

# market watch by Marc Hasenfuss



🐦 @marchasenfuss

## Stretching strategy

I had a rather interesting meeting this week with TBI Strategic Partners (TBISP), an unlisted investment vehicle looking to raise R50m from high-net-worth individuals.

TBISP, part of the low-key Trustee Board Investments (TBI), has come across my radar a few times over the years when it has taken strategic positions in listed companies.

There are not too many familiar faces at executive level at TBI, but former Absa CEO Steve Booysen serves as nonexecutive chairman and former Sanlam bigwig Tienie van der Mescht also serves in a nonexecutive capacity.

The investment premise is simple. TBISP wants to up its investments in its existing portfolio and make new investments. Though R50m might – in most punters' books – not go very far, TBISP has shown a knack of making a little go a long way.

The fundraising documentation lists a number of rewarding "exited" investments made over the past 15 years – most notably turning a R7.6m investment in financial services group Europ Assistance Worldwide Services into R128m (dividends included) in about five years. Other big scores for TBISP include a R52m gross profit on an investment in insurance specialist Glenrand MIB, a R25m profit on cosmetics group Beige, R35m on vehicle component group Autovest and R15m on Mercantile Bank. There were admittedly a few blowouts along the way – including ltime and Bioscience.

The scoreboard shows TBISP made gross profits of R249m on initial investments of R143m made between 2002 and 2013. For the most part profits were realised after five years or less – the exception being Autovest, which endured an eight-year investment span.

Investors tempted by TBISP's offer will be buying into a rather curious portfolio mix. The biggest investment is the 18.73% shareholding in JSE-listed wealth management hub Efficient, which at R101m represents 39% of the portfolio. The second-biggest invest-

ment is in marine-based agribusiness TerraSan – the 12.74% stake of R68m represents 26.5% of the portfolio. Interestingly, I confirmed corporate action at TerraSan last week in a *Business Day* story that outlined a bid to buy fish-canning business the Saldanha Group. The deal is worth R460m. Other, smaller investments include Awande Capital, Awande Media (publisher of the Yellow Pages), 50% of solar power specialist Sinetech and a 29.97% holding in listed flooring, cleaning chemicals and water reticulation business Accéntuate.

TBISP reckons one of its strengths is investing in illiquid small- and mid-cap listed companies and in unlisted companies. The company seems to have done very well from its position in the illiquid Efficient, with its initial investment of R32m now worth more than R100m.

There are ambitions to double the size of the portfolio, now worth some R253m. With only R50m being raised in the share pitch, one must assume TBISP expects some strong growth from its existing investments.

### The long haul

Interesting as TBISP is, I would recommend that only investors with market endurance and a penchant for the left field participate in what amounts to a long-term lock-in. There will be scant liquidity in the unlisted shares, with little trade likely among TBISP shareholders. There is an undertaking to repurchase shares from shareholders wanting to set a 10-year time horizon, but such exiting investors must provide at least three years' notice (and this can only be given seven years after the subscription date).

Naturally, a listing on the JSE will be contemplated once critical mass is built in the investment portfolio. While a longer-term picture is being painted, my gut feel is that a listing will come sooner rather than later – perhaps even by the next time TBISP seeks fresh capital for its investment endeavours.

Overall, it's a rather interesting and adventurous proposition – perhaps perfectly pitched at a time when tracker funds are threatening to become the default option for investors. **x**

**I recommend that only investors with market endurance and a penchant for the left field participate in what amounts to a long-term lock-in**