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analysis:

Exploring the Dynamics of the African Private Equity Sector in 2023 and Future Paths

opinion:

Venturing into Africa: Perception vs Reality

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In this month's issue we look into Artificial Intelligence, a technology that promises to disrupt all facets of our lives. According to Nico Katzke of Satrix, the speed of getting to a world of broad-based generative AI integration will depend on various factors. Learn more on pp.12-13.

Africa is often perceived as a risky investment destination. But perception, in Africa's case, often veers from reality. Rewards will go to those who can see through misperceptions and properly evaluate the tremendous opportunity Africa presents now and for the coming decades, write Magdi M. Amin and Lexi Lei at African Renaissance Partners. Read on p.14.

This month, we also hear from Shamima Mallam-Hassam of Trident Trust's Mauritius office who is exploring the dynamics of the African Private Equity Sector in 2023 and future paths on p.11.

In addition, Siyabulela Nomoyi at Satrix, writes that one asset class that should sit at the top of everyone's watchlist, especially in an environment pricing in a possible rate cut environment, is bonds. Read more on p.20.

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

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

Best regards,

Anna Lyudvig
 Managing Editor

TLcom Closes Africa's Largest Early-Stage VC Fund



Maurizio Caio,
Founder and Managing Partner
TLcom Capital

TLcom Capital, an Africa-focused venture capital firm, has announced the final close of TIDE Africa Fund II, its second fund for technology in Africa, at \$154m.

The new fund accelerates the firm's mission to partner with elite founders to tackle Africa's biggest and most complex challenges with innovative solutions that will unlock massive value in the continent's critical sectors.

At more than twice the size of TLcom Capital's first fund, TIDE Africa Fund II is oversubscribed and sees participation from several new, high-profile LPs alongside returning LPs from the firm's first Africa-focused fund, TIDE Africa Fund I, closed in 2020.

These include the European Investment Bank (EIB), Allianz and DEG Impact's joint venture, AfricaGrow, Visa Foundation and Bertelsmann.

With this second fund, TLcom Capital maintains its early-stage, multi-sector focus and expands its mandate beyond Sub-Saharan Africa to Egypt.

TIDE Africa Fund II will make initial investments of \$1m to \$3m, maintaining significant follow-on capacity to support strong portfolio performers into their growth stages, where the fund continues to see massive upside potential.

Doubling down on TLcom Capital's established presence in West and East Africa, the fund has already made its first investments in South Africa and Egypt with LittleFish, a software company enabling payments and banking products for retail-focused SMBs, headquartered in Cape Town, and ILLA, a middle-mile logistics platform headquartered in Cairo.

Maurizio Caio, Founder and Managing Partner at TLcom Capital, said: "TLcom now counts among a small number of venture capital firms that have raised multiple substantial funds for technology in Africa. This is a testament to the quality of our team and the trust we've established with our limited partners. It's also a major endorsement of our long-term view on Africa's massive upside."

"We are maintaining the same investment strategy for TIDE Africa Fund II as we had for our first fund, which made over 80% of its investments at Seed or Series A. With this final close, we're thrilled that TLcom is in an even stronger position to continue to partner with Africa's most talented entrepreneurs from early in their company-building journeys. We're also excited to spend more time in the Egyptian ecosystem, co-investing alongside the most active local funds. TLcom is well on its way to realising our ambition of becoming Africa's most sought-after

early-stage VC and a truly pan-African firm."

Since TLcom Capital announced TIDE Africa Fund II's first close in January 2022, the firm has also significantly expanded its team, adding investment and operational capacity by doubling its headcount to 15 employees, including new investment professionals in Nigeria and Kenya.

"Across Africa, access to capital remains limited, especially for early-stage startups," said Ambroise Fayolle, Vice President and Head of Investments at the European Investment Bank.

"At the same time, a young, technology-savvy population provides fertile ground for young companies. Africa's startup ecosystem has the potential to drive inclusive economic growth and foster positive social change, which the EIB is happy to support. Through our investment in TLcom's TIDE Africa II Fund, we expect to build and expand on the success and impact of the first TIDE Africa Fund, delivering much-needed capital to the most promising high-growth companies."

"Our investment in TIDE Africa Fund II demonstrates our dedication to helping build strong economies where businesses can prosper and generate substantial financial and impact returns. We are impressed by TLcom's track record of supporting visionary entrepreneurs in developing high-growth business models that can capitalise on Africa's considerable economic potential," said Najada Kumbuli, Vice President & Head of Investments, Visa Foundation.

"The firm's alignment with Visa Foundation's mission reinforces our confidence that, through this partnership, our capital will help create the next generation of successful and diverse entrepreneurs that will shape the future of the continent."

With its new fund, TLcom Capital plans to deploy significant additional capital into female-founded African tech startups, building on the firm's June 2022 co-investment commitment of \$2 million to FirstCheck Africa, a female-focused pre-seed fund.

TLcom Capital's commitment to gender balance is reflected in its majority-female partnership and investment committee.

TLcom Capital, Africa's largest Seed and Series A investor, currently has over \$300m under management.

Its portfolio counts 17 startups, including Andela, Ajua, Autochek, Fairmoney, Ilara Health, ILLA, Kobo360, LittleFish, Okra, Pula, Seamless HR, Shara, Terragon Group, Twiga, uLesson, Vendease and Zone.

TLcom Capital has a solid track record of attracting Africa's most successful repeat founders, including Sim Shagaya (founder of uLesson, Konga and DealDey), Etop Ikpe (founder of Autochek and Cars45) and Grant Brooke (co-founder of Shara and Twiga).

Admaius Takes Majority Stake in TRES Infrastructure

Admaius Capital Partners, an Africa focused private equity investor operating across several growth markets, has announced a majority equity investment into TRES Infrastructure, the only local licensed tower owner, operator, and developer of shared telecommunications infrastructure in Rwanda.

Marlon Chigwende, Managing Partner of Admaius, said: "We are excited to be investing in Rwanda, one of the fastest growing markets in Africa. GDP growth has been strong, sustainable, and relatively broad based. Our investment in Tres will help to expand network coverage to rural parts of Rwanda, as well as aid the rollout of 4G, and ultimately 5G over time. In addition to capital, we are bringing experienced Towers experts to support in strengthening the Tres business."

TRES' tower infrastructure is used by the two local Mobile Network Operators, MTN and AIRTEL (MNOs), while also benefitting other local network service providers such as KT Rwanda Networks.

Admaius' investment and support will enable the Company to expand its tower portfolio locally in line with the country's target to achieve more than 95% geographical coverage over the next few years, coupled with the roll-out of 4G and 5G network across the country.

This is expected to improve network affordability and connectivity in both rural and urban areas.

The telecom towers infrastructure market in Rwanda is characterised

by strong and resilient demand, meanwhile growth is underpinned by the country's growing population, the increasing number of mobile subscribers complemented by a steady SIM-card penetration rate, and the general adoption of services by new subscribers through the increase in multi-SIM adoption.

Facilitating TRES' continued growth aligns with Admaius' investment strategy for Africa of finding opportunities in high impact sectors that are the drivers of economic and social progress, including TMT (Technology, Media, and Telecommunication), digital infrastructure, financial services, FMCG, healthcare, and education.

Venuste Twagiramungu, CEO of TRES, said: "Admaius Capital Partners' investment has come at the right moment. With their expertise in fund management, they are bringing not only the financial backing that we need but also their organizational capabilities that will transform TRES into a true corporate. From this exciting journey we are expecting no less than a fast expansion and a true contribution to the Rwandan objective of more than 95% geographical coverage."

Admaius Capital Partners were co-advised by Asafo & Co. and ENS Africa. Gahigiro Capital and BK Capital acted as the co-financial advisors to TRES Infrastructure Ltd and the Founder.

Attorneys House acted as the legal advisor to TRES Infrastructure and the Founder.

EXITS

Apis Exits Adumo



Udayan Goyal,
Co-Founder & Managing Partner
Apis Partners

Apis Growth Fund I, a private equity fund managed by Apis Partners, has fully exited its position in South African merchant acquirer Adumo to Lesaka Technologies.

The deal is expected to complete upon receipt of competition commission approval, and a subsequent restructuring will result in the Fund receiving proceeds of the transaction in Lesaka shares.

Udayan Goyal, Co-Founder and Managing Partner at Apis Partners, said: "We are very pleased to announce the sale of the Fund's interest in Adumo, which marks a significant achievement for both Apis and Adumo. Adumo was a pioneer in using a verticalisation approach to provide the best in class service to its clients. This transaction

underscores Apis' commitment to identifying and investing in innovative, high-growth opportunities within the financial services and technology sectors."

Payment solutions specialist Adumo was established in 2019 with investments from the Fund and Crossfin Holdings.

The investment by the Fund and Crossfin was used to catalyse the merger of three premium payments businesses that anchored the Adumo platform: Sureswipe, Ikhokha and Innervation.

Adumo currently serves c.70,000 active clients and processes c. R80bn transactions annually via payment devices that can be fully integrated into the merchants' business.

Following the acquisition by Lesaka, it is estimated that the full Lesaka ecosystem will serve 1.7 million active clients, 107 000 merchants, and process over R250bn in throughput (cash, card and VAS) per year.

The successful partnership between Apis, Crossfin and Adumo

reflected a shared commitment to financial inclusion and advancing sustainable economic growth across Africa.

Since the Fund's investment, Adumo has narrowed the payment acceptance gap in South Africa, where 80% of adults are banked, with an average of 2.3 cards per person, yet payments in the SME segment remained predominantly cash-based.

Apis' and Crossfin's efforts in enhancing the product offering within the Adumo group bolstered digital and mobile transactions in these businesses, leading to increased footfall and customer retention.

Dean Sparrow, CEO at Crossfin, said: "Having been the co-creators of Adumo we are delighted to have found an exceptional home for the Group and see this next step in Adumo's growth journey as an incredibly exciting and logical evolution for the business, its customers and staff alike."

Over the course of the Fund's investment, Apis was instrumental in significant value creation initiatives at Adumo, boosting the company's reputation in delivering tailored payment solutions that address the unique challenges and opportunities within the African market.

With their sector-specific expertise, Apis and Crossfin teams

leveraged local and global networks to source and assist Adumo with the execution of multiple acquisitions, including GAAP and Wirecard South Africa, substantially increasing Adumo's geographic footprint.

Support was also provided by the Apis team for Adumo's large scale capital raises, securing key funding from the IFC, amongst others, to accelerate Adumo's growth.

Matteo Stefanel, Co-Founder and Managing Partner at Apis Partners, commented: "It has been a pleasure to work with all at Adumo over the past few years. Our teams' shared goals of impact creation and increasing financial inclusion are demonstrated by Adumo more than doubling the value of transactions it processes for SMEs in South Africa during the Fund's holding period. We believe the transition into Lesaka's ecosystem is a perfect fit for Adumo's next phase, and we look forward to being a part of it as Lesaka shareholders."

The Fund's divestment from Adumo follows the recent successful sale of Retail Capital, another asset held by the Fund and part of the broader thesis to provide business solutions to underbanked SMEs, to TymeBank. The Fund still holds an interest in iKhokha, which was unbundled from the Adumo platform in 2023.

EXITS

Mediterrania Capital Partners Exits TGCC



Albert Alsina,
Founder and CEO
Mediterrania Capital Partners

Mediterrania Capital Partners (MCP), a Private Equity firm focused on growth investments for SMEs and mid-cap companies in North and Sub-Saharan Africa, has completed its exit from TGCC, a leading construction and civil engineering company based in Morocco.

Albert Alsina, Mediterrania Capital Partners' Founder and CEO, said: "We are extremely proud to have played a part in TGCC's success story and confident that the company is well-positioned to continue outperforming and capturing future growth in the African continent. Today, TGCC is a company with a clear vision that makes a major contribution to the development of Africa by supporting its economies and delivering a positive social and environmental impact."

Founded in 1991 by Mohammed Bouzoubaa, TGCC has grown to become Morocco's biggest construction and civil engineering company.

Since its investment, Mediterrania Capital Partners has played a critical role in the company's development by implementing effective value creation processes and strong governance practices across all areas, with a particular focus on TGCC's internationalisation.

With MCP's guidance, TGCC has successfully expanded into Gabon, Côte d'Ivoire and Senegal and increased its projects in other Sub-Saharan Africa countries managed from Casablanca.

A key milestone in the partnership was TGCC's Initial Public Offering

(IPO) on the Casablanca Stock Exchange (CSE) in December 2021.

With MC III's support in IFRS implementation along with strong leadership from the management team, the IPO was flawlessly executed. Launched with a share price of MAD 130, TGCC's shares have experienced significant growth, reaching a peak of MAD 330 on April 19.

Today, TGCC boasts a market capitalisation approaching €1bn.

This positive evolution reflects the company's exceptional financial performance, Morocco's robust economic growth and the anticipation of new construction projects as the country prepares to host the 2030 World Cup.

Over the tenure of MC III's investment, TGCC has not only achieved financial success but also made significant contributions to the African continent's youth employment. The company currently employs 11,700 people, over 1,400 of whom are young professionals.

In that period, TGCC has created more than 3,500 jobs, demonstrating its commitment to social impact and sustainable growth.

Hatim Ben Ahmed, Managing Partner at Mediterrania Capital Partners, said: "In 2018, we saw a tremendous opportunity to invest in TGCC, leveraging our value creation model to consolidate the company's leading position in the domestic market while boosting its international expansion. Throughout our partnership, we've supported TGCC along its growth trajectory, facilitating its journey towards market capitalisation. We're very excited to witness the success of the IPO and subsequent achievements that are propelling TGCC to become the newest unicorn' in Africa."

INVESTORS

AFC Partners With Cassa Depositi e Prestiti

Africa Finance Corporation (AFC), Africa's leading infrastructure solutions provider, in partnership with Italy's national development finance institution Cassa Depositi e Prestiti S.p.A (CDP), have announced a landmark Memorandum of Understanding (MoU) that sets out to elevate Italian-African business collaboration, contributing to sustainable growth and prosperity on a global scale.

AFC and CDP signed their commitment at the Italy-Africa Business Dialogue Forum in Rome. The strategic alliance endeavours to bolster African infrastructure, harness natural resources, and propel industrial development through shared expertise and enhanced financial cooperation, while fostering the internationalisation of Italian businesses and expanding their global footprint.

The two institutions will work together to identify and engage in future partnerships and co-financing opportunities in development and infrastructure projects with governments, companies and financial entities. The institutions will create a shared platform to foster dialogue between Italian and African companies in AFC's member countries.

Samaila Zubairu, President & Chief Executive Officer of AFC, said: "This

strategic MoU with CDP marks a pivotal step in expanding our impact throughout Africa by utilising our extensive connections to international capital and expertise. By combining our resources and networks, we are poised to expand our record of transformative projects to catalyse sustainable development and economic advancement across the region."

Paolo Lombardo, International Development Cooperation Director at CDP, said: "This agreement is key for both institutions and crucial to foster synergies in the broader global development arena. Partnering with AFC, with its unique track record of transformational infrastructure, enhances support for companies and investors striving for Africa-focused growth and economic integration."

Building on a robust partnership that started with a significant EUR 100 million loan agreement in 2022 to fuel renewable energy and climate-resilient projects and continued with a EUR 50 million loan announced at COP28 for further sustainable development projects, this MOU reinforces these financial engagements and expands the scope of cooperation through new initiatives that promise to enhance Africa's economic and environmental landscape.



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QUICKFIRE INVESTMENT PITCHES

BII, Citi Launch \$100m Risk-Sharing Facility

British International Investment (BII), the UK's development finance institution and impact investor, has signed a \$100m risk-sharing facility with Citi to support the trade finance needs of SMEs and corporates in frontier and emerging African economies.

Nick O'Donohoe, CEO, British International Investment, said: "Our investment with Citi deepens BII's footprint across the continent and supports local businesses struggling to maintain and expand operations due to a lack of capital. The facility is testament to our commitment to tackle complex issues such as food security in Africa by extending liquidity solutions to strategic sectors. This empowers local businesses to strengthen supply chains and accelerate the flow of essential trade."

The initiative is expected to provide a boost to businesses with high-potential but limited by a lack of finance.

The investment seeks to address the critical lack of foreign currency in the region by providing trade finance liquidity to Citi's extensive network of commercial banks, enabling financial institutions to increasingly support African businesses with imports of key commodities such as wheat, fertiliser, rice and sugar.

The BII and Citi facility will help local businesses in underserved markets to finance the import of economically productive goods, transport, essential equipment and machinery supporting the emergence of manufacturing industries in frontier and emerging economies, including Benin, Cameroon, Côte d'Ivoire, Rwanda, Tanzania, Uganda and Zambia.

The trade finance gap in Africa has increased by approximately a third

since the onset of the pandemic, climbing from \$81bn in 2019 to \$120bn in 2023.

BII has supported businesses in Africa since 1948 and Citi opened its first office in the continent in 1920.

The new facility leverages their combined expertise and will potentially deepen Citi's relationships with over 200 local banks who in turn can empower ambitious companies facing severe funding constraints in harder-to-reach markets.

Stephanie von Friedeburg, Head of DFI Strategic Partnerships, Citi, said: "Citi is proud to work with BII in seeking to strengthen trade, and food security in frontier and emerging African economies."

"The announcement brings together BII's long history of support in the region, with Citi's unique cross-border vantage point. At Citi, we understand the transformative potential of global trade and are committed to bringing solutions that facilitate critical investments to enable economic growth."

This investment contributes to the United Nations' Sustainable Development Goals 1, 2 and 8, No Poverty, Zero Hunger, and Decent Work & Economic Growth.

The UK's Minister for Development and Africa Andrew Mitchell, said: "This investment underlines BII's commitment to supporting fragile economies across Africa in accessing vital goods to support food production, including fertiliser and agricultural machinery. By investing in countries where support is most needed, BII continues to take a lead in the fight against food insecurity."

INVESTORS

RMB Backs Acre Export Finance Fund I



Aymeric Perrin-Guinot,

Senior Transactor ECA Finance

RMB London

RMB, one of Africa's corporate and investment banks, has invested in Acre Export Finance Fund I, which targets commercial debt tranches of Export Credit Agency (ECA) transactions supporting climate-aligned infrastructure in Africa.

The fund has announced its first close on April 17 in which it has successfully raised an equity of approximately \$100m that will be

used to part finance projects in four impact sectors: renewable power generation, health, food and water scarcity - as well as sustainable cities and green transportation.

Aymeric Perrin-Guinot, Senior Transactor ECA Finance at RMB London, said: "By providing specialist funding for the commercial debt tranche and as a result unlocking the ECA guaranteed part of the transaction, the fund will enable the mobilisation of up to \$2bn toward impact projects."

"ECA finance, by enabling access to long-term debt for borrowers in

emerging markets, is seen as a key contributor to the reduction of the infrastructure financing gap in Africa, which is estimated to be over \$100 billion every year.”

Siyanda Mflathelwa, Sector Head of PPPs and Concessions at RMB noted that the fund fills a specific gap in the market which is the funding of the uncovered portion of ECA transactions, which has become increasingly difficult to fund.

Thereby unlocking transactions that will have a multiplier effect on the economies of the countries where it is deployed.

The IMF has recently noted that for every \$1m invested in infrastructure projects, between 8 and 30 jobs are created in low income developing countries.

“In addition, the fund is expected to have a significant positive social,

environmental and economic impact, underlining RMB's own ambitions in sustainable finance and our commitment to support Africa's transition to a lower carbon economy in line with the Paris Agreement.”

Acre Export Finance Fund will align all its investments with the UN's 17 Sustainable Development Goals (SDGs) and leverage industry-leading frameworks for impact reporting.

Perrin-Guinot added that RMB's investment in the fund is a great example of African banks contributing to solutions to African problems.

Hussein Sefian, CEO of Acre Impact Capital, said: “RMB's investment in the Fund demonstrates the positive role that African financial institutions are playing in supporting the financing of climate-aligned essential infrastructure in Africa. We are pleased to have received commitments from premier African investors such as RMB.”

INVESTORS

Norfund Makes Over Half of Its Investments in Africa



Teller Thorleifsson

CEO
Norfund

The Norwegian Investment Fund for developing countries (Norfund) invested just over 6.5 billion NOK in developing countries in 2023, with 51% of investments in Africa.

This is as much as the record year 2022, despite the fall in the world's total investments.

“We have succeeded in maintaining a high level of our contributions to creating more jobs in some of the most challenging countries where high risk makes many investors hesitant to invest,” said Teller Thorleifsson, CEO at Norfund.

Above the development mandate, Norfund invested a further NOK 1.4bn in renewable energy.

Norfund invested 2.3 billion in companies within financial inclusion, NOK 812m in companies within agriculture and industry, and NOK 412m in local and regional funds that invest directly in companies.

Of Norfund's total committed portfolio, 62% was in Africa at the turn of the year.

“Through investments that provide access to energy and capital, as well as direct ownership in companies, we see that we can contribute to fighting poverty in an efficient, sustainable and scalable way,” said Thorleifsson.

Total foreign direct investment to developing countries fell last year by 9% to \$841bn, with a drop of 12% in developing countries in Asia and 1% in Africa, according to a report by UNCTAD.

Norfund's investments have seen steady growth in recent years, despite demanding times characterized by, among other things, the pandemic.

In 2020, investments increased by 20%, in 2021 by 10% and in 2022 by another 20%. In 2023, the record level of 6.5bn from the year was thus maintained.

Norfund's total committed portfolio was NOK36.2bn at the end of the year.

Over the past two years, Norfund has received NOK1.68bn for the fund's development mandate and one billion for the Climate Investment Fund over the aid budget.

The total annual investments are now 2.5 times the amount transferred from the state budget, as a result of freed up funds from returns and sales.

“By investing instead of giving the money away, we mobilize private capital and use the same funds several times, so we can help fight more poverty and climate change,” said Thorleifsson.

Norfund was given responsibility for the new Climate Investment Fund aimed at avoiding emissions in developing countries in 2022.

In 2023, Norfund invested NOK 1.6bn over this mandate in renewable energy in countries with a particularly high proportion of fossil energy in existing and planned power production.

“The need for capital for renewable energy in these markets has grown further as a result of more expensive capital and high gas prices, and we see great opportunities to make a significant difference,” commented Thorleifsson.

PE INDUSTRY NEWS

USAID Supports Verdant Capital's Funds Business

USAID Southern Africa Mobilizing Investment (USAID Mobilizing Investment) has awarded grant capital to Verdant Capital for its new fund strategy, the Verdant Capital Southern Africa Fund (VCSAF).

Verdant Capital was one of the very few fund managers selected by USAID from a very significant cohort of applicants.

The grant aims to bolster VCSAF's development, fundraising, pipeline development and improving its operational capacity.

This will be achieved by supporting Verdant Capital in expanding its team, facilitating Verdant Capital to connect with potential investors, investees and partners, and support with legal closing.

It will enable Verdant Capital to utilise its expertise in credit fund

lenders.

The Verdant Capital Southern Africa Fund will invest debt capital into medium-sized enterprises across the Southern Africa region seeking finance to expand business operations or trade and facilitate such businesses overtime accessing additional debt and equity financing.

VCSAF will be investing in the following sectors: manufacturing, enabling services (e.g. logistics and light infrastructure), agri-business, renewable energy, education, water, sanitation, and hygiene (or WASH), housing, healthcare and the circular economy. The sector focus of VCSAF is aligned with the targeted impact: long-term sustainable development.

The targeted size of the fund is \$60m.

“Verdant Capital was selected for the grant based on the strength of both the commercial and developmental proposition of VCSAF and given Verdant Capital's performance to date as an emerging credit manager

management and credit deployment in Southern Africa to improve access to debt finance for the 'missing middle'.

Verdant Capital was selected for the grant based on the strength of both the commercial and developmental proposition of VCSAF and given Verdant Capital's performance to date as an emerging credit manager.

At closing, VCSAF will be managed separately from Verdant Capital Hybrid Fund I and its planned successor fund, Verdant Capital Hybrid Fund II, which will be launched later this decade.

Verdant Capital Hybrid Fund I invests hybrid or mezzanine capital into inclusive financial institutions, especially those supporting micro and small enterprises and especially digitally transformed and enabled

VCSAF is aligned with Verdant Capital's vision of fostering an ecosystem for sustainable long-term economic growth.

USAID Mobilizing Investment uses a market systems approach to accelerate investment and inclusive economic growth in Southern Africa.

As a market facilitator, USAID Mobilizing Investment works with and through the private sector to identify investment opportunities. It uses blended finance/catalytic capital de-risking to align incentives and mobilise capital while strengthening the skills, relationships, and information sources and flows necessary to change market behaviour and dynamics across investment ecosystems.

MARKETS AND INDUSTRY NEWS

Bellevue African Opportunities Fund Gets Merged

In view of the persisting adverse market conditions, the limited stock market liquidity, and the uncertain prospect of achieving positive long-term risk-adjusted returns in the markets within the fund's universe, the Board of Directors of the Bellevue SICAV Funds has decided to terminate Bellevue African Opportunities Fund.

The Board decided to merge this fund with the Bellevue Emerging Market Healthcare Fund.

This decision was expedited by the current situation in Egypt.

"We believe that this decision is in the best interest of our investors and we thank them for their trust and loyalty over the years," the Board of Directors said.

EXPLORING THE DYNAMICS OF The African Private Equity Sector in 2023 and Future Paths



Shamima Mallam-Hassam, Managing Director of Trident Trust's Mauritius office

At first glance, the headline figures for 2023, published in the [2023 African Private Capital Activity Report](#), released in March 2024 by AVCA, paint a grim picture. However, a closer inspection reveals resilience and potential for future growth.

AFRICA'S RESILIENCE

While deal volume (450 vs 627 in 2022) and value (\$5.9 billion vs \$7.6 billion) in Africa for 2023 experienced a decline compared to 2022, it is important to contextualize this. The African market's performance aligns with the global average for decreases in value and is actually less than the average decline in global deal volumes.

Moreover, the total of 627 deals in 2022 stands out as a statistical outlier, being significantly higher than the next two closest years, 2021 and 2023, by 197 and 177 deals respectively.

Despite the drop in deal volume from 2022, the number of deals in 2023 is still remarkable, being 170% greater than the 2012-2023 average. Furthermore, the number of deals in 2021, 2022, and 2023 collectively surpasses the figures from the preceding nine years.

Although annual deal values have experienced fluctuations, the 2023 value of \$5.9 billion notably exceeds the 2012-2023 average of \$4.7 billion, indicating resilience in the market despite the decrease in volume.

FACTORS INFLUENCING THE MARKET

The private capital market in Africa faced substantial challenges in 2023, largely due to global and regional economic uncertainties, prompting fund managers to exercise caution in their investment strategies and scale back exit initiatives. This cautious approach led to a shift towards smaller ticket sizes, as fund managers avoided large investments, consequently contributing to a decline in both investment volume and value. Additionally, reduced exits resulted in limited liquidity, posing significant challenges for investors and impacting the overall fundraising environment.

ABOUT US

Our dedication to Africa spans over two decades, during which we have proudly contributed to the growth and dynamism of this evolving market, growing with longstanding clients providing services to several generations of their funds, while showing the same enthusiasm and commitment to working with first-time fund manager entering the market. Presently, we administer over 40

FIRST-TIME FUND MANAGERS

In 2023, first-time fund managers in Africa achieved remarkable success, securing a 35% share of final closed values totalling \$0.7 billion, a notable 2.1x increase compared to the previous year and the highest capital raised since 2019. They notably dominated the lower middle market (\$100 million – \$250 million) range, surpassing expectations by attracting 82% of total fundraising within that segment, traditionally dominated by experienced managers. This achievement is commendable given the complexities first-time managers face in an industry that highly values experience, highlighting their resilience and ability to navigate challenges effectively. [Read our interview How We Help Emerging Managers in Africa Getting their Inaugural Fund Off the Ground in this magazine's April 2024 edition.](#)

THE FUTURE

The AVCA data clearly indicates a positive long-term trajectory for the market, especially evident in the capital raising success of new managers entering the market. The arrival of fresh talent, actively raising funds, not only signifies the market's dynamism but also underscores investors' sustained optimism regarding its potential.

Looking at the distribution of capital across countries or regions, South Africa appears poised to maintain its pivotal role and attract substantial investment within the Southern Africa region. In West Africa, the driving forces are likely to remain Nigeria and Egypt. Additionally, it is important to acknowledge that several countries are undergoing elections this year, potentially leading to a slowdown in investment activity until there's greater clarity on the economic landscape.

Looking ahead, we anticipate further innovation in the investment vehicles on offer. Alongside traditional blind pool funds, deal-by-deal solutions will continue to grow as they offer a cost-efficient way to capture investment opportunities and build track-record. We can also expect evergreen funds or tokenised funds to attract a new breed of investors looking for liquidity. On the GP side, business consolidations in East and West Africa may lead to the emergence of regional champions.

Finally, on the demand side we see sustained LP interest in renewable energy and venture capital, and innovative solutions that reduce the minimum investment into PE funds as the "retailisation" of the PE market gathers momentum.

Africa-focused private equity and venture capital funds, serving clients from 45 out of the 54 countries on the continent.

CONTACT SHAMIMA MALLAM-HASSAM, MANAGING DIRECTOR OF TRIDENT TRUST'S MAURITIUS OFFICE FOR ANY QUESTIONS.

THE GRADUAL RAGE AGAINST THE MACHINE



By Nico Katzke, Head of Portfolio Solutions, Satrrix

Less than two years ago we were all enthralled by the emergence of a technology that promised to disrupt all facets of our lives. What started as a live social experiment of opening large Natural Language Processing (NLP) algorithms, in the form of ChatGPT, to answer the public's unscripted questions, soon proved so effective that most see it as a technology with the potential for major disruption.

Many observers' enthusiasm was somewhat curbed in recent months by the realisation that physical limitations exist in building

Other possible drawbacks include the environmental costs associated with training and managing these energy hungry algorithms, the inherent biases that undocumented training could embed in model responses with limited recourse, the inability of modelers to reverse engineer parameters (making it a black-box process by design), as well as the lack of ethical scrutiny required to ensure it is safely deployed on society.

Proponents of AI's unbridled growth might point to these being fixable problems; eggs broken in the pursuit of a sentient omelette. But a bigger problem might lurk in its current design that should give even the most optimistic pause: the lack of Intelligence, or the "I" in AI. People are mesmerised by Generative AI's output and the illusion of understanding that it possesses. It also doesn't help

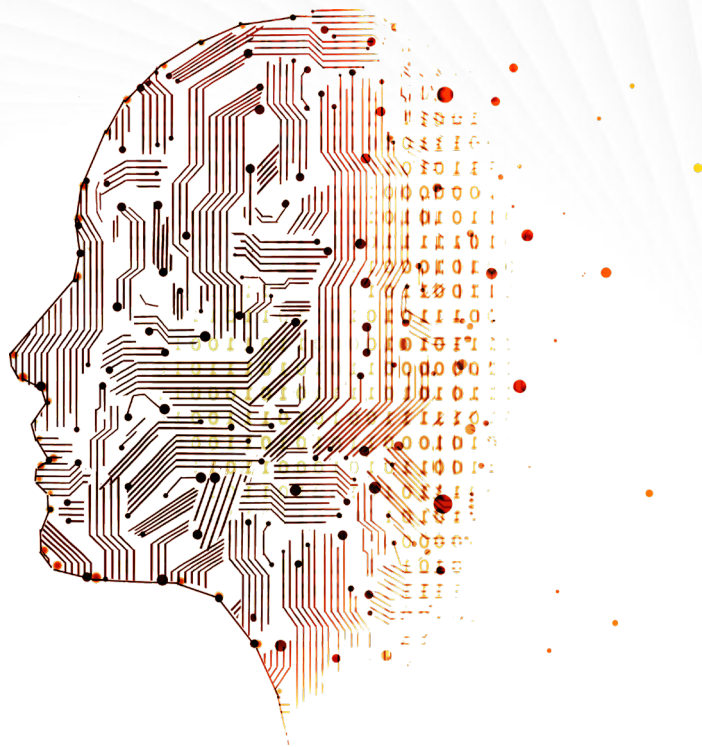
"A bigger problem might lurk in its current design that should give even the most optimistic pause: the lack of Intelligence, or the "I" in AI"

larger and ever more capable training models. It turns out, when we ask ChatGPT a question online, somewhere a machine is whirring and crunching numbers – consuming more than 10 times the power of a google search. It is, after all, not magic. Nor is it a tireless sentient being answering our questions – it is machines doing complex math. The more we ask of it, the bigger it needs to be.

Despite clear physical challenges, to many it seems the future domination of Artificial Intelligence (AI) through Large Language Models (LLMs) is inevitable. Others are more sceptical. First, it is costly. Building, training and maintaining these models requires incredible costs and expensive manpower, access to enormous datasets and advanced chip making infrastructure. Securing a stable supply of raw materials required in chipmaking seems increasingly precarious given rising geopolitical tensions globally.

that researchers and companies at the forefront of its development have strong incentives to feed this illusion with anthropomorphic language like learning, intelligence and reasoning.

But at its core, the models we interact with are simply computer algorithms trained on human supplied information (think all the public Reddit, Wikipedia, etc. pages), that take text as input and produce answers by predicting what word (or what pixel when drawing) should come next. It is, ultimately, super-efficient predictive text strung together in a way that, given its vast library of human conversational data for training, seems (unsurprisingly) human-like. But it is a parrot, not a mind. A remarkable achievement in mimicry and information collation, but certainly not sentient. Its current design will always scupper its ability to "think" outside the (very black) box. Even if a methodology is identified that can bring us to the holy grail of Artificial General Intelligence (AGI), that



doesn't mean that it will necessarily be achieved. Think the decades long pursuit of nuclear fusion which is theoretically possible.

THE FUTURE OF AI

Irrespective of our views on whether and to what extent the

capitalists only interested in the bottom line. Managers may also realise that the jobs most at risk of full automation are in fact those required to give new entrants the training needed to make them more productive in future. A skills gap may emerge that could prove costly should all simple tasks be automated. End consumers will

“Irrespective of our views on whether and to what extent the technology is destined to disrupt our lives, the toothpaste has been squeezed from the tube. We have been irreversibly thrust on a path to discover how far artificial generative technology will mature and how it will impact society in the future

technology is destined to disrupt our lives, the toothpaste has been squeezed from the tube. We have been irreversibly thrust on a path to discover how far artificial generative technology will mature and how it will impact society in the future, be it as a net positive or net negative force. At this point we can at best only speculate.

The speed of getting to a world of broad-based generative AI integration will depend on various factors. First, finding solutions to the aforementioned physical constraints that at present have an exponentially increasing cost structure.

Second and unconnected to the first depends on how all facets of society will embrace it. Some have argued that government institutions should limit its unbridled development for fear of mass worker displacement and the development of nefarious applications. But one of the greatest impediments to the feared displacement of labour might be the companies set to benefit from these technologies themselves.

There is an inherent tension for companies to appease both Wall Street and Main Street, or in the South African case Maude Street and Church Street. While companies no doubt will start to feel investor pressure to use the technology to improve efficiencies and reduce cost, most also care about not being seen as cold-hearted

likely also be slow to warm to the idea of fully automated creative output (think AI generated music, art, writing, etc) – which companies will no doubt be mindful of.

This means that even if the technology becomes more capable and widely available than it is today, there will likely still be a slower and more gradual adoption – giving workers a chance to adapt, making the disruption less severe than some anticipate. AI will likely prove to be a useful productivity tool, not a source of displacement. Government intervention and its accompanying distortions may not be the best course of action: let the markets rage against the machines.

Finally, how should one go about investing in this technological revolution? It might be wise to consider that when it comes to securing the rights to raw inputs for chip manufacturing, access to the top minds and use of expensive computing equipment to develop the technology further – size and scale matters. Mark Twain said that when everyone is looking for gold, it's good to be in the picks and shovels business. Investing in the companies owning the rights to picks and shovels used for tomorrow's application may very well be the best course of action at this point – and few indices encapsulate this better than the Nasdaq 100.

VENTURING INTO AFRICA: PERCEPTION VS REALITY



By Magdi M. Amin, Founder & General Partner, African Renaissance Partners, and Lexi Lei, Analyst, African Renaissance Partners

Africa is often perceived as a risky investment destination.

But perception, in Africa's case, often veers from reality. Rewards will

go to those who can see through misperceptions and properly evaluate the tremendous opportunity Africa presents now and for the coming decades.

In 2023, the continent raised \$3.6 billion venture funding through 545 deals, accounting for merely 1.3% of the global venture capital deal value, just ahead of Latin America, in which around \$3 billion was raised in 489 deals, according to the Africa VC and PE Association. The disproportionate funding reflects not only the significant yet largely untapped market potential in Africa but also the critical need to dispel the prevailing myths that have been hindering investment.

When it comes to Africa, international investors' risk perception tends to be unreasonably high due to cognitive biases. Humans usually perceive closer things as safer than those that are farther away. Unfamiliarity with Africa, stemming from geographical and cultural distances, amplifies risk perception. Political events in one country are generalized to the entire continent, despite that Africa consists of 54 unique economies.

The truth is that Africa will be at the center of economic growth in the coming decades. East African countries, the fastest-growing group, are projected to reach an average GDP growth of 5.7% in 2025, outperforming the world average and all emerging markets.

Africa's robust economic performance is backed by rapid demographic growth, rapid urbanization, a growing middle class, and digitization. By 2050, Africa will have the largest working-age population and 500 million new urban consumers, and its digital economy is estimated to grow from \$115 billion to over \$700 billion.

The startup ecosystem in Africa has also seen substantial improvements, benefiting from the highest entrepreneur rate in the world, the emerging local incubators and accelerators, the market-oriented regulatory frameworks, and the powerful diaspora network across the globe.

India has captured the world's attention with its vibrant startup ecosystem. But for many years, India also suffered from negative risk perceptions. It produced its first unicorn, a startup reaching a valuation of \$1 billion, in 2010. It reached an inflection point in 2015, where a combination of reforms, economic growth, diaspora engagement and domestic investment in tech talent spurred a wave of innovation and

an increasingly positive investor sentiment. By 2021, India's venture investment hit \$38.5 billion, and the country now boasts over 58 unicorns.

While slowed by the decline in global venture funding in recent years, Africa was the fastest growing venture market in early 2022, and there are indications that Africa is now reaching the inflection point India reached in 2015. India's growth trajectory suggests a promising future for Africa's startup landscape.

Because Africa has been underinvested, it yields vast opportunities. For instance, Africa only receives 0.2% of global cleantech investments, while possessing 60% of the world's premier solar resources. Africa's energy abundance can drive prosperity just as energy abundance helped other regions grow; only in Africa's case, is the abundance sustainable.

As a late-developing region, Africa has not developed the degree of physical, institutional or market infrastructure that other regions enjoy. This demonstrates that venture capital is even more crucial to Africa, because it catalyzes technological innovations and facilitates leapfrogging that allows the continent to bypass traditional development stages and market barriers. Just as Africa has leapfrogged the use of landline phones and traditional banks through mobile technology, Africa's emerging solutions are often technology-driven, distributed, mobile, renewable – produced and consumed by a young population that adopts technology quickly.

In Kenya, M-PESA became the fastest-growing fintech by attracting 1.5 million users within just two months. Having achieved the highest mobile payment penetration rate, it unlocked a vast digital market.

Like all developing regions, there are substantial risks, including the lingering economic overhang of the pandemic which increased public debt, ongoing political transitions, and substantial unemployment. Investing in emerging market inherently involves risks. Instead of a traditional investment approach, it is crucial to look at the risk-adjusted returns, which requires a nuanced understanding of the unique challenges and opportunities in each African country.

A simple extrapolation of the growth rate of venture investment in Africa over the past decade, from less than \$300 million to \$3.6 billion suggests that venture investment will exceed \$40 billion in the coming decade. That opportunity will be captured by those who can properly evaluate the African opportunity free of biases.

International investors should seek to partner with local funds with established networks and insights to navigate the complex narrative around investing in Africa and identify promising opportunities that are overlooked by broader market assessments.

For Africa, the story is unfolding today.

THE FOREMOST GATHERING OF INSTITUTIONAL INVESTORS

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Sustainable and alternative investing high on the agenda as Institutional investors to convene in Rwanda

MNCapital Group, in partnership with various strategic institutions is convening key players in the investment space for the **8th Africa Investment Funds and Asset Management (AIFAM) Forum**, over period of three (3) days in the vibrant city of **Kigali, Rwanda**. Under the distinguished theme of **"Sustainable Finance and Alternative Investment Strategies for African Pension Funds,"** this forum promises to be an insightful gathering of industry leaders, policymakers, and experts dedicated to exploring innovative avenues for driving sustainable growth across the continent. Set against the backdrop of Africa's evolving financial landscape and the imperative for sustainable growth, this forum will serve as a pivotal platform for exploring innovative approaches to investment and asset management. This forum presents a unique opportunity to engage in strategic dialogues, share best practices, and forge partnerships that will shape the future of investment and asset management in Africa. We anticipate insightful discussions, invaluable networking opportunities, and actionable insights that will propel the African investment ecosystem forward.



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PROF. EMMANUEL BOTLHOLE
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NICOLAS FIRZLI
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XOLISA DHLAMINI
Head: Sustainability Operations & Impact, Sanlam Group



VHAHANGWELE MANAVHELA
Managing Director, Aequalitas



MAURICE MADIBA
Head of Primary Markets, Johannesburg Stock Exchange



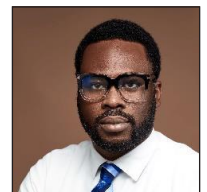
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AFRICAN MARKETS PERFORMANCE

AFRICA SOVEREIGN BOND INDICES (TOTAL RETURNS USD %)

Country	April	3-Month	1-Year
Botswana	1.39%	1.96%	11.24%
Egypt	2.96%	-31.15%	-21.51%
Ghana	-6.47%	-9.35%	-18.65%
Kenya	1.35%	24.58%	5.93%
Mauritius	-0.39%	-3.70%	2.19%
Morocco	0.45%	0.62%	8.57%
Namibia	3.27%	-2.60%	8.30%
S&P/FMDQ Nigeria	-2.38%	-26.58%	-66.79%
South Africa	2.04%	-2.46%	3.57%
Tanzania	1.16%	-6.53%	-11.61%
Uganda	3.59%	2.77%	13.36%
Zambia	-5.16%	7.18%	-8.80%

Source: S&P Dow Jones Indices

AFRICA EQUITY INDICES (BMI GROSS TOTAL RETURNS USD %)

Country	April	3-Month	1-Year
Botswana	0.58%	1.99%	18.14%
Cote d'Ivoire	2.36%	5.37%	18.14%
Egypt	-11.36%	-45.04%	-3.70%
Ghana	3.71%	12.27%	32.23%
Kenya	-6.85%	44.79%	5.81%
Malawi	-0.44%	-6.34%	-17.19%
Mauritius	0.08%	4.12%	13.89%
Morocco	1.70%	4.78%	27.38%
Namibia	0.81%	-0.78%	20.50%
Nigeria	-17.83%	-24.38%	-40.18%
Rwanda	1.21%	0.97%	1.37%
South Africa	3.07%	0.86%	-1.61%
Tanzania	-1.57%	4.35%	4.65%
Tunisia	1.41%	7.73%	5.98%
Uganda	5.90%	11.13%	31.07%
Zambia	-5.32%	17.10%	17.96%

Source: S&P Dow Jones Indices

SOUTH AFRICA:

The Grounds are Laid for a Change In Fiscal Fortunes

By Futuregrowth Asset Management's Interest Rate Team

Domestic Product (GDP) in the period, relative to the 4.7% tabled in the national budget in February. This improvement on expectations was supported by both expenditure constraint (against our expectations in an election year) and revenue outperformance – the hallmark of an increasingly capacitated and efficient revenue service. The expenditure outperformance is particularly commendable, with spending having exceeded our fiscal year-to-date estimates by 0.2% - 0.3% for the greater part of the year.

Fiscal flexibility remains a constraint for government finances in the medium term, as is weak macroeconomic growth. In our estimation, based on the current fiscal framework, debt sustainability will only be achieved with real GDP growth on approach of 3% per annum – a

low water mark in an emerging market context yet meaningfully removed from South Africa's trend growth rate of 1% - 2% in the past decade. Despite this, provided broad policy continuity persists following the upcoming national election, we think we have seen the worst of the erosion in fiscal finances in recent years, with an attainable medium-term expenditure framework (MTEF) tabled by National Treasury in the February budget.

Commissioner Edward Kieswetter's leadership of the South African Revenue Service (SARS) has also ushered in a period of improved tax compliance and revenue buoyancy. The recent announcement of the extension of his leadership tenure by a further two years will allow for an orderly transition and provides great hope that the recent gains will be sustained.

PRIVATE EQUITY FUNDS & DEALS

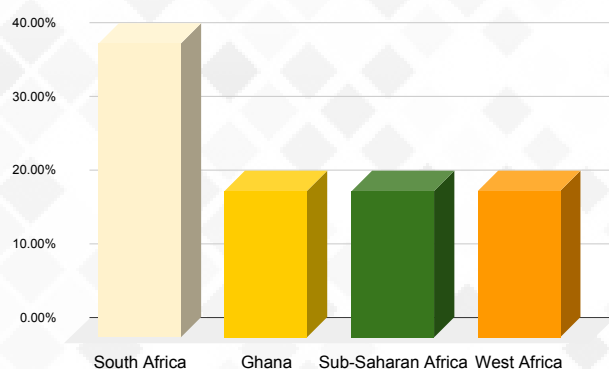
(as of the end of April 2024)

DEALS

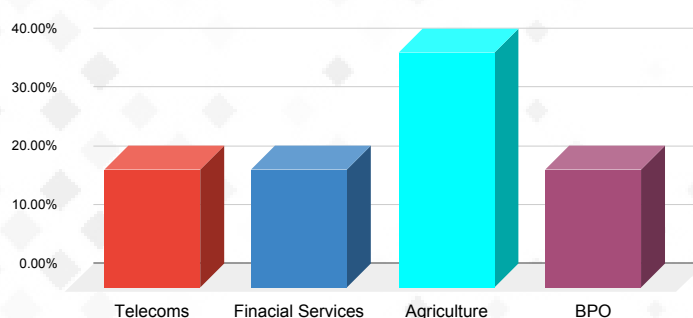
For more information on each transaction, visit Africa Global Funds's website

Company	Investment	Industry	Country	Deal Type	Deal Value
Actis // Royal Bafokeng Holdings	Swiftnet	Telecoms	South Africa	Buyout	R6.75bn
Africa50 // Oikocredit // Injaro // Verdant Capital Hybrid Fund // I&P	Zeepay Ghana	Financial Services	Ghana		Undisclosed
InfraCo Africa	SunCulture	Agriculture	Sub-Saharan Africa	Growth Equity	\$12m
Sahel Capital	SEFAA	Agriculture	West Africa	Loan	\$2.4m
Vantage Capital	Procera Group	BPO	South Africa	Minority Equity	R346m

DEALS BY COUNTRY



DEALS BY INDUSTRY



FUNDRAISING

Company	Fund	Geography	Style	Sectors	First Close	Final Close	Date Announced
Acre Impact Capital	Export Finance Fund I	Pan-Africa	Export finance	Renewable Power; Health, Food and Water Scarcity; (Sustainable Cities and Green Transportation)	\$100m		April 17, 2024
Adenia Partners	Adenia Capital V	Pan-Africa	Growth Capital	Sector-agnostic	\$300m	\$470m	April 4, 2024
TLcom Capital	TIDE Africa Fund II	Pan-Africa	Early Stage Venture Capital	Technology	\$108m	\$154m	April 22, 2024

EXITS

Company	Divestment	Industry	Geography	Buyer (s)	Nature of exit
Mediterranea Capital Partners	TGCC	Construction	Morocco		IPO

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 2024-04-30)										
-3.27	0.9	8.55	4.14	0.48	326.00 (12/23)	Equity	Africa ex-SA	Cayman Isl.	Open-End	06/14
African Domestic Bond Fund (as-of 2024-03-31)										
	-7.5	-12.5	-28.5	-10.5		ETF - local currency FI	African region	Mauritius	Open-End	9/18
African Lions Fund (as-of 2024-04-30)										
6.58	-0.66	8.95	29.16		25.02 (04/24)	Equity	SSA ex-SA	BVI	Open-End	10/20
Allan Gray Africa Bond Fund (as-of 2024-04-30)										
4.2		22.1	2.9	4.7	303.00 (04/24)	Fixed Income	Africa ex-SA	Bermuda	Open-End	3/13
Allan Gray Africa ex-SA Equity Fund (as-of 2024-04-30)										
-12.8		-9.9	-2	1.1	378.00 (04/24)	Equity	Africa ex-SA	Bermuda	Open-End	1/12
Commonwealth Africa Fund (as-of 2024-04-30)										
-2.6	2.74	-1.73	-3.11	-1.82	3.14 (04/24)	Equity	African region	USA	Open-End	11/11
Coronation Africa Frontiers Fund (as-of 2024-04-30)										
5.47	-3.63	-6.73	-3.99	-2.93	232.90 (04/24)	Equity	Africa ex-SA	Ireland	Unit Trust	10/08
DWS Invest Africa (as-of 2024-05-16)										
-12.85	-0.37	-1.95	-3.59	-3.37	22.85 (04/24)	Equity	African region	Luxembourg	SICAV	07/08
EFG-Hermes MEDA Fund (as-of 2024-05-16)										
3.95	-2.22	24.78	20.76	15.59		Equity	Africa & Middle East	Bermuda	Open-End	12/11
Enko Africa Debt Fund (as-of 2024-04-30)										
10.59	-1.43	43.01	11.8	15.45	646.30 (04/24)	Fixed Income	Africa ex-SA	Mauritius	Open-End	10/16
Fidelity Funds - Emerging Europe, Middle East and Africa Fund A (as-of 2024-05-16)										
6.02	3.14	18.61	-12.04	-3.76	219.76 (04/24)	Equity	EMEA	Luxembourg	SICAV	06/07
Imara Africa Fund (as-of 2024-01-31)										
3.91	3.91	-15.73	-12.32	-5.09		Equity	African region	Cayman Isl.	Open-End	04/09
Imara African Opportunities Fund (as-of 2024-03-31)										
-6.93	-8.33	-9.59	-15.7	-8.17		Equity	African region	BVI	Open-End	06/05
Imara African Opportunities Fund (as-of 2024-03-31)										
-6.93	-8.33	-9.59	-15.7	-8.17		Equity	African region	BVI	Open-End	6/05

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

YTD (%)	1 Month	1 Year	3 Year	5 Year	AUM (\$m)	Strategy	Focus	Domicile	Type	Start
Laurium Africa USD Bond Fund (as-of 2024-04-30)										
3.6	-1.9	19.5			50.00 (04/24)	Fixed Income ex South Africa	African region	Ireland	UCITS	04/21
Laurium Limpopo Master Fund (as-of 2024-04-30)										
7.25	-0.93	7.65	-0.87	-2.16	161.90 (03/24)	Equity	Africa ex-SA	Cayman Isl.	Open-End	01/14
Mazi Capital Africa Fund (as-of 2024-04-30)										
-15.81	-7.77	-21.01	-12.16	-9.5		Equity	Africa ex-SA	South Africa	Open-End	01/16
MCB Africa Bond Fund (as-of 2024-03-31)										
	-4.7	-9	-27.6	-16.3		Fixed Income	African region	Mauritius	Open-End	2/14
Ninety One Premier - Africa Fund A (as-of 2024-04-30)										
-11.11	1.39	-34.83	-33.6	-23.53	0.45 (04/24)	Equity	African region	Guernsey	Open-End	01/07
Old Mutual African Frontiers Flexible Income Fund (as-of 2024-05-16)										
7.65	-0.97	27.67			23.94 (04/24)	Fixed Income	African region	Ireland	OEIC	05/22
Old Mutual African Frontiers Fund (as-of 2024-04-30)										
8.49	-3.6	5.64	-3.25	-2.37	230.92 (04/24)	Equity	Africa ex-SA	Ireland	Open-End	5/10
Sanlam Africa Equity Fund (as-of 2024-04-30)										
1.81	-3.44	-1.35	-1.3	0.54		Equity	Africa ex-SA	Ireland	Open-End	07/15
Sanlam Centre Africa Equity Fund (as-of 2023-12-31)										
-0.79	-2.18	-0.79			58.53 (12/23)	Equity	Africa ex-SA	Cayman Islands	Open-End	05/19
Silk Invest Emerging Africa Bond Fund (as-of 2024-01-31)										
-0.74	-0.74				1.51 (01/24)	Fixed Income	African region	Mauritius	Open-End	09/16
Steyn Capital Africa Fund (as-of 2024-04-30)										
-8.19	-0.6	-2.55	1.74	-0.13	144.00 (04/24)	Equity	Africa ex-SA	Malta	SICAV	09/11
Sustainable Capital Africa Alpha Fund (as-of 2024-04-30)										
-9.94	1	0.49	-0.9	1.87	300.00 (12/23)	Equity	Africa ex-SA	Mauritius	Open-End	02/12
TCM Africa High Dividend Equity (as-of 2024-04-30)										
-22.57	-12.1	-20.2	-12.04	-8.51	8.00 (12/23)	Equity	Africa ex-SA	Holland	Open-End	03/08
T. ROWE PRICE AFRICA & MIDDLE EAST FUND (AS-OF 2024-04-30)										
0.47	-1.11	7.85	5.97	4.71	95.46 (04/24)	Equity	MENA & SSA	United States	Open-End	10/11

BOND MARKET: The Landing is of Interest



By Siyabulela Nomoyi, Quantitative Portfolio Manager at Satrix

In the US, the annual inflation rate hit 11% at the end of the 70s and Paul Volcker, the 12th chairman of the Federal Reserve (US Fed) bank started steering the market, perhaps unknowingly, towards a hard landing. To combat inflation at the time, the fed funds rate (equivalent to SA repo rate) was hiked to record highs and reached close to 20% per annum. By 1983, Volker's US Fed was successful in pulling back inflation to 3%, but what followed was a 16-month recession – the first of the double deep recessions in the 80s - while unemployment reached 11%.

Going into 2023 many investors feared that history would repeat itself – that the aggressive rate hikes experienced in 2023 would lead to a recession, or a hard landing. Despite the historical parallels, markets priced in a soft landing – a marginal GDP correction at most, with limited impact on employment numbers. While this soft landing may yet occur, it might require a long runway if it in fact lands.

One asset class that should sit at the top of everyone's watchlist, especially in an environment pricing in a possible rate cut environment, is bonds. Once central banks start cutting interest rates, the existing bonds will likely appreciate as their yield will be more attractive compared to newly issued bonds that are basing their coupon payouts on lower rates. Given the recent returns on bonds, it seems that the risk for investors is missing out on participating in fixed income exposure.

Diversifying away from equities can potentially sacrifice real returns over the long term, but currently, bonds have come up head-to-head with equities when considering their historical returns, while having lower volatility. In the last 10 years, in a declining global inflation and interest rate environment to the end of February 2024, the FTSE/JSE All Bond Index returned 8.1% per annum, 0.2% higher than the FTSE/JSE All Share Index over the same period.

Bonds are outperforming, yet the major difference here is not returns but risk. In the same 10 years, investors would have experienced almost 78% higher volatility in equities than bonds.

THERE ARE SOME POSITIVES, IN SOUTHERN AFRICA

South Africa goes to the polls this coming May, which will see one of the most contested national elections since 1994. Our next door neighbour, Namibia, has historically been intimately linked to South Africa when it comes to economic indicators, and with that, the country is also going to the polls this November. Growth in Namibia has been robust since the pandemic, primarily driven by its mining sector, owing to favourable commodity prices and promising oil and gas exploration.

The repo rate arbitrage between Namibia and South Africa is not one to look past though, as the country is 50 bps behind the SA borrowing rate, resulting in Namibian banks placing overnight balances mostly in South Africa as they can get a better rate. This difference in rates also means that once the South African Reserve Bank (SARB) starts cutting rates, Namibia will not be as aggressive. This is reflected in Cirrus Capital's rate forecasts for Namibia as well; as the current rate in Namibia is 7.75%, Cirrus Capital sees Namibian borrowing rates remaining the same throughout 2024 and then some adjustments down from the year 2025 with the rate hitting 6.75% as the lowest the Bank of Namibia (BoN) will go at end of 2026. Diverging away from South Africa, the growth in Namibia could remain persistent, with Cirrus forecasting its real GDP growth to remain above 5% until the end of 2027.

Namibian assets had a stellar performance last year as the S&P Namibia Sovereign Bond 1+ Year Top 10 Index had a one-year return of 13.7% to the end of February 2024 while the S&P South Africa Sovereign Bond 1+ Year Index delivered a total return of 7.5% for the same period. It is worth keeping in mind though that this difference in return is likely due to a higher risk and liquidity premium required by investors to hold Namibian debt instruments.

A big consideration needs to be given also to the growth prospects of Namibia as opposed to the timing of the interest rate cycle. Growth in the country could mean that its deficits are decreasing or have decelerated compared to the past, this then can translate to the government issuing a lower supply of bonds, thereby limiting supply, which can push the prices up.

Investors looking for exposure to the bond market have options, in the form of Exchange Traded Funds (ETFs). The recent volatility in inflation may have pushed investors to consider bonds not only as a diversifier but also as an asset class that can deliver inflation-beating returns.



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