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C1-204, Level 2, Office Block C, La Croisette
Grand Baie, 30517, Mauritius

Mauritius still integral in African focused Private Equity

According to EMPEA, Private Equity funds continued to raise record breaking amounts in 2015 (US$2.7bn for 1H of 2015 vs $4.4bn for the year ended 31 Dec 2014), but that Private Equity capital invested figures were in slight decline over the same period (US$ 0.6bn for 1H 2015 vs $ 2.0bn for the year ended 31 Dec 2014). The declining rate of investment, together with the disparity in capital raised over the 18 month period of $7.1bn vs capital invested of $ 2.6bn is indicative that Private Equity funds are finding the going tough in getting sizeable deals to back. By all accounts, the main reason for this is that the region suffers from a shortage of medium and large companies with quality management teams – finding gems, or bringing in additional management capacity to create gems is hard work.

If our thesis is correct that Africa's long term economic growth projections remain on track, it follows that capital will be deployed a lot faster in the future than the present. The question is whether the dominant conduit will be via Private Equity, or Public Markets. Given the shortage of investable companies in the region referred to above, we are of the opinion that it will be the Private Equity industry (rather than Public Markets) that will lead this process.

So how and why does Mauritius feature as a jurisdiction to assist with Private Equity flows into Africa ?

The importance industry participants place on tax efficiency in a fund domicile helps to explain why Mauritius has emerged as the preferred jurisdiction for fund vehicles targeting investments in Sub-Saharan Africa. Mauritius has implemented a number of fiscal incentives, including lean effective corporate tax rate, zero taxes on capital gains and has very low or often zero effective rates on dividends and no withholding taxes on interest, royalties and management fees. This creates a relatively neutral environment for investment funds that pool capital from limited partners located across the globe, each of which faces its own idiosyncratic tax code and reporting requirements.

However with tax becoming an increasingly sensitive topic in light of Base Erosion Profit Shifting "BEPS" focussed initiatives, what else does Mauritius offer that makes it an attractive domicile ?

Mauritius has built up a robust network of double taxation agreements "DTA's", 43 in total of which 9 are with Sub-Saharan African countries and 15 in total across Africa. These not only provide limited partners with tax efficiency, but they also offer fund managers a greater ability to enforce contracts.

Mauritius has an increasingly experienced pool of professional advisors—accountants, administrators, arbitrators and lawyers—who are familiar with fund administration, structuring and dispute resolution. The most recent initiative being the establishment of the LCIA-MIAC Arbitration Centre, which is a neutral and independent arbitral institution in Mauritius.
It was set up in 2012 by an agreement between the Mauritius International Arbitration Centre Ltd, the Government of Mauritius and the London Court of International Arbitration (LCIA).

Furthermore its judiciary increasingly deals with fund-related matters, with the Privy Council in London, representing its highest Court of Appeal. So there is a reliability and robustness of the legal regime that is very important to investors and fund managers.

Mauritius also reduces investment risks associated with Africa-focussed funds through its African network of Investment Promotion and Protection Agreements (IPPAs), totalling 34 which have been concluded and 18 in force to date. Broadly speaking, IPPAs are bilateral treaties between governments designed to attract investment in each other's territory. IPPAs in Mauritius typically give to investors such guarantees as equitable protection / treatment of investments; equitable treatment of returns of investors; free transfer of monies relating to investments and returns; expropriation protections against nationalization of investments; and the "most favoured nation" status with respect to treatment of investments and compensation for losses in the cases of war or armed conflict. Moreover, Mauritius's absence of exchange control restrictions facilitates non-domestic investments made by PE funds as well as investment in PE funds made by International investors.

Mauritius's collective membership in regional organisations (e.g., Southern African Development Community (SADC) and the Common Market for Eastern and Southern Africa (COMESA)) confers additional economic benefits. For example, PE investors making deals in COMESA-member States could get approval of merger filings from the newly established Competition Commission (CCC), which acts as a one-stop-shop for cross-border mergers and acquisition. By avoiding the need to file with competition regulators in individual member states, a PE fund can substantially cut the costs and time involved in transaction approvals.

In April 2015, FSD Africa (FSDA) and EMPEA Consulting Services surveyed 118 individuals active in Sub-Saharan African private equity from over 90 firms. The respondents represent limited partners (LPs), general partners (GPs) and service providers (SPs) headquartered across more than 30 countries, with 39% of respondents from firms based in Sub-Saharan Africa. This was further substantiated by a white paper on Private Equity and Financial Hubs as researched by Bella Research Group.

The findings of these surveys further confirmed the importance that fund domiciles play for the private equity industry in Sub- Saharan Africa, and that the jurisdiction where a fund is located can have a material impact on the ability of GPs to raise and invest capital, and LPs to commit to a given fund.

Mauritius, given the points above, will continue to be an integral part in facilitating Private Equity flows into Africa because of its legal and regulatory frameworks and supporting infrastructure that are critical to the funds industry.

Article by Brendon Jones, Chief Executive Officer

brendon.jones@adansoniaholdings.com

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Adansonia Management Services Limited gives substance to International Investment funds, Corporates and High Net Worth individuals who have chosen Mauritius as their investment platform.

With over 50 years collective business experience, consisting of Legal and Corporate, Mauritian Offshore and Global Private Equity, Adansonia has conducted business and has existing relationships in countries including but not limited to South Africa, Zimbabwe, Zambia, Kenya, Ghana, Tanzania, Mozambique, Nigeria, Ivory Coast, Gabon, Senegal, Malawi, Democratic Republic of Congo, United Kingdom, United Arab Emirates and the Channel Islands and certain countries in South East Asia.

Our services include:

- ***Mauritian Company Formation and Administration***
- ***Deal Execution Management***
- ***Permanent Establishment Solutions including Flexible Office Rentals and IT infrastructure Outsourcing***
- ***Sourcing of Local Non-Executive Board, Investment Committee and Key Management Members***

Adansonia is genuinely independent and owner managed - we consult with external advisors in specialist fields but we never outsource accountability.