

## **Leading The Way In Prudent Ethical Investing**

Samer Abu Aker, CEO of SEDCO Capital, a Jeddah-based shariah compliant asset management firm, is assailed daily with various proposals for investment. Many offer high returns, something that is important in the numbers game. “We receive highly profitable investment offers, however, if they are not cut out for our investment philosophy, which is based on responsible and ethical investments, they are rejected,” explains the CEO.

Abu Aker’s stance is in line with the nine-year old firm’s policy. SEDCO Capital became a formal signatory of the UN Principles for Responsible Investment (UNPRI) in 2014 as the industry increasingly turned towards ethical investing. It is a principle they continue to hold dear today. “An ethical and responsible investment philosophy that’s Shariah compliant and promotes environmental and social governance (ESG) is an integral part of our company’s investments,” says Abu Aker.

But ethical investing is not without benefits, with many saying that it provides proven dividends. “Ethical investment has a positive impact in the long run,” says Ayman Abu Hend, Chief Investment Officer at Advisable Wealth Engines. “It contributes to improving the company’s image and its creditability, increasing its shares by 3-5%. It also ensures that the company will not be subjected to any corruption issues in the future that might affect its profitability.”

Following the financial crisis in 2008 that decimated confidence within the global financial system, institutions globally and regionally have cut back on unscrupulous profit making. Going forward, many more are expected to adopt the principles of responsible investing.

“Responsible investment awareness is rising,” says Christian Edelman, Co-Head of Financial Services and Matthieu Vasseur, Head of Financial Services at Oliver Wyman. “We are at an inflection point where some asset managers are going to step up significantly and show leadership in answering these questions. While society will increasingly recognize and reward them for doing so.” Abu Aker is glad to be part of the wave of institutions adopting responsible investing. “We are faced with a pivotal moment in our history. We try to avoid taking uncalculated risks, which is fundamental in building trust with our clients,” says Abu Aker, who joined SEDCO Capital in 2011. “Our goal is to tap into sustainable investments with strong governance in line with Vision 2030.”

At SEDCO Capital, Abu Aker personally heads the PEI committee that ensures the implementation of the UNPRI guidelines. Regionally, companies like SEDCO Capital are growing in prominence as the demands of deep-pocketed sovereign wealth funds make adherence to ESG principles a prerequisite for investment.

Advisable Wealth Engines’ Abu Hend explains that although this is still a new concept in the Middle East, it is catching up fast. “It’s spreading rapidly, with the rise of more types of funds and investors who require companies to adhere to certain ethical determinants

related to the environment, governance and other related social aspects.”

For his part, Abu Aker is proud to be promoting ESG ahead of his peers. He and his team manage assets worth \$5.2 billion, which also include \$1.2 billion worth of investments in the international and regional real estate industry. They also ensure the diversity of geographical investments in the U.S., Asia, MENA and Europe. SEDCO Capital’s extensive property portfolio includes the management and development offices, residential units, industrial parks, healthcare and hospitality. “Our clients support our decisions, as they meet their expectations,” says Abu Aker.

SEDCO Capital has been particularly active in facilitating investment in real estate investment trusts (REITs). Globally, REITs worth \$1.7 trillion were issued in 2017 as per consultancy Knight Frank, while the market has picked up regionally as well. Saudi Arabia’s REIT market is valued at more than \$3 billion, according to Knight Frank.

Cashing in on this potential, SEDCO Capital launched a REIT in the Kingdom that allowed investors to subscribe a minimum of \$133 to own a variety of real estate properties across different geographical regions. According to Abu Aker their REIT provides investors with “excellent returns”.

Although the euphoria surrounding REITs has now slowed down, with many trading below the listing price, Abu Aker believes that these will soon pick up to trade close to net asset value. “Investors in the region know real estate very well,” he explains, noting that many are more comfortable parking their funds in properties over private equity and listed equities.

Under Abu Aker’s tutelage, SEDCO Capital is also making headway within private equity. “We have a lot of investments in the pipeline,” he says, indicating that the company is about to venture into promising investments globally. He reveals they are in serious talks with some of the most prestigious regional and international asset and institutional managers to co-launch investments in different areas and different asset classes. “They see we have the expertise and we speak the same language.”

But amid this global expansion, SEDCO Capital’s team is also rooting itself in the “transparent zone” where the type of chosen investment is approved by excluding debts that exceed 33% of the market value. As for the companies that are still under establishment and want to receive investments, “we insist that the ratio of debt to shareholders equity has to be zero,” explains Abu Aker.

“We don’t allow the utilization of our investment portfolios in any company that carries out unlawful or prohibited activities,” he adds, shedding more light on the company’s investment policy. He is referring to companies that operate according to certain financial instruments such as forward contracts, tradeoffs, short-selling or any other agreement that entails paying or receiving interest whether in cash or in kind. In a competitive environment that’s consistent with the Saudi vision 2030 through the capital market authorities, especially in the area of investments, “the secret of our success lies in our ability to provide solutions that satisfy the needs of our investors, as well as tapping into global expertise to be the leaders in this area,” says Abu Aker. “Our client’s loyalty is based on our credibility.”

Abu Aker, a 20-year veteran in investment banking, says that the company's clients are in no way easy to please. "We work with major investors, who are financially intelligent. They are natural born traders who are highly successful in their careers," he explains. Abu Aker and his team have managed to earn the trust of many wealthy families, investment institutions and foundations in the region.

Though SEDCO Capital was only formally established a decade ago, its roots go back to the late seventies. "Our legacy thrived due to the support of the board of directors and the contributing shareholders to our plans and strategies," says Abu Aker. When taking over he continued to build a professional team from a new generation of bankers and investors while tapping into the expertise of the previous and current management. Abu Aker's background as an international banker helped him during his time as CFO and COO at SEDCO Capital. A CPA qualified accounting professional, he has a degree in accounting from Brock University in Canada.

Such qualifications helped him in times of tough negotiations with investors and asset managers. His knowledge of the legal fine print has also helped his growth within SEDCO Capital. "In this way we can attract a lot of investors," he says.

Before joining SEDCO Capital, Abu Aker held positions in global financial institutions and investment banks such as Litespeed Management in Bermuda, the Bank of New York in Manhattan, and the Royal Bank of Canada.

Abu Aker is now known in the business community for his proactive analysis of economic events and their implications. He has a positive attitude and assurance of the investments he makes.

Abu Aker's distinctive ability in maintaining good relationships with his team-mates and clients alike have helped him extensively in earning solid credentials.

Credentials that have helped to attract a strong client base, not just from the GCC countries, but across the world. With experience in a mature financial market like the U.S. under his belt, Abu Aker was able to play a key part in structuring SEDCO Capital's investment products to align with global compliance and standards—an important factor to attract mature sovereign investors.

Drawing foreign investments and attracting new investors are today Abu Aker's primary responsibilities. "We have all of the required essentials and a wonderful combination of Prudent Ethical Investing, Shariah guidelines and a competent team," he says. "We are lucky to have a skilled team that can help us to achieve our goals."

With clients all over the world, Abu Aker clocks a busy schedule as he jets between SEDCO Capital's offices and clients across Saudi Arabia, the U.S. and Europe. He says that during such extended travel, he spends a lot of time reading about technology and innovation. Like a true leader, he also follows the biographies of various global CEOs.

"Challenges fade when met with smart leaders" says Abu Aker, citing the story of Jack Ma,

founder and previous CEO of the Alibaba Group. "Things might appear to be different in the world of technology, but the challenges that we face, which might be the hardest part in our business, is managing our clients and their expectations."

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