

AFRICA GLOBAL FUNDS

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Over the past 10 years, investors have disinvested from various African markets, but Botswana and Ghana could be the most extreme cases. In the December magazine of Africa Global Funds, Cornelis Vlooswijk of Robeco looks into this case on pp. 12-13.

Meanwhile, Thesele Mampane of Futuregrowth, explores the listed property/Real Estate Investment Trust (REITs) market in South Africa, saying that a closer look at fundamentals suggests that trouble in the sector has been brewing for a while. Read on pp. 14-15.

In this issue, learn why good corporate governance practices in portfolio companies are a must for funds. Angeli Arora of Mishcon de Reya explores why good CGPs in portfolio companies (regardless of their size) are a growing priority on p. 11.

Finally, we hear from Cheryl Buss of Absa International, who says Africa is becoming a focus once again with reaffirmed commitments from countries including the UK, France, the US and China. Read on to find how Africa can leverage the wider investment interest and opportunities shown on p.20.

As another year is coming to and end, we, at Africa Global Funds, are wishing all the best to you and your families.

We are thankful for your continues support and we're looking forward to serving you again in 2022!

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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

MCF II raises €32.5m to Support Health Entrepreneurs in SSA



Arjan Poels,
Managing Director
MCF

Medical Credit Fund (MCF), the only debt fund fully dedicated to the African health sector, has completed a €32.5m fundraising of its second fund, MCF II.

Through blended finance, MCF uses catalytic capital from both public and private sources and is targeting to grow to €80m in the next few years.

This financing round will expand the Fund's presence and support to healthcare providers in sub-Saharan Africa, with a focus on primary healthcare services including malaria prevention and treatment and maternal and childcare.

The round also caters for expanding its fully digital loan product called 'Cash Advance', which grew exponentially in the past two years.

The funding round was anchored by the Dutch Ministry of Foreign Affairs, which provided the first equity injection of €7.5m in January this year, to cater to the demand for loans during the heights of the COVID-19 crisis. Also participating in this funding round are CDC Group with €10m, FMO with €7.5m, Swedfund with €5m and Philips with €2.5m.

Arjan Poels (pictured), Managing Director of MCF, said: "I am very grateful for the support we received from our investors, especially the Dutch Ministry of Foreign Affairs. The funds will help to bridge the financing gap for small and medium-sized health businesses, allowing entrepreneurs to finance construction work, purchase equipment, and prevent medicine stock-outs. Mitigating the chronic underfunding of the sector means more patients can receive better healthcare."

In addition, MCF will benefit from a guarantee facility by DFC, which was initiated by the Health Finance Coalition (HFC) with support of the US President's Malaria Initiative (PMI) and USAID's Center for Innovation & Impact (CII).

Since its foundation, Medical Credit Fund has provided over 6,500 loans to healthcare providers in Africa, worth over €120m, with a 96%

repayment rate.

It has reached 1,800 health small and medium-sized enterprises (SMEs) in Kenya, Ghana, Nigeria, Tanzania and Uganda.

MCF II qualifies under the 2X Challenge as its funding will enhance access to capital for gender-smart healthcare businesses and help to increase health services for female patients.

MCF will deploy the funding to further scale its impact across sub-Saharan Africa with a focus on advancing its digital loan products.

Clarisa De Franco, Managing Director & Head of Private Equity Funds, CDC Group, said: "Affordable, reliable and quality health care has never been more crucial than it is today. Our commitment to MCF II will enable the Fund to increase its flexible finance offers to an estimate of over 2,500 healthcare SMEs, bolstering their ability to meet the increased demand for quality healthcare and to serve approximately 10 million patients by 2030."

Marnix Monsfort, Director Financial Institutions at FMO, added: "We're pleased to have contributed to this one-of-a-kind Fund targeting healthcare SMEs through our Building Prospects and MASSIF funds in the form of a subordinated debt facility. As the Fund is aimed at reducing inequalities in several of our core markets, with a strong gender focus, we believe the Fund is uniquely positioned to play a leading role in the healthcare space and are proud to have been one of the investors for the launch of the second Fund."

Audrey Obara, Head of Healthcare at Swedfund, commented: "Small and medium-sized private health facilities are crucial to increasing access to healthcare in Sub-Saharan Africa, especially for women and children. MCF has a responsible lending approach that strengthens health SMEs to provide better quality healthcare and operate financially viable enterprises. Therefore, the investment in MCF II is well aligned with Swedfund's goal to support sustainable businesses that improve access and quality of health care for underserved patients across the sector value chain. We are also pleased that the fund has a strong digitalization focus and qualifies as a 2X investment."

FUNDRAISING

African Rivers Fund III Closes At \$81m

XSML has announced the final close of the African Rivers Fund III (ARF III) at \$81m, exceeding its target of \$75m.

Barthout van Slingelandt, Managing Partner at XSML, said the final close of ARF III marks an important milestone, as the firm has successfully closed three funds in 11 years of operation and in a COVID

environment that continues to be challenging.

"It is 10 years ago since we made our first investment with Fund I and since, we have grown our footprint and teams to deploy more than \$100m across our three funds," he said.

ARF III targets growing, well-managed small and medium-sized

enterprises (SMEs) in the Central African region covering Angola, the Democratic Republic of Congo (DRC), Uganda and the Republic of Congo and surrounding countries.

ARF III follows the successful investment strategy of its predecessor funds, the Central Africa SME Fund (CASF) and African Rivers Fund (ARF), by providing debt, equity and mezzanine finance to fast-growing companies in these regions.

For this final close, FISEA, managed by Proparco, joined DALHAP (private impact investor) and Norfund, and first close investors BIO, the Dutch Good Growth Fund (DGGF, managed by Triple Jump), FMO, IFC, Swedfund and the SDG Frontier Fund (which includes nine private and institutional investors from Belgium).

Van Slingelandt said: "We are happy that Proparco will be joining again as investor and to have DALHAP, Norfund, SDG Frontier Fund and Swedfund as new investors in Fund III."

"Our investors are committed to supporting us in frontier markets in

Central and East Africa. With our local offices, XSML continues to capture investment opportunities in private companies, creating jobs and supporting economic growth," he commented.

Through CASF, ARF & ARF III, XSML has provided over \$100m in risk capital with an investment size ranging from \$100,000 to \$5m.

XSML has made investments in over 60 SMEs across ten sectors.

Both CASF and ARF have been fully invested and 20 investments have been exited.

To date, ARF III is over 50% committed in new investments.

Sustainable economic development in fast growing frontier markets in Sub-Saharan Africa can be achieved by encouraging local entrepreneurship. Currently, many opportunities in these countries continue to remain unexploited due to the lack of risk capital and operational support.

By stimulating entrepreneurial endeavors, jobs and income are created. ARF III continues the existing strategy with investments between \$100,000 and \$ 7.5m.

DEALS

Adenia and Proparco Acquire Overseas Catering Services

Adenia Partners, a private equity firm investing in Africa, has partnered with Proparco, the private sector financing arm of Agence Française de Développement Group (AFD Group), to buy Overseas Catering Services (OCS), a leading corporate catering and related services provider in Africa and the Middle East.

Financial terms of the transaction were not disclosed.

The investment, which is Adenia's first in Morocco, will support OCS's organic and external growth and deliver on the management team's objective to develop a leading platform in the catering and facilities management market.

Adenia and Proparco will work closely with the company to apply best-in-class business and ESG practices.

Stéphane Bacquaert, Managing Partner at Adenia, said: "We are thrilled to open our Morocco office and establish our presence in the country with the acquisition of OCS. It is a fast-growing company with an already strong brand and a loyal base of customers. The company has considerable potential for further growth as well as strong impact potential. OCS has an important role to play in the sustainable food production system through the delivery of nutritious food to key public institutions, including schools, universities and hospitals. We look forward to working with the management team to further develop the company and to raise catering and facilities management standards across our geographies."

OCS was established in 2009 by François Bonnot and René Lancien, founder of Ansamble Group, a leading caterer in France. OCS offers corporate catering services under the brand "Ansamble" to more than 180 clients across five countries: Morocco, Côte d'Ivoire, Senegal, Mauritania, and UAE.

It has grown to become the second largest catering player in Morocco, employing 3,300 people across the organisation.

Earlier this year, OCS acquired Proxirest, the fifth largest caterer in Morocco. In addition to its core catering services, the group offers cleaning services in Senegal under the Alizés brand, childcare services in Morocco under the A Deux Pas brand, and operates the Brioche Dorée and La Croissanterie franchises in Morocco.

"Proparco is delighted to contribute, with Adenia, to the development of OCS," said Jérémie Ceyrac, Head of Private Equity at Proparco.

"We are convinced that OCS has what it takes to keep playing a leading role in its home market of Morocco and to expand beyond, especially across sub-Saharan Africa, where the prospects for the catering services business are bright. We also value the impact story of the OCS group, especially in terms of job creation and through the enhancement of the living conditions of the populations it serves in industrial companies, schools, hospitals and prisons alike. We believe Proparco and Adenia's complementary expertise will help OCS achieve both financial performance and high environmental and social standards and turn it into an African leader."

"We are delighted to partner with such experienced investors as Adenia and Proparco," said Overseas Catering Services CEO, Francois Bonnot. "Both firms have enviable track records of investing in and developing successful companies, and creating lasting value. With their expertise and guidance, we believe we can meet the highest industry and ESG standards, and take OCS to the next level."

Stephane Bacquaert and Christophe Scalbert, Partner, will represent Adenia on the board of OCS.

Proparco will be represented by Daniel Outré, Private Equity Senior Investment Officer.

The advisors for the transaction were Asafo & Co. (legal) and Deloitte (financial and tax). The sponsor's advisors were Lext (legal) and KPMG (commercial, financial). Proparco was advised by Taylor Wessing (legal).

DEALS

Edge Growth Backs DKN Transport

Edge Growth, through the Engen Convoy Fund, an Enterprise and Supplier Development Fund to promote broad-based black economic empowerment (B-BBEE), has invested in DKN Transport, a level 1 B-BBEE contributor with a 30% black female shareholding.

Headquartered in Johannesburg since 2004, DKN Transport provides road freight logistics solutions across various industries, nationally and cross-border into Africa.

With a history of strong financial performance, supported by a professional and capable team, DKN has proven business resilience in a very competitive market and environment.

Transport and logistics organisations have been particularly hard hit over the last 18 months, due to the effect of the COVID-19 pandemic and declining demand.

The Engen Convoy ESD Fund was established to maximise socio-economic development through supporting sustainable supply chain transformation.

The fund supports SMEs both within and outside of Engen's database

by providing growth funding for both capital expenditure and business development.

"Traditional logistic companies are still critical enablers to achieving economic growth within the African and South African business eco-system," said Hitesh Dullabh, Investment Associate at Edge Growth.

"Given the economic impact of COVID as well as the disruption caused by recent events in the country, this investment comes at a great time to contribute to growing the broader logistic supply chain in South Africa and job creation over the long-term," he said.

Through this funding, DKN will be able to expand their fleet size and market offering, with additional job creation as a result.

"We are really pleased about this investment into DKN Transport, which has come at an opportune time, given the tough economic environment we find ourselves currently operating within," commented DKN Director Nevenka Naidoo. "This funding will allow us to continue to drive our customer centric ethos thereby strengthening our key client partnerships, as well as support us in being a prolific employer," she said.



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DEALS

Nurture Foods Makes Maiden Investment

Nurture Foods, EXEO Capital's new food sector investment vehicle, has recently made its first investment in the Fairview Cheese Company, a South African cheese producer.

Nurture Foods was established by EXEO Capital through its Food and Agribusiness fund, Agri-Vie Fund II, as a vehicle to drive longer-term investing in the growing convenience & functional food sector.

"Nurture Foods was formally launched as vehicle June 2021 and has been in the making since July 2020," Riël Malan (pictured), Executive Chairman of Nurture Foods and Partner at EXEO Capital, told Africa Global Funds.

The Fairview Cheese Company was established in Paarl in 1980 by the Back family.

Over the course of the last 40 years, Fairview Cheese established itself as the leading artisanal cheese producer in South Africa, producing more than 50 cow's and goat's milk cheese varieties.

The Back family retains a significant stake in the business.

Louis Lourens, Managing Director of The Fairview Cheese Company says: "The partnership with Nurture Foods will enable Fairview Cheese to expand its artisanal offer and develop valuable new export markets. We are very excited to take Fairview Cheese to a wider international market."

Malan said that a strong brand like Fairview sets the tone and lays the foundation for the establishment of Nurture Foods as a very focussed

investment platform that provides investors exposure to the defensive convenience and functional food sector.

"We are also excited that the transaction will enable the empowerment of Fairview Workers Trust to benefit from the anticipated growth of the brand, through the establishment of a goat milk supply company, owned by the workers of Fairview," he said.

"Globally, the trend towards greater convenience, functional effects of food and consumer support of artisanal and ethical brands, is gaining momentum. Nurture Foods aims to partner with artisanal brands such as Fairview to achieve greater market penetration, efficiency through technology application and generally to support the platform businesses in growing a larger domestic and export market," he added.

Using EXEO's 13 years' investment experience in the food sector in Sub-Sahara Africa, Nurture Foods will be partnering with seasoned food-entrepreneurs to build a platform of synergistic businesses that will grow and develop this highly differentiated sub-sector.

When asked about investment opportunities, Malan said that the vehicle will invest "mainly South Africa" and make "selected investments in sub-Sahara Africa if it first the strategy of convenience & functional foods".

"We're planning 12-15 similar investment over coming years," he added.

DEALS

Aruwa Capital Invests in Pngme

Aruwa Capital Management, an early-stage growth equity and gender lens fund, has invested in Pngme, a Nigerian financial technology company.

Established in 2018, Pngme provides infrastructure that allows financial institutions and fintechs to collect and aggregate financial data at scale.

Pngme's mobile SDK and data processing pipelines collect alternative financial data (i.e. USSD transactions) and unify it with other data sources to create a holistic, real-time picture of an individual's financial behaviour. Machine learning models are layered on top and served up through both their API and web application to their clients.

Models that predict credit worthiness, segment customers, and provide computations such as debt-to-income ratio are part of their Insights library, which differentiates them from other data aggregators.

Pngme decreases the risk of investing in and adopting financial data infrastructure technology, often the costliest part of developing innovative financial products and serving new customer segments.

Adeswa Okunbo Rhodes (pictured), Founder & Managing Partner of Aruwa Capital, said: "We are excited to have completed this investment in Pngme. We see significant value in Pngme's product, it is able to

capture raw data of end users creating financial, behavioural and even fraud insights to institutions across Africa, enabling them effectively match products to end users while minimising their risk, while also making these end-users in rural areas 'financially visible' to these institutions. This not only creates value to these users but also fosters a healthy and inclusive credit system across the continent."

Cate Rung, COO & Co-Founder of Pngme, said: "Our relationship with the Aruwa team was first established during our seed round and we are extremely pleased to finally have them as partners in our Series A round as they have remained supportive and watched us grow throughout the period. This investment will drive us closer to our vision of becoming the highest coverage, financial data platform across Africa, and having a partner such as Aruwa, that is on the ground and has local expertise will further catalyse this process. We are also very excited to have female capital allocators on our cap table."

Aruwa Capital Management is a Lagos based, female founded and led early stage growth equity and gender lens fund investing in rapidly growing businesses in Nigeria and Ghana.

Aruwa Capital provides equity and quasi equity instruments to proven businesses that are either providing essential goods and services to

Investors

improve women's lives or businesses that are founded or led by women or have gender diverse teams.

Rhodes said: "In line with Aruwa's gender lens investing strategy, in addition to being co-founded by a female, a sample of the Company's end users showed that 40% were female, validating Pngme's efforts in ensuring they work with clients who offer products that cater to

women. Additionally, 42% of the management team are women, with Pngme's most recent senior hire being its Chief Strategy Officer, Lorraine Kageni Maina and Alyza Devraj joining as Product Manager. We have seen the Company garner significant traction in the short time since inception, have followed their journey and are excited to be one of their partners."

INVESTORS

CDC to Scale Up Its Investments In Africa

CDC Group has announced a new strategy, aiming to invest between £1.5bn and £2bn (\$2bn and \$2.66bn) per annum in the next five years, setting a new ambition for scale in Africa, digital transformation, and innovation.

Its next strategy period begins on January 1, 2022 and runs until the end of 2026.

Having invested £4bn (\$5.32bn) in Africa since 2017, CDC's new strategy builds on its 74-year history and track record of investing for impact.

Nick O'Donohoe, Chief Executive of CDC, said: "Building on CDC's legacy, British International Investment will make investments that support the aspirations of entrepreneurs and businesses in a responsible and transparent manner."

CDC will invest across a range of vital sectors that catalyse new global opportunities and address complex development challenges, such as infrastructure, which is critical to raising productivity and competitiveness and improving the livelihoods of communities and cities across the continent.

The new strategy has a set of three strategic objectives to invest in support of Productive development, Sustainable development and Inclusive development to meet the global opportunities and challenges that lie ahead, including the need for jobs and inclusive growth and the twin crises of climate change and natural resource depletion.

"We will be a trusted partner to some of the countries across our markets that want to create sustainable and prosperous futures for their people. We will deliver on the UK's promise to support emerging

economies to combat the climate emergency and track the impact of each investment to ensure every penny is used productively."

CDC's infrastructure investee partners include Globeleq, a leading independent power producer with investments in Cuamba (Mozambique), Benban Solar Park (Egypt) and Malindi Solar Group (East Africa); Liquid Telecom the largest independent fibre and cloud provider in Africa and its recent Gateway partnership that sees CDC collaborating with DP World to chart a stronger course for African trade around the world.

CDC has also announced that it will be changing its name to British International Investment, effective April 4, 2022.

The new name signifies the increased breadth of what the organisation already does and highlights its role as part of the UK Government's international financing offer, working to bring not just capital, but the highest levels of governance, standards and transparency to its investments.

Finally, CDC has appointed Diana Layfield as first female Chair in its 73-year history.

She will succeed Sir Graham Wrigley who was appointed in 2013 and will be stepping down, as previously announced, early in 2022 after a transitional period.

Layfield joins the organisation with an outstanding international business career and considerable experience in emerging markets.

She is currently Google President, EMEA Partnerships and a Non-Executive Director at AstraZeneca. She was formerly the Chief Executive of Standard Chartered, Africa Region.

INVESTORS

Opportunity International and Oikocredit Announce \$100m Impact Investment Agreement

Oppportunity International and Oikocredit have announced an innovative, 3-year collaboration to increase access to and quality of education in low-income countries through the investment of up to \$100m in financial institutions, which are benefiting from Opportunity International's EduFinance program, reaching an estimated 1.6 million children.

Mirjam 't Lam, Interim MD, Oikocredit, said: "Oikocredit's ambition is to empower low-income people with the choices they need to create a life of dignity. A key enabling element for this is access to education. We're proud to be partnering with Opportunity International to improve access to education for low-income people via training and financing new initiatives together with financial inclusion partners."

Opportunity International and Oikocredit will mobilize the funds over the next three years with an initial, near-term focus on Ghana, Kenya, Nigeria, Senegal, and Uganda.

The collaboration is a distinctive agreement between tenured, mission-aligned global organizations to support the growth in access to quality education particularly for children from low-income families.

Under the terms of the agreement, both organizations will target financial institutions serving the needs of the most vulnerable populations, providing financial capital and training in support of the development of the education sector in the target markets.

This collaboration will enable critical resources including school improvement loans for classrooms, washrooms, dormitories, teachers, and transportation; support school leaders with financial products to make instruction more effective; and provide loans for school fees and tuitions to keep students in the classroom.

As a global leader in education finance in low-income countries, Opportunity's EduFinance program has facilitated \$442m in loans to support the access to quality education.

Opportunity's EduFinance programming includes an Education Finance

technical assistance facility and the Education Quality program.

Atul Tandon, CEO, Opportunity International, said: "Our aim is to help those who need it most to stand on their own feet, earn a sustainable livelihood, and send their children to school. This collaboration further solidifies Opportunity International's position as a waymaker in providing access to capital and training to get more children into schools."

"This comes at a critical time, when an estimated 264 million children globally are still out of school, households living in extreme poverty are suffering, and as the COVID-19 pandemic continues to widen income inequalities around the world."

Randy Kurtz, executive vice president, international programs and capital solutions, Opportunity International, said: "Given our more than ten years of experience in the education sector in low-income countries, we know that combining tailored lending with strong training and support for financial institutions and schools will expand our signature EduFinance franchise and Oikocredit's footprint. This collaboration will enable better learning outcomes at borrowing schools, because when schools get access to capital, students do better."

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Why Good Corporate Governance in Portfolio Companies Are a **Must** for Funds



Angeli Arora,
Partner
Mishcon de Reya

In today's world, funds and other financial institutions play a vital role in encouraging better corporate governance practices (CGPs) in companies. Funds recognise that good

CGPs in their portfolio companies are not only important from a **risk management perspective** but can lead to **greater investment returns** in the long-run. Hence, investors are increasingly focussed on the adoption, implementation and ongoing effectiveness of CGPs in their portfolio companies. In this article, we explore **exactly why** good CGPs in portfolio companies (regardless of their size) are a growing priority for funds:

Increased access to better and cheaper financing and increased prospects of attracting other business opportunities: Good CGPs promote trust, transparency and accountability – all of which are key factors for creditors committing capital to a company and for other business partners. The prospects of receiving third party capital, and indeed the cost of capital, can depend upon the level of risk assigned to the company by financial institutions – the higher the risk, the higher the cost of capital.

Increased prospects of attracting talented employees: Good CGPs recognise the interests of employees and their important role in contributing to the long-term success and performance of the company. Good CGPs aim to promote a better work environment, which in turn improves a company's ability to attract talented employees and retaining them.

Improved decision-making process of an entity: Good CGPs help managers, directors and shareholders understand their respective roles and responsibilities, and communicate in an effective manner. Better communication, in turn, should promote more informed, faster and better decisions within a company and improve the efficiency of the financial and business operations of the company at various levels.

Reduced risks inherent to an investment in a business: Good CGPs can lead to an improvement in the accountability/risk management system of a business and more effective management and oversight over executive management, which mitigate against the risk of fraud, conflicts of interest, corruption and bribery, and insider trading by the company's officers.

Improved reputation of the company: Good CGPs contribute to and improve a company's credibility and reputation, resulting in such companies enjoying more public confidence and goodwill. This public

confidence and goodwill can lead to greater trust in the company and its products, which in turn may lead to higher sales and, ultimately, profits. A company's positive image or goodwill is known to play a significant role in the valuation of a company (upon exit).

The right environment for compliance with applicable laws: Good CGPs aim to provide directors and managers with effective systems that promote compliance with applicable laws, standards and guidelines which apply to them.

Improved resolution of business conflicts: A good system of corporate governance will facilitate the resolution of corporate conflicts between minority and controlling shareholders, executives and shareholders, employees and executives and between shareholders and stakeholders.

Framework for a company's long-term development: Good CGPs help companies structure the roles, responsibilities and distribution of power amongst shareholders, the board, management and other stakeholders, as the company grows, facilitating the smooth succession and continuity of the company's executives over time and sustaining the company's long-term development. Good CGPs also help a company withstand conditions of volatility and short-term problems.

Better contributors to society: Generally, well-governed companies are better contributors to the national economy and society. They tend to be healthier companies that add more value to shareholders, workers, communities and countries in contrast with poorly governed companies that may cause job and pension losses, and even undermine confidence in securities markets. Investors are increasingly looking for investment opportunities which not only generate financial returns but also generate positive social and environmental returns.

Given the importance of good CGPs, we see funds thoroughly reviewing the CGPs of potential portfolio companies as part of their due diligence, incorporating appropriate representations and warranties on the same in any transfer/subscription agreements. The shareholders agreement also tends to set out an agreed framework around CGPs, including appropriate committees, policies and ongoing reporting obligations/monitoring rights, with remedies for breaches of the same. As ESG factors become more regulated (with funds being held accountable for performance on these factors), we believe the shareholders agreement, as the primary agreement regulating the relationship between shareholders in relation to their portfolio company, will continue to build in mechanisms to ensure that the "G" in "ESG" is properly managed in the underlying investment and to ensure that founders and investors are in agreement on how to achieve these objectives.

Botswana & Ghana: Bizarre Valuation Gaps Due to Herd Behavior

By Cornelis Vlooswijk, Portfolio Manager, Emerging Markets, Robeco



In the last ten years there has been a wide variance in investment returns across regions. The US and to a lesser extent other developed markets

have delivered strong returns while emerging markets have lagged. Many African markets have fared even significantly worse than other emerging and frontier markets. While US equities rose more than 350% in ten years, the investment return for Ghanaian equities was even negative in USD terms.

Only part of the return difference can be explained by differences in currency-adjusted earnings growth. The impact of investors herding together and chasing past performance and liquid stocks that feel safe is much bigger. When the herd drives certain popular stocks up and sells other equities, this often triggers fund managers without a strong backbone and/or impatient clients to follow the same pattern. If such patterns persist other fund managers can also be forced to abandon certain attractively valued stocks or entire countries because liquidity does no longer meet the minimum standards. Holding many small positions in ultra-cheap small caps would not be risky from a risk/return perspective but it is not great for the marketing story. A simple search in Google returns a huge list of asset managers that state their funds

aim to run concentrated portfolios and invest only in “high-conviction” stocks. That leaves no room for small positions in illiquid stocks that each individually “don’t move the needle”.

A gap in investment returns is not evidence of herding behavior that is irrational from a risk/return perspective (but could be rational from a career perspective for risk-averse fund managers). However, the valuation chart below is a strong indication that investors are applying double standards. They give US equities the benefit of the doubt and are prepared to pay more than 20x earnings for many stocks. In Africa, there are a few expensive darling stocks but most equities trade below 10x earnings.

The herd of global investors has disinvested from various African markets but Botswana and Ghana could be the most extreme cases. Unlike countries like Kenya, Mauritius, Morocco, Nigeria, Senegal and Tunisia, Botswana and Ghana are not even included in the MSCI Frontier Markets index. Hence, they are even ignored by most “adventurous” frontier investors. Both Botswana and Ghana have had their fair share of problems with inflation, currency weakness and political uncertainty but nothing really extraordinary and probably not even worse than most other developing countries. In both countries the economic outlook is reasonably good and one would expect that local companies are able to grow earnings in that environment. Still, valuations have come down to quite bizarre levels. In Botswana we have seen valuations go as

low as 2.5x earnings with sustainable dividend yields above 15%. In Ghana there are various banks trading far below book value and less than 3x earnings. It even happens that companies give solid earnings updates and announce juicy dividend payouts and that the share price stays flat.

Are Botswana and Ghana doomed as valuation levels suggest? One can never be sure but it appears unlikely. Both countries are blessed with resources that through exports provide a significant amount of USD income. Their economic track records are quite good.

Ghana has shown impressive growth in the last two decades. This was possible because of its low base and low-hanging fruit (copying successful methods from other countries). Its beneficial position as the second biggest cocoa producer in the world, one of

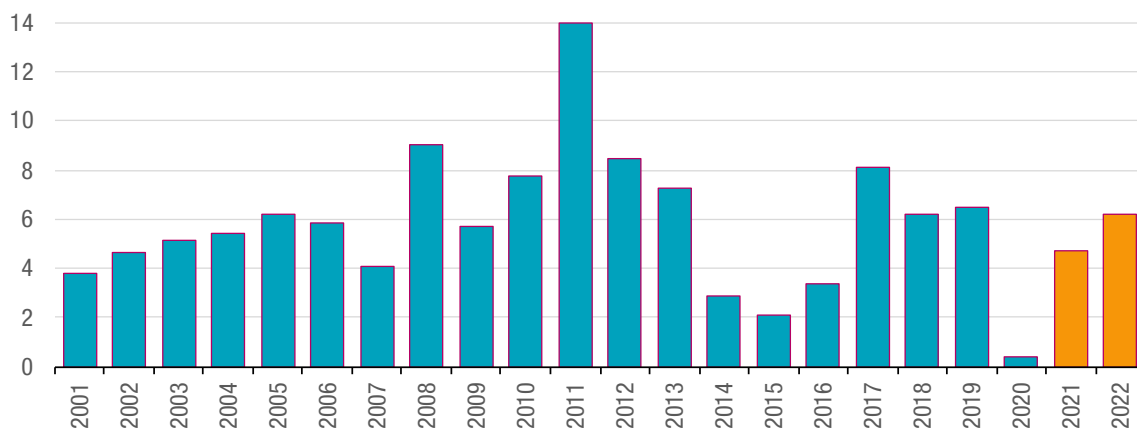
TOTAL RETURN IN USD TERMS (30-NOV-2011 - 30-NOV-2021)

	Cumulative	Annualized
United States	352.8%	16.3%
Developed Markets	235.7%	12.9%
Emerging Markets (EM)	71.4%	5.5%
South Africa	14.9%	1.4%
Frontier Markets (FM)	97.1%	7.0%
EM/FM Africa excl South Africa	54.0%	4.4%
Botswana	8.5%	0.8%
Ghana	-4.4%	-0.5%

Note: Gross returns of MSCI indices; Botswana and Ghana based on non-MSCI indices.

Source: Bloomberg

GHANA REAL GDP GROWTH (%)



Source: International Monetary Fund (IMF), Bloomberg, Robeco.

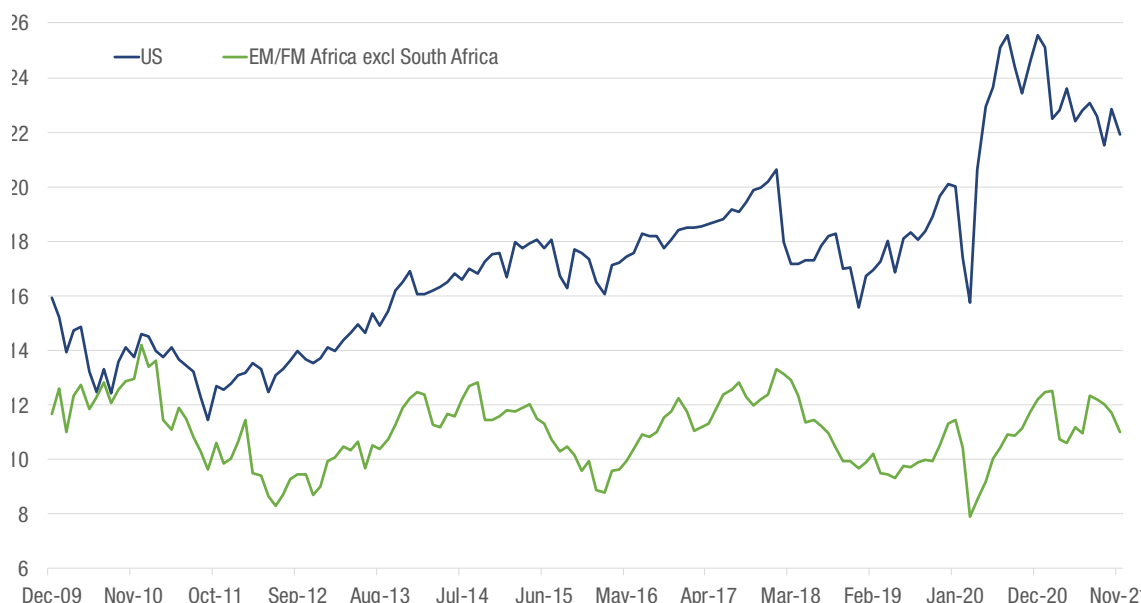
Africa’s biggest gold producers and rising oil production all helped. Still, it must be acknowledged that economic management by the government and businesses have also contributed significantly. Only in 2012-2014 there was government overspending pushing inflation as high as 19%. That left-wing government led by the NDC party was voted out in 2016 and since then there is a more business-friendly government. The political outlook for the next few years is good after the governing NPP managed to stay in power after the 2020 elections. Even if the NDC would come back to power in the future, they will probably have learned from their mistakes and would push more sound economic policies.

Botswana also appears to have strong economic fundamentals. In normal times the production of diamonds (with increasingly more value-added work being performed within the country) and tourism provide a steady source of USD income. Furthermore, Botswana stands out positively with its fiscal discipline. It is one of few countries in the

world that has shown fiscal surpluses in good economic times in order to have firepower to support its economy when needed. Because of that its debt/GDP ratio was only 18.2% as per end 2020. That is very low compared to other African countries and much lower than most developed markets!

For Africa investors it can be frustrating to see the massive valuation gap with developed markets and some emerging markets. However, there is a silvering lining: these depressed valuations could provide great investment opportunities for long-term investors. The global investment herd will not forever chase the same stocks as fundamental factors like cash flow generation and dividends will at some moment convince some of them to change their preferences. Once that happens, more investors are likely to jump ship. Valuation gaps driven by sentiment or liquidity can shrink surprisingly fast. Let’s hope it will not only be because of popular markets coming down but also because of overlooked African markets going up!

1-YEAR FORWARD PRICE/EARNINGS RATIO



Note: MSCI Indices. EM/FM Africa excl South Africa currently includes Morocco, Tunisia, Egypt, Senegal, Burkina Faso, Nigeria, Kenya and Mauritius. **Source:** Factset, Robeco.

SA Property Market: COVID-19 Learned Resilience and Flexibility Paves the Way

By: Thesele Mampane, Investment Analyst, Futuregrowth

The listed property/Real Estate Investment Trust (REITs) market has been tumultuous these past few years, with the onset of Covid-19 adding to the sector's challenges. For an extended time before that, listed property shares were the best performing asset class on the Johannesburg Stock Exchange (JSE), paying consistently high dividends and enjoying strong capital appreciation.

However, the sector's fortunes changed around 2018, following the debacle surrounding Resilient REIT and its associated companies, which sent shares in the sector tumbling. Since then, the listed property sector has been trying to shake off the dust and return to its heyday.

TOUGH TIMES MADE WORSE BY THE ONSET OF COVID-19

A closer look at fundamentals suggests that trouble in the sector has been brewing for a while. The commercial property market has been in oversupply for a while now, with the office sector worst hit. Supply has been increasing over the past decade, while demand has not been able to keep up. Poor economic growth has led to tenants downsizing and consolidating office space. Then Covid-19 has accelerated structural shifts in the sector and contributed to the office segment's uncertain future.

Growthpoint Properties (Growthpoint), South Africa's largest office property owner, recently reported a vacancy rate of 20.9% in their office portfolio. The challenge for Growthpoint and other property owners is that smaller tenants are struggling with affordability. Some face uncertain futures, making it hard for them to commit to long-term leases.

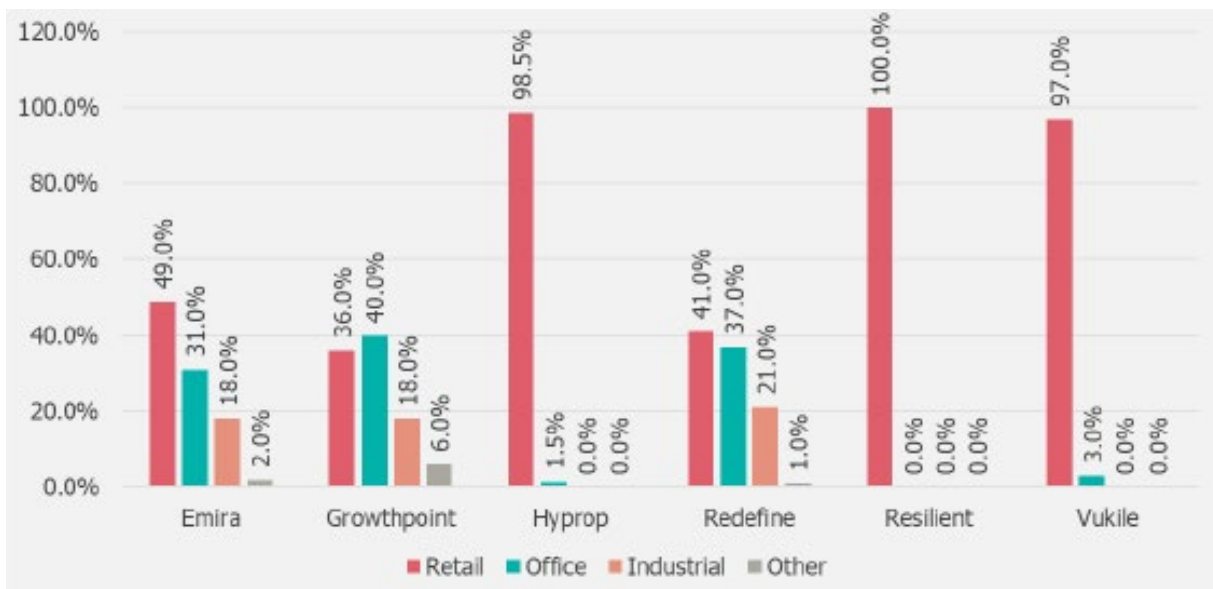
In addition, companies' work-from-home (WFH) policies in response to the pandemic have forced many companies to reconsider their office space requirements. Although WFH has allowed many companies to operate through these challenging times, there is no denying the benefits of employees working from the same place, such as increased collaboration, innovation and experiencing the lived benefits of a company's culture.

Covid-19 will be behind us at some point, and companies will return to the office. But office working arrangements are not likely to change. Companies are expected to shift to a hybrid model, allowing employees to alternate between their offices and homes. There could also be an increase in shared office spaces and hot-desking. For the needle to really move for the property sector, there needs to be convincing economic growth to help drive up demand for office space.

BEHAVIOURAL SHIFTS WILL DETERMINE THE RETAIL PROPERTY WINNERS

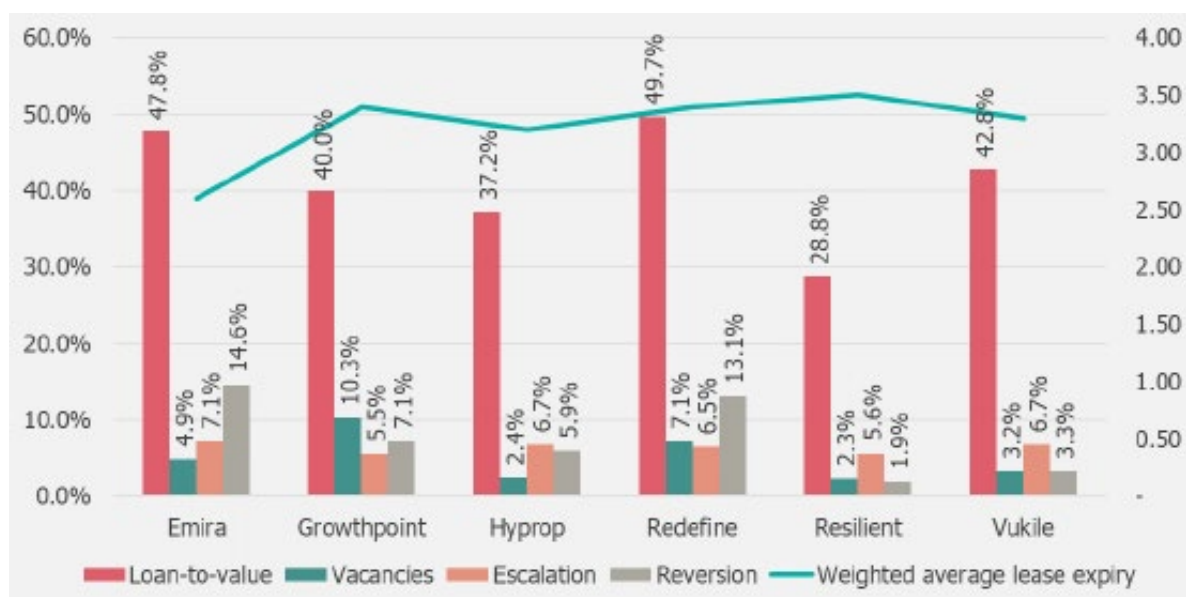
Retail property has experienced its fair share of difficulty over the past few years, with trading densities gradually decreasing and vacancies trending upwards. Lockdown restrictions further amplified this, and although the sector is showing signs of recovery, trading density is still below pre-Covid levels. Data from the South African Property Owners Association (SAPOA) indicates that shoppers visit malls less often but spend more money per visit. This behaviour change has skewed consumption towards supermarkets and pharmaceutical retailers while

FIGURE 1: SECTORAL EXPOSURE



Sources: Futuregrowth & Company Investor Reports

FIGURE 2: PERFORMANCE METRICS



Sources: Futuregrowth & Company Investor Reports

restaurants and entertainment companies suffer.

SAPOA data also indicates that smaller format malls (community and neighbourhood centres) have been outperforming regional malls as consumers opt to shop closer to where they live. This trend has favoured REITs with high exposure to neighbourhood centres, such as the Vukile Property Fund. For the sector to make a full recovery, footfall needs to increase, but, as we have seen over the last two years, footfall moves in tandem with lockdown restrictions. With the threat of Covid-19 still with us, a full recovery may well take longer than anticipated.

THE INDUSTRIAL AND LOGISTICS SECTOR STAND TO BENEFIT FROM ONLINE GROWTH

However, it's not all doom and gloom in the property market. The industrial sector has been resilient these past two years, particularly the logistics industry. MSCI data indicates that while the South African property market delivered a total return of -3% in 2020, distribution centres were the best performing segment, delivering a total return of 5.1%. Although the performance was largely accelerated by adaptation to Covid-19, the sector still has significant long-term potential as companies are expected to increase investment into their online platforms and supply chain efficiencies.

South Africa's e-commerce is still in its infancy, and online sales account for a tiny percentage of total retail sales. For instance, Woolworths and The Foschini Group have indicated that online sales contribute approximately 4% only towards their total sales. As online sales grow so will the need for warehousing space and, in the short term, some of the demand in warehousing will be driven by supply chain optimisation.

WHAT DO THESE FORECAST TRENDS MEAN FOR DEBT INVESTORS?

The onset of the pandemic saw a rapid deterioration in property fundamentals, ultimately putting pressure on property valuations. Many REITs' loan-to-value ratios (a measure of gearing levels) rose to record high levels. As vacancies increased and tenants sought rental relief, earnings came under pressure, increasing the risk of default.

What was encouraging was the extent to which REITs engaged with stakeholders. Property owners engaged with tenants to find solutions that would sustain operations to the benefit of both parties. They also engaged with investors, sharing how they planned to ensure stability in their businesses. In practical terms, this meant:

- securing rental income, sometimes at lower rates;
- granting flexibility in lease agreements;
- retaining as much capital as possible using internal means such as withholding dividends;
- disposing of non-core assets; and
- reducing debt levels.

Recent results released by REITs suggest that their plans have been successfully executed over the past year. Market players were able to increase balance sheet flexibility, which, in turn, improved their ability to withstand any shocks that may arise over the medium term. The trajectory of credit spreads over these two years suggests that investors are being fairly compensated for the elevated risk and confirms that investors are still exercising caution.

Although the outlook for the listed property market remains uncertain, we believe that the market still offers a few gems, particularly companies with a bias towards defensive sectors, namely community/neighbourhood retail centres and the logistics and industrial sector. The community retail centres' operating fundamentals have been resilient, with lower vacancies and relatively higher footfall and trading densities. Meanwhile, the logistics sector offers the certainty of future cash flows, with longer lease expiries and stable valuations.

Growth expectations for the sector remain muted, and thus REITs with geographically diversified property portfolios are also expected to perform better than those operating in South Africa alone. The sector is not out of the woods yet, and, as such, it will be a while before it returns to its heydays. We will be monitoring letting activity and property fundamentals closely now more than ever but hope to see the resilience showed by the sector to date pay off for investors over the next couple of years.

AFRICAN MARKETS PERFORMANCE

AFRICA SOVEREIGN BOND INDICES (TOTAL RETURNS USD %)

Country	Nov.	3-Month	1-Year
Botswana	-1.85%	-4.50%	-14.86%
Egypt	0.82%	3.60%	13.43%
Ghana	0.24%	-1.75%	12.34%
Kenya	-0.60%	0.49%	8.08%
Mauritius	-0.43%	-1.35%	-11.30%
Morocco	-1.85%	-2.80%	1.69%
Namibia	-4.80%	-11.46%	1.33%
Nigeria	-0.49%	0.06%	-29.92%
South Africa	-4.53%	-11.55%	4.44%
Tanzania	0.56%	3.29%	13.61%
Uganda	-1.48%	-3.29%	24.41%
Zambia	-0.14%	-1.84%	98.58%

Source: S&P Dow Jones Indices

AFRICA EQUITY INDICES (GROSS TOTAL RETURNS USD %)

Country	Nov.	3-Month	1-Year
Botswana	-0.06%	5.06%	9.05%
Cote d'Ivoire	-2.31%	5.41%	44.10%
Egypt	1.14%	5.24%	9.10%
Ghana	-1.78%	4.12%	63.67%
Kenya	-7.87%	-12.18%	17.71%
Malawi	1.34%	8.42%	32.67%
Mauritius	-5.29%	1.11%	20.66%
Morocco	-5.75%	-0.79%	18.67%
Namibia	9.14%	6.29%	28.38%
Nigeria	-5.10%	3.25%	5.00%
Rwanda	-3.71%	-6.39%	21.42%
South Africa	-4.72%	-8.50%	14.65%
Tanzania	0.02%	-3.18%	6.66%
Tunisia	-1.67%	-6.55%	-1.88%
Uganda	-6.57%	-9.98%	-0.33%
Zambia	12.30%	37.40%	181.98%

Source: S&P Dow Jones Indices



MARKET COMMENTARY: By: Leeuwner Esterhuysen, Analyst, Oxford Economics

Ghana: Inflation Rises to Highest Level In Over Four Years

The most recent consumer price index (CPI) print by the Ghana Statistical Service (GSS) indicates that price pressures continue to soar as annual inflation accelerated from 11.0% y-o-y (0.6% m-o-m) in October to 12.2% y-o-y (1.4% m-o-m) in November. This is the highest pace of annual price increases since September 2017, when inflation of 12.2% y-o-y was also recorded. Ghana's annual inflation rate has now breached the upper limit of the central bank's target range for three consecutive months. Overall, CPI inflation has averaged 9.7% y-o-y over the January-November period.

Inflation in Ghana fell within the central bank's target range from April to August as base effects saw food price pressures ease significantly in Q2 2021. Since July, however, the impact of the favourable base effects started to fade, which, in conjunction with rising food, housing, and fuel costs, has resulted in an acceleration in inflation.

The consumer price environment in Ghana has deteriorated notably over the past few months as food prices and fuel & utility costs continue to rise. Producers in the private sector continue to face higher input

costs, which are inevitably passed on to consumers. These sticky price pressures prompted the Monetary Policy Committee (MPC) of the Bank of Ghana to (unexpectedly) hike the policy rate by 100 bps to 14.5% in November, effectively reversing the 100 bps cut at the end of May. The rate hike is yet to have an impact on prices and, in conjunction with favourable base effects, is expected to see annual inflation dip below 10% at the end of Q1 2022 only. However, should monetary authorities fail to successfully re-anchor inflation expectations (which was one of the main goals of the recent rate hike), this may not occur until Q3, as the presence of unfavourable base effects in Q2 is likely to result in an acceleration of inflationary pressures.

Considering the modest pace of Ghana's ongoing economic recovery, we do not anticipate any further policy rate hikes in the near term. Yet, if price pressures intensify much further, it may force the MPC's hand. We now foresee CPI inflation averaging 9.9% in 2021 – the same as last year. While we expect this rate to average around 9.0% next year, inflationary risks remain heavily tilted to the upside.

PRIVATE EQUITY FUNDS & DEALS

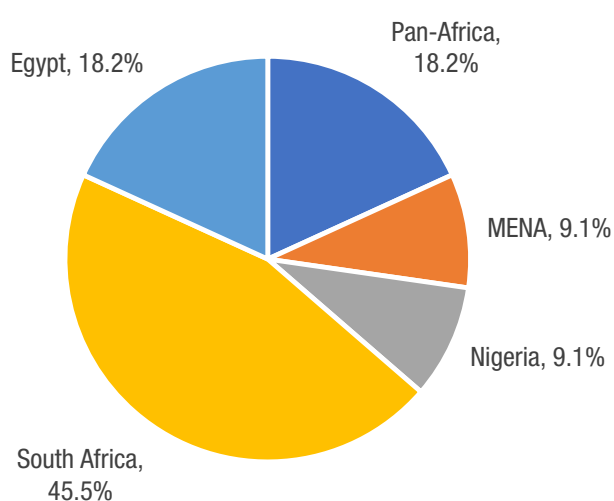
(as of 30th Nov. 2021)

DEALS

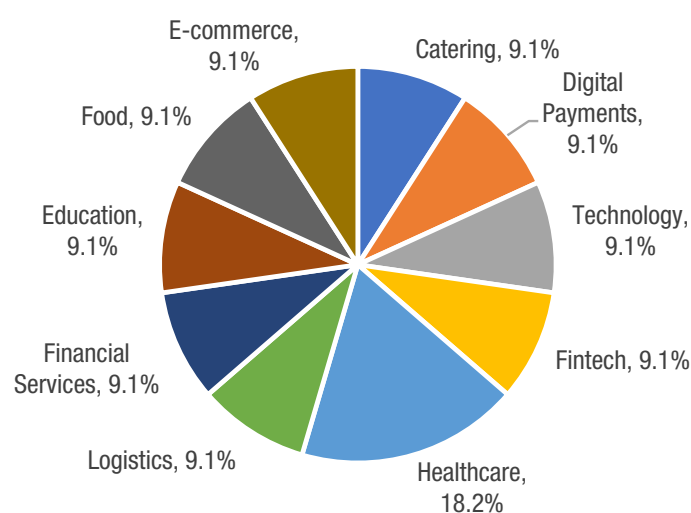
For more information on each transaction, visit Africa Global Funds's website

Company	Investment	Industry	Country	Deal Type	Deal Value
Adenia Partners // Proparco	Overseas Catering Services	Catering	Pan-Africa	Growth Capital	Undisclosed
AfricInvest FIVE // Goodwell Investments // LUN Partners	MFS Africa	Digital Payments	Pan-Africa	Series C	\$100m
Amethis	Tarjama	Technology	MENA	Growth Capital	
Aruwa Capital Management	Pngme	Fintech	Nigeria	Growth Capital	Undisclosed
Ata Capital	Respiratory Care Africa	Healthcare	South Africa	MBO	Undisclosed
Edge Growth	DKN Transport	Logistics	South Africa	Venture Capital	Undisclosed
EFG Hermes Holding	Arab Investment Bank	Financial Services	Egypt	Buyout	Undisclosed
Fundi	EduOne	Education	South Africa	Venture Capital	Undisclosed
MultiChoice Group (MCG) // KLT Holdings // Buffet Investments	AURA	Healthcare	South Africa	Series A	R62m
Nurture Foods	Fairview Cheese Company	Food	South Africa	Growth Capital	Undisclosed
Vostok New Ventures (VNV) // Endure Capital	Breadfast	Q-commerce	Egypt	Series A	\$26m

DEALS BY COUNTRY



DEALS BY INDUSTRY



EXITS

Company	Divestment	Industry	Country	Buyer	Nature of exit
Kibo Capital Partners	General Cargo Group	Logistics	Kenya	Velogic	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 2021-11-30)										
16.49	-0.09	19.29	-2.65	0.81	326.00 (04/21)	Equity	Africa ex-SA	Cayman Isl.	Open-End	06/14
Absa Africa Equity Fund (as-of 2021-12-20)										
13.99	3.52	13.97	4.36	6.63	16.83 (11/21)	Equity	African region	South Africa	Unit Trust	10/16
Adventis Pan-Africa Equity Fund (as-of 2021-07-31)										
5.48	1.6	8.39	-1.11	-0.93		Equity	African region	Luxembourg	SICAV	17/08
African Domestic Bond Fund (as-of 2021-08-31)										
0.9	1.6	11.5			37.40 (08/21)	ETF - local	African region	Mauritius	Open-End	9/18
African Lions Fund (as-of 2021-11-30)										
12.43	-0.22				12.68 (11/21)	Equity	SSA ex-SA	BVI	Open-End	10/20
Allan Gray Africa Bond Fund (as-of 2021-11-30)										
2.4		4.4	7.3	9.6	407.00 (11/21)	Fixed Income	Africa ex-SA	Bermuda	Open-End	3/13
Allan Gray Africa Equity Fund (as-of 2021-11-30)										
24.6		40	3.6	11.2	276.00 (11/21)	Equity	African region	Bermuda	Open-End	07/98
Allan Gray Africa ex-SA Equity Fund (as-of 2021-11-30)										
28.46	-3.57	41	5.33	9.94	449.00 (06/21)	Equity	Africa ex-SA	Bermuda	Open-End	1/12
Alquity Africa Fund (as-of 2021-12-20)										
6.65	1.04	9.33	1.67	0.36	7.22 (11/21)	Equity	African region	Luxembourg	SICAV	6/10
Altree Capital - Africa Opportunities Fund (as-of 2021-11-30)										
11.65	-0.93	15.62	27.11			Equity	African region		Open-End	6/06
Arisaig Africa Consumer Fund (as-of 2021-11-30)										
-25.66	3.61	-52.18	-43.59	-29.94	1.34 (11/21)	Equity	African region	Mauritius	Open-End	12/07
Bellevue Funds Lux - BB African Opportunities (as-of 2021-12-17)										
2.52	-1.2	4.1	-1.73	0.86	61.77 (11/21)	Equity	African region	Luxembourg	SICAV	6/09
Blue Clay Pan Africa Fund (as-of 2021-10-31)										
12.91	4.16				13.05 (10/21)	Equity	African region	Cayman Isl.	Open-End	03/19
Commonwealth Africa Fund (as-of 2021-12-20)										
10.35	-2.26	23.43	0.84	2.53	3.82 (11/21)	Equity	African region	USA	Open-End	11/11
Coronation Africa Frontiers Fund (as-of 2021-11-30)										
24.76	-4.6	38.11	2.11	7.6	390.76 (07/21)	Equity	Africa ex-SA	Ireland	Unit Trust	10/08
DWS Invest Africa (as-of 2021-12-20)										
13.8	3.15	18.23	2.55	2.21	33.65 (11/21)	Equity	African region	Luxembourg	SICAV	07/08
EFG-Hermes MEDA Fund (as-of 2021-12-13)										
42.44	3.37	41.62	17.73	10.11		Equity	Africa & Middle	Bermuda	Open-End	12/11
Emerging Africa Bond Fund (as-of 2021-10-29)										
0.62					<span	Fixed Income	African region	Mauritius	Open-End	09/16
Enko Africa Debt Fund (as-of 2021-11-30)										
9.07	0.13	10.74	19.95	16.57	778.50 (11/21)	Fixed Income	Africa ex-SA	Mauritius	Open-End	10/16
Fidelity Funds - Emerging Europe, Middle East and Africa Fund A (as-of 2021-12-20)										
28.1	-7.02	23.38	12.59	8.39	630.31 (11/21)	Equity	EMEA	Luxembourg	SICAV	06/07
HI EMIM Africa Fund (as-of 2021-10-20)										
	-0.6		-1.53	0.31	29.72 (09/21)	Long / Short	African region	Ireland	Open-End	3/15
Imara Africa Fund (as-of 2021-11-30)										
6.04	-5.49	13.7	5.85	5.59		Equity	African region	Cayman Isl.	Open-End	04/09
Imara African Opportunities Fund (as-of 2021-11-30)										
1.2	-5.01	7.45	1.2	-0.06		Equity	African region	BVI	Open-End	6/05
Imara African Opportunities Fund (as-of 2021-09-30)										
7.73	-4.72	19.86	-1.1	2.35		Equity	African region	BVI	Open-End	6/05

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
Imara Zimbabwe Fund (as-of 2021-07-31)										
113.25	50	113.25	-23.88	-9.28	9.94 (02/18)	Equity	Zimbabwe	BVI	Open-End	3/07
JPMorgan Funds - Africa Equity Fund (A) (as-of 2021-11-30)										
-1.6	-3.14	5.34	1.9	3.26	126.26 (12/21)	Equity	African region	Luxembourg	SICAV	5/08
Laurium Limpopo Master Fund (as-of 2021-11-30)										
3.67	-2.15	7.13	-0.56	7.01	205.50 (09/21)	Equity	Africa ex-SA	Cayman Isl.	Open-End	01/14
Mazi Capital Africa Fund (as-of 2021-11-30)										
7.37	-1.38	10.58	1.33	3.06	92.00 (03/21)	Equity	Africa ex-SA	South Africa	Open-End	01/16
MCB Africa Bond Fund (as-of 2021-12-16)										
2.46		1.11	8.4	8.2	11.71 (12/21)	Fixed Income	African region	Mauritius	Open-End	2/14
MCB Africa Equity Fund (as-of 2021-07-20)										
		5.64	6.75	7.52	11.31 (07/21)	Equity	African region	Mauritius	Open-End	9/15
Ninety One Premier - Africa Fund A (as-of 2021-11-30)										
-38.23	-10.26	-39.67	-18.56	-10.37	0.99 (11/21)	Equity	African region	Guernsey	Open-End	01/07
Old Mutual African Frontiers Fund (as-of 2021-11-30)										
13.23	-2.1	-19.28	5.96	8.98	291.00 (04/21)	Equity	Africa ex-SA	Ireland	Open-End	5/10
Optis African Frontier Fund (as-of 2021-11-30)										
1.94	-5.58	7.45	2.98	5.58	42.53 (10/21)	Equity	African region	BVI	Open-End	8/09
Robeco Afrika (as-of 2021-11-30)										
17.66	-1.83	21.94	6.15	6.72	27.90 (11/21)	Equity	African region	Netherlands	Open-End	6/08
Rudarius Africa Fund (as-of 2021-11-30)										
2.48	-1.24	5.36	-0.32	1.9	30.00 (03/21)	Equity	Africa ex-SA	South Africa	Open-End	06/14
Sanlam Africa Equity Fund (as-of 2021-11-30)										
17.98	1.53	25.03	3.75	8.17		Equity	Africa ex-SA	Ireland	Open-End	07/15
Sanlam Centre Africa Equity Fund (as-of 2021-11-30)										
0.56	-3.57	2.34			65.07 (11/21)	Equity	Africa ex-SA	Cayman Islands	Open-End	05/19
Sanlam Centre Sub Sahara Africa Equity Fund (as-of 2021-11-30)										
-0.18	-4.66	2.26	-3.87	-2.66	53.08 (11/21)	Equity	Sub-Saharan ex.SA	Cayman Islands	Open-End	07/08
Steyn Capital Africa Fund (as-of 2021-11-30)										
30.12	1.27	40.34	-0.74	6.71	153.00 (11/21)	Equity	Africa ex-SA	Malta	SICAV	09/11
Sustainable Capital Africa Alpha Fund (as-of 2021-11-30)										
4.96	-4.33	7.94	4.52	1.69	300.30 (04/21)	Equity	Africa ex-SA	Mauritius	Open-End	02/12
TCM Africa High Dividend Equity (as-of 2021-11-30)										
4.31	-1.03	3.65	0.44	4.73	9.60 (04/21)	Equity	Africa ex-SA	Holland	Open-End	03/08
Threadneedle Lux - Stanlib Africa Equity (as-of 2021-12-20)										
6.78	-1.35	4.31	0.58	1.57	1.63 (11/21)	Equity	African region	Luxembourg	SICAV	8/14
T. Rowe Price Africa & Middle East Fund (as-of 2021-11-30)										
26.02	-4.56	31.17	8.49	8.38	122.20 (11/21)	Equity	MENA & SSA	United States	Open-End	10/11

Source: Company Data, Morningstar

The Golden Age of Global Investment in Africa



By Cheryl Buss, Absa International CEO

For years, Africa's financial potential has been recognised by many global investors. As Africa is home to eight of the 15 fastest growing economies in the world, its economic prosperity matters globally. However, the pandemic has hit the Continent hard, with significant recovery set to take several years. Now more than ever, Africa requires investment, and that investment offers great opportunity, both to global investors and the future of the continent.

Africa is becoming a focus once again with reaffirmed commitments from countries including the UK, France, the US and China. However, this leads to the question as how Africa can leverage the wider investment interest and opportunities shown.

Africa is becoming a focus once again with reaffirmed commitments from countries including the UK, France, the US and China. However, this leads to the question as how Africa can leverage the wider investment interest and opportunities shown.

AFCFTA

The African Continental Free Trade Area (AfCFTA), which was ratified at the start of this year, aims to form the world's largest free trading area across all 54 African countries. It is already being hailed as a golden ticket towards the continent's long term economic prosperity despite the tremendous task of implementing and executing the trade area successfully.

Estimates show that the trade pact will increase African exports by \$560 billion, increase intra-continental exports by 81% and increase non-African country exports by 19%. Crucially, a unified process will also make global trade easier, opening opportunities for global investors looking to invest capital in Africa, and businesses in Africa hoping to secure funding.

INFRASTRUCTURE

With a young and diverse population, Africa is estimated to double its current population size by 2050. Couple with the opportunities presented by the AfCFTA and one realises that the current gap in infrastructural development and the spend thereon, needs to be closed to leverage what will be sizeable opportunities. There is a huge need for more infrastructural development from roads, transport, and housing to modern and digital communication systems, such as low-cost broadband. The spend required to fund this development is estimated to be in the region of \$1trn.

While infrastructural development and progress is still slow in parts, but there are a few essential projects across the continent that will add to the growing network of roads, rail, port, and other notable infrastructure development nodes. The importance of this cannot be understated – as infrastructure projects proliferate, this will generate increased confidence among global investors and

finance institutions demonstrating that Africa is viable destination for capital injection.

But real action, rather than rhetoric, is required with increasing public and private collaboration in order to achieve tangible results in the long-term.

Having a single interconnected market provides huge amounts of opportunity that institutional investors worldwide are already aware of. It is also an opportunity for Africa to develop its ESG credentials taking advantage of environmentally sustainable technology to help deliver progress.

ESG

ESG remains a key priority for investors across the world and Africa provides a pathway for businesses to invest in sustainable infrastructure. The Covid-19 pandemic, and subsequent lockdown measures, has brought to light the energy transition from fossil fuels to cleaner hybrid, energy across Africa. The continent accommodates some of the most abundant geography on the planet which presents many sustainable opportunities yet to be fully realised.

Recovery from the pandemic is a huge priority and new funding models are crucial to that success. Development Finance Institutions (DFIs) have long been at the forefront of sustainable development and are critical providers of financing in Africa, promoting similar standards to those associated with ESG measures.

DFIs can fill funding gaps on projects that other investors might be reluctant to invest in because of concerns over the risk or length of an investment. However, there is also potential for a co-lending or hybrid model where investors lend jointly with DFIs. This means that institutions can invest in the aspects that match their risk appetite with DFIs guaranteeing the rest.

This model has some really promising applications and could provide the necessary structure to boost Africa's post pandemic recovery in a sustainable manner.

RISK VS REWARD

A combination of various factors has seen Africa emerge as a highly prized investment opportunity worldwide. However, where there are big rewards, there are also big risks particularly with a huge and diverse continent. But in a world which is light on yielding assets, Africa remains a source of elevated yields.

What cannot be denied is the huge potential that this huge and growing continent offers for global investors who have the right patience, risk appetite and local knowledge. As the world looks towards solutions for post pandemic recovery, we hope that investors recognise the opportunity for collaboration and partnership which will ultimately ensure growth and prosperity worldwide.



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