

AFRICA GLOBAL FUNDS

OUTLOOK 2023



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Happy New Year! We hope everyone's 2023 is off to a great start.

In this month's issue we asked industry experts about their views on African markets and their expectations for the next 12 months. In the Chinese horoscope, 2023 is the Year of the Rabbit. How will it turn out for Africa? Read our Outlook 2023 article on pp.14-16.

On the private equity front, Husayn Sassa, Associate Director, Fund and Investor Services, and Jean Claude Permal, Executive Director, Chief Operating Officer at AXIS tell Africa Global Funds about the firm's objectives, trends in the African PE industry and more (pp.11-12).

In addition, Alan Keet of Apex Group, writes that despite global economic headwinds, Africa's private and venture capital markets are continuing to recover from the COVID-19 pandemic, giving reasons for optimism in 2023. Read on p.17.

On the technology front, Temenos Multifond's Marlene Miller-Baker shares her views on the in-house vs. outsourcing debate and what a next generation of strategic roadmap looks like on p.10.

On the fundraising front, we learned that Ventures Platform closed its early-stage and intercontinental fund, at \$46m, surpassing its initial \$40m target (p.4).

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***If you would like to get in touch with any comments or suggestions for future issues, please
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Best regards,
Anna Lyudvig
 Managing Editor

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Ventures Platform closes its Pan-African Fund above target



Martin Ewald,

Lead Portfolio Manager

Allianz Global Investors, Impact Investments

Ventures Platform has announced the final close of its early-stage and intercontinental fund, at \$46m, surpassing its initial \$40m target.

The oversubscribed fund received investments from global investors with an array of top-tier commercial banks, corporates, DFIs, global institutional investors and HNIs, including Standard Bank, International Finance Corporation [IFC], British International Investment, A to Z Impact, Proparco with FISEA, AfricaGrow a Fund of Funds backed by BMZ [German Ministry for Economic Cooperation and Development, DEG and Allianz, managed by Allianz Global Investors], and others.

Martin Ewald (pictured), Lead Portfolio Manager, Allianz Global Investors, Impact Investments, said: "In Ventures Platform, we have found an excellent partner generating real impact on the ground by building successful companies utilising their deep experience, network and local expertise. We are looking forward to a fruitful cooperation."

"We feel that start-ups, technology and innovation are central to catalysing Africa's economic potential. We are particularly excited to be contributing towards building a digital and self-sustaining continent and believe that Ventures Platform is well placed with a great leadership team and a solid investment thesis to help achieve these overarching objectives' added Akash Maharaj of the Standard Bank Group.

The new fund will see Ventures Platform double down on backing a cohort of category-leading companies across the continent and will also allow for follow-on investments for portfolio companies, up to Series A.

Ventures Platform has also established an innovative "platform and networks" practice that will provide scalable and world-class post-investment support and value creation to its portfolio companies.

Since the first close of the fund late last year, the fund has deployed

new capital and follow-on capital into companies across various verticals and regions on the continent, such as Remedial Health, Moni Notto, and Chargel.

To further consolidate its pan-African reach, Ventures Platform is actively seeking opportunities in regions such as Kenya, Egypt, and French-speaking West Africa.

In addition to the close of the fund, Ventures Platform has made a series of strategic team additions at partnership and senior management level.

The VC firm has added accomplished entrepreneur, investor, and former Principal at pan-African VC firm, Novastar Ventures, Dr. Dotun Olowoporoku, as Managing Partner. Dotun's addition to the partnership brings expertise and new opportunities across areas such as investor relations, corporate governance, international expansion, M&A, and growth marketing to the Venture Platform fold.

In addition, Ventures Platform has appointed Desigan Chinniah as a Venture Partner. Having spent his career as a venture capitalist, serving in leadership and advisory roles across a blue-ribbon range of companies, Chinniah will harness his expertise in product innovation, sales intelligence and developer relations to support Ventures Platform portfolio companies.

Kola Aina, Founder and General Partner at Ventures Platform, said: "We are honoured to have the breadth of both local and global investors who have bought into our vision and who equally are bringing immense value to our portfolio. This is a crowning close to an eventful year in which we made substantial advancements both in the tactical and the proprietary interventions that catalyze our portfolio companies. Dotun's hands-on pan-African experience, from working with both start-ups and institutional investors, brings an invaluable perspective that will help with our continued growth. We look forward to helping our portfolio companies maximise their full potential whilst also consolidating our position as a key and dependable business partner for investors in Africa."

EXITS

Vantage exits Pétro Ivoire

Vantage Capital has announced that in December 2022 it fully exited its investment in Pétro Ivoire, the most established locally-owned distributor of petroleum and gas products in Côte d'Ivoire.

The company has a leading position in the gas-to-consumer segment as well as about eighty service stations around the country.

Luc Albinski, Executive Chairman at Vantage Capital, added "Pétro Ivoire is a flagship transaction for us. It was Vantage's first investment in Francophone Africa, and it also marked the first-ever leveraged management buy-out structured in Francophone West Africa. In addition to funding, we provided the Radio-Morokro family with the

Deals & Exits

strategic support that we believe helped propel the company forward. Our successful partnership opens doors for more transactions of this kind in the region.”

Vantage provided €19m of mezzanine funding in December 2018 to enable the founding family to regain a controlling stake in the company from two exiting private equity investors. With this new ownership structure, supported by Vantage's investment, the company continued to invest in additional service stations and increased gas bottling capacity.

At the time of investment, Vantage recognized Pétro Ivoire as a market-leading local player, operating in a resilient, growing sector, and led by a talented family who has managed the business successfully for more than 25 years.

Driss Benabdeslam, Associate Partner at Vantage Capital, said, “Pétro Ivoire is the perfect example of the value that can be added by mezzanine funding. After being backed by several private equity funds

in its earlier stages of growth, our funding brought the founding family a solution that allowed them to exit these private equity investors and regain control of their business without having to write out a big equity cheque. Thanks to the steady growth that followed, Pétro Ivoire scaled up to a size where it became capable of unlocking additional institutional capital for its next phase of development. We are proud to have assisted the company in delivering on this business expansion and are confident that management will continue to grow the company into a regional leader in the years to come.”

Sébastien Kadio-Morokro, the CEO of Pétro Ivoire, concluded that “the funding provided by Vantage was extremely ‘family-friendly’ giving us a controlling position in our business and allowing us to move to the next stage of our development. Vantage's continuous support and involvement made us feel that we had selected not only a lender, but a true partner that contributed to the governance of the company.”

DEALS

Catalyst Fund invests into 10 startups



Maelis Carraro,
Managing Partner
Catalyst Fund

Catalyst Fund has announced a \$2m investment into 10 startups building solutions to improve the resilience of climate-vulnerable communities in Africa.

This is the inaugural cohort of the new \$30m VC fund of Catalyst Fund, anchored by financial sector development agency FSD Africa, aimed at supporting early-stage founders to develop technology that will make Africa more resilient to the impacts of climate change.

Each of the 10 startups will be offered \$100K of equity investments as well as \$100K of hands-on venture-building support.

These companies will join Catalyst Fund's existing portfolio of 61 startups across emerging markets and receive capital, bespoke and expert-led venture-building support, and direct connections with investors, corporate innovators and talent networks that can help them scale.

“We are thrilled to have the opportunity to partner with ten groundbreaking African startups working to build a more resilient and sustainable future,” said Maelis Carraro, Managing Partner of Catalyst Fund.

“Our goal is to back mission-driven founders that share our vision of a world where every individual has the tools and opportunities they need to thrive. From agtech to insurtech, waste management, disaster response, and carbon finance, these startups display finance, tech, and business model innovations that will help communities better adapt to climate impacts and grow their resilience.”

The ten companies joining this next cohort of Catalyst Fund are: Agro Supply [Uganda]: a mobile layaway system for farmers; Assuraf [Senegal]: a digital insurtech platform Bekia [Egypt]: a tech-enabled waste collection solution; Eight Medical [Nigeria]: a cloud-native Emergency Medical Services (EMS) platform; Farm to Feed [Kenya]: a food supply chain company; Farmz2U [Nigeria, Kenya]: an agtech enterprise; Octavia Carbon [Kenya]: the Global South's first Direct Air Capture (DAC) company; PaddyCover [Nigeria]: an insurance platform; Sand to Green [Morocco], which transforms deserts into cultivable land using agroforestry methodology and a solar-powered desalination system to design climate-smart regenerative farms; and VAIS [Egypt]: a precision agtech startup.

“At FSD Africa, we believe that by harnessing the power of tech, and specifically fintech innovation, we can help to spur the development of climate resilience solutions for Africa, thereby helping deliver on COP27's core themes of adaptation and implementation,” said Juliet Munro, Director of Digital Economy at FSD Africa. “These companies are strong examples of the innovation we need to enhance the resilience of vulnerable communities in across the continent.”

“COP27 in Egypt this year called for more private sector financing to fill the >\$330bn funding gap for adaptation and resilience by 2030. It also called for more local innovations to support communities in building resilience to climate impacts. The Catalyst Fund's new cohort exemplifies what these innovative climate solutions for the most vulnerable could look like. We are also thrilled to be backing companies in Francophone Africa and Northern Africa for the first time. We intend to back many more startups like them across the African continent in the years to come,” said Aaron Fu, Partner at Catalyst Fund.

DEALS

Aruwa makes follow-on investment in AgroEknor



Timi Oke,
CEO
AgroEknor

Aruwa Capital Management, an early-stage growth equity and gender lens fund investing in Nigeria and Ghana has made a follow-on investment in AgroEknor International, a fast-growing hibiscus flower exporter and wellness brand.

In November 2021, Aruwa made an initial investment into the Company, which was utilized to accelerate AgroEknor's growth by procuring products and exporting huge volumes of Hibiscus flowers to meet the demands of clients in Asia, Europe and North America.

The Company has since launched its Farmers Education and Empowerment Project (FEED), which aims to help farmers in Northern

Timi Oke, CEO of AgroEknor, said: "Aruwa's initial investment helped us a great deal to meet and surpass our ambitions including the commencement of the construction of our fumigation chamber with a capacity to process 120 tons of cash crops weekly. With the follow-on investment, we will complete and launch our fumigation chamber, an important integrated backend infrastructure in our business which enables us process and export, globally acceptable cash crops to our clients.

Additionally, we have benefited immensely from Aruwa's portfolio enhancement support with respect to the FEED program that provides top-notch sustainable agricultural training, land, access to capital and enhanced farming techniques to farmers in Northern Nigeria. The program has delivered higher income earnings to over 2,000 AgroEknor small holder farmers and agro processors, most of which are women.

"The program has delivered higher income earnings to over 2,000 AgroEknor small holder farmers and agro processors, most of which are women"

- Timi Oke, CEO of AgroEknor

Nigeria upgrade their farming practices and increase their farming yields, while serving as a sustainable source for the Company's product.

To date, over 2,000 farmers have been enrolled with many more seeking to be enrolled.

AgroEknor has also commenced the construction of a best in class fumigation chamber, integrated the use technology into its product sourcing mechanism, obtained certifications for global food, safety and hygiene. Furthermore, the Company has acquired a new warehouse which is able to accommodate up to 1,200 tons of product, to meet rapidly increasing demand and also set in motion its product diversification strategies with a medium-term goal to achieve backward integration of complimentary superfood products.

Aruwa's latest investment will be used to support the continuous strong growth of the Company by way of further investment to complete the fumigation chambers, procure inventory to meet the soaring order book from clients across the world of more than 8,000 tons, as well as product expansion and diversification, which will deepen its product offering and reach, to more international clients.

We are grateful for the reconfirmed commitment in our business by Aruwa and we look forward to achieving more results together with this investment".

Adesuwa Okunbo Rhodes, Founder & Managing Partner of Aruwa Capital added: "AgroEknor's mission is to improve sustainability and profitability of the Nigerian agriculture value-chain whilst securing hard currency export earnings and we are fully aligned with the Company in that ambition. Since our initial investment, the Company has been able to invest in its entire value chain and has demonstrated with the FEED program that it has the capacity make a great impact on smallholders farmers in Northern Nigeria, while providing an avenue for sustainable sourcing of its products.

AgroEknor is currently finalizing its fumigation chamber which will make it one of the few companies in Nigeria with direct export to Mexico, we believe this will positively change the trajectory of the Company. With this follow-on investment, we are reaffirming our belief in the Company's vision, and we are excited to continue to back a proven team as they expand their business to even greater success."

EXITS

Verod exits Daystar Power Group to Shell



Daniel Adeoye,
Senior Vice President/Head of Investments
Verod

Verod Capital Management via its Verod Capital Growth Fund II has fully exited from its investment in Daystar Power Group to Shell.

Daniel Adeoye, Senior Vice President/Head of Investments at Verod, said: "We are pleased to have had this deeply beneficial partnership with Daystar for the past three years. During the investment period, Verod accompanied Daystar on a growth journey that saw Daystar emerge as one of the leading Solar C&I players in West Africa."

Currently active in Nigeria, Ghana and three other West African countries, Daystar provides the industrial and commercial sectors with clean and reliable solar power by installing and operating captive power solutions, that can integrate solar power, battery storage, the electricity grid and back-up generators for commercial, industrial and agricultural clients.

Through its technology and systems, Daystar is able to reduce energy costs, diesel consumption and the carbon footprint for businesses with

no upfront capital expenditure.

Verod first partnered with the West African solar energy producer in 2019, recognising the company's potential to help deliver on Nigeria's target of supplying 30% of the country's power via renewables by 2030.

Decentralised renewable capacity, particularly solar power solutions such as Daystar's, will play a crucial role in helping to boost energy access across West Africa, narrowing the existing supply gap whilst acting as a cleaner and more affordable alternative to diesel-based power solutions.

"Verod seeks to partner with companies led by strong, results-driven management teams able to grow large, sustainable enterprises and our partnership with Daystar is a prime example of this," said Danladi Verheijen, Managing Partner and Co-Founder of Verod.

"Verod's investment thesis in Daystar was anchored on the demand/supply gap of West Africa's energy needs, and the rising cost of alternative power options and along with their associated environmental impact. Daystar offered a compelling cost-effective, cleaner alternative. Verod is resolutely committed to supporting environmental sustainability and creating equitable and inclusive societies. We are thus proud to have supported Daystar in achieving this across West Africa and beyond."

INVESTORS

Proparco and Investec join forces on climate investments

Proparco and Investec Bank have partnered to implement the Transforming Financial Systems for Climate (TFSC) programme in South Africa.

The package comprises a senior credit facility of \$80m and a technical assistance programme.

"We are very proud and excited for this first cooperation between Proparco and Investec, a leading South African bank resolutely committed to sustainability. We trust Investec's expertise and capacity to innovate, coupled with the financing package provided by Proparco, will help bring climate finance one step further in South Africa," said Emmanuelle Riedel Drouin, Global Head of Lending Operations at Proparco.

TFSC is a global facility worth \$650m, covering 17 countries.

Within a South African context and in line with AFD Group's broader objectives, TFSC aims to support South Africa's pathway to a low-carbon

economy and climate resilient society.

South Africa has set an ambitious goal of reducing carbon emissions by 42% by 2025 and diversifying its electricity production away from coal by 2050. To participate in this goal, Proparco, on behalf of AFD Group, just provided a \$80 million climate finance-dedicated credit facility to Investec.

After the collaboration with FirstRand Bank Limited, announced in October 2022, marking the launch of AFD Group's TFSC programme in South Africa, Investec is now the second bank to have joined the programme.

This transaction aims to support Investec in its efforts to expand climate-related financing in South Africa, thanks to a long term senior credit facility of \$80m, complemented by a Technical Assistance package under the TFSC programme.

This operation is also Investec's first cooperation with a development

finance institution such as Proparco.

Investec Bank has been a pioneer institution in the adoption of sustainability objectives and their integration into a comprehensive governance and reporting system. It is also the first bank in South Africa (and one of the first internationally) to have signed-up to the Task Force on Climate-related Financial Disclosures (TCFD) in 2019.

The transaction will contribute to South Africa's transition to a low-carbon economy by enabling Investec to finance ambitious projects aligned with the highest climate finance standards both in terms of

mitigation and adaptation.

"After a thorough process of engagement, we are delighted to announce this partnership with Proparco, which enables us to make a meaningful advancement in our joint climate ambitions," said Tanya Dos Santos-Ford, Investec Group's Head of Sustainability.

"Investec remains steadfast in our commitment to a fair, efficient and inclusive energy transition. This senior credit facility enables us to provide further finance and support for both our clients – as they progress their climate ambitions – and for our country as we help to build a more climate resilient and equitable South Africa."

INVESTORS

Gates Foundation CEO announces largest-ever annual budget

Bill & Melinda Gates Foundation will spend \$8.3bn this year to continue its work fighting poverty, disease, and inequity, according to CEO Mark Suzman.

The budget—the largest in the foundation's history—is a response to multiple crises that threaten to stall or reverse global progress on the Sustainable Development Goals since the start of the COVID-19 pandemic.

These include war, economic turmoil, climate-related disasters, and large decreases in vaccinations for preventable infectious diseases, all of which have taken a significant toll on the world's poorest people.

The board of trustees' approval of the budget puts the foundation on track to meet its commitment to reach an annual payout of \$9bn by 2026—and represents a 15% increase over the 2022 forecasted payout.

"This is the toughest period for global health and development in recent memory, but in some ways, it's also the reason we exist," Suzman said.

"To help meet the great needs ahead, we are doubling down on our commitment to our core mission: ensuring everyone can live a healthy and productive life," he added.

In his annual letter, Suzman addressed questions about the scale of the foundation's influence and its access to global leaders.

Using examples from the foundation's work on climate adaptation, malaria, and U.S. education, he detailed how the foundation catalyzes

and advocates for solutions, brings diverse voices to decision-making tables, and fills market gaps.

He also discussed the role the foundation plays in setting global health and development priorities.

"The foundation doesn't set the world's agenda—we respond to it," Suzman said, referencing the United Nations' Sustainable Development Goals.

Highlighting areas where the foundation makes big bets, Suzman reflected on the unique role of philanthropic capital, particularly in times of crisis. From improving vaccination rates to advancing women's economic power, the foundation uses its funds, expertise, relationships, and voice where it can make the biggest impact measured in lives saved and opportunities created for all to reach their full potential.

It does so by funding innovations that may not be financially attractive or feasible for the private sector or governments, stepping in where markets fail, and investing in R&D that would otherwise never leave the lab.

"Our role is to ensure that decision-makers—be they school board members or cassava growers or health ministers—have the best possible options to choose from and the best possible data to inform their decisions," Suzman said.

"And where there's a solution that can improve livelihoods and save lives, we'll advocate persistently for it," he added.

MARKETS AND INDUSTRY NEWS

Lack of climate adaptation investment could cost emerging markets hundreds of billions by 2030

Failure to invest the bare minimum needed to withstand projected climate damage could cost emerging markets hundreds of billions in climate damages and lost GDP growth this decade, according to a new study by Standard Chartered.

The Adaptation Economy, which investigates the need for climate adaptation investment in 10 markets reveals that, without investing a minimum of \$30bn in adaptation by 2030, these markets could face projected damages and lost GDP growth of \$377bn: over 12 times that

Asset Servicing

amount.

The projection assumes that the world succeeds in limiting temperature rises to 1.5°C, in line with the Paris Agreement. In a 3.5°C scenario the estimated minimum investment required more than doubles to \$62bn and potential losses escalate dramatically if the investment is not made.

Examples of climate adaptation projects include the creation of coastal barrier protection solutions for areas vulnerable to flooding, the development of drought-resistant crops and early-warning systems against pending natural disasters.

Among the 10 markets in the study, Kenya could avoid costs of an estimated \$2bn by investing \$200m in adaptation.

Meanwhile, Egypt could avoid an estimated cost of \$8.6bn by investing \$900m.

Even if the world's nations manage to achieve the goals of the Paris Agreement, measures to adapt to climate change must be pursued alongside the global decarbonisation agenda, with the banking sector having a critical role to play in unlocking finance.

The \$30bn investment required for adaptation represents only slightly more than 0.1% of combined annual GDP of the 10 markets in the study and much less than the estimated \$95trn emerging markets require to transition to net zero using mitigation measures, as outlined in Standard Chartered's Just in Time report.

The Adaptation Economy also surveyed 150 bankers, investors and

asset managers and found that, currently, just 0.4% of the capital held by respondents is allocated to adaptation in emerging markets where investment is needed most.

However, 59% of respondents plan to increase their adaptation investments over the next 12 months. And on average, adaptation financing is expected to rise from 0.8% of global assets in 2022 to 1.4% by 2030.

Marisa Drew, Chief Sustainability Officer, Standard Chartered, said: "This report makes it clear that irrespective of efforts to keep global warming as close to 1.5C as possible we are going to have to incorporate climate-warming effects into our systems and adapt to its reality."

"All nations will need to adapt to climate change by building more resilient agriculture, industry and infrastructure, but the need is greatest in emerging and fast-developing economies with a disproportionate risk of exposure to the negative effects of rising temperatures and extreme weather."

"We must urgently recognise that adaptation is a shared necessity, and as our Adaptation Economy research so effectively highlights, inaction creates a shared societal burden of exponentially increasing cost. The financial sector has a crucial role to play in directing capital towards adaptation and creating the proof points to demonstrate that investing in adaptation can be a commercially viable attractive proposition for the private sector."

ASSET SERVICING

Norton Rose launches new Africa leadership group



Martin McCann,
Global Head of Emerging Markets
Norton Rose Fulbright

Global law firm Norton Rose Fulbright has announced a new Africa leadership group to help steer its acclaimed, Tier 1 Africa practice.

Forming part of the firm's Europe,

Middle East and Asia (EMEA) emerging markets practice, led by London-based partner Martin McCann, the group consists of a joined-up team across London, Paris and South Africa.

It includes Paris-based M&A and projects partner Christophe Asselineau; London-based projects, renewables and carbon finance partner Laura Kiwelu and corporate finance partner Bayo Odubeko; South Africa-based head of Africa Greg Nott, head of corporate, M&A and securities Stephen Kennedy-Good, and banking and finance director Izak Lessing.

In addition to the firm's offices in Casablanca, Cape Town, Durban and Johannesburg, the group will have access to the local expertise in its Africa alliance offices in Kampala, Nairobi, Harare and Bujumbura.

Norton Rose Fulbright has a highly successful and long-established, global Africa practice, with particular expertise in sectors such as infrastructure and natural resources, including mining, energy, logistics and telecoms.

A key highlight for the practice has been its work advising the Ministry of Finance of the Republic of Angola in relation to the award-winning \$1.2bn financing for the development of the Bitá water production, transmission and distribution facilities and system in South Luanda.

Martin McCann, Global Head of Emerging Markets at Norton Rose Fulbright, said: "Africa is already a massive part of our existing business, which has been built up by spending a lot of time on the ground in different countries over the past eight decades. Our new leadership group is composed of individuals with extensive experience across the African continent.

"We believe it is important to continually invest in our capabilities, to ensure that we are providing the best possible service to our clients, which is why we are setting up this group to provide the practice with dedicated support as it continues to develop and grow."

Meeting With Temenos Multifonds



Connect with Marlene on LinkedIn



AGF's Anna Lyudvig speaks with Marlene Miller-Bake
Regional Manager, Africa & Middle East, Temenos Multifonds

1. HOW CAN YOUR RECENT INVESTMENT IN OPERATIONS HELP YOU STAND OUT IN 2023 AND BEYOND?

Global asset managers have invested heavily in technology – to both help automate key processes and improve the client experience. Africa has not fallen short, **with South Africa being one of the pioneering countries across the continent to embrace and enhance technology and system changes that use Cloud and SaaS delivery.** This includes focusing on improving operational efficiency and replacing legacy systems with more modernized and personalised platforms for customers.

Automation vastly reduces frictional costs, creating savings that can be passed on to the customer. Even more transformational is the enormous potential of technology to break down barriers to investing by creating platforms that are easier for investors of all demographics to engage with. Over the next decade, modern technologies like Machine Learning, and Blockchain will reduce costs and provide accessible, bespoke, and easy-to-understand platforms for asset managers, fund administrators, and ultimately, the customer.

The asset managers that do not invest now will be left behind.

2. FOR AFRICA – WHICH IS RIGHT FOR YOUR BUSINESS? IN-HOUSE VS OUTSOURCING

Should you hire in-house or outsource? It's a million-dollar question that has been in debate for many years. Unfortunately, there's no straightforward answer to this, as there are many variables that can influence a business decision.

That said, the end goal, be it hiring in-house or outsourcing, is to grow your business by reducing operating costs and increasing revenue.

Deciding between hiring in-house or outsourcing one would need to first evaluate the business needs. After all, there are pros and cons to both options. Bear in mind that each approach is suitable for different situations and requests.

Whichever way a business decides, it is important not to want to become reliant on contractors that your business cannot survive without them. Perhaps that is why most companies select the hybrid approach.

- How Middle Offices are evolving

With the development of technology, most investment institutions are automating their internal operations. Companies that retain the middle office division are outsourcing some of their functions to private

entities to access specific expertise as technology roles become even more precise and require a certain high-level of training.

3. WHAT DOES A NEXT-GENERATION STRATEGIC ROADMAP LOOK LIKE?

- Start with understanding your customers' roadmap

Instead of working on separate initiatives inside organizational units, companies need to think holistically about how their operations that can contribute to delivering a distinctive customer experience. The best way to do this is to focus on your customers' roadmap and the internal processes that support it.

- Optimizing operations, what to consider before building your new system?

Transitioning to the next-generation operating model starts with classifying and mapping key journeys. Journeys can vary by product/ service line and customer segment. It's vital to think holistically, keeping the entire journey in mind.

Technology is a core element of any next-generation operating model, and it needs to support the much faster and more flexible deployment of products and services. However, companies often have trouble understanding how to implement these new technologies alongside legacy systems or are hampered by outdated systems that move far too slowly.

Leading technology teams collaborate with business leaders to assess which systems need to move faster. This understanding helps institutions decide how to architect their technology. For example, by identifying which systems should be migrated to the cloud to speed up builds and reduce maintenance.

- Run and test, good practice to mitigate risk

When you are considering moving your existing system to a new one, one has to bear in mind that you cannot operate one system in a silo. The full impact of the next-generation operating model comes from combining existing systems and current analysis from the customer roadmap to achieve the desired goal of an efficient system.

- It's the people that make the transformation happen

Successful companies constantly rethink how to bring together the right combination of skills to build products and serve customers. That means reconfiguring organizational boundaries and revisiting team structure, such as creating more fluid structures in which day-to-day work is organized into agile teams that often operate across business lines and market segments. This approach includes empowering teams to own products, services, or journeys, as well as running analysis.



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Keeping Pace With PE Developments



Husayn Sassa (left), Associate Director, Fund and Investor Services, and Jean Claude Permal (right), Executive Director, Chief Operating Officer at AXIS tell Africa Global Funds about the firm's objectives, trends in the African PE industry and more

AFRICA GLOBAL FUNDS (AGF): WHAT ARE THE KEY TRENDS CURRENTLY DRIVING GROWTH AND DEVELOPMENT WITHIN THE AFRICAN PE INDUSTRY (AND/OR MAURITIUS PE)?

HUSAYN SASSA & JEAN CLAUDE PERMAL (HS & JCP): The African private equity industry is rapidly growing, with the continent becoming a popular destination for Fund Managers seeking to diversify their emerging markets portfolios. Risks associated with investing in Africa may be perceived as higher compared to other regions, but the impact of COVID-19 on private equity investments in Africa has been somewhat mitigated by the support of Development Finance Institutions (DFIs). These organizations have provided capital to various fund structures investing in Africa and have contributed to the continued trust of investors in the region. DFIs facilitate productive relationships between Fund Managers and Governments, which can help to secure necessary funding. In the past two years, funds under our administration have made investments in sectors such as microfinance, healthcare, education, renewable energy, fintech and food and agriculture. Private equity investors have shown particular interest in fintech investments, with mobile services and technologies already making up a significant portion of Africa's GDP and expected to rise to \$184bn by 2025. The renewable energy sector has also seen significant growth and continues to attract investment due to the high demand for energy across the African continent. We have worked with Fund Managers who concentrate on making investments in the renewable energy sector and we expect this trend to continue in the coming years.

AGF: HOW ARE THESE TRENDS IMPACTING AXIS'S OBJECTIVES?

HS & JCP: Since its establishment as a Fund Administrator in 2008, Axis has focused on providing high-quality services to all its clients and keeping pace with developments in the African private equity industry. We have established a strong presence in Africa and regularly attend conferences such as AVCA, SuperReturn, Mining Indaba, AFSIC, and SAVCA to exchange views with clients, limited partners and other stakeholders. Axis has also invested in enhancing its capabilities and IT infrastructure to provide full-fledged services to its fund clients and become a one-stop shop for a smooth service delivery throughout the life of a fund structure. We have also worked to improve our IT infrastructure in the past two years, including CRM, accounting, and

compliance systems, to provide quick access to information and real-time reporting to Fund Managers and investors.

AGF: WHAT ARE THE PRIMARY CHALLENGES YOUR CLIENTS IN MAURITIUS ARE FACING AND HOW YOUR SERVICES ARE HELPING THEM OVERCOME THESE DIFFICULTIES?

HS & JCP: As the compliance landscape continues to evolve, fund clients must adopt the necessary framework and conduct required assessments such as business and customer risk assessments. Axis has developed appropriate tools to help clients prepare and document these assessments. We also support clients in interacting with the Regulator and updating/revamping AML/CFT policies, preparing reports on AML regulations for presentation to Boards and other corporate actions. Good governance is also increasingly coming under the scrutiny of the Regulator and we keep this under close observation to assist clients as needed. Our goal as a fund administrator is to make it easy for clients to meet compliance requirements and prepare the necessary documentation for submission to the Regulator. We have established a dedicated business compliance unit within Axis and have tripled in size over the past 1.5 years to provide these services to fund structures. In addition, we have tight deadlines for investor reporting and communication, including the circulation of monthly/quarterly management accounts, capital account statements, ILPA reporting and K-1 schedules, and we invest in additional resources and IT infrastructure to meet these timelines and improve efficiency.

AGF: HOW HAS THE GLOBAL FOCUS ON REGULATION AND GOOD GOVERNANCE IMPACTED THE SERVICES AND BUSINESS CONDUCTED IN MAURITIUS?

HS & JCP: Mauritius has a strong reputation for adhering to international standards such as good governance and transparency, which helps to reduce risks and facilitate growth in a secure environment. Investors have become increasingly concerned about governance and typically conduct thorough due diligence before committing capital to any projects. It is therefore important for proper governance to be maintained over the long term, as investors

“Private equity firms continue to identify opportunities in the African market, with deal values totaling \$4.7bn across 338 deals in the first and second quarters of 2022, including 22 exits

- African Private Equity and Venture Capital Association (AVCA)

entrust their capital to Fund Managers for a period of ten to fifteen years based on the expectation that the investment strategy will remain valid and the interests of both Fund Managers and investors will remain aligned. Axis works to provide the necessary comfort to Fund Managers by conducting due diligence and other checks on all transactions, including scrutinizing payments to and from client entities' bank accounts to ensure the proper safekeeping of assets and compliance with laws and regulations. Axis is also ISAE 3402 Type II certified and places a strong emphasis on internal processes and controls. Additionally, the fact that Axis senior officers serve as independent Board members on fund structures helps to oversee governance. Finally, Environmental, Social and Governance (ESG) considerations are increasingly important to investors, who want to ensure that portfolio companies are engaging in sustainable, ethical business practices. Some fund administrators are working with ESG specialist firms to develop ESG products and services to assist Fund Managers in reporting on ESG by compiling relevant data.

AGF: WHAT CHANGES HAVE YOU OBSERVED IN CLIENT NEEDS IN MAURITIUS? WHICH HAS BEEN THE MOST SIGNIFICANT AND HOW HAVE YOU RESPONDED TO THOSE NEEDS?

HS & JCP: We frequently attend calls with clients and investors, including DFIs, to discuss our due diligence processes and governance in Mauritius. Our team is often asked to fill out various questionnaires received from Fund Managers and investors seeking information on Mauritius as an International Financial Center (IFC). There is a particular focus on substance requirements and how they are being satisfied for existing and new structures. At Axis, we keep our clients informed of any changes in regulations and have designated team members who prepare workpapers and memos on specific topics, such as substance requirements for different structures including funds and CIS/Investment Managers established in Mauritius. Fund Managers are also increasingly delegating the preparation of complete investor reports, Investment Manager reports and Institutional Limited Partners Association (ILPA) reports to fund administrators. While we already assist with ILPA reporting to some extent, we are in the process of enhancing our fund accounting team's capabilities by creating a dedicated sub-team to carry out these functions.

AGF: WHAT ARE THE MOST SIGNIFICANT DEVELOPMENTS YOU EXPECT WITHIN THE AFRICAN PE INDUSTRY (AND/ OR MAURITIUS PE) IN 2023? AND WHAT CAN WE EXPECT FROM AXIS?

HS & JCP: According to the African Private Equity and Venture Capital Association (AVCA), private equity firms continue to identify opportunities in the African market, with deal values totaling \$4.7bn across 338 deals in the first and second quarters of 2022, including 22 exits. This represents one of the strongest half-year investment performances for the region. Fund Managers and investors are expected to continue targeting sectors such as finance, healthcare, education and food and agriculture for investments. Interest in renewable energy and clean technology investments in Africa is also expected to increase as investors focus on environmentally and socially responsible investing. ESG considerations will also be a key focus for Fund Managers in 2023 as major ESG developments are expected for medium-sized and large private equity Fund Managers. Axis has already begun embracing sustainable goals and has established an ESG committee comprising of senior team members in 2022. The firm has also worked with Innpact S.à.R.L., a Luxembourg-based impact finance solution provider with a presence in Mauritius since 2018 to develop the necessary capabilities to provide such value-added services to its client base.

AGF: WHAT ARE THE KEY OBJECTIVES OVER THE COMING YEAR TO ENSURE MAURITIUS REMAINS A COMPETITIVE GLOBAL JURISDICTION?

HS & JCP: Mauritius has developed a number of competitive features over the past three decades, including a resilient financial services sector, a sophisticated compliance, legal, governance, and regulatory framework, a pool of suitably qualified professionals, low costs for servicing international clients, a strategic location and accessible time zone, the absence of exchange controls, a continuous focus on innovation in financial products, economic and political stability and a modern and robust AML/CFT framework. These factors have helped to maintain Mauritius' reputation as a trusted IFC, attracting international clients and investors. In addition, the use of advanced technology by local administrators also helps to make the jurisdiction competitive with other reputable IFCs. This trend is expected to continue in 2023, with investments in technology to improve efficiency in the daily operations of Mauritian Management Companies and fund administrators.

OUTLOOK 2023

Industry experts share their views on the African markets' performance in 2022 and provide their outlook for 2023



Jenni Chamberlain (JC),
Founder and CEO, Altree Capital



Nicholas Piquito (NP),
CEO, African Alliance Asset Management



Tim Staermose (TS),
CEO, ST Funds Management



Fred Steiner (FS),
Managing Director, BCCM Advisors; Portfolio Manager of Blue Clay Pan-Africa Fund

AFRICA GLOBAL FUNDS (AGF): HOW DID THE PUBLIC AND PRIVATE MARKETS PERFORM IN 2022?

JENNI CHAMBERLAIN (JC), FOUNDER AND CEO, ALTREE CAPITAL: 2022 was a difficult year for global stock markets, the worst since the GFC in 2008, with African stock markets trading at valuations not seen for at least ten years. Whilst at the same time 2022, was a good year for exits in the private markets, with 1H22 exits 29% higher than 1H21. This is a good analogy for the year ahead, which has holds opportunities for discerning investors in both the public and private markets, in a year where opportunities will be uneven. Most African stock markets closed in the red in US dollar terms in 2022, suffering from weaker currencies and investor outflows, the exceptions were Zambia, where the market performed well, despite an 8.5% decline in the currency, the Nigeria Stock Exchange where the black market rate was trading significantly higher than the official rate and negative real rates, meant that the stock market provided some refuge for local investor, whilst Tanzania proved extremely resilient, the economy continue to perform well and the currency, although not that liquid, weathered the global storm better than expected. At the other end of the spectrum, Ghana, Morocco and Egypt were the worst performing exchanges, plagued by outflows, domestic concerns regarding the local currency and debt sustainability amongst other things.

AGF: WHAT WERE THE KEY THEME(S) FOR YOUR BUSINESS IN 2022?

NICHOLAS PIQUITO (NP), CEO, AFRICAN ALLIANCE ASSET MANAGEMENT: 2022 saw the culmination of a multi-year strategic plan within the business to improve our ability to respond more quickly to investment opportunities (both listed and private) across Southern and Eastern Africa. The historical bifurcation between listed and private assets – and the requirements of local, regional and global investors in those assets – has reduced to a significant degree. We now see far more commonality in the interests and expectations of local and global investors in African assets than has been the case historically. We expect this trend to continue and are working hard to ensure that our business is structured to provide the increasingly sophisticated level of service that our clients expect and deserve.

TIM STAERMOSE (TS), CEO, ST FUNDS MANAGEMENT: At African Lions Fund, we were one of the only frontier Africa funds to make money in 2022. You can see this for yourself in the league tables in Africa Global Funds magazine. We tried to highlight to our investors, and potential new clients,

that in spite of the financial markets turmoil elsewhere in the world, on the back of steep rises in interest rates by the leading Central Banks to combat cost-push inflation precipitated in part by the Russian invasion of Ukraine, the frontier African market businesses that we own shares in were continuing to perform well. It was easy to get caught up in negative macro noise when, at the micro level, many businesses kept delivering for shareholders. Not to mention, since these businesses had never seen the valuation run-ups that stocks in the developed markets enjoyed after the brief Covid crash in March 2020, there was no bubble for interest rates to burst.

Indeed African Lions Fund ended 2022 with a 3.7% gain on our portfolio, outperforming our hurdle index, the Africa Frontier BMI (USD) Total Return Index by more than 12.4 percentage points. It lost 8.75% for the year. Much had to do with our specific market exposure and stock selection.

We have 48% (on a cost basis) of our capital deployed in Tanzania, where we have large stakes in NMB Bank, Tanzania Breweries Limited, and Twiga Cement. There is no other fund in our universe with such a large allocation to Tanzania. These businesses all performed exceptionally well in 2022, even if their share prices have not risen by nearly as much as we might have liked, yet.

AGF: WHAT SURPRISED YOU IN 2022?

TS: I did not think that frontier Africa funds were still so vulnerable to further redemptions, given the huge outflows that had already take place in recent years.

So, I have to be honest and say I was surprised that our peers kept selling shares in high-quality businesses in our frontier African markets, such as Bralirwa in Rwanda, Sonatel in Senegal, Tanzania Breweries, and Twiga Cement, in Tanzania, despite great business performances and excellent future prospects for these companies. We gladly bought shares from these sellers.

AGF: WHAT TRENDS ARE GETTING UNDERWAY THAT PEOPLE MAY NOT KNOW ABOUT BUT WILL BE IMPORTANT?

NP: The combined impact – both good and bad – of technology, changing global demographics and ultra-loose monetary policies is not yet fully appreciated. The impact of demographic changes among both developed and emerging nations in particular is not well understood. This presents both a risk and a golden opportunity for Africa, particularly in the provision of digital services as technology makes the world an ever smaller place. We expect that the notion and practice of longitudinal arbitrage will be commonplace within the next few years.

FS: Central Banks have raised interest rates at an astonishing clip and have embarked on quantitative tightening to combat inflation. This will come to no surprise to your readers, but what also is happening is governments are seemingly taking a greater role in allocation of capital in economies. This is to assuage their constituents via investing in preventative climate change measures, national security, ballooning physical infrastructure deficits, and perversely spending on initiatives meant to offset inflation. The overarching consequence of this argument is there will be higher capital expenditures in the decade to come; and the only the only way to pay for the past decade's debt binge is via higher nominal GDP growth – which is to say, the developed

world needs inflation to pay its bills just as it did following World War II.

Emerging and frontier markets have historically been driven by investor's appetite for risk and USD earnings growth, the latter of which is propelled by the change in the price of commodities and change in the volume of global trade. This broadly positions African markets well with high prospective returns.

AGF: WHAT WAS THE HIGHLIGHT OF 2022?

FRED STEINER (FS), MANAGING DIRECTOR, BCCM ADVISORS, PORTFOLIO MANAGER OF BLUE CLAY PAN-AFRICA FUND: For us at BCCM focused on the Africa strategy, the highlight of 2022 marked the end of a paradigm. From roughly 2010 till 2020, the environment was defined by low inflation, weak real economic growth, and low to negative interest rates. Quantitative easing over that period did not lead to money supply growth in developed markets because banks were deleveraging from the Great Recession. Specifically, central banks asset purchases were primarily targeted at commercial banks, which did not use the proceeds from their asset sales to lend, but instead toward new excess reserves, which helped banks delever. This process helped keep inflation at bay, interest rates low, and pushed asset allocators out on the risk curve and into longer duration assets. As a result, traditionally defined growth investments outperformed value and developed markets with the United States technology sector and venture capital in particular outperforming the rest of the world by a large magnitude.

In response to the economic fallout of Covid-19, central banks began purchasing assets from economic agents and governments to fund their enormous fiscal deficits, some of which went directly to consumers' wallets. As a result, global money supply exploded. In our 2020 fourth quarter letter to investors, we wrote about this, explaining that while increased global money supply does not directly translate into inflation, it does mean there is a greater potential to spend all that extra money on goods, services, and financial assets. Combined with supply chain woes, demand simply overwhelmed supply, causing inflation to be let out of the bag, and effectively welcoming the end of the past decade's paradigm whose seeds were planted amidst the Global Financial Crisis. These paradigms tend to last for a decade and exhibit their own distinct characteristics, but typically are the opposite of the prior decade.

AGF: WHAT ARE YOUR EXPECTATIONS FOR 2023?

NP: We expect a volatile global economic backdrop with continued inflationary pressure. This will have implications for real yields in developed markets which are mispricing this scenario, thus impacting the relative attractiveness and required return on African investment opportunities. We also expect a more realistic assessment of the challenges and benefits of the global move to socially conscious investing, whether under the banner of ESG, SRI or impact.

JC: The key macro concerns to watch include high levels of inflation, a recession in developed markets, supply-chain bottlenecks/shortages, the cost of living crisis – growing poverty and local currency weakness; however, the African continent has proven its resilience in previous global economic downturns, beating to the African drum, less correlated to the rest of the world, in particular the smaller economies outside of South Africa, Egypt and Nigeria. Despite the shadow cast by the global macro economic outlook, the African consumption driven story

remains intact, with new angles and opportunities, investors should take advantage of lower valuations and selectively add exposure to the continent. Africa is starting to receive more attention from the developed world due to the global geopolitics of the last few years, with investment destinations such as Eastern Europe and parts of Asia becoming increasingly difficult, owing to the Russian war and tensions with China. These stark reminders of the need for diversification have led investors to look to Africa. There is also growing recognition that Africa will become the breadbasket, workshop and service centre for the world, not only does Africa have favourable demographics, but its strategic position and abundance of natural resources, means it is can no longer be ignored. The United States has taken strong initiatives to partner with Africa, with Janet Yellen's visit to Zambia, South Africa and Senegal later this month, on the heels of the US Africa Leaders Forum held in December 2022.

TS: For 2023, I expect more of the same. Though, I do expect to get some relief from the apparent weakening, finally, of the US Dollar. Frontier markets may get some respite performance wise, with the dollar exchange rate not being quite as big a headwind.

AGF: WHERE DO YOU SEE INVESTMENT OPPORTUNITIES IN 2023?

NP: We believe that private market investing across sub-Saharan Africa will increase in depth and breadth in 2023 and beyond. On a ten-year view this is one of the most exciting investment spaces globally. That said, this opportunity is not immune to changes in global sentiment and short-term capital flows. We also expect a gradual change in the nature of capital flowing into this area – from shorter-term speculative capital driven by essentially free money conditions over the past few years to longer-term capital based on a more realistic assessment of risk and return within a more practical impact-driven framework.

JC: A few themes that will dominate the year include infrastructure development, with a focus on renewables and climate-friendly practices. Technology will continue to be an important theme, not purely VC investments, which are attracting more interest than historically, but where technology can be used to scale and drive efficiencies. Other themes include diversity, equity and inclusion and ESG and impact. A growing body of research demonstrates that diversity, equity and inclusion within companies leads to better financial performance and other research points to the fact that African women reinvest up to 90% of their incomes in the families and communities versus only 40% for men. This has supported the formation of several fund-of-funds, such as the African Women Impact Fund and the MasterCard Foundation's Africa Growth Fund, and institutions, such as the 2X Challenge, these organisations will fund women-led, owned and oriented businesses on the continent and aim to change the face of the financial sector, providing capital to a largely ignored part of the population.

Africa is well positioned when it comes to ESG and impact, most public companies have implemented strong ESG policies and are driving this further focusing on impact and the UN Sustainable Development Goal's (SDGs). Whilst in the private markets, where development finance institutions have been the lead investors, ESG has been 'du jour' for some time, included in most mandates for years. A strong ESG policy and clearly defined Theory of Change targeting several SDGs lay a strong foundation for African businesses, as they grow and become a leading

example of the importance of driving ESG, impact and sustainability for stronger future returns.

As African investors, Altree Capital has managed through different crises and inflation is no stranger, with boots on the ground and a long track record of excellence, this is the environment that we favour, as there are returns to be made by positioning our portfolios to mitigate against FX risks, focusing on industries which can drive margins and diversifying across sectors and geographies. It is important to carefully define and measure where and how value can be added, this will test the mettle of managers in 2023.

TS: I continue to see excellent potential for the banks in Tanzania. The two dominant players, NMB Bank, which we have a core holding in, as well as its rival CRBD Bank, have both been compounding their earnings per share at more than 30% per annum since 2017.

And yet, the share prices are not building in any valuation premium for this extraordinary performance. They continue to languish on trading multiples around 3.5x projected earnings and shy of book value. Dividend yields are in the high single digits and may even reach double digits this year, when the pay-outs come in May or June.

For the more intrepid investor, 2023 may finally be the year we see a change to the current regime of de facto capital controls in Nigeria. If the election goes smoothly at the end of February and we see a reform-minded candidate come to power, who has the political will to tackle vested interests, we might see some positive developments there.

There are many well run businesses in Nigeria which, if unshackled from the macroeconomic chains holding them down, could really deliver excellent returns for shareholders.

I spent a week in Lagos visiting companies last September, and I plan to go again in March, shortly after the election. I am cautiously optimistic there will be opportunities in Nigeria, despite all the negative press the country is (rightly) currently getting. It is always darkest before the dawn.

I want to be positioned to move on that, and have put a little bit of the African Lions Fund's capital in Nigeria in anticipation, by buying Nigerian shares in London and moving them to Lagos. You get a much better effective exchange rate that way.

FS: With a roughly fifteen-year period of complete apathy toward African public markets, we believe 2023 will begin to resemble a murky mirror opposite of the past decade. That is not to say there will not be challenges – many African countries are amidst or staring down the result of their own debt binges. Defaults are inevitable, but as debt is forgiven and government balance sheets cleaned up, the cycle begins to look like the decade that succeeded the Internet Bubble and 19 African nations accepting debt relief at the turn of the century.

Egyptian company valuations have become increasingly attractive. Many Egyptian companies have weathered the past few years' series of crises superbly by leveraging pricing power to sustain margins and beating out weaker competition for market share. With the series of currency devaluations mostly in the past, we note that according to Bloomberg data, the EGX30 Index is trading at roughly half the valuation multiples it did immediately following the 2016 devaluation. USD investors did well then over the following 17 months, returning over 50%. Following the 2001 and 2002 devaluations, however, USD investors generated a 20x return between 2003-2007. This was a period during which the price of commodities and the volume of global trade consistently rose.

Top Trends to Watch For Africa's Private Markets in 2023



By Alan Keet, Regional Head Middle East & Africa, Apex Group

Despite global economic headwinds, Africa's private and venture capital markets are continuing to recover from the COVID-19 pandemic, giving reasons for optimism in 2023.

The African Private Equity and Venture Capital Association's half year report showed that both the volume and value of private capital deals in Africa rose significantly year on year, with 338 private markets deals worth \$4.7bn being successfully concluded in H1. In line with global trends, during the final quarter of the year the amount of capital raised for new funds has slowed, suggesting that the continent is not immune to some of the issues affecting global markets. Some of the trends, which are expected to shape Africa's capital markets in the year ahead include:

OPENING UP OF PRIVATE MARKETS

In 2023, private markets clients in Africa will continue to participate in the growing trend of opening up access to private markets for retail investors, as they seek out new sources and pools of capital. This "democratization" is expected to continue further in 2023, driving greater demand for transparency and information from investors. In order to facilitate this, private markets are turning to the digitization of fund processes including onboarding, transaction capturing and reporting to name a few. The ability to deploy technology solutions to remove the friction of traditional manual processes will be a key differentiator for private asset managers in the year ahead.

GROWING SECTOR AND ASSET CLASS SPECIALISM

In the last 12 months, we have seen the maturation of a number of investment trends in the African private markets. Notably, GPs have continued to specialise in order to differentiate themselves from other managers; this has included sub-asset class, sector and geographic specialism. We expect this will continue in the year ahead, in many cases aided by regulatory changes, such as South Africa's recent renewable energy regulation which has driven additional demand for investment in assets in this subsector.

In 2023, we expect to see a substantial increase in allocation to private debt. Bank lending and public markets on the continent are becoming restricted, and companies seeking to fund growth require alternative sources of capital. Private debt will attract significant attention, with its correlation to shorter term benchmarks, which are well protected against interest rate hikes. Distressed assets and special situations will also draw investor attention. This reflects trends seen in previous cycles, with private debt markets performing well in times of stress -

with limited defaults.

TECHNOLOGY

We have seen a substantial increase in client demand for the latest technology to streamline their operations, and deliver time, cost and resource efficiencies. Investors, especially Millennials and Gen Z's, are tech-savvy and want ease of use and direct access to investment. Cyber security also demands the use of first world technology to avert this threat and facilitate the compliance with legislation such as POPIA, through the introduction of functionality of blockchain.

ESG

ESG has remained a dominant theme for private equity managers throughout 2022 and shows no signs of slowing in 2023. A driver for this has been the increase in regulation with the EU's SFDR regulation leading the way. We are seeing private capital investors in Africa, whilst currently outside of the EU's scope, seeking to align themselves with the SFDR reporting requirements – allowing them to raise capital for ESG funds from European investors, and to get ahead of any new ESG regulation which is sure to follow in other jurisdictions. We are also seeing LPs asking more questions around GPs' ESG investment strategies and internal policies as part of their allocation due diligence processes. As a result, managers are beginning to look closely at their own internal ESG policies, as well as their investment portfolio companies.

FUND ADMINISTRATION CONSOLIDATION

Thus far, the consolidation of the fund administration industry, has predominantly been focused on Europe and North America, however, in 2022 we are starting to see the trend gain steam in Africa too. Instead of dealing with multiple service partners, Africa's private markets investors are now seeking to work with a single service provider who can deliver all the solutions they require under one roof to maximize cost and operational efficiencies. This stretches far beyond traditional fund administration, into the realms of bank accounts and ESG rating and advisory services for their portfolios.

The outlook for Africa's private capital markets in 2023 is more positive than at any time since the global pandemic. The resilience of the industry and remarkable bounce back in deal making and fundraising activity has surprised on the upside. To support this growth in 2023 and beyond, fund service providers in Africa will need to enhance their value proposition, through delivering innovative solutions, underpinned by the latest technology.

AFRICAN MARKETS PERFORMANCE

AFRICA SOVEREIGN BOND INDICES (TOTAL RETURNS USD %)

Country	December	3-Month	1-Year
Botswana	1.42%	4.71%	-3.25%
Egypt	1.17%	-17.83%	-30.93%
Ghana	29.34%	-2.79%	-48.32%
Kenya	0.20%	0.33%	-1.18%
Mauritius	-3.96%	-1.62%	-5.97%
Morocco	1.66%	2.71%	-14.15%
Namibia	1.11%	11.17%	0.92%
S&P/FMDQ Nigeria	2.28%	-2.33%	-3.19%
South Africa	0.52%	11.52%	-2.15%
Tanzania	0.17%	1.18%	17.26%
Uganda	5.44%	9.95%	5.08%
Zambia	-4.02%	-8.55%	5.18%

Source: S&P Dow Jones Indices

AFRICA EQUITY INDICES (BMI GROSS TOTAL RETURNS USD %)

Country	December	3-Month	1-Year
Botswana	2.00%	10.61%	9.55%
Cote d'Ivoire	9.84%	6.54%	-0.91%
Egypt	7.36%	21.81%	-19.03%
Ghana	34.49%	1.69%	-42.34%
Kenya	0.52%	-1.70%	-21.45%
Malawi	4.71%	20.63%	41.93%
Mauritius	0.61%	3.85%	-2.37%
Morocco	0.41%	-3.33%	-27.64%
Namibia	0.79%	21.41%	7.54%
Nigeria	1.83%	6.06%	-5.78%
Rwanda	-1.07%	-2.69%	13.80%
South Africa	-3.60%	17.01%	-2.89%
Tanzania	0.77%	0.91%	16.55%
Tunisia	4.69%	0.53%	1.92%
Uganda	6.23%	9.09%	-1.66%
Zambia	-4.12%	-7.95%	33.68%

Source: S&P Dow Jones Indices



MARKET FOCUS:

Allan Gray Africa ex-SA Equity Fund

By Rory Kutisker-Jacobson

The Fund had a very poor second half of 2022, declining 9.9% versus the benchmark, which delivered a 6.1% return. As a result, for the full year, the Fund returned -12.6% versus the benchmark at -12.7%. The largest detractors from performance in the second half of the year were our overweight positions in Nigerian and Zimbabwean holdings. In Nigeria, our two largest positions are Seplat Energy and Zenith Bank. Seplat had a very good first quarter in 2022 on the news of an agreement to acquire ExxonMobil's entire offshore shallow water business in Nigeria. Unfortunately, Seplat has since given most of this back, as Nigerian President Muhammadu Buhari first approved and then rescinded his approval of the deal in early August. It appears unlikely that anything will happen prior to the Nigerian presidential election in February 2023. This is disappointing news but, importantly, when we value Seplat, we attach no value to the deal being consummated, and we still find it very attractive at current prices. Zenith Bank is the largest bank in Nigeria by market capitalisation. Its share price has been flat in US dollars over the last six months, but it is down 16.7% for the full year. There is no obvious catalyst for a rerating, but today it trades on less than three times earnings and a dividend yield of over 12%.

In Zimbabwe, our two largest positions are in Delta and Econet. The Zimbabwean government has introduced a number of measures to bring local inflation under control and improve the access to foreign

capital. We think these are positive measures. However, as the currency has weakened by more than 500%, share prices, when measured in US dollars, have fallen dramatically: For the full year, Delta is down 62% and Econet 81%.

The economic environment in Zimbabwe is likely to remain turbulent, but we continue to see substantial value for long-term, patient investors. Both companies continue to navigate the operating environment and trade at a substantial discount to replacement value.

On the positive side, one of the largest contributors to performance in 2022 was also a Zimbabwean-related company, Zimplats, which remains one of the largest shares in the Fund. Being underweight commodities stocks hurt relative performance, as two of the largest stocks in our benchmark, Ivanhoe Mines and Perseus Mining, both rallied more than 30% in the second half of the financial year.

Despite the poor performance of the past few years, we remain extremely excited about the Fund's long-term prospects. We own a number of companies that have strong local franchises, trade on single-digit multiples and have decent growth outlooks. Many of the companies in which we are invested continue to grow their underlying earnings in local currency and US dollar terms, and yet their prices continue to contract. We do not know when sentiment on Africa will change but, in many respects, it feels like a coil that is getting tighter and tighter and is ready to spring at any moment. During the quarter we bought Panoro Energy and sold CIB Egypt.

PRIVATE EQUITY FUNDS & DEALS

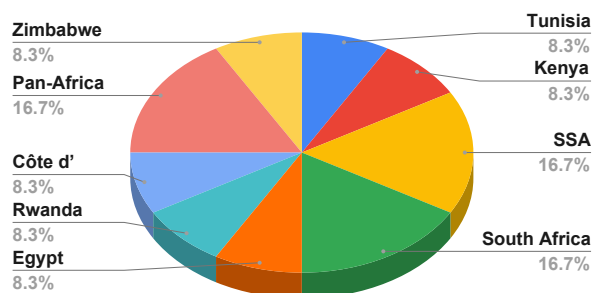
(as of 31st December 2022)

DEALS

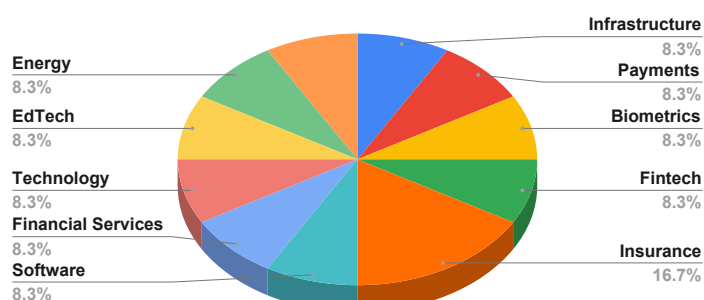
For more information on each transaction, visit Africa Global Funds's website

Company	Investment	Industry	Country	Deal Type	Deal Value
Development Partners International // Fireball Capital	Ukheshe International	Fintech	Pan-Africa	Buyout	Undisclosed
Futuregrowth Asset Management	KG Mall	Real Estate	South Africa		Undisclosed
Nclude	OneOrder	Fintech	MENA	Seed Capital	\$3m

DEALS BY COUNTRY



DEALS BY INDUSTRY



FUNDRAISING

Company	Fund	Geography	Style	Sectors	First Close	Target	Date Announced
Aruwa Capital Management	Aruwa Fund	Nigeria & Ghana	Growth Capital	Women-focused businesses in healthcare, fintech, renewable energy, and essential consumer goods	Oversubscribed	\$20m	December 15, 2022
Ventures Platform		Pan-Africa	Early Stage	Generalist	\$46m	\$40m	December 15, 2022

EXITS

Company	Divestment	Industry	Country	Buyer	Nature of exit
Mediterrania Capital Partners	Akdital	Healthcare	Morocco	Various investors	IPO / Casablanca Stock Exchange

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 2022-12-30)										
-8.99	5.4	-8.99	-0.85	-4.75		Equity	Africa ex-SA	Cayman Isl.	Open-End	06/14
Absa Africa Equity Fund (as-of 2023-01-19)										
-11.99	-2.37	-14.37	-4.01	-0.76	9.35 (12/22)	Equity	African region	South Africa	Unit Trust	10/16
African Domestic Bond Fund (as-of 2022-11-30)										
	3.1	-15.7	-3.5		43.00 (07/22)	ETF - local currency FI	African region	Mauritius	Open-End	9/18
African Lions Fund (as-of 2022-12-31)										
3.68	0.55	3.68			19.53 (12/22)	Equity	SSA ex-SA	BVI	Open-End	10/20
Allan Gray Africa Bond Fund (as-of 2022-12-30)										
-10.9		-10.9	-0.4	2.8	330.00 (12/22)	Fixed Income	Africa ex-SA	Bermuda	Open-End	3/13
Allan Gray Africa ex-SA Equity Fund (as-of 2022-12-30)										
-12.04	9.95	-12.04	6.29	0.68	421.00 (12/22)	Equity	Africa ex-SA	Bermuda	Open-End	1/12
Alquity Africa Fund (as-of 2023-01-19)										
-14.56	-2.49	-20.24	-6.1	-6.11	3.30 (12/22)	Equity	African region	Luxembourg	SICAV	6/10
Bellevue Funds Lux - BB African Opportunities (as-of 2023-01-19)										
-7.17	3.35	-7.17	-3.81	-3.67	48.31 (12/22)	Equity	African region	Luxembourg	SICAV	6/09
Commonwealth Africa Fund (as-of 2022-12-30)										
-7.07	-3.39	-7.07	-0.9	-4.74	3.22 (12/22)	Equity	African region	USA	Open-End	11/11
Coronation Africa Frontiers Fund (as-of 2022-12-30)										
-24.55	4.32	-24.55	-3.61	-3.9	269.60 (12/22)	Equity	Africa ex-SA	Ireland	Unit Trust	10/08
DWS Invest Africa (as-of 2023-01-19)										
-9.44	0.97	-10.66	-2.56	-3.86	27.88 (12/22)	Equity	African region	Luxembourg	SICAV	07/08
EFG-Hermes MEDA Fund (as-of 2023-01-19)										
20.57	-0.15	19.85	19.71	13.54		Equity	Africa & Middle East	Bermuda	Open-End	12/11
Emerging Africa Bond Fund (as-of 2022-08-31)										
-18.13	2.9				1.70 (08/22)	Fixed Income	African region	Mauritius	Open-End	09/16
Enko Africa Debt Fund (as-of 2022-12-30)										
1.03	3.6	1.03	11.45	13.45	534.80 (12/22)	Fixed Income	Africa ex-SA	Mauritius	Open-End	10/16
Fidelity Funds - Emerging Europe, Middle East and Africa Fund A (as-of 2023-01-19)										
-46.99	7.84	-44.5	-13.42	-7.63	244.32 (12/22)	Equity	EMEA	Luxembourg	SICAV	06/07
Imara Africa Fund (as-of 2022-12-30)										
-25.62	-1.43	-25.62	-4.89	-4.43		Equity	African region	Cayman Isl.	Open-End	04/09
Imara African Opportunities Fund (as-of 2022-12-30)										
-27.06	0.85	-27.06	-6.09	-9.41		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
JPMorgan Funds - Africa Equity Fund (A) (as-of 2022-12-30)										
-18.93	-3.54	-18.93	-6.45	-5.75	109.76 (01/23)	Equity	African region	Luxembourg	SICAV	5/08
Laurium Limpopo Master Fund (as-of 2022-12-30)										
-15.47	5.96	-15.47	-7.18	-4.02	146.60 (12/22)	Equity	Africa ex-SA	Cayman Isl.	Open-End	01/14
Mazi Capital Africa Fund (as-of 2022-12-30)										
-19.11	3.06	-19.11	-8.47	-5.31	92.00 (03/21)	Equity	Africa ex-SA	South Africa	Open-End	01/16
MCB Africa Bond Fund (as-of 2022-12-30)										
-19.5	4.2	-19.5	-3.5	0.5	8.69 (12/22)	Fixed Income	African region	Mauritius	Open-End	2/14
Ninety One Premier - Africa Fund A (as-of 2022-12-30)										
-41.47	-12.66	-41.47	-32.7	-19.37	0.55 (12/22)	Equity	African region	Guernsey	Open-End	01/07
Old Mutual African Frontiers Fund (as-of 2022-12-30)										
-27.49	0.1	-27.49	-7.43	-2.39	280.03 (12/22)	Equity	Africa ex-SA	Ireland	Open-End	5/10
Optis African Frontier Fund (as-of 2022-11-30)										
-23.33	8.67	-18.9	-6.78	-4.34	32.03 (08/22)	Equity	African region	BVI	Open-End	8/09
Robeco Afrika (as-of 2022-09-30)										
-15.1	-4.08	-10.49	2.85	-0.49	22.50 (09/22)	Equity	African region	Netherlands	Open-End	6/08
Rudarius Africa Fund (as-of 2022-12-30)										
-25.64	7.6	-25.64	-11.12	-7.61	30.00 (03/21)	Equity	Africa ex-SA	South Africa	Open-End	06/14
Sanlam Africa Equity Fund (as-of 2022-12-30)										
-10.25	3.79	-10.25	1.34	-1.83		Equity	Africa ex-SA	Ireland	Open-End	07/15
Sanlam Centre Africa Equity Fund (as-of 2022-12-30)										
-11.06	2.76	-11.06			58.99 (12/22)	Equity	Africa ex-SA	Cayman Islands	Open-End	05/19
Steyn Capital Africa Fund (as-of 2022-12-30)										
-5.58	6.58	-5.58	2.47	-3.5	145.00 (12/22)	Equity	Africa ex-SA	Malta	SICAV	09/11
Sustainable Capital Africa Alpha Fund (as-of 2022-12-30)										
-6.98	6.73	-6.98	3	-2.46	300.30 (04/21)	Equity	Africa ex-SA	Mauritius	Open-End	02/12
TCM Africa High Dividend Equity (as-of 2022-12-30)										
-17.63	2.98	-17.63	-9.04	-6.57	9.60 (04/21)	Equity	Africa ex-SA	Holland	Open-End	03/08
Threadneedle Lux - Stanlib Africa Equity (as-of 2023-01-19)										
6.09	-0.67	5.49	-3.21	-0.52	1.53 (12/22)	Equity	African region	Luxembourg	SICAV	8/14
T. Rowe Price Africa & Middle East Fund (as-of 2022-12-30)										
-5.88	-3.86	-5.88	5.45	2.91	131.95 (12/22)	Equity	MENA & SSA	United States	Open-End	10/11

Source: Company Data



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