

# The Capital Rotation

*From Venture Visibility to Institutional Capital Discipline in African Private Markets*

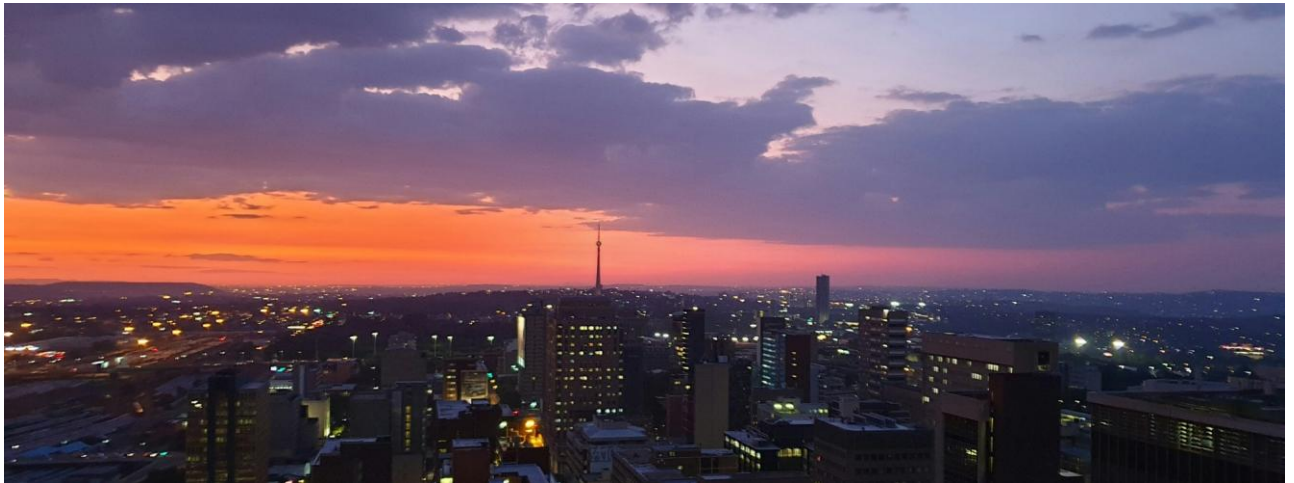


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April 2026

Thought Leadership | Africa Capital Markets Series

## Introduction

On 15 April 2026, the Africa Private Capital Desk at Ecofin Agency reported that African private equity led deal volume on the continent for the first time since 2019<sup>1</sup>, with 63 PE transactions in the first quarter against 35 venture capital transactions and 37 development finance institution transactions. The same dataset noted that seed and pre-seed deal count had fallen from 509 in 2021 to 98 in 2025, a decline of approximately 81%. Read structurally, the crossover is one of the most consequential signals African private capital has produced in this cycle.

Two readings of the data are tempting and both are wrong. The first reads the crossover as a victory for private equity over venture capital. The second reads it as evidence that the asset class is settling into a more mature equilibrium. Neither survives contact with the underlying composition, which shows a single deeper movement: African private capital is rotating from a cheap-capital venture cycle, defined by visibility, growth narratives and category optionality, toward an institutional capital regime defined by governance, cash flow, infrastructure, DFI participation and execution discipline. The PE-VC crossover is the visible signature of that rotation, but it is not the whole of it. The more consequential structural shift is the rise of DFI capital as the dominant force in African private markets — on Ecofin's data<sup>1</sup>, the DFI share of total African private capital deployed rose from 30.5% in 2017 to 81.5% in 2024. The market is becoming institutional. It is becoming DFI-anchored. It is becoming cash-flow-disciplined. Private equity is one of the categories rising in relative importance, but it is not, on its own, the new organising centre. The same DFI anchoring that gives the market institutional credibility also creates concentration risk: if DFI balance sheets or mandates tighten simultaneously, the private substitute is not yet deep enough to replace them.

This paper makes four connected arguments. *First*, the PE-VC crossover is not merely cyclical; it reflects a structural rotation accelerated by the macro repricing that began in 2022, and reading it as a market rotation rather than a competitive outcome is the analytical work the data requires. *Second*, the rotation reflects venture contraction as much as institutional progress; the breadth of African private capital is narrower today than the headline values suggest. *Third*, the institutional fundraising momentum visible across the spring of 2026 is real, but it is concentrated among managers, platforms and instruments that institutional allocators have already decided to back — a barbell pattern rather than a broad-based expansion. *Fourth*, the consequence of the rotation that warrants the most sustained attention is the pipeline question: a market with materially fewer seed-stage transactions today is, all else equal, likely to produce a narrower future growth-equity cohort, and the institutional capital base scaling now is not, by mandate, the capital that will close that gap.

The opportunity is that Africa's private markets are becoming more investable for institutions than at any prior point in the asset class's history. The risk is that the company-formation pipeline that produces future growth-equity and PE assets is narrowing at precisely the moment institutional capital is becoming more selective. Holding both readings simultaneously is the work of this paper.

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## The Crossover

The Ecofin data point deserves to be read carefully, because the headline can be misread in either direction.

What the data establishes is that, in Q1 2026, African PE deal volume exceeded African VC deal volume for the first time since 2019, capping a structural rotation that has been building since the Federal Reserve's 2022 rate-hiking cycle drained risk appetite from emerging-markets venture worldwide. The crossover is not a single-quarter event. It is the visible inflection point of a trajectory that has been in motion for three years and has only now produced the empirical signature.

What the data does *not* establish is that African PE has scaled dramatically. The Q1 2026 Private Capital in Africa Activity Report, published by Stears<sup>2</sup>, shows total disclosed deal value rising to US\$16.1 billion in the first quarter — but deal volume actually fell to 172 transactions, down from 188 in the fourth quarter of 2025 and 201 a year earlier. The headline value figure is heavily concentrated: the US\$6.2 billion MTN-IHS transaction and the US\$4 billion Dangote Refinery financing account for most of the increase. Strip the megadeals and the underlying breadth is one of contraction, not expansion. PE has not scaled into a vacuum; VC has retreated faster than PE has grown, and the crossover is what the difference in motion produces.

The distinction matters because the analytical reading of the rotation depends on getting the direction of causation right. If PE were absorbing capital that had previously flowed to VC, the rotation would be a story about institutional discipline winning a competition for the same investor pool. It is not that. The institutional allocators who are committing to mature African PE platforms in 2026 are largely different investors from the venture LPs who have stepped back from seed and Series A deployment since 2022. What is happening is not a battle for the same capital. It is two different capital pools moving in opposite directions, with the crossover reflecting their relative velocities.

The implication: the rotation is durable. A reversal would require either a renewed appetite for emerging-markets venture risk that the macro environment does not currently support, or a sudden contraction in institutional fundraising for African PE that the current pipeline does not suggest. Neither is the base case.

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## The Institutional Layer

The capital that is flowing into African private markets in 2026 has a recognisable shape, and the spring of 2026 produced a sequence of data points that, read together, sketch its composition.

On 19 March 2026, Adenia Partners announced that it had reached the US\$180 million hard cap on the first close of its inaugural Adenia Entrepreneurial Fund I, less than a year after launching fundraising, surpassing its original US\$150 million target and pushing the firm's total capital raised beyond US\$1 billion<sup>3</sup>. The fundraising velocity is the analytically interesting feature. A first-close hard cap reached in under a year is more commonly associated with mature private equity jurisdictions and established institutional platforms than with the broader African fundraising market. The Adenia close suggests that, at least for the platforms institutional allocators have decided to back, the friction of African fundraising is compressing materially.

On 31 March 2026, Novastar Ventures announced the final close of its third fund, Novastar Ventures Africa People and Planet Fund III, at US\$147 million — approximately 40% larger than

Fund II, the firm's first pan-African vehicle, and backed by a diversified global investor base including Japanese institutional investors and DFIs. The Novastar close is an important nuance: it shows that the venture category has not disappeared but has become more selective. Platforms with differentiated theses, institutional governance and credible LP relationships can still clear fundraising in the new environment. The contraction has been concentrated, not universal.

In late March, Amethis announced the acquisition of a majority stake in ADEMAT, a power security solutions provider in Côte d'Ivoire, from SPE Capital — a sponsor-to-sponsor transaction that, in any mature private equity market, would be a routine data point but in African private capital is one of the more credible signals of secondary liquidity formation between GPs.

The institutional capital base is reinforcing in parallel. Africa Finance Corporation has secured a commitment from the Development Bank of Southern Africa to its US\$750 million Infrastructure Climate Resilient Fund, managed by AFC Capital Partners, which is building a diversified portfolio of 10 to 12 infrastructure projects across the continent<sup>4</sup>, with total financing mobilisation projected to reach up to US\$3.7 billion across the underlying pipeline. The African Development Bank continued to commit to African private capital funds during the period, in line with the DFI standard-setting role we have written about across this series. And building on the December 2025 Africa Private Capital Mobilisation Day and the London Communiqué<sup>5</sup>, the AfDB and the United Kingdom continued in 2026 to advance a coordinated private-capital mobilisation agenda, with the UK preparing for its 2027 G20 presidency.

What this pattern shows is not a single uniform expansion. It shows a barbell. Institutional PE, infrastructure, blended finance and DFI capital are scaling; specialist institutional VC is holding; undifferentiated first-time managers and seed-stage venture are not. The composition of the asset class is rebalancing in real time.

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## The Venture Retreat

The reduction in African seed deals since 2021 is the data point this paper is least comfortable with, and it is the data point most important to read carefully.

The contraction has multiple causes, and naming them is the work of the section. At the macro level, the Federal Reserve began its rate-hiking cycle in March 2022, raising the target federal funds range to 0.25%–0.50% and signalling further increases<sup>6</sup> that would, by 2024, take the policy rate to a 23-year high. The transmission to African venture ran through several reinforcing channels. Higher US risk-free rates raised the discount rate applied to long-duration growth assets globally, of which emerging-markets venture is a particularly long-duration variant. Dollar strength compressed the dollar value of African revenue streams. LP denominator effects — the contraction of public-market portfolios pushing total private allocations above target — discouraged new commitments to the highest-risk private categories. Follow-on rounds became materially harder to clear at flat or rising valuations. Exit multiples weakened. And FX uncertainty in the principal African venture markets, particularly Nigeria and Egypt, compounded the underwriting difficulty. African seed-stage exposure sits at the intersection of every risk category global LPs were repricing simultaneously. The contraction was not Africa-specific in its origin; it

was emerging-markets venture as a whole, with African venture absorbing a disproportionate share of the decline because it had the least durable LP base to absorb the shock.

At the regional level, the issues that have always made African seed-stage investing difficult — currency volatility, fragmented consumer markets, the time required to build durable revenue across multiple jurisdictions, the absence of dependable acquisition routes — became materially harder to underwrite once the global risk appetite changed. Funds that had been willing to accept these risks at scale during the cheap-capital years of 2019-2021 retreated to either later-stage exposure (where the risks compress) or to non-African markets (where the macro overlay is more familiar). Neither retreat was irrational; both have left a gap.

It is important to be specific about the shape of the contraction. The reduction has been concentrated at the seed and pre-seed end of the market, and among undifferentiated first-time venture managers; specialist institutional venture platforms have continued to raise. Novastar's US\$147 million Fund III close — pan-African for the first time, backed by Japanese institutions and DFIs — is the clearest signal that venture as a category has not disappeared. It has become more selective and more institutional. The funds that can demonstrate differentiated theses, governance maturity and credible LP relationships continue to clear fundraising; the funds whose value proposition was principally access to deal flow during the cheap-capital cycle are the ones now under pressure.

The consequences of the contraction are beginning to be visible, but should not be read as automatic. A market with 81% fewer seed and pre-seed transactions than in 2021 is, all else equal, likely to produce a narrower future growth-stage cohort. The companies that would, in 2021, have raised seed capital and progressed to Series A by 2024 are fewer in number than they would otherwise have been; the cohort approaching growth equity by 2026-2027 is, plausibly, correspondingly thinner. But the pipeline relationship is probabilistic, not deterministic. Some companies will bootstrap, some will use revenue-based financing or venture debt, some will raise from local angels and family offices, and some will emerge entirely outside the venture-backed funnel. The institutional pipeline of five years' time will be smaller than it would have been with a fuller seed cohort, but it will not be empty, and the conditions under which it forms will be different.

What the institutional rotation does not, by itself, do is rebuild the early-stage funnel. The institutional capital scaling into African PE in 2026 is the capital best suited to backing mature platforms at the growth and buyout stages. By mandate and by structural design, it is not the capital that, on its own, will close the gap at the seed and Series A stages. The pipeline question is not resolved by the rotation. It is sharpened by it.

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## Reading the Rotation

How should the rotation be understood?

The framing that does *not* work is the one that reads the data as a victory for institutional capital over venture capital, or as evidence that African private markets are settling into a more mature equilibrium. Neither framing survives contact with the seed-stage data. A market with 81% fewer

early-stage transactions than in 2021 is not in a healthier equilibrium; it is in a different one, and the consequences of that difference will be felt in the second half of this decade.

The framing that does work is more careful. African private equity is not new. Firms such as Adenia, DPI, Helios, Actis, ECP and others have been building institutional PE strategies on the continent for many years, well before the 2019-2021 venture surge. What the cheap-capital cycle of those years produced was not the only credible institutional product on the continent — it was the product most legible to global growth investors seeking high-upside exposure to underpenetrated digital markets. African private capital's most visible growth narrative during that period was venture-led; its institutional substance was already broader. The current rotation marks a shift away from that visibility cycle, not away from institutional capital itself, toward an environment shaped by cash flow, governance, infrastructure, blended finance and execution discipline.

*The rotation is not VC losing to PE. It is African private capital moving past a visibility cycle and into a regime where the capital flowing reflects institutional priorities — with the asymmetric consequence that the early-stage pipeline contracts faster than the institutional layer scales to absorb its downstream effects.*

Read this way, the rotation is the maturity curve completing one of its expected progressions. But the reading also makes explicit what the cost of that progression has been. The asset class has acquired its institutional visibility in part by shedding the venture intensity that defined its most public period. The companies that benefit from the institutional layer scaling are the companies already at the growth and buyout stages; the companies that would have benefited from the seed and Series A intensity that existed in 2021 are now operating in a different market than they signed up for.

The analytical question this paper turns to next is what, in practical terms, the rotation requires of African companies if they are to be financed under institutional conditions.

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## The Institutional Readiness Gap

The rotation changes the terms on which African companies raise capital, and the change is more demanding than it is widely understood to be.

During the cheap-capital cycle, the dominant questions investors asked of African companies were about market opportunity. Total addressable market. User growth. Category potential. Network effects. The intensity of the underlying demand signal. Capital was abundant, conviction was the binding constraint, and the diligence work concentrated on conviction-building. Companies that could tell a compelling story about the size of the opportunity could raise on that basis, often before the operating substance to support the story had been built.

The institutional cycle asks different questions. Institutional capital, by its nature, underwrites preparedness rather than potential. The questions it asks are about revenue quality, gross-margin discipline, the rigour of financial reporting, the cleanliness of the corporate structure, the awareness and management of foreign exchange exposure, the experience and independence of the board, the credibility of unit economics under stress, the proximity of the company to a credible exit path. Each of these features can be developed. None of them is developed by accident. The companies that will raise institutional capital over the next vintage are, in practical terms, the companies that begin building these features earlier than was historically necessary.

The gap between what African growth companies are and what institutional capital requires is the institutional readiness gap. It is not principally a gap of intent. Most African founders raising capital today understand that the conditions have changed and want to meet them. The gap is one of operational maturity: the time, the cost, the technical capacity and the advisory support required to move from a venture-stage operating profile to one capable of absorbing institutional diligence. For a typical mid-market African company, this work spans audited financial statements prepared to international standards; tax-clean cross-border structuring that can withstand institutional and DFI review; foreign exchange management policies that explicitly address the underwriting concerns of dollar-based capital; board governance with credible independent representation; a data room organised to institutional convention; and a credible exit narrative consistent with the holding period of the capital being raised.

*The next investable African companies will not principally be the companies with the strongest growth stories. They will be the companies that become institution-ready earlier — audited, governed, structured, data-room-ready, FX-aware, and able to support blended, debt, mezzanine or growth-equity capital.*

For founders, the implication is that capital strategy and operational maturity now move on the same timeline. The work of becoming investable on institutional terms cannot be deferred to the months immediately preceding a capital raise; it has to begin earlier and run alongside operational growth. For institutional investors, the readiness gap is the practical filter that determines which companies in the pipeline are actually addressable, and the size of the gap explains why the apparent abundance of growth-stage opportunity does not always translate into deployable transactions. And for the advisors, structurers and intermediaries who close the gap — by developing the operating capability to make African companies institution-ready at scale — the gap is the most commercially significant area of demand the rotation has produced.

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## The Pipeline Question

If seed and pre-seed deal count has fallen by approximately 81% since 2021 and the early-stage pipeline has narrowed materially, what fills the pipeline of investable companies five years from now? Three answers are emerging, none of them sufficient on its own, and the institutions that combine them coherently will define the next chapter of African capital formation.

The first answer is that patient growth-equity capital may need to step earlier in the company life cycle than its mandate has traditionally allowed. Series A and even pre-Series A exposure was historically the preserve of dedicated venture funds; the contraction of those funds has created a gap that growth-equity allocators with a longer hold horizon and a higher tolerance for portfolio-level concentration may need to fill. This is not a comfortable shift for institutional capital. It requires accepting blind-pool risk earlier in the cycle, a longer J-curve to first distribution, and the operational burden of supporting companies at a stage of development for which institutional GPs are not staffed. But it is one of the more direct responses available to the contraction, and a small number of African platforms — notably those with mature deal-sourcing networks and patient LP bases — have begun to extend their mandates accordingly.

The second answer is structural innovation in the instruments themselves. Convertible notes, revenue-share instruments, milestone-based equity, mezzanine financing with warrant features, and venture debt — these are all structural responses to the difficulty of underwriting pure equity at the seed and Series A stages in markets where revenue volatility is high and exit timing is uncertain. African private capital has used these instruments selectively for a decade; the question is whether their use can be scaled and standardised sufficiently to support the pipeline gap. The structuring expertise required is exactly the work that recognised jurisdictions and advisory firms are best positioned to deliver, and Mauritius in particular is well placed to host these vehicles where substance, governance, investor eligibility, reporting and anti-avoidance requirements are properly satisfied.

The third answer is the most demanding of the institutional capital base. Blended finance and DFI participation have a sharpened case for catalytic engagement with the early-stage funnel — but the most effective response is unlikely to be additional concessional capital deployed directly into seed-stage companies, where the underwriting and portfolio-management burdens on DFI balance sheets are misaligned with their operating model. More productive avenues are visible in the architecture that is already forming: first-loss structures that derisk commercial co-investment alongside DFI capital; local-currency facilities that address the FX exposure compressing African seed valuations; guarantee instruments that crowd in commercial banks at the growth-debt and venture-debt stages; fund-of-funds vehicles that anchor specialist early-stage managers without DFIs themselves directly underwriting seed risk; and institutional co-investment platforms that allow commercial LPs to participate alongside DFI capital with mitigated tail risk. The next iteration of blended-finance vehicles will need to address the seed and Series A gap explicitly, with concessional terms calibrated to the underwriting realities of that stage.

None of these answers is the responsibility of the rotation to provide. The rotation is a description of what has happened; the pipeline question is a description of what now needs to be built. The institutions that recognise the gap early — and that develop the operating model to address it — will be the architects of African private capital's next vintage.

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## Implications

The development of the rotation, and the response to it, will have specific implications for each of the principal participants in the African private capital ecosystem.

For *GPs*, the market has barbelled. Mature platforms with demonstrable governance frameworks and institutional execution track records now command institutional terms more cleanly than at any prior point in the asset class's history; the Adenia and Novastar fundraisings of Q1 2026 illustrate the velocity at which capital is now available to managers institutional allocators have decided to back. Specialist institutional venture managers with differentiated theses can still raise. Emerging managers without that differentiation, particularly those raising for the first time at the seed and Series A end, face a materially harder fundraising environment. The implication for new-platform formation is that the time required to assemble a credible first fund will lengthen, and the proportion of new platforms that succeed in raising will compress.

For *LPs*, the composition of the asset class has changed, and portfolio construction should reflect that. African PE exposure is now closer in its institutional features to global PE exposure than at any prior point in the asset class's history. African VC exposure is now meaningfully harder to size — not because the underlying opportunity has disappeared, but because the institutional infrastructure required to underwrite it consistently is more concentrated in a smaller number of credible platforms.

For *DFIs*, the rotation has sharpened the case for re-architecting the early-stage funnel rather than simply backing more of the same. The toolkit that will matter most is the catalytic one: first-loss structures, local-currency facilities, guarantee instruments, fund-of-funds vehicles, and institutional co-investment platforms that crowd in commercial capital with mitigated tail risk. The institutions that develop this toolkit — calibrated to the specific stages where the funnel has thinned — will define the most consequential strand of African capital formation over the next decade.

For *founders and growth companies*, the funding architecture has changed, and the implications for capital strategy are practical. The companies that will raise institutional capital over the next vintage are the companies that prepare for institutional capital earlier than was historically necessary: audited financial reporting, defensible governance, tax-clean structuring, FX-aware treasury management, credible board oversight, and unit economics that can survive institutional diligence. The companies that would, in the cheap-capital years, have raised on the strength of total addressable market and user growth alone will need to make the case for institutional capital on different terms.

For *family offices and ultra-high-net-worth investors*, the rotation may create better entry points into cash-flowing African companies than have been available in several years. The opportunity is real, but the conditions for accessing it have changed. Manager selection matters more, instrument design matters more, and FX risk assessment matters more. Family offices that approach the rotation through a disciplined manager-selection and structuring lens are likely to find the opportunity set materially more attractive than it has been in some time.

For *advisors and structurers*, the work has shifted from helping companies raise venture capital to helping companies position for institutional capital. The skill set required is different. Governance design, valuation discipline, cross-border structuring, audit readiness, and the operational maturity that institutional allocators require are now the binding constraints on capital raising — not the strength of the underlying opportunity. Advisory firms will, in this environment, be judged less by the deals they introduce than by their ability to convert promising African companies into institution-ready issuers and investable counterparties.

*Africa's private capital market is not simply moving from VC to PE. It is moving from funding potential to financing preparedness — and the next constraint is whether the company pipeline can become institution-ready fast enough to meet the capital now forming around it.*

## Endnotes

- <sup>1</sup> Ecofin Agency, “Africa Private Equity Reclaims Lead as VC Retreat Deepens in Q1 2026,” 15 April 2026 (data compiled by the Africa Private Capital Desk: PE deal volume exceeded VC deal volume in Q1 2026 for the first time since 2019, with 63 PE transactions, 35 VC transactions and 37 DFI transactions; seed and pre-seed deals fell from 509 in 2021 to 98 in 2025; DFI share of total African private capital deployed rose from 30.5% in 2017 to 81.5% in 2024).
- <sup>2</sup> Stears, Q1 2026 Private Capital in Africa Activity Report, summarised in BusinessDay, “Africa private capital hits \$16.1bn as investors double down on large-scale deals,” April 2026 (172 transactions in Q1 2026, down from 188 in Q4 2025 and 201 a year earlier; US\$6.2bn MTN-IHS and US\$4bn Dangote Refinery transactions driving the headline value).
- <sup>3</sup> Adenia Partners, first close of Adenia Entrepreneurial Fund I at the US\$180 million hard cap, announcement of 19 March 2026; Novastar Ventures, final close of Novastar Ventures Africa People and Planet Fund III at US\$147 million, announcement of 31 March 2026; Amethis acquisition of majority stake in ADEMAT from SPE Capital, Côte d’Ivoire, announced 27 March 2026.
- <sup>4</sup> Africa Finance Corporation, Infrastructure Climate Resilient Fund commitment from the Development Bank of Southern Africa, US\$750 million target fund size with total financing mobilisation projected up to US\$3.7 billion across the underlying pipeline; ongoing African Development Bank commitment activity to African private capital funds during the period, reported in Africa Capital Digest.
- <sup>5</sup> African Development Bank Group and the United Kingdom, Africa Private Capital Mobilisation Day, London, December 2025; subsequent adoption of the London Communiqué on coordinated capital mobilisation and the expansion of investment pipelines across priority sectors, with the partnership continuing into 2026 in advance of the UK’s 2027 G20 presidency.
- <sup>6</sup> Federal Reserve, FOMC decision of 16 March 2022, raising the target federal funds rate to 0.25%–0.50% with further increases signalled, marking the beginning of the rate-hiking cycle that, by 2024, took the US policy rate to a 23-year high.

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