.

NREIF is the fourth vintage of Africa focused real estate funds managed by Actis. Actis has invested in the sector since 2004.

“Our previous vintages were development focused Funds which invested majorly in the greenfield developments or in brownfield assets requiring significant redevelopment/expansion. This Fund is an Income Fund which focuses on stabilised, yielding Grade A assets in gateway cities,” Okubadejo explained.

When asked about risks of investing, she said that key risks for real estate are a function of the stage of the development of assets.

“In the case of stabilised or core assets, the risks of market volatility from macro risks are lowest due to the high occupancy and the contracted cashflows,” she said.

FUNDRAISING

CAIF gets €110m at final close

AfricInvest, a multi-asset investment platform in Africa and global venture capital firm Cathay Innovation, have completed the final close of their joint Pan-African Venture fund, Cathay AfricInvest Innovation Fund [CAIF], at €110m.

The fund is backed by a diverse pool of globally renowned investors, development finance institutions, leading multinational corporations, and high-net-worth individuals across Europe, Africa and the Middle East such as EIB, AfricaGrow, FMO, Bpifrance, Triodos Investment Management, Proparco, SIFEM, BIO and more.

With the close of the fund, the CAIF team will significantly deepen their focus on investing in the most promising early to growth-stage startups improving African lives with disruptive tech-enabled products and services.

With initial check sizes ranging from €1-10m for growth-stage and up to €1m for select seed-stage tickets, the fund invests in startups across multiple sectors, including Fintech, Mobility, HealthTech, EdTech, AI, Digital Content and AgTech.

“AfricInvest’s partnership with Cathay Innovation brings to Africa global expertise in the innovation space combined with a robust network in Europe, the US and Asia, all helping to build bridges between Africa and the rest of the world, allowing the fund’s investees to grow into regional and global champions,” said Yassine Oussaifi, Partner at AfricInvest and co-head of CAIF.

“As technology scales and brings massive upgrades to global populations, startups are critical in building the new digital infrastructure needed for emerging regions like Africa to redefine

Deals & Exits

industries and society in the 21st century. We're proud to partner with the AfricInvest team — connecting the entire African continent with tech hubs around the world — in a shared mission of accelerating the transition to a more digital, sustainable and inclusive economy for Africa and beyond," added Mingpo Cai, Founder & Chairman of Cathay Capital & Cathay Innovation.

Since its launch in 1994, AfricInvest's multi-strategy platform has actively contributed to strengthening the private equity and venture capital ecosystem in Africa. CAIF relies on AfricInvest's rich investment expertise, its extensive pool of resources from its network and its physical presence across 11 regions through offices including Abidjan, Algier, Cairo, Casablanca, Lagos, Nairobi, and Tunis to provide local hands-on support, create synergies with portfolios and assist with geographic expansion. With over 200 portfolio companies across 25 African countries in a variety of high-growth sectors, of which 106 have exited, AfricInvest has, to date, raised over \$2bn AUM across 21 funds and benefits from strong, long-term support from both African and international investors.

Founded in 2015, Cathay Innovation is a leading venture capital firm providing entrepreneurs with the support of a global ecosystem across North America, Europe, Asia, Latin America and Africa.

The global platform unifies technology investment across continents, investors, entrepreneurs and leading corporations to accelerate startup growth with access to new markets, invaluable industry knowledge and introductions to potential partners from the start.

With over €2bn assets under management and offices across 3 continents, Cathay Innovation has a strong track record of over 120 global investments, including 19 unicorns, in startups accelerating the sustainable and digital transformation of industry and society.

CAIF enables promising ventures to build and scale innovative technologies that drive inclusive socio-economic growth in Africa. To

date, the fund has proved tremendous traction and scalability with portfolio companies expanding their global footprint to over 21 markets across the continent.

The Fund's portfolio companies have also aggregated significant impact at scale in recent years with over 136m Africans reached with inclusive and digital solutions—meaning \$1 spent reaches more than one user on the continent.

With its current portfolio, the Fund has created and sustained over 1,400 direct jobs, with women representing an average of 35% of the workforce.

Deployed by a team of investment professionals located in the centers of VC innovation across Africa, the fund will continue to support African entrepreneurs to scale their innovative technologies across the continent and beyond, as well as support global entrepreneurs in their expansion into Africa.

The venture capital market in Africa has seen exponential growth over the last decade with the acceleration in digital transformation across all sectors. As a result, the industry is becoming the fastest-growing innovation ecosystem globally.

In 2021, the ecosystem reached a new milestone of c.\$5bn in venture capital, more than the preceding two years combined and close to three times more than in 2020.

"The Cathay AfricInvest Innovation Fund was born out of the idea that innovative and tech-enabled startups in Africa are solving important problems and socio-economic gaps. We see this funding opportunity as a means to deliver strategic support to the outstanding startups looking to innovate and improve lives in Africa. Already, CAIF has reached over a hundred million people through job creation and inclusion, but there are still millions across the continent with limited economic resources on our radar," said Khaled Ben Jilani, Senior Partner at AfricInvest and co-head of CAIF.

EXITS

Apis exits Retail Capital to TymeBank

Apis Growth Fund I, a private equity fund managed by Apis Partners, has agreed to sell the whole of its interest in South African SME Financing company Retail Capital to TymeBank.

The Fund invested in Retail Capital in October 2018, acquiring a c. 11.7% shareholding in the company. Over the investment, Retail Capital has lowered the barriers to funding for SMEs through an easy, three-step online application process.

This has led to Retail Capital providing more than 43 000 business owners in South Africa with over R5.5bn in working capital over the last 10 years, making it the largest SME funder of its kind in the sector.

More recently, Retail Capital has further established itself as a pivotal partner to SMEs through its embedded lending solution, which provides business owners with instant access to funding.

Apis said that it is "proud to have partnered with Retail Capital in

helping simplify and accelerate loans to small businesses across South Africa".

The acquisition by TymeBank is set to bolster its business banking offering – which currently has more than 100,000 customers – with a series of new initiatives.

Retail Capital's funding expertise and TymeBank's deposit base and operations combined to serve a broader customer base.

The merged entity will accelerate Retail Capital's ability to channel funding efficiently to small business owners in South Africa.

The Retail Capital management team will continue to play a critical role in the growth of the combined business post-transaction.

The acquisition, subject to regulatory approvals, would see Retail Capital become a division of TymeBank and the foundation of the bank's expanded business banking offering.

DEALS

InfraCo Africa invests to develop a purpose-built fresh produce market in Lusaka



Philippa Viljoen,
Business Development Manager
InfraCo

InfraCo Africa has signed an agreement with Savenda Capital committing \$2b towards construction of the ZAMBIAFresh Lusaka Market in Zambia's capital.

The purpose-built 6,400m² market floor will play host to fresh fruit and vegetables grown by farmers around Lusaka and across the country. With each unit being traceable back to its original producer, and the application of strict food handling and hygiene standards, buyers from small businesses and supermarkets alike are anticipated to source produce at the market – meaning better sales outcomes for smallholder farmers and a boost to the efficiency of Zambia's horticultural value chain.

"The fresh produce value chain presents a rare opportunity to create a sustainable intersection for scalable institutional support for African small-scale farmers. The uniquely African commission-agent system developed for fresh produce trading (and adapted for small-scale supplier base by ZAMBIAFresh) is especially supportive for farmer upliftment and development, while underpinning a more diverse range of high-quality produce for consumers," said Sean Moolenschot, Managing Director, Savenda Capital.

The ZAMBIAFresh formal commission-agent market will operate on the basis of clearly defined market rules and use a trading software system that promotes transparency and efficiency for all users.

As well as the main market floor, there will also be on-site cold-storage facilities to help maximise produce shelf-life and minimise waste, commercial retail buildings and an aeroponics facility growing leafy vegetables for year-round sale on the market. ZambiaFresh's formal, commission-agent market will establish transparent market rules and

a trading software system for sellers and buyers.

Philippa Viljoen, Business Development Manager at InfraCo Africa, said: "InfraCo Africa has extensive experience in Zambia's agricultural sector, having been involved with the Chanyanya and Chiansi Irrigation projects in Kafue District over the past 16 years. The ZAMBIAFresh market feels like a natural extension of this commitment as we seek to increase and enhance fair market access for all Zambian smallholders."

"ZAMBIAFresh is the first market of its kind outside of South Africa. We are pleased to be supporting Savenda Capital to make the market a reality and hope that it will act as a model for similar facilities across Zambia and the wider region," she added.

Zambia has an estimated 330,000 smallholder producers of fresh fruit and vegetables, a large proportion of them women. Their ability to sell their produce is hampered by the limited facilities and food storage conditions at existing open-air markets, along with opaque brokerage fees and even the InfraCo Africa is supported by Savenda Capital threat of gender-based violence and harassment.

With Zambia's demand for fresh produce increasing, current market practices are regarded as an impediment to the sector's growth.

By providing better access to markets and information, ZAMBIAFresh will support efforts to achieve UN Sustainable Development Goals (SDGs) 2 and 5 through improving the incomes of small-scale food producers, in particular women.

Expected to begin trading in 2023, ZAMBIAFresh has the potential in the future to more than double in size to become a 20,000m² facility, trading up to 200,000 metric tons of fresh produce per annum. It is anticipated that ZAMBIAFresh will also demonstrate the value of formal, commission-agent fresh produce markets, catalysing the replication of such facilities across Zambia and the wider region and attracting private and development finance to the sector.

INVESTORS

PIC to invest \$100m in AFC

The Public Investment Corporation (PIC), Africa's largest asset manager, has given formal notification to make a \$100m equity investment in the Africa Finance Corporation (AFC).

"The PIC is delighted to partner with the AFC in the development, industrialisation and growth of the African continent," said Kabelo Rikhotso, CIO at PIC.

"Our clients' investment mandates allow us to invest in the rest of the African continent. We believe that this partnership will assist us to deliver on that mandate and to diversify our growing portfolio. We are confident of the future prospect of this investment and its potential positive societal benefits," he said.

As a shareholder, PIC will further benefit from co-investment

opportunities and access to AFC's formidable project development and risk-mitigated projects on the continent across the power, transport and logistics, natural resources, telecommunications and heavy industrial sectors.

The approved investment from the South African pension fund manager follows recent equity inflows to AFC from the Seychelles Pension Fund, the Government of Sierra Leone, the Republic of Togo, the Central Bank of Guinea and further investment from the Ghana Infrastructure Investment Fund, which are among the 32 equity investors in AFC.

These investments further embed the active collaboration between African sovereigns, financial institutions and the private sector.

AFC has a proven track record of developing key transformational projects on the continent, providing pragmatic solutions for Africa's infrastructure deficit and challenging operating environment.

The Corporation recently announced its joint acquisition of Lekela Power, Africa's biggest renewables independent power producer (IPP), with plans to more than double operating capacity of the operating

assets within four years.

Other AFC projects include the ARISE Special Economic Zone (SEZ) in Gabon, an industrial ecosystem building value from the forestry and minerals industry, which was last year certified as the world's first carbon neutral industrial zone by the Swiss verification group SGS.

AFC's investment footprint spans 35 countries across Africa and a pipeline of projects that blend positive social and environmental impact with superior risk-adjusted returns. The Corporation's A3 investment-grade rating from Moody's enables beneficial access to global capital markets and underscores the confidence of Africa's decision makers in AFC's role as a key institution for sustainable economic development.

"This equity investment is a significant vote of confidence in AFC and connects us to a very important source of capital in Africa," said Samaila Zubairu, AFC President & CEO.

"African pension funds have a key role to play in financing the instrumental infrastructure urgently needed on the continent and we look forward to a long-term partnership for a prosperous African future."

INVESTORS

BII and FMO invest \$116m in AIIF4

British International Investment (BII) and FMO have announced a \$116m joint commitment to African Infrastructure Investment Fund 4 (AIIF4), managed by African Infrastructure Investment Managers (AIIM).

Anchor investor BII, the UK's development finance institution, has committed \$76m, and FMO, the Dutch entrepreneurial development bank, has committed \$40m.

Their investment aims to support AIIF4 in reaching its \$500m target fund size.

The Fund had previously received a cornerstone investment from Old Mutual, the fund manager's sponsor.

Ryan Wagner, Head of Infrastructure and Climate Funds, BII, said: "For over a decade, BII has proudly been an active partner to AIIM, an institutional fund manager with long-term industry expertise and on-ground knowledge of the Africa infrastructure space."

"We are pleased that our partnership alongside FMO and Old Mutual will serve to mobilise further capital to help meet AIIF4's target size, playing a role in meeting Africa's infrastructure needs. AIIF4 clearly aligns with BII's core infrastructure strategy, and we are confident that our capital will help modernise cities and services and accelerate social and economic prosperity for people and communities across the continent."

Diana Wesselius, Manager Private Equity Energy, FMO, added: "FMO is thrilled to support AIIM in the first close of AIIF4 as a cornerstone investor and appreciates the commitment shown by the AIIM team toward climate finance and gender equality." "Having also invested on the two predecessor funds, we see AIIM as a long-term partner in supporting infrastructure development in line with our strategy and look forward to supporting the advancement of the African continent's infrastructure."

AIIM, an experienced fund manager with one of the longest track records in infrastructure investment in Africa, will invest in high-impact infrastructure projects across the continent through AIIF4.

The Fund will see AIIM build on the successful performance of its predecessor funds by investing across three priority infrastructure sub-sectors: renewable energy such as rooftop solar; digital infrastructure including mobile telecoms towers, data centres, and fibre optic networks; and mobility and logistics such as ports, roads and other supporting infrastructure.

AIIF4 will play a role in bridging the estimated infrastructure financing gap of c. \$108bn per year, by funding reliable infrastructure across the continent.

AIIF4-backed projects will meaningfully boost productivity by creating jobs and stimulating economic activities, while the new and upgraded infrastructure will support inclusive development, improve standards of living for consumers and accelerate sustainable economic growth within many countries across the continent.

Moreover, at least 20% of the capital committed to AIIF4 will be invested in climate finance qualifying projects which will directly contribute to reducing greenhouse gas emissions.

Additionally, AIIF4 qualifies under the 2X Challenge based on AIIM workforce consisting of 50% women, and its commitment to working towards increasing entrepreneurship, employment, leadership, and consumption opportunities for women in 30% of AIIF4's portfolio companies.

The commitment from BII, FMO and Old Mutual contributes to UN Sustainable Development Goals 7 (Affordable and clean energy), 8 (Decent work and growth) and 9 (Industry, innovation, and infrastructure).

INVESTORS

Uhuru Growth Fund I gets funding from IFC

IFC has invested in Uhuru Growth Fund I, a fund managed by Uhuru Investment Partners, a middle-market private equity firm in West Africa.

IFC's support includes an equity investment of up to \$10m from IFC's capital and an additional \$10m from the Blended Finance Facility of the International Development Association's Private Sector Window, which helps de-risk investments in low-income countries.

The fund will provide growth capital to the region's small and medium-sized enterprises (SMEs), including women-led businesses.

The fund invests exclusively in low-income countries, focusing on high-growth companies offering consumer and financial services in Nigeria, Ghana, and Côte d'Ivoire. The fund will also invest in businesses in Senegal, Mali and Burkina Faso.

At least 25% of the companies the fund invests in will be owned or led by women.

IFC will work with the fund to develop and implement environmental and social standards and improve gender diversity at the fund and the companies it invests in.

In addition to providing equity capital, Uhuru will help companies improve operations, secure banking relationships, and expand domestically, as well as across the region's Anglophone and Francophone economies.

"IFC's support has been crucial for a first-time fund like ours to reach our fundraising target in a challenging environment," said Yemi Osindero, Managing Partner of Uhuru.

"Entrepreneurs in our markets need partners that understand their challenges and can provide not just the capital, but the support to

enable their businesses to thrive, be impactful and ultimately succeed. We look forward to partnering with passionate local entrepreneurs to grow their business and to creating sustainable value for our investors and all other stakeholders."

Private equity activity in Africa remains one of the lowest in the world, representing 2.6% of the total volume of private equity financing dedicated to emerging markets.

Other than Nigeria, most countries in West Africa have nascent or non-existent private equity markets. Fundraising for private equity in West Africa dropped to \$134m in 2021 from \$234m in 2018.

IFC's investment in Uhuru could demonstrate that investing in underdeveloped private markets like West Africa, often perceived as higher risk, can generate returns to investors with sufficient deal flow and exit potential. West Africa has a large, young population, rapid urbanization, and relative currency stability.

"SMEs are essential to economic growth, job creation, and poverty reduction," said Kevin Njiraini, IFC's Director for Southern Africa and Nigeria.

"Private equity financing can help smaller businesses grow into bigger regional players. By investing in Uhuru, we will enable more small businesses in Nigeria, and West Africa more broadly, to access much-needed growth capital to recover from the COVID-19 pandemic, offer innovative products, and support the region's economic development."

IFC's private equity funds strategy focuses on providing growth capital to funds with the highest likelihood of financial and developmental success.

IFC has committed more than \$2bn to more than 100 funds in Africa.

DEALS

InfraCo Africa makes \$43m anchor investment in CLEAR



Gilles Vaes,
CEO
InfraCo

InfraCo Africa has made a \$43m anchor investment into Climate, Energy Access and Resilience (CLEAR), a climate-focused fund advised by Helios Investment Partners (Helios).

The design of the CLEAR Fund was refined and realised by PIDG and InfraCo Africa through the Foreign, Commonwealth and Development

Office's 'MOBILIST' Sustainable Infrastructure Competition. MOBILIST supports investment solutions looking to list on global or local stock exchanges that help emerging and frontier markets spur progress towards UN Global Goals and deliver the climate transition.

InfraCo Africa's CEO, said: "By working alongside Helios to design the CLEAR Fund, we have brought together Helios' deep expertise of fund management and generating growth with our proven track record in developing greenfield infrastructure in frontier markets, with a strong focus on development impact."

“The result of this collaboration is an innovative fund which addresses today’s global challenges around climate change and the need for transparent, sustainable investment opportunities.”

“CLEAR also offers a new opportunity for African infrastructure developers, such as ourselves, to either sell down equity and recycle development funding or to secure a credible partner to support future

Ross Ferguson, MOBILIST Lead, Foreign, Commonwealth and Development Office, commented: “Collaboration between development finance institutions and the private sector is critical to directing investment towards sustainable development and the climate transition in emerging and frontier markets. The partnerships behind CLEAR Fund show how public sector finance can work effectively with

“ CLEAR also offers a new opportunity for African infrastructure developers, such as ourselves, to either sell down equity and recycle development funding or to secure a credible partner to support future growth

- Gilles Vaes, InfraCo Africa’s CEO

growth. CLEAR provides a missing piece of the puzzle and one which will be critically important if we are to accelerate action on climate change whilst also closing the infrastructure gap in Africa.”

CLEAR Co-Head, Tavraj Banga, elaborated by saying: “We are delighted to have InfraCo Africa and MOBILIST as our anchor investors; two organizations committed to our goal of accelerating Africa’s role in the transition to global net zero. CLEAR will leverage Helios’ two decades of experience of successfully investing in Africa to identify and develop best-in-class climate solutions. We will focus on investments that enable emissions to be decoupled from economic growth, while helping build adaptive capacity to allow the population to cope with the risks of climate change – improving the health and lives of Africans.”

the private sector to ‘exit’ their investments, to create the conditions for listing and mobilise private capital into African economies.”

Philippe Valahu, CEO of PIDG, said: “By acting as an anchor investor for the CLEAR Fund, PIDG through InfraCo Africa is delivering on our climate commitments” He continued, “PIDG was established to mobilise private sector investment into sustainable and inclusive infrastructure. The CLEAR Fund will support our efforts to achieve this at scale, providing a complementary route for investors to channel finance into high-quality, climate-resilient infrastructure on the continent.”

In developing CLEAR, Helios and InfraCo Africa have benefited from the support of ThirdWay Partners, an impact focused investment advisory firm.

INVESTORS

FMO backs Algebra Ventures' second fund

FMO, the Dutch entrepreneurial development bank, has committed \$10m in Algebra Ventures’ second fund.

Marieke Roestenberg, Head of the FMO Ventures Program, said: “We are excited to partner with Algebra Ventures, one of the most deep-rooted and seasoned venture capital firms in Egypt.”

“FMO believes regional investors like Algebra Ventures play an instrumental role in both the creation and maturing of markets. We look forward to continuing to support and learn from the flourishing Egyptian venture capital ecosystem.”

In addition to FMO who is investing through the FMO Ventures Program, other investing partners include the International Finance Corporation (IFC) and European Bank for Reconstruction and Development (EBRD).

The fund invests in technology start-ups in Egypt with an allocation for the wider Middle East and Africa region.

The fund will pursue early-stage investment opportunities in fintech, agritech, edtech, logistics, e-commerce and healthcare start-ups by partnering with high-potential founders to address specific market gaps in these sectors.

INVESTORS

Angola partners with AFC

Angola, Africa’s largest oil producer, has partnered with the Africa Finance Corporation as a shareholder and its 35th member state.

The partnership with AFC will help to drive the nation’s next growth and development phase, said Finance Minister Vera Daves.

“Membership of AFC offers Angola a much-needed partnership with a highly rated African multilateral institution that can support our transition from a state-led and oil-funded economic model to a private sector-led growth model,” said Daves.

"We look forward to collaborating with AFC as we approach Angola's next phase of growth and development."

AFC's investment approach is aligned with the government's priorities through its focus on financing instrumental infrastructure projects that promote economic diversification and resource-driven industrialisation.

In line with this, AFC has recently approved \$100m in financing for the construction of the Cabinda Refinery, a national priority project to boost local value addition to oil exports and create thousands of jobs.

AFC is working with the government on a pipeline of further potential projects totaling almost \$1bn across several sectors including natural resources, transport and power.

AFC is assessing opportunities to support refinery plants that will boost local manufacturing, drive import substitution, and strengthen production networks, along with construction of a railway corridor that will improve exports in Angola's sub-region.

In 2020, AFC as part of a syndicate made a \$45m investment in Sonangol, the country's state-owned oil company to support strategic projects including the development of Angola's first solar photovoltaic power plant. The Corporation intends to focus on further boosting electricity through two key power generation and transmission projects.

Angola is the latest in AFC's rapidly expanding footprint across Africa, having added 16 new member countries in the past four years. Other Southern African member states include Malawi, Namibia, Zambia and Zimbabwe.

With a mission of solving the continent's infrastructure gap, AFC has invested over \$10bn, utilising its unique access to global capital markets to drive development, integrate regional economies and transform lives. Member countries enjoy significant benefits, including increased investment allocation, preferred access to AFC's structuring and lending solutions for sovereign states, reduced debt costs for projects, and access to the Corporation's unique advisory and project development services. As a shareholder, Angola can co-invest its foreign reserves in the Corporation's high-impact and high-yielding de-risked African infrastructure assets.

"Angola's membership and shareholder status enables AFC to continue to support the government in fostering the industrial transformation necessary to build a resilient and inclusive economy," said Samaila Zubairu, AFC President & CEO.

"We look forward to growing our partnership with the government of Angola to serve not only in-country projects but across the Central and Southern Africa region."

INVESTORS

DFC invests in Access Bank



Roosevelt Ogbonna,
Managing Director
Access Bank

DFC, the U.S. International Development Finance Corporation, has agreed to invest \$280m in Access Bank in Nigeria alongside Access Bank Managing Director Roosevelt Ogbonna.

The loan will help address the financing gap for small- and medium-sized enterprises (SMEs) and advance financial inclusion in Nigeria, including through the bank's commitment to supporting women-owned and -led businesses.

"DFC's investment in Access Bank demonstrates U.S. support for private sector-led development in Nigeria and throughout West Africa," said DFC CEO Scott Nathan.

"The \$280m loan from DFC will boost financial inclusion in Nigeria and empower women entrepreneurs, bolstering the country's economic growth."

Access Bank is one of the largest banks in Nigeria and has banking subsidiaries throughout Africa. Citibank acted as the coordinator and arranger/co-lender to help facilitate the loan.

DFC financing for Access Bank will provide needed liquidity given the global economic downturn caused by the COVID-19 pandemic.

The loan is expected to support at least 4,000 new SME loans in Nigeria. In addition, the loan proceeds will be on-lent across more than a dozen sectors in the Nigerian economy, with specific focus on women-owned SMEs, and on loans with longer tenors, which will provide more flexibility to borrowers.

"Access Bank is extremely pleased to announce this strategic partnership with DFC to support the multitude of businesses across Nigeria who stand to benefit from greater access to finance, especially in an environment that is in need of stronger economic diversification, said Roosevelt Ogbonna, Managing Director of Access Bank.

"We look forward to utilizing the partnership with DFC in driving further economic expansion and inclusion in Nigeria, with a strong focus on non-oil sectors and women businesses."

Citi has collaborated with Access Bank and DFC on this transaction, which will significantly boost SME corporate activity in Nigeria, said Rizwan Shaikh Citi EMEA Head of Emerging Markets Corporate Bank.

"This is yet another milestone stride for Citi as it executes a focused local-economy development strategy based on solid partnerships with key clients and development agencies."

INVESTORS

Standard Bank and BII partner with Scatec and H1 Holdings

Standard Bank and British International Investment (BII) have partnered with Scatec and H1 Holdings to successfully reach financial close on the first sizable battery energy storage and photovoltaic (PV) solar project in South Africa.

This is the first project to reach financial close under the Government's Risk Mitigation Independent Power Producer Procurement Programme (RMIPPPP), with Standard Bank acting as the Mandated Lead Arranger and underwriter to provide debt funding towards the R18bn total project costs including VAT.

In addition to being a green loan, Standard Bank acted as the sole derivative and hedge provider and executed one of the first ESG linked derivatives on the continent, thereby leading the South African market

challenges exacerbated by climate change and help bridge the gap in the country's energy demand and supply. In addition to diversifying and decarbonising the country's power system by displacing thermal power generation, the project will boost economic productivity, accelerate inclusive growth, and catalyse sustainable climate solutions in the energy space for South Africa and across the continent.

Iain Macaulay, Director and Head of Project Finance, Africa and Pakistan at BII, said: "BII is thrilled to be partnered alongside Standard Bank to back this largest-of-its-kind battery storage system by Scatec which aims to deliver predictable clean energy to South Africa's grid at a significant scale and at a critical time. This investment builds on our existing partnership with Scatec across multiple clean energy initiatives

"This is not only about ensuring a reliable supply of power to citizens and a growing economy, but also in ensuring that we meet our obligations as a nation to reduce carbon emissions by bringing more clean energy onto the grid"

- Rentia van Tonder, Head of Power at Standard Bank

in sustainable linked derivatives.

BII, the UK's development finance institution (DFI), is acting as the Lead Bank and providing a R2.2bn senior debt investment. Alongside this, the DFI is providing an additional equity investment of R445mn mezzanine financing to H1 Holdings, a Broad-based Black Economic Empowerment (BBBEE) company and an investor in the project.

The project will provide total solar power capacity of 540 megawatts (MW) photovoltaics (PV) and 1.1 gigawatt hours (GWh) of battery energy storage (BESS) – delivering reliable clean power into South Africa's grid. The project will contribute toward solving the country's power challenges, which have been especially crippling this winter as South Africa continues to undergo prolonged power cuts.

"Standard Bank is honoured to be playing a leading role in delivering power to the grid by facilitating the first dispatchable and base load renewable energy project in South Africa, and supporting South Africa's drive to energy security," said Rentia van Tonder, Head of Power at Standard Bank.

"This is not only about ensuring a reliable supply of power to citizens and a growing economy, but also in ensuring that we meet our obligations as a nation to reduce carbon emissions by bringing more clean energy onto the grid."

This major project is aligned to Standard Bank Group's Environmental, Social and Governance (ESG) framework, which was captured in the launch of its Climate Policy in March this year. In its policy, Standard Bank committed to mobilise a cumulative amount of between R250bn and R300bn for sustainable finance by the end of 2026. This target includes R50bn of financing for renewable energy and underwriting of a further R15bn for renewable energy by the end of 2024.

BII's funding of the project aligns with its ambition to scale climate-infrastructure investment in South Africa with an aim to address critical

and financial solutions across the African continent. BII is proud to back a project at the forefront of renewable energy technology that has the potential to be scaled commercially."

Macaulay noted that, "BII's flexible capital is playing a crucial role in backing pioneering solar PV and battery storage technology, which, if proven to be commercially competitive, can significantly catalyse the market for hybrid renewable and storage projects."

Scatec first entered South Africa in 2010, since which Standard Bank has been their bank and partner on their growth journey. This historic relationship has played an important role in reaching this milestone for South Africa and the African continent.

"Our financing of this project forms part of our R50bn commitment to renewables and is yet another important milestone on our sustainable financing journey on the African continent," said Stephen Barnes, Global Head of Power and Infrastructure at Standard Bank Group.

"Our holistic approach to solutioning for our clients based on our in-depth sector knowledge and partnership approach is really a key differentiating factor for us and is an integral part of our customer value proposition. Fostering trusted partnerships is fundamental to our strategy as we set out to power positive impact together with our clients," says Barnes.

Standard Bank is leading the way in terms of its sustainable finance offering and commitment to funding renewable energy projects in South Africa. Last month, Standard Bank announced that it had successfully supported the project signed into Government's 2000MW RMIPPPP, together with British International Investment.

"We are optimistic that this project will create the necessary momentum to shift the country's reliance from carbon-based fuels towards sustainable energy, creating new green jobs and technical expertise in the sector" said van Tonder.

CREDIT PRICING INSTABILITY

Expected to Persist in the Medium Term



The listed credit market in South Africa picked up during the second quarter of 2022, but we continue to face major economic headwinds, writes Sithembiso Garane, Head: Listed Credit, Futuregrowth Asset Management

After a low first quarter issuance, the listed credit market picked up, registering a R61.65bn gross issuance in Q2 2022 from R57bn in Q1 2022. This was propelled by bank issuance, inclusive of structured credit, and a marginal uptick in REITs, SOEs and securitisation. During the quarter, banks issued R32bn, R13.0bn of which was structured credit. The SOE primary market trade stagnated somewhat after a buoyant first quarter. Denel notes were delisted and SANRAL tapped HWAY35 while Eskom executed a R2m switch from ES23 to ES26. Various insurers also returned to the market in the second quarter with R3.2bn net issuance, after a quiet first quarter. As a result, the average issuance tenor lengthened marginally, owing to the slightly longer insurer and bank issuances. In aggregate, the market still shows a bias toward banks, leading to a R18.3bn market net issuance. Eskom were R5bn net issuers as the utility de-gears. A further equity injection from government is expected early next year, which would assist the issuer to further de-gear. Given the sheer size of Eskom, we continue to watch out for a possible credit market imbalance due to the de-gearing activity.

PRIMARY MARKET ACTIVITY

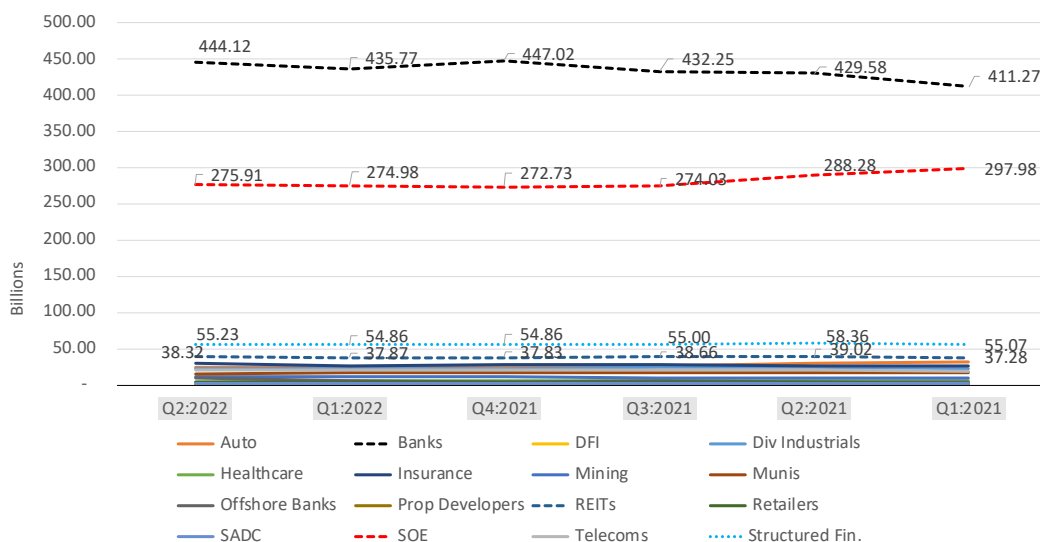
Several sectors were in a net issuance position, led by bank gross issuance that moved from R41bn in Q1 2022 to R32bn in Q2 2022. The bank issuance was largely driven by bank senior issuance amounting

to R17.2bn. The Automotive sector reversed its net redemption position of R1.48bn in Q1 2022 to a net issuance of R13.0bn in Q2 2022. It is encouraging to see more market players, with inaugural issuances from Scania and Daimler Trucks this year. The latter was spun off Mercedes Benz and carries a strong offshore parent company guarantee. The SOE trade remains depressed, but the market expects increased activity over the next 12 months, owing to the R45bn capital market refinance requirement. ABSA bank raised more than R2.5bn in senior green bonds across 3-years, 5-years and 7-years at 120bps/3m Jibar, 143bps/3m Jibar and 155bps/3m Jibar, respectively. This use of proceeds from green bonds references renewable energy projects off the bank's balance sheet. Four insurers, namely Santam, Discovery, Old Mutual and Momentum, collectively placed R4.3bn gross issuance during the quarter. Both Santam and Old Mutual's 5-year sub-debt cleared at 155bps/3m Jibar, while Momentum's cleared at 160bps/3m Jibar. Discovery issued 5-year and 7-year senior notes clearing at 173bps/3m Jibar and 180bps/3m Jibar, respectively.

At an issuer level, a couple of entities reduced exposure to capital markets, led by Eskom's R5bn net redemption. ABSA's R2.66bn net redemption position was only due to the bank's reduction in its structured credit issuance, while a few other issuers had prefunded in the in the preceding quarter.

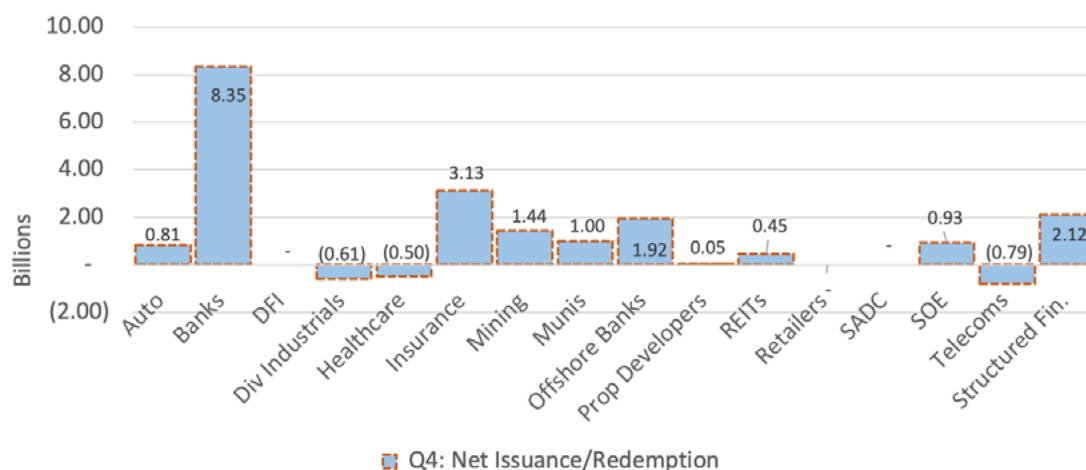
The quarterly net issuer list was dominated by insurers, securitisation refinance and increased bank issuance activity compared to the previous quarter, due to the tapering of the structured credit trades.

FIGURE 1: CREDIT MARKET SIZE (BY SECTOR)



Source: JSE, Futuregrowth

FIGURE 2: NET ISSUANCE/REDEMPTION



Source: JSE, Futuregrowth

The top 20 net redeemers registered R16.5bn. Standard Bank's R3.1bn net redemption is largely made up of credit-linked notes, referencing, in the main, government bonds (SAGBs). eThekweni Metro came to market with a R1.0bn issuance which was not well supported. This was no surprise, given the state of the municipal finance presented by the AG(SA). There has been a sector-wide credit deterioration in the Muni sector and, given the current economic state, a sector rebound is not expected in the near term.

SECONDARY MARKET

The aggregate credit spread momentum is still on the tightening side. The total number of listed credit instruments with spread movement increased from 323 in the previous quarter to 365. There were 252 bonds with spread compression during the quarter (252 in Q1 2022) and 113 with spread widening (71 in Q1 2022). The sectors leading the spread compression are mainly Banks, REITs and Industrials. The latter two sectors are still experiencing post-COVID normalisation, whereas widening instruments were fixed rate bonds from Banks and SOEs adjusting for asset swap movements.

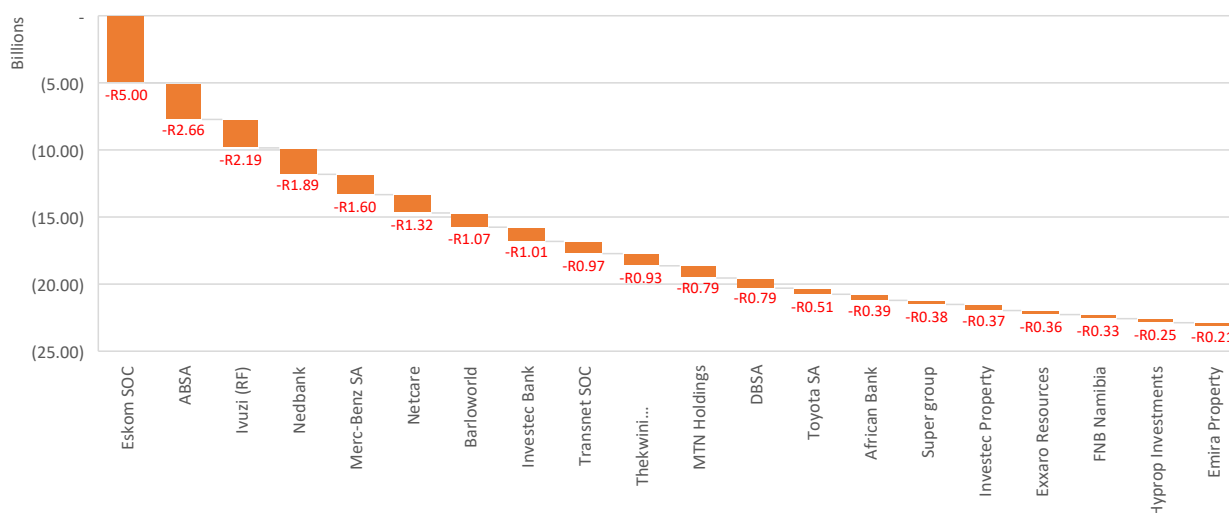
BANK MATURITY PROFILE

Q2 2022 bank issuance diminished to R32bn, but still managed to record a net issuance status due to an even lower refinance requirement. The R2.55bn AT1 issuance was executed by Nedbank and Standard Bank. The upcoming bank maturities for the Q3 2022 amount to R28.77bn, R12.2bn of which is senior unsecured. When refinancing the senior notes, we expect the banks to prefer the 3-year tenor, due to lingering uncertainties about FLAC. The third quarter also has a high refinancing requirement for subordinated debt and, despite rising interest rates and unfavourable credit conditions, bank sub-debt has managed to generate a lot of demand as investors continue to chase yield. Standard Bank and Investec have the largest Q3 2022 maturities, with R7.7bn (R2.5 bn structured notes) and R7.2bn (R4.1bn structured notes), respectively.

CREDIT MARKET OUTLOOK

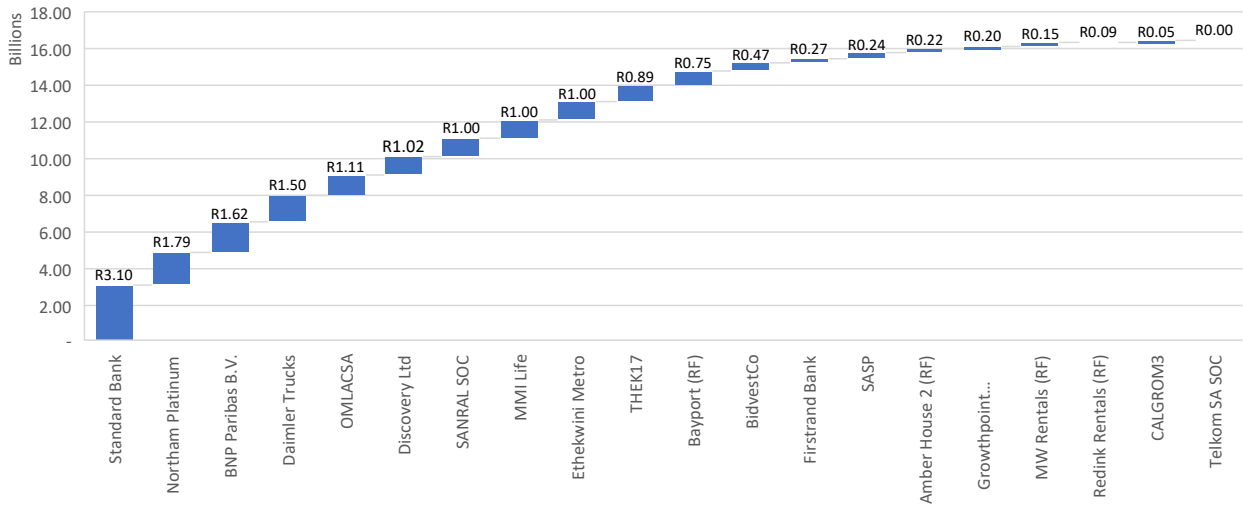
Just under R60bn maturities are expected during Q3 2022, of which the SOE sector accounts for R4.3bn. A large portion of the upcoming redemption is SANRAL. The issuer has prefunded some of this maturity and also sits on a lot of cash reserves to fully redeem the notes. The

FIGURE 3: TOP 20 QUARTERLY NET REDEEMERS



Source: JSE, Futuregrowth

FIGURE 4: TOP 20 QUARTERLY NET ISSUERS



Source: JSE, Futuregrowth

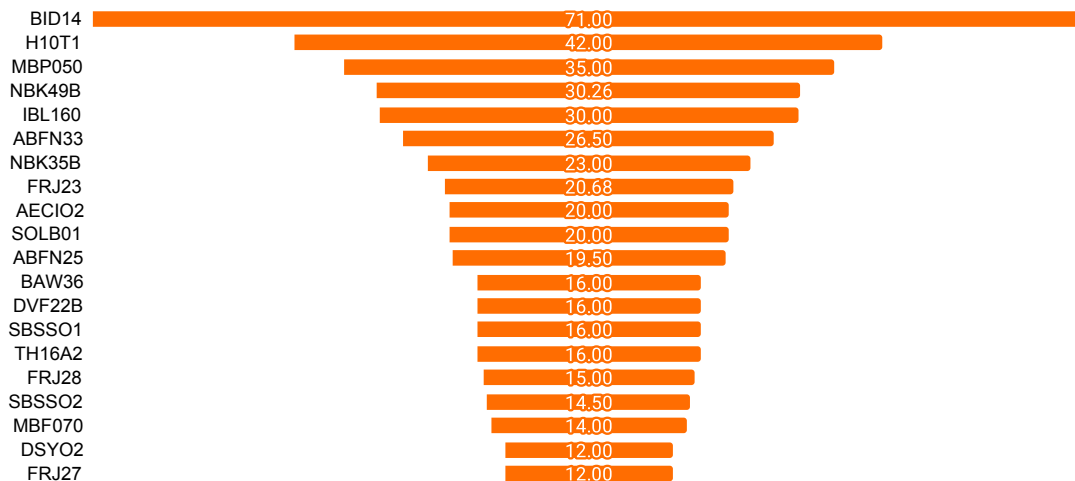
forward-looking view on credit pricing is still unstable, with many exogenous factors that could potentially change the structure of the credit market. These include the monetary policy implementation framework (MIPF) which may lead to an increase in the demand for credit capital market instruments. This is likely to have tightening pressure on credit spreads because of the potential excess demand. The inaugural Govi FRN issuance has also added another dimension in credit pricing - as the real risk-free curve is built up over time, the market expects this to be the true benchmark above which risky credit should be issued.

The Sovereign continues to face major headwinds, and a slow rebound is projected by various market practitioners. It is uncertain how asset allocation across the savings industry will be reconfigured off the back of the 45% offshore allowance. A sustained weakness in the Sovereign could potentially leave investors with little choice but to exploit the offshore allowance. This could potentially have a contractionary effect on the local demand for various asset classes, especially credit. The

MIPF, Sovereign strength and the Govi variable coupon curve will most likely have an impact on credit pricing in the long run.

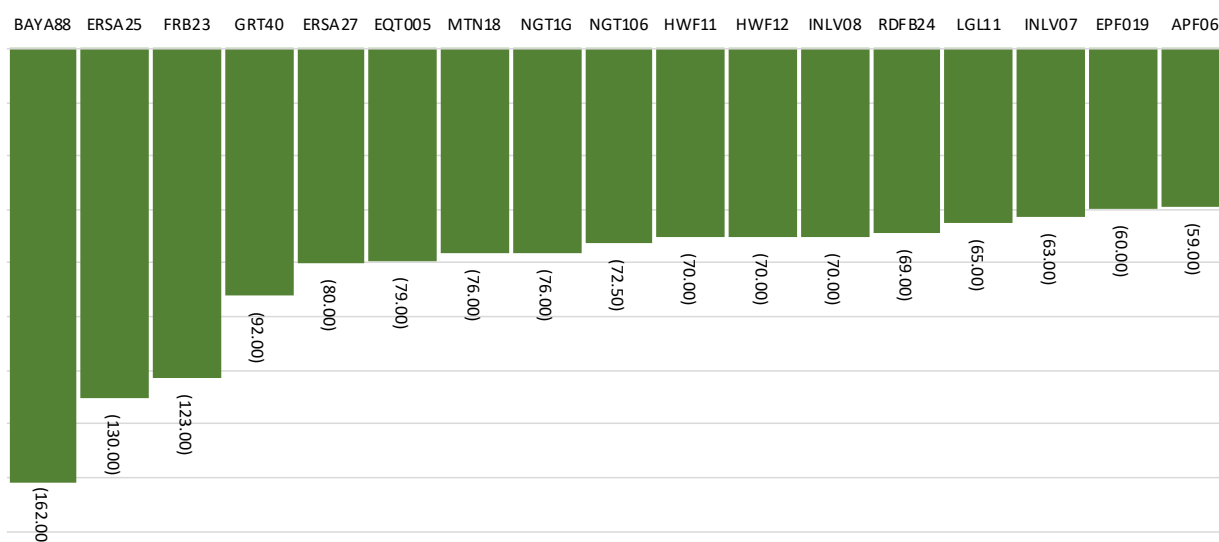
Currently, and considering the above structural change drivers in the credit market, pricing credit has not been smooth. The structural changes are expected to be phased in over a period of time. It is for this reason that we expect the credit market imbalance to persist for the foreseeable future, and thus, credit pricing should also be somewhat unstable. Investor consideration of the above structural shifts is still haphazard, and, as the understanding of the impact becomes clear, the resultant changes should become evident in the credit pricing. The market has seen an increase in higher quality credit participants in the market. As a result, credit spreads have tightened, despite the interest rate hiking cycle and yet-to-improve credit quality. We believe that a macro-fundamental asset selection during such dislocations and uncertainty should trump the quest for mechanistic diversification. Likewise, credit pricing ought to include the structural change forward impact (downside and upside risks).

FIGURE 5: SPREAD MOVEMENT; TOP 20 QUARTERLY SPREAD WIDENING (INSTRUMENT LEVEL)



Source: JSE, Futuregrowth

FIGURE 5: SPREAD MOVEMENT; TOP 20 QUARTERLY SPREAD TIGHTENING (INSTRUMENT LEVEL)



Source: JSE, Futuregrowth

FIGURE 6: BANK ISSUANCE

Sector	Below 1yr	1yr - 3yrs	3yrs - 5yrs	5yrs - 7yrs	7yrs - 12yrs	12yrs Plus	Total
Bank Issuance	5,095,000,000.00	5,350,000,000.00	8,533,354,868.00	10,849,000,000.00	2,294,000,000.00	600,721,605.00	32,722,076,473.00
- Bank Senior	4,060,000,000.00	4,192,000,000.00	3,401,000,000.00	4,026,000,000.00	1,472,000,000.00	-	17,151,000,000.00
- Bank Sub-Debt T2	-	-	-	-	-	-	-
- Bank Sub-Debt AT1	-	-	-	2,559,000,000.00	-	-	2,559,000,000.00
- Bank Structured Notes	1,035,000,000.00	1,158,000,000.00	5,132,354,868.00	4,264,000,000.00	822,000,000.00	600,721,605.00	13,012,076,473.00
	5,095,000,000.00	5,350,000,000.00	8,533,354,868.00	10,849,000,000.00	2,294,000,000.00	600,721,605.00	32,722,076,473.00

Sector	Q3:2022	Q4:2022	Q1:2023	Q2:2023	Grand Total
Bank Issuance	28,772,619,275.00	16,924,900,000.00	23,205,672,558.00	8,926,416,000.03	77,829,607,833.03
- Bank Senior	12,215,108,275.00	10,464,500,000.00	12,132,000,000.00	4,440,600,000.03	39,252,208,275.03
- Bank Sub-Debt T2	3,812,000,000.00	1,250,000,000.00	5,000,000,000.00	-	10,062,000,000.00
- Bank Sub-Debt AT1	3,900,000,000.00	-	350,000,000.00	-	4,250,000,000.00
- Bank Structured Notes	8,845,511,000.00	5,210,400,000.00	5,723,672,558.00	4,485,816,000.00	24,265,399,558.00
	28,772,619,275.00	16,924,900,000.00	23,205,672,558.00	8,926,416,000.03	77,829,607,833.03

Source: JSE, Futuregrowth

FIGURE 7: MATURITY SCHEDULE

Sector	Q3:2022	Q4:2022	Q1:2023	Q2:2023	Grand Total	Q2:2022
Auto	2,500,000,000.00	1,250,000,000.00	4,000,000,000.00	410,000,000.00	8,160,000,000.00	(1,694,000,000.00)
Banks	28,772,619,275.00	16,924,900,000.00	23,205,672,558.00	8,926,416,000.03	77,829,607,833.03	(24,345,401,616.64)
DFI	-	-	-	-	-	-
Div Industrials	2,676,000,000.00	3,120,000,000.00	400,000,000.00	1,080,000,000.00	7,276,000,000.00	(2,689,000,000.00)
Healthcare	500,000,000.00	-	1,572,000,000.00	300,000,000.00	2,372,000,000.00	(500,000,000.00)
Insurance	1,548,000,000.00	2,000,000,000.00	900,000,000.00	500,000,000.00	4,948,000,000.00	(1,000,000,000.00)
Mining	-	-	-	2,290,500,000.00	2,290,500,000.00	(1,693,185,996.00)
Munis	-	-	-	4,098,000,000.00	4,098,000,000.00	-
Offshore Banks	5,810,000,000.00	-	60,000,000.00	-	5,870,000,000.00	(4,030,000,000.00)
Prop Developers	-	-	40,000,000.00	-	40,000,000.00	-
REITs	1,315,000,000.00	3,087,000,000.00	2,074,000,000.00	997,000,000.00	7,473,000,000.00	(600,000,000.00)
Retailers	-	-	800,000,000.00	-	800,000,000.00	-
SADC	-	1,560,000,000.00	-	-	1,560,000,000.00	-
SOE	4,361,000,000.00	5,827,000,000.00	31,381,314,561.00	3,284,000,000.00	44,853,314,561.00	(70,000,000.00)
Telecoms	2,015,000,000.00	529,000,000.00	-	1,950,000,000.00	4,494,000,000.00	(793,000,000.00)
Structured Fin.	8,671,776,246.24	4,571,169,656.00	1,001,500,000.00	2,568,793,596.00	16,813,239,498.24	(5,938,481,715.00)
	58,169,395,521.24	38,869,069,656.00	65,434,487,119.00	26,404,709,596.03	188,877,661,892.27	(43,353,069,327.64)

Source: JSE, Futuregrowth

Africa Is Paying A Serious Price for Russia's War in Ukraine



By Bryan Turner, Partner, Spear Capital

When Russia invaded Ukraine in February, escalating a conflict that began in 2014, many feared that there would be global consequences. Some felt those consequences immediately – most notably the European countries dependent on Russian gas and oil for energy. As the war dragged on through the Northern Hemisphere spring and summer, the consequences spread further.

Before the war, Ukraine was the world's largest exporter of sunflower oil, the seventh largest exporter of wheat, and the fourth largest exporter of corn. When the war broke out, however, those exports ground to a halt, sparking fears of a global food crisis. While a recent deal brokered by Turkey allowed exports to resume, global food inflation had already spiked, putting additional pressure on already strained wallets around the globe.

What's less well known is that Africa, already buffeted hard by COVID-19 and its attendant impacts, has been particularly hard-hit by the war's impact. It's not impossible, however, to mitigate those effects.

WHY AFRICA'S BEEN HIT HARDER

While inflation has hit many parts of the world and has seen pressure piled on politicians, there is a distinct difference between its effects in developed world economies and in emerging market countries. This is most obvious in the differences between how much households spend on food and transport.

In the UK, for example, the average household spent about 13.8% of its income on transport in 2019 (the last year before COVID-19 dramatically shifted commuting patterns). Food costs, meanwhile, account for just under 11% of household income. By comparison, the poorest South Africans spend up to half their household income on food. The figures for public transport can be similarly high.

While the impacts of inflation on developed world countries are undoubtedly still high (one need only look at the 2 million UK adults who can't afford to eat every day to see that), it's not difficult to see why they might be worse in many African countries. In general, there is less wiggle room for households, fewer luxuries to cut back on, and fewer amenities that people can stand going without.

So, when the cost of food and fuel goes up, more people will go hungry. That, in turn, has the potential to foment political discord and instability, especially in countries that aren't able to provide even the

limited social safety net that a country like South Africa can.

INVESTING FOR A MORE RESILIENT FUTURE

As the United Nations notes, the war in Ukraine isn't just a crisis in and of itself. It's also another layer on top of multiple other crises, including the ongoing supply chain crisis that has its roots in COVID-19 and climate catastrophe. It also underlined how poor infrastructure makes it difficult for surpluses from one country to get to another or even from one part of a country to another.

We live in an interconnected world but, in order for that system to work effectively, African countries have to be as resilient as possible. A spike in inflation, for instance, is undoubtedly less worrying when lots of people are in secure, well-paying jobs.

Governments, of course, have a role to play in ensuring that this is the case. In particular, they should always strive to make sure that they strike the right balance between regulatory protections and an economically enabling environment. But investors have a role to play too.

Even in countries mired in political and socio-economic uncertainty, there are good companies that can create large numbers of jobs while delivering solid returns for investors. Many of them can do so while doing good for the communities around them and the environment. But in order for that to happen, the amount of investment flowing into the continent must keep growing.

There's no reason that shouldn't happen either. There are incredible opportunities to be found on the continent. Sure, there are risks, but experienced investment partners know and understand those risks and can mitigate for them. Even if you're not interested in the feel-good or impact factor, the opportunities are too significant to ignore.

OPPORTUNITY IN CRISIS

The war in Ukraine is, without a doubt, a massive humanitarian crisis with global impacts. There's also no doubt that every effort should be made to bring it to an end as quickly as possible. But that does not mean ignoring the opportunities it presents. Governments, global organisational bodies, and investors should all be using this time to look for ways to ensure a kind of resilience that means no one is left behind the next time a crisis rolls around. Africa is no exception to that.

Tackling Climate Change Presents Long-Term Opportunities for Investors



By Philippa Owen, Investment Operations and Compliance Officer, Gray Swan Financial Services

With heat records being smashed across Europe and devastating floods in KwaZulu-Natal, the climate crisis is no longer being seen as a distant threat. This will add impetus to the decarbonisation of the world economy – with both risks and opportunities for investors.

The Paris Agreement, signed in 2015, covers climate change mitigation, adaptation and finance, with a goal of limiting global warming to 2 °C above pre-industrial levels by 2050, which requires reduction of greenhouse gas emissions to net zero in the next few decades. According to the Glasgow Financial Alliance for Net Zero, the world will need to mobilise \$100 trillion in capital for the transition to a 'net zero' economy.

Investments that transition away from fossil fuels and towards more sustainable energy will ultimately create a more resilient and efficient global economy. Perhaps more importantly, they will also significantly reduce the expected costs of climate inaction.

A recent Deloitte report found that climate change could cost the global economy \$178trn over the next 50 years if left unchecked.

Mitigating and adapting to climate change will completely transform the global economy, making this one of the most significant megatrends taking root in financial markets. As such, investors should already be assessing their portfolios and making adjustments where needed.

Even now, in the early days of the transition, winners and losers are starting to emerge. Changing consumption patterns, along with increased regulation, are negatively affecting the industries most reliant on fossil fuels and 'dirty' technologies. On the other hand, companies that are pioneering clean energy, electric vehicle and other technologies are riding the decarbonisation wave – as are the producers of the required raw materials.

Tesla, for instance, quickly became the world's most valuable car company as demand for electric vehicles started to surge. And since batteries require large amounts of metals such as lithium and nickel, producers of these "green" commodities are benefiting as well.

Conversely, traditional vehicle manufacturers are racing to reinvent themselves, while fuel suppliers are considering how to adapt to the fast-changing world of mobility.

Some will succeed, although others risk losing relevance. Many fossil fuel assets are likely to become "stranded" over time – meaning they will suffer from unanticipated or premature write-downs, devaluations, or conversions to liabilities.

These trends, more broadly, will have profound implications on investment portfolios.

Investors will also need to be cognisant of other risks – even if planning for them is difficult – including extreme weather risks.

As climate change progresses, scientists warn that floods, droughts, heatwaves, wildfires and storms will become more frequent and more severe. This poses risks to infrastructure, food production, and social and political stability.

This is already evident in South Africa, which in recent years has endured heatwaves, a prolonged drought in the Cape Town region that affected agriculture, and deadly floods in KwaZulu-Natal. Elsewhere, temperature records have been shattered in North America, the UK and Europe.

All things considered, it is clear that investing responsibly, with sustainability in mind, is not simply the right thing to do – it also makes sense from a risk management perspective.

Assessing investments through an environmental, social and governance (ESG) lens allows investors to reduce their exposure to assets that would be most adversely affected by climate change, shifting consumer habits, and outdated environmental policies. This approach also assists in gaining greater exposure to investments that are "doing well by doing good".

Investment firms across the globe are starting to offer products aligned to these risks and opportunities.

Globally, asset managers are coming together to tackle climate risks, with the Net Zero Asset Managers alliance being a prominent example.

Large institutional investors have also started joining forces to drive a reduction in greenhouse gas emissions. Representing \$68trn in assets, the Climate Action 100+ group of investors is using its might to push companies to do better.

This highlights the fact that a shift in momentum since the Paris Agreement was concluded is well underway, both locally and abroad. And while the goals of this climate accord are still achievable, meeting them requires a war-like effort.

As such, an offshore investment portfolio that is constructed in line with the climate megatrend stands to benefit from the opportunities on offer, while also avoiding or hedging against the unintended risks of an economy changing for the greater good.

Investors have a central role to play in the transition, and are better placed than ever before to participate in the opportunities it will bring but to also manage the associated risks.

AFRICAN MARKETS PERFORMANCE

AFRICA SOVEREIGN BOND INDICES (TOTAL RETURNS USD %)

Country	July	3-Month	1-Year
Botswana	-1.01%	-2.45%	-6.17%
Egypt	-1.67%	-13.97%	-8.08%
Ghana	-4.45%	-30.67%	-31.35%
Kenya	0.72%	-1.54%	-2.21%
Mauritius	0.34%	-4.76%	-7.09%
Morocco	-1.96%	-9.94%	-12.10%
Namibia	0.40%	-1.58%	-8.16%
Nigeria	-4.22%	4.19%	9.91%
South Africa	0.68%	-3.67%	-9.63%
Tanzania	-0.56%	14.04%	21.01%
Uganda	-3.34%	-4.28%	-1.49%
Zambia	5.62%	9.16%	67.99%

Source: S&P Dow Jones Indices

AFRICA EQUITY INDICES (BMI GROSS TOTAL RETURNS USD %)

Country	July	3-Month	1-Year
Botswana	-0.91%	2.23%	9.65%
Cote d'Ivoire	-0.90%	-2.00%	10.90%
Egypt	0.92%	-33.65%	-22.22%
Ghana	-7.30%	-28.01%	-27.74%
Kenya	12.14%	-14.36%	-20.19%
Malawi	1.90%	-9.90%	13.28%
Mauritius	-4.49%	-9.40%	-2.56%
Morocco	-1.50%	-19.13%	-15.05%
Namibia	-5.99%	-7.20%	-1.00%
Nigeria	-8.33%	-4.98%	0.84%
Rwanda	-0.58%	16.82%	10.14%
South Africa	0.95%	-5.98%	-8.10%
Tanzania	-1.54%	15.65%	14.20%
Tunisia	3.37%	-1.73%	-7.76%
Uganda	-4.84%	-10.04%	-15.71%
Zambia	3.02%	27.96%	150.82%

Source: S&P Dow Jones Indices



AGF SERVICE PROVIDERS AWARDS 2022

We are now accepting submissions for the period of July 2021 to June 2022.
Visit www.agfawards.com to create a profile today!

PRIVATE EQUITY FUNDS & DEALS

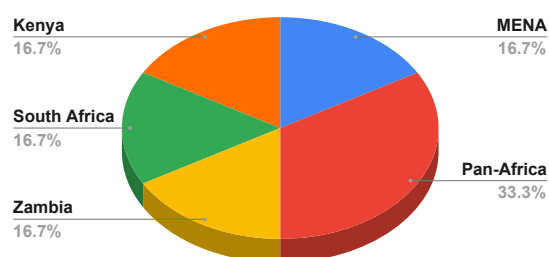
(as of 31st July 2022)

DEALS

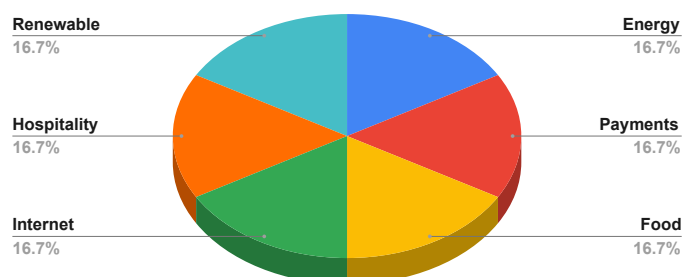
For more information on each transaction, visit Africa Global Funds's website

Company	Investment	Industry	Country	Deal Type	Deal Value
Actis	Yellow Door Energy	Energy	MENA		Undisclosed
AfricInvest // Adelle // Seedstars Africa Ventures	Bizao	Payments	Pan-Africa	Series A	€8m
InfraCo Africa	Savenda Capita	Food	Zambia	Growth Capital	\$2bn
Infra Impact Investment Managers	Cybersmart	Internet	South Africa	Growth Capital	Undisclosed
Kasada	Crowne Plaza Upper Hill	Hospitality	Kenya		Undisclosed
Mirova	SunFunder	Renewable Energy	Pan-Africa	Buyout	Undisclosed

DEALS BY COUNTRY



DEALS BY INDUSTRY



FUNDRAISING

Company	Fund	Geography	Style	Sectors	First Close	Target	Date Announced
AfricInvest & Cathay Innovation	Cathay AfricInvest Innovation Fund	Pan-Africa	Seed Capital	Fintech, Mobility, HealthTech, EdTech, AI, Digital Content and AgTech	€110m	€150m	21 July 2022

EXITS

Company	Divestment	Industry	Country	Buyer	Nature of exit
Amethis	Pétro Ivoire	Oil & Gas	Cote d'Ivoire	Caisse Nationale de Prévoyance Sociale	Trade

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 2022-07-29)										
-9.89	0.01	-6.15	-2.08	-4.97	326.00 (04/21)	Equity	Africa ex-SA	Cayman Isl.	Open-End	06/14
Absa Africa Equity Fund (as-of 2022-08-18)										
	5.01	3.37	-0.85	2.03	12.16 (06/22)	Equity	African region	South Africa	Unit Trust	10/16
African Domestic Bond Fund (as-of 2022-07-29)										
-7	-1.3	-8.8	3.6		43.00 (07/22)	ETF - local currency FI	African region	Mauritius	Open-End	9/18
African Lions Fund (as-of 2022-07-29)										
4.74	-1.89	8.71			17.97 (07/22)	Equity	SSA ex-SA	BVI	Open-End	10/20
Allan Gray Africa Bond Fund (as-of 2022-07-29)										
-15.1		-16.8	-1.5	3.3	326.00 (07/22)	Fixed Income	Africa ex-SA	Bermuda	Open-End	3/13
Allan Gray Africa Equity Fund (as-of 2022-07-29)										
		4.5	31.1	24.5	286.00 (06/22)	Equity	African region	Bermuda	Open-End	07/98
Allan Gray Africa ex-SA Equity Fund (as-of 2022-07-29)										
-6.6		-6.3	9.3	3.5	459.00 (07/22)	Equity	Africa ex-SA	Bermuda	Open-End	1/12
Alquity Africa Fund (as-of 2022-08-18)										
-13.18	6.36	-10.07	-3.94	-3.41	4.92 (06/22)	Equity	African region	Luxembourg	SICAV	6/10
Altree Capital - Africa Opportunities Fund (as-of 2022-02-28)										
-3.4	-3.11	7.13	19.97			Equity	African region		Open-End	6/06
Arisaig Africa Consumer Fund (as-of 2022-06-30)										
7.96	4.12	6.92	-40.85	-28.23	1.31 (05/22)	Equity	African region	Mauritius	Open-End	12/07
Bellevue Funds Lux - BB African Opportunities (as-of 2022-08-18)										
-9.91	9.19	0.44	-6.77	-2.3	45.00 (07/22)	Equity	African region	Luxembourg	SICAV	6/09
Commonwealth Africa Fund (as-of 2022-07-29)										
-5.6	-0.13	-3.3	1.61	-1.24	3.19 (07/22)	Equity	African region	USA	Open-End	11/11
Coronation Africa Frontiers Fund (as-of 2022-07-29)										
-27.15	-1.64	-26.72	-2.65	-2.62	390.76 (07/21)	Equity	Africa ex-SA	Ireland	Unit Trust	10/08
DWS Invest Africa (as-of 2022-08-18)										
	8.94	0.01	-1.59	-1.73	26.00 (07/22)	Equity	African region	Luxembourg	SICAV	07/08
EFG-Hermes MEDA Fund (as-of 2022-08-18)										
22.65	2.7	55.44	19.32	14.16		Equity	Africa & Middle East	Bermuda	Open-End	12/11
Emerging Africa Bond Fund (as-of 2022-07-29)										
-21.03					1.70 (07/22)	Fixed Income	African region	Mauritius	Open-End	09/16
Enko Africa Debt Fund (as-of 2022-07-29)										
-20.9	2.72	-17.61	5.39	9.17	426.85 (07/22)	Fixed Income	Africa ex-SA	Mauritius	Open-End	10/16
Fidelity Funds - Emerging Europe, Middle East and Africa Fund A (as-of 2022-08-18)										
-50.59	11.37	-47.93	-11.53	-7.12	221.16 (06/22)	Equity	EMEA	Luxembourg	SICAV	06/07

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
Imara Africa Fund (as-of 2022-07-29)										
-24.97	2.83	-25.8	-2.37	-3.53		Equity	African region	Cayman Isl.	Open-End	04/09
Imara African Opportunities Fund (as-of 2022-07-29)										
-28.9	-2.09	-33.29	-6.18	-10.41		Equity	African region	BVI	Open-End	6/05
JPMorgan Funds - Africa Equity Fund (A) (as-of 2022-07-29)										
-15.06	0	-14.81	-3.51	-3.29	117.54 (08/22)	Equity	African region	Luxembourg	SICAV	5/08
Laurium Limpopo Master Fund (as-of 2022-07-29)										
-19.25	2.72	-20.14	-6.63	-2.92	139.50 (07/22)	Equity	Africa ex-SA	Cayman Isl.	Open-End	01/14
Mazi Capital Africa Fund (as-of 2022-07-29)										
-19.41	-2.27	-16.15	-6.61	-5.24	92.00 (03/21)	Equity	Africa ex-SA	South Africa	Open-End	01/16
MCB Africa Bond Fund (as-of 2022-07-29)										
-10.4	-1.5	-8.3	1.4	3.4	10.54 (07/22)	Fixed Income	African region	Mauritius	Open-End	2/14
Ninety One Premier - Africa Fund A (as-of 2022-07-29)										
-8.99	-16.36	-60.58	-28.62	-15.53	0.82 (06/22)	Equity	African region	Guernsey	Open-End	01/07
Old Mutual African Frontiers Fund (as-of 2022-07-29)										
-23.66	3.31	-16.42	-3.7	-0.12	291.00 (04/21)	Equity	Africa ex-SA	Ireland	Open-End	5/10
Optis African Frontier Fund (as-of 2022-07-29)										
-23.41	1.25	-21.31	-15.95		32.09 (07/22)	Equity	African region	BVI	Open-End	8/09
Robeco Afrika (as-of 2022-06-30)										
-9.45	-6.34	-2.62	2.21	1.15	24.70 (06/22)	Equity	African region	Netherlands	Open-End	6/08
Rudarius Africa Fund (as-of 2022-07-29)										
-24.75	-3.35	-23.06	-9.13	-6.64	30.00 (03/21)	Equity	Africa ex-SA	South Africa	Open-End	06/14
Sanlam Africa Equity Fund (as-of 2022-07-29)										
-12.38	3.04	-9.11	2.41	1.83		Equity	Africa ex-SA	Ireland	Open-End	07/15
Sanlam Centre Africa Equity Fund (as-of 2022-07-29)										
-14.33	-2.19	-15.85			56.83 (07/22)	Equity	Africa ex-SA	Cayman Islands	Open-End	05/19
Sanlam Centre Sub Sahara Africa Equity Fund (as-of 2022-07-29)										
-8.81	-2.95	-14.05	-4.19	-5.96	48.86 (07/22)	Equity	Sub-Saharan ex.SA	Cayman Islands	Open-End	07/08
Steyn Capital Africa Fund (as-of 2022-07-29)										
-8.19	-3.91	-7.08	0.99	1.35	154.00 (06/22)	Equity	Africa ex-SA	Malta	SICAV	09/11
Sustainable Capital Africa Alpha Fund (as-of 2022-07-29)										
-5.51	4.45	-7.43	5.53	-2.35	300.30 (04/21)	Equity	Africa ex-SA	Mauritius	Open-End	02/12
TCM Africa High Dividend Equity (as-of 2022-07-29)										
-15.3	1.58	-14.37	-4.99	-4.22	9.60 (04/21)	Equity	Africa ex-SA	Holland	Open-End	03/08
Threadneedle Lux - Stanlib Africa Equity (as-of 2022-08-18)										
11.21	0.18	8.15	-0.28	1.38	1.49 (07/22)	Equity	African region	Luxembourg	SICAV	8/14
T. Rowe Price Africa & Middle East Fund (as-of 2022-07-29)										
1.62	5.34	10.98	8.58	6.48	157.14 (07/22)	Equity	MENA & SSA	United States	Open-End	10/11

Source: Company Data, Morningstar

Verdant Capital

A Proud Supporter and Sponsor of AFSIC - Investing in Africa

Verdant Capital is a specialist corporate finance firm with exceptional experience transacting across the African continent. Verdant Capital is an investment manager and investment bank specialising in private credit and private equity. Verdant's sectors of expertise include tech, inclusive financial institutions, telecoms, agri-business and manufacturing. Verdant Capital's investment management business focuses on financial institution while their investment banking business has experience in financing most business sectors in Africa and can assist clients across a range of business sectors.

Verdant Capital has been a supporter of AFSIC – Investing in Africa since its inception and is one of the key sponsors for AFSIC 2022, “We are proud to support AFSIC as an important part of the ecosystem in financial services investing in Africa. AFSIC is at the intersection of key themes in investing in the sector, impact, technology, innovation in asset classes etc. Most of the discussions at the event align directly with our core activities.”

We sat with Verdant Capital and asked them about the work they do in Africa as well as the trends they are seeing in African Investment.



Investing in Africa

CAN YOU TELL US A LITTLE BIT MORE ABOUT

WHAT VERDANT CAPITAL DO?

Verdant Capital is the manager of the Verdant Capital Hybrid Fund, which invests hybrid capital in inclusive financial institutions, especially established technology-enabled businesses supporting micro-enterprises and SMEs. Verdant Capital also manages certain co-investment vehicles. Verdant Capital has a leading M&A and capital raising business which ranked joint first (pan-Africa ex-SA by volume) in 2021. Verdant Capital is a leading advisor to private equity in Africa. Verdant Capital is the IMAP partner firm for Africa; IMAP completes more than 250 M&A deals per year and is the largest and most active global M&A partnership.

CAN YOU HIGHLIGHT SOME OF YOUR LARGER CURRENT PROJECTS?

On the investment management side, we are currently deploying capital in a small number of selected investee companies, which will be announced in the coming weeks, and we can discuss at the event. Some of our recent successful projects on the investment banking side include the USD 90 million capital raise for WIOCC (pan-African digital infrastructure player), the sale of Baxibox (a leading fintech in Nigeria) to MFS Africa and the USD 50 million equity capital raise for Tugende (East African MSE asset finance business).

WHAT IS THE IMPACT OF VERDANT'S WORK ON AFRICA'S MSME COMMUNITY?

Verdant Capital is a major investor in the inclusive financial institutions which fund MSMEs. We also have the leading advisory business in the sector in Africa.

WHERE ARE YOU SEEING THE BIG INVESTMENT

OPPORTUNITIES IN AFRICA AT THE MOMENT?

Rising interest rates in the West are negative for Africa through multiple transition mechanisms. We look out for businesses models which offer a defensive comparative advantage in sub-sectors benefiting from fundamental growth at a multiple to domestic GDP growth.

HOW HAS THE SLOWING DOWN OF THE GLOBAL ECONOMY AFFECTED THE FLOW OF INVESTMENT INTO AFRICA?

Higher interest rates in the West and increasing funding costs for the private sector are adding to stress in the sovereign credit curve in Africa. Higher food and oil prices increase the cost of living in Africa and reduce disposable income adding to stress in the balance of payments in Africa. Key examples of stress we have seen so far include the cost of hedging certain currencies and falling margins in certain downstream soft commodity businesses (e.g., protein and snacks).

YOU HAVE ATTENDED AFSIC VIRTUALLY SINCE ITS INCEPTION, WHY DOES ATTENDING AFSIC WORK SO WELL FOR YOU?

We are proud to support AFSIC as an important part of the ecosystem in financial services investing in Africa. AFSIC is at the intersection of key themes in investing in the sector, impact, technology, innovation in asset classes etc. Most of the discussions at the event align directly with our core activities.

WHAT BENEFIT DO YOU SEE FOR OTHER AFRICAN BUSINESSES IN ATTENDING AFSIC THIS YEAR?

AFSIC offers an opportunity to network and to share ideas with like-minded individuals and companies from Africa or directly exposed to Africa.

AFSIC – Investing in Africa is being held in London 10-11 October 2022. Register here today or email event@afsic.net for more information on sponsorship and exhibition opportunities.



Support Our Publication - 8 Years Running
Subscribe Today!

35% Discount for New Subscribers
Full Year Access for \$250

www.africaglobalfunds.com/subscribe