MAY 2024

Private Capital Regional Landscape:

Southern Africa

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Foreword

It is our pleasure to introduce the inaugural *Private Capital Regional Landscape: Southern Africa* report. This report, launched by the African Private Capital Association (AVCA), marks the first in a new series examining private capital landscapes across Africa's diverse regions. Focused on Southern Africa, this premier edition coincides with AVCA's landmark 20th Annual Private Equity Conference and Venture Capital Summit in Johannesburg, South Africa. Shining a spotlight on the region's private capital landscape, the report offers a deep dive into its evolution and current state, along with future opportunities for investors.

The landscape of private capital in Southern Africa is vibrant and dynamic, marked by resilience and innovation amidst chronic challenges. This report charts the evolution of private capital from its early developments to its current role as an important driver of economic and social development in the region. Key highlights from the report underscore private capital's impressive journey, focusing on its key growth drivers and the significant contributions it has made towards fostering a sustainable and inclusive landscape.

In Southern Africa, the transformative impact of private capital investments can be attributed to a surge in dealmaking activities in recent years along with fund managers' strategic focus on impactful growth, with notable strides in the promotion of gender parity and climate action. Moreover, the report sheds light on the significance of technology and digital transformation as catalysts for economic development, highlighting the promising opportunities for investors to contribute to the region's vibrant technological and venture capital ecosystems. Finally, the report maps the private capital players operating in Southern Africa, providing valuable insight into the ecosystem's diversity and offering a clear picture of the opportunities that lie ahead.

As we navigate the complexities of the global economic environment, the *Private Capital Regional Landscape: Southern Africa* report serves as an essential tool for a broad cross section of stakeholders. From seasoned investors to policymakers and industry practitioners, this report serves as a granular, comprehensive resource to inform decision-making and strategy development, ensuring the sustainable and impactful deployment of private capital in Southern Africa.

Abi Mustapha-Maduakor

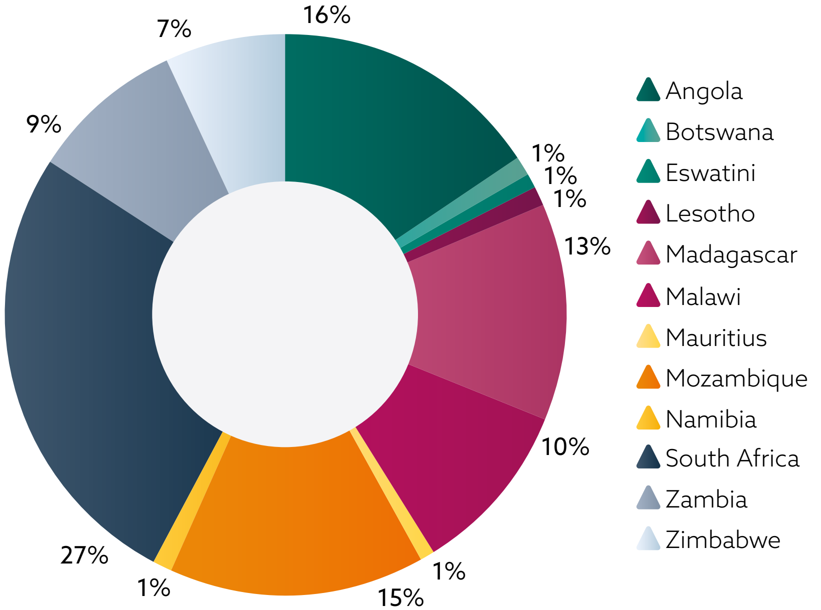
Chief Executive Officer
AVCA

1. Southern Africa Macroeconomic Overview

1.1 Southern Africa at a Glance

Though Southern Africa represents a modest 17% of Africa's population[1] and 21% of its total land area[2], the region holds a significant position within the continent's economic landscape. It drove 23% of the continent's nominal GDP in 2022, and ranked third after North Africa (31%) and West Africa (26%)[3]. Despite a series of hard knocks in recent years, Southern Africa is a region on the move. The collective performance of the 12 countries that comprise this regional bloc[4] underscores its role as a key economic contributor and invites a deeper exploration of the factors fuelling the region's growth potential.

Figure 1: **Distribution of Southern Africa's Population, by Country, 2023**



Source: AVCA, International Monetary Fund

South Africa casted a long economic shadow over the Southern African region. In terms of GDP contribution, South Africa dominated with a substantial share of 61%, followed by Angola at a distant 16%. The remaining 10 countries contributed marginally, ranging from 0 to 4% of the region's total economic output as of 2022[5]. Despite this monolithic picture, Southern Africa's economic vibrancy stems from its geographic diversity. The region is home to six countries with a coastal orientation[6], extensive mineral deposits[7], coal and oil reserves, expansive agricultural land, and iconic tourist island nations like Mauritius.

Beyond these natural capital endowments, Southern Africa boasts of a highly diversified economy[8]. The Industrial sector stood as a key engine for regional growth, responsible for 2.7 percentage points of the region's overall 2.8 growth rate in 2022 and driving expansion in 9 of 12 Southern African countries[9]. The Agriculture sector - once the backbone of the region's economic output - was responsible for a mere 5% of growth in 2022, hindered by adverse weather conditions and increasing operating costs. The Service sector, with a spotlight on tourism, was not left behind. It aided the recovery of travel and tourism centred economies in Southern Africa while cushioning the negative effects of ultra-high inflation and currency volatility, particularly in Zimbabwe.

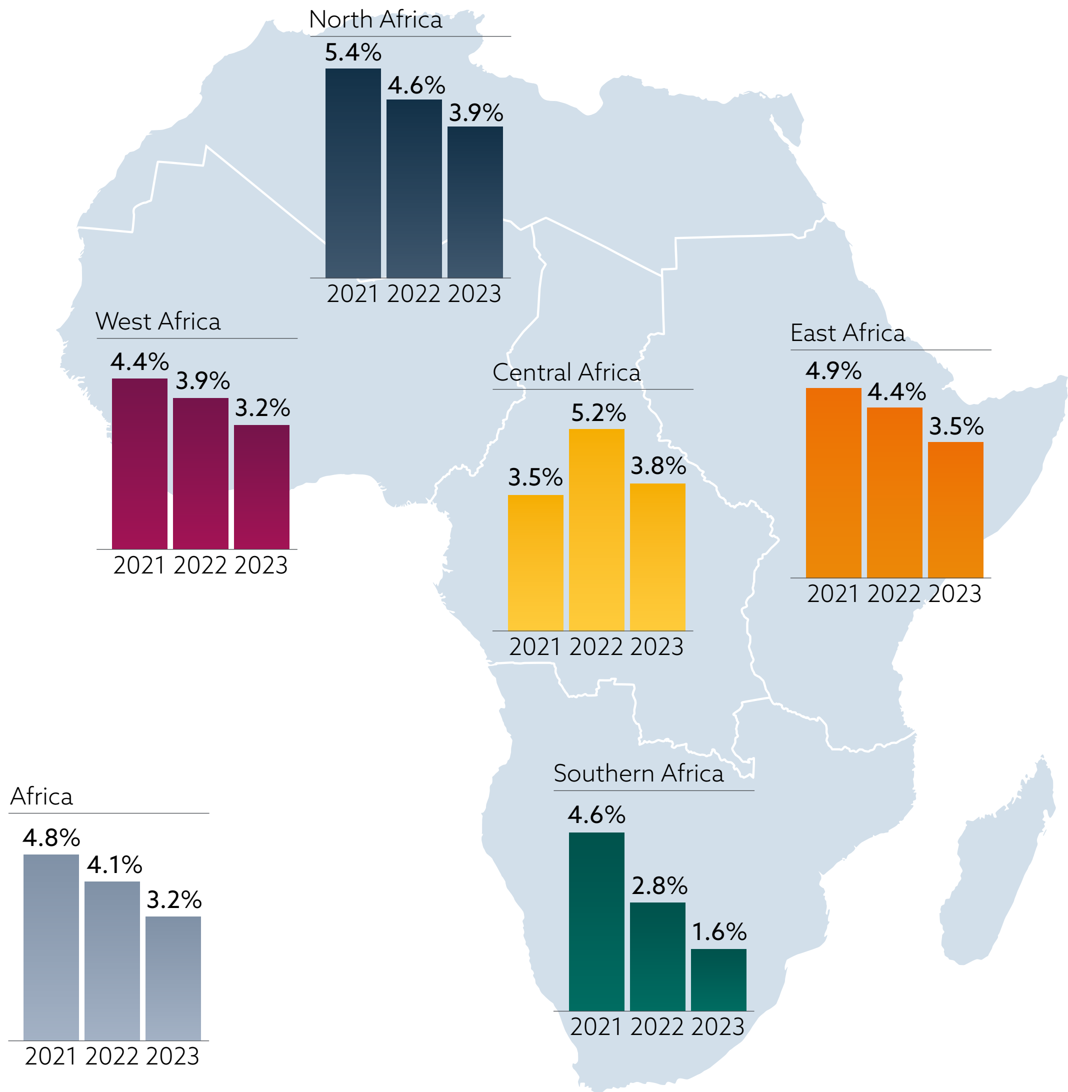
Given the potential for growth across various sectors, understanding Southern Africa's macroeconomic performance is key to identifying private capital opportunities within the region. Accordingly, this section provides a brief overview of the past, present and future of Southern Africa' macroeconomic landscape. It begins with an exploration of the region's recent macroeconomic performance, hypothesises about the region's future growth prospects, and concludes by discussing the implications of the preceding for private capital investors.

GDP GROWTH IN SOUTHERN AFRICA

Southern Africa's economic performance in the last years tell a tale of peaks and troughs. Historically a substantial contributor to Africa's GDP averaging 24% from 2012-2022[10], the region experienced a sharp pandemic-driven decline in 2020. Post-Covid recovery remained modest, lagging the continental average (Figure 2)[11]. This underperformance was largely attributable to social and economic struggles in South Africa. Grappling with weakened infrastructure, diminished productive capacity due to persistent electricity supply shortages, and reduced domestic demand amidst high consumer inflation[12], the ill health of South Africa's economy had significant bearing on the wider regional economic decline. Compounding this, a recent wave of extreme weather events in coastal provinces, civil unrest, and cost of living crises associated with electoral transitions in six Southern African countries between 2023 and 2024 magnified poor performance regionally. Despite these challenges, favourable commodity prices for oil and precious metals bolstered the Angolan, Botswanan, and Namibian economies, while Mauritius witnessed a rebound in tourism[13].

Furthermore, a more granular investigation of Southern Africa's economic performance revealed country-specific divergences that herald good fortune for the region. Botswana, Madagascar, Mauritius, Mozambique, Zambia, and Zimbabwe all outperformed the continental average of 3.2% GDP growth for 2023[14]. This pluralism establishes a strong bedrock for the region's long-term recovery. The fact that non-resource-intensive economies demonstrated exceptional recovery further hints at an untapped potential for resilience and diversification in the region[15].

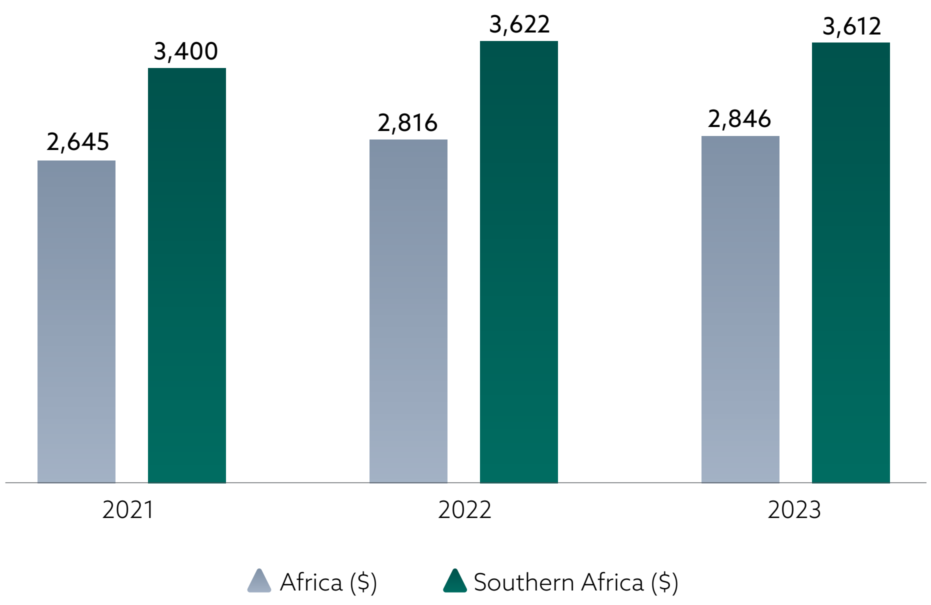
Figure 2: **Regional Economic Performance, by GDP Growth, 2021 – 2023**



Source: African Development Bank

Southern Africa's story takes another positive turn when examining GDP per capita, current prices estimates. The region consistently outpaced the African continent from 2021-2023 and reached US$3,612 in 2023 (Figure 4). This steady trend suggests a consistently higher than average disposable income for Southern Africa, signalling both the potential for increased private investment and the resurgence of the region's economic significance.

Figure 3: **Average GDP Per Capita in Southern Africa vs. Africa, 2021 – 2023**

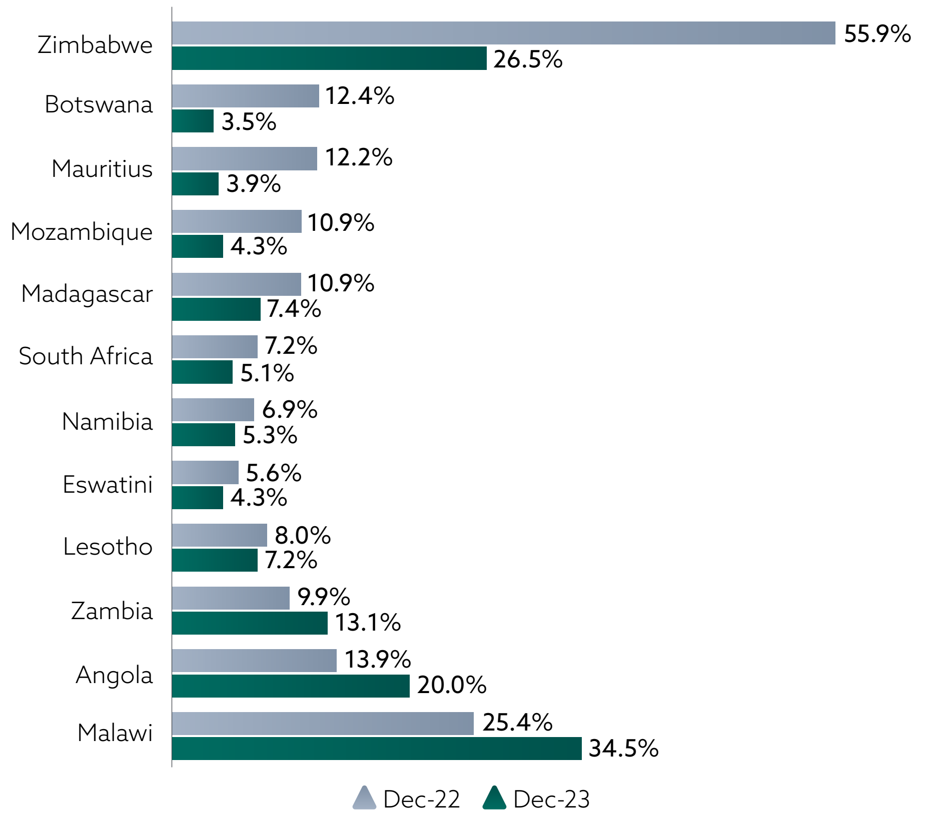


Source: AVCA, International Monetary Fund

MONETARY POLICY IN SOUTHERN AFRICA

At the close of 2023, monetary policy across the Southern African landscape was markedly diverse, reflecting the region's economic heterogeneity. Annual inflation (CPI) ranged from a low 3.5% in Botswana to a high 34.5% in Malawi. Overall, nine countries recorded a decrease in annual inflation, whilst the remaining three countries – namely Angola, Malawi, and Zambia – witnessed a CPI uptick between December 2022 and December 2023 (Figure 4).

Figure 4: **Annual Inflation Rate in Southern Africa, by Country, 2022 – 2023**



Source: AVCA, Trading Economics

In response to rising inflation, the Central Banks of Zambia, Angola, and Malawi tightened their monetary policy stance by increasing their key rates by a total of 200, 100, and 600 basis points through the year to close 2023 at 11%,18% and 24% respectively[16]. These measures aimed to curb inflation, which had risen for the sixth consecutive month to 13.1% in Zambia, peaked at 20.1% in Angola, and climbed to 34.5% in Malawi by December 2023.

However, not all central banks followed suit. Nine Southern African countries opted to maintain their policy rates in the 4th quarter of 2023. This wait-and-see approach may reflect confidence in their existing policies or an observational stance for clearer signs of sustained inflationary pressure.

Notably, Lesotho's annual inflation dropped to 7.2% whilst Malawi held the highest inflation rate in the region of 34.0%. Conversely, Botswana adopted an expansionary policy, reducing its benchmark rate to 2.4% in December 2023. This move was aimed at driving national economic growth and maintaining inflation within the target range of 3% to 6%.[17]

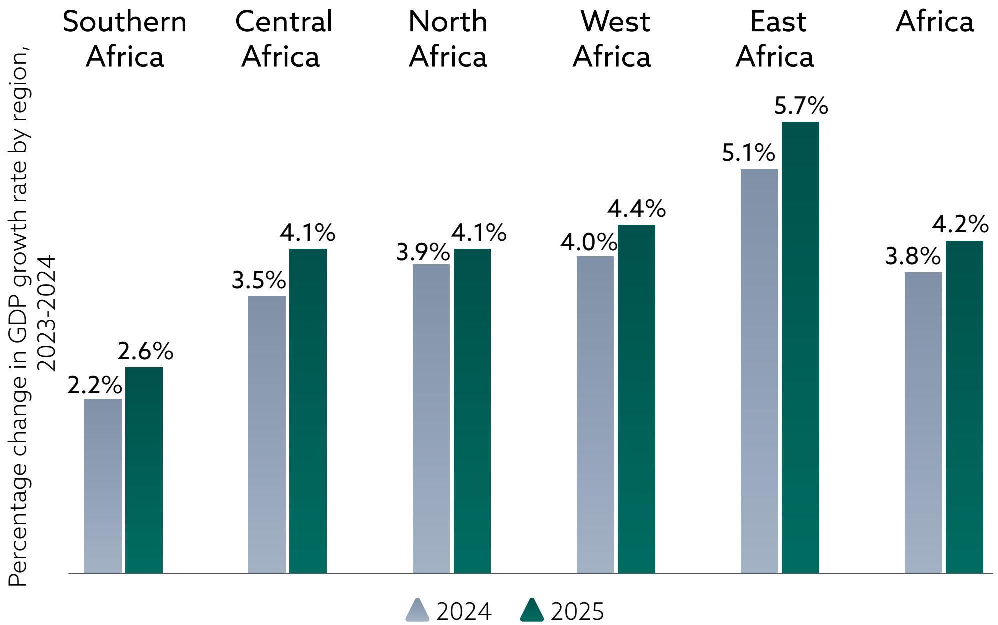
While the individual approaches differed, these actions are a positive signal to private capital investors of a uniform commitment by Central Banks in Southern Africa to stabilising their economies and boosting investor confidence.

1.3 A Peek into the Future: Prospective Macroeconomic Performance

Despite these headwinds, Southern Africa's economic trajectory shows promise. The African Development Bank predicts a significant 37.5% growth rebound to 2.2% in 2024, propelled by revitalised sector activity in Agriculture and Tourism as well as strategic investments[18]. While regional leader South Africa grappled with infrastructural bottlenecks and subdued growth in 2023, positive indicators pointing to an economic resurgence are emerging. South Africa is set to have a modest but positive uptick in GDP growth (1.2%) in 2024 from sub 1% levels in 2023[19]. Additionally, inflation rates which declined by 5 basis points in December 2023 are expected to maintain a downward path throughout 2024[20]. Furthermore, ongoing initiatives to bridge infrastructural gaps, particularly in the Energy sector, are expected to enhance productivity, improve the ease of doing business, and bolster investor confidence.

Countries like Mozambique and Mauritius anticipate particularly robust growth exceeding 5%, spurred by tourism and increased domestic spending[21]. This growth, coupled with South Africa's gradual recovery, reinforces a positive economic outlook for the Southern African region in 2024. While geopolitical risks and climate change remain significant concerns, the strong performance of non-resource-dependent economies, expanding regional trade networks (such as COMESA and SADC), and strategic investment in service and green-energy sectors position the region for resilience against future challenges.

Figure 5: **Regional Outlook, by GDP Growth, 2024 – 2025**



Source: AVCA, African Development Bank

2. Private Capital in Southern Africa: The Region in Numbers

PRIVATE CAPITAL ACTIVITY IN SOUTHERN AFRICA, 2022-2023

The Region in Africa

2nd Rank in Africa (Volume)

1st Rank in Africa (Value)

US$4.1bn was invested across **252 deals** between 2022 and 2023

Top 3 Countries in Private Capital Deal Activity in Southern Africa, 2022 – 2023

1. **South Africa** was the 1st country by deal volume with **201 deals** totalling **US$3.5bn**.
2. **Madagascar** was the 2nd country by deal volume with **11 deals** totalling **US$37mn**.
3. **Mauritius** was the 3rd country by deal volume with **9 deals** totalling **US$114mn**.

Top 3 Asset Classes in Private Capital Deal Activity in Southern Africa, 2022 – 2023

1. Venture Capital: **Venture Capital** was the most active asset class by deal volume with **132 deals** totalling **US$0.9bn.**
2. Private Equity: **Private Equity** was the 2nd most active asset class with **91 deals** totalling **US$1.4bn**.
3. Private Debt: **Private Debt** was the 3rd most active asset class with **15 deals** totalling **US$174mn**.

Top 3 Sectors in Private Capital Deal Activity in Southern Africa, 2022 – 2023

1 **Information Technology** was the most active sector by deal volume with **44 deals** valued at **US$290mn**.
Leading Industry Group: **Software & Services**.

2 **Financials** was the 2nd most active sector with **42 deals** valued at **US$885mn.**
Leading Industry Group: **Financial Services.**

3 **Industrials** was the 3rd most active sector with **36 deals** valued at **US$315mn**.
Leading Industry Groups: **Commercial & Professional Services**, and **Transportation**.

Gender Diversity in Venture Capital Activity in Southern Africa, 2023

Southern Africa: 16% of venture capital recipients were female-led startups and 26% were female (co)founded startups.

16%

26%

Southern Africa: 84% of venture capital recipients were male-led startups and 74% were male (co)founded startups.

84%

74%

Africa: 16% of venture capital recipients were female-led startups and 27% were female (co)founded startups.

16%

27%

Africa: 84% of venture capital recipients were male-led startups and 73% were male (co)founded startups.

84%

73%

Tech Focus in Private Capital Deal Activity in Southern Africa, 2022 – 2023

135 deals

Technology and tech-enabled businesses in Southern Africa received **US$2.2bn** of private capital investment across **135 deals**.

Representing 54% of total investments in the region.

Private Capital Exit Volume in Southern Africa, 2022 – 2023

33 exits

Southern Africa ranked 2nd by exit volume

Representing 26% of exit volumes on the continent.

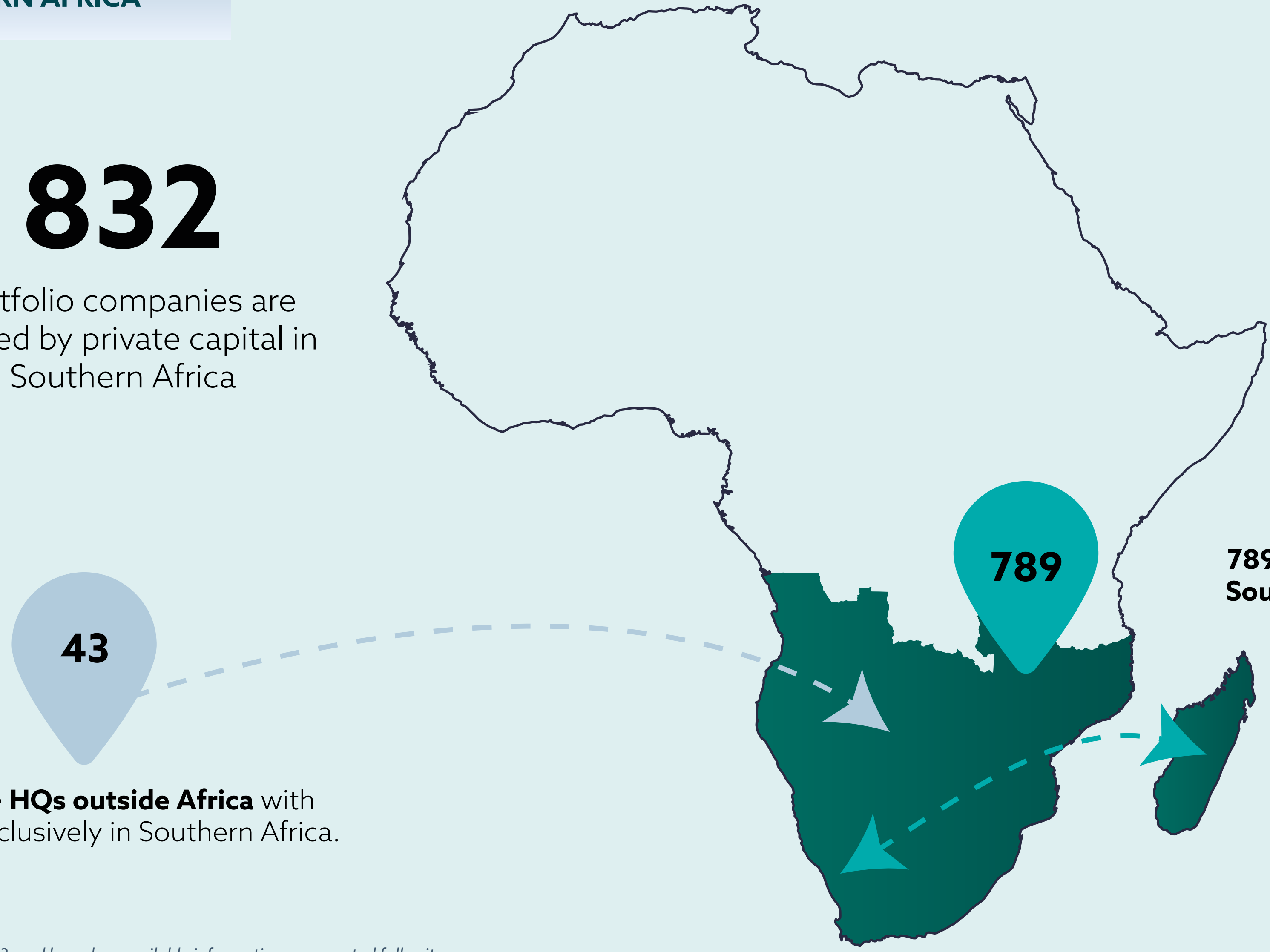
The most popular exit routes in Southern Africa were through '**Sale to Trade Buyers**' and '**PE and other financial buyers**' with **13** exits recorded each

CURRENT* PORTFOLIO COMPANIES BACKED BY PRIVATE CAPITAL IN SOUTHERN AFRICA**

SOUTHERN AFRICA

832

portfolio companies are backed by private capital in Southern Africa



789 have **HQs in Southern Africa.**

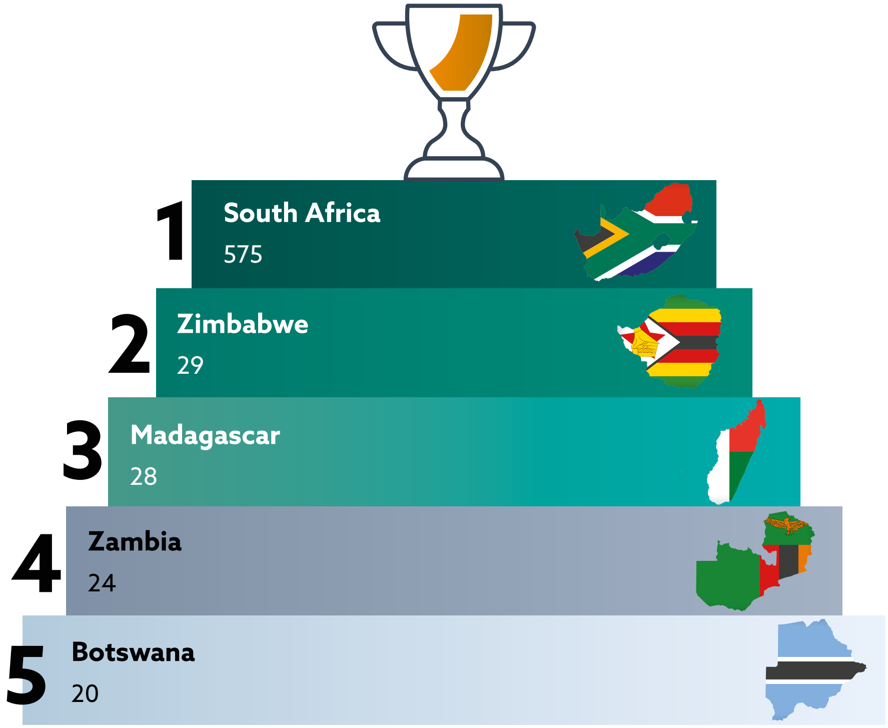
43 have **HQs outside Africa** with offices exclusively in Southern Africa.

** As of end 2023, and based on available information on reported full exits*

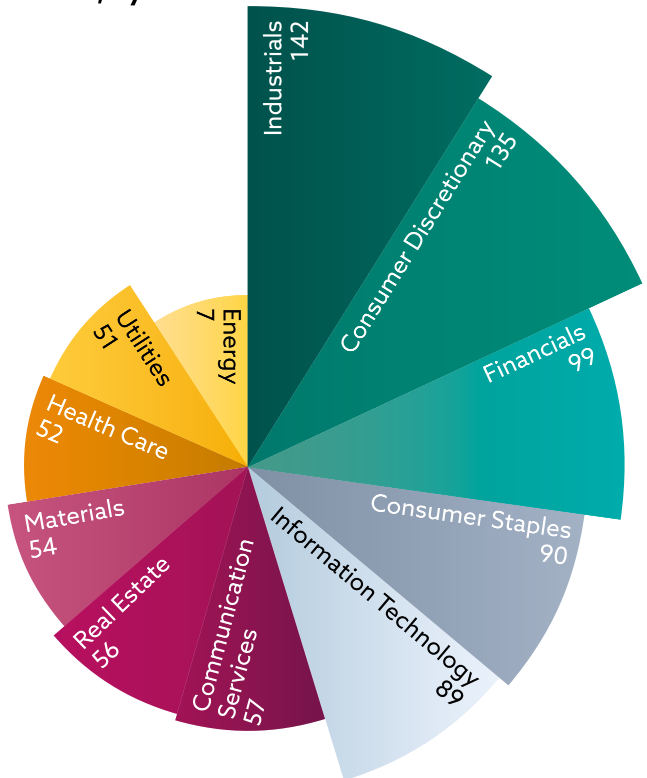
*** Portfolio companies with HQ in Southern Africa and HQ Outside Africa with Offices exclusively in Southern Africa*

Distribution of Current Portfolio Companies Backed by Private Capital in Southern Africa, By Asset Class

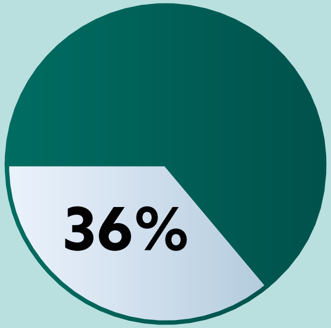
Top 5 Countries in Southern Africa, by Volume of Private Capital Backed Portfolio Companies



Distribution of Current Portfolio Companies Backed by Private Capital in Southern Africa, By Sector



Share of Tech or Tech-enabled Current Portfolio Companies Backed by Private Capital in Southern Africa



At the close of 2023, there were **296 Tech or Tech-Enabled companies** backed by private capital in the Southern African region.

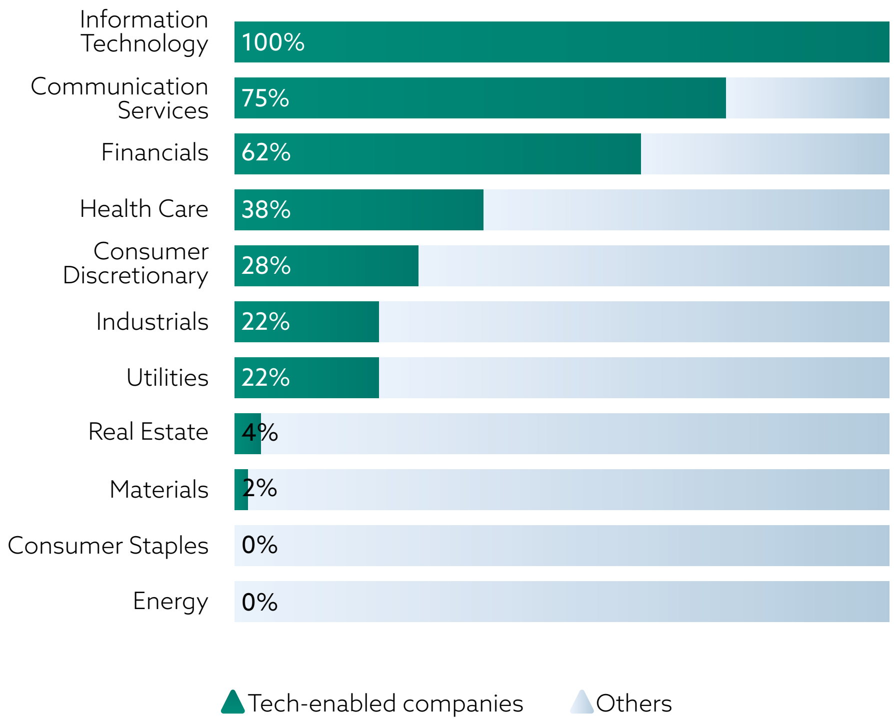
Top 3 sectors with largest share of tech-enabled companies: Communication Services, Financials and Healthcare

1 Communication Services
75% were Communication Tech companies.

2 Financials
62% were FinTech companies.

3 Healthcare
38% were HealthTech companies.

Share of Tech or Tech-enabled Current Portfolio Companies Backed by Private Capital in Southern Africa, By Sector



3. Evolution of the Private Capital Industry in Southern Africa

Southern Africa has played a pivotal role in the early development of the private capital industry in Africa. The region, with South Africa at its heart, served as the birthplace of the first wave of Africa-focused private equity firms in the early 1990s. These firms, which had initially focused on opportunities within South Africa, soon started investing in other parts of the continent. This strategic shift not only laid the foundation for the expansion of the private capital industry across Africa, but also cemented the region's central role in shaping the continent's private capital landscape.

The economic diversity within the region - hosting an array of economies from the continent's most developed to those still in their infancy - has offered a unique mix of opportunities and challenges enabling investors to assess their ventures within two markedly different economic environments. In this context, private capital investors, ranging from home grown fund managers to international firms, have fostered a vibrant private capital landscape.

3.1 Private Capital Dealmaking Activity

859

private capital deals in Southern Africa from 2012 to 2023, capturing 26% of the continent's deal volume.

US$11.7bn

funnelled into Southern Africa since 2012, making up 20% of the continent's deal value.

South Africa

dominates the region's private capital scene, accounting for 74% of deals and 73% of their value since 2012.

The evolution of private capital in Southern Africa narrates a story of both challenges and triumphs. Although the growth of private capital in the region has been driven by themes and trends that have been present at continental level, it has also been influenced by the region's particular economic needs, sector-specific trends, regulatory developments, and broader macroeconomic conditions.

Southern Africa witnessed 859 deals between 2012 and 2023, capturing 26% of Africa's total volume of private capital investments to stand as the continent's second-largest recipient of deal activity. Despite the region's historical dominance, Southern Africa has seen its share of deal volume slightly decline, and now trails behind West Africa. The region's fall from leadership can be attributed to both internal macroeconomic difficulties, such as: currency volatility, commodity dependency, energy and infrastructure challenges, and sporadic political instability in some Southern Africa countries. Concurrently, external factors associated with the emergence of other African markets have expanded the horizons for investors, introducing a competitive dynamic that has further shaped the region's trajectory.

Despite these challenges, private capital investments in Southern Africa have been on an upward trajectory since 2016, as Figure 1 illustrates. The stability of private equity activity along with the growth of venture capital, reflecting broader continental trends, have significantly contributed to the growth of private capital investments in Southern Africa. This upward trend, which reached a peak in 2022, receded by 10% in 2023 due to macroeconomic challenges affecting Africa at large. Southern Africa nevertheless showcased remarkable resilience, recording the least severe decline among all African regions in 2023. Southern Africa closed out 2023 with the largest share (26%) of deal volume, alongside West Africa.

"The scarcity of capital for unlisted companies remains a driving force for private capital investment in Southern Africa. The market has recently seen a shift in the segmentation of investors across their three categories, as while captive funds are particularly strong at the moment, local managers and broader African PE players raising third-party capital are under increasing fundraising pressure that is leading to consolidation and the likely exit of some players. This shift has led to a reduction in possible sources of capital, emphasizing the ongoing need for private investment in the region. "

Grant Howarth, Director & Principal, Metier

Figure 1: **Volume of Private Capital Deals in Southern Africa, 2012 – 2023**

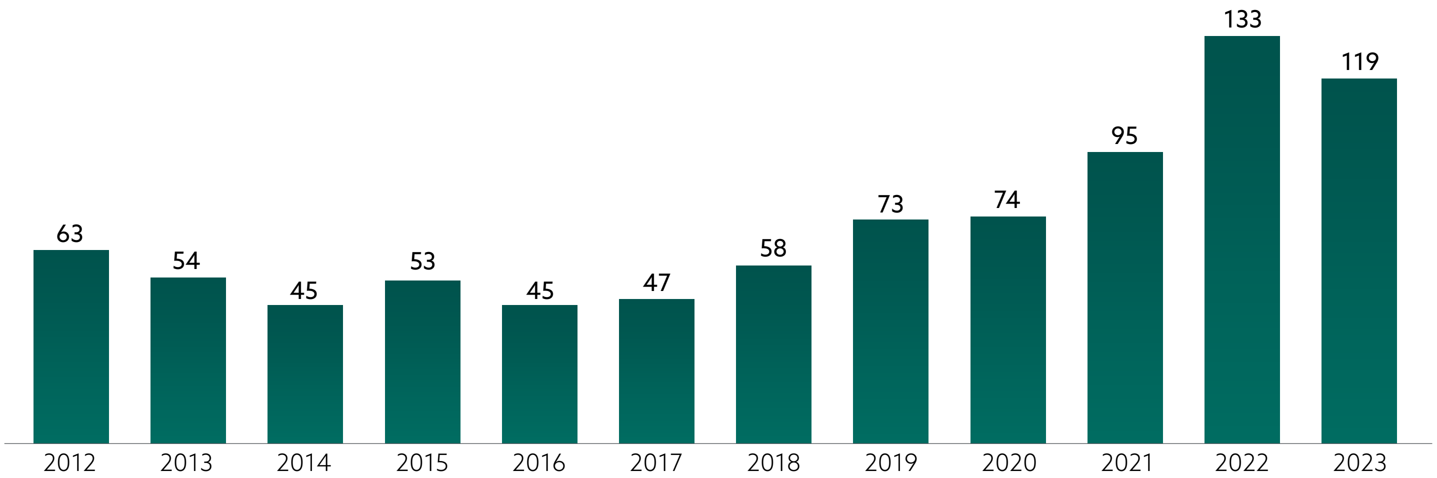
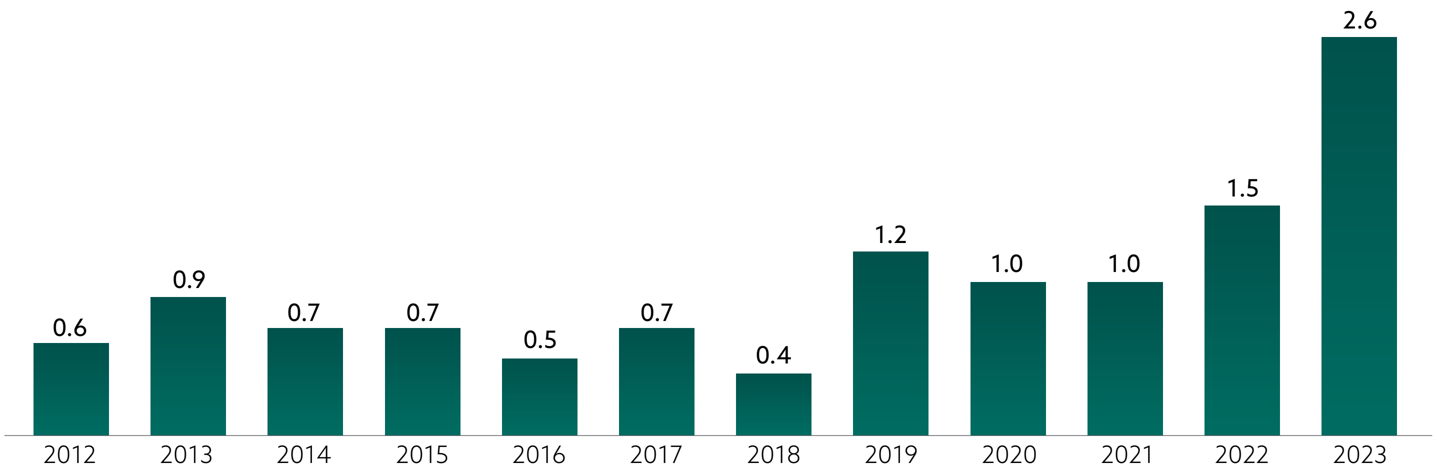


Figure 2: **Value of Private Capital Deals in Southern Africa, US$bn, 2012 – 2023**



Source: AVCA

Southern Africa has attracted US$11.7 bn in private capital investments over the last 12 years, capturing 20% of Africa's total deal value, and ranking second just behind West Africa. Since 2019, the region has experienced a significant surge in investment, with the annual average deal value climbing to US$1.4 bn in 2019-2023 from US$0.6 bn in 2012-2018, a more than twofold increase. Specifically, 2023 marked a peak of US$2.6 bn in deal value, positioning Southern Africa as the leader in attracting investment value across the continent despite macroeconomic headwinds. This impressive growth was predominantly driven by a boost in investment within the Financials and Utilities (particularly in renewable energy) sectors, which saw significant rises in their investment values. In addition, the region experienced a 3.5x increase in large investments (exceeding US$250mn) and a 60% rise in smaller sized deals (specifically those between US$10mn to US$49mn), collectively fuelling the region's deal value in recent years.

Trends within South Africa have influenced the overall trajectory and growth drivers of Southern Africa's private capital industry. Since 2012, South Africa has consistently assumed the largest proportion of deal volume in the region. Its share climbed to an annual average of 78% in 2019-2023, up from 67% in 2012-2018.

Key regulatory and strategic initiatives within the country have contributed to this surge. Section 12J of the South African Income Tax Act, which offered tax incentives for investments in qualifying venture capital companies until its conclusion on June 30, 2021, has been a major driver for the expansion of the venture capital market. Additionally, allowing pension funds to increase their allocation to private equity and expand their support for venture capital funds, has further fuelled this momentum. Moreover, South Africa's efforts to diversify its economy, in alignment with national development plans, have significantly influenced the rise in private capital deal volume in recent years.

On the other hand, deal volumes in the wider Southern Africa region (excluding South Africa) have remained relatively stable over the years, albeit with significant shifts in the landscape of contributing countries. Mauritius, known for its prominent financial centre, Madagascar, increasingly targeted by impact investors, and Namibia, where local pension funds have been instrumental in nurturing the local industry, have emerged as key players in driving deal volumes in the region post-2019.

> *"The relaxation of pension fund regulations and adjustments to exchange controls signal positive developments in South Africa, freeing up capital and establishing the country as a more prominent destination for fund domiciliation. These changes reflect a growing understanding within the financial regulatory community of the potential benefits private equity can offer, potentially moving the needle on private equity activity."*
>
> **John Bellew, Head of Private Equity, Bowmans**

Figure 3: **Volume of Private Capital Deals in South Africa vs Rest of Southern Africa, 2012 – 2023**

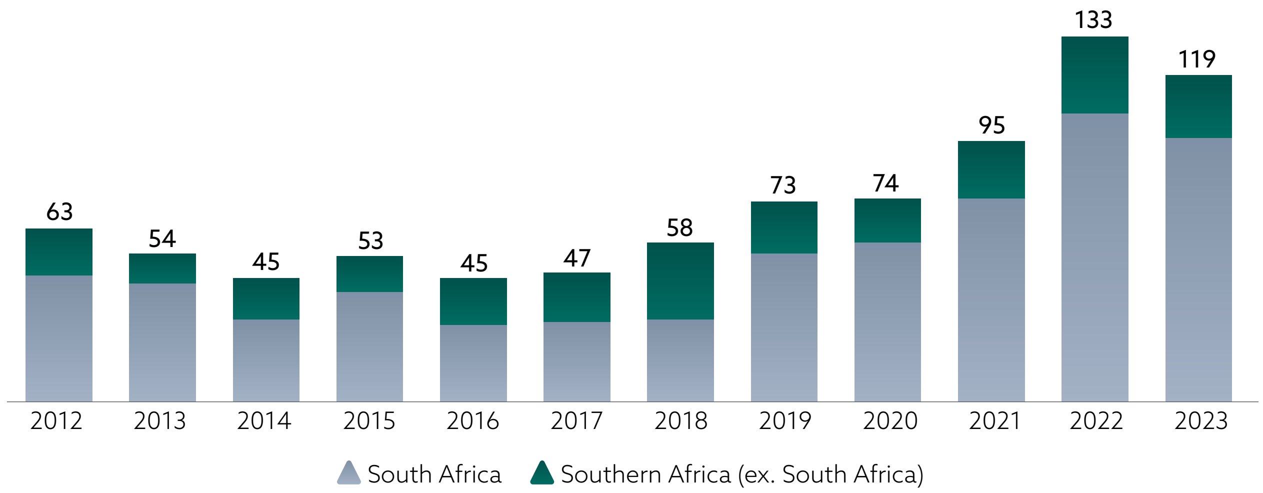
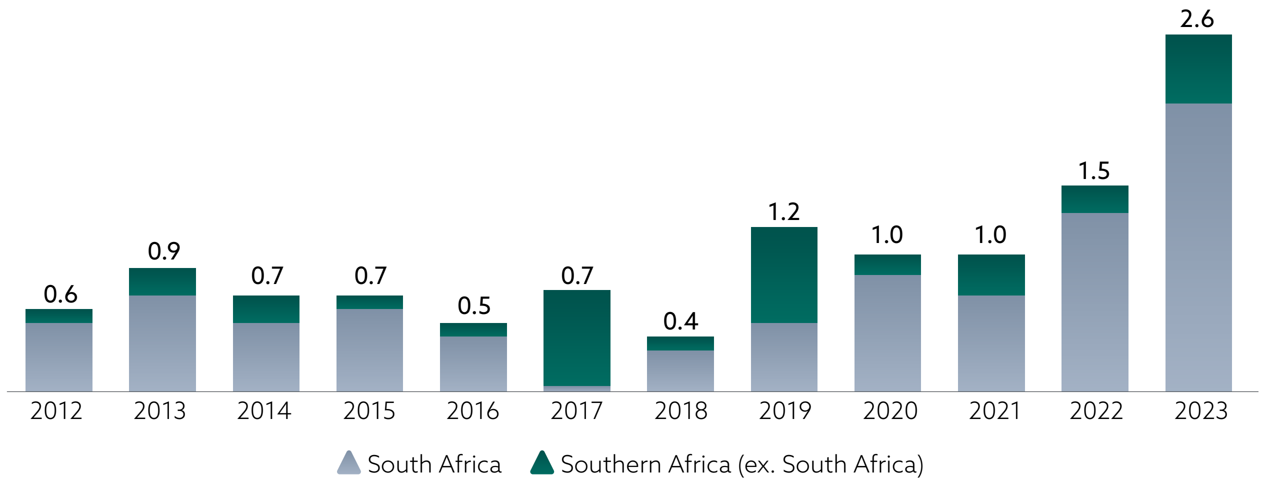


Figure 4: **Value of Private Capital Deals in South Africa vs Rest of Southern Africa, US$bn, 2012 – 2023**



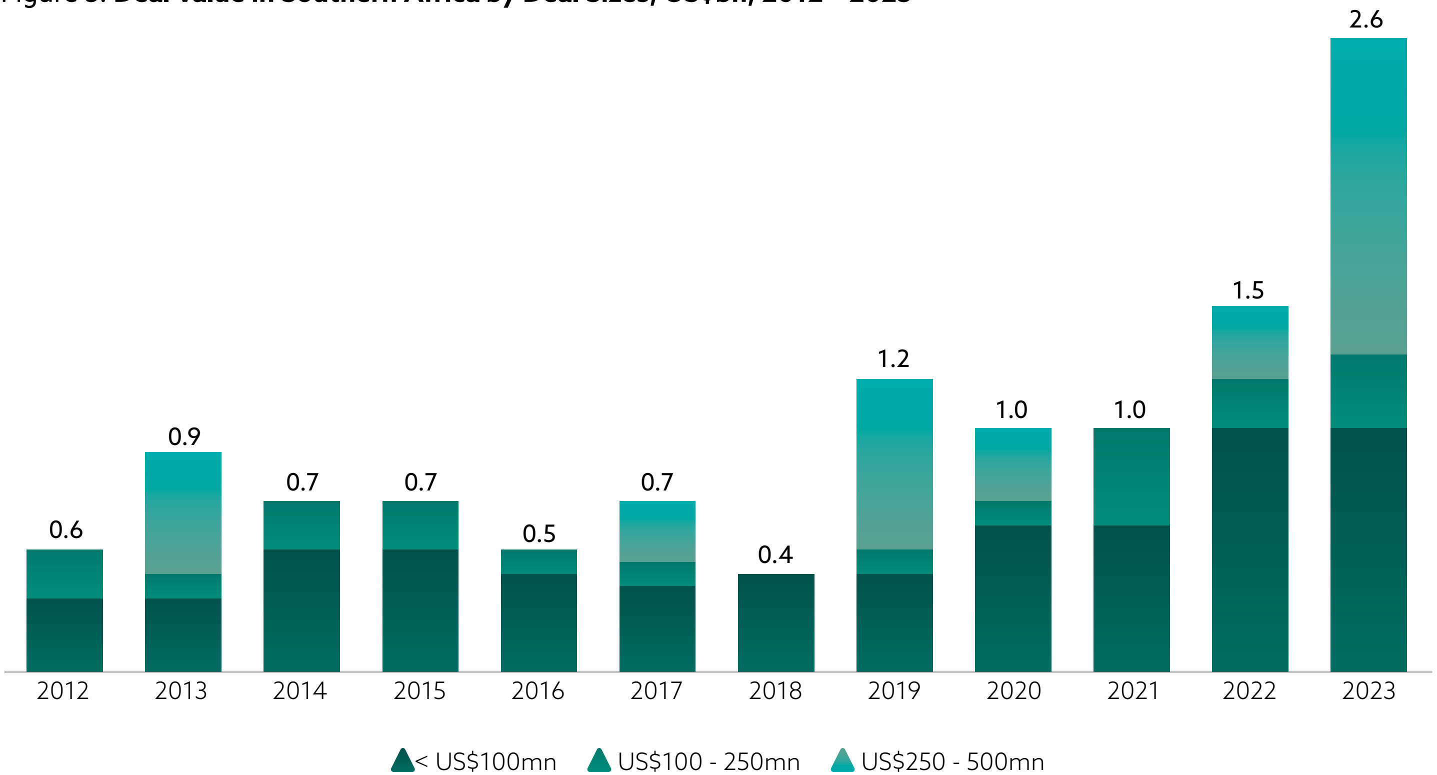
Source: AVCA

Unsurprisingly, South Africa has also been the largest recipient of private capital deal value in the region, attracting 73% of all deal value directed towards Southern Africa since 2012. The distribution of annual deal values has been largely impacted by large investments in sectors essential for addressing Southern Africa's infrastructure needs, such as Renewable Energy, Transportation, Telecommunications, and Materials.

In Southern Africa, much like the rest of the continent, private capital fund managers have remained focused on supporting the growth of Small and Medium-sized Enterprises (SMEs), which have been the bedrock of the region's economy. Deal values in Southern Africa have consistently gravitated towards small-sized and lower-middle-sized deals (those below US$100mn). Private equity deals of this size range have historically been the main contributor, constituting 62% of the total deal value from 2012 to 2023. Moreover, the surge in venture capital deals, particularly in the years following the Covid-19 pandemic, has further bolstered investments within this deal size range.

Conversely, large-sized deals (i.e., above US$250mn) have exhibited significant fluctuations over time, albeit with a more consistent presence in recent years. Specifically, their total value surged from US$0.7 bn in 2012-2018 to US$2.5 bn in 2019-2023, fuelled by a handful of large deals in Utilities, Financials and Materials.

Figure 5: **Deal Value in Southern Africa by Deal Sizes, US$bn, 2012 – 2023**



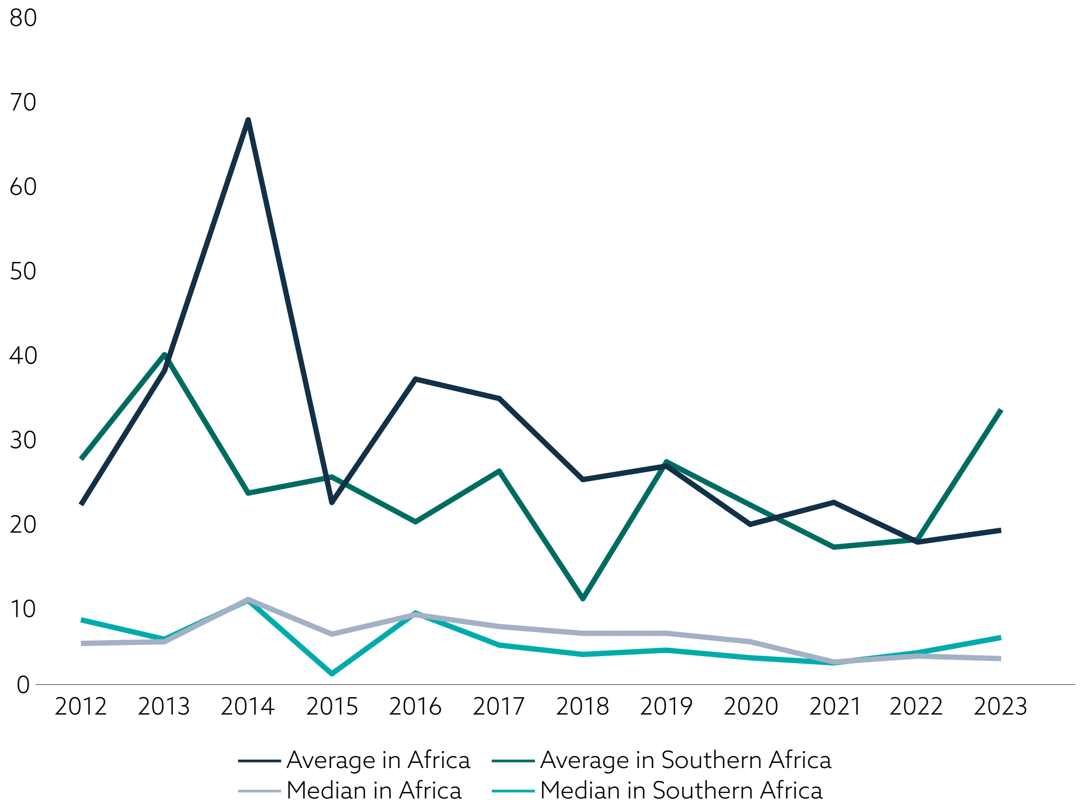
Source: AVCA

"The urgent need for private sector involvement in infrastructure development across the entire region, particularly in logistics, power, and water, is a dominant macro trend. Southern Africa, with its sizable economy, is well positioned to lead in this area. At the same time, mid-cap businesses, through innovation and differentiation, have shown the potential for significant growth, surpassing macroeconomic trends by capturing market share and exporting products, leveraging the region's low-cost operating base."

Grant Howarth, Director & Principal, Metier

While average deal sizes in Africa and Southern Africa have fluctuated, median deal sizes demonstrate more stability, indicating a consistent trend in deal sizes. Although Southern Africa has historically reported lower average and median deal sizes compared to the rest of the continent, a noticeable upward trend has emerged since 2021. This trend peaked in 2023 driven by large-sized deals (exceeding US$250mn) in Renewable Energy. Overall, Southern Africa's average deal size in 2012-2023 was US$22.7mn, with a median deal size of US$5mn. By comparison, the continental average and median stood at US$24.9mn and US$4.4mn, respectively.

Figure 6: **Evolution of Average and Median Deal Size in Africa vs Southern Africa, US$mn, 2012 – 2023**



Source: AVCA

3.2 Private Capital Dealmaking by Asset Class

Private Equity **stands strong in Southern Africa**, leading all African regions in private equity deal volumes since 2012.

289 **Venture Capital deals took place in Southern Africa since 2012**, with 70% of these occurring after 2019.

Asset classes within Southern Africa's private capital industry have demonstrated diverse trajectories. Central to this landscape is private equity, an asset class that has played an indispensable role in the evolution of private capital across the entire continent. Southern Africa has led all African regions in private equity deal volumes between 2012 and 2023 with 453 deals totalling US$6.3bn and was the only region to record an increase in private equity investments in the last few years. This contrasts with other African markets, where the rising prominence of venture capital has led to a decline in private equity deals.

Figure 7: **Volume of Private Capital Deals in Southern Africa, by Asset Class, 2012 – 2023**

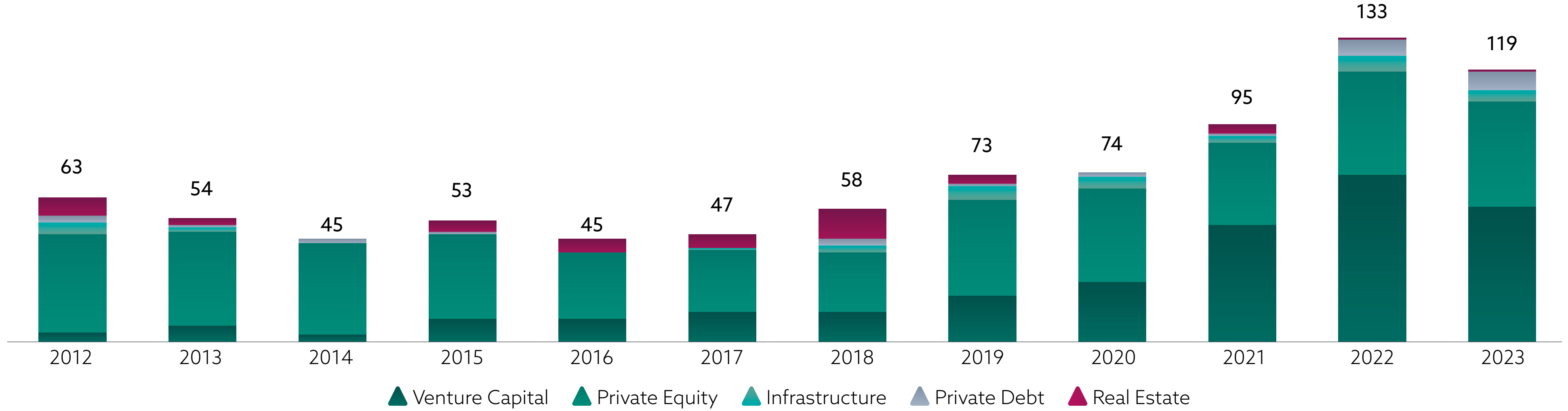
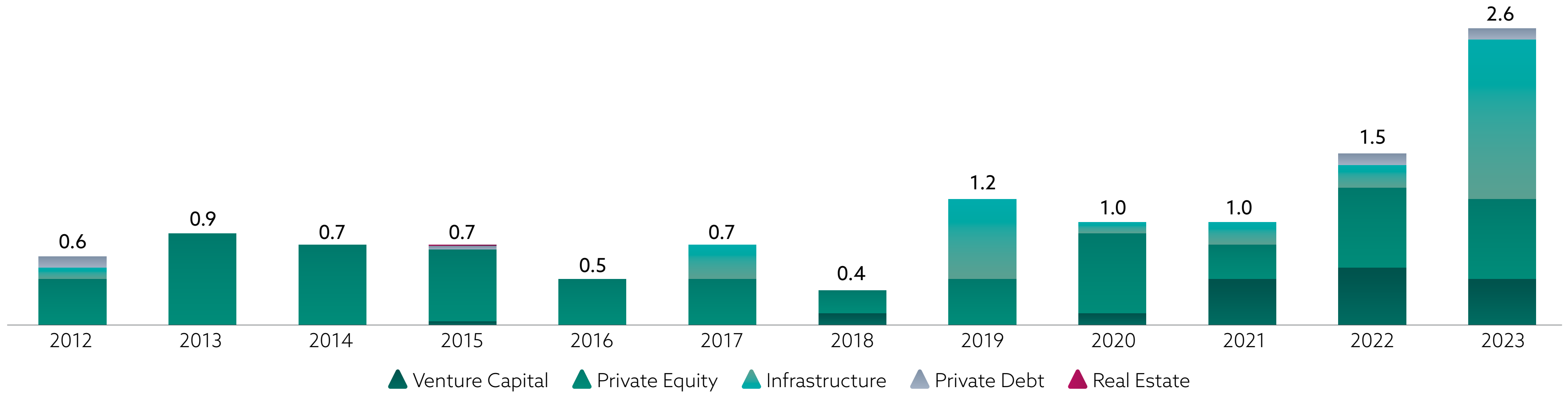


Figure 8: **Value of Private Capital deals in Southern Africa, by Asset Class, US$bn, 2012 – 2023**



Source: AVCA

Venture capital, on the other hand, has only recently started to make a significant impact within Southern Africa. Venture capital deal volume has trended upward since 2015, reflecting broader continental trends. From 2012 to 2023, the region recorded 289 venture capital investments with a total value of US$1.7 bn. This positioned Southern Africa 4th in both venture capital volume and value, trailing behind West Africa, North Africa, and East Africa. Remarkably, over 70% of this activity occurred between 2019 and 2023.

South Africa has played a pivotal role in shaping the venture capital landscape in Southern Africa, accounting for 90% and 93% of the region's venture capital deal volume and value from 2012 to 2023, respectively. This catalytic role can be attributed to two key drivers: legislative support and sector-specific developments. For the former, Section 12J of the South African Income Tax Act stood out as a cornerstone. Additionally, the SA SME Fund, established by major South African corporates to stimulate entrepreneurship and innovation, has further bolstered the ecosystem. Moreover, accelerators have emerged to provide these startups with essential mentorship, resources, and access to networks, enhancing their growth and readiness for venture capital investment. Simultaneously, the targeted development of sectors closely linked to early-stage companies has significantly propelled venture capital growth. Industries requiring technological innovation to address regional challenges—such as Infrastructure and Energy—have received substantial support from the local South African ecosystem. This targeted approach fosters the creation of startups that directly tackle these pressing concerns.

Southern Africa's private capital landscape presents a unique picture for Infrastructure. While annual volumes of infrastructure investments remain relatively low, their impact is significant, contributing 37% of the region's total deal value between 2019 and 2023. Focusing on renewables as well as telecommunication and transportation infrastructure, these investments address critical infrastructure deficits with solutions that align with the region's needs.

"Looking broadly, the early-stage opportunity in South Africa is just beginning to unfold. There's a growing recognition of this potential, which is poised to ripple into the other markets surrounding South Africa. In the rest of Southern Africa, where political stability is more pronounced, significant infrastructure investment presents a vast, but still untapped opportunity. As confidence in both economic and political spheres increase, the region stands on the cusp of unlocking immense possibilities."

Nick Allen, Managing Partner, Savant

3.3 Private Capital Dealmaking by Sector

Financials, **Industrials**, **Consumer Discretionary**, and **Information Technology** dominate private capital in Southern Africa, capturing 56% of all investments by volume since 2012.

The recent prominence of Financials in Southern Africa **is attributable to FinTech venture capital investments**, which commanded **64%** of the sector's deals by volume from 2019 to 2023.

Technology-enabled companies drove **52%** of deal volume in Southern Africa from 2015 to 2023.

Utilities, **Financials**, **Materials**, **Industrials** sectors lead **deal value** in Southern Africa, capturing **68%** since 2012

Southern Africa's private capital investment landscape reflects the region's economic diversity. From 2012 to 2023, investments concentrated in Financials (17%), Industrials (14%), Consumer Discretionary (14%), and Information Technology (11%), collectively accounting for more than half (56%) of total deal volume.

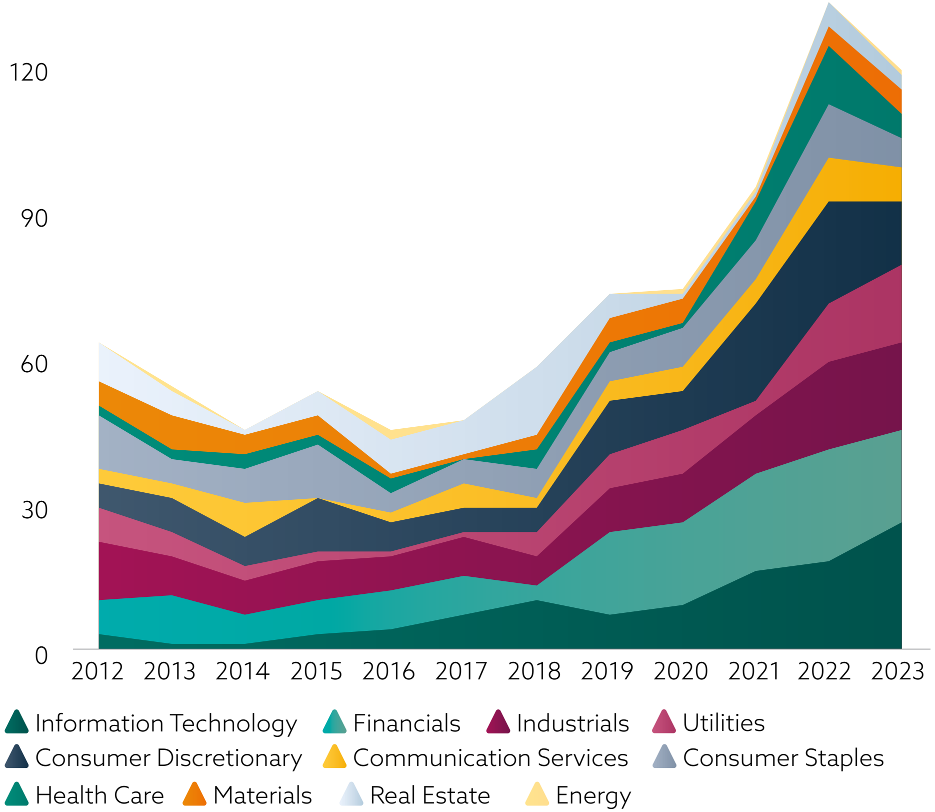
FINANCIALS

Notably, the Financials sector has seen significant growth, with its share of deal volume rising from 13% (2012-2018) to 19% (2019-2023). This surge is largely driven by venture capital investments in FinTech companies, which represented 64% of the sector's deals from 2019-2023, covering diverse areas such as digital asset management, microfinance, online payments, and digital insurance. South Africa has led the way, capturing 92% of these fintech investments. The country's commitment to the growth of the fintech industry is further underscored by the launch of the Intergovernmental Fintech Working Group (IFWG) in 2016, which promotes collaboration among regulators and policymakers to harness fintech innovation.

INDUSTRIALS

Industrials was the second most active sector by deal volume in Southern Africa from 2012 to 2023. Deal activity was concentrated in companies specialising in Commercial & Professional Services (37%), Capital Goods (34%), and Transportation (29%). South Africa, with its strong manufacturing base and coincidental need for logistics and transportation services, accounted for 77% of regional activity. Simultaneously, regional efforts within the Southern African Development Community (SADC) to promote industrial development have also been instrumental in the regional propulsion of the sector. Despite maintaining a stable deal share between 2019 and 2023, the Industrials sector in Southern Africa fell from first to fourth place during the same period, reflecting local economies' diversification away from traditional industries.

Figure 9: **Volume of Private Capital Deals in Southern Africa, by Sector, 2012 – 2023**



Source: AVCA

"Meeting unmet needs in Southern Africa, as in much of Africa, is key. Whether it's improving infrastructure, expanding healthcare, or catering to the increasingly sophisticated consumer market, there's ample opportunity for investment. However, the challenge lies in navigating the dynamic policy landscape and ensuring steady progress amidst government changes."

John Bellew, Head of Private Equity, Bowmans

CONSUMER DISCRETIONARY

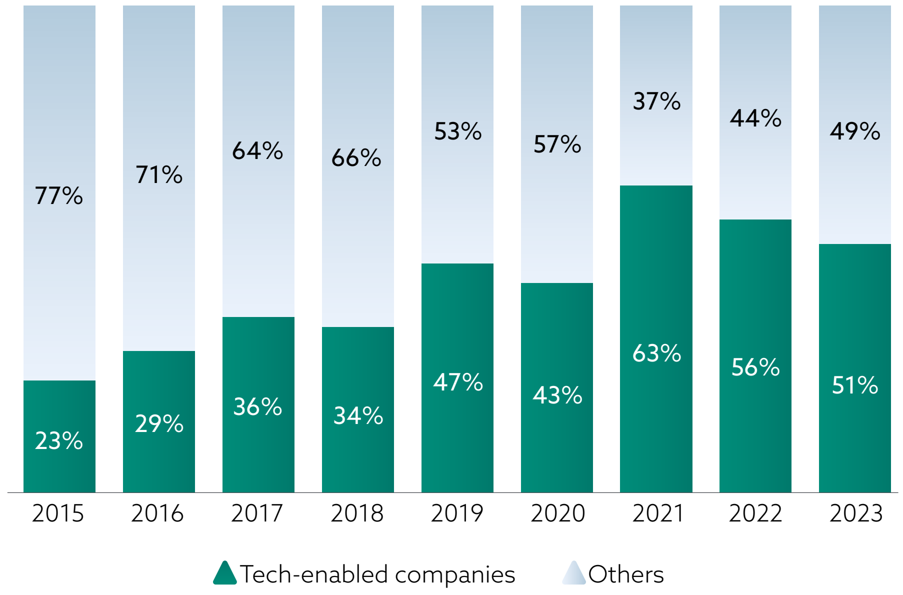
Driven by favourable long-term market growth drivers, the Consumer Discretionary sector ranked third by deal volume. Dominated by South Africa with 80% of the investments, the sector has flourished particularly in Consumer Services, which represented 49% of all Consumer Discretionary deals. Investments have predominantly been directed into education providers, including edtech, along with hotels and travel agents. Retailing (36%) was also a capital pull for the sector, as investors sought to capitalise on the region's increasingly sophisticated consumer market.

INFORMATION TECHNOLOGY

The Information Technology sector, while fourth in overall deal volume (2012-2023), nevertheless demonstrated significant growth and increased its share to 15% in 2019-2023 from 8% in 2012-2018. Venture capital has fuelled much of this growth, targeting early-stage Software and IT Services companies which drew 74% of all deals in the sector.

The rising significance of Information Technology is further evidenced by the embrace of technology-enabled companies. Notably, tech-enabled deals have accounted for 52% of all deal activity in Southern Africa since 2015. Spanning sectors like Financials, Logistics, Transportation, Consumer Services, Retailing, and Communication Services, these companies are bridging gaps in historically inefficient sectors. While they are keenly capitalised by private capital fund managers, tech-enabled companies also owe their growth to the increasing support of local governments. Acknowledging the crucial role of these companies, some local governments have implemented incentives to spur further sectoral development. For instance, South Africa offers tax incentives for research and development, has introduced public programs aimed at enhancing digital skills, and has launched special economic zones and innovation hubs in an effort to transform South Africa into one of the continent's most dynamic technology hubs.

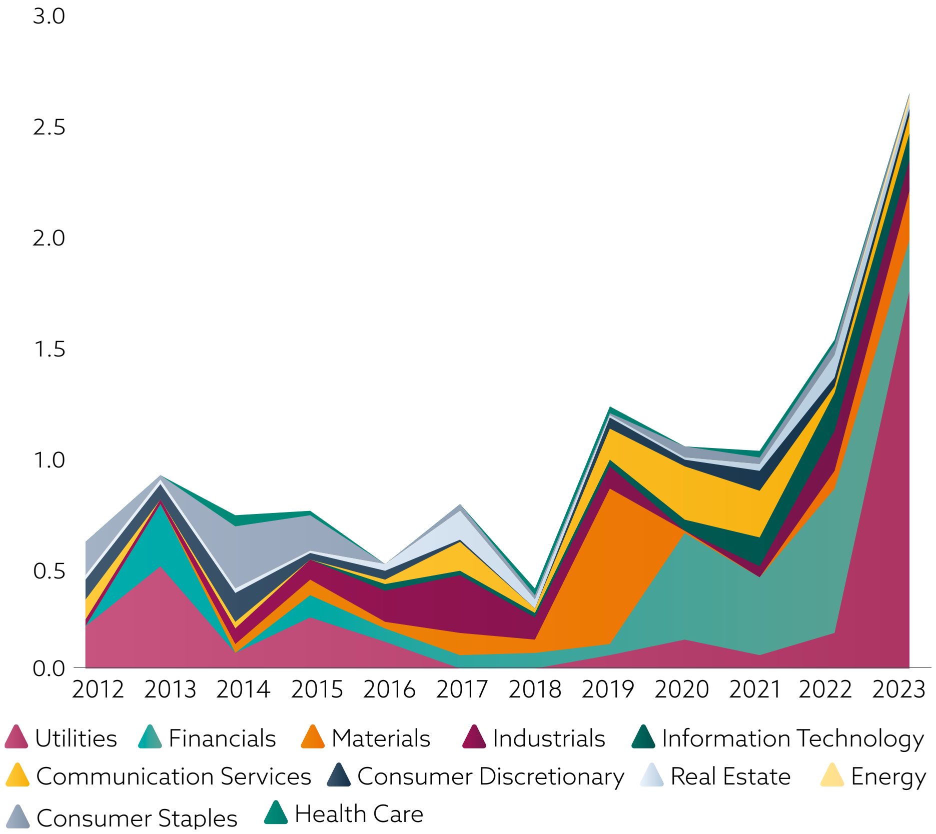
Figure 10: **Share of Investments in Tech or Tech-enabled Companies in Southern Africa, 2015 – 2023**



Source: AVCA

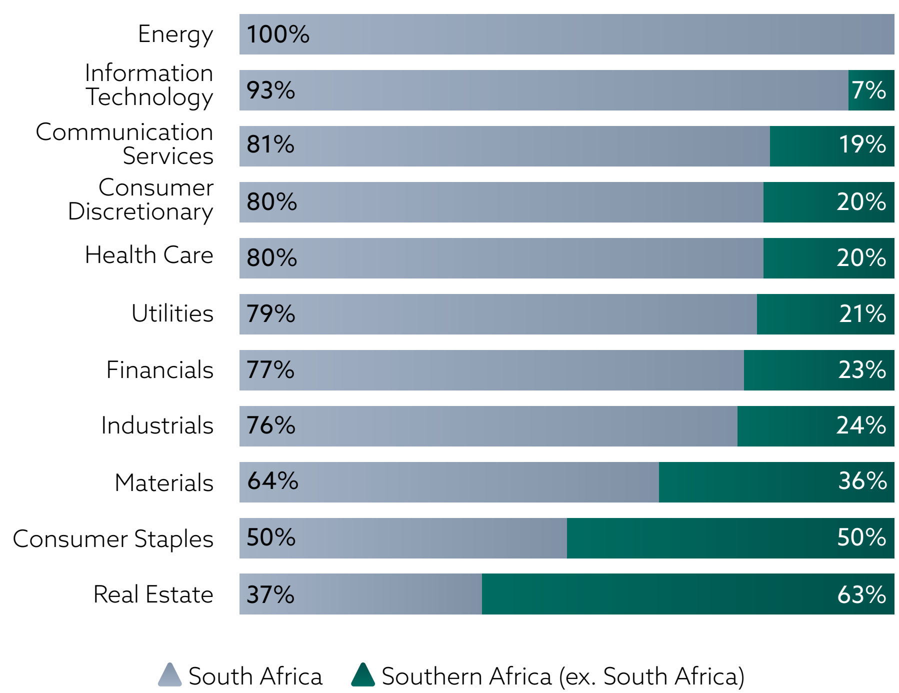
From 2012 to 2023, Utilities (27%), Financials (20%), Materials (11%), and Industrials (10%) were the leading recipients of private capital deal value in the region. The Utilities sector, with its significant focus on renewable energy, stood at the forefront, reflecting the crucial role fund managers play in finding sustainable solutions that address energy challenges. Materials was the region's third largest sectoral recipient of deal value between 2012 and 2023, coming in after Financials. A handful of substantial mining investments by global investors leveraging the region's rich natural resources bolstered deal values for the Utilities sector.

Figure 11: **Value of Private Capital Deals in Southern Africa, by Sector, US$bn, 2012 – 2023**



Although South Africa dominated deal activity across almost all sectors, as Figure 12 illustrates, the rest of the Southern African region made its mark in the Real Estate and Consumer Staples sectors, which also stood out as the most active sectors. The Consumer Staples sector was a focal point for investors in Southern Africa (excluding South Africa), accounting for 19% of the region's total deal volume. Investments in agriculture and food packaging industries attracted attention from investors, reflecting their confidence in the stability and essential nature of these industries in meeting consumer demands. Following close behind, the Real Estate sector accounted for 17% of investment volume, positioning itself as the second most active in this region. A combination of real estate focused funds, along with occasional injections from generalist funds, drove activity within the sector.

Figure 12: **Share of Deal Volume in South Africa vs Southern Africa (ex. South Africa), by Sector, 2012 – 2023**



Source: AVCA

3.4 Private Capital Dealmaking by Country

SOUTH AFRICA

Since 2012, South Africa has recorded 633 private capital deals, totalling US$8.5bn. Despite experiencing a significant slowdown in investment activity between 2016 and 2018 — stemming from economic downturns, political uncertainty, credit rating downgrades, and the impact of global commodity fluctuations — the country's investment landscape has witnessed a robust resurgence in recent years, with both the volume and value of deals growing by 1.4x and 1.8x respectively in 2019-2023, compared to 2012-2018. This resurgence has been particularly fuelled by the dynamic growth of venture capital within the country, where the number of venture capital investments in the last three years was 1.6x higher than the total from 2012-2020. These investments have predominantly focused on the Financials, particularly FinTech, and Information Technology sectors, which emerged as leading areas with 21% and 19% of deal volume, respectively in 2019-2023 - a substantial increase from the 12% and 11% recorded in 2012-2018.

Top 3 Most Active Sectors in South Africa, 2012 – 2023

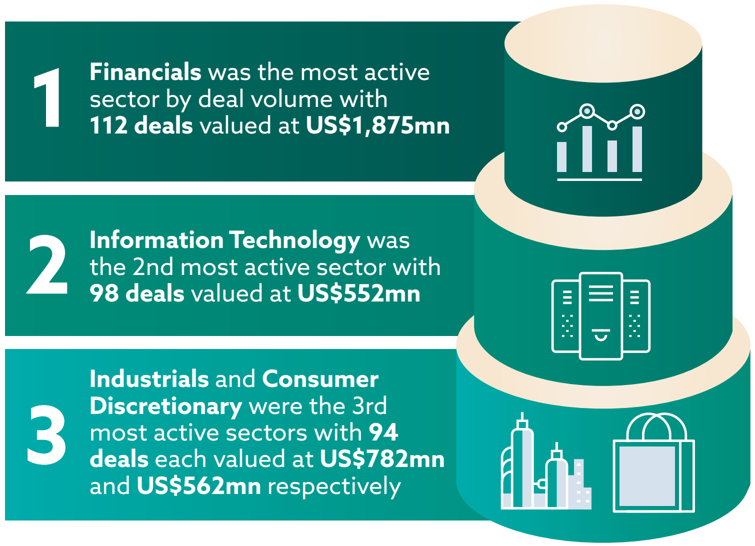


Figure 13: **Volume and Value of Private Capital Deals in South Africa, 2012 – 2023**

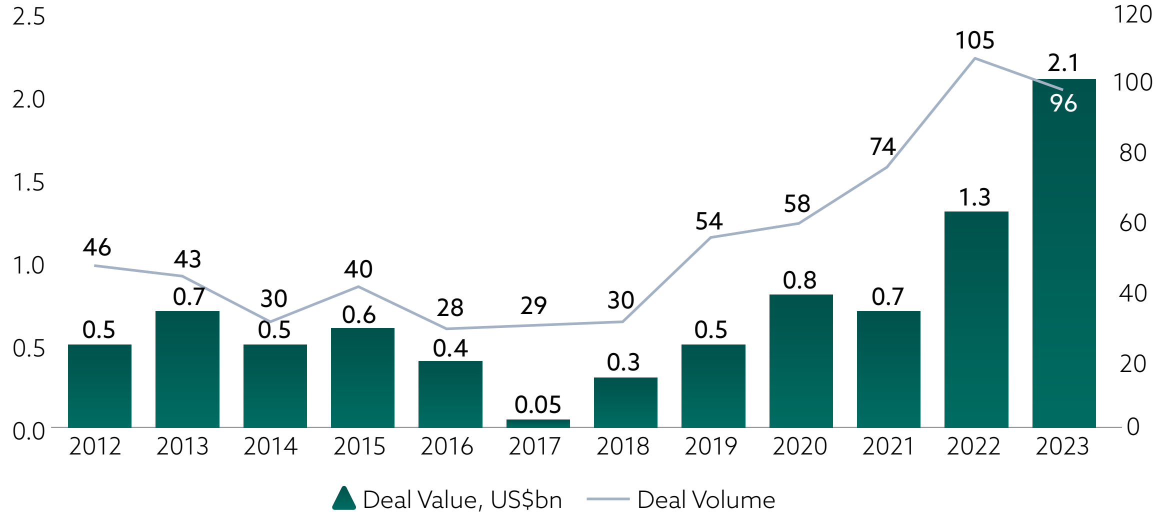
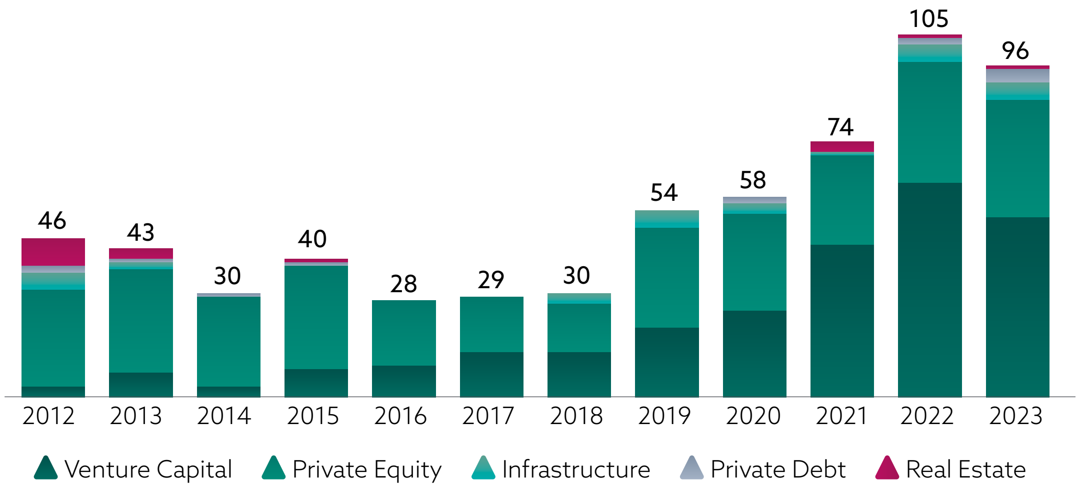


Figure 14: **Volume of Private Capital Deals in South Africa, By Asset Class, 2012 – 2023**



Source: AVCA

ZAMBIA

Zambia, located in the heart of Southern Africa, has been a nascent market for private capital in the region. Despite being Southern Africa's second-largest recipient of private capital deals from 2012 to 2023, the country's appeal to investors has been in the early stages of its development, with the country representing only 6% of the total deal volume in the region. However, Zambia's rich mineral resources, coupled with one of the world's youngest populations poised to double in the next 25 years, highlights Zambia's untapped potential for investors amidst prevailing challenges.

Zambia has experienced a downturn in investments since 2019, which can be attributed to the country's slower adoption of the general venture capital boom. Consequently, its regional share of deal volume has significantly decreased from 11% in 2012-2018 to a mere 3% in 2019-2023. Furthermore, the annual value of deals in Zambia has seen significant fluctuations, with peaks in 2017 and 2023. These were primarily driven by two mid-sized investments (i.e., between US$50mn and US$250mn) in the energy and mining sectors, which together accounted for 49% of the total investment value from 2012 to 2023.

Historically, private capital investments in Zambia were predominantly concentrated in private equity and real estate, significantly driven by regional real estate funds taking opportunities of Zambia's large urban density. It is only since 2020 that the Zambian industry has embraced venture capital and venture debt, particularly in fintech companies and microfinance institutions, albeit starting from a modest base.

Figure 15: **Volume and Value of Private Capital Deals in Zambia, 2012 – 2023**

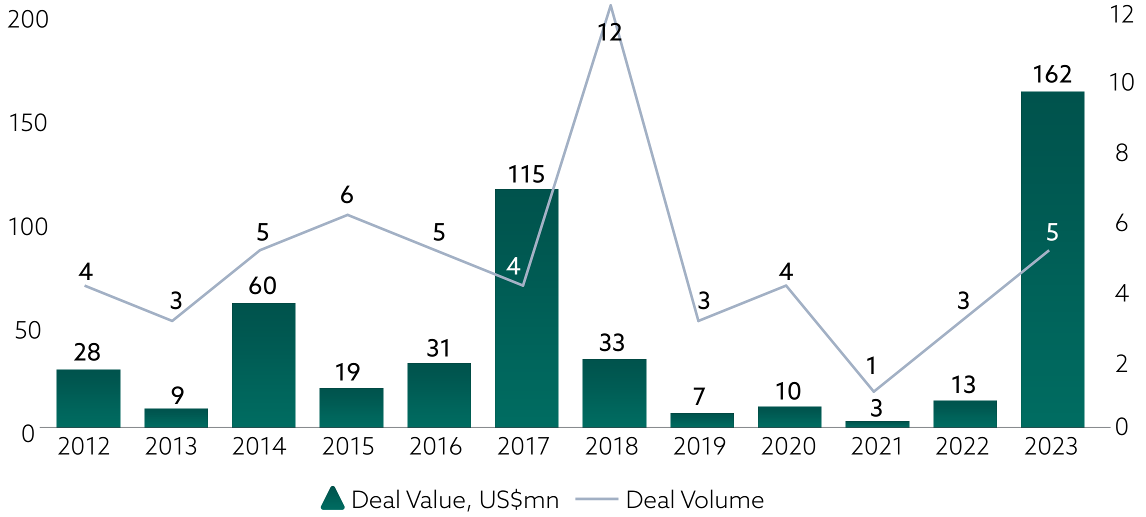
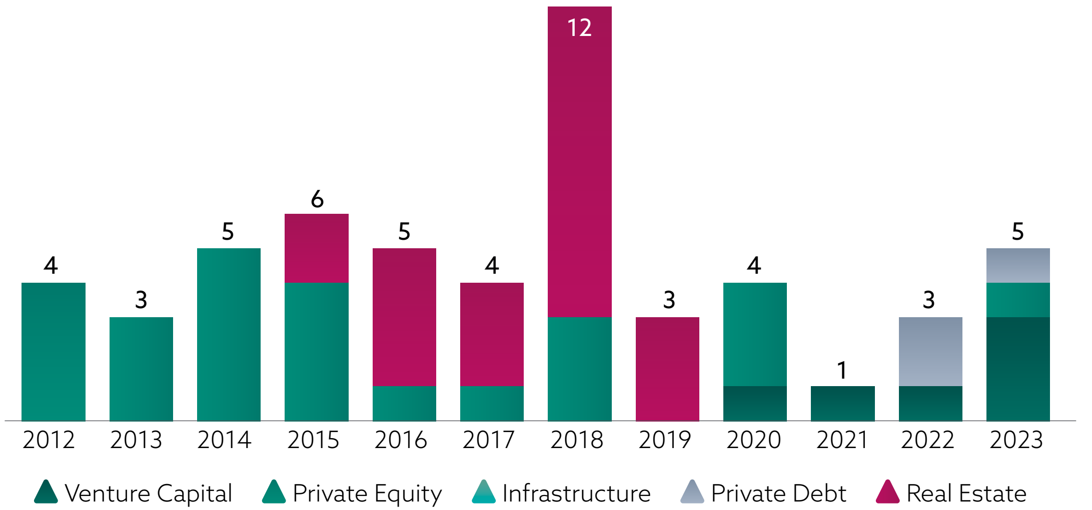


Figure 16: **Volume of Private Capital Deals in Zambia, By Asset Class, 2012 – 2023**



Source: AVCA

Investments in Zambia have predominantly originated from Southern Africa-based fund managers. Despite a relatively challenging environment for fund managers operating in the country, investors have made investments in sectors like Real Estate, Financials, Consumer Staples, and Materials. Fund managers are targeting sectors resilient to volatility, propelled by long-term growth factors such as urbanization, essential needs, and natural resource advantages.

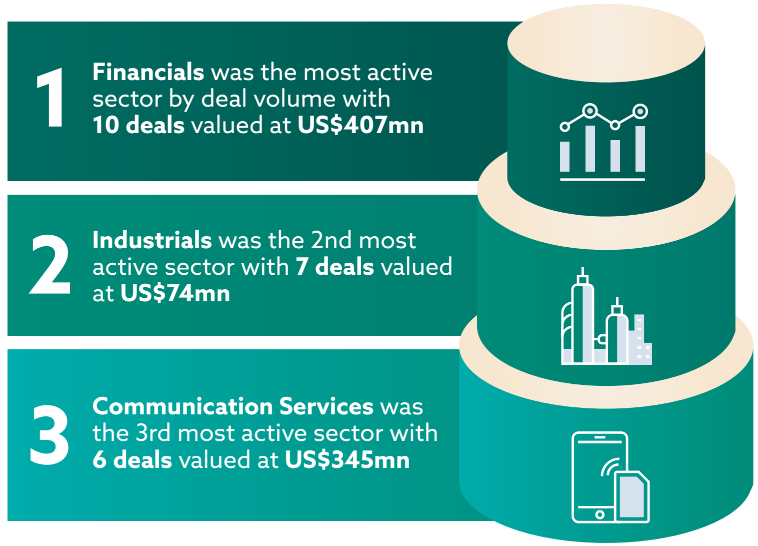
Top 3 Most Active Sectors in Zambia, 2012 – 2023

MAURITIUS

Mauritius stands out as one of the most prominent financial centres in Africa, recognized internationally for its robust legal & regulatory structures, and tax frameworks that meets international standards, sophisticated financial infrastructure and banking systems, solidifying Mauritius' reputation as an attractive location for global and African investors seeking a reliable and efficient conduit into the diverse African markets.

While Mauritius has prioritised championing itself as a hub for fund domiciliation, fund managers are increasingly seizing investment opportunities, becoming familiar with the local market. As a result, the country has witnessed a slight uptick in deal volume in the recent period (2019-2023), enhancing its regional investment share from 4% during 2012-2018 to 5% in the subsequent years.

Top 3 Most Active Sectors in Mauritius, 2012 – 2023



Source: AVCA

Figure 17: **Volume and Value of Private Capital Deals in Mauritius, 2012* – 2023**

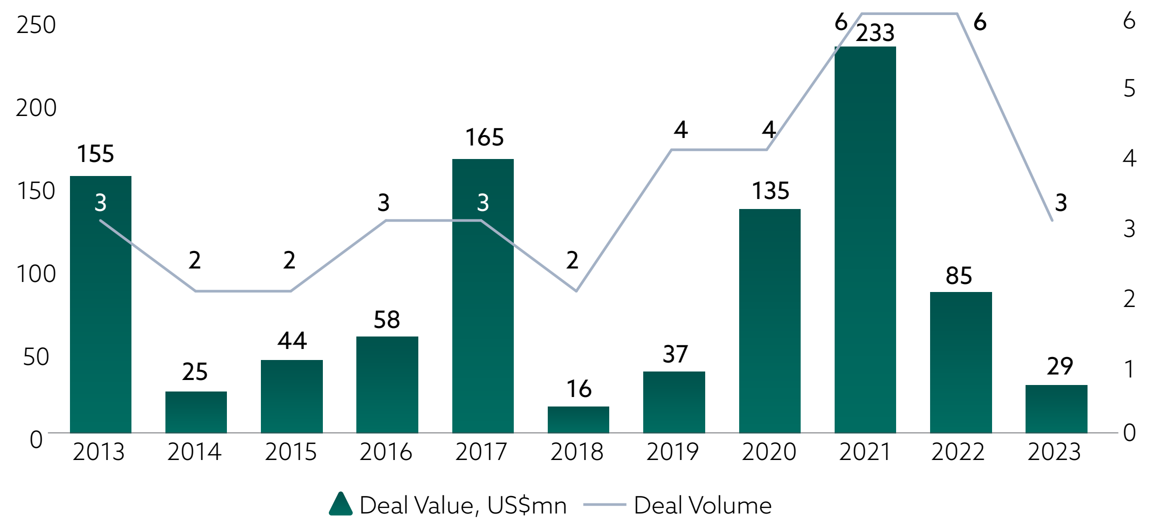
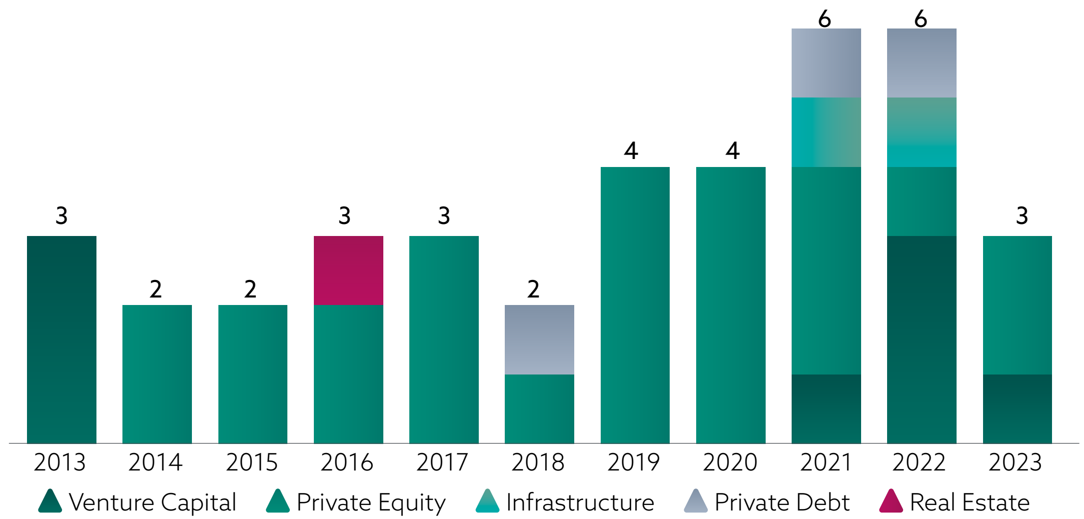


Figure 18: **Volume of Private Capital Deals in Mauritius, By Asset Class, 2012* – 2023**



*Please note that there was no reported private capital activity in Mauritius in 2012.

Source: AVCA

Private equity has solidified its position as the leading asset class within the country, accounting for 71% of all reported investments. A significant portion of these investments (67%) targets companies based in Mauritius, which operate extensively across various African countries. These companies benefit from the strategic advantages Mauritius offers, such as its critical geographic location, advantageous tax policies, and a stable socio-economic environment. Notably, multinational corporations that choose Mauritius as their headquarters can enjoy an eight-year tax holiday on corporate income[22].

Given the country's dynamic and established financial ecosystem, it is no surprise that the financial sector has been the most active, totalling 26% of all deals in Mauritius since 2012. This activity encompasses investments in a variety of firms, including diversified investment corporations, financial services providers specializing in unsecured credit, consumer lending, and firms offering innovative financial solutions targeted at emerging markets.

Finally, private capital in other countries in Southern Africa - such as Madagascar, Namibia and Mozambique – has been active, but remains nascent. Madagascar has attracted mainly investment from local impact funds and Southern Africa based fund managers. Mozambique has also seen investments from funds with a pan-African geographic remit. Albeit low deal volumes, investments from impact-driven private capital funds have sustained activity in both countries. Namibia, on the other hand, which has also experienced an uptick in deal volume share in recent years, has been bolstered by dedicated efforts from local pension funds to nurture the domestic fund managers ecosystem.

3.5 Private Capital Exits

222

Southern Africa leads Africa in **private capital exits**, with **222** recorded and a **41%** share from 2012 to 2023.

Trade buyers and sales to **private equity & other financial buyers** dominate exit routes in Southern Africa.

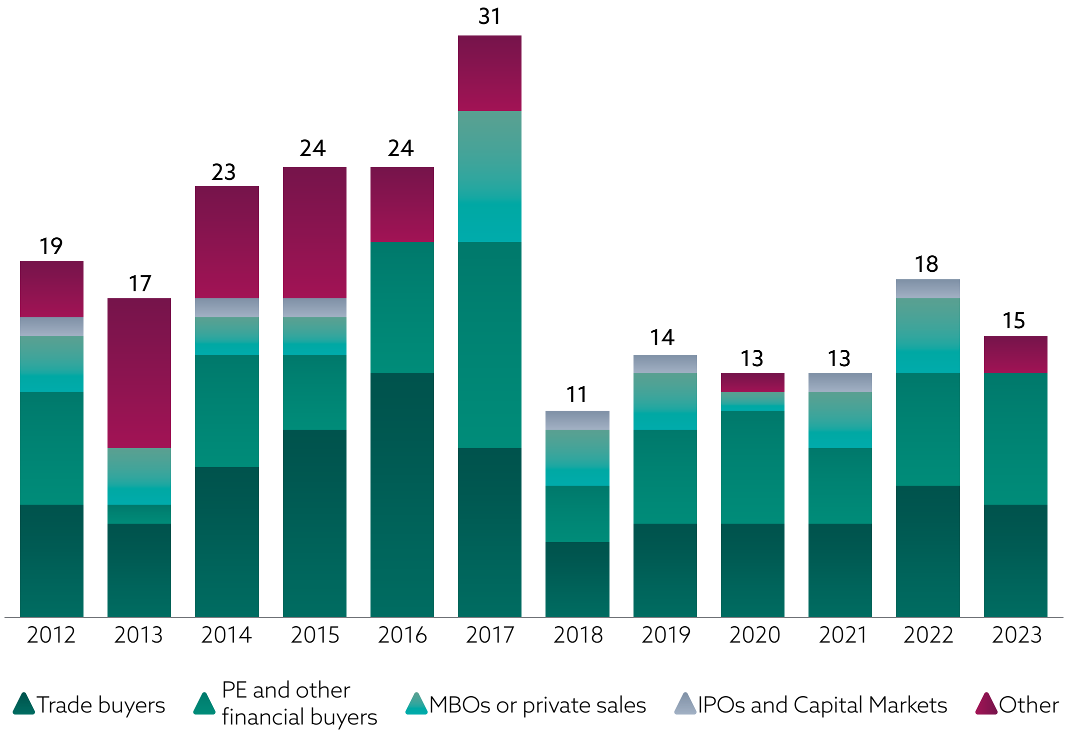
Industrials, **Consumer Discretionary**, and **Materials** sectors lead Southern Africa's exits, comprising 50% from 2012-2023.

Over the last decade, Southern Africa has been at the forefront of the continent's private capital exit landscape, recording 222 private capital exits and accounting for a 41% share of Africa's total exit volume from 2012 to 2023. Within the region, South Africa has contributed an impressive 77% of the region's exits and 31% of the continent's total, securing its position as the leader in exit volumes. However, its path has not been entirely smooth. Southern Africa's notable downturn in exit activity begun in 2018, with the region's share of African exit volume declining to 29% in 2019-2023, down from 49% in 2012-2018. Central to this downturn was the fall of South Africa's exit activity declining from 110 in 2012-2017 to just 61 in 2018-2023.

Mirroring broader continental trends, Southern Africa's exit landscape from 2012 to 2023 has been largely dominated by sales to trade buyers, which represented 37% of all exits in the region, closely followed by exits to private equity and other financial buyers, accounting for 30%. Strategic buyers are particularly attracted to the region's private capital-backed portfolio companies, while secondary sales owe their prominence to the abundance of locally based funds within the region. Notably, Southern Africa accounted for half of all secondary sales in Africa from 2012 to 2023. Despite the international influence of the Johannesburg Stock Exchange, exits through IPOs and other capital market constituted a mere 3% of all exits in the region. This could be indicative of the local stock markets' regulatory and operational complexities, alongside a preference for alternative, more immediate exit strategies, facilitated by Southern Africa's robust private capital market.

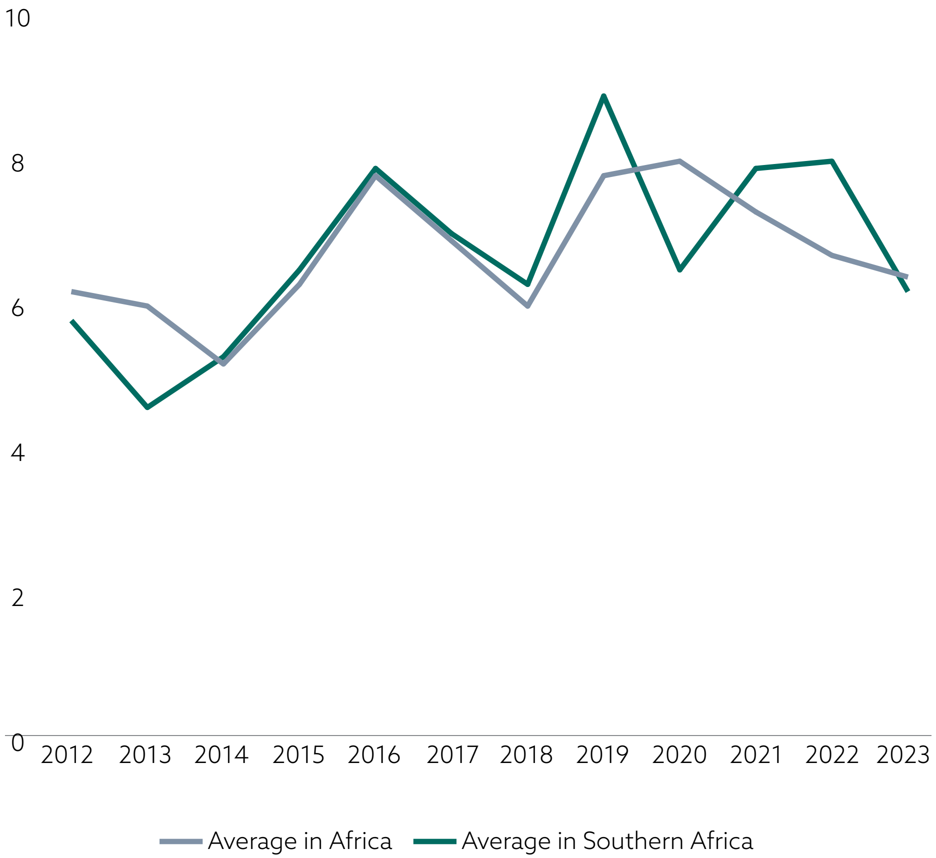
Finally, since 2018, Southern Africa has experienced longer average holding periods compared to the African average, coinciding with a drop in exit activity in the region.

Figure 19: **Volume of Private Capital Exits in Southern Africa, by Year & Exit Routes, 2012 – 2023**



Source: AVCA

Figure 20: **Evolution of Holding Period in Africa vs Southern Africa by Year of Exit, 2012 – 2023**



Source: AVCA

3.6 Investment and Exit Case Studies

INVESTMENT CASE STUDY: YELLOW

Investor Name: Convergence Partners

Fund Name: Convergence Partners Digital Infrastructure Fund (CPDIF)

Company Name: Yellow

Country (HQ): Mauritius

Countries Operations: Malawi, Rwanda, Uganda, Zambia, Madagascar

Sector: Fintech

Year of Initial Investment: 2023

Investment Size: US$10mn

Investment Overview

Yellow is a specialized credit provider that enables consumers across five African markets to acquire small off-grid solar systems and smartphones. In 2023, CPDIF injected US$10mn in growth capital to fuel Yellow's growth and enhance its geographic expansion.

This investment stands as a testament to Yellow's outstanding operational team and unique proprietary technology model, which have uniquely positioned the company to deliver its products to customers both profitably and sustainably —a notable achievement that sets Yellow apart from its competitors. Furthermore, this investment aligns closely with Convergence Partners' commitment to impactful investing. By providing affordable credit to marginalized communities and unbanked individuals, Yellow addresses three critical development challenges in Africa: enhancing access to power, broadening broadband connectivity, offering affordable credit. Importantly, Yellow's focus on renewable energy sources expands access to essential services without exacerbating the carbon footprint.

Overall, this represents a landmark investment for CPDIF, marking its foray into a new sector and introducing the fund to new African markets. Furthermore, the nature of this investment underscores further the evolving maturity and completeness of Africa's private capital industry, highlighting the transition from seed and venture capital financing to growth capital infusions by private equity investors.

Investment Rationale

The core thesis driving the investment in Yellow is that the company, through its innovative team and cutting-edge technology, can create a market where one never existed before. This strategy will not only provide users with access to previously unavailable products but also introduce novel payment solutions, positioning Yellow to capture a significant share of this burgeoning opportunity.

Moreover, as a high-impact investment, Yellow's products are set to revolutionize the lives of its customers by democratizing access to electricity and digital information. This aligns perfectly with CPDIF's focus on impact investing, highlighting the importance of supporting ventures that have a profound positive effect on society.

Key Highlights from Doing Business in Southern Africa

Opportunities

Yellow benefits from strong secular demand tailwinds in the countries where it operates. Southern Africa's challenges with infrastructure and diminishing electrification rates have boosted increased demand for off-grid solar systems. For Yellow, the region presents an opportunity for introducing these innovative solar solutions to consumers, offering a cost-effective and highly efficient alternative to other green energy alternatives.

Additionally, Yellow is capitalizing on the rapid growth of digital demand for smartphones in the region. By deepening its smartphone services, the company aims to tap into the burgeoning market driven by a surge in content creation and data consumption across Africa.

Challenges

In rural areas, where Yellow operates, inadequate infrastructure poses challenges for operations and logistics, necessitating efforts to enhance efficiency and ensure reliable, consistent, and on-time distribution.

From an investor standpoint, challenges associated with currency devaluation diminish dollar-denominated returns over time, placing a considerable focus on the identification and mitigation of foreign exchange risks.

Outlook

Looking ahead, Yellow is poised for substantial growth, primarily through deeper penetration into the markets where it already operates. Additionally, the company is well-positioned to expand its reach into other significant markets across the African continent. The anticipated introduction of innovative products, including new productive asset classes and cash advances on assets already paid off, is also expected to further drive the company's growth.

Finally, Yellow's ability to accumulate valuable long-tail data, coupled with its best-in-class algorithms for interpreting that data, establishes a formidable moat that is increasingly difficult to compete with.

EXIT CASE STUDY: TESSARA

Exiting Investor Name: Alterra Capital Partners

Fund Name: Carlyle Sub-Saharan Africa Fund

Company Name: Tessara

Country (HQ): South Africa

Countries Operations: Pan-Africa

Sector: Agri-Tech

Year of Initial Investment: 2018

Year of Exit: 2023

Exit Route: Sale to Trade Buyer

Investment Overview and Rationale

Founded in 1985, Tessara operated for many years with a single flagship product, Uvasys, the world's first laminated SO2-generating sheet designed to protect table grapes from post-harvest decay. Since partnering with the Alterra team in 2018, Tessara has broadened its horizons, expanding its innovative solutions to include additional agricultural products (e.g., berries, flowers and tomatoes). Moreover, the company has achieved a significant milestone by developing and bringing to market another recyclable product.

Alterra's investment in Tessara was rooted in the company's well-established brand and the high quality of its core product. Additionally, the decision to invest was also driven by clear opportunities for further investment and growth, including upgrades to the management team, research and development efforts to fuel product expansion, and opportunities for geographic expansion.

GP Value Add

After the investment, Alterra revitalized Tessara's leadership and jointly crafted a strategy to diversify the company's product portfolio and expand into new markets. Initiatives undertaken included:

- Reinforcing management team shortly after investment by hiring a CEO and CFO and making key hires to lead sales, regulatory, R&D and supply chain functions.
- Expanding Tessara's product portfolio beyond grapes to include protective solutions for flowers, berries, and tomatoes.
- Actively identifying new markets for geographic expansion, involving the registration of products where necessary and hiring sales personnel to penetrate these new areas.
- Developing an alternative, recyclable technology that is more environmentally friendly and commands higher profit margins.
- Doubling the manufacturing capacity at its existing facility in Cape Town.

ESG & Impact Acceleration

Tessara's flagship product for grapes significantly cuts down food waste by reducing fungal spoilage from 25% to less than half a percent. Building on this success, the company also developed a new product designed for berries, which has shown comparable reductions in waste. During Alterra's investment, Tessara launched a recyclable version of its core product aimed at diminishing single-use plastic waste, with plans to introduce a similar product to the berry product line. In response to growing environmental concerns and market demand, Tessara has focused on sustainable innovation with significant positive outcomes:

- These products, offering higher profit margins, maintain their effectiveness and environmental benefits.
- Tessara's product has been very successful, with major retailers like Tesco endorsing and promoting its use, thereby driving demand.

Exit Process

Alterra engaged an agri-sector specialist investment bank and sourced vendor due diligence reports to initiate a broad sales process in December 2022. This approach attracted interest from both strategic and PE buyers. By September 2023, the successful sale of Tessara to AgroFresh was finalized.

AgroFresh, a leading American innovator in agricultural technology, plays a significant role in mitigating climate change through its efforts to reduce food waste and lower greenhouse gas emissions. To date, the company has saved 259,000 metric tons of apples from going to landfill and 2.5 million metric tons of water, thanks to their innovative apple spoilage reduction methods. By acquiring Tessara, AgroFresh has strengthened its arsenal in the fight against food waste.

AgroFresh is also a portfolio company of Paine Schwartz Partners, a global leader in sustainable food chain investing.

Financial Performance

During Alterra's investment, Tessara experienced significant growth, with its LTM Revenue increasing by 2.1x, equivalent to a CAGR of 16%. Simultaneously, its LTM EBITDA grew 2.2x, also reflecting a CAGR of 16%.

Lessons Learned

Investing in Tessara reinforced several crucial insights:

- The importance of an Independent Chairman: David Hathorn played a key role in facilitating a management transition and steering the management team through various strategic initiatives.
- The importance of establishing and carefully executing a 100-day plan following the transaction's closure.
- The importance of continuously and carefully investing in Research and Development to enhance existing products and innovate new ones.

Finally, our investment in Tessara, coupled with our overall private equity experience, confirms that South Africa continues to possess high-quality companies and a strong skills base that can be leveraged to grow businesses globally. This explains why international strategic buyers remain interested in South African companies.

3.7 A Selection of Legal and Regulatory Changes

SOUTH AFRICA

Section 12 J, Income Tax Act (2008)

In 2009, the Income Tax Act (2008) was amended to introduce Section 12J with the main purpose of spurring private sector investment into Micro, Small and Medium Enterprises (MSMEs) in South Africa. This was done through the introduction of a full tax deduction on the value of investment for approved private sector investors who provided concessional capital to MSMEs in South Africa.

Section 12J of the Income Tax Act (Section 12J) had significant implications for the private capital industry in South Africa. In a market that had a well-established private equity industry, Section 12J was a catalyst for the growth of the venture capital industry in South Africa which was still in its nascent stages. The tax incentive gave the birth of the first wave of venture capital firms in South Africa which made investments in the country's burgeoning technology space, spurring their rapid expansion.

Unfortunately, in 2021 Section 12J was abolished by the South African National Treasury, following a formal review process which found that the regulation had failed to achieve its intended purposes.

Renewable Energy Independent Power Producer Procurement Programme (REIPP) (2011)

In the last decade, the Energy sector in South Africa has been plagued by high energy costs and an unreliable national grid which has resulted in scheduled power cuts across the country.

To address these challenges, in 2011 the government of South Africa introduced the Renewable Energy Independent Power Producer Procurement Programme (REIPP), the main purpose of which was to increase national grid capacity, reduce the reliance on fossil fuels and support South Africa's transition to clean energy. Under this programme, the private sector participates in a competitive public procurement process to receive a 20-year power purchasing agreement from the government of South Africa.

Since its inception, REIPP has successfully attracted US$11 bn from the private sector, which has been invested into at least 6,000MW of energy in South Africa. The program has spurred interest among investors in the energy sector, who have made significant investments in solar and wind energy assets in South Africa in recent years.

Exchange Control Regulations, Currency and Exchanges Act (1933 – amended in 2021)

The Exchange Control Regulations regulate cross-border foreign exchange transactions for tax residents in South Africa. In particular, the regulations prohibit South African tax residents from participating in transactions where capital is directly or indirectly exported from South Africa.

To navigate challenges created by the Regulations, private equity firms with foreign sources of capital participated in 'loop structures' which enabled them to indirectly hold South African assets using non-resident legal entities. Loop structures were permitted only where South African exchange control residents did not own more than 40% of the shares in the foreign legal entities.

In 2021, the South Africa Reserve Bank relaxed the exchange control rules, lifting the restriction on loop structures involving individuals, companies and private equity firms. With prior approval, private equity firms are now permitted to acquire 100% of the shares of foreign legal entities.

Regulation 28, Pension Funds Act (1956 – amended in 2022)

The Pension Funds Act (1956) in South Africa regulates the administration of approved pension funds in the country, including their investment into different asset classes to reduce risks associated with a lack of diversification.

In 2022, Regulation 28 of the Pension Funds Act was amended, splitting 'other assets' into private equity and hedge funds, additionally increasing pension funds' exposure to private equity from 10% to 15%.

In a region and industry dominated by foreign investment, the increased allocation towards private equity is a welcome addition to the small pool of available private capital sources. As of 2022, there were 5,294 Pension Funds in South Africa cumulating approximately US$500bn of assets under management (AUM), with 50% of these assets invested into the Johannesburg Stock Exchange. However, with the amendment to Regulation 28, there is tremendous potential for pension funds to increase their allocation to private capital investments in South Africa.

ZAMBIA

The Securities (Private Funds) Guidelines (2022)

In 2022, the Securities (Private Funds) Guidelines were introduced by the Zambian Securities & Exchange Commission to regulate the activities of private equity funds in Zambia, which previously were not formally regulated.

The Guidelines provide for:

- The structure of private equity funds, requiring that these funds have at least 1 local Zambian representative.
- The qualification, duties and responsibilities of fund managers.
- A minimum 1% co-investment by fund managers into the capital of the fund.
- Investment limits for funds, requiring that 75% of the capital be invested in non-listed securities and 15% in money markets. Not more than 35% can be invested in a single entity.

MAURITIUS

Finance Act (amended in 2019 & 2023)

Mauritius has a favourable taxation regime which offers extensive incentives for private equity firms operating in the country. At present, private equity funds in Mauritius may be structured as Collective Investment Schemes (CIS) and Closed-end Funds.

In 2019, the Finance Act amended the Income Act Tax in Mauritius by introducing a series of tax incentives which allowed private equity funds structured as Closed End funds to benefit from an 80% tax exemption on foreign dividends, income interest and foreign sourced income.

In 2023, the Finance Act further introduced a 95% tax exemption on interest earned by Closed End Funds. The recent uptake of private debt as an asset class in Africa prompted the government of Mauritius to amend the Securities Act 2005 to allow closed-end funds in Mauritius to invest in debt instruments and thus benefit from the 95% exemption available to closed-end funds on interest earned.

NAMIBIA

Regulation 28 & 29, Pension Funds Act (1956 – amended in 2013)

Namibia is one of the smallest private equity markets in Southern Africa. However, in recent years investments into the asset class have been on the rise, thanks in part to the introduction of Regulation 28 and 29 to the Pension Funds Act in 2013. In 2013, the exposure of Namibian pension funds to 'unlisted assets' was increased, allowing pension funds to invest between 1.7% and 3.5% of the market value of their assets in unlisted assets in the country. To invest in private equity, which falls under unlisted assets, pension funds were required by the regulations to set up separate Special Purpose Vehicles (SPVs) managed by qualified fund managers.

This regulatory change has played a significant role in supporting the growth of private capital in Namibia over the past decade. Since the enactment of Regulation 28 & 29, the Government Institutions Pension Funds, Namibia's largest pension fund, has set up at least 20 private equity funds and 6 infrastructure funds. It has made commitments exceeding US$540mn to these asset classes[23].

BOTSWANA

Retirement Funds Act (2022)

The private capital industry in Botswana is still in its nascent stages. However, similar to South Africa & Namibia, the government has taken recent initiative to increase pension fund investment in the local economy.

In 2022, the Retirement Funds Act came into force, creating a new regulatory regime for retirement funds in Botswana. Unlike the previous regulations, the new Act does not place any restrictions on the exposure of pension funds to the different asset classes and has increased the onshore limit for investment into domestic assets from 30% to 50%.

This development may have significant implications on the private capital industry in the country as pension funds now have the capacity to increase their allocations to private equity.

4. Private Capital in Southern Africa: A Catalyst For Sustainable & Impactful Growth

Private capital has a pivotal role to play in catalysing sustainable and impactful growth across the Southern African region. As the global community grapples with pressing challenges such as climate change and the need for inclusive development, the private capital industry has remained steadfast in its commitment to impact investing principles in Southern Africa. Pioneering this approach on the continent, private capital allocators recognize the potential for investments to generate not only financial returns but also positive social and environmental impacts, aligning with the continent's aspirations for a more sustainable and equitable future.

In this context, this analysis delves into pivotal areas where private capital can play a transformative role in Southern Africa: advancing gender parity and promoting climate impact, as well as catalysing technological and inclusive progress in Southern Africa. By examining the investment landscape, trends, and strategies employed by private capital actors, we gain valuable insights into the industry's commitment to fostering a more sustainable and prosperous future for the region.

4.1 Sustainable and Impactful Growth: Gender Parity

Women constitute half of the world's population, yet they remain underrepresented and lack equal opportunities across various essential sectors of society. Gender equality is not only a fundamental human right, but also a prerequisite for inclusive and sustainable development to be realised to their fullest potential[24]. In this regard, gender diversity is imperative in the private capital landscape from an egalitarian perspective as well as a commercial one, given the multifaceted benefits of gender parity for businesses and economies. While acknowledging that there is further progress to be made, compared to other parts of the world, Africa stands out as a trailblazer in advancing gender balance. It has surpassed the global average in female leadership representation, exhibiting the highest female representation on boards at 25%, significantly above the global average of 17% in 2019[25]. The continent is thus well positioned to reap the many benefits offered by gender-balanced leadership teams such as enhanced decision-making processes, reinforced governance and operations frameworks, and ultimately increased investment returns[26]. The IFC's report on *Gender Balance in Private Equity and Venture Capital* in emerging markets further illuminates that senior leadership teams exhibiting gender balance substantially outperform their counterparts in terms of valuation.

Women are the driving force behind African economies, comprising an impressive 58% of the self-employed population[27]. As the continent which boasts the highest proportion of women entrepreneurs, an examination of Africa's startup ecosystem is imperative. An analysis of who receives venture capital funding illuminates existing gender inequalities in accessing capital and growth opportunities. In Southern Africa, just as across the continent, strides towards gender parity in the corporate realm are evident, albeit with room for improvement.

GENDER LENS INVESTING IN SOUTHERN AFRICA

According to *AVCA 2023 Venture Capital Report*, the African startup ecosystem exhibits notable regional variations in advancing gender diversity and inclusion. In Southern Africa, a modest 16% of venture capital funding recipients in 2023 were female-led startups, ranking third among African regions. Excluding Central Africa due to its minimal volume of VC deals, East Africa takes the lead with 25% of its VC deals going to female-led startups. When expanding to gender-diverse startups (defined as those with at least one female founder), East Africa emerges as the frontrunner, with 38% of VC deals in female founded startups in 2023. Central Africa closely follows with 33%, while Southern Africa in third place again accounts for 26% of gender-diverse startups receiving VC funding during the same period.

Globally, female founders struggle to command funding commensurate to the deal flow volume they assume (which is in itself still far from satisfactory), highlighting the persistent challenges and systemic biases they face.

In 2023, solo female founders in Southern Africa represented 9% of venture capital recipients in the region, securing 7% of deal volume but only 1% of the funding. In other parts of the world, the picture is no rosier. In the United States, solo female founders represented 14% of venture-backed startups in 2023 and accounted for 7% of deal volume, yet received just 2% of venture capital funding[28]. In Europe, 14% of venture-backed startups were also female founded. They fared worse than their American counterparts, receiving just under 1.5% of the total venture capital invested in 2023, despite securing 5.3% of deal volume[29]. This phenomenon can be attributed to female-led businesses receiving more funding in early stages but less in later stages than male-led businesses, and their comparative unlikelihood to secure second round funding[30].

The startup ecosystem in Southern Africa has witnessed both progress and setbacks in its journey towards gender equality over the past three years. The number of female-led startups securing venture capital funding exhibited a robust annual average growth of 23% from 2020 to 2023. However, this promising trajectory was undermined by a 2% decline in the share of startups with female CEOs during the same period. A similar ambivalent trend is evident for female (co)founded startups in the region. While the number of these startups receiving VC funding grew at an annual average of 16% from 2020 to 2023, their overall share disappointedly declined by an annual average of 7% over the past three years.

Figure 1: **Key Facts on Female-Led startups in Southern Africa**

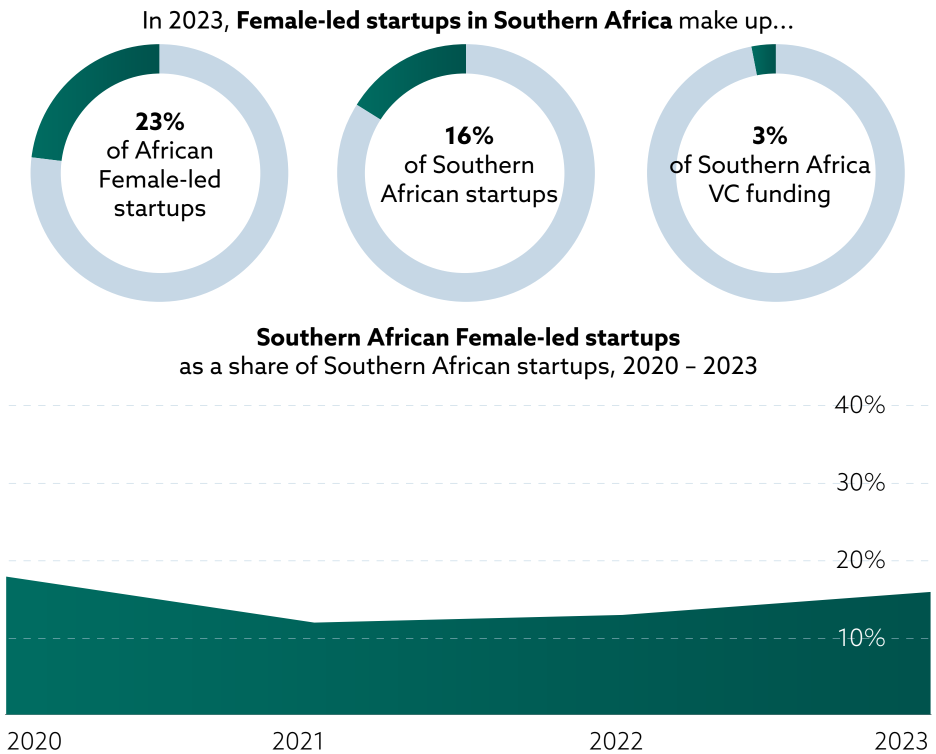
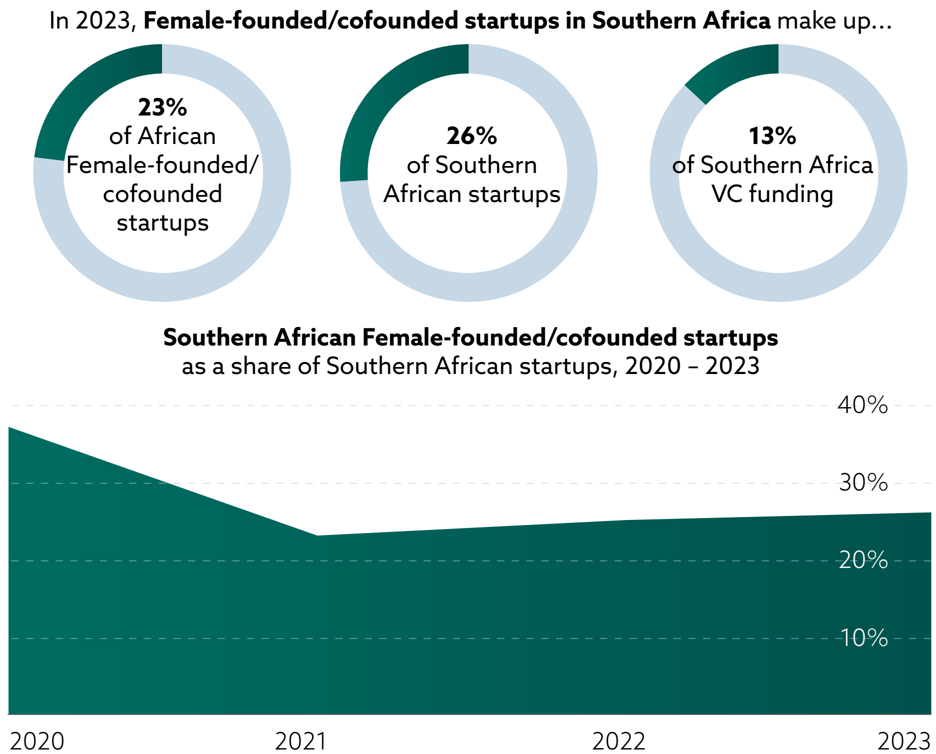


Figure 2: **Key Facts on Founded/Cofounded startups in Southern Africa**



Source: AVCA

Figures reveal a persistent and significant gender gap in Southern Africa's venture capital landscape. The average value of funding secured by female-led startups in the last four years remains disappointingly low. Female founders claimed only 3% of the region's aggregate venture capital raised between 2020 and 2023 (US$54mn out of US$1.9bn), falling below the continental average of 6%.

While startups with at least one female founder raised US$284mn (representing 15% of VC funding in Southern Africa), funding for solely female-founded startups paints a bleaker picture. These startups accounted for a mere 7% of funded ventures from 2020 to 2023, securing just US$15mn, or 1% of capital poured into Southern Africa. In the region and across the continent, the glass ceiling still casts its shadow over capital access, disproportionately impacting those without male co-founders.

The Southern African region exhibits distinct patterns in the representation of female entrepreneurs across sectors. For instance, female-led and female (co) founded startups that raised funding between 2020 and 2023 predominantly operated in the Consumer Discretionary sector (respectively 36% and 23%). This trend suggests a response to a market gap, stemming from industries failing to adequately address the needs of women, who serve as primary decision-makers in consumer purchases. Conversely, their male counterparts are more prevalent in the Financials and Information Technology sectors, which have historically been dominated by and perceived as a more traditionally masculine field.

Empowering gender equality within privately funded companies in the Southern African region is a crucial endeavour, offering multifaceted benefits and addressing a social imperative. It is an ongoing journey – one that presents encouraging opportunities, such as an increasing proportion of female CEOs and founders, but also significant areas for further advancement, particularly in securing adequate funding.

4.2 Sustainable and Impactful Growth: Climate Action

The need for climate investing in Africa is both critical and undeniable. Despite being a minor contributor to global greenhouse gas emissions, the continent's vulnerability to the adverse effects of anthropogenic climate change place it at the frontline of the global climate emergency. This is particularly true for Southern Africa, as evidenced by recent critical and unstable energy deficits in South Africa that highlight the region's precarious energy security. Unfortunately, financing for climate action falls short of what is required to address these vulnerabilities.

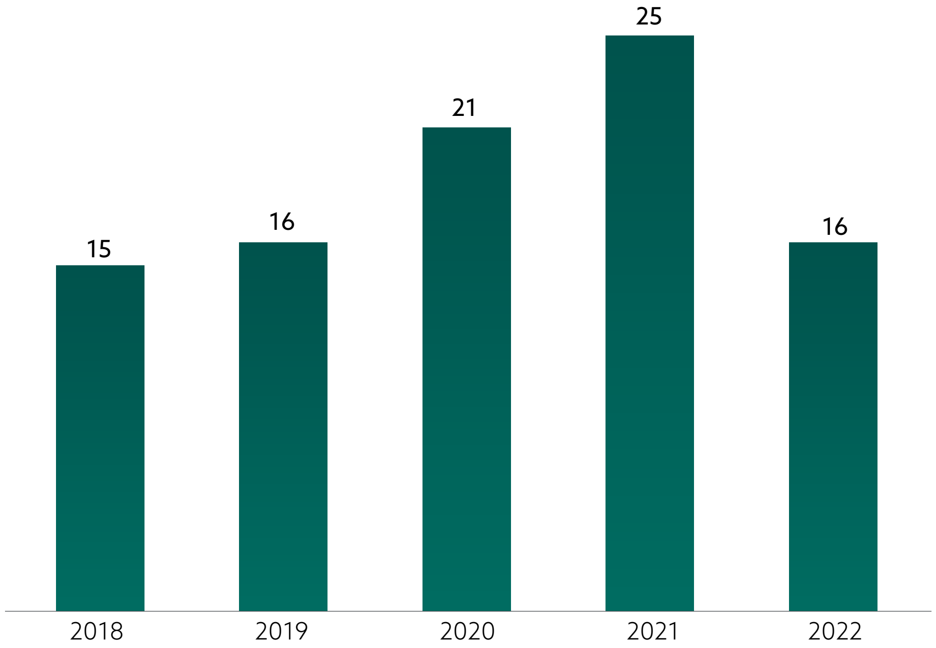
Despite this funding gap, there are encouraging signs of growing climate awareness within Southern Africa's private capital industry. The emergence of investment opportunities in climate solutions demonstrates a positive shift in the consciousness of regional investment managers. However, significant room for further progress remains.

CLIMATE INVESTING IN SOUTHERN AFRICA

According to AVCA's Report on *Climate Financing in Africa: Strategies for the Future* private capital allocated to climate-related assets, projects, and companies in Africa witnessed a nearly four-fold increase over the preceding decade. Between 2012 and 2022, a total of 822 climate-related investments with a cumulative value of US$17.4bn took place on the continent.

In Southern Africa, where 93 climate-related deals totalling US$861mn were reported over the period 2018-2022, the region can take pride in securing the third position by deal volume. East Africa region took the lead in climate-related deal volume boasting 154 deals and US$1.3bn raised, closely followed by West Africa with 114 deals and US$1.7bn raised.

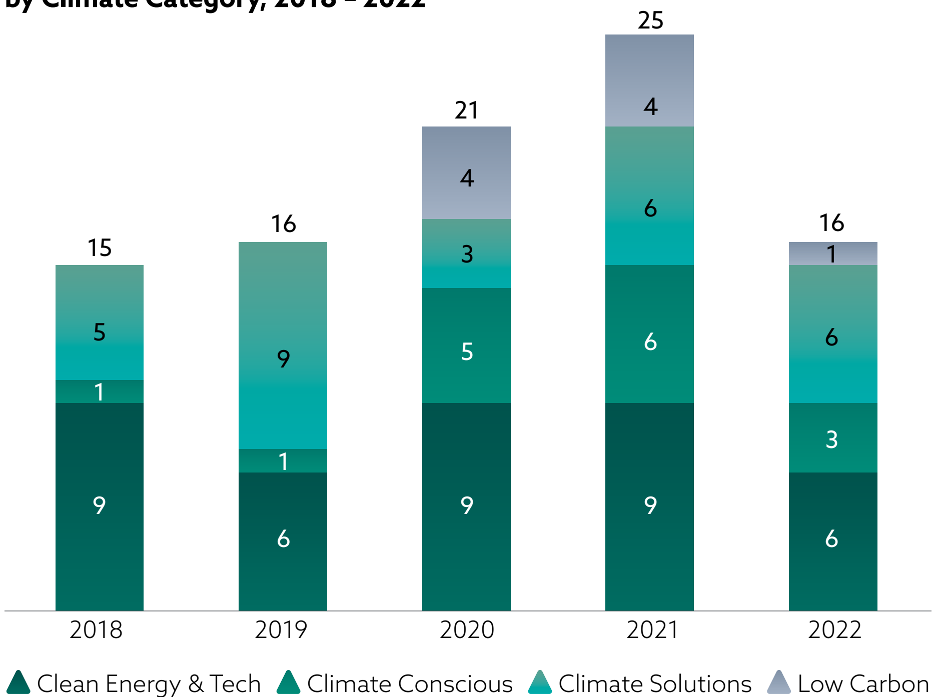
Figure 3: **Climate-related Private Capital Deals Volume in Southern Africa, by Year**



Source: AVCA

From 2018 to 2022, Southern Africa witnessed a steady increase in climate-related investments, averaging a 5% annual growth rate. However, this fell short of the continental average of 15%. While the period from 2018 to 2021 saw a robust start with the highest number of deals, there was a notable decline of 36% in 2022. This decline was observed across the continent, paradoxically coinciding with the year Africa, including Southern Africa, saw the highest volume of private capital deals overall. Concurrently, the same year marked the start of permanent loadshedding in South Africa, given Eskom's (the national electricity company) financial difficulties, which likely sent negative signals to investors. Despite the decline in the number of deals in 2022, the value of climate-related investments in the region saw a remarkable surge, from US\$39mn in 2018 to US\$213mn in 2022. The overall growth trajectory remained robust, with an average annual growth rate of 59%[31], reflecting the region's potential for sustainable development amidst challenges.

Figure 4: **Climate-related Private Capital Deals Volume in Southern Africa, by Climate Category, 2018 – 2022**



The spectrum of strategy employed by climate-related private investment funds can be divided into the following broad categories:

Low Carbon funds typically make sector-agnostic investments in companies with reduced carbon intensity and/or carbon footprint relative to a benchmark index.

Climate Conscious funds typically target companies that consider climate change in their business strategy. These companies need not be solely climate focused but are better prepared for the transition to a low-carbon economy than mainstream companies given their climate consciousness.

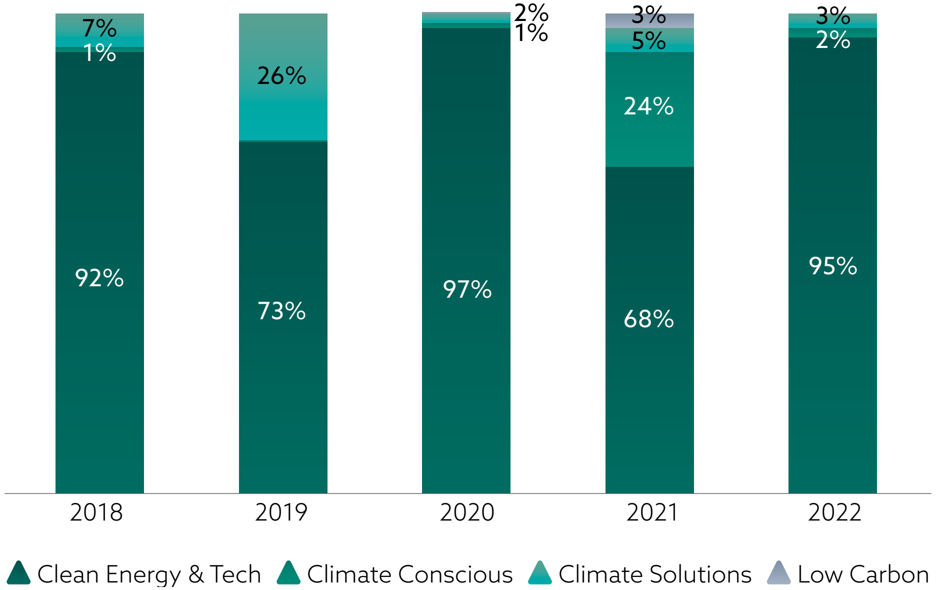
Climate Solutions funds only target companies that are contributing to the transition to a low-carbon economy through their products and services and in companies that will benefit from this transition.

Green Bonds share the same structure, risk, and return features of traditional bonds, but differ in the intended purpose of their proceeds since they raise funding exclusively for projects with a sustainable development focus and a positive climate and environmental outcome.

Clean Energy & Tech funds typically make sector-specific investments the Renewables space, targeting companies that contribute to or facilitate the clean energy transition.

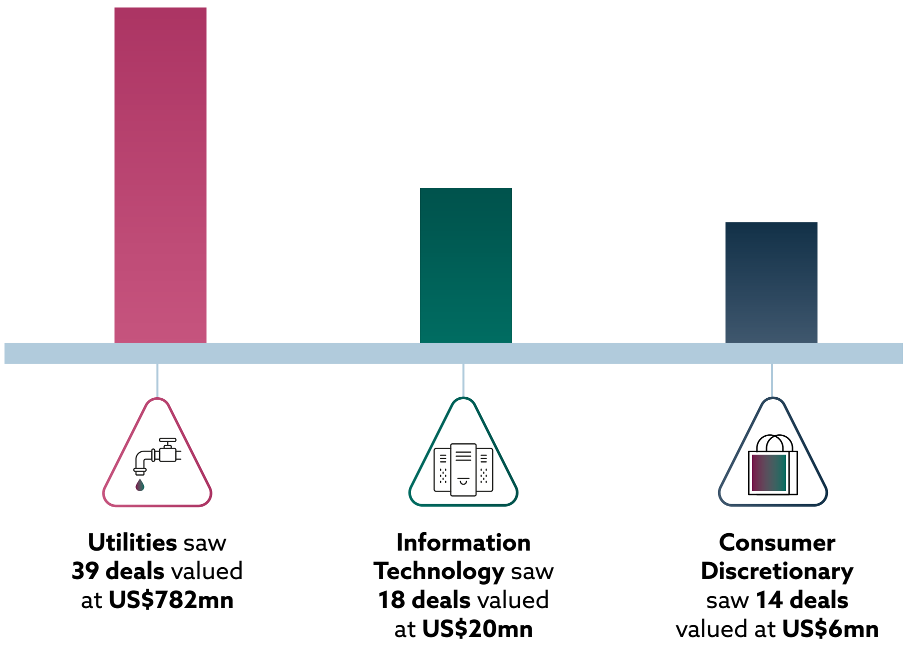
In the Southern Africa region between 2018 and 2022, *Clean Energy & Tech* emerged as the dominant strategy both in volume and value, capturing 42% of climate-related investment deals (39 deals totalling US$782mn). The year 2020 marked an important shift in the strategy of funds with the emergence of categories such as climate-conscious and low carbon across the continent and in Southern Africa. The former targets companies integrating climate change considerations into their business strategies, while the latter focuses on companies advancing products or services with a reduced carbon footprint. While Clean Energy & Tech continues to attract substantial investment in the region (representing 91% of total value of climate-related deals from 2018-2022), private capital fund managers are increasingly exploring emerging verticals such as Low-Carbon and Climate Conscious, accounting respectively for 1% and 4% of total climate funding in the Southern African region from 2018-2022.

Figure 5: **Share of Climate-related Private Capital Deals Value in Southern Africa, by Climate Category, 2018 – 2022**



Source: AVCA

Figure 6: **Top 3 Sectors Amongst Climate-related Private Capital Deals Volume in Southern Africa, 2018 – 2022**



Source: AVCA

Over the studied period, key sectors within climate-related deals in Southern Africa include Utilities (42%), Information Technology (19%), and Consumer Discretionary (15%), aligning with the top 3 sectors at continental level. Solar power projects particularly dominate the utilities sector, aligning with the dominance of Clean Energy & Tech fund strategy. These projects necessitate significant investment due to their scale and potential impact, explaining the predominance of Utilities in volume and value. Notably, utilities-classified deals received 91% of total funding over the period (US$782mn). Meanwhile, Information Technology and Consumer Discretionary sectors are primarily facilitated by Climate Solutions funds, illustrating a diversified approach to climate-related investments across different sectors.

The steadiness in climate-related investments between 2018 and 2022 as well as the directed focus on Low carbon and Clean Energy & Tech strategy reflect the region's commitment to be a part of Africa's fight against climate change.

4.3 Sustainable and Impactful Growth: Innovative Technology and Digital Transformation

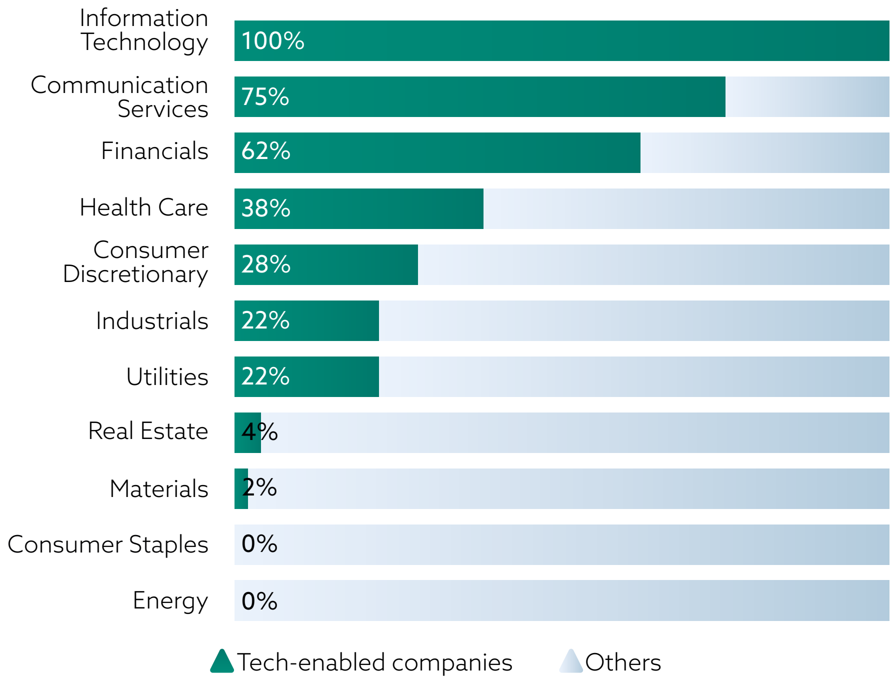
Technology has become increasingly intertwined with various industries, thus driving efficiency. Its importance cannot be overstated, as it holds the promise of unlocking transformative solutions to address the continent's unique challenges. In Southern Africa, the technology sector has elicited great investment enthusiasm given the innovative projects promoted in the ecosystem.

TECHNOLOGY INVESTING IN SOUTHERN AFRICA

Technology has emerged as a dominant theme in Africa's private capital investment landscape. The *AVCA 2023 African Private Capital Report* showed evidence of consistent increase in the volume of investments in technology-enabled companies since 2017 with the notable exception of 2023. Technology-enabled companies account for 36%[32] of Southern Africa's current private capital-backed portfolio. These companies provide innovation and disruption predominantly in sectors such as Communication Services (75% of companies are technology-enabled), Financials (62%) and Health Care (38%). With the exception of the Industrials sector, the sectoral distribution of tech-enabled companies in Southern Africa is largely consistent with the wider continental distribution of the same, demonstrating the multi-modal applicability of technology across all economic segments.

The Communication sector is predominantly influenced by Comtech companies specializing in mobile communications and infrastructure. In Financials, the rise of FinTech firms is transforming traditional banking norms, with a focus on mobile money transactions and dynamic financial management tools, and innovative lending services. Similarly, within Health Care, companies are driving innovation by revolutionising patient-pharmacy connections, delivering accessible educational content, offering disease management solutions, and simplifying access to treatments, thus marking a paradigm shift in healthcare delivery and accessibility across the region. Tech-enabled companies in the region are pivotal in driving innovation, thus facilitating the optimization and enhanced efficiencies of associated the supply chains.

Figure 7: **Share of Tech or Tech-enabled companies currently backed by Private Capital in Southern Africa, by Sector, as of end of 2023**



Source: AVCA

Southern Africa's technology sector has emerged as a magnet for investor interest in recent years. A staggering 51% of deal volume between 2018 and 2023, representing a total value of US$3.5 bn, included a technological component. The evolution of deals in tech-enabled companies in the Southern African region has accelerated significantly since 2018, surging to 61 in 2023 from 20 deals in 2018, with a peak of 74 deals witnessed in 2022.

The 2022 tech boom in Southern Africa was driven by tremendous increases in the number of deals in Financials (9.5x), Information Technology (+80%), Health Care (6x), and Industrials (10x). It is noteworthy that the Southern African region mirrors the continental trend, which experienced a comparable trajectory of rather swift growth followed by a stronger decline in 2023. Despite the decrease in 2023, tech-enabled investments in Southern Africa continue to outpace previous years (2018-2020), indicating sustained investor interest in technology-related opportunities in the region.

The remarkable growth of tech-enabled private capital deal activity in Southern Africa is exemplified by the increase in deal volume in 2021 and 2022. Even in terms of value, tech-enabled companies in the region are increasingly attracting a larger share of funding. Between 2021-2023, an average of 60% of investment funding was allocated to tech-enabled firms, a significant increase from the 24% reported between 2018 and 2020, reflecting the growing confidence and recognition of the transformative potential of in technology-driven operations. The global pandemic further stressed the indispensable role and advantages of technology in a world undergoing profound transformation.

Figure 8: **Deal Volume in Tech-Enabled Companies in Southern Africa, 2018 – 2023**

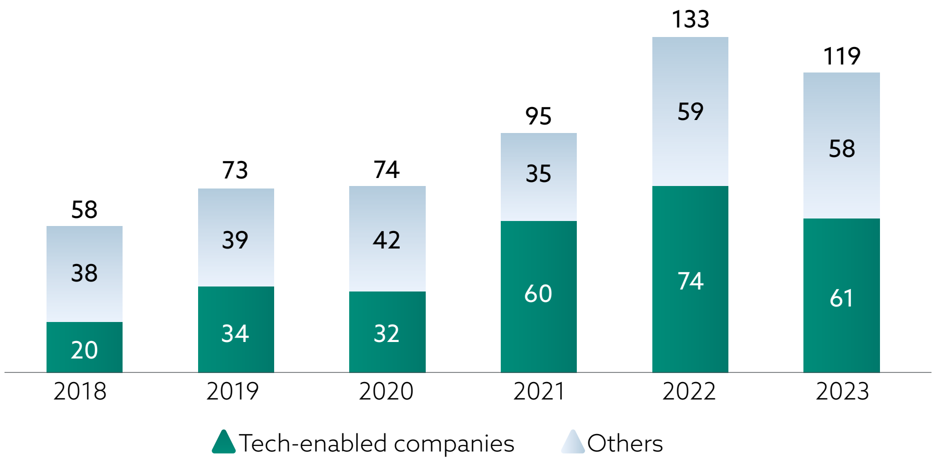
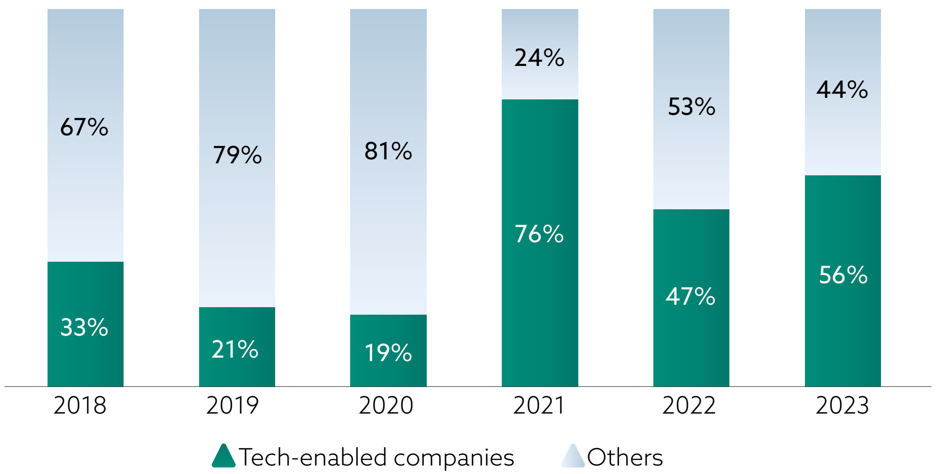


Figure 9: **Share of Deal Value in Tech-Enabled Companies in Southern Africa, 2018 – 2023**



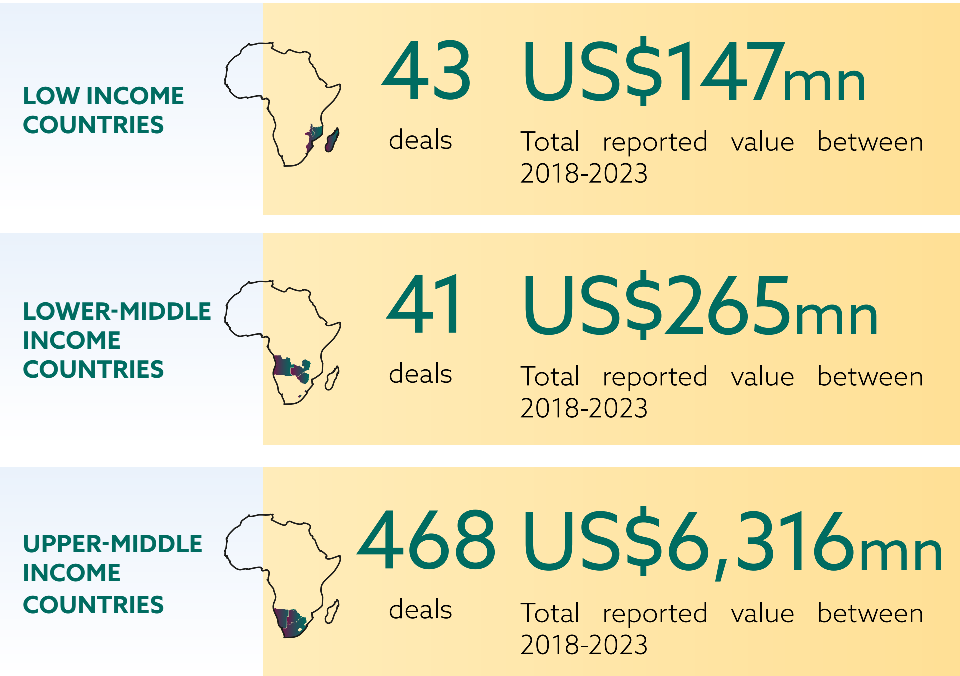
Source: AVCA

4.4 Sustainable and Impactful Growth: Inclusive Development

The disbursement of private capital in Southern Africa is diverse and relatively inclusive, spanning various sectors, income levels and countries. While a strategic focus is placed on upper-middle-income countries[33], low and lower-middle income countries are not left behind. Private capital investments in the latter serve to bolster economic resilience and promote equitable development.

INVESTING FOR INCLUSION IN SOUTHERN AFRICA

Figure 10: **Private Capital Dealmaking by Country Income Classification[34] in Southern Africa, 2018 – 2023**



The private capital industry in Southern Africa has mainly targeted companies located in the region's upper middle-income countries (UMICs). From 2018 to 2023, tthese companies received US$6.3bn across 468 deals. However, companies headquartered in Southern Africa's low-income countries (LICs) and lower-middle-income countries (LMICs) still garnered 15% of the total deals volume. This disparity highlights continued challenges faced by businesses in less developed markets. Yet, one sector - Consumer Staples - has consistently attracted the majority of deals across both country income classifications, demonstrating its resilience and ability to provide stable, reliable returns even in difficult economic environments. This sectoral pattern also appears in the regions' current active portfolio companies.

Most of current portfolio companies located in Southern Africa (excluding those HQ outside the region) are concentrated in UMICs (81%). South Africa leads, followed by Botswana and Namibia. LMICs account for 8% of the region's portfolio companies, with Zimbabwe, Zambia and Angola being the top destinations. LICs represent 6% of the portfolio companies in the region, with Madagascar, Mozambique, and Malawi being the primary locations.

The sectoral distribution of the current portfolio companies in Southern Africa exhibits interesting trends, reflecting the distinct features and development paths of the region's economies. In UMICs, private capital primarily targets companies operating in the Industrials (18%), Consumer Discretionary (18%), and Financials (11%) sectors. Investments in Industrials leverage the region's established industrial base, while the focus on Financials corresponds to ongoing efforts towards financial inclusion. Allocation towards companies in the Consumer Discretionary sector captures opportunities presented by the growing middle class, offering attractive returns. In contrast, private capital in Southern Africa's LICs and LMICs predominantly targets companies operating within the Consumer Staples sector, accounting for 34% and 25% of their current portfolio respectively. This predilection towards Consumer Staples highlights an investor focus on companies that meet the essential needs of consumers through the production and distribution of basic goods.

IMPACT CASE STUDY: POWERX PROPRIETARY

Impact Category: Climate Adaptation & Mitigation

Investor Name: Agrigroupe Energy Holdings/ Sango Capital

Portfolio Company Name: PowerX Proprietary Ltd.

Country (HQ): South Africa

Country (Operations): South Africa

Sector: Renewable Energy – Trading

Revenue & Market Size (2023): Significant- not disclosed -private company; The first privately-owned trader in South Africa's US$14bn total electricity sales

Number of Employees (2023): 10

Year of Investment: 2016

Investment Stage: Early-stage acquisition

Total Investment / Deal Amount (US$): US$15mn

Investment Rationale

Agrigroupe Energy Holdings and its underlying investors acquired POWERX to facilitate renewable energy trading in South Africa as the market liberalized and opened up to new traders and emerging renewable IPPs. PowerX's first mover advantage and unique regulatory status catalysed the development and trading of renewable power in South Africa.

Investment Impact

PowerX collaborates with IPPs and the government to ensure that privately-funded, utility-scale generation projects help de-carbonize South Africa's energy production. PowerX delivers comprehensive risk mitigation strategies for all stakeholders.

Development Impact Type[35]: Sustainable Development

General Impact Indicators

Criteria	Indicator	Impact
Impact Generation Timeline	Time (in months/years) from investment initiation to observable results.	Since acquiring PowerX 2016, the company has traded hundreds of millions of kWh in renewable energy within South Africa, providing a model for working with government, Eskom, and the private sector to build and trade renewable generation assets. This work includes acquiring Renewable Energy Certificates for customers and ourselves. Some Renewable Energy Certificates are not passed on to consumers but banked by PowerX, who can then sell the certificates to willing buyers. The impact was immediate given that the company was trading small volumes of power and has since experienced significant growth, with expectations to scale in double digit multiples over time. Funding Independent Power Producer projects can take between 24-36 months from the initial funding stage to the Commercial Operations Date.
SDG Reach	Number and list of Sustainable Development Goals addressed by the investment.	POWERX Pty Ltd assists its clients in meeting **SDGs 3, 7, 11, 12, 13, 14**, and **15** through the trading of hydro, solar, and wind power, catalysing job creation by building new generation assets.
Beneficiary Reach	Number of individuals, households, or entities directly impacted by the investment.	POWERX Pty Ltd currently purchases energy from 55 generation facilities and supplies it to 101 customer facilities. Some of the generator facilities would not have been able to reach financial close without POWERX's commitment to purchase their output—a key factor contributing to job preservation at these plants. Moreover, POWERX serves high-consuming customers with an international mandate to go green. Without access to renewable energy through POWERX, these customers might have considered relocating their operations to regions where they could independently secure renewable sources, potentially leading to significant job losses. In the worst-case scenario, these high consumption clients could have moved their operations abroad.
Stakeholder Engagement	Number of local stakeholder groups or community members actively engaged or consulted throughout the investment process.	Each independent power plant conducts its feasibility, environmental and other studies, which typically involve stakeholder engagement in local communities likely to get affected by new power plants. While POWERX itself does not directly engage in stakeholder consultations as part of its investment process, it demonstrates a strong commitment to social responsibility. PowerX spends a total of 4-4.5% of its Net profit after tax (NPAT) on Donations, Supplier Development and Enterprise Development. All spending goes to 100% BEE companies/beneficiaries, uplifting the previously disadvantaged communities/people. We then endeavour to give the enterprise companies that we sponsor a contract the next year to become a supplier. We also spend a further 6% of our total payroll amount on skills development and bursaries. This is split between 3.5% to skills development of whom all the students are disabled. Other than the course fees, they get a stipend of R2.5k per month which in some cases are the only income these families get. Then the other 2.5% is for bursaries. Both Skills development & Bursaries are also all spent on previously disadvantaged students.
Risk Assessment	Percentage of anticipated challenges successfully addressed.	South Africa's power trading market is poised to significantly contribute to shifting the country's energy mix towards more renewable and sustainable sources. As with any nascent market, there are challenges around operationalizing it. POWERX has carved a unique niche by establishing a trading association for South African traders. This association addresses market concerns and represents the trading market. Additionally, some members of staff are part of a steering committee with ESKOM, focusing on the development of future trading programs, thus ensuring POWERX's capacity to influence and adapt to evolving market needs. In addition, a POWERX employee serves as an EXCO member on the AMEU board and participates on the RECSA board. Through extensive market modelling, POWERX is adept at forecasting potential market shifts, ensuring its readiness to adjust strategies as required.

Criteria	Indicator	Impact
Capacity Building	Number of training sessions, upskilling opportunities, or capacity-building activities conducted as part of the investment.	Bursaries and training are open to all staff and encouraged regularly. The company currently has three employees working towards their degree and another towards an advanced diploma. When a specific skill is required, POWERX offers complementary training.
Technology Transfer	Number of new technologies introduced to the community or sector as a result of the investment (if applicable).	POWERX has built on its own trading platform as the first of its kind in this market.
Policy Influence	Number of local policies or regulations influenced or shaped by the investment (if applicable).	POWERX participates in numerous forums to help shape the form and effectiveness of the private sector's effort to facilitate a renewable energy and trading market in South Africa.

Specific Impact Indicators

Category	Indicator	Impact
Climate Adaptation & Mitigation	Percentage of resources sourced from renewable or sustainable means.	100%. POWERX has been awarded a trading license to buy and sell clean energy
	Percentage decrease in waste generation **or** increase in waste recycling post-investment.	POWERX does not own the generation facilities, however if one considers the amount of Kwh that the company has traded since its inception, the amount of waste generated through non-renewable (mostly coal-based) generation that is being replaced by cleaner renewable energy is significant. Though not owning generation facilities, POWERX's substantial trade of kWh since inception has significantly reduced waste generated from non-renewable (mostly coal-based) sources.
	Reduction in greenhouse gas emissions by the investee company.	POWERX's operations directly impact the reduction of greenhouse gas emissions by sharing Renewable Energy Certificates (RECs) with customers who require them.

IMPACT CASE STUDY: IDEAS – ACED PLATFORM

Impact Category: Climate Adaptation & Mitigation

Investor Name: African Infrastructure Investment Managers as the Fund Manager of the IDEAS Managed Fund

Portfolio Company Name: IDEAS – ACED Platform ("Newco")

Country (HQ): South Africa

Country (Operations): South Africa

Sector: Renewable Energy

Revenue & Market Size (2023): Approx. 20% market share in South Africa

Number of Employees (2023): 65

Year of Investment: 2010

Investment Stage: Infrastructure

Investment Rationale

The IDEAS Fund is consolidating its renewable energy controlling interests into a fully integrated platform with Development and Operations Management capabilities. The earliest investment into the portfolio's projects date back to 2010 with the launch of South Africa's Renewable Energy Independent Power Producers Procurement Programme ("REIPPPP"). The IDEAS-controlled operational asset portfolio currently stands at 950MW.

Investment Impact

The investment aims to significantly contribute to SDG 7 (Affordable and Clean Energy) and SDG 13 (Climate Action) by substantially increasing the share of renewable energy in the energy mix with a portfolio of 6GW of renewable energy assets by 2030.At the same time, it will contribute to achieving improved livelihoods through the provision of decent work and gender equality.

Development Impact Type[36]: Sustainable Development

General Impact Indicators

Criteria	Indicator	Impact
Impact Generation Timeline	Time (in months/years) from investment initiation to observable results.	Immediate impact with an operational portfolio of 956MW (13 utility scale renewable energy facilities), which has resulted in 11.3 million tonnes of greenhouse gas emissions avoided since 2014. The investment also has a private offtake portfolio of 688.5MW (8 utility scale renewable energy facilities), which is in the process of reaching financial close, and a greenfield site pipeline of 8700MW, which will result in an anticipated portfolio of 6040MW by 2030.
SDG Reach	Number and list of Sustainable Development Goals addressed by the investment.	The Theory of Change and Impact Thesis developed demonstrates that this investment will contribute significantly to 7 SDGs, as listed below: **SDG 7:** Affordable and Clean Energy, **SDG 13**: Climate Action, **SDG 9:** Industry, Innovation and Infrastructure, **SDG 8:** Decent Work and Economic Growth, **SDG 5:** Gender Equality, **SDG 11:** Sustainable Cities and Communities, **SDG 12**: Responsible Consumption and Production
Beneficiary Reach	Number of individuals, households, or entities directly impacted by the investment.	Currently, the investment powers 570,000 middle-income households with renewable energy, and its reach is expected to increase to over 1.5 million homes in 2024. The operational assets employ 757 people, 93% of whom are previously disadvantaged South Africans.
Stakeholder Engagement	On a scale of 1 to 10, what was the level of engagement and consultation with local stakeholder groups or community members throughout the investment process?	Rated 9: All operational assets have established community trusts, and an experienced community operations team, including community liaison officers at each facility. This team is responsible for managing stakeholder engagement and overseeing the socio-economic and enterprise development expenditures of the facilities since their inception, totalling over R470 million.
Risk Assessment	Percentage of anticipated challenges successfully addressed	90%: Continuous risk assessment and management are applied throughout development, construction, and operation phases. The facilities also maintain robust management plans, subject to monitoring via external audits. Oversight is provided by the management teams and governance structures, including the Board and Audit and Risk Subcommittee.
Capacity Building	Number of training sessions, upskilling opportunities, or capacity-building activities conducted as part of the investment.	The operational assets provide an average of 5000 hours of occupational health and safety training annually. Awarding of bursaries forms a component of each project's socio-economic program, and numerous capacity building workshops and SMME training sessions are held each year as part of the enterprise development programmes.
Technology Transfer	Number of new technologies introduced to the community or sector as a result of the investment (if applicable).	IDEAS was a pioneer in the development of South Africa's renewable energy sector, launching ACED (a renewable energy asset developer) in 2008. Three of the facilities in the operational portfolio, Umoya Wind Farm, Cookhouse Wind Farms, and the REISA Solar Farm, were selected as a preferred bidder in Round 1 of the Department of Energy's Renewable Energy Independent Power Producer Procurement Programme (REIPPPP), and Umoya was the first utility-scale wind farm in South Africa to commence commercial operations on 1 February 2014.

Specific Impact Indicators

Category	Indicator	Impact
Climate Adaptation & Mitigation	Percentage of resources sourced from renewable or sustainable means.	100%.
	Reduction in greenhouse gas emissions by the investee company.	11.3 million tonnes of greenhouse gas emissions avoided since inception

IMPACT CASE STUDY: NATURE'S NECTAR

Impact Category: Diversity, Equality & Inclusion

Investor Name: Altree Capital (Pty) Ltd

Portfolio Company Name: Nature's Nectar

Country (HQ): Zambia

Country (Operations): Zambia

Sector: Agro-processing

Revenue & Market Size (2023): Approximately US$600k in revenue for 2023. The market size is approximately 6% of a US$6.5 million market in Zambia or a global market of US$8.6 billion as of 2021.

Number of Employees (2023): 13

Year of Investment: 2023

Investment Stage: Growth stage

Total Investment / Deal Amount (US$): US$60k

Investment Rationale

Investing in Nature's Nectar was a strategic decision, rooted in its unique position as Zambia's leading producer of the most environmentally sustainable and socially impactful honey. The company's commitment to social responsibility, evidenced by empowering and educating female farmers towards achieving 50% representation, aligns with global initiatives for gender equality and economic empowerment in rural communities. Furthermore, Nature's Nectar's innovative apiculture approach, utilising modern, long-lasting beehives, enhances product quality and yield while contributing significantly to environmental conservation by preventing deforestation and protecting indigenous forests. Additionally, establishing new market linkages with buyers in the United States and pursuing organic certification from EcoCert underscore the company's growth potential and sustainability commitment. Overall, this investment supports a model that integrates profitability with social and environmental stewardship, showcasing a forward-thinking approach to agribusiness.

Investment Impact

Nature's Nectar adopts an inclusive model for women beekeepers, aiming for 50% female participation. The company's efforts also extend to increasing rural incomes and improving health and safety standards within the Zambian beekeeping community. By offering commercially designed hives known for their long-term sustainability, Nature's Nectar contributes to reducing deforestation. The company's initiatives are geared towards uplifting local communities, promoting self-sufficiency and positively influencing the well-being of residents in often overlooked areas. It also maintains a transparent supply chain with gender-wage equality across all levels.

Development Impact Type[37]: Sustainable Development

General Impact Indicators

Criteria	Indicator	Impact
Impact Generation Timeline	Time (in months/years) from investment initiation to observable results.	Short to mid-term
SDG Reach	Number and list of Sustainable Development Goals addressed by the investment.	The investment significantly contributes to the following SDGs: **SDG 2:** Zero Hunger, **SDG 5:** Gender Equality, **SDG 8:** Decent Work and Economic Growth, **SDG 10:** Reduced inequalities, **SDG 12:** Responsible Consumption and Production, **SDG 13:** Climate action, **SDG 15:** Life on Land, **SDG 17:** Partnerships for the Goals
Beneficiary Reach	Number of individuals, households, or entities directly impacted by the investment.	The company currently provides support to over 500 farmers, approximately 200 of whom are female, in line with its effort to integrate 50% women farmers. It aims to expand its impact significantly, with a vision to reach 50,000 hives and involve 5,000 farmers in the near future.
Stakeholder Engagement	On a scale of 1 to 10, what was the level of engagement and consultation with local stakeholder groups or community members throughout the investment process?	Rated 10: The investment is driven by the funds necessary to purchase honey for the current harvest period, necessitating continuous engagement with stakeholders and farmers to understand the financial requirements for purchase. It also involves training farmers on quality requirements for the honey procured. Nature's Nectar has formed a partnership with the West Lunga Conservation Project, facilitating liaison with its staff on harvest needs and promoting engagement with other local stakeholders and community members.
Risk Assessment	Percentage of anticipated challenges successfully addressed	85% of the anticipated challenges have been successfully navigated by Nature's Nectar. Although the company is adept at securing high-quality honey, it faces specific challenges: a) Quality Assurance in New Areas: With some regions embarking on their first harvest, Nature's Nectar places strong emphasis on meticulous quality inspections to ensure the honey aligns with the high standards promised. This quality control is essential for maintaining the integrity and reputation of their product. b) Weather-related Logistics: Past experiences with extreme weather conditions have led Nature's Nectar to prioritise the swift and efficient transport of honey back to Lusaka, aiming to mitigate the logistical risks posed by rain and potential floods that could damage and block roads. This ensures continuity and reliability in their operations and supply chain.
Capacity Building	Number of training sessions, upskilling opportunities, or capacity-building activities conducted as part of the investment.	The company has provided training to approximately 500 farmers on hive maintenance. Nature's Nectar is actively engaged in training and equipping smallholder farmers in Zambia, imparting the skills necessary for beekeeping and the production of honey and wax.

Criteria	Indicator	Impact
Technology Transfer	Number of new technologies introduced to the community or sector as a result of the investment (if applicable).	Nature's Nectar collaborates closely with communities, leveraging their traditional knowledge, to provide top bar beehives crafted from pine. Distinguished by their durability, these hives can last up to five times longer than their traditional counterparts and are sourced sustainably without depleting local forests. Functioning akin to bark hives, this subtle technological shift not only ensures better quality honey but also minimises disruption to bee colonies during harvests. Additionally, Nature's Nectar technology fosters broader community engagement and contributes positively to forest conservation.

Specific Impact Indicators

Category	Indicator	Impact
Diversity, Equality & Inclusion	Percentage increase in employment opportunities for: a) Local residents (vs. external appointees) b) Women c) Minorities and underserved communities	Nature's Nectar has empowered over 500 beekeepers and their families across the country, with about 200 of them being female. This translates to a 40% female representation within their farmers' network. The company works entirely with local and underserved communities and actively empowers women, with an ambition to ensure 50% of women are included in its workforce and supply chain.
	Percentage reduction in local income disparities for: a) Local residents (vs. external appointees) b) Women c) Minorities and underserved communities	The company, in its EGEM assessment, recently noted that it pays male and female workers about the same. Additionally, Nature's Nectar upholds a commitment to fair compensation by ensuring that all farmers receive equal payment for their honey, with no gender-based wage discrepancies. Uniform pricing is maintained for all honey, despite current challenges posed by kwacha fluctuations. It is worth noting that Nature's Nectar has successfully achieved an average income increase of 22% per farmer, demonstrating its commitment to continuously improving the financial well-being and livelihoods of the farmers it works with.
	Existence of Diversity, Equity, And Inclusion policies and programs at the investee company	Nature's Nectar adopts fair and equitable recruitment strategies to foster a diverse workforce, underlining its commitment to diversity and inclusion. The company provides training to enhance awareness and foster a culture of inclusivity and respect within the workplace, ensuring all employees have equal opportunities for professional development, regardless of gender. Targeted programs support marginalised communities, women and other underrepresented groups, promoting career advancement. Nature's Nectar conducts regular evaluations to refine its diversity, equity and inclusion initiatives and inclusion initiatives and actively engages with the broader community to amplify its positive impact beyond the organisation.

IMPACT CASE STUDY: SAFARI HOTEL

Impact Category: Economic Opportunity & Job Creation

Investor Name: Kasada Capital Management

Portfolio Company Name: Safari Hotel Ltd (Movenpick Mercure Combo Windhoek)

Country (HQ): Namibia

Country (Operations): Namibia

Sector: Hospitality / Hotel

Revenue & Market Size (2023): [38]NAD114.447 million (2023 Achieved) Subject Hotel Rooms: 414, Windhoek Hotel Rooms: 1,379, Windhoek Hotels: 22

Number of Employees (2023): 127

Year of Investment: 2021

Investment Stage: Portfolio Management

Total Investment / Deal Amount (US$): US$26mn

Investment Rationale

The Movenpick and Mercure are Windhoek's largest hospitality precinct with both hotels combined, totalling 414 keys, including Namibia's largest conference centre. This investment aims to reposition the Windhoek International conference centre as Namibia's preferred destination for Meetings, Conferences, Incentives and Exhibitions (MICE) in the SADC region. Through investment in targeted Capex, including the expansion of MICE, food and beverage, and other recreational areas, this investment will also enhance the resilience and appeal of the hospitality sector. This project involves the acquisition of the largest hospitality precinct & Conference Centre in Namibia and its integration with Accor Brands.

Investment Impact

The investment focuses on growing the regional labour market, developing human capital, and solidifying the sector's GDP contribution. It aims to improve the quality of Namibia's hospitality to attract high-value, long-haul markets and diversify source markets for resilience. Additionally, it involves partnering with Namibian authorities to promote Namibia via Accor's distribution platform and expertise, aiding in enhancing "Brand Namibia."

Development Impact Type[39]: Sustainable Development

General Impact Indicators

Criteria	Indicator	Impact
Impact Generation Timeline	Time (in months/years) from investment initiation to observable results.	1 year from investment to observable results
SDG Reach	Number and list of Sustainable Development Goals addressed by the investment.	**SDG 1:** No Poverty, **SDG 4:** Quality Education, **SDG 5:** Gender Equality, **SDG 7:** Affordable and Clean Energy, **SDG 8:** Decent Work and Economic Growth, **SDG 12:** Responsible Consumption and Production, **SDG 13:** Climate Action, **SDG 15:** Life on Land, **SDG 17:** Partnerships for the Goals
Beneficiary Reach	Number of individuals, households, or entities directly impacted by the investment.	Employees: Through this investment, c.840 indirect jobs were created. Suppliers: The hotel currently supports 50 local suppliers, 70% of which are SMMEs.
Stakeholder Engagement	On a scale of 1 to 10, what was the level of engagement and consultation with local stakeholder groups or community members throughout the investment process?	Rated 8, indicating high engagement and consultation with local stakeholder groups.
Capacity Building	Number of training sessions, upskilling opportunities, or capacity-building activities conducted as part of the investment.	An average of 10 hours of training (in-person & online) per employee per year, in partnership with local hospitality schools for internships and training.
Technology Transfer	Number of new technologies introduced to the community or sector as a result of the investment (if applicable). E.g., Solar systems, guest facing software, food preparation innovations	Since acquisition, the hotel has implemented the following systems: i. SAGE (procurement system), ii. Payspace (payroll system) iii. Winnow (food waste monitoring system), iv. Opera/Mews

Specific Impact Indicators

Category	Indicator	Impact
Economic Opportunity & Job Creation	Total number of jobs created	85 new jobs in Operations since 2021, plus 100+ in Construction/Refurbishment[40]
	Percentage increase in average local wage since Accor takeover	Salary increment on 2021 Wages: Lower earning bracket received a 20% increase, with the remaining brackets receiving a 5-10% increase. Overall weighted increase of approximately 10%.
	Number of individuals trained or upskilled since Accor takeover	No training in 2021. **Total number of individuals trained:** i. In 2022, 91 individuals trained for an average of 3 hours each per year. ii. In 2023, 152 individuals trained for an average of 10 hours each per year. **Total number of individuals upskilled:** i. 25 chefs and 30 front-of-house servers were upskilled, totalling 480 hours of training.

IMPACT CASE STUDY: VISIOSOFT

Impact Category: Innovative Technology (Digital Transformation)

Investor Name: Savant Fund Manager

Portfolio Company Name: Visiosoft

Country (HQ): South Africa

Country (Operations): South Africa, with customers in Africa, Europe, USA, GCC, & Australia

Sector: Smart Connectivity (Data aggregation and supply)

Revenue & Market Size (2023): Revenue: US$1.2mn, Local Market Size: US$6bn, International Market Size: US$500bn

Number of Employees (2023): 12

Year of Investment: 2023

Investment Stage: Seed

Total Investment / Deal Amount (US$): US$500K (sole investor in this round)

Investment Rationale

The company offers clients the most up-to-date connected technologies. Its ecosystem of products and technology stacks provides integrated opportunities (contiguous data streams) for monitoring and management across various use cases in greenfield and brownfield scenarios.

Investment Impact

The investment into Visiosoft transforms infrastructure into reliably smart assets, resulting in intelligent utilisation of resources. This has enabled optimized use cases for energy and water management in both commercial and industrial sectors, alongside enhancements in safety measures.

Development Impact Type[41]: Sustainable Development

General Impact Indicators

Criteria	Indicator	Impact
Impact Generation Timeline	Time (in months/years) from investment initiation to observable results.	Results should be observable within 12 months due to the growing customer base; full downstream optimisation will likely take 3-5 years.
SDG Reach	Number and list of Sustainable Development Goals addressed by the investment.	Primary: 1) Industry, Innovation, and Infrastructure (**SDG 9**), 2) Sustainable Cities and Communities (**SDG 11**) Secondary: 3) Responsible Consumption and Production (**SDG 12**), 4) Climate Action (**SDG 13**)
Beneficiary Reach	Number of individuals, households, or entities directly impacted by the investment.	50+ resellers and distributors, each with their own staff complement relying on our enabling technologies;12 initial households per staff member, now increased to 14
Stakeholder Engagement	Number of local stakeholder groups or community members actively engaged or consulted throughout the investment process.	3 stakeholder groups consulted during the investment process
Risk Assessment	Percentage of anticipated challenges successfully addressed.	Risk mitigants as milestones were baked into the deal structure. 80% of anticipated challenges successfully addressed, with another 10% expected to be achieved in the coming month.
Technology Transfer	Number of new technologies introduced to the community or sector as a result of the investment (if applicable).	2 new products were launched that will permanently transform business operations in the sector.

Specific Impact Indicators

Category	Indicator	Impact
Innovative Technology (Digital Transformation)	Number of new technological solutions and/or digital products or services launched.	2
	Number of new digital jobs created.	2, with 3 more expected in the next month.
	Percentage increase post-investment in: Local digital technology adoption.	500%, determined by improved traction.

5. Mapping Private Capital Players in Southern Africa

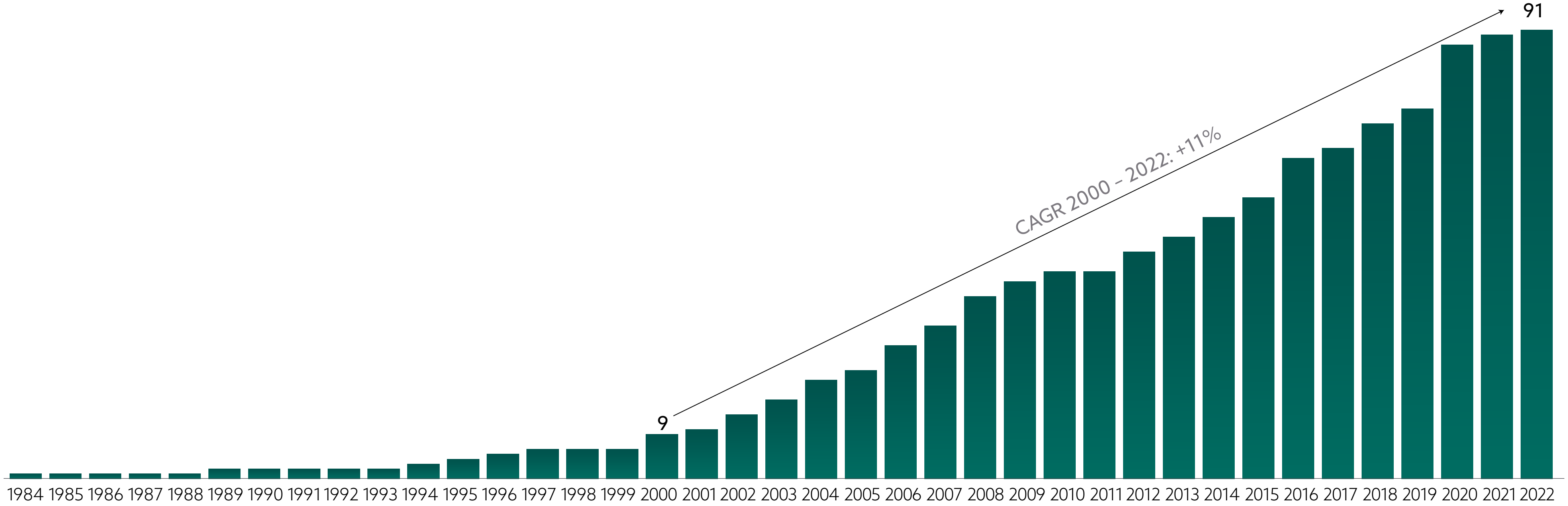
The gradual metamorphosis of private capital in Southern Africa since the turn of the century reflects the region's dynamic economic landscape, advanced financial infrastructure and structured regulatory and legal systems championed by South Africa. This growth has supported Africa's private capital industry by providing competitive financial centres serving as gateways for both local and international investors seeking opportunities across the continent. With three of the continent's top financial centres located in Johannesburg, Cape Town and Mauritius, Southern Africa is strategically positioned to attract private investors allocating capital both within the region and across Africa. Furthermore, Southern Africa's relatively mature capital market has propelled the expansion of fund managers and professional service firms operating therein. These key actors not only set the pace of private capital activity in the region, but they also played a crucial role in the wider advancement of the industry across the continent.

5.1 Fund Managers Landscape

PROFILE BY GEOGRAPHY

Since the establishment of the first fund manager in Southern Africa in 1984[42], the region has witnessed the genesis of a steady stream of Africa-focused fund managers to emerge as an epicentre for private capital activity in Africa. As of 2022, Southern Africa was home to 125 fund managers. Of these, 91 were headquartered locally, having grown at a compound annual growth rate (CAGR) of 11% since 2000. Unsurprisingly, South Africa alone accounted for 80% of the fund managers in the region.

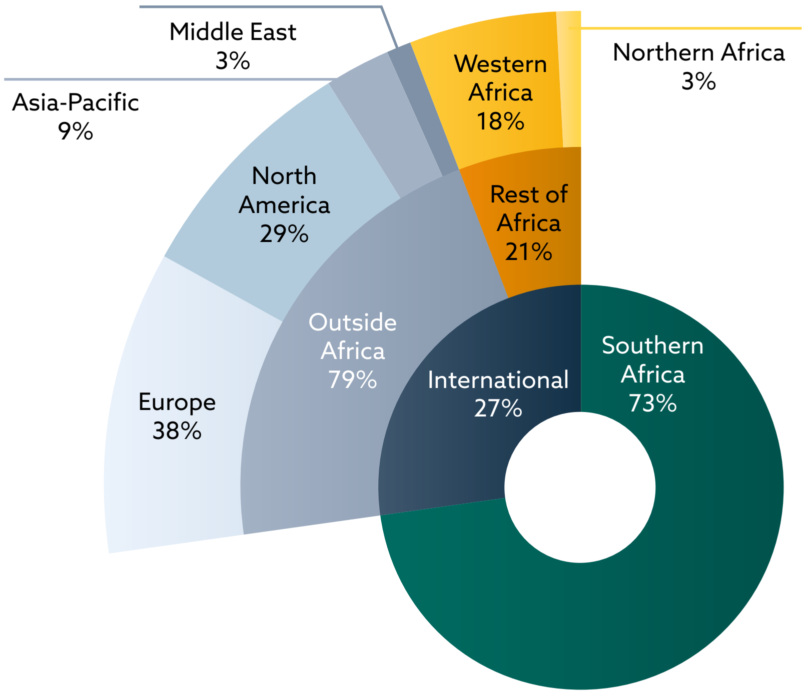
Figure 1: **Cumulative Evolution of Fund Managers Headquartered in Southern Africa, by Year, 1984 – 2022**



Source: AVCA

Given its dynamism and market maturity, Southern Africa is an appealing private capital destination for international fund managers. In addition to locally based fund managers, 34 foreign fund managers had offices in the region. These were predominantly headquartered in Europe (38%), North America (29%) and the rest of Africa (outside Southern Africa) (21%).

Figure 2: **Distribution of Fund Managers Located in Southern Africa, by HQ Location (Southern Africa vs International[43]), 2022**

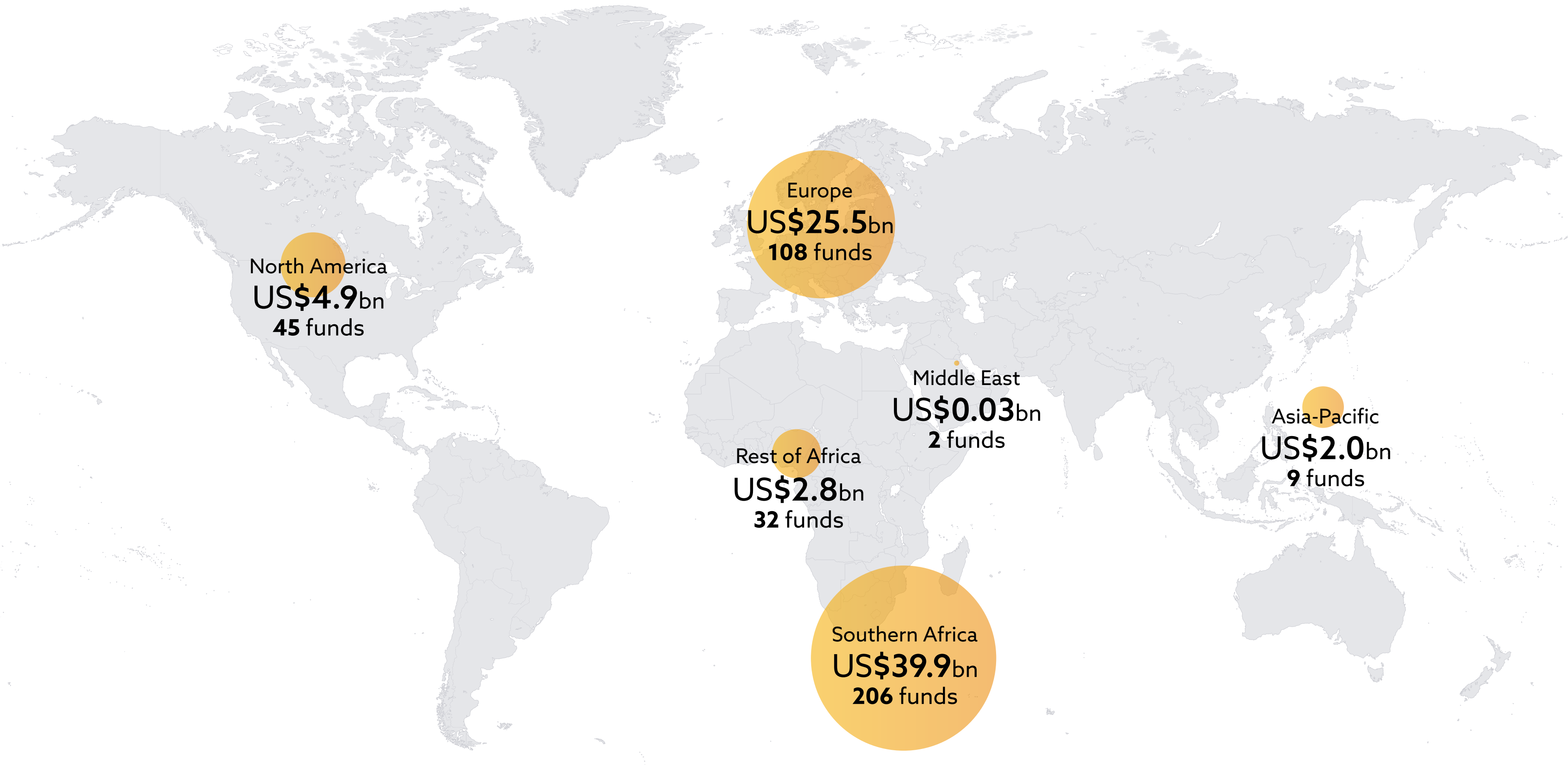


Source: AVCA

PROFILE BY ASSETS UNDER MANAGEMENT

As of December 2022, these international fund managers collectively managed over US$35.3bn[44] globally. This was marginally less than the US$39.9bn[45] managed by locally based fund managers, illustrating the depth of the footprint these domestic private capital actors have in the region. Collectively, the 125 fund managers operating in Southern African managed assets worth over US$75bn as of December 2022.

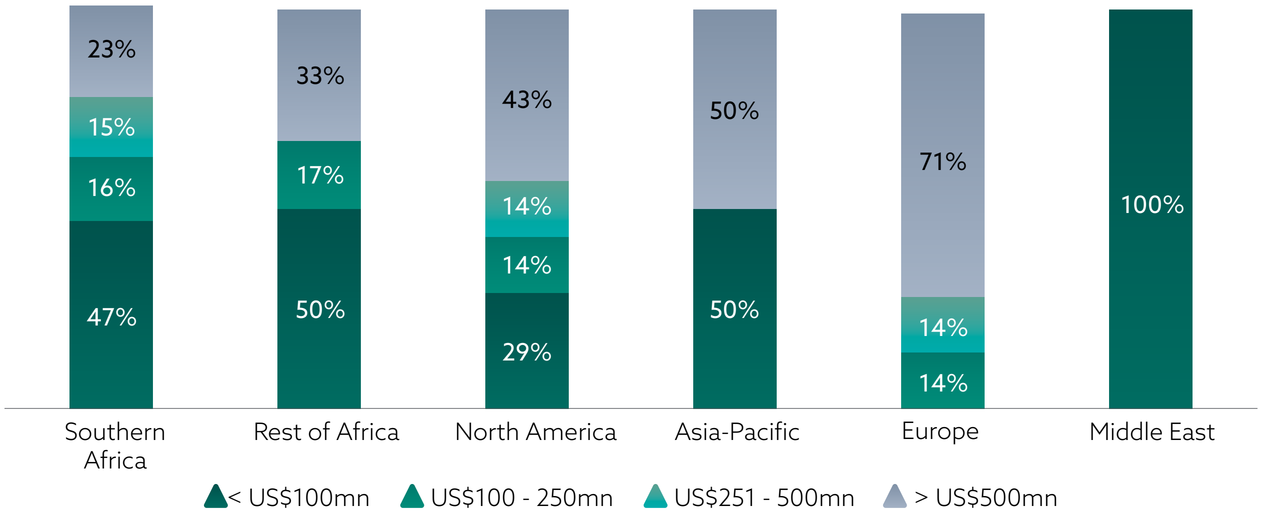
Figure 3: **Profile of Fund Managers Located in Southern Africa, by HQ Location & Assets Under Management (US$bn) & Number of Funds Raised to Date, 2022**



Source: AVCA

Despite the dominance of fund managers with comparatively smaller assets under management (AUM), the region hosts a diverse range of fund sizes. The average AUM of fund managers headquartered in Southern Africa was US$644mn. However, a significant proportion (47%) managed assets below US$100mn, with the average for this category standing at US$39mn. International fund managers diverged from this regional trend and tended to be larger, with an average exceeding US$1.5bn of assets under management per manager. Notably, the majority of international fund managers (48%) managed assets worth over US$500mn.

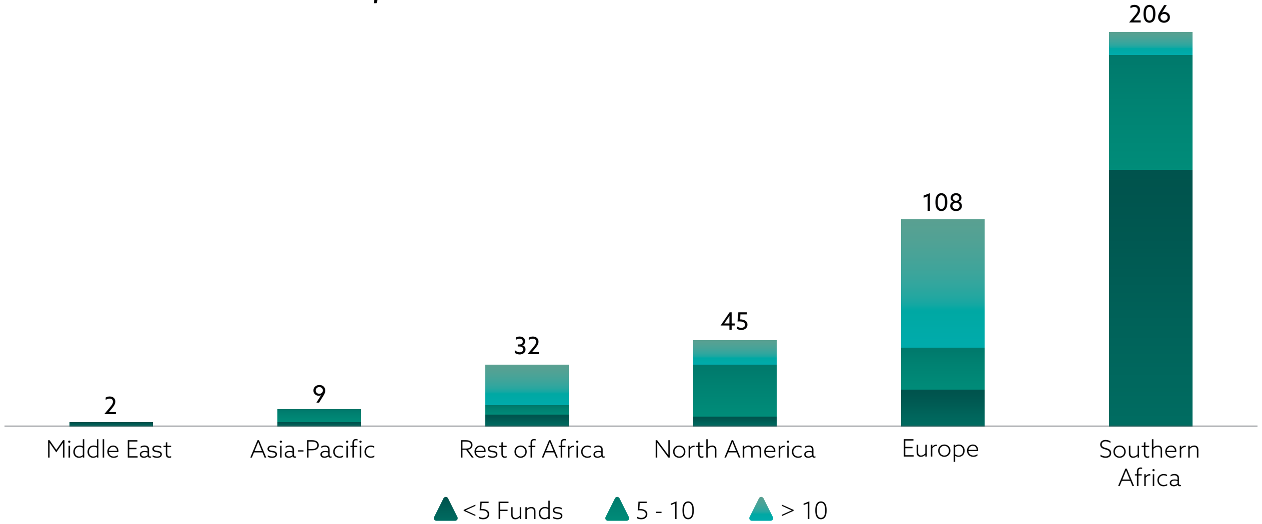
Figure 4: **Distribution of Fund Managers Located in Southern Africa, by HQ Location & Assets Under Management Size, 2022**



PROFILE BY FUNDS RAISED

Fund managers located in Southern Africa have collectively raised 402 funds, of which slightly more than half (206 funds) were launched by locally headquartered firms. On average, Southern African-based fund managers have raised 3 funds since inception, with the majority (86%) raising less than 5 funds. On the other hand, international fund managers tended to raise more funds than their local counterparts. Illustratively, 42% of this international cohort have raised more than 5 funds – with an average of 12 funds - while only 14% of locally headquartered firms have raised more than 5 funds. Although Southern Africa is home to some of the oldest private capital houses in Africa, the profile of fund managers based in this region reflects its 'emerging' status relative to the global context.

Figure 5: **Total Number of Funds raised to date by Fund Managers Located in Southern Africa, by HQ Location & Portfolio of Funds, 2022**



Source: AVCA

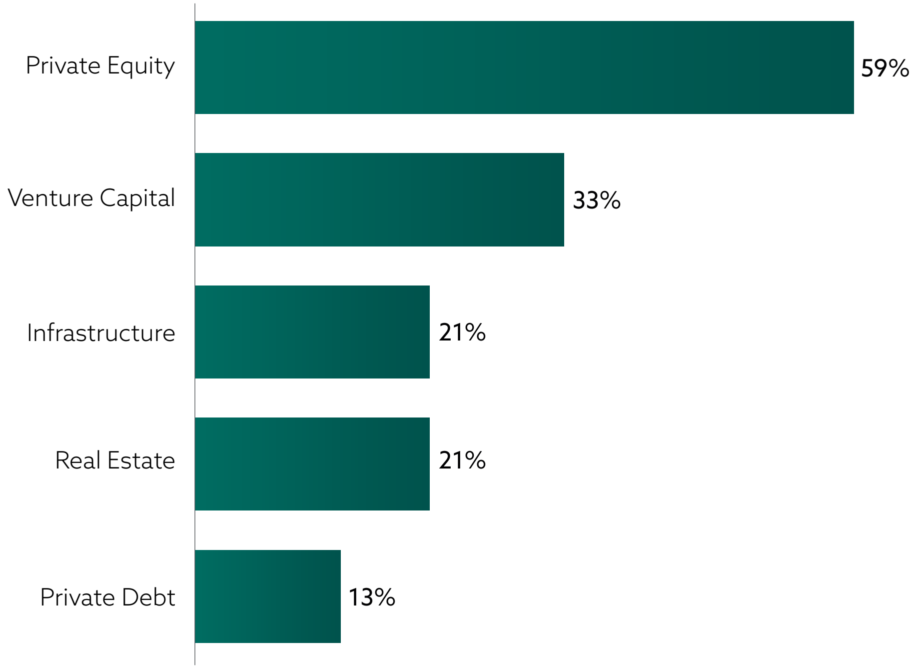
PROFILE BY ASSET CLASS FOCUS

Since the late 1980s and early 1990s, Southern Africa's fund managers have diversified their investment strategies, exploding from a sole focus on private equity to incorporate a broader range of asset classes. This evolution, spurred in part by the tremendous growth of Africa's venture capital ecosystem, has seen increased allocation towards startups and technology ventures. In the same vein, the region's rising population and urbanising demography have driven a greater focus on real estate and infrastructure investments to meet infrastructure needs and bridge financing gaps. Finally, while still nascent, the rise of private debt investment strategies highlight ongoing efforts by fund managers to provide tailored credit solutions for the region's rapidly growing businesses and address the tightening of traditional bank lending regulations.

Despite this diversification, private equity remained a priority for most locally headquartered fund managers (59%), followed by venture capital (33%). International fund managers, however, displayed a more balanced allocation between private equity (56%) and venture capital (53%), in line with broader global trend towards that privilege diversified investment strategies.

In summary, the maturation of Southern Africa's fund management landscape reflected in its expanding asset class spectrum. This evolution was marked by a continued strong preference for private equity among local and international investors alike.

Figure 6: **Profile of Managers Located in Southern Africa, by Asset Class Focus, 2022**



Source: AVCA

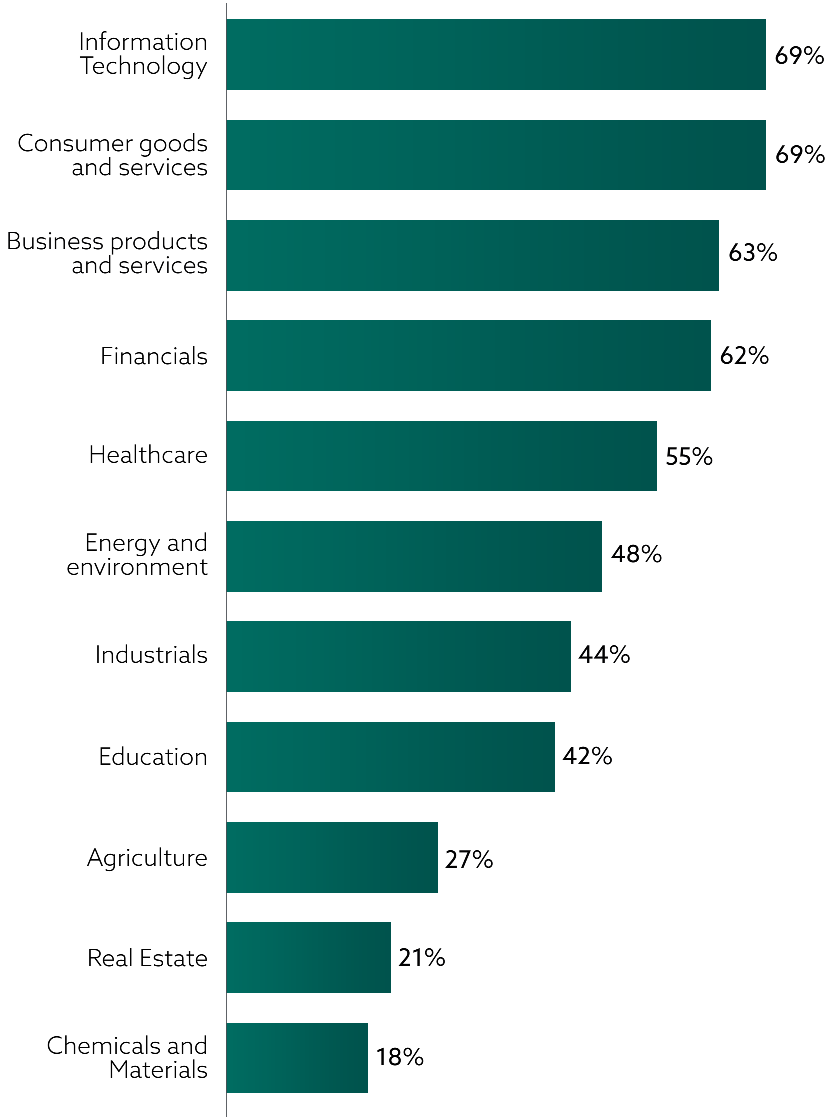
PROFILE BY SECTOR FOCUS

Southern African fund managers invest across a broad range of industries, financing sectors that contribute to the region's economic activities. While the wider continent has seen an increase in the number of fund managers adopting a sector-specific focus, most regionally headquartered fund managers remain generalists. Worth highlighting, is the popularity of traditional sectors which remained prominent among fund managers in the region, with Consumer Goods and Services (69%), Business Products and Services (63%), and Financials (62%) being top investment targets. Furthermore, the growing preference for emerging sectors, driven by the rise of technological advancements, has made Information Technology (69%) and Healthcare (55%) popular among fund managers in the region.

Amidst a global push towards sustainability, Energy and Environment sectors now attract 48% of regional fund managers highlighting a commitment to financing companies enabling the transition to a low carbon economy. These sectors similarly lead the investment focus of international fund managers operating in Southern Africa. Interestingly, whilst Financials is the most common sector focus for international fund managers, their counterparts in Southern Africa continue to prioritise Information Technology.

Overall, fund managers in Southern Africa have demonstrated a clear pivot towards sectors that are at the forefront of technological innovation and sustainable development.

Figure 7: **Profile of Fund Managers Located in Southern Africa, by Sector Focus, 2022**



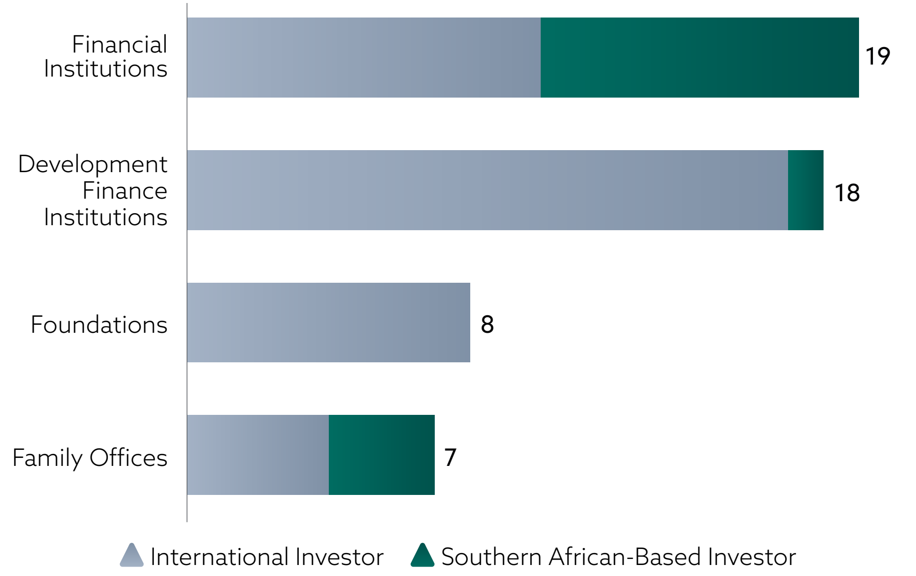
Source: AVCA

5.2 Investors Landscape

The development of private capital activity in Southern Africa has magnetised the interest and participation of a variety of institutional investors. Limited Partners (LPs) are increasingly engaging in co-investments alongside fund managers. 18% of private capital deal volume in Southern Africa between 2012 and 2023 were co-investment deals. By asset class focus, these 158 joint-participation deals demonstrated a disproportionate preference for Venture Capital (64%) followed by Private Equity (26%). By sector focus, Financials (25%), Information Technology (23%), Utilities (11%) and Industrials (10%) were the primary sectors targeted, mirroring the focus of investments that solely involved fund managers.

The profile of institutional investors making direct investments in Southern Africa reveals a mix of financial institutions and development finance institutions. The former are equally based within and outside Southern Africa, while a large proportion of the latter are internationally based. This diverse composition, comprising both development and commercially oriented actors, underscores growing investor confidence in Southern Africa's economic potential.

Figure 8: **Institutional Investors reported with Direct Investments in Southern Africa, by Category, 2012-2023**



Source: AVCA

Selection of Limited Partners Investing in Southern Africa

Limited Partner Name	Headquarter Region	Limited Partner Type
British International Investment	Europe	Development Finance Institution
DEG	Europe	Development Finance Institution
European Investment Bank	Europe	Development Finance Institution
FMO	Europe	Development Finance Institution
International Finance Corporation	North America	Development Finance Institution
Mastercard Foundation	North America	Foundation
Norfund	Europe	Development Finance Institution
Proparco	Europe	Development Finance Institution

Selection of Fund Managers Operating in Southern Africa

Fund Manager Name	Headquarter Region	Asset Class Focus	Sector Focus	Geographic Focus
Adenia Partners	Southern Africa	Private Equity	Generalist	Africa
African Infrastructure Investment Managers	Southern Africa	Infrastructure	Infrastructure	Africa
AfricInvest	North Africa	Private Equity; Venture Capital; Private Debt	Generalist	Africa
Alitheia Capital	West Africa	Private Equity; Venture Capital	Generalist	Africa
Alterra Capital Partners	Southern Africa	Private Equity	Generalist	Africa
Anza Capital	Southern Africa	Venture Capital	Generalist - Technology	Africa
Convergence Partners	Southern Africa	Private Equity; Infrastructure	Information and Communication Technology (ICT) Infrastructure and Services	Africa
EXEO Capital	Southern Africa	Private Equity	Agribusiness; Consumer Goods & Services; Supply Chain Solutions	Sub-Saharan Africa
Inside Capital Partners	Southern Africa	Private Equity	Generalist	Southern Africa; East Africa
Kasada Capital Management	Southern Africa	Real Estate	Real Estate	Sub-Saharan Africa
LeapFrog Investments	Europe	Private Equity; Venture Capital	Financials; Healthcare; Climate	Africa
Mahlako Financial Services	Southern Africa	Private Equity	Renewable Energy; Gas; Energy Services	Southern Africa
Meridiam	Europe	Infrastructure	Infrastructure	Africa
Metier	Southern Africa	Private Equity; Infrastructure	Generalist	Sub-Saharan Africa
Old Mutual Alternative Investments	Southern Africa	Private Equity; Infrastructure	Generalist	Africa
RH Managers	Southern Africa	Private Equity; Infrastructure	Healthcare	South Africa
Sanari Capital	Southern Africa	Private Equity	Generalist	Sub-Saharan Africa
Sanlam Investments	Southern Africa	Private Equity; Private Debt	Generalist	South Africa
Savant Technology	Southern Africa	Venture Capital	Generalist - Technology	South Africa
Verdant Capital	Southern Africa	Private Debt	Financials	Africa

ENDNOTES

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31 Excluding an outlier deal in 2020.
32 296 Tech companies out of 832 active companies in private capital funds portfolio in Southern Africa
33 In the Southern Africa region, countries' income classification is as follow: **Low-Income Countries:** Madagascar, Malawi and Mozambique; **Lower-Middle Income Countries:** Angola, Comoros, Eswatini, Lesotho, Zambia and Zimbabwe; **Upper-Middle Income Countries:** Botswana, Mauritius, Namibia, and South Africa.
34 In the Southern Africa region, countries' income classification is as follow: **Low-Income Countries:** Madagascar, Malawi and Mozambique; **Lower-Middle Income Countries:** Angola, Comoros, Eswatini, Lesotho, Zambia and Zimbabwe; **Upper-Middle Income Countries:** Botswana, Mauritius, Namibia, and South Africa.
35 The three development impact types are defined as follows:

Productive Development: development that enhances the productivity of an economy increasing competitiveness and economic output. It emphasises the importance of technological innovation, efficient allocation of resources, and capacity-building to improve living standards for the majority of the population.

Sustainable Development: a holistic approach to growth and development that seeks to meet the needs of the present without compromising the ability of future generations to meet their own needs. Rooted in the concept of long-term sustainability, it considers economic, social, and environmental factors.

Inclusive Development: focuses on the equitable distribution of the benefits of higher productivity and greater sustainability across society. It emphasizes the participation of all groups (particularly the marginalised or vulnerable) in the development process with a goal of reducing disparities in wealth, access to resources, and opportunities.

36 See Footnote 34.

37 See Footnote 34.

38 Hotel under renovation, expected at c. NAD176mn to NAD210mn once fully operational.

39 See Footnote 34.

40 Projected to add c. 58 permanent jobs and 125 seasonal jobs once hotel is fully operational.

41 See Footnote 34.

42 AVCA, 2023. *Funds and Fund Management Services in Africa*

This was FirstCorp Capital Partners and is now known as Ethos, a private equity fund manager.

43 The 'International' category includes fund managers with head offices in other African regions (outside Southern Africa), Europe, North America, Asia Pacific, Middle East

44 Based on response rate of 71% of the 34 active fund managers headquartered outside Southern Africa

45 Based on response rate of 68% of the 91 active fund managers headquartered in Southern Africa

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Championing Private Investment in Africa

The African Private Capital Association is the pan-African industry body which promotes and enables private investment in Africa.

AVCA plays an important role as a champion and effective change agent for the industry, educating, equipping and connecting members and stakeholders with independent industry research, best practice training programmes and exceptional networking opportunities.

With a global and growing member base, AVCA members span private equity and venture capital firms, institutional investors, foundations and endowments, pension funds, international development finance institutions, professional service firms, academia, and other associations.

This diverse membership is united by a common purpose: to be part of the Africa growth story.