

# Strengthening assurance in Private Markets:

The foundational work that sustains capital longevity



Private capital in Southern Africa is no longer defined by scarcity. Capital is available, structures are more sophisticated and investor appetite has broadened beyond traditional buyouts into infrastructure, private credit, real assets and impact strategies. What has diminished sharply is tolerance for operational weakness.

As funds become larger and more complex, a manager's operations play a growing role in bridging investment intent and outcome, not just their investment choices.

Governance arrangements, service-provider oversight, valuation discipline, data integrity and decision-making processes now sit at the heart of whether capital is protected and value is realised. Operational due diligence (ODD) has therefore shifted from a peripheral control to a central investment consideration.

For much of its history, ODD was treated as a hurdle to clear before a commitment was made. Investors looked for basic assurances: independent administrators, segregated duties and documented policies. And once satisfied, attention shifted almost entirely to performance.

That framing no longer reflects how private markets function today. Private market funds now operate across long investment horizons, opaque assets, bespoke structures and rising regulatory and environmental, social and governance (ESG) expectations.

In these settings, operational weaknesses tend to surface gradually, often under stress, when liquidity tightens, valuations are challenged or key individuals exit. By the time issues emerge, they are difficult and often costly to unwind.



What investors increasingly recognise is that operational risk is not separate from investment risk. **It amplifies it.**

## A well-constructed strategy can be undermined by weak valuation governance.

Strong assets can be compromised by poor cash-flow controls. Ambitious ESG commitments can lose credibility if they are not embedded in how decisions are made, monitored and reported.

In each case, the investment thesis may be sound, but the operating environment determines whether that thesis survives contact with reality. ODD provides visibility into this operating environment. It examines how authority is exercised, how conflicts are managed, how third parties are overseen and how information flows through the organisation.

These are not abstract considerations. They shape outcomes. As private capital matures in the region, ODD has also become a marker of institutional quality.

Investors are no longer assessing managers only on past returns, but on their ability to scale responsibly. Robust operational frameworks signal readiness for growth, resilience under stress and an understanding of fiduciary responsibility that extends beyond compliance.

For emerging managers, this shift cuts both ways. While expectations are higher, strong operational design can narrow the gap between newer managers and established peers. In an environment where track records take time to build, operational credibility increasingly serves as a proxy for trust.

### The same logic applies to ESG integration.

Much of the debate around ESG in private markets focuses on frameworks, metrics and reporting. In practice, ESG integration is fundamentally operational. It depends on governance structures, accountability mechanisms, data systems and the ability to translate intent into consistent practice across portfolios.

ODD is therefore not adjacent to ESG analysis. It is one of the clearest ways investors can assess whether ESG considerations are embedded rather than aspirational.

What is changing most, however, is not the scope of ODD but its timing. Treating ODD as a once-off exercise at entry assumes that risk is static.

Risk evolves, funds scale, teams change, service providers rotate and regulatory expectations shift. An operational setup that was adequate at fund launch may be insufficient several years later.

Investors who rely solely on point-in-time assessments risk flying blind during precisely the period when exposure is greatest.

In this context, ODD becomes less about passing judgement and more about sustaining oversight. It supports informed engagement, highlights emerging pressure points and allows issues to be addressed early. Used well, it strengthens relationships rather than straining them.

As Southern Africa's private capital ecosystem enters its next phase, deploying capital at scale and over long horizons depends on confidence in operational foundations.

**ODD may not attract headlines, but it plays a defining role in whether this next era of private capital delivers on its promise.**

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