

# ARUWA CAPITAL MANAGEMENT



**Adesuwa Okunbo Rhodes**  
**Founder & Managing  
Partner**

Aruwa Capital Management is one of the few woman owned and woman led, growth equity, impact and gender lens funds in Africa. The Fund invests in small and rapidly growing “women-impact” businesses in Nigeria and Ghana. Aruwa invests across high impact & defensible sectors such as healthcare, tech enabled financial inclusion, agri-processing, FMCG manufacturing and education. Aruwa’s mission is to close the SME funding & gender investing gap in Africa by generating superior returns for its investors whilst delivering positive social impact and measurable women empowerment outcomes through all of its Fund investments.

**AVCA speaks to Adesuwa Okunbo Rhodes, Founder & Managing Partner, Aruwa Capital Management on the firm’s ethos, investment model, investment wins and hopes for Africa’s private capital industry’s future.**

**Q: Could you tell us a little bit about Aruwa’s history and how you came to found the firm?**

Aruwa Capital is a spin out of Syntaxis Africa which was formed in 2014. I was headhunted to set up Syntaxis Africa based on my track record of investing and executing transactions in Africa whilst at J.P. Morgan and TLG Capital. I ran Syntaxis Africa as the Managing Partner for four years and in 2018, decided to buy the majority of the business giving me greater control and flexibility over decisions. In July 2019, I took the decision to end fundraising activities under the Syntaxis Africa umbrella and rebrand as Aruwa Capital Management. For me, it was important to step out and launch something on my own, as a way to motivate and inspire others, women in particular who have been on a difficult fundraising journey or contemplating setting something up themselves. Aruwa Capital is one of the few 100% woman owned and led growth equity impact and gender lens funds on the continent and we are very excited about the opportunities that lie ahead for us.

**Q: Could you talk us through the fundraising process for your US\$20mn Fund?**

From the outset, following our rebranding, I took the decision to leverage local relationships and raise capital from purely commercial investors. We have managed to raise capital from high net worth individuals and family offices. This has enabled us to complete our first investment from the fund, having a portfolio to showcase whilst we complete our fundraising.

**Q: How does Aruwa differentiate itself from other funds in the market?**

**NAME OF FIRM**

Aruwa Capital Management

**FIRM TYPE**

General Partner

**PROFESSIONALS FOCUSED ON AFRICA**

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We are one of the few 100% woman owned private equity funds in Africa. Most funds in this market, and in fact globally, are run by men and so we are on a mission to show the success stories that occur when women are capital allocators. We are also a growth equity investor, combined with an impact and gender lens strategy.

We are intentional about investing in women-impact businesses that enable us to deliver positive socio-economic development impact, women’s empowerment outcomes and that generate an attractive return for our investors. We are hands on investors that actively monitor our investments from a board perspective, but also at a day to day operational level to ensure our social impact and gender mandate for the business is delivered. We also target companies that are currently overlooked by the majority of the private equity firms in the market. Our average ticket size range is below US\$5mn, whereas the majority of funds in market target investments on average over US\$25mn.

**Q: What are the sectors you are targeting?**

We are targeting sectors that enable access to essential goods and services for the emerging African consumer such as healthcare, essential consumer goods, financial inclusion, agriculture and education. These are sectors which we believe, with the appropriate transformative growth capital, can have a scalable and sustainable social impact as well as measurable women empowerment outcomes.

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**Q: How important is gender-smart investing to you?**

Gender smart investing is a key part of our investing strategy. Aruwa is committed to making strong financial returns combined with a positive and scalable impact on women. We are intentional around gender with our investments, deploying capital in businesses that provide employment opportunities for women through the workforce or value chain or provide goods or services that help improve women's lives. These businesses can be male, or women owned, but they are always women-impact businesses as we strongly believe empowering women maximises social impact and enhances returns.

From a social impact perspective, women are significantly underrepresented and contribute to less than 40 percent of GDP despite representing half of the population. When women have access to capital and are financially independent, 90 percent of their wealth is re-invested back into their family and community. There is such a significant multiplier effect on families, societies, communities and economies when women are empowered in society.

From a returns perspective, the data shows that gender balance within organisations improves profitability, reduces risks, brings diversity of thought and decision making. McKinsey estimates that if the gender gap is bridged there could be an additional US\$28trn in global GDP over the next five years. Investing in women and for women, is good business and we see it as an immense, untapped opportunity that will help enhance our fund returns.

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**Q: How is Aruwa changing the narrative regarding the current gender imbalance in the private equity industry?**

Women make up just nine percent of senior positions in private equity and only two percent of private equity funds globally are owned by women. Women are therefore significantly underrepresented among the investment decision-makers at private equity and venture capital firms globally, there are simply not enough women as capital allocators.

Aruwa is one of a handful of 100 percent female owned and led private equity funds in Africa. Aruwa is using its power as a capital allocator to change the narrative for women as female founders of private equity firms and also to change the narrative for women entrepreneurs within society through our portfolio.

Our mission is to leverage the success stories from our portfolio, demonstrating that we are able to combine strong financial returns with positive long-term social impact and measurable women empowerment outcomes. By demonstrating the strength of this model, we hope to encourage more institutional investors to back female founded funds and also make the case for gender lens investing.

The IFC released a report investigating the effect of gender balance in private equity and venture capital. One of the key findings of the report is that private equity and venture capital funds with gender-balanced senior investment teams generated 10 to 20 percent higher returns compared with funds that did not have a gender balance. Aruwa would like to provide some further concrete datapoints from its fund, showcasing the immense opportunity on offer with the hope that other female founders within the industry have an easier fundraising journey than we did.

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**Q: In October 2019, Aruwa made its first investment in Wemy Industries, Nigeria's first and only indigenous personal hygiene company. Could you give us some background to this transaction? How has the partnership evolved since then?**

Wemy Industries is great local success story; owned by an indigenous family in Lagos that has, over the last 40 years, established a range of well known brands that are household names in Nigeria. I started working on the Wemy transaction in November 2016, 3 years before we closed so I was very happy for Aruwa to finally make the investment. Prior to the investment, we worked closely with the Company to help them restructure their balance sheet, as they had financed production capacity with short term debt. During the 2015-2017 recession in Nigeria, this proved to be somewhat of a challenge for the Company, but the management team have proven to be resilient and with our help, secured cheap concessionary funding to restructure debt and finance two new machines. This groundwork ensured Aruwa's investment had a greater positive impact on the business and improved our returns potential. Our transaction was to enable them ramp up capacity on these machines as well as four other production lines.

Since our investment in October 2019, revenue has tripled following the re-introduction of Wemy's Dr Browns baby diaper range and the launch of the newly commissioned adult diaper line, the first of its kind in West Africa. In Nigeria, the adult diaper is not only used by over 65s but also used by young girls in Northern Nigeria that suffer from Vesico-vaginal fistula, which is a leakage that occurs from girls marrying at a young age. In line with our social impact and gender lens thesis, we are very proud to be improving hygiene for these young girls, particularly in rural areas of Nigeria.

The rapidly growing population across West Africa; a baby is born every five seconds in Nigeria, with more babies born in Nigeria each year than the whole of Western Europe, and increased usage levels across product segments due to urbanisation; per capita usage

of personal hygiene products are significantly lower in West Africa compared to their emerging and developed market counterparts, Wemy is uniquely placed to take advantage of this strong demand over the short-, medium- and long-term, especially as import substitution becomes very relevant in a post covid environment. We are excited to be on this journey with the management team and look forward to turning this business into a regional story.

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**Q: You have been involved in Africa-related finance for close to a decade. What are some of the key trends you've identified?**

Over the last ten years, we estimate, based on final closures, c.US\$25bn has been raised for private equity in Africa with average fund sizes of approximately US\$150mn, with some outliers raising over US\$1bn. So although capital continues to flow for private equity in Africa, smaller businesses on the continent still lack access to capital. The majority of the private equity funds in the market are looking to back larger businesses and write equity ticket sizes of more than US\$25mn on average. Having identified this trend, our mission at Aruwa is to close this funding gap for smaller businesses who lack alternative sources of capital.

Another trend that is exciting us, is the increasing interest in Africa's venture capital ecosystem which is helping to drive innovation specifically in tech enabled businesses. In 2019, capital invested through VC deals reached close to US\$800mn, a three-fold year-over-year increase.

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**Q: Access to capital remains one of the biggest obstacles for African businesses. What additional steps can policymakers and financiers take to expand access to finance?**

I believe we need to start looking inwards as a continent to solve our issues instead of relying on other countries to plug the financing gaps that exist, due to the perceived risks associated with the continent. Private equity can be a channel through which access to finance is addressed and the local pensions industry, in particular, can help to scale private equity within the continent.

In Nigeria alone there is over US\$25bn of pension assets with significantly less than 5% of that within alternative asset classes. Policymakers should reform the pension industries across Africa so that we can match those pension assets with longer term investments in asset classes such as private equity and infrastructure.

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**Q: COVID-19 is currently causing widespread disruption across the world, affecting businesses and individuals in unprecedented ways. How is Aruwa adapting to this new context?**

Whilst Covid-19 is having a devastating impact socially and economically globally, we are using this time to reset and prioritise. As we are deploying capital and fundraising at the same time, our fundraising timelines have realistically been extended for another 12-18 months, so we are focused on co-investments with other private equity funds and pooling resources to support the companies in our portfolio and pipeline. We are also prioritising deals in our pipeline that are in essential sectors that are thriving in this new normal such as food, healthcare and tech enabled solutions. Covid-19 is also showing us that in times of crisis, a country can only really depend on itself, and we believe supporting existing and future domestic champions now, will pay dividends in the future for our returns, society and women.

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**Q: What milestones have you set for Aruwa's development? Where would you like to see yourself in five years' time?**

In five years, we are hoping to have successfully exited some of our investments and proven that an impact and gender lens fund run by a woman can deliver strong financial returns for investors. We are also hoping to demonstrate that you can deliver these superior returns whilst also having a positive socio-economic impact, in particular for women. The fact that only one solely female founded fund has successfully reached a first close in the last five years in Africa, provides me with the motivation to leverage Aruwa's success stories to change those ratios.

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**Q: How has the AVCA membership been of value to you?**

AVCA is the largest association dedicated to promoting private investment in Africa and over the years, it has provided me with a valuable networking platform to be able to learn from the experiences of other fund managers, share best practices and also gain insights into how a broad range of institutional investors think about the continent.

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Want to learn more about Aruwa Capital Management? [Click here](#) to explore AVCA's 2019 Member Directory.

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