Catalyst

SA's quarterly Private Equity & Venture Capital magazine

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Africa-focused funds explode

Standard Chartered stealing a march across Africa

Innovation: where we're going wrong

All the first quarter deals in SA and the rest of Africa

FROM THE EDITOR'S DESK

I'm delighted to be back at the helm of what I believe to be the premiere private equity publication in the country. From my dual vantage point as host of Classic Business and Editor of Catalyst I hope to bring you closer to the stories shaping the private equity and venture capital ecosystem.

What has become clear to me in my short spell so far at Classic Business, through my conversations with various market analysts, fund managers and foreign investors is that the African growth story that was "emerging" over the last few years has finally come of age. It's no longer a question of African uprising, rather Africa rising.

The reasons are several and are detailed on these pages. But perhaps the single most important element of the African era is the increasingly open-armed embrace dealmakers are finding when conducting business in Africa. Conducting due diligence and capital market efficiency are still a long way off the established markets in the developed world. But more than ever, African governments are rolling out the welcome mats as they realise private equity capital offers a partial solution to financing costly infrastructure, long the impediment to the growth of many ancillary sectors across the continent.

Unfortunately for South Africa, this is happening at a time when we appear to be heading in the opposite direction. Cancellation of bilateral investment treaties, onerous ownership legislation in the private security sector, uncertainty around property rights flowing from three separate yet clearly intertwined pieces of legislation, mutterings over electricity supply and the ability to deliver on grand infrastructure plans as Eskom's flagship attests, all conspire to keep business confidence on the deck.

As one consulting engineer told me recently, he had to convince a senior ANC official to tap our wealth of local engineering knowledge and experience before heading off to Cuba to look for the same skills. "What is the government going to Cuba for in the first place when we have the home-grown talent?" This just underlines the current poverty of trust between the private sector and the ANC-run administration.

Unless this trend is reversed and institutions such as NEDLAC, now largely seen as a lame duck, are reinvigorated to rebuild a fractured relationship between all role-players in the South African economy, Africa will continue to remain the ultimate destination for limited partner's funds while South Africa's already slipping status as gateway will remain just that - a thoroughfare to more attractive destinations. Nigeria's overdue rebasing of GDP and subsequent vault to the largest economy on the continent was just the latest in cacophony of blinking red lights.

I would like to take this opportunity to thank DealMakers Editor and newly appointed MD of Gleason Publications, Marylou Greig, for bringing me back into the GP stable following David Gleason's untimely death in February. Gleason was like a father to me, his mentorship playing a pivotal role in establishing my career. I will carry a small piece of him with me forever. The ability to continue writing for the company he established with Greig is a great honour and tribute. ◆

Michael Avery

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Gleason Publications

African private equity perceived to be more attractive and profitable than other emerging markets.

Africa de rigueur

Africa's resilience to the global economic downturn, its growing consumer base, and its many economic, political and social reforms, have all contributed to the continent being rated the most attractive destination for global emerging market private equity (PE) investors.

This is according to an inaugural study, *The search for returns: Investor views on private equity in Africa*, produced by RisCura, the South African Venture Capital and Private Equity Association (SAVCA) and the African Private Equity and Venture Capital Association (AVCA). The study charts investor attitudes to private equity in Africa, and was recently launched in Lagos at the 11th Annual AVCA conference.

Rory Ord, Head of RisCura's private equity valuation business

Those surveyed include family offices, endowments, banks, sovereign funds, foundations, pension funds, asset managers, development finance institutions, insurance companies and fund of funds. Collectively, the respondents have over $150bn in global PE assets under management and undrawn commitments of $50bn.

"The results of the research show that a majority (almost 70%) of institutional investors surveyed believe Africa is more attractive than other emerging markets," says Rory Ord, Head of RisCura's private equity valuation business.

"Global institutional investors are currently extremely bullish towards African PE, with 85% of surveyed LPs indicating that they plan to increase their exposure to the continent's PE over the next 24 months," Ord says. Among the various types of investors surveyed, both African-focused and global fund of PE funds will spearhead the increase in exposure.

Earnings growth is the primary driver

When asked to identify the main drivers of PE returns in Africa over the next 10 years, an overwhelming 69% of LPs identified earnings growth as the primary driver, in line with the high GDP growth rates forecast for most African countries and in contrast to other more developed markets. Furthermore, LPs do not expect leverage to play a significant role in the return on capital achieved. This may contribute to lowering the perceived risk of African PE.

Survey respondents said they would focus "primarily on funds that make growth equity investments, and which will use very little, if any, leverage."

This marks a noteworthy departure from private equity investing models employed prior to the financial crisis, where debt and leverage were *de rigueur*.

Rather, survey respondents indicated they were looking for operational improvement and enhanced market penetration of those companies, which will translate to earnings growth.

The majority of respondents (80%) expect African PE returns to compare favourably to African listed equity over the next 10 years. However, some felt that the increased competition in the market, especially on the larger end of the deal scale, might affect returns.

Survey respondents' perceptions of the attractiveness of different african regions

Michelle Kathryn Essomé, Chief Executive at AVCA, believes the survey confirms a significant uptick in appetite for African PE among global investors, "particularly among the newer investors in Africa such as fund of funds and family offices largely based in the USA."

Michelle Kathryn Essomé, Chief Executive at AVCA

Most respondents didn't single out a favourite geographic region: More than half stated either that no particular region is more appealing than another, or said that the whole of Sub-Saharan Africa was the most attractive proposition. However, this result was closely followed by West Africa and then Southern Africa as leading sub-regions. The message appears to be that investors are looking more at industry sectors than geography. The continent's large population and growth of per capita income make it an attractive region for consumer-oriented businesses. The consumer discretionary, financials and consumer staples are seen as the most attractive sectors in the next three years due to a combination of growth areas, capital needs and company valuations. The industrials sector, mining and real estate were considered the least attractive for private equity investment.

"This view is evident in recent deal-flow activity, which has favoured assets positioned to benefit from a growing middle class and lively growth prospects. Added to this, PE fund managers increasingly are broadening their investment mandates to cover regions within the continent, or the entire African continent, rather than single countries," says Erika van der Merwe, CEO of SAVCA.

Erika van der Merwe, CEO of SAVCA

Political risk is not the biggest challenge

The biggest challenge associated with investing in African PE compared to PE in other regions was the limited number of established GPs, followed by a perceived weak exit environment.

"While the perception of political risk is present in Africa, African institutional investors were, however, less concerned with political risk than non-African institutional investors. When considering environmental, social and governance (ESG) factors, institutional investors place a higher importance on governance in Africa than other ESG factors," says Van der Merwe.

Africa-based funds preferred

Previously a large number of African investment funds were based in the major financial centres around the world. The institutional investors into PE funds that were surveyed, however, expressed a marked preference for managers based in their primary target market. They also said that regional funds are currently the preferred investment vehicle and 76% are willing to consider managers raising their first fund. ◆

Catalyst has tracked the emerging significance of The Private Equity community in Africa in recent years and according to recent research unveiled by accounting and advisory firm, EY, this community is now entering a new phase of maturity.

African fundraising explodes

It's unsurprising. Africa continues to demonstrate strong underlying fundamentals that signal continued growth of private equity in the medium term, even in the presence of uncertainty over the US Federal Reserve's quantitative easing policy, continued austerity and slow growth in Europe, and investor concerns over weakening economic or political environments in some emerging economies. The African story is being driven by the consistent high growth achieved by countries surging off low bases and with increasingly handsome demographic dividends as population growth rates continue to rise.

EY's latest Private Equity Africa Roundup report paints a picture of lessening dependence on resource-driven growth, growing trade and diversification of trading partners, and a commitment by governments to create environments in which companies can do business more easily.

In 2013:

- US$3.2bn was invested in 98 PE investments
- US$3.3bn was raised through PE funds that closed
- LPs rated Africa as the most attractive emerging market
- Half of all African countries (27) are now "middle income" countries
- Unique PE investment strategies and platforms are evolving

Catalyst spoke to Graham Stokoe, EY's Africa Private Equity leader, to find out what the drivers of fund-raising, investment activity and exits in Africa were over 2013.

Stokoe said EY found that a growing interest from LPs (Limited Partner) resulted in a substantial increase in fund-raising numbers for 2013, with US$3,3bn funds closed during the year.

And the outlook for PE fund-raising over the medium term remains strong with a number of funds currently seeking to cash in from this increased LP interest.

According to Stokoe "although the PE landscape in Africa continues to be dominated by domestic and regional PE firms, a number of large global PE firms are exploring the market, focusing on the growing investment opportunities available in sectors such as consumer, infrastructure and resources. Likewise, new and existing players in the African PE market are increasingly carving out niche strategies in areas such as infrastructure, green energy and impact investing attempting to build a competitive edge on the continent."

Graham Stokoe, EY's Africa Private Equity leader

The report forecasts that markets outside South Africa will continue to gain a greater share of PE investment. Historically low PE penetration and smaller entry multiples relative to developed economies and most other emerging markets mean that PE firms will be able to continue to make investments in small and medium sized companies, although there will be greater competition at the larger end of the deal size spectrum given the fewer opportunities.

Stokoe singles out sectors benefiting directly and indirectly from the growth of the African consumer as the hot plays over the near to medium term. "Consumer facing sectors should continue to attract much of the investment targeted at the region, although infrastructure, real estate and natural resources are increasingly a focus for PE firms, particularly for larger value investments."

The predominant exit route in Africa continues to be via trade sales, although other exit routes such as sales to other PE firms and IPOs should inch upwards over the coming years, according to Stokoe.

The peak for exit activity in terms of volume was in 2007, followed by a couple of lean years for exits in 2008 and 2009 in the immediate aftermath of the credit crunch. Since 2010, exit activity recovered to average around 28 exits per year.

"The pipeline for PE exits in the medium term looks strong as there are still a significant number of PE investments made in the boom years of 2007 and 2008 (and before) that PE firms need to exit," concludes Stokoe. "As PEs look to raise new funds, a few successful exits also help in demonstrating a PEs track record." ◆

Standard Chartered Private Equity (SCPE), the investment division of Standard Chartered Bank, announced a pair of deals in the first quarter that signal the firms growing appetite for African investment.

Standard Chartered's deal PIPE is smoking

The first of these was a PIPE (private investment in public equity) deal and SCPE's first foray into Africa's developing power sector through a $57m investment into Zambian Energy Corporation, the controlling shareholder of Copperbelt Energy Corporation Plc (CEC). This structured equity investment equates to an effective 25.8% equity stake in CEC.

CEC is an independent power transmission and distribution company in Zambia, and is listed on the Lusaka Stock Exchange. The Company's core business consists of distributing power to the mines operating in Zambia's rejuvenated Copperbelt, and transmitting power for ZESCO Limited, the Zambian national utility.

In a move underlining Mauritius's status as a preferred headquarter for private equity investments into Africa due to its favourable tax rates, CEC recently established CEC Africa (CECA), in the tiny island nation, as its vehicle for power infrastructure investments in Africa, outside of Zambia. CECA has acquired two operating assets in Nigeria through the recently concluded power sector privatisation programme, and has a rich pipeline of development power assets in Zambia, Namibia and Sierra Leone.

Standard Chartered said its investment supports CECA's pan-African expansion strategy, and is the first investment within the Bank's $2bn commitment to 'Power Africa', a public-private sector partnership launched by US President Barrack Obama on his trip to Africa last year.

"Power Africa enables us to live our brand promise and be here for good, making a tangible difference in the lives of individuals. By financing the real economy, investing in the continent's infrastructure and supporting trade and its people, banks can really help transform Africa's prospects," reiterates Diana Layfield, CEO Africa for Standard Chartered.

Diana Layfield, CEO Africa for Standard Chartered

In Nigeria, CECA has already acquired a controlling interest in the Abuja Electricity Distribution Company (Abuja Disco) and a 20% stake in the 600MW Shiroro hydro plant. Nigeria's power privatisation initiative is expected to increase system-wide generation capacity and connectivity, while reducing costs and technical losses, thereby facilitating a self-sustaining power sector to bolster Nigeria's economic growth. The country recently displaced South Africa as the largest economy on the African continent after rebasing its GDP for the first time in 24 years.

> "Standard Chartered said its investment supports CECA's pan-African expansion strategy, and is the first investment within the Bank's $2bn commitment to 'Power Africa', a public-private sector partnership launched by US President Barrack Obama on his trip to Africa last year"

Michael Tarney, Managing Director for Corporate Development at CEC, maintains that the company's success in Zambia has given it the much-needed experience and capability to generate, transmit and distribute power in other African markets.

"We are excited about our two strategic acquisitions in Nigeria," enthuses Tarney. "Over time, we expect that the Abuja Disco will deliver consistent and reliable power to more than 750,000 customers in Nigeria. Capital investment of more than $180m is anticipated in the business plan covering our distribution operations in Abuja, Niger, Kogi and Nasarawa States."

Ronald Tamale, Director within Standard Chartered's Africa Private Equity Division, and Kanad Virk, Managing Director for SCPE's Energy, Resources & Infrastructure investment team, will be joining CEC's and CECA's boards of directors, hoping to propel the investment forward from the coal face.

Tamale believes Private Equity is an increasingly useful tool in supporting the growth of African companies who have achieved local success, but now need structured capital and specialist expertise to develop a profitable, pan-African presence.

"CEC is another African success story, and is emerging as an important Standard Chartered client," says Tamale. "It has a strong management team and inspiring growth potential, extending commercial and economic benefit to multiple countries across the continent."

According to the World Bank, Africa's total infrastructure spending need is roughly $93bn per year. Of that, Africa should be spending $41bn on power, installing 7,000 MW per annum of generation capacity, or one-and-half Medupi Coal-fired power stations, just to keep up with electricity demand.

The 'Power Africa' partnership will provide $7bn of US financing support and an initial $9bn of private sector commitments for power generation projects – ultimately delivering 10,000 megawatts of new electricity generation across 6 countries, reaching 20 million individuals in 5 years. Standard Chartered's investment is the single largest private sector contribution to the partnership thus far.

Cultivating a thriving investment

The second transaction announced by SCPE was a further $15m (R150m) capital injection to existing portfolio company and bank client, Afrifresh Group, a fruit producer and exporter. This follows SCPE's initial $20m equity investment made in February 2011 to fund the company's expansion program.

Peter Baird, head of SCPE's Africa team

Afrifresh, a leading Southern African agricultural company with operations spread across

South Africa and Zimbabwe, and a global reach spanning 54 export markets, has achieved significant growth since its incorporation 15 years ago. In 1999, the Company made its first farm acquisition, becoming one of the first South African fruit exporters to diversify its earnings stream by vertically integrating upstream into farming. Today Afrifresh's operations incorporate the entire value chain from primary agriculture and processing to marketing and distribution capabilities.

In an effort to support local development and skills transfer, Afrifresh is participating in a partnership on the Berekisanang Empowerment Farm, a 500 ha greenfield citrus and table grape operation based in South Africa's Northern Cape Province near Upington. The R250m project currently employs over 200 members of the local community, and is a unique partnership between Afrifresh, the Industrial Development Corporation and the community. The farm expects to employ a further 900 staff by 2019. To date, Afrifresh has developed 400 ha of the farm, and expects to harvest its first grape production later this year.

The Berekisanang Empowerment Farm also serves as a timely reminder of what can be achieved when development finance institutions partner with private capital and entrepreneurs to the benefit of labour and the surrounding communities. This is something that cannot be understated in the wake of the violent De Doorns farm protests and in a climate where a recently leaked government policy document heralds plans to hand up to half of all commercial farms to farm labourers. These factors have greatly contributed to mistrust and fear stalking the agriculture sector.

"This is an excellent example of how private sector capital and thoughtful government support, combined with old-fashioned entrepreneurship, can create a globally competitive business," explains Peter Baird, head of SCPE's Africa team. ◆

Not satisfied with sitting on its existing $1,5bn invested in 18 countries across Africa, in February Actis, the global emerging market investor, announced a 36% equity investment in the AutoXpress group, East Africa's leading tyre wholesaler and retailer.

Actis rolling in East Africa

This investment, which is significant in the East African market, not least because of its size, is characteristic of the fund manager's strategy: backing a high class management team in a growing region and sub-sector that meet the needs of the emerging market consumer.

Operating through 20 company-owned stores in Kenya and Rwanda, AutoXpress is the key distributor and retailer of leading tyre, battery and suspension brands, including Pirelli, Dunlop, Marshal, BKT, KYB and Energizer. Servicing both corporate customers and the fast growing Kenyan retail market, AutoXpress is a third generation family business.

"AutoXpress is a compelling entrepreneurial business that meets a core consumer need: access to quality tyres, automotive parts and services in convenient locations," explains Peter Schmid, Head of Private Equity at Actis. "In partnership with the management team, we intend to accelerate AutoXpress's expansion across East Africa to become the leading Pan-regional tyre and auto-parts business.''

Speaking from Nairobi, Actis Head of East Africa, Michael Turner expressed his delight at securing the deal.

"AutoXpress's products and services are particularly relevant to the Kenyan market, which is dominated by second-hand cars," points out Turner. "By backing the leading provider of after-market tyres, auto parts and services, we hope this investment will directly benefit East African consumers and businesses."

Peter Schmid, Head of Private Equity at Actis

With its own network of twenty well-equipped fitment centres in Kenya and Rwanda, AutoXpress is the market leader by some distance in the original equipment and replacement auto parts business in East Africa, commanding a large share of the market in the tyres, batteries, wheels and suspension part segments. It carries the widest product range and the largest stock in the region.

To date, Actis has invested $2,6bn in 64 investments across the continent. Current investments in Africa include Paycorp, a leading payments business in South Africa (R950m), Edita Food Industries: a leading snack food business in Egypt ($102m), Actom, South Africa's major electrical engineering, manufacturing, distribution and contracting company (R3,43bn), Alexander Forbes, EMPH and Vlisco Group.

Managing Director of AutoXpress Sandeep Shah said: "Actis's proven track record, industry experience and regional insights make them the right investor to support AutoXpress in its next stage of growth in East Africa, with additional stores planned for Kenya and our imminent entry into the Tanzanian market. We look forward to working with Actis's in-house Value Creation Group to assist in implementing our market strategy of expanding the products and services that our customers need." ◆

Reflections on the status of innovation in South Africa almost always end up at the door of venture capital and start-ups: how many deals were done recently, and can and do our start-ups find money to power their aspirations?

It's not all about the VCs

Stephan Lamprecht

The popular discourse on growth and economic prospects seemingly sides with sensational accounts of latest Silicon Valley gazillionaires, over traditional indicators of economic growth and productivity.

So, to play along then, how are we faring in the VC department? The quick answer - for a country primarily earning its keep from insanely deep mine shafts, and regular trips by foreigners up Table Mountain - almost always proves disappointing and the last two years have been no different: most SA VCs have been sitting out investment rounds, rather fine-tuning strategy and polishing internal processes. Some of the larger investors have not done any investments and neither have there been exits on the scale of VISAs $100 million acquisition of Cape Town based Fundamo, already some time ago.

Assimilating the wisdom outpoured from Twitter and ever-popular start-up conferences, we seem to love fuelling the hype. But where are the real success stories?

What about government? Well, national R&D output is still falling and we will not achieve the ANC's election targets of 1% R&D spend of GDP anytime soon, if ever. Where is the Technology Innovation Agency, government's endeavour to create a public entity dedicated to pumping money into the so-called innovation chasm? Let's just say the organisation itself is busy with yet another round of reengineering following several years of chasing its tail in trying to find a niche, while its former chairperson is now looking on as the leader of an opposition party.

The annual GEM (Global Entrepreneurship Monitor) reports make for depressing reading. Are the annual GEM reports correct in suggesting we simply suck when it comes to entrepreneurship? What happened to our culture of pioneering and the infamous 'Boer maak 'n plan' mentality that produced SASOL and an arms industry rivalling the Israelis?

Lamprecht

Creating and sustaining a start-up culture and promoting technological entrepreneurship are the type of undertakings that have dumbfounded advanced and seemingly successful societies. The Brits, French, the Scandinavians, even the Israelis are again doing the rounds in the Negev.

Creating so-called start-up eco-systems (an interconnected value-chain of ideators, commercialisation professionals, MBAs, VCs, public support and start-up friendly policies, to name a few) is extremely challenging and often misaligned with the real strengths and weaknesses of the economies in which such ambitions play out.

But how do the American VCs get it right then? They don't. Outside three primary locations (Silicon Valley, Boston and New York), America pursues innovation by throwing crazy amounts at entrepreneurs through the well-maligned industrial military complex. The US VC asset class as a whole made a net loss over the past decade.

More importantly, for our own considerations, is the reality that innovation is not limited to creating another Facebook or writing better Apps to predict betting probabilities for the Super 15. VC backed start-up technology ventures often account for very little of the overall innovation output of many growing economies.

Innovation is everywhere and most of it will not make the evening news or feature in discussion at Saturday's braai. The vast majority of innovation pertains to boring incremental improvements on business processes, new service innovations, or stretching brand reach to new and untapped markets. Technology is in fact a tool and in most cases only plays a small part in the overall commercialisation of new ideas.

Rather, on the African continent, South Africans are progressively building a reputation for promoting local brands and indigenous experiences that are in demand by the emerging post-liberation middle-classes, hungry for new identity and self-actualisation. The 'People with a taste for life' has become a descriptive of rib-eating families in East Africa. The number one rated luxury brand in the food and beverage sector in Angola, is not a Russian Vodka, but a Stellenbosch Dutch sounding sparkling wine (J.C Le Roux).

Similarly we should not underestimate the acumen and creativity that South African businesses, investors and executives display everyday to produce world-class products and services in a business climate fraught with ever-changing policies, contradictory incentives, and labour and market volatility that has ironically fulfilled ex-president Thabo Mbeki's vision of Business Unusual; although he probably meant something else.

In short, let's not pre-occupy the discussion around South African innovation by singling out one very small albeit important section of the economy that will forever remain challenging and, on the face of it, underperforming. Commercialising new technology and building thriving technology start-ups has been, and will remain, a fringe activity, let alone return above average ROI fundamental to lure more VCs towards setting up shop in Cape Town.

We have the talent and opportunity. Most of that talent is absorbed by the mainstay industries that anchor our economy. This is evident, too, in other developing economies like India and Brazil, as well as developed economies driven by sectors like mining and tourism. In such instances, including South Africa, talent not utilised by the primary industries is not allocated where we would like (e.g. high-tech/high-growth sectors), but rather absorbed by peripheral industries like franchises, consulting and entertainment – in other words industries that lure those with high entrepreneurial orientation, without excessive red-tape and barriers to entry, and without the need for scarce VC.

The drivers of entrepreneurship and subsequent innovation output in South Africa are essentially present – talent versus opportunity. It's a question of how we apply talent more productively. A truism uttered before goes that great societies don't have more, but simply waste less talent. We should value those with enterprising ideas and enthusiasm for disruption, and continue to build a system that draws on their ideas and efforts to deliver new industries and create local success stories such as what is happening already with Cape Town's tech sector and Joburg's JoziHub. We should also address the challenges facing this system, including access to funding so that more local talent will build high-growth industries and not be content with serving fast-food.

But VC is not the only way and neither will technology driven start-ups account for the mainstream of our domestic talent pioneering new markets and successes both locally and beyond the African continent. ◆

Lamprecht is the MD of Venture Solutions, an industrial engineer and adviser to start-ups, corporations, research labs and innovation support entities in the management of innovation and commercialisation.

PRIVATE EQUITY DEALS Q1 2014 – SOUTH AFRICA

NATURE	PARTIES	ASSET	ADVISERS	ESTIMATED VALUE	DATE
Disposal by	Times Media to Subcocept	Nu Metro Cinema division and Popcorn Cinema Advertising Sales	Arcay Moela; iCapital; PSG Capital; ENSafrica	R75m	Jan 6
Disposal by	Acorn General Fund 1	25% stake in Target Investments	Acorn Equity; VanderSpuy	undisclosed	Jan 13
Acquisition by	Investec Asset Management and The Carlyle Group	undiscolsed stake in J&J		undisclosed	Jan 24
Acquisition by	Acorn Agri from Thembeka Capital and Overberg Agri	23.6% stake in Overberg Agri	Acorn Equity; VanderSpuy	R189,3m	Feb 6
Acquisition by	MICROmega from Acorn General Fund 1 and Acorn Venure Technology Fund 1	56,67% stake in USC Metering	Acorn Equity; Merchantec Capital; VanderSpuy	R39,67m	Feb 7
Disposal by	AngloGold Ashanti to QKR Corporation	AngloGold Ashanti Namibia (Navachab Gold Mine)	Standard Bank; CIBC World Markets plc; UBS; ENSafrica; Webber Wentzel	$124,2m	Feb 10
Acquisition by	Nedbank Capital Private Equity	30% of Little Green Beverages	Nedbank Capital	undisclosed	Feb 10
Acquisition by	Old Mutual Private Equity	Stake in 10X Investments	Cliffe Dekker Hofmeyr	undisclosed	Feb 12
Acquisition by	Trinitas Private Equity and management (70%:30%)	The Auto Industrial Group		undisclosed	Mar 18
Disposal by	Corvest 2	42.2964% stake in Kwikot	Cliffe Dekker Hofmeyr	undisclosed	not announced
Disposal by	Corvest 2 to Pastral	4.4894% stake in Kwikot	Cliffe Dekker Hofmeyr	undisclosed	not announced
Disposal by	Corvest 2 to Ciral	0.4% stake in Kwikot	Cliffe Dekker Hofmeyr	undisclosed	not announced

PRIVATE EQUITY DEALS Q1 2014 – REST OF AFRICA

COUNTRY	NATURE OF DEAL	DETAILS	ADVISERS	ESTIMATED VALUE	DATE
Algeria	Acquisition by	Emerging Capital Partners of a 33% stake in Atlas Bollting Corporation		undisclosed	Mar 14
DRC	Investment by	XSML in Inzia		undisclosed	Jan 23
Egypt	Acquisition by	Abraaj Group (through Creed Healthcare) of 41.98% of Cairo Medical Centre		EGP75 per share	Feb 23
Egypt	Acquisition by	Abraaj Group (through Huxley Holdings) of Cairo for Investment and Real Estate Development		EGP20.5 per share	Feb 23
Ethiopia	Investment by	Acumen in Mekelle Farms, through majority shareholder AGFlow Ventures		undisclosed	Mar 14
Ghana	Acquisition by	Leapfrog Investments of a stake in Petra Trust		undisclosed	Jan 15
Ghana	Acquisition by	Amethis Finance and ERES of a minority stake in Fidelity Bank Ghana	Fidelity Securities; IC Securities	$35m	Feb 26
Ghana	Investment by	Duet Consumer West Africa in Shop N Save and GNFoods		$50m	Mar 13
Kenya	Acquisition by	Actis of a 36% stake in AutoXpress	Webber Wentzel	undisclosed	Feb 3
Kenya	Acquisition by	Acumen of an equity stake in Miliki Afya		$600 000	Feb 10
Kenya	Investment by	Agri-Vie in Kariki Group		$5m	Feb 12
Kenya	Acquisition by	TransCentury of all the shares in Cable Holdings held by Aureos East Africa Fund		share swop	Feb 26
Kenya	Acquisition by	Pearl Capital Partners of a minority stake in Eldoville Dairies	Horizon Africa Capital	KES200m	Mar 3
Rwanda	Investment by	Acumen in KZ Noir (convertible debt)		$1,2m	Jan 30
Tanzania	Acquisition by	Catalyst Principal Partners of a majority stake in heavy equipment rental and logistics firm, EFFCO		undisclosed	Feb 26
Zambia	Acquisition by	Standard Chartered Private Equity of a 25.8% stake in Copperbelt Energy		$57m	Mar 11

Local and International news

National news

The National Treasury and Financial Services Board (FSB) recently released the draft Regulations and related Explanatory Memorandum for hedge funds for public comment.

In 2012, South Africa, as a member of the G20, embarked on a process to enhance and expand the scope of regulation and oversight over hedge funds, following the Global Financial Crisis in 2008. This process culminated in the release for public comment, in September 2012, of the Treasury and FSB proposed framework for regulating hedge funds in South Africa.

The final Regulations will be effected through the existing Collective Investment Schemes Control Act, No. 45 of 2002 (CISCA), as a scheme declared by the Minister of Finance in terms of section 63 of CISCA. The declaration will also include those provisions of CISCA that will be applicable to hedge funds.

The intention is to finalise the Regulations by the second quarter of this year. However, this will be dependent on the nature and extent of the comments received, which could necessitate finalisation in the third quarter of 2014.

The draft Regulations are available on the websites of the Financial Services Board (www.fsb.co.za) and National Treasury (www.treasury.gov.za) for public comment. Comments should be submitted by no later than Friday, 23 May 2014 to:

Ms Tholoana Makhu (Senior Legal Advisor: Collective Investment Schemes), at email address tholoane.makhu@fsb.co.za or per facsimile to (012) 346 6533.

KPMG reports that the 2014 budget proposals herald some exciting changes, long lobbied for by SAVCA, for venture capital companies (VCCs). The relaxations and amendments may include, according to KPMG, making deductions permanent if investments are held for certain period of time; the transferability of tax benefits when investors dispose of their holdings; the increase of the total asset limit for qualifying investee companies; and the waiver of capital gains tax in respect of the disposal of assets. ◆

International

Hedge funds are coming off the worst start to a year since 2008, according to data released by global private equity and hedge fund tracker **Preqin**. The Preqin Hedge Fund Strategies benchmark is up 1.23% year-to-date. This is in contrast to both 2012 and 2013 when hedge funds achieved their highest returns in Q1, with quarterly returns of 6.07% and 3.76% respectively.

CBN News reports that the brightest rising star in Chinese private equity, the fastest growing private equity market in the world, is the grandson of a former Chinese president. Alvin Jiang, grandson of former communist party leader and Chinese president, Jiang Zemin, is only 28 years old but is already being hailed for his knack for landing lucrative deals in China. He is founding partner of Hong-Kong-based Boyu Capital, now reportedly one of the hottest firms in China. Boyu has attracted high-profile investors such as Asia's richest man, Li Ka-Shing, and Singapore's sovereign wealth fund, Temasek Holdings Private Limited. ◆