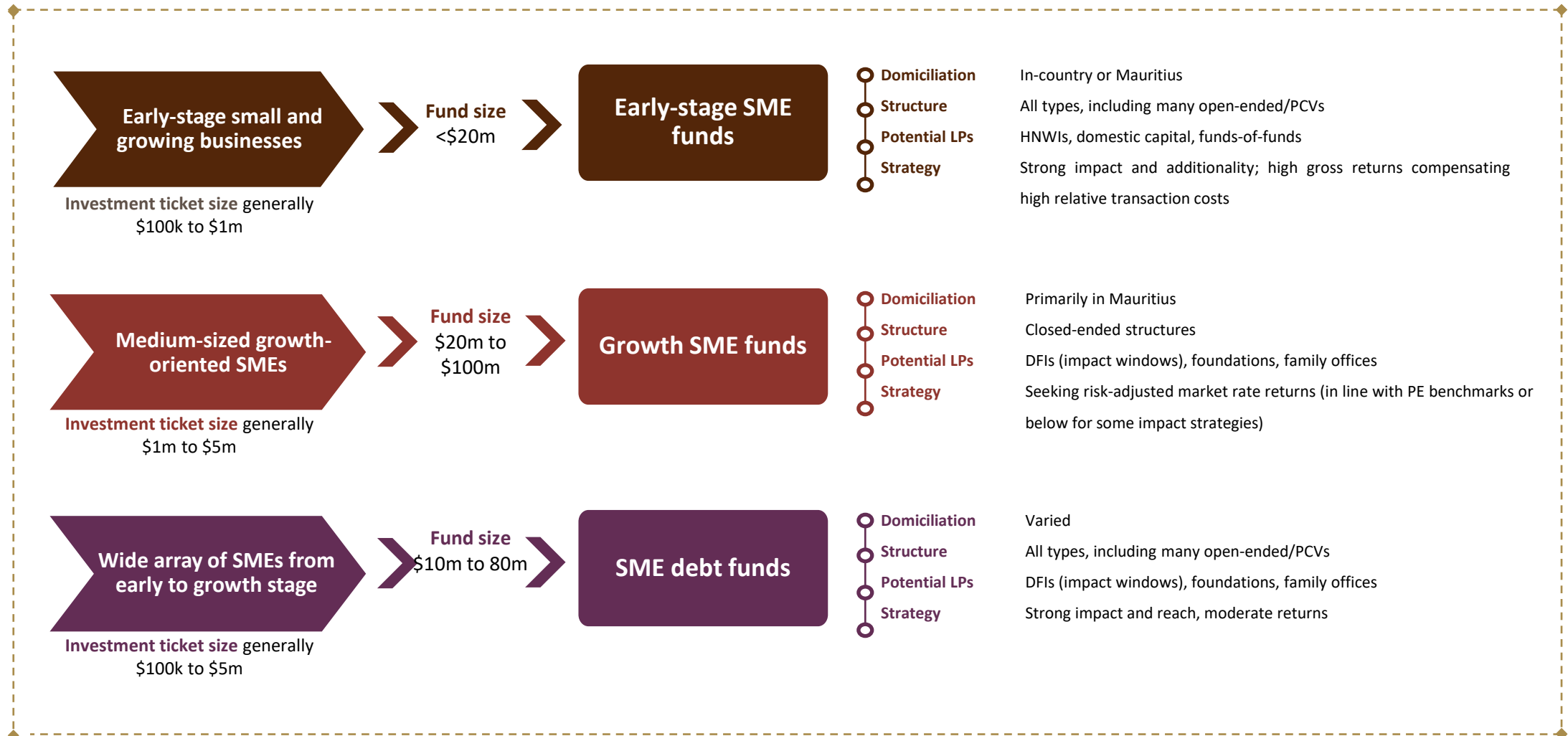


How can African SME funds mobilise more capital?



Data and lessons from pioneering LPs and GPs

Scope of the study



SME investors have changed, and so have the LPs that fund them

GPs

Few established GPs, most are newcomers

75% of African SME funds are led by emerging fund managers

A more African-led ecosystem

80% of SME funds led by African GPs

70% have raised African capital

The sector has become much more diverse

New geographies, asset classes and instruments

LPs

DFIs are constrained

Little capacity to invest in emerging fund managers and smaller fund sizes

New pools of capital are stepping in slowly

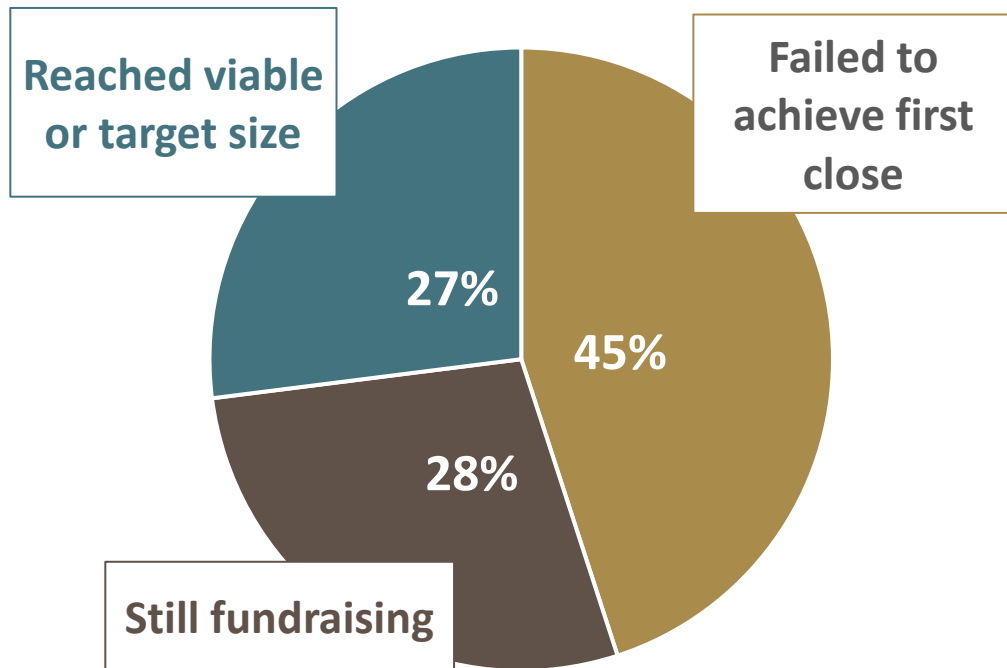
African capital, both private and sovereign; individuals; foundations; family offices

New catalytic capital funders are needed

Funds-of-funds and catalytic funds are key to unlock the new pools of capital at scale

The fundraising environment is not conducive, especially for emerging fund managers

MOST EMERGING FUND MANAGERS FAIL TO RAISE



AND THOSE WHO SUCCEED TAKE A VERY LONG TIME



Standard criteria of LPs do not match with emerging SME fund managers

“Lack of Track Record”

“We need 10-year liquidity”

“Lack of skin in the game”

“Solo GP”

“The fund structure is not according to benchmarks”

“Currency & country risk”

“We need a minimum 30m USD fund size”

“Lack of robust policies and frameworks”

“Fees above 2% are too high”

SME funds often choose to steer away from these benchmarks

Better matching fund structures with investment strategies

- ☀ Longer-term funds
- ☀ Permanent vehicles

Building more resilient management companies

- ☀ **Lean** teams with innovative models
- ☀ Higher fees, lower hurdle
- ☀ **Partnerships** for investment readiness and portfolio management

Experience shows that breaking the mould can yield returns: the example of IPDEV

The sponsor fund IPDEV will soon celebrate its **10th anniversary**

IPDEV sponsored 7 funds that combine challenges as they are **PCVs**, with **small fund sizes** <\$8m, **country-specific**, led by **first-time fund managers** and making equity investments of \$100k to \$500k into **early-stage SMEs**.

- Promising financial performance of these funds, with average **MOIC of 2.5x** and average **TVPI of 1.8x** (average portfolio age of 6 years).
- **71 African investors** were mobilised, leveraging **6x** IPDEV's commitment; less than 10 international investors
- **200 early-stage SMEs** were financed (~60 equity investments, ~140 seed funding).



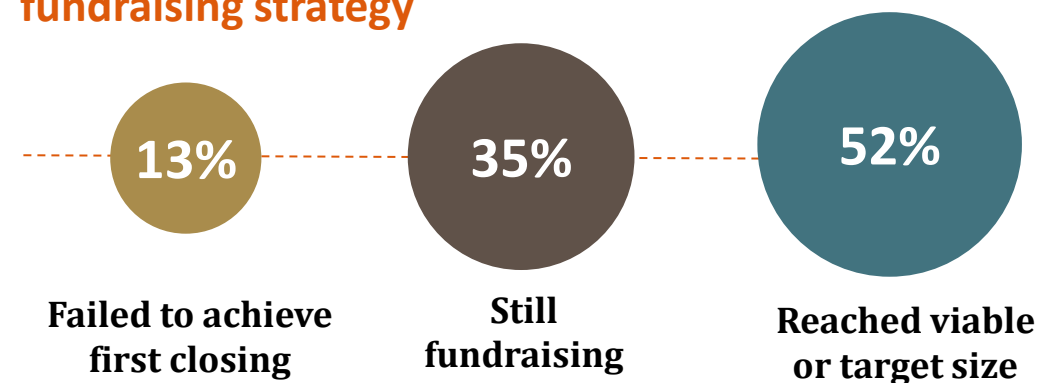
IPDEV sponsored funds in Africa

Successful emerging fund managers have to adopt heterodox fundraising strategies

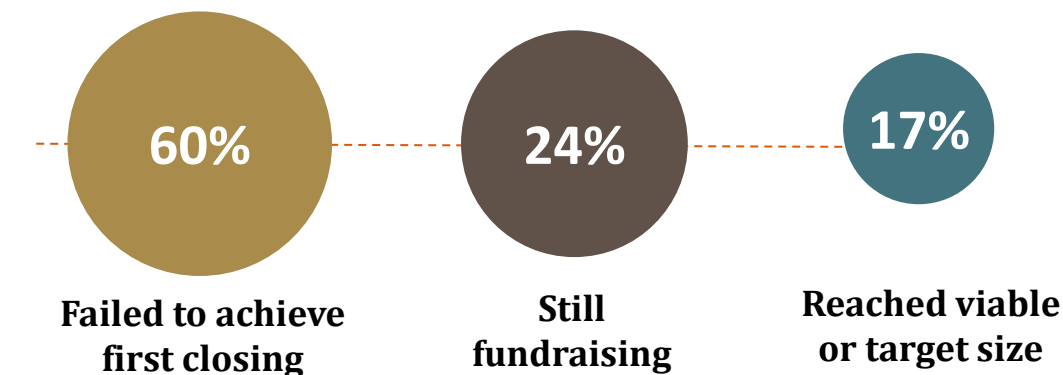
FUNDRAISING PROGRESSIVELY HAS BECOME A MUST

- 1. Building track record first as a team** with warehousing capital, a donor project, or angel/individuals capital
- 2. Finding an anchor** is a necessary second step
- 3. Raising the rest by targeting new pools of capital** such as African capital, both public and private, HNWIs and US/EU family offices and foundations.
- 4. Partnering with a sponsor or platform triples chances for GPs** to achieve a viable fund size; and joining forces among GPs also improves outcomes.

Emerging fund managers that adopted a progressive fundraising strategy



Emerging fund managers that did not adopt a progressive fundraising strategy



| Willing to receive the full report in January 2025?



You can scan the QR code to fill in the form and receive the full report in January 2025.

We look forward receiving your feedback to improve this capitalisation work.

