



### » VIVINA BERLA

Co-Managing Partner at  
[Sarona Asset Management](#)

**[Sarona Asset Management](#) is a private equity investment firm, deploying growth capital to expansion-stage companies in frontier and emerging markets.**

### *Why are geopolitical risks one of the most important macro issues to impact private equity investing over the next 12 months?*

For [Sarona](#), investing in frontier and emerging markets is a long-term proposition and we see it as an opportunity for asset owners to diversify from other forms of private equity exposure, including listed equity emerging markets. We do not believe that it is possible, or advisable, for private equity investors to time these markets based on macro considerations. [Sarona](#) believes in the possibility of generating attractive returns from private equity and micro company selection in these countries so strongly that we have built our whole company around it. Yes, we live in uncertain times and geopolitical risks are all around us. However, we have repeatedly witnessed the ability of domestic companies, serving domestic demand, to continue growing revenues and profits in spite of macro headwinds. Pharma companies in Algeria, fruit juice factories in Nigeria, universities in Egypt, restaurant chains in Vietnam, financial inclusion institutions in Colombia, tile manufacturing in India... these are all companies that can continue to grow successfully, when they are well run by competent management teams. There is a large gap between perceived macro risks and the risk profile of a well-diversified private equity portfolio, as run by [Sarona](#). While we are, and will be, consistently present in these markets, we also believe that over the next 12 months we will see some particularly attractive investment opportunities as currencies have devalued against the US dollar and global investor sentiment has turned away from emerging markets.

### *Why is understanding and influencing drivers of returns the most important factor you consider when managing your private equity portfolio?*

[Sarona](#) was founded to contribute to profitable, sustainable and responsible growth in frontier and emerging markets. We seek to identify the best possible GPs based in and operating across Africa, Asia (excluding China), Latin America and emerging Europe. In turn, we expect these GPs to build strong portfolios of mid-market, growth-stage companies, which deliver goods and services to a rising domestic middle class with increasing consumption power and growing aspirations. Demographics, urbanisation and increasing GDP are all powerful tailwinds in the sails of entrepreneurial companies with solid business models but not enough capital to expand their activities. These are the companies that [Sarona's](#) capital is designed to reach through experienced local partners.

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Given our strategy, the most important drivers of return for our portfolio are manager selection and portfolio construction. It is essential for us to identify and select local managers (we do not believe that a flying-in, flying-out model can work as effectively) with values and objectives aligned with Saroná's. To do so, we need to understand in great detail their past experience, their team dynamics, and their ability and experience in adding operational and strategic value to their portfolio companies. ESG considerations are particularly important in countries where environmental, social and governance concerns have not been historical focus points. We sit on funds' boards to understand and influence portfolios over the life of the fund.

Portfolio construction is important because it allows us to manage the J-curve effect by allocating up to 40 percent to secondaries and co-investments. Understanding the investment thesis, believing in the strategy and influencing the quality of its implementation are essential factors to achieving the returns expected from our private equity portfolio.

### *Is it important to meet the finance and operations team of the fund managers? Why/why not?*

It is very important for Saroná to meet all team members of the fund managers we select, especially those responsible for the finance and operations of the GP itself and of underlying companies. We attach particular importance to the fund managers' ability to add value to their portfolio companies and to their intention to do so according to the highest possible international standards. During our due diligence we do not see a distinction between investment teams and finance-operational teams. Good investments are those that are 'done right' by the whole team working seamlessly.

### *How satisfied are you with the current cybersecurity policies of your fund managers?*

When we perform due diligence we consider the IT systems put in place by fund managers. If we find that there is room for improvement, we suggest corrective actions and monitor implementation. We find that most fund managers are keen to meet required standards.

## LP Interview

### *Do you value the use of an external valuation expert(s) as part of an underlying fund manager's valuation process?*

When we select fund managers we pay particular attention to their experience, knowledge and ethical approach to company selection and ongoing valuation. We require annual audit accounts by a reputable firm, but we do not expect external third-party valuation experts. Our fund managers should themselves be the best possible experts and Sarona then applies a sanity check before we report to our own investors.

### *Where in Africa/Middle East do you see the biggest opportunities?*

We see opportunities across all our markets and, in building our portfolios, we seek to capture the best ones while meeting our diversification criteria, which are so important to mitigate risk. As already mentioned, we believe the best opportunities are in the smaller mid-market segment of these fast-growing economies and sectors serving domestic demand. Of course, we remain mindful of countries where the rule of law, ability to do business and infrastructure requirements are below acceptable levels; countries such as Sudan, Venezuela, Syria, Afghanistan do not currently belong in our investable universe. Yet, we believe that countries such as Nigeria, Ethiopia, Morocco, Turkey, Philippines and Mexico, among many others, present significant opportunities if approached thoughtfully and competently. Sarona believes in 'Growth that Matters'; providing capital to companies that can contribute positively to their shareholders as well as to the communities and environment where they operate.

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