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**Real Estate & Infrastructure**

# Astarte: Aligned, Innovative, ESG-conscious, Co-investing - in Real Assets

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**A**starte Capital Partners ("Astarte") is among very few private equity firms that have been started by women. Co-founder, Teresa Farmaki, was previously Head of Private Equity for multi-family office and earlier CIO for Private Equity at Piraeus Group. Her vision is to differentiate Astarte from other private equity managers.

"ESG is essential in private investing" says Farmaki. Astarte and their portfolio businesses are all UN PRI signatories, applying ESG principles to their private equity investing. "When directing capital, we do it in the right way, to minimise side effects or complications. We address early on the environmental aspects, and do not invest if they do not use the right approach" she explains.

Farmaki also emphasises the 'G' in ESG - Governance - particularly in terms of how Astarte structures its fee model and relationships with investors. "Alignment of interests is very important to us. We want to share in success with our managers, and will become profitable as we expand" she explains.

The private equity industry has been criticised for both the level of fees and costs, and the way in which they are apportioned between managers and investors. Indeed,

there have been a number of public cases in the US suggesting that private equity firms did not allocate certain expenses - such as broken deal costs - in the most equitable way. Consequently, every line item is now being closely scrutinised by those allocating to PE funds.

Astarte charges only success fees, with no management fees per se. Certain operational costs are transparently disclosed and shared with other stakeholders. This is only one facet of Astarte's transparency. "Co-investors also get full access to all data" points out Farmaki. An innovative fee and governance structure has helped Astarte to secure a shortlisting for the award of "most innovative manager of 2017", in the Institutional Management Awards.

## Growth niches include US organic farming

The fee structure is not the only innovative aspect of Astarte, which invests in niches that are often neglected by other asset managers. Explains Farmaki "Everyone talks about real assets and understands the benefits of including them in asset allocation. Tangible, hard assets offer downside protection and a low correlation to capital markets". Astarte's

approach is different however. “We focus on less well understood, specialist, below the radar areas that are more operationally complex and therefore face less competition from other investors” she explains.

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Astarte is looking for real asset opportunities driven by megatrends such as demographics, digitalisation, big data, cloud computing – and organic foods. The world’s largest internet retailer, Amazon, has this year shown its conviction in the growth prospects of organic food through buying Whole Foods Market. Astarte has researched the space and found that a shortage of certified organic farmland forces US retailers to import most of their organic corn and soybeans. A more obvious trend is how ageing populations generate a demand for retirement housing. Astarte is evaluating investment in high-end retirement accommodation in the UK, Spain, and Switzerland. Digitalisation may also seem obvious, but industries such as advertising billboards in the UK are only just waking up to it - with a tiny 5% of UK advertising billboards digital. Astarte is also attracted to complex areas, such as acquiring aircraft in order to dismantle them and resell the parts. Sometimes, Astarte will see potential to pick up quality assets at distressed times in super-cyclical industries, such as shipping. Astarte is on the lookout for opportunities in renewable energy, and industrial assets. Astarte associate, Roger Fuchs, was hired from Macquarie Capital, and has strong experience of natural resources.

The target returns from these projects – measured by IRR – range from 10-12% for some agricultural investments, to 20% or more for the shipping strategy.

In all of these areas, “it is critical to find strong operators to partner with” stresses Farmaki. For instance, organic food has barriers to entry in the form of acquiring, converting and certifying the land. Rather than grouping multiple

deals into one investment vehicle, the Astarte model is to set up a separate structure for each deal. Astarte, the asset operators, and external investors, all contribute capital, and all share in the economics of each project: both the costs, and the upside.



Teresa Farmaki  
Founding Partner  
Astarte Capital Partners

Astarte’s own team experience is also a source of competitive edge. For instance, co-founder, Dr Stavros Siokos, helped to build Sciens Alternative Investments up to \$6.5 billion of assets, and developed real expertise in some of the aviation and shipping areas being looked at now. Senior Associate, Michael Peraticos, also has strong shipping experience, from his time at dry bulk operator, Vantage Shipping Lines.

All team members come from an alternative investments background, where they have close relationships with institutional investors’ demands in terms of due diligence, reporting and governance. Astarte has already secured a commitment from the Luxembourg-based European Investment Fund (EIF). The EIF due diligence lasted nearly a year. “The EIF has a very thorough process, stressing transparency and governance. They look at all jurisdictions, investment contracts and capital flows” recalls Farmaki. By 2018, Astarte is targeting assets of \$500 million, including its own multi-strategy vehicle investing across all deals, and co-investments.

**Growing team and global footprint**

Astarte is growing its geographic reach and team in order to stay close to its partners - investors, and asset operators. The headcount is fourteen as of November

2017. The founding team and main office are in London, where Farmaki and Siokos work alongside partner, Spiros Skordos, who has a background in macro and fixed income trading that is very complementary- particularly where deal structures contain fixed income and credit type instruments. Managing Director for Australasia, Mark Levinson, was as well previously at a global macro hedge fund. The Sydney office has a good rapport with local pension funds (known as superannuation funds), which have strong ESG sensitivities. A Zurich office was similarly driven by the investor base and provides a useful hub for other local markets. Managing Director for the German-speaking DACH (Germany, Austria and Switzerland) region, Stavros Pavlidis, has lived in Switzerland for many years. (Nearby in Zug, Astarte has formed a mutually beneficial alliance with investment consultancy and asset allocation specialist, BlueLake Associates). The New York City office lets Astarte research a strong pipeline of deal-flow on the ground. It is run by Investment Manager, Hall O’Donnell, who has 15 years’ experience in M&A and private equity, including minority GP acquisitions, and a stint at the Bloomberg family office.

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The advisory board of three will soon grow to five. Phillippe Costeletos, also an Astarte Investment Committee member, was previously Head of TPG Capital in Europe, and Chairman International of Colony Capital. “He has a tremendous wealth of experience in private equity structuring and negotiations” says Farmaki. Andrew Wynn advises family offices and has spent his career in equities, including at ADIA in Abu Dhabi and SAMBA in London. He has strong connections in the Middle East. Bev Durston (who featured in The Hedge Fund Journal’s 2015 ‘Leading 50 Women in Hedge Funds’ survey, in association with EY) was previously Head of Alternatives for the British Airways pension fund in London, and continues to advise many large pension funds in Australia, as an investment committee member. “She provides great insight and direction in order to structure deals in the right way, identifying and addressing investor concerns early on” explains Farmaki.



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