

# Asset management: The appetites of the fortunes of the Gulf

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By Franck FAGNON | Edition N °: 5041 08/06/2017 | Share  
Energy and tourism on the radar

"The Kingdom should target single family offices"

Issam Sadak is a Wealth Management expert, he held the position of executive director in charge of the MENA / Mediterranean regions in several private banks on Wall Street (JP Morgan, HSBC, UBS AG). He is also the founder of Mustang Capital New York (*Ph. IS*)

**- The Economist: Low rates threaten the profitability of banks. How does this context translate into your clients' assets?**

**- Issam Sadak:** The fall in interest rates, although it presages a delay in economic growth, still heralds a multitude of opportunities. Indeed, the environment of low interest rates tends to push the investor towards a

“Risk-On” scenario, materializing by the purchase of riskier assets for more spread out horizons. This is the moment when the rotation towards the riskier markets occurs, since the bonds do not promise any more as good returns unless aiming for very long maturities. On the other hand, it is very inexpensive to borrow, hence the emergence of “smart money” as Wall Street calls it, which would encourage people to take risks with borrowed money, making it possible to invest in larger positions. For clients, it would depend on their level of risk tolerance, some may follow the movement towards rotation into other asset classes, others will be limited in their options to money markets. Cash would be the least profitable choice.

**- What do you notice in their investment attitude?**



- In the current economic climate, investors are heading for borrowing, given the favorable rate conditions, then take positions according to “value investing”, either by buying shares that the stock markets undervalue, or via investing in other asset classes, even alternative ones such as real estate or private equity promising better returns. Investors are also initiating cross-border investment movements, according to other jurisdictions, targeting markets with better performances. These risky bets must not escape the risk control mechanisms and hedges in order to protect against movements in interest rates, exchange rates, sovereign risks, and country risks, etc.

**- Today, which markets and sectors have the interest of your clients, in particular in Morocco?**

- Historically, wealthy families have mainly invested in their country of origin. In particular, those from the Gulf Cooperation Council tend to have high exposure to real estate. Geopolitical diversification has increased since the 1970s and 1980s. Currently, we note the orientation towards two fronts mainly: advanced technologies, including “socially responsible” investments, and artificial intelligence. They are also interested in promising markets like Morocco. It enjoys Investment and strategic planning, a stability in the political climate offer attractive conditions for those looking to diversify. I still have an appetite for the renewable energy sector, where Morocco is positioning itself as a reference. Another sector which has the interest is that of tourism with the success of the ambitions of the Azur plan. When investors, even private investors, publicly seek such ideas, this testifies to the success of all the great initiatives that I will call "Morocco Inc." and strategies carrying a real vision as well as solid implementation plans.

**- What categories of investors should be targeted more?**

- Morocco should in particular target the quasi-institutional investor profile of the “single family office” type. They hold considerable assets which they manage by their own teams and place them worldwide. In addition, decisions are made more quickly as soon as the opportunity meets the family's investment strategy. The way to approach this niche is to go to them, offer them complete and tailor-made offers, thinking of including in a single package the administrative, legal, tax solutions and the levels of return on investments.

**Succession, the common denominator**

Each client has a specific situation and the difficulties vary from case to case. But a common thread is succession planning, both for the transfer of business and for the transfer of wealth.

This aspect in particular has become quite complicated due to recent tax law reforms in several countries. Especially since it is difficult to have a single investment plan when you hold assets according to various jurisdictions and when you have several heirs each having more than one nationality.

Interview by Franck FAGNON