

Private equity fund and impact-investing



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Executive summary

8F Asset Management is offering investors a more transparent way to allocate to the private equity asset class. The company was built on the premise of bringing unique and sustainable opportunities in private equity but with a pre-identified portfolio of investments in partnership with leading strategic investors and innovative but proven technology.

The company's first fund is focused on meeting an increasing global demand for high quality protein sources through sustainable, bio-secure land-based aquaculture. The portfolio company will develop a global brand of sustainably-produced, pollution-free Atlantic salmon that is produced close to home.

8F's Co-Founder, Karim Ghannam speaks to HUBBIS about impact investing, and raising capital for these very specific projects.



THE NATURE OF TRADITIONAL PRIVATE EQUITY funds entails investors playing a passive role and investing in a ‘blind pool’ with limited information on where fund managers will deploy their capital, limited governance rights and ROIs that are typically only seen after many years. As Ghannam points out, “Generally, in the private equity market, funds are raised, and they go into a fixed-term investment fund. It’s usually a completely blind pool, so investors commit to a fund not knowing just where the manager is going to invest in terms of sectors, regions or types of businesses during the term. You’re trusting the manager completely to perform according to how they say they are going to perform.”

8F Asset Management, founded in 2016, is headquartered in Singapore, and also has offices in Tel Aviv Israel, London, New York and Tokyo. 8F’s team of investment professionals seek to change the private equity fund paradigm through an entrepreneurial approach, focusing on responsible impact investing.

8F has quickly become a Founding Signatory member of the WWF Blue Economy Finance Principles, as a sign of its commitment to global sustainability.

“We built 8F Asset Management on the premise of trying to change the way private equity gets managed,” Ghannam says. “Our vision is slightly different in that we offer a defined investment opportunity to investors, in which they know exactly where their money is going to be deployed, and how long it will take to deploy it. There’s absolutely no blind pool in what we do.”

Addressing the problems

Ghannam shares what the company is currently doing. “We are developing a global business in the aquaculture sector, to produce Atlantic salmon in a clean, bio-secure way – free of antibiotics and pollution from the seas,” says Ghannam.

The company’s 8F Aquaculture Fund is aimed at impact investment in socially and environmentally responsible fish production, addressing issues of sustainability, marine protection and carbon emissions in the global supply of fish.

“The problem we have all seen is that there is less and less fish in the sea. With overfishing, the wild fish population is decreasing rapidly, with 90% of the world fish stock already depleted, and there has been consequential damage to the sea, coral life and other aquatic species.”

He continues: “Then there’s traditional aquaculture, which submerges giant cages in the sea. The problem with that is they face pollution, diseases, high mercury levels and parasites. The only way to fight some of that is with antibiotics and vaccines, which in turn gets passed on to the humans who eat it as well as into the oceans.”

“Furthermore, salmon can only live in specific water temperatures; 16 degrees celsius or less. This severely restricts the places that they can be bred to very specific locations, like the US, Canada, Norway, Scotland, Chile or Tasmania. Thereafter, the fresh fish need to be flown long distances to get to markets in China or Japan. By the time they get to the supermarket shelf, it has been four, five or six days, depending on the country. All this loss of freshness, is in

Getting Personal

Karim Ghannam was born in Lebanon and grew up in Paris. He was educated in Canada, holding a Bachelor of Commerce degree from Montreal’s McGill University, and a Master of Science in Strategic Management from HEC Montreal.

Prior to co-founding 8F Asset Management, Karim was with Deutsche Bank in Singapore as its Asia Pacific Head of Alternative and Fund Solutions, and in London as Co-Head of Private Equity and Private Markets.

Before joining Deutsche Bank, he worked in investment banking with Lehman Brothers until 1999, and subsequently with Merrill Lynch in 2000.

Following his investment banking experience, he joined Bank of America’s private equity group, later renamed to Argan Capital, where he spent 10 years.

addition to all the other health concerns mentioned earlier and the additional costs that are traditionally passed on to consumers.”

The solution

“We are leveraging Israeli technology to grow Atlantic salmon in fully-controlled, bio-secure environments, close to consumers. On the outside, our facility looks



KARIM GHANNAM
8F Asset Management

like a typical warehouse. On the inside, the fish in the tanks can be having winter while the rest of the country is having summer. The technology allows us to set up our facilities anywhere in the world, even in hot climates like in Singapore, or far inland in the middle of the desert, because we ‘make’ our own water from a mix of ground or tap water and adding necessary ions. This ensures the water the fish grow in is free of pollutants. The water is constantly filtered and recirculated to maintain this quality,” he explains.

The facilities use the proprietary ‘Recirculating Aquaculture System’ (RAS) technology from Israel, which provides filtration, complete bio-security, and 24/7 control. It processes the water such that almost zero waste water is discharged into the environment.

“Thus, we are able to offer antibiotic-free, pesticide-free and vaccine-free salmon that is much fresher, much cleaner, and of a much higher quality for the local supermarket, with one-day delivery. The fish don’t have to travel

around the world in refrigerated planes.”

Ghannam adds: “One important consideration for supermarkets and consumers today is also understanding the source of the product - its traceability. Retailers and the public are rightly concerned about food safety, traceability and nutrition. Ours is a very sustainable, very localised and traceable way to produce salmon.”

Current Position

8F is currently raising capital for its first fund, which will have facilities in the US, Europe and Japan. The first fund has already invested into an operational RAS facility in Poland. “We’ve had clients and retailers go to Poland to taste the fish,” Ghannam says.

The 8F Aquaculture Fund will serve to create significant environmental and societal benefits. These include addressing issues of food supply, production and security, ensuring natural resources are used sustainably and efficiently, reducing food waste and protecting marine ecosystems.

While 8F’s first fund is focused on the more developed markets, the company is also setting up its second fund which will invest in five RAS facilities in China, and 8F is looking to launch this second fund by end 2018. 8F has received firm interests from prospective investors for the second fund.

The broader vision is to have further funds focusing on other regions to ultimately have overall annual salmon production of 260,000 tons, making it by far the largest land-based aquaculture company globally. Each RAS facility takes approximately two years to build, and the Atlantic salmon takes approximately 18

months to reach market size of 4-5kg. As such, 8F will aim to start distributing returns to investors in the fourth year. At exit, 8F plans to amalgamate all its facilities and conduct an IPO. Other exit options include strategic sale to a global food producer, or secondary sale to other private equity funds.

Barriers to entry

Ghannam is confident that the scale of technology required makes the company’s proposition unique. “We have teamed up exclusively with a technology partner who has a 20-year track record in aquaculture,” he says.

“We looked at the other providers, but this partner came up on top on pretty much every criterion. So we feel we have a huge advantage having them onboard with us. They’re fully aligned as they’re also investing in every facility with their own money.” ■

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