

Everstrong Kenya Infrastructure Fund

Everstrong Kenya Infrastructure Fund Offering

Everstrong Capital is sponsoring the Everstrong Kenya Infrastructure Fund (the “Fund”) to focus on the infrastructure sector in Kenya, with investments primarily in energy, transport, information communication and water sectors. Everstrong anticipates that the Fund will be able to achieve long-term capital appreciation with favorable risk-adjusted returns and predictable cash flows through equity investments in a diversified portfolio of infrastructure assets. The Fund is a pioneer vehicle focused on creating a mechanism for Kenyan institutional investors to invest in Kenyan infrastructure.

The Kenyan economy has enjoyed steady year-on-year growth since 2008 and this steady growth is expected to continue in the foreseeable future. Fueled by private consumption the projected expansive economic growth will both require and fuel the demand for new and improved infrastructure across the segments of energy, transportation, information communications, water & sanitation, healthcare, education, manufacturing, and housing.

Track Record

In 2018, Everstrong successfully raised local capital and acquired its flagship investment in infrastructure asset in Kenya. The flagship investment in the Athi River power plant, developed by Gulf Power, a power development company that continues to supply part of Kenya's energy requirement that is essential to fuel the economy, create jobs and boost growth. The 80.3 MW power-generation facility near Athi River near Nairobi launched commercial operation in 2014 with electricity supply fueled by heavy fuel oil (HFO). Under a 20-year power purchase agreement (“PPA”) with Kenya Power & Lighting Company (KPLC), this power plant stabilizes the grid around Nairobi. KPLC owns and operates most of Kenya's transmission and distribution system and has over 7.5 million customers.

Infrastructure Opportunities

Infrastructure investments will attract larger volumes of capital, due to the major infrastructure gaps in Kenya and the wider East African region. Inadequate infrastructure continues to hamper the efforts of the governments in East Africa to improve their annual economic growth rates. The Government of Kenya developed the Vision 2030 program to provide a roadmap for the period between 2008 and 2030 to transform Kenya into, an industrialized middle-income country providing a high quality of life to all its citizens by 2030. In order to implement Vision 2030, Medium Term Plans that cover each 5-year period up to 2030, are adopted which focus government's efforts on areas, including infrastructure that will help with economic growth. The Third Medium Term Plan, covering 2018 to 2022 has significant element of efforts to continue developing

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infrastructure to help speed along growth, including energy, transport, information communication and water infrastructure¹.

Fund Structure

The Fund will be made up of two parallel funds, a Mauritius limited partnership for international investors and its parallel fund, a Kenyan registered limited liability partnership for certain Kenyan investors and East African investors. The adopted structure has been chosen for reasons relating to tax transparency, regulatory certainty, precedent investment structure, flexibility for potential investors, as well as limitation of investor liability.

Impact of COVID-19

COVID-19 pandemic has emphasized the need for reliable healthcare facilities, electricity, information communication, road infrastructure, and water and sanitation services in the communities we live in. Now more than ever, additional government and private investment in infrastructure is essential.

Despite the challenges imposed by COVID-19, we are still receiving commitments from investors. Opportunities borne from the pandemic make it clear, collaborative efforts from both private enterprises as well as public sector is critical to continued development of essential infrastructure. Multilateral and development agencies can further facilitate developing infrastructure by using their financial and reputational strength to attract greater institutional investor resources, in particular by mitigating specific risks inhibiting greater institutional investor involvement. It is expected that as a result of the pandemic, there will be fewer sources of capital available and hence increased opportunities for savvy investors to acquire assets with attractive returns.

We expect the fund will consist of Kenyan investors, as well as investors from East and Southern Africa regions. We also expect international investors and development agencies to participate in the Fund. We have approached DFIs that have previously invested in infrastructure assets in Africa, either through funds or directly into assets. Everstrong, being ultimately a US firm, submitted an application for participation in this Fund, to the US DFC at the end of December 2019.

¹ Kenya Vision 2030, Third Medium Term Plan 2018 – 2022, dated 2018, National Treasury and Planning, Government of Kenya
sKPMG and EAVCA Private Equity Sector Survey of East Africa for the period 2017 to 2018, dated June 2019