2023 African Private Capital Industry Survey

Behind the Scenes: LP and GP Perspectives Unveiled

DECEMBER 2023

Executive Summary

This marks the third edition of the AVCA's Private Capital Industry Survey, offering a comprehensive exploration of the perspectives, plans, preferences, and expectations of 88 investors, including both Limited Partners (LPs) and General Partners (GPs) actively involved in Africa's private capital industry. Diverging from previous editions, this survey deliberately weaves a comparative narrative, contrasting insights gathered from investors during the second half of 2022[1] with the tangible outcomes extracted from AVCA's quarterly report by the close of Q3 2023[2].

Unlike its predecessors, the survey strives to bridge the gap between investors' foresights and the unfolding realities. Approaching the conclusion of 2023, the survey seeks to answer the critical questions: did the actual events align with or challenge the investors' expectations and plans? Did the unfolding reality validate or question their initial views?

In 2023, the global landscape remained tumultuous, marked by a concurrence of macroeconomic and political factors that not only persisted from the previous year, but in some cases, intensified. The year unfolded against a backdrop of heightened geopolitical tensions, supply–demand imbalances, and exacerbated by escalating interest rates and monetary tightening measures aimed at addressing rampant inflation. In this environment, the global economy found itself navigating a path of slow and uneven growth, with emerging markets facing distinct challenges[3]. This uncertain landscape significantly affected the trajectory of private investments worldwide, posing significant hurdles across regions. Investors across the globe grappled with a series of challenges that, in retrospect, might have seemed unimaginable.

Survey findings from the latter half of 2022 revealed resilient optimism among LPs and GPs towards private capital, with LPs inclined to increase African allocations and GPs anticipating positive 2023 fundraising. The reality, however, presented a mixed picture, highlighting the nuanced dynamics between expectations and actual fundraising outcomes during 2023. Specifically, despite a decrease in the value of final closed funds in 2023 YTD[4], optimism persists due to substantial progress in interim closes. Not only did these interim closes surpass 2022 figures, but they also demonstrated consistent growth in total capital raised across all fund sizes.

Regarding sectoral preferences, both LPs and GPs demonstrated unwavering commitment to Africa's private capital industry, expressing keen interest in various sectors, with technology and financial services taking the lead. These preferences aligned seamlessly with the unfolding developments in 2023 YTD, where the financial sector maintained its allure, while technology-enabled deals continued to dominate investments.

Turning to regional preferences, while LPs favoured West Africa and GPs leaned towards East Africa, recent 2023 YTD data revealed a varied landscape marked by a significant industry-wide slowdown in deal-making across all African regions due to adverse macroeconomic conditions. Despite this, West Africa retained its appeal, attracting the largest share of the total investment volume.

LPs and GPs demonstrated a shared interest in growth and venture capital, reflecting the enduring popularity of these strategies in the African private capital landscape. This growing enthusiasm is mirrored in the sustained prominence of venture capital, a transformative force in the region, which represented a

1 Please note that responses from LPs and GPs were collected from August 2022 to December 2022.

2 AVCA, *2023 Q1-Q2 African Private Capital Activity* & *Q3 2023 Private Capital Activity in Africa*

3 International Monetary Fund, *World Economic Outlook*, October 2023.

4 Year to Date (YTD) refers to the period encompassing the first three quarters of 2023.

substantial 69% of reported investments in 2023 YTD. Concurrently, there was a noteworthy collective emphasis on climate-centric strategies, with 52% of LPs and 39% of GPs expressing keen interest. The growing commitment to addressing climate challenges was further evident in the success of climate-focused funds in 2023 YTD, where eight such funds raised commitments totalling US$0.5bn from LPs.

In the realm of challenges, both LPs and GPs faced formidable obstacles in their African private capital endeavours. For LPs, enduring concerns revolved around a weak exit climate and macroeconomic risks, with the latter exacerbating the exit challenges, evident in only 25 full exits reported in Africa in 2023 YTD after a robust 2022. Meanwhile, GPs contended that macroeconomic factors posed the most formidable challenge. Persistent macroeconomic shocks throughout 2023 have cast a shadow on fundraising, investment values, and exit activity for GPs, underscoring the overarching impact of these challenges on both LPs and GPs operating in the region.

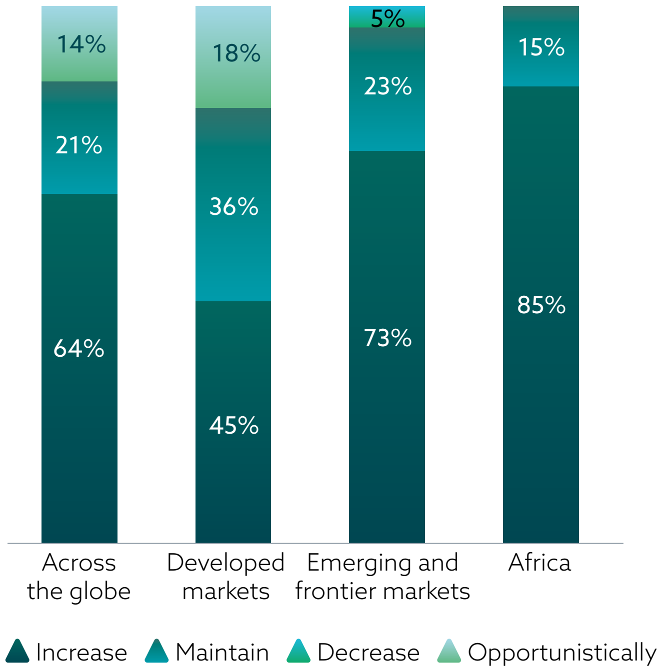
Finally, in assessing private capital fund managers, LPs maintained a steadfast focus on the performance track record, with a history of successful investments and profitable exits remaining paramount. Additionally, the quality of the fund manager's network emerged as a critical factor for LPs, acknowledging its substantial significance as a lever for value creation that contributes to the growth trajectory of portfolio companies in Africa.

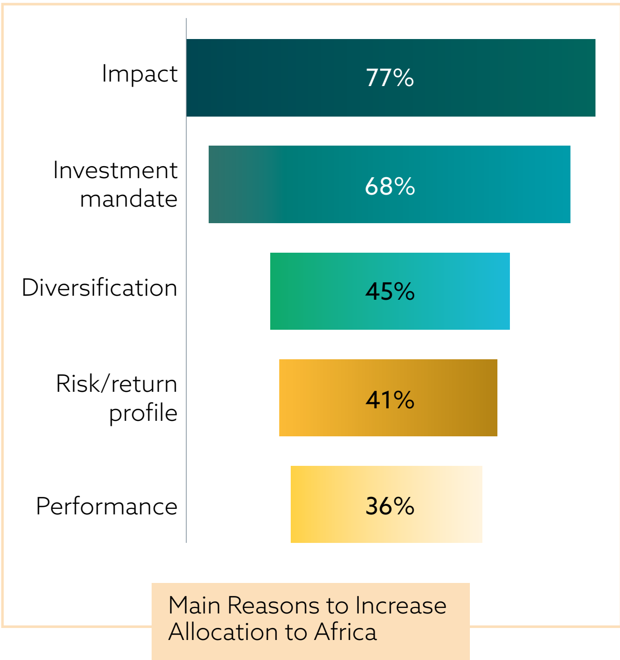
Overall, analysing the survey results alongside the unfolding private capital activity in 2023 unveils a complex landscape for investors in Africa. The reality presents a multifaceted picture of the private capital industry, where LPs and GPs actively navigate the intricacies of the current economic and geopolitical climate, embracing both challenges and opportunities. As we look ahead, 2024 holds the next chapter of the African private capital arena, where investors will continue to adapt and innovate in response to the evolving landscape.

LPs' Planned Allocation to African Private Capital and GPs' Fundraising Outlook

85% of LPs plan to increase their allocation to private capital in Africa over the next two years, with Impact (77%) and Investment Mandate (68%) identified as the main factors driving their plans.

Figure 1: **LPs' Planned Allocation to Private Capital over the Next 12 Months**





The global political and macroeconomic challenges, which have shaken the world since the outbreak of the Covid-19 pandemic, have significantly affected LPs operating globally. High levels of inflation leading to increased interest rates by central banks, supply chain disruptions, an energy crisis stemming from the Russia-Ukraine war, geopolitical concerns, and an anaemic economic growth are just few of the challenges that investors are currently facing within the global context.

In this macroeconomic turmoil, the long-term nature of the private capital asset class seems to align well with investors that have a long-term investment horizon, as it enables them to look beyond the current global challenges. In fact, LPs who participated in our survey seem to remain optimistic about the trajectory of the asset class with a significant 64% expressing their intention to increase their allocation to private capital worldwide. Delving into the respondent breakdown, Development Finance Institutions (DFIs) and Foundations comprise over half (55%) of those intending to increase their allocation. Known for their long-term developmental focus, these entities demonstrate their commitment to harnessing the potential of private capital despite current economic uncertainties.

The optimism toward private capital becomes even more pronounced when considering emerging markets, with a total of 96% of LPs stating their plans to increase or maintain their allocation within the next twelve months. Within this landscape, Africa emerges prominently, with 85% of LP participants planning to increase their allocation to African private capital, driven to do so primarily by Impact (77%) and their Investment Mandate (68%). Among these LPs, the majority consists of Development Finance Institutions (45%), followed by Pension Funds (15%), and Sovereign Wealth Funds (15%).

Resilience and confidence

expressed among GPs with **47%** expecting improved fundraising outlook for 2023, and **53%** planning to raise new funds.

In line with the challenging global fundraising environment in 2022, Africa also faced significant difficulties indicated by the 54% year-over-year decrease in the total value of funds closed last year in the continent. Despite the tough global fundraising landscape of the previous year, GPs hold a positive outlook for fundraising in 2023. Specifically, almost half (47%) of the GPs surveyed expect an improvement in the fundraising climate. Furthermore, an even higher percentage of GP participants (53%) share their plans to raise new funds in 2023.Among them, nearly half (47%) have 10 to 20 years of experience in the Africa private capital industry. This indicates that GPs with an established track record and an extensive network of LPs may feel more confident in raising new funds despite unfavourable macroeconomic conditions. Furthermore, among these GPs who plan to raise new funds, the vast majority (80%) intend to raise larger funds than their previous ones, while 50% indicate that their new fund will include an additional investment strategy, which demonstrate their willingness to grow and diversify further their portfolios. These intentions align with findings from the interim fundraising in 2023 YTD, which reveal consistent growth in total capital raised across all fund sizes, with the average interim closes increasing from US$46mn in 2022 to US$73mn in 2023 YTD.

Figure 2: **GPs' Fundraising Outlook over the Next 12 Months**

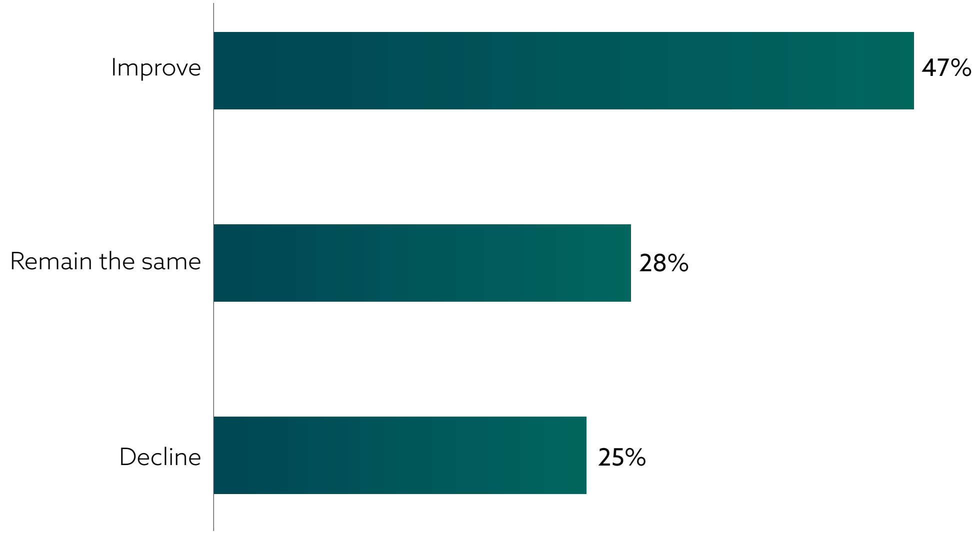
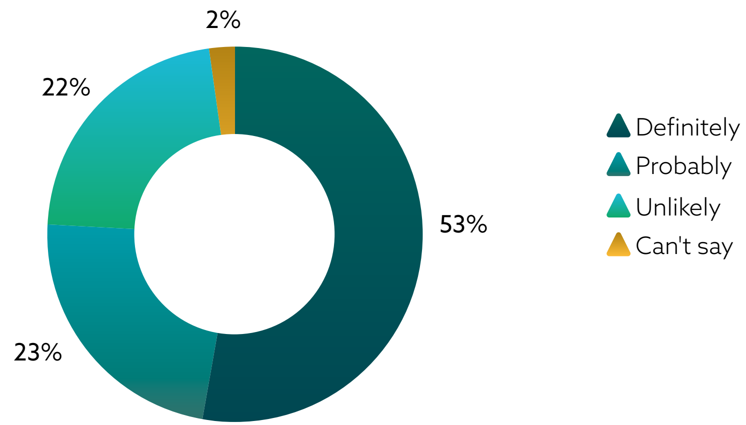
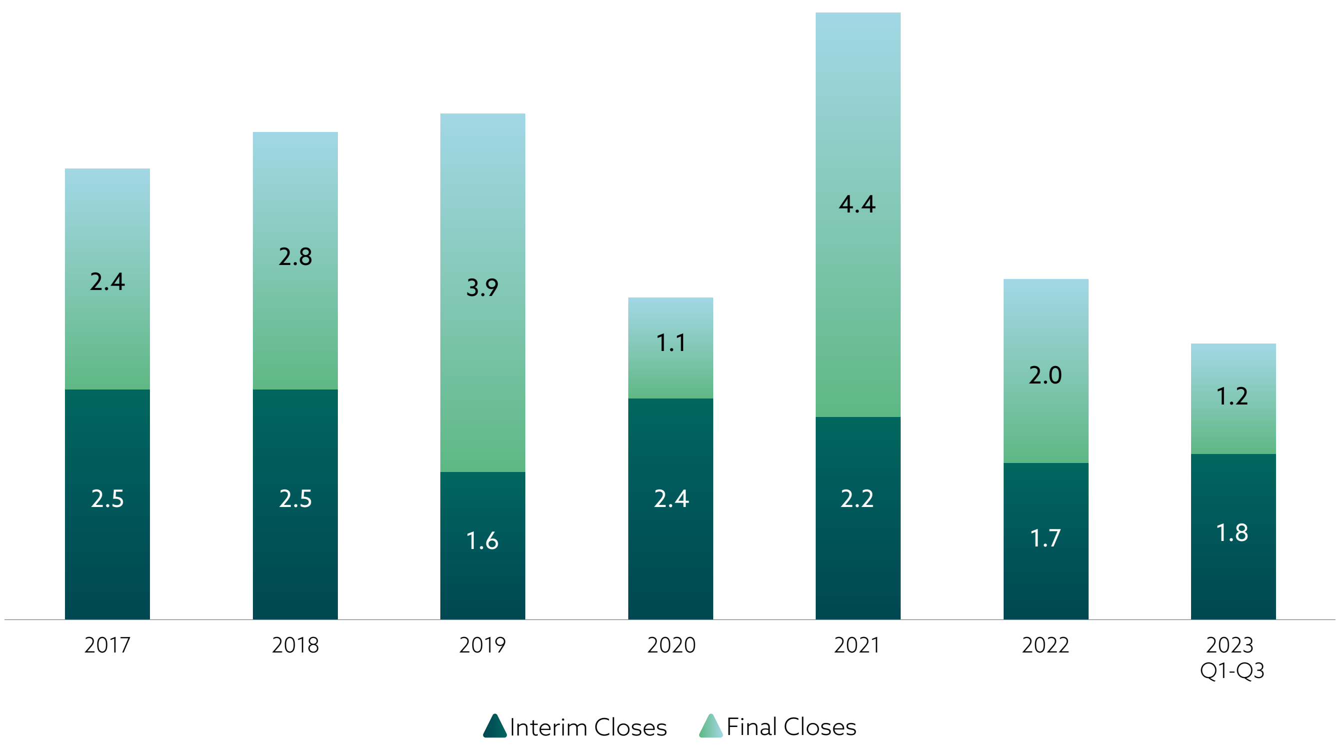


Figure 3: **GPs' Fundraising Plans over the Next 12 Months**



LPs' plans to increase their exposure to Africa, coupled with the positive expectations of GPs regarding improved fundraising conditions and their intentions to raise new funds, reflects the resilience witnessed in fundraising during the first three quarters of this year. Despite the challenging macroeconomic conditions faced by fund managers globally, fundraising activity in 2023 seems to be on a trajectory similar to that of 2022. Specifically, fund managers have successfully closed a total of US$1.2bn in final closes during 2023 YTD. While this figure is slightly lower compared to the same period in 2022 (US$1.6bn), there is cause for optimism emerging from the progress seen in interim closes throughout 2023. Notably, an additional US$1.8bn has been raised in interim closes, which already surpasses the value of interim closes recorded in Africa in 2022 (US$1.7bn). Therefore, the data from 2023 YTD suggests that, despite the persistent industry challenges, fundraising activity in Africa is demonstrating signs of stability, with the potential for modest growth driven by interim closes.

Figure 4: **Total Value of African Private Capital Fundraising by Year, Final close and Interim closings, US$bn**



"The onset of long-term geopolitical uncertainty is currently one of the most impactful factors driving global asset allocation. It enhances Africa's attractiveness relative to other geographies, as previously stable countries/ regions have become less predictable (while Africa is becoming more stable on the margin). However, it also makes global capital allocators much more selective about each new commitment."

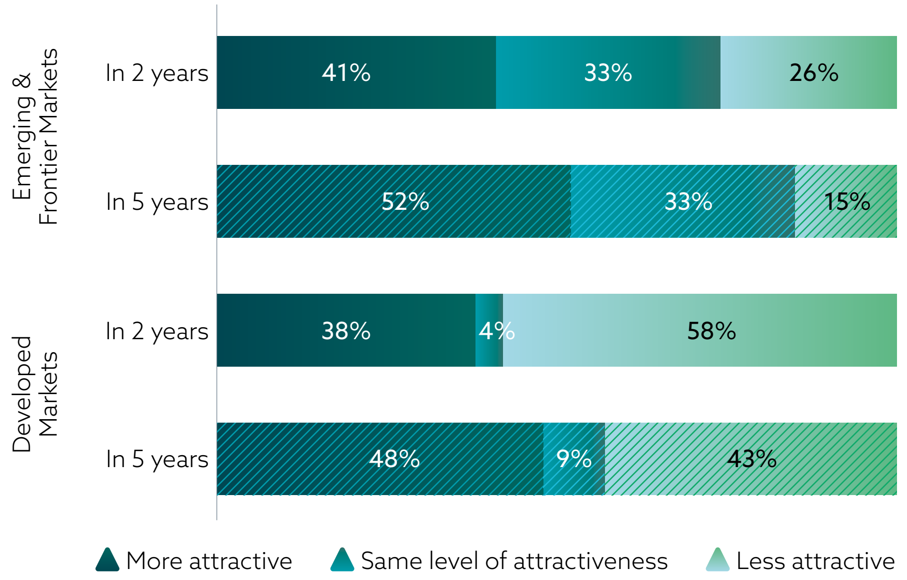
Richard Okello, Co-Founder and Partner, Sango Capital

52% **of LPs** believe that private capital in Africa will be more attractive than other emerging markets in 5 years, and **48%** considering it more attractive than developed markets.

LPs hold a positive long-term outlook for private capital in Africa, with over half (52%) of respondents expecting it to be more attractive than other emerging markets in the next five years. In addition, a significant 48% of respondents predict that private capital in Africa will be more attractive than developed markets over the same period. It's worth noting that perceptions vary by location. Specifically, among non-African LPs, 56% of them believe that Africa will be more attractive than other emerging markets in the next five years. However, 54% of these non-African LPs consider Africa to be less attractive than developed markets during the same period.

When considering Africa's medium-term attractiveness, LPs do not seem to share an optimistic outlook. A majority believes that Africa will either be less attractive or maintain the same level of attractiveness as compared to other markets. Specifically, 59% of LPs express this sentiment concerning emerging markets, while 62% hold a similar view for developed markets. The decline in investment activity within Africa, mirroring a broader global trend observed across various regions (as illustrated in Figure 6), confirms these sentiments. Persistent global challenges have cast a shadow over private capital activity across the world,

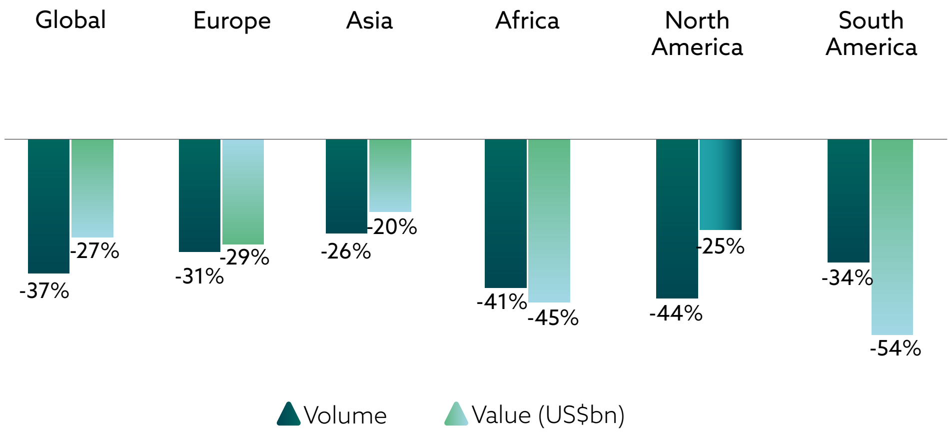
Figure 5: **LPs' views on the Attractiveness of Private Capital in Africa relative to other markets**



inevitably influencing Africa's attractiveness within our interconnected global landscape, at least in the medium term.

Overall, LPs who view African private capital as more appealing relative to other markets cite the continent's growth potential as a key pull factor. This growth potential is driven by a combination of factors, such as a growing population, low market penetration, and a variety of industries which remain underserved. LPs also acknowledge the continent's strong demographic dividend and burgeoning innovation ecosystem as important factors driving their belief in Africa's attractiveness.

Figure 6: **Percentage change of Private Capital Deal Volume and Value between Q1-Q3 2022 and Q1-Q3 2023**



Source: AVCA, Pitchbook

Financial services emerged as the top-ranked sector for LPs, while **technology** took the lead as the most attractive sector for GPs.

LPs and GPs have identified the same sectors as their top five most attractive for private capital investment in Africa in the next two years. However, the key difference lies in the order of sector attractiveness as viewed by LPs and GPs.

For LPs, the financial services sector has attracted the highest level of interest, confirming the impressive growth the sector has experienced in recent years, driven by investments in Africa-based financial technology companies. This finding is further reinforced by the deal activity observed in the first three quarters of 2023. Despite experiencing a substantial 56% decline when compared to the same period in 2022, the financial sector still managed to secure the lion's share of investments. Interestingly, this trend has shown remarkable consistency since 2019, highlighting the enduring appeal and resilience of the financial services sector in attracting private capital in the African market.

On the other hand, the largest share of GPs participating in the survey have expressed a greater inclination towards the technology sector as the most attractive for private capital investment in Africa. Among fund managers who identified technology as one of the most appealing sectors, the largest segment (41%) adopts venture capital as their primary strategy, while a substantial 38% prioritize growth capital as their primary investment approach. This preference among fund managers is not surprising, as the technology sector has developed into one of the highest-interest emerging sectors for private investment in Africa. That said, despite a decline in investment activity over the first three quarters of the year, there is a notable trend in technology or technology-enabled deals dominating the investment landscape, representing more than half (60%) of the total investments in Africa in 2023 YTD. This consistent trend has been shaping the investment landscape in Africa in recent years. As illustrated in Figure 8, the share of technology-enabled investments in the years preceding the pandemic averaged at 47% from 2017 to 2019. Since the onset of the pandemic, the annual average share of technology-enabled investments has surged to 66% from

2020 to 2023 YTD. This further highlights the vast potential within Africa's technology sector, which has already demonstrated its ability to disrupt traditional businesses and enhance the quality of life for people and societies.

"Technology is an enabler. We invest in technology to help build more efficient companies, improve accessibility to products, and enhance affordability. We leverage technology for digital transformation in traditional industries, particularly with essential providers of goods and services."

'Tokunboh Ishmael, Co-founder and Managing Director, Alitheia Capital

Figure 7: **Top 5 Most Attractive Sectors for Private Capital Investment in Africa**

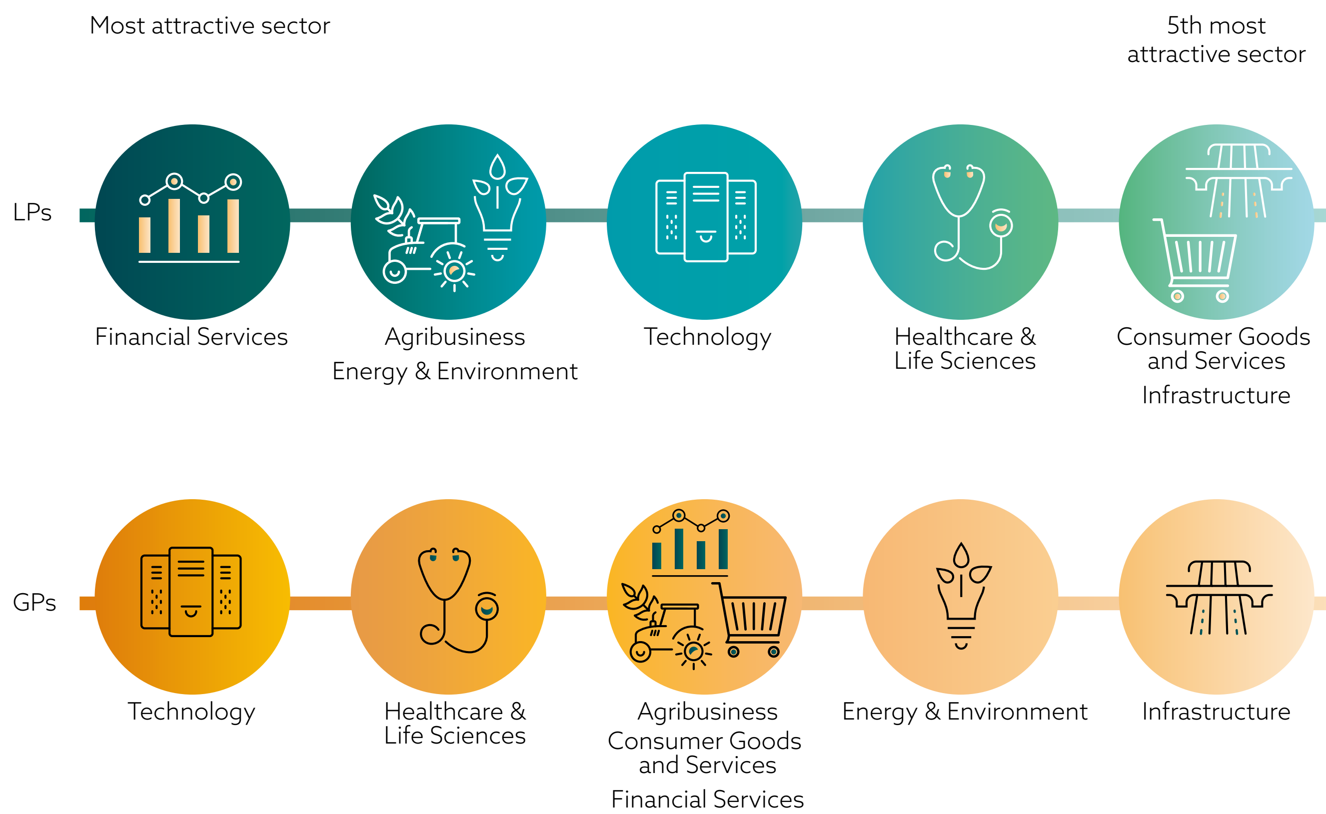
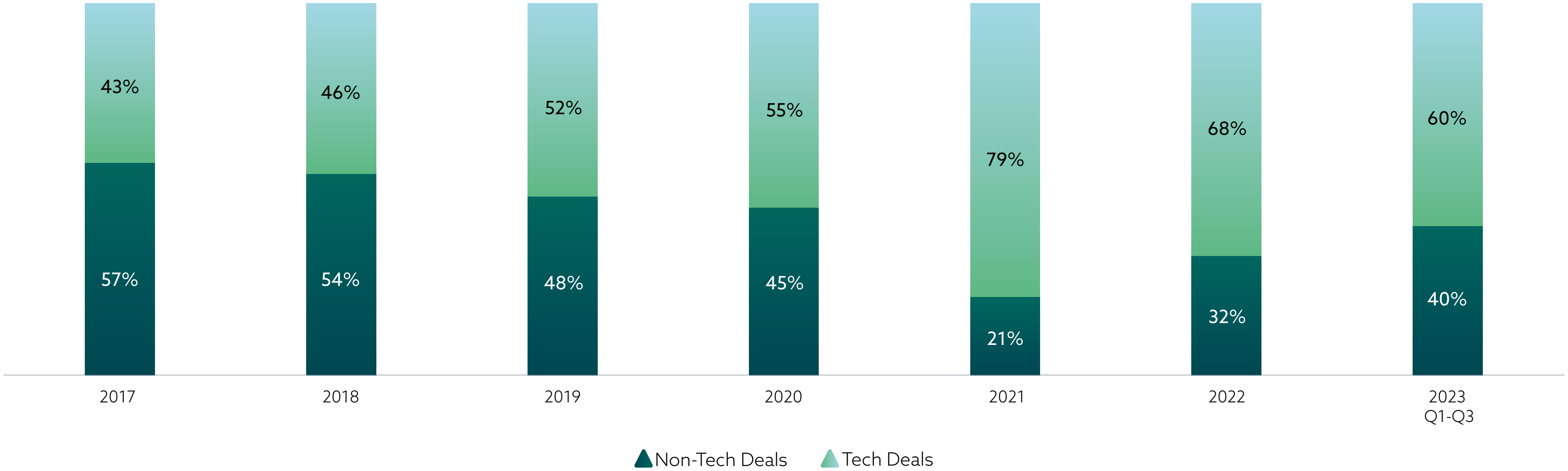
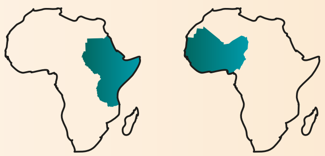


Figure 8: **Share of Investments in Technology & Technology-enabled companies, 2017 – 2023 YTD**





GPs ranked East Africa as the most attractive investment destination, with Kenya and Nigeria as their top choices, while LPs identified West Africa as their preferred region for investment.

LPs and GPs participating in the survey have demonstrated divergent preferences in their selection of attractive regions and countries for private capital investment in Africa. While most LPs have chosen West Africa as an attractive region, the vast majority of GPs (83%) consider East Africa the most appealing region for private capital investment, closely followed by West Africa (78% of GPs). Kenya and Nigeria, the largest private capital markets in East and West Africa, have been chosen as the most attractive countries among the majority of GPs. Egypt, interestingly, ranked in the top three for both LPs and GPs, owing to its increasing popularity as an attractive and viable investment destination and its emergence as a hub for venture capital activities within the continent.

Setting aside these preferences, recent data from 2023 YTD showcases a varied regional landscape. The current macroeconomic environment has adversely affected the private capital industry across all regions in Africa, leading to a significant slowdown in deal-making compared to the same period in 2022. Of all the regions, West Africa has experienced the most considerable decline, with a 59% drop-in deal activity in 2023 YTD, largely driven by a downturn in venture capital investments. However, even with the slowdown, West Africa has managed to attract the largest share of the total investment volume (29%), primarily driven by Nigeria, which contributed 66% of the region's investment activity. Southern Africa closely followed, securing 26% of the total deal volume, while East Africa, led by Kenya, ranked third in terms of deal volume.

Figure 9: **Attractiveness of African regions for private capital investment**

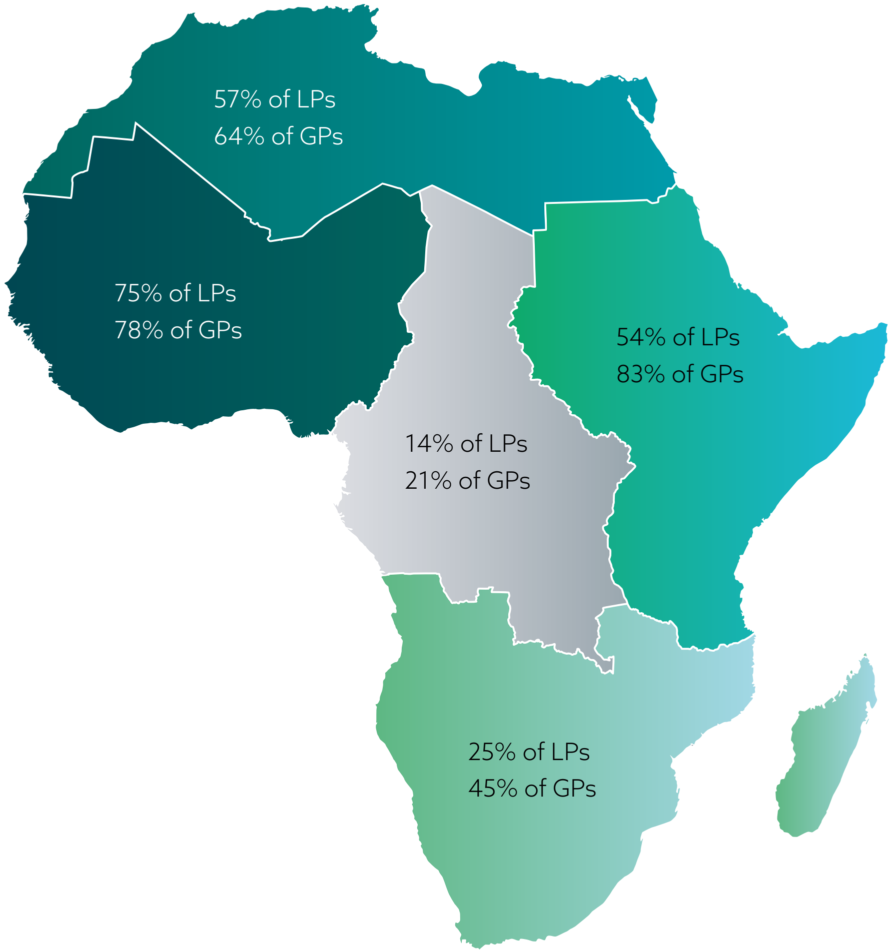
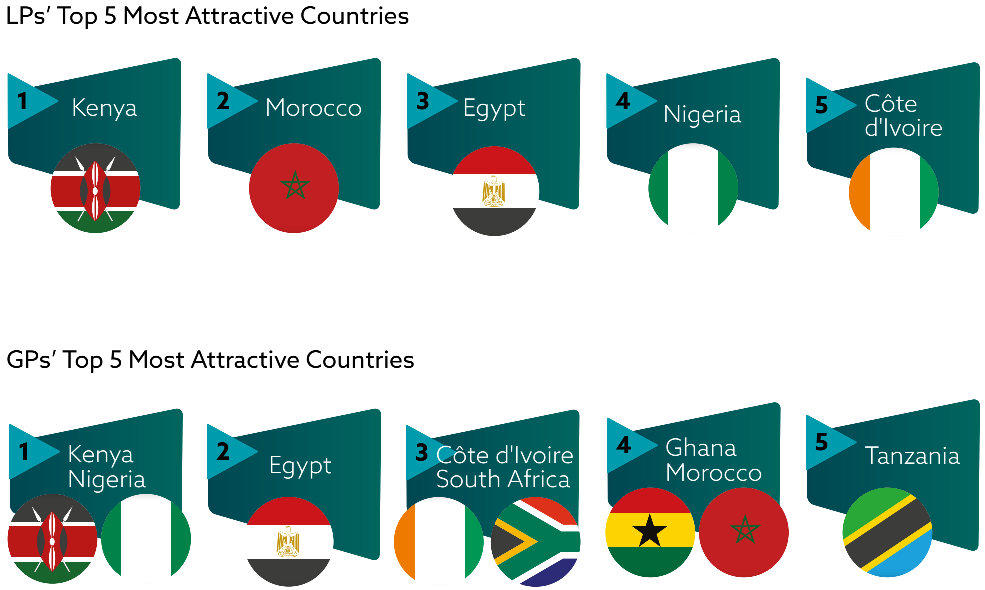


Figure 10: **Attractiveness of African countries for private capital investment**



"The positive aspect of the post-Covid era is that the competition between the two major groups of countries (US – BRICS) could benefit Africa, as the Western World is trying to become less dependent on Asia. This could be an opportunity for African exports.'

Luc Rigouzzo, Managing Partner, Amethis

Investors' Expectations and Preferences when investing in Africa Private Capital

78%

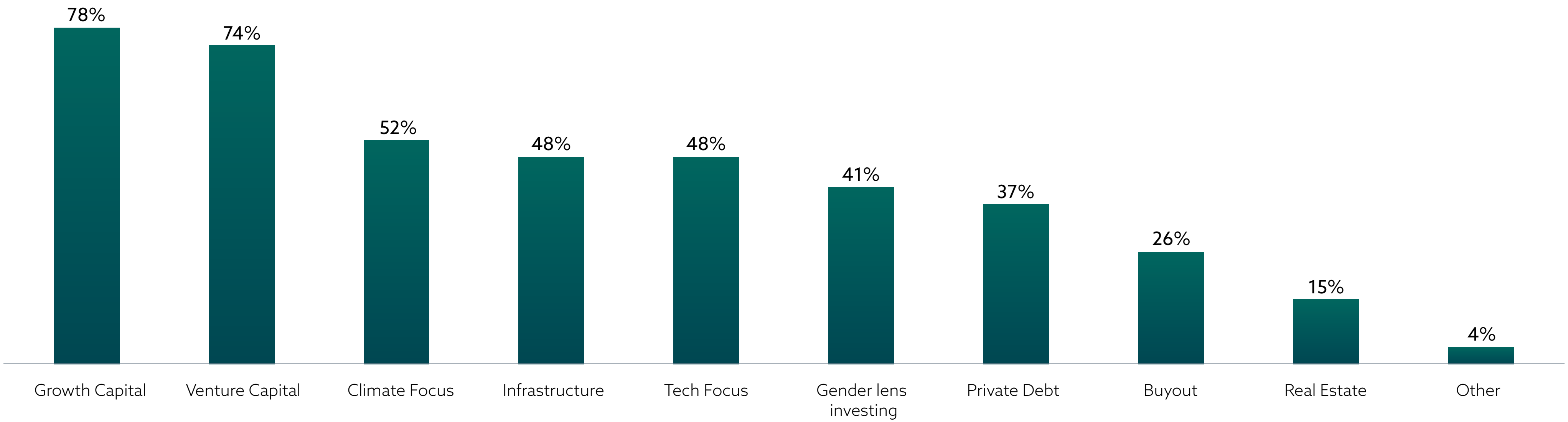
of LPs identify **growth capital** as an area of interest, while **venture capital and climate investing** are the preferred choices **for the largest part of GPs (39%)** planning to modify their strategy.

A significant majority of LPs (78%) view growth capital as an attractive investment strategy when investing in African private capital. This figure reinforces the long-lasting popularity of this strategy that has been tested and trusted by investors in Africa's private capital industry. Unsurprisingly, venture capital closely follows with 74% of LPs expressing an interest in this investment strategy. This further solidifies venture capital's emergence as a prominent investment approach with a potential which is recognised by LPs. The relatively recent rise of venture capital has significantly transformed the continent's private capital industry in various ways. It has boosted Africa's entrepreneurship, attracted investors from across the globe, promoted the establishment of local venture capital firms, and finally altered the dynamics within the different private capital asset classes in Africa. Notably, venture capital investments have accounted for a significantly increasing share of the total number of private capital investments reported in Africa, as shown in Figure 9. Following the trends from previous years, data from 2023 YTD reveals that 69% of all reported investments were in the venture capital space.

It's particularly noteworthy that the third largest share of LP participants (52%) prefer climate-focused investments, indicating increasing attention to addressing climate challenges. This trend reflects a growing awareness among investors of the urgency to contribute to sustainable and environmentally responsible practices. Data from 2023 YTD reveals that eight climate-focused funds managed to raise commitments from LPs totalling US$0.5 billion, representing more than a quarter (28%) of the total fundraising value of interim closes reported during the period.

Moreover, the fourth largest group of investors is interested in infrastructure and tech strategies to promote inclusive development and bridge the infrastructure gap across the continent.

Figure 11: **LPs' Strategies of Interest in Africa**



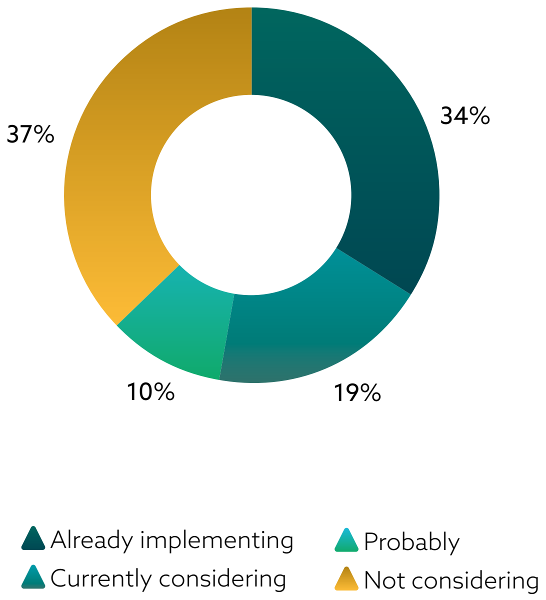
A significant percentage (63%) of GPs are already implementing, currently considering, or probably exploring ways to modify their investment strategies and themes. Within this group of GPs, venture capital and climate investing are their preferred choices (selected by 39% of GPs each). This preference echoes the substantial interest fund managers have shown in these investment strategies and themes in recent years. It also reflects the alignment of GPs' strategies with the evolving preferences of LPs. By adapting to these evolving dynamics and shifting trends, GPs are positioning themselves strategically to meet the changing demands of the investment landscape.

Following closely behind are growth capital and private debt, selected by the third and fourth highest proportions of fund managers, at 33% and 30%, respectively.

Private debt, in particular, has gained popularity within Africa's private capital landscape and has demonstrated resilience amidst the current macroeconomic challenges. Data from 2023 YTD shows that private debt has maintained its appeal as an investment strategy. This highlights the continued demand for private debt as an attractive alternative source of funding in an environment marked by rising interest rates and stricter lending standards imposed by banks.

Finally, LPs gave higher credence to gender lens investing, with 41% (Figure 11) naming it as an investing strategy of interest compared to just 27% of GPs who shared the same view.

Figure 12: **GPs' Intentions to Modify Investment Strategies and Themes**



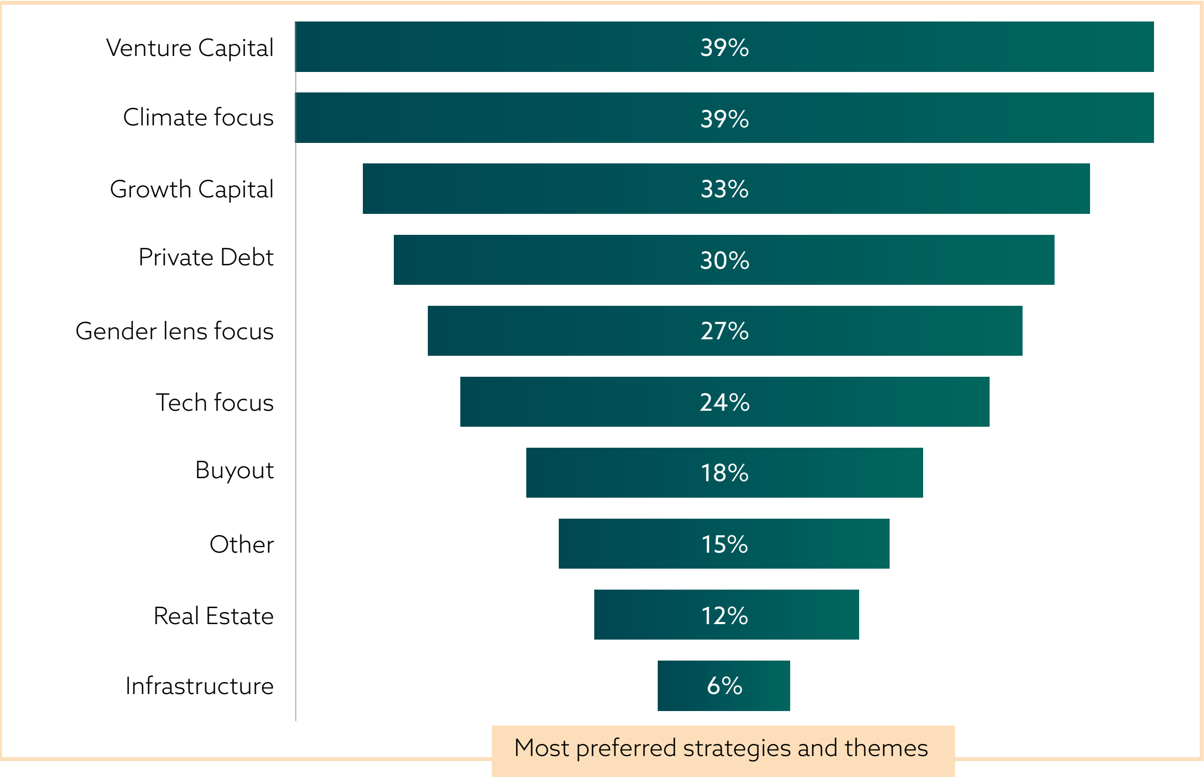
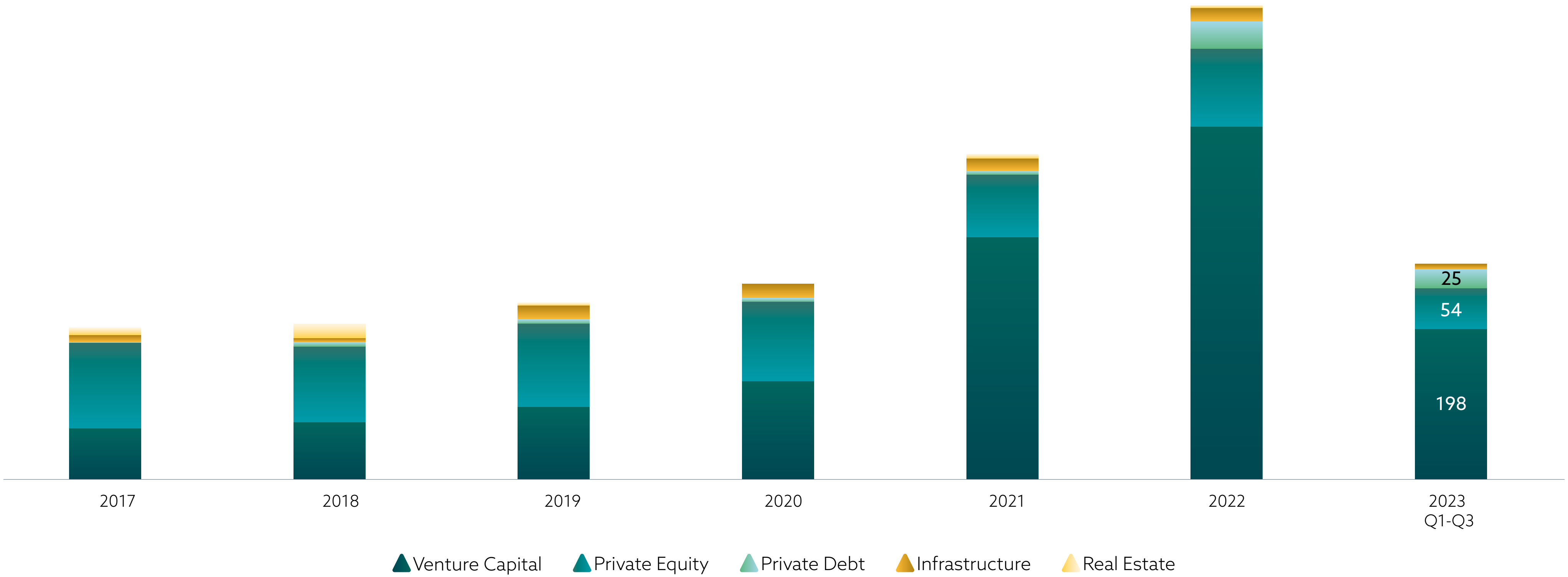


Figure 13: **Total Volume of Private Capital Deals in Africa, by Year & Asset class**

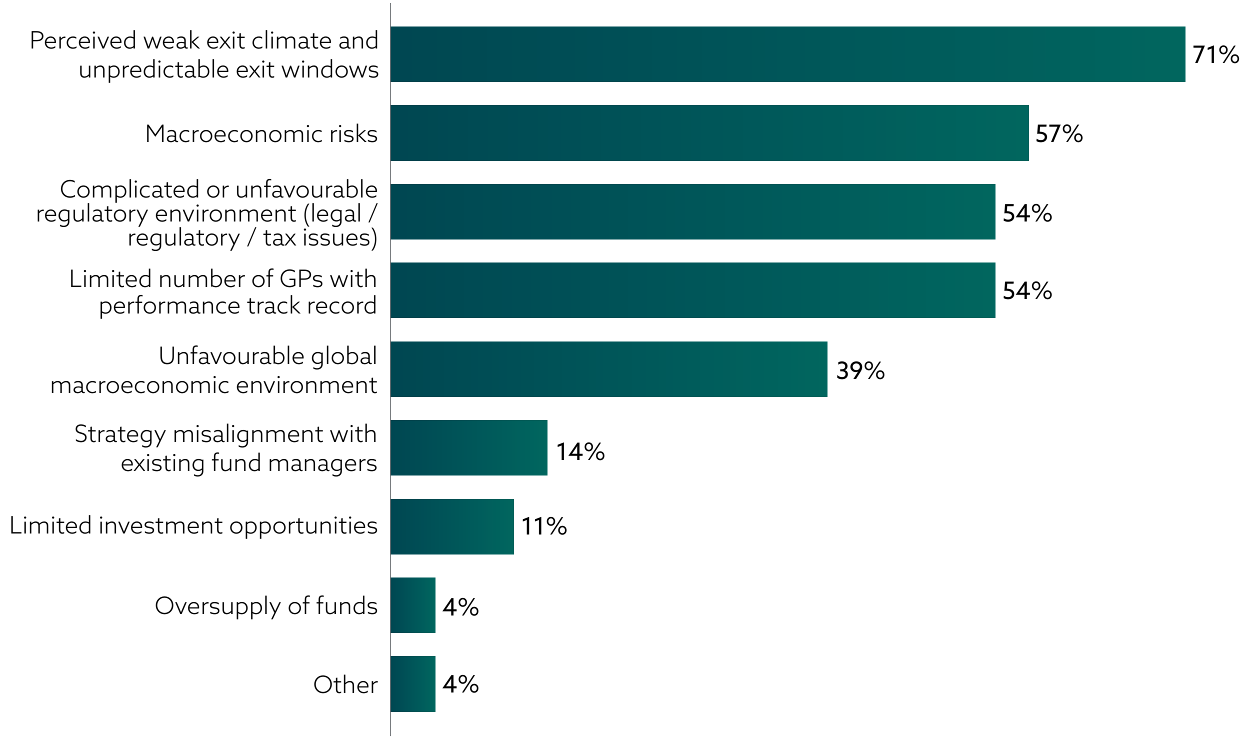


Potential challenges to LP and GP investment in Africa

"Today, the areas without a risk of devaluation are limited. We must operate considering that devaluation risk can happen anywhere and in any sector. We will have to select our investments to be naturally hedged against devaluation because guarantees of stability are no longer certain."

Romen Mathieu, Managing Partner & Paul Khoury, Partner, EuroMena Funds

Figure 14: **Biggest challenges for LPs investing in private capital in Africa**



A perceived weak exit climate along with **macroeconomic risks** are viewed by LPs as significant challenges when investing in African private capital.

Over two thirds of LPs (71%) view the perceived exit climate and unpredictable exit window as a significant challenge when investing in private capital in Africa. Despite historical exit data failing to assuage these concerns, the record high of 82 full exits on the continent in 2022 indicated the potential for successful exits in the region. However, mirroring global trends, the current exit environment has caught up with industry dynamics due to prevailing macroeconomic uncertainties. Fund managers are struggling to exit investments and distribute cash to investors, leading to longer asset holding periods and exploring alternative liquidity options. The challenges in exiting investments were evident in the first three quarters of 2023 when only 25 full exits were reported in Africa after an outstanding previous year.

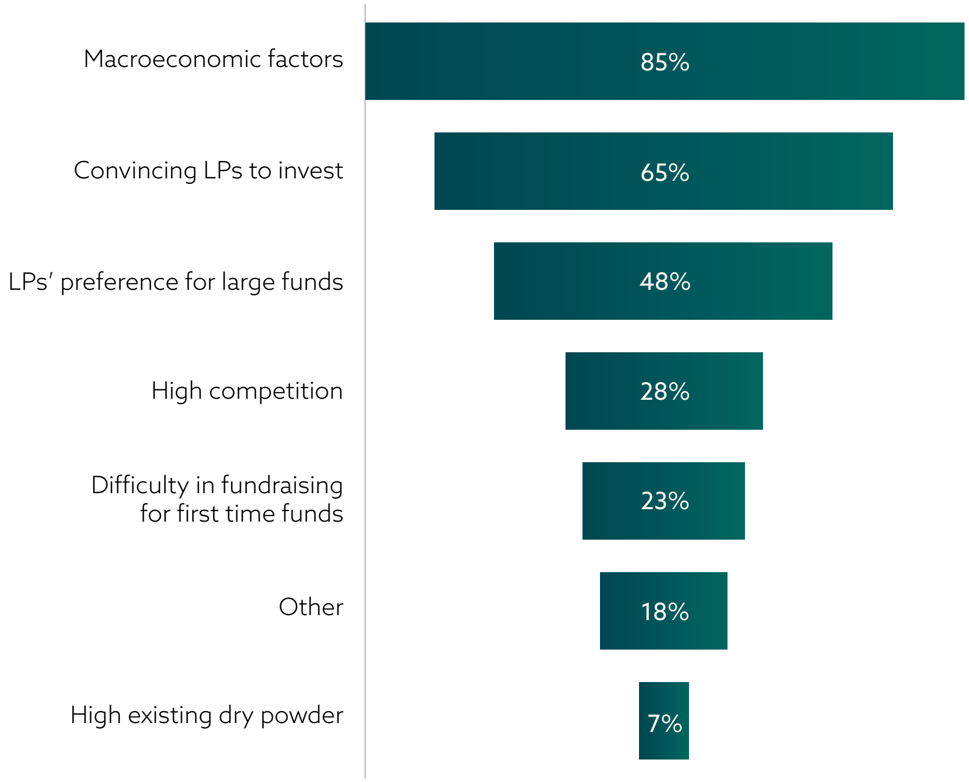
Another significant proportion of LPs (57%) identified macroeconomic risks as an important challenge when investing in African private capital. Among these risks, currency volatility and uncertainty remain a key concern for investors in Africa's private capital industry which has been deteriorating recently. Unlike in the past when investors could identify specific countries facing currency issues and make decisions accordingly, today, it's important to recognize that considerations surrounding hard currency volatility and liquidity shortages in local currencies impact several countries across the African continent.

"The biggest challenge in our trade is who you are getting in bed with. Thorough background checks as well as a collaborative approach may help mitigate such risk. The second biggest challenge is the political governance. At the end of the day, the factor that will make you confident in the future or not is how the government abides by its own rules. A country characterized by volatility in its political governance will not be attractive to investors who pay attention to the rule of law."

Jean-Marc Savi de Tové, Co-founder and Managing Partner, Adiwale Partners

Macroeconomic factors have been identified by the largest proportions of GPs as a significant challenge for fundraising and deploying dry powder in Africa.

Figure 15: **Key Challenges for GPs in Fundraising in 2023**



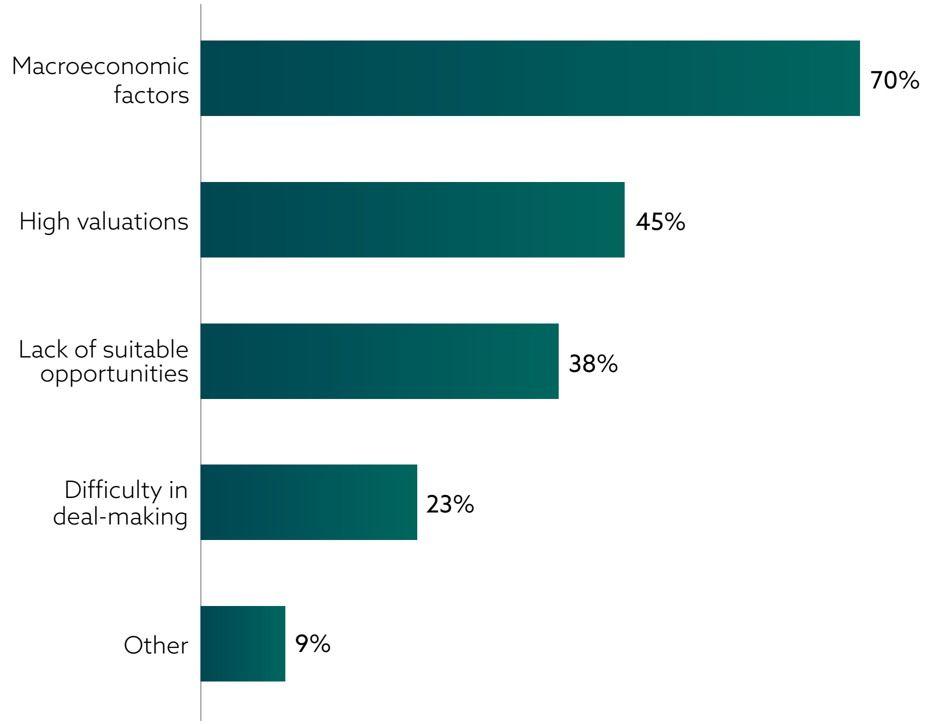
The most significant challenges in private capital investment in Africa are currently attributed to macroeconomic factors. Specifically, an overwhelming majority of GPs (85%) have identified the challenging macroeconomic factors as a significant obstacle to fundraising. Furthermore, these macroeconomic factors have emerged as the primary challenge faced by GPs in deploying dry powder in Africa, with 70% of GPs selecting them as a significant hurdle. The current economic uncertainty, the escalating currency volatility, supply chain disruptions resulting from the COVID-19 pandemic and the ongoing war in Ukraine, along with increasing levels of geopolitical instability are all challenges that collectively pose significant obstacles to private capital investment in Africa.

An additional substantial percentage (65%) of GPs have highlighted the challenge of convincing LPs to invest in their funds as another significant hurdle in fundraising for 2023. Within this group, 60% are currently implementing or considering modifying existing investment strategies and themes with climate focus (43%), and venture capital (32%) being emerged as the preferred choice for 43% and 32% of those GPs respectively. This trend is not surprising, considering the tremendous potential of climate-related financing and the remarkable growth of the venture capital sector in Africa.

Under the "other" category, GPs have identified additional obstacles to fundraising in 2023. These include challenges such as unfamiliarity of LPs with new investment strategies, LPs' preference for more established markets in Africa, difficulty in meeting reporting requirements for smaller teams, the struggle to convince new LPs to invest in the continent, and scepticism arising from negative perceptions about Africa.

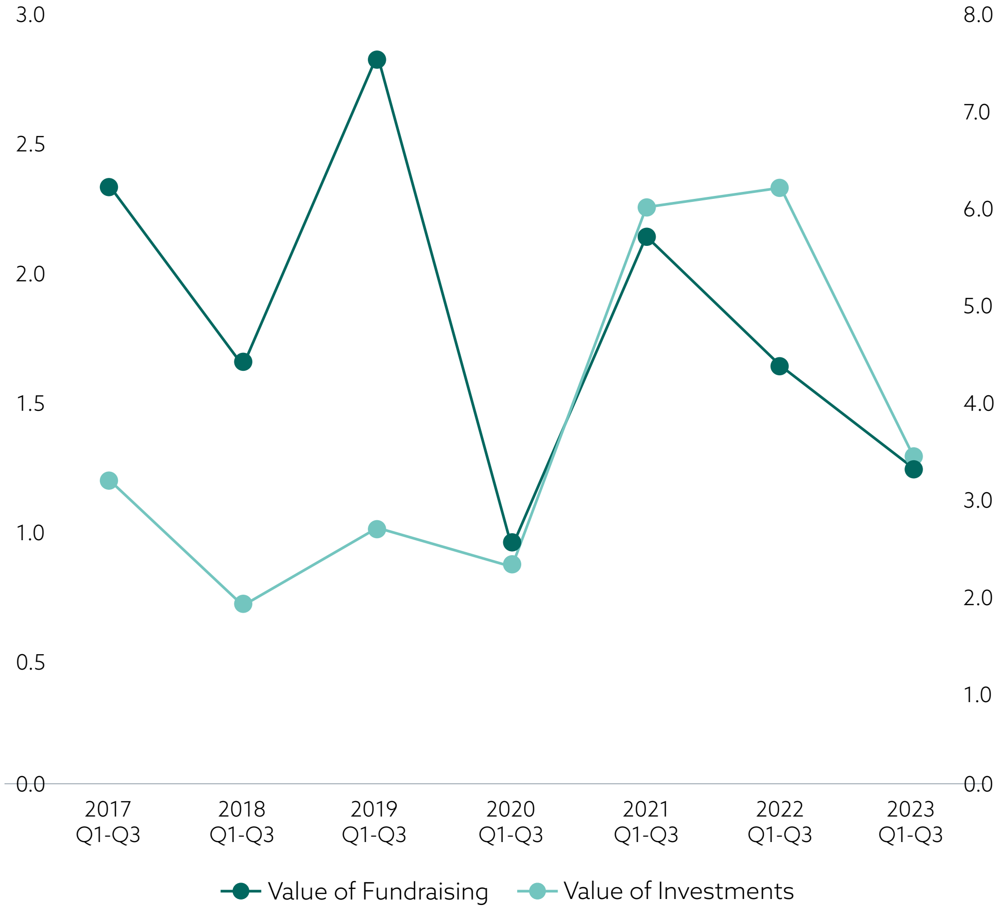
Apart from macroeconomic factors, GPs investing in Africa in 2023 have identified several other noteworthy challenges, which fall under the "other" category (Figure 16). These challenges include companies' lack of investment readiness, competition with DFIs investing directly, and the misalignment of expectations between sellers and buyers.

Figure 16: **Key challenges faced by GPs in deploying dry powder in 2023**



These challenges, amplified by the weight of macroeconomic shocks persisting throughout the first three quarters of 2023, have adversely impacted both fundraising and investment values compared to the same period in 2022 and 2021. Specifically, as indicated in Figure 17, investment values in 2023 YTD have experienced a substantial drop of 45%, while fundraising has seen a relatively softer decline of 25% compared to 2022 Q1-Q3. However, there is a silver lining, as investment values, despite the decline in the first three quarters of 2023 compared to the last two years, remain significantly higher than pre-pandemic levels.

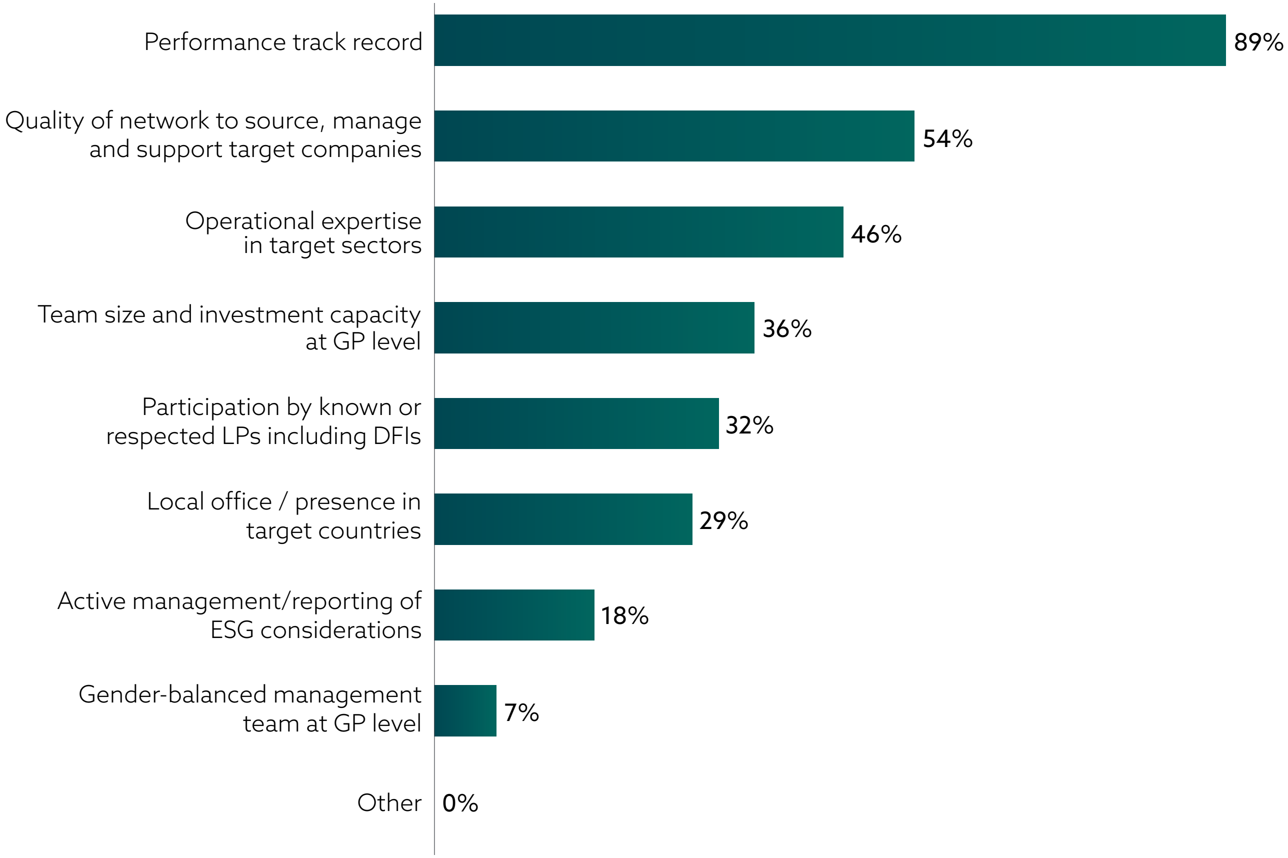
Figure 17: **Total value of private capital fundraising and investments in Africa, 2017 – 2023 (Q1 - Q3), US$bn**



Key Considerations for Assessing Private Capital Fund Managers

> *"The opportunities are there. What you need is a combination of careful investment selection, active management, and strong networks that can combine to result in compelling returns and impact."*
>
> **Peter Rowse, Director & Principal, Metier**

Figure 18: **Important factors in LPs' evaluation of private capital fund managers in Africa**



89% of LPs consider the performance track record crucial when assessing fund managers in Africa.

The lion's share of LPs (89%) emphasizes the significance of a strong performance track record when evaluating fund managers in Africa. Not surprisingly, a history of successful investments and profitable exits stands as the paramount factor for LPs considering potential investments in fund managers. Interestingly, of those who prioritize the performance track record, a significant majority (64%) admit to not having invested in a first-time fund manager in Africa in recent years. Moreover, 44% assert that they would not consider such an investment, citing the lack of a robust performance track record as a critical concern.

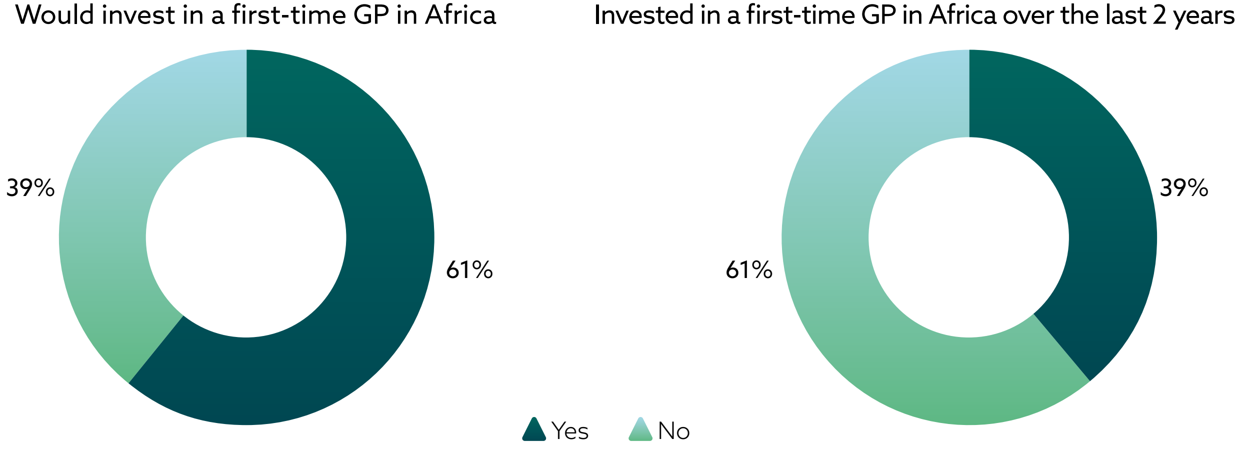
Apart from the performance track record, over half of LPs (54%) identify the quality of a fund manager's network as another crucial element in their evaluation process. Research[5] has indicated that, particularly in Africa, access to a private capital firm's network can substantially contribute to value creation for investee companies. Hence, access to a PE firm's network, including support with mergers and acquisitions, connections to industry specialists, suppliers, and customers, continues to play a pivotal role in the growth trajectory of African portfolio companies.

Conversely, while active management and reporting of ESG considerations, as well as the presence of a gender-balanced management team at the fund manager level, are highlighted as key priorities for only a minority of LPs—comprising 18% and 7%, respectively—it's important to acknowledge that perceptions around these aspects are evolving, and for a growing number of investors, they are becoming increasingly important considerations in decision-making.

5 AVCA & EY, How Private Capital Investors Create Value

61% of LPs express willingness to invest in a first-time fund manager, whereas only 39% have actually done so in the past two years.

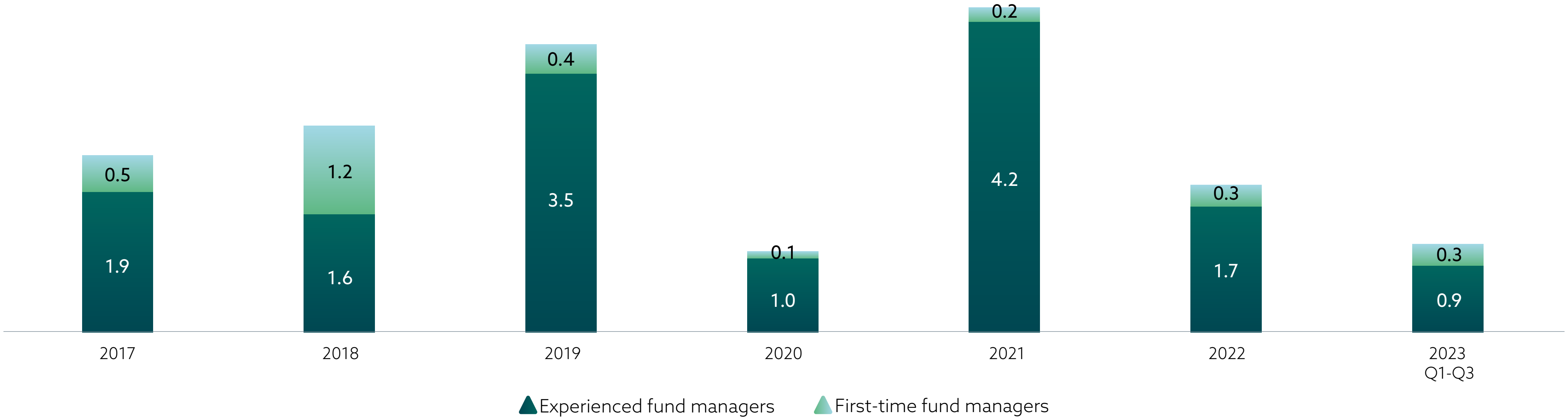
Figure 19: **LPs investing in first-time fund managers in Africa**



More than half (61%) of the participating LPs expressed their willingness to consider investing in first-time fund managers operating in Africa. Interestingly, a significant proportion of these investors intend to increase their allocations to Africa, primarily driven by impact motives (79%) and investment mandates (71%). However, 39% of the LPs are hesitant to support first-time fund managers. When asked about the reasons, they cited their investment strategy as one contributing factor. In addition, they emphasized the significance of a proven track record, a criterion they consistently apply to both African and non-African markets.

In terms of actual investment activity, only a minority (39%) claimed to have invested in first-time fund managers in Africa within the last two years. As shown in Figure 20, the average annual led by first-time managers totalled US$0.4bn from 2017 to 2023 YTD. Notably, fundraising by first-time fund managers in the first three quarters of 2023 has already matched the total amount raised in the entire year of 2022, highlighting an uptick in investor interest.

Figure 20: **Total Value of African Private Capital Fundraising by Type of Fund Manager, US$bn**

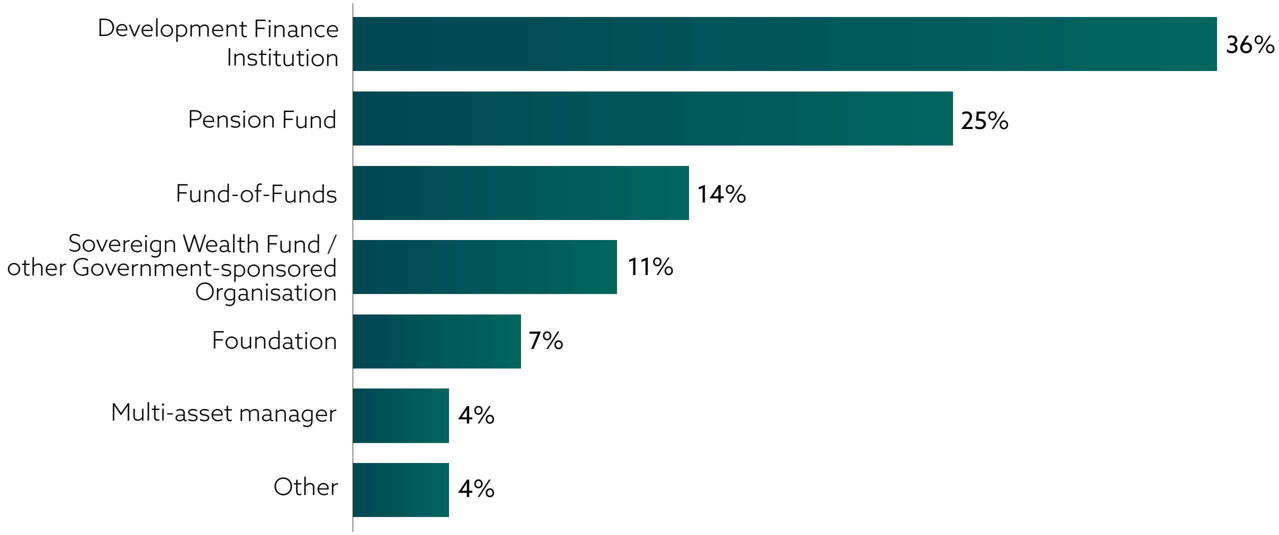


PARTICIPANTS' PROFILE

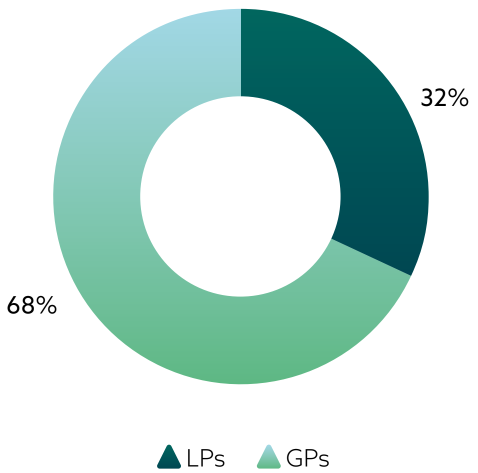
AVCA conducted a survey of 88 Investors worldwide, utilizing an online questionnaire to gather insights. The survey encompassed perspectives from both African and non-African investors already engaged in private capital investments in Africa, as well as those intending to make initial investments in the region in the near future. The survey questions were designed to interrogate LPs and GPs' views, plans and expectations about the private capital landscape in Africa. To ensure data integrity and confidentiality, access to the survey information was restricted solely to the involved researchers, and individual responses were treated with strict confidentiality.

LPs' Type and GPs' Investment Strategy

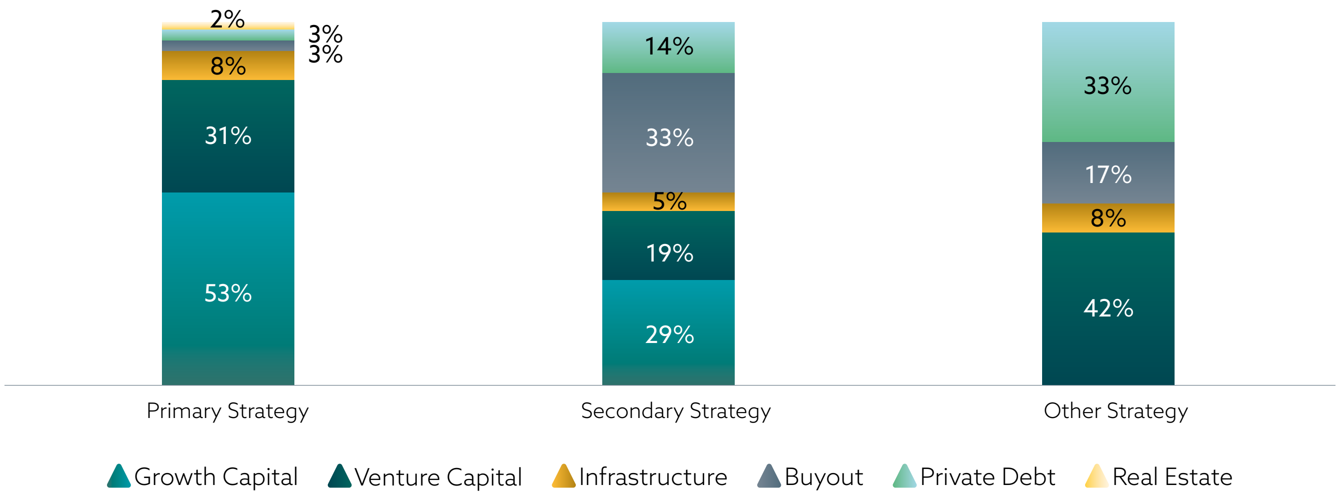
LPs' Type



Survey Respondents

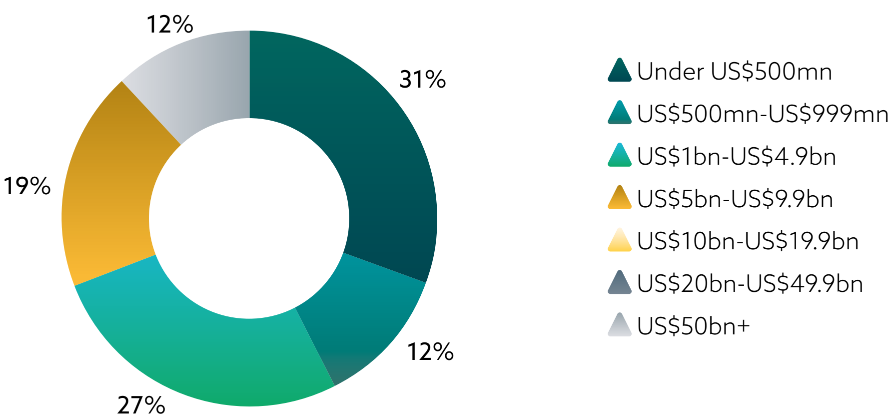


GPs' Investment Strategy

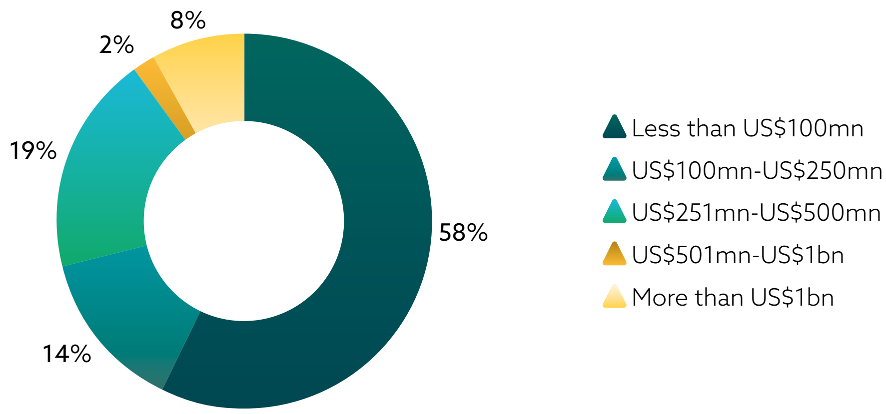


Assets under management

LPs' total assets under management

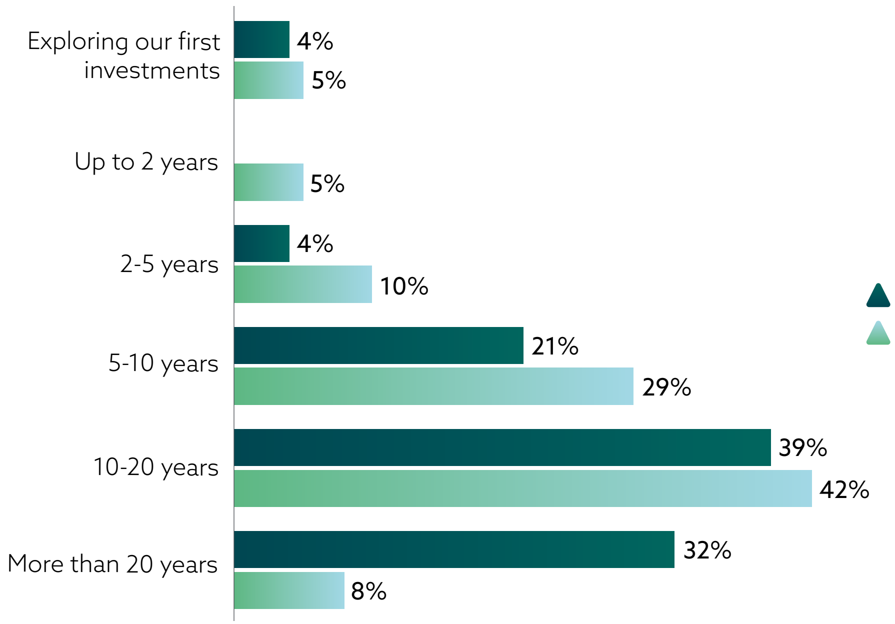


GPs' African assets under management

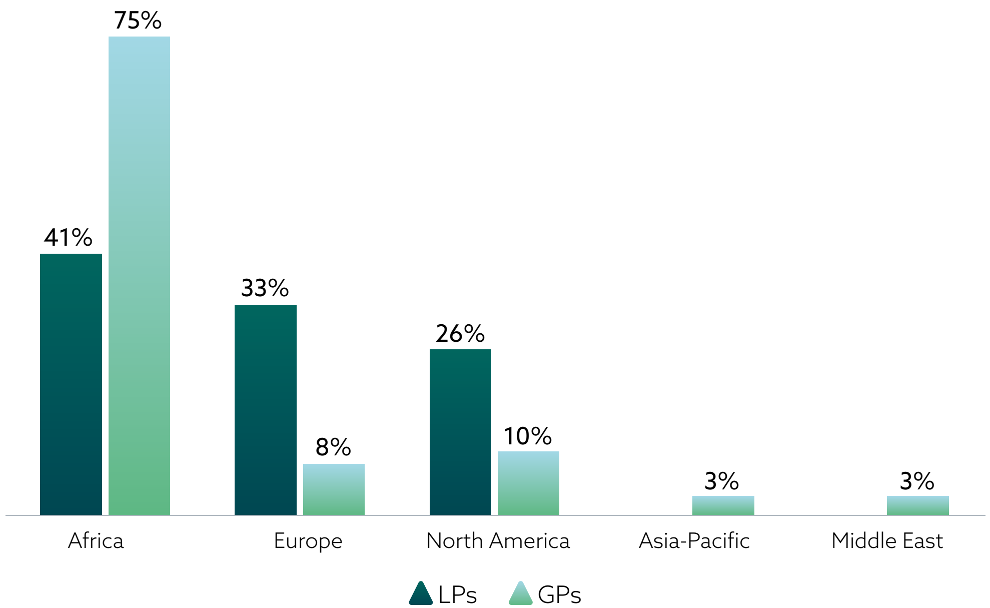


Experience in the industry

Years of investing experience in Africa



HQ Location



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Championing Private Investment in Africa

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

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

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

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