

## **FUTUREGROWTH TO ESTABLISH HIGH GROWTH DEVELOPMENT EQUITY FUND**

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Futuregrowth has announced its intention to launch its Futuregrowth High Growth Development Equity Fund (HGDEF), targeting investments in early-stage businesses that will have a strong developmental impact. The Futuregrowth HGDEF will form part of Futuregrowth's suite of developmental investment funds which cover a range of impact areas such as infrastructure, social services, clean power, agriculture, regional development, and more.

Futuregrowth is a leading developmental investor and South Africa's eighth largest asset management firm, with over 50 fund products, more than 25 years of track record, and a staff complement of over 100. The Futuregrowth HGDEF will sit alongside the Futuregrowth Development Equity Fund (DEF), which has accumulated a 16-year track record of investing in developmental unlisted equity. "Through the DEF, we have been investing in early-stage equity transactions for over nine years" says Amrish Narrandes, Head of Private Equity & Venture Capital at Futuregrowth.

"We have been considering an early-stage equity fund for several years, watching the evolution of the South African market, considering South Africa's strategic position for disruptive enterprises, and investing in several high-growth equity transactions" said Andrew Canter, Chief Investment Officer of Futuregrowth, "and we believe the time is right for a risk-seeking offering".

The DEF currently has over R3.4 billion under management, of which R500 million relates to developmental early-stage investments. This portion includes disruptive financial technology (FinTech) companies such as Yoco, Retail Capital and Lifecheq, and, more recently, Ozow. Additionally, the DEF has invested in companies engaged in various other subsectors, including health technology (hearX), agriculture technology (Inseco), and marketing technology (Mobiz). The DEF recently sold one of its first early-stage investments, CashConnect, to Nasdaq-listed company Net1, generating a 33x multiple on invested capital (MOIC) and a 48% internal rate of return (IRR). "Taken as a whole, our experience in early-stage investments indicates a sound investment return" said Canter.

Born out of the DEF's strong investment process and developmental focus, the Futuregrowth HGDEF will seek to invest in a range of investments, including early-stage or highly-scalable businesses that offer new services or products, niche markets, or disruptive technologies in growth markets. Futuregrowth aims to support businesses driven by excellent teams in need of capital to help them grow. The Futuregrowth HGDEF will seek investment opportunities from venture capital to early-stage private equity, as well as other special opportunities.

"The new Futuregrowth High Growth Development Equity Fund aims to support South African entrepreneurs who push the boundaries with innovative technologies that change

how we live. We believe that by backing South African startups, we can play our part in job creation and in growing our economy,” said Narrandes.

Futuregrowth has developed its deal sourcing capability through its substantial investment process and capabilities, as well as by fostering relationships within the South African venture capital ecosystem. Its network extends from startup founders to merchant bankers and other private equity/venture capital investors (including private individuals). In most cases, Futuregrowth has built direct connections with company founders and management teams, which has led to investment opportunities. In some cases, equity opportunities have come about from Futuregrowth’s debt investment process.

In addition, the team keeps a watchlist of declined deals and other companies of interest. “In most cases, Futuregrowth keeps declined deals warm in the event they turn the corner and become investment-ready opportunities at a later stage” says Narrandes. “We keep in touch with companies on our watchlist regularly, so when investment opportunities arise, we are top of mind.”

Futuregrowth has a strong pipeline of deals for the Futuregrowth HGDEF, acquired via our work in the DEF. The team is currently engaging with a number of potential investees across a range of sectors to source investments for the new fund.

Futuregrowth’s investment approach is centered around six fundamental principles, and a potential investee company would generally demonstrate these attributes: developmental impact; a strong competitive position; operating in an attractive market; scalability; revenue generating; and a strong management team.

Due to the early-stage nature of the businesses in which the Futuregrowth HGDEF will seek to invest, Futuregrowth places a significant amount of emphasis on the strength of the management team. “We source innovative startup businesses by backing South African entrepreneurs who are brave enough to take risks and disrupt industries. It is these entrepreneurial leaders who will be instrumental in unlocking South Africa’s economic growth potential, while delivering strong commercial returns and meaningful social and environmental change” said Narrandes.

The Futuregrowth HGDEF will be a closed-ended, limited life fund with a four- to five-year draw period and a five- to six-year payback period. Futuregrowth is targeting R500 million to R600 million of committed capital, and its indicated fee will be 2% on committed capital plus a 20% incentive fee. The Fund will have a warm start, with an existing pipeline and team. There will be no asset transfers from the DEF. Futuregrowth has kicked off the fundraising process and is aiming for a first close by the end of 2022.

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**Futuregrowth Asset Management** is a leading fixed interest investment company that, as at 31 December 2021, manages around R193 billion (+/- US\$12 billion) of assets on behalf of its investors which are predominantly South African retirement insurance and retail funds. Futuregrowth has been the leader in responsible and developmental investing in the South African asset management landscape since 1995.

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