

# Unlocking Capital for Emerging Female Investment Vehicle Managers in Africa



Maitri Capital | June 2024



Implemented by



## Executive Summary

### Unlocking Africa's untapped potential: Female-led investment vehicles and the track record challenge

This report sheds light on a critical but an underutilized resource within Africa's investment landscape: the immense potential of female Investment Vehicle Managers (IVMs). Based on a survey of 51 IVMs across Africa (31 women and 20 men), the findings show a wealth of qualified female talent. However, a significant obstacle hinders their ability to contribute fully to the investment ecosystem: ***the challenge of building a verifiable track record<sup>1</sup> of portfolio investments in order to attract investors.***

This report delves into the complexities surrounding track record development for female IVMs and explores the specific difficulties they encounter when raising capital for their investment vehicles. Beyond this, we propose potential solutions informed by the insights from the survey.

#### The challenge: breaking the time and funding barrier

- Building a track record typically takes over 18 months (for all IVMs), often requiring full-time dedication (only 29% of female IVMs are able to work full-time on their investment vehicles).
- This creates a "funding catch-22": capital is needed to build a track record portfolio, but a track record portfolio is needed to secure capital.
- Female IVMs are particularly disadvantaged, often relying on personal resources, impact investors, or friends and family to bootstrap initial investments.

#### The solution: a dedicated warehousing facility tailored for female IVMs

- This facility will address both the track record time trap and the "funding catch-22." By providing crucial seed capital and technical assistance, female IVMs can demonstrate their investing skills to build a verifiable track record portfolio, overcoming the current barrier to entry.
- The technical assistance can assist in portfolio management training, governance, and risk management exercises to strengthen investment outcomes.

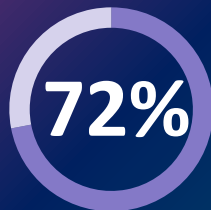
#### Potential benefits of the warehousing initiative

- Empowering female IVMs to launch successful and impactful investment vehicles and increasing capital deployment to female-led and gender-diverse enterprises throughout Africa.
- Fostering a more inclusive and prosperous investment ecosystem across the continent and enhancing performance as studies demonstrate a correlation between gender diversity and superior investment returns.

1. Track record: A showcase of an IVM's historical performance and expertise, providing potential investors with insights into an IVM's ability to generate returns and manage risk.

## Executive Summary: Key Findings

### Track record hurdle



of all IVMs agree they would not have secured initial funding without a track record.

18+

It takes 18+ months for all IVMs to build a track record.

### The capital conundrum



84%

of IVMs used their own capital and funds from family and friends, which is often limited.



47%

use expensive open-ended funds and special purpose vehicles.

### The part-time challenge

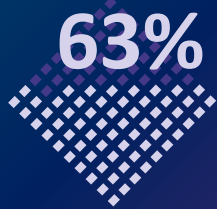


of IVMs work full-time on their ventures, meaning that many IVMs work other full-time jobs or rely on part-time work to supplement their income.

### High number of track record investments needed for funding



of established IVMs<sup>[1]</sup> needed 10+ track record investments.



of emerging IVMs<sup>[2]</sup> plan to make 5+ more investments before raising capital.

### Mis-match with investment thesis, track records don't align with updated investment strategy



of IVMs experience misalignment between track record and updated investment thesis.

Reasons for changing investment thesis include early-stage experiments, shifting market landscapes in regulation, technological advancements or economic trends, investor preference shifts, and capital allocations.

This translates into a cycle: Capital is needed to build a track record portfolio, but a track record portfolio is needed to secure capital.

### A concerning disparity - male IVMs have significantly larger track records

4.5x

Male IVM track record portfolios are 4.5 times larger than their female counterparts.

Apart from gender bias and risk aversion to emerging female IVMs, network effects play a strong part, especially if emerging female IVMs have limited networks to investors and deal flow.

### Lack of support structures for emerging IVMs

60%

of IVMs have reported limited availability of warehousing facilities for emerging IVMs.

Existing mainstream warehousing facilities are underfunded, difficult to access, have stringent conditions, and are not designed to meet the needs of emerging IVMs.

1. *Emerging IVMs: IVMs who do not have an investment vehicle yet but will be setting one up and are using a special purpose vehicle, an open-ended vehicle, a warehousing facility, or doing direct personal investments.*
2. *Established IVMs: IVMs managing operational investment vehicles that are either currently fundraising or closed to new investors.*

# Executive Summary: Findings from IVM interviews and focus groups



## Embrace open communication and co-develop realistic expectations with investors

Align expectations to ensure successful partnerships between IVMs and investors on all aspects of the investment vehicle.

While exits are a crucial part of the investment cycle, open communication about exit timelines and expected returns is essential.



## Localized models are key for success and local investors are crucial for supporting IVMs

Africa's evolving market needs a nuanced approach, as "one-size-fits-all" investment models often fail. IVMs advocate for localized models that are tailored to African ventures.

Greater local investor participation is crucial to support new managers, spark interest, and attract foreign capital.



## Consider the overlap between team and individual track records

IVMs advocate for acknowledging that there is an overlap between team and individual track records and exploring ways to combine or separate them for a comprehensive picture of their capabilities.



## Provide clear and actionable feedback to boost alignment

IVMs emphasize the importance of investor feedback on the overall approach and track record. Feedback is crucial for refining strategies and aligning with investor expectations.



## Expand the talent pool with diverse expertise

The current system overlooks the valuable skills of those transitioning from private equity to venture capital. IVMs advocate recognizing this cross-disciplinary expertise to help accelerate the development of track record portfolios.



## Support greater access to networks for quality deal flow

Emerging IVMs with less established networks face difficulties in sourcing high-quality investment opportunities, hindering the creation of a strong portfolio.



## Recognize that data scarcity is still a hurdle

Data-driven decision-making is increasingly important for investors. However, incomplete data on African companies hinders thorough due diligence and makes it challenging for IVMs to comply.

## Executive Summary: Recommendations

1



### Establish Dedicated Warehousing Facilities

Establish warehousing facilities to revolutionize the landscape for female IVMs, facilitate the creation of track record portfolios, and enhance awareness through targeted programs.

2



### Form Strategic Partnerships

Diverse teams with female representation and local partnerships can help unlock wider perspectives and mitigate risk, leading to successful investment in Africa.

3



### Increase the Amount of Patient Capital

Impact investors can empower female IVMs and fuel Africa's growth by providing increased access to patient capital, technical support, and first-loss guarantees.

4



### Develop Deep Expertise

Develop tailored programs for specific investment stages to allow female IVMs to build deep expertise and a targeted track record.

5



### Offer Part-Time Options

Offer flexible work options, like part-time venture building, to help empower aspiring female IVMs to build their careers while maintaining income.

6



### Build Income Support Programs

Build income support programs that provide financial security for female IVMs, allowing them to dedicate themselves full-time to building a track record and their investment business.

7



### Create a Supportive Ecosystem

Offer flexible timelines for exits to foster a supportive environment for the long-term, sustainable growth of female IVMs.

8



### Accept Flexible Investment Strategies

Allow IVMs to make limited investments outside their core focus area without derailing their overall strategy to demonstrate their capabilities and capitalize on opportunities.

9



### Implement Mentorship Programs

Build strong industry networks with mentors, investors, and entrepreneurs to provide valuable support, mentorship, and guidance for female IVMs.

# Acknowledgements

This report represents the collaborative efforts of Advancing Women in Investing (AWI) and Maitri Capital, supported by the Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) under the Make-IT in Africa program. Make-IT in Africa is implemented by Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH on behalf of the German Federal Ministry for Economic Cooperation and Development (BMZ).

We extend our heartfelt gratitude to all the Investment Vehicle Managers (IVMs) who participated in the survey and contributed essential data for this report. Their cooperation and willingness to share their insights and experiences were invaluable to the success of this study.

## About us



Make-IT in Africa believes in the catalytic power of African innovation and digital technologies for green and sustainable development. In close collaboration with digital visionaries like startups, innovation enablers and political partners, we empower African innovation ecosystems. Together, we aim to strengthen an environment in which the full potential of African digital innovation can unfold. Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH implements this project on behalf of the German Federal Ministry for Economic Cooperation and Development (BMZ)

Advancing Women in Investing (AWI) is a collaborative network of first-time and emerging female managers focused on frontier and emerging markets who support each other to share learnings, co-invest and raise capital. AWI accelerates the development and growth of talented female capital movers to ensure a diverse, equitable and inclusive investing ecosystem globally. We help break through the barriers holding women back from equal representation and make something moving at a slow pace, go faster.

Maitri Capital is an impact investment, corporate advisory and research firm with a focus on Africa. We work with companies, investors, entrepreneurs and organisations operating in, or with an interest in Africa.

Our expertise encompasses corporate finance and transaction advisory (mergers and acquisitions, capital raising, valuation, due diligence, strategic reviews, and investor readiness), financial and management consulting, and in-depth research and data analysis (market research, impact assessments, monitoring and evaluation studies, market entry strategies, and business analytics).

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