

Fund Focus: Mukafat Portfoy Yonetimi enters VC space

Turkey has implemented a number of major reforms to its investment fund sector and one Islamic Turkish asset manager is taking advantage of the new regulations to launch new funds in relatively uncharted territories.

In the first installment of a two-part series on Mukafat Portfoy's portfolio management strategies, VINEETA TAN and MARC ROUSSOT speak to the firm to find out more about its Islamic venture capital funds.

Mukafat Portfoy Yonetimi may be a young company, but since its establishment two years ago, it has already launched nine Shariah compliant investment funds including the five introduced in the last nine months. From being an investment house with vanilla Sukuk and equity offerings in 2017, Mukafat Portfoy has now broadened its portfolio to include new flavors: venture capital (VC) funds and real estate investment funds (REIFs), both blue oceans in the Turkish Islamic space.

In total, the firm has rolled out three VC funds: First SME Venture Capital Investment Fund (MBK), Buket Venture Capital Investment Fund (MBB) and Patent Venture Capital Investment Fund (MPT). VC funds now account for the largest portion — by number — of Mukafat Portfoy's portfolio.



MÜKAFAT
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Unlike its initial set of Sukuk and equity funds launched in 2017 which target both retail and wholesale segments, the VC funds, being high-risk in nature, are available only to qualified investors. The three VC funds, which will invest in a range of industries under specific themes, are expected to generate 25% in returns per year.

"Alternative funds provide opportunities to exploit the potential in high-growth industries on a transparent and regulated platform to domestic and foreign investors," Kagan Candan, the general manager of Mukafat Portfoy, explains to IFN. The funds will gain exposure in the following sectors: energy, food, health, technology, information technology (IT), transportation, production and retail.

Out of the three, the MBB is the only vehicle which has closed an investment: a TRY50 million (US\$7.53 million) private equity investment at the end of 2017.

"We are planning to create an additional investment portfolio of TRY450 million (US\$67.77 million) by the end of

2020 with our other aforementioned alternative funds," confirmed Kagan. The other funds being the VC funds and REIFs; it is also working on bringing to market a renewable energy VC fund.

These vehicles are being seeded by the firm's majority shareholders: Aktif Bank and the Islamic Corporation for the Development of the Private Sector.

While expanding the horizon to include new asset classes are a strategic diversification measure, the move into VC funds and REIFs was also largely driven by new government initiatives, specifically, the mandate to pension funds to invest a minimum 10% in VC funds, REIFs and sovereign wealth funds, and in the context of VC funds in particular, the fact that a 1% of the standard pension fund portfolio must sit in VC funds. These new mandatory investment requirements will come into effect the 1st January 2019. Compounding these factors are the tax advantages afforded to VC funds and REIFs: income from both these types of funds are fully exempted from corporate tax and subjected to a 0% withholding tax. (F)

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Table 1: Key information on Mukafat Portfoy's three VC funds

	MBK	MBB	MPT
Launch date	19 th January 2018	8 th December 2017	29 th June 2018
Brief description	Will invest in high-growth SMEs in Turkey	The close-ended fund will invest in corporates demonstrating high potential for growth; will benefit from value increase and income	Targets private and public companies holding the rights of patents, utility models, trademarks, designs and/or rights registered, or will be registered, with the Turkish Patent and Trademark Office or similar bodies in other countries
Expected yield per year	>25%		
Target sectors	Energy, food, health, technology, IT, transportation, production and retail		

Source: Mukafat Portfoy

Web Exclusive

Entrepreneurship education in Islamic finance

In today's competitive world, entrepreneurship is no doubt the spirit of ventures in the current growing space of Islamic financial institutions worldwide. Key practitioners in the global Islamic finance industry who play important roles in the better performance of Islamic financial institutions are similarly playing the functions of entrepreneurs. In fact, all Islamic financial institutions should adopt the spirit of entrepreneurship such as risk-taking, optimism, work passion, positivity and innovation in their daily activities. However, in order to create, cultivate and customize the spirit of entrepreneurship in Islamic financial institutions, entrepreneurship education is needed which is not merely through universities, institutions and higher education centers. DR H AHMAD RAFIKI writes.

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