



2021 IN REVIEW



Sudhir Maheshwari
Founder & Managing Partner

Synergy invests across the capital structure in the Industrials, Metals & Infrastructure sectors globally.

\$670MM
Capital Deployed
(including co-investors)

10
Companies

6
Countries in
Asia, Europe &
Americas

I thank the teams at Synergy and our business partners for another year of remarkable performance despite continued headwinds. The total amount of capital deployed increased by 40%, and we completed our most significant single investment in the fund during the summer.

2020 and 2021 have highlighted different lifestyle considerations and business imperatives.

The term “Black Swan” was popularised due to the 2008 Financial Crisis. COVID 19 has revealed a different set of problems. “Grey Rhinos” or “Black Elephants” refer to significant problems with profound and visible implications, but we choose to ignore them until it is too late.

Inflation has returned after 40 years, following a long period of expansionary monetary and fiscal policies more recently compounded by broken supply chains. Central banks only acknowledged the problem in mid-December. It remains to be seen how Central Bankers in Europe, the US and the other leading countries rein it in.

More crucially, three years ago, UN PRI commissioned a study that concluded that early government inaction over climate change would generate the need for an abrupt and disorderly “Inevitable Policy Response”. Yet, many will be surprised and unprepared when it ultimately happens.

FUTURE TRENDS

I believe 2021 has seen tremendous changes and has set the tone for the decade ahead. A few important ones from our lens are:

- + Covid has accelerated the rise of the health and environmentally-conscious consumer. A new operating model is being adopted in every facet of life and business.
- + Digitisation, automation, use of AI, and disruptive practices will define the emergence of a new breed of successful businesses
- + Sustainability, net-zero emissions, decarbonisation, energy transition, renewables, recycling, etc., are all expected to be undoubtedly embedded in our lives. To mention a few examples,
 - Almost all blast furnaces in Europe could be replaced by electric furnaces, many of which would be fed by green hydrogen fed DRI
 - Over 50% carbon reduction should take place in the EU
 - Renewables should reach 50% of total power generation
 - EV sales should reach 50% of total vehicle sales
- + Labor becoming increasingly important relative to capital. While the aging population will result in fewer people of working age, the lockdowns and the “great resignation” have shed light on significant shortcomings in the way and the meaning of the work we do, and the need for more fairness and inclusivity.



Synergy provides tailored private capital solutions across the debt/equity spectrum

Our investor-operator team has cross-functional industrial experience in over 100 countries

We believe the unprecedented amounts to be invested in decarbonization and energy transition will be important areas of focus for Synergy

PRIVATE EQUITY

I would like to think that the rhino or elephant metaphors are not deterministic. We can be agents of change by investing in fundamentally solid companies and where we have the expertise to deliver operating value creation.

Our investments in 2021 have been underpinned by the need to build resilient, sustainable infrastructure and supply chains. JSW Cement's top product has a carbon footprint that is 90% lower than traditional Portland cement and lasts longer in corrosive environments. Sigma Lithium will go from zero to potentially one of the five largest lithium producers globally in just two years from now, and it will do so with carbon-neutral production.

Our existing investment portfolio delivered another year of solid performance. In 2021, we made two follow-on investments and helped another of our companies grow by acquiring one of its suppliers.

ESG

Synergy became a signatory to the UN-sponsored PRI in February of 2021. We are one of the pioneering firms in the Middle East to join this initiative. Since then, we have actively engaged with the management teams at our investee companies to measure their ESG impact and opportunities by mapping each company against the 21 UN Sustainable Development Goals (SDG) and encouraging them to adopt SASB reporting. SASB takes a common-sense approach and raises awareness and facilitates management buy-in as the ESG metrics are financially material and industry-specific.

This year, we redoubled our community outreach efforts. At the height of the Delta variant impact in India during May and June, Synergy distributed oxygen concentrators and PPE equipment to hospitals and NGOs in various Indian cities. In the UAE, we partnered with local NGOs to perform eight community outreach drives reaching over 1,000 workers in the sectors most affected by the pandemic. It makes me proud that all of our investee companies, particularly those located in high-impact or remote areas, have similarly supported their employees and communities.

On a separate note, Synergy finished #1 in the corporate category of the 2021 Dubai Fitness Challenge out of over 600 participating organisations. Last year, we ranked #6 and getting to the top spot required perfect performance from each of us for 30 days uninterrupted.

Whether helping our communities or promoting healthy habits, these are all manifestations of the Synergy team's spirit, motivation, and cohesiveness.

These are the same traits we will show when assessing investment opportunities and then working together with targets to drive operational value creation.

LOOKING FORWARD

In 2019, Morgan Stanley estimated that a US\$50 trillion investment would be required to achieve decarbonisation. This is an unprecedented amount to be invested into an immeasurable puzzle of interconnected assets, services, and technologies. Inevitably, there will be setbacks and periods of gloom and doom that will test the discipline, conviction, and reflexes of the companies participating in this transformation.

We look forward to finding opportunities to work with you.

For inquires and more information, please visit us at www.synergycapital.co.uk