

# Collabrium Capital

Collabrium is a new investment house focused purely on capital flows to and from emerging markets. It commenced trading three years ago and has three principal business lines – corporate advisory work, consultancy and fund management. The first of these has dominated the early years of our business, and involves the provision of strategic advice and capital-raising services to companies with operations in emerging markets, or helping investors in emerging markets to identify geographically or strategically attractive investment destinations in developed economies. We have an office in London and an associated company in Chongqing, China, with which we work closely on multiple issues. The main sectors that we work in are agriculture, infrastructure, natural resources, healthcare and finance. The company is also in the process of launching its first private equity fund targeting agricultural businesses in Sub Saharan Africa.

Our strategy at Collabrium focuses on the opportunity created by the very limited representation for small and medium-sized enterprises (SMEs) in emerging markets. Raising capital for such companies is generally considered a hard task, when the same effort could potentially raise larger pools of capital for better established businesses facing more stable futures. Nevertheless, emerging market SMEs can be extremely good investment opportunities, as they sit within fast-growing domestic economies as well as supplying the global commodity markets. They might also make very good partners for multinational enterprises seeking a footprint in a particular region.

In broad terms, at Collabrium we are bringing forward companies that have already experienced a successful start and developed a stable platform. Frequently, their access to land, raw materials and other means of production is good, but capital and know-how are scarce. On the demand side they are generally supplying into commodity and energy markets, which are buoyed by significant demographic change, urbanisation and other factors. Capital is well rewarded in these circumstances, and the developmental impact of such investment is also high. We particularly welcome the opportunity to work with platform companies – companies for which there are multiple growth opportunities through both horizontal or vertical integration, or companies which are in themselves business facilitating in a particular region or sector. In terms of emerging market investment into other economies, we frequently encounter interest in real estate, natural resources or the acquisition of new technology, principally related to healthcare. Current examples of our mandates include hydroelectric and wind power in Turkey, agriculture in Africa, multiple projects (inbound and outbound) in China, and an agri-sciences business developing food security technologies.

In offering an investor an emerging-market investment product, be it a fund or a company, the effort required to meet due diligence expectations is generally higher



Stephen Couttie, Chief Executive Officer at Collabrium Capital

## AT A GLANCE

### **Collabrium Capital**

- » London-based investment house
- » In partnership with a state-owned asset management business in Chongqing, China, to pursue private equity and corporate finance initiatives
- » Founded in 2011
- » Specialist in emerging markets
- » Main sectors: agriculture, infrastructure, healthcare, natural resources and finance
- » Main regions for business: China, Africa and the Middle East

“it is individuals who ultimately create the trust in an enterprise”

» OUR STRATEGIC DIRECTION

- » Be clear about what a company stands for. The area of emerging markets is already a broad church, and our belief is that a company must have a degree of specialisation – it cannot be all things to all people, particularly during its formative years.
- » Confine the business to sectors that are naturally related to emerging markets.
- » Establish an appropriately resourced, well-structured and well-regulated business. It is clear that corporate clients and investors like to see this level of commitment in their advisors.
- » Go beyond the service normally expected. Engender a strong service orientation in our staff, and recognise that this is a relationship-driven, not product-driven, business.

than for developed market products, which sit within a context of well-understood company law and codified corporate governance. Investors will need to know that Collabrium not only has an intimate knowledge of the company but has addressed issues of governance, transparency of reporting and capital controls. It is also critical that we have specialist industry-sector knowledge germane to each of the company's offerings and have a good understanding of the regional political landscape affecting the companies that we represent. Conversely, a corporate client using our advisory services must have trust in our industry knowledge and the fact that we are in touch with many investors relevant to their situation.

It is difficult to measure success in boutique corporate finance, but we started with our first corporate mandate in September 2012 and have now worked on over 20 assignments, with follow-on mandates from existing clients. The scale and maturity of the businesses with which we are working is growing, is becoming better developed, and now even involves government to government exchanges. At the same time we are beginning to win the trust of a broader range of investor groups.

Since 2008, small financial-sector companies have faced severe difficulties in raising capital for funds, particularly first-time funds, or indeed raising capital for small companies. Corporate advisors too have faced challenges of scale and experience in order to get deals done. These challenges are tougher still if the business is new, and are present even if the quality of the investment product is exceptionally high.

These trends have generally favoured larger investment management companies, as investors (and their agents) have identified these as being better able to cope with higher regulatory burdens, as being better resourced in terms of risk management and compliance, and as possessing

greater process oversight through investment committee structures and the like. Downstream from them, or because of their direct engagement with financial markets, larger companies have also benefited from these trends, offering greater transparency and governance to investors. In contrast, smaller companies and fund offerings have struggled to get attention on the basis of scale alone. Potential investee companies can 'die on the vine', and the boutique fund manager/advisor sector has become challenging.

Collabrium has sought to overcome these challenges by having a real depth of experience on its board, a broad advisory panel, and a very strong network of investor groups, government agencies, development finance bodies and other agencies who exert influence in the regions in which we operate. In short, a company of our scale must demonstrate many of the same characteristics in its operating platform as a large company.

Although the companies we represent may be small or medium sized, we have sought the right level of credentials and good corporate track records. In the private equity fund that we are launching we have secured among the very best track records in the sector and a strong presence on the ground. Internally, we have gone to great lengths to ensure that we have people for whom professionalism is a natural state of mind, who possess both the capacity and the appetite for well-reasoned enquiry, and in whom trust from our clients will quickly accumulate. Our view is that it is individuals who ultimately create the trust in an enterprise, while the leaders create the culture in which trust can be built and thrive. Prescriptive legislation will always be tested to the edge of its limits by those who are minded to do so, but basic professionalism and a strong ethical approach are hard to shake, and result in enduring corporate relationships and long-term trust in a business.