

A photograph of three large, cylindrical industrial storage tanks, likely for water or wastewater treatment. The tanks are made of metal with horizontal bands and are supported by a concrete structure. They are set against a clear blue sky. The perspective is from a low angle, looking up at the tanks.

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Gulf Capital portfolio company
Egypt-based Carbon Holdings.

Understanding is the Key to Creating Real Impact Through Private Debt Investing in the Middle East, Africa and Turkey

By Walid Cherif, Senior Managing Director and Head, Gulf Credit Partners



Sustainable investing is more than just a hype or buzzword in today's investment world; it is a commitment to a long-term investment thesis that carries immense responsibility and benefits for all involved. According to the 2016 Global Sustainable Investment Review by the Global Sustainable Investment Alliance (GISA), US\$1 in every US\$4 of assets under management globally is managed under a responsible investment (or environmental, social and governance [ESG]) strategy. From renewable energy to gender lens investing, there is seemingly unlimited scope for such policies to help investors produce superior returns, companies grow more robustly, and people live better lives. However, impact is only achievable if you have clear focus and drive—for instance, a deep understanding of who you are working with; what are you trying to achieve; where your target market is; when the right time is; why you are where you are; and, most importantly, how you are going to execute your strategy.

At Gulf Credit Partners, we are committed to making a difference in the communities and economies in which we invest within our target regions of the Middle East, Turkey and Africa (META). We have identified a number of areas where we can achieve a high developmental impact while enabling small and medium enterprises (SMEs) to access growth capital, create jobs and support their local communities.

The META financial markets are characterized by bank lending and an asset-based credit model, with regional banks typically focusing on large clients and quasi-government companies, leaving the SME segment underserved. SMEs in particular face a challenging credit environment as few banks understand or focus on the sector—only 20% of SMEs in the META region have access to credit. Aside from private equity, there are limited options for small and mid-size businesses seeking growth capital. This creates an opportunity for more innovative

credit products like private debt. Gulf Credit Partners targets SMEs as a primary focus, providing much needed capital under flexible, bespoke terms.

When you are focused on supporting SMEs, you are focused on creating sustainable jobs. SMEs are the largest contributors to job creation globally—and particularly in developing countries where they account for 80% of job creation. The goal of lending to SMEs and promoting growth within the sector positions Gulf Credit Partners as a direct contributor to job creation in our target regions, with approximately 500 jobs created in 2017 in our private debt portfolio companies.

We look to one of our Egyptian portfolio companies, Carbon Holdings (Carbon), as a great example of the positive social impact private debt investing is able to have on local communities through the creation of employment opportunities. Gulf Credit Partners' investment allowed the company to achieve its projected growth plans and increase the number of local jobs by approximately 260 positions since 2015. An important part of Carbon's commitment to ESG principles is its local community support programs, through which the company provides a source of income and support to less fortunate members of the community—with close to 10% of Carbon employees having some form of physical or mental disability—by employing them in suitable operational roles.

Going forward, we expect the global investment community to continue adopting sustainable investment practices, and we look forward to playing our part in addressing pressing global ESG challenges.

Based in Abu Dhabi, Gulf Capital is an alternative asset management company focused primarily on late-stage control buyouts, growth capital, real estate development and private debt. gulfcapital.com