

## PROFILE

## Concord International Investments

# Talent comes to the fore

Skill and variety are in as short supply in the Egyptian financial market as are private sector share issues. The brain drain of the 1960s and 1970s was Egypt's punishment for stamping on private enterprise.

But rapid changes in the legal environment have attracted a critical mass of expertise, without which the creation of a market would have been impossible.

Less than a decade into the process of meaningful reform, a slow but important trickle of talent has now found its way into the once moribund institutions of the capital market.

Set back from the road in the quiet Cairo residential district of Zamalek, the modest offices of Concord International Investments betray few signs of the key role that the group has played in bringing vital expertise to the Egyptian market.

Discreet and focused, Concord opened for business in Cairo in 1995 as the most experienced team of fund managers to have moved into the Egyptian market. Four years later the group is managing Egypt funds with assets of some \$820m, of which \$600m is in four onshore and two offshore mutual funds, making it the largest single fund manager in the country.

While Concord's most profitable business remains in the US, where it manages \$1.7bn in funds out of its New York office, its Egyptian business is growing faster.

It was in New York that the company started in 1987, the idea of Mohamed Younes, who had spent 20 years working with Kidder Peabody. Then it was asked by Banque Misr, Egypt's

largest private sector bank in terms of assets, to manage its first mutual fund. "We hit the ground running," says Mr Younes, Concord's chairman. "Some 13,000 people invested in the Banque Misr mutual funds within eight days of them opening.

"Half of them invested less than E£10,000. Now there are 16,000 shareholders. The entire mutual fund industry is around 200,000 shareholders.

"But they are the tip of the iceberg. There must be three to four million people who could invest E£10,000," he says.

Confidence is the key to the success of mutual funds, particularly in a market where investors are unfamiliar with the act of handing their money over to strangers who will then invest it.

"We have survived by being ruthlessly focused," Mr Younes says. "We are not worried about competition. To remain competitive you have to be good, but also have a critical size which gives people a feeling of your leadership.

"This means improving profit margins every time you increase in size, which means expanding distribution channels to individuals. The market has started to learn how to differentiate between managers."

On the assumption that the Egyptian market is going to be increasingly dominated by large private sector share issues with some utilities privatisation, Concord is planning a \$350m private equity fund with which to stake its share in the new market.

"We are talking about having a large fund available so that we can take a large stake at the

early stages," says Mr Younes.

"We want to have a group that is seen as an acceptable, professional buyer, to show that we have some very good quality long-term investors.

"We want to get representation from domestic investors alongside to give the comfort that this is not a fund given to foreigners. A third of the fund will be offered to the Egyptian public.

"In this we will be offering something fairly unique. We want real long-term investors."

Concord intends to remain focused on Egypt until it has achieved management of \$1.25bn and may then expand regionally.

Its focused strategy has earned it a \$100m capitalisation and a large number of offers from interested buyers. However, neutrality has had its benefits for the company.

"We really say that now is the time to invest, and we hope to be seen as completely neutral," says Mr Younes. "We are not part of a specific group in Egypt.

"We have no industrial or business vocation of our own. We are financial investors. The pattern of investment has been very much in clubs or groupings. It's normal. We have remained purely investors.

Mr Younes says that there is a policy in the firm of not appearing on the boards of mutual funds.

"This is an important distinction," he says. "We are not here to reform companies. We don't want to get into the fray. My responsibility is to manage portfolios."

Mark Huband