

Privately equitable and ad-Venture-ous: News from the Cape

March 2020

Group Partner and Head of the firm's Corporate, Finance and Funds team, Paul Wilkes recently travelled to Cape Town for the South Africa funds roadshow. Paul shares his thoughts from the trip below:

I am sitting comfortably (for now) in my seat, on BA2040 Cape Town to Gatwick after a busy week in the warm and welcoming South Africa. Time spent with fellow delegates from Guernsey learning, always learning, about the local market and spreading the good word about the role Guernsey plays in supporting it; and there is so much more that can be done.

In the midst of a pandemic (in both the medical and media-frenzy sense), with markets shaking and shuddering more than the Boeing 777 underneath me, it was refreshing to reflect on the long-run opportunities for a continent that will be home to seven of the world's twenty most populous nations by 2050.

This time round, in addition to meeting with friends new and old in both Johannesburg and Cape Town, we attended the SAVCA conference in Stellenbosch. It's safe to say that the southern African private equity and venture capital ecosystem is vibrant, active and diverse. Taking place in the same week as SuperReturn Berlin, it's safe to say the same conversations were taking place about the search for returns, valuation challenges and exit strategies in both hemispheres. For completeness, however, here are a few of the themes that came up in my discussions with fund managers, allocators and investors.

Key asset classes

There was a bit of everything (as one would hope in a functioning economy), but the repeating strategies were: infrastructure, education, healthcare and agriculture. Finally, and perhaps of comfort for some, there was a healthy supply of talk about FinTech, AgriTech, BioTech and [insert your favourite]Tech. Kids these days ...

Infrastructure followed China's belt and road initiative (as we all do), but was much broader - reflecting the impending demographic dividend across the continent. Healthcare and education was both private service and the extended supply chain.

Impact investing

Investing for impact was a prevalent theme both in and out of the official sessions. Impact being taken in its broadest sense: sustainability and climate change; financial inclusion; access to waste and healthcare; gender empowerment and more. If you have an SDG, there is an urgent and lasting business case right here and right now to attack it. And attack it profitably. Yemi Lalude of TPG was at pains to say that their \$2.2 billion Rise Fund, focussing on impact investment had a few key missions: to prove that you can impact invest at scale and prove that impact investing does not mean lower returns.

The demise of Mauritius

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As the private equity and venture capital sector continues to draw international attention and demand, the historical preference for Mauritius as the fund domicile is being challenged. Investor comfort, time zone challenges, talent scarcity and a diminishing tax benefit (including direct tax leakage in the island and a weakening tax treaty network) have led managers to look to more established fund centres, such as Guernsey, for long term stability. And Guernsey is ready and willing with the capacity, regulatory regimes and hunger to lend a hand.

So, all in all, another exhausting but exhilarating trip down under(ish). Already planning our next adventure, which cannot come soon enough.

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