# fluidity

## SAVCA Conference 2022

A Journal of activity and trends in Southern African private equity

SAVCA
SOUTHERN AFRICAN VENTURE CAPITAL AND PRIVATE EQUITY ASSOCIATION

fluidity
SAVCA Conference 2022

# Contents

















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EDITOR'S NOTE

# SAVCA and beyond

**By SAVCA CEO Tanya van Lill**

SAVCA has had such strong conference themes the last few years. I recall my first conference in February 2017 – a week before I officially took over the reins as SAVCA CEO – when the conference theme was *Fruitful Partnerships*. The keynote address was an interview with Olympic record-holder Wayde van Niekerk, and his coach, Tannie Ans Botha, where they discussed the value of their partnership and what it took for Wayde to win gold at the 2016 Summer Olympics. This address left a lasting impression on me about the value and meaning of true partnership.

Unsurprisingly, the private equity terminology from the 2017 conference was completely foreign to me at the time. I left the conference with a notebook full of phrases and terms that I needed to research afterwards. What was surprising to me though, was the level of energy, passion and camaraderie from conference attendees, and how I was welcomed with open arms. Throughout my five-year term at SAVCA, the energy, passion and camaraderie I experienced at that conference never waned and was a valuable contributor to what SAVCA achieved over the next five years.

The following year, 2018, was not only my first private equity conference as CEO, but it was also SAVCA's 20-year anniversary celebration. I felt a sense of pressure to continue the strong legacy that I inherited when it came to the quality of the conference. Our conference theme that year was *Hindsight. Insight. Foresight.* It was indeed one to remember with a World Café event that saw more than 400 attendees answer critical questions about the transformation of the sector that eventually led to a series of development programmes. Other highlights included not one but four sports stars talking about their career highs and lows; while the 20-year celebration ushered in more networking and social events for future conferences to come.

The 2022 conference will be my last at the helm of SAVCA. And although the conference theme, *Fluidity,* wasn't intended to coincide with my departure, it does seem fitting. Fluidity addresses the need to cope with constant change with a combination of grace, elegance and efficiency. For SAVCA, this means ushering in new leadership with the same level of energy and passion the industry has previously exhibited, to take the association through its next phase. And although I've been flattered with comments such as "leaving big shoes to fill", it's more about finding the right shoes for the right time and occasion.

SAVCA is primed to continue making a positive impact. We have a strong executive team and board who are committed to the industry and our members. The increased advocacy and promotion efforts of the past five years have provided a strong foundation for ongoing success and vitality. The rich content in this publication alone is testament to the resilience of the industry and of SAVCA.

I want to thank our members and friends of SAVCA that contributed to this publication. I also want to take this opportunity to thank the SAVCA membership base and broader ecosystem for making my five-year term so memorable. Although it was a steep learning curve at first, I fell in love with private equity and venture capital, more so because I got to see first-hand, the incredible impact the industry makes in our country. I have often marvelled at the ability of our members to "get the job done", despite external factors beyond their control (of which there were sometimes many!). You have and continue to inspire me!

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SAVCA
VC Conference
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## SAVE THE DATE!

**SAVCA Venture Capital Conference:**
**27 October 2022**

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# CHAIRMAN'S NOTE

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**By Lelo Rantloane**
*Founder of Ata Capital*

This year, we look forward to hosting our first in-person Private Equity conference since Covid knocked on our doorsteps in March 2020. For many, the Covid-years seem blurry, almost as if we have lost out not just on time but on milestones as a result of the chaos and uncertainty caused by Covid. I commend our members for their resilience during this time.

We now enter a period where we are once again able to meet in person, celebrate one another's achievements and action real change within the industry. My proudest moment as Chairman thus far has perhaps witnessing how the SAVCA team has come out of Covid-19 stronger and more agile than ever.

And now, as we usher in a conference jam-packed with panel discussions, networking opportunities and general catch-ups, I look forward to hosting our delegates this year and getting reacquainted face-to-face!

The theme, *Fluidity,* speaks to the time of ongoing changes and the adaptability which we have had to embody, in order to keep the industry going. The main lesson I have learnt is that change is constant and fluid, and I look forward to hearing some of your stories this year.

SAVCA has continued to engage with stakeholders and industry professionals on how we, as an industry, can continue to positively contribute to matters such as transformation and job creation given the value Private Equity offers. Our country has battled some difficult times of late, with the recent floods in KwaZulu-Natal testimony to the importance of infrastructure investment and continuous maintenance thereof. We look forward to the infrastructure debate on the SA vs rest of Africa Play.

We will also be hearing from Prof Jamie Anderson on how we can best embrace the future and lead during times of crisis. This also ties in with the conference theme of *Fluidity*, where, as we have learnt, change is constant and one of the tools in our playbox is the ability to be adaptable.

Part of a fluid process is having to bid farewell to SAVCA CEO Tanya van Lill – who leaves us after leading this organisation exceptionally for just over five years. This will be her last conference at the helm and although we wish her well in her new endeavours, we know that our paths will meet as we continue to engage with her as an industry professional.

Tanya, we wish you well and would like to thank you for your unwavering commitment and always putting the needs of SAVCA first and foremost. The organisation has certainly grown in leaps and bounds during your time here, and may your next adventure be nothing short of amazing!

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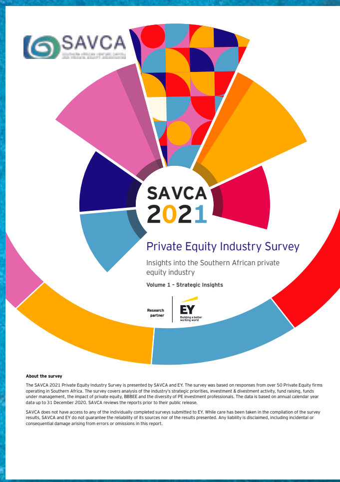



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ARTICLE

# South African private equity industry adapting to a changing world

**By Jaco Maritz**
*Editor of Africa Private Equity News, Founding editor-in-chief; How we made it in Africa*

*South African private equity (PE) and venture capital (VC) industry stakeholders take a look back at 2021 and share their outlook for the rest of the year.*

## Pick-up in PE activity following a challenging few years

South African PE activity is recovering from Covid-induced uncertainty, with industry players reporting an increase in transactions, which is expected to accelerate into the remainder of 2022.

Jacci Myburgh, co-head of Old Mutual Private Equity (OMPE), says South Africa's investment environment has improved after years of political concerns, which were followed by the Covid-19 upheaval. OMPE's main focus during 2021 was to help its portfolio companies recover from the effects of the pandemic and to set them up for future growth. Towards the end of the year, OMPE made an offer to acquire JSE-listed Long4Life with the intention of delisting the company from the bourse. Long4Life owns several lifestyle businesses including Sportsman's Warehouse, Sorbet and Chill Beverages.

> *In addition to delistings, there are also a number of public companies getting rid of non-core assets to private equity*
>
> **Lydia Shadrach-Razzino**
> *Executive, ENSafrica*

Private equity funds buying either pieces of listed South African businesses or entire companies and delisting them from the stock exchange, is likely to be a continuing trend, according to Lydia Shadrach-Razzino, an executive at law firm ENSafrica. Her firm advised JSE-listed Ascendis Health on the recent sale of its animal health division to Acorn Private Equity. "In addition to delistings, there are also a number of public companies getting rid of non-core assets to private equity," she adds.

The pandemic and the July 2021 riots in the KwaZulu-Natal and Gauteng provinces had a negative impact on many South African small businesses and put a strain on working capital. Rushil Vallabh, managing director of PE firm Secha Capital, says this situation has created investment opportunities as companies need the capital and operational support.

In the infrastructure segment, there have been relatively few new government-initiated projects with the disposal of existing assets accounting for the majority of deal flows, according to Vuyo Ntoi, joint managing director of African Infrastructure Investment Managers (AIIM). Digital infrastructure has become an important source of deal flow for AIIM and it announced several such investments during 2021: AIIM acquired a minority stake in South African fibre network carrier MetroFibre Networx; invested in a Ghanaian data centre business; and backed Eastcastle Infrastructure, a company specialising in Africa's telecoms tower sector.

When it comes to PE exits during 2021, Andrew Westwood, a partner at law firm Webber Wentzel, highlights:

- the sale of private equity-backed glass manufacturer Consol to Luxembourg-headquartered Ardagh; and
- Carlyle and Ninety One's exit of logistics company J&J Group to Imperial.

Westwood anticipates a healthy exit pipeline as several portfolio company disposals planned for 2020 and 2021 have already been pushed out due to Covid.

Exit opportunities will also be buoyed by returning foreign investor interest in South Africa. Myburgh says international companies are again considering growth opportunities in South Africa due to an improving economy and more political certainty as evidenced by the Consol deal and Heineken's recent offer to acquire alcoholic beverages producer Distell.

Secha Capital's co-managing director Brendan Mullen says there are increasing opportunities for the firm to sell its investments on to larger PE funds once they have grown to a certain size. Secha provides capital and boots-on-the-ground human resources support to small-cap companies.

Covid-related international travel restrictions made life difficult for investors who operate in the rest of Africa, such as Andrew Johnstone, CEO of Climate Fund Managers. "Deals can't be done on desktop analysis alone. The inability to physically meet people and kick the tyres was a big impediment to the ability to transact. The situation has improved, but testing requirements and other logistical issues still present challenges," he explains.

Johnstone says upcoming elections in several major African countries – including Kenya, Angola, Senegal and Nigeria – present both opportunities and challenges. "There is normally a flurry of activity in the run-up to elections as incumbent politicians want to show the good work that has been done. But then there is also the inevitable uncertainty about what the election outcome will be. Certain government processes also slow down during election periods."

### The rise and rise of venture capital

One of the biggest trends in the South African private capital industry currently is surging venture capital activity, particularly when it comes to fintech investments. "The fintech space is quite exciting. There is a lot happening and I think we are going to see more of it in 2022," says Lydia Shadrach-Razzino, the executive at ENSafrica who advised payments company Ozow on its recent $48-million series B funding round, led by Tencent.

Clive Butkow, CEO of Johannesburg-based VC investor Kalon Venture Partners, an early backer of Ozow, also reports an eventful 2021. Kalon made a follow-on investment in email security platform Sendmarc; its mobile marketing portfolio company Mobiz raised an additional $4-million; and real estate platform Flow is also fund-raising for international growth, to name but a few of the highlights.

Rising zeal for South African start-ups from international VCs is positive for the industry. "I think we are going to see a lot more liquidity in the local VC market, driven by international investors becoming more interested in the commercial opportunities that these tech-enabled high-growth businesses are offering," notes Alison Collier, Managing Director of Endeavor South Africa, which makes investments through its Harvest Fund. Harvest Fund, which only launched in February 2021, has already concluded 10 deals into South African-founded tech start-ups, with more than 50% of these rounds led by international VCs. Of the R6-billion Harvest Fund's portfolio raised in 2021, more than R5-billion was funded by international VCs.

Both Butkow and Collier highlight a trend of South African tech start-ups spreading their wings internationally. For instance, Mobiz will use the money from its fundraising to expand to the U.S.; Carscan, which uses AI to scan vehicle damages and provide repair estimates, now boasts clients in countries such as India, the UAE, Nigeria and Kenya; and Sendmarc is already doing brisk business in several Western countries.

### Fundraising: little easy money

In mid-2021, fund manager Metier had a final close, at $156 million, of its Sustainable Capital Fund II, which backs projects in the renewable energy, clean infrastructure, water and waste sectors. Although it attracted several prominent limited partners (LPs), Paul Botha, Metier's CEO, says the general fundraising environment remains more subdued than it was pre-Covid.

African PE firms could benefit from increased emphasis by international LPs on environmental, social and governance (ESG) reporting and gender-lens investing, according to Botha. While many global fund managers are racing to implement ESG imperatives, Africa's PE industry has been incorporating them for many years, largely due to positive influence from development finance institutions, which are significant investors in African funds. Botha says African fund managers should leverage their ESG expertise to attract additional capital. Despite the muted fundraising environment, Metier will raise its successor capital growth fund in 2022. The new fund has already gathered significant fundraising interest through the Africa Mobile Networks warehousing transaction, other significant current deal flows and the consolidation with fund manager Catalyst in East Africa.

Towards the end of 2021, Climate Fund Managers announced the $675-million first close of its Climate Investor Two fund, which will focus on ocean infrastructure, water and sanitation. Johnstone says while there has been a strong and enduring interest from LPs in Africa as an investment destination, rising interest rates in developed countries could temper enthusiasm for emerging markets.

Ntoi of AIIM also cautions that with higher global interest rates, LPs will require even better performance from PE firms. "Fund managers will have to show high returns as they compete for international capital in an environment of increasing interest rates."

AIIM is seeing greater enthusiasm from local LPs. In 2021, it completed a capital increase of R5.5-billion for its flagship southern African infrastructure fund, the IDEAS Managed Fund, taking the size of the open-ended vehicle to more than R22-billion. "South African pension funds have been key backers of our IDEAS Fund. We didn't find fundraising very difficult. There is an increased appetite for infrastructure within South African pension fund portfolios," Ntoi says.

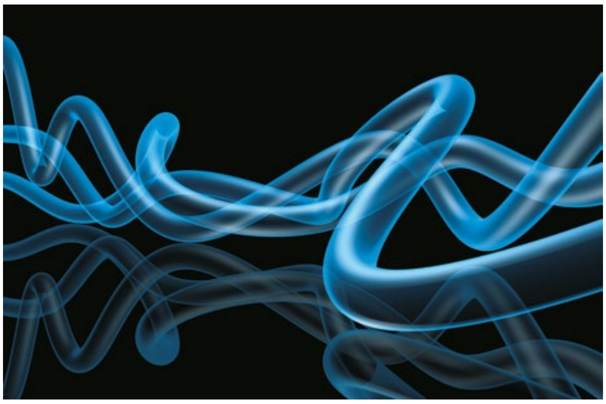
OMPE, which is currently raising its fifth fund, also reports stronger interest in PE from South African institutional investors, even as many international commercial investors remain on the sidelines. "After a strong run, a lot of people are unsure about where listed markets are going to go from here, and some of those investors with foresight are starting to become much more interested in private equity again," Myburgh concludes.

# SAVCA partners with FSD Africa on pension fund research in Southern Africa

*Private equity and debt have the potential to support development, particularly in the SADC region. But despite the growth of the asset class worldwide, regulations and market practices in several countries continue to constrain its development.*

SAVCA partnered with FSD Africa, a development agency supported by the UK government, to commission research on the pension fund industries of SADC markets and the role of private equity and debt.

The research found that a nuanced set of circumstances drive allocations to private equity in each market. Some countries are at an early stage of developing a pension savings system, with private equity not featuring at all. Other countries have a mature regulatory environment, but limited activity to provide investment opportunities to pension funds. Consistently across the SADC region, pension funds are expecting sustainability issues to increasingly dominate their investment strategies and see private equity playing an important part in meeting that demand. Yet they see considerable constraints in terms of skills to deliver the requisite flows of private equity opportunities, as well as their own limitations in being able to assess those opportunities.



Research house Intellidex was commissioned to undertake the research and it conducted a series of surveys and interviews with market participants in eight SADC countries. The researchers made several recommendations on what needs to be done to support the development of private equity and debt, and the consequential impact on development in those markets.

Chief among the recommendations is the support of skills development on both the buy- and sell-sides in those markets. There are limited investment opportunities because the pipeline is limited by few firms, fund raising activity and deployment. But there is also a problem on the buy-side with few pension funds equipped to assess private equity opportunities and build these into their investment strategies. Asset consultants play a key role in most markets of the region and often also need support in developing insight into the asset class.

Markets also generally need to develop regulation. While South Africa is increasing pension fund exposure limits to 15%, only Zambia has already made the change to a similar limit. Zimbabwe intends to make similar moves, but the other markets often have no explicit private equity limit, or mingle private equity within an alternatives and "other" category. The report also finds that several markets crowd out private equity investment with government debt in pension systems. While such debt is notionally liquid, in reality the large allocations in portfolios cannot be easily liquidated, leading funds to prioritise liquidity in the balance of their portfolios. Generally, funds are overweight debt investments relative to listed equity, let alone private equity and debt. Pension funds also generally do not have mandates that enable private equity exposure, despite the potential to diversify exposure and access returns.

The opportunity to support development from a government perspective is clear. Many markets prioritise domestic investment through regulation, but listed opportunities are limited. Private equity has the potential to channel domestic savings more towards domestic investment, relieving some of the constraints created by small local public capital markets. The biggest funds in each of the eight countries studied are public sector funds, creating potential for integrated development policy that appropriately positions public sector funds alongside wider development ambitions.

The authors also suggest that a regional strategy could overcome some of the challenges arising from sub-scale market sizes in the region. Pension funds could be given a regional exposure limit, enabling regional funds to raise from pension funds in the region and globally. With a regional view, portfolios could be built that meet regional development aspirations while also delivering an appropriate investment basket to pension funds.

FSD Africa intends to partner with governments, development institutions and other industry stakeholders such as SAVCA to deliver a far more vibrant private equity industry that services the pension fund systems of Southern African countries.

OPINION PIECE

# Private Equity investment is a vital cog in the economic growth that leads to job creation

**By Farhad Khan**
*Partner at Old Mutual Private Equity*

**While the listed sector gets most of the attention from institutional investors, one unlisted asset class has a track record of diversified returns and job creation, argues Farhad Khan, Partner at Old Mutual Private Equity.**

In 2001 athletic leisure shoe retailer Footgear launched its first store in Cape Town with the simple goal of getting the best brands onto South African feet, without breaking their pocket, while providing the best service to customers. Its formula proved a success and by 2019 the company had a footprint of around 70 stores.

In 2019, Old Mutual Private Equity (OMPE), part of Old Mutual Alternative Investments (OMAI) invested in Footgear through its fourth fund, OMPE Fund IV, providing growth capital, strategic insights, and support. In the three years following OMPE's investment, Footgear grew to more than 190 stores across the country, significantly increasing its performance and creating hundreds of new jobs, while preserving a material number of jobs through the acquisition of Edgars Active and High Key chain stores from the distressed Edcon group.

The Footgear case study is just one example of the grass-roots ability of private equity to make a meaningful contribution to the economic growth of South Africa and grow sustainable jobs. Additionally, it has the potential to address fundamental challenges such as transformation and inequality of opportunity in workforces, institutions, and communities.

The need for growth solutions is pressing and the private market is a key contributor to growth in South Africa which can with more investment, play an even bigger role. While South Africa's economy grew by 1.2% in the fourth quarter of 2021, we are yet to reach the GDP levels achieved before the pandemic. According to recently released data by Statistics South Africa, the country's annual real GDP increased by 4.9% in 2021, still reeling from the contraction of 6.4% in 2020, due to the Covid-19 pandemic. Even during challenging economic times, high-quality private equity managers have successfully generated competitive returns for their investors.

Private equity is an alternative form of financing, distinct from public markets and bank debt. The private equity investment model allows direct investment into private companies or buyouts of private companies, facilitating access to alternate forms of capital for entrepreneurs to develop and grow their businesses, and ultimately contributing to increased economic activity, productivity, and growth.

Recently, the eyes of the world were fixed on the 4th annual South Africa Investment Conference (SAIC) where an additional R332-billion in investment pledges was announced. Investors committed to support the economic recovery project as part of the SA government's plan to raise at least R1.2-trillion in new investments over a period of five years ending in 2023. The inclusion of investment in private equity managers is an obvious opportunity that we feel is missing from the overall plan. Despite Regulation 28 of SA's pension funds act allowing for allocations of as much as 15% of assets under management (AUM) in unlisted assets, investors continue to under -allocate capital to this category with less than 20% of AUM typically being invested in asset classes such as private equity, globally.

South Africa offers a considerable number of attractive investment opportunities in the mid-market due to our combination of world-class entrepreneurs in well-run, highly scaleable businesses. Around 3 000 mid-sized companies are run by successful, proven entrepreneurs who form one of the largest employer bases in the country. Moreover, these businesses are often ripe for growth. With the right equity partner and capital, they are capable of scaling up, institutionalising, and generating attractive returns.

Investing in these companies has the power to substantially stimulate the economy because in addition to the sizeable capital available for expansion plans, private equity investments come with experienced strategic advisory and management support. This model, largely funded by institutional investors seeking to diversify risk and investment returns, offers South Africa one of the most efficient ways to stimulate economic growth.

In addition to improved business performance, private equity also brings with it a wealth of experience in environmental, social and governance (ESG) practices, often to organisations that simply do not have the resources or expertise to invest into broader societal needs. South Africa is one of the most socially unequal countries in the world and businesses play a vital role in helping to address some of the fundamental socio-economic and environmental challenges of our day.

Corporate ESG policies go well beyond the tick-box approach but rather employ significant resources to make a tangible difference. At its core it provides and ensures adherence to global benchmarks for the creation of sustained outcomes that, while driving value and growth, strengthen the most vulnerable communities and minimise harmful impacts on the environment.

Old Mutual Private Equity Fund IV was established in January 2014. The R3,7-billion fund, which has since closed, invested in high-quality unlisted companies in the mid-market space that display significant growth potential. Its portfolio of seven companies are significant employers, employing almost 20 000 people as at December 2019. Some 74% of these employees were historically disadvantaged South Africans – a testament to transformation and steps towards reducing inequality.

It is clear that private equity can help deliver the impact needed to address South Africa's most immediate and pressing challenges – growth and unemployment. Talented, innovative entrepreneurs and business owners hold the keys to unlock South Africa's economic potential. With strategic access to capital, and robust business and market insights, private equity can accelerate the country's economic performance so that we can better deal with inequality and other socio-economic challenges.

# Private Equity Activity

**March 2021**
The Philadelphia Board of Pensions and Retirement approved a $50 million commitment to **Development Partners International's (DPI)**, African Development Partners Fund III.

**March 2021**
**Sanlam Private Equity** acquired a majority shareholding in South Africa's Cavalier Group of Companies, a supplier of premium red meat products.

**March 2021**
**Hlayisani Growth Fund** announced its first close at R350 million (about $23.9 million) to invest into high-growth, high-impact businesses. The funding round was led by Standard Bank and prominent South African family offices.

**March 2021**
**African Infrastructure Investment Managers**, together with the management team of the new Onix Data Centres platform, have acquired a majority stake in Ngoya Etix DC (Ghana) Ltd, a carrier-neutral data centre.

**April 2021**
**EXEO Capital** invested in the Maia Group through its food and agribusiness fund, Agri-Vie Fund II. The Maia Group is a holding company focused on consumer health businesses and currently includes Wellness Warehouse and True Health Holdings.

**April 2021**
**Trinitas Equity Partners**, together with its partners, has acquired the South African beauty company, Avroy Shlain. The competitive seven-month process culminated in a deal that includes a significant management shareholding and two local family offices. Debt facilities have been provided by Investec Private Capital.

**April 2021**
**Metier**, a private equity firm which manages the Lereko Metier Sustainable Capital fund, has sold its stake in the 50MW Bokpoort Concentrated Solar Power (CSP) asset in South Africa to Revego Africa Energy.

**May 2021**
A consortium consisting of **Agile Capital** and **RMB Corvest** completed a management buyout of Adcorp Support Services (ASS), along with the company's management. ASS has two divisions: funeral management services and employee benefits.

*Source: Africa PE News App*

# INVESTING IN BIODIVERSITY

## The case for finance to take action in southern Africa*

WILDERNESS FOUNDATION AFRICA

### Initiative in partnership with SAVCA

*… Nature is more than a mere economic good. Nature nurtures and nourishes us, so we will think of assets as durable entities that not only have use value, but may also have intrinsic worth. Once we make that extension, the economics of biodiversity becomes a study in portfolio management.*

**— Sir Partha Dasgupta**
*The Dasgupta Review*

The world – and southern Africa – is in a biodiversity crisis. The population sizes of mammals, birds, fish, amphibians and reptiles have seen an average drop of 68% since 1970.[1] The economic model of indefinite production and consumption that we have been following has led us to this point of climate and ecosystem breakdown.

Just as the financial world deals with assets that give rise to revenue flows, nature has environmental assets that give rise to associated flows of benefits to people and the economy. These assets include the naturally occurring living and non-living components of the Earth such as forests, wetlands, coral reefs and areas under agricultural cultivation. Within these assets, ecosystems – a dynamic complex of plants, animals and microorganisms – interact with one another and the non-living components.

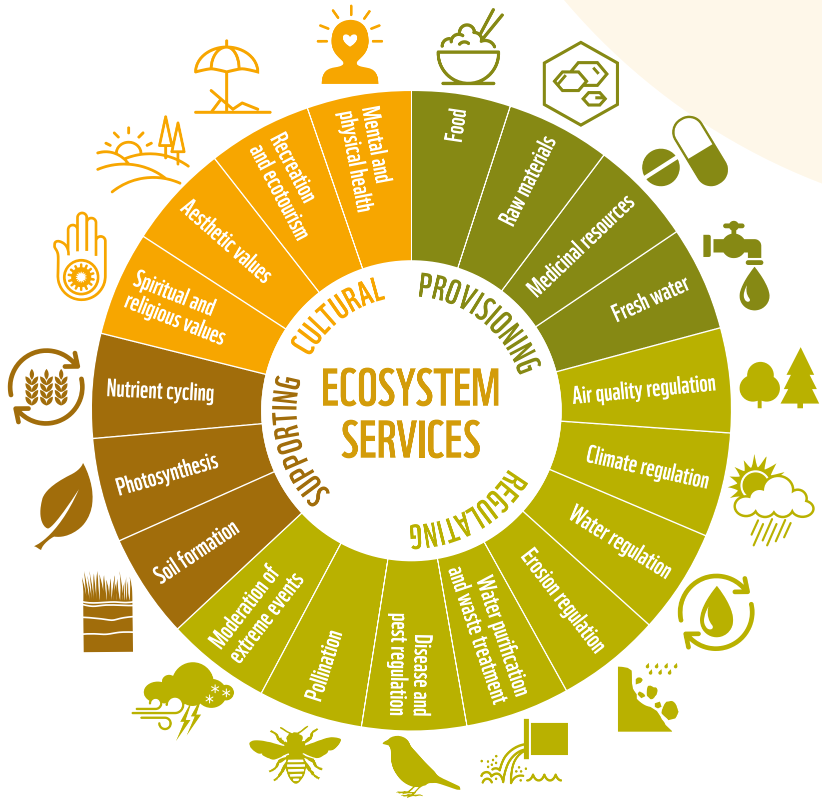
The biodiversity crisis means that increasingly nature – land, ocean, freshwater and the atmosphere – will be unable to provide us with these vital ecosystem services. This means ecosystem services such as pollination, climate regulation, water purification and security, human health and disaster risk management are at risk.

**FAST FACT**

**$44 trillion**
**in economic value is at risk from nature loss**

*[*] The full report is available at wwf.org.za/report/investing_in_biodiversity*
*[1] livingplanet.panda.org/en-gb*

## ECOSYSTEM SERVICES: BENEFITS FROM NATURE




*Source: awsassets.panda.org/downloads/lpr_2016_full_report_low_res.pdf*

## RISKS FROM BIODIVERSITY LOSS

For southern Africa, the main drivers for biodiversity loss are habitat loss, pollution, over-exploitation, invasive species and climate change. Indirect drivers include demographic change and socio-political factors, particularly the lack of funding and capacity for biodiversity conservation.

In southern African countries this is projected to specifically manifest as:

- A reduction in fish stocks, crop and livestock productivity and water availability.
- Shifts in biomes due to changes in atmospheric carbon dioxide concentrations and aridity.
- Habitat loss for freshwater species due to higher water temperatures in floodplains, estuaries, wetlands, ephemeral pools, rivers and lakes.
- Changes in coastal and marine ecosystems.
- Changes in the spreading patterns of invasive alien species.[2]

These drivers also affect human health through the pollution of air, freshwater systems, land and soil, marine and coastal systems. Most at risk from biodiversity loss are the Food and beverage, Healthcare and Consumer goods sectors.

For banks and investment and insurance companies, this loss creates credit risk, market risk, operational risk and reputational risk. Risk manifests tangibly in each category as physical risk, litigation and regulatory risk (including liability risk), transition risk and systemic risk.

### FAST FACT

**Biodiversity loss is the third largest severe risk on a global scale over the next 10 years**

[2] *report.ipcc.ch/ar6wg2/pdf/IPCC_AR6_WGII_FinalDraft_Chapter09.pdf*

# BARRIERS TO FINANCING BIODIVERSITY PROJECTS

The challenges hindering the scaling up of biodiversity finance are threefold:[3]

- A failure of public policy
- A lack of data and measurement of biodiversity risk
- A lack of bankable biodiversity investment deals.

In addition, there is a lack of appropriately skilled professionals – what is needed is a large pool of investment managers with biodiversity conservation knowledge, and biodiversity conservation experts with financial skills.

The timeframe for deal sourcing, investment decision-making and review often does not allow consideration of biodiversity issues if the expertise is not available. In these cases, investors could increase their technical capacity to better understand and manage their biodiversity risks.

The time horizon in which financial actors plan and act is unfortunately not more than a few years, but investments in biodiversity projects usually require a longer term to achieve sustainable results. Financial regulators and supervisors can change their own assessment horizons and use their regulatory powers to bring about the required shift.

# MITIGATING RISK THROUGH NATURE-POSITIVE INVESTMENTS

The risks of biodiversity loss can be mitigated by integrating biodiversity in corporate and investment decision-making on strategy, risk management and capital allocation.

To lower biodiversity-linked portfolio risks when sourcing investment opportunities that support biodiversity and nature's services, the following can be taken into account:

- Recognise and measure the biodiversity dependencies and impacts of the business.
- Conduct environmental, social and corporate governance (ESG) due diligence.
- Properly value biodiversity services.
- Assess and analyse the impact of investments on nature, as well as portfolio risk linked to biodiversity loss.
- Disclose and price externalities and build them into financial markets.
- Adhere to existing standards, including:
  - The World Bank's International Finance Corporation's Performance Standard 6: Biodiversity Conservation and Sustainable Management of Living Natural Resources
  - The United Nations Sustainable Development Goals (SDGs) Goal 14: Life Below Water
  - SDG Goal 15: Life on Land
  - The Global Reporting Initiative Standard 304: Biodiversity
  - The Task Force on Climate-related Financial Disclosures' recommended disclosures for governance, strategy, risk management and metrics and targets.
- Measure, monitor and evaluate the impact of businesses on biodiversity across supply chains by using the Task Force on Nature-related Financial Disclosure's recently released beta framework.

# THE BENEFITS OF NATURE-BASED INVESTMENTS

The finance sector has a critical role to play in shifting the allocation of capital to achieve a net-zero transition in southern Africa.

Integrating biodiversity into private equity can be more straightforward compared to listed equity as almost all investments involve controlling, or influential, minority stakes in the underlying portfolio companies; therefore, investors should have better access to information.

Biodiversity-related investments can be financed through direct investment, green bonds, commercial loans, private equity, risk-mitigation instruments, conservation trust and public–private cooperation models.

The reputational risks of mismanaging biodiversity loss will become too significant for organisations to ignore, with increasing pressure to provide nature and climate-related financial disclosure that includes opportunities in biodiversity finance.

[3] *thedocs.worldbank.org/en/doc/916781601304630850-0120022020/original/FinanceforNature28Sepwebversion.pdf*

# INNOVATIVE FINANCE INITIATIVES: FOUR CASE STUDIES FROM SOUTHERN AFRICA

Case studies 1 to 4 show how nature-positive investments maximised tangible returns while having a positive impact on biodiversity. Through novel financial and business strategies, these businesses managed to overcome many of the barriers to financing biodiversity projects.

1

## CASE STUDY 1: NATURE-BASED TOURISM

**Grovest Mdluli Lodge**

In 2017, Grovest launched Mdluli Safari Lodge Venture Capital Company partnered with the local Mdluli community in South Africa. Approximately R80 million was raised from 80 corporate and retail investors to develop Mdluli Safari Lodge, a luxury responsible tourism experience with access to the iconic Kruger National Park.

In 2021, Impact Capital Africa awarded Mdluli Safari Lodge with its highest AA+ environmental, social and governance impact rating.

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## CASE STUDY 2: USING ALTERNATIVE ASSETS FOR CAPITAL DEPLOYMENT

**AXA's Impact Fund on Climate and Biodiversity Fund**

AXA Investment Managers' impact fund focuses on ecosystems that will support our world into the future. Created in 2012, AXA's Impact Investing Private Equity Strategy is aimed at addressing key social and environmental challenges.

In 2019, AXA launched their Climate and Biodiversity Fund that will invest up to $200 million of capital into credible solutions to address the threat of climate change to biodiversity. Key target outcomes are climate change mitigation, landscape conservation, habitat protection and climate resilience.

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## CASE STUDY 3: TRACKING SUSTAINABILITY PERFORMANCE THROUGH BIODIVERSITY METRICS AND DATA

**BioCarbon Partners (BCP)**

BioCarbon Partners' pilot project, the Lower Zambezi REDD+* Project's unique milestones include becoming the first Verified Carbon Standard project in Zambia and the first in Africa to earn gold level validation for the Climate, Community and Biodiversity Standard.

The Luangwa Community Forests Project, BCP's second REDD+ project and the largest in Africa, achieved CCB Triple Gold too. In 2015, the Lower Zambezi National Park went carbon neutral from operations, a world-first. In 2017, BCP became the world's third highest ranked B Corp for social and environmental impacts.

** REDD+ is a United Nations-backed framework that aims to curb climate change by stopping the destruction of forests.*
*REDD stands for "Reducing Emissions from Deforestation and forest Degradation".*

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## CASE STUDY 4: BENEFITS FOR BIODIVERSITY AND BUSINESS

**Forest Stewardship Council Certification**

Sustainable and impact forestry investment has grown steadily. In 2019 the Global Impact Investment Network estimated an investment of US$9,4 billion in forestry and related assets, with the majority pursuing certification with the Forest Stewardship Council (FSC).

Established in 1993, the FSC is an independent NPO that promotes forest stewardship with the FSC certification. It currently certifies more than 180 million hectares across 80 countries. The FSC's ten core principles promote sound management practices and best practice.

The FSC standard indicates that a forestry business protects forest ecosystems, manages water quality, conserves wildlife habitats and supports local communities. Several studies and tools (including WWF's Forest Certification Assessment Tool) have shown that the FSC provides the most credible forest certification scheme at present.

ARTICLE

# Fit for change in 2022

**By Prof Charlene Lew**
*Head of Internationalisation at the Gordon Institute of Business Science, University of Pretoria*

As the pandemic ebbs away, we are all left standing exposed to the world's uncertainty and unpredictability of unpleasant possibilities. We have long known to expect the unexpected, but as Nassim Nicholas Taleb warned us in his book, *The Black Swan* in 2007, unless we change our social norms and how we go about doing business, we will not be ready for change. That is the challenge – it is in changing that you become fit for change. To be fit for change is much more than pressing against the weight of what happens to you. It is also building the stamina and agility to shift the manner in which that you and the firms you lead, do things.

## Think for a moment of the change that is happening in your world

An investment or asset manager who enters the market today after not having worked for a decade would not recognise the world. The current world sees investments in cryptocurrency, robotic technologies that open new business opportunities, unusual investment portfolios, and non-traditional asset classes. The rules for assessing the value of a company are rapidly changing. Every astute financial expert is challenged on the one hand by slowing markets and heightened competition, which make life difficult, and on the other hand, by new ways of thinking about money, technology, and opportunities, which make life exciting.

We are entering a phase of change that is both frightening and exhilarating. You could see this as a phase where you need to face a new reality and try to match what your firm does to the lasting trends that lag from the events that we have all experienced. Or you could see this as a phase where you need to shape a new reality. Being fit for change is about maintaining the necessary strength to deal with new ways of working and this requires investment in new systems and processes. It is also about being first and fast in setting up new ways to engage with one another and with the world. You need to be agile to react to recent and current changes by thinking about new ways in which you deal with work patterns, client engagement, and fund management. At the same time, you should be vigorous in creating newly engaged networks, novel asset classes, and unusual funding mechanisms suitable for the world we are moving towards.

## Think of the institutions you shape

The visionary firms that bring value are those that are creating solutions for the deep problems of the well being of individuals, groups, nations, and the planet. We understand that the reason investors have carried the Tesla business into the current state of profitability is that they believed in the bigger vision of a disruptive green solution to the motor vehicle industry. Tesla had set aside the assumptions of how we respond to mobility requirements by thinking about the planet. This calls for all companies to think about value creation as a mechanism for making money while making the world better.

## Think of the firm you lead

The change-fit leaders are those who see change not as a violent disruption of their lives, but as a competitive challenge that they wish to overcome. It means setting aside the desire for predictability and certainty. It requires you to build stamina and strength by taking on challenges, forging ahead, and finding new paths that bring value to yourself and others.

## Think of the person you are becoming

The change-fit leaders are those who see change not as a violent disruption of their lives, but as a competitive challenge that they wish to overcome. It means setting aside the desire for predictability and certainty. It requires you to build stamina and strength by taking on challenges, forging ahead, and finding new paths that bring value to yourself and others.

In the unpredictable world, where change brings challenge and opportunity, the change-fit leaders create a new vision, allow new ways of working and strengthen themselves to win.

OPINION PIECE

# Specialisation of private asset classes in Africa – a growing theme?

**By Edmund Higenbottam**
*Managing Director of Verdant Capital*

*During 2021 only eight Vintage I funds in Africa reached first close in the year. Looking at Vintage I funds is an interesting reference point for the direction of change in the market overall. All eight of these funds were specialist funds: four specialising in specific countries or sub-regions, and four are sector specialists, as per data from Private Equity Africa. This is consistent with a theme we have seen in the market over the last few years – the growth in the number of specialist fund managers.*

We have seen demand from limited partners, for more specialisation in the private asset class, as a whole. This includes the development finance institutions who consider specialisation as a means to exercise greater control over the developmental impact of their capital commitments. Also, specialist teams, with specific track-records and technical skills, can provide a compelling answer to the question, why invest through a fund rather than through direct investing operations?

Most of the sector specialist funds in Africa are focused on sectors which offer high developmental potential, for example, financial inclusion, renewable energy and agri-business (food security). We believe this can also be said for tech and fintech.

One question we were frequently asked during our fund raising for our first close by prospective LPs was: why be a sector specialist and diversified across the region rather than be a country specialist and sector diversified"? In most markets within Africa, we see limited advantage or risk mitigation in sector diversification in a single country: in the event of a sharp downturn in the economy of one country, most sectors are negatively impacted. This is one difference to investing in mature markets, where arguably there is more alpha in sector selection. We see the fundamental drivers for this distinction as:

**(i)** the enlarged role of the government in many African economies,

**(ii)** in many countries the dependence on one or a small number of commodities in terms of export earnings and tax receipts, and

**(iii)** unstable politics and weak institutions.

As an aside, while South Africa is undoubted a more mature and diversified economy than its neighbours, it arguably has more similarities than differences to most other countries in the region. Equally, country specialist funds in theory can invest in a broad range of industries and must have the breadth of expertise in their team to match, while having access to much narrower sector expertise than a global fund with a much larger AuM.

The converse is funds which are sector specialist and diversified across the region. Examples of such Vintage I funds which reached first close last year include the Verdant Capital Hybrid Fund, which specialises in inclusive financial institutions, and Fortis Green, which specialises in renewable energy. Sector specialist funds benefit from deep expertise and understanding of their chosen sector, knowledge of comparators and typically an extensive network of relationships with potential investees, their management and shareholders and other role players. Sector focus also allows for effective fund management at a smaller fund size. This is a valuable fact as average fund sizes are smaller now than the boom years of the last decade. As per GPCA data, during the last five years the private equity in Africa has raised on average USD 1.6-billion per year, compared to the prior five years which saw an average of USD 2.3 billion. The average number of funds closing each year was 21 and 22 in the two five-year periods respectively, that is, almost exactly the same, implying average fund sizes 30% smaller. Exposure to multiple jurisdictions provides valuable risk mitigation. For example, the performance of an asset-financed investment in Southern Africa is likely to have limited correlation with the performance of a similar business in East Africa.

There has also been a significant growth in Africa of specialist “sister” asset types such as mezzanine, infrastructure and venture. The best example of this in Africa is the growth of venture, driven in part by the strong demand for the fintech theme. As per GPCA data, venture funds deployed in Africa an aggregate of USD 3.0 billion in 2021 out of the total of USD 6.3 billion deployed in Africa in total across all private asset classes.

Arguably the growth of other specialist private asset types and specialisation within the private equity asset class itself has arisen in response to fundamental challenges in the performance of private equity in Africa, and this can be expected to be a continuing theme. As discussed above specialisation of teams and funds can help in portfolio construction, given the challenges running generalist teams with the broad expertise required to build generalist portfolios notwithstanding smaller fund sizes in Africa. In terms of other specialist asset types, mezzanine or hybrid capital funds, by being senior to the holders of common equity, usually in Africa “insiders”, benefit from an important mitigant to the principal-agent risks which have impacted many minority equity investments in Africa. Another example: venture funds are seeking businesses with growth prospects disconnected to the lower than previously forecast growth of dollar GDP in the markets in which they operate. This might have appeared unnecessary a decade ago in the Continent of the “Fastest Billion”!

ARTICLE

# ESG: It's not just business, it's personal

**Pooja Dela**
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*A greater emphasis is being placed on the human rights obligations of businesses than before, with likely moves towards binding treaties.*

Environmental, Social and Governance (ESG) considerations are becoming increasingly relevant across the spectrum: from investor and shareholder relations, brand and reputation management and data protection to business and human rights, corporate governance and fiduciary duties of companies and their directors. Businesses ranging from JSE-listed entities to your friendly neighbourhood stores are affirming their commitment to a better world for all. And so they should!

## The concept of business and human rights

Recently, businesses have been refocusing and re-evaluating their commitment to ESG and sustainability. There's been an intentional shift in focus to the "S" goals, which were often overlooked in the past. The "S" goals include business and human rights.

Human rights imperatives for business are, for example, to protect individuals from unfair discrimination based on race or gender, or communities from being negatively impacted by business operations. While business interests are generally focused on profitability, it would be incorrect to assume they are at odds with human rights. In fact, there is an opportunity for mutual growth and convergence.

It is important for businesses to be aware of the framework which guides them on their responsibilities to respect and protect human rights. The United Nations Sustainable Development Goals (SDGs) are the starting point. They consist of 17 goals which call on all countries to take actions which ensure sustainability and include specific human rights-focused goals such as: no poverty, zero hunger, good health and well-being, quality education, gender equality, clean water and sanitation, decent work and economic growth, reduced inequalities, peace, justice and strong institutions.

The SDGs exist at the level of principle or soft law. The UN has also released its Guiding Principles on Business and Human Rights (UNGPs). Although the UNGPs are not legally binding, they offer guidance on how businesses should embrace human rights and express their commitment to respecting and promoting human rights.

According to the UNGPs, the core of a corporation's responsibilities is to respect and protect human rights. This means that they should avoid infringing on the human rights of others and address adverse human rights impacts in their business. Practically, this means that businesses should at least be incorporating the following strategies into their human rights initiatives, appropriate to their size and circumstances:

- A policy commitment to meet their responsibility to respect human rights;
- A human rights due diligence process to identify, prevent, mitigate and account for how they address their impacts on human rights.
- Processes to enable the remedial action of any adverse human rights impacts they cause or to which they contribute.

We expect there will be moves towards binding treaties which entrench the human rights obligations of businesses.

For example, recently, a UN intergovernmental working group met in Geneva to discuss the third draft of a legally-binding treaty on business and human rights. The purpose of the treaty includes clarifying the human rights obligations of business enterprises and ensuring businesses respect those obligations and are preventing and mitigating the occurrence of human rights abuses. This will be done through monitoring and enforceability mechanisms, and by ensuring access to justice and effective, timely remedy for victims of human rights abuses. The treaty is still in draft form, but once finalised and adopted by states, the intention is that it will apply to domestic and transnational business activities in signatory countries, and cover all internationally recognised human rights and fundamental freedoms. In effect, through this treaty, the human rights obligations of businesses will become law.

## The South African context

There is no specific binding legislation in South Africa which directly holds businesses accountable for human rights violations. At least, not yet. But ESG strategies must still encapsulate human rights considerations. These include, for example, equality and inclusivity in the workplace, fair labour practices, an environment that is not harmful – particularly for communities that may be situated near production or industrial sites - heightened corporate social responsibility (CSR) and sustainable supply chains.

South Africa's Constitution is one of the most progressive in the world. The Bill of Rights – a cornerstone of democracy – affirms the democratic values of human dignity, equality and freedom. It also enshrines the right to an environment that is not harmful to the health and well-being of the people, and several socio-economic rights, including the right of access to housing, health care, food, and water.

The beauty of the South African Constitution is in its application. Not only must the State respect, protect and promote the rights in the Bill of Rights, but natural and juristic persons (ie businesses) have these obligations too, to the extent applicable, considering the nature of the right and the nature of any duty imposed by the right.

The drafters of our Constitution were decades ahead of their time when they enshrined these provisions relating to socio-economic rights and the application of the Bill of Rights into the Constitution. And South Africa's unique history, coupled with its progressive Constitution, has placed it ahead of the curve on certain human rights issues such as equality in the workplace, through transformation initiatives and B-BBEE legislation. This in turn assists with the promotion of socio-economic rights. The general sense, however, is that businesses are not doing enough. Even if they are doing something, they are not being held legally accountable for human rights failures.

Businesses that do not shift their focus to human rights are at risk. Key ESG-related risks include the risk of litigation, which involves not only the costs of legal services, but the potential costs of alienating the communities in which a business operates, its investors, consumers, and the public at large. For example, in the Netherlands in May 2021, a district court of The Hague ordered Royal Dutch Shell to reduce its global carbon emissions by 45% from their 2019 level by 2030. The litigation was launched against Royal Dutch Shell by various NGOs, who argued that the annual $CO_2$ emissions of the global group were contributing to climate change and posed a threat to their human rights. There have also been reports that similar litigation is being considered by action groups in Germany against companies such as Volkswagen, Mercedes-Benz and BMW on the basis that the companies' excessive $CO_2$ emissions will violate their rights to freedom, property and health. South Africa may well see similar claims soon.

## The way forward

South African businesses would be well advised to take a deliberate approach to the advancement of human rights, both internally (employees) and externally (communities in which a business directly operates or indirectly affects). Properly implemented, whether through an internal or external ESG strategy or other CSR initiative, the advantages are obvious. Once people feel that their human rights are respected, the business gains public, investor and shareholder confidence, and greater employee engagement and dedication. All these advantages translate to greater innovation, access to talent, resources, and funding, and ultimately, profitability and sustainability.

At this point, it is not enough for businesses to indicate a willingness to respect, protect and promote human rights. They must take proactive steps to realise these objectives by implementing ESG strategies which must incorporate elements such as human rights, due diligences, impact assessments and compliance analyses. Perhaps most importantly, mechanisms must be put in place which empower affected individuals to hold a business accountable when it fails in its human rights obligations.

ARTICLE

# Funding Africa's energy gap presents significant investment opportunities

**By Vuyo Ntoi**
*Co-Managing Director of AIIM*

**Unreliable energy and weak policy environment have deterred investment, but positive change is afoot, notes Vuyo Ntoi, Co-Managing Director of African Infrastructure Investment Managers.**

Africa's energy shortages are well documented and one of the fundamental reasons for the shortfall has been that population and economic growth have outstripped the capacity for the generation of energy. The energy shortages coupled with the poor maintenance of existing energy facilities; an unviable energy sector due to tariffs being lower than actual costs, and a reputation of having unreliable electricity supply has all come together to stifle economic ambitions.

South Africa is a case in point. Power cuts first hit in 2007 and 14 years later load shedding, a euphemism for scheduled blackouts, remains a constant factor for everyday business and household life.

The economic impact has been substantial. A calculation by the Council for Scientific and Industrial Research (CSIR) found that in 2019 alone, load shedding resulted in lost economic output of about R700-million for each load shedding stage per day. The outages reportedly cost the economy between R60-billion and R120-billion.

This situation forced us as a country to look to alternative energy solutions, including renewable energy. Businesses selling domestic and industrial solar systems, energy generator back-up units, and Uninterruptible Power Supply (UPS) units have become commonplace.

Unfortunately, while these alternatives have positive externalities for the environment, it must be appreciated that the associated costs for the implementation of these energy alternatives are significant.

Despite the decrease in cost per unit, on the back of the increased demand, these costs still range from around R60 000 for a domestic 5KvA solar system to around R600 000 for a 413kVA 3-phase diesel generator. Industries such as mining, and manufacturing are incurring substantial capital expenditure to sustain their operations. The result is that access to green energy products excludes most of the population, and a lot of small, medium, and micro-enterprises (SMMEs).

Another key consideration and driver for renewable energy is climate change, which is affecting every country on every continent. The energy, mining and manufacturing sectors have faced pressure from governments, investors, and society to reduce carbon emissions. South Africa, as Africa's largest per capita emitter of greenhouse gases, reaffirmed its commitment and undertaking to ease reliance on fossil fuels at the COP26 summit in Glasgow last November.

In the White Paper on Renewable Energy of 2003, policymakers had taken a series of decisive actions to increase independent power production. Subsequently, the Renewable Energy Independent Power Producer Procurement Programme (REIPPPP) was introduced by the Department of Energy (DoE) in March 2011.

The REIPPPP is one of government's urgent interventions to enhance South Africa's power generation capacity. Its main objective is to secure private sector investment for the development of new electricity generation capacity, giving effect to the policy decision to diversify South Africa's energy mix and bringing additional megawatts onto the country's electricity system through private sector investment in wind, biomass, and small hydro, among others.

It is against this background that policy makers have taken cognisance of the scale of the task at hand, with the REIPPP interventions to date not being sufficient to fill currently existing electricity generation shortfalls. As recently, as June 2021, President Cyril Ramaphosa announced that a significant amendment to schedule 2 of the Electricity Regulation Act would be enacted to increase the size of embedded generation projects that could wheel through the national grid without a licensing requirement from 1MW capacity to 100MW capacity projects.

The continued unshackling of responsibility from the state regulator is a step in the right direction in further reforming the electricity sector towards achieving a stable and secure supply of energy. It speaks to essential trimming of red tape, and the increased opportunity for job creation stemming from IPPs, but also the collaborative approach of a government determined to get its energy policy right.

Of all SA's renewable energy sources, solar holds the most potential because of the country's geographic location - we receive an enormous amount of solar energy. There has been rapid development from a solar technology perspective, financing instruments have become more innovative, and public policy increasingly advocates reduced reliance on the national grid.

The commercial and industrial (C&I) solar sub-sector, which sits in the flexible space between large utility-scale solar and smaller, domestic solar, accounts for three quarters of power demand in Africa and is essential to improving the current and future energy fortunes of the continent.

The falling cost of energy storage solutions is also helping to bolster the economic attractiveness of commercial and industrial solar. A pioneer for enhanced C&I solar uptake is African Infrastructure Investment Managers (AIIM's) own portfolio company, Starsight Energy, a market leader in Nigeria, whose expansion into East Africa signals success on the opposite side of the continent.

There is an abundance of renewable energy generation sources in SA that have been successfully tapped into through the REIPPP programme. Over its lifetime, the procurement costs of wind and solar have fallen by 37% and 69% respectively, and the programme has helped to nearly double the number of IPPs operating in the country since its initial round.

As contemplated by the Integrated Resource Plan the country envisages an energy mix wherein solar and wind will contribute 25% of energy generation by 2030. Its programme structure addresses some major hindrances around investment in South Africa's energy sector, as well as the continent more widely. Fourteen years of policy development has produced a transparent framework, enabling significant private sector investment in the renewable space.

In a bid to reduce dependency on coal-generated electricity, the Department of Mineral Resources and Energy (DMRE) announced the selection of of 25 preferred bidders for just under 2.6GW of renewable capacity in the fifth bid window (BW5) in October 2021. Under the programme, the bidders will be allocated 1.6GW of onshore wind and 1GW solar capacity.

Mineral Resources and Energy Minister Gwede Mantashe told media that together the renewable energy projects will see an investment of R50-billion and create nearly 13 900 employment opportunities in the country. As reported by Reuters, the capital requirement is more than R180-billion funding to set up clean power generation assets and R120-billion for transmission equipment.

The IPP market is developing well and there is a continuous pipeline of bankable projects making it easier to inject increasing amounts of private capital into attractive investments. Simultaneously, a robust regulatory framework will ease investor trepidation, capturing the best of a competitive landscape. How private power producers will interact with municipal power distributors is a key question that will need to be answered soon to add to sector robustness.

Such moves will help achieve the desired balance of sustainable, dispatchable and reliable power generation, lowering costs of procurement, and potentially serving as a blueprint for others looking to replicate it.

Already around 10% of South Africa's industrial, commercial, and residential consumers self-generate their electricity but this is far from what could be achieved from a coherent, sustainable policy environment. Such power is produced at well above market rates, impinging on profitability and productivity.

The African Continental Free Trade Agreement places an emphasis to develop Africa as a whole: to embrace concerted efforts to boost productivity, increase efficiency and limit reliance on external players. SA may be acting in isolation in lifting self-generation limits, but it has done so knowing that the entire continent is keeping a close eye and that its success might be the catalyst that helps to illuminate the continent once and for all.

Unreliable energy and weak policy have served as major deterrents to investment across the continent. Funding the investment gap in African energy infrastructure requires an effective, robust regulatory framework across the board, attracting private capital and closing the gap in access to energy.

OPINION PIECE

# Exploring ways to create value during times of unpredictability

**By Janice Johnston**
*Partner at Identity Fund Managers*

*Since the start of 2020, the Coronavirus pandemic has impacted political and economic systems globally, and South Africa is no exception. National Treasury's current economic growth outlook for 2022 remains below the World Bank's most recent global growth forecast (updated to include the potential impact of the crisis in Ukraine), putting pressure on South Africa's global competitiveness and attractiveness as an investment destination. In addition, key downside risks for South Africa continue in terms of an increasingly high unemployment rate, inflation and ongoing power outages.*

Against this challenging and unpredictable local and global growth backdrop, asset owners and managers, including Private Equity (PE) fund managers, are required to continually explore and evaluate value-creating opportunities for investee companies to deliver on financial, social and environmental objectives.

While different sectors have their own specific nuances, our recent portfolio management experience has indicated that this heightened level of uncertainty and unpredictability requires deeper and more focused attention on the following three areas:

1. Re-evaluating value proposition.
2. Enhancing diversity and inclusion.
3. Strengthening stakeholder relationships.

## 1 Re-evaluating value proposition

The speed of technology adoption and various changes in consumer behaviour because of Covid has meant that several business models have flourished while others have been severely negatively affected. Notwithstanding this well-documented reality, there are opportunities within most investments to re-evaluate and/or re-position core value propositions to better align with current market conditions.

For example, office property has been significantly impacted by Covid, on the back of oversupply in many urban areas and the work-from-home trend. However, in our property fund portfolio, one company's premise is situated on spacious grounds, has an on-site data centre and benefits from uninterrupted power supply. These characteristics resonate with the emerging preference for social distancing, hybrid working arrangements and mitigate the ongoing power outages; strengthening its relative value proposition despite soft market conditions.

Invariably, there are opportunities for service and product providers to reposition and highlight the compelling solution that the business offers in the current environment, incorporating key themes of adjusting to post-Covid, social inequality and climate change. PE portfolio management can play an integral role in assisting investee companies by providing the overlay of broader market dynamics and trends to complement the companies' operational expertise.

## 3 Strengthening stakeholder relationships

We have witnessed a highly unpredictable environment both locally and globally over the past few years, with the pandemic; war in Ukraine; and the increasing impact of climate change and variable economic cycles. Against this backdrop, the ability to accurately forecast performance and cash flow has been compromised by the volatility of key assumptions.

Under these circumstances, stakeholder engagement and strong relationships have increased importance in communicating the strategy and fundamentals of the business, especially with employees and suppliers.

Value can be created or lost by the funding terms and conditions provided, which is primarily associated with the lenders' and shareholders' risk assessment of the business. PE portfolio management teams can provide strategic input into the analysis and interpretation of financial forecasts and performance to optimise the risk management of investee companies, ,as well as collaborate with funders on flexible financing options to provide a buffer for potential volatility of earnings in the short term.

## 2 Enhancing diversity and inclusion

Enhancing diversity and inclusion is often discussed and in principle met with approval, however, in practice action is slow, particularly in the unlisted space which often does not receive the same level of public scrutiny and pressure to disclose. This presents an interesting opportunity for PE investors to assist with intentionally driving this agenda with investee companies.

Enhancing diversity and inclusion applies to customers, staff, management as well as shareholders, in that all of these segments can create value. In times of unpredictable growth, it is imperative to ensure that all potential customers are considered from a gender and culture perspective, while developing teams that contemplate the widest range of ideas and solutions in a collaborative manner.

Intentional is the key to action and results. As a fund manager with the specific objective of increasing gender participation in sectors which are currently under-represented, Identity Fund Managers specifically communicated to its investee property management company that it was to employ an EE female into the manager role of its flagship property within 12 months. This objective was achieved and has had a valuable impact on engagement with the cross-section of tenants and vacancy level of the property.

In summary, this period of unprecedented uncertainty and unpredictability results in increased perceived/actual levels of risk. However, it can also present solution-driven opportunities, especially if there is focus on re-evaluating the core value proposition to align with market dynamics, enhancing diversity and inclusion as well as strengthening stakeholder relationships as these factors have the potential to reduce underlying volatility and to create relative value.

# Dispelling myths about private equity buyers

**By Dara Shareef**
*Managing Partner at Benchmark International*

*This is the West, sir. When the legend becomes fact, print the legend.*

**John Ford**
*– Actor*

We have all heard the horror stories from lower middle market business owners. "Private equity buyers will come in and get rid of all employees, borrow an absurd amount of money to finance the acquisition, straining my company's balance sheet and income statement, and then, light a match Goodfellas-style when they are done extracting value". I'll let you in on a little secret. The days of financially engineering a path to outsized profits are long gone.

While there certainly was an era where private equity funds looked to lock in a guaranteed "win" by over-levering the balance sheet, stripping the income statement of "fat" (people) and quickly flipping to monetize the win, those days are largely behind us. Today, most professional buyers value the team in place more so than any perceived competitive advantage with the product or service offering. I'll say that again. Buyers often view the team as the most important determinant of success- more so even than the core product or service offered by the business.

Let's rewind a bit. The perception of private equity by most of society is pretty negative. And to be frank, that reputation, although dated, is well-earned. Many have read or seen (it was first a book and later adapted for film) *Barbarians at the Gate*. The book details the leveraged buyout of RJR Nabisco by Kohlberg Kravis Roberts (KKR) in the late eighties. While there are many takeaways from the book, the one most recalled is the impact that the use of junk bonds to finance the transaction and degree of leverage overall had on the business. Several thousand jobs were eliminated as a result. This deal wasn't a standalone incident but rather emblematic of a strategy of the times. Namely, to finance the transaction largely through debt, thereby requiring only a relatively small equity investment by the buyer and reducing headcount to service the debt and prop up profitability. This is one example of how one might financially engineer their way to a profit. The cost to the business is often catastrophic. Still, by the time the downstream issues present themselves, the fund has either sold or doesn't care as they've extracted enough out of the company to more than satisfy their investors (LPs or limited partners). So, this negative perception is certainly well-earned. But why is it dated?

I still often hear from clients that they believe private equity funds make their money by financially engineering a profit. They expect that a fund will come in and overly stress the balance sheet and get rid of half of the staff. While most cannot cite specific examples, they have heard stories from friends and business acquaintances.

The stories they are referencing were born out of the eighties and have become folklore. That is how folklore manifests. Stories are told and retold until they become part of the fabric. I am reminded of the great John Ford western line from *The Man Who Shot Liberty Valance*. "This is the West, sir. When the legend becomes fact, print the legend."

The point to take home here is the notion that private equity is evil and will eviscerate the team and business may be a more entertaining narrative, but it is far from the current state of affairs. By contrast, today's predominant strategy employed by private equity funds in the lower middle market is quite different from the cut-throat approach of the eighties.

Today, private equity funds tend to back founders and/or teams. Their view is that they are buying a living, breathing business, rather than an amorphous blob of disparate parts. What makes the business a going concern, one meaningfully more valuable than the sum of its parts is the unquantifiables. The leadership team. The overall team. The culture. The collective knowledge and shared history. All of these things are as critical to the value proposition of a business as are the financial components such as EBITDA, revenue, margins and market share. Most private equity fund managers don't view themselves as operators but rather as levers. They bring people, processes, and technology to the fold, each of which can act as an accelerant when paired with the right business.

They generally come armed with a Rolodex or contact base that, for example, assists in hiring the company's first national sales manager. They may have an investment in a vertical market software business that will prove useful in the company. Perhaps they have back office strength that allows for better purchasing power of critical yet non-core functions such as insurance and benefits. They bring governance and strategic planning experience at the board level. Of course, they have deep pockets and acquisition experience that may fuel an acquisition strategy. They view themselves as an additive to the existing team and not as a replacement. Private equity buyers prove their conviction on this front by often requiring or at least preferring that the founder and/or the leadership team maintain a meaningful equity position in the business post-close. Frankly, in their eyes, the business is worth considerably less if they are forced to replace the leadership team. They are backing teams first, generally. If I were to rank the critical factors ordinally, I would rank them as follows:

**1.** Strength of leadership team.

**2.** Attractiveness of addressable market.

**3.** Elegance of product or service.

It is your team, more so than your core business function, that attracts buyers today.

The use of leverage is quite different today than it was 35 years ago. Because private equity funds buy companies to grow rather than milk, they tend to be very thoughtful about the degree of leverage employed. Even in the artificially low interest rate environment we've experienced for the last decade, it is rare to see buyers use more than 3x (EBITDA) leverage on a deal. While the cost of their equity may be more "expensive" than the cost of their debt, it is far less burdensome. Equity doesn't have the covenants found in senior debt that can be easily tripped or breached when cashflow is lumpy. While debt must be serviced, most equity requires no cash payments by the business to the shareholders along the way. Private equity funds today balance the low cost of debt with the flexibility of equity when determining the optimal capital structure of any deal. By contrast, during the leveraged buy-out craze of the eighties, funds often employed 90% or more debt in their capital stack. It is a very different world.

I wrote this piece not to convince any business owner that a private equity buyer is right for them but rather to dispel some of the myths that pervade the thinking today of many business owners. And this isn't' their fault. We have all heard the horror stories. We've seen stories on the news and heard them told on the floors of congress. But, these stories are largely vestiges of the past. The world has evolved. The stories simply haven't caught up. Or perhaps the actual story isn't entertaining enough to tell. Clearly, in this regard, we have printed the legends rather than the facts.

# Private Equity Activity

**May 2021** — **Metier**, a private equity firm which manages the Lereko Metier Sustainable Capital fund, sold its stake in the 50MW Bokpoort Concentrated Solar Power (CSP) asset in South Africa to Revego Africa Energy.

**June 2021** — **Vantage Capital** provided mezzanine debt funding to PickAlbatros Hotels, a hotel owner and operator in Egypt, to fund working capital and renovation work.

**June 2021** — **AIIM** buys stake in pipeline company Reatile Group, an investor in the energy landscape, and **African Infrastructure Investment Managers** (AIIM), on behalf of its IDEAS Fund, have concluded a sale and purchase agreement whereby Sasol has agreed to sell a 30% interest in Mozambique Pipeline Investments Company to the Reatile-AIIM consortium.

**June 2021** — South African building materials company Everite was fully acquired by a private equity consortium comprising **Legacy Africa Capital Partners** and **Lonsa Group** together with Everite's management.

**June 2021** — Old Mutual PE fund backs Malawian macadamia producer The ULIMI Fund, a private equity fund managed by Old Mutual Investment Group Malawi, invested in macadamia grower Gala Agriculture Company.

**August 2021** — **African Infrastructure Investment Managers (AIIM)**, part of **Old Mutual Alternative Investments (OMAI)**, signed a joint venture partnership with Augment Infrastructure Partners, to launch Augment Infrastructure Managers LLC. The partnership marks OMAI's expansion into infrastructure equity investments in emerging markets outside of Africa, with an initial focus on Asia and Latin America.

**August 2021** — **Edge Growth** administered J.P. Morgan's Abadali fund. The Abadali Equity Equivalent Investment Programme will provide finance to qualifying businesses requiring growth capital, with priority funding being mainly directed at industrial and sustainable green enterprises.

*Source: Africa PE News App*

OPINION PIECE

# Waiting for your taxi – some thoughts on exits

**By John Bellew**
*Head of Private Equity, Bowmans*

*Waiting for your taxi*
*Which taxi never comes*
*Waiting for your taxi*

**Ian Dury and the Blockheads**
*– Waiting for your taxi*

Waiting for your taxi is a pretty good metaphor for how many in the private equity industry seem to feel about the exit environment currently.

Although you cannot control the external exit environment; you can give yourself the best opportunity to control your exit by being smart when investing. In other words, you should be able to order the taxi, specify its time of arrival, negotiate the fare and even replace it with an Uber if its late.

Part of exit planning includes considering the universe of potential buyers, so that the business can be positioned and developed as an attractive purchase. Unfortunately, all the planning in the world can be undone by poorly negotiated exit provisions in the shareholders agreement.

Negotiations should be used to flush out and discuss different shareholders' investment horizons and objectives; and to reach a common alignment around how exits will work. Exit timelines can be particularly important. Management shareholders and private equity investors may want to realise their investment in the medium term, but the private equity investor may prefer management remain invested in order to deliver a business with a stable management team. A founding member of a family business may regard the investment as inter-generational and long-term. The company may want a black economic empowerment (BEE) shareholder to remain invested for the long-term to secure it's BEE status while the BEE shareholder may also want to exit to realise their investment.

The investment objectives of different shareholders differ. For the private equity house, the quest for alignment should not come at the price of a messy or encumbered exit. The objective must be to retain control over your exit and flexibility around how you exit. The exit process should be as unencumbered as possible. If you have several management shareholders, try and reduce the complexity by aggregating them into a management vehicle which speaks for the collective and separates economic entitlements from other shareholder rights.

It is typical in South Africa for a selling shareholder to be obliged to afford fellow shareholders a right to acquire its shares in preference to third parties, either by way of a right of first offer or a right of first refusal ( pre-emptive provisions). The clauses can become complex and time-consuming, with differing rounds of offers or differing tiers of those accepting offers.

Internationally, private equity investors typically insist on unencumbered exits, retaining the ability to freely sell their shares. Over time, South Africa may move closer to this standard, but we are not there yet. If you need to concede a pre-emptive right, your three objectives should be:

- The period required to run the offer process should be as short as possible with a simplified process.
- You must be able to run the process before identifying a third-party buyer. No third-party buyer wants to make an offer that simply sets the floor price for other shareholders to exercise pre-emptive rights.
- Following completion of the pre-emptive process, there should be a meaningful period of time for you to find a buyer, negotiate and conclude a transaction.

Allied to a short or no pre-emptive process, you could try to obtain a drag-along right, where you can force other shareholders to sell to your buyer on the same terms and conditions. This will allow you to sell 100% of the business and access a control premium. If you succeed, you may have to concede a tag-along right to your fellow shareholders. To protect yourself against being dragged at an unattractive price it is often beneficial to provide that the drag-along can only be exercised if certain minimum financial thresholds are met.

Outside of the pre-emptive provisions, you should try and retain a right to run and complete an exit process, if an exit has not been achieved by a certain date. If the exit process is via a listing, shareholders should agree to customary lock-in periods and ideally, key management should agree to remain employed for a period post the listing.

Finally, here's to hoping that your exits (unlike the taxi which never arrives in the song) go smoothy. Good luck.

IN MEMORY OF

# Tribute to Michael Fichardt

**By Dr Nick Walker,** *on behalf of the OneBio Team*

On the 22 January 2022, at the age of just 47, Michael Fichardt, one of the co-founders of the OneBio Seed Investment Fund, passed away suddenly while on a trail run on Table Mountain.

Michael co-founded OneBio in 2017 with the vision to transform the biotech industry in South Africa and eventually the rest of the African continent. He pursued this vision with unwavering passion and determination.

Originally from the fair city of Cape Town, Michael was well travelled and lived abroad for many years. He was an investment professional with Standard Bank, the African Development Bank and Principle Capital, with stints in Johannesburg, Tunis and Madrid. In 2015, he attended Singularity University's "Global Solutions Programme". It was here that he developed a passion for biotechnology and its potential to bring about positive change in the world.

He returned to South Africa and with his co-founder, Dr Nick Walker, began building OneBio. In 2019, the SA SME fund and the Technology Innovation Agency (TIA) anchored their VC fund focused on supporting biotech innovations, the first biotech-specific fund of its kind on the continent.

Tributes poured in from all over the world when Mike passed, from Columbia, Tunisia, Switzerland to Guernsey. The motto on Mike's fridge door was *"do the hard thing to live a healthy life and a youthful life and be kind to others"*. It summed him up well.

Michael will be fondly remembered as a driving force in the South African biotech industry as well as a beloved brother and son. He had a heart bigger than Table Mountain, he was generous beyond belief. RIP Mike.

# Tribute to Shaune Collyer

*Written on behalf of the ASOCapital team*

Shaun unexpectedly passed away on Monday, 11th April 2022 from a pulmonary embolism; the news shocked the team and left us in a state of disbelief and mourning. That said, Shaun's last wishes expressed that his friends and family should come together to, not mourn his passing, but rather to celebrate his life, sharing stories, a drink, and a laugh.

Upon reflection, the core ASOCapital team has had the privilege of working with and learning from Shaun for several years. He was a pioneer in the special situation's investment and turnaround community in Southern Africa. It was his ideas that formed the foundations for ASOC Fund I, setting out the investment mandate, governance, and reporting structures, as well as fine-tuning the secret sauce when it came to formulating an investment thesis. Having laid the foundations of ASOCapital, Shaun set about building the team; taking a young and enthusiastic bunch of professionals along on the journey; guiding, teaching and testing us along the way.

He was incredibly gifted intellectually and shared his wisdom generously. When other investors rolled their eyes and blindly concluded that an opportunity was not worth even a quick look, Shaun would be like a kid in a candy store, enthusiastically unpacking the details and looking for that golden thread that, when pulled, could untie the Gordian knot. On more than one occasion, this dropped jaws in boardrooms when they were presented with such an elegant solution; it was beautiful to witness Shaun in action.

Shaun also had a softer side, often calling on team members to ask, "how are you doing?" It was this gentle and disarming approach that allowed him to connect deeply with many people. Hence, even when we encountered a challenging situation, Shaun was someone that you could speak to openly, often receiving in return, honest feedback, and trustworthy advice.

For his contribution, his wisdom, and the brief time that we spent together, we are hugely grateful. For the loss of a generous and caring soul, he will be enormously missed.

OPINION PIECE

By Tanya van Lill
*SAVCA CEO*

# Row Row Row Your Boat

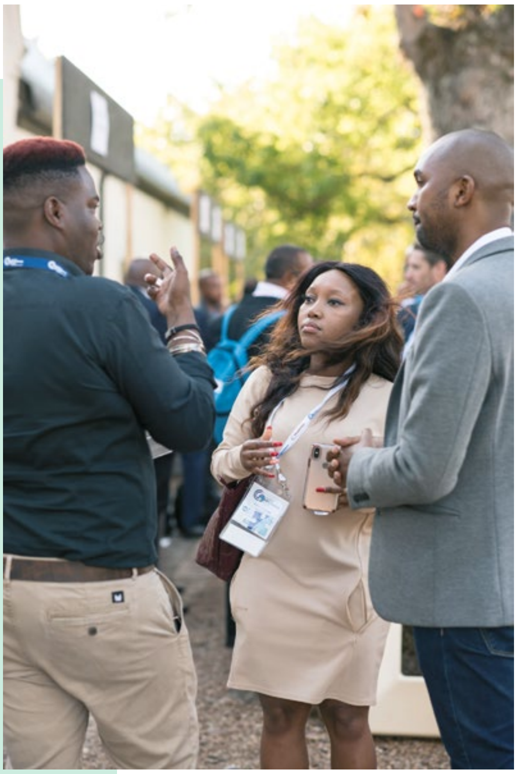
**Much like the nursery rhyme *"Row your boat"*, the slow pace of transformation in the financial services sector has meandered gently down the stream. This is echoed in the latest State of Transformation Annual Report[1] recently published by the Financial Services Sector Transformation Council.**

Based on the report, the areas that have fared well related to enterprise and supplier development, empowerment financing and consumer education. Some sub-sectors showed improvement in ownership levels, however, the pace of transformation is still slow with the financial services sector well below target against skills development and management control.

Private equity forms part of the financial services sector, and although the results in the latest industry report don't bode well for the financial services sector universe, I have observed some changes in the industry during my five years at SAVCA.

## SAVCA conference attendees

The annual SAVCA conference is a marvellous affair where industry players have the opportunity to not only learn from one another and share best practice, but also to network and profile firms that are making a positive impact. SAVCA members who are fundraising find it especially appealing given the potential access to an investor base.



[1] *Source: https://fstc.org, 2018/19 & 2019/20 Amalgamated State of Transformation Annual Report*

My first SAVCA conference was in February 2017 and although I was new to the industry with little context at the time, I did observe a lack of diversity among attendees from a race and gender perspective. However, when I scan my eyes over the room now, the composition of attendees looks remarkably different with the "boat" looking more like a cruise liner with more equal representation on board. Although this transformation is evident in the annual SAVCA Private Equity Survey results, it is so much more telling and descriptive when you compare the conference photographs from pre-2017 to now.

## SAVCA membership composition

In preparation for crafting the SAVCA Transformation Strategy in 2018, we conducted a review of SAVCA's earlier membership base. Back in 2000, SAVCA's membership consisted of 34 fund managers, mainly captive funds that managed R33-billion in funds under management. Fast forward to 2022, and SAVCA's full membership base has grown to 144 fund managers managing over R205-billion in funds under management with mainly independent fund managers. Of the current members, 61 are black-owned and nine are women-owned fund managers.

There are more black-owned, and women-owned fund managers coming to market, and these tend to be labelled as emerging fund managers given their maiden funds. The SAVCA membership base is therefore diversifying and playing a critical role in the transformation agenda of the country. However, the rate of transformation of women-owned fund managers is exceptionally slow. I have observed how women-owned fund managers find it more difficult to raise funds, even if they have the same credentials and experience as their male counterparts. More needs to be done to convert "the stream" to "a river" where more boats can sail down the stream with an increase of capital flow to emerging black and women-owned fund managers. There are unfortunately not enough institutional investors willing to invest in emerging fund managers.

*The SAVCA board and Executive, November 2018*

## The SAVCA board

The SAVCA board is elected by members and is a composition of passionate industry professionals that serve the industry selflessly. My first day at SAVCA was moving day. SAVCA moved from the offices at the Thrupps Centre to Inanda Business Park on the day I joined. I quickly had to change my carefully selected first day power suit, to something more informal ready to unpack boxes.

While unpacking one of the boxes, I came across a previous board photograph taken in 2004. The board back then had consisted of 11 men, one woman and 10 of the 12 board members were white. This spoke to the lack of transformation in the early days.

When you look at the current board composition, the board consists of seven men and six women of which six are white- and seven are black board members. Although I am proud of this diverse board, what I am most proud of is that the board was elected by SAVCA members. It is a product of a diversifying industry that has elected board members that best represent the interests of members and the broader industry.

## In conclusion

There are visible proof points that the industry is transforming, although it might not reflect in industrywide transformation reports just yet. There will be criticism and scepticism about the pace of transformation. But in a democracy like South Africa, criticism and honest reflections will continue to fuel the need to transform. There is still a lot of work that needs to be done for the private equity industry to fully transform, not only by the fund managers themselves, but the broader ecosystem that supports the industry.

From my experience working with SAVCA members over the past five years, they are tenacious, agile and entrepreneurial. Where there is a will, there is a way. My hope for the long term is that the PE industry moves from boats being rowed gently down the stream, to a fleet of boats of all shapes and sizes navigating rivers deep and wide enough for all to succeed.

# Exploring the Two-Pot Retirement System

**By Langa Madonko**
*SAVCA board member and Investment Principal at Summit Africa*

One of the more debated changes is the colloquially named "two-pot system". The proposal from government seeks to divide pension benefits so that members will be able to access up to 30% of their retirement savings during their working years to meet a specific need or to address a dire financial crisis. The remaining 70% or second pot would only be accessible on retirement.

> *Why should we defer our income and save for a future we will not see?*
>
> **Pension fund member**

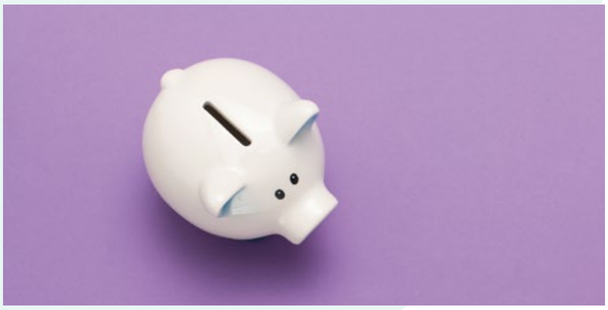
Undoubtedly the COVID-19 pandemic showed the financial fragility of our society, and millions worldwide were forced to withdraw savings where possible or downgrade lifestyles. In a society that is taking long to transform and where we have seen the fragility of the social safety net, as one pension fund member said, "why should we defer our income and save for a future we will not see?" It is on this basis that the unions and some in the financial services space advocate that it is right to allow members early access to their retirement savings.

Unfortunately, short-term debt as a source of emergency funds has not proved viable since thousands are already over-indebted, often at what many would call exploitative interest rates. Lenders were also caught off-guard by the sudden Covid-19 crisis and the fact that many lost their income, making loans unviable. Additionally, South Africa has a low national savings rate, so thousands had little to no emergency funds to turn to.

In other countries, governments were able to extend stimulus packages to underpin the needs of their population. Unfortunately, the South African government, which itself is over-indebted, was crippled with regards to the level of stimulus it could provide.

All the above factors combined resulted in the proposal of the two-pot system, however, the county's retirement system is already fragile, to say the least. The most-often quoted industry statistic is that only 6% of fund members can expect to retire with an income replacement ratio of 75% or more. The average fund member can expect a replacement ratio of 40.51%, while the actual ratio in 2020 was 31.47%, assuming the member bought a with-profit annuity at retirement.

With slow economic growth and almost no salary growth in the main, coupled with unprecedented inflationary pressure on basic goods, the capacity to save remains diminished and returns on invested assets are also under pressure. This highlights the potential threat for pensioners at retirement. The maths on a matchbox exercise already meant that 94% of the population were likely to drop below the 40% mark in terms of income replacement ratio.



Secondly zoning in on the Private Equity (PE) space in particular, the majority of pension funds are not exposed to private equity or unlisted investments, citing a lack of liquidity. Once you factor in a two-pot system, pension funds are likely to introduce a proportionate reduction in PE investment allocations as a prudential measure to ensure liquidity. This is likely to extend to listed markets as there will probably be an appetite to reduce the risk profile of the pot of funds available for early withdrawal.

One of the key turning points is growing the economy by injecting direct capital into those businesses that can spur job creation. It is evident that PE drives a significant amount of capital. From a return perspective PE has outperformed listed equity and debt instruments and has a higher probability of increasing returns for fund members. Government has identified infrastructure as a key catalyst for growth and job creation, which will grow the tax base and subsequently our social safety net. Through mezzanine debt, PE delivers significant investment into infrastructure.

Taking all the above into account, it seems fair to conclude that a two-pot system with an increased allocation to PE would deliver the duality of outcomes needed, namely to sustain South Africans today while growing returns for tomorrow.

CASE STUDY

# Aquaculture farming in Lesotho – Mergence

**By Chito Siame**
*Investment Principal,*
*Mergence Investment Managers*

*Pre-pandemic, Mergence Investment Managers (Lesotho) (Pty) Ltd acquired a significant minority interest in Sanlei, an integrated aquaculture producer of Africa's largest sushi-grade trout, primarily for export to Japan and South Africa. The word "Sanlei" is loosely translated from Japanese as "where the mountains meet the sky."*

As a commercial-scale rainbow trout farm, Sanlei is located on the edge of the Katse Dam in the remote highlands of Lesotho; a site known for its deep, pristine waters and highly favourable environment for growing premium trout.

The company has successfully farmed rainbow trout for the South African market over the past 12 years and has the licence and physical infrastructure capacity to supply the entire South African rainbow trout market.


In Japan, Sanlei has a strategic marketing and distribution agreement with co-operative grocery chain Japan Co Ltd which has more than 4 000 stores and is Japan's second largest joint procurement supermarket chain. Sanlei can attract other potential customers, particularly in the European Union, should it scale up its operations.

The investment sits in Mergence's Lesotho Private Equity Fund, whose main investor is the largest pension fund in Lesotho. Capital restructuring of Sanlei was undertaken by co-investor, One Thousand & One Voices®, (1K1V") a private family capital fund backed exclusively by industry-leading families, largely from America.

The investors are in the process of deploying expansion and working capital to increase standing bio-stock in preparation for upscaling Sanlei's exports destined for the Far East market. Supplier credit allowed the company to supplement its trade cycle funding requirements as well as support the growth of the business as it successfully navigated the COVID pandemic.

## COVID challenges and strategy

**Challenge:** Access to Lesotho for the South African senior management team.

**Solution:** The solution was heavy reliance on technology and local teams to keep the facility running; and South African staff stayed in Lesotho longer once they were there.

**Challenge:** Maintenance and sourcing of parts for equipment was delayed.

**Solution:** Special permits were obtained so that experts could access the country; and keep a tight rein on operations so that maintenance issues were kept to a minimum.

**Challenge:** The business is very reliant on the hospitality industry for sales; this had a major dent on SA sales.

**Solution:** Skillful marketing to source new clients and new types of clients, including in Japan and the USA.

**ESG impact:** Fish consumption is growing faster than all other major animal protein sources worldwide. With natural fish resources on the decline, the aquaculture industry is growing in prominence. Globally, the sector has been expanding by an average of nearly six percent annually, outpacing all other food segments.

**Environmental**

The farm is not situated in a national protected area and minimising fish escapes is a priority to reduce the impact on the local ecosystem.

The company measures various water parameters including phosphorus and oxygen levels at regular intervals to remain within set sustainable limits for healthy water bodies. Rigorous requirements are adhered to, in order to minimise disease outbreaks and antibiotic use.

A special feed formula adheres to strict limits to minimise the use of wild fish as an ingredient for feed and despite fish being farmed at low densities (around 7 kg per cubic meter) to reduce stress on the fish, Sanlei was sustainably farming 800 mega tons of product in 2020, 2 022 tons in 2021 and aims to produce more than 1 300 tons in 2022, exporting most of the product to South Africa and the Far East.

**Social**

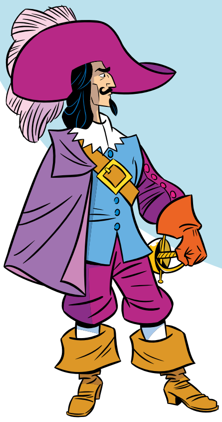
As the largest employer in the local Katse community, Sanlei currently sustains 90 jobs in Lesotho. 40% of the workforce are women.

For employees outside of managerial positions, the average monthly salary at Sanlei is substantially higher than per capita GDP in Lesotho. The lowest-paid employees of Sanlei are paid substantially more than the minimum wage per month.

With the planned expansion of the production facilities over the next two to three years, the number of jobs is expected to double. The company's European and Asian expansion drive expands Lesotho's access to hard currency revenues as sales in these markets are generally euro- or dollar-denominated and will further grow the Lesotho brand.

As part of its local community beneficiation strategy, Sanlei has purchased rosehip harvesting equipment, which was handed over to local community representatives in August 2020.

# One for all and all for one!



**By Langa Madonko**
*SAVCA board member and Investment Principal at Summit Africa*

*In the book The Three Musketeers, there is a chant that has become famous and yet remains probably one of the least understood or explained, yet most critical phrases of our time. All for one, and one for all!*

In essence one of the explanations is that there is absolutely nothing that happens in isolation. The materiality of the collective impact is what will eventually determine the outcome.

This is even more true for regulation where the intended policy that is debated is never in isolation from all other regulation, the existing realities of the country, as well as the economy and inequalities that exist.

Let me lay a bit of economic and societal background before delving into the policies under discussion, those that will potentially be promulgated and others that have been put forward.

South Africa has an unequal society, a high unemployment rate and poor savings culture. The average replacement ratio for pension funds is low, at 40.51% for more than 90% of the population based on the current levels of savings. Also, it is important to note that people are living longer, largely due to better healthcare, if they have access to it. The last obvious fact I want to put out is that the economy is not growing. South Africa was hard-hit by Covid-19 in terms of slowing economic growth, one of several factors leading to downgrades by credit ratings agencies.

With this backdrop let me put forward four changes to the retirement fund landscape that have been enacted or are being discussed.

### 1. Amendment to Regulation 28 to increase offshore allocations.

In his inaugural budget speech address, Finance Minister Enoch Godongwana announced an increase in the amount that retirement funds can invest offshore, upping the offshore allocation to 35% and the African allocation to 10% - effectively 45% can now be allocated offshore.

In the main it has been the case that most funds max their offshore allocations before using the local building blocks correctly citing diversification as the JSE dwindles, and better returns as South Africa's economic growth has been almost at a standstill.

However, the unintended consequences to further reduce the amount of capital available to stimulate the economy as there is now a need to apportion 55% across the groupings in South Africa. Couple this with the intention to stimulate investment in infrastructure and you have reduced your pool of available capital at a time when corporates are not investing and there is not enough foreign direct investment.

Then we have the small allocation to black fund managers at about 9% as per the Transformation Forum. There is limited capacity by managers to provide offshore solutions for several reasons, one of which is a trust deficit by consultants on managers' capacity. This means the proportion of offshore assets to local managers is minuscule and near zero. So, if we assume the managers lose a proportionate amount (relative to assets with black managers, this scenario is unlikely and in times past the withdrawals have been disproportionate) then black asset managers should fall to 8,1% due to this regulation.

### 2. The establishment of a two-pot retirement fund system

This proposed legislative change will allow fund members to withdraw 30% of their pensions and lock in 70% until retirement. This is positive as the pandemic proved that we are a country with a weak social net. In times of crisis, people cannot reasonably rely on the debt-strapped government for financial support but at the same time, millions do not have sufficient savings outside of their deferred wages in the form of pension funds. I have become famous for saying: what is the use of having assets saved for a tomorrow you probably won't see? However, this proposed change is good because the lock-in means that people will actually save. We have had a flurry of resignations to "cash your pension scenarios" and this would mitigate that.


However, the drawback again impacts the infrastructure investment drive, private equity and black managers. With this legislation, retirement funds will need to anticipate withdrawals, which will be at the discretion of members, and will need to hold a greater proportion of liquid assets. This means long-term investments will form a 55% pool after ensuring that 30% is readily available within a reasonable time frame. It's also important to note that while the offshore allocation would and could count towards this pool, it's unlikely that the PE levels of quick access to capital will apply, taking into consideration the time it takes for redemptions, offshore withdrawals and repatriation. It is more than likely that 60% of the liquidity for the second pot will come from the local component so that means 18% from the 55% will most probably be liquid. Hence local asset classes will contend for 37% of the investment pool.

### 3. Proposal to reduce retirement age from 65 to 60

Then we have the proposal by the Minister of Social Development to lower the pensioner age from 65 to 60 which will have its own consequence from an actuarial and life staging perspective of the pension funds, if adopted into law. Assuming those between the ages of 60 and 65 make up 4% of the population, that proportion will need to be moved to a less risky life stage group. This will again impact the infrastructure investment and investment into alternatives by virtue of their long-term nature and illiquidity to match the income requirements of the pensioner pool. Another unintended consequence of this change is that the early retirement age is likely to drop to 50 in line with the reduction in the old pensioner age. This further aligns interests in the direction of moving a second pool of members into a less aggressive life-stage group, with the same outcomes.

### 4. Increased investment in infrastructure

This legislative change is meant to promote investment into infrastructure, contributing to job creation, enabling the emergence of new sectors and unlocking our potential as a country and society.

This is a noble gesture. However, policy cannot be read in isolation and one noble gesture can be cancelled out by other mistimed or miscalculated gestures.

## Private Equity Activity

| | |
|---|---|
| August 2021 | **RMB Corvest** made an investment in South African education company Inscape Education Group. Established in 1981, Inscape is a South African registered, private higher education institution with five campuses in three provinces. |
| August 2021 | MNT-Halan, Egypt's leading fintech ecosystem, announced an investment of about $120-million by major global and regional growth investors, including **Apis Partners, Development Partners International** and **Lorax Capital Partners.** |
| September 2021 | **Old Mutual** partners with VC firm Anthemis Old Mutual Limited expands its investments in innovation through a new collaboration with venture capital firm Anthemis Group. Anthemis will deploy capital on behalf of Old Mutual through its Anthemis Insurance Venture Growth Fund (AIVGF), focused on series B and C companies in insurtech. |
| September 2021 | **Vantage Capital** announces first close of new mezzanine fund With $207-million of commitments from European and US-based commercial investors as well as DFIs, Vantage Mezzanine Fund IV is on track to reach its target total fund size of $350 million. |
| September 2021 | **Tana** acquires stake in East African meat processor The Tana Africa Capital II fund has made an investment in Africa Protein Holdings, a Mauritius based holding company which includes Quality Meat Packers Ltd and Anirita Poultry Farm Plc. |
| September 2021 | **Legacy Africa Capital Partners** concludes deal with Penflex and its parent company South African company Penflex has been transformed into a plastics conversion business specialising in the manufacture of writing instruments, window blind components and houseware products. This after Legacy Africa Capital Partners took a majority share in Penflex as well as acquiring the full plastics conversion business of the original parent company, Alplas Plastics. |
| October 2021 | Private equity firm **Development Partners International** (DPI) and African Capital Alliance (ACA) entered into an investment partnership in African multi brand quick-service restaurant group Food Concepts. The deal will see the sale of 31% of Food Concepts by DPI to ACA. |

*Source: Africa PE News App*

SAVCA 2022 CSI INITIATIVE

# The Gift of the Givers

Gift of the Givers
FOUNDATION

*You feel the calling, you feel the need, you see the suffering of man and you want to do something. There's a lot of prayer involved. You've been shown what the right way is; what to do and what not to do; and things are put very clearly in front of you.*

— **Dr Imtiaz Soolimana,**
*founder of Gift of the Givers*

*The SAVCA Private Equity Conference 2022 will be supporting the Gift of the Givers Foundation this year as a CSI Initiative. The Gift of the Givers Foundation is the largest disaster response, non-governmental organisation of African origin on the African continent.*

Since its inception in 1992, the organisation has been responsible for the delivery of life-saving goods and on-the-ground support for innumerable people, collectively valued at some R3.2-billion, in more than 43 countries across the globe, including South Africa.


The Gift of the Givers is equipped to respond to emergency disasters, alleviate hunger in vulnerable communities, provide water when disaster strikes and much more.

Gift of the Givers is geared to quickly assess emergent disasters and are capable of then using financial muscle, know-how, access to resources and – when necessary – can draw on additional collaborative expertise to effectively and efficiently respond to both the immediate and longer-term needs of communities impacted by such events.

As part of this year's conference registration process, attendees have the option to donate R100 to the Gift of the Givers Foundation. SAVCA will match what our conference attendees have pledged, and donate an equal amount to the Foundation, with an additional R10 000.

In light of the recent devastation that took place in KwaZulu-Natal due to the flooding, we would like to encourage conference attendees and members to increase their donation to the Gift of the Givers Foundation, who have been instrumental in supporting the region during this crisis.

*For details on how you can donate, please visit the Gift of the Givers website: https://giftofthegivers.org/disaster-response-3/*

*Donations to Gift of the Givers qualify for a tax certificate as per Section 18A, under the Income Tax Act. If you are a taxpayer in South Africa and require a tax certificate, please email donations@giftofthegivers.org together with your proof of donation.*

# Private Equity Activity

**October 2021**
**Africa Capitalworks,** a sub-Saharan Africa-focused private equity company signed a significant equity investment, in Dorman Long Engineering Limited.

**October 2021**
South Africa-based **Summit Africa** announced the final close for its impact fund, Summit Private Equity Fund I, with total commitments of R1.6 billion (about $115 million), exceeding its initial target.

**November 2021**
The board of directors of the **African Development Bank** approved an equity investment of $10 million in the ARCH Cold Chain Solutions East Africa Fund to support the development, construction and operation of greenfield cold storage, temperature-controlled solutions and distribution facilities in East Africa.

**November 2021**
**Grindstone Ventures** launched a $6.5 million fund dedicated to seed funding predominantly South African innovative technology startup that have completed, or are part, of its Grindstone Accelerator programme.

**November 2021**
**Ata Capital**, a private equity investment management firm, and Respiratory Care Africa (RCA), a medical devices supplier, announced the successful completion of the management buyout of RCA from South African healthcare group Ascendis.

**December 2021**
**Ethos Fund VI** entered into a sale agreement in respect of South African paper and packaging supplier Neopak Holdings. The Corruseal Group intends to acquire 100% of Neopak.

**December 2021**
**Vuna Partners Fund I** acquired SA Steelpack Solutions, a South African tinplate packaging manufacturer.

**December 2021**
**Eos Capital** announced the first close of its Euphrates Agri Fund, having raised N$90 million ($5.7 million). This will allow Euphrates to make its first investments in projects across the Namibian agriculture value chain while additional fundraising continues.

*Source: Africa PE News App*

# SPONSORS

# 1 TIER

BENCHMARK
INTERNATIONAL

**Benchmark International** | https://www.benchmarkintl.com

AUSTIN | BOLTON | CAPE TOWN
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Benchmark International is a global mergers and acquisitions firm, specializing in mid-market company transactions. From 14 offices across the world, our unique and dynamic sell-side advisory offering presents clients and acquirers with unparalleled global coverage, enabling access to both local and international opportunities through our exclusive databases and business intelligence facilities.

With over 300 dealmakers and analysts across 3 continents, Benchmark International has handled engagements in excess of USD 8.25 billion across multiple industries worldwide, and was recognised as the International Mid-Market Corporate Finance Advisory of the Year in 2021 at the ACQ Global Awards.

Congruent with SAVCA's 2022 conference theme of Fluidity, Benchmark's core competencies include a deep understanding of the flow of markets, the ability to understand changing and shifting transaction objectives, and to create agile and adaptable strategies to achieve successful outcomes.

We aim to connect the right people with the right opportunities, and having concluded almost 200 deals in 2021 alone, we are trusted by shareholders of mid-market companies to deliver sustainable solutions for growth, wealth diversification, and exit. Testament to this success is that Benchmark International has been acknowledged as a Forbes Top 50 M&A adviser for achieving fair, authentic and mutually beneficial results.

If you're looking to transact in mid-market companies, we invite you to tap into our global expertise and partner with us for attractive deal-sourcing or equity disposal opportunities.

Harith
FINANCIERS & DEVELOPERS OF INFRASTRUCTURE PROJECTS

**Harith General Partners** | https://harith.africa

Who's Harith?

Harith General Partners (Harith) is the leading pan-African investor and developer for infrastructure across the continent. Boasting a 15-year long track record of sustainable stakeholder value creation, capital mobilisation and a cumulative investment team experience of more than 200 years – Harith invests in five core infrastructure sectors: energy, transport, digital infrastructure, health, and water and sanitation.

With north of $US1,3 billion total assets under management, Harith manages the Pan African Infrastructure Development Fund 1 (PAIDF) and PAIDF2, which has invested in flagship mega infrastructure projects. These include the Lake Turkana Wind Power in Kenya, the largest wind farm in Africa comprising 365 wind turbines – each with a capacity of 850kW – and a high voltage substation; the Henri Konan Bédié Bridge – a 6,7 km urban expressway that connects the north (Riviera) and the south (Marcory) of Abidjan, Cote d'Ivoire; Lanseria International Airport, second largest airport in Africa's economic hub of Johannesburg, South Africa, amongst others.

Norsad
CAPITAL

**Norsad Capital** | https://norsadcapital.com

Norsad Capital is an impact investor and private credit provider, and we offer flexible debt financing solutions to profitable growth-stage companies in Africa that deliver desirable social impact. Our investment coverage is sub-Sahara Africa, and our principal operational area is the Southern Africa region.

We are a pure-play private credit firm and we partner to create industry champions by providing our clients with the flexible capital required to address growth funding constraints and enable them to scale and grow sustainable businesses. We target companies that can generate positive impact and deliver strong financial returns – "profit with purpose".

For over 30 years, Norsad has invested in African businesses that clearly have positive impact and we have invested over USD450 million in more than 150 companies in various sectors in the region.

In 2022 Norsad Finance rebranded to Norsad Capital.

**Verdant Capital** | https://verdant-cap.com

Verdant Capital is a leading investment bank and investment manager operating on a Pan-African basis, specialising in Private Credit and Private Equity. It boasts offices in Johannesburg, Ebene, Accra, Kinshasa and Frankfurt. It is licenced by the Financial Services Commission in Mauritius and authorised by the Financial Services Board in South Africa (FSP 44608).

Verdant Capital is the manager of Verdant Capital Hybrid Fund, a fund investing hybrid capital into inclusive financial institutions on a pan-African basis.

Verdant Capital is Africa Global Funds' Best Independent Advisory Firm - Pan Africa - in 2021 and 2020 and Private Equity Africa's Local Financial Advisor of 2021. Verdant Capital ranked joint first in Pan-Africa (excl. SA), joint first in East Africa, and second in West Africa in Dealmakers Africa M&A Rankings 2021 according to deal flow.

Verdant Capital is the IMAP partner firm for its region. IMAP, with 40 partner firms in 40 countries, with 500 M&A bankers, and completing over 250 M&A transactions per year, is the World's largest M&A partnership.

**Ashburton Investments** | https://www.ashburtoninvestments.com/za

Ashburton Investments is the FirstRand group's trusted asset manager.

We bring a solutions approach to meeting our clients' varied investment needs, using a range of investment capabilities and solutions and a strong focus on managing risk and volatility.

Our money market, fixed income and private market offering, together with our liability driven investing capabilities, provides investors with the tools they need to enhance their current portfolio construction and manage their liabilities.

**Jersey Finance** | https://www.jerseyfinance.je

Jersey Finance, which is run as a not-for-profit organisation, was formed in 2001 to represent and promote Jersey as an international finance centre of excellence.

We champion the competitive position of Jersey's finance industry, which both locally and internationally, supporting the highest regulatory standards and the most attractive products and services to suit the needs of global investors.

Funded by members of the local finance industry and the Government of Jersey, we have a global presence with offices in Jersey, Dubai, Hong Kong and New York; representation in London, Johannesburg and Shanghai; with a virtual office in Mumbai.

# 3 TIER

Sanlam

Investments

**Sanlam Investments** | https://www.sanlaminvestments.com

With over *R540 billion in assets under management, Sanlam Investments is one of South Africa's largest asset management companies. We leverage areas of competitive advantage to develop and grow high-quality investment solutions that are differentiated but relevant within a changing asset management landscape. In doing so, we remain responsive to our clients' changing needs.

As the South African asset management arm of the Sanlam Group, the depth and breadth of our expertise spans active management, index tracking, alternative investments, responsible investing, multi-management and international investments to create more optimal portfolios for our clients.

Our purpose has evolved well beyond just wealth creation; we are anchored in a greater purpose. At the heart of our purpose is our journey towards long-term sustainability for South African investors and future generations, our economy and our planet.

*Assets under management as at January 2021.

# SOCIAL FUNCTION

wtw

**Willis Towers Watson** | http://www.wtwco.com

Willis Towers Watson (WTW) is a leading global advisory, broking and solutions company that helps clients around the world turn risk into a path for growth. With roots dating to 1828, Willis Towers Watson has 45,000 employees serving more than 140 countries and markets.

WTW's M&A team bring a unique combination of risk expertise and deep understanding of human capital and organisational culture to your deal. We draw on experience from more than 2,000 M&A and private equity transactions every year globally, to help our clients achieve both short and long-term success. Given our volume, we generate significant leverage with the global M&A insurance market.

# INSTITUTIONAL INVESTORS LUNCH

27four Investment Managers
WE LIVE INVESTMENTS™

**27four Investment Managers** | https://www.27four.com

27four is a leading, independent South African financial services group. 27four has been servicing retirement funds, corporate and individual investors on investment strategy design and implementation, policy decision making, risk management and the selection of asset managers for over 14 years.

27four has extensive experience in the areas of hedge funds, private equity, infrastructure and investing on the continent with a dedicated alternatives team whose sole responsibility is to identify unique sources of alpha uncorrelated to conventional returns that can enhance portfolio returns and reduce overall portfolio risk.

The firm is a Level 1 B-BBEE contributor.

**Contact 27four:**

**Web:** 27four.com
**Email:** info@27four.com
**Tel (toll-free):** 0800 000 274
**Twitter:** @27four
**LinkedIn:** 27four Investment Managers
Black Business Growth Fund

# COFFEE BAR

REALFIN fund services

**RealFin** | https://www.realfin.co.za

**Working Better Together**

RealFin has been a trusted partner to some of SA's leading alternative asset fund managers for more than a decade. RealFin is the provider of choice in the domestic alternative investment industry, offering a complete service offering to fund managers.

Our clients have ranged from larger institutional players to smaller boutiques.

In an ever-changing legislative environment, specialist skills are required to ensure compliance. To this end, it is the vision of RealFin to be a provider of choice in the domestic alternative investment industry, by ultimately offering a complete service offering to alternative investment managers.

# STREAM (CONVEY AND CO-CREATE)

**Control Risks |** https://www.controlrisks.com

For more than 40 years, Control Risks has been helping clients prepare and assess their investment risks and opportunities in Africa. With eight offices across five countries on the continent supported by an experienced team of over 400 staff and consultants and an extensive on-ground network, we can provide the support our clients need.

# MOBILE APP

**KPMG |** https://home.kpmg/za/en/home.html

KPMG refers to one or more of the member firms of KPMG International Limited, each of which is a separate legal entity. KPMG in South Africa together with the practices in Namibia, Zimbabwe, Botswana, Zambia, Mauritius and Mozambique operate on an integrated basis to give clients enhanced access to a diverse pool of regional expertise in the Southern Africa region.

# WI-FI SPONSOR

**Bowmans** | https://www.bowmanslaw.com/service/private-equity

With over 400 lawyers, Bowmans delivers integrated legal services to clients throughout Africa from eight offices in six countries. Bowmans' advice uniquely blends expertise in the law, knowledge of local markets and an understanding of clients' businesses. Clients include corporates, multinationals, state-owned enterprises, financial institutions and governments.

# STREAM (CONVERSE)

**ENSafrica** | https://www.ensafrica.com

As Africa's largest law firm with over 600 specialist practitioners, ENSafrica is described by Chambers Global Guide 2021 as "a notable presence in the PE market". We have the capacity to deliver on your business requirements across all major industries and we offer the full spectrum of private equity and venture capital advice throughout Africa.

**USAID INVEST Initiative** | https://www.usaid.gov/INVEST

The U.S. Agency for International Development (USAID) leads international development and humanitarian efforts to save lives, reduce poverty, strengthen democratic governance and help people progress beyond assistance. USAID's Southern Africa Regional Mission and USAID's INVEST initiative are partnering with the private sector to help increase the flow of private capital towards investments that generate positive social, economic, and environmental impact in Southern Africa.

# CONFERENCE PPE PACK

**RH Managers** | https://rhmanagers.co.za

RH Managers ("RH"), FSP 44811, is a fund manager with R3.5 billion assets under management. RH focuses on investments in healthcare infrastructure, providing accessible, affordable and quality healthcare to the Sub-Saharan Africa population. In addition to affordability RH has prioritised enterprise development supporting women and historically disadvantaged entrepreneurs.

# WATER

**Ince Pty (Ltd)** | https://www.ince.co.za

Ince is South Africa's leading investor marketing, digital and advisory company.

Our strategic advisory services help clients connect with their shareholders and stakeholders in South Africa and beyond – including Mauritius and the United Kingdom. We also equip investors with the tools and information to make better investment decisions.

# DELEGATE BAGS

**Tamela Capital Partners** | https://www.tamela.co.za

Tamela Capital Partners is an independent fund manager and is one of the few credit-oriented alternative asset managers in Sub-Saharan Africa. The Tamela Mezzanine Debt Fund I, which reached final close in 2021, is a c.R1 billion fund that provides mezzanine debt to mainly mid-market companies for expansion and growth. The Fund provides growth and expansion funding of between R50 million and R200 million to companies in South Africa, Namibia, Botswana, and Lesotho.

# DELEGATE GIFTS

**Ascension Capital** | https://ascensioncapital.co.za

Ascension Capital is a South African black owned private equity fund manager with a unique value proposition and proprietary deal flow. Considerations that inform our investment thesis include investing in businesses which enhance basic human needs (such as food security, healthcare, energy, water and sanitation) with a strong emphasis on technology.

# MEETING POD

WEBBER WENTZEL
in alliance with > Linklaters

**Webber Wentzel** | https://www.webberwentzel.com

USAID
FROM THE AMERICAN PEOPLE

**USAID INVEST Initiative** | https://www.usaid.gov/INVEST

# LANYARDS

PHATISA
More than capital

**Phatisa** | https://www.phatisa.com

Phatisa is a leading African private equity fund manager. Established in 2005, the firm focuses on investments across the African food value chain, plus affordable housing.

By balancing commercial returns with impact objectives, Phatisa positively affects the lives & livelihoods of African people, whilst attracting institutional & development investors to the continent.

In short,
Phatisa provides more than capital.

# MEDIA PARTNERS

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AVCA African Private Equity and Venture Capital Association

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CFA Society South Africa

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SuperReturn Emerging Market

SAVVY INVESTOR

VENUE MAP

# Ashanti Estate


SAVCA
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2022
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SAVCA Industry Awards: 10 November 2022
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