ANNUAL LOCAL CAPITAL PROVIDER SURVEY 2022

Small Business "Missing Middle" Finance in Africa and the Middle East

Why do these fund managers matter?

Real Economy Finance

Invest in SGBs that are core to local economies' product and service requirements, often meeting underserved market demand.

Societal impact

Invest in SGBs that have **"inclusive"** focus, creating employment and moving businesses into the formal economy. All funds addressing at least 3 **SDGs** and 80% considering **gender**.

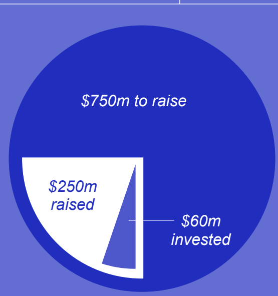
First stage of access to finance

Typical investments **$50k – $1 million** range, and usually first formal of external financing for SGBs.

Local economic impact

Invest growth capital, **creating jobs** in over 90% of businesses financed thus far.

2/3 fund managers reporting >10% **revenue growth** in the last 12 months.



Collective scale ~$1bn

~$1bn target AUM[1] represented with a potential 1200 SGBs financed. $750m investment opportunity.

[1] In CFF estimation this sample represents about ¼ of the current number of similar fund managers in the SSA and MENA market which roughly translates into a potential market size closer to $4bn.

What do these fund managers invest in?

~60%

focus primarily on Agribusiness (value chain/tech not farming)

75%

using

technology to enable

business growth regardless of business model

~10% investing in pure tech businesses (in small print)

>95%

invested in

"early"

or

"growth"

stage businesses demonstrating market traction, as opposed to the start-up/pre-revenue business models.

Top 3 SDGs are

decent work, **gender equality** and **no poverty**

80%

make major capital investments.

90%

provide at least some working capital.

2/3

of investments have an expected

tenor

of >4 years

Terms not available in local lending market

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Who are these fund managers?

Fund managers are investment intermediaries investing between USD20k and USD2m into SGBs, using diverse investment theses, tools and instruments and having deep local knowledge.

90%
of the funds are led by executives with prior experience and strong local knowledge of their markets.

~80%
have made direct investments.

Over **90%** of fund teams are **operating and investing in Africa**

75%
are deploying ticket sizes

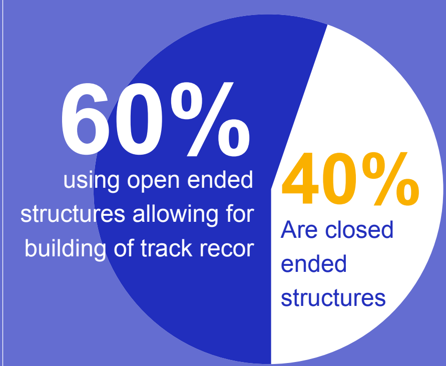
<$500k

60% using self-liquidating instruments and the remainder investing in equity

50%
are majority **female-owned** and led funds.

1 in **3**
made first close

80% are investing
whether they reached first close or not.



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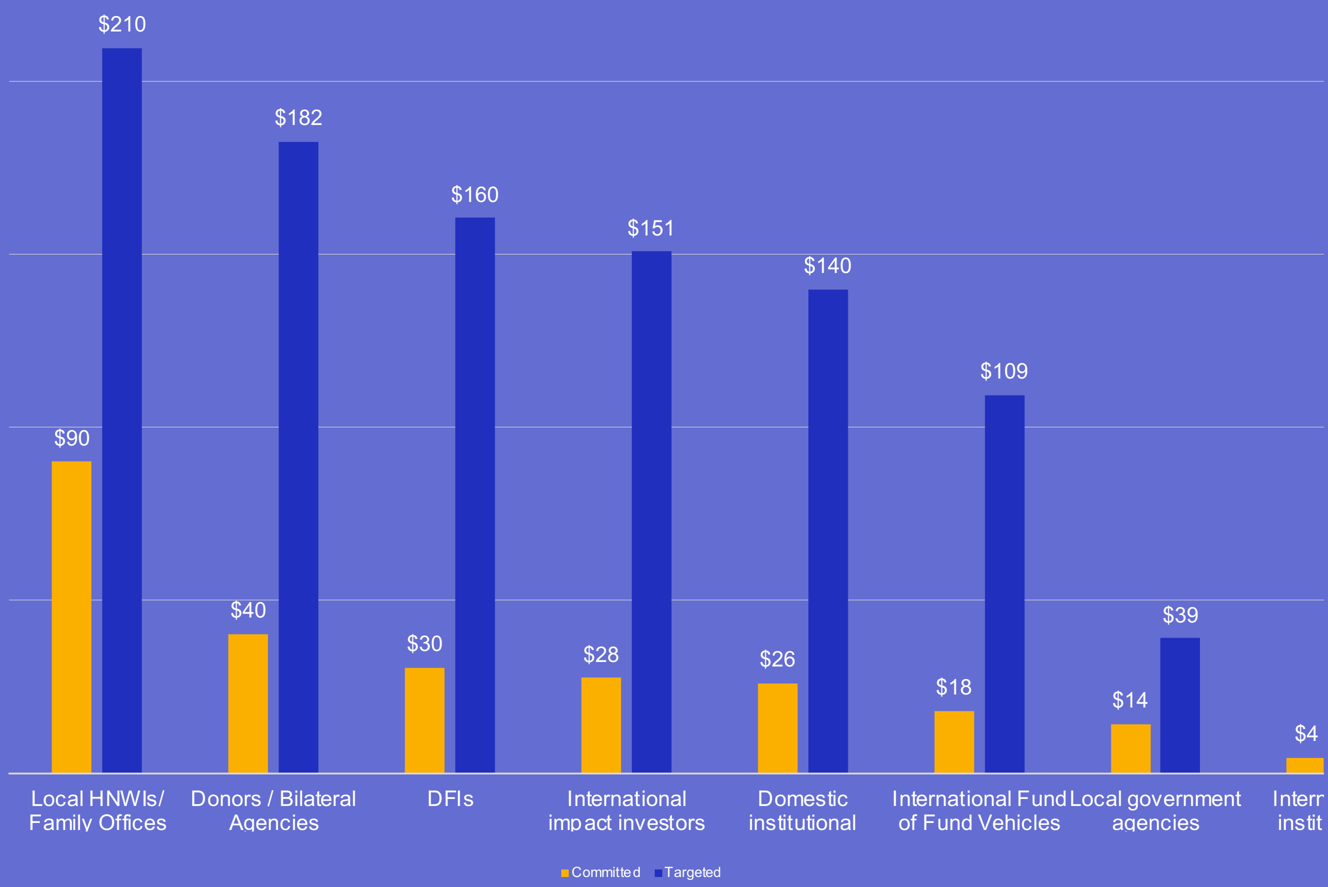
Who is investing in these fund managers?

Committed and targeted investment sources $(m)



50%

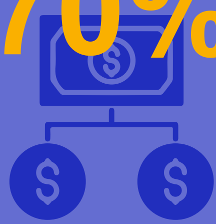
50% of capital expected from HNWI And Family Offices

15%

15% of capital expected from DFIs has been raised.

Two thirds using **concessionary capital** for fund or SGB support.

70%



are using **fee structures** outside of traditional 2&20 fee models.

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How do these fund managers create value?

Fund managers are seeking to achieve commercially viable investment proposition for LP investors in n SGBs.

Pipeline conveyor belt

Investments sourced predominantly through fund managers' own network

Grow SGBs

60% invest growth capital for intangibles.

80% make major capital investments. 90% provide at least some working capital.

Provide technical assistance

95% provide financial management support to businesses. 2/3 consider strategic planning and sales/ marketing the highest priority areas de-risking for LPs.

Monetising portfolio

Equity exits are a challenge

~10% of equity funds have been investing for over 5 years.

Funds are monetising through self-liquidating instruments

~75% of debt funds have monetized investments in current portfolio.

Manage risk

Local currency risk and international financial market turbulence are the biggest concerns in the coming 12 months.

Major risks and constraints confronting fund managers

- Lack of access to DFI and institutional capital (international and domestic).
- Major capital holders applying investment criteria more associated with VC and larger PE firms.
- Imbedded currency risk when accessing international funds.
- Smaller fund vehicles, challenging fund economics in the early phase of their operations. Limits access to critical human talent in managing their funds.
- Working with smaller enterprises, inherently taking on higher risk than established corporates.