



AVCA Member Profile: Capria Ventures



Capria Ventures (Capria) is a global financial services innovator investing in fund managers who are focused on financing “missing middle” opportunities in emerging markets. Capria manages Capria Accelerator, the first global business accelerator for impact fund managers; Capria Fund, which provides seed capital to fund managers and also acts as an investor in promising emerging market funds.

AVCA talks to Jack Knellinger, Co-Founder and Principal, about the firm’s impact thesis, and the importance of this nature of investing in Africa.

Q: Tell us about the history of Capria. How did the firm start?

A: Capria is the brainchild of three people with a strong pedigree in impact investing. Dave Richards and Will Poole were co-founders of the Unitus Seed Fund, a US\$23mn impact investment seed fund focused on India, and are currently raising a new US\$50mn follow-on fund. My early career was focused on starting and scaling impact enterprises, as well as social innovation consulting for major corporates such as Microsoft. We decided to set up Capria, combining the experience we had each garnered. In 2015, we set a 2021 target for seeding the creation of 15+ new funds to scale impact investing across emerging markets.

Q: What motivated the three of you to set up Capria?

A: Before launching Capria, we went through a deep discovery, design, and research process. We spoke with over 100 people including investors, fund managers, and entrepreneurs from around the world to better understand if there was an opportunity to pursue. We wondered what was preventing businesses with the potential for both compelling financial returns and positive impact from accessing capital. In 2014, it was reported that SMEs globally face a US\$2trn funding gap, so we wanted to better understand what was happening on the ground.

During this process, two major issues that inspired the founding of Capria occurred to us. First, the ‘missing middle’: there are businesses across Africa that are too big for microfinance and too small (or too risky) for bank loans. These businesses are caught in the pioneer gap, or the missing middle. There are very few financial managers developing and deploying investment funds to address the needs of these particular companies.

General Partner Profile

Name of General Partner
Capria Ventures

Funds
Capria Fund

Regional Focus
Pan-African

“We anticipate that there will be 7-8 new funds in Africa in the next 5 years which will unlock US\$250mn+ of capital and the potential to impact millions of lives.”

— Jack Knellinger
Co-Founder and Principal

The second motivation for Capria was the “pile up” of global impact investing capital. There has been increasing desire for both local and global investors to target opportunities that deliver profits and impact. But these investors are limited when it comes to direct investments. There are not enough large deals to absorb even a fraction of available capital, and earlier stage deals require “on-the-ground” presence (both for sourcing and ongoing support). We saw the opportunity to unlock capital by identifying and partnering with local investment fund managers. We found a lot of talented managers who were starting new funds, with a particular focus on Africa, and we believe that local fund managers are essential to effectively funding and supporting top impact entrepreneurs across emerging markets.

Q: Why does Capria focus on impact investing?

A: We focus on impact investing because we think it is the most sustainable way to create positive change, and we believe that doing well and doing good should go hand-in-hand. Making money and contributing positively to communities around the world should not be at odds; they need to go hand-in-hand, and our financial and economic systems need to evolve.

Impact investing is a way for people who are interested in African development, whether they are local or international, to contribute to the continent’s growth in a sustainable way. As data increasingly show the financial and societal value of impact investing, we expect even more global investors to get involved.

Q: What are the different working parts of Capria?

A: There are three parts to Capria. The Capria Fund is a US\$100mn multi-manager investment vehicle. As we deploy capital from this fund, we are interested in finding the best managers and impact funds who are investing in the missing middle. As these impact funds begin deploying capital, the average ticket size will likely be in the range of US\$500,000 and US\$2mn, and will be focused on early and growth-stage companies. We get to know the teams through Capria Accelerator, which is the first global business accelerator for impact fund managers.

Finally, there is Capria Network — an exclusive global network which enables fund managers to share resources and learn from each other. Capria’s activities are funded by high net worth individuals, family offices, and foundations in the US, Europe, and India, as well as by the International Finance Corporation, an arm of the World Bank.

Capria makes a return by receiving a small percentage of revenues and profits from newly created funds in exchange for the capital, acceleration services, and access to the global network we provide.

Q: Tell us more about Capria Accelerator and the different types of fund managers that have been through the program.

A: Capria Accelerator is one component of our 10+ year partnership with impact fund managers. It begins once we sign a term sheet and start providing remote support and introductions to our network. Fund managers then come to Seattle for a multi-week, in-person “intensive”. We call it this because the days are very full, as we focus on what each fund manager needs to do not only to raise capital, but to deploy it effectively and create value for their investors.

The intensive ends with the Fund Manager Forum, where each manager has the opportunity to pitch their fund to select US-based and international investors who collectively manage over US\$10bn in assets. Our partner funds continue to have our support, and the support of one another, as they set up their new funds, make investments, and go on to raise subsequent funds.

One graduate of our most recent intensive is Alitheia Identity (Alitheia), a pan-African manager focusing on women-led businesses and gender diversity. One of the examples cited by Alitheia is the business environment in Nigeria, where 41% of entrepreneurs are women but only 2% of funds go to these women. This gap represents a missed opportunity, because research from organisations such as McKinsey shows that gender-diverse businesses are more successful, with better performance throughout the continent. The diversity of opinion and perspective breeds better ideas and execution. This is a lesson we need to learn, and re-learn, globally. Alitheia is focused on investing in businesses that have strong financial returns and have outlined a compelling impact approach that is embedded within their investment strategy.

Currently, we are working with two funds in Africa, one in MENA, one in India, and one in Central America, with varying sizes and investment strategies. Our fund managers are raising funds in the range of US\$20M - US\$100M, and they intend to use a mix of instrument — equity and debt.

Q: Which countries and sectors are of interest to Capria, and how have you seen them develop since 2010?

A: Fund managers operating in emerging markets throughout Africa, South/Southeast Asia, and Latin America are of primary interest to Capria. We are sector agnostic, as long as a prospective fund manager can clearly articulate a sound investment and impact strategy. In Africa, most of the funds we see are taking multi-sector approaches. Our funds and those of potential collaborators target sectors such as agro-processing, education, energy, fin-tech, health, and housing.



Q: In developed markets, tech typically features discussions about revenue generation for venture capital investors. Is the situation different in Africa?

A: Tech often gets a big slice of the attention. In the context of Africa, there are plenty of businesses that are not tech-oriented with tremendous potential for both impact and financial returns. One example is an organic fruit business looking to sell locally grown produce that reduces the need for imports. Another is a local tile company looking to employ people in any given city or village for wages that enable upward mobility, or to use local supply chains that offer further employment. We see the value of tech investing and expect our managers to do plenty of it, but we also want to make sure the funds we support are catered to the local context so they have a greater likelihood of success.

Q: What are some of the challenges impact investors face in Africa, and how has Capria overcome them?

A: Some of the major challenges impact funds face include: access to capital, adequate investable deal flow, illiquid markets, and measuring impact.

Capria helps these funds by:

- Connecting them to our global network of impact investors;
- Educating them about alternative investment structures such as revenue based financing; and
- Working with the team both in person and remotely on how to define and measure impact

Connection to the larger Capria network also helps funds share connections and ideas to address some of the challenges above.

Q: Looking at the bigger picture, what is the future of impact investing in Africa? And what is next for Capria?

A: Right now, about 50% of eligible Capria applicants come from the African continent. Therefore, if we are successful, we are anticipating there will be 7-8 new funds in Africa in the next 5 years which will unlock US\$250mn+ of capital and the potential to impact millions of lives.

Over the course of 2017, we expect to work with 3-5 additional fund managers. We are also hiring a Principal/Partner who will be responsible for building our regional office and supporting fund managers across Africa. At the same time, we are targeting the first close of our US\$100mn multi-manager vehicle through which we will begin making anchor LP investments.

Contact AVCA

37 North Row, Third Floor
London W1K 6DH

+44 (0)20 3874 7008
www.avca-africa.org
avca@avca-africa.org

@AVCA_Africa
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