

Best in Funds 2016

The Future of Private Equity

SilverArrow Capital is a group of private investment firms - focusing on industrial growth sectors, real estate and infrastructure projects - supported by a leading global advisory and operations team. We got the exciting chance to speak to Thomas Limberger, founder and CEO of SilverArrow and Robert Schimanko CEO of Prime Capital, to ascertain how their 'performance equity' investment strategy is the way forward for the private equity industry.

Since SilverArrow's inception in 2010, the company has seen continued success, now with offices in London, Munich, Dubai. Alongside these operations, their asset management branch Prime Capital Management operates out of Switzerland, taking care of their various funds under management, headed by Robert Schimanko.

When asked about the secret behind their steady growth since inception, Limberger says that "basically, we bring value to our private investors and partners by executing a proven activist investment strategy in industrial growth companies. We provide qualified investors selected exposure to real estate through a focused range of investments tailored to their requirements.

"Furthermore, our investment and operation professionals are deeply committed to our partners and clients by applying our tremendous in-house expertise in complex financial strategies, as well as leveraging our truly global industry knowledge. The result of this knowledge pool is our specialised advisory group giving high-quality industrial and financial advice to our clients."

SilverArrow are specialised in activist investments in EU and US public equity, which they like to call 'performance equity'. Their approach is to have maximum flexibility for both their partners and themselves. This proven approach in this asset class, includes a number of different attributes. As Limberger outlines, "we are specialists in public equity, and have a 'skin in the game', so to speak. We average between 30-40%, and have no lock-up for our investment partners due to having a project timeframe, that is usually less than three years. "

"The returns simply speak for themselves", Schimanko added. "In our recent investment (NASDAQ company) we have achieved a return of over 40% within 14 months."

SilverArrow's successful industrial fund vehicle (Pluto), which they have managed since 2014, has seen an outstanding performance over the past years. With their conservative but focused investment strategy, the fund has returned on average 12% - 18% annually (ISIN-EURO: VCP7924J1096; ISIN USD: VCP7924J1179).

"We are very proud of this achievement, which underlines our exceptional analysis expertise and strategy of our investment council," says

Schimanko. "In addition, we handle larger commercial real estate investments mainly in Germany, Austria and Switzerland, including financing advice and packages through our global banking network."

In terms of sectors, SilverArrow focuses on industrial and high-tech quoted companies in which they see substantial value added through their active involvement, where the responsibility becomes a motivating factor to drive them towards further success. "We recognise that the active use of our shareholder voice carries an infinitely greater responsibility," says Limberger. "We regard ourselves as entrepreneurs, adopting a hands-on approach to our investments. We acquire mid to long-term strategic stakes, devise detailed, long-term plans and are committed to creating long-term value.

"Moreover, active ownership implies constant interaction and collaboration, focusing on the internal business drivers to unlock long-term value," Limberger comments. "We proactively share with management and other shareholders our vision and ideas about how to catalyse future sales and profit potential. We drive value creation, by engaging in proactive dialogue with management on an ongoing basis, in order to implement the required fundamental changes as rapidly as possible. As owners, we are prepared nonetheless to enforce our rights over company managers and directors."

In an economic climate that, in the wake of Brexit, could best be described as highly reactive and unpredictable, SilverArrow's level of research and hands-on approach has been fundamental to any of the blips that have hit any other companies during this period. "In essence, we are value investors focused on long-term fundamentals", Schimanko reveals. "However, we do more than identify valuation gaps. The cornerstone of our value creation approach is to identify the strategies required to help companies fulfil their potential. We facilitate the initiatives that will increase their sales and improve their operational, financial and organisational capabilities.

"Our intensive research and analysis allows an intimate and unrivalled knowledge of all our investments. Before investing, we become the leading external authority on each company by conducting in-depth, 360-degree due diligence. After investing, we increase transparency further thanks to our ongoing interaction with company management and directors. In accordance with best management practice, we closely monitor all relevant internal and external developments and adapt our plans

on an ongoing basis. As circumstances change, we develop and facilitate new strategies and initiatives to ensure value maximisation.

“Ultimately, we recognise that the creation of sustainable value requires patience and determination. We will not abandon solid long-term investments when confronted with short-term issues. Neither will we wait forever. If change is too slow, we try to accelerate developments from the inside and the outside.”

With 2016 being such an exciting year so far for SilverArrow, Limberger is quite understandably optimistic about the end of 2016 and beyond. With an approach that served them so well, coupled with their appetite to innovate and adapt, they believe that they are well equipped for any challenges that come along the way.

“Our business model has clearly shown that we are capable of successfully executing our activist strategy with a truly premium performance. Our clear goal is to intensify the fund raising process, which in part fuels our acquisition pipeline. In order to accelerate this effort, we are actively looking at the USA as a platform for SilverArrow.”

All in all, Limberger and Schimanko believe that the traditional model of private equity, where investors are inactive, is becoming a thing of the past. And this is where SilverArrow’s approach will continue to see impressive results. “Large investors are looking for more control, direct investments and less of the classical PE “black boxes”. With its ‘Performance Equity’ approach, SilverArrow delivers a new alternative asset class tailored to the needs of the progressive investors. We are very confident that the challenges of others are the opportunities of SilverArrow.”

SilverArrow



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