

# How can capital allocators invest in more first-time and female fund managers?



# Why invest in first time fund managers?

Investing in first-time fund managers presents a dual opportunity, strong financial returns and greater diversity in private capital. Yet, institutional investors often hesitate, citing limited track records and perceived risks. These barriers disproportionately affect women, who are more likely to lead first-time funds. Project Sage 4.0, a gender-lens investing report by Wharton Business School, found that 65% of gender-lens funds, typically led by women, were raising their first fund.

Failing to back diverse and first-time fund managers is not just a diversity issue; it reflects a fundamental inefficiency in capital allocation. Despite managing less than 2% of global assets, women and diverse fund managers consistently deliver strong results, with gender-diverse teams generating 10 - 20% higher returns on average.

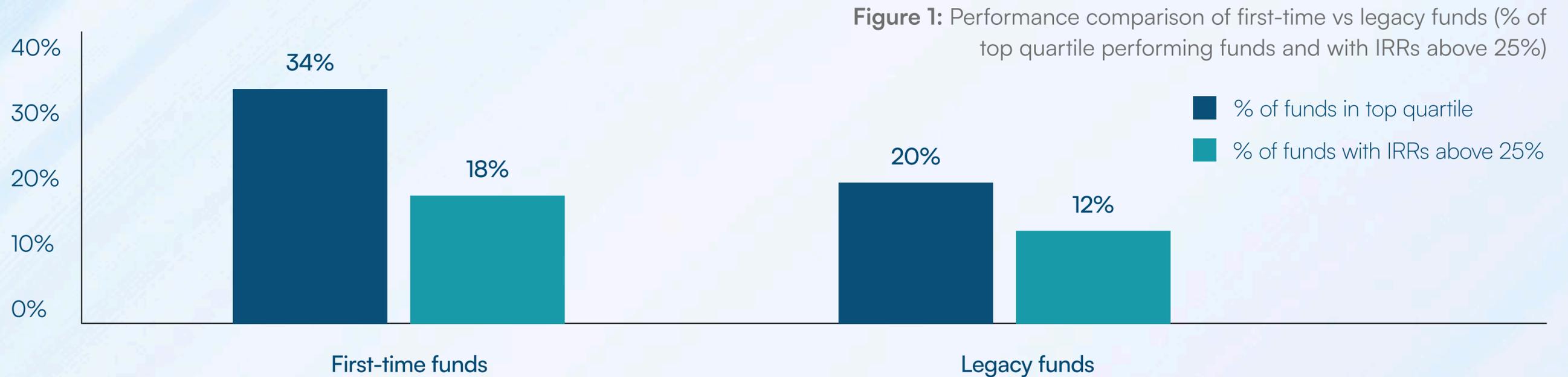
From our research there are only 39 funds in the entire continent that have achieved a final close since 2008 with hundreds more female led funds still fundraising. Persistent exclusion from capital flows limits investor access to differentiated strategies, overlooked markets, and proprietary deal flow. Ignoring this opportunity is not only a missed chance for alpha, but also a failure to allocate capital where it can perform most effectively.

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# First-time funds consistently outperform legacy funds



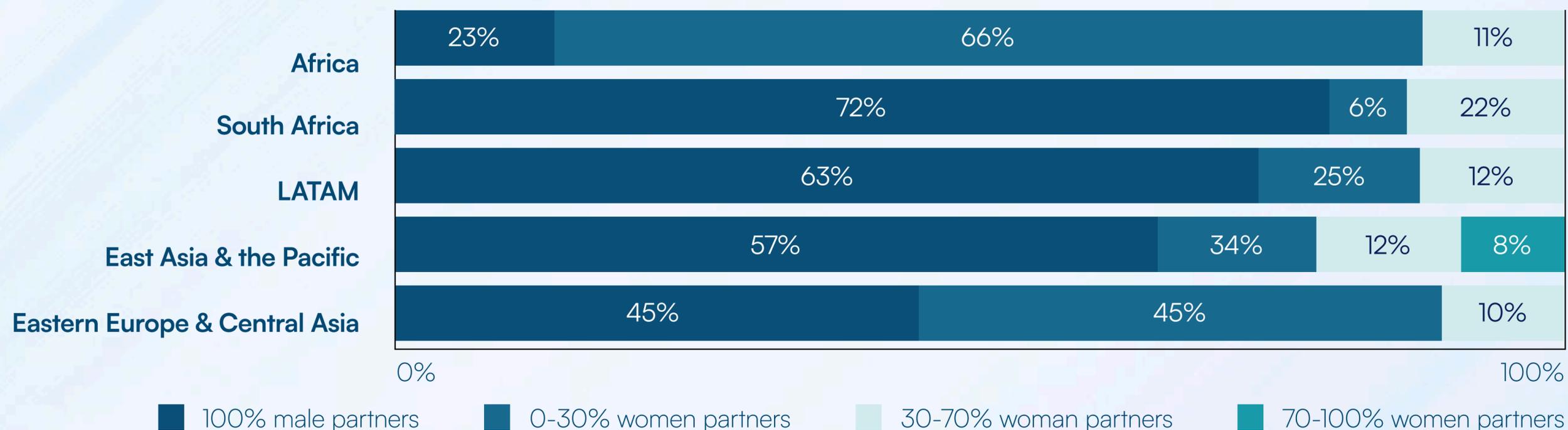
Data from Preqin challenges the perception that first-time funds are riskier, showing they consistently outperform legacy funds with higher median net IRRs. Up to 34% achieve top-quartile performance (vs. 20% for legacy funds), 18% deliver IRRs above 25% (vs. 12% for legacy funds). This performance advantage is a compelling data point for capital allocators who hesitate to back first-time managers.

The outperformance is often attributed to factors such as:

- ⊕ Smaller fund sizes, which allow for greater focus and agility;
- ⊕ Higher incentive alignment, since first-time GPs are typically more invested in proving themselves, and
- ⊕ Niche or innovative strategies not pursued by larger, more established players.

# Failure to back first-time fund managers disproportionately affects women

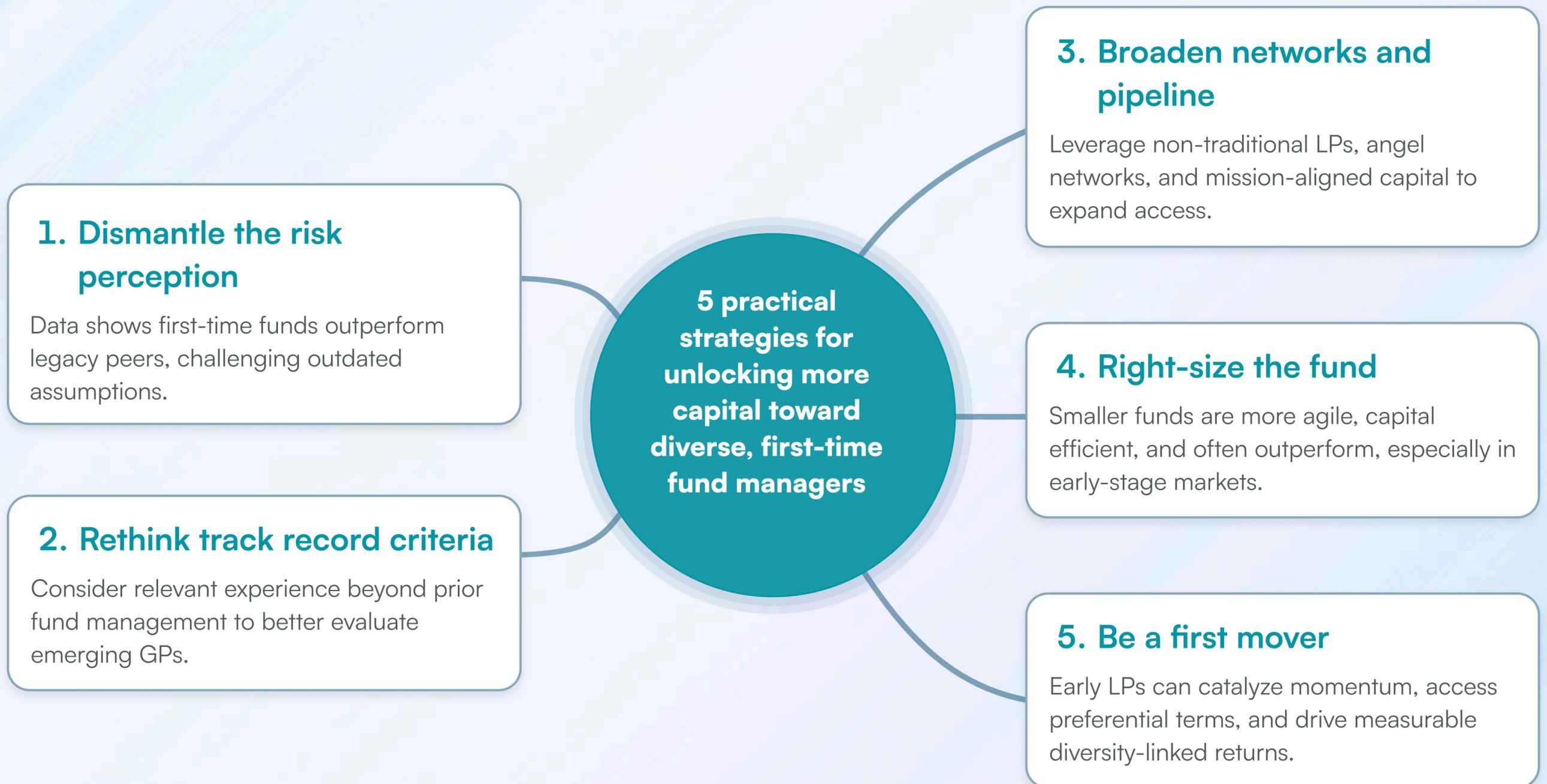
Figure 2: Female representation among General Partners



The stark disparity in gender representation at senior levels of fund management, particularly in Sub-Saharan Africa, underscores the importance of rethinking how capital allocators identify and evaluate emerging fund managers. IFC research reveals persistent gender disparities in African private equity, 89% are male dominated, only 11% are gender-balanced, and very few are female-dominated.

These gaps stem from systemic barriers such as limited access to investor networks, rigid track record requirements, and bias toward established, male-led firms. However, female-led first-time funds are delivering strong returns, underscoring a missed opportunity. Investing in these managers is not just a diversity effort but a data-backed strategy to generate alpha, strengthen the investment ecosystem, and drive social impact in African communities.

# How can institutional investors invest in more first-time and female fund managers?



# 1. Dismantle the risk perception

Institutional perceptions of risk must evolve, as first-time funds are not only delivering strong returns globally but gaining traction in Africa.

Figure 3 shows their share of capital raised in Africa nearly doubled from 19% (\$337 million) in 2022 to 35% (\$700 million) in 2023, even as legacy fund capital declined. Notably, in the \$100–250 million range, first-time managers secured 82% of total capital, signalling growing LP confidence in their capabilities, local insight, and differentiated strategies.

These emerging managers offer fresh perspectives and lean, performance-driven models that challenge outdated assumptions about risk. The data shows capital is already shifting toward this high-potential segment.

The opportunity now is for more LPs to move earlier and more decisively in backing diverse and agile first-time fund managers.

**Figure 3:** Share of first-time fund managers in total AUM raised in Africa



## 2. Rethink track record criteria

First-time fund managers are often excluded from capital allocations due to the absence of prior fund performance, yet this narrow view of “track record” ignores relevant experience gained in roles such as investment banking, private equity, or angel investing. Many emerging managers in Africa possess strong deal execution histories, but their capabilities are overlooked simply because they have not previously managed institutional capital. Traditional due diligence frameworks reinforce these structural barriers, contributing to a highly concentrated asset management industry. According to Knight Foundation, white male asset managers control 98.6% of the over \$80 trillion in assets under management, reflecting the reinforcement of exclusion through subjective criteria and network-driven deal flow. Initiatives like the Due Diligence 2.0 commitment aim to challenge this legacy system by advocating for more inclusive and equitable evaluation standards.

Examples like Aruwa Capital show how early belief in first-time, female-led funds can drive institutional momentum. Aruwa secured backing from private individuals and then foundations in its first fund, paving the way for later support from British International Investment and EDFi ElectriFi in Fund II. This demonstrates the catalytic role of early capital, with a strong signalling effect that unlocks broader institutional support. To drive real innovation and diversity in the ecosystem, capital allocators must move beyond legacy credentials and recognize the value of relevant experience, differentiated strategies, and long-term potential.

Only **1.4%** of over **\$80** trillion in AUM is controlled by **women and minority managers**

Some notable Limited Partners in Aruwa Capital



### 3. Broaden networks and pipeline

Traditional LP networks remain largely male-dominated, making them difficult for first-time and diverse fund managers to access. To break through, emerging managers must proactively build investor pipelines that align with their strategy and values. Platforms such as 2X Global, Toniic, Align Impact, Rally Assets and others are helping to bridge this gap by connecting underrepresented GPs with impact-driven LPs through pitch sessions, office hours, and curated showcases.

Beyond institutional LPs, non-traditional capital sources have played a critical role in seeding early-stage managers. Angel networks like Rising Tide Africa, Dazzle Angels and ABAN, and family offices have provided catalytic capital, validation, and flexibility. These early partners not only de-risk emerging managers for future investors but also help signal credibility to larger institutions. Furthermore, early non-traditional investors offer not just market validation, but also non-monetary additionality through mentoring, operational guidance, and introductions to larger institutions.

By expanding beyond conventional LP circles, first-time fund managers can tap into mission-aligned capital, build stronger relationships, and increase their chances of long-term success. In doing so, they also help reshape the investor ecosystem to be more inclusive and reflective of the markets they serve.

Platforms connecting  
underrepresented GPs

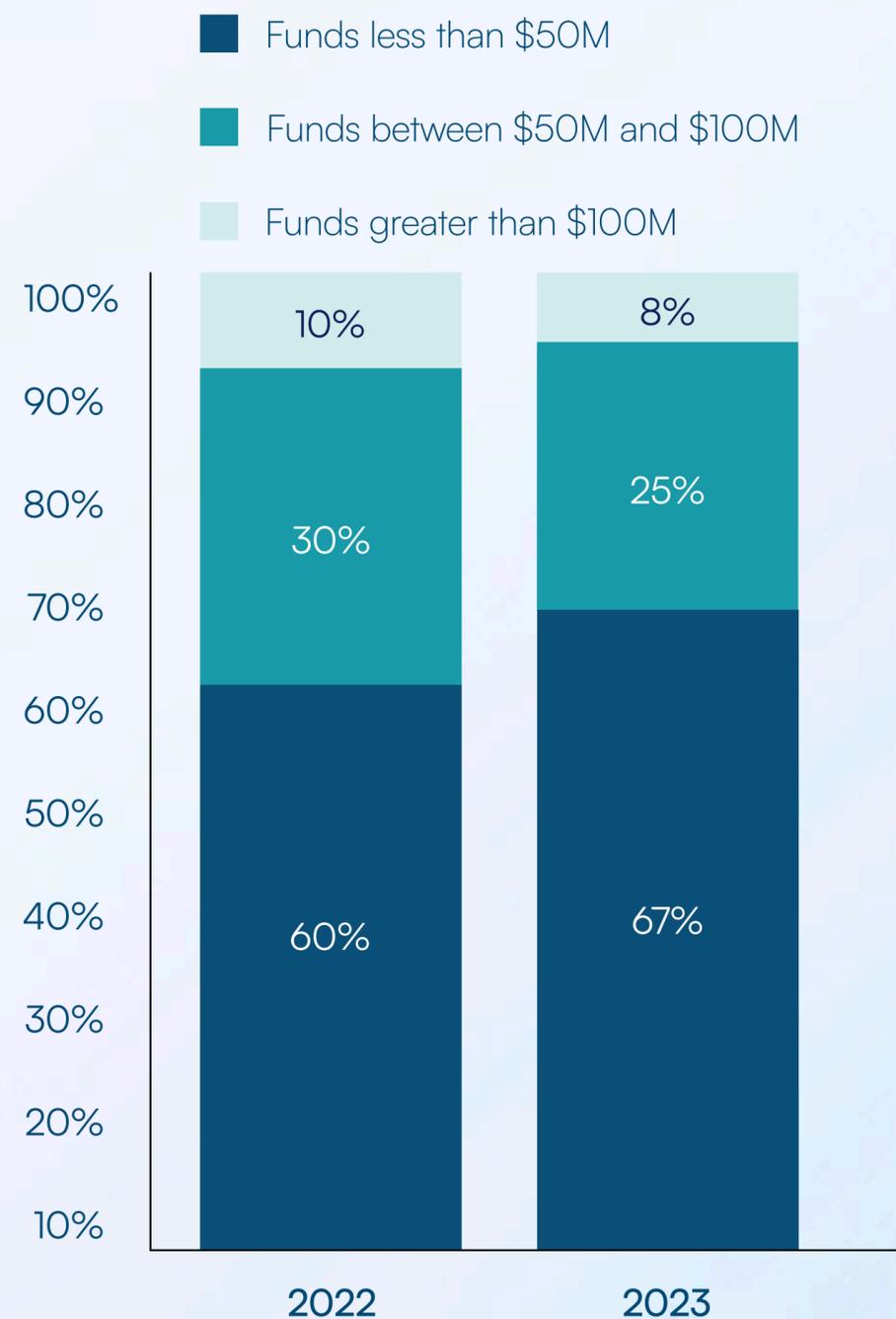


## 4. Right-size the fund

Smaller fund sizes are often overlooked by large LPs, yet they consistently outperform. In Africa, most first-time funds close below \$100 million, with many under \$50 million, according to AVCA's 2023 African Private Capital Activity Report. Right sizing the fund helps build a credible track record aligned with a coherent investment strategy and allows LPs to de-risk commitments.

In both 2022 and 2023, the majority of funds raised were under \$50 million, accounting for 60% and 67% of total funds raised respectively. This trend underscores the fact that smaller fund sizes dominate the market, particularly among first-time and emerging managers.

Despite often being overlooked by large institutional LPs, these sub-\$50 million funds continue to attract a significant share of capital. This demonstrates a preference for leaner, more agile vehicles, especially those tailored to early-stage investing or underserved geographies.



**Figure 4:** Distribution of funds raised in Africa by size

# 4. Right-size the fund (cont'd)

Figure 5: TVPI distribution by fund size and vintage year (2017 — 2022)

| Vintage Year | 25th Percentile |             |         | 50th Percentile |             |         | 75th Percentile |             |         | 90th Percentile |             |         |
|--------------|-----------------|-------------|---------|-----------------|-------------|---------|-----------------|-------------|---------|-----------------|-------------|---------|
|              | under \$25M     | \$25M-\$99M | \$100M+ |
| 2017         | 1.2x            | 1.1x        | 1.6x    | 1.9x            | 1.6x        | 2.4x    | 2.6x            | 2.0x        | 2.5x    | 3.8x            | 3.5x        | 2.7x    |
| 2018         | 1.2x            | 1.1x        | 1.0x    | 1.5x            | 1.4x        | 1.3x    | 2.1x            | 1.8x        | 1.3x    | 2.9x            | 2.7x        | 1.6x    |
| 2019         | 1.0x            | 1.0x        | 1.0x    | 1.2x            | 1.4x        | 1.2x    | 1.6x            | 1.8x        | 1.3x    | 2.1x            | 2.2x        | 1.5x    |
| 2020         | 0.9x            | 0.9x        | 1.0x    | 1.1x            | 1.1x        | 1.2x    | 1.6x            | 1.2x        | 1.5x    | 2.4x            | 1.5x        | 1.7x    |
| 2021         | 0.9x            | 0.9x        | 0.8x    | 1.0x            | 1.0x        | 1.0x    | 1.1x            | 1.0x        | 1.0x    | 1.4x            | 1.2x        | 1.2x    |
| 2022         | 0.9x            | 0.9x        | 0.8x    | 0.9x            | 0.9x        | 0.9x    | 1.0x            | 1.0x        | 1.0x    | 1.1x            | 1.2x        | 1.0x    |

Smaller funds, particularly those under \$25-50 million, consistently outperform larger peers at the upper end of the return distribution. From 2017 to 2022, these funds posted stronger TVPI multiples at the 75th and 90th percentiles, with 2017 vintage sub-\$25 million funds achieving a 3.8x TVPI at the 90th percentile compared to 2.7x for \$100 million+ funds. This pattern persists across years, with 2019 and 2020 small funds outperforming in top quartiles and staying competitive at median levels. In contrast, larger funds have shown weaker returns, particularly in recent vintages.

To unlock more capital for first-time managers, LPs can adopt strategies like fund-of-funds and co-investment structures that diversify exposure and mitigate perceived risk. These approaches support smaller funds while signalling market confidence. The key takeaway is to prioritize fund strategy, performance potential, and long-term value creation over rigid size thresholds, as smaller funds often deliver outsized returns and early access to high-growth opportunities.

## 5. Be a first mover

First-time fund managers often face delays in reaching first close, as investors hesitate to commit early without others on board. LPs can play a catalytic role by anchoring early with commitments, first-loss capital, or operational support, unlocking broader institutional interest. Early backers gain strategic advantages such as preferential economics, co-investment rights, and stronger alignment. Mastercard Foundation Africa Growth Fund, the \$200 million fund of funds for funds in Africa has played this anchor role for a number of funds in the continent. We need more fund of funds structures seeding first time fund managers.

According to IFC’s Moving Toward Gender Balance 2025 study, gender-balanced funds delivered up to 22% higher net IRR, and portfolio companies with gender-diverse leadership saw 64% growth compared to 55% in others.

Backing gender-diverse teams also delivers measurable performance upside. Funds with 30–70% female partners achieved a 15.4% net IRR, outperforming those with less than 30% women, which returned 12.6%, despite similar TVPIs. These results strengthen the business case for diversity as a driver of alpha. For LPs, early support of gender-diverse first-time funds is not only catalytic but a strategic edge for outperformance in a competitive market.



**Figure 6:** Return difference between gender balanced and non-gender balance funds

# Conclusion



**To get more women managing capital, we must invest in more first-time fund managers**

Aruwa Capital is an example of a success story of a female led and female founded fund delivering strong financial returns through a differentiated gender lens investment strategy. Having mobilized capital from a number of blue-chip institutional investors across two funds, Aruwa Capital aims to showcase the untapped potential of first-time female led fund managers once they are provided with the opportunity. We hope this report helps to encourage more institutional investors to back more first time and female fund managers globally.



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