Regional Cluster Development:
MARF Multi-Asset Renewal Funds
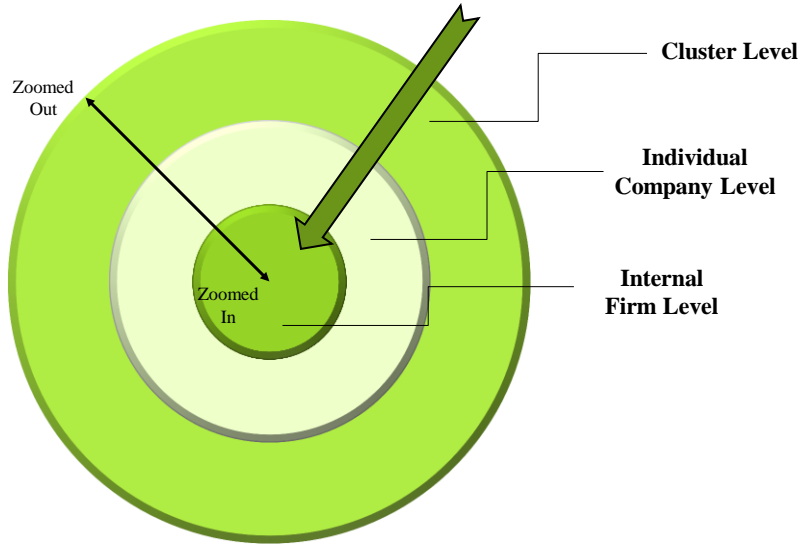

KEY STONE COMPACT GROUP

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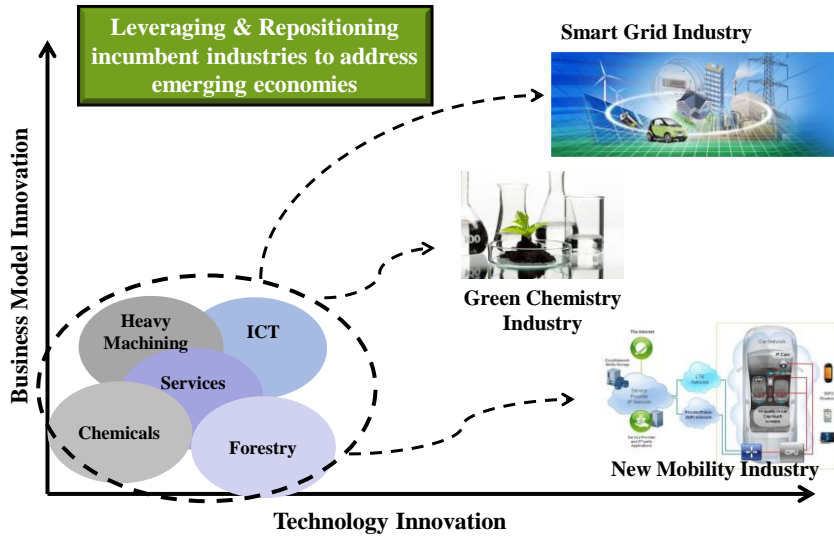www.linkedin.com/in/peteradriaens/
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Problem:

- Regional cluster that has the potential to be a "Traded" cluster (in Porter's parlance) requires:
    - Identification of local assets (companies) that could be re-aligned with the new/emerging cluster
    - Identify company activities "missing" from the cluster
    - Re-position strategy and means for those existing (typically SMEs) to move toward cluster activities (shift their offering portfolio)
    - Create (build) or acquire companies to "fill in the gaps" (typically new startup firms or acquisition targets of large firms)
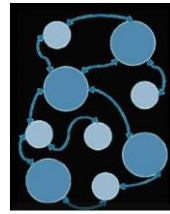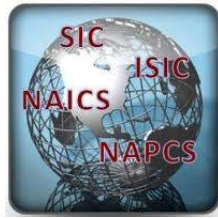
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Layered Assessment and Fund-Creation Approach: Company ID and Assessment

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Zoomed Out

Zoomed In

Cluster Level

Individual Company Level

Internal Firm Level

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Cluster Level:
Focus on Emerging Industries (Finland Case)

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Leveraging & Repositioning incumbent industries to address emerging economies

Smart Grid Industry

Green Chemistry Industry

New Mobility Industry

Business Model Innovation

Heavy Machining

ICT

Services

Chemicals

Forestry

Technology Innovation

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Industry Codes to Value Systems

- Primary research to understand industry transactional relationships
- Develop value system constructs using industry codes
- Map existing companies against industry code segment
- Identify 'holes"

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Company Level: Capabilities-based Assessments

- Competitiveness / Positioning to Capture Value (PVC)
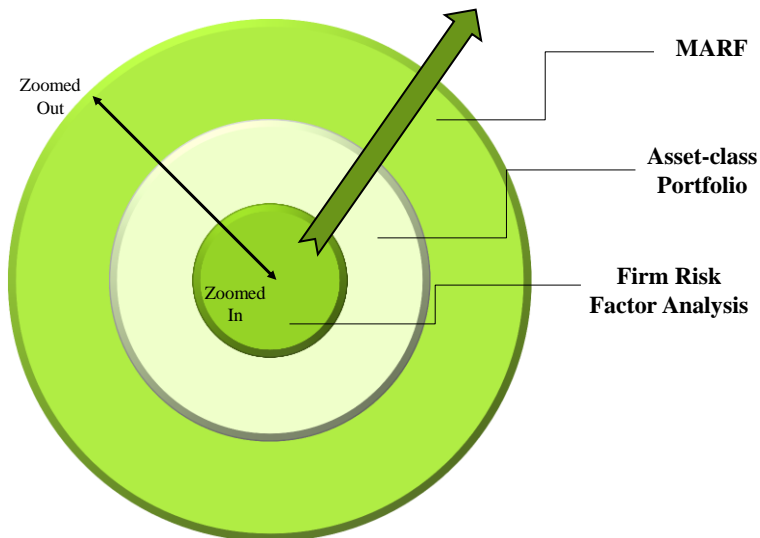 - Firm capabilities vs. complimentary capabilities

- Growth Potential ➔ Investment Potential
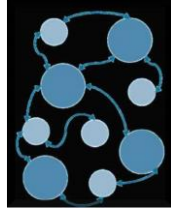 - Opportunity Size and Scale

- Repositioning / Growth Path Risk Factor
  - Industry, Market, Investment/Finance, Product, Growth and Team risks

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Problem: Assessment gets you halfway there

- Regional cluster that has the potential to be a "Traded" cluster (in Porter's parlance) requires:
  - Identification of local assets (companies) that could be re-aligned with the new/emerging cluster
  - Identify company activities "missing" from the cluster
    - Re-position strategy <u>and means</u> for those existing (typically SMEs) to move toward cluster activities (shift their offering portfolio)
    - Create (build) or acquire companies to "fill in the gaps" (typically new startup firms or acquisition targets of large firms)

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Layered Assessment and Fund-Creation Approach: Investment Instrument Aggregation

Zoomed Out

Zoomed In

MARF

Asset-class Portfolio

Firm Risk Factor Analysis

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KEYSTONE COMPACT GROUP — Value Systems to Funds

- Multiple Asset Classes
- Risk indices using proprietary KeyStone Score™ factors
- Cross-sectional regressions (factors & financials)
- Risk:return analytics (specific & factor)

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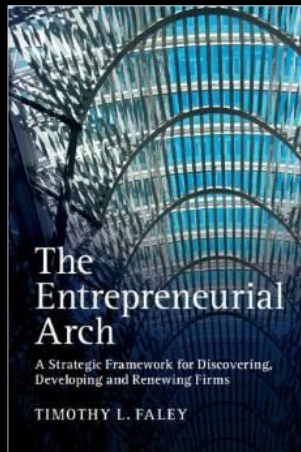# KEYSTONE COMPACT GROUP — Solution: Multi-asset fund targeting renewal

- Capital for SME's
  - Risk Debt directly to SMEs for repositioning
  - Optional PE Fund element for acquisition and re-positioning

- Capital for startups
  - Equity Capital for high-growth potential startups
  - Primarily later-stage investments

- Capital for project financing and infrastructure
  - Bond Fund

- Portfolio risk balancer
  - Thematic ETF

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KEY STONE COMPACT GROUP Finland Project: Smart Grid

- Began with 140 companies
- Narrowed to 60 with KeyStone assessment tools
  - 30 publically traded
  - 20 SMEs
  - 10 growth equity companies
- Structured a MARF as previously described
  - Estimated (based on composite of analogue funds) yields of 8-9%

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KEY STONE COMPACT GROUP Multi-asset Renewal Fund

- MARF
  - Multi-Asset Renewal Fund enabled by KeyStone Cluster toolset
- Requires and aggregates cluster assessment
  - Identification of appropriate firms
  - Creation of a re-positioning strategy for the firms
- Requires company-level risk assignment (Barra-type Risk Analytics)
  - Including the type of financing that aligns best with the firm and its repositioning strategy
- Requires specific company allocation into appropriate asset class(es).
- Allows "Economic Development with Market Returns"

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KEY STONE COMPACT GROUP Questions?

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