

# AFRICA

## GLOBAL FUNDS

### **FROM JIBAR TO ZARONIA: What the Benchmark Shift Means for South African Asset Managers**

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**COMMENT: CURRENCY VOLATILITY AND  
FX RISK MANAGEMENT IN AFRICA**

# Your Insight Into African Asset Management



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**WEB:**

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

**EDITORIAL:**

Anna Lyudvig  
 a.lyudvig@africaglobalfunds.com

**COMMERCIAL:**

Roman Onosovski  
 r.onosovski@africaglobalfunds.com

**SUPPORT/TECHNICAL:**

support@africaglobalfunds.com

**CONTRIBUTORS:**

Afreximbank  
 Mark Johnson



**S**outh Africa's financial markets are in the midst of a profound transformation. A critical element of this shift is the phasing out of the Johannesburg Interbank Average Rate (JIBAR), long the cornerstone of interest rate benchmarks for floating-rate instruments in the country. In its place, the South African Reserve Bank (SARB) is introducing the South African Rand Overnight Index Average (ZARONIA)—a near risk-free rate (NRFR) designed to better reflect real market transactions while enhancing financial stability. What are the implications for SA asset managers? Read on pp. 12-13.

A more complex challenge for many African economies today is their growing external debt burden. Across the continent, nations have accumulated significant debt, driven by structural economic factors and external pressures. As debt levels rise, so too does the urgency to find sustainable solutions for managing these economic pressures. Read on pp.16-17.

In an exclusive interview with Africa Global Funds, André Steyn, CEO and Portfolio Manager at Steyn Capital Management, offers insights into where value can be found in today's African markets. Steyn highlights the banking and consumer goods sectors as particularly promising, underscoring his firm's approach to capturing long-term growth through a combination of bottom-up stock picking and top-down risk management. Read on p.15.

South Africa, in particular, stands at a critical crossroads in its fund management sector. The combination of escalating global uncertainty and emerging local opportunities is creating a volatile yet potentially rewarding environment for investors. Recent events, such as the Trump administration's announcement of a 30% reciprocal tariff on South Africa, have added to the sense of vulnerability, writes Mark Johnson of NeoXam on p.14.

In addition, one of the persistent challenges that fund managers and investors across Africa face is currency volatility. As capital flows increase and financial markets become more integrated, the issue of foreign exchange (FX) risk has taken center stage. This risk is not only a concern for multinational investors but also for domestic institutions managing cross-border portfolios. Read on p.22.

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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](mailto:a.lyudvig@africaglobalfunds.com)**

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Best regards,  
**Anna Lyudvig**  
 Managing Editor

# Afreximbank Launches \$1bn Africa Film Fund



**Benedict Oramah,**  
President; Chairman Board of Directors  
**Afreximbank; FEDA**

African Export-Import Bank (Afreximbank), through its development impact investment arm, the Fund for Export-Development in Africa (FEDA), has committed to spearhead the launch of the Africa Film Fund as part of its Creative Africa Nexus Programme (CANEX).

This transformative undertaking of up to \$1bn is designed to revolutionize Global Africa's film and creative industry.

Professor Benedict Oramah, President of Afreximbank and Chairman of both the Boards of Directors of Afreximbank and FEDA, said: "Film is a cornerstone of the Creative Africa Nexus (CANEX) programme and the establishment of the Africa Film Fund is timely as it will help accelerate the growth of Africa's creative sector, which has witnessed rapid growth but continues to face significant challenges including funding, scaling and accessing global markets."

"Through investments in the film sector, alongside initiatives such as the CANEX Shorts Awards, Afreximbank is committed to celebrating and amplifying a diverse range of African voices and experiences, thereby catalysing the creative industry and unleashing the creative

audiovisual industry generates an estimated \$5bn in annual revenues and employs over 5 million people across the continent.

However, the film industry on the continent has long faced challenges, including limited access to production facilities and equipment, a shortage of advanced post-production resources, and a lack of sufficient exhibition infrastructure—highlighted by fewer than 2,000 cinema screens and limited access to digital platforms.

Afreximbank's interventions through FEDA seek to address some of these issues and more.

Marlene Ngoyi, CEO of FEDA, emphasized the Fund's role in driving inclusive growth, stating that: "The Africa Film Fund is not merely about financing films - it is about building a thriving ecosystem that empowers Global Africa's creative talent, fosters cultural exchange, and catalyses economic transformation. At FEDA, we are committed to ensuring this initiative delivers tangible impact with long-term and sustainable benefits."

Kanayo Awani, Executive Vice-President of Intra-African Trade and Export Development, Afreximbank, added: "This Fund will help unlock the full potential of Africa's creative economy by giving African storytellers the platform, resources, and visibility they deserve. It

**"Afreximbank is committed to celebrating and amplifying a diverse range of African voices and experiences, thereby catalysing the creative industry and unleashing the creative industry's potential to drive economic growth across Africa"**

industry's potential to drive economic growth across Africa," he added.

This move follows Afreximbank Group's commitment at the CANEX Weekend (CANEX WKND 2024) in Algiers, Algeria, in October 2024, where the Bank announced plans to launch a private equity film fund through FEDA to support film production and distribution across Africa and empower African filmmakers to create globally appealing content.

The Fund will play a pivotal role in promoting the production and global distribution of high-quality films and TV series, further amplifying Global Africa's cultural influence across the world. In doing so, the Fund will be a catalyst to attract and direct crucial patient capital into Global Africa's film and TV production industry, mobilising resources that would enable filmmakers and storytellers to produce world-class content that resonates globally.

According to the UNESCO Institute for Statistics, the African film and

reflects our belief that culture is not just a soft power, but a strategic asset for economic growth, youth empowerment, and regional integration."

Viola Davis, co-founder of JVL Media LLC and an EGOT (Emmy, Grammy, Oscar, Tony) winning actress welcomed the initiative: "African stories are deeply human and universally powerful. This Fund is an invitation to the world to see Africa through the lens of its own creators — bold, unfiltered, and rich in truth. I am proud to be a part of this momentous step toward a more inclusive global film industry."

Boris Kodjoe, award winning actor and Managing Partner of FC Media Group, stated: "It has been a long-term dream of mine to be able to tell stories on a global scale. I am grateful and excited to partner with our friends at Afreximbank and FEDA in order to support quality content development and creation in Africa and beyond."

## FUNDRAISING

# IFC, TLG Capital Announce \$75m First Close of African Private Credit Fund



**Isha Doshi,**  
Co-Founder  
**TLG Capital**

**I**FC and TLG Capital have announced the first close of a new private credit fund, TLG Africa Growth Impact Fund II (AGIF II), with \$75m raised.

IFC, through its Distressed Asset Recovery Program (DARP),

is anchoring the AGIF II Fund with a commitment of up to \$20m, which is also backed by Swedfund, Norfund, Bpifrance, and the UK Foreign, Commonwealth & Development Office (FCDO) through its Manufacturing Africa program.

The fund will provide financing in partnership with African banks to support up to 20 SMEs that face stress with their existing loan options.

This financing offers them a local capital lifeline to weather macro shocks or other challenges they are facing, helping them emerge stronger.

The fund is partnering with banks in many African countries and will support businesses across vital sectors, including manufacturing, healthcare, agriculture, and telecoms.

“Today, one in four SME loans in Africa is under stress,” said Isha Doshi, Co-Founder of TLG Capital.

“And yet, the entrepreneurial spirit is unshaken. AGIF II is our answer to that call for partnership. It’s about capital that understands context—financing that’s flexible, strategic, and backed by advisory horsepower from McKinsey, BDO, ESS, and Ndarama Works. TLG AGIF II brings together both capital and capacity building.”

“This initiative incorporates a strong mobilization component

that aims to leverage private sector funding to enhance the growth of financially stressed but sustainable SMEs,” said Aliou Maiga, IFC’s Financial Institutions Group (FIG) Director for Africa.

“The fund will support local businesses that provide job opportunities and vital goods and services, contributing to the inclusive growth of the communities where these companies operate.”

The fund targets the UN’s least developed countries, promoting gender equality, local ownership, sustainable industrialization and decent work—aiming to demonstrate that strong development outcomes and strong returns can go hand in hand.

UK Deputy High Commissioner in Lagos, Jonny Baxter, said: “A strong manufacturing sector is key to driving economic growth and industrialization in Nigeria and across Africa. By supporting TLG Capital, we’re fostering greater capital flows into Nigeria, which in turn supports job creation, generates wealth and secures a prosperous future. TLG Capital is one of the key partners we are working with to improve foreign direct investments that support manufacturing in Nigeria, which will have a lasting positive impact on both our economies.”

IFC’s DARP focuses on the acquisition and resolution of distressed assets, the refinancing and roll-over risk of viable entities, and the restructuring of SMEs.

Since it was established in 2007, DARP has committed \$9.2bn globally, including the mobilization of \$6bn.

This has enabled banks to offload over \$46bn of non-performing loans, while helping over 21 million debtors resolve their obligations.

## FUNDRAISING

# Aruwa Raises \$35m, Hits 90% of Its Fund II Target at Second Close

**A**ruwa Capital Management, a Lagos based female founded and led early-stage growth equity and gender lens fund manager, has raised 90% towards its \$40m target for its second fund, Aruwa Capital Fund II.

Adesuwu Okunbo Rhodes, Founder of Aruwa Capital Management, said: “In the midst of the current challenging fundraising environment, we are excited to have raised 90% of our target fund size for Fund II. This indicates our investors’ confidence and trust in our ability to execute on our proven investment strategy and double

down on achievements recorded so far. Our diverse pool of local and international LPs further reaffirms that our strategic market positioning resonates with a wide pool of investors, and we remain grateful to new and existing investors for their trust and confidence. We remain excited to continue to showcase the untapped potential of women in Africa.”

Aruwa Capital is doubling down on its proven investment strategy, backing high-growth, impact-driven businesses that are transforming key industries in Nigeria and Ghana.

This milestone surpasses the total fund size of Aruwa Capital Fund I which closed in 2022 at just over \$20m.

Fund II has attracted investment from returning LPs including the Mastercard Foundation Africa Growth Fund (MFAGF), Visa Foundation, global family offices and HNIs, and new LPs such as Bank of Industry (BOI), Nigeria's oldest and largest Development Finance Institution (DFI), and international investors such as British International Investment (BII), the UK's development finance institution and impact investor and EDFI Management Company, through its European Union funded Electrification Financing Initiative (ElectriFI).

Dr. Olasupo Olusi, Managing Director at Bank of Industry (BOI) said: "We are proud to be the first local institutional investor in Aruwa's second fund. Aruwa has consistently demonstrated a strong track record in bridging SME funding gaps and catalyzing both local and international capital. We look forward to a productive partnership with their team and portfolio companies."

Benson Adenuga, Coverage Director and Head of Nigeria Office at British International Investment (BII), said: "We are delighted to be the first international development finance institution supporting Aruwa for its efforts in catalysing the West African early-stage investing ecosystem. Aruwa is well positioned to bridge the early-stage funding gap, particularly for women entrepreneurs in Nigeria and Ghana. Their gender-lens investment approach aligns with BII's commitment to fostering inclusive economic growth while mobilising more institutional capital."

Rodrigo Madrazo, CEO of EDFI Management Company, added: "We are delighted to support Aruwa Capital in advancing renewable energy access solutions in Nigeria through Fund II. Thanks to catalytic funding from the European Union, this partnership reflects our shared commitment to accelerating the clean energy transition while fostering inclusive economic growth. Aruwa's gender-lens investment approach ensures that women are prioritized in the green economy, and we are excited to collaborate in scaling innovative, climate-resilient businesses that create jobs and expand access to sustainable energy."

With this encouraging progress, Aruwa is on track to upsize its

targeted size from \$40m to \$50m (with a hard cap of \$60m) within this year, on boarding more global institutional investors.

By focusing on essential sectors such as healthcare, energy access, financial services, and consumer staples like food and agribusiness, Aruwa is not just deploying capital but actively shaping Africa's economic future through an intentional gender-lens investing approach.

With initial ticket sizes ranging from \$1m to \$3m, Fund II is already off to a strong start with two completed investments: Yikodeen, a pioneering indigenous manufacturer of safety boots, and a rapidly growing fast-casual dining restaurant chain in Nigeria, both positioned for improving economic opportunities for women and supporting inclusive growth.

The entrepreneurs supported by Fund I have amassed significant traction in recent years with total revenues across its portfolio of 11 companies growing on average 22x since investment (in local currency).

Across both funds today, over 200,000 direct & indirect jobs are being supported and in line with our gender lens focus, 73% of companies backed under Fund I are founded or led by women.

In addition, Fund I's portfolio companies have successfully raised substantial capital in follow-on rounds, attracting larger strategic and financial investors.

On average, these follow-on investments were made at valuations approximately 7x higher than Aruwa's initial investment, underscoring Aruwa's ability to identify high-potential businesses early whilst also showcasing the value add that Aruwa brings to its portfolio companies.

Dorothy Nyambi, President & CEO, MEDA (Fund Manager, The Mastercard Foundation Africa Growth Fund, said: "Aruwa Capital's momentum is a powerful reminder of catalytic effect of what's possible when we invest with intention and equity. At MEDA, we're proud to be part of Fund I and now stand alongside Fund II as an anchor investor. Aruwa is creating employment opportunities at scale for Africa's youth! Over 200,000 jobs impacted is just the beginning. Together, let us continue to shape the future job market that Africa's youth not only need but deserve."

## DEALS

# Mergence Acquires Waterfall City Digital Infrastructure Assets

**M**ergence Investment Managers, an infrastructure investment firm, has acquired a controlling stake in strategic digital infrastructure assets located within the residential precincts of Waterfall City, Gauteng.

The transaction, executed through the Mergence Infrastructure & Development Equity Fund II, marks a significant expansion of Mergence's digital infrastructure platform.

The acquisition aligns with a broader strategic repositioning by the seller, which is refocusing on its core property development and management business.

Mergence has acquired Fibre-to-the-home (FTTH) network, securing exclusive rights to provide fibre connectivity to approximately 4,000 high-income residential units within Waterfall City, with scalable

capacity to expand to more than 9,500 units in the short to medium term. The FTTH infrastructure represents the critical "last-mile" connection to end-users.

In addition Mergence has acquired Long-haul fibre network, which includes a 250-kilometre fibre optic backbone extending from Waterfall City to the Botswana border at Kopfontein.

With significant spare duct capacity, this network is strategically positioned to enhance connectivity across key economic nodes such as Rustenburg and Brits, while also enabling high-speed access in underserved mining communities including Cullinan, Zeerust, and Groot Marico.

Strategically located between Johannesburg and Pretoria, Waterfall City is a world-class, mixed-use development spanning

2,200 hectares. Anchored by the Mall of Africa and set to benefit from the proposed Gautrain extension, Waterfall has established itself as a premium residential and commercial hub with strong demand for integrated digital infrastructure.

“Fibre connectivity ratios in South Africa remain relatively low at below ca 40%, whereas connectivity in Waterfall City exceeds 80%,” said Chito Siame, Head: Private Equity at Mergence Investment

Managers.

“This investment not only strengthens the resilience and reach of our digital infrastructure portfolio, but also meaningfully supports our goal of funding at least 30,000 fibre connections nationwide.”

Legal and financial advisors to Mergence on the transaction were Norton Rose Fulbright, PSG Capital and Nodus Capital, respectively.

The transaction was financed by Investec.

## EXITS

# Mediterrania Capital Partners Exits Akdital



**Hatim Ben Ahmed,**  
Managing Partner  
**Mediterrania Capital Partners**

**M**editerrania Capital Partners, a Private Equity firm focused on growth investments for SMEs and mid-cap companies in North Africa and Sub-Saharan Africa, has announced the successful full exit of its investment in Akdital through the MC III fund.

The investment has delivered exceptional financial returns and measurable impact outcomes, the firm said.

Since Mediterrania's investment in Akdital in March 2020, and under the leadership of Dr Rochdi Talib, Akdital's Founder and CEO, the company has grown to become the leading private healthcare group in Morocco, offering advanced medical services through a network of multidisciplinary hospitals across major cities.

This growth directly contributes to nine UN Sustainable Development Goals: SDGs 1, 3, 4, 5, 8, 9, 10, 16 and 17.

The value creation strategy was executed by the Mediterrania Capital Partners team, whose leadership was instrumental in steering Akdital through its IPO and subsequent SPO, achieving a substantial increase in share value.

With a market capitalisation close to €2bn, Akdital is now recognised as a leading African unicorn and a key provider of quality healthcare services across the region.

This exit is a testament to Mediterrania Capital's mission: delivering strong financial returns while accelerating inclusive and sustainable development across Africa.

Albert Alsina, CEO of Mediterrania Capital Partners, said: “This is a proud moment for our team and our investors. Our partnership with Akdital demonstrates how a well-executed investment strategy

**“Akdital's expansion has been an extremely rewarding investment, delivering a development impact for the continent that exceeded all expectations. It has fundamentally transformed the landscape of healthcare in Africa, culminating in one of the most successful IPOs in the region's history — a true testament to what visionary growth capital can achieve**

Hatim Ben Ahmed, Managing Partner of Mediterrania Capital Partners

Akdital's journey under Mediterrania's tenure has been one of exceptional growth and social progress.

Since the investment, the company's workforce has quadrupled to 7,000 people, including 5,600 women, growing by 53% in 2024 alone.

With 79% of its workforce being female, Akdital strongly aligns with Mediterrania's 2X Challenge commitments and broader gender inclusion objectives.

Operationally, Akdital has expanded to 35 hospitals, 29 of which were newly created, providing over 2,300 operational beds and delivering critical healthcare services across Morocco.

can deliver extraordinary impact and top-tier financial performance. We are thrilled to have played a role in the growth of one of Africa's healthcare champions.”

Hatim Ben Ahmed, Managing Partner of Mediterrania Capital Partners, added: “Akdital's expansion has been an extremely rewarding investment, delivering a development impact for the continent that exceeded all expectations. It has fundamentally transformed the landscape of healthcare in Africa, culminating in one of the most successful IPOs in the region's history — a true testament to what visionary growth capital can achieve.”

# European DFIs Commit \$80 Million to BluePeak's Pan-African Private Credit Fund



**Chris Chijutomi,**  
Managing Director and Head of Africa  
**British International Investment**

**I**n a significant vote of confidence for Africa's underserved mid-market, four leading European Development Finance Institutions (EDFIs)—British International Investment (BII), FMO (the Dutch entrepreneurial development bank), Swedfund, and the Swiss Investment Fund for Emerging Markets (SIFEM)—have jointly committed \$80m to BluePeak Private Capital Fund II (BPCF II).

The fund is dedicated to providing growth capital to mid-sized businesses across Africa, prioritizing environmental, social, and governance (ESG) best practices and measurable impact.

With \$30m from BII, \$15 million from FMO, \$20m from Swedfund, and \$15m from SIFEM, this collective \$80m investment marks not only a strong endorsement of BluePeak's strategy but also a broader commitment to expanding the private credit ecosystem across Africa.

The fund close also highlights the increasing alignment and collaboration among EDFIs in their support for scalable and impactful private sector development initiatives.

Africa's mid-sized businesses, often referred to as the “missing middle,” remain critically underfunded.

Despite their potential to generate employment, expand access to essential services, and reinforce local supply chains, many of these businesses lack access to traditional financing due to insufficient collateral or limited credit history.

BPCF II seeks to close this financing gap by providing flexible credit solutions tailored to the growth needs of these enterprises.

The fund will invest in strategic sectors such as food manufacturing, pharmaceuticals, industrial packaging, and financial services—industries that play a key role in strengthening domestic value chains and fostering industrial development across the continent.

“Businesses in Africa need various types of financing to grow, but they often struggle to access funding, especially on flexible terms that meet their specific needs,” said Chris Chijutomi, Managing Director and Head of Africa at British International Investment.

“That's why we are delighted to collaborate with our European Development counterparts as a consortium to support BluePeak's Fund II and fuel the growth of private credit as an asset class. This partnership extends our reach and provides growth financing to empower businesses in Africa. Its success will serve as a model to attract more private capital.”

BluePeak Private Capital Fund II is 2X Challenge qualified, underscoring its commitment to advancing gender inclusion and promoting women's economic empowerment.

The fund's strategy is aligned with sustainable development goals by prioritizing resilience, inclusive growth, and long-term value creation across all investment decisions.

Jakob Larsson, Senior Investment Manager at Swedfund, highlighted the development impact of the investment: “This investment supports Swedfund's goal of reducing poverty by enabling businesses to grow sustainably and increasing access to essential services and capital. We invest to increase financial inclusion and strengthen the private sector's ability to create jobs, especially for women and young people.”

FMO, which has partnered with BluePeak previously, emphasized the importance of this renewed collaboration. “FMO is pleased to be partnering again with BluePeak to provide much-needed growth capital to African entrepreneurs, supporting our mission of inclusive economic development across the continent,” said Annemarie van Duijn, Manager Private Equity Global Funds at FMO.

“There is a clear funding gap for businesses that seek to retain ownership while still requiring growth financing to expand their operations. Through this partnership, we not only address this gap, but also strengthen our private capital strategy at FMO by collaborating with an experienced local partner capable of financing sustainable and inclusive growth across Africa.”

Anthony Mwangi Njoroge, Principal and Co-Head Africa Fund of Funds at responsAbility, SIFEM's portfolio manager, added: “Investing in resilient, growth-oriented businesses is essential to driving long-term economic development. SIFEM's commitment to BluePeak Fund II reflects our mission to catalyze inclusive growth, strengthen the private sector across Africa, support sustainable job creation, and empower local entrepreneurs.”

Walid Cherif, Managing Partner at BluePeak, welcomed the partnership: “We are proud to have the support of leading European DFIs as we continue to scale our mission of backing resilient and defensive businesses across high-growth markets. Their commitment is a strong vote of confidence in our strategy to combine performance with impact, and it plays a critical catalytic role in mobilizing the capital needed to close the significant funding gap across the continent. Raising Fund II in less than four years since the first close of Fund I is a testament to sustained investor confidence driven by continued value creation and strategic positioning in the market.”

As global development finance institutions look for more targeted and effective ways to foster inclusive growth, the backing of BluePeak Private Capital Fund II signals a growing recognition that private credit—when deployed with discipline and impact focus—can play a transformative role in unlocking Africa's economic potential.

## INVESTORS

# Africa50 Partners with BRVM

**A**frica50, a pan-African infrastructure investor and asset manager, has signed a Memorandum of Understanding (MoU) with the Bourse Régionale des Valeurs Mobilières (BRVM) to pioneer new infrastructure financing solutions within the West African Economic and Monetary Union (WAEMU), leveraging the region's capital markets.

The strategic partnership aims to introduce infrastructure-focused project bonds and related financial instruments to mobilize long-term capital through the regional stock exchange, which serves eight WAEMU countries: Benin, Burkina Faso, Côte d'Ivoire, Guinea-Bissau, Mali, Niger, Senegal, and Togo.

This collaboration is expected to catalyze a new era of infrastructure financing in West Africa by enabling local and regional investors, particularly pension funds and other institutional and private capital, to participate more directly in infrastructure development. The initiative will also broaden access for infrastructure developers and support the development of bankable projects across the region for investments.

"Africa's infrastructure needs cannot be solved by capital alone,

they require innovation, trusted institutions, and African-led execution," said Alain Ebobissé, CEO of Africa50. "This pioneering partnership with the BRVM reflects Africa50's commitment to mobilizing domestic capital, building strong partnerships, and scaling market-based solutions that deliver both impact and sustainable returns."

Dr. Edoh Kossi Amenounvé, Director General of the BRVM, added, "The time has come for African capital markets to play a decisive role in financing the continent's infrastructure transformation. Through this collaboration with Africa50, the BRVM is positioning itself as a central platform for mobilizing domestic and regional savings toward infrastructure. Leveraging project bonds and similar instruments which could all help to bridge the infrastructure gap and create value for investors."

This agreement was signed on the sidelines of the Africa CEO Forum, where Africa50 actively engaged other partners to advance its broader strategy of infrastructure development through innovative financing solutions.

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# New Study Shows 26% Per-Annium Decline in Exit-Related Transactions



**Katie Hill,**  
Partner and Associate Director, Climate  
**Boston Consulting Group (BCG)**

**T**he majority of Limited Partners (LPs) (71%) cite a weak exit climate and unpredictable exit windows as the biggest challenges to investing in Africa, according to the latest Deals to Dollars: Navigating Successful Private

Equity Exits in Africa publication by Boston Consulting Group (BCG).

This sentiment is worsened by global geopolitical and macroeconomic instability. The publication highlights that while the majority of private capital transaction activity in Africa over the past 23 years has been exit-related, showing some level of liquidity, there has been a concerning 26% per annum decline in exit-related transaction value between 2021 and 2023.

Furthermore, the proportion of exit activity compared to incoming capital - Venture Capital, growth equity, PE, and private debt - has fallen from 70% in 2000 to 55% in recent years. This shift suggests a changing dynamic in the African investment landscape, with potentially more capital being deployed than is being returned through successful exits.

Katie Hill, Partner and Associate Director, Climate at BCG in Nairobi and member of the Principal Investors & Private Equity practice, said: "Navigating the African PE exit landscape requires a nuanced and proactive approach. By understanding the prevailing challenges and implementing tailored strategies, investors can enhance their chances of successful exits and contribute to the continued growth of the region's investment ecosystem."

Closer examination of PE investor exits reveals that average holding times in Africa, at six to seven years, are slightly longer than international benchmarks at five to six years. Notably, there has been a clear decline in the share of swift exits, indicating a growing pool of potentially unsold assets within PE portfolios. Trade sales are still the most common PE exit path across industries, accounting for 40-60% of exits, aligning with global trends. However, the increasing prevalence of secondary deals (PE to PE transactions), have steadily risen over the last decade from 15% to 30% of exits.

This trend underscores the growing incidence of asset transfers among PE firms, often involving consortia for larger transactions. In contrast, Initial Public Offerings (IPOs) on average represent 10% of total reported PE exits but have declined in recent years. This decline is attributed to weakening local stock exchanges, although some markets like Casablanca and the Egyptian Exchange have shown more resilience.

Warren Chetty, Managing Director & Partner at BCG in Johannesburg, said: "Our analysis highlights the importance of strategic flexibility and meticulous preparation throughout the investment lifecycle. A

clear focus on exit from the outset, coupled with a deep understanding of local market dynamics, is paramount for achieving favourable outcomes in African private equity."

Patterns observed in the entry transactions of successfully exited deals find that buyouts from founders, owners, or families account for the largest share of exited companies at 46%, compared to only 31% of non-exited positions. Furthermore, holding majority positions in portfolio companies was twice as likely to result in an exit compared to minority positions. Conversely, un-exited positions are more likely to have originated from Venture Capital, growth equity, or other PE entry transactions. This suggests that the initial deal structure and level of control significantly influence the likelihood of a successful exit.

From a sector perspective the research shows that more mature sectors tend to exhibit the highest proportion of exits, specifically Mining and Oil & Gas, Industrials, Financial Services, and Food & Agriculture. Consistent with overall trends, trade sales are the most common exit strategy across all industries. However, IPOs are more prevalent in the Financial Services and Retail & Consumer sectors, accounting for 15% of analysed exits in these areas. These findings offer valuable insights for investors regarding sector-specific exit dynamics.

Given the current exit landscape in Africa, several key recommendations for investors are highlighted from the findings, spanning from fund setup to individual exits. These include the crucial need to ensure control and stakeholder alignment, as the data shows significantly higher exit rates for majority positions. Investors are also advised to avoid the penalty for holding oversized assets, as there are limited active buyers for deals exceeding \$300 million.

The insights provided stress the importance of identifying potential buyers early and assuming that corporates will be the primary target for exits, given that one in two exits are trade sales. In addition, investors should pursue IPOs only under unique circumstances and with specific company characteristics, considering the recent decline in IPO activity and the challenges associated with local stock exchanges.

Fundamentally the research shows that PE firms demonstrate early exits, even at moderate returns, as African LPs are keen to see evidence of early cash payback, underscoring the necessity to plan for exit as rigorously as the initial investment, highlighting that a robust execution process is critical for navigating market volatility and information asymmetry.

Ultimately, while the African PE landscape presents unique challenges, a deliberate and concerted approach that combines strategic flexibility, a strong focus on exits, and thorough preparation can help investors navigate these complexities and achieve sustainable success.

## PE INDUSTRY NEWS

# African Private Capital Fundraising Doubles to \$4bn in 2024

**A**frican private capital activity showed notable resilience in 2024, marked by increased participation from African LPs, continued reliance on proven sectors like Consumer Staples and Financials, and an increase in exit volumes, according to the AVCA's 2024 African Private Capital Activity Report.

In 2024, African private capital fundraising more than doubled to \$4bn, representing the third highest final close value on the continent in the last decade. Infrastructure and private equity funds led fundraising activity, each making up 30% of total capital raised.

Development finance institutions (DFIs) were the biggest contributors, committing \$1.4bn, amounting to 42% of the total.

At the same time, domestic investor participation grew significantly, with commitments from African pension funds, insurers, and corporates increasing 3.7 times—from \$171m in 2022 to \$639m in 2024.

This marks a growing confidence in Africa's long-term prospects and the impact of blended finance and co-investment models in mobilising local capital.

The investment landscape in Africa saw an 8% year-on-year increase in volume as the continent recorded 485 private capital deals in 2024.

While total deal value declined slightly to \$5.5bn (-7% YoY), this reflects investors' growing preference for smaller, more strategic deal sizes amid macroeconomic uncertainty.

Private Equity experienced a notable resurgence with deal volume surging by 51% year-on-year, reaching its highest level in over a decade.

Financials remained the most active sector led by deal value, accounting for 23% of total deal volumes and 33% of deal values, while

Consumer Staples demonstrated growth with deal volume increasing 67% year-on-year and values doubling.

Regionally, Southern Africa recorded the highest deal volume (129 deals), followed by West Africa (105), East Africa (99), and North Africa (77).

At the close of 2024, Africa-focused fund managers held an estimated \$10.3bn in dry powder, equal to 36% of total capital commitments secured between 2018 and 2024.

At the prevailing deployment rate of \$4.9bn annually, these reserves provide roughly two years of runway, highlighting the need for continued fundraising momentum.

By strategy, Private Equity funds (which control 35% of the total) and Infrastructure funds (30%) dominate Africa's undeployed reserves, while Private Debt and Venture Capital account for 18% and 12% respectively.

Exit activity rose by 47%, with 63 exits recorded across Africa in 2024, exceeding pre-pandemic levels. This trend reflects delayed exits by investors in anticipation for a more favourable economic climate following disruptions caused by the pandemic.

Abi Mustapha-Maduakor, CEO of AVCA, said: "The rise of African institutional investors, growing infrastructure allocation, and the rebound in exits all point to a deepening and maturing private capital market in Africa. Despite a complex global environment, the ecosystem is adapting—pursuing smaller deal sizes, strengthening domestic capital mobilisation, and driving long-term value creation across sectors. These shifts reinforce the role of private capital in unlocking sustainable growth across the continent."

## MARKETS AND INDUSTRY NEWS

# Arysteq Lists First Actively Managed ETF on the JSE

**T**he Arysteq Short-Term Income (AMETF), approved by the Namibia Financial Institutions Supervisory Authority (NAMFISA), has listed on the Johannesburg Stock Exchange (JSE).

The listing marks the first time a Namibian-domiciled ETF has listed on the JSE – a major milestone for cross-border investment and the regional investment landscape.

The fund invests in Namibian short to medium dated instruments that are considered risk-free or carries some credit risk.

"Our values have been central to reaching this important moment," said Purvance Heuer, Managing Director of Arysteq.

Arysteq is renowned for its sophisticated and innovative approach to investment, consistently delivering above-average risk-adjusted returns through a disciplined, team-based investment process.

Currently, Arysteq manages assets worth approximately NAD 5 billion, illustrating their significant presence in the market.

"We are thrilled to welcome the Arysteq Short-Term Income AMETF on the JSE. Today's listing reflects the growing interest and confidence

in AMETFs within the market and underscores our commitment to providing accessible investment solutions, enabling investors to diversify their portfolios," said Adèle Hattingh, Business Development and Exchange Traded Products Manager at the JSE.

The initial listing comprises a 100,000 participatory interests of the Arysteq Short Term Income AMETF, with an indicative issue price of 1000 cents (R10) per security.

Bravura Solutions has acted as corporate advisor on the successful listing of the AMETF.

"This is an historic moment," said Rudelle Ellmann, Structured Solutions Principal at Bravura Solutions.

"It's the first time a Namibian ETF has been listed on the JSE – an achievement that reflects Arysteq's bold vision, innovative approach and unwavering commitment to delivering world-class solutions. We're proud to have partnered with such a forward-thinking team, and we thank Prescient Capital Markets for their vital role as listing sponsor."

# FROM JIBAR TO ZARONIA: What the Benchmark Shift Means for South African Asset Managers

By Anna Lyudvig

**S**outh Africa's financial markets are undergoing a profound structural transformation that will reshape the landscape for banks, corporates, and particularly asset managers. The long-standing Johannesburg Interbank Average Rate (JIBAR), which has been the dominant interest rate benchmark for floating-rate instruments in the country, is being phased out. In its place, the South African Reserve Bank (SARB) is ushering in the South African Rand Overnight Index Average (ZARONIA)—a near risk-free rate (NRFR) designed to reflect real market transactions and enhance financial stability.

This change is not occurring in isolation. It follows the global movement to retire legacy benchmarks such as LIBOR, a process that has already unfolded across Europe, the U.S., and parts of Asia. South Africa's transition, though delayed relative to others, is now

still a floating-rate instrument, but it behaves differently. It tracks changes in the repo rate immediately, unlike JIBAR, which anticipates them."

This behavioral shift requires significant updates to interest rate models, particularly as JIBAR embedded a forward-looking component that made it easier to anticipate monetary policy changes. ZARONIA, by contrast, reflects actual market data and is more reactive to policy rate adjustments. As a result, asset managers must recalibrate how they manage rate risk in portfolios, especially those containing longer-duration instruments.

Another layer of complexity lies in yield differentials. Since ZARONIA excludes credit and liquidity risk premiums embedded in JIBAR, it typically trades 15 to 25 basis points lower. This creates



**“A ZARONIA curve has not been established yet, which means new ZARONIA-linked instruments will still be valued off the JSE Swap Curve**

Eulali Gouws, Head of Money Market at STANLIB Asset Management

accelerating: a “no new JIBAR-linked contracts” policy will be implemented by June 2025, and the benchmark will be fully discontinued by the end of 2026.

For asset managers, the transition is more than a compliance obligation. It represents a complex operational, legal, and investment challenge—but also an opportunity to realign with international best practices and rebuild trust in benchmark reliability. The shift demands not only new tools and systems but also a reassessment of product design, performance attribution, and client engagement strategies.

## OPERATIONAL AND VALUATION HURDLES FOR ASSET MANAGERS

At a surface level, ZARONIA is a more resilient benchmark because it is based on actual overnight unsecured lending transactions in the money market, rather than indicative quotes from a select panel of banks, as was the case with JIBAR. However, the practical challenges of adopting ZARONIA—particularly for asset managers—run deep.

“A ZARONIA curve has not been established yet, which means new ZARONIA-linked instruments will still be valued off the JSE Swap Curve,” explains Eulali Gouws, Head of Money Market at STANLIB Asset Management. “Risk management will remain the same as ZARONIA is

material implications for pricing floating-rate notes, derivatives, and structured instruments.

“Asset managers may need to upgrade their systems to accommodate ZARONIA-linked trades, to ensure interest accruals are calculated correctly on a backward-looking basis, and to ensure valuations are done correctly for instruments,” adds Gouws.

The transition also introduces complications in terms of pricing platforms and valuation techniques. Thalia Petousis, Portfolio Manager at Allan Gray, highlights that “new pricing curves must still be formally established. As we are ‘going live’ with only an overnight rate, term rates will be formulated by adding a premium to ZARONIA using historical spreads over a set look-back period.”

Because ZARONIA is published as a single overnight rate, term structures commonly used in fixed-income instruments will need to be constructed synthetically. This means greater reliance on historical spread analysis, compounding conventions, and credit adjustment spreads—each of which adds layers of complexity to performance measurement and forecasting.

## CONTRACTUAL AND STRATEGIC REALIGNMENT

Beyond systems and pricing, perhaps the most complex aspect of the ZARONIA transition lies in legal and contractual remediation. Many

existing JIBAR-linked instruments do not contain fallback language—clauses that define what rate to use if the benchmark ceases to exist.

“The SARB has been clear that there will be no prescribed contractual fallback language,” according to Bowmans, a law firm advising on the transition. “Each institution must review and amend contracts according to its own legal exposure and product profile.”

This has put asset managers on high alert. Legal, compliance, and portfolio teams must work in tandem to identify vulnerable agreements and amend them with fallback provisions. These updates often require bilateral negotiations, legal redrafting, and, in some cases, renegotiation of entire contracts.



**“New pricing curves must still be formally established. As we are ‘going live’ with only an overnight rate, term rates will be formulated by adding a premium to ZARONIA using historical spreads over a set look-back period**

Thalia Petousis, Portfolio Manager at Allan Gray

Futuregrowth Asset Management is one firm that has taken a proactive approach. “We are actively involved in aligning our clients’ assets to the reference rate reform initiative,” the firm states. “We’re participating in key workstreams with the Market Practitioners Group and implementing the required guidance to agreements and contracts impacted by this change.”

Where existing agreements mature before JIBAR cessation, the impact is minimal. But instruments that extend beyond 2026 must either be converted to ZARONIA or replaced. “We will start adding fallback language to new contracts,” Futuregrowth explains. “This will include a conversion spread to create equivalence between JIBAR and ZARONIA reference rates, governed by industry standards like ISDA.”

For legacy contracts that can’t be easily modified, asset managers may need to rely on sample JIBAR rates post-cessation or explore refinancing options.

These contractual changes are just the beginning. Benchmark references in investment mandates—particularly those tied to STeFI indices—will also need to be revisited once ZARONIA’s full adoption is complete. This may require formal amendments, board approvals, and client re-education.

#### **A STRATEGIC OPPORTUNITY: TRANSPARENCY, TRUST, AND TRANSFORMATION**

Despite the complexity, industry leaders emphasize that the ZARONIA transition is not merely a regulatory requirement—it is a chance to build stronger, more transparent financial systems.

“ZARONIA is an actual risk-free rate, based on real market transactions,” says STANLIB’s Gouws. “It is therefore more transparent and a better representation of where the market is trading as it takes into account deposits from all deposit taking institutions and not just the big five banks. The chance for manipulation is therefore minimal and investors can be confident that they are earning a yield over a market representative risk-free rate.”

This increased transparency could bolster investor confidence, particularly in fixed income and money market products. For global

allocators evaluating South African strategies, the move aligns the local market with global benchmark norms, enhancing comparability and credibility.

Allan Gray’s Petousis reinforced this long-term view: “The adoption of ZARONIA as a replacement to JIBAR is something that the SARB, the Association for Savings and Investment South Africa (ASISA), and the asset management industry have been jointly working toward for several years. The ZARONIA rate itself is an overnight rate based on actual banking deposit transactions and is thus intended to be more robust and less subjective than JIBAR.”

“South Africa is fortunate in that we have been able to observe and

learn from the LIBOR transition offshore,” she adds.

Supporting this transition, market infrastructure players are stepping up. Rand Merchant Bank (RMB), for instance, launched South Africa’s first ZARONIA calculator in October 2024 to help investors translate JIBAR-linked pricing and estimate ZARONIA-based equivalents. RMB has also been publishing educational resources and working directly with corporates to update funding instruments.

Meanwhile, SARB continues to guide the process through the Prudential Authority and MPG, while the Financial Sector Conduct Authority (FSCA) is reviewing potential regulatory exemptions. One key area under review is Board Notice 90 (BN90), which governs money market fund investments. A ZARONIA-specific exemption is being considered to prevent unnecessary disruption to fund classifications and regulatory compliance.

Operational readiness remains a core focus at firms like Futuregrowth. “ZARONIA has already been deployed to our Infostore and CRIMS systems,” the firm reports. “We’re working with our key vendors to ensure the timely adoption of ZARONIA and minimal impact on client positions during and after the transition.”

New floating-rate instruments will be priced relative to ZARONIA plus a Credit Adjustment Spread (CAS) and counterparty credit spread. Post-cessation, the market is expected to establish new pricing norms, helping restore equilibrium in yield expectations and instrument comparability.

With June 2025 fast approaching, the pressure is intensifying for asset managers to act decisively. The transition to ZARONIA is not optional—it is an industry-wide imperative that touches every corner of the investment process, from valuation models to client communications.

Handled well, this transformation offers more than regulatory alignment. It’s a moment to reassess risk frameworks, modernize systems, and build stronger, more transparent relationships with investors. Firms that take the lead today—by updating systems, renegotiating contracts, and embracing new pricing tools—will be better positioned for the post-JIBAR world.

# VOLATILITY ISN'T THE PROBLEM FOR SOUTH AFRICAN FUND MANAGERS - VISIBILITY IS



**By: Mark Johnson,**  
Managing Director for the UK, Ireland, and MEA  
**NeoXam**

**S**outh Africa's fund management sector stands at a critical inflection point – one where escalating global uncertainty collides with booming local opportunity.

Trump's announcement of a 30% reciprocal tariff on South Africa earlier this month triggered a sharp sell-off on the Johannesburg Stock Exchange (JSE) and sent the rand tumbling, exposing the country's vulnerability to global shocks and delicate position in the global economic system.

Domestic political fragility is also adding to the challenging environment in which local fund managers are operating. Tariffs aside, recent domestic political uncertainty triggered a 5% intraday drop in the JSE Top-40 Index and pushed the rand to an 18-month low.

Regulation 28 – which sets limits on how South African retirement funds can allocate assets – further complicates the picture, limiting fund managers' ability to hedge against political risk. In a climate of policy uncertainty and economic strain, it effectively forces exposure to potentially under-performing domestic assets. As political uncertainty increases, so does the potential for diminished returns on these mandated local investments.

But this period of uncertainty coincides with one of opportunity – particularly when it comes to the African continent's private markets space.

## PRIVATE MARKETS PREVAIL

African pension funds, insurers, and corporates are increasingly turning to private markets in search of diversification and long-term returns. Domestic investor participation has grown significantly, with commitments rising 3.7 times – from \$171m in 2022 to \$639m in 2024. South Africa led the continent in deal volume last year, recording 129 private market transactions.

Allocations to private credit have also expanded, with investors seeking higher yields and portfolio diversification amid turbulent public markets. With traditional bank lending constrained, it offers mid-sized companies flexible financing while providing institutional investors with access to stable, non-correlated returns.

The Public Investment Corporation, which manages around 3tn rand (\$163bn) in government pension assets, has already allocated 8bn rand to investments across Africa over the past two years – highlighting growing appetite for this alternative asset class in a challenging economic climate.

However, successfully navigating this convergence of risk and opportunity will require much more than creative portfolio diversification and asset allocation.

## THE DATA DILEMMA

With pressure mounting on fund managers to allocate capital with greater agility and precision amid turbulent markets, success will hinge on gaining real-time visibility into portfolio exposures, risks, and opportunities across the asset class spectrum.

Agility ultimately means being able to quickly pivot away from vulnerable holdings and into more resilient, 'safe haven' assets – but this is impossible without access to timely, clean, and actionable data. The problem is many institutional investors in the region remain hamstrung by antiquated data infrastructure.

Legacy systems, fragmented data pools, and inconsistent file formats hamper portfolio oversight by creating data silos, increasing the investment reporting burden, and limiting a fund manager's ability to make timely investment decisions. This is especially the case when investors seek to allocate towards more complex asset classes like infrastructure and private markets, which bring with them a host of unique data challenges.

Private assets, for instance, have fundamentally different risk and return profiles to their public counterparts. Stocks provide daily price transparency, but private asset valuations are not readily accessible. This lack of visibility makes it much harder – and more costly – to assess risk and forecast performance. It also requires new types of data, which often sit outside the existing investment portfolio.

South African investors will require a unified, accurate view of their entire portfolio, which demands private asset data be standardised and centralised. This not only reduces risk, but it also improves operational efficiency considerably – which is key to empowering fund managers to make timely investment allocation decisions.

With uncertainty set to remain elevated for the foreseeable, the ability to make fast, informed decisions has never been more critical. Reacting in real time to shifting market conditions, rebalancing portfolios across asset classes, and identifying emerging risks all depend on accurate, timely, and accessible data.

Investors with the data infrastructure to detect these shifts early and allocate capital with precision will be best positioned to capitalise on opportunities in spaces like private markets. For South African fund managers today, visibility isn't just a competitive edge – it's the difference between staying ahead of the curve and falling behind it.

# FINDING LONG-TERM VALUE AMID AFRICA'S MACRO CHALLENGES



In an exclusive interview with Africa Global Funds, André Steyn, CEO & Portfolio Manager, Steyn Capital Management, shares his perspective on where value lies in African markets today. He highlights opportunities in the banking and consumer goods sectors, while also detailing how his team navigates macroeconomic risks, currency volatility, and ESG considerations. With a blend of bottom-up stock picking and top-down risk management, Steyn explains how his firm captures long-term growth across a complex but promising investment landscape.

## **AFRICA GLOBAL FUNDS (AGF): WHAT SECTORS IN AFRICA DO YOU CURRENTLY SEE AS MOST UNDERVALUED OR MISPRICED RELATIVE TO THEIR LONG-TERM FUNDAMENTALS?**

**ANDRÉ STEYN (AS):** We see the banking and consumer goods sectors across many African markets as being the most compelling from a valuation and prospects point of view. Africa is home to a plethora of banks trading at low-single digit multiples of earnings, which makes little sense in light of the highly profitable and undersaturated banking markets. Of course, it's still important to do plenty of research to ensure the bank you are looking at isn't exposed to overly high levels of macro-economic risk, or engaged in excessive risk taking. On the other side of the economic spectrum, we see a consumer recovery across certain markets in Africa, most notably in Nigeria, where a free floating currency has invigorated remittances and local spending.

## **AGF: HOW DOES STEYN CAPITAL NAVIGATE MACROECONOMIC AND POLITICAL RISK WHEN EVALUATING INVESTMENT OPPORTUNITIES ACROSS AFRICAN MARKETS?**

**AS:** If you asked me 14 years ago, when we started investing in Africa, about macro and political risk, I would have told you that we don't spend more than two minutes a year thinking about it. However, that view has firmly changed, and we now recognize the importance of macro research in risk management. We still pick stocks from the bottom up, but we risk manage from the top down, avoiding or down weighting countries where our reading of government balance sheets, IMF reports and investigation of cross-currency bitcoin spreads suggests future problems are lurking.

## **AGF: GIVEN AFRICA'S DEMOGRAPHIC TAILWINDS AND DIGITAL LEAPFROGGING, WHERE DO YOU SEE THE NEXT WAVE OF STRUCTURAL GROWTH COMING FROM OVER THE NEXT DECADE?**

**AS:** The weighted average earnings of our portfolio companies have been growing at approximately 30% a year over the last three years in local currency, and high teens in USD. This broad based growth has been driven by banks increasing their customer base, lending books and earnings yield, by telecom companies sharply increasing

their mobile data revenues as smartphone penetration rises from low levels, and fintech revenues from rolling out more advanced services, and from consumer companies increasing prices after significant currency weakness, but also selling more volumes into a more urbanized populace. While we don't invest much in mining, we have seen rising interest in African mining and related infrastructure from international groups. Rather than banking on a new source of growth, we are confident that these exiting growth trends will continue in general.

## **AGF: HOW DO YOU APPROACH CURRENCY VOLATILITY AND CAPITAL CONTROLS IN COUNTRIES LIKE NIGERIA, EGYPT, OR KENYA WHEN ALLOCATING CAPITAL?**

**AS:** Currency has been a strong headwind to African stockmarket returns over the past 14 years, reducing our USD returns by an estimated 8% annually. The largest cause of this has been financial profligacy by certain countries, though the extreme strength of the USD itself has added to the headwind. It was exactly this macro-induced country specific currency weakness that focussed our attention on the benefits of having a macro analyst, and our performance since implementing this change in 2019 has been even stronger, as we have been able to avoid or reduce exposure to countries impacted by currency volatility. It's interesting also to reflect on the recent USD weakness, and whether this is the start of a period of a weaker Dollar generally, which would slow the headwind that African markets have faced.

## **AGF: TO WHAT EXTENT IS ESG (ENVIRONMENTAL, SOCIAL, AND GOVERNANCE) A DRIVER OR CONSTRAINT IN YOUR INVESTMENT DECISIONS ACROSS AFRICAN MARKETS?**

**AS:** While we do not manage explicit ESG mandates, we are cognizant that ESG impacts on sustainability of returns. Our research process is set up in a way that enables us to identify ESG issues, particularly Governance issues, and we can then use that qualitative information to engage with management and then also convert any unmitigated ESG issues into quantitative data, which we incorporate in our forecasts and valuation models.

# KNOWING AFRICAN PUBLIC DEBT

By Afreximbank

**M**any African countries have accumulated significant external debt due to structural, economic, and external factors. Historically, these economies have heavily relied on exports of primary commodities such as oil, minerals, and agricultural products. However, commodity prices' volatility and global economic slowdowns often reduce foreign exchange earnings, making it challenging for these countries to meet their debt obligations and resulting in further borrowing.

Additionally, the high costs associated with infrastructure development, healthcare, and education in emerging markets necessitate extensive financing, often obtained through loans and other debt instruments. In previous decades, international initiatives like the Heavily Indebted Poor Countries (HIPC) Initiative and the Multilateral Debt Relief Initiative (MDRI) provided significant debt relief to many African nations, alleviating some of their immediate debt burdens and allowing them to redirect resources to development projects.

However, these relief efforts did not fully address the underlying structural challenges that led to recurring borrowings, such as limited export diversification and insufficient local revenue mobilization.

In recent years, various adverse shocks, including the 2008 global financial crisis, the COVID-19 pandemic, and the ongoing conflict in Ukraine, have significantly increased debt levels across Africa. During the pandemic, oil prices fell dramatically, which severely affected oil-exporting nations such as Nigeria and Angola. In contrast, the Ukraine conflict resulted in a spike in oil and gas prices, benefiting exporters but also raising production costs. Many of these countries rely heavily on resource exports, leading to unstable government revenues and complicating fiscal planning.

For example, Zambia, a copper exporter, experienced revenue shortfalls when copper prices dropped during the pandemic. Resource-exporting countries often borrow against future commodity revenues, so when prices decline, servicing debt becomes unsustainable. Zambia defaulted on its Eurobonds in 2020 due to falling copper prices and increasing debt levels. On the other hand, countries like Kenya and Senegal faced rising costs for essential imports, including fuel and food, during these global shocks.

The Ukraine conflict disrupted global wheat and fertilizer supplies, driving up food prices and inflation in net-importing nations. These rising import expenses worsened current account deficits across the continent, depleting foreign reserves and weakening currencies.

For instance, Kenya saw a sharp depreciation of its shilling in 2022

due to high energy import costs. The increase in import costs led to inflation, eroding purchasing power, exacerbating poverty, and triggering social unrest, as evident in protests over rising food and fuel prices in several African countries. These crises have intensified existing fiscal vulnerabilities, constrained the region's growth potential, and worsened fiscal imbalances. Additionally, the urgent need to address infrastructure deficits has prompted several African frontier economies to increasingly tap into international capital markets, as evidenced by a rise in Eurobond issuances. Consequently, the continent's debt burden has grown substantially over the past 15 years. Post-2008 GFC, the aggregated debt-to-GDP ratio surged by 39.3 percentage points, reaching 71.7 % of GDP in 2023.

Elevated global interest rates have further complicated the current landscape, amplifying debt-servicing challenges, particularly given the significant borrowing from non-traditional creditors, including private sector entities and emerging bilateral partners. This scenario underscores the imperative for robust fiscal management and effective strategies aimed at economic diversification to ensure long-term debt sustainability in Africa.

## KEY FACTS ON AFRICAN PUBLIC DEBT

**Fact 1: Africa owes a significant amount of its debt to external creditors.**

In the first half of 2024, ten African nations constituted 69% of the continent's total external debt stock, up from 67% in 2023. The countries leading this metric are South Africa (14%), Egypt (13%), Nigeria (8%), Morocco (6%), Mozambique (6%), Angola (5%), Kenya (4%), Ghana (4%), Côte d'Ivoire (3 %), and Senegal (3 %).

Africa's external debt levels remain elevated, primarily due to the limited development of domestic financial markets and high interest rates. The growing demand for foreign exchange to finance imports has further exacerbated external indebtedness, fueled by reliance on aid, concessional loans from multilateral institutions, and competitive rates offered by private creditors.

Since 2008, the external debt of African countries has escalated significantly, reaching approximately US\$1.16trn and representing 60% of the region's total public debt stock as of 2023. Projections indicate a slight increase to US\$1.17trn in 2024, with sustained growth anticipated, potentially reaching US\$ 1.29 trillion by 2028. This trend is driven by the continent's increasing financing requirements, largely due to population growth pressures.

**Fact 2: Most of Africa's total debt is long-term.**

The continent's increasing need for financing, especially infrastructure

**“Since 2008, the external debt of African countries has escalated significantly, reaching approximately US\$1.16trn and representing 60% of the region's total public debt stock as of 2023**

development, requires long-term debt. Between 2008 and 2023, long-term debt increased compared to short-term debt. In 2023, long-term debt accounted for 75.0% of the continent's total debt, while short-term and IMF debt comprised 15.9% and 8.9%, respectively. Projections show that from 2024 to 2028, long-term debt will remain the dominant form of debt, making up 75.7%, 75.9%, 76.2%, 76.4%, and 76.4% of the total debt, respectively.

**Fact 3: Africa's debt owed to private creditors is rising.**

Borrowing from private lenders allows for faster access to capital and fewer restrictions on how the funds can be used compared to development aid. Meanwhile, financial constraints in donor countries have led to a decrease in multilateral and bilateral assistance. The rise of new creditors has created more competition, allowing African nations to negotiate more favorable terms.

Private creditors have become increasingly prominent in Africa's debt profile due to several factors:

- **Declining Official Development Assistance (ODA):** Over the past decade, traditional bilateral and multilateral lenders (e.g., World Bank, IMF) have reduced their lending to African countries, pushing governments to seek alternative financing sources.
- **Access to International Capital Markets:** Many African countries have tapped into Eurobond markets since the early 2000s, issuing sovereign bonds to fund infrastructure projects and other development needs. For example, Ghana issued its first Eurobond in 2007, and Zambia followed in 2012. Private investors, including hedge funds and asset managers, often hold these bonds.
- **Higher Returns for Investors:** African sovereign debt often offers higher yields compared to developed markets, attracting private creditors seeking better returns in a low-interest-rate global environment.
- **Limited Concessional Financing:** As countries graduate from low-income to middle-income status (e.g., Ghana, Kenya), they lose access to concessional loans from institutions like the World Bank's International Development Association (IDA), forcing them to rely more on commercial borrowing.
- **China's Shift in Lending Practices:** While China has been a major lender to Africa, its lending has slowed in recent years, and it has become more selective, prompting African countries to turn to private creditors.

**Fact 4: Borrowing costs in African countries have risen significantly in recent years.**

The effective interest rates for borrowing in Africa have experienced a notable increase, peaking at 8.2% in 2024. This is a significant rise from the stable range of 5.4% to 6.3% observed from 2008 to 2019. This sharp increase suggests potential economic challenges such as rising inflation, increased risk perception among lenders, or tightening monetary policies. Additionally, interest payments as a percentage of GDP have shown a troubling upward trend, reaching 5% in 2024, up from 1.4% to 3.4% earlier. This rise reflects growing debt servicing obligations that may strain national budgets and limit fiscal space for critical infrastructure and social services investments. Furthermore, the ratio of interest payments to government revenue peaked at 27.5% in 2024, compared to 6.8% to 19% observed between 2008 and 2019, indicating that a more significant portion of revenue is allocated to service debt. This escalating trend highlights increasing fiscal pressures and suggests an unsustainable debt trajectory, raising concerns about the government's ability to fund essential programs and respond effectively to economic challenges without further incurring debt.

**Fact 5: Although debt levels look reasonable compared to other regions, debt stress remains a concern in Africa.**

Under the Debt Sustainability Framework for Low-income Countries (LIC-DSF) for countries lacking market access, nine nations are identified as facing distressed debt situations: Ghana, Malawi, Mozambique, the Republic of Congo, São Tomé and Príncipe, Somalia, Sudan, Zambia, and Zimbabwe. Furthermore, 19 other countries are classified as having a high risk of debt distress, including Burundi, Cabo Verde, Cameroon, the Central African Republic, Chad, Comoros, Djibouti, Ethiopia, Gambia, Gabon, Guinea-Bissau, Kenya, Liberia, Mauritius, Sierra Leone, South Sudan, Equatorial Guinea, Togo, and Tunisia. Additionally, 14 nations are assessed to be at moderate risk of distress: Benin, Burkina Faso, Côte d'Ivoire, the Democratic Republic of Congo, Guinea, Lesotho, Madagascar, Mali, Mauritania, Niger, Rwanda, Senegal, Tanzania, and Uganda. In contrast, for economies with market access (MAC-DSF), sovereign risks in Egypt and Angola are categorized as high. Conversely, the sovereign debt profiles in Seychelles, Morocco, Namibia, Nigeria, and South Africa pose a moderate risk of debt distress. Lastly, sovereign risk is rated low in Botswana and Eswatini.

Africa is navigating a complex debt environment, but the tide can be turned through targeted, actionable policies. Policymakers must prioritize robust fiscal measures, engage strategically with debt relief initiatives, promote long-term growth, and advocate for reforms to the global financial architecture.

# AFRICAN MARKETS PERFORMANCE

## AFRICA SOVEREIGN BOND INDICES (TOTAL RETURNS USD %)

Country	April	3-Month	1-Year
Botswana	-0.37%	-0.75%	-2.40%
Egypt	0.66%	3.72%	24.42%
Ghana	10.41%	31.06%	47.45%
Kenya	0.95%	6.18%	37.24%
Mauritius	1.95%	1.66%	6.63%
Morocco	4.53%	10.49%	17.80%
Namibia	-0.98%	1.34%	18.55%
S&P/FMDQ Nigeria	-3.23%	1.71%	5.20%
South Africa	-0.40%	1.36%	21.09%
Tanzania	1.47%	2.45%	14.95%
Uganda	-0.56%	3.18%	15.37%
Zambia	7.54%	14.53%	36.89%

Source: S&P Dow Jones Indices

## AFRICA EQUITY INDICES (BMI GROSS TOTAL RETURNS USD %)

Country	April	3-Month	1-Year
Botswana	2.82%	5.45%	26.53%
Cote d'Ivoire	4.68%	8.20%	50.86%
Egypt	1.43%	7.55%	25.03%
Ghana	12.40%	28.43%	67.41%
Kenya	-2.89%	0.91%	35.04%
Malawi	-2.73%	33.00%	202.64%
Mauritius	-3.24%	-1.97%	16.27%
Morocco	1.39%	15.86%	45.70%
Namibia	0.13%	5.18%	14.54%
Nigeria	0.49%	-5.42%	19.01%
Rwanda	1.21%	-0.28%	11.00%
South Africa	3.17%	8.81%	28.96%
Tanzania	0.06%	-0.21%	13.66%
Tunisia	6.81%	17.09%	28.54%
Uganda	0.94%	-0.13%	51.17%
Zambia	-0.35%	3.15%	36.05%

Source: S&P Dow Jones Indices

## Exchange Rate (bid) vs US Dollar

Source: Refinitiv

Country	US dollar	4 weeks	52 weeks	Country	US dollar	4 weeks	52 weeks
	Latest	% change			Latest	% change	
Algerian dinar	132.36	-0.42	1.60	Mauritian rupee	45.44	-1.96	1.54
Angolan kwanza	921.76	-0.06	-6.71	Moroccan dirham	9.21	0.07	7.40
Botswana pula	13.42	2.48	0.27	Mozambican metical	63.89	0.00	-0.34
CFA franc	578.39	-1.37	4.43	Nigerian naira	1,589.73	0.88	-9.42
Comorian franc	433.80	-1.37	4.43	Rwandan franc	1,418.60	-0.43	-8.68
Congolese franc	2,835.00	1.34	-1.06	Seychellois rupee	14.74	-0.45	-1.12
Egyptian pound	49.85	1.35	-6.26	South African rand	17.88	4.45	0.95
Ethiopian birr	134.63	-1.02	-57.45	Sudanese pound	600.50	0.00	0.08
Ghanaian cedi	11.85	30.21	21.94	Tanzanian shilling	2,697.50	-0.72	-3.80
Kenyan shilling	129.20	0.39	1.78	Tunisian dinar	2.98	-0.51	4.38
Libyan dinar	5.48	-0.18	-11.77	Ugandan shilling	3,652.00	0.38	4.22
Malawian kwacha	1,734.00	-0.06	-0.01	Zambian kwacha	27.18	4.73	-4.50

# PRIVATE EQUITY FUNDS & DEALS

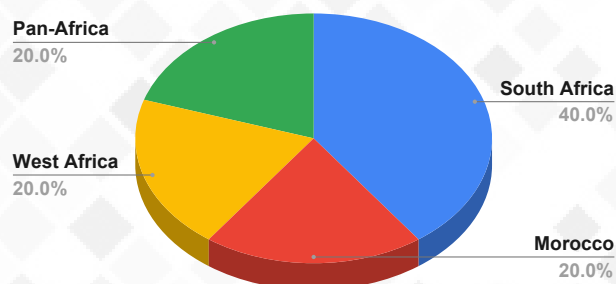
(as of the end of April 2025)

## DEALS

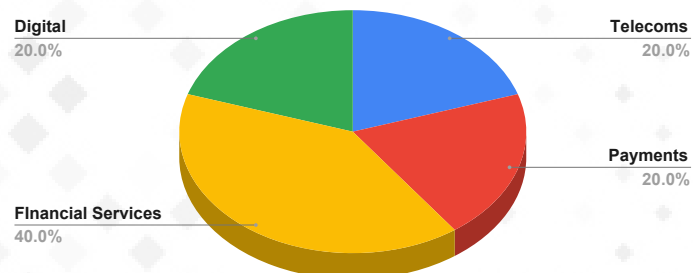
For more information on each transaction, visit Africa Global Funds's website

Company	Investment	Industry	Country	Deal Type	Deal Value
Actis. Mineworkers Investment Company, other investors	Swiftnet	Telecoms	South Africa	Buyout	\$370m
AfricInvest // Build Ventures, Axian Group, Mistral, Island Capital Partners, and Concrete	PayTic	Payments	Morocco	Growth Capital	\$4m
Janngo Capital // SANAD Fund for MSMEs, Partech, Oikocredit, Enza Capital, Y Combinator	Djamo	Financial Services	West Africa	Growth Capital	\$17m
Mergence Investment Managers	Fibre-to-the-home and long haul fibre network (Waterfall City)	Digital infrastructure	South Africa	Buyout	Undisclosed
Verdant Capital	LOLC Africa	Financial Services	Pan-Africa	Loan	\$4.5m

## DEALS BY COUNTRY



## DEALS BY INDUSTRY



## FUNDRAISING

Company	Fund	Geography	Style	Sectors	Final Close	Target Size
Aruwa Capital Management	Aruwa Capital Fund II	Pan-Africa	Growth Capital	Healthcare, energy access, financial services, and consumer staples like food and agribusiness		\$40m
Inspired Evolution	Evolution III Fund	Pan-Africa	Growth Capital	Clean energy infrastructure, resource and energy efficiency, and energy access investments	\$238m	\$400m
Scalar International // Mergence Investment Managers		Sub-Saharan Africa	Growth Capital	Clean energy and digital infrastructure		\$150m

## EXITS

Company	Divestment	Industry	Geography	Buyer (s)	Nature of exit
Mediterranea Capital Partners	Akdital	Healthcare	Morocco	Various investors	Secondary Sale
Mediterranea Capital Partners	Dislog	FCMG	Morocco	Sanam Holding	Secondary Sale

Source: AGF

YTD (%)	1 Month	1 Year	3 Year	5 Year	AUM (\$m)	Strategy	Focus	Domicile	Type	Start
<b>337 Frontier Capital - Kimberlite Frontier Africa Fund (as-of 2025-04-30)</b>										
9.76	2.28	33.47	12.63	11.95		Equity	Africa ex-SA	Cayman Isl.	Open-End	06/14
<b>African Domestic Bond Fund (as-of 2025-04-30)</b>										
	1.5	20.1	-12.7	0.7		ETF - local currency FI	African region	Mauritius	Open-End	9/18
<b>African Lions Fund (as-of 2025-04-30)</b>										
5.64	-0.84	24.99	34.08		37.90 (04/25)	Equity	SSA ex-SA	BVI	Open-End	10/20
<b>Allan Gray Africa Bond Fund (as-of 2025-04-30)</b>										
3.6	1	7.8	7.3	7.8	324.00 (04/25)	Fixed Income	Africa ex-SA	Bermuda	Open-End	3/13
<b>Allan Gray Africa ex-SA Equity Fund (as-of 2025-04-30)</b>										
10.19	2.9	23.58	-0.14	11.42	424.00 (04/25)	Equity	Africa ex-SA	Bermuda	Open-End	1/12
<b>Commonwealth Africa Fund (as-of 2025-05-19)</b>										
7.16	2.03	24.74	1.71	13.77	4.19 (04/25)	Equity	African region	USA	Open-End	11/11
<b>Coronation Africa Frontiers Fund (as-of 2025-04-30)</b>										
2.52	-1	19.94	-4.16	7.53	373.46 (04/25)	Equity	Africa ex-SA	Ireland	Unit Trust	10/08
<b>DWS Invest Africa (as-of 2025-05-19)</b>										
6.37	0.41	17.37	0.73	4.52	26.89 (04/25)	Equity	African region	Luxembourg	SICAV	07/08
<b>EFG-Hermes MEDA Fund (as-of 2025-05-19)</b>										
-7.06	-0.66	6.74	4.99	22.18		Equity	Africa & Middle East	Bermuda	Open-End	12/11
<b>Enko Africa Debt Fund (as-of 2025-04-30)</b>										
8.24	-0.42	24.59	21.05	14.37	813.10 (04/25)	Fixed Income	Africa ex-SA	Mauritius	Open-End	10/16
<b>Fidelity Funds - Emerging Europe, Middle East and Africa Fund A (as-of 2025-05-19)</b>										
6.02	6.59	15.86	9.78	3.43	255.59 (04/25)	Equity	EMEA	Luxembourg	SICAV	06/07
<b>Imara African Opportunities Fund (as-of 2025-04-30)</b>										
0.7	3.56					Equity	African region	BVI	Open-End	06/05

**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
<b>Laurium Africa USD Bond Fund (as-of 2025-04-30)</b>										
-0.8	-2.3	6.4	5		40.80 (04/25)	Fixed Income ex South Africa	African region	Ireland	UCITS	04/21
<b>Laurium Limpopo Africa Fund (as-of 2025-04-30)</b>										
11.66	3.4	32.06	10.72	8.8	214.30 (04/25)	Equity	Africa ex-SA	Cayman Isl.	Open-End	01/14
<b>Mazi Capital Africa Fund (as-of 2025-04-30)</b>										
7.96	-0.83	25.36	-5.08	-0.4		Equity	Africa ex-SA	South Africa	Open-End	01/16
<b>MCB Africa Bond Fund (as-of 2025-04-30)</b>										
	-1.9	-1.3	-29.1	-20.8		Fixed Income	African region	Mauritius	Open-End	2/14
<b>Ninety One Premier - Africa Fund A (as-of 2025-02-28)</b>										
4.05	3.37	11.08	-14.36	-23.33	0.52 (02/25)	Equity	African region	Guernsey	Open-End	01/07
<b>Old Mutual African Frontiers Flexible Income Fund (as-of 2025-03-31)</b>										
	-1.7	10.4			24.10 (04/25)	Fixed Income	African region	Ireland	OEIC	05/22
<b>Old Mutual African Frontiers Fund (as-of 2025-04-30)</b>										
10.35	2.09	34.7	5.78	7.61	278.09 (1/25)	Equity	Africa ex-SA	Ireland	Open-End	5/10
<b>Sanlam Africa Equity Fund (as-of 2025-04-30)</b>										
10.59	3.15	21.08	2.6	10.09		Equity	Africa ex-SA	Ireland	Open-End	07/15
<b>Steyn Capital Africa Fund (as-of 2025-04-30)</b>										
14.68	2.62	34.72	7.75	12.81	193.00 (04/25)	Equity	Africa ex-SA	Malta	SICAV	09/11
<b>Sustainable Capital Africa Alpha Fund (as-of 2025-04-30)</b>										
4.2	3.13	16.16	1.18	11.54		Equity	Africa ex-SA	Mauritius	Open-End	02/12
<b>TCM Africa High Dividend Equity (as-of 2025-04-30)</b>										
7.76	0.43	38.88	-0.53	2.47		Equity	Africa ex-SA	Holland	Open-End	03/08
<b>T. Rowe Price Africa &amp; Middle East Fund (as-of 2025-04-30)</b>										
6.74	0.18	11.89	2.47	15.15	95.11 (04/25)	Equity	MENA & SSA	United States	Open-End	10/11

# CURRENCY VOLATILITY AND FX RISK MANAGEMENT IN AFRICA

By: Anna Lyudvig

**C**urrency volatility remains one of the most persistent and complex challenges for investors and fund managers operating across African markets. As capital flows increase and financial integration deepens, the issue of foreign exchange (FX) risk has become a central concern—not just for multinational investors but also for domestic institutions managing cross-border portfolios.

Africa's currency volatility is shaped by a combination of global and local factors. Globally, tighter monetary policy from developed markets, especially the U.S. Federal Reserve and the European Central Bank, tends to trigger capital outflows from emerging and frontier markets, putting downward pressure on African currencies. The strength of the U.S. dollar, in particular, often causes depreciation of local currencies,

**Forward Contracts and Swaps:** While forward contracts are a common hedging instrument globally, their availability is limited in many African markets. Nonetheless, in more developed financial hubs like South Africa, Kenya, Nigeria, and Egypt, some FX derivatives are accessible. Swaps and non-deliverable forwards (NDFs) are also gaining ground, particularly in markets with more developed banking infrastructure.

**Multi-Currency Fund Structures:** Some fund managers are structuring funds that can accept capital in both USD and local currencies. This allows greater flexibility in managing inflows and outflows while also giving local investors an opportunity to participate.

**Dollarization and Hard Currency Investments:** Where hedging tools are not viable, some funds opt to invest in hard-currency earning assets—

**“Africa’s currency volatility is shaped by a combination of global and local factors. Globally, tighter monetary policy from developed markets, especially the U.S. Federal Reserve and the European Central Bank, tends to trigger capital outflows from emerging and frontier markets, putting downward pressure on African currencies**

which affects dollar-denominated debt servicing and import costs.

Locally, structural trade imbalances, reliance on commodity exports, and relatively shallow capital markets further exacerbate volatility. Countries like Nigeria and Angola, for example, are heavily dependent on oil revenues. When global oil prices drop, their currencies tend to follow suit. Meanwhile, nations with diversified economies and stronger export bases, like Morocco or Kenya, often fare better—but are not immune to shocks.

Political instability, inconsistent fiscal policy, and low foreign exchange reserves also increase risk perceptions, which can spark speculative activity and further destabilize currencies. The lack of deep, liquid, and transparent FX markets in many African countries means that price discovery can be erratic, and spreads remain wide.

For asset managers, currency risk can significantly erode returns—especially when local assets are priced in depreciating currencies. A 10% yield on a local bond becomes negligible if the currency depreciates by 15% against the investor's base currency. In private equity, FX risk can hit valuations, affect exit strategies, and complicate deal structuring.

Institutional investors are increasingly conscious of these risks. Pension funds, insurance companies, and development finance institutions (DFIs) are all seeking more robust ways to manage their FX exposures—particularly as the push to allocate more capital to Africa continues.

There is no one-size-fits-all solution to managing currency volatility in Africa, but several strategies are increasingly being employed:

**Natural Hedging:** Many investors look to match revenues and liabilities in the same currency to reduce FX exposure. For example, a fund investing in a company with local-currency revenues may seek local debt financing to avoid currency mismatches.

such as exporters or companies with offshore revenues. This reduces exposure to local depreciation, though it limits the investable universe.

**Macro Risk Insurance and Political Risk Guarantees:** Institutions like MIGA (Multilateral Investment Guarantee Agency) and African Trade Insurance Agency (ATI) offer political and FX risk cover for select transactions, especially infrastructure and large-scale private sector deals.

There is growing recognition among policymakers of the importance of deepening FX markets. Regulatory reforms, central bank liberalization efforts, and regional integration projects like the African Continental Free Trade Area (AfCFTA) are expected to improve currency convertibility and liquidity over time.

For instance, Nigeria's recent moves toward a more unified exchange rate regime and Ghana's efforts to build FX futures markets are steps in the right direction. Regional currency swaps and clearing arrangements are also being explored to reduce reliance on the U.S. dollar in intra-African trade.

FX risk is an unavoidable part of the African investment landscape, but it is increasingly manageable. With growing sophistication among fund managers, the gradual development of local derivatives markets, and enhanced regulatory support, the toolkit for hedging currency risk is expanding.

Still, the key for investors is a nuanced, country-specific approach. What works in South Africa may not apply in Ethiopia. Successful currency risk management in Africa requires a blend of financial innovation, local knowledge, and strategic flexibility. As Africa continues to attract long-term capital, mastering FX volatility will be critical to delivering consistent, risk-adjusted returns.

# Your Insight Into African Asset Management



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