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AFRICA GLOBAL FUNDS

IMPACT INVESTING

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INVESTING IN SOUTH AFRICAN AQUACULTURE

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Dear Reader,

In this month's edition we focus on Impact investing. We learn about Impact-First Funds, Return-First Funds, and coexistence of both fund types. Dmitry Fotiyev of Brightmore Capital argues that the new generation of return-first funds opens up the impact space to traditional investors who would not have previously considered impact investments (pp. 14-15).

On the investment front, Amrish Narrandes of Futuregrowth Asset Management shares his views on opportunities in South African Aquaculture. In early 2016, the asset manager earmarked R200m for investment in sustainable aquaculture projects. Read on to find more on current opportunities (pp.16-17).

In this month's issue we also catch up with with Vincent Destieu, Deal Principal, Phatisa, to discuss new office in Abidjan and trends in agri-food in sub-Saharan Africa (pp.18-19).

Our profile feature covers gender lens investing. We speak with Zee de Gersigny, Managing Director and co-founder to learn more about Victus Global Capital and gender lens investing as investment thesis (pp.20-21)

Finally, James West and Perry Yam, Partners at Mayer Brown say that in recent years there has been a shift in the power base of private equity (PE) investment in Africa from the oil rich West to the new emerging economies of Kenya, Uganda and Tanzania in the East (p.26).

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

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

Best regards,
Anna Lyudvig
Managing Editor

Anna Lyudvig

Vakayi Capital makes first investment in Zimbabwe

Vakayi Capital, a venture capital firm that is the country's only small and medium enterprise (SME) focused impact investor, alongside Capria Ventures and Lendahand has committed to invest about $375,000 to Homelux Property Development.

Homelux is one of the leading property development companies in Zimbabwe and will deploy the funds towards the development of residential stands in the Tynwald suburb area of Harare.

Specifically, the capital will be utilised to construct tarred roads, storm drains water and sewer reticulation systems.

The project is being implemented on a nine hectare piece of land which will be subdivided into residential stands measuring approximately 400m2 each.

There will also be provision for a shopping centre and pre-school in the development.

"This is our first investment in Zimbabwe since our launch and we are extremely delighted to have this opportunity to invest in such a knowledgeable and experienced entrepreneur. The investment satisfies our twin objective of delivering meaningful impact whilst generating attractive risk adjusted returns," said Chai Musoni, Vakayi Capital CEO.

"Harare faces similar challenges as other fast growing cities, including being plagued by shortages of safe, affordable housing", said Will Poole, Managing Partner, Capria.

"We're pleased to support Vakayi's first investment in Homelux, a company that shows it's possible to deliver build-ready plots of land with nearby conveniences in high quality neighborhoods at reasonable prices. We look forward to continue working with Vakayi as they support small and growing businesses in Zimbabwe's essential services sector," he said.

Homelux was founded by Justin Machibaya, an astute entrepreneur, in 2002.

He is a highly qualified and experienced property "guru", boasting more than 20 years of industry experience.

Homelux is alleviating the housing shortages in the country, which currently has an estimated backlog of over one million affordable units.

"We are very excited about this support from Vakayi Capital, which we believe is the beginning of a long, mutually beneficial partnership. We are particularly happy about the long-term nature of the investment, as it will give us the leverage to undertake several other housing development projects over the next five years," said Machibaya.

According to Patrick Makanza, Vakayi Capital CIO, Vakayi focuses its investment activity on SMEs in essential services such as education, healthcare, property and clean energy.

"We are planning to make two more investments in the healthcare and education sectors before the end of the year," he said.

There are not many areas where greater social impact can be generated than the affordable housing sector.

Zimbabwe is seized with biting housing shortages, particularly in Harare due to the rapid urbanisation witnessed over the past few years which has not been matched by sufficient affordable housing investment by the public or private sector.

At the same time, Homelux is a well-established business that has demonstrated the ability to deliver quality products over the years.

Vakayi SME Fund commenced operations late last year and has to date been supported by the Dutch Good Growth Fund (DGGF), a Dutch government initiative investing in fund managers in emerging and frontier markets.

> *"The investment satisfies our twin objective of delivering meaningful impact whilst generating attractive risk adjusted returns*
>
> \- Chai Musoni

DGGF has injected capital for investment and also technical assistance to for operating costs.

Support has also been secured from Capria, an investment firm based in Seattle, USA.

Capria provided investment capital and technical support as part of their acceleration and advisory programme.

In addition, Vakayi has partnered with Lendahand, a unique Amsterdam based investor that invests through a crowdfunding platform.

Lendahand has availed funds in support on Vakayi's first investment and is expected to continue participating in Vakayi's deals.

DEALS

MESA FUND 1 TO FUND ENERGY PROJECT IN GHANA

Mesa Fund 1, a global opportunity fund that is managed by Milost Global, has partnered with TC's Energy Limited on a Ghanaian energy project.

TC's Energy Limited is a Ghanaian Independent Power Producer seeking to generate 1,000 megawatts per hour (MW/H) of electricity from sea waves, in the Gulf of Guinea.

TC's Energy Limited has signed a 20 year Power Purchase Agreement with the government of Ghana through the government's electricity utility company, Electricity Company of Ghana Limited (ECG).

According to the PPA, the government will purchase a total of 1000 MW of electricity from TC's Energy Limited for a period of 20 years and this will translate into $950m of annual revenues for TC's which values the contract at $17bn.

Anthony Opoku, President & CEO of TC's Energy Limited, stated: "This is a great day in Ghana and Africa at large. We are on the verge of executing the biggest Tidal energy project in Ghana and Africa. I really appreciate the effort of the various parties involved in structuring this deal. My deepest gratitude goes to Milost Global for supporting the vision of TC's Energy."

Milost Global has committed to fund all the costs of moving the project from pilot to full production of 1000 MW in return for equity in the company.

Mandla J. Gwadiso, CIO of Milost Global, said: "Electricity is central to any economic development undertaking, as we all know that businesses can't operate without electricity and people in this age can't live without it. It is therefore on such basis that Milost is investing in TC's Energy."

"Our aim is to invest in the base foundations of economic development and therefore open doors for other investors to enter a market with a proven foundation and potential for growth. After all, Africa is still young and we believe in investing in the shaping of what a baby could become and in that respect, we attract more partnerships that could grow Africa and give it the platform that makes America great."

"For success to be achieved, faith, strong partnerships, resilience, patience, ambition and a will to become are the fundamental characteristics for any contrarian investor. This is just the beginning of our footing into Ghana and Africa and however long it takes, we are sure to endure the ride."

Egerton Forster, President & CEO of Milost Global, added: "Milost is delighted for partnering in such a great project; we believe that this is the most relevant and opportune moment for Foreign Direct Investments to scale up their blows towards Ghana. As we have started this move, we will continue to seek opportunities as such within Ghana and outside."

"We commend TC's Energy team for such a great move to help the economy of Ghana. It is time to cut all the nonsense, this is time for Africa; we know for a fact that many will follow suit as we begin our journey to invest in one of the world's all time mineral resources producers," he said.

DEALS

GREYCROFT PARTNERS AND OTHERS IN FLUTTERWAVE DEAL

Iyin Aboyeji,
CEO, Co-founder
Flutterware

Greycroft Partners and Green Visor Capital with participation from Y Combinator and Glynn Capital, have invested over $10m in Flutterwave in a Series A round of funding.

Flutterwave provides modern payments infrastructure for banks and businesses to make and accept payments across Africa.

This new funding is in addition to previous investments by the company's current investors which include, Omidyar Network, Social Capital, CRE Venture Capital and HOF Capital amongst others.

Flutterwave will use the capital to hire more talent, build out its global operations and fuel its expansion across Africa.

Although spending by Africa's consumers and businesses totals over $4trn annually and African businesses are expected to spend around $3.5trn by 2025, African consumers are severely limited in how they can participate in the digital economy.

Credit Card penetration by global card brands like Mastercard and Visa in Africa is less than 3% and accepting local payment methods can be complex for large companies like Facebook, Uber, Google, Netflix and Amazon.

Flutterwave works with Pan-African Banks to provide these companies with the underlying technology and integrations to payments in local currency with local debit cards, bank accounts or mobile wallets across 30 African countries.

"The digital economy is the new global economy. Yet despite its incredible promise, Africa is excluded from it because of several challenges with its outdated and fragmented payment systems. Flutterwave is building modern payments infrastructure to power growth for the digital economy of one of the fastest-growing regions in the world," says Iyin Aboyeji, CEO and Co-founder of Flutterwave.

Founded by a team of African ex-bankers, engineers and entrepreneurs, Flutterwave has already processed over $1.2bn in payments across over 10 million transactions.

While it is headquartered in San Francisco, Flutterwave has offices in Lagos, Nairobi, Accra, Johannesburg and plans to expand further across the African continent in 2017.

"Greycroft is scouring the world for exciting SAAS companies, and FlutterWave is one of the fastest growing software companies we have seen," said Ian Sigalow at Greycroft Partners.

"Flutterwave built a lightweight, developer-friendly tool that provides key elements of a modern banking core, and they have quickly displaced legacy solutions across Africa. In Nigeria alone they are already processing a few percent of GDP from a cold start at the beginning of last year."

"Flutterwave is building infrastructure and technology solutions that will help modernize African payments. We are excited to be working with this extraordinary team," added Joe Saunders, Chairman and General Partner at Green Visor Capital, who also joins Flutterwave's board of directors."

"We are excited to work with world-class investors who have helped build global payments giants like Visa and Braintree to achieve our mission of building modern payments infrastructure to connect Africa to the global economy," added Aboyeji.

EXITS

CONVERGENCE EXITS DIDATA

Convergence Partners Investments, an investment firm focused on the TMT sector in Africa, has exited its investment in specialist IT services and solutions company, Dimension Data Middle East & Africa (DiData), for an undisclosed sum.

Convergence Partners Investments first invested in DiData in 2004 as part of the original DiData B-BBEE transaction and remained invested until June 2017.

The contractual investment term ended in September 2016 and Convergence Partners and DiData negotiated a consensual exit to the investment.

"Convergence Partners has now fully exited its shareholding in DiData and Andile Ngcaba has stepped down from the various group Boards on which he served and as Executive Chairman of DiData," the firm said in a statement.

Convergence Partners continues to invest in TMT companies across sub-Saharan Africa that it believes will deliver enhanced returns for investors, while underpinning continental development.

Dimension Data provides IT products and services, and has operations in five territories: Americas, Asia Pacific, Australia, Europe, and the Middle East & Africa.

The company has an annual turnover of $7.4bn, and employs 31,000 people in 49 countries.

Dimension Data was acquired by Nippon Telegraph and Telephone (NTT) for £2.1bn in 2010, and was delisted from the Johannesburg Stock Exchange and the London Stock Exchange that year.

Industry speculation suggests that NTT is looking to offload Dimension Data's African operations, after which the African unit will be listed on the London Stock Exchange.

According to an industry source, the deal would only happen in late 2018 if negotiations were successful.

DEALS

VEROD TO INVEST IN GREENSPRINGS

Verod Capital Management, a West African private equity firm, has agreed to acquire a significant minority stake in Greensprings Educational Services.

The investment will be made through Oreon Education, Verod's education investment vehicle set up as a platform to take advantage of the continued growth in demand for quality K-12 education in West Africa.

Greensprings is a 32-year old educational service provider offering pre-primary, elementary, secondary and post-secondary schooling for both day and boarding students, with a blended curriculum that prepares students for both local and international entrance exams.

The school's initial two campuses in Nigeria has grown from 3 to 2,270 students and is already recognized as one of the top schools in the country, with the potential to rapidly expand across West Africa.

Due to its favorable socio-demographic environment, Nigeria possesses an attractive market for the K-12 education segment in Africa.

This segment is expected to continue to grow due to increasing affordability for the middle class and the government's increasing role as a steward and enabler rather than a provider of public education.

"Greensprings has a long track record of academic excellence and is led by an experienced CEO and management team," said Eric Idiahi, Partner at Verod.

"We believe in the company's growth potential and are thrilled about its expansion

Eric Idiahi,
Partner
Verod

plans both in the traditional education space and in ancillary services – supplementary education and teacher training. We are excited about the opportunity to partner with the team at Greensprings and to contribute to the continued success story of the school."

Greensprings will use the proceeds of the investment to restructure its capital base and fund growth initiatives.

Lai Koiki, Founder and CEO of Greensprings, said: "We are pleased to have Verod as a partner and look forward to working with their team to continue providing educational excellence to our students and building new opportunities for growth in Nigeria's education sector."

"Verod has extensive experience supporting the development of companies and we are confident that their resources, network and insights will help us achieve our long-term goals."

DEALS

HELIOS ACQUIRES FERTILIZERS AND INPUTS HOLDING

Souleymane Ba,
Partner
Helios

Helios Investment Partners has acquired 100% of Fertilizers and Inputs Holding, which holds Louis Dreyfus Company's (LDC) Africa-based fertilizers and inputs operations.

The closing of the transaction is subject to regulatory approvals and other customary conditions.

Souleymane Ba, Partner at Helios, added: "This transaction is a perfect example of Helios' strategy of investing in core sectors of the economy to build pan-African champions. Agriculture, which employs nearly half of Africa's labour force, is the most important contributor to Africa's GDP; we are looking forward to using our experience in successfully growing other multi-country distribution platforms in this key sector, ultimately helping increase yields and incomes for African farmers."

Formerly part of SCPA Sivex International (SSI) and acquired by LDC in 2011, the company distributes fertilizers, crop protection products, seeds as well as industrial chemicals through a network spanning Angola, Burkina Faso, Cameroon, Ivory Coast, Madagascar, Mali and Senegal.

Since its establishment in the region in 1947, the company has been a leading distributor of crop inputs and industrial chemicals, leveraging its well-known brand, "La Cigogne".

The Company generates approximately $300m in sales annually.

Fertilizers and Inputs Holding contributes to Africa's economic development by helping improve agricultural yields through enhanced access to crop inputs and by encouraging local manufacturing through the supply of chemical ingredients.

This includes the water purification industry, which is vital for the continent. In addition, as part of its distribution activities, the company educates and trains farmers and rural communities on agricultural best practices, facilitating the increase of farm productivity and rural incomes.

Alykhan Nathoo, Partner at Helios, commented: "We are excited to invest in a business that has considerable scale and a long history in its key markets. Louis Dreyfus Company has been successful at expanding its fertilizers and inputs distribution network in Africa, which stands to benefit from the growing size and sophistication of the continent's agriculture and industry. We look forward to providing expansion capital and working with management and key stakeholders to accelerate the growth of the business."

Gonzalo Ramírez Martiarena, CEO of Louis Dreyfus Company, said: "Our global fertilizers and inputs business has been expanding its reach, sales volumes and customer network in recent years."

"This transaction is fully in line with our strategy of concentrating on businesses in which we enjoy closer ties to product origination and farmer relationships. It will also allow us to strengthen our focus on forging partnerships in other geographies outside Africa. Through our Macrofertil brand, we can continue to deliver a diversified range of fertilizers and inputs products and high-quality services to our customers in the rest of the world."

Credit Suisse acted as sole financial advisor to LDC on this transaction and Norton Rose Fulbright acted as LDC's primary legal advisor.

Standard Chartered and Société Générale acted as financial advisors and financing arrangers to Helios and Vinson & Elkins acted as Helios' primary legal advisor.

> *"Agriculture, which employs nearly half of Africa's labour force, is the most important contributor to Africa's GDP; we are looking forward to using our experience in successfully growing other multi-country distribution platforms in this key sector*
>
> Souleymane Ba

DEALS

EFG HERMES TO ACQUIRE 50% STAKE IN FIM

EFG Hermes UAE, a wholly owned subsidiary of EFG Hermes Holding, has agreed to invest $21.5m for a 50% stake in Frontier Investment Management (FIM) Partners.

The remaining 50% of FIM will continue to be held by its Founder and CEO Hedi Ben Mlouka.

The transaction has already been approved by the Dubai Financial Supervisory Authority.

Established in 2008, FIM has grown over the past few years to become one of the region's leading managers with $1.6bn of assets under management and a management team with a stellar track record of investing client money.

In order to achieve the targeted synergies from this investment, EFG Hermes will seek the consent of its clients to contribute its regional (non-Egypt related) portfolios and funds into FIM during the coming six months.

Karim Awad, EFG Hermes Group CEO, said: "Our investment in FIM is integral to our announced strategy of growing our asset management business through adding vital expertise, scale, and a more diversified product base that fits well within our frontier markets expansion strategy."

"As MENA and frontier markets grow, we believe that institutional investors will continue to seek specialized active fund managers with a strong on the ground knowledge of these markets. Through our investment in FIM, EFG Hermes has positioned itself as the manager of choice for those allocations," he said.

The independence of the FIM management team will be maintained with Hedi Ben Mlouka retaining his position as Chairman and CEO.

FIM will continue executing its current strategy of delivering unique returns to its institutional investor base.

The shareholders have agreed to discuss the implementation of long-term incentive plans to ensure long-term alignment of interest and retention of key employees.

FIM will join Egyptian Portfolio Management Group, Hermes Fund Management, Vortex and Rx Healthcare as members of the EFG Hermes Asset Management businesses, while retaining its independence, brand name and autonomy in investing across regional and frontier capital markets.

EFG Hermes will provide FIM with all the support, including seed capital it needs to execute on its business plan.

Karim Moussa, Head of Asset Management and Private Equity at EFG Hermes, said: "FIM is a unique manager with great track record in delivering superior investment returns. I am very happy that through this investment, EFG Hermes found a very strong partner in Hedi and the entire FIM team."

"I look forward to working with them on developing further their edge while offering the FIM current product portfolio through our growing network of regional and international institutional clients."

Ben Mlouka added: "I am very excited to have EFG Hermes as my partner in FIM. As one of the MENA region's most respected financial institutions, this will add significant institutional backing to FIM and a better reach to our investment universe via a strong regional footprint that has lately expanded to frontier markets."

"EFG Hermes asset management investment team is of very high caliber thereby adding a stronger foundation of expertise to the business as we pursue our selective growth plans," he said.

DEALS

TWIGA FOODS RAISES $10.3M IN SERIES A INVESTMENT ROUND

Wamda Capital - led investment consortium has invested $10.4m in Twiga Foods, a mobile-based food supply system for Kenya's urban retailers.

The Series A funding round includes $6.3m in equity and $4m in debt instruments.

Investors in the round include Omidyar Network, DOB Equity, Uqalo, 1776, Blue Haven Initiative, Alpha Mundi, and AHL Venture Partners.

The investment will enable Twiga to increase the number of vendors it is able to serve each day in Nairobi, diversify its product portfolio, and introduce advanced supplier services.

Fadi Ghandour, Chairman of Wamda Capital, who will be joining the Twiga Board of Directors, said: "Twiga represents our first investment in East Africa, a new geography for us in which we plan on being increasingly more active. We are particularly excited in beginning our investment program in East Africa by supporting this remarkable set of entrepreneurs building a truly disruptive business."

"Drawing on our experience in the logistics and supply chain space, we believe Twiga has developed a unique solution to address the inherent inefficiencies in the delivery of fresh produce in East Africa with significant positive impact for both producers and consumers," he said.

Established in 2014, Twiga aims to create a fair and sustainable marketplace for producers, vendors, and consumers by using technology to consolidate the fragmented purchasing power of urban retailers, saving them a trip to the market by delivering better quality, better priced, stock directly to their doorstep.

Twiga then translates this aggregated purchasing power to farmers across the country allowing them to access stable markets at better prices, while minimizing post-harvest losses through efficient logistics.

Today, Twiga is the largest distributor of several basic food staples in Kenya, having sold more than 55 million bananas alone and delivering more than 4,000 orders a week.

"We are pleased to support Twiga and its mission of helping Kenya create a more sustainable, scalable farm produce ecosystem," said Ory Okolloh, Director of Investments at Omidyar Network.

"Twiga is a strong example of how to seize a huge opportunity-addressing both the inefficiencies in wholesale fresh fruit and vegetable markets and poor last mile solutions both for farmers and vendors -and how tech and data can help significantly improve living standards."

Additional to the Series A round closing, Twiga closed some $2m in grant funding from USAID, GSMA, and others to support bolt-on farmer services, financial inclusion, and first of their kind domestic food safety initiatives.

"The addition of new partners into Twiga, and continued support of our current stakeholders, is a huge affirmation that there's a better way to build marketplaces for Kenya and the rest of urban Africa. We can get consumers and suppliers a better deal, and this support will go a long way in achieving those goals," said Peter Njonjo, Co-Founder, Twiga Foods.

INVESTORS

ABSA BANK AND CDB IN $100M DEAL

Absa Bank, a subsidiary of the Barclays Africa Group (BAGL), has concluded a 5-year $100m special facility agreement with the China Development Bank (CDB).

This is the first major transaction between the two lenders and is geared towards providing funding to small and medium enterprises (SME).

This will also benefit BAGL's existing and prospective SME clients across the continent, which will be reached through its 12-country presence.

The initial drawdown is based on Absa's current funding needs, and may be increased in the future to assist with new funding opportunities within BAGL's operations.

China Development Bank, one of the biggest lenders in Africa, was founded in 1994 as a development financial institution under the leadership of China's State Council.

The bank has assets of circa $2trn, and is the world's largest development finance institution.

Furthermore, CDB is the largest Chinese bank for foreign investment and financing co-operation, long-term lending and bond issuance.

"We are glad to partner with CDB on this landmark transaction, which also echoes the 2017 BRICS theme, 'Stronger Partnership for a Brighter Future' ", said Craig Bond, Head: Partnerships, Joint Ventures and Strategic Alliances at Barclays Africa Group.

INVESTORS

EAIF AND FMO IN UGANDAN ENERGY DEAL

The Emerging Africa Infrastructure Fund (EAIF) and FMO, the Dutch development bank, have jointly provided a $29.3m of senior debt with a 12-year term to refinance the 13MW Bugoye hydro-electric power plant in Western Uganda.

Wilfred van den Bos, Senior Investment Officer Energy at FMO, said: "FMO is a proud supporter of this project. This refinancing will free up capital that the owner will invest in other greenfield renewable energy projects. This is fully in line with our aim to positively affect peoples' lives by supporting development, creating jobs and providing clean and sustainable energy to Uganda."

EAIF and FMO each contributed 50% of the $29.3m loan facility.

The plant, which has 98% availability, has been producing electricity since 2008.

EAIF has supported eight, and FMO - ten, Ugandan renewable energy projects in hydro- and solar power over the past 10 years.

Together these facilities will account for up to 39% of Uganda's installed generating capacity.

Proceeds from the refinancing will be used to repay EAIF the balance of its original loan to the project, fund repair works, and repay construction loans made by the project sponsor (and indirectly, the 100% shareholder in Bugoye), the Africa Renewable Energy Fund (AREF), managed by Berkeley Energy.

Details of the new project are expected to be announced later in 2017.

EAIF is the mandated lead arranger of the Bugoye refinancing, which was undertaken by EAIF's managers, Investec Asset Management (IAM).

Nazmeera Moola, Head of EAIF at IAM, said the refinancing is very good example of how a successful power generation facility can be used to mobilise fresh capital to build new capacity.

"In refinancing Bugoye, EAIF and FMO are freeing up capital that AREF will use to develop greenfield renewable power stations. That will add to Uganda's economic potential by increasing the country's generation capacity, and creating new jobs in construction and plant operation."

"We have been able to have added developmental impact because Bugoye is an established, efficient and viable business with a suitable risk profile. In backing the project, the leaders of EAIF and FMO demonstrated strategic, long-term, thinking and wholly constructive commercial flexibility."

AREF will use the refinancing proceeds to invest in other greenfield hydro-electric plants in Uganda.

Nicholas Tatrallyay, Investment Manager at Berkeley Energy, said: "The Bugoye refinancing is one of the first refinancings for small hydro projects on the continent and is an important milestone for Uganda's renewable energy sector."

"The Bugoye refinancing will allow AREF to invest additional capital into Uganda and further expand its portfolio of hydro projects in the country. EAIF and FMO are two of the most experienced and skilled providers of energy infrastructure finance in Africa. Both institutions have shown an ability to bring not only finance but real commitment to Africa's economic progress."

INVESTORS

IFC INVESTS IN WORLD'S LARGEST SOLAR PHOTOVOLTAIC GENERATION PARK IN EGYPT

Mouayed Makhlouf,
Director, Middle East and North America
IFC

IFC has approved an investment of $635m that will help construct, operate and maintain up to 11 solar power plants in Egypt.

This will be one of the largest private foreign direct investments in the country's power sector in recent years.

The combined capacity of the plants amount to 500 megawatts.

Part of Egypt's landmark solar Feed-In Tariff (FIT) program, the $730m project in Benban, near Aswan, aims to mobilize private investment to build the world's largest solar photovoltaic generation park, harnessing the country's vast solar resources.

As well as helping to spur economic growth, the project will help drive the local economy, including the creation of temporary and long-term jobs and help reduce greenhouse gas emissions

"This landmark investment demonstrates that when you have the right reform policies, and a government willing to allow greater involvement by the private sector, you can attract investors in every sector, including infrastructure," said Mouayed Makhlouf, IFC Director for the Middle East and North Africa.

"Investments like these are the nucleus for economic growth, which is needed in Egypt."

Egypt's solar FIT program, which includes projects financed by other institutions like the European Bank for Reconstruction and Development and Proparco, is expected to be one of the largest foreign direct investments (FDIs) in years, catalyzing a total inflow of $2bn.

The program will introduce multiple regional and international investors to the country, as well as a number of new lenders, highlighting Egypt's re-emergence as an attractive investment destination.

It will also create a wider base of private capital for future infrastructure investments into Egypt.

The investment is part of IFC's broader strategy to create markets that are competitive, sustainable, inclusive, and resilient.

This work is central to unlocking private investment, creating jobs, and helping governments reach their development objectives.

This project is also a result of a joint World Bank Group implementation plan in which IBRD, IFC and MIGA work together to respond to a key priority for Egypt's government.

IBRD has supported reforms in the energy sector over the last three years, for example, to enable private sector-led renewable energy development in Egypt.

MARKETS & INDUSTRY NEWS

MARA DELTA ANNOUNCES REBRAND

Mara Delta Property Holdings has changed its name to Grit Real Estate Income Group Limited to better reflect the current and future growth ambitions of the organization.

Morne Reinders, Corporate Affairs & Investor relations manager, told *Africa Global Funds* that the strategy of the company remains very much the same – "there has been no change in mandate from investors".

He said that there are two main reasons for the rebrand.

"In line with our strategy to expand our geographical footprint on the African continent, we continuously seek strategic partnerships with businesses that have existing structured and detailed knowledge of operating in new target jurisdictions."

In August 2015, Mara Delta and The Pivotal Fund (a JSE listed development fund with some Africa assets), representing a consortium of investors commenced discussions regarding the injection of a significant amount of capital into Mara Delta and to include Pivotal's portfolio of rest of Africa assets into Mara Delta.

In terms of the framework agreement entered into between Mara Delta and the Pivotal Consortium, Mara Delta changed its name to Mara Delta Property Holdings Limited and restructured its board to include members of the Pivotal Consortium.

Subsequently, Abland Africa Limited, Carlisle Property Holdings Limited and Mara Group (through Ameiya Holdings Limited) were appointed as promoters to source investment and development opportunities for Mara Delta across the continent. These enti-

Bronwyn Corbett,
CEO
Mara Delta

ties did not invest in Mara Delta.

According to Reinders, on August 30, 2016, Pivotal and Redefine Properties Limited (one of the largest listed property companies in South Africa) jointly announced Redefine's firm intention to acquire all of the issued share capital of Pivotal.

This transaction was implemented in January 2017 resulting in the delisting of Pivotal from the JSE.

"Considering the delisting of Pivotal and the subsequent dissolvement of the Pivotal Consortium, the existing rationale for the Mara Delta name, as well as the individuals involved which lead to the Mara Group's association with Mara Delta, was no longer effective. In addition, a mutual decision was reached to discontinue the promotors' agreement with Mara Group's Ameiya Holdings Limited," said Reinders.

Since Mara Delta was no longer associated with the Mara Group, the board proposed to shareholders the name change.

"At approximately the same time, we started with a very ambitious capital raise that concluded shortly before the change of name. We raised $121m through a well-supported rights offer, the proceeds of which have been allocated to acquire pipeline assets," he said.

"This effectively doubled the size of the portfolio and company, changing its growth prospects significantly," he said.

"This will boost our asset portfolio to over $600m in value. We believe that Grit must deliver a balance of international gravitas to investors while ensuring African credibility and authenticity," added CEO Bronwyn Corbett.

Headquartered in Grand Baie, Mauritius, Grit has steadily increased its investments in Mauritius.

The acquisition of the Barclays Building in Ebene was the Company's first foray into the country.

This was followed by acquiring a 44.4% stake in three four-star Beachcomber hotels (Le Victoria, Le Canonnier and Le Mauricia) and full ownership of one four-star Lux Resorts hotel (Tamassa), bringing the company's exposure to Mauritius, in terms of asset value, to 21%.

"Going forward, there will be a strong focus on growing the net asset value of the business, bedding down our pipeline acquisitions and increasing liquidity in the Company. We now have critical mass and anticipate raising capital less regularly in the market," concluded Corbett.

MOVERS & SHAKERS

Phatisa promotes Moodley to Deal Partner

Phatisa, a sector-focused African private equity fund manager, has promoted Rinolan Moodley to Deal Partner for the Southern Africa region. Moodley was previously a Senior Deal Principal and has been leading investments for the group in the food and agri-business sector. Moodley's new role will entail leading a team to drive new investments in Phatisa's Food Fund 2 as well as working with the portfolio team to drive value creation across the portfolio.

Bohigian confirmed as Executive VP of OPIC

David Bohigian was confirmed by the US Senate as the Executive Vice President of the Overseas Private Investment Corporation (OPIC), a self-sustaining US Government agency that helps American businesses expand into developing markets. Nominated for the OPIC Executive Vice President position by President Donald J. Trump on June 5, 2017, Bohigian was approved by the Senate Foreign Relations Committee on July 27, 2017 and by the full United States Senate on August 3, 2017.

Changes in leadership at Magna Carta

Magna Carta Reputation Management Consultants has announced two new appointments. The change sees internal leadership taking the business forward with Moliehi Molekoa appointed acting-Managing Director and Mary Gearing acting-Deputy Managing Director. The current CEO Sechaba Motsieloa will be leaving Magna Carta after a year to pursue interests outside of the agency. The search to appoint a permanent MD and Deputy MD will commence in 2018.

Standard Bank appoints new CEO in the DRC

Standard Bank has appointed Amedeo Anniciello as CEO in the Democratic Republic of Congo (DRC), subject to regulatory approval. Anniciello has had a 33-year career in corporate and investment banking and risk management – most notably as Head of Corporate Banking and Deputy Chief Executive for Citibank in several African markets.

Seydi expands role as IFC SSA Regional Director

IFC, a member of the World Bank Group, has appointed Cheikh Oumar Seydi as the Regional Director for the Sub-Saharan Africa region, effective July 1. Seydi has held various positions at IFC, including Director of Human Resources for more than four years. He was previously Senior Manager for the Central Africa sub-region, responsible for overall management of IFC's investment and advisory operations in Cameroon, Central African Republic, Congo Republic, Chad, DRC, Equatorial Guinea and Gabon.

Laher to head OMAI international PE

Old Mutual Alternative Investments (OMAI), Africa's largest private alternative investment manager, has appointed Nabeel Laher as Head of International Private Equity, which manages over R8bn ($600m) in international private equity funds. A chartered accountant with over 10 years' financial services and operational experience, Laher joined OMAI's International Private Equity team in March 2015 with particular responsibility for the roll out of its Africa Fund of Funds, as well as originating and managing investments in various other funds, and leading his team of investment professionals

MARKETS & INDUSTRY NEWS

MILOST FORMS BANKING SUBSIDIARY IN AFRICA

Milost Global, an American private equity firm headquartered in New York, has announced the formation of a subsidiary company in Africa, Milost Bank Africa Limited (MBAL).

MBAL, a privately held company, will seek buyout opportunities in the banking industry in Africa with a strong focus in ECOWAS and SADC regions.

MBAL will seek to do outright buyouts of operating banks with the aim of rebranding the same to the MBAL brand.

Milost has also appointed Cansi Jabez Lisa as the Chairman of MBAL.

Mr Lisa is a veteran of the African National Congress (ANC), who has served in senior leadership in the South African local government structures for over two decades.

Egerton Forster, Co-founder & CEO of Milost Global, said "We are delighted to be making this move at this juncture. Africa is an emerging market with an enough room to grow and our intent is to penetrate this market at the current prices with a long-term growth approach. We also welcome Mr Lisa to the Milost family and we look forward to benefiting a lot from his experience commercially and otherwise."

Lisa stated: "I am quite exhilarated by this opportunity to lead MBAL on behalf of Milost Global, we are looking forward to actually explore Africa through its resources and the productiveness of its people and in that respect we recognize Africa to be having a great potential to make a significant economic impact in the world."

"We live in a global world and Africa should play part in that. From the African continent and integral communities that we will be working with, we would like to build great partnerships, the same will include investment partners and communities that will benefit from our presence. As a bank we understand that we can only grow through partnerships and not isolation," he said.

MARKETS & INDUSTRY NEWS

GROTECH REBRANDS AS KALON VENTURE PARTNERS

Grotech, a Section 12J Venture Capital company in South Africa, has rebranded as Kalon Venture Partners.

Clive Butkow, CEO of Kalon, explained: "The Kalon board decided to rebrand to better reflect the vision of being the pre-eminent digital technology venture capital company in Africa by investing in and growing entrepreneurs who solve African and global problems."

"The revised Kalon mission is to create as much non-financial as financial value, by investing smart capital, supported by smart interventions resulting in enhanced returns for both investors and entrepreneurs."

For the last 18 months, the business did extensive screening of hundreds of companies and three new deals are imminent, with a number of other high growth disruptive digital technology companies in the investment pipeline.

The first of the three deals is a global leader in influencer marketing software, and the first of its kind built in Africa, to provide and supply a transactional exchange for sponsored content.

The second company is a digital marketplace that enables anyone to purchase and lease solar panels to commercial scale solar energy projects in emerging economies.

The third investment is SA's leading cashback coupon app that gives shoppers cash back on their favourite products, wherever they shop, just by snapping a photo of their till slip.

Through Section 12J Venture Capital Companies, such as Kalon Venture Partners, the South African government aims to stimulate the economy and promote investment in small and medium-sized businesses, whilst providing tax benefits to investors.

The tax relief is linked to an individual's marginal tax rate which is capped at 45% for individuals and trusts and 28% for companies, which mitigates the investment risk and significantly enhances the potential return.

Kalon Venture Partners is targeting returns of more than 30% per annum and a minimum of five times the money invested over five to seven-years.

The eight board members have a track record of building and exiting technology companies, extensive experience in venture capital and a diversity of business building skills. They provide a hands-on approach with all aspects of Kalon investments and dealing with entrepreneurs.

The board comprises tech leaders such as Clive Butkow, former COO of Accenture South Africa and previous lead in its technology business; Gil Oved, a Dragon in the launch series of Dragons Den, a shark on Shark Tank and co-founder of The Creative Counsel, South Africa's largest advertising agency and Nic Liebmann who co-founded Caleo Capital, a private equity and wealth management group.

MARKETS & INDUSTRY NEWS

RBZ TO INCREASE BOND NOTES IN CIRCULATION

The Reserve Bank of Zimbabwe (RBZ) is reportedly planning to increase the current $200m bond notes in the Zimbabwean economy to $500m given the shortage of cash in circulation.

In November 2016, monetary authorities introduced bond notes (originally as an export incentive) to ease US dollar shortages.

The US dollar surrogate currency is backed by a $200m loan facility from the African Export-Import Bank (Afreximbank).

The release of the bond notes allowed Zimbabwe to escape its deflationary environment, with consumer price index (CPI) inflation moving into positive territory since February 2017.

To allay market fears that the introduction of an additional $300m worth of bond notes signals a possible return of the Zimbabwe dollar, Governor John Mangudya highlighted that the "multi-currency system is here to stay up until the fundamentals of our own currency have been achieved."

Furthermore, to help safeguard the value of the bond notes, the governor stated that Harare was currently negotiating with Afreximbank to secure an additional loan to serve as backing for the $300m note issuance.

Chantelle Matthee, Analyst at NKC African Economics, said that multilateral institutions, such as the International Monetary Fund (IMF) and World Bank, are concerned about the bond notes losing their value against the US dollar, subsequently fuelling inflation.

"Both institutions have rather similar views, forecasting inflation to average close to 3% in 2017. However, we have a more conservative view, projecting inflation to average roughly 1% this year. Headline inflation eased to 0.31% y-o-y in June after showing an upward trajectory for six consecutive months; in our view, this provides at least some scope to increase the bond notes currently in circulation," she said.

"That said, it is important that any additional bond notes be backed by equivalent amounts of US dollars to help defend the value peg. Also, we believe it would be prudent for the RBZ to follow a strategy characterised by a gradual introduction of additional bond notes. This would allow for better control over the money supply while also giving the apex bank the opportunity to monitor the market's reaction and the value of the bond notes," she added.

MARKETS & INDUSTRY NEWS

NEPAD-IPPF PROPOSES REGIONAL INFORMATION HUB TO STIMULATE INVESTMENT IN AFRICA

NEPAD-IPPF
INFRASTRUCTURE PROJECT PREPARATION FACILITY

Shem Simuyemba,
Coordinator
NEPAD-IPPF

While Africa has huge potential particularly in the infrastructure sector, bankable investment opportunities in Africa must be unlocked, according to Shem Simuyemba, Coordinator for NEPAD-IPPF.

The NEPAD Infrastructure Project Preparation Facility (NEPAD-IPPF), a multi-donor Special Fund hosted by the AfDB, has advocated the establishment of a regional information hub to advertise bankable projects in Africa.

NEPAD-IPPF proposes that each country should have a window linked to the centralized hub as part of an overall objective to unlock bankable investment opportunities in Africa.

"It would be both a 'project hub' and a 'help desk' - a centralized IT platform for bankable projects which potential investors can access. Such a hub could be housed by the AfDB to ensure credibility and confidence by both project owners (governments) and potential investors," Simuyemba said at an assessment and programming session to develop a pipeline of bankable infrastructure projects for three years, 2018-2020.

Simuyemba explained that the 'one-stop-shop' initiative would not just be a listing of projects, but a differentiation of the 'financial-readiness' of the projects in terms of all the key returns that investors look for: assurance of transparent procurement practices, tenure, risk, returns, availability of co-financing, depth of local capital markets, among others.

"The important point to remember is that projects need to be bankable from the point of view of the person who will provide the risk capital to make the project happen. While bankability is about figures, it is also about risk and reality and these factors all go together in making an investment decision," Simuyemba said.

He stressed the need for bankable investment opportunities in Africa to be unlocked to attract regional and international investors.

Unlike other regions such as North America, Europe, Asia and Latin America, which have strong private sector project developers and sponsors, the emergence of an indigenous class of trans-continental investors such as Dangote was just the beginning for Africa.

This is attributable to a number of factors, among which is a history of state monopoly companies which crowded out the private sector and stifled its growth; heavily controlled and regulated sectors particularly in infrastructure - which did not have the necessary enabling environment and incentives for private sector participation; as well as weak capital markets.

Unlocking investment opportunities in Africa requires a number of measures to be undertaken as a matter of policy priority.

Simuyemba outlined measures to be taken to achieve this.

The first is the liberalization of sectors which are still dominated by government.

He gave examples of the information, communications and technology (ICT) sector whose liberalization a few decades ago opened massive investment opportunities for the private sector.

He observed how African countries which have recently opened up their energy-power sectors have witnessed major investments by independent power producers (IPP) and even smaller players in off-grid green energy investments.

"The transport sector for both road freight and passengers is now vibrant because it is predominantly private sector driven. However, the same cannot be said about railways where governments still need to provide clear guidelines on an 'open access rules' for railway operations. Equally, despite the Yamoussoukro Decision (of an open African air transport market), investments in airport infrastructure, safety and industry have remained relatively limited. The key to unlocking investments in these sectors is clear market rules."

"The second is the need to scale-up capacity for project preparation and development as this is the only means to assess, package and structure the projects in such a way that there is a 'rolling pipeline' of bankable projects.

Investors had noted that the appetite to invest depended on risk considerations which were very different depending on whether the investor was a development finance institution, a project developer or a private investor.

"To achieve this requires considerable scaling-up of capacities and resources for project preparation and development. This is a space largely neglected in terms of resources even though it has been demonstrated that $1 committed to project preparation and development unlocks between $80-100 in investment financing. Thus, a project with $10m in preparation costs can unlock between $800 m to $1bn in financing depending on the sector and project location," Simuyemba explained.

THE RISE OF
Return-First Impact Funds

A YOUNG BUT GROWING INDUSTRY

Walk into any conference involving emerging or frontier markets, and the subject of impact is on everyone's mind. While some organizations have engaged in this type investing for decades, impact investing as a formal discipline developed only over the past 10-15 years. The concept itself is simple: investing into companies, organizations, and funds with the intention to generate financial returns as well as measurable social or environmental impact.

What started as a collection of isolated firms has now grown into a full-fledged industry, with $114bn under management among the 208 investors responding to GIIN's annual survey alone. GIIN, the Global Impact Investing Network, founded in 2009, itself is a young organization growing along with the industry. Its directory of impact investors, ImpactBase, now lists more than 2,000 ultra-high net worth and institutional investors. World-class investment firms such as, BlackRock, Bain Capital, Goldman Sachs Asset Management, and TPG recently announced the formation of new units focused exclusively on impact investing and it seems like there is an impact investing event or workshop happening every month somewhere in the world.

COMBATTING MISCONCEPTIONS

Despite the entry of Wall St.'s giants into the field, impact investing is still perceived by many as philanthropy or social work. Old stereotypes cast a cloud of misconception on the industry, causing many mainstream investors to shun away from intentionally targeting achievement of positive impact, since they presume that it cannot be combined with realizing strong financial returns.

Others see impact investments as identical to Socially Responsible Investing (SRI) and Environmental Social Governance (ESG) investments (themselves growing domains, with over $6.6trn invested and 1/6th of US assets under professional management). The distinction can be summed up as SRI/ESG focusing on avoiding harmful outcomes from investments made (i.e., primarily risk management), while impact investing involves going a step further by intentionally seeking positive outcomes.

Common questions arise upon acquaintance with impact investing:

1. Can an investor actually realize satisfactory financial returns while intentionally doing significant good?
2. In generating good, does one forfeit some of the financial returns that would otherwise be achievable?

The response of the first question is simple and affirmative, as evidenced by the growth of the industry and the ever-increasing number of success stories of investors fostering meaningful impacts such as job creation, gender equality, and environmental benefits while obtaining significant returns on their capital. Meanwhile, the second question has created segmentation of the industry into impact-first and return-first funds that differ in their philosophy in approaching this trade-off.

IMPACT-FIRST FUNDS

The initial generation of impact investment vehicles sprung out of a realization that traditional philanthropic vehicles are not always best suited for poverty reduction and socioeconomic development. Aid not only requires recurrent inflows of donor capital to continue, but often has low effectiveness and stakeholder engagement, creating a vicious cycle of dependency. To address these issues, organizations such as Acumen have been created to invest capital in sustainable projects based on the principles of social entrepreneurship: businesses that improve lives in low-income countries. Rather than spending donor capital outright, the projects return invested funds back, so that the fund can reinvest capital into new initiatives also aimed at positively affecting millions of livelihoods.

The first generation of impact funds revolutionized the world of philanthropy in that they significantly magnified the value of every allocated dollar through continuous re-investments, and that they provided affordable basic services, rather than direct charity, to alleviate poverty. These steps allowed investors to spur economic development while avoiding risks of creating dependency. However, the main downside of these funds remains in the fact that they provide investors with concessional IRR: nominal below-market returns, usually single-digit %, or zero returns at all. Hence, while impact-first funds are an attractive alternative to charitable giving, they are not competitive compared to traditional financial instruments and, thus, less interesting to the wider financial community.

> *"Not all impactful investments are able to generate the profit margins or scalable growth that enables high returns*
>
> \- Dmitry Fotiyev

RETURN-FIRST FUNDS

The second generation of impact funds focuses primarily on the principles of prioritizing financial returns while generating significant development impact. Rather than the traditional model of a foundation or endowment spending 5% of its capital annually on grants and program-related initiatives while reinvesting the rest solely for capital preservation and growth, an investor can now have the "other 95%" of their capital also work towards achievement of the same goals, with no penalty on financial returns. One may ask – can one really have the best of both worlds: both a high IRR and impact at the same time? As experience has shown, particularly in fast-growing frontier economies, doing both simultaneously is indeed possible.

Organizations such as Capria, a global investor advancing this next generation of emerging market impact funds, have been launched to leverage global best practices and successful experiences of fund managers around the world who are leading the way with their own return-first funds in developing countries. Around the world, and particularly in Sub-Saharan Africa, numerous businesses have opportunities for fast growth and high operating margins while, by the very virtue of their operating activities, also generating impact. Among the many examples are private schools and clinics, rural solar installations, and projects in the food value chain that present compelling investment targets and do not require a compromise between generating profits and doing good.

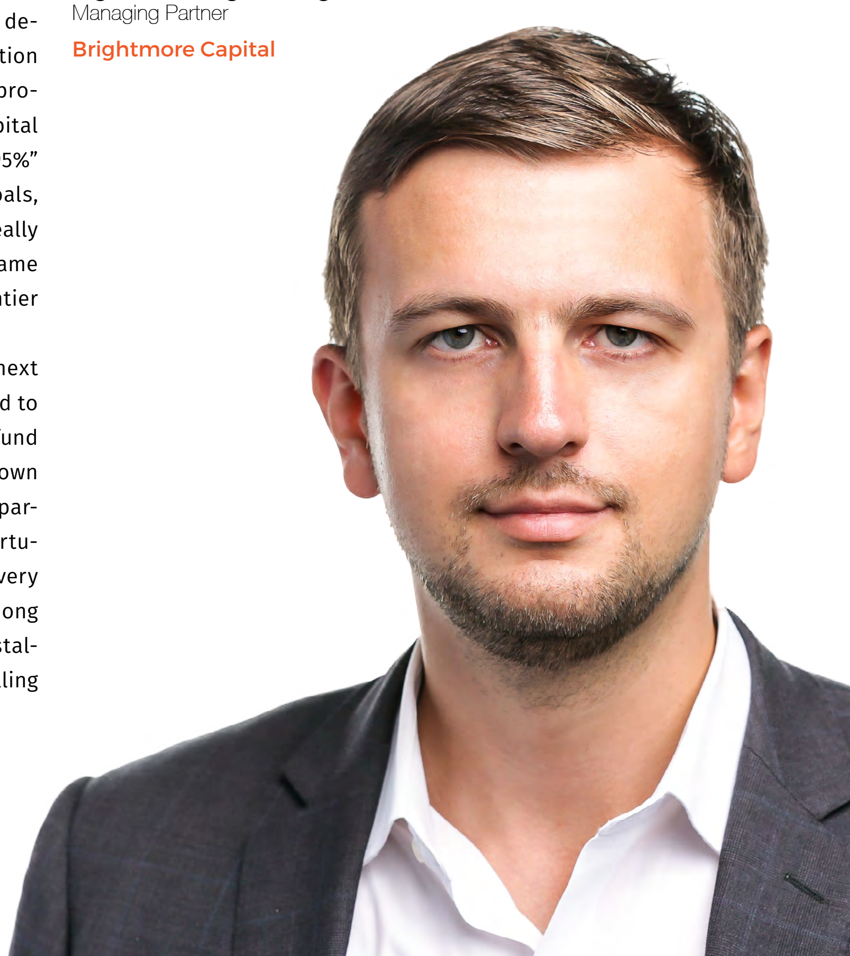
As return-first funds continue to grow in number and AUM size, it will be important to combat the old notions that impact cannot be combined with attractive opportunities for capital appreciation. As the impact investment industry continues to drive towards the mainstream, return-first funds will be the driver of increased mass acceptance of impact investments as means for everyone, from large institutions to retail investors, to align their activities with their values.

COEXISTENCE OF BOTH FUND TYPES

The new generation of return-first funds opens up the impact space to traditional investors who would not have previously considered impact investments. Nowadays, these investors can capture sough-after risk-adjusted market financial returns, while also obtaining a "bonus" of generating meaningful impact with their capital.

However, despite the many opportunities in frontier markets like Africa for making investments that are "the best of both worlds" in terms of returns and impact, not all impactful investments are able to generate the profit margins or scalable growth that enables a high IRR. An important niche still exists for impact-first funds, as they are able to tackle projects vital to the economic and social development that return-first funds simply would not be able to take on due to hurdle rate commitments. Thus, return-first Africa-focused impact funds like Brightmore Capital continue to welcome the development of the industry's impact-first funds, and jointly working towards achieving UN's Sustainable Development Goals (SDGs) in a manner that favors business enterprises over dependency-creating aid mechanisms.

By: Dmitry Fotiyev,
Managing Partner
Brightmore Capital



INVESTING IN SOUTH AFRICAN AQUACULTURE

By Amrish Narrandes, Investment Analyst, Futuregrowth Asset Management

By 2050, the world's population will exceed 9 billion, and we'll need to be producing at least 60% more food than we are today. As farmers the world over face increasing environmental threats, where will this additional food come from?

One source is aquaculture. In fact, it is the fastest growing food sector in the world. Today, 50% of the seafood we eat is wild and 50% is farmed. By 2030, this is esti-mated to grow to 62% farmed and 38% wild.

THE CASE FOR AQUACULTURE

Aquaculture refers to the farming of aquatic organisms in all types of water environ-ments, including oceans, rivers, lakes and dams. Aquaculture produces fish, shellfish, molluscs, crustaceans, algae, and fish eggs, as well as other products such as bait and fish feeds.

Its environmental impact is significantly smaller than other forms of agriculture, and it will play an increasingly important role in providing protein to the world in the decades ahead. It also helps alleviate pressure on the ocean's wild fish stocks which are being exploited and depleted at an unsustainable rate.

In South Africa, government has recognised the opportunities in aquaculture and the "ocean economy" at large. The Department of Agriculture, Forestry and Fisheries (DAFF) launched Operation Phakisa in 2014 in order to fast-track progress in terms of harnessing the opportunities in our oceans – and in aquaculture.

Through Operation Phakisa, there are currently more than 20 marine and inland aq-uaculture projects being developed, and DAFF expects to increase aquaculture pro-duction from 4000 tons a year to 20 000 tons per year. This would increase the value of the subsector from R400m a year to over R6bn, and create over 200 000 jobs.

According to the Food and Agriculture Organization of the United Nations (FAO), aq-uaculture in South Africa is performing below its potential, but they have recognised that we are making progress thanks to new, enabling government policies and grants.

RISKS AND OPPORTUNITIES FOR INVESTORS

As the world's fastest growing food sector – and an environmentally responsible re-sponse to food security – there's a clear case for investing in aquaculture. In a South African context, it is a strategic growth sector promoted by government, and the cur-rent weak and unstable rand environment makes it more attractive, as the bulk of food produced is exported.

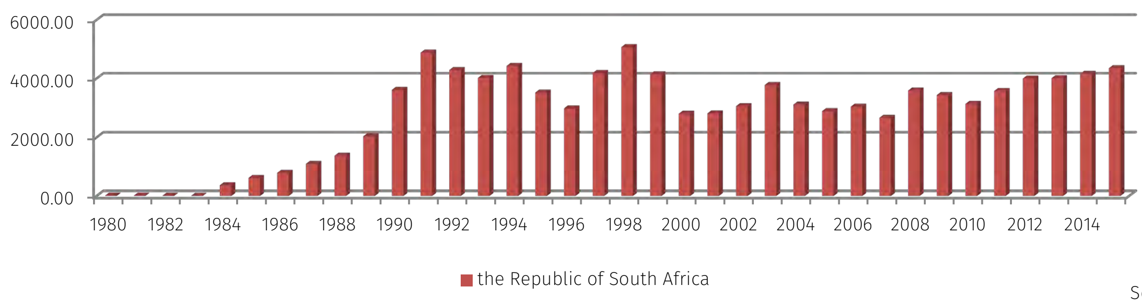
However, as with any investment, it is not without risk.

Investors may balk at the fact that fewer than 3% of global aquaculture operations are insured. For those that are insured, high premiums are indicative of the perceptions of risk in this sector.

As with any farming operation, disease is an ever-present threat, and can spread quickly in densely populated farming environments. Smaller companies don't have geographic diversity and are more exposed to losing all their farmed fish in the event of a disease outbreak.

Land-based fish farms in tanks (such as abalone farms) need to have their water changed frequently. This waste-water contains feces, nu-

TOTAL AQUACULTURE PRODUCTION FOR THE REPUBLIC OF SOUTH AFRICA (TONNES)



Source: FAO FishStat

trients and chemicals, all of which can contribute to algal blooms ("red tide") as the water gets released back into the sea.

Earlier this year, abalone farms along the coastal region of Hermanus suffered signif-icant losses due to the worst case of red tide in recorded history for the area. Marine scientists believe red tides are on the increase worldwide, thanks to global warming and increased phosphates in the ocean.

As investors, this kind of incident could completely wipe out returns, so it is critical to ensure there are appropriate risk management strategies in place.

> "Current opportunities to invest are limited given that set-up costs make this a difficult sector for entrepreneurs to enter.
>
> - Amrish Narrandes

Current opportunities to invest are limited given that set-up costs make this a difficult sector for entrepreneurs to enter. Government grants are helping to overcome this, however, so there will be more opportunities in the years ahead.

FUTUREGROWTH'S EXPERIENCE IN THIS SECTOR

In early 2016, we earmarked R200m for investment in sustainable aquaculture projects. We see this as a strategic play to enhance returns for our shareholders by in-vesting in a sector that shows significant long-term growth prospects with very high export potential.

Our investments will meet the mandate of our Development Equity Fund, thanks to the socially responsible, sustainable nature of aquaculture. This fund has invested over R2bn in development projects to date, with exposure to sectors ranging from infrastructure to pharmaceuticals to transport – and now aquaculture. It's an exciting space to work in and Futuregrowth has always been a pioneer in the high-impact de-velopmental investment space.

Our preference for investing at this stage is to take minority stakes in multiple businesses. This gives us sufficient scale to exert some degree of stewardship over the business, without taking control.

Data from the Centre of Excellence in Natural Resource Management (CENRM) at the University of Western Australia shows that South Africa is the third largest supplier of farmed abalone in the world, with an estimated production of 1400 metric tonnes (mt) in 2015. In comparison, over 115 000mt of abalone were farmed in China and 9400 mt in South Korea. Demand for this delicacy is high in Asia (particularly China, Taiwan, Vietnam and Singapore) and South African abalone is particularly sought after in these markets, as our species are believed to have superior taste and texture. This is part of why we believe there is so much scope for development in this field: we have a high quality product with an already-established appeal, and a huge market for it in the East. It's also why we need to up our farming production drastically – and soon.

Futuregrowth is pleased to be playing a part in the sustainable breeding of abalone, a species that continues to be plundered by poachers in the wild. If we can farm enough abalone to the same taste and texture quality expected, we can reduce the black market demand for our wild abalone stocks, which are being poached to the point of near extinction.

TOTAL GLOBAL PRODUCTION (MT) OF ABALONE FROM LEGAL FISHERIES AND FARMS

Year	Fished	Farmed
1970	19,720	50
1989	14,830	1,220
2002	10,146	8,700
2008	7,869	30,760
2010	7,242	65,344
2011	No data	85,300
2013	7,242	123,154
2015	6,500	129,287

Source: Recent Trends in Worldwide Abalone Production. Journal of Shellfish Research, Vol. 35, No. 3, 2016

ESTIMATED FARM PRODUCTION OF ABALONE (MT) IN VARIOUS REGIONS IN 2010 AND 2015

Region	2010 production	2015 production
China	42,373	115,397
Korea	5,000	9,400
Chile	1,500	700
South Africa	1,023	1,400
Japan (seeds only)	200	200
Australia	500	900
Taiwan	300	171
United States	200	362
New Zealand	90	100

Source: Recent Trends in Worldwide Abalone Production. Journal of Shellfish Research, Vol. 35, No. 3, 2016

Focus on Agri-food

AGF catches up with Vincent Destieu, Deal Principal, Phatisa, to discuss new office in Abidjan and trends in agri-food in sub-Saharan Africa

Vincent Destieu,
Deal Principal
Phatisa

AGF: WHY DID YOU DECIDE TO OPEN A NEW OFFICE IN ABIDJAN?

VINCENT DESTIEU (VD): Phatisa is Mauritius domiciled fund manager and opening a new office in Abidjan is the logical next step in our pan-African growth after setting up offices in Johannesburg, Lusaka and Nairobi.

We are already present in Côte d'Ivoire through our investment in CBC, one of the leaders in mineral water with its “Olgane” brand.

We want to strengthen our investments in Côte d’Ivoire as well as in West Africa, and we see being physically present in the region as a prerequisite. The office will have a regional remit, ranging from Senegal to Cameroon.

Until recently, investments and the “Africa Rising” story focused on English-speaking Africa, notably South Africa, Nigeria and Kenya. West African countries are now catching up, particularly French-speaking countries.

AGF: WHAT ARE THE BIG TRENDS IN AGRI-FOOD IN SUB-SAHARAN AFRICA AND WHICH ARE THE MOST DYNAMIC COUNTRIES AND SECTORS?

VD: The sub-Saharan African agri-food business could develop into a 1,000-billion-dollar industry by 2030, according to the World Bank. The sector stands to benefit from two concurrent growth drivers – continental and global.

The major continental trends are well known: accelerated demographic growth (the continent will account for 50% of world population growth by 2050); technological progress leading to a new green revolution; and rapid urbanization (current average of 37% versus 54% worldwide; urban food markets are set to quadruple by 2030).

Broadly speaking, in a strategy anticipating an increasing scarcity of resources and food security, Africa – together with Latin America – is recognised as having the greatest potential in terms of food production to meet the exponential needs of the world's population.

These trends imply significant agri-food investments in the following sectors: processing, logistics, market infrastructure and distribution networks.

Africa's fast-growing middle class is keen for greater food diversity and quality. The sectors benefiting from this new local consumption are rice, cereals, poultry, vegetable oils and processed products as substitutes for imports. For exports, I see cocoa, rubber and palm oil as the most favourable segments. Phatisa is investing heavily in ‘agri-inputs’: farm equipment, mechanisation, fertilisers and crop protection products, in response to the very low yields and very low level of use of modern inputs in Africa.

It is worth noting that the private sector is showing unprecedented interest: in addition to players with a long-standing presence in Africa (LDC, Nestlé, SABMiller, etc.), global sector leaders, ranging from Danone to Bunge, Ajinomoto and Heineken, are developing strategic investments. Investors are looking for vertical integration models, working with local farming communities.

I would like to stress that, in 2017, nine of the 20 most dynamic economies in the world will be in Africa. Today, the most attractive countries for the agri-food industry are Côte d'Ivoire, Ghana and Senegal in West Africa, Kenya and Tanzania on the East Coast and South Africa and Zambia in southern Africa.

AGF: WHAT ARE THE MAIN RISKS OF INVESTING IN SUB-SAHARAN AFRICA, AND HOW CAN THEY BE MANAGED?

VD: Investors and groups in the region primarily cite the following challenges: inadequate infrastructure and substantial transport costs, the double burden of red tape and corruption, and the lack of skills in the field.

Apart from the cyclical nature and volatility inherent in some of

TAKING A CLOSER LOOK AT PHATISA'S LATEST INVESTMENT – KANU EQUIPMENT

the sector's activities, I would emphasise three main risks: political instability, inefficient supply chains and currency risk.

In my view, the political risk is generally exaggerated. There is a real gap between perceived risk and reality, due to lack of experience and local knowledge. Sub-Saharan Africa has never appeared so stable, not only by past standards but also when compared with tensions in other emerging regions. Decision-makers in European companies must take this into account in their analyses.

That said, two other risks are clearly underestimated.

The currency risk is twofold: the first risk, that of a rapid depreciation of the local currency, is clear; the second, less obvious when seen from the perspective of a mature environment, is the virtual impossibility of changing the local currency into international currencies (EUR/US$) and repatriating cash flows. A double blow of profits/cash frozen in a local currency that depreciates significantly, and there is nothing one can do about it. Angola, Mozambique and Nigeria are current examples of the difficulties related to currency, its volatility and its liquidity.

Finally, the supply chain risk: the challenge here lies in the absence of the supply chain structures to which European operators are accustomed. You cannot simply rely on external, formalised supply chains. The lack of sophistication of most markets, both upstream and downstream, requires an inclusive approach.

Some ways of reducing these risks: invest in countries with a more diversified economy and more stable currency (CFA franc, shilling, etc.); select target businesses with multi-country and/or multi-segment operations; invest with partners; invest in the appropriate supply chain for your production capacity; set up hiring programmes and train the talent required to ensure that the project is sustainable.

AGF: WHAT ADVICE WOULD YOU GIVE TO AN INTERNATIONAL AGRI-FOOD COMPANY KEEN TO SET UP IN AFRICA?

VD: In a nutshell: think long term, be patient and persistent and team up with players with local experience. A recent example: Heineken in Côte d'Ivoire. Heineken entered into a joint venture with CFAO (which has been present in West Africa for more than a century) to build a brewery in Abidjan (€150m investment) and challenge Castel's monopoly.

In conclusion, I would say that Africa must be on the development agenda of any ambitious European company, for its potential in terms of markets, human and agricultural resources as well as for its proximity to Europe. The geographical, historical and cultural proximity of some countries make them choice destinations for European leaders.

Phatisa is present in more than 15 countries in sub-Saharan Africa and has extensive experience in working with strategic European and African partners on acquisition and co-investment projects.

COMPANY: Kanu Equipment (Kanu), previously trading as Torre Equipment Africa
INITIAL INVESTMENT: June 2016
FOLLOW-ON INVESTMENT: 30 June 2017
INVESTOR SHAREHOLDING: Significant majority
TYPE OF INVESTMENT: Buy and build, growth/expansion
SECTOR: Heavy-equipment supplier into agriculture, mining and construction sectors
COUNTRIES: Congo, Cameroon, Côte d'Ivoire, Ghana, Sierra Leone, Liberia, Guinea, Zimbabwe, Botswana, Tanzania and Kenya
EMPLOYEES: 302 (December 2016)

INVESTMENT IMPACT HIGHLIGHTS

Phatisa invested into Kanu alongside two equity holders: the management team; and the JSE-listed Torre Industries (Torre), who acquired control of Kanu Equipment in early 2014. As recently as end June 2017, Phatisa reached an agreement with Torre, whereby Phatisa and Kanu management bought Torre's remaining shareholding in Kanu.

THE COMPANY AS AN INVESTMENT OPPORTUNITY

Kanu is a leading African heavy-equipment supplier, committed to providing best-quality, purpose-fit equipment for the continent by providing finance options, quality maintenance and on-the-ground service teams with spare-part availability.

The business has achieved impressive year-on-year growth since 2011 and has grown from operating in one market (Congo - Brazzaville) to now having operations across 11 markets in West, Central, East and Southern Africa. Kanu is now one of the largest Liebherr and Bell Equipment dealerships in Africa. This deal shows how private equity can provide valuable insight and support to a listed company, thus enabling the management team to deliver an expansion of the business into new markets. Kanu has an outstanding executive team with ambitious plans for both organic growth and growth by acquisition. Phatisa's role is to support these expansion plans while working closely with the management to help them navigate the obstacles they will face along the way.

THE IMPACT OF THE PRIVATE EQUITY PARTNERSHIP

Setting the bar for environmental, social and governance (ESG) policies and procedures

Following Phatisa's evaluation of ESG risk factors during a due diligence process, a comprehensive social and environmental management system has been reviewed and is being implemented across all operations, including specifically the best practice health and safety and labour practices of the ILO, OHSAS 18001, ISO 14001, IFC Performance Standards, legal and permit requirements. Further policies and procedures around the environment (pollution prevention and reduction), human resources, and associated procedures are currently being completed.

ONGOING IMPACT INITIATIVE

Kanu, with the support of Phatisa, is currently in the scoping phase for a micro-entrepreneur-led initiative. The Hummingbird Project, to expand Kanu's spare parts distribution channel across the continent, assesses the feasibility and potential impact on micro-entrepreneur incomes and job creation, factors that play a huge role in inclusive growth.

GENDER LENS INVESTING

Victus Global Capital (VGC) was established by African women to facilitate the financial and social betterment of women across their home continent. AGF's Anna Lyudvig catches up with Zee de Gersigny (left), Managing Director and co-founder to learn more about the new venture and gender lens investing

For the last five years De Gersigny directed the strategy to mobilise international assets for in-vestment into Africa at Momentum Group. Over this period the company launched an Africa fixed income fund and an Africa Real Estate Fund to add to its existing Africa Equity fund offering. "I was very proud of the solutions we created to give international investors exposure to markets that were difficult to access without an on-the-ground presence," recalls De Gersigny.

"The solutions were very effective in giving investors exposure to these markets, but I felt more could be done to build investment solutions that not only gave investors access to these markets, but also benefited SMEs who required additional capital, access to markets and access skills." she adds.

Three years ago she met Bo Masole (VGC's co-founder, pictured in the center) at an Africa Investment Conference in the UK. She says that Bo has a long and lustrous career in international food manufacturing. Masole is Botswana-born, having spent most of her career working for global food companies developing their suppliers and supply chains around the world, she saw limited food coming out of Africa.

De Gersigny explains: "Bo saw this as an opportunity and in 2012 setup Victus Global Ltd, our food security consultancy division, which is focused on developing African food producers and manu-facturers for formal markets (local, regional and international markets)."

"Through the work of Victus Global Ltd, Bo was meeting many incredible entrepreneurs in the agri-processing space who had built successful businesses but needed additional investment and technical assistance to take their businesses to the next level," she says.

"On meeting and getting to know each other, Bo and I realised we shared a vision to see the posi-tive development of our Continent and increased participation of Africa in global markets. We brought our skills together to partner in Victus Global Ltd and created Victus Global Capital Ltd with aims to transform agriculture in Africa and empower women," she stresses.

Together, Bo Masole and Zee de Gersigny – have more than 30 years' expertise in targeted in-vestment and food technology. Partnering them in this venture is African asset management specialist Altree Capital. De Gersigny says that Altree Capital is a very experienced and skilled Africa investment manager and has a sizeable footprint across Africa. The group employs more than 50 people across Africa and has a presence in five African countries including South Africa, Nigeria, Kenya, Rwanda and Zambia. "I have always had immense respect for Jenni Chamberlain [pictured right], CEO/CIO of Altree Capital, she has been instrumental in the development of African capital markets, and we feel privileged to be able to partner with a manager of this caliber. We also know their extensive investment experience strengthens our investment process and proposition."

VGC INITIATIVE

The VGC initiative aims to address the missing middle in African agriculture and pursue systemic gender-based social change through the practice of Gender Lens Investing. It is believed that this is an increasingly salient trend in global investment.

According to De Gersigny, small and medium-sized enterprises (SMEs) are critical to the development of African economies. Research from the World Bank shows that SMEs represent 45% of employment and 33% of GDP in emerging markets. She says that the focus on women is driven by the fact that women understand difficulties that women face in succeeding in male-dominated industries. "Therefore it was an active choice to have a gender lens for the investment solutions we create."

She adds that from an SME perspective one-third of the SMEs in the world are run by women. Female business owners in developing countries face significant challenges to run their businesses, particularly in accessing finance. An estimated 70% of women-owned SMEs in the formal sector in emerging markets are underserved by financial institutions. This amounts to a financing gap of $285bn. There are many reasons for this: "Women are less likely to own assets which can serve as collateral and are more likely to be excluded because of unequal property rights or discriminatory regulations, laws and customs," she says.

Finally, the focus on agriculture is because this industry is a significant employer in Africa. De Gersigny says that agriculture in Africa employs 65% of Africa's labour force: "In some countries, it is as high as 80%, and at least 50% of this workforce is women. Hence another reason why we believe that through investing in agriculture in Africa, enhancing skills and using a gender lens we can transform agriculture on the African Continent and empower women."

> "Our initiative is well received, and there seems to be a lot of interest in our agriculture women empowerment focus.
>
> - Zee de Gersigny

Last month VGC announced that it is in the process of building its initial $50m fund with the stated objective of assisting women-led and/or women-focused agri-businesses in Africa. "At Victus Global Capital we are responsible for the development of the pipeline and the operational management of the investments. Altree Capital will drive the rigorous due diligence process and be responsible for the implementation of the approved investment ideas. Altree will manage the risk management process including currency hedging, with exits being managed by both Altree and Victus Global," says De Gersigny.

"We are in advanced talks with a group of seed investors. Our initiative is well received, and there seems to be a lot of interest in our agriculture women empowerment focus. We hope to have our first close by Q4 of 2017," she adds.

Just after the first close, Victus Global has a number of investments in its pipeline that are ready for investment. "We have spent the last 1.5 years developing our pipeline, as we thought it would be critical to have a well-developed and investable pipeline in talking to potential investors and raising the capital for our fund," says De Gersigny.

The Fund plans to take meaningful stakes in its investee companies, but seldom majority stakes. "We want to focus on empowering the entrepreneurs we work with to build large successful businesses." Within agriculture, the Fund will focus on Agri-processing and will target an IRR of between 20-25%. Although the focus of the Fund is Sub-Saharan, at the moment, De Gersigny sees opportunities in Ethiopia, Zambia, Tanzania and Kenya.

When asked about risks of investing in the Fund, De Gersigny says that there are the same risks as faced by all private equity funds: market risk, funding risk, liquidity risk and capital risk. "Our team's extensive experience and understanding of agri-businesses and the related value chains. We believe this will help us make better investment decisions and should translate higher returns for investors," she adds.

GENDER LENS INVESTING AS INVESTMENT THESIS

The concept of gender lens investing was introduced in 2009. It's the intersection between finance and gender. Nowadays gender lens investing is emerging as one of the most exciting strategies for creating impact. According to De Gersigny, it was born out of the idea that by incorporating gen-der analysis into financial analysis better decisions can be made. "Women are half the world's population, but this is not reflected in how value is created in the economy or how women are represented in the workforce, overall and especially in senior leadership positions. This is an enormous resource that is not being fully utilised." she says.

"Gender lens investing is focused on including women in the workforce, helping women succeed and through this creating more productive economies and increasing the potential of the world," she adds.

Gender lens investing is focused on the following: providing women with access to capital to de-velop businesses and grow their existing businesses; it is focused on the representation of women in leadership; creating products and services that benefit women and girls – be it a medical device that saves lives at birth to Healthcare coverage and maternity leave; and finally, it is focused on workplace equity – equal pay for equal work, supporting the development of women in the work-place.

De Gersigny points out that gender equality is not just a basic human right. It also has a multiplier effect across other development areas. Empowering women and promoting gender equality is crucial to the acceleration of sustainable development. "If women participated in the global econ-omy equally to men, it could increase global annual GDP by 26% ($28 trillion), by 2025." In addi-tion, gender equality is critical to reducing global poverty. "Of the estimated, 836 million people who still live in poverty, South Asia and sub-Saharan Africa account for 80% of the global total of those living in extreme poverty. And there is a disproportionate number of women in this group as they typically have unequal access to paid work, education and property," she says. When asked how gender lens investing can enhance outcomes for investors, she says that increased diversity creates value, adding that incorporating gender analysis into financial analysis results in better decisions being made and better results being achieved.

"There are a number of impact-focused funds applying the gender lens principles to their investee companies and using it as a consideration when they make investments, but I think we are the first Africa focused fund to make it a core tenant of our investment thesis," she concludes.

AFRICAN MARKETS PERFORMANCE

AFRICA EQUITY INDICES (GROSS TOTAL RETURNS USD)

Country	July 2017	3 Month	1 Year
Botswana	-1.18%	+0.64%	-5.36%
Cote d'Ivoire	-2.43%	+4.17%	+2.25%
Egypt	+0.85%	+7.00%	-16.06%
Ghana	+16.48%	+20.61%	+35.17%
Kenya	+5.81%	+23.44%	+16.16%
Mauritius	+3.99%	+14.23%	+31.33%
Morocco	+3.31%	+13.59%	+33.65%
Namibia	-1.02%	+1.19%	+12.57%
Nigeria	+9.61%	+44.88%	+46.61%
South Africa	+6.18%	+4.13%	+8.07%
Tunisia	+3.68%	+13.87%	+13.72%
Zambia	+2.50%	+13.27%	+49.49%
Zimbabwe	+3.62%	+54.46%	+138.33%

Source: S&P Dow Jones Indices

AFRICA SOVEREIGN BOND INDICES (TOTAL RETURNS USD)

Country	July 2017	3 Month	1 Year
Botswana	+0.94%	+3.57%	+9.01%
Egypt	+3.51%	+3.29%	-43.52%
Ghana	+0.37%	-1.23%	+12.36%
Kenya	+0.37%	+0.42%	+11.00%
Mauritius	+5.73%	+8.68%	+14.36%
Morocco	+2.26%	+5.28%	+4.68%
Namibia	+1.47%	+5.03%	+18.82%
Nigeria	+0.38%	-0.23%	+14.75%
South Africa	+0.49%	+2.68%	+12.73%
Tanzania	+1.44%	+4.19%	+15.31%
Tunisia	*	*	*
Uganda	+1.82%	+8.54%	+18.09%
Zambia	+7.60%	+13.52%	+72.44%

Source: S&P Dow Jones Indices

AFRICA ECONOMIC INDICATORS (as of 13th August 2017)

Country	Interest Rate (%)	Inflation Rate (%)	CPI	Unempl. Rate (%)	GDP Growth Rate (%)	Debt to GDP (%)
Algeria	3.50	3.95	206.00	10.50	3.70	20.40
Botswana	5.50	3.50	103.00	20.00	0.80	22.80
Cameroon	2.95	0.50	110.00	4.00	5.20	19.90
Cape Verde	7.50	1.70	118.00	15.00	3.60	131.00
Côte d'Ivoire	4.50	1.60	-	5.30	8.30	28.20
Egypt	18.75	33.00	248.00	12.00	3.40	85.00
Ghana	21.00	11.90	202.00	5.20	6.60	73.90
Kenya	10.00	7.47	184.00	40.00	4.70	55.20
Malawi	18.00	11.30	248.00	6.60	2.90	29.40
Mauritius	4.00	5.30	114.00	7.60	3.50	65.00
Morocco	2.25	0.30	118.00	9.30	4.80	64.70
Mozambique	21.50	16.20	115.00	17.00	2.90	120.00
Namibia	7.00	5.40	127.00	34.00	-2.70	40.70
Nigeria	14.00	16.10	234.00	14.20	-0.52	18.60
Rwanda	6.00	8.10	120.00	13.20	1.70	37.60
South Africa	6.75	5.10	103.00	27.70	1.00	51.70
Swaziland	7.25	7.00	-	6.70	0.60	8.68
Tanzania	12.00	5.20	109.00	10.30	5.70	39.00
Tunisia	5.00	5.60	139.00	15.30	2.10	60.60
Uganda	10.00	5.70	167.00	3.80	3.70	36.90
Zambia	11.00	6.60	196.00	13.30	3.60	31.00
Zimbabwe	9.17	0.31	96.90	11.30	0.60	84.20

Source: Trading economics, African Central Banks

COUNTRY FOCUS: TUNISIA

Consumer price index (CPI) inflation accelerated sharply in July, following two consecutive months of easing. According to the Institute for National Statistics, CPI inflation quickened to 5.6% y-o-y in July, compared to 4.8% y-o-y in June. Nadene Johnson of African Economics said that in early-July 2017, the Tunisian government increased the price of petrol by just over 6% as part of reform efforts to reduce fuel subsidy expenditure. Rising fuel costs have resulted in a direct increase in transportation costs, while also having an indirect inflationary effect on the cost of other goods. Another notable contribution to the rise in non-food sub-categories in Tunisia is the ever-increasing public sector wage bill as well as continued expansion in private sector credit. Expenditure on public sector wages increased by 14.1% y-o-y over the first four months of this year, while growth in private sector credit extension continued its upward trend, rising by 11.5% y-o-y in July 2017. CPI inflation is expected to rise further in the coming months due to currency weakness, current account pressures and strong consumption fuelled by rising wages.

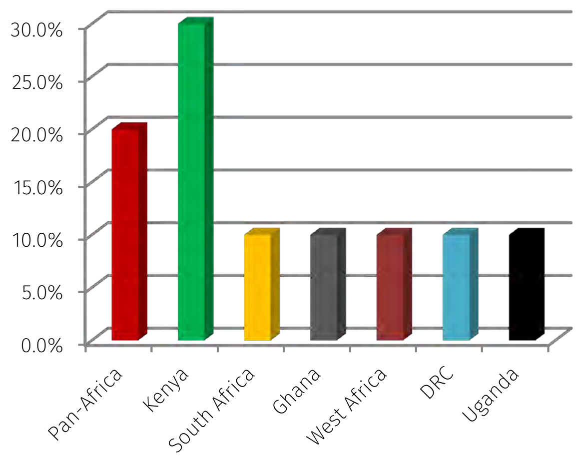
PRIVATE EQUITY FUNDS & DEALS

DEALS (as of 31st July 2017)

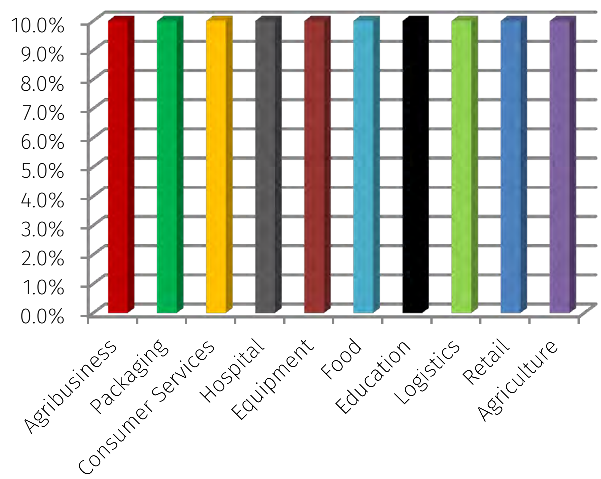
For more information on each transaction, visit Africa Global Funds's website

Company	Investment	Industry	Country	Deal Type	Deal Value
Helios Investment Partners	Fertilizers and Inputs Holding	Agribusiness	Pan-Africa	Buyout	Undisclosed
Kibo Capital Partners	Blowplast	Packaging	Kenya	Growth Capital	Undisclosed
Long4Life	Sorbet Group	Consumer Services	South Africa	Growth Capital	R116m
Milost Global	Eco Medical Village	Hospital	Ghana		$300m
Phatisa	Kanu Equipment	Equipment	Pan-Africa	Add-on	
The Abraaj Group	Java House Group	Food	Kenya	Buyout	Undisclosed
Verod Capital Management	Greensprings Educational Services	Education	West Africa	Growth Capital	
Wamda Capital // Omidyar Network // DOB Equity // Uqalo // 1776 // Blue Haven Initiative // Alpha Mundi // AHL Venture Partners	Twiga Foods	Logistics	Kenya	Series A funding round	$10.3m
XSML	Monishop	Retail	DRC	Growth Capital	
XSML	Qualicoff	Agriculture	Uganda	Loan	

DEALS BY COUNTRY (as of 31st July 2017)



DEALS BY INDUSTRY (as of 31st July 2017)



EXITS (as of 31st July 2017)

Company	Divestment	Industry	Country	Buyer	Nature of exit
EXEO Capital	Fairfield Dairy	Agribusiness	South Africa	Private investment trust	Trade
Convergence Partners Investments	Dimension Data Middle East & Africa	IT services	Middle East & Africa	Nippon Telegraph and Telephone	Trade
Emerging Capital Partners	Java House Group	Food	Kenya	The Abraaj Group	Secondary Buyout

FUNDRAISING (as of 31st July 2017)

Company	Fund	Geography	Style	Sectors	First close ($)	Amount closed ($)	Vintage year	Target size ($)
Yeelen Capital	Yeelen Financial Fund	WAEMU	Equity and quasi-equity	Financial Services	€30m		2017	€150m

Source: AGF, Preqin

YTD	1 Month	1 Year	3 Year	5 Year	AUM ($m)	Strategy	Focus	Domicile	Type	Start
27four Pangaea Africa FoF (as-of 28/04/17)										
+6.28%	+0.44%	-0.80%	-12.54%	-	25.71 (04/17)	Fund of Funds -	Africa ex-SA	Malta	Open-End	06/11
Africa Merchant Sub-Sahara Fund (as-of 31/07/17)										
+13.55%	+4.53%	-	-	-	3.10 (01/17)	Equity	Sub-Saharan ex.SA	Cayman Isl.	Open-End	12/14
Allan Gray Africa Equity Fund (as-of 31/07/17)										
+43.30%	-	+51.70%	-7.50%	+3.30%	240.00 (07/17)	Equity	African region	Bermuda	Open-End	7/98
Allan Gray Africa ex-SA Bond Fund (as-of 31/07/17)										
+13.90%	-	+25.60%	+6.40%	-	302.00 (07/17)	Fixed Income	Africa ex-SA	Bermuda	Open-End	3/13
Allan Gray Africa ex-SA Equity Fund (as-of 31/07/17)										
+41.20%	-	+48.10%	-10.10%	+3.10%	349.00 (07/17)	Equity	Africa ex-SA	Bermuda	Open-End	1/12
Alquity Africa Fund (B) (as-of 14/08/17)										
+0.55%	-	-	-5.71%	-1.41%	36.31 (07/17)	Equity	African region	Luxembourg	UCITS IV	8/10
Altree Capital - Africa Opportunities Fund (as-of 31/07/17)										
+18.36%	+2.88%	+15.13%	-14.64%	-	-	Equity	African region	-	Open-End	6/06
Arisaig Africa Consumer Fund (as-of 31/07/17)										
+8.30%	+3.10%	+0.70%	-38.00%	-23.00%	240.30 (07/17)	Equity	African region	Mauritius	Open-End	1/07
Ashburton Africa Equity Opportunities Fund (I) (as-of 14/08/17)										
+25.30%	-	+14.72%	-6.89%	-	22.41 (08/17)	Equity	African region	Luxembourg	UCITS IV	6/13
Atria Africa Franchise Fund (as-of 31/07/17)										
+21.82%	+1.60%	+25.90%	-10.15%	-	1.00 (07/17)	Equity	African region	Mauritius	Open-End	03/13
Atria Africa Trade Finance Fund (as-of 31/07/17)										
+5.29%	+0.47%	+8.84%	+38.43%	-	5.40 (07/17)	High Yield	African region	Mauritius	Open-End	05/14
Bellevue Funds Lux - BB African Opportunities (as-of 14/08/17)										
+13.53%	+4.35%	+5.08%	-22.40%	+0.38%	66.54 (07/17)	Equity	African region	Luxembourg	SICAV	6/09
Cloud Atlas AMI Big50 ex-SA ETF (as-of 31/07/17)										
-	+11.76%	-	-	-	-	ETF	Africa ex-SA	South Africa	-	04/2017
Commonwealth Africa Fund (as-of 14/08/17)										
+10.77%	-	+6.25%	-	-	2.72 (08/17)	Equity	African region	USA	Open-End	11/11
Cornhill Management - WIOF African Performance Fund (A) (as-of 14/08/17)										
-	+0.14%	-7.59%	-45.30%	-	1.38 (07/17)	Mixed	African region	Luxembourg	UCITS III	11/08
Coronation Africa Frontiers Fund (as-of 31/07/17)										
+21.97%	-	+17.71%	-	-	607.67 (07/17)	Equity	Africa ex-SA	Ireland	Unit Trust	10/08
Coronation All Africa Fund (as-of 14/08/17)										
+23.36%	-	+18.95%	-	-	78.95 (07/17)	Equity	African region	Ireland	Unit Trust	8/08
Drakens Africa ex S.A. UCITS Fund (as-of 31/07/17)										
-	+4.79%	-	-	-	26.10 (07/17)	Equity	Africa ex-SA	Ireland	UCITS	11/16
Duet Africa Opportunities Fund (as-of 14/08/17)										
+15.10%	-	+5.49%	-	-	-	Mixed	African region	Jersey	Open-End	4/09
Enko Africa Debt Fund (as-of 31/07/17)										
+9.29%	+0.50%	-	-	-	200.00 (03/17)	Fixed Income	Africa ex-SA	Mauritius	Open-End	10/16
Enko Opportunity Growth Fund (as-of 30/06/17)										
-1.17%	-1.54%	-	-	-	20.00 (12/16)	Equity	African region	Cayman Isl.	Open-End	9/09
FMG Africa Fund (B) (as-of 31/03/17)										
-9.02%	-	-	-16.83%	-7.86%	0.45 (03/17)	Fund of Funds -	Sub-Saharan	Malta	SICAV (AIF)	4/07
FMG Middle East North Africa Fund (B) (as-of 30/06/17)										
+7.19%	-	-	-4.24%	+4.55%	3.59 (06/17)	Fund of Funds -	MENA	Malta	SICAV	01/06
Franklin Templeton IF - Templeton Africa Fund (as-of 31/07/17)										
+14.69%	+3.78%	+6.91%	-12.63%	-2.96%	70.28 (07/17)	Equity	African region	Luxembourg	SICAV	5/12
Imara African Opportunities Fund (as-of 31/07/17)										
+25.40%	+3.50%	+34.40%	-3.40%	+4.30%	33.00 (07/17)	Equity	African region	BVI	Open-End	6/05

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

YTD	1 Month	1 Year	3 Year	5 Year	AUM ($m)	Strategy	Focus	Domicile	Type	Start
Imara Zimbabwe Fund (as-of 31/07/17)										
+35.50%	+2.20%	+94.70%	+1.90%	+6.50%	11.03 (07/17)	Equity	Zimbabwe	BVI	Open-End	3/07
Investec Africa Fixed Income Opportunities (as-of 14/08/17)										
+1.95%	-	-	+8.56%	-	10.52 (08/17)	Fixed Income	African region	Guernsey	Open-End	8/13
IPRO African Market Leaders Fund (as-of 31/07/17)										
+22.95%	+4.72%	+18.41%	-4.47%	+3.66%	9.20 (07/17)	Equity	African region	Mauritius	Open-End	7/08
IPRO Africa Total Return Fund (as-of 31/07/17)										
+6.23%	+2.15%	+7.94%	+2.65%	-	6.69 (07/17)	Fixed Income	African region	Mauritius	Open-End	05/14
JPMorgan Funds - Africa Equity Fund (A) (as-of 31/07/17)										
-	+7.31%	+11.20%	-8.35%	-0.20%	200.00 (07/17)	Equity	African region	Luxembourg	SICAV	5/08
Magna Umbrella Fund - Africa Fund (as-of 14/08/17)										
+15.68%	-	+3.22%	-	-	12.50 (08/17)	Equity	African region	Ireland	OEIC	12/12
MCB Africa Bond Fund (as-of 30/06/17)										
+11.73%	+1.65%	+14.82%	-	-	19.67 (06/17)	Fixed Income	African region	Mauritius	Open-End	3/14
Nile Africa Frontier and Emerging Fund (as-of 13/07/17)										
-1.64%	-	-0.26%	-	-	14.37 (08/17)	Equity	African region	USA	Open-End	11/10
Old Mutual Pan African Fund (A) (as-of 12/07/17)										
+1.57%	-	-	-	-	45.86 (08/17)	Equity	African region	Ireland	ICVC	11/14
Optis African Frontier Fund (as-of 31/07/17)										
+23.22%	+6.77%	+14.35%	-37.74%	-2.12%	31.98 (07/17)	Equity	African region	BVI	Open-End	8/09
RMA Africa (as-of 14/08/17)										
+15.07%	-	+13.17%	-	-	7.27 (08/17)	Equity	African region	France	FCP	8/13
Robeco Afrika (as-of 31/07/17)										
+22.76%	+4.61%	+21.89%	-4.41%	+3.69%	49.00 (07/17)	Equity	African region	Netherlands	Open-End	6/08
Russell Old Mutual African Frontiers Fund (as-of 14/08/17)										
+23.23%	-	+21.61%	-	-	110.87 (08/17)	Equity	African region	Ireland	Open-End	5/10
Russell Old Mutual MSCI Africa ex-South Africa Index Fund (as-of 14/08/17)										
+17.54%	-	+11.09%	-	-	74.12 (08/17)	Index	African region	Ireland	SICAV	9/11
Sanlam African Frontier Markets Fund (G) (as-of 14/08/17)										
+22.29%	-	-	+0.27%	-	72.74 (07/17)	Equity	African region	Ireland	Open-End	1/09
Silk Africa Lions Fund (I) (as-of 31/05/17)										
+13.98%	+7.77%	+8.17%	-10.14%	-1.04%	32.10 (05/17)	Equity	African region	Luxembourg	SICAV	3/12
Silk African Bond Fund (I) (as-of 31/10/16)										
-5.29%	-0.98%	-3.90%	-	-	1.20 (10/16)	Fixed Income	African region	Luxembourg	SICAV	3/14
Silk Road Frontiers Fund (I) (as-of 31/05/17)										
+13.35%	+4.30%	+13.92%	-2.06%	+3.60%	8.40 (05/17)	Equity	MENA & SSA	Luxembourg	SICAV	10/10
Sustainable Capital Africa Alpha Fund (as-of 31/07/17)										
+15.60%	+0.90%	+25.80%	-7.40%	+6.40%	142.70 (07/17)	Equity	Africa ex-SA	Mauritius	Open-End	1/12
Sustainable Capital Africa Consumer Fund (as-of 31/07/17)										
+9.30%	+1.60%	+3.50%	-9.80%	-	9.60 (07/17)	Equity	Africa ex-SA	Mauritius	Open-End	3/13
Threadneedle Lux - Stanlib Africa Equity (as-of 14/08/17)										
+10.12%	-	+6.46%	-	-	9.08 (08/17)	Equity	African region	Luxembourg	SICAV	8/14
T. Rowe Price Africa & Middle East Fund (as-of 14/08/17)										
+11.53%	-	+14.45%	-2.95%	+7.32%	137.54 (07/17)	Equity	MENA & SSA	Luxembourg	SICAV	09/07

Source: Company Data, Morningstar

Changing tide


By: James West,
Partner
Mayer Brown

Perry Yam,
Partner
Mayer Brown

In recent years there has been a shift in the power base of private equity (PE) investment in Africa from the oil rich West to the new emerging economies of Kenya, Uganda and Tanzania in the East. A recent report published by KPMG and the East Africa Venture Capital Association showed that deal volume in East Africa increased from 23 deals in 2010 to 47 in 2015, and between 2013 and 2015 PE exits in East Africa relative to the rest of Africa grew from 10% to 14% whilst this number fell in West Africa from 28% to 16%. At the same time exits in oil and gas, resources and construction have fallen from 22% to 7% whilst exits in financial services, retail and healthcare grew from 28% to 49%.

> "*Corruption in the political and economic spheres has traditionally hindered investments across the whole of the region*
>
> - James West & Perry Yam

This article explores some of the key drivers behind these changes and asks whether this trend is likely to continue.

COMMODITY PRICES AND THE "RESOURCE CURSE"

The collapse of world oil prices has been a significant push factor, driving down investment in oil and gas in the resource rich West. Currently, Nigeria attracts the majority of PE activity in West Africa, amounting to 64% of the region's PE deal value from 2010 to 2016, and relies heavily on its oil production. In 2013, prior to the oil price crash, extractive industries made up 90% of exports and 75% of government revenue in 2013.

What is often termed the "resource curse" meant that when the time came Nigeria's economy lacked diversification and in 2016 foreign direct investment in Nigeria fell by 37% year-on-year and the country suffered its first annual economic contraction in 25 years with GDP shrinking by 1.5%.

ECONOMIC GROWTH IN EAST AFRICA

The collapse in oil prices and the demise of economies like Nigeria's opened the door for East Africa where continued strong economic growth and a more diversified economy were attractive for PE investment. For the past two years, East Africa has been the fastest growing region in the continent and the IMF predicts this high-growth economic trajectory to continue into 2017 and 2018, estimating 5.7% and 6.0% real GDP growth respectively in contrast to West Africa's 3.3% and 0.4% real GDP growth in 2015 and 2016 respectively.

The majority of this economic growth can be attributed to pre-existing PE hotspots such as Kenya, Tanzania and Uganda, further bolstering their attractiveness for PE. Driven by middle-class growth, the focus of East African investment is expected to be in financial services, retail, healthcare, agribusiness and technology. Notably, in 2016, 22% of PE firms are focused on green energy investments compared to 0% in the previous year.

CURRENCY

The currency crisis in Nigeria has been a further contributing factor. The fall in government revenue, caused by the oil price collapse, compelled the government to abandon their currency peg and devalue the Nigerian Naira. There was widespread currency confusion with multiple exchange rates being applied both officially and unofficially. This uncertainty and erosion of trust and confidence has hindered PE activity and interest in West Africa and is likely to continue to do so for some time.

CORRUPTION

Corruption in the political and economic spheres has traditionally hindered investments across the whole of the region.

Despite this, East Africa has developed a business-friendly infrastructure for PE. The World Bank's Ease of Doing Business Index demonstrates this and ranked, from easiest to conduct business to hardest, Nigeria at 169th and Kenya at 92nd in 2016. A business-friendly ecosystem and less red tape in East Africa will contribute to the shift in PE activity away from West to East Africa.

SHIFT IN INVESTOR PROFILE

Finally, there has been a general shift in investor profile away from development finance institutions towards more traditional limited partners such as pension funds and sovereign wealth funds. These investors bring a different set of investor expectations such as seeking high returns on investment whilst generally being more risk adverse.

World oil prices are expected to rise in the long term and with it there will inevitably be a return of money, in one shape or another, to the more traditional heartlands of West Africa. What is not inevitable is how West Africa will diversify its economy, as it surely must, or how high these new Lion economies of East Africa might rise.

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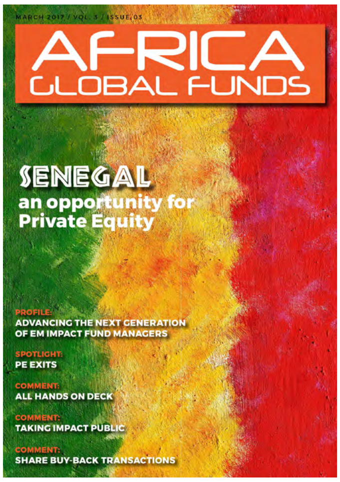

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