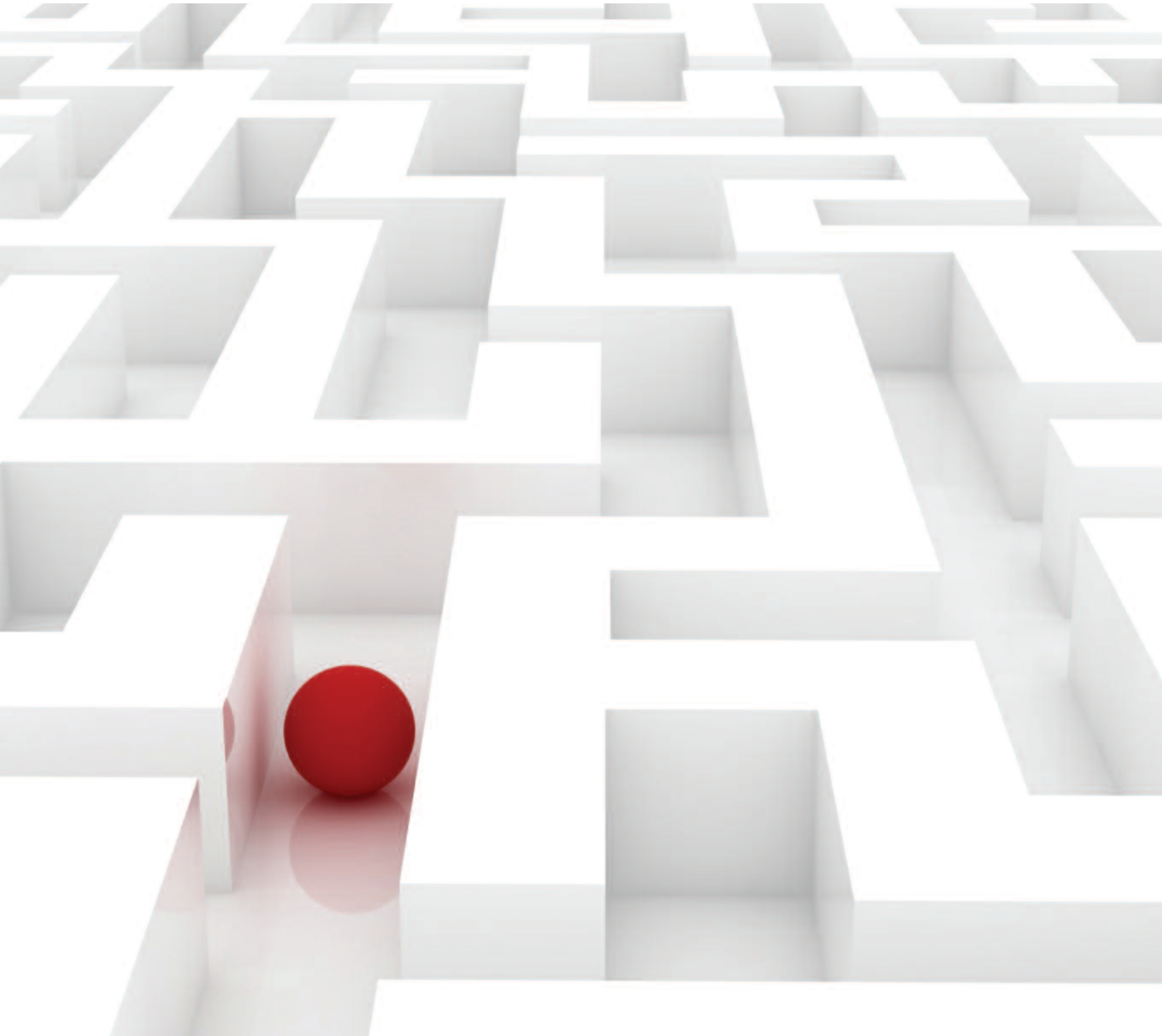
Catalyst

SA's quarterly Private Equity & Venture Capital magazine

Vol 15 No 3
SEPTEMBER QUARTER 2018



Value in venturing lies beyond capital

Blockchain and private equity

Phatisa Food Fund II reaches first close

Inspired Evolution

FROM THE EDITOR'S DESK

What a rollercoaster this year has been; in the markets and in local politics, from Ramaphoria, as we digested the prospect of narrowly avoiding the full effects of those intent on capturing the state, to Ramareality as the size of the clean-up job became apparent, and now, phase three, Ramarealignment, as the key building blocks for the new administration are being positioned.

The trio of the medium-term budget policy statement delivered by new Finance Minster Tito Mboweni, sandwiched between the Jobs Summit and the Investment Conference, delivered the hard truths that there is simply no room left for government to continue to ignore the private sector.

I was discussing this with Nigel Dunn, the head of SA Stockbrokers, after he emailed a note pointing to this fact as a cause for hope and cautious optimism (there's many a slip 'twixt the cup and the lip!)

Dunn pointed to three comments made by the new Finance Minister during his MTBS, that caught his eye:

- "We need to move from the notion that everything must be done by the state."
- "We need to move towards partnerships. Let's bring in private sector experience in project execution. There are engineers and others in the country who are willing to work, you just need to call on them."
- "Swissair was not functioning well and the Swiss decided to close it down. They invited those who know how to run airlines and started a new airline called Swiss International. We need to be open-minded; the world has changed. It is not static."

And he said that "the devil will be in seeing whether our enlightened Finance Minister can release the handbrake that is the ANC as a collective." What I would hasten to add is that the ANC is a particularly obdurate handbrake.

The pressure goes far beyond the agriculture sector (where the threat of land expropriation without compensation or EWC looms large) and the mining industry (which confronts a 30% ownership target and other costly requirements under the new mining charter) but extends to business in general.

In the BEE sphere, the 30% compulsory sub-contracting requirement on government contracts worth R30m or more was reaffirmed at the recent jobs summit, which urged that it be extended to business too. But sub-contracting on this basis is likely to increase costs and erode efficiency.

The recently tabled Employment Equity Amendment Bill, the National Minimum Wage Bill, soon to be enacted into law, the Competition Amendment Bill, now before Parliament…

But it would be churlish not to recognise that, at long last, we have key leaders inside the ruling party that want to embrace business, and as President Ramaphosa stated after the Investment Summit, make heroes out of our entrepreneurs, and drop the patently absurd white monopoly capital rhetoric.

Gavin Reardon, Founder and General Partner of Kingson Capital, attended the invite only Investment Summit and his takeaway is that the "[o]ne issue that needs immediate attention is the fact that, although international institutions like pension funds are prepared to invest in Venture Capital and Private Equity in South Africa, they are all asking why South African pension funds and local institutions are not investing?"

As Reardon rightly says, "It's a very hard sell when locals aren't prepared to invest themselves."

When posed with this question, Minister Tito Mboweni partly answered, referencing the credit committees and various approval processes funds require.

"The good news," says Reardon, "is that the conversation has started and we, as an industry, need to educate and champion VC investment as an alternative asset class. Having pension funds mandated to invest a percentage of their assets under management into local VC and PE funds would be a significant catalyst for the South African ecosystem."

And as the year draws to a close, that is the spirit which has me believing that we have truly taken the first important steps on the long hard road back from the abyss. We dare not squander this opportunity. ◆

Michael Avery

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Editor: Michael Avery

Sub-editor: Lee Robinson

Design & Layout: Janine Harms, Gleason Design Studio

Catalyst is published by the proprietor Gleason Publications (Pty) Ltd, reg no: 1996/010505/07 from its offices at 30 Tudor Park, 61 Hillcrest Avenue Blairgowrie, Randburg 2194.

Tel: +27 (0)11 886 6446

Gleason Publications

The economy may not be running on more than one cylinder right now but if the state of the venture capital industry is anything to go by it's not for a lack of investing in start-ups and scale ups.

Value creation central to VC's success

The Southern African Venture Capital and Private Equity Association (SAVCA), in conjunction with Venture Solutions, a innovation management and commercialisation consultancy active in sub-Saharan Africa, released the findings of a study into the VC Ecosystem during the third quarter.

The headline number is that 2017 saw R1,16bn invested in 159 deals. That's a 33% growth on 2016 and a huge improvement from where the VC industry was five years ago

> "It's not just the money but the increase in the number of fund managers" – Stephan Lamprecht

Stephan Lamprecht

"It's not just the money," says Stephan Lamprecht, of Venture Solutions, "but the increase in the number of fund managers, because what we are talking [about] here is not just venture capital money but people coming with skills and mentorship roles in terms of growth expertise. When we say VC ecosystem, for me, one of the most positive parts is the increase in the number of professionals who are helping companies to grow."

As part of the survey, one of the things highlighted was the value that these professionals brought to the industry, from strategic advice to networking to improving market access and gaining market share.

From a deal flow perspective, the total number of investments increased from 114 in 2016 to 159 in 2017, a jump of almost 40%.

"The main driver is the recognition by many individuals of the potential opportunities to grow using software driven applications that create new consumer products and services, that paves the way for digitisation," explains Lamprecht. "Many of the larger companies and entrepreneurs are looking at these start up opportunities as ways to get into that."

Though Lamprecht points out that VC is more than just a tech story in the sector growth.

"There's a healthy balance between technology and ultimately things that solve problems for businesses or consumers. Retail, for example, the ways in which we procure things, boosting manufacturing in areas where we'd like to localise and create new products and services in our own economy. Driving the revitalisation of our economy into sectors like mining and so forth."

More money is flowing into early stage deals. By value in 2017, only 42% (2016: 51%) of VC deals were categorised as Growth Capital while Seed Funding and Start-up Capital totalled 57% (2016: 49%), which is a good sign for the VC ecosystem, which requires support in the early stage of the growth pipeline.

The increase in sources of funding from 2016 to 2017, may be summarised as follows:

- new fund managers, not active prior to 2017, invested in excess of R313m compared with R312m invested in 2016;
- established fund managers invested some R396m in follow-on investments into existing portfolios. R291m was invested in 2016; and
- Angel Investors invested approximately R73m, compared with R44m invested in 2016.

VC investors prefer to remain minority shareholders with the vast majority taking equity positions of less than 25% in the companies they invest in. The few investors that take a majority equity stake – most report having an equity stake of more than 50% – arrive at that position through follow-on investments into the same deal.

When categorised by location of investee company head office; by value of deals, all deals still invested, the Western Cape is first at just under 50%, followed by Gauteng, with the bulk. This is a concern for Lamprecht who wants to see the ecosystem spread across the country.

"The key thing for me is that when we talk about job creation and employment this can't just happen in Cape Town and Joburg," explains Lamprecht, "we've got to look at the rest of the country from a policy point of view. How do we create an incentive for our investors and the rest of the ecosystem to start targeting other areas in the country that have been neglected? This is something we haven't got right."

Is Venture Capital a good investment? Is it good for the economy? These are key questions that need to be reviewed regularly, to ensure the sustainability and growth of the asset class as a whole.

Overall the data points overwhelmingly to the net positive benefits of VC such as job creation, economic growth and supporting the president's Thuma Mina clarion call. ◆

Private equity general partners (GPs) are currently on the bleeding edge of the sword regarding the debate around fees in the industry – the model itself has come in for some criticism for being too favourable to the GPs when it comes to fees. But blockchain, the technology that underpins cryptocurrencies, is offering a way for private equity fund managers to respond without suffering margin compression.

Blockchain offers solution in private equity fees debate

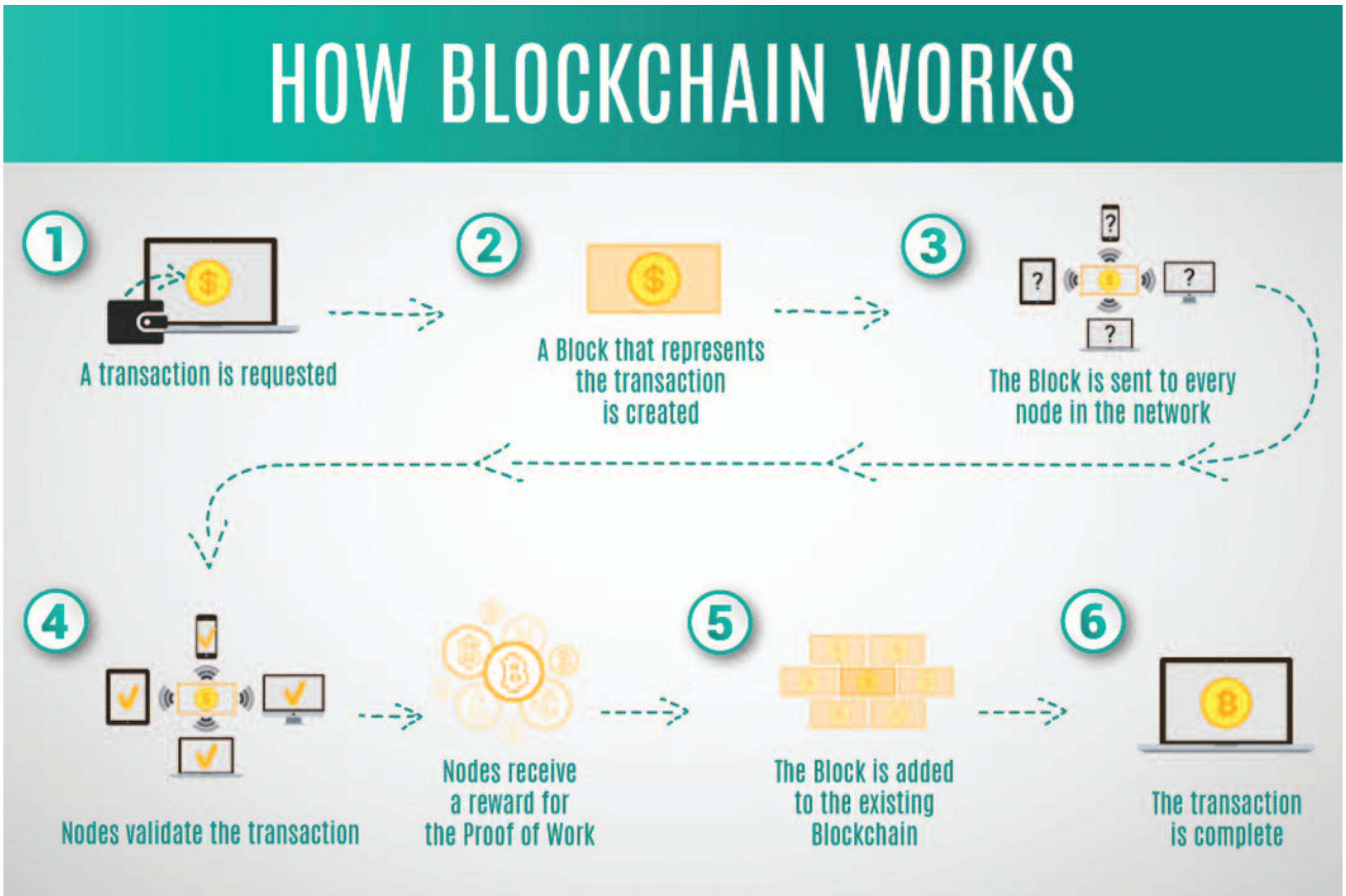
The 2 and 20 fee structure is the way that most private equity firms are compensated. The 2 represents the 2% annual management fee on capital deployed that is used to pay salaries, cover overheads and generally "keep the lights on." The 20 represents the 20% carry over of a certain return threshold that the private equity firm gets to keep.

It is still a very aligned model though. The incentive is there to manage every asset, up to the very last asset out of the fund, to maximise value. That's because the model in South Africa and the rest of Africa is a fund model, which means GPs don't earn deal-by-deal carry, they earn on the total fund return and only participate in the upside if the investors have made the hurdle.

There's a lot of valid debate about how much of the upside fund managers participate in that is beta, and how much of that is alpha, and those are healthy debates to be had.

Monica Singer

"Blockchain technology empowers managers to charge per-transaction fees, radically altering the existing 2/20 fee model. It facilitates a seamless and efficient calculation of management fees per transaction versus the traditional settlement and calculation of fees in a per-transaction model that produced a prohibitive amount of work."



One of the key challenges is how to overcome the expensive nature of the business model. Operationally, GP teams are packed with highly skilled professionals and in today's world where you must be very good at several activity sets, building a functional, sustainable private equity firm costs a lot of money.

Enter the blockchain.

The blockchain has been defined in many different ways but ConsenSys Systems (ConsenSys) blockchain business ambassador Monica Singer, former CEO of Strate, South Africa's central securities depository (CSD), relies on her chartered accounting background to describe it as the general ledger of the internet. Meaning it's a transaction ledger, electronic, decentralised, immutable, and provides cryptographic verification, among several actors, the parameters of which you can tailor to suit your requirements.

So what benefit does this hold for private equity?

"In all financial market applications of blockchain technology, costs will reduce," explains Singer.

Why?

"No intermediaries, no reconciliations, no unnecessary duplication of records, no need for expensive mainframes and swift messages; it's the internet."

Blockchain technology empowers managers to charge per-transaction fees, radically altering the existing 2/20 fee model. It facilitates a seamless and efficient calculation of management fees per transaction versus the traditional settlement and calculation of fees in a per-transaction model that produced a prohibitive amount of work.

Two of the most prominent recent examples of private investment funds that have begun to implement blockchain technology and smart contracting in their business models are Northern Trust and Numerai.

While the current legal and administrative processes that support private equity are laborious, costly, opaque, and involve lengthy and fragmented investment and administrative processes, a partnership solution, with a blockchain specialist, delivers an enhanced and efficient approach to private equity administration.

More specifically, unlike the current deal practice in private equity, which requires parties to reconcile multiples copies of the documents that form the deals to understand the greater picture, the blockchain programme announced by Northern Trust, for example, allows all involved parties in an equity deal to look at a single compiled version of the transaction and all other data relating to the deal.

Singer concludes that the other benefits for private equity include:

"Higher liquidity which enables private equity shareholders to sell their investments easier; and higher transparency if they want it leading to higher levels of corporate governance without the need to over complicate compliance like in listed companies." ◆

The renewable energy sector continues to enjoy strong investment winds, propelled by the need to provide sustainable power to over 600 million people in sub-Saharan Africa alone, who remain excluded, and the retreat of funding for coal-based power has only served to increase the velocity.

Inspired Evolution demonstrates its pedigree

Inspired Evolution (IE) – specialists in the energy space (sustainable and renewable energy) – secured a further $35m in commitments from the African Development Bank (AfDB) and Swedfund International AB (Swedfund) in a second closing of its Evolution II Fund earlier this year.

Growing investor confidence in IE's offering has consolidated its market position as one of sub-Saharan Africa's leading specialised clean energy and resource efficiency investment advisory businesses.

Catalyst spoke to Managing Partner, Chris Clarke, to find out more about renewable energy's maturing love affair with private equity.


Chris Clarke

IE is a specialised investment management business with offices in Cape Town, London, Mauritius and Nairobi.

IE offers a dedicated team with a proven track record in clean energy infrastructure-type development and project finance investments, as well as energy and resource efficiency growth investments across sub-Saharan Africa.

IE's current investments include a R25m growth equity investment made in 2014 in SIRAC Southern Africa, an energy efficiency heat pump business, operating in South Africa. The company was the first to enter the residential heat pump market in 2008 when South Africa began experiencing rolling blackouts and looming electricity price hikes. Today, SIRAC is a market leader in both commercial and residential heat pump applications with a national sales footprint.

Alten RE Developments Africa (Alten Africa), a sub-Saharan solar PV project developer and owner-operator, is a 51%-owned subsidiary of Alten Energías Renovables, an experienced Spanish solar PV project developer. The remaining 49% is held by Evolution II Fund.

IE also has a R70m investment in AFPOC, which has significant development expertise in the wind and solar industry. Management of AFPOC comprises leading figures in the renewable energy sector both from South Africa and Australia. AFPOC Management has developed and operated a total installed wind energy capacity of 508MW.

Clarke explains what he looks for in an investment, and the firm's investment philosophy; firstly, the investment must present a "clear fit" within IE's two specialised investment themes, namely clean energy and resource efficiency.

"What we look for at a high level is the potential of an investment within these themes to deliver on our targeted commercial returns with a measurable net positive impact," says Clarke. "This is our mission: to profit with purpose and impact. It's our core DNA. We set out to demonstrate that we can deliver high impact AND superior investment performance. And we have demonstrated this successfully under our Evolution One Fund which is a top quartile performer globally for its 2008 vintage."

But how does one approach structuring the deal in Africa, in what some investors consider high-risk frontier markets?

"Largely, the project finance aspect is now down to a science," responds Clarke. "You need a project that has all the permits in place, land use, water use licenses, offtakes. You need a developer that understands how to mitigate those risks from construction to operation. A set of around 20 to 30 project documents which govern each specific project right from financing documents through to your offtake agreements, all the underlying guarantee agreements, insurance agreements. Every deal is slightly different, depending on the technology, whether there's a feedstock agreement for example."

Among the most significant investment lessons Clarke has learnt is to "always focus on relationships based on integrity and shared value, and never lose focus on the transaction fundamentals."

Clarke says it's also important to always have the hard negotiations upfront because entry valuation is key.

"And don't get too clever on fancy deal structuring if it can be avoided – keep things simple."

Clarke sees a good deal of untapped opportunity for PE investors in Africa, in the specialised investment universe of renewable energy and energy resource companies.

"I think distributed (and embedded) energy technology solutions and platforms which increasingly include energy storage components and disruptive financing business models such as pay-as-you-go mobile banking, are a compelling opportunity set across Africa. They respond to the current 635 million people who lack access to energy, as well as a growing critical mass of businesses and industries looking for more affordable, reliable power."

Despite the recent delays by Eskom in signing bid windows 4,5 (unblocked under new Energy Minister Jeff Radebe), Clarke heaped praise on the South African government for designing the Renewable Energy Independent Power Producer Procurement (REIPPP) Programme.

"The REIPPP was hugely successful and we won awards for that," says Clarke who adds that the key aspect was government's recognition that it had limited capacity to undertake such a large allocation of megawatts, and to be able to procure them on a basis that is open and transparent and fair to all independent power producers that were going to participate. By bringing in skilled international consultants to design a very carefully crafted programme, government overcame these issues to a large extent.

"One of the problems you have with an auction is that you may land up with the cheapest price but someone might not be able to convert and so you land up with a lot of white elephants. That's a big lesson we learnt from other international auctions," explains Clarke. "The ability to define very strict criteria is key. The preparation was exceptional compared with a lot of other international auction regimes."

IE's mission is to deliver superior risk-adjusted returns to its investors through active investment advisory leadership and financial innovation. Its specialised sector return-focused approach and demonstrated track record, combined with its best-in-class impact investment management approach, differentiates it amongst African specialised fund managers and it has demonstrated its pedigree with strong returns while doing good. ◆

"This is our mission: to profit with purpose and impact. It's our core DNA. We set out to demonstrate that we can deliver high impact AND superior investment performance. And we have demonstrated this successfully under our Evolution One Fund where we the fund is a top quartile performer globally for its 2008 vintage." – Chris Clarke

It is incredible how the vocabulary of the asset management industry has changed in the last few years.

The rise of private markets, how and why asset management is changing

Rudigor Kleyn

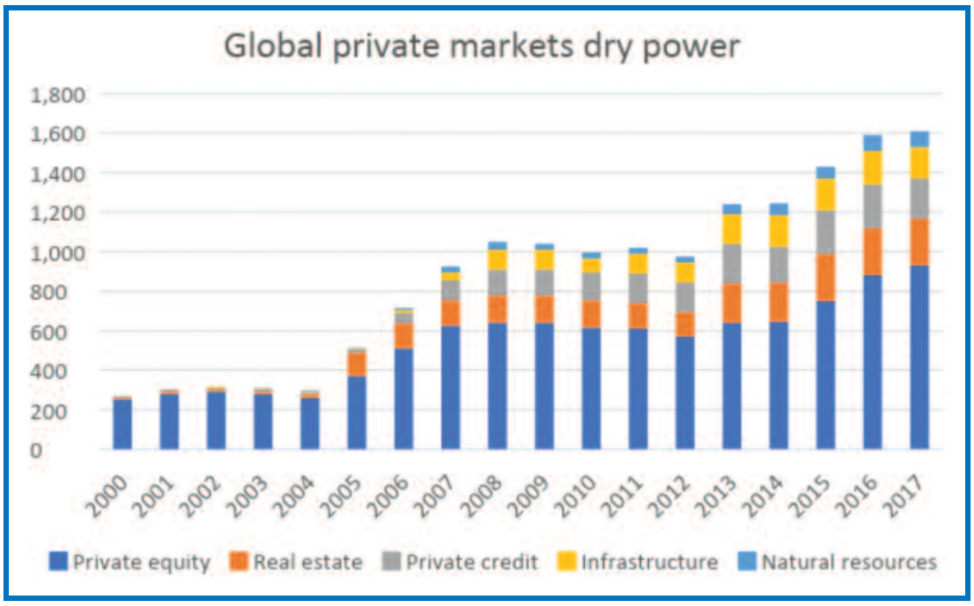
"Alternatives" has become an almost overused word for an asset class that is an increasingly prominent and often critical component of the portfolios of many sophisticated investors. There is also no agreement on what it fully includes. Everything from some structured products, hedge funds to leveraged private equity buyouts has found space within this word. Similarly, private equity is no longer always private nor necessarily equity. And then there are ambiguous terms, such as "real assets", which now encompass everything from affordable housing, toll roads, renewable energy projects to commercial real estate.

For us "Private Markets" is an umbrella term encapsulating a variety of illiquid (or semi illiquid) investments that cannot (not necessarily) be sold at short notice and require longer investment horizons and patient capital. It includes, for example, private equity buyouts, private equity secondary investments, direct investments in infrastructure and real estate, unlisted corporate loans and mezzanine financing.

Although the narrative in financial markets is overwhelmingly dominated by events taking place on public markets, a large part of the global economy is funded and controlled privately. With asset yields low or negative in the years following the global financial crisis, the private sphere has become increasingly important for investors searching for diversification benefits, higher investment returns and the potential security that comes with recourse to the underlying assets. Long-term investors are challenged when it comes to their return requirements through traditional investment strategies and are now opting more and more to allocate a portion of their portfolio to private markets.

As seen in the chart above, global institutional investors have been raising allocations to private markets and there is an increasing level of dry powder for private market assets. We are also seeing South African institutional investors increasing their allocation to these asset classes but there is still a long way to go before they catch up with their international peers. In our opinion, private market assets have plenty to offer patient investors who are willing and able to find and unlock returns in less exploited areas. Adding private market assets to a portfolio can also help broaden the opportunity set, increase return potential and enhance portfolio diversification, while in some cases adding a dose of inflation protection (for example renewable energy debt that is linked to the consumer price index).

We also believe that the return and diversification benefits of investing in private markets are best captured through a "buy and hold" approach. Investors should therefore be willing to deal with illiquidity but also some complexity. That being said, one can compile a portfolio of private market assets that has a much improved liquidity profile trumping the traditional notion that an investor commits to a fund and sees a return on their capital in 8-10 years' time. An investor's return therefore does



Source: Preqin, October 2017

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not have to be Internal rate of return (IRR) based, which is made up of realised and unrealised returns, but can also consist of regular cash flows such as interest payments.

Do private market assets provide superior returns?

Some say that private market assets provide superior returns. We, however, feel that it is better viewed as offering good risk-adjusted returns. The reason for this is that the definition of superior returns is changing. It is no longer a target IRR of 20-25% for private equity. Rather, it is:

- differentiation of investment strategy;
- the consistency with what was promised to investors;
- absence (or lowering) of volatility in returns;
- repeatability of core investment selection, execution, and value creation processes; and
- a high-quality, seasoned team with a culture of openness, debate, and dynamism.

Catering for various investor return/risk objectives

In the past, many companies had to go public or tap public debt markets to access financing after raising initial seed capital. But private investment funds now serve as a meaningful source of capital. As a result, many companies are choosing to stay private for longer. Some are leaders in their industry, with strong cash flows and limited capex requirements. And a secondary market is growing, whereby eligible private investors can sell their ownership stakes to others. South Africa has a small but vibrantly growing secondary market, which will look very different in years to come.

In our opinion, private market assets are suitable for a range of investors' needs which is evident from the diagram below. It could be that an investor is looking for a low risk, income producing solution. For example, investment-grade loan assets could be suitable for investors seeking predictable cash flows, perhaps as part of a cash flow driven investment approach. The inflation-linked income streams offered by infrastructure assets such as renewable energy CPI-linked debt is also a sound example.

Private equity is an asset class that also has the potential to offer higher, growth asset type returns. The problem is, however, that one needs a well-diversified pool of private equity assets, so as to avoid concentration risk in one's portfolio. Diversification should not only be thought of as having more assets in a portfolio, but also increasing sector and vintage diversification. Diversification is critical as it ensures that the true non-correlation benefits of private market assets come to the fore.

How difficult is it to access assets in the private market space?

It is important to have access to a good origination platform that provides sustainable origination of quality assets in a timely manner as private market assets are not listed and hence not necessarily readily available. The quality of one's origination platform is therefore incredibly important as you will otherwise struggle to deliver consistent returns if you are forced to remain in cash while looking for deployment opportunities.

In credit markets, post-crisis bank regulation has caused a shift in the investor profile. New capital rules are forcing global banks to deleverage, making it costlier to hold illiquid or longer dated paper or to advance "middle market" type loans. This is also true for SA, and it is for this reason that unlisted loans, be it sub-investment grade or mezzanine loans, are now more

	Investment objective	Examples of private investments	Range of returns
Higher returns/risk	Capital growth	• Private equity (direct or secondaries) • Distressed credit • Infrastructure equity • Real estate equity	> CPI +10%
	Enhanced income	• Middle market mezzanine finance • Opportunistic credit solutions • Sub investment grade corporate loans	> CPI + 4-9%
Lower returns/risk	Stable income	• Investment grade corporate loans • Infrastructure debt • Renewable energy senior loans	> CPI + 1.5-4%

Source: Ashburton Investments

accessible to a broader investment audience than before. These assets offer a yield-pick up from investment grade loans, and if well-structured, as part of a diversified portfolio, could offer an enhanced income stream to investors. One cannot overstate the importance of a well-diversified pool of high yielding loans as credit is an asymmetric asset class with limited upside, but with a lot of downside. This also speaks to the earlier point of having access to sustainable origination sources as this helps one overcome portfolio concentration over the long run.


Kleyn

How illiquid are private market assets really?

The perception, especially in SA, is that all private markets are totally illiquid. Maybe put differently there is a perception, especially in SA, that listed instruments are all highly liquid. This is not always the case especially say in the corporate bond space; if you want to sell a big block of bonds, it might take a while to sell your entire position. The reality is that private market assets are less liquid than listed assets but liquidity does depend on what underlying asset class one refers to, and how the portfolio is structured. If one uses an example of a portfolio of unlisted corporate loans which are well diversified and where maturities are staggered, then an investor could receive regular coupon payments, even monthly payments. As the portfolio of loans amortises or matures, these cash flows could either be returned to the investor or be reinvested, by following the investor's instruction. A solution can therefore be crafted to meet the client's known liability profile and which will suit their needs.

Private equity is also an example where the perception is that one needs to wait 10 years to see a return on investment. Even in a traditional private equity fund this is not entirely true as it all depends on how quickly investments are made, how these companies grow in value and develop and how quickly the manager can list or sell the underlying company to, say, a trade buyer. With solutionist thinking, one can compile a portfolio of private equity investments that spans over a number of industries and investment vintages. The latter has the added benefit of providing exits that are staggered, even across the early years of the private equity fund, which results in realisations not all being back-ended. The investor would therefore benefit from receiving realised gains sooner.

How complex are private market investments?

Occasionally, we also get confronted with the notion that all private market fund investments are extremely complex. This is probably an accurate statement if one's portfolio to-date has consisted of listed equities, cash and bonds. Private market funds are normally structured as en commandite partnerships or as notes (often these notes are listed), so they might be perceived as complex to the uninitiated. We would, however, say that the actual documentation for, say, a private equity or mezzanine fund has become very standardised over the last decade. Another positive is that all partners in such a partnership benefit from the legal vetting that they collectively provide to the manager. This is especially advantageous if one is a smaller or later stage investor, as you will benefit from the work that other investors have already performed on the fund's legal documentation.

> "We are also seeing South African institutional investors increasing their allocation to these asset classes but there is still a long way to go before they catch up with their international peers. In our opinion, private market assets have plenty to offer patient investors who are willing and able to find and unlock returns in less exploited areas."

Conclusion

Private markets offer diverse opportunities for return seekers, where the trade-off for greater complexity and illiquidity can be reflected in the bottom line. Basel regulation has been a game-changer, and thus a range of investment opportunities is now available as banks continue to reshape their balance sheets and rein in the scope of their activities.

In our opinion, private market assets have an incredibly important role to play in an institutional or high net worth investor's portfolio as they offer access to different sources of return, they are highly uncorrelated to public markets and offer a range of risk-adjusted returns which cater for both growth and income type investors. A number of the underlying asset classes provide security and regular cash flows as not all investors have the luxury of waiting for capital gains to accrete. Inflation linked assets also have tremendous benefits for any portfolio that has long term liabilities to meet. ◆

Kleyn is Managing Director, Corporate and Institutional at Ashburton Investments.

Phatisa announced the first close of its successor fund to the African Agriculture Fund (AAF) - Phatisa Food Fund 2 (PFF 2) - in the third quarter, which has received more than $120m in capital commitments.

Phatisa Food Fund reaches first close at $121,5m

Given the strong interest, and with subsequent investors in different stages of their processes, Phatisa said it will continue with rolling closings and expects to reach a final close target of $300m by mid-2019.

Phatisa is a sector-specific African private equity fund manager located in and operating across sub-Saharan Africa. The firm currently has three funds under management, totalling more than $400m, focused on food and affordable housing.

Stuart Bradley, Joint Managing Partner, says re-investments from Phatisa's first Fund account for 88% of commitments, clearly demonstrating strong support from AAF investors.

Stuart Bradley

AAF, the continent's first private equity fund focused solely on the agriculture and food value chain, commenced operations in 2011 and reached a final close of $246m in mid-2013, and is now fully invested. The portfolio consists of eight companies and one subsidiary fund investment, amounting to a footprint of 21 countries. Phatisa's impact objectives for AAF are directly aligned with eight United Nations' Sustainable Development Goals (SDGs). Some highlights to date:

"We continue to attract the private sector," says Bradley, "with a 70:30 split between commercial investors and development finance institutions at first close. With this round, we have now raised more than $400m for the African food and housing sectors."

For PFF 2, Phatisa will continue its focus on the team's core skill set – the African food value chain – considering investments in mechanisation, inputs, poultry and meat production, food processing and manufacturing, logistics, aggregation and distribution across sub-Saharan Africa. Targeting buy-out and expansion transactions with an investment size of between $15m and $25m, building and exiting regional platforms.

As with AAF, by raising international capital to be invested into Africa's food value chain, PFF 2 is aligning itself with the United Nations' SDGs, addressing in particular SDG 1: No poverty and SDG 2: Zero hunger, through its material contribution to food security. With its investment into African businesses, Phatisa has already accounted for the production of over 2.6 million tonnes of food and food-related products and explained that it will continue to mark its progress by measuring its impacts against the SDGs.

Duncan Owen

Phatisa comprises a team of over 40 dedicated staff and a solid track record of managing private equity funds and commercial businesses throughout the continent, speaking 29 languages and representing 12 nationalities.

Valentine Chitalu

Duncan Owen, Joint Managing Partner says that Phatisa is preparing to exit several AAF investments.

"We are tracking solid returns, which we plan to replicate in PFF 2 – especially around inputs, mechanisation, logistics and FMCG," says Owen. "This is where our team of industry specialists from Unilever, Afgri, P&G, SAB Miller, Diageo and Imperial, feel at home."

Together with TechnoServe, a non-profit organisation operating in 29 countries – a leader in harnessing the power of the private sector to help people lift themselves out of poverty – Phatisa is aiming to raise a second technical assistance facility

(TAF) to work alongside PFF 2, building on the lessons learnt and TAF's success in AAF. The use of blended finance will enable the firm to increase the development impact as well as to enhance financial returns.

The first close was timed to facilitate the completion of the Fund's first transactions, setting the anticipated investment pace.

Phatisa Chairman, Valentine Chitalu, points to the team as the foundation of the firm's success in Africa.

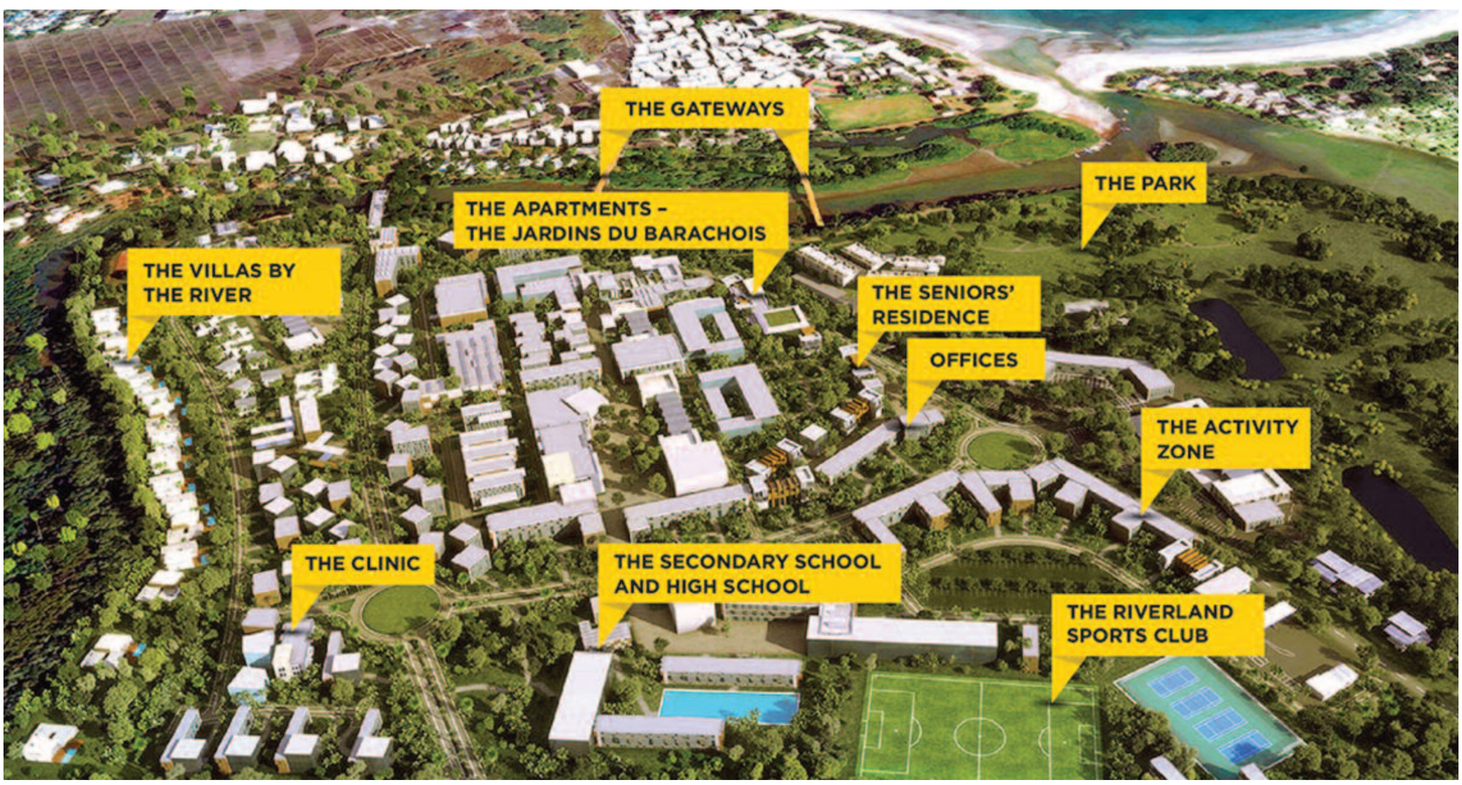
"We have built a great team that has been recognised through the support of our investor base," says Chitalu. "The team has demonstrated its ability to source and execute proprietary transactions and use our in-house industry skills to drive real value in our portfolio companies. I am very proud of what we have achieved and excited by the opportunity ahead." ◆

Vantage Capital, Africa's largest mezzanine fund manager, has provided $10m of mezzanine funding to Cap Tamarin, a mixed-use, residentially-focused "Smart & Happy" Village located on the sought-after west coast of Mauritius in a seaside village called Tamarin.

Vantage in smart funding deal

The promoter of the transaction is Trimetys through its subsidiary, Cap Tamarin Ltée, a Mauritian-based diversified real-estate, hospitality, education and agricultural group led by Kian Jhuboo and Georges Talbotier. Since its first real estate project in 1998, Trimetys has developed a variety of different projects on the island which include hotels, sport centres, a shopping centre and a school, as well as constructing more than 300 residential units.

Cap Tamarin will create an integrated "work, live and play" environment that is technology-focused, intelligent, innovative and sustainable. Cap Tamarin has already received the prized Smart City Scheme certification from the Mauritian government. On completion, the Cap Tamarin development will span over 400,000m^2 and will comprise of residential units made up of a combination of apartments, senior homes (medical and non-medical), villas and individual houses.



The investment is Vantage Capital's eighth transaction in Fund III, a $280m fund, with a 55% allocation to countries outside South Africa. This investment represents the 26th transaction executed by Vantage qacross three generations of mezzanine funds.

Georges Talbotier, Director of Cap Tamarin, said the partnership rewards the achievement of several milestones in Cap Tamarin's development plan.

"Supplemented by bank financing and sales, the entry of Vantage Capital as a reference investor, will boost the realisation of the project," explains Talbotier. "We need strong partners to achieve such an ambitious project. For us, Cap Tamarin's "Smart & Happy Village" is the realisation of a vision and we thank Vantage Capital for sharing our values."

Zaheer Cassim, Associate Partner at Vantage Capital, added, "Tamarin is an old fishing village that is to be transformed in an environmentally-sensitive manner into a well-planned residential area on the picturesque west coast of Mauritius. The village is surrounded by hills in the east and the beach on the west, with the Tamarin River running through it, and represents an ideal location for a development of this nature."

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Werksmans Attorneys and BLC Roberts & Associates acted as legal counsel to Vantage in South Africa and Mauritius respectively. Cap Tamarin and Trimetys were advised by Mauritius Commercial Bank's Capital Markets division. ◆

PRIVATE EQUITY DEALS Q1 – Q3 2018 – SOUTH AFRICA

NATURE	PARTIES	ASSET	ADVISERS	ESTIMATED VALUE	DATE
Disposal by	Ethos Capital and RMB Ventures to Abraaj Private Equity	Waco International	Rand Merchant Bank; Webber Wentzel; Cliffe Dekker Hofmeyr	undisclosed	Jan 16
Disposal by	Gold Fields to CD Capital Natural Resources Fund III	palladium-rich polymetallic Arctic Platinum Project		$40m	Jan 24
Acquisition by	Old Mutual Alternative Investments (Old Mutual)	minority stake in Amandi IPP power plant in Ghana		undisclosed	Feb 5
Acquisition by	Old Mutual Alternative Investments (Old Mutual)	stake in Starsight Power Utility		undisclosed	Feb 5
Acquisition by	Afri-Vie Fund II (Exeo Capital)	a stake in TerraSan	Cliffe Dekker Hofmeyr	undisclosed	Feb 7
Acquisition by	Ethos Mid Market Fund I (Ethos Capital)	31,2% investment in Echotel	Webber Wentzel	not publicly disclosed	Feb 28
Acquisition by	Ethos Private Equity Fund VI (Ethos Capital)	additonal 9,39% stake in RTT to 54,35%	Webber Wentzel	not publicly disclosed	Feb 28
Acquisition by	Main Street 1511 (Abraaj)	Roossenekal Foods Investments (KFC franchisee owning 62 KFC stores)	Webber Wentzel; ENSafrica	undisclosed	Mar 5
Acquisition by	Uqalo	a stake in Big Square	Bowmans	$4m	Mar 7
Acquisition by	Ethos Healthcare Investments (Ethos Capital)	Amayeza Abantu Bio Medical	Webber Wentzel	undisclosed	Mar 14
Acquisition by	African Rainbow Capital Investments	30% stake in Rand Mutual Holdings	Investec Bank; Webber Wentzel	not publicly disclosed	Mar 22
Acquisition by	Knife Capital	a minority stake in DataProphet		undisclosed	Mar 22
Disposal by	Bowler Metcalf to The Beverage Company (Ethos Capital and Nedbank Private Equity)	41,38% stake in SoftBev	Standard Bank; Arbor Capital Sponsors; Shepstone & Wylie; Webber Wentzel; Collins & Newmans; Mazars; KPMG	R558,64m	Apr 9
Acquisition by	The Beverage Company (Ethos Capital and Nedbank Private Equity)	remaining 58,62% stake in SoftBev	Standard Bank; Shepstone & Wylie; Webber Wentzel; KPMG	R791,36m	Apr 9
Acquisition by	Vumela Fund and Omidyar Network	stakes in Giraffe		undisclosed	Apr 17
Acquisition by	Agri-Vie and Norfund	stake in Marginpar Flower Group		$17m	Apr 18
Acquisition by	Knife Capital	undisclosed stake in Skillup Tutors		undisclosed	Apr 23
Acquisition by	PRIF Namibia (Pembani Remgro Infrastructure Mauritius Fund I and Pembani Remgro Infrastructure SA Fund)	Sedgeley Solar Management	Webber Wentzel; Engling Stritter	not publicly disclosed	Apr 26
Acquisition by	RMB Ventures (RMB Holdings) from N Chidoni and M Celine	35% stake in Gemelli	ENSafrica; Webber Wentzel	R135m	May 8
Acquisition by	African Rainbow Capital Investments from various parties	51% stake in Fledge Capital, 51% stake in Anglo African Finance, 51% interest in INFund Solutions	Rand Merchant Bank; ENSafrica	undisclosed	May 9
Acquisition by	Sanari Capital, The ASISA ESD Fund and 4Di Capital	Series B funding in Sensor Network	Bowmans	R13m	May 9
Acquisition by	One Thousand & One Voices	stake in Higher Ed Partners South Africa (HEPSA)	Bowmans; Webber Wentzel	undisclosed	May 11
Acquisition by	Agri-Vie Fund II	stake in Capital Fisheries		$6,4m	May 21

— Failed deal

PRIVATE EQUITY DEALS Q1 – Q3 2018 – SOUTH AFRICA (CONTINUED)

NATURE	PARTIES	ASSET	ADVISERS	ESTIMATED VALUE	DATE
Acquisition by	Uber Eats from Knife Capital	orderTalk	Cliffe Dekker Hofmeyr; Webber Wentzel; Gibson Dunn & Crutcher	undisclosed	May 23
Acquisition by	Fairtree Hospitality Real Estate Private Equity Fund	Grange Hotel, UK		£4,5m	May 23
Acquisition by	Old Mutual Alternative Investments (Old Mutual)	50% stake in Medhold	Bowmans; Cliffe Dekker Hofmeyr	undisclosed	May 24
Acquisition by	Havaic	equity stake in Aura		R2m	May 29
Acquisition by	Spectrum Security Products (Spirit Capital)	stake in Spectrum Communications		undisclosed	May 30
Acquisition by	4DiCapital, Accion Venture Lab and Lireas (seed funding round)	stakes in Lumkani	Bowmans	undisclosed	Jun 8
Acquisition by	Community Investment Ventures (Remgro)	34,9% stake in Vumatel	Morgan Stanley; Rand Merchant Bank; DLA Piper; Cliffe Dekker Hofmeyr	undisclosed	Jun 11
Acquisition by	Community Investment Ventures (Remgro)	remaining 65,1% stake in Vumatel	Morgan Stanley; Rand Merchant Bank; DLA Piper; Cliffe Dekker Hofmeyr	undisclosed	Jun 11
Acquisition by	IEP from B Mokwena-Halala and N de Klerk and other Assupol employees	1 796 257 Assupol shares	Pallidus Capital; Cliffe Dekker Hofmeyr	R19,76m	Jun 29
Acquisition by	Africa Special Opportunities Capital (ASOC)	Skynet South Africa	Cliffe Dekker Hofmeyr	undisclosed	Jun 29
Acquisition by	RMB Corvest (RMB Holdings)	Surgitech	Cliffe Dekker Hofmeyr	R16m	not announced Q2
Acquisition by	Grindrod Property Private Equity (Grindrod)	stake in Dunrose Investments	Cliffe Dekker Hofmeyr; Vani Chetty Competition Law	undisclosed	not announced Q2
Acquisition by	Futuregrowth Asset Management (Old Mutual)	Citiq Treasury and Citiq Property Services	Cliffe Dekker Hofmeyr	undisclosed	not announced Q2
Acquisition by	Africa Infrastructure Investment Manages (Old Mutual) from the Egis Group	50% stake in Societe d'Exploitation et de Gestion Aeroportuaires		undisclosed	Jul 3
Acquisition by	Vantage Fund III	stake in Cap Tamarin	Mauritius Commercial Bank; Werksmans; BLC Roberts	$10m	Jul 5
Acquisition by	NEDX (Nedbank)	minority equity stake in Aerobotics		undisclosed	Jul 13
Acquisition by	Ethos Mid Market Fund I (Ethos Capital)	60% stake in Gammatek	Rand Merchant Bank; Webber Wentzel; White & Case (South Africa)	not publicly disclosed	Jul 20
Acquisition by	Futuregrowth Asset Management (Old Mutual)	substantial stake in Symion		undisclosed	Jul 23
Acquisition by	Eileses Capital	winemag.co.za		undisclosed	Aug 3
Acquisition by	PAPE Fund III	48,3% stake in Laser Group		undisclosed	Aug 5
Acquisition by	ARC Financial Holdings (African Rainbow Capital Investments)	90% stake in TymeDigital by Commonwealth Bank SA	Webber Wentzel	not publicly disclosed	Aug 8
Acquisition by	Scatec Solar and STANLIB Private Equity Infrastructure Fund I from Norfund	21% stake in Kalkbult solar plant and 16% in each of the Linde and Dreunberg solar plants		undisclosed	Aug 30
Acquisition by	GemCap (African Rainbow Capital Investments) from Oceana Group	Linebooker (online transport management business)		undisclosed	Sep 4
Acquisition by	Harith General Partners	a majority stake in Open Connect	Webber Wentzel	undisclosed	Sep 6
Disposal by	Vantage Fund III	entire stake in New GX Capital		undisclosed	Sep 6
Acquisition by	Partech, Orange Digital Ventures, FMO, Accion Frontier Inclusion Fund and Velocity Capital	stake in Yoco	Webber Wentzel; Bowmans	$16m	Sep 6
Disposal by	Life Healthcare International (Life Healthcare) to Kohlberg Kravis Roberts funds	49,7% stake in Max Healthcare Institute	Rand Merchant Bank	R4,3bn	Sep 19
Acquisition by	African Rainbow Capital Investments	25% stake in Moloto Capital Investments		undisclosed	Sep 20
Acquisition by	Enko Africa Private Equity Fund	stake in Network Industry and Services		undisclosed	Sep 28
Disposal by	RMB Corvest (RMB Holdings) to Mimetes	25% stake in Mimetes	Cliffe Dekker Hofmeyr	R68,4m	not announced Q3

PRIVATE EQUITY DEALS Q1 – Q3 2018 – REST OF AFRICA

COUNTRY	NATURE OF DEAL	DETAILS	ADVISERS	ESTIMATED VALUE	DATE
Algeria	Investment in	TemTem by various investors (seed funding)		$1,7m	Jul 29
Cote d'Ivoire	Acquisition by	Amethis of a minority stake in Afriwara		undisclosed	Jan 17
Cote d'Ivoire	Acquisition by	Enko Africa Private Equity Fund of a stake in Network Industry and Services		undisclosed	Sep 28
Egypt	Joint venture by	EFG Hermes and GEMS Education: K-12 Education Platform		undisclosed	May 20
Eritrea	Disposal by	Arc Minerals of of its 18,48% stake in Andiamo Exploration to AMED Funds	SP Angel Corporate Finance	$532 000	Jun 26
Ghana	Acquisition by	Old Mutual Alternative Investments (Old Mutual) of a minority stake in Amandi IPP power plant in Ghana		undisclosed	Feb 5
Ghana	Acquisition by	Peak Investment Capital of a majority stake in Dough Man Foods		undisclosed	Sep 2
Kenya	Disposal by	Actis of its 79,5% stake in Mentor Management to Turner & Townsend	I&M Burbridge Capital; Bowmans (Coulson Harney); Kaplan & Stratton	undisclosed	Feb 6
Kenya	Acquisition by	Ascent Rift Valley Fund in partnership with SFC Finance, of a majority stake in Auto Spring East Africa	Bowmans (Coulson Harney); Mboya Wangong'u & Waiyaki Advocates	undisclosed	Feb 12

PRIVATE EQUITY DEALS Q1 – Q3 2018 – REST OF AFRICA (CONTINUED)

COUNTRY	NATURE OF DEAL	DETAILS	ADVISERS	ESTIMATED VALUE	DATE
Kenya	Acquisition by	Uqalo of a stake in Big Square	Bowmans	$4m	Mar 7
Kenya	Acquisition by	Kuramo Capital Management of a 73,35% stake in GenAfrica Asset Managers from Centum Investment Company	Barium Capital; KN Law	undisclosed	Mar 21
Kenya	Disposal by	Centum Investment Company of its remaining 25% stake in Platcorp to Suzerain Investment		undisclosed	Mar 21
Kenya	Investment by	Tlcom Capital and other investors in mSurvey		$3,5m	Apr 19
Kenya	Loan by	Vantage Capital Fund III for the Rosslyn Riviera Shopping Mall	Meghraj Capital; I&M Burbridge Capital; Werksmans; Bowmans (Coulson Harney); Hamilton Harrison & Mathews	$8m	Apr 25
Kenya	Acquisition by	IFC Venture Capital, Orange Digital Ventures Africa and Social Capital of a stake in Africa's Talking (Series A Funding)		$8,6m	Apr 26
Kenya	Acquisition by	The Rise Fund (TPG Growth), Endeavour Catalyst and Satya Capital of a stake in Cellulant	Magister Advisors; DLA Piper Africa; Orrick; Anjarwalla & Khanna; Iseme, Kamau & Maema; KPMG	$47,5m	May 14
Kenya	Investment by	Kenya Climate Ventures in Sistema.bio (convertible debt)		KES35m	May 18
Kenya	Investment by	GreenTec in Bismart		undisclosed	Jul 4
Kenya	Investment by	Consonance Kuramo Special Opportunities Fund I in Pezesha		undisclosed	Aug 7
Kenya	Acquisition by	Catalyst Matress Africa (Catalyst Principal Partners) of a stake in Mammoth Foam Africa (formed through the merger of Super Foam; Euroflex and Vitafoam)		undisclosed	Aug 13
Kenya	Investment by	Leapfrog Ventures in Biashara Bot		$50 000	Aug 28
Kenya	Investment by	Fanisi Capital in Kitengela International School		KSH205m	Sep 13
Malawi	Acquisition by	Harith General Partners of a majority stake in Open Connect	Webber Wentzel	undisclosed	Sep 6
Mali	Financing by	The Emerging Africa Infrastructure Fund, Banque Ouest Africaine de Développement, FMOBanque Nationale de Développement Agricole, GuarantCo, Green AfricaPower and Akuo Energy of the Akuo Kita Solar Power Plant		€78m	Jan 29
Mauritius	Acquisition by	Vantage Fund III of a stake in Cap Tamarin	Mauritius Commercial Bank; Werksmans; BLC Roberts	$10m	Jul 5
Mauritius	Dsiposal by	AfricInvest Fund II of its stake in Kiboko Holdings		undisclosed	Sep 20
Morocco	Acquisition by	African Development Partners II (Development Partners International) of a majority stake in Compagnie Marocaine de Goutte à goutte et de Pompage from Amethis	PwC; Naciri Addocies Allen & Overy; Dentons Morocco	$100m	Sep 20
Mozambique	Acquisition by	Kibo Capital Partners, Amethis Fund II and Proparco of a minority stake in Merec Industries Anjarwalla & Khanna	Bellhouse Capital; KPMG; CGA Law;	undisclosed	Jul 24
Namibia	Acquisition by	Eos Capital of majority stakes in Heat Exchange Products and Namibia Aqua Mechanica		undisclosed	Feb 15
Namibia	Acquisition by	PRIF Namibia (Pembani Remgro Infrastructure Mauritius Fund I and Pembani Remgro Infrastructure SA Fund) of Sedgeley Solar Management	Webber Wentzel; Engling Stritter	not publicly disclosed	Apr 26
Nigeria	Investment by	Amaya Capital, Omidyar Network and CRE venture Capital in Rensource		$3,5m	Jan 29
Nigeria	Acquisition by	Milost Global of a stake in Resort Savings & Loans Plc (plus $150m debt funding)	Palewater Advisory	$100m	Feb 26
Nigeria	Investment by	Sahel Capital in Coscharis Farms		undisclosed	Mar 21
Nigeria	Investment by	Tlcom Capital and other investors in Terragon		$5m	Mar 26
Nigeria	Investment by	Alta Semper in HealthPlus	CardinalStone Partners; Olaniwun Ajayi; Hogan Lovells International; Banwo Ighodalo	$18m	Mar 27
Nigeria	Investment by	EchoVC Pan-Africa Fund in Easyshop Easycook		undisclosed	Apr 30
Nigeria	Investment by	Omidyar Network, Umunthu Fund (Alitheia Capital), Bamboo Capital Partners, Tekton Ventures and existing investors Accion Venture Lab and Newid Capital in Lidya (Series A funding)		$6,9m	May 23
Nigeria	Acquisition by	Milost Global of a stake in Ibeto Cement (plus $350m debt funding)		$500m	May 28
Nigeria	Investment by	LeadPath Nigeria, Village Capital and Ventures Platform in Piggybank.ng		$1,1m	May 31
Nigeria	Acquisition by	Argentil Capital Partners of a 20% stake in Tempo Housing Nigeria	Olajide Oyewole	undisclosed	Jun 1
Nigeria	Acquisition by	Leapfrog Investments of a stake in ARM Pension Managers		undisclosed	Jun 12
Nigeria	Investment by	Huramo Capital in Green Africa Airways (Series A)		undisclosed	Jun 27
Nigeria	Investment by	Capital Alliance Private Equity IV (African Capital Alliance) in Daraju		undisclosed	Jul 15
Nigeria	Acquisition by	Duet Private Equity of a majority stake in AJEAST Nigeria	Bryan Cave Leighton Paisner; Aluko & Oyebode	undisclosed	Aug 2
Nigeria	Investment by	Stripe, Visa, Tencent, Y Combinator, Tom Stafford, Gbenga Oyebode and Dale Mathais in Paystack		$8m	Aug 28
Nigeria	Acquisition by	Old Mutual Alternative Investments (Old Mutual) of a stake in Starsight Power Utility		undisclosed	Feb 5
Tanzania	Investment by	LeapFrog Investments in Pyramid Group		undisclosed	Sep 26
Tunisia	Acquisition by	Mediterrania Capital Partners of a stake in Groupe Scolaire René Descartes		undisclosed	Jan 11
Tunisia	Acquisition by	Sokotra CapitaHed consortium of 100% of l'Aquaculture Tunisienne	Meziou Knani & Khlif; Crowe Tunisia	undisclosed	Aug 3
Uganda	Investment by	XSML in TMR International Hospital		undisclosed	Jul 10
Zambia	Acquisition by	Agri-Vie Fund II of a stake in Capital Fisheries		$6,4m	May 21
Zambia	Investment by	Imara Private Equity in Zambezi Berry Company		$4,5m	Sep 30