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AFRICA GLOBAL FUNDS

SOUTH AFRICA'S INFLATION EXCEPTIONALISM

OPINION:
HOW SECURITY TRUSTEES PROTECT INVESTOR RIGHTS IN CORPORATE DEBT RESTRUCTURING

ANALYSIS:
FUNDS FOCUS ON IMPACT INVESTING AND SUSTAINABILITY

COMMENT:
RETIREMENT FUNDS ARE UNIQUELY POSITIONED TO DRIVE ESG

NEWS:
AFRICINVEST FUND IV CLOSES AT $411M

WEB:

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

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

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

SUPPORT/TECHNICAL:
support@africaglobalfunds.com

CONTRIBUTORS:

Rehma Imrith

Carmen Nel

South Africa is often seen as a high-beta play, be it regarding financial market risk aversion, or political uncertainty and corruption. In this month's issue, Carmen Nel of Matrix Fund Managers, writes that a tough time lies ahead as policy makers try to convince investors that South Africa must remain exceptional (pp. 16-17).

In South Africa, retirement fund assets represent the largest source of invested assets in the country by a significant margin. Read on p.14 why SA pension funds can be a significant catalyst for impact investing in the country.

In addition, this year's Sanlam Benchmark Survey, an annual body of research into the state of retirement funds and retirees in South Africa, revealed an increased focus on ESG. Darryl Moodley of Sanlam said has seen that retirement fund decision-makers are developing their knowledge around ESG, and are beginning to actively engage their advisers, asset managers and investee companies (p 22).

In this edition, Rehma Imrith, Commercial Director, IQ-EQ, shares her thoughts on security trustees and how they can protect investor rights in corporate debt restructuring (See p.15).

On the fundraising front, AfricInvest has announced the final close of its AfricInvest Fund IV with total commitments of $411m. The fund received investment from new and returning institutional investors, development finance institutions and family offices from around the world (p.4).

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

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

Best regards,
Anna Lyudvig
Managing Editor

Fundraising & Fund Launches

AfricInvest raises over $400m for its African Midcap focused Fund

George Odo,
Senior Partner and Managing Director, East Africa
AfricInvest

AfricInvest has announced the final close of its AfricInvest Fund IV with total commitments of $411m.

Launched two years ago with a hard cap of $400m, AfricInvest IV (AF IV) received investment from new and returning institutional investors, development finance institutions and family offices from around the world.

George Odo, Senior Partner and Managing Director, East Africa, said: "The support we received from our investors has been terrific. Seeing how many of them have recommitted to this mip-cap fund strategy, especially amidst the Covid pandemic, is a testament to their belief in our ability to deliver attractive risk-adjusted returns. We are grateful for their confidence and look forward to partnering as we build a future with the next generation of African entrepreneurs."

The Fund is the largest in AfricInvest's history and follows on from the previous flagship fund, AfricInvest III, which closed in 2016, reaching a fund size of €272m ($300m).

AF IV aims to invest in mature and profitable African mid-cap companies across diverse sectors to accelerate their regional growth and deliver attractive risk-adjusted returns.

The Fund also supports inclusive and sustainable development, having committed to the 2X Challenge criteria in support of women's economic empowerment.

Employing AfricInvest's signature hands-on approach, the Fund's investment team offers portfolio companies a unique combination of local insights and global perspectives. Skander Oueslati, Senior Partner and CIO of sub-Saharan Africa, said: "AfricInvest Fund IV is well positioned to continue financing African companies, supporting them as they develop into local and regional champions."

"Our local expertise and insight allow us to generate proprietary deals to help create long-term strategies to deliver value for portfolio companies." Since its inception, AfricInvest IV has made three investments, the first being the acquisition of a minority stake in Fidelity Bank Ghana in mid-2020.

The second, in 2021, was an investment in a merger of Compagnie Marocaine de Goutte à Goutte et de Pompage's (CMGP) with Comptoir Agricole du Souss (CAS), creating CMGP-CAS, one of Africa's leading irrigation and agribusiness companies.

The most recent investment, in April 2022, saw the Fund, alongside the International Finance Corporation, to acquire a 36% stake in Kenya-based AutoXpress, the largest importer, distributor and retailer of tyres, auto-parts and accessories in East Africa.

Hakim Khelifa, Senior Partner, said: "Mid-cap opportunities in Africa will continue to grow. At AfricInvest, we are ready to invest across the continent, engaging management teams directly to further accelerate their goals of building profitable and sustainable businesses while creating long-term impact."

DEALS

IDEAS acquires stakes in three SA solar power plants

African Infrastructure Investment Managers (AIIM) has acquired, through its IDEAS Managed Fund (IDEAS), majority stakes in three new solar power plants in South Africa.

The portfolio has been financed through a mix of debt and equity.

Equity was funded by IDEAS and the Mahlako Financial Services-managed Mahlako Energy Fund 1 (Mahlako).

Debt was provided by Rand Merchant Bank (RMB), a division of FirstRand Bank.

Sean Friend, Investment Director at AIIM and Co-portfolio Manager of the IDEAS Managed Fund, said: "Together with our partner Mahlako, we are excited to conclude this transaction and create a long-lasting partnership with Harmony. This portfolio further entrenches IDEAS as a leading investor in the renewable energy, as well as the commercial and industrial private power market in particular. We look forward to pursuing additional investments in this sector, in light of the focus on clean energy and the need to pursue a sustainable energy mix for SA."

The 30MW portfolio of facilities, which reached financial close in May 2022, are expected to reach commercial operation in March and April 2023.

They will connect via a combination of wheeling and behind the meter solutions, feeding energy into Harmony operations in the Welkom area in South Africa.

Construction is anticipated to commence in June 2022. When all three power facilities are fully operational, it is expected that they will deliver 68GWh of clean energy in the first twelve months of operations and 1.3TWh over the 20-year lifespan of the facilities. The energy provided by the portfolio is expected to mitigate 65,000 tonnes of CO_2 emissions in the first year of operations.

IDEAS has funded projects which contribute c.25% of renewable energy which is currently supplying the electricity grid in South Africa through its renewable energy portfolio of more than ZAR 10billion in value.

"We see significant opportunities in the sector to partner with clients in reducing the carbon intensity of their energy. We are very proud that AIIM has impact measurement and monitoring structures in place that are implemented in our investments in an effort to improve carbon savings across energy portfolios. This focus is in line with our Climate Investment Policy spearheaded by our fully integrated ESG (environmental, social and governance) team," Friend said.

Mitesh Pema, Principal of the Mahlako Energy Fund 1, said: "This investment is testament to Mahlako's commitment to energy security and sustainable investments, while providing superior returns for our investors. Further to our ESG principles enshrined in our investment process, we actively seek out opportunities that contribute towards South Africa's clean energy goals."

African Clean Energy Developments (ACED), an AIIM affiliate, is the development and management service provider to the independent power producer (IPP).

ACED has served as the technical lead and transaction managers on the projects and will manage the construction process. Energy Infrastructure Management Services (EIMS), another AIIM affiliate, will manage the operations once the projects reach their commercial operations date.

James Cumming, General Manager at ACED, said: "Reaching financial close on these projects is not only a fantastic achievement for Harmony and all those involved in the transaction, but it also highlights that the South African C &I power market and wheeling makes economic sense for private off-takers and investors, and is bankable. We look forward to getting these projects to CoD and delivering more MWh for others in the very near future."

The projects were jointly developed by BBEnergy, Energy Group and Harmony.

Amedeo Buonajuti, Director at Energy Group, remarked: "Private offtake contracts of this scale are a milestone for renewable energy in South Africa. We are grateful for Harmony's visionary partnership and support from Eskom, NERSA and Government."

DEALS

PAPE Fund 3 makes fifth investment

PAPE Fund 3, a mid-market South African private equity fund, has acquired an equity interest in Entersekt, a global leader in device identity and payment authentication.

Entersekt is PAPE Fund 3's fifth portfolio investment.

PAPE Fund Managers Principals, Dr Zuko Kubukeli and Mr Ikageng Moatshe, who led the transaction, said: "The business is a global market leader in the digital security landscape off the back of a scalable world class IT infrastructure and architecture. At PAPE we back local entrepreneurs with a globally- competitive edge and offering that are looking for a partner that can provide strategic value-add and expansion capital. In the Entersekt team and shareholding structure we believe we are poised for stellar growth."

Entersekt, which was founded in Stellenbosch in 2010, currently secures over 1 billion transactions every month, protecting millions of financial services customers across the globe.

Entersekt is recognised as an innovator in the global authentication market, known for delivering market and industry firsts.

The company already boasts an impressive shareholder base with prominent shareholders including Nedbank Private Equity, Rand Merchant Investment Holdings (RMI) and the prominent US-based investor group, Accel-KKR (AKKR), a recognised global leader in private equity with a track record of making successful investments in mid-market software and technology-enabled services businesses around the world.

"We are thrilled to welcome PAPE on board," said Schalk Nolte, CEO at Entersekt. "The fund has a very strong footprint in our home market in South Africa, and their expertise will bring a valuable perspective alongside our existing shareholders. PAPE's investment helps us further bolster operational support as we scale Entersekt in our strategic focus regions. We look forward to achieving great success together."

PAPE Fund 3 was established in July 2018 and reached final capital raising in January 2020, with ZAR1.03bn in investor commitments. The fund has a 10-year investment-to-exit horizon.

To date, PAPE Fund Managers has deployed approximately 68% of the total commitments and anticipates concluding two further investments in the next three months, bringing to an end the Fund 3 investment program.

Investors in PAPE Fund 3 include various South African pension funds and asset managers, a Netherlands-based development finance institution, and a pool of family offices.

The fund has already concluded four investments into businesses involved in the logistics sector; the software development sector; an automotive conversion enterprise; and a company servicing the beverages industry in South Africa and across 12 African states. PAPE Fund 3's investment mandate is focussed on deploying capital into mid-cap unlisted South African domiciled or headquartered businesses where management are significantly invested alongside us.

While Entersekt continues to grow market share in the South African market and the rest of Africa, it also has strong growth prospects in the rest of the world, in particular in the USA.

Dr Kubukeli said: "Our research and the extensive engagements with management and partners in AKKR and RMI, indicates that the US banking sector currently has a comparatively weaker digital security and regulatory environment."

"We believe that working with AKKR, RMI, Nedbank, Mastercard and our other partners, Entersekt can achieve a material share of the $2trn authentication market. We are excited at the opportunity to partner with Entersekt's management team and our co-shareholders as the company ratchets up its expansion programme."

EXITS

Mediterrania Capital Partners exits Groupe Cofina

Hatim Ben Ahmed,
Managing Partner
Mediterrania Capital Partners

"All our expectations and predictions have been exceeded and we are proud of Cofina's transformation into a robust company with a long-term vision and sustainable growth

Mediterrania Capital Partners has sold its stake in Groupe Cofina, a mesofinance and transactional financial services institution in West and Central Africa, to Development Partners International (DPI).

Based in Abidjan, Groupe Cofina was founded by Jean-Luc Konan in 2014 with the stated mission of helping entrepreneurs and SMEs obtain medium- or long-term financing.

Nowadays the group provides a wide range of banking products, including national and international cash transfers as well as financing solutions and related advisory services to its more than 254,000 customers.

With 60% of Cofina's credit client base being first-time borrowers, the group is helping to considerably reduce inequality and promote economic growth on the continent.

Groupe Cofina operates in eight countries in Africa: Côte d'Ivoire, Senegal, Guinea Conakry, Gabon, Mali, Congo Brazzaville, Burkina Faso and Togo, and it employs more than 1,400 people (half of whom are female).

In April 2018, Mediterrania Capital Partners entered Cofina's equity by acquiring a significant minority stake.

The investment, aimed at supporting Cofina's ambitious geographic and products expansion plans, helped to significantly broaden the group's portfolio and its customer reach.

Hatim Ben Ahmed, Managing Partner at Mediterrania Capital Partners, said: "When we invested in Cofina in 2018, we saw the tremendous opportunity that the company represented, not only from a financial point of view but also as a key promoter of social inclusion in Africa. Four years later, all our expectations and predictions have been exceeded and we are proud of Cofina's transformation into a robust company with a long-term vision and sustainable growth."

During Mediterrania Capital Partners' tenure, Cofina implemented a growth strategy focused on developing financing solutions to support SMEs in their development and engaging in credit granting and cash point services.

The group also launched mobile and web-based banking applications to facilitate branchless transactions, enabling customers to perform financial transactions from their mobile phones and computers. As a result of the group's product and geographic expansion, Cofina's Net Banking Income rose to €40m in 2021.

As well as delivering significant business growth and expanding the group's presence in the region, under Mediterrania Capital Partners' partial ownership, Cofina opened its Burkina Faso and Togo subsidiaries and set up an office in Paris to fulfil the demand of the African diaspora in the French capital.

During the same period, Cofina founded "Fin'ELLE", a microfinance branch dedicated to empowering female entrepreneurs and launched several initiatives to support start-up companies and young entrepreneurs.

With Mediterrania's support and guidance, Cofina also implemented a wide range of ESG initiatives focused on promoting social inclusion to help empower communities and grow economies. One of the pillars of Cofina's Corporate Social Responsibility consists of providing community mentoring with the aim ofsharing learning with traditionally socially excluded households.

The group is also an active participant in many charity projects and regularly donatesfood and suppliesto schools and clothes to orphanages, gives funding for water pumps to supply clean water to hospitals, provides rural entrepreneurs with agricultural equipment, etc.

Pacôme Zahabi, Senior Director for Sub-Saharan Africa at Mediterrania Capital Partners, said: "Working closely with Cofina's management, we strengthened the company's governance, upgraded its systems and established a discipline of decision-making processes at all levels in the organisation while enhancing the company's focus on social and environmental matters."

Jean Luc Konan, Groupe Cofina's Founder and CEO, added: "The support of Mediterrania Capital Partners has been key in transforming Cofina into a stronger company with a clear vision and the right foundations to bring it to the next level. We are very pleased with Mediterrania Capital Partners' active involvement in Cofina and are welcoming the new investors that will surely help us take our company even further."

This transaction marks the second divestment of Mediterrania Capital Partners' MC III fund, after TGCC's IPO was executed in December 2021.

DEALS

Naspers Foundry invests R40m in Nile

Naspers, through its early-stage tech investment vehicle Naspers Foundry, has made a R40m ($2.5m) investment in Nile, a South African agritech company that connects farmers to buyers of fresh produce.

The investment is part of a R83m equity round led by Naspers Foundry, alongside new investors, Platform Investment Partners, Raba Capital and Base Capital.

Phuthi Mahanyele-Dabengwa, South Africa CEO of Naspers, said: "The importance of food security cannot be overstated, and a platform like Nile provides a positive contribution towards helping to sustain it. According to the World Bank, Africa's food system has huge potential to create more and better jobs."

"More inclusive value chains that link farmers and other stakeholders can help realise this potential. Our investment in Nile is a great example of how technology can support communities and improve economic opportunity."

The transaction marks Naspers Foundry's tenth investment since its launch in 2019 and forms part of Naspers's R1.4bn commitment to grow South Africa's tech ecosystem.

Nile was founded in 2020 to provide farmers with digital solutions that can address various pain points inherent to food trading - including price transparency, quality verification, speed of payments, the traceability of the produce and food waste.

Nile's end-to-end process connects farmers to commercial retailers of fresh produce both in South Africa and across the continent.

The B2B platform facilitates transactions and safeguards payments on behalf of farmers, resulting in increased transparency and improved cash flow. Nile leverages data and a complex logistical network allowing farmers to reach better-yielding markets, not just those geographically closest to them.

Fresh produce buyers, such as retailers, wholesalers and processors, can access live availability and landed costs for a wide range of produce, and are able to transact through a variety of B2B payment methods.

Fabian Whate, Head of Naspers Foundry, said: "Nile provides a fully integrated ecosystem that creates trust between buyers and sellers on the platform and is a great example of tech entrepreneurs building innovative solutions that address people's everyday needs. We are excited about the growth potential of this business and its contribution to transforming the trade of fresh produce."

Since Nile's inception, approximately 30 million kilograms of fruits and vegetables have been traded on the Nile platform, with buyers originating from five countries and 35 towns and cities across Southern Africa.

Nile's services are used by farmers of all sizes, from small-scale farmers to large commercial farmers, with buyers ranging from large South African-listed companies to small family-owned retailers and wholesalers. Nile also operates in Botswana, Namibia, Eswatini and Mozambique.

Louis de Kock, Co-founder and CEO of Nile, said: "We are delighted to have Naspers Foundry support our mission to make fresh produce more accessible to people across the African continent. While we were able to bootstrap Nile through our initial growth phase, we look forward to having the backing of an internationally respected investor and experienced operator like Naspers as we scale our cross-border operations to the rest of Africa."

EXITS

Apis sells Q Link to SPE

Apis Growth Fund I, a private equity fund managed by Apis Partners, has agreed to sell the whole of its interest in payment solutions provider Q Link to Sanlam Private Equity (SPE).

Q Link provides payment application software to improve collection rates for the insurance industry and other third-party benefits providers in South Africa, while optimising costs.

The company facilitates collections for over 30% of all recurring retail life insurance premiums in the country, and has focused on putting customer welfare at the centre of its business model, through introducing concepts such "affordability and control" to ensure that only valid and affordable deductions are processed to payrolls.

The Fund initially invested in Q Link in 2017 and, with follow-on investments, acquired a 47% direct shareholding in the company.

During the investment period, Apis has leveraged its extensive experience in global financial services and Insurtech to assist Q Link in developing new products and driving the acquisition of Q Sure in 2019, a company which provides a cutting-edge collections platform for short-term insurance premium payments.

This sale of Q Link represents a successful exit for the firm and its LPs. SPE forms part of Sanlam Investments, the Sanlam Group's asset management business with assets under management currently exceeding R540bn.

SPE has been active in private equity investing since 1998 and currently manages a portfolio of R4.4bn on behalf of the Sanlam Group.

SPE will obtain a majority stake in Q Link with the acquisition of shares from the Fund and other shareholders, and will continue to steer Q Link's growth in the coming years.

"It has been a pleasure to partner with Henry Smith, Ian Thompson, and the team over the past few years and we are incredibly proud of everything they have achieved," said Apis Partners Co-founder and Managing Partner Matteo Stefanel.

"With over 50 insurance companies and 240 insurance brokers currently served, and almost 15 million monthly deductions processed, Q Link has cemented its status as the preferred payment solutions provider for life and general insurance companies in South Africa, a status we know it will maintain under the new ownership."

"We are delighted that Sanlam Private Equity will become part of the Q Link family," added Apis Partners Co-founder and Managing Partner Udayan Goyal.

"With their sector-specific expertise, we are very confident that they will be able to guide Q Link successfully into the next phase of its growth." "Working with Matteo Stefanel, Nic Smalle and the rest of the Apis team has been an enlightening experience. Matteo's calm demeanour has really illustrated to me how valuable a calm approach in business can still drive profits and ensure that relationships are protected," added Henry Smith, Executive Chairman of Q Link.

DEALS

Phatisa and DFIs co-invest in Lona Group

Phatisa, together with a consortium of leading development finance institutions, has acquired a significant minority stake in South African-based citrus and fresh-produce exporter, Lona Group, for an undisclosed sum.

The investment will be used as expansion capital.

The DFI co-investors are British International Investment (BII), Norfund, and Finnfund – all of whom are also investors in Phatisa Food Fund 2, raised last year.

Sarah Mathies, Head of PE Sector Funds, British International Investment, said:

"BII is thrilled to be collaborating with Lona Group management in this co-investment led by Phatisa, a long standing and trusted partner. We are confident that Lona Group's deep market knowledge and strong growth track record, will help to strengthen the food value chain, and increase productive and inclusive economic opportunities for low-income workers, particularly women. Moreover, we are excited to support Lona Group in increasing climate adaptation initiatives that will boost business resilience and enhance sustainability within South Africa's agriculture sector."

As one of the largest integrated fruit businesses in South Africa, the Lona Group is involved in activities across the food value chain, from: farming, aggregating and packing fruit (citrus, mango, grape, olives, and stonefruit), to: cold storage and logistics, marketing fruit for export and domestic consumption, plus fruit and vegetable processing.

With line of sight across the entire value chain, Lona has tight controls, traceability, and reknowned reliability amongst customers.

Beyond its own fruit production, Lona also provides an integrated platform for other producers.

Plus, the business has expanded to value-add products, such as dried fruit through its two M-Pak facilities, Veggie Crisps, and the local leader in table olives - Cape Olive.

More recently, it acquired a majority stake in the Unlimited Group – an integrated producer, packer, processor, exporter and importer of fresh fruit, vegetables and nuts.

Established by CEO, Spencer Johnson, in 1996 from his father's garage, Lona now exports c. 5 million cartons of citrus, in addition to a significant volume of other fresh produce each year – predominantly to the UK and Europe, North America, the Middle East, Asia, and increasingly to the rest of the African continent.

Beyond its farming and packhouse operations in the Western and Eastern Cape, Mpumalanga, Limpopo and Zimbabwe, Lona has developed some of the most advanced automated cold storage facilities on the continent.

These provide Lona and their third-party customers with a state-of-the-art and efficient cold chain, thus ensuring fruit has a longer shelf life, and reducing food waste.

It is envisaged that the consortium's expansion capital will be used to further improve Lona's facilities, particularly the building of new packhouses, orchard netting to protect crops from adverse weather, the development of new innovative fruit and value-add products, as well as making the business more climate resilient whilst reducing its carbon footprint.

Andreas Davidsen, Vice President and head of Agribusiness and Manufacturing of Norfund, said: "We are impressed with the sophisticated supply chain Lona has developed, covering producers, logistics, and cold stores. By investing in their world-class facilities, processes and expertise, we believe we can contribute to providing food security, while creating much needed jobs, in line with Norfund's strategy of investing in agricultural value chains"

The investment – led by Phatisa's $143m Food Fund 2 – comes a week after Phatisa announced its successful exit from Côte d'Ivoire bottler Continental Beverage Company, and its investment into animal vaccine manufacturer, Deltamune, early this year.

Martin Kromat, Senior Partner at Phatisa, commented: "Growing from humble roots, Spencer and his team have built an impressive business, which Phatisa has been attracted to for some time. Integral to our negotiations with them has been our partnership philosophy, and shared belief that we can achieve commercial outcomes while safeguarding the environment and communities which Lona touches. Together with our co-investment partners, we are genuinely excited to play our part in the business' continued growth and domestic as well as export expansion."

Markus Pentikäinen, Investment Manager of Finnfund, added: "We are delighted to participate in this investment, which strengthens food supply, production and distribution on the African continent and further afield, all of which enhance food security – a core tenet of Finnfund's mission. Likewise, we are excited by Lona's commitment to institute a net zero carbon plan within the next decade, an undertaking which reinforces the integrity and sustainability of the business."

DEALS

TA Associates leads investment in Apex

TA Associates, Mubadala Investment Company and The Carlyle Group have taken a minority stake in Apex Group, a financial services provider.

The firms have invested alongside existing investor Genstar Capital, a growth-oriented private equity firm, as well as Founder and CEO Peter Hughes and the Apex management team.

Following investment from Genstar in 2017, Apex Group has grown both organically and via strategic acquisitions.

Including recently announced acquisitions, the Group has increased its assets under administration from $50bn to $2.75trn in assets serviced across administration, custody, depositary and under management, and delivered by 10,000 employees across over 85 offices in 42 markets worldwide (upon the close of recently announced acquisitions).

Genstar's continued support and the new investment led by TA is further endorsement of Apex's strength as a leading financial services provider, underpinned by a sustainable long-term strategy, delivered through continued focus on service excellence, investment capital to support growth, and the successful integration of recent acquisitions.

Peter Hughes, Founder and Chief Executive Officer at Apex Group said: "The announcement endorses our business model and reaffirms our commitment to our clients and employees, with some of the world's most respected investors joining us as shareholders."

"We are grateful for Genstar's continued support and the new investments by TA, Mubadala and Carlyle, which will help us to further build on the accelerated growth we have achieved since Genstar's initial investment five years ago. This new investment ensures continuity with both investors and our clients, as well as representing an exciting opportunity to continue our growth trajectory."

Investors

BII partners with Symbiotics to launch Green Basket Bond across Africa

Daniel Schriber,
Head of Investments
Symbiotics

British International Investment (BII), the UK's development finance institution (DFI), has subscribed to a $75m Green Basket Bond arranged by Symbiotics, an emerging markets access platform and financial lender.

The green lending programme is structured to direct much needed financing through MSME banks to support small-scale green projects across Africa, South and Southeast Asia.

BII and Symbiotics have partnered on this lending programme to help accelerate the origination and funding of green projects through MSME banks, particularly those requiring smaller ticket sizes than BII is mandated to fund directly.

Daniel Schriber, Head of Investments at Symbiotics, said: "Symbiotics is delighted to structure its first green basket bond in partnership with BII. Adding green use of proceeds to our emerging market investments will broaden the impact of our funding in addressing different Sustainable Development Goals (SDGs)."

"This innovative product will also increase the awareness of climate finance in emerging markets and support financial institutions in further developing and managing their green product range."

Loans provided through the basket bond to local MSME banks will unlock capital for existing small-scale green projects such as rooftop solar/off-grid electricity, sustainable agriculture, energy-efficient appliances, energy efficiency improvements, electric vehicles and more.

To further drive impact, BII is providing an additional c. $520,000 through its technical assistance (TA) facility which will be managed by Symbiotics' provider Symbiotics Association for Sustainable Development (SASD).

The TA facility will support these MSME banks to develop their green financing capabilities by enhancing their ability to identify and manage green assets.

This dynamic investment instrument is the first of its kind issued in BII's markets – covering the African continent, India, Pakistan, Bangladesh, Sri Lanka, Nepal, Indonesia, Philippines, Vietnam, Cambodia, and Laos. It is designed with an ambition to attract increased climate investment that fund green projects and sustainable practices, in addition to reducing greenhouse gas emissions and increasing access to clean energy.

Jo Fry, Investment Director & Head of Intermediated Credit, British International Investment, said: "This partnership is a testament to BII's commitment to create and catalyse new funding structures that can help address the greatest challenges in our market. We are delighted to partner with Symbiotics, a trusted impact-focused asset manager, on this pioneering programme that will accelerate inclusive access to climate finance for small-scale entrepreneurs and businesses that are developing green projects or adapting climate-conscious practices in their operations."

"This innovative green lending programme will ensure BII's capital can go further to support businesses and projects that otherwise lack access to capital, ensuring that they can continue to grow and deliver positive impact locally and broadly across their communities."

INVESTORS

Proparco to invest $10m in MUA

Proparco, the private financing arm of Group Agence Française de Développement (AFD Group), has agreed to invest $10m in MUA, a regional insurer with operations in Mauritius, Kenya, Uganda, Rwanda, Tanzania, and the Seychelles.

The investment represents a landmark partnership between Proparco and MUA, with the strategic investor being the largest international investor of its kind in the regional insurance group.

Djalal Khimdjee, Proparco's Deputy CEO, said: "This strategic investment testifies to Proparco's confidence in MUA and its potential to contribute to the growth of the insurance industry in Africa, while pursuing its transformation into a marketleading sustainable insurer."

"We are pleased to make this investment, which highlights Proparco's longstanding dedication to backing African insurance players committed to sustainable development. MUA's experienced and committed team, as well as its strong risk management culture and underwriting capabilities have given resilience to the company during the covid-19 crisis and will be key assets to realize its ambitious strategic objectives over the coming years."

Proparco has been promoting sustainable economic, social, and environmental development practices for over 40 years.

This long-term strategic partnership will strengthen MUA's ability to improve insurance coverage in Africa and accelerate the group's digital transformation.

Proparco will also contribute to the MUA's governance and value creation through the appointment of one board member to the Board of Directors of MUA.

Through previous investments in the region, Proparco has demonstrated a capacity to mobilise considerable resources and facilitate partnerships, creating opportunities to strengthen business relationships and position investees as leaders in their respective industries.

Proparco's mandate is to foster private investment in emerging and developing economies with the aim of supporting growth and sustainability, and as such is aligned with MUA's strategy of being a sustainable and responsible insurer as outlined in the group's current 3-year strategic plan, TRANSITION 2023.

MUA is a leading insurer in the region and is part of the GLOBUS Pan-African insurance network.

Over the past year, MUA has launched its 3-year strategic plan, TRANSITION 2023, been included in the Stock Exchange of Mauritius' Sustainability Index (SEMSI) and defined its Socially Responsible Investment Policy.

The strategic investor aims to facilitate and assist with further improvements to MUA's environmental, social and governance initiatives.

"We are looking forward to working with Proparco to strengthen the group's financial capacity and expand insurance coverage in East Africa. As we embark on a new phase of our regional journey with this respected partner, we aim to deliver on our sustainability objectives and have a greater social impact. Along with the equity proceeds, Proparco brings its considerable regional experience, world-class capabilities and an extensive cross-sector network," said MUA Group CEO, Bertrand Casteres.

INVESTORS

BoA, ARCH and Microsoft Climate Innovation Fund back CBEA

Bank of America, ARCH Emerging Markets Partners, and Microsoft Climate Innovation Fund have invested $25m in Africa's first project financing facility for mini-grids, CrossBoundary Energy Access (CBEA).

The investment will leverage an additional $25m in senior debt to deploy $50m of capital into CBEA's near-term pipeline of solar powered mini-grids.

Amy Brusiloff, Community Development executive for Environmental, Social and Governance, Bank of America, said: "Through this investment, Bank of America is supporting clean energy solutions in rural, hard to reach areas of Africa and helping to drive the transition to clean energy for all. This innovative blended finance structure by CrossBoundary Energy Access aggregates renewable energy mini-grid projects to achieve scale and reduce risk, which more readily enables large institutions to invest."

CBEA will deploy a total of $150m over the next two years to bring clean energy to one million people in Africa.

The mini-grids combine solar and batteries to provide 24/7 grid-quality power to households and businesses.

This initiative will enable individual local residential and small business subscribers to access renewable electricity for the first time.

These solar powered mini-grids will help bridge the gap by bringing clean electricity to rural areas of Africa that do not presently have access to electricity.

Brandon Middaugh, Director, Microsoft Climate Innovation Fund, says, "Reaching universal electrification in Africa requires scaling affordable and clean energy solutions. CrossBoundary Energy Access's innovative approach to mini-grids unlocks clean energy solutions for the millions of Africans who still lack access to power. Microsoft is proud to help scale mini-grid solutions that advance climate equity by providing clean energy access to more businesses and communities."

William Barry, Managing Director, ARCH Emerging Markets Partners Limited's Africa Renewable Power Fund (ARCH ARPF), added: "We believe that distributed renewables, including mini-grids, are a critical component of Africa's energy future, and CrossBoundary Energy Access has developed a thoughtful, blended approach to the challenge of unlocking capital for the sector. At ARCH ARPF, we aim to partner with strong management teams and invest in scalable business models that offer compelling alternatives to their customers. We are excited to support them to scale."

According to the International Energy Agency (IEA), the solar mini-grid sector needs $187bn to achieve universal energy access by 2030.

CBEA believes project finance is key to unlocking the long-term, infrastructure-type capital that the mini-grid sector needs.

Humphrey Wireko, Managing Director, CrossBoundary Energy Access, said: "This is a crucial step for CrossBoundary Energy Access towards unlocking the private and public capital needed to scale the mini-grid sector. We look forward to mobilizing this investment to bring the projects in our pipeline to life, and providing power to African homes and businesses through these distributed renewable assets."

CBEA first pioneered its blended project finance structure in 2019 with funding from Rockefeller Foundation, Ceniarth, DOEN Foundation, Shell Foundation and UK Aid.

Gabriel Davies, Managing Director and Head of Energy Access at CrossBoundary, said: "CrossBoundary Energy Access has grown up with the sector and this fundraise is a testament to the work of the developers, governments, and donors over the last few years. Confidence from ARCH, Bank of America, and Microsoft, reflects the growing maturity of both the mini-grid sector, and its ability to attract institutional capital. Our investors believe the mini-grid sector is ready to scale and that 2022 will mark an inflection point in its growth."

"Work is still needed on every aspect of mini-grids including regulation, business model, and subsidy programs. But we're excited by the step change in scale and pace that we're seeing from developers, investors, regulators, and donors, and we're encouraged by the amount of capital the sector is prepared to absorb in the next 24 months."

INVESTORS

Proparco, Swedfund and STOA invest in Serengeti Energy

Proparco, Swedfund and STOA have invested $80m in Serengeti Energy, a Sub-Saharan hydro and solar-specialized independent power producer which develops, constructs, owns and operates grid-connected renewable energy resources in a region that is currently heavily dependent on fossil fuels.

Proparco has invested $25m, Swedfund - $20m and STOA - $35m respectively.

Damien Braud, Head of Private Equity for Africa and the Middle East at Proparco, said: "By investing in Serengeti Energy, Proparco is strengthening its already existing renewable energy portfolio with small-scale hydro and solar power in Sub-Saharan Africa."

"It is also an opportunity for Proparco to contribute to sustainable economic development, including climate change mitigation, by supporting access to reliable and affordable renewable energy. With this project, Proparco supports the strengthening of Serengeti Energy's Environmental, Social and Governance processes within climate, biodiversity and gender," he said.

Sub-Saharan Africa still depends heavily on fossil fuel based generation, which makes it crucial that investments in renewable generation keeps on increasing, adding environmentally and socially sustainable and cost-efficient capacity to the grid.

Most countries in the region have an installed generation capacity with insufficient renewable base-load feature, underpinning the need to invest further in renewable energy sources.

In addition, a combination of favorable conditions, such as Africa being a continent with high hydro and solar resources unexploited to this day, is driving the build-out of renewable energy capacity.

The investment is expected to increase the production of renewable energy, contribute to increasing energy access and promote sustainable economic development.

Serengeti Energy is well-known within the Development Finance Institution group with previous equity raised from the German Development Bank, KfW, the Norwegian Development Finance Institution, Norfund and the Nordic Development Fund, NDF.

Founded in 2013, Nairobi-based team established itself as a qualified small-to-medium-size project developer through the constitution of a diversified portfolio of seven operating assets spread around South Africa, Uganda and Rwanda, which will be complemented in the near term by two additional assets currently under construction in Malawi plus Sierra Leone, to total 70+MW capacity.

"By investing in Serengeti Energy, we are strengthening our already existing renewable energy portfolio with small- and medium-scale hydro and solar power in Sub-Saharan Africa," said Maria Håkansson CEO at Swedfund.

ASSET SERVICING

Standard Bank announces Africa Trade Barometer

Philip Myburgh,
Head of Trade and Africa-China
Standard Bank

Standard Bank has launched Africa Trade Barometer, which is expected to become Africa's leading trade index.

Philip Myburgh, Head of Trade and Africa-China at Standard Bank, said that present in 20 African markets and supporting trade activities in many more, Standard Bank enjoys a uniquely privileged view of Africa, "especially its rapidly emerging enterprises heavily focused on domestic, cross-border and global trade."

Trade is deeply rooted in Africa's DNA and integral to its history and future development.

As such, Myburgh believes Africa's largest bank by assets and so single-mindedly committed to Africa's growth has a duty to "leverage its privileged position, presence and insight to intelligently inform and grow the continent's trade ecosystem."

Over the long term, rapidly growing markets in East and West Africa and the re-emergence of global growth post Covid-19, currently combine with the broadly ratified African Continental Free Trade Area (AfCFTA) to present considerable opportunity for Africa's small, medium, and larger domestic businesses.

Short-term challenges also demand closer coordination.

Current geopolitical volatility only highlights the importance of cross-border and regional African trade.

Food inflation in Africa as well as outright shortages of African staples like wheat underline the urgency of building much closer economic cooperation across the continent.

Trade offers Africa the opportunity to offset supply chain shocks while managing the worst effects of inflation, high interest rates and currency depreciation.

"Since insight is key to leveraging trade to build resilience, our Africa Trade Barometer couldn't be launching at a better time," added Myburgh.

In a world of disrupted local and global supply chains - and on a continent with significant development and infrastructural challenges - businesses face a daunting array of both new and perennial risks. Understanding and resolving pain points as businesses leverage trade to drive growth in this complex risk and opportunity landscape, requires insight – ideally informed by an on-the-ground presence and proven capability across the continent.

Standard Bank's Africa Trade Barometer will focus initially on Angola, Ghana, Kenya, Mozambique, Namibia, Nigeria, South Africa, Uganda, Tanzania and Zambia.

The Barometer, which aims to publish twice a year, currently shares comparative data on trade openness, access to finance, macroeconomic stability, infrastructure, foreign trade, governance, economy and trade finance behaviour.

Qualitative and quantitative intelligence gathered from 2,400 firms representing SMEs, large family businesses, corporates and multinationals across all 10 economies is analysed and then augmented with third-party sources including the World Bank, International Trade Center, and individual country central banks.

The result "presents one of the most comprehensive views of actual trade as experienced on the ground by real African businesses," said Myburgh.

Trends and analysis gleaned will also provide insight into the broader regions that the 10 study markets represent.

This unique view of African trade will provide a valuable resource for businesspeople, students, governments, NGOs and investors considering the continent – as well as African entrepreneurs - to assess and leverage Africa's considerable trade opportunity, currently estimated in the region of $70bn annually.

"We expect the Africa Trade Barometer to become the leading index of African trade trends, activities and developments as Africa's small, medium and large businesses define the continent's next stage of domestic growth and regional and global expansion," concluded Myburgh.

MARKETS AND INDUSTRY NEWS

Senegal issues $525.4m Sukuk

The Republic of Senegal, through the Société Nationale de Gestion et d'Exploitation du Patrimoine Bâti de l'État (SOGEPA SN), has sold XOF 330bn (around $525.4m) in three-tranche Sukuk Ijarah, attracting orders from regional and Middle Eastern investors.

The first tranche is a seven-year Sukuk; the second is a 10-year tranche, and the third tranche holds a 15-year tenor.

The Sukuk certificates will be listed on the Bourse Regionale des Valeurs Mobilieres.

Proceeds from the issuance will be utilized to finance the acquisition of buildings to be used as administrative offices, as well as financing of various other strategic government projects.

The Sukuk was issued recently through a special purpose vehicle (SPV) called the Fonds Commun de Titrisation de Créances (FCTC), or the Common Fund for the Securitization of Claims, which has been duly authorized and licensed by the Financial Market Authority (CREMPF).

The Islamic Bank of Senegal (BIS) was the Lead Arranger alongside the Islamic Corporation for the Development of the Private Sector (ICD), acting as the Co-Arranger.

Taiba Titrisation acted as the Management Company in charge of managing the SPV pursuant to the prevailing regulations.

Mouhamadou Madana Kane, CEO of BIS, said: "BIS has successfully syndicated the Sukuk to regional investors and those from the Middle East with an issue coverage rate of more than 110% within 3 days of subscription."

"This is the largest transaction in the history of the sub-regional market. ICD & BIS look forward to replicating Senegal's Sukuk success with other countries and corporates in the region."

Ayman Sejiny, CEO of ICD, added: "Senegal has returned to the regional Islamic debt capital markets almost six years after its last Sukuk issuance. This is the West African nation's third Islamic issuance, whilst the first and second issuances closed in 2014 and 2016, respectively. We are proud to see ICD & BIS as part of this developmental journey in sub-Saharan Africa and the WAEMU region. Senegal holds the distinction of being the first African nation to issue a sovereign Sukuk."

ICD is playing a pioneering developmental role in Emerging & Frontier Markets.

Despite regulatory challenges, ICD has assisted a total of six sovereigns with debut Sukuk issuances.

In recent years, the ICD has focused its work on Africa and Central Asia.

The ICD has advised several governments on their debut sales of Sukuk, including Senegal, Jordan, Togo, Mali, Maldives, and Ivory Coast. ICD hopes to attract private companies to the market as well.

ICD has also Co-Arranged many Sukuk deals for its corporate clients.

ICD has seen an increasing demand from sovereigns and corporates who are willing to explore alternative financing methods such as Sukuk.

Funds Focus on Impact Investing and Sustainability

By: Africa Global Funds

Not only in South Africa, but globally too, funds need to flex their collective muscles to ensure a sustainable future for all. As stewards of capital, retirement funds have a responsibility to future generations to invest sustainably while also building capital. Economic models are moving increasingly towards a green economy and investors and trustees need to understand the challenges and opportunities they face.

And holding some R3trn in assets at the end of 2021, retirement funds in South Africa can be a significant catalyst for impact investing in the country.

Tapping into the most important topic of the decade, The Batseta Council of Retirement Funds for South Africa (Batseta) opted to focus its 2022 Winter Conference on sustainability and environmental, social and governance (ESG) considerations with the theme Responsive, Resilient, Responsible.

CREATING VALUE AND IMPROVING THE WORLD

In her opening address, Caroline Henry, Chairman of the R175bn Eskom Pension and Provident Fund (EPPF), stated that "Retirement savings are multi-generational by nature so it doesn't help to retire into a world of relative financial soundness yet your surroundings leave devastation for future generations in terms of lack of food security or energy security and environmental poverty. We need to change the mindset that investments into these asset classes should expect to reap suboptimal returns or excessive risk."

Shafeeq Abrahams, Chief Executive and Principal Officer at EPPF, took delegates through the EPPF's learnings of South Africa's recent and not-so-recent past, the significant levels of inequality in the country and the need to build trust and confidence between fund members, staff, partners and society in general.

As a major player int the South African retirement fund landscape, the EPPF maintains a strategic initiative "to deliver decent investment returns for members whilst moving beyond investment risk and investment returns to include impact". The fund is equally committed to effecting social transformation through its investment activities as it is to honouring its obligations to members in terms of investment returns.

The EPPF has found success in investing in high-impact infrastructural investments such as student accommodation, education and hospitals, retail property in townships and rural areas and renewable energy. The fund has also aimed to increase the talent pool in the country with supporting the growth of emerging managers.

BUILDING A BETTER FUTURE RESPONSIBLY

Kenyan-based independent sustainable finance and infrastructure consultant and author of the International Finance Corporation's (IFC) "Sustainable Investment in Sub-Saharan Africa" Cecilia Bjerborn Murai unpacked the Responsible Investment and Ownership (RIO) Guide for delegates. This guide aids South African retirement funds to integrate environmental, social and corporate governance (ESG) factors into their investment processes and is based on best practice in both South African and international regulations and standards.

"We need this guide," explained Murai, "because we need a better investable environment. The investment horizon needs to shift from a focus on short-term results, to also consider the medium- to long-term outcomes and we should be looking at absolute value rather than relative value in order to build a better future." Spearheaded by Batseta, the RIO Guide has been compiled and updated by a task team under guidance from the IFC.

RESPONSIVE: DOING THE RIGHT THING

Trustees and office bearers will need to take ESG considerations into account when making investment decisions and they will need to look at the risks and the opportunities which they present.

There are regulatory pressures as well as societal and possibly also pressure from members to use retirement fund assets as a force for change in South Africa. Funds will need to prepare and develop policies that incorporate ESG principles in their investment philosophies. At the same time, fund trustees will need to continue to manage the funds with due care and respect for their fiduciary duties, to ensure that market-related returns are achieved for the benefit of the members.

This will be a journey for many funds and trustees as it will need significant upfront and ongoing commitment. As Jan Mahlangu, Retirement Funds Coordinator at Cosatu, summed it up: "We can't only tick boxes. We need to do the right thing."

How Security Trustees Protect Investor Rights In Corporate Debt Restructuring

By Rehma Imrith, Commercial Director, IQ-EQ, Mauritius

In the wake of the global economic downturn initiated by the Covid-19 pandemic, numerous businesses have found themselves facing financial difficulty. As a result, many companies – especially those in the emerging markets – are having to undergo corporate debt restructuring. In this article, we'll explore the corporate debt restructuring process and the important role of the security trustee in enforcing investor rights and ensuring restructuring arrangements proceed smoothly.

According to the IMF's Global Financial Stability Report, in October 2019 (pre-pandemic), the global corporate sector was already vulnerable due to rising debt burdens. Firms assumed larger amounts of debt and increasingly applied it toward financial risks, like funding corporate payouts to investors or mergers and acquisitions. Many of these firms were overleveraged and unprepared for the additional strain of a global pandemic and other financial stressors. In the years since, we've seen an increase in NPLs and declarations of bankruptcy. In this environment, corporate debt restructuring can provide financially distressed companies with a path to remaining in business.

WHAT IS CORPORATE DEBT RESTRUCTURING?

Corporate debt restructuring is the process that distressed companies undertake to reorganise debt obligations, restore liquidity and prevent bankruptcy. The benefits of corporate debt restructuring include access to better interest rates; reviving cash flow; and much-needed 'breathing space', allowing daily operations to continue.

How, exactly, do firms reorganise their outstanding obligations to creditors? Restructuring is done by reducing the total amount of debt and decreasing the interest rate charged while extending the loan period. Occasionally, some of a firm's debt may even be forgiven in exchange for an equity holding in the company.

When borrowers seek to obtain new funding at lower interest rates, senior lenders may decide to end their relationship with the distressed firm and sell their debt on the secondary markets. These types of transactions require an impartial interface between the company (or borrower) and its multiple creditors.

This is why an independent security trustee is essential in the debt restructuring process.

ROLE AND ADVANTAGES OF A SECURITY TRUSTEE

The security trustee acts as an impartial interface between borrowers and creditors, tasked with protecting creditor interests in the event of default or bankruptcy. They hold the security on trust for the benefit of secured creditors or groups of creditors.

The contractual arrangement takes the form of a security trust deed, which is signed by the borrower, creditors and security trustees to outline the rights and liabilities of each party and to regulate the role of the security trustee.

The security may take different forms: a debenture over assets, undertakings and guarantees of the company, or charge over property.

Choosing the right security trustee is essential in order to alleviate the administrative burden associated with such transactions, while giving the necessary comfort to creditors that their interests are protected.

A CASE IN POINT—SECURITY TRUSTEES IN ACTION

One client of IQ-EQ, a tech-enabled asset finance company operating in East Africa, is capitalised by way of equity and debt. It has borrowed funds from a group of lenders, including investment firms and development finance institutions (DFIs). The company's shares are pledged in favour of the primary lender, with a security sharing agreement in place between the company, the primary lender and other lenders. The loan book and security are administered by the primary lender.

When the company's financial position required a loan restructuring arrangement, they approached additional lenders who agreed to participate in the debt of the company. They then needed to ensure that the security was extended to those incoming lenders. In addition, while the existing lenders all agreed to extend the security, the primary lender did not want to continue administering the loan book. The additional administrative burden was simply too high.

IQ-EQ Mauritius was engaged to act as security trustee to ensure that the obligations of the company towards the incoming lenders were secured and that the loan book was properly administered. Our team also assisted with drafting the security trust deed and with amending the other constitutive documents such as the share pledge and security sharing agreement.

The two most critical attributes of a security trustee are impartiality and experience. As an independent and regulated service provider with extensive global experience in managing transactions throughout the credit cycle, IQ-EQ offers both.

IQ-EQ provides a full suite of trust services to the loan and bond markets, including trust formation, drafting of the security trust deed and loan documents, and acting as security trustee, facility agent, private placement agent, calculation agent and registrar. To find out more, please don't hesitate to contact me.

South Africa's Inflation Exceptionalism: Can It Last?

By: Carmen Nel, Economist and Macro Strategist, Matrix Fund Managers

South Africa is often seen as a high-beta play, be it regarding financial market risk aversion, or political uncertainty and corruption. Yet we have displayed remarkable exceptionalism over the past year, rarely featuring on the global political risk radar or suffering from capital flight. South Africa has, however, stood out on the inflation front. Alongside China, Indonesia and Vietnam, we are one of only a few countries where inflation is in line with the official target.

Despite near-record grain and oil prices, South Africa's inflation rate has not (yet) breached the 6% upper target limit. While this is largely thanks to the fuel levy reprieve, which was recently extended, it is nevertheless exceptional in the context of high global inflation. Moreover, South Africa's inflation rate is below that of the US, eurozone, and UK, where inflation rates are above 8.0%. Even in more developed emerging markets, such as Czechia, Poland and Hungary, consumers are facing double-digit price increases. And spare a thought for Turkey, where prices have risen by 70% over the past year.

WHAT ACCOUNTS FOR THIS EXCEPTIONALISM?

The weighting of expenditure in South Africa's consumer price index (CPI) basket is similar to developed markets, with a relatively low share assigned to fuel and food, and a relatively high share falling under services. This reduces the direct sensitivity to global oil and food price dynamics, at least as measured by the CPI.

Structurally lower economic growth since 2015 has reduced firms' pricing power as weak employment and wage growth have resulted in more price-sensitive consumers. Importantly, constrained credit growth, due to stricter banking sector regulations in the wake of the 2008/09 global financial crisis and the collapse of African Bank Investment Ltd (ABIL) in 2014, has further dampened demand and thus inflation pressure. Similarly, attempts at fiscal consolidation through lower spending and higher taxes have put further pressure on consumption demand.

While much of the disinflation from 2016 to 2020 reflected weak demand, we should give credit to the South African Reserve Bank (SARB). Since 2015, under Governor Lesetja Kganyago, prudent monetary policy with an emphasis on inflation expectations has steadily lowered longer-term inflation expectations towards the mid-point target of 4.5%.

Since the Covid-19 pandemic lockdown began in early 2020, South Africa's inflation rate has been constrained by imported deflation and weak demand. Many domestic sectors are yet to recover to their pre-pandemic levels. This negative output gap – where economic activity is running below its potential – has continued to dampen pricing power.

In contrast, many economies in the rest of the world have recovered to or are running above their pre-Covid levels, thanks to extremely loose monetary and fiscal policies. These supportive policies were maintained in the face of intensifying supply disruptions, which have now been exacerbated by the Russia/Ukraine war. Excessively high money supply growth led to the traditional "too much money chasing too few goods" in many developed markets, whereas the SARB maintained tight control of the local printing press.

BUT WHAT ABOUT THE RAND?

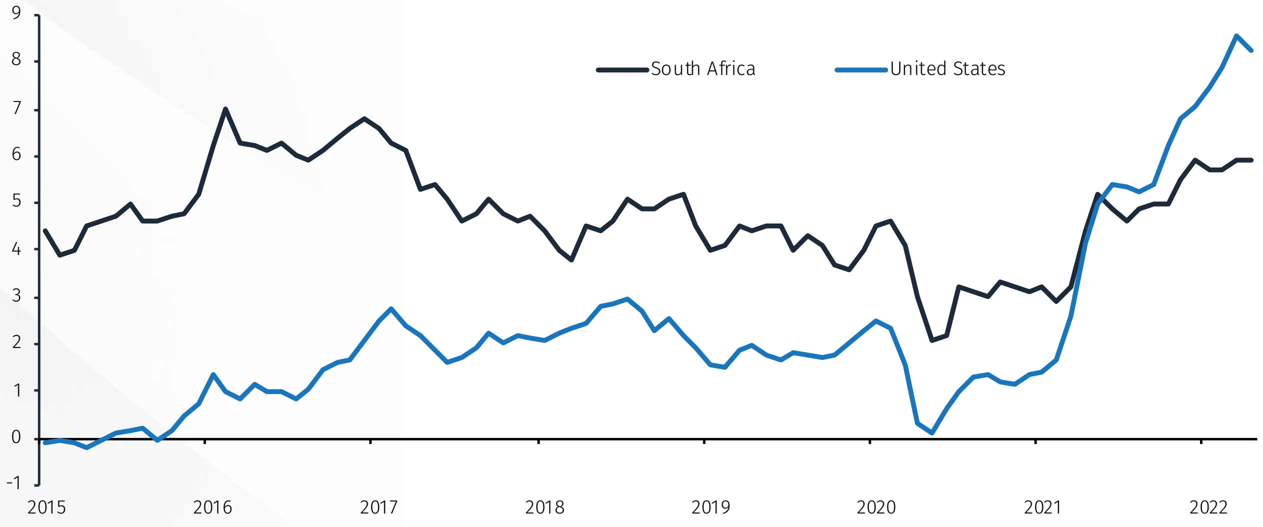
Also perplexing is the fact that inflation has been muted despite significant rand depreciation during March and April 2020. This can be explained by lower exchange-rate pass-through due to greater competition, weaker demand, import price deflation, and a rapid recovery in the rand. The rand has traded sideways, admittedly in a broad range, since 2015. In addition, the inclusion of owner equivalent rent in the CPI basket in 2009 and its relatively large weight in the index has increased the importance of services and so reduced the direct sensitivity to the currency.

CAN IT LAST?

The extent of the global inflation shock, particularly in the wake of Russia's invasion of Ukraine, will make it difficult for South Africa to continue to buck the trend of surging inflation. However, how high the inflation rate rises will depend on a few things. If the rand remains resilient, then it will mitigate some import price pressure. If the SARB's credibility remains intact, which we think it will, then longer-term inflation expectations will be capped and so too will wage growth.

While the housing market showed some signs of life following aggressive rate cuts in 2020, this has been short-lived. The credit channel remains somewhat clogged, and the SARB commenced its

CONSUMER PRICE INDEX (CPI, % Y/Y)



Source: Bloomberg

hiking cycle in November last year. Moreover, there is increasing risk of even more aggressive front-loaded policy tightening. House price momentum has already softened and rental growth remains muted. Given the substantial weight of housing costs in the CPI basket, a weak housing market will offset part of the mounting food and fuel price pressures.

A TOUGH TIME LIES AHEAD

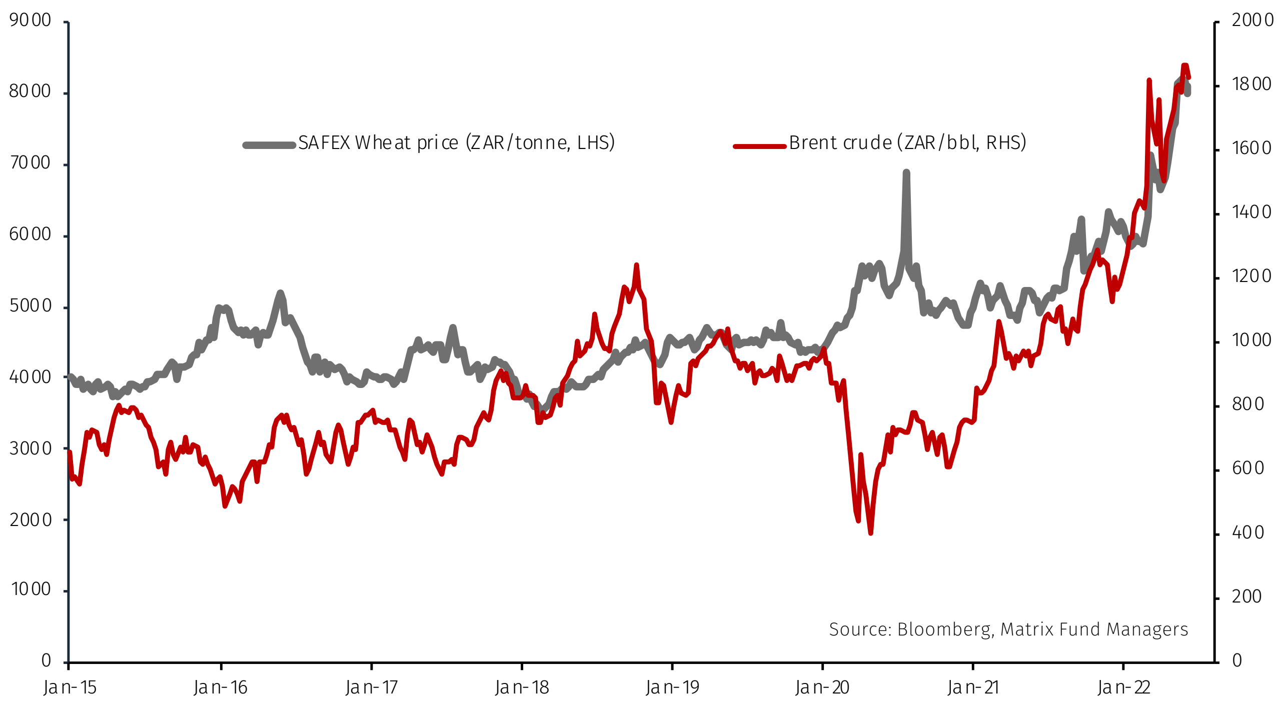
Large increases in the prices of basic items, such as food and transport, act as tax hikes on consumers as they cannot easily consume less of these items. That means they have to cut back elsewhere to make ends meet. This will dampen economic growth, particularly for more discretionary goods and services.

The big debate globally is whether we are witnessing a regime shift as the inflation psyche adjusts from low and stable inflation to expecting higher and more volatile prices in the future.

In South Africa, the SARB is still fighting the inflation battle on the expectations front. The MPC's hawkishness is to prevent us from returning to the high-inflation psyche that prevailed before and during the early years of inflation targeting.

A tough time lies ahead as policy makers try to convince us that South Africa must remain exceptional. While the scales are tipped in their favour, we should expect continued hawkish rhetoric and potential action to ensure that the message takes hold.

SURGING COMMODITY PRICES



AFRICAN MARKETS PERFORMANCE

AFRICA SOVEREIGN BOND INDICES (TOTAL RETURNS USD %)

Country	May	3-Month	1-Year
Botswana	1.40%	-1.07%	-13.67%
Egypt	-1.18%	-14.75%	-5.84%
Ghana	-9.90%	-18.15%	-22.54%
Kenya	-0.85%	-2.38%	0.59%
Mauritius	-2.07%	0.26%	-7.58%
Morocco	1.28%	-3.14%	-9.11%
Namibia	2.42%	0.97%	-9.22%
Nigeria	0.70%	1.57%	19.68%
South Africa	2.51%	-1.04%	-6.99%
Tanzania	1.12%	6.97%	22.32%
Uganda	-5.70%	-4.00%	8.55%
Zambia	1.46%	9.30%	99.49%

Source: S&P Dow Jones Indices

AFRICA EQUITY INDICES (BMI GROSS TOTAL RETURNS USD %)

Country	May	3-Month	1-Year
Botswana	3.00%	2.32%	15.02%
Cote d'Ivoire	0.65%	-3.80%	21.93%
Egypt	-7.82%	-22.08%	-9.74%
Ghana	-0.81%	-11.57%	-12.75%
Kenya	-10.43%	-16.60%	-22.21%
Malawi	-15.47%	-8.88%	26.49%
Mauritius	-5.62%	0.99%	18.06%
Morocco	-5.34%	-9.26%	-9.02%
Namibia	4.27%	1.19%	12.62%
Nigeria	0.39%	5.65%	20.78%
Rwanda	3.90%	9.03%	6.98%
South Africa	1.00%	-3.23%	-5.34%
Tanzania	3.85%	1.49%	15.13%
Tunisia	2.32%	-2.96%	-12.73%
Uganda	-12.74%	-5.49%	-11.44%
Zambia	-2.83%	10.63%	197.41%

Source: S&P Dow Jones Indices

MARKET COMMENTARY:

Enko Africa Debt Fund

In May, on the hard currency side, the Sub-Sahara Africa debt index (EMBI SSA) lost -3.08% on the month, taking its YTD return to -13.68%. Global hard currency EM debt (JPM EMBI) suffered a 5th consecutive negative month with a return of -0.19%. This has left the EMBI with a YTD loss of -14.39%. Local currency EM debt (JPM GBI-EM) rebounded with a return of 1.99% in May, however the index has a YTD loss of -10.35%.

While the first five months of the year have generated the Fund's largest drawdown to date, the Enko Africa Debt Fund (EADF) continues to outperform the included EM debt indices. The EMBI and GBI-EM's current drawdowns are larger than the ones registered during the COVID induced sell-off in 2020. On cumulative basis since the Fund's inception, the GBI-EM is negative (-3.27%), and the EMBI is slightly positive (2.03%).

The Fund has outperformed the EMBI SSA since inception by over 75% (net). The Fund's Sharpe remains above 1.7 over the 3-year, 5-year, and inception periods. The Fund's correlation to regional and global EM debt indices remains flat to slightly positive over the 3-year, 5-year, and inception periods EADF's portfolio ended the month with exposure to 12 different African countries and 3 hedges.

The largest risk exposures (ex-cash) were to Rates Hedges (34.4%), Egypt (18.6%), Kenya (15.6%), Nigeria (12.4%), and Angola (12.4%). At the end of May the Fund had several smaller exposures to Côte d'Ivoire (2.8%), Gabon (1.2%), Uganda (0.8%), Ghana (0.7%), Zambia (0.6%), DRC (0.3%), Cameroon (0.1%), and Botswana (0.1%).

The Fund also had exposure to macro hedges (0.1%), and Euro hedges (<0.1%). The portfolio (ex-cash) was concentrated in sovereign issuance at 99.7%. The remaining risk allocation of 0.3% was in corporates.

The Enko Africa Debt Fund's volatility and negative returns in 2022 have deviated from its first 5 years of performance. While Enko has positioned the Fund in a defensive manner aligned with its macro views and the opportunities present in the market, the unprecedented sell-off

in certain markets has imposed a mark-to-market loss on the Fund. However, the Fund's performance versus both hard and local currency emerging market debt indices remains compelling over the Funds 5+ year history.

PRIVATE EQUITY FUNDS & DEALS

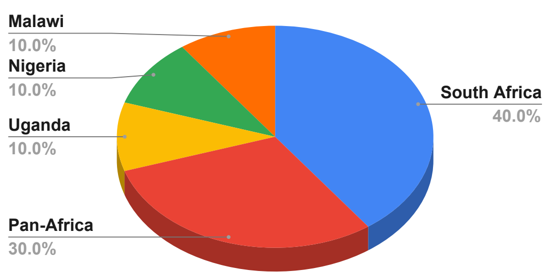
(as of 31st May 2022)

DEALS

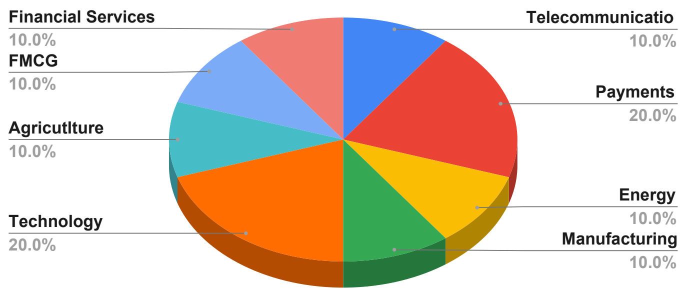
For more information on each transaction, visit Africa Global Funds's website

Company	Investment	Industry	Country	Deal Type	Deal Value
African Infrastructure Investment Managers // South African Housing & Infrastructure Fund (SAHIF) // STOA	MetroFibre Networx		South Africa	Follow-On	Undisclosed
Apis Partners	DT One	Payments	Pan-Africa	Growth Capital	Undisclosed
Emerging Africa Infrastructure Fund	Serengeti Energy	Energy	Uganda	Loan	$10.6m
EXEO Capital	Chemical Process Technologies	Manufacturing	South Africa	Buyout	Undisclosed
Kalon Venture Partners, Hlayisani Capital, Tritech Global and 4Decades Capita	GoMetro	Technology	South Africa	Seed	R16.3m
LeapFrog Investments // Tana Africa Capital	Interswitch	Payments	Nigeria	Buyout	Undisclosed
Phatisa // British International Investment // Norfund // Finnfund	Lona Group	Agricutlture	South Africa	Growth Capital	Undisclosed
Samurai Incubate // Consonance Investment // Sahil Lavingia (Gumroad) // Kinfolk VC	Norebase	Technology	Pan-Africa	Pre-Seed	$1m
Spear Capital	Arkay Plastics	FMCG	Malawi	Follow-On	Undisclosed
TA Associates // Mubadala Investment Company // The Carlyle Group // Genstar Capital	Apex Group	Financial Services	Pan-Africa	Growth Capital	Undisclosed

DEALS BY COUNTRY



DEALS BY INDUSTRY



FUNDRAISING

Company	Fund	Geography	Style	Sectors	First Close	Final Close	Date Announced
AfricInvest	AfricInvest Fund IV	Pan-Africa	Growth Capital	Generalist		$411m	May 31, 2022
Chancen International	Future of Work Fund	Rwanda	Growth Capital	Education	$21m		May 12, 2022
Havaic	HAVAÏC Universum Core African Fund	Pan-Africa	Venture Capital	Technology		$20m	May 5, 2022

EXITS

Company	Divestment	Industry	Country	Buyer	Nature of exit
Apis Partners	Q Link	Payments	South Africa	Sanlam Private Equity	Secondary Buyout
Apis Partners	Sun King	Energy	Pan-Africa	BeyondNetZero	Partial Exit
Mediterrania Capital Partners	Groupe Cofina	Financial Services	Côte d'Ivoire	Development Partners International	Secondary Buyout
Old Mutual Private Equity	Consol Holdings	Glass	Pan-Africa	Ardagh Group	Trade
Sanlam Private Equity	MetroFibre Networx	Telecommunications	South Africa	African Infrastructure Investment Managers // South African Housing & Infrastructure Fund (SAHIF) // STOA	Secondary Buyout

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 2022-05-31)										
-5.33	-1.38	2.84	-1.79	-1.11	326.00 (04/21)	Equity	Africa ex-SA	Cayman Isl.	Open-End	06/14
Absa Africa Equity Fund (as-of 2022-06-16)										
-7.52	-7.84	5.17	-2.15	2.01	14.95 (05/22)	Equity	African region	South Africa	Unit Trust	10/16
African Domestic Bond Fund (as-of 2022-03-31)										
-1	-2.5	1.4	26.9		38.90 (02/22)	ETF - local currency FI	African region	Mauritius	Open-End	9/18
African Lions Fund (as-of 2022-03-31)										
6.1	-1.41	25			15.64 (03/22)	Equity	SSA ex-SA	BVI	Open-End	10/20
Allan Gray Africa Bond Fund (as-of 2022-05-31)										
-7.8		-8.4	2.5	5.5	357.00 (05/22)	Fixed Income	Africa ex-SA	Bermuda	Open-End	3/13
Allan Gray Africa Equity Fund (as-of 2022-05-31)										
		13.2	25.6	40.4	307.00 (04/22)	Equity	African region	Bermuda	Open-End	07/98
Allan Gray Africa ex-SA Equity Fund (as-of 2022-05-31)										
3.61	-2.12	6.77	10.04	9.28	502.00 (02/22)	Equity	Africa ex-SA	Bermuda	Open-End	1/12
Alquity Africa Fund (as-of 2022-06-16)										
-5.69	-6.05	-4.86	-4.2	-3	5.65 (05/22)	Equity	African region	Luxembourg	SICAV	6/10
Altree Capital - Africa Opportunities Fund (as-of 2022-02-28)										
-3.4	-3.11	7.13	19.97			Equity	African region		Open-End	6/06
Arisaig Africa Consumer Fund (as-of 2022-05-31)										
7.96	-0.38	5.56	-42.15	-28.27	1.31 (05/22)	Equity	African region	Mauritius	Open-End	12/07
Bellevue Funds Lux - BB African Opportunities (as-of 2022-06-16)										
-1.09	-6.03	-0.44	-6.54	-1.83	50.97 (05/22)	Equity	African region	Luxembourg	SICAV	6/09
Commonwealth Africa Fund (as-of 2022-05-31)										
4.88	0.11	0.13	4.6	1.65	3.56 (05/22)	Equity	African region	USA	Open-End	11/11
Coronation Africa Frontiers Fund (as-of 2022-05-31)										
-14.4	-16.38	-9.43	2.09	2.31	390.76 (07/21)	Equity	Africa ex-SA	Ireland	Unit Trust	10/08
DWS Invest Africa (as-of 2022-06-16)										
-7.97	-4.54	-1.78	-3.01	-2.56	28.40 (05/22)	Equity	African region	Luxembourg	SICAV	07/08
EFG-Hermes MEDA Fund (as-of 2022-06-16)										
22.65	-4.72	51.64	21.41	13.97		Equity	Africa & Middle East	Bermuda	Open-End	12/11
Emerging Africa Bond Fund (as-of 2022-04-29)										
-7.51					2.40 (04/22)	Fixed Income	African region	Mauritius	Open-End	09/16
Enko Africa Debt Fund (as-of 2022-05-31)										
-10.4	-1.9	-4.22	11.54	12.31	717.23 (05/22)	Fixed Income	Africa ex-SA	Mauritius	Open-End	10/16
Fidelity Funds - Emerging Europe, Middle East and Africa Fund A (as-of 2022-06-16)										
-44.46	-5.28	-47.49	-13.59	-6.76	258.12 (54/22)	Equity	EMEA	Luxembourg	SICAV	06/07

YTD (%)	1 Month	1 Year	3 Year	5 Year	AUM ($m)	Strategy	Focus	Domicile	Type	Start
Imara Africa Fund (as-of 2022-05-31)										
-17.62	-6.77	-18.79	-0.23	0.28		Equity	African region	Cayman Isl.	Open-End	04/09
Imara African Opportunities Fund (as-of 2022-05-31)										
-23.01	-7.02	-27.97	-4.91	-6.44		Equity	African region	BVI	Open-End	6/05
JPMorgan Funds - Africa Equity Fund (A) (as-of 2022-05-31)										
-0.89	-3.94	-6.02	2.63	0.95	123.97 (06/22)	Equity	African region	Luxembourg	SICAV	5/08
Laurium Limpopo Master Fund (as-of 2022-05-31)										
-13.66	-5.55	-11.48	-5.14	0.53	168.90 (03/22)	Equity	Africa ex-SA	Cayman Isl.	Open-End	01/14
Mazi Capital Africa Fund (as-of 2022-05-31)										
-12.67	-4.18	-4.71	-4.53	-1.99	92.00 (03/21)	Equity	Africa ex-SA	South Africa	Open-End	01/16
MCB Africa Bond Fund (as-of 2022-03-31)										
-1.9	-5.2	1.3	17.1	34	11.78 (02/22)	Fixed Income	African region	Mauritius	Open-End	2/14
Ninety One Premier - Africa Fund A (as-of 2022-05-31)										
-8.99	5.22	-42.41	-21.6	-11.34	0.84 (05/22)	Equity	African region	Guernsey	Open-End	01/07
Old Mutual African Frontiers Fund (as-of 2022-05-31)										
-19.05	-9.3	-7.5	-2.2	2.43	291.00 (04/21)	Equity	Africa ex-SA	Ireland	Open-End	5/10
Optis African Frontier Fund (as-of 2022-05-31)										
-15.97	-6.9	-12.22	-2.49	0.39	40.51 (03/22)	Equity	African region	BVI	Open-End	8/09
Robeco Afrika (as-of 2022-03-31)										
0.7	-1.85	17.1	5.94	5.6	28.40 (03/22)	Equity	African region	Netherlands	Open-End	6/08
Rudarius Africa Fund (as-of 2022-05-31)										
-17.48	-4.64	-15.87	-6.59	-3.81	30.00 (03/21)	Equity	Africa ex-SA	South Africa	Open-End	06/14
Sanlam Africa Equity Fund (as-of 2022-05-31)										
-5.62	-4.54	-1.13	4.8	4.8		Equity	Africa ex-SA	Ireland	Open-End	07/15
Sanlam Centre Africa Equity Fund (as-of 2022-05-31)										
-8.86	-3.48	-8.11			60.46 (05/22)	Equity	Africa ex-SA	Cayman Islands	Open-End	05/19
Sanlam Centre Sub Sahara Africa Equity Fund (as-of 2022-05-31)										
-3.45	-2.89	-6.68	-3.73	-3.43	51.74 (05/22)	Equity	Sub-Saharan ex.SA	Cayman Islands	Open-End	07/08
Steyn Capital Africa Fund (as-of 2022-05-31)										
0.87	-3.12	3.67	3.03	5.91	163.00 (05/22)	Equity	Africa ex-SA	Malta	SICAV	09/11
Sustainable Capital Africa Alpha Fund (as-of 2022-05-31)										
2.09	-3.58	-1.74	8.51	0.08	300.30 (04/21)	Equity	Africa ex-SA	Mauritius	Open-End	02/12
TCM Africa High Dividend Equity (as-of 2022-05-31)										
-11.69	-3.89	-7.24	-5.3	-1.09	9.60 (04/21)	Equity	Africa ex-SA	Holland	Open-End	03/08
Threadneedle Lux - Stanlib Africa Equity (as-of 2022-06-16)										
7.18	-0.97	8.11	1.2	2.31	1.54 (05/22)	Equity	African region	Luxembourg	SICAV	8/14
T. Rowe Price Africa & Middle East Fund (as-of 2022-05-31)										
5.43	-4.08	13.27	9.8	8.03	170.90 (05/22)	Equity	MENA & SSA	United States	Open-End	10/11

Source: Company Data, Morningstar

Retirement Funds
Are Uniquely Positioned To Drive ESG

By Africa Global Funds

In South Africa, as with most countries, retirement fund assets represent the largest source of invested assets in the country by a significant margin. This puts them in a singularly strong position to drive the shift to investing sustainably and for positive impact.

According to National Treasury, South Africa has slightly over 5000 active retirement funds that preserve the long-term assets of more than 16 million contributing members and retirees. And South African retirement funds account for around 100% of the country's annual gross domestic product (GDP). To date, retirement funds have been able to spend an estimated R4.4bn in various sustainability initiatives, such as renewable energy and affordable housing projects.

The retirement fund industry manages a significant pool of assets and, therefore, has a large role to play in driving ESG forward. Darryl Moodley, Head: Tailored Investments at Sanlam Corporate, said: “As long-term investors, retirement funds are innately exposed to ESG risks and should have strategies in place to address it.”

“Wider than the direct financial impact on their members, retirement funds are custodians of a significant amount of capital, and therefore are influential stakeholders in the determination of economic and strategic policy,” he said.

Sanlam, through its investment arm Sanlam Investments, has partnered with global sustainable investment firm, Robeco, to tap into its decades long experience in sustainable investing.

Lucian Peppelenbos, Climate Strategist at Robeco, said that the stewardship responsibility of retirement funds is huge as they can influence policymakers and the companies they invest in. He added that funds can certainly exclude some companies that they believe are not up to standard and send a strong signal to the market. However, he said that they will remain invested in most companies – and this is where a strong approach to voting and engaging with companies to advance sustainability practices is vital.

Additionally, there are several elements to consider, most importantly the asset allocation of a fund: Not all assets will be invested in their home country; most assets will be invested in liquid markets, where the impact on ESG is more indirect (influencing share prices and bond yields) than, for example, if a retirement fund invests directly into clean energy or microfinance projects.

Robeco’s biannual climate survey has shown that 75% of institutional investors globally see climate at the centre of, or a significant factor in, their investment policy. Moodley said that, in the SA context, he has seen that retirement fund decision-makers are developing their knowledge around ESG, and are beginning to actively engage their advisers, asset managers and investee companies.

Currently, there is no requirement to invest sustainably in South Africa. With the recent launch of the SA Green Finance Taxonomy, Moodley said that a common reporting framework will drive enhanced transparency and, ultimately will foster more sustainable investing practices, particularly as it pertains to investing for positive impact. Despite the challenging investment environment experienced in 2022, he is increasingly seeing clients consider impact as a “double-bottom” line strategy – one that is able to deliver both tangible positive impact as well as competitive commercial returns.

Moodley explained how navigating a “just transition” is a complex issue, as SA economy is highly dependent on fossil fuels and will likely remain dependent over the next few decades. SA firms that are significant carbon emitters are also big employers, so it is important to be able to re-skill individuals as we navigate to an economy that is less carbon intensive. For a country with significant unemployment and inequality problems, these issues are far more pressing. Additionally, emerging market countries (such as SA), emit far less greenhouse gases than developed countries, and should therefore be afforded a longer runway to transition away from fossil fuels.

It is trite that many investors, including retirement funds, are considering “exclusionary” criteria and disinvesting from listed companies who are significant carbon emitters. However, Moodley believes that simply disinvesting does not address the problem – it merely shifts it to the unlisted space where there is less oversight and a lack of disclosure requirements. Peppelenbos agreed, in that the key is rather foster meaningful engagement and vote, to exert influence on companies to address material ESG issues.

Within this context, this year’s Sanlam Benchmark Survey – an annual body of research into the state of retirement funds and retirees in South Africa – has revealed an increased focus on ESG.

“We are hoping that the findings of the 2022 survey encourage more meaningful and widespread discussions and co-ordinated action around the impact of ESG and climate change on the environment, and retirement funds in particular,” Moodley concluded.