



LS Africa Presents: Venture Voices

Episode 9: Seizing Opportunities in Frontier Markets with a Positive Mindset

By [Rossie E. Turman III](#)

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Rossie Turman: Hi, I'm here for one of our podcast series, which is our Africa Presents: Venture Voices for Lowenstein Sandler's efforts in terms of tying together the African diaspora and I'm really happy today to have with me Ernest Kabuye. I've known Ernest for a while but you're going to get a chance to know him a lot better through this conversation and I want to just jump right in it because I think we have a lot to talk about. Ernest, if I'm correct, originally from Uganda?

Ernest Kabuye: Yep. Kampala, Uganda, born and raised, Eastern Africa.

Rossie Turman: For the uninitiated, hopefully everyone can find it on their map, if not, that's going to be something we expect of you by our next podcast. There are 54 countries in all on the continent of Africa. For those who are not aware, it's not one country, it is actually 54 separate, but for those of us who are annoyed by that mistake.

Ernest Kabuye: Yeah. Africa is not a country.

Rossie Turman: And then, I think I met you, you were in Pittsburgh in school, but between Kampala and me meeting you, tell us a little bit about yourself and what got you to Pittsburgh.

Ernest Kabuye: Yeah, yeah. So, I think one of your colleagues, Ed Zimmerman was in a class during the time I was doing a joint PhD MBA program. And he was at the University of Chicago Booth School of Business and I had talked to him about trying to invest and he was like, "Well, I want you to meet one of my colleagues named Rossie Turman, Chair of the Africa Practice, who'd be a good person to run some of your ideas about. And when I went back to Pittsburgh to do my PhD portion, that's when I reached out to you and I was like, I think I still have the email. I found the email I was

like, "Hey Rossie, I know you don't know me, but I would like to get in touch with you, talk about Africa investments and what that means." And I think maybe the genuine nature of that email is sort of like what's brought you to reach out and put some time on the calendar? 'Cause I'm guessing you probably get thousands of emails.

Rossie Turman: Well, you just hit on a very important factor, I'm really bad at email because actually yes, I do. Let me give you a quick story. I have now a good friend but he worked for me for a while as an associate when I was at Skadden, my prior firm. And Jesse Gero, he's at DFC now and we're working on a project and I'm searching for an email that I know he sent me in terms of on this project. And you do the name search, and I look at his, it pops up, and I realized that two years prior when he was a student at NYU Law School, he had sent me an email saying he wanted to meet me, would love to work with me.

I had never opened the email, I had never replied to it and Jesse had never told me. And so, he came to the office the next time I was like, "Hey man, I'm sorry. The email two years ago," and we're working for a while, you never told me like, I basically ghosted you or ignored you. I was like, "I never opened the email until earlier this week," but anyway.

Ernest Kabuye: Yeah. And it's also one of those things where I know I also get now a lot of inbound and I try to make sure that however late I respond, I always respond to whatever email is in my inbox. 'Cause I think for me being able to do venture investing was only made possible because when I reached out, I was genuine in exactly what I wanted to do. And I think that came across and I try to offer the same courtesy to others who are trying to get into this space.

If someone ever reaches out to me for whatever asks I'll be like, "If I'm not able to help you, I can maybe redirect you to someone else who can." But I always try to respond to my emails. Right now, I think my inbox is at 250 unread from the past weekend but I make sure I get to them before the end of the week to go down to inbox zero. However painstaking it is, I could be on my couch and just responding here and there, but yeah, I try to forward that way because someone one time did it for me so yeah.

Rossie Turman: Yeah. I was very good at responding to all and everyone's got to figure out their own way to manage it at some point in time. Hey, yeah I was hopeless but not yet. I was pretty good at responding to my email, very good at responding to my email until I made partner back in 2007. On that day I got a lot of, fortunately lot of people just congratulating me and everything and my screen just went, it's dark if it hasn't been opened, my screen I just remember it trying to respond and then it's just going black in front of my eyes, and so, I came in that following Saturday and I spent 12 hours just responding to every email.

Ernest Kabuye: Nice.

Rossie Turman: And that is literally the last time my email box was clear, my inbound. I will be embarrassed to tell you what number of unreads I have.

Ernest Kabuye:

Yeah, but one of these things, the goal is to get to inbox zero. Once you get to inbox zero I think that is when you have done as much good there is in the world to be able to be like, "Yep, I've answered every email, I'm good." But yeah, so maybe to also provide a bit of context, I'm originally from Kampala, Uganda, born and raised, came out to the US to do my undergraduate education here and worked for a bit in the medical device sector creating products for mostly surgeons, fixing different types of surgical procedures. Around that same time too, I remember I was seated on a plane and I was heading back home to Kampala, Uganda and I noticed I was the only person of African descent on the plane actually heading back to Uganda.

And I remember the trip when I was leaving, I was like, "Well, a lot of our countrymen, Africans, whatever, were also leaving for greener pastures elsewhere for whatever reasons." And I think for me that was one of the moments when I was like, "Well, if I'm the only person that's sort of returning, what value do I see or why is it that I'm the only person that sees value where I'm headed?" And I think that kind of got me onto this path of trying to figure out exactly what my purpose is and trying to parlay that purpose into something that is a lifelong mission. And I always tell people now, even when I'm meeting with different LPs, "Adventure is definitely the last job I'll ever have because I can't imagine myself doing anything else now that I recognize what my purpose is."

And I know it's this long path, it's about patience, it's about being able to have intuition, it's about able to make decision from an informed mindset but parts of it is also about being lucky, being in the right place at the right time. I mean, there are scenarios where a founder has reached out to me when there were pre-seed, pre everything and they were just bouncing an idea off of me. And then, I ended up investing in them simply because I was the first person they thought about. It wasn't 'cause we had this robust deal flow that came in that was structured in a way that would capture every lead.

It was just someone just happened to know me and they reached out and I was like, "Okay, let's talk about it." And they gave me then an opportunity to partner up with them and I'm forever grateful for that 'cause then it allowed me to understand how there's a lot of luck inherent in our business as well, that's something that very many people don't want to acknowledge. And what we do from a preparation standpoint is to make sure that when that opportunity comes to us, we're ready for it. But we are grateful for whatever opportunity comes because people are telling you what the future looks like and you're the first person that they're telling it to. It's something I don't take lightly, and I always wanted to make sure that when they're in front of me, I'd listen to them as much as I can.

But yeah, after I had done my master's at Tufts University as well in mechanical engineering, I'd worked in the medical advice sector, had those experiences where I was going back home and I recognized I was the only person that wanted to always go back home and not everybody else. And my parents kept on asking me, "What are you seeing here that we're not?" And I was like, "Sometimes it's difficult to put in words what you see, but you can feel what that value is." And over the years I would

see some of the exits within the VC space and I would point to them and say, "See, that that is the type of value that I may not have been able to see then but it's now starting to be visible." And when I decided to come back to the US to do my joint program, I have to admit I was a victim of what they call the checklist phenomenon.

It's like in order for you to do something, you have to do something else first. And what ends up happening is that you get this checklist of like, "Well, if I do this, then I can do that." Right? And what they don't tell you is that there will always be something, you have to check the box before you do something else. So, it was like, "Oh, I want to get involved in venture. Well, you have to be able to have enough capital in order to make the investment so have a track record so that other people can give you money in order to do it. Well, I want to be able to invest in that particular company. Well, you need to have the subject matter expertise in that sector that you have done it and you've maybe raised the seed round to the company."

So, it became this never-ending checklist of things I needed to do. And I remember one time when I was doing a venture, a prospective investor told me that, "Hey, if you knew you had a good business background, maybe then I would invest in you." So, then that became a checklist, go to graduate school business degree. Then another investor was like, "If you had a very good technical background, then maybe I would invest in you. Okay, then go get that very PhD in mechanical engineering." So, I had to stop and ask myself, "At what point do I stop this checklist of I need to check the box in order to do something?" And around the time, a very good friend of mine told me, he was like, "Ernest, do you know about the Nike logo?" And I was like, "What? What about the Nike logo?" He was like, "What does it say? Just do it." I was like, "All right, so just go do it."

Sometimes the best way you can learn is by doing something. And even when the conversations, I remember at the time when I reached out to you Rossie, it was at that point where I think I'd come to you when I had this tremendous checklist of everything that people were telling me before. And you were I think one of the first people who was like, "Sometimes it takes you being in the mud to understand why you shouldn't be in the mud." And I was like, "Okay, this is the first signal that I've gotten where someone is just telling me, just go do it." And I think you can recognize from the time we engaged to the time we are today, the progress that has literally been able to happen in that very short amount of time is just for me putting my foot down and saying, "Well, I just got to do it."

And I know this is maybe free brand marketing promo for Nike and they should probably pay me for this, but I always tell people, "Just go out and do it and you'll figure it out. And you might falter here and there, but your conviction is actually what takes you through." And I've had my fair challenges in the time that I've been in this space and also successes, but I do recognize it's about being patient, whether you have it or not, you will learn to get it and when you do, you'll be a better investor for it.

Rossie Turman: Well, one of the things you mentioned, which I think it's interesting, is that you broke down a couple things I want to talk about. One is I think that that checklist, which often builds as we're doing our exploratory phase and trying to figure out how to do something, that checklist gets extremely long for people of color.

Ernest Kabuye: Very long.

Rossie Turman: And women.

Ernest Kabuye: Very, very long. Yes.

Rossie Turman: I think that there's another group of people that have long gone by the mantra, "Fake it 'til you make it." But I think that on the other end, I think women, people of color tend to feel that the first bullet's going to kill them, you don't get to fake it.

Ernest Kabuye: Yeah.

Rossie Turman: First time you go to show up at the, if it was cards, the minute you show up at the table they're going to say, "Put them there." And so, there's that anxiety.

Ernest Kabuye: Yes,

Rossie Turman: The truth is probably somewhere in between. I definitely think for a variety of reasons in country and in this world in general, there is less grace given.

Ernest Kabuye: There is less grace given to people of color and also women in most of the industries, especially so in venture. I mean, I can speak maybe even from my own personal experience where the burden of failure is looked at from a community perspective if I do not succeed. And the success is looked at as an exception.

Rossie Turman: There you go.

Ernest Kabuye: And it's one thing to know about it, it's another thing to live it. Even in the space I've seen sometimes when I engage with founders, one of the reasons we took this call with you is because we recognize you're from the ecosystem. So, maybe you're not looking at us with that same bias that an external investor might be looking at and you're just focusing on the idea. And it's me recognizing in that moment that, "Okay, I want to be the type of VC that I needed when I was a founder, someone who looked at the idea, supported it and focused entirely on that." And not necessarily looking at the team to say that, "Oh, is this person of color the right person to do it or is it because the founder is a woman that I need to step back?"

And also checking what those biases are 'cause it's one thing to know what they are, but it's also another thing to check for them when you're engaging with people within this VC ecosystem. And a lot of that comes from being able to listen and learn and ask them, "By the time you came to me, what have you gone through?" And a lot of them will tell you their story, "Oh, I wasn't even sure you're going to take the meeting. I was surprised that you were very open, I was surprised that you have this approach of direct, "What is the idea? Talk to me about the idea how you think about it," and that's what you want to focus on." And I'm like, "Yes, because when I was a founder, these are the things that I wanted the other investors to look at, I didn't want them to look at what my background was initially."

And then, it starts to hit me that a lot of what I was doing as a checklist was to sort of provide this shield against what their assumptions were. And it's very hard to always be fighting multiple battles at the same time you try to raise money for the company that you're building to do this solution. At the same time, you're trying to work against very many biases in this ecosystem. I mean, even now to this day now on the other side of the cap table, I can be open and frank with some of the biases that I still have to deal with. When initially I started out, I was saying I'm investing on the African continent, and I recognized that there was a lot of pushback from an LP perspective in terms of the region that I was looking at.

And we recognize that well, if we call it an emerging and frontier market, which it actually is, it then opens up the conversation for them to say, "Okay, what is your definition of an emerging and frontier market? Can you give us an example?" Then it allows us to have an open-closed conversation without the bias of investing in this space where then we can put front and center the positives that come from these investments. And even when they did counter with bad actors in the ecosystem I was like, "Yes, there is bad actors in any system, there's bad actors in developed and mature markets like the US." I can give a litany of examples, right?

Rossie Turman: FTX.

Ernest Kabuye: Yes, FTX is a very good one. And funny enough aside, very, very side story, the FTX deal was one of the deals that when I was still a student in my PhD program, a current LP asked me about it and I just gave them basic questions to ask. And then, they were like, "Well, they're not answering the basic questions so we're not going to do it." And I was like, "Okay." I didn't know it was going to be that deal, but now that I started the firm, the LP did come back and say, "Well, you remember that thing that they asked you about? It was actually this. And because you provided us with the basic questions and they never wanted to answer them, we decided not to engage. So, I think you might have a good idea of what you're doing." And that is part of the luck aspect that I talk about where I have-

Rossie Turman: They can at least put into you what they didn't lose-

Ernest Kabuye: What they didn't lose. Right? And it's that scenario where it's like, "Okay, yes, I was lucky that I just happened to be next to the investor who was thinking about something that I had no idea about and I just gave them my two cents." And I was like, "Well, just look out for this and this, make sure they answer this question." And that was me just looking at the idea itself, not necessarily even knowing what the founder, what they were trying to execute. And then, coming back years later for them to reach out and say, "Well, because you did this, that for me is the data point that I needed to know that I should be with you." And I was like, "Well, I will never say no to free LP capital because then it allows me to do the job, which I really want to do." So, now I'm in the ecosystem doing that.

But yeah, back to the point of the burden of success and failure, especially within marginalized groups, we don't necessarily get the same level of chances. And that's why even when I started this firm, I wanted to make sure in the period that we started we were executing rapidly, executing efficiently. I mean, we haven't been around that long but you can see from our track record of successes, we match maybe certain VC firms that have been out two to three years. And that is the penalty we pay for being a firm run by a person of color. It's like you have to be the best, you cannot take a step back, you cannot falter. You have to be the best because at the end of the day, they will always judge you on the ones that you miss as opposed to the ones that you're actually good at.

And if there are ways to change this, I always say they need to be more capital allocators on this side of the cap table, more people of color that are LPs in funds, more people of color that are raising funds, more people of color that are actually doing these companies. And it's also not just about people of color in this decision-maker positions, this will need to have the knowledge base to understand the bias that's in the ecosystem and to work actively against it. 'Cause if you just have figureheads in those positions and they're not actively looking to work against that bias, then they're just perpetuating the system and which it is also possible to perpetuate a discriminatory system when you're part of that same marginalized class.

Rossie Turman: Yeah. I'm going to circle back to that but I want to bookmark some couple things that I think you said so for the listener and make sure that I understood it correctly but I think I did, which is that, okay, first of all, we all have this way in which we're trying to constantly hit this checklist that others are telling us we need to make. And the discretion we all need to exercise is don't pooh-pooh the checklist, it's interesting what people tell you, it doesn't mean you need to do it but you need to be aware of what they're saying. Because what they're telling you is what might be used against you as a barrier to entry.

Ernest Kabuye: Yeah.

Rossie Turman: Then I would say if I'm advising someone and say, "If it's a universal barrier to entry, you may not try to be the one person who actually breaks through in spite of that, you may want to go ahead and take care of that issue. But if you understand it's a stated issue, it is just one of those

things that level of cognitive bias is going to present against you, be aware of it, be prepared to address it, but don't necessarily spend a lot of your side time and effort trying to get that piece because it just keeps you running around in this circle other than doing what you came to do." The final thing is in that list though, there are some things you understand you don't get as many shots, so some of the things are value-add because they're part of preparation.

And so, even though it's like a check, whatever, that not everyone has to have, you realize it's valuable to you for preparation purposes. So, while you're waiting for your opportunity to come along, you might as well go ahead and prepare more for it. And so, those are the things that I would do. So, some things, if it's just everyone's got it, I'm not going to be the one outlier, let me take care of that. That's something that's clearly just because I'm a woman or a person of color, but it has no other value in terms of preparation, I'm not going to do that. That has preparation value, I could see it of itself, I'm going to do it as long as I'm preparing for the opportunity.

Ernest Kabuye: Yeah. And what you have listed was one of the good examples of knowing especially what that bias can be. It's like saying, "Yes, if there are some things that are going to be value-add in me getting to do this, which are sort of like a baseline, I will do that. But then, if there are things which are just specific based on my profile as a person of color, as a woman, then I need to know what they are, that way I do not waste my time trying to get something that will never"-

Rossie Turman: Yeah, 'cause that group isn't going to deal with you anyways, they already have a cognitive bias, they're going to block on you. And so, when you see that you need to understand the code and not keep banging against that and getting frustrated and you only have so much energy in your heart and your soul.

Ernest Kabuye: And it's also good to recognize the presence, not even necessarily the presence but the intentionality and the education around allies that are supposed to be in this ecosystem. Because as much as we might also be able to do the foundational work, at the end of the day, sometimes having the work that we're doing being spoken by others in rooms you don't have access to, goes a long way in breaking that barrier, right?

Rossie Turman: Yep.

Ernest Kabuye: I may not have access to a room of capital allocators who are talking amongst themselves, but if someone in there knows about the work that we're doing and is speaking about it with intentionality, and they might not even be a person of color or a woman in that room saying, "Hey, I have seen what they're doing, this is very good. We need to look more into what they're doing, and we need to look about it this way," focusing on our work and our impact, then there they become a very good ally because they're helping dismantle the system from within, something that we may not necessarily have access to in the beginning, but we need that

collaboration to happen. Because at the end of the day, if someone doesn't open the door from the inside, it's hard to get it.

Rossie Turman: Yeah, I mean you mentioned, so one of the things that we say in college, "They're some of your kind, they're not your color and some of your color, they're your kind." And so, taking two sides of that, you mentioned one of my partners, Ed Zimmerman, who told you to talk to me, some of your kind are not your color, right? And people who are allies in rooms who are here trying to do as they understand and we're all in our own growth trajectories but as they understand trying to do the most. You need those allies, you need every single one of them, this is a long, long, long struggle and a battle.

Ernest Kabuye: Yeah.

Rossie Turman: And we all need, I mean we got two dudes on this now, we all need to make sure we're trying to be allies for women because we're both people of color, there's the women's side of things and we're in rooms that they're not in and we've got to be the allies that they need as we're looking for other people allies to us. The other piece though is there's some of your color, not your kind. I want to get to this issue about there are some people who are capital allocators, some people part of the ecosystem, you hit on something about the fact that we can be part of the system on the negative even though we're part of a class that is an impacted class.

One of the more specific things that goes on in your space, and I want you to talk about it, is there's a sense amongst founders, if I approach a woman or person of color who is an allocator, they're so afraid of failure that they're actually going to triple, double, quadruple team me all the issues, they're going to put more stacks of challenges for me and it's actually harder for me to get money out of them, if at all, than it is from a white ally. Or furthermore and because they're so afraid of failure, they're having trouble allocating capital to themselves because of their own self-doubt, et cetera. Does that get in your head? If so, how do you deal with it? Is that something that's a viable critique of us as allocators?

Ernest Kabuye: It does in a way that, and this is part of also the education piece, knowing where you stand within the VC ecosystem first. Are you a person looking for capital? Are you a person that's a decision-maker that is allocating that capital? And understanding what that power dynamic does. A bit in meetings where a founder wanted to change their whole trajectory because they felt that it would be easier to change their trajectory to get access to capital to us. And I had to recognize in that moment that even me being in the meeting might not be as productive because then it might shift what they're trying to do.

And I had to acknowledge the founder is female, and I had to recognize in that space that, "Hey, my presence here, even though I've just come into the meeting, might be intimidating enough that someone is looking to change their whole strategy because they feel like that is the way they get access to the capital." Now, I don't know what they've had in terms of

interactions with other firms and whatnot, but that is the first level, recognizing where we are in the VC ecosystem. Then the next step becomes, "Okay, I've acknowledged that there could be an issue here with my presence, what can I then do about it?" So, in my firm, I have a very good principal, I have to say her name, her name is Maria she's very good.

She's been one of the very good advocates of putting in our process, making sure that it's very independent enough to say, "Okay, we want people to give us their details first, let's engage that way where we just have the data and we're looking to make a sound investment decision away from having to meet on hand with the founders." That way when we want to invest, we meet with them directly like the decision has already been made. Before I had this approach of like, "Okay, talk to me about your idea, let's do this," without recognizing that, "Hey, there's a power dynamic here. And if I'm not aware of that power dynamic, I might be inadvertently contributing to where someone feels that they have to change part of their strategy and I'm not as open as I would like to think."

So, it's also recognizing first of all where we are in the system, how we can change the process and being able to listen and say, "Okay, I'm not going to be in this meeting because it might not affect me in terms of the type of customer, but I also want the founder to be able to have the platform and say exactly what they need to say without any repercussion." And I remember there was one time we wanted to sign an NDA prior to engagement so that we let their founder know, "Hey, we're going to go in and see what is in there, but we want to make sure that you're also comfortable with us seeing what is in there.

If you don't want us to sign the NDA, which is totally fine, we'll still keep everything intact but we want to make sure that you have the platform, whether it means gagging us in terms of whatever we see to keep any sort of confidentiality, but how can we make it easier for you to tell us what you want to do so that we try to eliminate bias even throughout our whole process?" Because we recognize being on that cap table on the other side of the capital allocator, especially in this ecosystem where there's not that much dry powder, right? There isn't that much dry powder leaving a lot of VC firm. There's been a lot of contraction in our ecosystem and that's just probably maybe a sign of the times.

The assumption is that powder will come back, but in this period where there's been a contraction, people become a bit more cautious in how they engage, which brings to the point of like, "Okay, they're looking now the profile of the capital allocators." They're like, "Okay, is this the type of capital allocator that would then give me the money based on what I say or what I have to do? Do I then have to put this in as part of my process?" And it's us taking a step back and recognizing are we contributing inadvertently to this and how can we change our process to sort of make it a bit more fair to people in the ecosystem? Now granted, we have not perfected our system and I have to say that, and we are always in a state of constant iteration in order to make it better, but at the same time, we also to be held accountable in the fact that if we do pass on a founder, what was the reason we passed on them?

100 percent it has to be the idea and the market, product and the market. It cannot be anything else. And we write these investment memos and the idea for the investment memo is that if anyone reads it, they can come to the same conclusion. But if someone else reads it and they don't come to the same conclusion, then we haven't done a good job of capturing why we decided to either go forward or not with the company. And that is being intentional about the process, knowing where you are in the process and how you can affect it and what you can do different to ensure that you're not perpetuating a problem because most founders are not going to tell you, "Oh, we were scared about this or that." They're going to wait and see, right? And you need to be active in how you do your process to ensure that you're not contributing to that bias.

And I have to admit, we do contribute to that bias even though we're capital allocated, we are people of color, we are people of color in decision-making positions that have capital tied to them. And if we don't know what our biases are coming into it, then it's going to be very difficult for us to be able to properly evaluate what these ideas are. And then, which will miss out on great opportunities and good ideas come from everywhere. The opportunity to then take advantage of them and invest in them might not be the same for everyone, but there are good ideas everywhere you go. You just have to find them and be open to receive them without that bias. And that is something we're also actively working on, not just recognizing that there's other external entities that don't know the system, we also are a part of that ecosystem and can contribute to it.

Rossie Turman: Tell me, we should take a step back while we have you here and hopefully this goes far and wide. So, why don't you quickly tell people what your investment thesis is and what type of investments you're looking for. So, maybe we'll drum up some, I want you to, we are gazillionaires from just a couple investments that came off of this podcast. Remember the little people?

Ernest Kabuye: Oh yeah, no, that's it. Rossie, I think I've maintained you like if you ever send me an email, anything, note, I will always answer it no matter what. You've been one of the people I remember before when the firm started, we had a discussion and you asked me, "I need to see your conviction." And I remember that it's one of those things that you take a step back and you ask yourself, "What is my conviction in this space? Why am I so bullish about it? Why now? Why here?" And that question caused me, it tortured me in good measure by the way, but it tortured me to think through and ask myself, "Why do I really want to do this and why now, why not later? Why not 15, 25, 30, but why now? Why the space?"

And that question is a question that I've always tried to answer every day when I wake up like, "Okay, am I still doing the right thing? Am I in the right path? Is the conviction still there? Yes." So, our investment thesis looks at technology-enabled solutions. We theorize that technology has allowed the emerging and frontier markets. You see what I did there? The technology has enabled emerging and frontier markets to leapfrog certain advances, whether it was going from skipping dial-up on the African continent to go straight to mobile, skipping the use of physical banks to go

straight to mobile wallets, that's what technology has done. And we believe that solutions that start out in these emerging and frontier markets can actually be scaled to enter the developed and mature markets of like the US and the UK.

So, when we start out with investing in these entities, and the reason we call them entities is because we do early-stage investing, they can be anywhere from pre-seed, seed, to select Series A is that we put anywhere of a check size between 50,000 to \$250,000 and we want them to scale and grow and enter a developed and mature market. What that does is allow them to then realize the true value of their potential. We want these founders to become capital resourceful, get capital as well based off of the ideas that they're doing. And we recognize that this opportunity that we're coming in at the early stage is for them to do that. Be able to support them, not just with capital. We always say we do three things, capital, connections, network, both on the founder and the LP side.

We give you capital, we connect you to the partners that you need and we also become part of your network. And then, from the LPs, we always tell them, "We need capital connections network. We need capital from you, connections to other LPs and then if you think there's any company we should be looking at that we missed, then happily send them our way." So, it works in both ends of the spectrum but has different outcomes. And when our investment thesis looks at those technology-enabled solutions that start up in emerging and frontier markets, we provide them that capital, the connections and network to get them to scale and grow to enter the developed and mature markets. And we've seen successes of this model in previous iterations on the African continent and that's what drives our investment thesis.

Rossie Turman: Give me some of those examples of success.

Ernest Kabuye: I don't have the deck with me here that we use for our investors but off the top, and correct me here if I'm wrong, but Paystack was one of those ventures where I think part of them was acquired by Stripe on a couple multiples. The next one that I would call is Moniepoint, that I think recently just became a unicorn just based off I think if under three million seed. And obviously, there's time aspects to this where there's time and capital that goes into build these ventures, but a lot of these ventures can actually exist in the developed and mature markets. And what the emerging and frontier market does because of their lower valuation and the ability to iterate much faster, if you're doing a seed round in the US, I mean you're looking at what, \$10 million minimum of a deal?

You can do less than that in these markets and be able to iterate and show progress. And then, once you show the progress, give them more capital and the connection they need to scale and then start to enter the US and the UK markets where then you have a proliferation of capital in terms of disposable incomes, which should then increase their revenues, making the founders recoup a lot more upside of what they've been able to build. So, our thesis deals in looking at entities that can enter the developed and mature markets coming from an emerging and frontier market space.

Rossie Turman: So, one of the stories I think you should add, so back up. One of the things I constantly critique people of color on I say, especially those Africans and African diaspora, still what we suffer from is low aim. We have ability, we used to suffer from opportunity, we still do suffer from opportunity, but we definitely have ability. Plenty of us have got the educational background, et cetera. We suffer from low aim. So, we should add to your deck, Safaricom had had a bigger vision and Pesa would be Apple Pay.

Ernest Kabuye: Yo, and Pesa actually came before Apple Pay, believe it or not.

Rossie Turman: Absolutely, it did. That's what I'm saying. And Pesa came well before Apple Pay, like years, maybe even five to seven years.

Ernest Kabuye: Yeah. So, imagine we had a time machine, I go back seven capital is at the same time and Pesapay walk into the offices and I'm like, "Hey, here's a check, I want you to scale and grow within the next 12 months and enter the US and the UK market." Obviously, they would look at me and say, "That is crazy." But then I tell them, "Death by ambition is a good death and we can do these things, we can do way more than these things." And we're very bullish on that part of our thesis where we tell entities, "We want you to scale, grow, and enter these developed and mature markets because you have solutions that they're also encountering."

I can give you another good example. When we were initially looking for an HR payments platform, we were like, "Okay, there is Deel in the US, there is I think Remote as well." There's a couple of them where you can have your HR management platform and we're like, "Well, most likely we're going to be having the same issue in these markets trying to find a good platform to use. But they exist, they're there. And it was in that moment that I recognized, "Well, if we're coming in from the US trying to look for solutions, we have that problem, same way that they would have that problem on the continent." So, if someone came up with that solution, I mean the global world is their market.

And a few weeks later I think Deel acquired one of the companies we're looking at from an HR platform perspective, I think it's just oPay, it's based out of South Africa. And that it was also another conviction where we're like, "See? Whatever pinpoints we have, they have too." And this is what technology has been able to do. It has been able to bridge the gap in a way that if you come up with a solution in these markets, I guarantee you the same pressure point exists in the developed and mature markets. And it is our job to connect those two and say, "Hey, we want you to scale and enter these worlds so you can realize the potential that you're building here."

Rossie Turman: Now, the other thing that goes into that, the advantage that the frontier markets have over developed markets is the same advantage as a new company has over an old established brand. Legacy gives you a certain level of support and infrastructure but also ties you to that infrastructure. And that only allows you to create in an iterative basis, but you can't

create with legacy in a transformative way. And so, your thesis is generation skipping. Legacy had to do that incremental movement through all those generations because they had a legacy, they had legacy supporting them makes it feel good and safe but also, it's tying them down.

Ernest Kabuye:

Yeah, they're moving much slower, they're not as efficient, they're not as quick. And it's also when you meet founders in this market league, you get astounded by how fast they're quickly able to think of new ideas. And it's something I said earlier, we have the privilege of seeing what the future is before anybody else. Because they come to you with the idea of what their solution is and how groundbreaking it is. Then you look at it and you think about it's like, "Ah, this is actually a very good idea, go do it." And they're like, "Well, I need capital." It's like, "How much do you need? This is what I need. All right, here you go. This is the timeline. What else do you need outside of the capital? Well, I need you to connect me to a partner who does this and this. I need this license.

All right, I'm going to go into my network right now and try and connect you because now I'm tied in with you, I'm not just giving you capital and retreating." And this is maybe something that maybe other VC firms as well have seen as maybe other people in the ecosystem. I call it the spray and pray approach. The spray and pray approach is like you have this big VC firm that comes in, has a gazillion dollars, they've come into the ecosystem, they don't really understand what it is like and whatnot, and they're going to say, "We're going to give whoever comes to us this check size and we'll give out a thousand of them. And then, in a couple months we'll see which one is still alive. Those are the ones that are the winners." Now, for a firm like ours, we can't have that approach.

I mean, we have to be very strategic with our capital, we have to be very data-driven with our approach, we have to be prepared with how we execute. We do all this knowing very well even at the end of the day there is a bit of luck that is involved. So, we do what we can control in our space and then what we can't control, which is the luck, it finds us ready. So, when we're investing where we can't do a spray and pray approach, we don't have the funds, the bandwidth for that. And in our ecosystem, I think they're starting to see the arbitrage opportunity of coming in with much bigger fund sizes and then just doing the spray and pray approach. And then, sometimes when you're looking at the cap tables of some of these firms, you can see a couple of same players and you're like, "Okay."

And then, you ask the founder, "When was the last time you engaged with them? Well, it's probably close to a year now. Okay, so they're waiting for you to be good, then they can come back," it's like, "Most likely." And it is that level of, "Well, we understand what their approach is and maybe that approach works for them, but for us when you have us on your table, we're tied in. Our success is literally dependent on your success. I wouldn't be a very good fund manager if I was not able to return and show the capital that have been returned, but also the scaling and growing that has happened within that period of time if I'm not part of the trenches trying to figure out the same problems that you have."

And we do that even as part of our investment memos where we highlight particular risks and obstacles and then say, "Listen, as part of our investment, we want to see this within this timeframe, and this is where we're willing to help you. And reach out to us in case you find any obstacle, whether capital, connections, network-wise, we'll figure it out with you because we are tied into that success. We know it's a long journey, but we can also see the potential on the other side and what that means." And hopefully, in a couple years from now, Rossie, when people have come back to listen to this and say, "Maybe that firm was onto something and they actually executed on it, then I hope I'm not the only one in this space that sees it that way."

And they can be more capital allocators than just some kid from Kampala, Uganda. And they can be from everywhere that are also actively doing investing in this ecosystem, aware of their biases and how they contribute to that ecosystem positively and how they also can be also negative if they don't catch that bias. And being great advocates of the founders who, by the way, are the foundation of this ecosystem. Without people going out of their leg to be the man in the arena, none of us here would exist. There wouldn't be a Seven Capital, there probably wouldn't be a Lowenstein Africa Practice that looks at the founders trying to do this in this space. There wouldn't be other external people trying to come in and acquire all these companies.

So, whenever you get to meet with a founder that's telling you what the future looks like, it's a privilege, it's a privilege. And it's something that I acknowledge and I cherish and hopefully I get to do this for as long as I can, as long as I'm able to, I don't care how old I'll be, maybe I'll still be that one guy that is probably like 75 and people are still telling him ideas of what company they want to start and I'm like, "All right, have you thought about this? Here you go. Go do it, here's the capital. And I want you come back here when you have a problem."

Rossie Turman: I want to know what excites you, I also want to know what you see in the future. You said people tell you what the future is, but you probably also have some ideas of your own what you would like to see in the future. And you can tell me both of those and also what's got you excited these days?

Ernest Kabuye: I think to the first question I'll go back to a quote. One thing that you'll notice that people that know me as well they'll tell you that, "Oh, Ernest is always speaking in quotes." And I like to do that because I think they guide me. There is one which is like, "Seek not to follow in the footsteps of men of old, seek what they sought instead." I think it's Matsuo Basho, it's like, "Seek your purpose." So, for the question about what's excite me, I finally know what my purpose is and that is to help grow this ecosystem. And to me that is something that I took a while to find what it was. I tried so many different things. I mean, you see the resume where it's like, "Oh he worked here, did this, did that, tried a couple different things. Now, he's doing this and he's able to say that this is the last job that he'll ever have."

So, I think for me that is an excitement that I can never ... Being able to know what your purpose is and building everyday towards that purpose. That's why I feel fortunate and privileged to know what it is. And at the same time, waking up in the morning, that is literally what I'm excited about. I might be one of the few people that's actually excited to look forward to emails 'cause I know there's an email, there's probably a founder in there saying, "Hey, someone told me to talk to you, this is my idea. Please let me know if you can look at it." And it's like, "All right, I'll look at it. Here's a link, put time on my calendar. Done." Then what the future looks like is. And this is maybe me not necessarily taking a step back, but the future is something that is today and is tomorrow. Growing up, especially in our community, I can only speak to my experience, we always had this thing of everything external is better, whether it was education, products, everything.

So, we grew up always internalizing that whatever was outside was always better. And it took me growing up to realize that the man who left home to find his path realized that he was already there instead, he just needed to recognize that the way back home was the way he came from. And when I think about the future, it's that level of content of looking around and knowing that we do have the best, we are the best in what we do and we can acknowledge that in everything, whether we're building ventures, whether we're doing ideas. And to me the future is a system, a population and people recognizing that we are exactly what we were looking for and we didn't need to necessarily go elsewhere. We might've needed to do that to understand the man who leaves home finally to realize that home is where he wanted to be. It's a very familiar story, but to me the future is recognizing that where we are is exactly where we needed to be and that's the best for us.

Rossie Turman: Great catching up. I think it's a real exciting time to be in frontier and emerging markets.

Ernest Kabuye: Yes.

Rossie Turman: And actually, I think it's an exciting time to be actually in frontier emerging markets 'cause I'm actually cross-border on a global basis. I do the Africa Practice but have experienced on every continent. And I actually think it's a great time to be in the frontier emerging market. Period. I'm exceptionally bullish on Africa right now. If you're investing in the early stages, I think it's going to be a little bit of time for some of that stuff to grow and mature. And I think a lot of the private equity folks that pile in 2010 range with their billion-dollar funds, their mistake was they came in too heavy. They could have done what you're doing now if they just come with a number of \$250 million funds. And even four different \$250 million funds would've been better than the \$1 billion Carlisle fund for people. You could have spread yourself across the continent with the team. It would've been the same AUM and you could have actually have been a lot more productive. And I think people missed on that and your thesis would've allowed you to shoot at different size. And then, also the thing that you're doing that's really important is ecosystem building. And I tell

people all the time when they go into Africa, "But I'm investing in New York, I assume that Con Ed is there." I mean, I know it's Con Ed, but I assume it's there, right? I assume I'm going to be able to get retail space." I assume what you do when you invest in Africa or other parts of frontier emerging markets, what you find is you have things that you would otherwise assume that are actually not there.

Some of those things are actually opportunities, as you note, that's a business waiting for another entrepreneur to do and when you see it, you want to invest in that. But those are also barriers to entry that create certain types of barriers for businesses and those who don't know their way around. And we all look for moats around new businesses. You have these built-in moats and that's one of the excitements. But what you also have is green fields like crazy. You don't have legacy things that hold you back. Microsoft isn't there in the same level blocking on you, you actually can iterate a whole new way without having to, or Google or, I mean actually Google is in Africa.

Ernest Kabuye: Yeah, they finally wised up and now have started to have a footprint. And even when they do reach out, I know they'll be like, "Yeah, we want to see how you've been doing it." And I was like, "Yeah, we're an open book. Come and see what we're doing. The formula is there's nothing new under the sun," right?

Rossie Turman: Well, here's what's going on, I'll tell you this. People need to invest in the ecosystem stuff, which I'm hoping that some of the DFIs and even people who are interested in the space and have donor-advised funds, they're getting involved with their DAF, listen, it's grant money. At that point in time, put some of that money behind one of these incubators. A lot of great really quality incubators on the continent don't have capital. Put your grant money into that from your DAF, you wonder what you're stroking, you're stroking women-owned businesses, you're stroking job creation. You're actually stroking better healthcare, you're stroking a bunch of things when you do that in the UNGAs.

And so, it's perfect for a DAF, but it actually helps build this ecosystem will start to generate some of the other stuff that you can do because you have the certain ERI you have to clear, but some other folks can put that money into that from other sources they may control. And I'm hoping that more DAF money starts to flow in that direction or other types of charitable funds because that level is missing. And then, we've got a number of emerging funds that are coming out. And then, I do need private equity to show up but with smaller funds.

Ernest Kabuye: Yeah. And most of the PE funds what they can do, they can also seed other VC firms or provide capital in their structures because what that does, it provides follow-on funding for their portfolio companies. And they can use the smaller VC firms to...Because they have visibility, the nuance and then the understanding of-

Rossie Turman: That's absolutely why you write the check. I'm writing the check just to get visibility. I'm going to pick the areas I want to track, I'm going to pick a few

that are in the middle of it. And it's more information than anything else but information can be monetized in a growing environment.

Ernest Kabuye: See? Like I say, a lot of literally what we talked about, it's just structured how it needs to be approached, but the value add, the output, at the end is enormous. And that is the type of potential where I'm always very bullish on. And to me, that represents the futures. Being able to recognize that what we have, where we are is the best.

Rossie Turman: Ernest, I want to thank you so much for your time today. This was a very informative conversation. I appreciate your thoughts and perspectives on investing in frontier and emerging markets. Great thesis, bullish on what we're going to see in the next five to 10 years from you and from those markets. As I noted, for those who were tuning in, my name is Rossie Turman, I'm a partner and Chair of Lowenstein Sandler International Finance Practice, and also co-chair the firm Africa Practice. Ernest Kabuye is a PhD, well, actually I met you when you were doing your PhD, and I think you were in a crazy town because you hadn't quite finished the PhD at Carnegie Mellon.

But you were also trying to finish that up and get married at the same time, which I advise against. And fortunately for you, you didn't listen to me on that one. I believe you got your, correct me if I'm wrong, but your managing partner at Seven Capitals Venture, which is really focused on supporting high-tech projects and AI and cybersecurity, drones, biotech, many more things, FinTech, I don't even know. Are you agnostic in terms of verticals?

Ernest Kabuye: Yeah. So, we are focused on FinTech, e-commerce, transportation/logistics. Those are the three main sectors that are being forecasted to grow and also the most impactful when it comes to technology adoption.

Rossie Turman: And the other thing I need to say for those who caught us and are trying to put some meat on the bones here, their focus is early-stage startups and they're looking to scale those startups in emerging and frontier markets, then grow them to be able to access developed markets. Well, I mentioned his PhD from Carnegie Mellon, but he also holds a degree in mechanical engineering from Northeastern University and a master's degree from Tufts and also an MBA from University of Chicago. So, he is a very highly educated individual and then he decided he wanted to just do it. And with that, looking forward to speaking to you down the road, and I hope everyone gets something out of this what's been a very informative conversation for me and great catch-up with you again, Ernst.

Ernest Kabuye: Likewise. Rossie, it's always a pleasure. You're a person who I've listened to over the years and your questions have always tortured me to go into greatness, so thank you for laying that foundation.

Rossie Turman: Appreciate you.

Ernest Kabuye: Yeah, anytime.

Rossie Turman: We'll do this again sometime.

Ernest Kabuye: Yes, we need to. I need to give you some great updates. We will do those offline as well. I've always been eager to get your feedback, direction, and approach. So, that's something I always take. And as you have noticed, it's something I always write down. I'm like, "Okay, I need to be listening to understand how to do this job better."

Rossie Turman: Well, great talking with you. I'm going to say thank you to everyone who listened in and look forward to the next time. We'll bring you in down the road and let you tell us what you've done and when you're on fun too.

Ernest Kabuye: Yes, definitely looking forward to it.

Rossie Turman: Peace.

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