

FOCUS RAISING THE BAR

Identifying a gap in the market, **Howard Nicholson** of **Centaur Asset Management** talks to *Mena FM* about the firm's new legal financing litigation fund – and the growth prospects this concept may find within the Mena region



HOWARD NICHOLSON,
chief operating
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It is becoming a well known fact that investors are starting to demand, among other things, diversity within their investment prospects. With several different asset classes finding themselves in favour for an abundance of reasons, litigation funds are becoming more popular with investors bases – not simply because legal fees can be the highest of costs to day business. To find out more about one firm that is taking advantage of this avenue, and the Mena-orientated prospects of such a fund, *Mena FM* talks to Howard Nicholson, chief operating officer of Centaur Asset Management.

Mena FM (MFM): Firstly, what is the investment strategy?

Howard Nicholson (HN): The Phoenix Legal Financing Fund I (“Phoenix”) is a legal financing litigation fund, meaning that any money raised by Phoenix will be used to fund legal cases and disputes (such a case may well be in the UK or outside the UK under international law). Centaur’s investment strategy involves identifying cases that Centaur assess to have a certain percentage chance of winning/success. Part of Centaur’s case selection process involves the input of Centaur’s Litigation

Review Panel who assess the criteria of a case, which involves criteria such as the presence of ‘after the event insurance’ (ATE insurance), pecuniary loss insurance and a QC’s opinion (a 60-65%+ chance of winning the case). Centaur would also take account of the commercial circumstances of the case and the recommendation from the Litigation Review Panel and if everything checks out then the case may very well become funded. These cases could be situated within the UK courts between two UK parties or completely outside of the UK (that said we would generally look for cases in jurisdictions that follow English law, such as commonwealth countries, or international law). While not focusing on any one particular area of the law, we mainly look for two different types of cases. The first is what we would call a non-litigious case, which may well have had a decision in the courts which applies to numerous other similar cases. The second type of case we look for would be a litigious case, which are the kind expected to go to court but where we would hope a settlement could be negotiated before matters got that far.

MFM: Why is the fund unique and what are the key features?

HN: Phoenix is different to a number of the others that are out there in the market right now. Most of the other funds are closed ended funds and not available to retail or private investors. Phoenix is an open ended fund and is available to both retail/private investors and institutional investors. The fund itself is capital-protected through the various layers of insurance protection, thus offering an alternative asset class that has the added advantage for those interested in capital appreciation benefits. One of



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the unique products we are working on at the moment is a Shariah version of Phoenix, which will be called the Phoenix Shariah Legal Financing Fund II ("Phoenix Shariah"). Phoenix Shariah hasn't launched yet but we are hoping to launch in March and are in the final stages of selecting a Shariah board. Essentially, Phoenix Shariah will operate with the same sorts of investment principles while operating under Shariah principles. We believe Phoenix Shariah would be the first of its kind in terms of a litigation fund for the Shariah Investment market. The plan is to focus capital raising for Phoenix Shariah across the Mena region, and the concept has already generated considerable interest from both high-net-worth individuals (HNWI) and institutional investors.

MFM: How has capital raising been received so far?

HN: So far, capital raising has been fantastic as we've already had a great reaction to the fund from investors, both in response to the general concept of the fund and to the Shariah

plans for expansion we have as well. Capital protection is an attractive aspect to our offering as, while other funds may offer different returns and different strategies within their portfolios, we do eliminate the risk with our capital protection policy.

MFM: What has the fund performance been like so far?

HN: Phoenix launched in November 2012 and we already have a return of 4.25% for the first two months, which is quite remarkable in this current climate. Therefore this makes our annual return targets of 12-18% per annum for our investors increasingly achievable, which we hope to be able to surpass. In relation to building the business up, we had to overcome the challenges any business would have to tackle in its infancy, but we made sure to cover as many of these issues as possible before launch.

MFM: Who is the target market?

HN: Our target market encompasses HNWI and institutions who recog-

nise the returns and advantages of the concept Phoenix offers - and this will be the same market we will aim for within the Shariah space as well. Within Phoenix, we have six share classes, which are split into two main categories (retail and institutional), which are then sub-divided into different currencies.

MFM: What are your expectations for 2013?

HN: For the end of 2013, we want to be meeting our return expectations of 12-18%; both the existing fund and the Shariah version. In terms of possible upcoming challenges, we are constantly keeping our eye on the horizon for any possible developments. For example, in the UK, Lord Justice Jackson's package of civil justice reforms are to be implemented in April 2013. While there is still much detail to be provided, we expect it to raise the issue of clients examining where their case funding comes from, allowing them to look at all their options closely and giving greater opportunity for litigation funders. ■