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Studies in Leadership: Conversations to Make a Difference

FRONTIER INVESTING

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Moderator:

Charles Robertson, Global Chief Economist, Renaissance Capital

Panellists:

Nazem Fawwaz Al Kudsi, Chief Executive Officer, Invest AD

Stephen Peel, Managing Partner, Head of Asia, TPG Capital

C. Robertson:

Ladies and gentlemen, we are going to start the session. We have two guests who know a great deal about private equity investing: Nazem Al Kudsi from Invest AD and Stephen Peel from TPG. First, I would like you both to introduce yourselves and what you do and explain about your company.

N. Al Kudsi:

Good morning, ladies and gentlemen. My name is Nazem Al Kudsi, and I am the Chief Executive Officer of the Abu Dhabi investment company Invest AD. We are a semi-sovereign wealth fund that specifically invests in MENA and Sub-Saharan Africa, in both private equity space and other listed spaces. We are a bit of a hybrid. What distinguishes us from the rest of the sovereigns is that we manage both sovereign capital and private capital. That is us in a nutshell.

S. Peel:

Good morning. My name is Stephen Peel, a partner in the private equity fund TPG. I have been with the firm for 17 years and have been doing private equity for nearly 25 years. I have built TPG's emerging market business as well as originally founding their European business, and I have had the pleasure in my career of investing in more than a dozen different countries, or different markets. Most of those over the last six or seven years have been emerging markets. Just as background, TPG is a global private equity firm. We have around USD 50 billion of capital under management and run that through 16 offices around the world with a large presence in the emerging markets, particularly emerging Asia. We are the only major private equity firm, I believe, with an office in Russia and have invested just under USD 1 billion in the last four years of equity in this market in four major transactions with a total transaction value of several billion dollars. We invest in emerging markets, close to USD 10 billion of equity over the last 10 or 12 years. We are one of the leading investors in China, India and Indonesia and did some of the first deals ever done in Turkey. As I said, we have been investing in Russia since

2002. We have a presence in Latin America. Probably the only place we are not today investing, which is probably the frontier market, is Africa. But we can talk about that. Thanks, Charles.

C. Robertson:

If I can start with you, Stephen. We had a chat earlier about the investments you are doing. Are you looking at frontier? Is this beginning to get on the radar screen, because emerging markets are getting a fairly mature asset class?

S. Peel:

I think it is just a definition. Again I started my career in the mid-1990s, when investing in Germany for private equity was frontier. And obviously that market has come on a long way. Markets like Russia and China also have – people have been investing in private equity in China for a decade now. Probably only in the last five or six years has the market been mature enough to justify the risk of putting private equity in it. And I would argue that Russia is the same. Only probably for the past five or six years has the market been institutionalized enough to really be applicable for private equity. And as we think about private equity, it is institutional private equity in that this is not venture; it is having a good measure of risk and reward, minimizing the chance of capital loss, and having a relatively narrow or predictable band of return. I think there is just a maturity of the economy, emerging market or not, that needs to happen before it is really interesting for us. The other thing, from our perspective, that defines these markets and where we can invest is scale. We are sceptical of the fly in, fly out investor model for private equity. People who do that tend to have poor experiences, and they tend to be the dumb capital coming in and being taken advantage of. Our experience is that it is not a good model. If you take a market seriously, you need to invest in putting some infrastructure and people on the ground, spend a couple of years to really get to understand who is doing what to whom, and build your institutional and government business relationships, before it starts becoming interesting to invest. To make that worthwhile, the market needs to have a particular scale itself. That is why Russia is interesting to us; markets like China and India have a potentially huge scale. Markets like Turkey are big enough, but Eastern European countries are too fragmented to put offices down and infrastructure down for the size of investment that we are doing. That is also one of the challenges that we have found in Africa. It is a fragmented market still, not one market, and it has been hard for us to see a big enough opportunity in any one country to justify putting resources down there yet.

C. Robertson:

That is interesting. You are looking at the one or two-trillion-dollar GDPs of India of Russia or eight trillion in China's case. But Invest AD is looking at Sub-Sahara and MENA and Stephen is absolutely right. I mean in terms of the GDP in Nigeria, officially today it is about USD 280 billion; I think 400 after they revise the GDP figures. South Africa is about 400, Egypt is roughly 350 or so, so I am curious about how you can find opportunities in those markets, and do you have a slightly different time frame do you think?

N. Al Kudsi:

I will probably start with a bit of memory lane. Back in the late-1980s, I used to argue with Barton Biggs at Morgan Stanley over private equity and public equity. And as a matter of ideology, I would argue with him, and we would go into endless debates. But I suppose, with a bit of grey hair, and a bit of the school of hard knocks, one remembers those conversations, and I wanted to start with this because I think it is an important principle that I have started to accept over the years in terms of the private equity markets and their relationships to economies and the public markets. As far as the space is concerned, yes, naturally the frontier markets are less developed across the gamut; to start with in terms of the legal structure, the governance, and so on. China and Russia today, with all of their difficulties, are still far more advanced than some of the other markets. Having said that, often the evaluations have perhaps discounted the migration path. Time wise, I think the industry is evolving in terms of its structure. I will be very interested in hearing the gentleman’s views about 2 and 20, whether this is still as holy...

S. Peel:

I cannot remember the last time anyone paid us 2 and 20. It was a long time ago. But clearly the industry is changing fast, agreed, and fee pressure is clearly a part of that.

N. Al Kudsi:

Yes, the industry is changing fast and the frontier markets that we concentrate on are the Middle East and parts of Sub-Saharan Africa, and those are not uniform. One size does not fit all. If you take a market like the UAE (which has aspects of an emerging, even slightly developed market, as far as their economy is concerned) versus a market like Egypt, which lags quite a bit, or Iraq, where we have recently had some activities – I would say the region is very diverse and therefore the lack of competition is very understandable. It is very difficult when you do not have the mass, by which I mean a sizeable market, where you can deploy economies of scale as far as your analysts or consultants are concerned, versus fabricated markets. Having said that, if you can persevere, perhaps that is where you get your opportunities.

C. Robertson:

There is a host of questions that I am getting, but you are happy to get into smaller economies? You can find opportunities?

N. Al Kudsi:

You can find opportunities in our model if your ability to have boots on the ground is there, because those markets are very peculiar, and they tend to be very relationship oriented. So yes, there are, but you have to be very careful and pay close attention to your discipline, because it is very easy to slip and you do not have the safety margin that you would have in some of your larger markets.

C. Robertson:

The issue of volatility that you mentioned also interests me. Take the demonstrations in Brazil in the past few days, in Turkey in the past few weeks, and in Russia in December 2011. What I have been saying to people is that emerging markets have changed so much since the early 1990s – in Russia in 1993, Yeltsin sent the tanks in to shell the White House and in 1997 the Turkish army rolled its tanks into the streets of Ankara and the government fell. It was not a coup; it was what was called a soft coup. No one is seriously talking about those sorts of events in emerging markets any more. But in frontier, those threats are in the background. We cannot be 100% sure that the army will not step in, in Egypt for example. Which means that frontier has the volatility, in my view, that emerging markets had in the 1990s. So I would see private equity as less volatile. I would be arguing your case against Barton Biggs, I think, 20, 30 years ago, in saying that I would expect private equity to be the way to see through that volatility if you are investing in frontier, or indeed in Russia. But you have had some experience which tells you otherwise?

N. Al Kudsi:

Maybe I will make a quick comment about Turkey, and I am sure my colleague has a quite a bit of insight. Turkey is an interesting example, because if you look at the political volatility in the region, the premise so far has been that economic and structural problems were only a ticking bomb. That has been the consensus, so to speak. Turkey is a country where the Prime Minister is at his political zenith. Turkey is a country where the economy is really the envy of Europe in terms of having moved to a decent industrial base and not being so dependent on financial services, and so on. People are split on what is happening in Turkey, but I can tell you that things have escalated beyond the comprehension of the ruling party. And hence, there are issues with risk premiums. We have our investments in Turkey and the whole model is now being reassessed. Every time the Prime Minister travels to a foreign country, he typically has 20 people on his staff and cabinet, and the rest of say a 777 is filled with business leaders. And therefore, whether it is the 50% or 45% that has not voted for him, he has been able to appease them by being a very good lobbyist in terms of their business and opportunities. And that has been the cornerstone of the whole model. Now if we are to start seeing that 50% or 45% slowly descending because they are starting some disruptions to the economy – I am not predicting that, but I am saying that I am not very impressed with the way they have handled the situation because, while they were preaching democracy to the rest of the region, it seems in some of their speeches, they have made similar accusations about people demonstrating against them that some of the neighbours have made. Right? So I only bring a bit of geopolitical analysis to say that, just when you think you are cruising at a cruising altitude and things look good, you get something way out of left field that disrupts the whole model.

C. Robertson:

And I guess within that, there is this sense that it might be easier to be in public markets; when something unexpected like this happens, you can flee, but when you are doing private equity, you are making that long-term decision; you are saying I am betting on this country for five years or seven years.

S. Peel:

Nazem started off with an interesting comment from Barton Biggs on the merits of public versus private equity. If you look market by market, in Turkey I think at the moment you would much rather be a public investor; you can get out. Private equity investors, you have to weather it through and hope that in the end, the economy, the deficit, some of the structural challenges there, are all addressed and eventually governance comes back to a point where the public markets can get back to the type of multiples that you were putting on Turkey again. But it is going to be a very tough time for a liquid private equity investor. And it is one of the big disadvantages of private equity versus the public and you just argue, are you getting paid enough as an investor for the cost of illiquidity. On the flip side, I think China is another good example: in the public markets, I think they have been flat for fifteen years now. So the ability to invest in China through the public markets and benefit from the economic growth there has been nigh impossible. Partly, they started off at irrational levels and multiples have come down even though you may have had growth; partly, there is just a huge lack of transparency in public companies and public investors. Contrary to us, we have the benefit of being able to do reality diligence before we invest; a public market investor does not, and therefore, that takes the illiquidity. So private equity experience in China has been dramatically better than the public markets because of this ability to sift through the good and bad, really do due diligence, and then improve government operations, management of the companies, which is, again, a tool of private equity which has been critical in that market.

C. Robertson:

Can I just ask you to mention, as you did to me the other day, about how you exit an investment? Because I think what you have just talked about is exactly right, and it is fascinating that in some countries it is not necessarily the right place to be an equity investor. Sometimes you need to be selling to trade investors, and that is where you make your cash. I am interested in both, from how you exit.

S. Peel:

I think one of the common wisdoms of many investors in private equity is that they are really a pre-IPO investor, providing capital to companies to bridge from the growth stage to get them ready and go public. We personally believe that is a highly volatile model; that in all markets, IPO windows open and shut markets, multiples are volatile and can lead to generally unpredictable – and more so in many emerging markets. It becomes a bit of a casino betting game, in our view, coming in at a discount to public multiples at the time and hoping that two years later the markets are open and the multiples hold up. We have found that we have created over 80% of our returns in emerging markets by selling not in the public markets, but by selling to strategic investors, and our core model is to find companies there where you can put capital in, have a degree of influence over the management and the direction of the business, but also on our way in have a view that this is a business that we can grow, fix, clean up and it will be attractive at the end to a strategic investor. And that is the playbook for us, typically, in emerging markets, not all the time, but very often.

N. Al Kudsi:

I would echo that. I think a strategic investor will be more discriminating in their due diligence because of their understanding, but it saves you a lot of hassle. I also agree on the pre-IPO model. There will be some market situations where you are just at the sweet spot, but given that you are dealing with a large portfolio and not one or two entities, a strategic investor makes a lot of sense. I would second that.

C. Robertson:

Do you think most of your sales are to strategic?

N. Al Kudsi:

Let me split your question into two. Would I wish that most of my sales were to strategic investors? Yes, absolutely, because they save you a lot. Now frontier markets, by their nature, for some reason, I would call it the financial ego, are a bit more on testosterone than other markets, so there are issues with control and so on, not necessarily, but especially in the smaller markets that follow the typical model, and you have to pay attention to that. In our experience it has not been all to strategic, but that is our preference.

S. Peel:

I think it also touches on the other interesting point about investing in emerging and frontier markets, which is the requirements for control or not. In private equity in developed markets, we have a very strong bias towards control and believe that through control we can affect some of the key tools that private equity brings to companies: sharper operational focus, clear strategy, in the end determined exit. In emerging and frontier markets, you have a couple of things: one, people rarely sell you control of good businesses in high growth markets, it is just a fact of life. People have built these businesses and see them continue to grow, want to continue to participate in them. So if you are getting control in those markets, you have to ask yourself why. Why is somebody actually prepared to sell me this business, what am I missing? So very often you have to accept that you are not going to be a direct control investor, you are going to be development capital, growth capital. But what level of influence are you prepared to accept, what level of passivity should you accept, and how do you structure your investments? And I think this is an art rather than a science. There are no hard rules, but clearly more control and more influence is better than less. More structural and downside protection is a trade-off for lack of control, so if you are a senior in the capital structure you get your money out before the entrepreneur investor, and that is clearly a good thing. And again, without a doubt, our most difficult investments in emerging markets have been the ones where we are the most passive, and they are the ones where we spend the most time trying to influence the board, trying to make things we want happen, trying to get the company on the right track and have had the toughest experiences. Where generally we have the ability at the end, when things go wrong, to act, to influence, we have tended to be able to work our way out and to create good investments even out of trouble situations. Where we are passive, we are at the whim of markets and quality of entrepreneurs and others.

C. Robertson:

Could I ask from the government's perspective, if I saw a private equity firm coming in, take this five, seven year investment, does that basically mean that it will inevitably be sold off to another foreigner, or do you ever sell to locals? Do you invest in a Chinese company and five years later sell it to a Chinese investor? I am curious about that, once you have done it, is it foreign forever or does it go back to local sometimes?

S. Peel:

Our experience is both. Our highest profile investment in China was turning around a very broken bank called Shenzhen Development Bank. We created a very high-performing and substantial regional bank and sold it back to Ping An, a major Chinese insurance company which was well received by both the Chinese government and the market.

C. Robertson:

And your profits, were they bothered? Because we have seen that in Korea, where they have done that.

S. Peel:

No, we made eleven times our money on that investment so, no, we have taken the money out, and it has been a successful investment and a real landmark deal that private equity has done in China. But we have sold many businesses. Once we have bought and cleaned them up, it does become an attractive asset for a foreigner to buy and an easier way for them to get access to the market. Typically, when we sell businesses we run an auction and foreigners will participate and often buy. We sold our businesses in Korea to Standard Charter, actually and again, the banking business.

N. Al Kudsi:

The space that we concentrate on has more complications. Let me use the case study of Egypt, the country that has gone through a so-called revolution. Egypt is very problematic, because a lot of the old rules are being suspended, and the judiciary is not extremely stable given the influence of the brotherhood infiltrating the government there and slowly displacing more of the secular forces. And therefore, you start having all sorts of issues from industries that were perhaps on the fringe of being important, strategic to labour issues, etc. So I would look at the nature of a lot of the frontier markets as political instability. Some of them have graduated after having gone through some difficult experiences, and there is a more stable, robust environment. I would say for us, it is more of a moving target versus some of the more established markets, like South Korea and China. I am interested to hear your views about Russia, because Russia has characteristics of both, I would suppose.

S. Peel:

On Russia, our experience so far has been good. We play the market carefully; we pick good partners. We have a very select set of sectors that we are interested in investing in, but our experience so far has been that you can do proper private equity business here. And the performance of companies where we have got involved has tended to outperform the markets. They are competitors, and we think we are building a lot of value in our businesses here. It is misunderstood. We are quite alone amongst major private equity firms in investing in Russia and putting infrastructure in office. Other people are looking and watching what we do. But with a couple of exceptions, no one is really committed to saying they want to have a business here. And the perception of the difficulty of doing business in Russia from outside is very high. I think the reality is that it is difficult to do business here. Whether it is harder than India or China or Indonesia, I think, is all debatable; they all have their pros and cons. But the level of bureaucracy and rent seeking ability is high, like many emerging markets, and that is an impediment to doing business in an institutional international private equity setting. And the institutional frameworks for foreign capital are in some ways good. The tax regime has got a lot better, a lot more transparent and clearer; the ability to move capital in and out is relatively free. Independent courts and things like that, I think, like many emerging markets, are debatable, and I do not think anyone wants to be in a controversial situation relying totally on Russian courts any more than they do in Chinese or Indian courts, and that is definitely a barrier to private equity and increases the cost of capital here. But our experience so far has been generally positive. And I think it would be surprising to most competitors what we see as return potential here.

C. Robertson:

I would like to offer people a chance to ask questions, and there are not many of us, so feel free, because it is more like a small family here. I am quite curious, I was talking to someone about African investing and they said the IFC does a private equity conference, and it was packed earlier this year, just a huge amount of interest in Africa, and private equity is seen as one of the easier ways to get in, because public markets are quite limited and private equity is – I have heard this again and again – the way to access the African growth story. But what we are seeing right now is an EM sell-off in the last few weeks. I am curious about how you see that EM sell-off potentially impacting the investors investing in your funds and whether you think it will have any impact on frontier and also, perhaps connected to that, I know you have investments in China. The Chinese slowdown this year, particularly in the last few months, is one of the reasons why equities are selling off in emerging markets in the last few weeks. I am curious to see if you get any sense of what is happening in China from the investments you have. So a combination of things: is private equity too crowded a trade in Africa? Do you have a lot of competition in this area? And how do you see the EM sell-off affecting you?

N. Al Kudsi:

About a year and a half ago we commissioned a study through the Economist Intelligence Unit to try to understand institutional investors' intentions about Africa. And about ten years ago, *The Economist* had on its cover "Africa, the Lost Continent, Africa the Lost Decade". We were very positively surprised when we saw that investors' intentions were positive in terms of increasing debt allocations to Africa, both in the listed and public space. Now having said that, I do believe in the different forms of controlling indicators, what is published in *Time* magazine, etc. so I have to balance those, too. Look, we expect yields in developed markets in the US to become very volatile over the next twelve months. We see significant volatility. And whether Bernanke and company, the printing press, are going to start taking it easy and withdraw some of this liquidity, I know this is a debate. But that is the scenario we are putting. If you expect volatility yields, I think there is a good precedent of negative impact on emerging and frontier markets. That is one scenario. The other scenario is that we continue the party and everyone keeps drinking that liquid called the printing press, and we buy time for another so many years. It remains to be seen. On Africa specifically, there are a few respected vintage investment funds in Africa with good track records that we pay very close attention to. I think some of the companies that are looking more appealing are starting to get a bit more crowded, countries that have graduated, as I often say. So one has to be careful, but we need to pay a lot of attention to yields, because that is where we could potentially get into a lot of trouble in our markets, yields and developed markets.

C. Robertson:

Would you say 3% on US treasuries?
Obviously 5 would be a killer from where we started.

N. Al Kudsi:

I am just saying, if you are asking for my advice, you should go along volatility.

S. Peel:

Let me attack the question in a different way. If you think about, in the end, the LP base for private equity and, in huge simplification, break it down into three groups – the first group being the fund of funds and family offices, and this is the smallest of the three pools of capital. There, they are looking for differential return, trying to justify the extra level of fees by picking particular country funds, particular strategies. They have been early investors in emerging markets because of that and continue to be quite sophisticated risk takers in emerging markets, and I suspect those are the people filling your rooms in your Africa private equity conferences, but they are the smallest of the group. The next bucket is this huge new bucket over the last decade of the sovereign wealth funds. And I would put them in the category of global investors. They have become, very quickly, very sophisticated investors in private equity. They are by nature from all over the world in their origin, they have a global view, and they are allocating assets by market based on their own views of where the best returns are going to be for the particular risk. And they have been big investors in the institutional emerging market private equity world, backing people like ourselves, but also going directly into these markets and getting more and more comfortable going direct. And I would say they are very sophisticated. They understand today that while China may be weak, there are long-term opportunities there, and they are not going to flee from that market on a whim. They are the institutions or the types of people looking seriously into markets such as Russia. Third is what was traditionally the biggest pool of capital, the traditional pool, which was the US state pension funds and to some extent other global pension funds. And they are a huge pool of capital, have been long-term investors in private equity, have a home market bias and have always had that, and so international markets are really asset allocation on the margin, looking for some diversification, some better risk reward. And they have been big investors outside of North America into Europe but have been very slow to move outside of those developed markets. And they have moved massively underweight versus any allocation strategy in emerging markets, but over the last few years they have started to. And those are the ones who are probably the most spooked now by the emerging market sell-off, after seeing this run up, having all this pressure; we have to beat the risen incremental return, we are not capturing all these firms that have done well over the last decade, investing in these markets, we have missed it. They were just getting comfortable in starting to allocate more capital there and getting their boards comfortable, and they have very long internal bureaucratic processes.

Now with the markets selling off over the last years, China coming down, all the noise about what is really going on in these markets, I think they are the ones really looking again and retracting, becoming more cautious. I think that is not fundamental to emerging market private equity but I think that the margin, that pool of capital that was getting more aggressive, is detracting again.

C. Robertson:
And China?

S. Peel:
We have been in China for 15 or 16 years. I have seen the ups and downs, and I would argue the first ten years was probably too early. If you really want to read about frontier investing, you would want to invest in the book called *Mr. China,* which is a great read about an American and Brit who, say, 15 years ago, set up a private equity fund in China, and they get cheated and stolen from in every way you can ever imagine. But for the last five or six years, it has been a good market for us and for a number of the industry players. We get an interesting insight into what is going on in the economy. Our strategy over the last six years has been focused solely on domestic consumption. The export gain in China has reached its zenith. The infrastructure build is at 45% or 50% of GDP. Being fixed asset investment, it has to decline and is volatile, but domestic consumption is likely to grow fast in the economy and finding businesses – that has been effectively suppressed by government policy – finding businesses that are exposed to that should be a decent medium-term play. Now we have seen huge weakness over the last 12 months in all our businesses, domestic consumption and other focused. Last year felt much worse than the official statistics indicated, and while we saw a bit of rebound at the end, this year so far has also been weak and there are clearly major structural challenges to the economy that the government analysts and the government all well recognize. The government has clearly taken a position that is not going to stimulate again; it is going to deal with structural challenges and accept a

dramatically lower growth trajectory for the economy over the next couple of years. And when you realize the difference between 9% or 10% real growth plus 6% or 7% inflation, which has been the last three or four years, and a 6% or 7% reported real growth and 0% inflation, that is a massive impact on the tail wind that businesses have been seeing and that changes dramatically the direction and needs and trajectories of companies. Costs are often inflated. Companies have major restructuring of business' cost structures required, their organizations have been tuned to growth rather than productivity. So we are seeing a major shift in the needs of companies, including our portfolio. I think we all still take the view that over the next cycle domestic consumption will grow faster than the economy overall, and the economy should, while the trajectory will continue to decline 6% or 7% this year and more like 3% or 4% in three or four years' time. You can see the trajectory is clearly coming down. Investing in the domestic sector should still be okay and values are at all-time lows, so putting new capital there today is quite an interesting proposition. But a lot of our competitors are sitting on the sidelines at the moment and are not clear what to do, dealing with portfolio problems and waiting for greater certainty from the government as to what the policy is going to be.

C. Robertson:

I changed jobs a few years ago and in my gardening leave, I spent time in the LSE library comparing Japan in the 1970s to China now and basically took home, brought into Renaissance Capital anyway, the view that China would have to slow down and that it would be heading towards 4% by the end of this decade, because that is what Japan did at this point in its growth back in the 1970s. And yet in dollar terms, Japan kept on growing and growing and so the exit price you will get in dollars will presumably still do very well.

S. Peel:

I think that is right. I think it is likely that the RMB will still be a strong currency over the next four or five years.

C. Robertson:

We are pretty much out of time, unless there is a question. Do you have one?

M. Osintsev:

My name is Maxim Osintsev, and I represent the Sberbank here, and my question is to Mr. Al Kudsi. If I may, it is rather general: how do investors in the Middle East sovereign funds, and familiar offices in the European Union, see Russia? Is it a potential object for investments, or are there perceptions that make them refrain from investments? What is your opinion?

N. Al Kudsi:

I think on the exposure side, Russia is well represented in terms of emerging market fund of funds, etc. Those are typically American and some European funds, and so on. Let me reverse engineer the question and tell you about some of the problems we suffer in other markets. The issue of governance and changing the rules abruptly has often been a cause of difficulties that we have had in emerging frontier markets. Being somebody from the region, I can share a drink with you and tell you war stories about changing the laws abruptly. Now Russia specifically has gone through some reforms and there are those, perhaps, that specialize in Russia, as far as foreign capital and understand it better. But Russia, in my opinion, still remains not a well understood story, because it remains a high risk, high return type of story, both in the PE and up the food chain. I would say that for capital in any significant size in Russia, you have to have partners, friends, cousins, nieces. That is the perception that we have. That it is very dangerous to go solo in Russia, because the weather might change on you rather fast. I do not know if that makes sense.

C. Robertson:

It does. Would either of you like to say a final word or two?

S. Peel:

I think we have heard a number of things that are consistent this morning. When investing private equity in frontier markets, do not fly in, fly out; put the infrastructure on the ground. That is clear, and as a strategy in Africa and the Middle East, our strategy has clearly been that. I think there are markets where private equity is the better way to invest in economic growth than the public markets, and there are markets where the cost of illiquidity is just too great, and it is very difficult to really invest in private equity. We have touched on that political instability, and it creates a lack of political transparency in some of those markets. And then the whole control versus non-control: what are you prepared to accept? What influence you have on the outcome of the operations and exit of your investment is a key question. It is an art rather than a science, a difficult but important trade-off that we all make when investing in these markets.

N. Al Kudsi:

I would just say that private investing in emerging and specifically frontier markets is a serious business and one should not cut corners whatsoever, unless you are with an entity, a house that has a track record, has the proper bandwidth, managerial and analytical bandwidth. Even though those markets might look appealing in the short term, you will be disappointed. You need to have the proper people that know their business and spend their time doing what they do best.

C. Robertson:

Thank you both so much. I have learned a huge amount, and all of those watching and attending later will be learning a great deal too. Thank you.