

Flying the flag

Increasingly US private equity players are realising the potential of the Middle East. Peggy Farley, CEO, public capital markets and Karl Groth, CEO, private capital markets of New York-based The Ascent Group, told Ruth McKee how deal flow in the US can be put to work in the region

The Ascent Group engages in capital markets activities and its private equity business concentrates solely on the medical arena. Its current fund, the Ascent Medical Technology Fund II, is looking to raise \$100 million and will marry up opportunities in the Middle East and US.

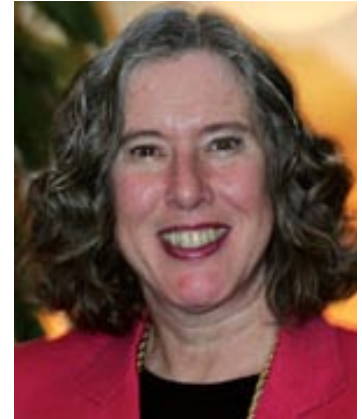
Peggy started her career in Citibank's MENA regional office in the mid 1970s when the bank was expanding in the region to meet the opportunities at the time. She then went into consulting, working with US multinationals that were expanding into, or trying to grow their businesses in the Middle East, including Morgan Stanley for whom she eventually went to work for a number of years.

She was very much involved with China during its emergence from isolation, teaching capital markets and how to tap them, both for development and in terms of how to deploy its foreign exchange reserves. She then went on to start her own business, largely serving foreign investors who were interested in acquisitions in the US in venture capital. Along with Karl, in 2000, they started their first fund, the Ascent Medical Technology Fund I, which has been deployed and from which there has been a number of harvests.

Karl's background is in science. He has a PhD in microbiology and did 10 years of clinical research work at the University of Minnesota where he worked on vaccine development and antiviral drug development. He left the university to go into industry, and spent a decade learning how to take a concept from idea to product planning, and from product development to the world wide market place. Part of his time was spent in Europe, Middle East and Africa.

You seem to have the right balance in your partnership; a combination of strong financial and scientific backgrounds.

Peggy Farley (PF): Yes, I think that's the reason all our investments have been successful, which in venture capital is unusual. It usually has some successes and a lot of failures. Karl is able to look at technologies to see whether they will work or not and whether they are going to be successful technologies in the business sense. Some technologies can be great, but for one reason or another



they aren't successful commercially. That's really necessary in venture capital; too many funds are run by financial people, they have a little bit of a background in some science or another but not the full background that is necessary.

What is your strategy in the Middle East with your second fund

PF: It's a variety of different structures. We are funding innovation and helping to build a platform in the region so that innovation can grow and commercialise and have a world-wide franchise but based in the region. We made an investment in a company called Bioheart, which is US technology which will be produced and used in the Middle East. The other thing we are doing is working with a Jordanian pharmaceutical and a US company whose products will be refined and compounds made in Jordan and packaged for distribution in the US and Europe. The Jordanian company will also be doing R&D through a JV with the US company and the fund. So there will be technology transfer into Jordan, as well as manufacturing and R&D. The Jordanian company will be able to market the product in the Middle East, in its own market. In general that's the way we do things; either investing in a US company and transferring technology, or more commonly creating a new entity that is jointly owned.

Where are the investments into the fund coming from?

They are coming from both the Middle East and the US with a mixture of strategic investors.