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BEYOND RETAIL

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PRIVATE EQUITY IN NORTH AFRICA

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VITAL ANALYSIS

Amwal's Afa Boran on
how research helps him
go against the trend

VITAL ANALYSIS

A meticulous approach to analytics, combined with the determination to fully understand all aspects of the companies he invests in, has enabled Afa Boran to achieve market-leading returns in his four years at Qatar's Amwal
by Paul Golden



In common with many of his peers in Mena, Afa Boran has extensive experience of the funds industry beyond the region. Prior to joining Amwal in 2007 as lead fund manager for equity funds and now head of asset management, he was a fund manager at Shuaa Capital for three years managing a Turkey fund, having spent almost a decade in London as a sell-side research analyst at Credit Suisse and Natwest Markets, during which time he was rated top investment analyst in the region on a number of occasions.

His impact on his current employers is evident from the fact that Amwal's funds have been ranked the best performing funds in Mena on a three-year rolling basis; the Qatar Gate Fund has outperformed the QE index every year for the last five years.

It is Boran's approach that marks him out from his contemporaries. "Our main focus is on understanding the earnings prospects of companies we invest in, akin to buying the business, not just the stock, he says. We then closely monitor its performance like business owners, with tools such as our proprietary 'profitability index' giving us an edge in responding to changing earnings prospects before they get priced in by the market."

This approach demands that Boran and his team devote considerable time and effort to building relationships with these companies.

"Gathering information is not an easy task in this part of the world, where many companies are tightly held, either by government or private individuals. The incentive for management to talk freely to investors is much lower than in the west where ownership is typically much wider and few companies are proactive in terms of meeting investors, although this is improving.

"We are trying to understand the business, not to access non-public information. The time we spend with companies is vital and in some cases they appreciate our feedback on their progress and how they compare to other companies in the region, as well as our views on economic prospects."

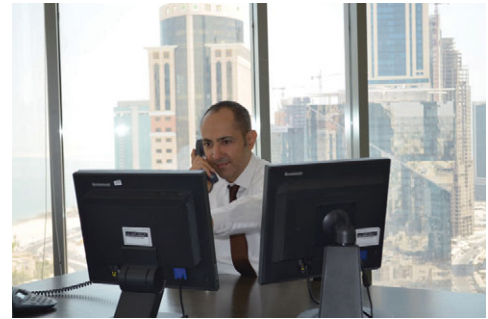
Under Boran's direction, Amwal's asset management team is very fundamental re-

search driven but with disciplined risk management and close monitoring of its key decision drivers. "It is a very dynamic and closely monitored approach. We buy based on long-term prospects and may well hold an investment long-term, but at the same time we may sell very quickly if we see the fundamentals changing.

"We are also focused on building and maintaining a strong track record, so we can show investors that a professional and methodical approach to managing money can lead to superior and consistent performance. We view this as particularly important in managing equities, which by their nature are volatile. With luck, one can show good results for a year or two, but to perform strongly year after year requires more than luck, which is where our disciplined investment process has proven successful."

Banking on experience

He describes his team's competitive edge as intellectual rigour combined with experience, with its three members offering a combination of strong academic background and market experience. All three have Masters degrees in finance or busi-



“OUR MAIN FOCUS IS ON UNDERSTANDING THE EARNINGS PROSPECTS OF COMPANIES WE INVEST IN”

Afa Boran

PERFORMANCE OF QATAR GATE FUND (QGF) V QE INDEX SINCE 2007

	YTD*	2012	2011	2010	2009	2008	2007
Qatar Gate Fund (Q share class)	20.3	-2.6	7.1	34.4	9.4	-27.7	38.8
Qatar Gate Fund (N share class)	19.3	-2.1	7.0	37.1	8.7	-27.2	36.1
QE Price Index	15.1	-4.8	1.1	24.7	1.1	-28.1	34.3

*as of August 2013

AMWAL – THE FACTS

- Founded in 1998, Amwal was the first investment firm licensed by the Qatar Central Bank. It is wholly owned by Sheikha Hanadi Nasser Bin Khaled Al Thani
- Based in Doha, it serves institutional, family office and high-net-worth clients, offering investment in Qatari, Mena and Turkish securities
- Amwal is investment manager to the Qatar Gate Fund, which was launched in September 2005. Afa Boran and Prashanth Uppuluri are its lead managers
- The fund, offered in separate share classes to Qatari and foreign investors, has beaten its benchmark QE Index in every full year since inception.

ness and two hold CFA accreditation.

“We all have western investment banking experience, which helps greatly if you are fundamental driven. With a team like ours, analysing a business or an economy becomes much easier. When we find ourselves in an uncertain time, we just dig into analysis until we understand the outlook. This is how we manage the risk – by in-

creasing our understanding.”

Boran describes himself as having a very analytical background, something that he has used and refined over the years. “Many hedge funds and traders in this region follow market trends, but we are not trend followers so we often (although not always) find ourselves going against the trend. The only way I feel comfortable investing is if I have over-analysed the investment. As a result, our returns are less volatile than those of a trend-following investor and I now have a track record that gives investors assurance that I know what I am doing. We gather data to estimate company profitability ahead of the results, which helps us be on top of things and eliminates market disconnect.”

Most of the firm’s advisory clients are based in Qatar. Boran says the firm tries to manage a portion of their accounts internally, but that they are often reluctant to cede control.

“However, they are impressed with our returns and value our advice so we structure an advisory relationship where we make recommendations and they use that information internally. The existence of very large family offices and government institutions was the motivation for establishing this service – these investors are very hands-on and profit driven and in some ways we have to educate them on market volatility.”

Renewed focus on returns

Most of Amwal’s clients are institutional, but it also has a QAR30m (approximately \$10m)

Qatar-based mutual fund, the Qatar Gate Fund, that gives it some retail exposure.

The Middle East market is very returns focused, adds Boran. “Whatever the asset class, investors are always looking for better returns. After the global financial crisis there was some demand for capital protected products, but that is declining now as long-term investors see the cost of short-term protection wipes out most of the returns. In today’s low yield environment, better returns that are not too risky (in their eyes) is the key focus.”

“On a more general level, the key difference we see between Middle East investors and those in the west is that most of the individual wealth in the west is passively accumulated through salary income, which automatically gets channelled into pension funds, which in turn hire asset managers to manage it. So effectively, all you have to do as an asset manager is know the channels and perform better than your competitors.

“In this part of the world, a large part of the wealth is very concentrated and entrepreneurially created, either by investing in real estate or setting up businesses. As the economies are still relatively new and there were many direct investing opportunities in this region, that was the main focus of investors. Although this is slowly changing as local investment opportunities are being exhausted and due to high oil prices, wealth continues to accumulate.”

Boran says his team is satisfied with its performance over the last three years. “Our returns are around 20% above the index and approximately 10% ahead of our closest competitor. We are value-focused but we generally buy businesses that have good commercial and earnings prospects as these have more potential to surprise on the upside than a weak business surprising on the downside.”

Amwal’s key call this year was going overweight the Qatari market and some of the undervalued high beta names at the beginning of the year when it saw a major valuation discrepancy between the local market and the rest of the world. “After the MSCI decision, the discount turned into a premium, during which time we reduced our overweight,” he concludes. “Now it is looking more reasonable again.” ■