

Middle East duo buck global trend with specialist fund closes

Oliver Smiddy

Two Middle Eastern groups have held closes for their latest funds, demonstrating that by identifying niche sectors it is possible to raise capital despite the unfavourable conditions for fundraising.

NBK Capital, the investment banking and private equity arm of the National Bank of Kuwait, concluded fundraising for a \$150m (€113m) mezzanine fund, while Rasmala, a Dubai-based group, held a close on for \$120m for a sharia-compliant private equity fund.

The NBK Capital-GSC Mezzanine fund is a joint venture between the Kuwaiti group and US alternatives manager GSC Group. The pair said the fund would address the need for financing in the region, where many local banks have grown reluctant to lend without collateral. Mezzanine is unsecured debt which lies beneath senior debt in the capital structure but ranks above equity.

Walid Cherif, who heads the NBK

Capital – GSC mezzanine team, said: “We believe mezzanine lending to mid-market companies offers attractive risk-adjusted returns, with current income, downside protection and equity upside.”

The fund will provide mezzanine financing for deals in the Middle East, North Africa and Turkey.

Meanwhile, Rasmala held an initial close for a Mena-focused buyout fund that complies with Islamic law. Rasmala Mena Private Equity Fund 2, has a target internal rate of return of 25% and will target deals in the Gulf Cooperation Council region and Egypt in a bid to capitalise on the region’s GDP growth.

Tamer Bazzari, Deputy chief executive at Rasmala and member of the fund’s investment committee, said the group hoped to reach the fund’s target of \$350m in the next few months.

Bazzari said in a statement: “We see an abundance of opportunities in the region and believe this is an opportune time to be investing given liquidity needs in the market and attractive val-

uations. The Fund has already made one investment in the UAE manufacturing sector and is evaluating several attractive opportunities in the banking, oil and gas, logistics, healthcare and education sectors.”

The two funds have been raised amid challenging conditions for private equity firms looking to draw new money from investors. Private equity firms raised 157 funds last year worth \$198.2bn, according to research group Preqin. This represented a 26% decline from the 212 funds raised last year – and 22% less than the \$255.7bn raised.

European firms raised fewer funds – 47 compared with 78 last year – but managed more capital, garnering \$75bn compared with \$64.2bn in 2007. This was largely a result of where European groups found themselves in the cycle, according to sources, with several large funds holding final closes this year.

In the US, the number and value of new funds fell. There were 88 funds raised worth \$111.3bn compared with 106 worth \$175.2bn last year.