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Beyond the single story: Rethinking risk and returns in Africa

For decades, Africa has been narrated through a single story. In global investment conversations, that single story is often reinforced by what media theorists call the 4Ds of news coverage: Death, Disease, Disaster, and Despair. The danger of a single story is not just that it is incomplete, but that it becomes definitive. While these narratives are not entirely fictional, they often become disproportionately amplified. The result is a continent perceived as high risk, volatile, and unpredictable, even as underlying fundamentals quietly tell a very different story. These narratives not only shape public opinion but also determine how capital is priced, allocated, and withheld. This disconnect has created what we can call the African Risk vs Return Paradox.

Perception vs Reality: Political risk and investment

Investors frequently overestimate the political risks in Africa while underestimating its potential benefits. As a result, risk premiums often remain higher than justified, which increases the cost of capital, despite evidence suggesting that actual losses could be lower than expected. Recent data from Moody's Analytics, as reported by the African Development Bank, states that over the past 14 years, loss rates from infrastructure investments in Africa are around 1.7%, significantly lower than those in Latin America (approximately 13%) and Eastern Europe (about 10%).

Risk-adjusted returns tell a different story

While the headline price-to-earnings data often indicate lower Internal Rates of Return (IRRs) compared to global peers, African private capital can still deliver strong risk-adjusted returns. Approximately 24% of Africa-focused funds have achieved US-dollar-denominated IRRs greater than 15% over the past decade, highlighting significant potential for targeted investors (BCG Global).

Governance reforms & regulatory modernization

Structural reforms are gradually transforming investment climates across Africa, with governments modernizing company registration processes, tax systems, and investment regulations to reduce friction and enhance transparency. Policy engagement and regulatory improvements are increasing predictability and reducing bureaucratic delays, helping to diminish the "unknown unknowns" that often inflate perceived risks.

A growing number of African countries have enacted or are developing Startup Acts, dedicated legal frameworks to support innovation and early-stage ventures. As of 2025, countries including Tunisia, Senegal, Nigeria, Côte d'Ivoire, Kenya, Ghana, and Rwanda have implemented Startup Acts at some level, while many other countries are advancing similar legislation. Together, these reforms signal a broader shift toward structured, business-friendly policy environments that strengthen investor confidence and ecosystem growth across the continent.

Why this matters for investors

While the legacy of the 4D's still influences the continent's structural gaps, it also reveals the scale of untapped markets: over 600 million people still lack access to reliable electricity, food losses remain the highest globally and large segments of the population remain underserved by formal financial and healthcare services. These gaps are not merely development challenges; they represent multi-billion-dollar market opportunities for sound businesses building scalable solutions to solve the bottle-necks in these value chains. Africa's demographic trajectory, rapid urbanization, and accelerating technology adoption further amplify this opportunity, positioning the continent as one of the few regions where growth is driven by expanding demand rather than market substitution.

At MTI Investments, we believe the real risk lies not in Africa itself, but in the mispricing of its potential. Narratives of overwhelming risk often overshadow key growth drivers such as demographics, urbanization, and technology adoption, while underestimating improving governance and attractive risk-adjusted return opportunities. For investors, this points to opportunities for those who engage hands-on with local presence and who dares challenge how conventional risk models may systematically misprice African assets. In short, while risk is real, it is often misunderstood, leaving the other side of risk, reward undervalued. Investors who look beyond headline narratives are positioning themselves ahead of the curve.