00:10 Hi and welcome to Jenny in the Corner Office, Episode number nine: Adventures on the Venture. I'll be hosting today's podcast and all of the other ones. Who am I? I'm Jen Schell, an Investment Advisor with CIBC Wood Gundy.

Welcome, my financial friends. Today, I have a very special guest for you. I have Ravi Sood and he's done so much and it's just a pleasure to have him here. Thank you, Ravi.

It's a pleasure to be here. Jennifer.

Oh good. Uh, so he's a very official, official guest and I will give you some of his background. Ravi Sood is a financier and venture capitalist based in Toronto, Canada. Mr. Sood has been a founder of and the principle investor in several businesses in emerging markets and currently serves as a director of Feronia Inc. and Galane Gold limited. He was the founder and former chief executive officer of Navina Asset Management Inc, a global asset management firm headquartered in Toronto, Canada.

01:14 And Ravi also led the investment activities of Navina and its predecessor company Lawrence Asset Management Inc from its founding in 2001 until he sold the firm in 2010. So, he has quite the story to tell us today! Ravi was educated at the University of Waterloo, has a very impressive Bachelor in Mathematics, where he was a Descartes Fellow and the recipient of numerous National Awards. I don't feel worthy at this point, but with that said, (and I'm actually not done because there is more,) Ravi is, also a well-known regular on, and a frequent guest host on the business news networks, evening news program squeeze play, which I'm sure a lot of you watch on TV and he's best known for commenting in the media on the income trust sector, global markets, natural resources and agriculture. So with that said, I'm going to introduce you officially to Ravi Sood.

Thank you, Jennifer.

You're welcome. So we're going to give you the podium now.

02:26 Sure. Well, uh, where to begin? I think, I've had a very fortunate set of opportunities put in front of me over the course of my life. I never intended to get into the finance business. My path from really days was to focus on mathematics and ultimately Grad School, which was my plan. And, ultimately, I decided to go to the University of Chicago after completing my bachelor degree at Waterloo. But it wasn't meant to be, so not withstanding all the preparation behind that for financial reasons, I actually had to defer my admission to Chicago and in fact, as I'll get to in a second and ended up never going… the diversion and the delay of a year, set me on a totally different path that I never could have anticipated. I was a very academically focused in school. I didn't take any courses in economics or accounting or things that most people would consider practical or related to financial markets.

03:30 I was very much focused on pure mathematics and on academia. That was the path that I had in front of me. But with my delay of graduate school, through a friend of a friend, I was, um, set with the opportunity to work at a couple places, which were an incredible gift and just an incredible opportunity. The first was with Deutsche Bank on their proprietary trading desk. This is going back to 1997, so strange and unique opportunity for somebody like me, maybe not so strange now, 20 years plus later where there's a lot more math and physics and computer scientists who are employed in the financial finance industry and trading in particular. But back then, it was a little bit more of a novelty but an amazing experience for me. Somebody who had no exposure to finance whatsoever... I couldn't have told you one stock symbol or any of the principles of the stock market or anything.

04:24 I'd never even really expressed much interest personally and there I was— thrust onto a trading floor and a very steep learning curve, but an exciting one. I guess that's kind of where you could say I caught a bit of a bug for trading, for investing for capital markets in general and all the opportunities that flow from it. Uh, from there I, again, just through quirk of circumstance, I met an individual named Jack Warrants and Jack is not such a familiar name these days, but he was a living legend of sorts on Bay street for decades. For 27 years he was the CEO of Burns Fry and its predecessor companies of course Burns Fry in its current form, BMO capital markets, or BMO Nesbitt Burns. Jack was the CEO at the time of that firm sale to the Bank of Montreal in 1994. And, he was, stayed with the bank as part of that deal for two years.

05:18 And then in 1996, 1997, he formed a family office, basically a private investment firm investing his own capital and that of a collection of a bit of a who's-who of the Canadian economy. There were some very wealthy people—some very well established people, a tremendous network that Jack had built up over his 50 years in capital markets. And my introduction came at a time when Jack had, you could say a skeleton staff working for him in house counsel, a controller, receptionist, but almost nothing in the way of investment professionals. Uh, so it's very unusual opportunity for somebody like me coming from a mathematics and academic background, intersecting with somebody with such stature, on Bay street in capital markets and somehow hitting it off. So Jack invited me to join him and I worked with Jack for the next 12, almost 13 years, and it was an incredible experience.

06:16 So after a couple of years working with Jack, he put me in charge of the firm, which was an incredible responsibility and honor at age 25 to be responsible for a huge asset base and or activities that were in venture capital, public markets, investing in other funds and real estate, virtually structured notes, almost every possible dimension of capital markets. We had some form of participation, so it was a tremendous opportunity and exposure for me, a board of directors, at our company, which was amongst the most biggest of any in this country. We had John Crow, former governor of the Bank of Canada who worked at our office. I had the pleasure of working with John for almost 14 years. Paul Volcker, former chairman of the Federal Reserve Bank of the United States. Also one of our directors... Kenneth Curtis, vice chairman of Goldman Sachs and head of Goldman Sachs Asia and one of our directors and of course Jack himself.

07:17 So, just an unbelievable a set of people to work with and to learn from and have exposure to throughout my twenties. It was… it was an absolutely amazing experience. Uh, it had its ups and downs. I mean, uh, we had a great run of success throughout the first half of the two thousands. I made the decision with Jack and others at the firm in 2001 to start a third party asset manager. So rather than just relying on the firm's internal capital to go out form a new company and solicit investment from other investors from individual investors, institutional investors, and super high net worth investors, that's a business that we grew rapidly. From nothing at the end of 2001 when we started it at its peak, to just over $800Million in assets under management. That was in 2006, 2007, and 2008 was very difficult for us.

08:12 Particularly one of our funds, one of our largest funds was hit badly in the credit crisis and the global financial crisis. And in September of o’ eight. So that did a lot of damage to the reputation of the firm. It was a very challenging moment for us as a company. And then the second major blow to us was Jack Lawrence passed away in the summer of 2009, uh, in a plane crash. So of course, uh, any passing is a tragic, but that was particularly abrupt and unexpected. So it was a very difficult time for me, uh, but also for the firm to recover while Jack was quite passive, he wasn't actively involved in the day to day operation of the firm. His name was still on the door and, and very much still associated to the firm. So it was a, a bit of a turning point, not a bit of a turning point was a major turning point for me personally, but also for us as a-- as a corporate entity. In the aftermath of that, I made the decision to sell the firm, which I did in relatively short order.

09:11 I sold the company in 2010 to a larger company. It was consolidating and was listed on the Toronto Stock Exchange. And it was consolidating independent asset managers like ourselves and had a great reputation, with a great bunch of people. So, I sold our firm to that company. I think it was a greater outcome for every constituent for--our shareholders and our various funds. So being part of a larger company with some talented fund managers; they are broadening the depth behind the whole team and the financial resources behind the whole team. Good for my employees… It was a good shop to join into. And also good for me personally; it was a clean break. I was delivering my unit holders of my employees to a safe harbor and it gave me an opportunity to go out and focus on the next chapter in my life, which is what I've spent the last eight, almost nine years on exclusively, which is building businesses, and almost exclusively in emerging markets.

10:11 Not totally, but definitely a focus there... And it's a bit of a special focus on Africa. A bit of a common element to most of them. Not all of them, but a typical approach for me has been buying a division or an asset from a very large company, multinational, which for some reason has written it off or it is no longer, it's no longer a core asset to their operation or it somehow geographically isolated. Maybe there's political issues in the jurisdiction, it's operating in or something like that.

So how do you find them?

I often get that question, Jennifer, and it's a great question. How do you go from a deal in Liberia to Congo to Australia to Iraq and then back to Canada and how does it all tie to me? I have no historic connection to any of these places… I have no family connection.

11:02 Uh, if I could be a big Glib, uh, my answer to most people is I just keep showing up. So you do one thing and it closes. You raise the money -- you put the band together and it works and your credibility goes from zero to 75. You do two or three of them in your credibility, goes to 100. And then the deals just start coming to you. So as long as you still have the energy to keep showing up and taking a look and hearing people out on the opportunities, then you keep getting deals coming in. So it means if I, if I took the last 100 things that came in and hit my desk, probably the 20 that I thought I'd have a pretty good chance of actually following through on, I didn't. And of the two or three that I did, I mean I probably would never have expected those particular ones to be the ones that I actually did. So you just, you got to look at everything, give it a fair shake and do your thinking, but it just keeps showing up and keep listening to new opportunities and they keep coming to my desk.

12:02 Wow. So what are the top three things that you look for that you think have attributed to your success or to the success of a successful venture?

12:12 You know, that's, that's a great question, Jennifer, and it's one that, uh, let's say it's a continuously trying to answer and uh, it's maybe easier for me to answer like what, what have I learned are the ingredients to success because I've made a series of mistakes. Every venture I started has had some level of mistakes associated to it. Uh, I think I'm getting better at it, but I still have a lot to learn. I think the first challenge was making sure that you have the right people. You'd say, well, I can get the best people, but what does the best people mean? It's a very subjective term and a difficult one to define. So the one that I, I'll, I'll go back to saying the right people. So, fit to purpose. They are the people who are motivated and have the energy to go for it.

13:01 And it's a strange mix, especially when you're operating in strange countries in far reaches of the world. Who's motivated to get up and go for it? When you report for work every day in the Congo or in other, uh, difficult parts of the world, the same different country, different issues… but seems sort of an overarching issue around it… you need a different kind of person. So finding the people that work like that who can link back to western ways of doing business…. So the Canadian way of doing business that are, that can link back to capital markets and our financeable or bankable, would be the expression I would use and that I can work with personally. So that's been the biggest challenge. And it's taken a few iterations.

13:45 And that's been the hardest part and the hardest ingredient to get right in terms of the recipe for success has been getting those right people in place. Um, and another thing, which again, I'm not doing a great job of answering your question of maybe answering a different question here, but, um, I, I've experienced this recently with the cannabis sector versus say some of the other ventures I've taken on all, I'll speak about--

14:45 A very important company in the Democratic Republic of Congo. Uh, it's been incredibly difficult to fund that enterprise and that opportunity. Why? What country it's in and also the nature of the business. It's plantations agriculture. So a very long time frame to plant an oil palm tree. You get zero revenue for three years. You don't hit your peak steady state revenue for seven years.

That's a long time!

Exactly! In today's day and age of, uh, how much am I going to make on the stock? And the next week, month or quarter…

No! We want returns right now.

Exactly! And across those kind of timeframes, and you think about it, that's one tree. Of course, you have a portfolio of trees you're planting every year and you're also building your processing capacity to match the gradual increase in your production. It's a very long-term exercise, but a very lucrative one for somebody who has the right timeframes.

15:46 But intersecting that with my primary funding mechanism, which was capital markets. It's a difficult fit… I compare that with… I've done it and I made it work…. But wow, it's been a… it's been a challenge! And uh, I can certainly go on how I got around that once I realized that it just wasn't the perfect fit for capital markets. I contrast that to the cannabis sector, which I've been involved with the last three years where for me personally, I've never been involved in something where I've had the wind at my back, uh, in such a way that it's really facilitated things. This made things way easier. Um, being in a hot sector, things that might've taken you six months to raise the money and plan and find the right people to fund it-- you can do in six days and that's just the nature of bull markets and you know, some people would take the approach--myself included-- or take the view that well… that that's not the right way to do things.

16:45 I mean-- it's valuations are high and you know, it's easy money and is it the right thing to do. But if you boil it down to the perspective of: you're trying to build a business; you're trying to minimize your cost of capital; you're trying to make sure that the company has access to capital that it needs to grow and to function and thrive and compete within its sector--Then utilizing capital markets in the wind at your back scenario is actually the smart thing to do and to not do it is a fundamental mistake. So that's been a huge learning experience for me. And I took--I'd use the analogy, it's like pushing a boulder up the top of a mountain or standing on top of the mountain and kicking it down the other side. So you're in--you're in a flying bull market, you know, it's the same as if monkeys were at a typewriter. Anyone could figure out how to make money… a scary thought and it's a wake-up call for all of us who have been fund managers and myself included, particularly in my early twenties. I thought I was a very smart money manager.

17:52 And if you peel back a lot of those returns, of course they are driven by the market. And by circumstance, it wasn't any real value add for me. I'd like to think in some cases it was, and I'm sure it was. I'm confident of that, but a huge amount of the return is driven by the market. It's very difficult to escape that now. Where you build a really great businesses and you build a team that operates like a pack of hungry wolves, it's in this kind of environment where you're starving and you have to pull every trick in the book and you have to work together like you wouldn't believe to even just stay alive. And when you feed a team like that and it goes from being a bear market or very difficult conditions where nobody wants to listen to you and nothing can get done to one that's even just okay...

18:40 And, um, I'm thinking right now about the gold sector as an example. Then you've created a monster. Yeah. You've really done something. With some of my ventures, like I said, I have been in the right sector, which has been very easy. I'll say for it to work and for it to work for investors and for building companies, but a lot of what I've done in the last 10 years has been in very, difficult sectors going against the current. But, I think, I believe and I hope that what I've accomplished, the areas to build teams, which had been operating in that kind of environment are going to really thrive once they're given even a little scrap of a food.

19:21 So you mentioned that management teams and good management's important, but can you talk about some of the challenges that you've had and how you overcame them?

Sure. For me, as sort of the same as somebody starting out as an entrepreneur slash company builder, had some degree of credibility because I was a fund manager and relationships that were built over 13 years sitting in that seat. But to get the credibility to attract people to these call it -- unusual opportunities and it only comes with time and with success. So, I've learned that, you know, sometimes it does take a few tries at it. So you try, you do your best, to get the best possible people and going back to that definition of the right person versus the best person and trying to get those people in place as soon as possible. The other one, which is an absolute pillar for me is the oft overlooked or underestimated position of chief financial officer and I have a basically buried myself several times over in the past 10 years by not having the right CFO in place.

20:35 I can think of at least three instances where, if I look back and what were the critical turning points for the companies that I've been involved in starting and building, it's been getting going from an inappropriate or underpowered CFO to a five star CFO. And I got to say, that's been a huge turning point that happened at least three times in my very modest experience. So that's something now and things going forward where I look and really focus early on…is that CFO position. It seems like it's a cost center. My first instinct and I think the instinct of many is to be cost conscious and that this is really just a cost center and you're just getting financial reporting internally and externally. It's not really a mission critical position. False! I think it's one of the absolute grid, the title implies it, chief is in there for a reason and it's something where your money flows through one set of hands and it’s one person's responsibility and in terms of making business decisions, you can only be guided by good information and good projections and that's usually driven by your CFO. If you have bad information, poor projections, it doesn't matter how clever a businessperson you are or how good your business is, you're going to make incorrect decisions so that's another sort of key tenant that I've arrived at. The only way people can really arrive at key tenants, which is through a series of mistakes and suffering the consequences.

22:08 So how would you know a good CFO from a bad one? If you could sum it up, what are the key activities that you look for in a CFO?

Again, very difficult question to…and totally on point. Jennifer. I think for me…you can never, you can't go in with the skill testing questions and have an exam to an interview or a series of interviews. So, a couple things that I've learned which applied not just to CFOs but to every single critical hire is A: get second opinions from your own team. So having a board level nominations committee and having really engaged people in the nominations committee, where you actually understand the dynamic of the business and get the second opinion. And uh, I've had my opinion reversed by my board members in the past and I look back at that and at that you're thinking of having some level of irritation at the time, but, I realize that those were correct decisions with hindsight. So that emboldens me to think that, that's really something to stick with is getting that corroboration from a second or third and fourth set of eyes. And then of course references… So I've always found it astounding at how few people do a detailed reference check. But, that's another critical thing which-- how do you really find out how somebody is going to work in a one week, one month, five years into the job? It's by finding some people that you can connect with and get an earnest answer and opinion out of those that they've worked with.

23:38 Yeah, that's fair. So you've operated in Botswana, in the Congo, Romania, you know, if you want to take some opportunities and actually get results, you need to take some risks to a certain extent. So what is the reality of the risks in those areas?

I think the first observation I'll make is that I think investors actually underestimate the risk to many of these places. A few jurisdictions in South America in particular, they are actually much riskier than the Canadian investor , notwithstanding, the impression that there's risk and the risk that the real form of risk and most of these places, Africa in particular, in Central Asia and in another instance, is a lot lower level than most people think. So, it's actually quite rare in this day and age with a huge interconnectedness of the financial system, exposure of these smaller countries to institutions like the World Bank, and funding for multilaterals and all sorts of strings attached to that. It's harder and harder to be a real bad actor. Look, it still happens.

24:06 Particularly around mineral and hydrocarbon assets and in some of these really tough jurisdictions, but given the hundreds and thousands of mines and oil and gas projects around the world, it's actually quite rare. What isn't rare unfortunately, is the micro. So you're actually there... You're a living breathing company and you've got to get business done and you're dealing with local officials. You're dealing with-- in some cases police, military…all those sorts of issues. Those ones which aren't the headline grabbers and are kind of below the radar, are actually quite difficult… And that's a skillset on how to operate in those places. A second observation, the ones where you're really at risk are the ones which are really called the juicy, very sexy mineral assets or oil assets. Oil is by far number one, it's the biggest political hot potato and it's the one where people are in, and where governments think they can engage, you know, squeeze the most out of you.

25:42 So, your most vulnerable. I had not for the most part, operated in oil and gas. So, I've not been exposed to that very much. Minerals are number two on that list as far as I'm concerned. Look, Romania has had some challenges around minerals, but I'm operating renewal energy and I'm in the renewable energy sector. We have not had any issue whatsoever. None. It's in the EU, it's following Europe, it's a relatively low touch kind of operation, an unmanned facility sort of thing. So it's actually been remarkably easy. DRC, the Congo, is a very difficult country and we've had our share of challenges. Most of them I will say are those micro type challenges… the real day to day living, breathing company kind of challenges operating in these remote places with all these issues around it. But we're in primary agriculture--producing edible oils which are sold exclusively in the local market.

26:35 So we're, you know, we're less of a target and really haven't been subjected to that. Also the rest, where I've been on the mining side, honestly Botswana and South Africa are amongst the best in Africa, so Africa has a bit of a tough reputation and there are issues there. Unions, electricity, but not affecting us, due to the scale and nature of our operation, but they're there in the background and there are challenges. But in terms of other things like logistics, staffing, procurement and all of these sort of things—they are available in South Africa. So it's the easiest place on the planet, I mean they are totally self-sufficient on mining equipment and personnel. It's a great place to operate as a mining company. In Botswana, you get the best of both worlds. You have a zero risk jurisdiction risk politically and you're right next to South Africa. So you have the benefit of the staffing and the access to all of the supplies and equipment.

27:25 So, a bit of a gilded experience for me so far on the mining side, knock on wood, but I'm no stranger to the dealing with those issues in other places like Congo and Liberia. So if the opportunity presents itself in what I'll call one of these harder jurisdictions, you know, we're not afraid to consider it.

So. Okay. So when you say good actors, you're referring to the businesses that are operating there?

Exactly, exactly. And I think there's … you know, an unfortunate history of foreign companies thinking that the easiest path to success is to team up with the right politician or figure as some sort of an easy way out or moving forward. My observation is that you're doomed to failure if you take that path because it's a slippery slope and governments change. And so no matter how close you are to one government, just when you need them the most is when they'll be thrown out of power, either democratically or otherwise.

28:24 And similarly like, uh, you know, making any sort of payment or are taking an approach like that to facilitate getting your business done or moving it forward or getting that permit that you really need. It's just, it's guaranteed to have short term success associated to it, but guaranteed doom, it will backfire on you and also prevent other options for funding in the future and your valuation as a public company. So, how do you get collaboration in those regions? Well, you have to take the slower path. So if you have a very short timeframe and you have huge goals and objectives, good luck! It's difficult taking on any of these things. It's almost guaranteed to fail, but if you have a huge amount of energy and patience and can assemble the capital and the team and everything behind it, then these kind of countries offer unbelievable opportunities.

28:38 It's been a difficult journey in the Congo for my venture, but I believe we produced 1200 tons of oil the year we took it over and next year we'll produce over 50,000 tonnes of palm oil and, it will peak at something like 100,000 tons a year. So, by the time it's said and done, it'll be close to 100 times the size of production from when we took it over. But you know what, it'll have taken 12 or 13 years to get there. So, it's the overnight success story that took over a decade to get to, but we did it the right way. It was the hard way, but, you know, it's on its path to success now.

29:58 Okay. So one of my last questions, this may be my last question, but sometimes I come up with more, uh, so don't be surprised... Where do you get the money to fund these projects initially and then who is giving you this money?

30:13 And that's another place where I have been forced to adapt... And my glib answer would be like--from anyone who will give it to us! But, uh, the reality is, again, you have to adapt to your time. So let's say in the cannabis sector. Yeah, you know, in the past two years you could get it from anywhere at any time and very quickly. So that was not much of a mental exercise. No mind bender there. Let me talk about the gold sector for the last five years. Very difficult. So trying to fund projects in Africa. So we got a loan—we did an offtake agreement with some of our gold and the company had a guaranteed supply of gold for their electronics business. And as a quid pro quo, they gave us a loan on what I'd say we're very good terms, which we've subsequently paid back. But could we have gotten a bank loan in that case? No. Could we get a loan from traditional capital markets? No. A commissioning our operation in South Africa… Again, who's loaning and making small loans to operations in South Africa? Capital Markets? No. Traditional banks, no. We found a South African lending credit fund that was able to loan money in South Africa. They're comfortable with the jurisdiction and they were African specialists and they had the money and the understanding of our sector. So we just kept searching until we found who could fit because for the last five years, nobody's been interested in funding gold projects. It’s been very, very difficult, being a plantation company in primary agriculture. And in the Congo that's been even more of a rollercoaster. So initially when we started the venture commodities were hot and the price of palm oil was at an all-time high and the first $20Million, $30,000,000 that I raised for the project was from hedge funds, long only mutual funds, traditional capital markets kind of sources, high net worth individuals, that sort of thing.

32:23 But by 2012 when the commodity market softened and crashed you could say by 2013. And the interest from traditional capital markets went to zero. And overlay that with the fact that we're in a very challenging operating jurisdiction. There was just nothing to be had from traditional capital markets, so I found a new source of funding which was European governments, and so as a result of that search and that was forced upon us, I mean there was nowhere else for us to get the money, so we took on the UK government's development funds is CDC as our largest shareholder. It’s been incredibly supportive for five plus years now, almost six. And with their help, I was able to get a loan for the company from a syndicate of European governments, Germany, Belgium, and Netherlands, and a source of huge amount of capital from totally nontraditional sources for TSX venture listed companies, getting loans from the government of Germany in equity and from the government of the United Kingdom.

33:27 We had to do it. There was nowhere else for us to get that money. Now, here we are. Commodity prices are still low. Fast forward two or three years, maybe we're in a commodity bull market. I won't be going back to those government sources. They're very challenging… long closing cycles. They were super supportive over these last five years, but maybe not the best source of capital for the company going forward. If there's an accretive opportunity, maybe we can go back to traditional capital markets, but it'll be a function of whatever markets are saying at the time.

33:59 Oh, that's really interesting. Thank you for that. Well, you have been a most excellent guest. Thank you, Ravi.

My pleasure. Next time we will be discussing… Actually we're going to have a client on and she's going to walk you through a typical scenario that we run into. So, thank you for joining financial friends and listeners and I will now read the corporate disclaimer.