

# AFRICA GLOBAL FUNDS

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### **PROFILE:**

**NORFUND SEEKS SOUTH AFRICAN C&I INVESTMENTS**

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### **NEWS:**

**SANARI 3S GROWTH FUND GETS R475 AT FIRST CLOSE**



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**T**he financial ecosystem in Africa is reaching an exciting new phase of development, according to Edmund Higenbottam of Verdant Capital. What is exciting today from an investment perspective, he says, is the breadth of opportunities that have now proven their credit models and have started to scale progressively. Read more on pp.12-13.

In this month's issue of Africa Global Funds, we also hear from AfrAsia Bank and learn why Mauritius is positioned as a springboard for investment flows into and out of the continent. The country has successfully established itself as an important commercial capital for investment, business structuring and wealth management. Read on to find more on pp. 14-15.

In this edition, we speak with Kristoffer Valvik, Investment Manager – Clean Energy in Norfund, to discuss Norfund's African strategy. In line with Norfund's strategic target, 60% of their commitments in 2021 were in Sub-Saharan Africa. Learn more about the Norwegian Investment Fund for developing countries and its mission on pp. 16-17.

Finally, Gregoire Theron of GraySwan writes about hedging strategies. Read on p.22 whether now is a good time to hedge your exposure.

On the fundraising front, Sanari Capital announced a R475m first close of its Sanari 3S Growth Fund. Read more on p.4.

**For more up-to-date news, analysis and insights visit  
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**If you would like to get in touch with any comments or suggestions for future issues, please  
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Best regards,  
**Anna Lyudvig**  
 Managing Editor

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# Sanari 3S Growth Fund gets R475m at first close

**S**anari Capital has announced a R475m (c.\$28m) first close on its Sanari 3S Growth Fund, receiving commitments from leading institutional investors, including the 27Four Black Business Growth Fund, RisCura (on behalf of various clients), and the National Fund for Municipal Workers.

Rory Ord, Head of Private Markets at 27four, said: "We are excited to back Sanari. The team's focus on addressing social and economic challenges through growth investments is closely aligned with our objectives of generating strong returns for our investors and broader social impact within South Africa. We believe we have supported the right partner to achieve this."

The fund is targeting between R1.2bn to R1.7bn (c.\$70-100m) for the final close.

Samantha Pokroy, CEO of Sanari, said: "We are delighted to hit this milestone that recognises Sanari's purpose-led approach, built on

education to students across income levels on a sustainable and profitable basis, combining exciting growth prospects with rewarding impact.

Taking Africa to the world, award-winning LightWare LiDAR is a South African developer and manufacturer of micro LiDAR systems (remote sensing technology) for drones, robots, autonomous vehicles, IoT, and smart cities on a global platform with a halo client base.

Moushmi Patel, Executive Director at Sanari, said: "Sanari brings a unique experience set focused on unlocking digital and human potential for successful investment in today's local and global context. The fund invests between R50m and R200m (c.\$3-\$12 million) in medium-sized and mid-market businesses, in either a single tranche or a series of capital investments, signalling our emphasis on supporting companies as they grow."

Sanari also has a significant pipeline of investment opportunities in

**"We invest in companies that share our commitment to creating meaningful employment, contributing to inclusive economic growth without harming the environment and communities in the process"**

- Ofentse Pelle, Executive Director at Sanari

experience and our particular brand of inventive, disciplined investing that attracted significant commercial capital to the fund."

"We appreciate our investors' conviction and support for our approach to growth-stage PE. We are excited to see pension funds stepping up to support the real economy and growth companies to achieve combined social and financial returns."

The private equity firm focuses on investments in growth companies emanating from Africa (mainly from South Africa) with regional and global scalability and exposure.

Sanari 3SG will invest in established and growing companies in industries that benefit from Sanari's thematic focus areas and capitalise on its specialisation of investing in founder-run, owner-managed and family-owned businesses.

Named for Sanari's proprietary framework for building businesses that are Sustainable, Scalable and Saleable (3S), the fund is the manager's second but the first targeting institutional investors.

The fund has already deployed over 30% of its first close committed capital, with two investments warehoused before closing and a third investment in a fintech services provider to be announced shortly.

EduLife Group is the largest independent school group in South Africa's Free State province, now embarking on a national expansion.

EduLife is an example of an African solution for one of our continent's most significant challenges: bringing accessible, affordable, relevant

healthcare, agri-business, education, services, food and technology.

Sihle Gumede, Executive Director at Sanari, added: "We see substantial opportunity through our investment themes to back the businesses that counter economic headwinds. Our investees provide solutions for a more connected and digital world, with investments in technology, IoT, data and services. In addition, as the world becomes more socially conscious, we're ready to meet the growing demand for education, healthcare, food security and green solutions."

Sanari Capital is majority women- and black- led and owned.

The capital invested by the fund qualifies as 100% black ownership in underlying portfolio companies. Importantly, the fund also meets the criteria for the 2X Challenge, which calls on DFIs and private sector investors to mobilise capital to support women's participation in economic development and leadership on a global platform.

Doing good whilst doing well, the fund delivers positive social and environmental impacts aligned with UN Sustainable Development Goals and drives the highest standards of ESG.

Ofentse Pelle, Executive Director at Sanari, said: "We invest in companies that share our commitment to creating meaningful employment, contributing to inclusive economic growth without harming the environment and communities in the process. We live our values daily, and our diverse team offers a competitive advantage in a changing world where we must be relevant to win."

# Mergence acquires majority stake in Live Easy



**Kasief Isaacs,**  
Senior Investment Principal: Private Markets  
**Mergence**

**M**ergence Investment Managers, through its Infrastructure and Development Equity Fund, has acquired a controlling equity stake in a portion of the innovative affordable rental housing group, Live Easy.

Mergence acquired the majority stake in Live Easy from funds advised by Stockdale Street, with one of South Africa's largest commercial banks and Westbrooke Alternative Asset Management respectively providing senior and mezzanine debt.

The investment sits in the Mergence Infrastructure & Development | Equity Fund I, which has outperformed its benchmark of CPI + 7% , delivering a return of 16,94% to investors since inception in 2015.

The Live Easy deal pushes the Fund to near-closing the Mergence Infrastructure & Development | Equity Fund I.

Mergence is raising capital for a sequel fund, the Mergence Infrastructure & Development | Equity Fund II.

Live Easy is one of SA's largest affordable housing and lifestyle brands with a current ca 2,500 units in six building complexes in prime locations between Johannesburg and Pretoria in Gauteng, and with an additional 1,000 units under development.

The focus is on the affordable housing segment, aiming to close the gap between social housing and privately owned homes. Live Easy was co-founded seven years ago by entrepreneurs James Huff and Jeffrey Fromm.

Kasief Isaacs, Senior Investment Principal: Private Markets at Mergence Investment Managers, said: "We identified Live Easy as a first-of-its-kind initiative in South Africa, a true trailblazer in transitioning people living in unsuitable or undesirable conditions into a safe, secure and well managed housing environment."

The tenant age profile ranges predominantly between 21 and 30 years of age. Many are in their first jobs or professions, with around 30%

earning less than R15,000 per month and a further 40% earning less than R20,000 per month. They need accommodation which matches their aspirations and has easy access to their place of work.

Isaacs said that Live Easy provides a solution to this segment of customers who are price sensitive but demand an upmarket look and feel lifestyle with quality finishes, a variety of amenities and 24-hour security. It is particularly attractive to young women who make up 59% of the tenant profile.

The Live Easy units are so-called "nanos", comprising an average 18 m2 home, with a kitchenette and bathroom, at an average rental of R3,250 per month. There is a strong "cool factor", with on-site amenities which include shared workspaces, Wi-Fi, lounges, chill areas, playgrounds, open spaces, retail shops, laundromats, gyms and creches. This allows for a fully integrated affordable housing solution.

In line with the environmental, social and governance (ESG) investing ethos within the private markets business of Mergence Investment Managers, the Live Easy investment has both a social and an environmental impact.

Live Easy has already impacted the lives of thousands of tenants. There is a long waiting list for units, with upwards of 300 queries per month at some properties.

By deliberately focusing on the conversion of existing buildings, Live Easy has a smaller environmental impact than constructing apartment blocks from the ground up. It further plays a key role in revitalising buildings that otherwise may have gone into severe decline.

As an institutional investor, Mergence invests on behalf of its largely retirement fund clients into sectors aligned with the revised National Development Plan and recent government infrastructure initiatives, including via public-private partnerships (PPPs).

Sectors include affordable housing, bulk infrastructure, digital connectivity, education, healthcare, renewable energy (16 projects across wind and solar) and water, where Mergence is invested via a PPP in the only two long-term private water concessions in South Africa.

## DEALS

# AfricInvest invests in ArabyAds

**A**fricInvest has invested \$30m in Pre-Series B round in ArabyAds, an AdTech company in the MENA region.

Skander Oueslati, CIO at AfricInvest, said: "We are pleased to partner with ArabyAds at a time when the technology company is looking

to further disrupt the AdTech industry through its transformative technology platforms. ArabyAds has established a strong brand and excellent reputation in the MENA region and is widely recognized for its reliability and expertise in digital marketing and advertising."

ArabyAds will use the new financing to expand its footprint and further invest it to accelerate its technological advancement and talent acquisition to support the growth.

The transaction marks the eighth investment for AfricInvest's Maghreb Private Equity Fund IV, which provides growth capital to small and mid-cap companies to expand regionally and across the African continent, spurring productivity growth and sustainable job creation.

Founded in 2013 in Egypt, with headquarters in the UAE and tech hubs across Egypt, Tunisia, and Jordan, ArabyAds helps advertisers in customer acquisition, retention, and monetization by leveraging its technology platforms for influencer marketing (iConnect), Coupon based advertising (Boostiny), retail media (Ritelo), live commerce (Dmenta), and on-device contextual advertising (Deviceboost).

Mahmoud Fathy, CEO and Co-Founder of ArabyAds, said: "We are delighted to welcome AfricInvest as one of our long-term investors and thank them for placing their trust in our vision to build value for all stakeholders in the ecosystem."

"ArabyAds is committed to transforming the digital advertising

landscape with innovation and has been leading the way to deliver performance advertising with its platform offerings. Our fundamentals are strong, and as one of the fastest and profitably-growing companies in the MENA region, ArabyAds is now looking to expand its presence in newer markets where it can leverage its scalable, secure, and end-to-end platforms to help e-commerce businesses scale effortlessly across the globe," he added.

Gulrez Alam, Chief Investment and Strategy Officer at ArabyAds, said: "This funding round enables us to increase the pace of our international expansion, providing ArabyAds an opportunity to further deliver meaningful technology solutions to e-commerce companies globally. At ArabyAds, our vision is to create a sustainable business with financial prudence and I am sure we will be able to replicate our success story in the new geographies as well."

Ismail Talbi and Khalil Lakhoua who co-led the transaction for AfricInvest, added: "We are excited to play a role in ArabyAds' growth journey and will provide the company with the support of the AfricInvest platform to deploy its future expansion projects in the MENA and Africa regions and beyond."

## DEALS

# Verdant Capital Hybrid Fund makes first investment

**V**erdant Capital Hybrid Fund has announced its first \$7m subordinated debt investment in Watu Credit Uganda to expand its footprint of two-wheeler financing throughout the country.

"The Fund's investment will strengthen Watu's balance sheet and help "crowd-in" more senior debt funding to further grow its balance sheet," Verdant said.

"The Fund was attracted by Watu's business model aligned with the

Watu's operations are backed by the strong use of technology, including automated processes, GPS tracking tools for the motorbikes and the exclusive use of digital payments via mobile money wallets.

The Fund's investment will provide Watu with more capital to finance motorbike taxis across Uganda.

These motorbikes are usually the principal source of income for the riders. Watu's business model provides an affordable route for riders to

**"Watu's business model provides an affordable route for riders to attain financial stability, the ability to participate in the economy and, in many cases, the first opportunity to have tangible wealth in the form of ownership of a motorbike**

- Verdant Capital

Fund's mission to use its capital to empower "base-of-the-pyramid" clients, while benefiting from fundamental credit risk mitigants."

The investment will help provide thousands of motorbike taxi (boda boda) drivers in Uganda with greater economic empowerment and asset ownership opportunities.

This represents an important milestone for Watu in Uganda, it's second largest market after Kenya, where the business was first established in 2015. In addition,

Watu is expected to benefit from initiatives supported by the Fund's technical assistance facility.

Watu is one of Uganda's leading asset financing companies, specifically for two-wheelers.

The business model accommodates and creates opportunities for the unbanked and financially underserved population.

attain financial stability, the ability to participate in the economy and, in many cases, the first opportunity to have tangible wealth in the form of ownership of a motorbike.

The Verdant Capital Hybrid Fund is a \$100m fund (target final closing). The Fund is targeting high developmental impact, including job creation and income generation through SMEs and micro-entrepreneurship.

The Fund is investing hybrid capital and subordinated debt instruments into inclusive financial institutions on a pan-African basis.

The Fund is targeting specialist banks, microfinance institutions, leasing, and factoring companies, fintech and other non-bank financial institutions.

A strong focus will be to ensure that the investments comply with high environmental and social standards.

## DEALS

# Tana and Sango take minority stake in Sundry Markets

**T**ana Africa Capital and Sango Capital have made a minority investment in Sundry Markets, one of Nigeria's fastest growing modern grocery retailers.

The transaction marks a partial realization of the capital invested in the Company by Sango through its Fund I, and a new investment by Sango through its Fund III and by Tana Africa Capital through its second Fund (TAC II').

Sango Fund I's investment began a successful partnership between Sango and Sundry Markets Founder and Chief Executive Ebele Enunwa, to spur the development of one of Nigeria's fastest growing modern grocery retailers.

Established in 2015, Sundry Markets operates the Marketsquare brand of supermarkets and convenience stores, providing a superior shopping experience to customers and a one-stop destination for prepared and packaged food, fresh baked goods, fruits and vegetables, butchery products and beverages, as well as personal and home care products

across different store formats.

Led by the Founder and Chief Executive, and in partnership with Sango, Sundry Markets has grown rapidly to 21 stores today, disrupting the grocery retail sector and demonstrating exceptional financial and operational performance across economic cycles.

The Company has created over 2,000 jobs directly since inception and many more indirectly through its 100% localised supply chain and several small & medium scale suppliers.

With Tana and Sango now working together as active and long-term investors, in partnership with the Company's highly experienced Founder, and backed by a strong management team in a business with exceptional growth potential, Sundry Markets is well positioned to realise its long-term vision of becoming the leading grocery retailer in Nigeria.

"The successful partnership with Ebele Enunwa at Sundry Markets represents the transformational potential of private capital when put

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in the right hands. Starting out with an entrepreneurial idea to provide everyday goods and services to ordinary Nigerians in world class, clean and convenient shopping environments, Ebele has been able to prove that good execution delivers excellent outcomes not only for investors, but also for the broader Nigerian economy,” said Charles Mwebeih, Managing Director and Co-Founder at Sango Capital.

“Modernizing the retail sector leads to better quality jobs, better experiences for customers, improved supply chain and sales channels for suppliers, and more tax revenue for the government. Sango has proudly backed a strong entrepreneur who has managed to continue growing his business through very tough times and we are grateful for the continued partnership.”

“We are delighted to partner with Ebele Enunwa, the Founder of Sundry Markets and his team, who have built a great business that is well positioned to capitalize on the exciting growth opportunities in the Nigerian grocery retail market,” commented Mark Tindall, Managing Director at Tana Capital.

“We plan to work with Ebele and the Sundry Markets team, as well as

fellow shareholders to contribute the learnings from Tana's other retail investments across the African continent so that Sundry Markets can develop into a world class Nigerianfounded retail company.”

“With the support of our investors, we set out to establish a world class retail business professionally run by Nigerians, and for Nigerians,” said Ebele Enunwa, Founder and Chief Executive of Sundry Markets. “The modern retail sector in Nigeria continues to grow tremendously and we are committed to continue serving our customers around the country by offering them a one-stop shopping experience for all their home cooking, personal care and home care needs.”

Enunwa also presented his vision for the Company's future, noting, “We have an ambitious plan to expand the existing store footprint to at least 50 stores and to grow our revenues fourfold by 2025. We have benefitted from the partnership with Sango Capital and in particular their appreciation of what it takes for entrepreneurs to succeed on the African continent, and their thought leadership that has challenged us to continuously grow and improve. We welcome Tana Capital into the partnership and hope to similarly benefit from collaborating with them.”

## INVESTORS

# BII backs Algebra Ventures and Endure Capital

**B**ritish International Investment (BII), the UK's development finance institution (DFI) and impact investor, has announced new commitments to Algebra Ventures and Endure Capital.

The capital will support Algebra Ventures' second fund following the success of Fund I, which included market-leading companies such as Khazna, Mozare3 and Shift EV.

BII also anchors Endure Capital's most recent fund Endure21, which has backed high-impact companies such as Brimore, Pylon and Cassbana.

The DFI has also invested in MaxAB, a prominent B2B e-commerce platform in North Africa. The funding will support the creation of 4,000 jobs and facilitate MaxAB's expansion across Egypt and Morocco, enabling the company to reach an additional 73,000 micro-retailers across the region.

In addition, the investment will help address supply-chain inefficiencies by implementing financial solutions that increase access to finance and facilitate payments for small-scale and low-income retailers.

Overall, BII said that it is planing to invest \$100m in Egyptian startups over its current strategy period.

The DFI also reaffirmed its commitment to strengthen its partnership with Egypt and increase climate finance to support the country's green growth.

Nick O'Donohoe, BII CEO, said: “These investments form a critical part of BII's new five-year strategy and reflect our local priorities to continuously explore opportunities to back local venture capital fund managers and direct our capital toward stimulating entrepreneurship

and innovation among native businesses in impactful sectors.”

“We believe local investors are ideal partners to identify the next generation of high-potential entrepreneurs whose unique solutions help solve development challenges, including climate solutions. I am particularly excited to welcome many of our VC partners at tomorrow's Innovation for Impact summit. This is an event that further demonstrates BII's commitment to help foster partnerships within the VC ecosystem and across markets, and help mobilise more capital to back market-shaping companies that are making societies more productive, sustainable and inclusive.”

As the UK's main vehicle for climate finance investments and the largest bilateral DFI in Africa, BII is committed to broadening its partnership with the Egyptian Government to develop a blueprint addressing Climate Adaptation and Renewable Energy (CARE) for powering energy-intensive water infrastructure.

The DFI will also continue to work towards unlocking other climate innovation strategies, including in clean energy solutions such as solar and wind power, green hydrogen, and water, sanitation and hygiene (WASH) systems, to improve livelihoods, health and nutrition across Egypt.

BII has commitments of over \$760m in Egypt and its direct and indirect investments in the country span several critical sectors such as clean infrastructure and energy, healthcare, manufacturing, and financial services.

Its investments currently support more than 50 businesses and over 32,000 jobs across the country.



## INVESTORS

# IDBZ partners with Norsad Capital

The Infrastructure Development Bank of Zimbabwe (IDBZ) has joined forces with Norsad Capital, to introduce each other to potential transactions and seek to collaborate and share risk.

Kenny Nwosu, CEO of Norsad Capital, said: "We each have our own expertise and funding models, and together we can provide far more in-depth insights when putting together a deal."

Both financial institutions focus on providing much-needed capital to businesses, which can be used to promote economic growth and improve livelihoods.

"We recognise that we share common objectives in terms of private sector development in Zimbabwe, and this is what drives our decision to collaborate with each other," said Zondo Sakala, the CEO of the IDBZ.

The two parties will share contacts for potential business financing in Zimbabwe; assist each other when putting together sizable deals; and share investment opportunities of appropriate thresholds that meet the funding requirements of each party.

"In addition to the various benefits, it will be helpful for us to have a partner on the ground in Zimbabwe who has local knowledge and can provide us with insights on businesses located in the country that we

are considering doing business with," Nwosu said.

From a regional perspective, the deal fits the Norsad Capital focus on the Southern African Development Community (SADC), where Zimbabwe is located.

"This is a region and market under-served by financial institutions, yet there are enormous business opportunities in the area," commented Nwosu.

Identifying itself as an impact investor aligned to the United Nations Sustainable Development Goals (SDGs), Norsad Capital has a thematic approach and selects investments that clearly contribute to solving social and environmental challenges. This objective aligns with the overarching aim of the IDBZ: to improve the quality of life of Zimbabweans. Many of the sectors that are of importance to Norsad Capital are equally significant for the IDBZ, such as the transition to clean renewable energy and the pressing need for financial inclusion.

The partnership augurs well for the future of the economy of Zimbabwe. Likely to make more capital available to growth-stage businesses in the country, this relationship will promote economic growth in the region.

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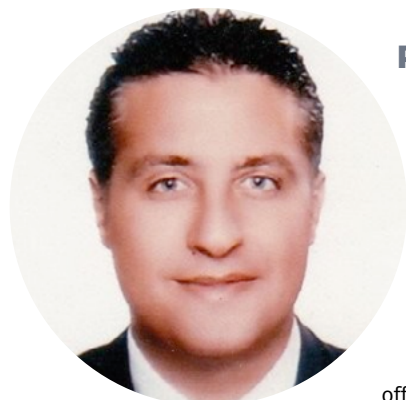
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## INVESTORS

# IFC invests \$35m in Jubaili Agrotec



**Rajab Jubaili,**  
Managing Director  
**Jubaili Agrotec**

The International Finance Corporation (IFC) has offered a \$35m financing package to Jubaili Agrotec, a Nigeria-based agrochemicals manufacturer and distributor, to increase smallholder farmers' access to key input and boost food production to strengthen food security in sub-Saharan Africa.

"Our partnership with Jubaili will contribute to improving food production in sub-Saharan Africa at a time when many parts of Africa, and the world, face rising food prices and food shortages. The region is heavily reliant on imported agrochemicals for crop protection and this partnership will improve the competitiveness of local production, thereby bolstering Africa's agricultural resilience," IFC's manager for agribusiness and forestry in Africa, Samuel Dzotele, said.

The bank said that the financing package would help Jubaili expand its production capacity in Nigeria, Ghana, Tanzania and Uganda, helping to offset Africa's reliance on agrochemical imports.

With support from the local currency facility of the International Development Association's Private Sector Window, IFC is providing \$20m of the financing in Naira.

The financing package will be accompanied by advisory services to support Jubaili to incorporate products that contribute to climate adaptation and climate smart agriculture such as drip irrigation equipment.

The advisory work will also support smallholder farmers to integrate sustainable farming techniques and benefit from improved productivity and incomes.

"Agriculture is a significant part of many African economies and our partnership with IFC will help us to expand across Africa to reach thousands of farmers, helping them to build more resilience in their

crops," said the Managing Director of Jubaili Agrotec, Rajab Jubaili.

IFC's financing and advisory support to Jubaili is part of the organisation's broader work in Africa to support sustainable agriculture practices and to develop regional value chains and markets that will support the continent's food security and job creation. The International Finance Corporation (IFC) is offering a \$35 million financing package to Jubaili Agrotec, a Nigeria-based agrochemicals manufacturer and distributor, to increase smallholder farmers' access to key input and boost food production to strengthen food security in sub-Saharan Africa.

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## INVESTORS

# AfDB issues first Green Bond denominated in ZAR

The African Development Bank (AfDB) has issued a R200m 1-year Green Bond due September 2023, the first AfDB Green Bond denominated in ZAR.

Keith Werner, Division Manager, Capital Markets and Financial Operations, African Development Bank, said: "We are very pleased

with the successful issuance of our inaugural Green Bond in a private placement format in the South African rand market and recognize Sony Bank's role in helping the Bank to broaden and diversify its investor base in support of our aim to foster green growth by financing eligible climate change projects and working towards achieving the continent's

SDGs”.

The bond, which pays a coupon of 6.90%, was arranged by Daiwa Capital Markets Europe and sold in a Private Placement format to a single Japanese institutional investor, Sony Bank, in support for green financing in African countries. Gaku Funakoshi, Head of Treasury and Investment Department, Sony Bank, said: “With this investment, Sony Bank is pleased to contribute to the achievement of the SDGs, as an ESG responsible investor, and furthermore will strive to contribute to the development of sustainable society in accordance with Sony Financial Group's ESG investment policies”.

The funds raised through this transaction will be used to finance eligible green projects in accordance with the African Development Bank's Green Bond Program for the purpose of supporting African countries transition to green growth.

The green bond proceeds will contribute to building resilience against the negative effects of climate change, achieving sustainable infrastructures, developing ecosystems and promoting efficient and sustainable use of natural resources such as water, a sector particularly vulnerable to climate change across the African continent.

In order to promote sustainable development in Africa, the Bank's Ten-Year Strategy focuses on two overarching objectives: inclusive growth and transition to green growth.

The Bank has contributed to improving the lives in Africa by providing better access to water, energy and food, enabling sustainable use of natural resources, and promoting innovations, employment and economic growth.

Sophie Caillebotte, Head of Debt Capital Markets, Daiwa Capital Markets Europe, said: “Daiwa is delighted to have helped in arranging this inaugural Green ZAR Private Placement for AfDB and Sony Bank after several months of patient monitoring from all parties to match the investor's yield target. AfDB is a natural ZAR issuer, keeping proceed in the currency even for small amount, and offering ESG profile as well, either through their Green, Social bond frameworks or with one of their “High 5s”. Sony Bank is a committed ESG investor with specific investment targets in this currency. We are glad that both interests could meet and this transaction rewards a longstanding relationship between the issuer and the investor, who previously met in Tokyo”.

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# New Opportunities In Financial Inclusion



By Edmund Higenbottam, Managing Director, Verdant Capital

The financial ecosystem in Africa is reaching an exciting new phase of development, especially in terms of the provision of financial services for the underbanked and unbanked. Inclusive financial institutions (IFIs) focusing on this segment of the market, and rather than traditional banks, continue to be at the vanguard of financial inclusion. For the IFI sector to continue expand, it must attract additional capital, which in turn requires commercial success.

It remains the case today that the provision of financial services in Africa is underpenetrated in comparison to every other region of the world. This is the case considering, for example bank assets versus GDP, private sector credit vs. GDP or insurance penetration. Commentators offer many different explanations for these facts, including weaker public institutions, lower population densities (vs., for example, India), or smaller more fragmented economies. The smaller size of the financial sector in Africa, in our view, is largely a manifestation of “excluded” or “missing” segments, that is unbanked or underbanked SMEs, micro-enterprises and retail customers.

The 2010s was a period of rapid evolution in important technologies, including mobile wallets, mobile payments, and means of data acquisition and aggregation. The middle and latter parts of the decade have seen the establishment of a range of businesses that leverage these technologies to originate, distribute, secure, and collect credit or handle other financial services such as insurance.

What is exciting today from an investment perspective is the breadth of opportunities that have now proven their credit models and have

started to scale progressively. Investing in these businesses offer an opportunity to include millions of disadvantaged Africans into the formal economy, as well generating attractive returns. These businesses have proven that having a demonstrable developmental impact can go hand in hand with commercial success.

Financial performance in the IFI sector in Africa has always been sharply contrasting between the “winners”, the most successful operators, which have demonstrated credit portfolio quality and built financial performance and scale, and on the other hand, those operators in the sector with a much weaker credit portfolio performance and profitability.

A number of the stronger players are successfully transitioning their business models and credit lifecycles to digitalise, as well as introducing new all-digital products, to manage operating costs per loan and credit performance. Other businesses are “digital-natives”, typically established in the last decade, with tech-driven business models and no legacy costs or assets. We benchmark many of these digital-native businesses to be amongst the top-quartile of performers in the IFI sector overall.

Most digital-native groups have focused on a narrow specialism for their anchor product, allowing them to standardise offerings and reach economies of scale at an earlier stage. A prodigious example is the boda boda (motorcycle taxi) financing segment in East Africa, which have combined developmental impact with commercial success. Verdant Capital Hybrid Fund has recently invested in Watu Credit, one of the successful operators of this business model. These businesses are definitive examples of offering innovative products that meet their client's requirements while having specific risk mitigants built in. Here, multiple factors combine to provide credit reinforcement: transparency on how the borrower will use the loan (i.e., for the asset, a boda boda) and knowledge of the cash flow cycle of the end user (drivers receive payment after every serviced journey) while additional security is provided by geospatial tracking of the asset. These business models rely on large addressable markets to enable scaling in the anchor product without weakening the underwriting standards.

Over time, a key challenge, and a key opportunity, is to expand the offering outside the anchor product. Ideally, the new products should leverage the core qualities of the anchor product, for example, how the product is originated or how the financing is secured.

Another growth segment in MSE-financing is closed-loop working capital financing. In these business models, the lender has some control or visibility over one end or other of the working capital cycle. An example is merchant cash advances, a product established in the US and pioneered in Africa by companies such as Retail Capital (recently

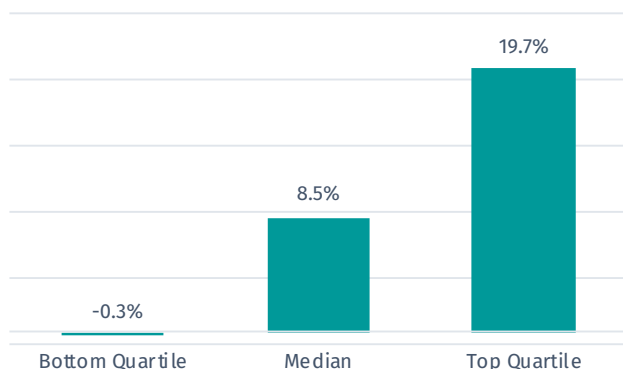
## INNOVATIVE OR TECH-ENABLED MSME-CREDIT BUSINESSES





## RETURN ON EQUITY

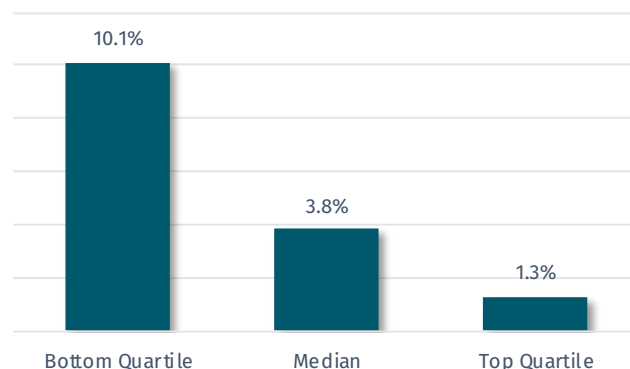
\*Quartiles calculated over the last 3 years



acquired by TymeBank). The product takes security over, or is a forward purchase of certain payment streams to the MSME, e.g., retailers, hairdressers, and QSR restaurants, who receive regular credit card or mobile wallet payments. Other industry players such as Flow Global have adopted similar business models in other African markets. Some other examples of working capital financing with similar characteristics include invoice discounting, specialist inventory financing and purchase order financing.

Consolidation is another theme that can support profitability in the IFI sector, in our view. One challenge for the sector in Africa is fragmentation, partly driven by national borders. A classic comparison is between Africa and India. Both have approx. 1.4 billion people<sup>1</sup> and the aggregate GDP of Africa is \$2.7trn<sup>2</sup>, versus \$3.2trn<sup>3</sup> for India (at market exchange rates). However, Africa is fifty-four countries, whereas India is one country, allowing IFIs an easy opportunity to build scale and access to capital. In the last ten years, there have been 46 IPOs in the IFI sector in India, with a total value of \$5.4bn<sup>4</sup>. Consolidation within countries can provide economies of scale in terms of bricks-and-mortar infrastructure. Consolidation cross-border can help share best practices and technology. Furthermore, consolidation can support lenders reaching critical mass in the debt and equity markets, enhancing access to growth capital and better terms. Still, consolidators need to be capitalised in the first place to enable such acquisitions.

## IMPAIRMENT CHARGE / AVG GROSS LOAN BOOK



Source: Verdant Capital

The Verdant Capital Hybrid Fund invests in best-in-class MSE lenders on a pan-African basis. These include lenders who have developed and successfully implemented innovative business models as well more traditional operators who are digitalising and transforming their business models. The investments are structured as hybrid equity or subordinated debt to allow the investee companies to leverage in or crowd-in additional external debt and, where required, support regulatory capital. The fund has significant flexibility regarding the exact position in the capital structure, but given that the fund is junior to senior lenders, the investment appraisal process is particularly thorough. The fund's investments are always senior to the holders of common equity, who are typically insiders, i.e., founders, managers, or directors. The fund has a strict open foreign exchange limit, capping its exposure to local currencies. The experience of the firm and the investment team in the IFI sector is also a critical risk mitigant.

Verdant Capital has proprietary models to estimate job creation and livelihood creation, as well as other critical outcomes, including gender outcomes and rural development. In conjunction with delivering an attractive return, the objective of the Hybrid Fund is to help the most successful performers in the IFI sector to scale further and, through demonstration effects and consolidation, contribute to the overall impact, profitability and sustainability of the sector.

### THE FUND

- Verdant Capital Hybrid Fund

### FUND SIZE

- USD 36 million at first close (December 2021)
- USD 100 million at final close (Target H2 2023)

### FUND LIFE

- 12 Years (5 years investment period & 7 years harvest period)

### ANCHOR INVESTOR

- KfW

### INVESTMENT OBJECTIVE

- The Fund will invest hybrid capital instruments in Inclusive Financial Institutions

### TARGET REGION

- Africa

### INVESTMENT STRUCTURES

- Subordinated loans
- Hybrid instruments
- Holding company loans

- Regulatory capital qualifying instruments
- Stapled investments

### TARGET INVESTEEES

- Best-in-class MSME-lenders
- Traditional lenders transforming and digitalising business models
- Proven digital-native MSME-lenders/disruptors
- Consolidators

### TARGETED IMPACT

- Job recreation through supporting MSME-lenders
- Financial sector broadening (financial inclusion)
- Financial sector deepening (increased capitalisation)
- Crowding-in additional private sector capital (i.e., additional regulatory capital to crowd-in senior debt)
- Capital markets development (i.e., bringing hybrid capital structures to markets where there is limited experience to date)

### TARGET TRANSACTION SIZE

- USD 3 to 15 million plus any co-investments

### DOMICILE

- Federal Republic of Germany

<sup>1</sup> Source: <https://www.macrotrends.net/countries>  
<sup>2</sup> Source: <https://tradingeconomics.com/country-list/gdp?continent=africa>  
<sup>3</sup> Source: <https://data.worldbank.org/indicator/NY.GDP.MKTP.CD?locations=IN>  
<sup>4</sup> Source: S&P Capital IQ

# Mauritius - A Strategic Partner for Africa



**A** record-breaker for private capital flow into Africa, 2021 was the precursor of a promising future for the African powerhouse. According to the African Private Equity Capital Activity Report 2022, a total of 429 concluded deals happened in 2021, amounting to a hit record of \$7.4bn. Even if Africa is still grappling with the ongoing aftermath effects of the pandemic, peaking supply chain costs and outbreaks of various sorts, it seems that its Private Equity (PE) industry is on a positive growth trajectory with \$1.3bn having been recorded for the first half of 2021 as per the African Private Equity and Venture Capital Association (AVCA) Data Tracker Report.

## A PROMISING AFRICAN HORIZON

Although the ongoing global challenges continue to cloud the economic outlook for Africa for the upcoming years, Africa's long-term recovery is encouraging for investors across various sectors. In the first half of 2021, North Africa and West Africa attracted 23% each of the Private Equity deals by volume – the biggest chunk region-wise. Opportunities abound on the continent: Angola is poised to be Africa's agricultural powerhouse, coupled to being now the continent's largest oil producer, digital innovation is taking a more important stance and the urgency to address the healthcare sector's challenges is being felt in a more substantial manner.

## IMPACT INVESTING

Nevertheless, today, it's not only about investing but rather investing in a sustainable manner so as to yield positive socio-economic spillovers for the community. Coined in 2007, "impact investing" has gained significant momentum since. Embracing this new wave of impact investing, AfrAsia Bank joined the bandwagon to create greater sustainable value for all its stakeholders. The Bank developed a niche market for PE Funds with a keen focus for ESG linked structures / financing solutions with an impact to change people's lives in Africa. Consequently, AfrAsia partnered with a PE Fund acclaimed as one of the

commercial pioneers for impact investing in Africa. As the first to impact 100 million individuals and to announce an independent impact audit on IFC (International Finance Corporation) Principles, this PE Fund's target is to reach 1 billion low-income emerging consumers by 2030 with essential financial and healthcare products and services. The key question is how you can, as an investor, leverage these opportunities and harness Africa's endowed resources to grow your business into and out of the continent?

## MAURITIUS - AN INTERNATIONAL FINANCIAL CENTRE (IFC) OF CHOICE FOR CROSS-BORDER INVESTMENTS

Strategically located at the trade and financial crossroads between Africa and Asia, Mauritius is positioned as a springboard for investment flows into and out of the continent. An attractive destination for anyone seeking to expand his or her business into Africa or internationally, the jurisdiction ranks 1<sup>st</sup> in Africa and 13<sup>th</sup> globally as per the World Bank's Ease of Doing Business Report 2020 and topped the Mo Ibrahim Index of African Governance 2020. On the economic freedom front, Fraser Institute's 2022 Report positions Mauritius 9<sup>th</sup> out of 165 countries.

Thierry Vallet, Interim CEO of AfrAsia Bank: "Over the past 25 years, Mauritius has successfully established itself as an important financial Hub for investment, business structuring and wealth management for both international corporates and fund managers. The jurisdiction offers top-class financial and management services, complemented by an attractive legal and tax regime for the formation of offshore companies, amongst an array of other benefits."

Albeit the pandemic, the country has managed to keep afloat and is on the track to shape its sustainable economic recovery. Coupled to the International Monetary Fund's encouraging forecast for the jurisdiction's growth to reach 6.7% for 2022, this year's National Government Budget has further pillared the country's recovery strategy through a few interesting initiatives, namely: the introduction of a Premium Investor

## WHY MAURITIUS



Impressive track record of **political** and **economic** stability



**State-of-the-art** infrastructure



**Secure** investment location in a **free, democratic** political system



Most **business-friendly** country in Africa offering an **investment-friendly** regulatory regime



Dual legal system, combining the advantages of **Common & Civil Law**



**Peaceful, multi-ethnic** society with **flexible, multi-lingual** and **skilled** workforce



**Strategic** geographic location and **convenient** time zone (GMT +4)



**Fiscal advantages**, including

- No exchange control
- No Withholding Tax, No Capital Gains Tax
- Extensive network of DTAAs and IPPAs
- Simple tax regime

Certificate, 8-year tax holidays for investment companies and the implementation of a double tax deduction mechanism for research and development expenditure in targeting African markets.

### AFRASIA BANK – YOUR PRIVATE EQUITY BANKING PARTNER IN MAURITIUS

Headquartered in the Mauritius IFC with a representative office in Johannesburg, South Africa, AfrAsia Bank positions itself as the financial conduit facilitating a triangular cooperation between Africa, Mauritius and the World. A member of the African Private Equity and Venture Capital Association, AfrAsia Bank leverages its expert knowledge of the multifarious African markets, its cross-border financial aptitude and its extensive network of 248 International Management Companies (IMCs) – 95 of which are outside Mauritius – to offer clients across 169 countries, including 47 African nations, bespoke banking products and services across four core divisions: Corporate Banking, Global Business Banking, Private Wealth Management and Treasury & Markets. The Bank's wide array of private equity products and services include:

- **Global Custody;**
- **Transactional and Payment Services;**
- **Cash and Liquidity Management;**
- **Structured Financing;**
- **Trade Solutions;**
- **Acquisition Financing;**
- **Corporate Debt Solutions;**
- **Placement and FX Solutions;**
- **Short-term Bridge Financing to PE Funds;**
- **ESCROW Bank Accounts.**

AfrAsia Bank is an award-winning institution categorised today as one of the five Systemically Important Banks (D-SIBs) in Mauritius. It ranks 3<sup>rd</sup> in terms of Total Assets in the Mauritian banking sector and is positioned as the 75<sup>th</sup> Bank across Africa\*.

### MORE THAN JUST BANKERS, WE ARE PARTNERS

Neal Roy, Head of Business Development - Global Business: "As a reliable financial partner committed to accompany you all along your investment and sustainable growth journey, AfrAsia facilitates funding into Africa by leveraging our proximity to the continent and our expertise in this niche market of private equities by collaborating with the top PE funds in Africa."

Navin Ramdoyal, Head of Africa: "Operating on a local and regional landscape characterised by fierce competition, we 'Bank Different' by striving to offer you a competitive cost of funding. Ultimately, our objective remains to proactively spot the African opportunities that would contribute to your business growth in the long haul."

If you wish to know more, you may get in touch with our team, who is also present at the AFSIC 2022 Conference in London from 10<sup>th</sup> to 11<sup>th</sup> October.



#### Thierry Vallet

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#### Neal Roy

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#### Navin Ramdoyal

Head of Africa  
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\*Business Magazine's 2021 TOP 100 Companies List and Jeune Afrique's TOP 200 Banks in Africa

# NORFUND

## Seeks South African C&I Investments

Anna Lyudvig sits down with **Kristoffer Valvik, Investment Manager – Clean Energy in Norfund**, to discuss Norfund's African strategy.

**E**stablished in 1997, Norfund is the Norwegian Investment Fund for developing countries with a mission to create jobs and to improve lives by investing in businesses that drive sustainable development.

Norfund is owned and funded by the Norwegian Government and is the Government's most important tool for strengthening the private sector in developing countries, and for reducing poverty. By year end 2021, Norfund had committed investments totaling \$2.68bn in 195 projects. Clean Energy was the biggest investment area with 2.7 billion NOK in new investments last year. Kristoffer Valvik, Investment Manager – Clean Energy in Norfund, says that last year was really hectic and a record year for invested capital.

Valvik joined Norfund six years ago to help build out a portfolio for a distributed generation. Since then, he has been engaged mainly on the equity side but also on the debt side for everything that's within the distributed generation space (commercial and industrial

solar, ESCO's, mini-grids and solar home systems).

Norfund provides capital in the form of equity, debt and fund investments. Preference is given to equity investments – both direct investments and through funds – because in most developing countries equity is the scarcest type of capital available to enterprises.

The development finance institution (DFI) invests in four areas, where the potential for development impact is

substantial and that are aligned with the SDGs: Clean Energy, Financial Institutions, Scalable Enterprises and Green Infrastructure.

Historically, the majority of Norfund's energy investments have been in hydropower, wind, and solar energy, and in utility scale, grid-connected power plants. However, in 2021 more than 50% of new commitments in Clean Energy were to distributed generation, i.e. smaller scale projects or off-grid solutions typically supplying power directly to the end-user.

Norfund's strategy focuses on investing with – or via – industrial partners. Approximately 1,000 MWp of solar power has been financed in partnership with Scatec. Norfund has a 30% stake in Globeleq – one of Africa's leading independent power producers with more than 1,400 MW of installed capacity, and another 2000 MW in development. Following the sale of SN Power in 2021, Norfund have established a joint venture with Scatec to expand in hydropower in Africa.

Earlier this year, a new Climate investment fund to be managed by Norfund, became operational. The new fund will be capitalized with USD 1 bn over the next five years, and it will be Norway's most important tool in accelerating the global energy transition by investing in renewable energy in developing countries with large emissions from coal and other fossil power production. South Africa has been chosen as one of eight prioritized countries for the new fund.

### OPPORTUNITIES & CHALLENGES

In line with Norfund's strategic target, 60% of their commitments in 2021 were in Sub-Saharan Africa. The sale of SN Power caused a drop in the share of investments in Asia, and was the main reason for the increase in the total share of their portfolio in Sub-Saharan Africa, from 54% in 2020 to 65% in 2021.

According to Valvik, the investment strategy is the same for all the geographies, but there are particularities with Africa that need to be taken into account. "There are issues with e.g. currency convertibility and regulatory uncertainty, which, in my experience, has been more of an issue on the African continent rather than outside it," he explains.

On the SSA opportunities, Valvik says they are "relatively opportunistic", but there are countries in SSA, which they avoid for particular reasons. He gives Nigeria as an example: "We really want to do a lot in Nigeria, but right now we're finding it really difficult just due to the inability to convert currency there. But we're actively looking at a lot of deals and are trying to find solutions which inevitably will







materialize,” he says.

Valvik adds that Norfund sees opportunities in the DRC and has recently invested in CRDB, a Tanzanian bank, to establish a new local subsidiary bank in DRC. He also mentions opportunities in South African renewable energy on the back of regulatory changes. “We anticipate that this will lead to a lot of movement in the commercial and industrial solar space, given that the local national utility Eskom is not able to deliver the electricity that the country needs,” he argues.

“We’re actively looking for opportunities where we can help support the transition outside of the programs that are run by the government,” he says.

Valvik is particularly excited about the deal he closed in July this

#### HANDS ON WITH INVESTEEES

When Norfund invests as an equity investor, they tend to come in at a level where they can have representation on the board, Valvik says. “I’m involved most of the times at a board level, either as an observer or even a member, and also participate in investment committees, audit and risk committees and try to help them in the best way possible,” he says.

“One of our core focuses is to have strong teams in the investee companies and trust in them to execute on the business plan without too much interference,” he says.

“Being engaged and hands-on with investees, being as supportive as

**“Being engaged and hands-on with investees, being as supportive as possible when there's a need for, it is key**

- Kristoffer Valvik, Investment Manager – Clean Energy in Norfund

year in CrossBoundary Energy (CBE), where Norfund and KLP, Norway’s largest pension company, together invested \$40m. CBE is a developer, owner, and operator of commercial and industrial renewable energy systems in Africa. This commitment will allow CrossBoundary Energy to further scale its investments in renewable energy solutions for commercial and industrial businesses across Africa. The commitment is a continuation of Norfund and KLP’s earlier investments in the C&I sector and endorses the scale and maturity of the distributed generation sector in Africa.

For Valvik, the biggest challenge in Africa is finding the right partners and the right companies that are also sizable enough for them. Norfund has a minimum ticket size of \$5m, with average deal sizes in recent years being significantly larger.

He adds that having restrictions on the ownership level makes it even harder: “We can only own up to 35%, so you’re looking at companies with a minimum valuation of \$20m pre-money.” Valvik also mentions currency fluctuations and tax regulation that “adds a bit of uncertainty to returns”.

possible when there's a need for, it is key,” he stresses.

On managing risks Valvik comments: “I think the key focus is just to try to be an active owner and be engaged and make sure that we can leverage our learnings to prevent those risks from appearing again.

According to Valvik, Norfund doesn’t have a firm return target as it’s always subject to the risks that they are taking, adding: “We’re always looking for returns. We’re not in the business of giving away any money.”

“We only invest in businesses that we believe are sustainable and can operate on their own. We want to build businesses that can employ people, provide electricity or other services to people in those countries, improve their lives and reduce unemployment in the countries where we operate, also after we have exited the investment.

Valvik, who recently moved from Kenya to South Africa, stresses that Norfund is actively looking for C&I investments in South Africa. “We’re eager to write big equity checks to facilitate the inevitable growth in the South African C&I market” he concludes.

# AFRICAN MARKETS PERFORMANCE

AFRICA SOVEREIGN BOND INDICES (TOTAL RETURNS USD %)

Country	August	3-Month	1-Year
Botswana	-1.50%	-5.01%	-8.08%
Egypt	-1.58%	-2.94%	-10.93%
Ghana	-19.41%	-28.03%	-44.70%
Kenya	-0.72%	-0.68%	-1.68%
Mauritius	1.21%	-3.59%	-4.40%
Morocco	-2.12%	-6.15%	-13.92%
Namibia	-1.65%	-6.31%	-11.60%
Nigeria	-2.90%	-5.96%	1.97%
South Africa	-1.93%	-8.90%	-13.83%
Tanzania	1.48%	2.24%	20.45%
Uganda	2.16%	-3.93%	-3.49%
Zambia	3.44%	8.79%	23.20%

Source: S&amp;P Dow Jones Indices

AFRICA EQUITY INDICES (BMI GROSS TOTAL RETURNS USD %)

Country	August	3-Month	1-Year
Botswana	-0.45%	-6.04%	6.96%
Cote d'Ivoire	-1.60%	-5.07%	4.06%
Egypt	3.07%	-6.04%	-25.31%
Ghana	-16.17%	-24.49%	-39.18%
Kenya	-1.86%	5.58%	-24.01%
Malawi	1.10%	-0.21%	9.45%
Mauritius	3.69%	-8.31%	-0.25%
Morocco	0.03%	-5.17%	-17.86%
Namibia	-2.46%	-12.46%	-4.33%
Nigeria	0.64%	-12.47%	3.47%
Rwanda	0.97%	8.54%	11.24%
South Africa	-3.61%	-14.77%	-13.15%
Tanzania	1.48%	1.43%	17.04%
Tunisia	3.32%	5.63%	-5.13%
Uganda	2.23%	1.40%	-13.47%
Zambia	5.91%	12.11%	122.35%

Source: S&amp;P Dow Jones Indices

## MARKET COMMENTARY:

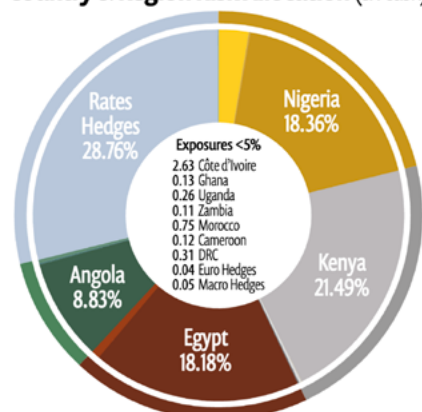
### EADF Posts Best Monthly Return

Building off of July's positive return, the Enko Africa Debt Fund (EADF) posted its best monthly return since inception at 5.88%. The hard currency Sub-Sahara Africa debt index (EMBI SSA) gained 0.38% on the month, leaving its YTD return still below -23%. The S&P Africa index lost -1.98% on the month on continued currency depreciation in key markets: Egypt and Ghana. Global hard currency EM debt (JPM EMBI) lost -1.17%, while local currency EM debt (JPM GBI-EM) registered a narrow loss of -0.14%.

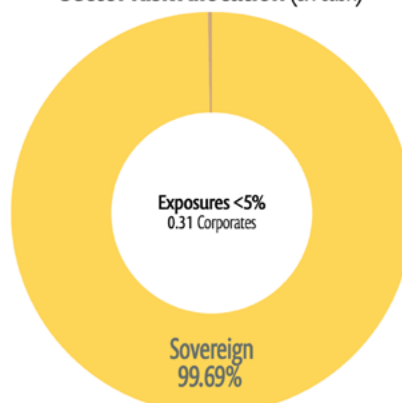
The Fund's Sharpe ratio remains positive over the 3-year, 5-year, and inception periods. While 2022 has been challenging, the Fund's Sharpe ratio over the 5-year and inception periods is over 1. The Fund's

correlation to regional and global EM debt indices remains in the 0.27-0.38 range over the 3-year, 5-year, and inception periods. EADF's portfolio ended the month with exposure to 11 African countries and 3 hedges. The largest risk exposures (ex-cash) were to Rates Hedges (28.8%), Kenya (21.5%), Nigeria (18.4%), Egypt (18.2%), and Angola (8.9%). At the end of July, the Fund had several smaller exposures to Côte d'Ivoire (2.6%), Morocco (0.8%), DRC (0.3%), Uganda (0.3%), Ghana (0.1%), Cameroon (0.1%), and Zambia (0.1%). The portfolio also had exposure to Macro Hedges (>0.1%) and Euro Hedges (>0.1%). The portfolio (ex-cash) was concentrated in sovereign issuance at 99.7%. The remaining risk allocation of 0.3% was in corporates.

Country &amp; Region Risk Allocation (ex-cash)



Sector Risk Allocation (ex-cash)



# PRIVATE EQUITY FUNDS & DEALS

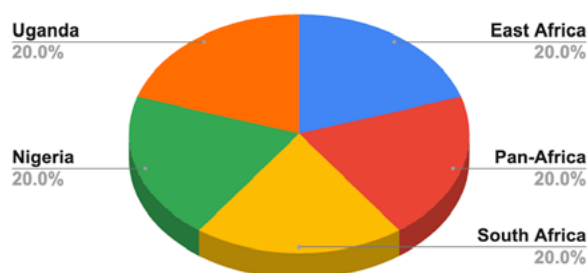
(as of 31st August 2022)

## DEALS

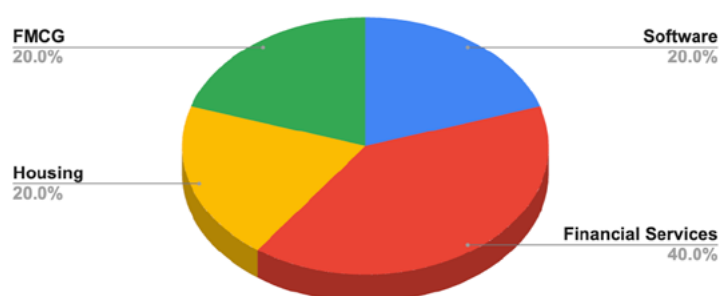
For more information on each transaction, visit Africa Global Funds's website

Company	Investment	Industry	Country	Deal Type	Deal Value
HAVAIC	FinAccess	Software	East Africa	Venture Capital	\$500k
InfraCo Africa	Climate, Energy Access and Resilience Fund	Financial Services	Pan-Africa	Growth Capital	Undisclosed
Mergence Investment Managers	Live Easy	Housing	South Africa	Buyout	Undisclosed
Tana Africa Capital // Sango Capital	Sundry Markets	FMCG	Nigeria	Growth Capital	Undisclosed
Verdant Capital	Watu Credit Uganda	Financial Services	Uganda	Subordinated debt	\$7m

## DEALS BY COUNTRY



## DEALS BY INDUSTRY



## FUNDRAISING

Company	Fund	Geography	Style	Sectors	First Close	Target	Date Announced
Actis	Actis West Africa REIF	West Africa	Equity	Real Estate	\$45m	-	8 August 2022

## EXITS

Company	Divestment	Industry	Country	Buyer	Nature of exit
Apis Partners	Retail Capital	Financial Services	South Africa	TymeBank	Trade

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 2022-08-31)</b>										
-10.75	-0.96	-7.42	-1.33	-5.89	326.00 (04/21)	Equity	Africa ex-SA	Cayman Isl.	Open-End	06/14
<b>Absa Africa Equity Fund (as-of 2022-09-22)</b>										
-9.42	1.47	1.47	-1.08	1.59	10.57 (08/22)	Equity	African region	South Africa	Unit Trust	10/16
<b>African Domestic Bond Fund (as-of 2022-07-29)</b>										
-7.00	-1.30	-8.80	3.60		43.00 (07/22)	ETF - local currency FI	African region	Mauritius	Open-End	9/18
<b>African Lions Fund (as-of 2022-08-31)</b>										
5.30	0.53	9.52			18.10 (08/22)	Equity	SSA ex-SA	BVI	Open-End	10/20
<b>Allan Gray Africa Bond Fund (as-of 2022-08-31)</b>										
-13.9		-16.4	-0.90	3.10	330.00 (08/22)	Fixed Income	Africa ex-SA	Bermuda	Open-End	3/13
<b>Allan Gray Africa Equity Fund (as-of 2022-07-29)</b>										
		4.50	31.10	24.50	286.00 (06/22)	Equity	African region	Bermuda	Open-End	07/98
<b>Allan Gray Africa ex-SA Equity Fund (as-of 2022-08-31)</b>										
-15.81	-10.49	-15.10	8.45	1.25	459.00 (07/22)	Equity	Africa ex-SA	Bermuda	Open-End	1/12
<b>Alquity Africa Fund (as-of 2022-09-22)</b>										
-11.89	4.10	-9.70	-3.82	-3.56	3.13 (08/22)	Equity	African region	Luxembourg	SICAV	6/10
<b>Arisaig Africa Consumer Fund (as-of 2022-06-30)</b>										
7.96	4.12	6.92	-40.85	-28.23	1.31 (05/22)	Equity	African region	Mauritius	Open-End	12/07
<b>Bellevue Funds Lux - BB African Opportunities (as-of 2022-09-22)</b>										
-5.26	7.02	0.43	-6.75	-2.54	45.19 (08/22)	Equity	African region	Luxembourg	SICAV	6/09
<b>Commonwealth Africa Fund (as-of 2022-09-22)</b>										
-8.93	-3.53	-10.36	3.29	-2.60	3.09 (08/22)	Equity	African region	USA	Open-End	11/11
<b>Coronation Africa Frontiers Fund (as-of 2022-08-31)</b>										
-15.40	-2.03	-15.84	-2.49	-1.15	274.20 (08/22)	Equity	Africa ex-SA	Ireland	Unit Trust	10/08
<b>DWS Invest Africa (as-of 2022-09-22)</b>										
-8.02	3.77	-1.99	-2.08	-2.16	26.24 (08/22)	Equity	African region	Luxembourg	SICAV	07/08
<b>EFG-Hermes MEDA Fund (as-of 2022-09-22)</b>										
37.12	2.70	55.44	19.32	14.16		Equity	Africa & Middle East	Bermuda	Open-End	12/11
<b>Emerging Africa Bond Fund (as-of 2022-07-29)</b>										
-21.03					1.70 (07/22)	Fixed Income	African region	Mauritius	Open-End	09/16
<b>Enko Africa Debt Fund (as-of 2022-08-31)</b>										
-16.25	5.88	-14.74	6.89	10.12	451.85 (08/22)	Fixed Income	Africa ex-SA	Mauritius	Open-End	10/16
<b>Fidelity Funds - Emerging Europe, Middle East and Africa Fund A (as-of 2022-09-22)</b>										
-47.41	8.22	-48.05	-11.51	-7.53	223.29 (08/22)	Equity	EMEA	Luxembourg	SICAV	06/07
<b>Imara Africa Fund (as-of 2022-08-31)</b>										
-25.81	-1.11	-26.8	-3.19	-4.27		Equity	African region	Cayman Isl.	Open-End	04/09

**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>Imara African Opportunities Fund (as-of 2022-08-31)</b>										
-27.52	1.94	-33.19	-5.38	-11		Equity	African region	BVI	Open-End	6/05
<b>JPMorgan Funds - Africa Equity Fund (A) (as-of 2022-08-31)</b>										
-16.75	-1.98	-16.58	-2.92	-3.98	107.03 (09/22)	Equity	African region	Luxembourg	SICAV	5/08
<b>Laurium Limpopo Master Fund (as-of 2022-08-31)</b>										
-19.43	-0.62	-20.14	-6.69	-3.11	138.10 (08/22)	Equity	Africa ex-SA	Cayman Isl.	Open-End	01/14
<b>Mazi Capital Africa Fund (as-of 2022-08-31)</b>										
-19.08	0.41	-17.48	-7.40	-4.93	92.00 (03/21)	Equity	Africa ex-SA	South Africa	Open-End	01/16
<b>MCB Africa Bond Fund (as-of 2022-07-29)</b>										
-10.40	-1.50	-8.30	1.40	3.40	10.54 (07/22)	Fixed Income	African region	Mauritius	Open-End	2/14
<b>Ninety One Premier - Africa Fund A (as-of 2022-08-31)</b>										
-37.51	-16.36	-60.58	-28.62	-15.53	0.53 (08/22)	Equity	African region	Guernsey	Open-End	01/07
<b>Old Mutual African Frontiers Fund (as-of 2022-08-31)</b>										
-25.82	-2.83	-20.08	-4.87	-1.11	291.00 (04/21)	Equity	Africa ex-SA	Ireland	Open-End	5/10
<b>Optis African Frontier Fund (as-of 2022-08-31)</b>										
-23.56	-0.19	-21.87	-16.98		32.03 (08/22)	Equity	African region	BVI	Open-End	8/09
<b>Robeco Afrika (as-of 2022-06-30)</b>										
-9.45	-6.34	-2.62	2.21	1.15	24.70 (06/22)	Equity	African region	Netherlands	Open-End	6/08
<b>Rudarius Africa Fund (as-of 2022-08-31)</b>										
-22.79	2.60	-22.65	-9.04	-6.56	30.00 (03/21)	Equity	Africa ex-SA	South Africa	Open-End	06/14
<b>Sanlam Africa Equity Fund (as-of 2022-08-31)</b>										
-13.48	-1.22	-10.00	2.50	0.88		Equity	Africa ex-SA	Ireland	Open-End	07/15
<b>Sanlam Centre Africa Equity Fund (as-of 2022-08-31)</b>										
-12.9	1.66	-13.81			57.77 (08/22)	Equity	Africa ex-SA	Cayman Islands	Open-End	05/19
<b>Sanlam Centre Sub Sahara Africa Equity Fund (as-of 2022-08-31)</b>										
-7.99	0.89	-11.51	-3.41	-5.77	49.30 (08/22)	Equity	Sub-Saharan ex.SA	Cayman Islands	Open-End	07/08
<b>Steyn Capital Africa Fund (as-of 2022-08-31)</b>										
-8.89	-0.76	-6.59	1.73	0.03	144.00 (08/22)	Equity	Africa ex-SA	Malta	SICAV	09/11
<b>Sustainable Capital Africa Alpha Fund (as-of 2022-08-31)</b>										
-6.40	-0.95	-7.26	5.66	-2.41	300.30 (04/21)	Equity	Africa ex-SA	Mauritius	Open-End	02/12
<b>TCM Africa High Dividend Equity (as-of 2022-08-31)</b>										
-15.45	-0.18	-16.60	-4.59	-4.23	9.60 (04/21)	Equity	Africa ex-SA	Holland	Open-End	03/08
<b>Threadneedle Lux - Stanlib Africa Equity (as-of 2022-09-22)</b>										
12.93	1.61	9.17	0.22	1.55	1.49 (08/22)	Equity	African region	Luxembourg	SICAV	8/14
<b>T. Rowe Price Africa &amp; Middle East Fund (as-of 2022-08-31)</b>										
0.86	-0.75	3.62	10.61	5.85	157.72 (08/22)	Equity	MENA & SSA	United States	Open-End	10/11

Source: Company Data

# Is Now a Good Time To Hedge Your Exposure?



By Gregoire Theron, Chief Investment Officer, GraySwan

**W**e are currently in a very uncertain period of abnormally high inflation, increasing interest rate cycles, increased global geopolitical risks, decreasing global liquidity and potential recessions. Although recessionary fears seem to have abated for the time being, at GraySwan we remain cautious of implementing shorter-term strategies against a backdrop of market uncertainty. Instead, we urge investors to consider hedging as an effective risk management tool to provide better portfolio protection and diversification.

## SOUTH AFRICAN GOVERNMENT BONDS

In the current environment, a 10-year South African government bond pays yields of roughly 11% per annum. As the South African Reserve Bank targets inflation by way of interest rates, we should see SA inflation returning to the upper end of the 3% to 6% inflation target range within the next 18 months. This means that a 10-year South African government bond could yield an investor an income of 5% above inflation if the yields stay where they are currently trading. Our

the outset investors may look at buying into other emerging markets with similar and higher growth rates to South Africa, such as China, Brazil, Taiwan and India, in order to manage risk more effectively. These emerging markets are also trading at large discounts relative to the US market specifically.

Our view remains that US equities are at risk of a further sell-off due to the large exposure to technology companies which are sensitive to higher interest rates. Given the uncertain macro backdrop we believe that implementing hedges on the S&P500 specifically is prudent and worth the cost for insuring yourself against a Black Swan event.

## CURRENCY PROTECTION

The Rand is perhaps the greatest risk for South African investors. This year it has been particularly volatile, which has seen many investors panic and look to move money overseas at the worst possible time. We have also had the change in Regulation 28, where investors can now allocate up to 45% of their retirement savings abroad, which means that currency management and hedging is now more important than ever before. The good news is that there are ways to hedge against

**“Our view remains that South African government bonds are cheap and if the 10-year South African government bond yield decreases by merely 1%, an investor could earn roughly 17% via a capital gain and income over the next year**

- Gregoire Theron

view remains that South African government bonds are cheap and if the 10-year South African government bond yield decreases by merely 1%, an investor could earn roughly 17% via a capital gain and income over the next year. This represents a very attractive investment opportunity.

For investors wondering if it is worth hedging out the risk and buying derivative protection in this scenario, our view would be that it is not, as the returns are already significant, without the extra cost of hedging required. That said, when building their investment portfolio, it would be wise to consider investing a component of one's assets in either offshore bonds (e.g. US 10-year government bonds) or offshore cash (e.g. Dollars) to diversify the overall investment risk.

## SA VS OFFSHORE EQUITIES

The Johannesburg Stock Exchange today is currently trading at valuations not seen in the last 20 years. As it is already discounted, we again do not believe there is a need for investors to pay a premium to hedge out the exposure, as the probability of attractive returns in the next few years is high. But from a diversification perspective, at

Rand fluctuations. GraySwan's performance track records show that the benefits of derivatives as an insurance against a strengthening Rand are well worth the premium. For example, when the Rand hit R18.50 to the US Dollar during the peak of the Covid19 crisis in 2020, we used derivatives to protect investors in the event that the Rand strengthened once more, so they did not lose money on the currency fluctuation. We are well aware that the US Dollar is trading at 20-year highs, and this cycle will probably turn once the US Central banks start to pivot interest rates down. Once this happens, we could enter a cycle of US Dollar weakness and Rand strength, where the implementation of currency hedges and assets that could hedge against a weakening US Dollar will be critical.

While hedging strategies pose barriers to entry for retail investors due to high minimum investment requirements and retail regulation restrictions, by investing in funds with asset or investment managers that possess the experience and expertise to successfully deploy hedging strategies, both retail and institutional investors can reap the overriding benefits.



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