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Foreword

As volatility continues in the UK, and despite recent economic data causing the Bank of England to keep interest rates held, I remain optimistic for both the near and long-term future of the UK's economic state. This newsletter includes thoughts on the UK investment climate, doing business in China, elections in Cuba and a Q&A with our newest senior advisor.

- An opinion piece on the **UK investment climate** including: reasons for the attractiveness of the UK as an investment destination, strengthening provincial economies, and, UK opportunities.
- No-one needs a crystal ball to see the growing role that China will play in the UK's future, and our feature contributed by ShaRon Kedar highlights the key factors to consider when embarking on **doing business with China** – the importance of understanding the end decision maker. His advice is a useful tool for anyone wishing to expand their international client base or develop their international strategy with a Chinese counterpart.
- Our newest senior member of Salamanca Group, **Anastasia Bloom**, has been caught in the spotlight by our Marketing team. Her Q&A divulges her international background, her outlook on London's current economic landscape and the future of the social housing sector.
- Away from UK Parliament, Lord David Triesman remains firmly focused on our endeavours in Cuba. With over 40 years' experience working with Cuban leaders and their Ambassadors in London, his latest insight covers the recent **elections in Cuba** seeing a non-Castro as their President for the first time since their revolution. As a new generation steps forward, Lord Triesman explores what this may mean for the future of Cuba and its international relationships.

And, it goes without saying that we are all affected by the imminent GDPR laws. If you would like to continue to receive our company news and insights, please opt-in by going to www.salamanca-group.com/subscribe

Martin Bellamy
Chairman & CEO

Despite Turbulence: a positive outlook on the UK Investment Climate

By Martin Bellamy, Chairman & Chief Executive

Reclining in my seat as the broad shouldered 737 lumbered towards its take off position at John F Kennedy airport, I reflected on my trip to New York City triggering thoughts on why Britain really is *Great Britain*. Perhaps, I thought, I was not being balanced and my desire to see Terminal 5 was a childish petulance borne out of a long immigration queue that greeted my arrival in America some 20 hours prior; however, my overall reflection was of shock at the general state of the fabric and infrastructure of this intimidating metropolis. As the plane stood ready to launch us back to the comfort of a well-oiled version of NYC, our Captain announced that a strong tail wind would propel us to London in a little over five hours, but the cost would be some severe turbulence en route. How appropriate that phrase 'severe turbulence' is when considering the UK Investment Climate today!

Over the last 16 years, I have concluded that the investment climate and the attractiveness of doing business in the UK is driven by two main factors; the rule of law and our education system. Of course, there are many more additional factors that will relate to circumstance, but I firmly believe these two dominate. Despite the severe turbulence that the UK is facing today, I fundamentally believe the UK remains one of the most attractive countries in the world to invest. Indeed, when speaking to our Chinese Clients their enthusiasm for investing in Europe is today unparalleled – but when you dig a little deeper you realise that their focus and landing point remains the UK – despite our turbulence.

The attractiveness is not just centred on our iconic Capital but is a general enthusiasm for British opportunities. On a recent visit to Exeter and the South West, I was amazed to understand how powerful the local economic energy is - Bristol and Exeter are listed in the top 5 GVA growth until 2020 at 2.3% GVA, ahead of London at 2.2% GVA. The changing demands from the workforce for an improved quality of life paired with improved opportunities are drawing skilled professionals from London. The power of the provinces in our small (although in size alone) nation is being replicated across the country helping the equilibrium of inward investment.

Despite the period of turbulence, the UK appears to be more attractive than ever as an investment destination in an uncertain world. Our desire, need and want to improve the fabric and infrastructure of this country is unquestionable and the opportunity clear. Our housing requirement along the spectrum is hugely underserved, which in many cases is extremely distressing, but creates a public-sector problem requiring a private sector solution. Our manufacturing industries are enjoying a renaissance and our service sector is booming – not to mention our education system being an export commodity.

Importantly, Clients from across the globe are showing a determination to invest in the UK and their intent, whilst perhaps conditioned by some caution, is clear and if anything, more committed than ever. The UK has its problems and challenges and no doubt the 'B' word will ensure our own turbulence will persist. However, against the complex global backdrop, I believe there is reason for a positive outlook and a bright road ahead.

A new dawn in Cuba, and what to expect

By Lord David Triesman,
Group Director

Overtime, of course, everything changes. A generation of leaders steps back from power and a new generation steps forward to become the future. The influence of the departing generation is not necessarily lost but people rightly expect new thinking, innovation, progress. After all, they live in the future not the past however much they admire long-standing values.

Cuba is at just such a moment of passage. For the first time since their revolution a Castro is not their President. The choice of Miguel Díaz-Canel means we need to understand the man, the realities he faces, the choices he will need to make and Cuba's consequent direction of travel. Cuba is very unlikely to forget the lessons of its past but Cubans do not choose to live in the past. It is an island of realities and like island nations, including Great Britain, the borders have never been impermeable.

Miguel Díaz-Canel, the former second vice-President has a low public profile but an interesting one. He superintended a remarkably successful higher education sector both in teaching and research.

Technology in the sector and more widely has advanced despite the constraints placed on the island. He is distinctly in the innovation generation and not very different from that generation in aspirations as it comes of political age. Normality is full of technical advances (his area) and global reach since no technologies today respect national borders (his inheritance).

"He will know there is no hostility to a closer relationship with the UK, the EU and wider Europe. Relations with China and Africa will be on a solid footing."

Connectivity to the rest of the world is limited but President Díaz-Canel will know this cannot last. No doubt detailed analysis of the President will emerge.

He will be coming to grips with the realities facing Cuba. He will know there is no hostility to a closer relationship with the UK, the EU and wider Europe. Relations with China and Africa will be on a solid footing. All this – and I look to the work we have under-way in the UK – offers significant opportunities. Indeed, the remaining difficulties with the UK lie in the fear of closing banks here of US enmity.

And therein is a distinct problem. Whilst polling of US Cuban-Americans and Americans more generally shows a yearning for normality among significant majorities, Donald Trump has partially ‘cancelled’ the Obama policy of normalisation. 60 per cent of the embassy staff in Havana were ordered home and 17 staff sent home from the Cuban embassy in Washington. Partial policy reversals, threats to choke cash flow and restrict tourism tend to hurt small businesses with the opposite impact to its declared intentions.

The realities the new President will have to deal with are more complex and call for a more honest approach.

There are vital positives. Investment is promoted energetically under a new commercial law by an energetic ministry, working closely with external merchant and investment banking expertise – indeed, there will be major new developments in this area. Third country investors are increasingly enthusiastic. Tourism is still growing and demand is strong. Flowers of remittances continue to grow. And, virtually, there is an exceptionally well-educated population largely free of crime and wholly free of terrorism.

But there remain negatives which need the introduction of modern financial institutions. Internal rules overly restrict the private sector – easing them would not lead to run-away problems. The economy is relatively weak with serious liquidity issues. Approval processes are slow and improvements to ease of doing business would accelerate investment. The dual currency system needs urgent reform difficult as this undoubtedly is. The Cuban government of course knows this. Finally, in the background are the debts which were not removed in the Paris Club agreement.

After a sixty year blockade and continued threats to non-USA entities if they engage with Cuba, the fact there is ground to make up is hardly surprising. For the UK,

with our traditions of financial and commercial skills, this ought to proclaim itself as opportunity. We are to live in a world of outward reaching trade, rediscovering our history of leaning outward toward opportunity.

“Whatever happens with Brexit...we will need to succeed in global markets. Blending Cuban and UK skills has enormous promise.”

Whatever happens with Brexit, and it still seems to me to be madness for the UK, we will need to succeed in global markets. This pre-supposes special attention to the countries left out of global systems for one reason or another. Prosperity pre-supposes proactivity. Blending Cuban and UK skills has enormous promise.

Lord David Triesman has over 40 years’ experience working with Cuban leaders and their ambassadors in London, strengthened relationships when responsible for Anglo-Cuban relations as a Foreign Office Minister in the mid-2000s and deepened these with time. The development of such a trusted relationship with partners in-country, aided by a long term vision and presence, has allowed Salamanca Group to be part of the opening of Cuba to foreign investment.

Lord David Triesman is leading this initiative and has developed a blog to provide an assessment of progress and opportunity as we create, together with the Cubans, a new financial hub. Previous blogs are available on the Salamanca Group website.



Doing business with China - the importance of knowing the decision maker

By ShaRon Kedar, Group Director

China is vast, rich, motivated and a nation of entrepreneurs. It is an intoxicating proposition. Now the world's second largest economy, China's GDP growth in 2017 was 6.9% and with Q1 2018 GDP growth at 6.8%*, China continues to expand at a rate enviable to the western world's advanced economies.

The prospect of doing business in China is becoming increasingly important for any business or individual wishing to expand their international client base or develop their international strategy. But China is culturally complex, and conducting successful business is an artform.

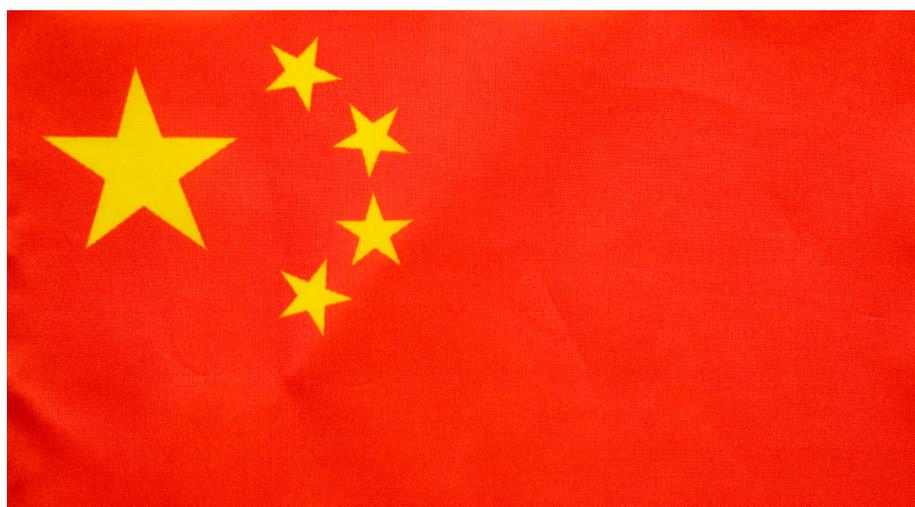
I am a massive advocate of China having lived in Beijing between 1995-2004, then spending the last 13 years investing significant sums into 6 Chinese industrial, mining and real estate projects. I would like to share what I believe are the three most crucial questions one should ask before investing in or conducting deals with Chinese counterparts.

Who is the decision maker, what to they want to achieve, and crucially, can they deliver on their promise?

1. Who is the decision maker?

Without the knowledge of the Chinese language, experience and a thorough understanding of China's strict state regulation, foreign investors and operators often rely on a 'fixer', an introducer, or a broker since access to the decision maker is often difficult. This person, or organisation is likely to be the introduction of an associate, or a professional advisor such as a lawyer, or an accountant. Your 'fixer' must be able to display an excellent track record and this will be your first challenge.

When introduced to a relationship or an opportunity, again it is crucial to conduct in advance, a detailed



diligence ensuring there is clarity surrounding the decision maker. If the decision maker is a State-Owned Enterprise (SOE) expect the Chairman, or a committee; and in the case of a private or listed company, the Chairman or one of their senior lieutenants.

2. What does the other party want to achieve?

Once you are confident you are meeting the right people, you need to understand what the decision maker is really after. Be sure not to make pre-judgments and paint an understanding of what it is you believe they want. There are more nuances in the Chinese language and business conduct than the average person can fathom, so it is vital that you make sure that your interests are genuinely aligned and understood.

3. Can they deliver on their promise... or not?

In today's business environment this will certainly include the availability of funding domestically or internationally, regulatory permissions and the decision maker's real support and buy-in.

Follow these steps and, with the correct advice, you should be in safe hands.

As with any other country Salamanca

Group has transacted in, we believe securing the right partner is 90% of the way to success. If not, no expensive lawyer, relationship or contract is likely to make it successful.

Early investors into China are seeing great results and now the opportunities are broadening for both inbound and outbound investments, the timing to get involved is great.

Opportunities & Guidance

1. Belt and Road

China's planned 'Belt and Road' or more commonly known 'One Belt One Road' proposes ambitious, interesting and significant investment opportunities. Under the initiative Chinese companies are encouraged to, whilst meeting guidelines, go internationally to invest, partner, develop and operate in designated countries, industries and Chinese areas of interest and influence.

*The countries China plans to engage with represent 55% of World Gross national Product, 70% of the world's population and 75% of known energy reserves. The initiative is funded with \$100 billion from Asia Infrastructure Investment Bank (AIIB) and \$40 billion from the Silk Road Fund**.*

2. Catalogue for the Guidance of Foreign Investment Industries

One must not forget the rules and regulations to be adhered when investing in China due to the strict control of the state, which cannot be underestimated. July 28 2017 saw the new *Catalogue for the Guidance of Foreign Investment Industries* come into effect, updated from the previous 2015 edition. The updated catalogue sees a negative list introduced nationwide, which includes both restricted, those which must receive approval from MOFCOM, and entirely prohibited industries. Good news however, the catalogue has reduced the number of restricted foreign investment opportunities from 93 to 63.

Whilst this may look relatively hostile to foreign investment, encouraged industries also benefit from incentives such as reduced tax rates, imploring investors to

bet on China. Harness an opportunity in one of the encouraged industries, such as their world leading stance in Green technologies and experience how much China is open for business.

Negative list: Aerial photography mapping, editing and publishing of books, newspapers, and periodicals, internet public information services, radio, television video-on-demand businesses, and satellite television broadcasters receiving facility installation services.

Encouraged industries: rail transportation equipment, motorcycles, new energy vehicle batteries, civil satellites, unconventional oil and gas development, high-tech industries: such as virtual reality (VR) and augmented reality (AR) devices.

Navigating the Chinese business landscape is challenging, but as Salamanca Group has demonstrated, with the right advisors and technical insight, it is a journey worth exploring.

Salamanca Group China Transactions

Industrial

US\$7m
Investment into Chinese drilling equipment manufacturing company

Industrial

US\$30m
Acquired shares in a new Chinese shipbuilding company

Mining

US\$85m (in two tranches)
Investment into a world class polymetallic mining asset

Mining

US\$22.5m
Investment into a chinese gold producer pre-IPO

Real Estate

Acquired a medium sized investment portfolio of pre-developed residential flats on behalf of a Client in a development in Nanjing from a well-known developer

Mining

US\$30m
Investment into a Chinese iron ore mining exploration and development company operating in Indonesia

*Tradingeconomics.com

**lse.ac.uk

Introducing: Anastasia Bloom

Anastasia Bloom is the newest senior member of the Salamanca Group team and brings with her 20 years' international experience across investment banking, wealth management and investments. Born in St Petersburg and raised in Moscow she has a cum laude degree from Moscow State University in Economics, before going on to gain a masters in Finance from the London School of Economics. She joins as an advisor aiming to bring her extensive network to Salamanca Group and its real estate and corporate finance deal flow.

We sat down with Anastasia to discuss her background, her outlook on London's current economic landscape and the future of the social housing sector.

Q Can you give a brief career history?

A I started my career in investment banking at Credit Suisse in New York before moving to Cazenove in London, which was a very traditional UK corporate finance role. I moved to work in the Russian capital markets in 2004 as I saw an opportunity to put my skills and background towards a growing market with Deutsche Bank and Morgan Stanley. My role was later expanded at JP Morgan to include other emerging markets, namely the Middle East and Africa. My goal was always to focus on working with clients with an international remit.

Q What is the business confidence like in and towards Russia?

A The years between 2003-2012 were interesting for Russian markets as it was a period of high growth which resulted in a lot of capital being channelled into the market, seeking to be international, which inevitably attracted interest in London.

During my career I have been involved in directing a lot of interesting opportunities into the Russian market. I hope that the current political tensions will not last and the market will re-emerge on the international arena.

Q What do you see as the main challenges for the remainder of 2018 for the UK and London in particular?

A I work with international capital and family offices and can see caution on an international scale towards doing business in the UK because of concerns surrounding Brexit and other political anxieties in the UK. However, London has an incredible financial ecosystem, connected globally, with all international markets wanting to do business with the many prosperous and internationally renowned institutions that are based in London. It is important not to lose this connectivity. It is down to individual smaller players in the financial arena, such as Salamanca Group, to nurture the interconnectivity, ensuring London maintains its international momentum and remains a frontrunner.

Q With such an international career covering London, New York, Moscow, Dubai, Johannesburg, would you say it's important to work abroad to gain a culturally diverse outlook for professional development?

A It certainly helps. There is no better way of understanding business cultures than getting amongst them and experiencing the day-to-day interactions. It helps to be on the ground in that country to understand the nature of how business is conducted in those cultures, but, this is where the true beauty of London shines through. It has created a very welcoming environment for the international business community. Every day you come across different cultures and that is very unique. You can begin your day going for breakfast with a Turkish executive, influenced by the way they do business, then later have a coffee with a French family office and have an entirely different experience. London prides itself on its multi-cultural nature and this is certainly a magnet for international business.



Q From your experience of working with a range of start-ups to SMEs, what is your key advice to emerging businesses wanting to scale up in the current economic climate in the UK?

A Each growth business is unique – I am always humbled by people who have built successful businesses. The most successful in my mind are those who are open to take advice and listen to suggestions – if you are grateful for help, others will offer it generously.

Q You're also on the Board of 'Homes for Haringey', an Arm's Length Management Organisation for Haringey Council. Tell us a bit more about your interests in the housing sector and why Haringey in particular?

A I used to live in Haringey in North London so knew the area, so when the opportunity came up the name clicked. I have been involved in property through various associations throughout my career. When the opportunity came up to sit on the board of a housing association, I saw this as an interesting prospect and learning opportunity. It gave me an immediate new angle into the social housing sector, which is not transparent for many people. I have a very high regard for people who work in the social housing sector. I am currently in my third year on the board and have been extremely humbled by those I have crossed paths with. They are attempting to solve real life problems and create communities to empower people's lives.

Q What do you think the government should be doing to solve the housing crisis we have in Britain today? Have you seen any initiatives that prove to be having an effect?

A Currently I think politics is standing in the way of improvement attempts - they have taken priority over the individual needs at the heart of the problem. I believe private initiatives are the way to go as they marry the interests of both worlds, independent of political decisions. Salamanca Group's Funding Affordable Homes initiative is a prime example of how private initiatives can be successful.

Strategic Insight Events

This year we've continued to host the Strategic Insight breakfast series with the European Leadership Network (ELN). The meetings bring together a small number of business leaders, leading political figures and senior ambassadors to discuss key issues facing Europe's security climate. Below is a snapshot of what you may have missed:

— Challenges to Euro-Atlantic security in 2018

The year commenced with a discussion looking ahead to issues facing Euro-Atlantic security in 2018. Inevitably thoughts were still firmly focused on Brexit, however, with this being just one of the many concerns facing Europe, speakers also dived into issues surrounding the US, Donald Trump and the growing power of China and its relationship with the rest of the world.

— European perspectives on the Franco-German motor and the future of European defence

February's breakfast focused on what the alliance between France and Germany could look like once Britain is made to loosen its hold on the reigns with its decision to exit the European Union. Discussions also pondered if and how Theresa May's United Kingdom can continue to exert a voice on European decision making.

— The Russian elections and the future of Russian foreign policy
With perfect timing, March saw the congregated group discussing Putin's inevitable election win, and what it means for Russia and its foreign relationships. Of course, the then recent Salisbury attacks were also addressed, questioning the remains of the UK-Russia relationship and how this potential hybrid warfare may affect European outlooks on its security.

— The UK Labour Party's foreign and security policy

Last month's breakfast enlightened the audience on Labour's stance on the UK's foreign and defence policy, a topic arguably not transparent or understood by the wider public or indeed those sitting around the table. Our own Group Director Lord Triesman spoke alongside Admiral Lord Alan West, both with long histories within the core of the Party, and thus with outstanding credentials to inform us on Labour's policy outlooks, such as leveraging the UK's strength in soft powers.

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Group

We welcome the opportunity to discuss any questions you may have in regards to the articles in this newsletter, and to discuss your business and/or personal requirements.

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