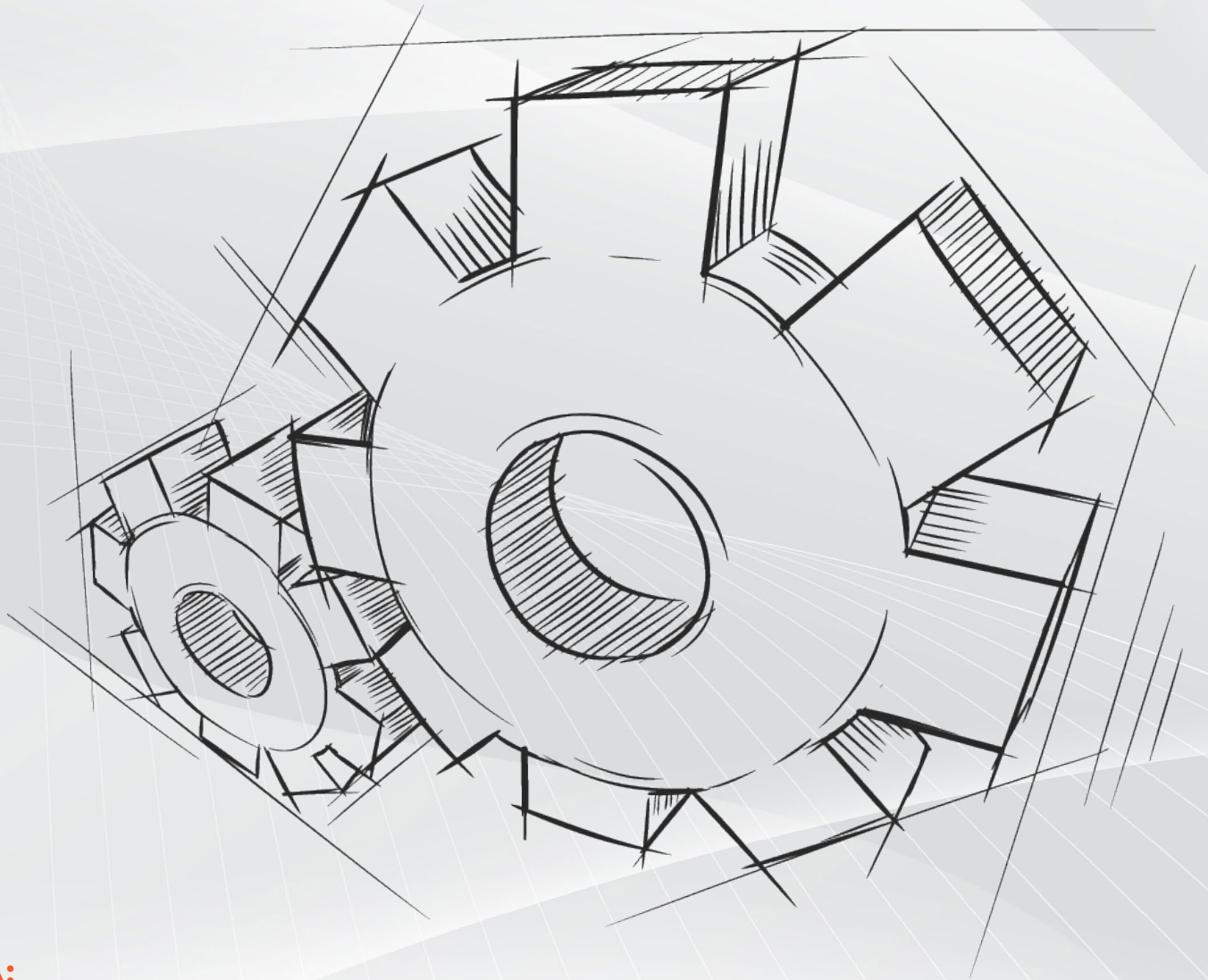


AFRICA GLOBAL FUNDS

HOW TO PREPARE FOR A SUCCESSFUL EXIT?



Q&A:
MEETING WITH SHAFEEQ ABRAHAMS, EPPF CEO

COMMENT:
THE IMPACT OF THE RUSSIA - UKRAINE WAR ON AFRICA

NEWS:
EPPF LAUNCHES DEBT FUND FOR SA SMES



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In this month's issue of AGF we ask industry experts on their thoughts about successful exits in Africa. Read commentary from Mediterranean Capital Partners, Finfund, Old Mutual Private Equity and IQ-EQ on pp.14-15.

This month we learned that the Eskom Pension and Provident Fund (EPPF) launched the South African SME Debt Fund, a debt fund designed for South African Small Medium Enterprises (SMEs).

We caught up with Shafeeq Abrahams, Chief Executive and Principal Officer at EPPF, to learn more about the fund, EPPF investment strategy and pension funds and trends around pension funds investing in Africa (news on p.4 and QA on pp. 16-17).

Many have been following closely the Russia-Ukraine crisis. In this edition, Dr Muhammad Gambo of Shelter Afrique, shares his thoughts on what it means for Africa on p.24.

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

EPPF Launches Debt Fund for SA SMEs, Appoints Sanlam Investments as Fund Manager



Shafeeq Abrahams,
Chief Executive and Principal Officer
EPPF

The Eskom Pension and Provident Fund (EPPF) has launched the South African SME Debt Fund, a debt fund designed for South African Small Medium Enterprises (SMEs).

The fund will be managed by Sanlam Investments, following its appointment as the external fund manager.

EPPF committed R350m to the investment pool, while Sanlam made a co-investment of R50m.

The debt fund seeks to help SMEs with high growth potential and stable business strategies through loans priced at a maximum interest rate of prime with an equity upside to yield a further 5% return.

The loans can be repaid within a maximum period of 60 months.

"The EPPF recognises that it operates within an environment with many social challenges. We believe the EPPF has a role to play in social and economic transformation in the country. In line with the EPPF's purpose to help prepare our members – and the South African economy at large – for a better financial future, we are pleased to launch this debt fund to assist SMEs," said Shafeeq Abrahams, Chief Executive and Principal Officer at the EPPF. "

The debt fund will prioritise businesses that have been in existence for at least three years and have shown signs of profitability before the COVID-19 pandemic.

It will also prioritise businesses in the manufacturing and agro-processing sectors, among other criteria.

"We want to focus on the manufacturing and agro-processing sectors because it has the potential to employ so many people, creating a multiplier effect that strengthens the economy. With South Africa's current unemployment rate at 35.3% in the fourth quarter of 2021, we

need to do better collectively as a nation," said Abrahams.

"We need to reduce our reliance on imports, spur the growth of the economy and ensure food security for all. At the same time, it provides the required investment returns to enable the Fund to pay benefits to its members," he added.

Abrahams said that in order to manage risk, the loans will be amortised and each company will be requested to provide security for the loans.

"Once the loan is fully repaid, the fund will participate in the profits of the SME to achieve the envisaged return," he said.

Commenting on Sanlam Investment's appointment as the external fund manager, Abrahams noted that Sanlam Investments already has extensive experience managing debt funds for the SME market.

"Sanlam has a 10-year track record in SME direct lending in South Africa, and currently manages around R2.3bn in SME debt strategies. We believe their deep understanding of the local SME sector will be instrumental in growing this endeavour," he said.

According to Nersan Naidoo, CEO of Sanlam Investments, the fund aims to help businesses that traditional lending institutions currently underserve. "We have seen time and again that the traditional methods of providing debt financing to SMEs are ineffective in a struggling economy. Most lenders are geared towards the needs and risk profiles of larger companies. This often excludes smaller businesses - and especially black-owned companies. That is why we believe there is a need to take a more flexible approach," he said.

He added that SMEs are undeniably the lifeblood of the South African economy, which is why it is vital to offer funding options that cater to their specific challenges.

"If our economy is going to recover, a large part is going to be because of our country's small businesses. By offering them the kind of support they truly need right now, we can ensure a better future for our whole country," he said.

FUNDRAISING

Future of Work Fund Gets \$21M at First Close

Chancan International (CI) has announced the first close for its \$21m Future of Work Fund (FWF), a significant move aimed at realizing African Union's agenda 2063 which advocates for well-educated citizens and skills revolution underpinned by science, technology, and innovation.

The fund will also bolster UN Sustainable Development Goals in

Africa which focuses on ensuring inclusive and equitable quality education and promote lifelong learning opportunities for all.

The FWF will provide student financing for 10,000 youths, with a specific focus on women and other traditionally excluded populations.

These activities align with Rwanda's targets to create 250,000 new jobs every year through vocational training as well as Rwanda's 2050 vision

to create universal access to high quality education for all Rwandans.

According to data from UNESCO, public spending on education, percentage of GDP in Africa is still low.

The average for 2020 based on 14 countries was 4.77%. The highest value was in Namibia at 9.41% and the lowest value was in Mauritania at 1.89%.

To further drive ethical and inclusive access to quality education across the continent, the FWF will extend its model to other countries, with Kenya lined up to be the next beneficiary.

Batya Blankers, Co-Founder & CEO of CI, said: “Our vision is to provide a fair and ethical financial product to allow students to access high quality education. Income Share Agreements evaluate an individual's future potential in terms of credit risk rather than the traditional focus on current assets and financial standing which limits access to financial products impossible for many students.”

CI launched the FWF in 2021 with an anchor investment from the UBS Optimus Foundation, based in Switzerland.

Through the FWF, high quality education institutions can access funding for each student they enrol.

The FWF has now received additional investment commitments from the US Development Finance Corporation, Klett Group, Kaizenvest,

Ceniarth and Cassiopeia.

Unique in the set-up of the FWF is an equity stake held by the students themselves, providing student representation at board level, which has been enabled by generous grant support from Vitol Foundation and other philanthropic donors.

The FWF is domiciled in the Kigali International Finance Centre (KIFC), Rwanda.

“The Future of Work Fund is a gamechanger for student financing in Africa. The FWF allows us to reach more talented youths who otherwise would not be able to access the training needed to successfully transition from learning to earning. Given Kepler's high employment numbers for graduates, it is clear that investing in these students is a good investment,” commented Nathalie Munyampenda, CEO of Kepler, a Future of Work Fund education partner.

Speaking to the need for inclusive education, Dhun Davar, Head Social Finance, UBS Optimus Foundation, said: “There is a huge need for more, better and more inclusive education in Rwanda and with a fast-growing student population we see that the FWF fills a real gap by supporting students to gain better skills and drive Rwanda's economic development.”

FUNDRAISING

Havaic Completes Final Close of Its Second Pan-African Fund

Cape Town-headquartered venture capital (VC) firm HAVAIC has announced the third and final close of its second pan-African investment fund. The fund raised \$20m, which is right on par with the initial target, HAVAIC said.

The Fund invests in startups born in Africa that use technology to solve real-world local, regional, and international challenges and make an impact in the markets they serve.

The Fund invests in and supports early-stage, post-revenue seed investments up to later-stage growth Series A investments.

“The Fund's institutional investors bring new international relationships and capital. Coupled with our experience in investing in Africa, this makes for a winning combination of local expertise, networks, and follow-on funding internationally. These are all necessary ingredients when scaling businesses,” said Ian Lessem, Managing Partner at HAVAIC.

Since launching in 2020 under a joint venture with Universum Wealth, the Fund has invested in several South African, Kenyan, and Nigerian technology start-ups.

Following its second close in 2021 and the inclusion of leading institutional partners such as South African-based Fireball Capital, the third and final close allows HAVAIC to execute on its exciting pipeline of investment opportunities and leverage off its partnerships with existing and new investors in both Africa and across the globe.

“The escalating interest from local and international investors supports the growing prominence of African venture capital as an asset class. This is off the back of an influx of increased investment in recent years spurred on by growing awareness for these enticing African investment opportunities for local and international investors.

And with the investment demand for African tech-enabled companies showing no signs of slowing down, this is just the tip of the iceberg,” added Lessem. The Fund is on track to complete up to 25 investments over the next three years.

A third of the funds have already been deployed into early-stage African technology companies in the FinTech, HealthTech, and SafeTech industries, including Aura, Kuda, Crowdforce, Mobiz, Comparisure, Tanda, RecoMed, and HearX.

“We are drawn to HAVAIC's track record of supporting businesses that use technology-enabled solutions to solve real-world problems,” said Justin James, Investment Partner at Fireball Capital.

“The impact of our smart capital allocation will result in sustainable job creation in South Africa and on the rest of the continent. And we look forward to working with our partners to successfully internationalise these businesses onto the global stage,” he added.

The news follows the release of HAVAIC's 2021 results.

The VC firm's portfolio companies now serve a combined 5 million customers in over 180 countries across the globe.

Last year, HAVAIC's portfolio companies raised \$110m in fresh capital and increased revenue by 160%.

To date, HAVAIC has achieved three international exits, delivering annualised returns to its investors of 155%.

“Investing in private markets has become an increasingly important consideration for private clients, and the continued success of our joint venture with HAVAIC has ensured that we deliver the investment needs of our clients in this fast-growing asset class,” said Jonathan Sieff, Co-Managing Partner at Universum Wealth.

HAVAIC announced the latest addition to its diverse 15-strong portfolio of companies in February 2022, Crowdforce, which empowers Nigeria's underserved and unbanked population.

In the coming weeks, the VC firm is set to finalise investments into leading pan-African communications platform Talk360 and Nigerian e-commerce player ShopEx.

AIIM Completes Follow-on Acquisition in Metrofibre Network



Thor Corry,
Investment Director
AIIM

African Infrastructure Investment Managers (AIIM) has completed a follow-on acquisition in MetroFibre Network (MetroFibre), following approval from the Independent Communications Authority of South Africa.

AIIM, alongside a consortium comprising South African Housing & Infrastructure Fund (SAHIF) and STOA, a foreign investment vehicle based in France, has acquired an additional 25.8% interest in MetroFibre, previously held by Sanlam Private Equity, African Rainbow Capital and a minority shareholder.

The deal was first announced in June 2021.

Completion of the transaction follows MetroFibre's ZAR1.5bn equity funding round by AIIM, SAHIF and STOA which concluded in December 2020.

The transaction brings AIIM's total investment in MetroFibre to 37%, making it the largest single shareholder in MetroFibre.

MetroFibre, which was launched in 2010, is a high-growth player in South Africa's Fibre-To-The-Home and Fibre-To-The-Business markets. Over the last 10 years, MetroFibre has expanded its service offering to both residential and corporate customers, in line with its strategic objective of being a diversified operator.

MetroFibre owns and manages its core network, which is a globally

compliant Carrier Ethernet 2.0 open access network.

Thor Corry, AIIM Investment Director, said: "The transaction secures AIIM's investment vehicle Digital Infrastructure Investment Holdings as the single largest shareholder in MetroFibre at a time when the business is rapidly expanding its fibre footprint. MetroFibre has accelerated roll-out to a point where it is now one of the largest South African Fibre-To-The-Home players by homes passed, but there remains a long way to go to address connectivity shortfalls in the country. The streamlined shareholder register is united in its support for the MetroFibre management team and provides the access to capital necessary to realise their growth ambitions."

Jan-Jan Bezuidenhout, MetroFibre's CEO, added: "Over the past year, MetroFibre has accelerated its fibre rollout with over 350,000 homes passed as at April 31, 2022, and we are aiming to pass an additional 500,000 homes by 2025. We continue to pursue innovative approaches to address South Africa's connectivity shortfalls and are pioneering unique solutions that cater for customers with different needs. This includes a pay-as-you-go model for underserved areas and packages which suit those who only require intermittent use, removing the need to commit to lengthy contracts. This is particularly important for affordable housing estates and residential areas with high rental occupancy where customers want to avoid being tied into long-term contracts or don't need an 'always on' service. We welcome the changes in the shareholder base and look forward to growing the business with their support."

DEALS

LeapFrog and Tana Co-invest in Interswitch

LeapFrog Investments and Tana Africa Capital have made a strategic investment in Interswitch, one of Africa's leading technology-driven companies focused on the digitisation of payments.

Karima Ola, Partner, Head of Africa Financial Services, LeapFrog Investments, said: "Interswitch, a pioneer in African payments ecosystem, has been disrupting the cash economy, driving digital payments and promoting equitable financial inclusion in Nigeria for two decades. This investment by LeapFrog affirms the formidable talent at

Interswitch, and how well-placed it is to seize the significant opportunity in Africa's evolving digital payments landscape. LeapFrog is proud to be partnering with Interswitch to further enhance their innovative, digital capabilities to deliver sustainable scale, whilst positively impacting the lives of millions of people and businesses across the region."

The investment will assist in supporting the company's drive to advance the payment ecosystem across the continent.

A portion of the investment has been acquired from existing

shareholders, with Ignite Holdco Limited, made up of Helios Investment Partners and TA Associates, remaining the largest shareholder in the business following the transaction.

Alongside existing investors, LeapFrog and Tana will work with

balanced across the business, with women making up approximately 40% of employees across Africa, and 38% of the management team.

Mark Tindall, Managing Director and CEO, Tana Africa, said: "Interswitch has developed a strong position at the nexus of Nigeria's payments

"Interswitch has developed a strong position at the nexus of Nigeria's payments ecosystem, underpinned by an offering which is primed for continued growth"

- Mark Tindall, Managing Director and CEO, Tana Africa

management to continue to drive Interswitch's pan-African strategy, as it looks to access new customers across the continent, innovate with new products and services, and support its financial inclusion strategy. Founded in 2002 by entrepreneur Mitchell Elegbe, Interswitch disrupted Nigeria's traditional cash-driven payments system, introducing electronic payments processing and switching services to the market. Today, Interswitch operates two flagship brands, Verve, a debit card scheme operating across Africa and Quickteller, a popular multichannel consumer and business payments platform.

Led by a highly experienced management team, Interswitch is committed to being a responsible business, focused on employee wellness and talent development with 948 full-time employees across Africa. Interswitch also maintains an inclusive culture and is gender-

ecosystem, underpinned by an offering which is primed for continued growth. The business' evolution is testament to management's track record and tenacity. Alongside LeapFrog, we look forward to supporting Interswitch's next chapter through continued product innovation and growth across the African continent."

Mitchell Elegbe, Founder and Group Chief Executive of Interswitch, added: "We are excited to welcome LeapFrog and Tana on board, as we continue our work to advance the future of the African payments landscape. The evolution of fintech in Nigeria and the broader sub-Saharan region has been driven by the need to solve challenges and barriers that exist within the traditional financial system. Interswitch was born from the need to develop solutions that match the unique needs of local customers and merchants."

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EXITS

OMPE Exits Consol to Ardagh Group



Jacci Myburgh,

Co-Head
OMPE

Old Mutual Private Equity (OMPE), a division of Old Mutual Alternative Investments, has sold its stake in Consol Holdings to Luxembourg-based Ardagh Group, one of the largest glass producers in the world, for an equity value of approximately R10bn (enterprise value of approximately R17bn),

All conditions precedent have now been met and the deal closed at the end of April 2022.

Consol is the leading producer of glass packaging on the African continent and currently operates seven glass production facilities, boasting in excess of 15 furnaces.

It serves a range of leading international, regional, and domestic customers, principally in the beer, wine, spirits, food, and non-alcoholic beverage sectors.

OMPE has been an active shareholder in Consol since 2007, when it delisted the business as part of a Private Equity consortium including Brait, Sanlam and management.

Since then, Consol has grown significantly over our investment tenure; glass production capacity almost doubled from approximately 600 kt to circa 1,150 kt, turnover grew from R2.5bn to more than R10bn and the business now employs almost 3,000 valued staff members.

At the time of our investment, the business was purely South African based.

Today, through considered investment and responsible but growth-

oriented stewardship, Consol has expanded its operations to Nigeria, Kenya and Ethiopia.

This is a landmark transaction for the South African Private Equity industry, said Jacci Myburgh, Co-Head at OMPE.

“A deal of this magnitude with such a significant global player, represents a landmark transaction for South African Private Equity and South Africa as a whole. Consol is a high quality and important business in the context of South African manufacturing, and we are confident of its future under the stewardship of Ardagh.”

Farhad Khan, Investment Partner at Old Mutual Private Equity, said: “We have been privileged to play a key role, alongside management and co-shareholders in the business’s overall growth, not only in terms of geographic expansion across the African continent but also through investing in new greenfield capacity totalling more than R4.5bn.”

“As a firm, we are proud and privileged to have achieved such exciting growth and a good exit for our investors, whilst working alongside a world-class management team and like-minded shareholder partners.”

Khan said this deal represents a strong exit for their investors in one of the largest Private Equity exits the country has seen, signalling foreign interest in high quality South African businesses.

Khan said that Consol is a Pan African industrial success story, having grown from a successful South African manufacturer into three other high growth regions on the continent.

“Glass is a growth industry, given its properties and sustainability credentials, and Africa is a growing continent – we believe that Consol is well positioned for the future. We wish Ardagh and Consol management well in the next chapter of this almost 80-year-old business.”

PE INDUSTRY NEWS

Inspired Evolution and Schneider Electric to Explore Innovative Energy-As-A-Service Solutions Across Africa

Inspired Evolution and Schneider Electric have agreed to collaborate on various energy-related solutions for the African region.

The agreement provides for the exploration of a multi-faceted collaboration across a number of business opportunities, including Energy-as-a-Service (EaaS) solutions as well as energy efficiency, microgrid and decarbonization.

The partnership will explore these opportunities across identified

priority countries, industries, and market segments, through a combination of Schneider Electric’s technical expertise and EaaS solutions with offices across Africa, and Inspired Evolution’s deep networks, business model and financing expertise.

Schneider Electric is well-positioned to address these opportunities, given its leading position in EaaS with global presence, cross industry experience, and full-suite best-in-class technology and service

offerings.

Inspired Evolution, as a specialized climate mitigation and energy transition investment advisory business with a broad African footprint, offers over 15 years of proven track record Internal in clean energy, energy access and energy efficiency investments, with award-winning ESG impact performance.

The collaborative partnership will be officially launched by Christopher Clarke, Managing Partner at Inspired Evolution, Steven Faure, Partner and EaaS Lead at Inspired Evolution, and Devan Pillay, Cluster President Anglophone Africa at Schneider Electric. Clarke said: "This joint venture is an important and strategic development in our climate finance strategy and approach that includes forging strong and meaningful partnerships with global players like Schneider Electric to help us to decarbonize, decentralize and digitize innovative

and affordable clean energy solutions, financed through our Evolution funds, in contribution to transforming Africa's energy landscape."

As part of Schneider Electric's promise to reduce CO2 emissions and help organizations around the world shift to become carbon positive, the company proactively works with partners to create new business models that will promote a more resilient and sustainable future.

"Partnerships are fundamental to the goal of achieving a greener, more sustainable world, and Inspired evolution have pioneered new approaches to sustainable business," said Pillay.

"We believe that, by combining our areas of expertise, we will be able to make significant progress in the space of clean energy and energy efficiency and scale up these ideas to benefit organizations and societies globally."

DEALS

BluePeak Private Capital Invests up to \$15M in Africure

BluePeak Private Capital has agreed to invest up to \$15m in Africure, a pan-African manufacturer and distributor of quality pharmaceutical goods.

Fulton Shiundu, Principal at BluePeak Private Capital, said: "Africure is a trusted manufacturing and distribution partner that has developed one of the most impactful pharmaceutical businesses across Africa. We are delighted to support the company's growth trajectory as strengthening health systems plays a critical role in Africa's recovery from the pandemic."

"Our partnership will boost access where there is an urgent need to provide quality and affordable treatment to consumers that need it the most."

The investment supports the company's plan to strengthen its working capital to support the increased demand for pharmaceutical goods across its more than 10 African markets.

The funding further enables Africure to realise its growth ambitions to develop a range of innovative affordable Africure brands that target chronic disease profiles such as cardiac and diabetes conditions.

Founded in 2017, Africure's portfolio of nearly 300 products spans several therapeutic areas ranging from anti-infectives, analgesics, antiparasitic and respiratory treatments to generic drugs providing critical care for non-communicable diseases, increasingly prevalent in countries across the continent.

Africure has manufacturing hubs across the continent serving patients across East and West Africa.

The company has generated approximately \$30m of revenues and operates manufacturing and distribution facilities in Tanzania, Cameroon, Namibia, Botswana and Côte d'Ivoire, a finished goods packing unit and has a manufacturing hub under construction in Ethiopia.

The firm's combined manufacturing capacity is the largest in sub-Saharan Africa for oral solid dosage pharmaceuticals.

Sub-Saharan Africa imports more than 80% of its requirements for

pharmaceutical goods.

Africure is strategically positioned to boost countries' self-reliance through increased local pharmaceutical manufacturing and access to quality, affordable generic medications that are currently served by expensive imported branded generics and numerous low quality counterfeit goods.

Sinhue Noronha, Founder and CEO of Africure said: "BluePeak's investment is transformative for our business. This will act as an impetus to our growth trajectory & we are sure this will take us to a critical size. We have built a highly competitive pan-African manufacturing capability over the past 5 years. This investment will enable us to scale up significantly the number of customers we serve, as well as the number of patients we can reach with affordable, reliable treatments for communicable, infectious, and chronic diseases and conditions."

"I am sure that our existing capacities & those under creation will positively impact the wellbeing and quality of life of millions of Africans in need. With more than 90% of our employees being Africans, we believe that we are creating a positive impact on job creation, technology dissemination, resulting in a better standard of living."

The investment is highly aligned with the Fund's impact agenda and will support Africure in making a positive impact by increasing affordable access to critical medicines in countries with a high burden of disease.

In terms of alignment with the 2X Criteria, Africure meets Direct Criteria 4, as the company produces a range of products used by women during pregnancy, such as folic acids and supplements that boost their iron intake.

BluePeak will work closely with the company to strengthen alignment and enhance strategies that improve gender equality.

The commitment promotes UN's Sustainable Development Goal 3 Good Health & Wellbeing, Goal 5 Gender Equality and Goal 8 Decent Work and Economic Growth.

EXITS

Apis Partially Exits Sun King



Udayan Goyal,
Co-founder and CEO
Sun King

Apis Growth Fund I, a private equity fund managed by Apis Partners, has partially exited its position in off-grid solar energy company Sun King, formerly Greenlight Planet.

Sun King has announced a \$260m Series D capital raise, with investment led by BeyondNetZero, the climate investing venture of General Atlantic.

As part of this transaction Apis Growth Fund I sold the majority of its stake in the Company.

The Fund continues to hold a stake in Sun King and Apis Partners will remain supportive of the future growth plans of the company, which include continued geographical and productline expansion, including larger products such as solar systems equipped with AC-electricity inverters (capable of powering large appliances like refrigerators) and new products, for example mobile phones.

Sun King is leading a transformation in how electricity is provided across Africa and Asia, where 1.8 billion people still lack access to a reliable electrical grid.

To date, Sun King has powered the lives of 82 million people across 40 countries. The company's solar home systems power lights, mobile

phones, radios and larger home appliances and are dramatically more affordable and sustainable than kerosene or new power lines, allowing customers to leapfrog electrical grids and fossil-fuel energy sources entirely.

Sun King operates the world's largest direct-to-consumer, pay-as-you-go (PAYG) solar distribution network, growing at a rate of 150,000 new clients per month across seven countries.

Since Apis's investment in 2017, the company has grown over 5X, with annualised revenue now exceeding \$200m.

In addition, since launching the PAYG segment the same year as the Fund's investment, the company has captured 38% of total market share in the global PAYG industry.

Udayan Goyal, Co-founder and Managing Partner at Apis Partners, said: "When we invested in the company in 2017, it sold 27k PAYG units that year; this has increased to 1.2M units sold in 2021. This is just one example of the company's growth since our investment, and we are very pleased to have helped and advised the team along the way. Our investment in Sun King is one we are exceptionally proud of, and we are thrilled to be continuing the relationship."

T. Patrick Walsh, Co-founder and CEO at Sun King, added: "The Apis team have been great partners these past five years, understanding the needs of Sun King customers and believing in our team every step of the way."

DEALS

EXEO Capital Acquires CPT

EXEO Capital has acquired a majority stake in a chemical synthesis company, Chemical Process Technologies (CPT).

EXEO Capital partner, Herman Marais, said: "The acquisition of CPT marks the first animal pharma investment by EXEO Capital. This strategic move into new commercial territory aligns with EXEO's Agri-Vie Fund II mandate to invest in scalable businesses within the sub-Saharan agricultural and food value chains."

CPT is currently the only manufacturer of animal active pharmaceutical ingredients (APIs) on the African continent.

As is the case with human APIs, South Africa, in particular, is heavily reliant on imported animal APIs manufactured in countries like China and India.

With CPT having made significant headway into the development of the larger pharma sector for both humans and animals, it is one of the few companies that is opening doors for South Africa as a manufacturer and exporter of APIs.

The local pharmaceutical industry has the ability to make a significant

contribution to South Africa's gross domestic product as well as Africa's broader socio-economic landscape. There are, however, very few examples of successful home-grown pharmaceutical companies that address this opportunity and the national and pan-African imperative to establish an African-based pharmaceutical synthesis sector.

Marais said that the investment is set to unlock CPT's latent potential to do import replacement of APIs and for international expansion.

"This is possible through the globally competitive level of excellence that CPT upholds in terms of its proprietary production processes. The company represents a high-potential centre of excellence in Africa on which we can build a larger local pharma sector."

The recent establishment of an API Plus laboratory on CPT's premises is demonstrative of the company's competitive edge in the South African pharma industry.

The lab, launched by Science and Innovation Deputy Minister, Buti Manamela, marks a significant milestone for API manufacture in South Africa, the establishment of which points to CPT's important role in the

Investors

development of the sector as a whole.

Marais said that CPT is an example of the depth of knowledge and the quality of technology that exists in South Africa. As a brand, it represents local ingenuity.

Dr Hannes Malan, CPT's CEO, commented: "The fact that EXEO Capital management sees the same value in CPT that the current shareholders have identified highlights the opportunity that this growing industry presents."

"The transaction will allow for the accelerated implementation of projects to unlock this value and growth. We look forward to starting

this next phase with EXEO Capital on board and the contributions they will make to this success story."

Dr Gerrit van der Klashorst, CPT co-founder, added: "We believe this new partnership will further improve on CPT's service quality by achieving and maintaining the quality norms of a world-class industry player."

"In addition to good manufacturing practice upgrades for the formulation plants, the investment will allow for the extension of the synthesis activity and also lead to the production of various new ectoparasitic as well as endoparasitic APIs."

INVESTORS

IFU and Norfund Invest \$27.9M in CBI Ghana



IFU and Norfund have invested \$27.9m in Continental Blue Investments Ghana (CBI), a producer of cement in Ghana that operates a 550,000 tons p.a. facility outside Accra in southern Ghana.

The cement is sold under the brand name Supacem for commercial, industrial and residential construction projects, as well as complex infrastructure.

Naana Winful Fynn, Regional Director for West Africa for Norfund, said: "We are excited to partner with and support CBI's leadership team, its Board and its existing investors, and look forward to actively working with these stakeholders and our co-investor partners IFU and FLS to support this proactive company in their market-leading effort to reduce carbon emissions in an essential sector for development – cement manufacturing. The added benefits of job creation and import substitution for Ghana are of great importance to us as well."

The new investment supports CBI's plan to almost triple the production to 1.4 metric tons annually.

As the production of cement is one of the heaviest global emitters of carbon, the investment includes the building of a 405,000 tons per annum clay calcination unit, which is the world's largest calciner system to date.

The purpose is to use locally sourced calcined clay instead of imported clinker, which is a major contributor to the high emissions from the production process.

The substitution will lead to a reduction of carbon emissions by up to 20% per ton cement produced without compromising the quality

of the product.

Including the sale of calcined clay to other cement producers in Ghana, the total avoided emission is expected to be close to 30% compared to current production technology.

The introduction of calcined clay in the production of cement supports the green transition and is in line with the EU green taxonomy, that sets an upper limit for CO2 emissions intensity.

"The production of cement is a very large contributor to global carbon emissions, but the product is also indispensable when it comes to developing infrastructure, including wind parks, for example. With this investment we support the green transition by reducing the carbon footprint whilst increasing locally produced cement that will contribute to Ghana's further development," Torben Huss, CEO of IFU, said.

The Danish company FLSmidth will deliver the technology and equipment for the expansion of CBI's production as well as the clay calcination unit.

CBI expects both financial and environmental return on the investment from lower CO2 emissions, energy and fuel saving and reduced cost from clinker imports.

"Ghana is the perfect location for using clay as an environmental alternative to clinker," said Frédéric Albrecht, CEO at CBI Ghana.

"We are witnessing an increasing demand for cement in the region, but low-quality limestone has previously forced us to import clinker. With the help from FLSmidth, we can now increase our capacity without compromising on the environment," Albrecht added.

Currency Risk Remains a Challenge for PE Investors

Currency risk can be a major challenge when investing in Africa, according to the 'Currency Risk Management Practices in African Private Equity and Venture Capital' Report, the second AVCA's special report series alongside The Currency Exchange Fund (TCX) and MFX Solutions.

The report revealed that 64% of LPs and 86% of GPs surveyed perceived currency risk as important or very important when investing in African private equity.

In addition, although currency risk is present throughout the investment process, it was most impactful for both fund managers and LPs at the time of portfolio exit.

Abi Mustapha- Maduakor, CEO of the African Private Equity and Venture Capital Association (AVCA), said: "We welcome the continued increased interest in private capital in Africa, although it is key, we address the growing concerns related to currency illiquidity and volatility as they remain significant barriers to growth across the continent. With the ever-increasing innovation across the continent, it is paramount that private capital partners are well-versed on addressing currency risk."

The report provides data and insights on the strategies for currency risk management and hedging practices, the challenges accompanying currency risk management in African Private Equity and Venture Capital and how limited and general partners operating in Africa can successfully address currency risk on the continent and manage their FX exposure whilst capturing the opportunities in the African private equity and venture capital industry.

The report identified that foreign exchange volatility and foreign currency shortages remain some of the biggest challenges facing private equity investors in Africa.

The report also found that over half of LPs and GPs confirmed that

currency risk has slightly or significantly increased in the last 2-4 years, making it a significant challenge for private capital.

The survey correspondents also highlighted the challenges related to the mitigation of currency risk in Africa, with 94% of participating GPs citing the high cost of hedging facilities as the main factor constraining adoption.

Africa's economic performance, the macroeconomic instability caused by the COVID-19 pandemic, and the overall level of political stability within African countries were identified as the main contributors behind the increasing currency volatility in Africa by the largest proportions of both GP and LP respondents.

Natural hedges such as portfolio diversification across different sectors and geographies were chosen by the largest proportion of investors as their preferred strategy for managing currency risk in Africa.

From the LP perspective, over half that participated in the survey required a comprehensive FX scenario analysis when onboarding an African fund manager, although over a third also report not having any specific requirements related to the management of currency risk.

With Africa's continuously expanding innovation ecosystem, and investor interest rising, the demand for timely, reliable and competitively-priced sourcing of currency will only intensify, as will the demand for contextually relevant currency risk management strategies and sophisticated hedging products catered to the unique needs of African fund managers.

Mustapha- Maduakor added: "This joint publication exemplifies AVCA's commitment to equipping stakeholders within our industry with valuable insights to support the investment ecosystem in Africa. We thank TCX and MFX for their contribution to this report and the fund managers, and limited partners for their involvement in the survey."

MARKETS AND INDUSTRY NEWS

NGX Launches African First ETDs Market



Temi Popoola,
CEO
NGX

Nigerian Exchange has launched West Africa's first Exchange Traded Derivatives (ETD) Market, consistent with the Exchange's commitment to develop the

Nigerian capital market.

The launch of NGX ETD Market saw the listing of two Equity Index Futures Contracts, NGX 30 Index Futures and NGX Pension Index Futures, with more securities to be added in the future.

Temi Popoola (pictured), NGX CEO, said: "NGX remains committed to building an exchange that can cater to the increasingly sophisticated

needs of domestic and foreign investors. A strong pillar in our strategy is to enhance liquidity and expand market capitalisation to the end that we create value for stakeholders, and the introduction of ETDs is a critical step in the right direction. The platform will play an essential role in broadening and deepening the market, adding new impetus to NGX's leading position as Africa's preferred exchange hub."

To promote clearing efficiency, stability, and confidence, the Exchange has collaborated with a premier Central Counterparty (CCP) in Nigeria, NG Clearing, to provide the clearing infrastructure for NGX Derivatives Market and its clearing members – Access Bank and Zenith Bank.

"Our partnership with best in class Central Counterparty, NG Clearing, further engenders confidence in the ETDs market segment amongst market participants, as the clearing infrastructure is capable of reducing systemic risk and enhancing market transparency", Popoola added.

Tapas Das, Chief Executive Officer of NG Clearing, commented: "The launch of the derivatives market in Nigeria is a testament to the maturity of our market, a sign that the market has come of age and is ready to transition into a new era. The risks that come with the derivatives market will be managed through NG Clearings' robust technology-enabled Clearing and Settlement, Collateral Management, and Risk Management offerings as a critical Central Counter Party (CCP)

Financial Market infrastructure (FMI)".

ETDs are standardised, highly regulated, and transparent financial contracts listed and traded on a securities exchange, and guaranteed against default through the clearing house of the derivatives exchange.

NGX ETDs market will complement existing asset classes, provide investors and other market players with the necessary tools for tactical asset allocation, as well as improve risk and cost management for effective portfolio management.

It will further enhance the participation of domestic and international investors in Nigeria's financial markets, which will positively impact the performance of the economy.

The ETDs Market will commence with trading activities by the first three Trading License Holders – Cardinal Stone Securities, Meristem Securities and APT Securities and Funds – which have been cleared by NGX Regulation to facilitate transactions on behalf of investors on NGX Derivatives Market.

Popoola has acknowledged the work that was done under the previous management of the Exchange, led by Oscar N. Onyema OON, whose "contributions have formed the foundation of our present gains and accomplishments made manifest through the launch of NGX ETDs market".

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How to Prepare for a Successful Exit?



Albert Alsina, CEO and Group Managing Partner, Mediterrania Capital Partners

In order to prepare for a successful exit, we always begin to discuss the exit before the investment is executed to ensure there is full alignment of interest with the company shareholders early on and avoid future surprises. At that time, the PE firm should always provide the partner company with a comprehensive analysis including advantages and disadvantages of potential exit routes such as an IPO, Secondary Sale, Trade Sale, MBO with financing, etc. During these initial discussions, the PE firm and the company shareholders should choose one or two options to focus on and begin to consider the most appropriate timing and process.

All through the holding period, the PE firm should place strong emphasis on the exit, continue the discussions and begin to plan for the exit through transparent and regular conversations with the company shareholders.

In our case, once the details have been agreed with the shareholders and the exit window is approaching, we dedicate specific resources in our team to work on the process, ensuring that everyone is clear on their responsibilities and there is a well-defined timeline. We also hire

service providers when needed. Our excellent understanding of the regulatory framework in the country of the exit is also very important to avoid the exit being potentially jeopardised. Furthermore, having a systematic follow-up system is a vital factor in ensuring that everything goes as planned.

As part of the required legal documentation, the PE firm must build a well-articulated and exhaustive report on the partner company from a financial, strategic and operational perspective. This report should show why the asset represents an appealing investment opportunity, how it will improve and why it is strategically beneficial.

While the exit team is working on the process, the investment team responsible for the management of the company ensures that its performance is not affected by the prospective exit or any other factors such as financial results down on expectations or other unforeseen circumstances that might harm the exit process.

In conclusion, PE firms must begin to discuss and prepare for the exit early on. They should also ensure that the company is performing well during the holding period and, once the exit is approaching, build the right infrastructure for the exit route. Lastly, the PE firm management should have a solid follow-up system to ensure that nothing is left out. All these elements together help ensure a successful exit with healthy returns.



Mikko Kuuskoski, Associate Director, Head of Special Ops., Finnfund

A successful exit requires thorough understanding of the current trading of the investee and its future business prospects. Ideally, a new investor should bring in something new that the incumbent owners don't possess.

This can be experience on scaling-up similar businesses in other geographies, large financial or human resources, industry expertise, good brand or something else laying favourable grounds for future growth and operations.

Finnfund as a development finance institution pays special attention to sustainable business practices of its investees. Finnfund often supports investee companies in making their businesses more sustainable. This often is achieved through client-specific action plans on improving and enhancing company performance in environmental and social dimensions of operations. Finnfund's environmental and social experts provide guidance and help in these efforts.

When exiting an investment, you will need to have your house in order.

This means not only operational and financial performance, but also sustainability. Finnfund pays special attention to the commitment of the acquirer to develop the business further and maintain the sustainable business practices achieved at the investee. For Finnfund, it is important that the positive impacts achieved are preserved and hopefully scaled up as the business continues to grow. We also have seen that our investees operating a sustainable business are well positioned to grasp opportunities with overseas companies as sustainability of global supply chains has become increasingly important. We also envision that this sustainability should translate into a premium at exit.

A key component of a successful exit is of course the consideration. Sometimes the perception is that financial returns are not important for development finance institutions. This is not the case at Finnfund as healthy financial returns are an important way for us to grow and expand operations. Finnfund's increasing cooperation with impact-minded private sector investors also necessitates appropriate returns for investments.

An exit also allows Finnfund to recycle the capital to new investments. Development finance institutions provide patient capital, however

when operations have become stable and another kind of investor (whether financial or industrial) is the best partner for future path, it might be the right time to exit and reinvest the proceeds to a new sustainable business



Jacci Myburgh, Co-Head at OMPE

Old Mutual Private Equity (OMPE) has exited 20 investments since its inception and since then, we have learnt that the most critical aspect of a successful exit is timing. There are a few considerations in timing an exit well. When a private equity manager invests in a business and partners with its management, it aims to implement value enhancing strategies over the course of the investment period. These strategies often take time to come to fruition, and an early exit is not ideal. Therefore it's important to consider the business-specific factors of where you are positioned on the Jcurve of enhancing returns.

Then, a conducive environment is just as important. Valuation levels in the market (which often move in cycles), the dynamics of the supply and demand of private capital, and the level of interest from foreign investors into South Africa are just some of the key considerations. We know that exits to offshore strategic buyers typically attract higher multiples and although South Africa has seen a lack of interest from foreign investors during the State Capture years and during the Covid-19

proposition at an earlier stage of development. Waiting for the top-notch valuation rarely yields any good results, and it often makes sense to grasp an exit opportunity from a sustainable acquiror at a reasonable valuation.

pandemic, that trend is slowly changing.

Alignment is another incredibly important factor; we always ensure that we are in alignment with our fellow shareholders as well as with the business' management team. We typically provide management with financial incentives that crystallize on exit to ensure that they are strongly incentivised to maximise value on exit. It is key that this alignment is addressed prior to making the investment.

Finally, the exit process needs to be rigorous. This starts with the selection of the appropriate advisor, who possesses strengths that align with the exit strategy at hand. For example, the selection of the advisor may differ depending on the whether the preferred exit route is an IPO, a trade sale or a sale to a financial buyer. The process itself needs to create pricing tension in order to extract maximum value. For example, when we first looked at an IPO of Consol in 2018, we were not comfortable with the valuation due to a function of the timing and other market dynamics. Our eventual sale to a foreign strategic investor, at a time when the company was performing well, alongside a strongly aligned management team and fellow shareholders, with the help of the right advisors led to us exiting to a great owner of the asset in Ardagh Glass at a very attractive price.



Pazani Vaitilingon, Head of Funds, IQ-EQ Mauritius

Positioning a business for a successful exit begins at the due diligence stage, prior to effecting the investment. Aligning interest between the firm and the investor particularly on expectations and exit mechanism at this stage is critical. While there is no one-size-fits-all approach to securing a dream exit, focusing on areas highlighted below will significantly boost the exit readiness of the firm:

Enhancing Value Generation: The key to achieving higher returns upon exit lies in building and sustaining a value-driven organisation capable of generating solid and recurring revenue streams, a defensible market position, strong cash conversion and healthy organic and/or inorganic growth prospects such as establishing strategic partnerships, expanding to new territories or introducing new products or services. This process requires active engagement and hands-on support from the investor in the management of the portfolio companies through hiring high calibre personnel and training programs among others. It is important though that a balance is found between value creation and the market's willingness to pay.

Optimising Financial & Operating Metrics: In addition to audited financial statements, firms should produce 3-5 years of financial

forecasts and projections, and a well-honed financial modelling. As part of sell-side due diligence, firms may be required to produce a Quality of Earnings report, which depicts "sustainable earnings" expected to be generated by the firms, excluding abnormal elements. It is also a must to deep dive in operations with a view to identify and remediate issues that could scupper any potential deal. The firm should also look out for any potential restrictions, if any, on transfer of shares in a portfolio company in its constitutive documents – such as any drag-along rights or clawback provisions.

Scanning Competitive Landscape: Another crucial step is benchmarking the firm's own operations against competitors, who may also be vying for an acquisition deal. Assess rationale why an acquirer would opt for the firm over its competitors and in what way is the firm's offering better?] Remember, to increase buyer appeal, a business needs to be sold while its growth is accelerating, otherwise there is nothing attractive enough on the table for the buyer!

Digital Transformation & ESG considerations: Digitalizing their operating models and investing in centralised data rooms ahead of the potential exit increase the appeal of firms to potential acquirers.

Other Considerations: Tax planning is an important part of the exit process to ensure minimum tax leakage through adequate tax optimisation, including transfer pricing implications.

Meeting with Shafeeq Abrahams



Shafeeq Abrahams, Chief Executive and Principal Officer at the Eskom Pension and Provident Fund (EPPF) tells Africa Global Funds about the recently launched SME Debt Fund, investment strategy and trends around pension funds investing in Africa.

ANNA LYUDVIG (AL): SHAFEEQ, PLEASE TELL US ABOUT THE ESKOM PENSION AND PROVIDENT FUND AND YOUR ROLE.

SHAFEEQ ABRAHAMS (SA): The Fund was established in 1950 with the primary purpose of providing retirement benefits to its members. It is a self-administered, private retirement fund, regulated by the Financial Sector Conduct Authority (FSCA). It serves approximately 80 000 members and has Assets Under Management (AUM) of approximately R172bn. Approximately 60% of the AUM are managed through external managers while the remaining 40% is managed by the in-house investment team. The role of the Chief Executive and Principal Officer is to lead and position the Fund strategically while supporting the Board of Fund in discharging its fiduciary responsibility to its members and complying with its governance responsibilities.

AL: WHAT'S EPPF'S INVESTMENT STRATEGY?

SA: The EPPF adopts a liability-driven investment strategy which means that we invest with the purpose of generating returns so that we can honour our pension obligations to our members. Our time horizon is therefore long term in nature and the asset allocation is primarily driven by the nature of liabilities. A key consideration for our investment strategy is the regulatory environment, particularly Regulation 28 of the Pension Funds Act, which amongst others:

- *Imposes a ceiling on the percentage that can be invested outside South Africa*
- *Restricts the proportion of assets that can be invested in any one asset class or stock.*

At its core, the Pension Fund employs a core-satellite strategy, blending a primarily defensive portfolio with more aggressive high-conviction positions.

AL: CAN YOU GIVE US A BREAKDOWN OF YOUR EXPOSURE TO PRIVATE EQUITY AND OTHER ASSET CLASSES? / ARE YOU PLANNING TO INCREASE/DECREASE YOUR EXPOSURE TO PE?

SA: We have committed the equivalent of 15% of our assets to private markets, to be deployed over time. And this includes our Private Equity, Real Assets (real estate and infrastructure) and Developmental Impact (education, healthcare, and rural retail) portfolios. The EPPF has recently

made its first investments in offshore Private Equity, real estate, and infrastructure with an allocation to North America, Europe, and Asia, done through a combination of direct funds and Fund-of-Funds. We anticipate an increase in exposure when our commitments to North America, Europe and Asia fully deploy.

AL: HOW DO YOU BOOST RISK-ADJUSTED RETURNS FOR MEMBERS WHILE MAKING A POSITIVE SOCIAL IMPACT?

SA: We do not believe the two are mutually exclusive. In fact, making an impact in society has a direct impact on the success of a business. The EPPF considers it imperative to generate positive and measurable social and environmental impact alongside a financial return and hence, investment decision-making incorporates metrics such as job creation, diversity and inclusion and clean energy in addition to the financial returns. In 2021, the EPPF launched its inaugural Impact Report with a focus on results measured against South Africa's National Development Plan and the United Nations' Sustainable Development Goals (UN SDGs).

AL: YOU'VE RECENTLY LAUNCHED THE SME DEBT FUND. WHAT ARE YOUR EXPECTATIONS FOR THIS FUND? / ARE YOU PLANNING ON LAUNCHING ANY OTHER FUNDS?

SA: Small and Medium Enterprises (SMEs) represent a large segment of business in the country, and as a result, play an important role in trying to address one of the highest unemployment rates in the world. The rationale behind the SME debt fund is summarized in two broad categories, financial returns, and contribution to the long-term health of the economy. Through our development impact portfolio, we have, and we will continue to invest in assets that are able to generate the required financial returns while delivering positive social impact. We will focus on the following sectors:

- *Low income/affordable housing*
- *Renewable energy*
- *Social infrastructure (healthcare and education)*
- *Rural/Township retail property assets*
- *SMEs*
- *Agriculture (non-primary agriculture assets)*

“Retirement funds have improved their understanding and appetite for alternative assets, increasing their allocation to private markets steadily over time

AL: WHAT TRENDS DO YOU SEE AROUND PENSION FUNDS INVESTING IN AFRICA?

SA: Retirement funds have improved their understanding and appetite for alternative assets, increasing their allocation to private markets steadily over time. The private markets asset class has proven over decades, its value-add to retirement funds seeking consistent risk-adjusted returns. As it stands, it is more unusual to have a fund without any exposure to private markets. We believe this trend will continue. In addition, the EPPF recognises that infrastructure as an asset class is a good fit for the nature of a pension fund’s liabilities. We see investments into infrastructure, both domestically and globally, growing in the future.

AL: HOW ARE INVESTMENT STRATEGIES EVOLVING IN LIGHT OF GROWING COMMITMENTS TO ESG?

SA: ESG is discussed a lot in retirement fund circles but apart from proxy voting, implementation remains limited. In the past, ESG implementation and reporting may have suffered due to a lack of rigour and consistency, mainly because of an absence of a single accepted standard. Latest developments suggest we are moving in the right direction. The establishment of the International Sustainability Standards Board, for example, will go a long way towards uniformity. The EPPF, as a member, relies on guidance from the Principles for Responsible Investing, on ESG requirements. We apply ESG in the following ways:

- Investment analysis and valuation
- Active ownership/stewardship
- Disclosures from investee companies and asset managers.

AL: WHAT ARE THE CHALLENGES FOR PENSION FUNDS IN AFRICA?

SA: Investment performance has been a concern in the last few years. With regulations requiring most retirement fund assets to be invested locally, the underperformance of local markets relative to the developed world has negatively impacted investment returns. As retirement funds get bigger and more sophisticated, local markets will need to keep up in terms of options, returns and responsible investing practices.

A general lack of liquidity in some African markets has made it difficult to transact in these markets. If you cannot exit your position at a fair price, it is hard to justify investing in the investment in first place.

Currency movements – As a continent, we have many different currencies affected by different stimuli. Often, we have made investments as measured by local currency only for the return to be reduced when converting back into South African Rands

Management fees, especially in private markets have not kept up with international trends. They have remained very high, while African private markets underperformed for the most part.

AL: WHAT’S YOUR OUTLOOK FOR THE SOUTH AFRICAN PENSION INDUSTRY?

SA: Several regulatory matters are likely to shape the industry:

- The limit for offshore investments has increased from previously 30% (outside Africa) + 10% (Africa excl SA) to a total of 45%. We anticipate in the long-term that South African pension funds will gradually increase their exposure to global assets.
- Retirement reform within South Africa is likely to lead a consolidation of pension funds, which will unlock cost efficiencies through economies of scale within Pension Fund Plans.
- ESG, Social transformation and impact: there is a growing sense that the pension fund industry can and should take a more active role in effecting positive change within society. This could be supported by legislation and regulatory change. Locally, we believe, that social impact and transformation, diversity and inclusion, climate change initiatives, and investment in key sectors to stimulate economic growth, to be some of the key themes that could shape the agendas of pension funds in this regard.

AL: WHAT CAN WE EXPECT FROM EPPF IN THE NEAR FUTURE?

SA: We are in the process of completing an allocation to the following asset classes:

- Venture capital
- Private Debt
- The EPPF will also issue its climate change policy in the near term. This will be in addition to its ESG and Impact Investing Policies which are already in the implementation phase.

PE and VC

Trends to Watch for in 2022



“South African private equity (PE) and venture capital (VC) activity is improving after Covid-induced uncertainty, with industry players reporting an increase in transactions. Some notable trends have emerged and are expected to accelerate into the remainder of 2022

- Tanya van Lill, CEO of the South African Venture Capital Association (SAVCA)

The investment environment in South Africa has improved following the disruption caused by the outbreak of Covid-19 and the riots of July 2021.

The uncertainty brought about by the pandemic created a major headwind for PE and VC in South Africa. The **SAVCA 2021 Private Equity Industry Survey** revealed that fundraising, investments and exits all contracted in 2020 but we expect this to have reversed in 2021 and to improve even further in 2022 as economic conditions slowly recover.

Covid-related international travel restrictions were a significant hurdle for the industry. With the restrictions now largely lifted, investors can resume site visits to conduct a thorough due diligence of investment opportunities. I think this will have a huge impact on fundraising and deal-making for the rest of the year.

While the statistics for South Africa's PE and VC industry activity in 2021 have yet to be released, on a global basis, 2021 is likely to have been a record year for fundraising. **According to an EY report for H1 2021**, \$365.8bn worth of funds had already been raised by June 30, 2021 – pointing to a significant improvement when compared to the \$533.9bn that was raised during the whole of 2020.

The overarching theme of our 2021 SAVCA conferences was re-imagining the contribution VC and PE can make in rebuilding our economy – they have the power to address some of South Africa's biggest social challenges.

TAKE-PRIVATES TO ACCELERATE

Looking ahead to 2022, one of the key trends we're likely to see more of is private equity funds buying either portions of listed South African businesses or entire companies and de-listing them from the stock exchange. This is according to Lydia Shadrach-Razzino, corporate commercial executive at law firm ENSAfrica.

For example, Old Mutual Private Equity (OMPE) made an offer to acquire JSE-listed Long4Life, owner of several lifestyle businesses, and to delist the company from the bourse.

There are also a number of public companies getting rid of non-core assets to private equity, such as ENSAfrica's advising JSE-listed Ascendis

Health on the recent sale of its animal health division to Acorn Private Equity.

The JSE's latest financial results revealed 25 companies delisted from the JSE in 2021 alone. Jacqui Myburgh, co-head of OMPE, says: "After a strong run, there is rising uncertainty as to where listed markets are going to from here, and investors with foresight are becoming much more interested in private equity again."

DISPOSAL OF EXISTING ASSETS DRIVING INFRASTRUCTURE DEAL FLOW

The disposal of existing assets accounted for the majority of deal flow in the infrastructure sector due to relatively few new government-initiated projects. The recent infrastructural devastation which was caused by heavy rainfall and flooding in KwaZulu-Natal shows an increasing need for infrastructure investment in South Africa.

Furthermore, digital infrastructure has become a sought-after asset. African Infrastructure Investment Managers (AIIM) acquired a minority stake in South African fibre network carrier MetroFibre Network; invested in a Ghanaian data centre business; and backed Eastcastle Infrastructure, a company specialising in Africa's telecoms tower sector.

FINTECH VENTURE CAPITAL THE RISING STAR

There is growing interest in South African start-ups from international VCs. We are expecting to see a lot more liquidity in the local VC market, driven by interest from international investors.

In 2021, South African start-ups **attracted more than \$800m** and there are a number of high-profile fintech deals that have been announced in 2022 so far.

Other highlights in this regard include Kalon Venture Partners' follow-on investment in email security platform Sendmarc; mobile marketing company Mobiz which raised an additional \$4m; and real estate platform Flow who is fundraising for international growth. Payments company Ozow's recent \$48m series B funding round, led by Tencent, is another notable example.

It's not really surprising that we're seeing an explosion of interest in fintech venture capital given how tech-savvy our young but financially-



“After a strong run, there is rising uncertainty as to where listed markets are going to from here, and investors with foresight are becoming much more interested in private equity again

- Jacci Myburgh, co-head of OMPE

underserved population is.

A secondary trend in this space is South African tech start-ups expanding internationally. For instance, Mobiz will use the money from its fundraising to expand to the US; Carscan, who uses artificial intelligence (AI) to scan vehicle damages and provide repair estimates, now has clients in countries such as India, the UAE, Nigeria and Kenya; and Sendmarc is already actively doing business in several Western countries.

The fintech space is quite exciting. There is a lot happening and I think we are going to see more of it in 2022.

INCREASED IMPORTANCE OF ESG EXPERTISE

Investors the world over are increasingly recognising the importance of taking environmental, social and governance (ESG) factors into account in their investment decisions. The profoundly negative social impact of the pandemic has sharpened the focus on ESG issues and there is far greater interest in ESG best practice.

While many global fund managers are racing to ensure their compliance with best practice and implement ESG, South Africa's PE industry has

been incorporating these factors for many years. This has largely been due to the positive influence of development finance institutions (DFIs), who are significant investors in African funds.

Fund managers should leverage their ESG expertise to attract additional capital. South African fund managers have years of experience of considering ESG factors in their investment decisions due, in no small part, to how important this is to DFIs. They will use this to their advantage and highlight their distinctive capabilities in this area, especially when competing with international peers.

A WORD OF WARNING: HIGHER INTEREST RATES A POTENTIAL OBSTACLE

While this all sounds positive for South Africa's PE industry in 2022, Andrew Johnstone, CEO of Climate Fund Managers sounds a note of caution. "Rising interest rates in developed countries could temper enthusiasm for emerging markets."

Vuyo Ntoi, joint managing director of African Infrastructure Investment Managers (AIIM) agrees: "Fund managers will have to show high returns as they compete for international capital in an environment of rising interest rates."



“One of the key trends we're likely to see more of is private equity funds buying either portions of listed South African businesses or entire companies and de-listing them from the stock exchange

- Lydia Shadrach-Razzino, corporate commercial executive at law firm ENSafrica

These topics will be discussed and debated at the upcoming SAVCA Private Equity Conference, which is taking place on 25-26 May 2022 in the Western Cape.

AFRICAN MARKETS PERFORMANCE

AFRICA SOVEREIGN BOND INDICES (TOTAL RETURNS USD %)

Country	Apr.	3-Month	1-Year
Botswana	-4.78%	-1.71%	-11.95%
Egypt	0.23%	-12.80%	-2.08%
Ghana	0.94%	-13.40%	-11.49%
Kenya	-0.23%	-0.57%	5.60%
Mauritius	3.48%	1.68%	-7.78%
Morocco	-3.33%	-5.55%	-8.20%
Namibia	-6.87%	-2.11%	-0.76%
Nigeria	-1.04%	4.61%	6.74%
South Africa	-9.12%	-2.77%	3.74%
Tanzania	4.93%	6.60%	24.72%
Uganda	2.13%	1.84%	27.81%
Zambia	11.58%	11.34%	112.13%

Source: S&P Dow Jones Indices

AFRICA EQUITY INDICES (BMI GROSS TOTAL RETURNS USD %)

Country	Apr.	3-Month	1-Year
Botswana	-4.35%	3.11%	16.22%
Cote d'Ivoire	-4.35%	3.53%	30.48%
Egypt	-1.35%	-18.58%	-5.87%
Ghana	-1.69%	-17.93%	-10.16%
Kenya	-4.43%	-8.75%	-9.85%
Malawi	5.14%	10.27%	49.50%
Mauritius	6.09%	6.83%	30.32%
Morocco	-1.12%	-11.21%	0.28%
Namibia	-7.11%	-0.77%	14.93%
Nigeria	7.19%	7.12%	20.10%
Rwanda	4.35%	5.48%	8.89%
South Africa	-11.81%	-0.57%	1.13%
Tanzania	-0.53%	2.55%	17.51%
Tunisia	-3.26%	-5.83%	-11.81%
Uganda	9.13%	0.37%	-1.98%
Zambia	10.72%	34.39%	207.67%

Source: S&P Dow Jones Indices

MARKET COMMENTARY:

South Africa: ESG Performance Influences Business Growth

The latest South Africa-focussed ESG research by PwC South Africa highlights that local organisations are lagging behind their global peers in adopting ESG goals and strategies. PwC also outlines the importance of, and the steps needed, for South African companies to take action on their ESG strategies.

PwC's 25th Annual Global CEO Survey showed that 73% of South African CEOs are very or extremely concerned about social inequality in the country impacting their company over the next 12 months.

It is clear – now more than ever before – that South African organisations simply cannot afford to downplay the importance of ESG in their business strategy.

The PwC CEO survey found that six out of every ten local CEOs polled are also moderately, very, or extremely concerned about physical and transition risks associated with climate change. Nonetheless, eight out of ten respondents indicated that their company has not yet made a carbon-neutral or net-zero commitment. Globally, 28% of CEOs indicated that their company has made a carbon-neutral commitment compared to only 20% in South Africa.

Lullu Krugel, PwC ESG Lead for Southern Africa, said the risks associated with climate change have many social implications, including unemployment, food insecurity, increasing health risks, and migration. "Last, but not least, all of the risks mentioned increase the risk for social unrest and upheaval. This emphasises the need to always evaluate the social impacts of climate risk rather than dealing with it in isolation," she says.

PwC found that South African companies are more likely to have non-financial ESG-related outcomes – such as GHG emission targets – included in their long-term corporate strategy than their global counterparts. However, only 20% of local CEOs have GHG emissions linked to their remuneration package, compared to 37% globally.

Shirley Machaba, PwC South Africa CEO, said sustainability achievements are now routinely acknowledged alongside traditional key performance indicators (KPIs) when it comes to executive remuneration. "Stakeholders increasingly expect organisations to communicate and deliver convincing, measurable and sustainable ESG strategies," she says. "Including ESG metrics in executive pay packages is a tangible way to close the say-do gap."

A key question facing South African companies is 'why are they lagging behind their global counterparts in adapting strategies that embed ESG factors?' "One of the challenges could be the absence of an empowered Chief Sustainability Officer (CSO) and experienced sustainability staff to drive transformation from the top," Krugel says. "From a financial perspective, implementation, compliance, and reporting of ESG issues might still be treated as a cost line by some businesses instead of being treated as an investment."

PwC's view is that South African companies should integrate ESG considerations into their corporate and investment initiatives and activities, and internalise ESG holistically to build trust and ensure long-term sustainability, agility, and competitiveness.

PRIVATE EQUITY FUNDS & DEALS

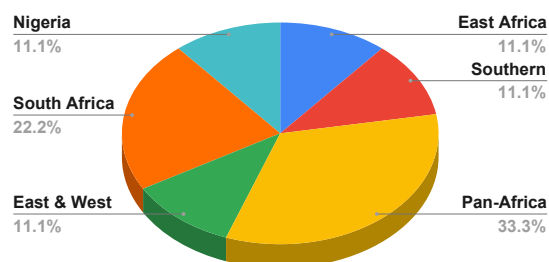
(as of 30th April 2022)

DEALS

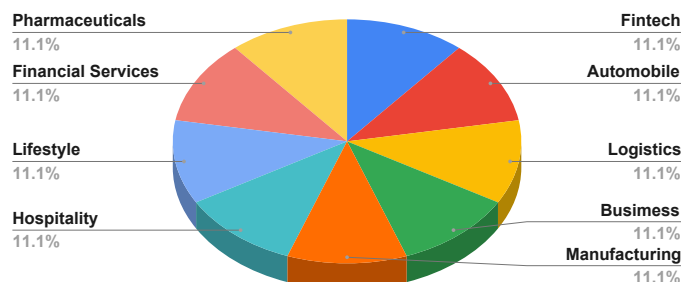
For more information on each transaction, visit Africa Global Funds's website

Company	Investment	Industry	Country	Deal Type	Deal Value
1K1V // Crossfin Technology Holdings // Isaac Mophatlane	Sybrin Group	Fintech	Pan-Africa	Growth Capital	Undisclosed
AfricInvest	AutoXpress	Automobile	East Africa	Buyout	Undisclosed
African Infrastructure Investment Managers // Mokobela-Shataki consortium	The Logistics Group	Logistics	Southern Africa	Buyout	R1.6bn
BluePeak Private Capital	ieng	Business Services	Pan-Africa	Growth Capital	\$20m
BluePeak Private Capital	Africure	Manufacturing	East & West Africa	Growth Capital	up to \$15m
Kasada Capital Management	Cape Grace Hotel	Hospitality	South Africa		Undisclosed
Old Mutual Private Equity	Long4Life	Lifestyle	South Africa	Buyout	R4.2bn
The Women Entrepreneurs Finance Initiative	Africa Digital Financial Inclusion Facility	Financial Services	Pan-Africa	Growth Capital	\$15m
Verod Capital Management	Medplus		Nigeria	Growth Capital	Undisclosed

DEALS BY COUNTRY



DEALS BY INDUSTRY



FUNDRAISING

Company	Fund	Geography	Style	Sectors	Hard Cap	Target size	Date Announced
RisCura	RisCura Debt Fund	South Africa	Debt	Fund-of-Funds		up to R2bn	April 7, 2022
XSQL	African Rivers Fund III	Central & East Africa	Debt, equity and mezzanine		\$85m		April 11, 2022

EXITS

Company	Divestment	Industry	Country	Buyer	Nature of exit
Actis	AutoXpress	Automobile	East Africa	AfricInvest	Secondary Buyout
Harith General Partners	MainOne	Communications	West Africa	Equinix	Trade
LeapFrog Investments	Goodlife Pharmacies	Pharmaceuticals	East Africa	Eurapharma	Trade

Source: AGF

YTD (%)	1 Month	1 Year	3 Year	5 Year	AUM (\$m)	Strategy	Focus	Domicile	Type	Start
337 Frontier Capital - Kimberlite Frontier Africa Fund (as-of 2022-04-29)										
-4.01	0.57	5.51	-1.46	0.13	326.00 (04/21)	Equity	Africa ex-SA	Cayman Isl.	Open-End	06/14
Absa Africa Equity Fund (as-of 2022-05-24)										
-3.26	-0.84	9.77	0.3	4.26	16.10 (04/22)	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 2022-04-29)										
-6		-4.8	3.2	6.5	364.00 (04/22)	Fixed Income	Africa ex-SA	Bermuda	Open-End	3/13
Allan Gray Africa Equity Fund (as-of 2022-04-29)										
7.3		11.3	6.2	11.8	307.00 (04/22)	Equity	African region	Bermuda	Open-End	07/98
Allan Gray Africa ex-SA Equity Fund (as-of 2022-04-29)										
5.85	2.33	16.67	9.34	12.57	502.00 (02/22)	Equity	Africa ex-SA	Bermuda	Open-End	1/12
Alquity Africa Fund (as-of 2022-05-24)										
-0.83	-4.77	0.69	-2.44	-2.04	7.21 (02/22)	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 2022-04-29)										
3.34	4.63	3.52	-41.89	-28.52	1.30 (03/22)	Equity	African region	Mauritius	Open-End	12/07
Bellevue Funds Lux - BB African Opportunities (as-of 2022-05-24)										
2.66	-3.14	4.94	-3.95	-0.47	58.49 (04/22)	Equity	African region	Luxembourg	SICAV	6/09
Blue Clay Pan Africa Fund (as-of 2021-10-31)										
12.91	4.16				13.05 (10/21)	Equity	African region	Cayman Isl.	Open-End	03/19
Commonwealth Africa Fund (as-of 2022-04-29)										
4.76	-10.2	7.83	2.65	1.79	3.56 (04/22)	Equity	African region	USA	Open-End	11/11
Coronation Africa Frontiers Fund (as-of 2022-04-29)										
2.37	6.17	9.31	2.62	6.73	390.76 (07/21)	Equity	Africa ex-SA	Ireland	Unit Trust	10/08
DWS Invest Africa (as-of 2022-05-24)										
-3.74	-3.74	2.18	-0.97	-1.69	31.40 (04/22)	Equity	African region	Luxembourg	SICAV	07/08
EFG-Hermes MEDA Fund (as-of 2022-05-24)										
29.33	12.1	62.93	23.19	15.6		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 2022-04-29)										
-8.66	-5.22	-1.83	12.95	13.06	851.10 (04/22)	Fixed Income	Africa ex-SA	Mauritius	Open-End	10/16
Fidelity Funds - Emerging Europe, Middle East and Africa Fund A (as-of 2022-05-24)										
-41.09	-8.77	-42.08	-10.9	-6.51	277.89 (04/22)	Equity	EMEA	Luxembourg	SICAV	06/07

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

YTD (%)	1 Month	1 Year	3 Year	5 Year	AUM (\$m)	Strategy	Focus	Domicile	Type	Start
Imara Africa Fund (as-of 2022-04-29)										
-11.64	-4.48	-9.84	1.31	2.5		Equity	African region	Cayman Isl.	Open-End	04/09
Imara African Opportunities Fund (as-of 2022-04-29)										
-17.2	-7.51	-20.07	-3.79	-4.56		Equity	African region	BVI	Open-End	6/05
JPMorgan Funds - Africa Equity Fund (A) (as-of 2022-04-29)										
3.17	-6.97	1.66	1.15	2.55	137.60 (05/22)	Equity	African region	Luxembourg	SICAV	5/08
Laurium Limpopo Master Fund (as-of 2022-04-29)										
-8.69	0.24	-5.32	-4.47	2.84	168.90 (03/22)	Equity	Africa ex-SA	Cayman Isl.	Open-End	01/14
Mazi Capital Africa Fund (as-of 2022-04-29)										
-8.86	0.41	-0.65	-3.8	0.64	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 2022-04-29)										
-16.04	3.13	-46.35	-22.17	-12.37	0.79 (04/22)	Equity	African region	Guernsey	Open-End	01/07
Old Mutual African Frontiers Fund (as-of 2022-04-29)										
-10.75	-1.92	3.06	0.32	6.03	291.00 (04/21)	Equity	Africa ex-SA	Ireland	Open-End	5/10
Optis African Frontier Fund (as-of 2022-04-29)										
-9.74	-2.73	-3.49	-1.61	2.85	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 2022-04-29)										
-13.46	1.54	-8.78	-5.73	-1.35	30.00 (03/21)	Equity	Africa ex-SA	South Africa	Open-End	06/14
Sanlam Africa Equity Fund (as-of 2022-04-29)										
-1.13	-2.54	7.33	4.67	7.08		Equity	Africa ex-SA	Ireland	Open-End	07/15
Sanlam Centre Africa Equity Fund (as-of 2022-04-29)										
-5.57	0.66	-4.35			63.23 (04/22)	Equity	Africa ex-SA	Cayman Islands	Open-End	05/19
Sanlam Centre Sub Sahara Africa Equity Fund (as-of 2022-04-29)										
-0.98	0.89	-3.29	-3.88	-1.71	53.64 (04/22)	Equity	Sub-Saharan ex.SA	Cayman Islands	Open-End	07/08
Steyn Capital Africa Fund (as-of 2022-04-29)										
4.12	3.39	13.44	2.29	8.11	164.00 (03/22)	Equity	Africa ex-SA	Malta	SICAV	09/11
Sustainable Capital Africa Alpha Fund (as-of 2022-04-29)										
5.88	1.65	9.15	7.16	1.1	300.30 (04/21)	Equity	Africa ex-SA	Mauritius	Open-End	02/12
TCM Africa High Dividend Equity (as-of 2022-04-29)										
-8.12	-2.5	-3.98	-3.28	0.11	9.60 (04/21)	Equity	Africa ex-SA	Holland	Open-End	03/08
Threadneedle Lux - Stanlib Africa Equity (as-of 2022-05-24)										
2.43	2.05	7.7	0.48	2.56	1.51 (03/22)	Equity	African region	Luxembourg	SICAV	8/14
T. Rowe Price Africa & Middle East Fund (as-of 2022-04-29)										
9.91	-1.45	23.75	9.39	9.45	175.45 (04/22)	Equity	MENA & SSA	United States	Open-End	10/11

The Impact of the Russia - Ukraine War on Africa



By Dr Muhammad Gambo, Manager: Policy, Research and Partnerships,
Shelter Afrique

Russia launched a full assault on Ukraine, its southwest neighbour, on February 24, 2022, marking a significant escalation in the ongoing Russian-Ukrainian conflict.

Both countries are major producers of crucial energy and industrial commodities such as oil, gas, aluminium, palladium, and nickel. They also produce food-related commodities such as wheat and corn; the war will have a consequent ripple effect on the global markets and supply chain, especially in Africa. The imminent food crisis resulting from the war is the topic du jour. However, there are other sectors to consider; one of them is the Built Environment.

The conflict has had clear effects on Africa, primarily due to the two countries' role in supplying vital essential commodities that support the infrastructural and socio-economic sectors of the region.

The economic disruption caused by the ongoing conflict, in terms of sanctions and physical upheaval of trade routes, has resulted in a steep rise in commodity prices, this is in addition to the existing post-COVID inflation.

In the Built Environment, the conflict has exacerbated and exposed the dangers of overreliance on importing building materials. Prices of building materials have increased, a burden that the homeowners will ultimately share.

Russia is considered the fourth-largest steel exporter globally, serving over 150 countries and territories. The price of steel in Kenya, for instance, has significantly shot up over the past few months. The prices of steel bars and nails have risen by between 80% to 90% and 13% to 43%, respectively, in the past few months in the country.

Additionally, the conflict has resulted in a shortage of coal, which is a crucial source of energy in cement production through clinker manufacturing.

It would be a safe wager that the situation is similar in most African countries, making the argument for affordable housing even more difficult. Considering the more significant socio-economic context, soaring food and energy prices could be a potential trigger for additional instability in the continent. According to a study by Mo Ibrahim Foundation, Russia and Ukraine account for 40.4 per cent of Africa's wheat imports and 39 African countries import wheat from Russia to feed their population.

Coupled with the adverse impact of COVID-19 on food and energy prices,

which has already increased inequality, poverty and marginalisation, these price increases can trigger new domestic unrest and instability. Instability threatens the conducive environment that spurs social and economic development.

OPPORTUNITIES FOR AFRICA

On the other hand, the conflict can serve as an opportunity for African countries to step up and fill in the commodities and supply chain gap created by the conflict and the pandemic.

For instance, African countries with vast gas reserves such as Algeria, Nigeria and Egypt, can leverage on the existing market gap to expand energy access on the African continent and also secure the European Union's energy supply whilst transitioning to a low-carbon economy.

However, this can only be achieved by ramping up their production and improving the related infrastructure.

Additionally, financing is also needed to achieve this ambition, which could be hampered by the recent pledge at COP26 to stop funding overseas gas projects. This commitment does not consider the dire situation of energy access in Africa, where an estimated 600 million people lack access to energy.

In the end, the conflict serves as an opportunity for Africa to re-strategise and put in place appropriate measures to enhance industrialisation, regional integration and food security in the region.

African countries need to leverage on the recent progress in the Africa Continental Free Trade Agreement (AfCFTA) and the New Urban Agenda, which will create new market opportunities for the region.

The AfCFTA will create the world's largest free trade area by the number of countries involved. The AfCFTA will connect 1.3 billion people in 55 countries with a total GDP of \$3.4trn. According to the World Bank, the AfCFTA could improve Africa's revenue by \$450bn and its exports by \$560bn, mainly in manufacturing. The imprint of a successful AfCFTA will directly affect the Built Environment, as it will dramatically reduce the dependence on the import of building materials and significantly increase capacity and know-how.

Winston Churchill once quipped 'Never let a good crisis go to waste and while there is great human suffering, the ongoing Russia – Ukraine conflict can be an opportunity for Africa. Many posit that the world will be remade after the conflict. Now is the time to create measures to enhance the region's industrial capacity, consequently resulting in improved regional integration and shared economic prosperity on the continent.



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