TRENDS SHAPING AFRICAN INVESTMENT

2024 IN REVIEW

The challenge of securing capital for new and successor funds has intensified, prompting more agile fund managers to innovate and adapt. Several key trends (in particular the below) have emerged over the past 18 months, shaping the African investment fund landscape for 2025 and beyond.

IMPACT INVESTING

There is heightened international investor interest in funds that combine financial returns with positive social and environmental impacts. Sectors like renewable energy, agriculture, education and healthcare are particularly attractive. This trend is expected to gain further momentum in Africa.

DIGITAL TRANSFORMATION

The rise of technology across Africa is leading to increased and significant investment in fintech, e-commerce, and digital infrastructure. With Africa's young, tech-savvy population and increasing internet penetration, fintech solutions that address financial inclusion are likely to be a major focus for private equity and venture capital investments on the continent. Funds targeting these sectors are likely to see strong interest.

INFRASTRUCTURE DEVELOPMENT

Given Africa's pressing infrastructure needs, including economic and social infrastructure, and the global shift towards sustainable energy, funds focused on transport, energy, water sustainability, and communication infrastructure are increasingly popular. These sectors are emerging as critical investment areas, especially considering Africa's climate and its vast potential in solar, wind, and hydropower.

AGRICULTURE AND AGRI-TECH

As food security becomes a growing concern, investment in African agriculture and related technology is expected to increase. Private equity firms are likely to focus on scalable agri-tech solutions that enhance productivity and value chains across the continent.

REGIONAL SPECIALISATION

Investors are showing growing interest in funds specialising in specific African regions, particularly those with stable political climates and strong growth prospects.

ESG INTEGRATION

Environmental, Social, and Governance (ESG) criteria are increasingly important for investors, especially development finance institutions. Investors are more focused on ensuring that their investments align with sustainable development goals, which could shape the types of businesses receiving funding. The integration of ESG factors will likely become more pronounced, and funds that successfully incorporate ESG into their investment process and deliver demonstrable impact are more likely to attract capital inflows.

CONSOLIDATION

Increased consolidation appears to be a persistent trend in the market, driven by global fundraising difficulties, high operating, regulatory and compliance costs and economic and policy uncertainty in Africa. Larger manager houses are increasingly buying out smaller players or merging operations with managers in other geographies to expand their reach and attract capital and stand out in a crowded market.

EXIT STRATEGIES

An on-going theme with private equity funds in Africa (and other emerging markets) has been exits. Economic uncertainties have led to many funds holding onto assets longer than anticipated. With a spate of delistings, exits through initial public offerings remain limited. However, strategic sales, secondary buyouts, trade sales and rollover or *continuation funds* are becoming more common as private equity firms seek liquidity. Private equity firms are also progressively undertaking more active portfolio management to ensure their assets are exit-ready.

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