

Samena Capital: creating cross-border synergies

In an increasingly chaotic world, one entrepreneurial asset manager is daring to break the norms and create an India Subcontinent, Asia, Middle East and North Africa (SAMENA)-focused asset management firm that bases its investment model on the collective market intelligence and network of its geographically/industry-diverse shareholders. **Shirish Saraf**, CEO and deputy chairman of **Samena Capital**, talks to *AsiaHedge* about why this model works in today's changing world, and what pockets of value the firm sees in the SAMENA region

Q The past year has seen marked unprecedented economic, geo-political and social upheavals, be it the debt crisis in Europe and the US, inflationary fears in China, the India Against Corruption protests, the Arab Spring or the globally widening Occupy Wall Street Movement. At the same time, there is increasing connectivity between regions and economies. What kind of a new world order do you see panning out as a result, and what opportunities does it present to a cross-border specialist such as you?

SS: What we have today is a world at an inflection point. There is no denying that this is clearly a period with profound socio-economic changes, but unlike the Great Depression of 1929, the nature of the world is very different today. The world today is highly globalised and integrated, and it will continue to be more so. That throws up tremendous opportunities.

Secondly, what has happened in the US and Europe is that governments have replaced private-sector debt with public debt, which in my view is similar to treating cancer with a band

aid. That is obviously not going to solve the problem — what is required is a serious therapy for the Western economies, and that will be a long process. The developed countries will become less and less significant and emerging economies will become more prominent. As this pans out, there will be countries in regions such as the Indian Subcontinent, Asia, Middle East and North Africa that will have pockets of immense value due to the shift between different economies.

Finally, amid a changing world order, there will be excellent opportunities for companies to buy and build businesses across the global economies.

In a period such as this, where there is a lull in the investment and capital markets, and long-term capital is disappearing, a firm such as Samena that looks for absolute returns over a medium term, has a huge role to play.

Q The Samena model is radically different from that of traditional asset managers, where most investment decisions are centralised around one or a limited few

portfolio managers. Please elaborate more on this and explain why your model works, and that will be a long process in today's changing world.

SS: What I would like to stress is that Samena (which also means “collective” or “together” in the Buddhist script) is not a typical asset management company. The idea behind establishing Samena in 2008 was to bring together a group of like-minded, highly successful entrepreneurs and business leaders (in the Asian, Greater China, Indian and Middle Eastern countries) as shareholders that invest in both the fund and the company, and using their access to identify investment opportunities. This is what I call an “active valuepreneur concept”, whereby these shareholders stay actively involved in the fund, meeting quarterly to exchange investment ideas, share their business vision and explore possibilities of increasing economic trade between their respective markets. The insights from these shareholders coupled with the management team provide us with investment opportunities in the prolific but often opaque SAMENA markets, where networks play an important role. This is what gives Samena a distinct competitive advantage and distinguishes it from traditional asset managers.

This is a rather unique model, and one that is highly relevant to today's changing world. If we look back at the 15th century, India, China and the Middle East played a dominant role in world trade, and I believe that this will be the case going forward as well. However, integration will be the key to capturing the opportuni-

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Biography: Shirish Saraf

- Shirish Saraf is the vice chairman and CEO of Samena Capital.
- Prior to establishing Samena Capital, Shirish co-founded Abraaj Capital, which grew to become one of the largest global private equity firms managing over \$6 billion. He has held numerous directorships including Aramex Holdings, Abraaj Capital, Memo Express, Commercial Bank of Oman SAOG, Amwal Capital (Qatar), DCM-Hyundai (India) Limited and all the flagship Abraaj funds.
- He is actively involved with the Little Dreams Foundation, a not-for-profit initiative with Phil and Orianne Collins. Shirish studied at Charterhouse (England) and the London School of Economics.



Shirish Saraf

ties that come with this change — the real results will come from families and business houses in these economies coming together, trusting each other and building businesses together, like the old Silk Route along which ideas and wealth were traded. The Samena model creates a perfect eco-system for this.

If you look at our shareholders, they come from highly diverse geographical backgrounds, and have strong reputation and pedigree in a range of industries and government quarters, spanning from transportation, insurance, engineering, oil and gas to education, property, finance and investments. But what is most interesting is how actively they contribute to the investment process — that is what sets us apart from other players in the market. It also makes the company well capitalised, with a permanent capital base of \$90 million.

[Samena Capital's shareholders include V-Nee Yeh, co-founder and honorary chairman of Value Partners Group and member of the Executive Council of the Government of the Hong Kong Special Administrative Region; Atul Punj, chairman & founder of Punj Lloyd; Samir Fancy, chairman and founder of Oman's oil and gas giant Renaissance Services SAOG; the Capricorn Investment Group; Ramiz Hasan, founder of Japan-focused hedge fund Invicta; Kamal Bahamdan, co-founder and CEO of Safanad, and ex CEO of Bahamdan Group; and Simon Wong, founder of GC Capital and partner at Lancea. Saraf himself co-founded Abraaj Capital, a \$6 billion emerging-markets private equity group, prior to establishing Samena.)

Last summer, the firm added several heavy-hitting Hong Kong and Indian names to its shareholders list, including Richard Elman, executive chairman and founder of Hong Kong's Noble Group business; Pansy Ho and Daisy Ho, the CEO and CFO, respectively, of Shun Tak

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Holdings; Rana Talwar, managing partner and founding chairman of Sabre Capital; and Shyam Sunder Bhartia and Hari Bhartia, chairman and co-chairman of Indian pharmaceutical giant, Jubilant Life Sciences.

Samena also has highly regarded shareholders from the AAA-rated Gulf countries, prominent among those being HH Sheikh Nahayan Bin Mubarak Al Nahayan, minister of higher education and scientific research for Abu Dhabi; Sheikh Nawaf Nasser Bin Khaled Al Thani, chairman and CEO of Qatar's Nasser Bin Khaled Holding; HE Maqbool Ali Sultan, former minister of commerce and industry of Oman; HE Sheikh Mohammed Bin Essa Al-Khalifa, chief executive of the Bahrain Economic Development Board; and HE Sheikh Ahmed Al Thani, director of Nasser Bin Faleh Al Thani Group and former minister of communications and transport of Qatar.]

Q Samena launched its second Special Situations Fund a few months back — what is the investment philosophy there and how do you zero in on the companies it invests in? Please give us examples of a few core investments that are driving returns for the firm.

SS: Our second Samena Special Situations Fund (SSSF II), follows on from the success of the flagship Samena Special Situations Fund

(SSSF I). The SSSF I, which we launched in August 2008 as a five-year closed-ended structure, has already returned 20% of its original capital to shareholders based on some very profitable exits (the fund has made 19 investments so far with seven full exits and two partial exits, generating an IRR of 122% on the exits), prompting the shareholders to commit to the second fund as well.

The SSSF II is a seven-year closed-ended fund with an investment strategy similar to SSSF I, though with a stronger emphasis on direct investments and co-investment opportunities [the fund had an initial closing of \$315.5 million in June 2011 and is targeting a final close at around US\$700 million in the second half of 2012].

What we are trying to do here is to apply a hybrid private equity approach to the public investing. If you look at the most notable exits from SSSF I, they are the likes of Eicher Motors in India, CSE Global in Singapore and Renaissance Services in Oman. In short, listed companies based in the SAMENA region, which enjoy stable mature businesses, and have the management bandwidth and technical know-how to capitalise on opportunities arising out of cross-border consolidation. They have the ability to grow beyond borders, and buy and build/look at acquisitions across markets.

When we invest in a company we don't try and do financial re-engineering, rather focus on operational enhancement to unlock value. Another important factor is that we don't use leverage, which makes our business all the more stable and less risky.

Q Future outlook and growth avenues for Samena: what do you think would be some of the key growth propellers — both organic and external — for the firm going forward and what direction will this growth take?

SS: We are constantly looking for cross-border synergies with partners that have complementary skills and geographical specialities. For example, in 2009 we entered into a JV with Hong Kong-based Argyle Street Management — a specialist in the Asian credit space, to launch the Samena ASM Asia Bond Fund. This placed us in a strategic position to take advantage of the opportunities in the fast-evolving SAMENA credit and fixed-income markets.

Last year, we formed a partnership with Swiss bank and asset manager, Reyl and Cie, allowing us to integrate the investment expertise and network of both firms in the SAMENA region, and Europe, respectively. While this JV is formed via Samena Asia Managers, Samena Capital's seeding arm, the scope of the collaboration will be firm-wide, and allow us to create a broad suite of bespoke products not just for sophisticated European clients, but also for HNW clients, families and institutional investors in the SAMENA region.

Our AUM has grown significantly over the last three years to over \$725 million and is expected to cross \$1 billion once the second flagship fund closes in the latter half of 2012.