Business Tribune

11 Thursday, November 12, 2009

Opec raises oil demand forecast for next year

Page 13

Sensex rallies 2.5% to 16,849 points on IT, metal stocks

Page 14

War of words over credibility

Row over reputation issue likely to end in court

Mahmood Rafique

The row over 'reputation and business ethics' for the candidates of the upcoming Bahrain Chamber of Commerce and Industry (BCCI) elections is likely to be ended in the court of law.

Mohammed Sajid Shaikh, a candidate for the upcoming BCCI elections, said that he would serve a legal notice on Dr. Taqi Al Zeera for making insulting remarks during the election committee meeting on Tuesday.

While, Dr. Al Zeera said that he would seek a freeze on the membership of Sajid Shaikh according to Article 35 of the BCCI Law.

"The Kingdom of Bahrain is a model democracy offers equal opportunities and privileges to all its citizens without any discrimination," Sajid said in a statement.

"The private sector has been and will continue to lead the economic development in the Kingdom," Mohammed Sajid Shaikh, a leading businessman and a candidate for the upcoming BCCI elections said.

"I belong to a well-respected group of companies which has played an active role in developing the tourism, leisure and trade sectors," he added, while responding to accusations levelled against his candidature by Dr. Taqi Zeera.

"The hotel and leisure sector is a vital pillar of the national economy and our group has never indulged in any illegal business. We are running four star properties in accordance with the Ministry of Tourism and Information guidelines," he said.

It came to me as a surprise, Sajid said, that a fellow contestant has questioned my integrity.

"Members of the business community should respect their colleagues and should not make false accusations to promote their own political agenda," Sajid said. It is sad to see a man vying for a position of such a responsibility indulging himself in dirty politics and resorting to petty tactics.

"This kind of open and blatant discrimination does not go well for Bahrain's reputation as a modern and open-minded economy.

"With regards to his allegations of there being 'several' lawsuits against me, I challenge Dr. Al Zeera to prove even one case that has been registered against me in criminal courts or to even prove any conviction in the civil courts because of my alleged 'unethical business practices'. I assure Dr. Zeera that I went through the same process and scrutiny as he did in front of the selection committee to compete for the BCCI elections and nothing was 'overlooked' by the selection committee during this process.

"We should follow in Singapore's footsteps, where you will find people from all nationalities and different backgrounds. They do not consider themselves as Malaysians, Indians or Chinese but instead all consider themselves Singaporeans and work together in harmony for the development of their country.

Continued on Page 12

BRIEFING: The BCCI board member Jawad Al Hawaj and other members being briefed about the polling booth facilities for the BCCI elections set for November 16.

Hedge fund industry takes $800b hit in '09

Mahmood Rafique

The global financial meltdown has left a big scar on the face of hedge fund industry as the crisis erased almost 30 per cent to 40 per cent of funds bringing the $2 trillion global hedge fund industry to $1.2 trillion by the end of Q3 of 2009, an expert said.

"The financial crisis is seen as an eye-opener for the hedge fund industry managers as well as investors. There is a need for innovation and launch of more products with relatively less risk factors associated to them. Immediate steps are needed to get the level of confidence of investors back to the levels of pre-crisis era," said Michael W Azlen, Chief Executive Officer at UK-based Frontier Capital Management.

Michael, who also addressed and participated in the debates of the two-day Middle East Investment Summit, which concluded at the Ritz Carlton Hotel yesterday, said the crisis had drastically reduced the total number of hedge fund managers worldwide.

"In the pre-crisis era the total number of hedge fund managers was around 7,000 worldwide which has been reduced to 4,500, sending a stark warning to the industry players of this segment of the global economy.

It is very difficult, Michael added, to forecast about the future of hedge fund industry, but there will be more opportunities once the things start getting better on the global map.

"It is important for investors to realise that the current environment presents substantial opportunities for hedge fund managers," said Mahmood Al Khawaja, CEO of Capintro Partners.

"A new study by Capintro Partners, analysing the impact of the events of 2008 on the hedge fund industry, indicates that the crisis may have led to structural changes which could benefit hedge funds," he said.

"The report makes a compelling case for having hedge funds as a strategic long-term investment within a diversified portfolio. We identified five key changes in the industry and how these changes offer opportunities.

"Assets in the industry have substantially declined due to investor redemptions, weak performance and flight to quality. The reduction in assets allows for outsized positive performance due to reduced competition among hedge fund managers within the same strategy. "The number of managers in the industry has also decreased, further reducing competition leading to wider spreads and an opportunity for larger gains.

"Hedge funds have historically outperformed post-crisis and have performed well preserving capital throughout historical crisis events.

"Hedge fund returns have varied more widely causing dispersion among manager returns to increase and correlation among managers and hedge fund strategies to decrease. This allows for greater diversification benefits to investors and leads to higher risk adjusted returns."

"In order to attract new assets, managers are offering investors various incentives that may include access to closed funds, higher levels of liquidity, greater transparency and or reduced fees. Strategies that trade liquid securities and are able to take advantage of the volatility in global markets will be better positioned to outperform," he said.

"Our objective is to help uncover these opportunities, specifically in the aftermath of the events of 2008 and the massive de-leveraging that took place within the financial system," he added.

Arig back in black, posts $16.9m profit

K.V.S. Madhav

Making a major turnaround and returning to profitability, regional re-insurance major, Arab Insurance Group (Arig) said yesterday it posted a net profit of $16.9 million for the first nine months of the fiscal bolstered by 'solid returns' from its reinsurance activities and investments. In comparison, it had suffered a loss of $10.8 million at the end of the corresponding period last year.

Following a full-year loss in 2008, Arig returned to profitability in the first-quarter of the fiscal with a net profit of $1.5 million (Q1-2008: $3 million) backed by strong technical result of $8.6 million (Q1-2008: $3.3 million) across its reinsurance portfolio, before experiencing a drop in profit for the first-half of the fiscal. The insurer recorded net profit of $8.8 million for the first-half of the current fiscal, down form $11.4 million in the corresponding period last year.

At the end of the third-quarter this fiscal, a buoyed Arig said reinsurance operations returned $7.4 million for the period against a loss of $7.7 million for the same period last year.

"Changes in the global financial markets pushed earnings from investments to $26.8 million compared to a loss of $6.4 million after the third-quarter of 2008 – mostly as a result of the large correction in market values of the equities held by Arig at the time," the insurer said.

Net earnings for the third-quarter alone amounted to $8.1 million (2008: loss of $22.3 million).

Non-life classes continued to perform well showing an improved combined ratio of 95.1 per cent (same period 2008: 97 per cent. The group's reinsurance portfolio reached $247.3 million for the nine-month period, up by 3.4 per cent from the previous year (first three quarters 2008: $239.1 million), the insurer said.

Continued on Page 12