

James Palmer

Venture Capital Introduction

Dear Reader, I hope you are well and that wherever you are in the world you are seeing some return to normality. Certainly, I am in a more positive mood, driven in part by the velocity of business we are seeing, especially transactions.

In contrast to the world we see emerging today, our second issue was largely written under lockdown. We did manage to film some interviews outside (as per the regulations at the time) in the glorious British springtime... I sincerely hope none of you ever have to film while being rained and hailed upon in one afternoon. So, as we enter a hopefully less challenging time, you can see why I might be feeling more positive - especially as it looks likely that we will see our friends in Monaco and Dubai later on in the year.

After that digression, back to our focus on Emerging Markets - and, most definitely, warmer climes.

We first turn to Bahrain, and the pan-MENA sovereign fund of funds, Al Waha, led by Areije Al Shakar. In terms of technology investments, the Arabian peninsula, as a whole, has moved to lead. We, at Stratal, were very aware of this strategy only a few years ago and can confirm that this campaign is not only bearing fruit but also showing a real, palpable determination in the investment environment across the entire region.

Having support from institutions such as Al Waha means local fund managers (and those looking to come to the region) have the anchoring and framework that comes from working with a government backed organisation.

Moving to sub-Saharan Africa, I spoke to Kobbina Awuah, who, after studying at Harvard saw an enormous opportunity both to support his local community and to create a thriving Fintech business. Micro-lending across Africa is popular, even with retail investors, but tends to be focused on impact projects, supervised by NGOs rather than providing support for SMEs (right down to table-top businesses). Kobbina fused the SME lending opportunity, cutting edge technology and traditional networks to enable a rapidly growing business.

Lastly, we hear from the People's Plastic Revolution, who are using advanced pyrolysis to turn plastic waste into fuels and products, the first plant launching in Manila. Off the coast of the Philippines, there lies a floating plastic island roughly the size of Texas. Any initiative that can seek to manage and recycle plastic waste should be applauded, especially if it includes local community support - PPR plan to divert proceeds from its business into educational and environmental projects for the rural areas around its plants.



The Middle East start-up market

For the Middle East's burgeoning startup investment community, the post-COVID future is uncertain but full of promise according to Areije Al Shakar, head of the Bahrain sovereign wealth fund of funds, Al Waha.

As the global vaccine rollout picks up pace, the investment world is beginning to take stock of one of the most disruptive and challenging periods in living memory, look across the uncharted waters of the post-COVID era and carefully evaluate how our respective markets will be impacted.

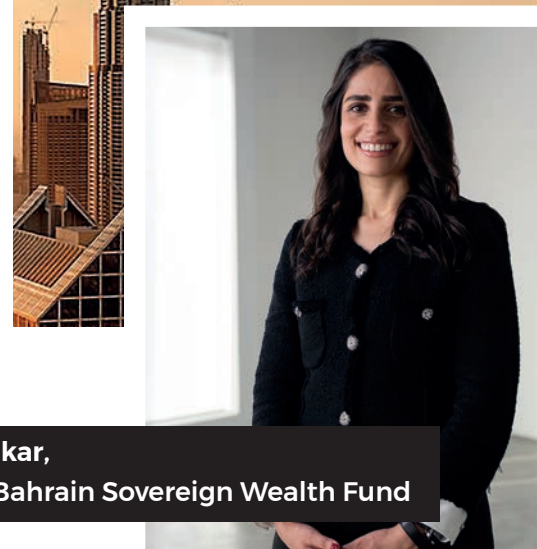
For those of us in the GCC (Gulf Cooperation Council) it is worth remembering that the investment ecosystem here is younger than most. But its evolution has moved at an impressive pace. Long before the COVID-19 pandemic came into full force, the GCC was already undergoing unprecedented change driven by ambitious, region-wide economic diversification efforts.

New Beginnings

As governments across the GCC sought to wean their respective economies away from hydrocarbons and towards the technology-driven industries of the digital era, encouraging the rapid growth of dynamic tech and startup ecosystems became a priority. Subsequently, so did the attraction of FDI – and crucially, the development of our own, home-grown investment and VC communities.

It was for this reason that Al Waha Fund of Funds – and other initiatives like it – were established. A US\$100 million Bahraini government fund, Al Waha was launched in 2018 to catalyse the growth of the region's burgeoning VC community. It does so by investing and partnering with VC firms from around the world, supporting them to provide access to funding in Bahrain, bringing their expertise, know-how and capital to the region.

To date, Al Waha has invested more than 60% of its allocated capital in some of the leading global VCs focused on the MENA region. Our portfolio companies now include 500 Startups, BECO Capital, MEVP, and Shorooq Partners among others.



Areije Al Shakar,
Head of the Bahrain Sovereign Wealth Fund

Look Within

Given its role, Al Waha has had a front-row seat to the evolution of the GCC's investment and VC community. Since our launch, we have watched that community grow in size, boldness and sophistication. Increasingly, home-grown and international VCs, HNWIs, Angel Investors and other public and private sector stakeholders have been taking a strong interest in Bahrain and the region, resulting in the rapid growth of sustainable early and series A and B funding, and – for some – listing opportunities.

Throughout the region, governments have been introducing their own localised regulation too, to meet the dynamic and diverse funding needs of their respective markets. In Bahrain, for example, our award-winning, pro-innovation financial regulator the Central Bank of Bahrain (CBB) has pioneered comprehensive regulation for sharia-compliant crowdfunding to ensure our SMEs and startups had access to alternative forms of funding when more traditional options were unavailable.





Record Response

When the pandemic hit and global funding fell to its lowest level since the global financial crisis, we were prepared for the worst. But then the unexpected happened: the Middle East bucked the trend. VC interest in the Middle East not only didn't falter – it continued to grow. According to research from MAGNITT – the MENA region's largest online startup community – the first half of 2020 saw a record US \$659 million invested in MENA-based startups– representing a 35 per cent year-on-year increase.

One clear effect the pandemic has had on investment in the Middle East is that it has grown more cautious. Investors turned their attention to lower risk, later-stage startups. In other words, more money was being invested, but more sparingly.

Now, as the world begins to emerge from the pandemic, we are looking to encourage investors in the region to be a little more bold. Investors and fund managers in the Middle East have shown their willingness to write cheques up to a Series B or Series C level. But beyond Series C, a larger cheque is needed. A larger risk appetite is needed too.

If the aims of the GCC's ongoing diversification efforts are to be summed up in a sentence, it is this: to make the seismic shift from net consumers of innovation to net producers. We are on the right track. In just three short years, the region has produced its first three Unicorns. But if we are really to succeed in our mission, we need to see funding in the region move to the next level. During the pandemic, we defied all expectations. Now we must continue to do so

