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Asset allocation

Silk Invest targets Africa and Middle East regions



By Barney Hatt, Reporter 25-Mar-2009

Silk Invest, a London-based boutique founded by some experienced fund industry figures, is targeting strategically selected growth regions namely Africa and the Middle East.

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Silk Invest, which was set up in 2008, is launching two Luxembourg-domiciled UCITS- regulated funds - one focused on Africa and one on the Middle East.

The former head of Commerzbank's asset management arm, Heinz Hockmann, is chairman of the new firm, and Chandima Mendis, a successful emerging bond manager who left AXA last year, is a member of the supervisory board and director of strategy.

CEO of the new boutique is Zin Bekkali, whose Dutch Moroccan roots are representative of the diverse origins of a Silk Invest team which includes fund managers from South Africa, Egypt, Nigeria, Cameroon and Morocco.

The team of fund managers will between them be responsible for the two new funds Silk Invest is launching on March 27: the African Lions Fund and the Arab Falcons Fund.

Both are UCITS III, Luxembourg-domiciled funds with daily liquidity and annual target returns of 15-20 per cent.



The CIO of the company is Daniel Broby (*pictured left*), formerly global head of asset management at Renaissance Investment Management. The new funds are being aimed at European fund of fund managers and will be capped at \$500m. Initially Silk Invest were aiming to have \$25m of assets raised for each fund by launch date of 27 March, but "realistically it will now be lower than that figure," Broby said. He believes that African and Arab countries "have restructured their economies and are best positioned to profit from the next stage of globalisation."

"We have a generational opportunity in frontier markets; industrialisation is coming to the final places in the world where it hasn't come yet – namely Africa and the Arab world," he added.

The African fund will have its exposure to individual countries limited to 25 per cent of the fund and also caps sectors at 25 per cent.

It will take a whole continent approach, dominated by the big markets of South Africa and Egypt.

Broby explained: "Traditionally when you look at African funds sometimes South Africa is included and sometimes it isn't. Sometimes Egypt is in and other times it is out. Our view is that if we are investing in companies that are champions across the whole continent who is it that is getting the opportunity?"

"It is South Africa companies that are expanding north of the border; it is Egyptian companies that are expanding south. Therefore it is legitimate from the point of view of the industrialisation of the rest of Africa – it creates beneficiaries in both South Africa and Egypt.

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Long-term focus despite short-term fears

By Harpreet Sajjan, Analyst, Financial Express Research 24-Mar-2009

Asia-Pacific equities had a positive period this month, reflected by the MSCI Hong Kong index posting a return of 2.5 per cent – a shift from last month's losses. Only five of the 42 sectors across Financial Express' Hong Kong Mutual universe posted a negative return over March – ranging from a 22.5 per cent gain in Emerging Europe Equity to a -5.8 per cent loss in Health Equity.

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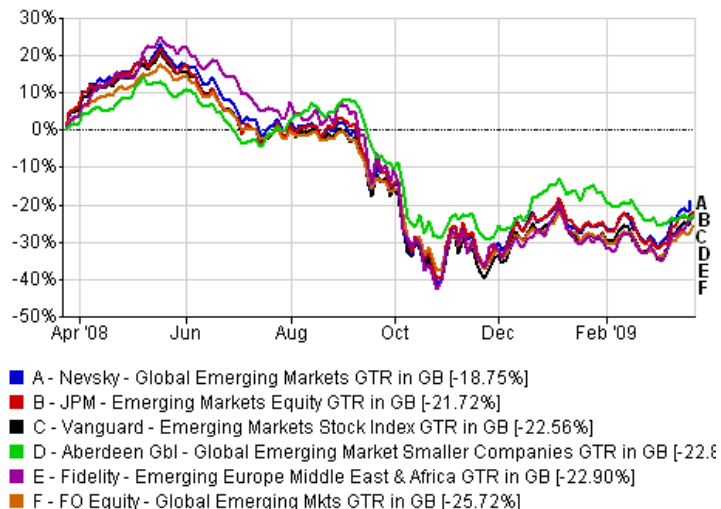
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"It also allows us, by having a large portion of our fund in both countries, to have daily liquidity, which from an investor point of view is important to understand – that these are liquid markets, and you have to manage funds for liquidity."

FSA-regulated offshore mutual funds with exposure to South Africa and Egypt, 1yr



20/03/2008 - 24/03/2009 © Data provided by Financial Express 2009

Source: [Financial Express Analytics](#)

Brody admits that the recent demise of New Star Heart of Africa fund is "disappointing" but says, "we are managing our fund in a very different way."

"A lot of what went wrong with New Star was at the top regarding their dividend distribution and how they managed their own franchise more than the particular Africa fund."

The Falcons fund will be aimed at both the Mena and the Maghreb region (including Morocco, Algeria, Tunisia and Libya) "giving investors a fabulous amount of diversification," Broby said.

It will also have exposure to individual countries limited to 25 per cent of the fund and also cap sectors at 25 per cent.

He explained: "The region is perceived as being oil-sensitive certainly over the last year correlations to the oil price and the markets have been very high. But this is a region that has been decimated in terms of asset valuations but is also still going to be growing. Unfortunately everyone's perceptions are now focussed on Dubai, which is only a part of the United Arab Emirates – and a part that does not produce oil.

"There is a real estate crisis going on there, sure; but are allocation to the UAE is only 9 per cent. The Standard & Poor's sovereign rating of the debt in UAE is 'AA'. So in terms of finding a way out of the crisis, there is certainly the balance sheet to do that. Meanwhile the rest of the region is very strong. Morocco, for example, has recently upgraded their GDP estimates to north of 5.6 per cent, which means it is going to be fastest growing economy in the world."

With regard to drivers of future asset growth Broby says: "A lot of investors we have already spoken to a lot have said once you start getting a few NAV imprints then we are coming on board as well.

"But we are also going to widen the marketing reach away from fund of funds and approach more traditional investors such as pension funds, and then you are talking about \$10m tickets."

Model Portfolio – African Lions Fund

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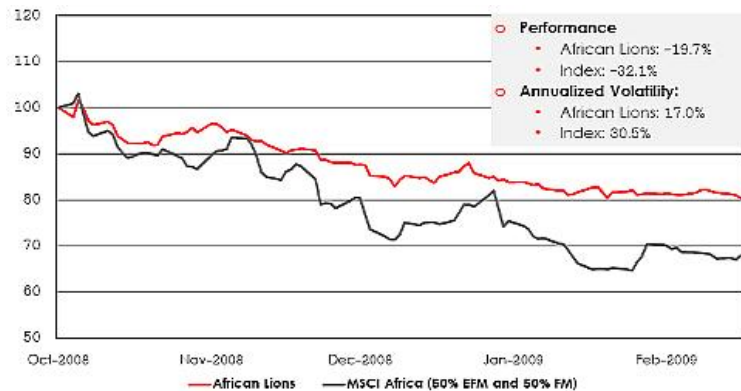
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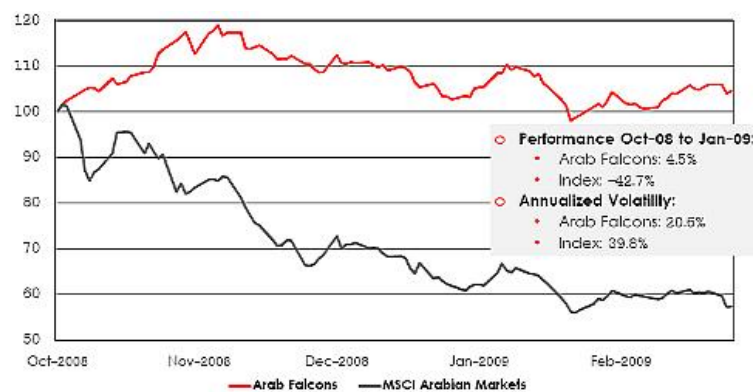
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Source: Silk Invest; MSCI

Note: Shown track record is based on Silk Invest's model portfolios and past returns are not a guarantee for future performance

Model Portfolio - Arab Falcons fund



Source: Silk Invest; MSCI

Note: Shown track record is based on Silk Invest's model portfolios and past returns are not a guarantee for future performance

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