

# **Andrey Yakunin: “We were assessed in relation to the risks of being associated with my father”**

***KOMMERSANT, JULY 2016***

The son of the former Russian Railways head talks about his family and his business

**Andrey Yakunin, the eldest son of the former President of Russian Railways, became famous after a report published by the Anti-corruption Foundation named him “the only official businessman in the Yakunin family”, managing assets allegedly purchased with Russian Railways funding. The data collected by the Anti-corruption foundation was passed on to the Investigative Committee of the Russian Federation. At that point Andrey Yakunin, the Director of VIY Management, told the financial journal Den’gi about his business, and his relationship with his father, in his first interview.**

MARIA GLUSHENKOVA, EKATERINA DRANKINA

Andrey Yakunin was born in 1975. He holds a degree from the faculty of economics at Saint Petersburg State University. He later received an MBA from the London Business School and then from Columbia University Business School. In 2006 he founded Venture Investment and Yield Management (VIYM) in partnership with Yair Ziv. The company specialises in the management of direct investment funds in hotel real estate and in the management of companies in the real economy. VIYM currently manages two funds registered in Luxembourg, with assets of €200 million. Andrey Yakunin lives in London with his wife, son, and daughter. He has Russian and British citizenship.

**"I was on the other side of the deal"**

**Does the abbreviation of your company’s name, VIY, stand for your father’s full name, Vladimir Ivanovich Yakunin?**

Well of course. They also tried to claim that our Regional Hotel Network project (Initials in Russian RGS), stood for Mounted Hand Grenade Launchers (Initials in Russian also RGS). In fact, the company name bears no relation to my father’s initials. The name of our company is Venture Investment and Yield Management.

**Could you tell us more about the history of the funds belonging to your company, and how they are connected to your family’s personal finances.**

If by my family you mean me and my wife, then yes, there is a connection there. When the business started ten years ago, not a lot of the money was mine. We mainly brought in money from clients, whose assets we managed. But as the investment platforms and funds developed, the amount of money invested by the company’s team also began to grow. Then we became a registered fund in Luxembourg. The conditions for registration of such companies are such that the funds must be 100% financed by the managers of the AIFM, in order to market under an EU Passport and attract European investment. However, in practice this percentage can be significantly lower...

**And how much of your money is currently invested in the funds?**

We've invested approximately €100 million in the Hospitality Real Estate in Eastern and Western Europe, and approximately €100 million in the Growth Equities fund. The fraction invested by our management team varies from fund to fund, depending on the level of risk involved in the strategy and the consensus of investors of what we should invest as "skin in the game".

### **So who are "we" exactly?**

The co-founders of VIYM, that is myself and my partner Yair Ziv. Yair and I started this business together and that is how we mean to continue.

### **We know that Yair Ziv is an Israeli national who has been living in London for a long time, and works in real estate investment. How did you meet?**

We met through friends, as often happens. I was working as the director of the Pribaltiyskaya hotel, where they built the Waterville aqua park. It was decided that others would take the project further, in a different direction as far as yields were concerned. At about the same time, I received my MBA from the London Business School, and by chance one of the courses was on direct investment in developing markets. And we decided to try to create a company, which would look for high yield investment opportunities. Yair already had a fairly well-developed investor network, which were in principle interested in high-risk investments in Eastern Europe and Russia.

### **In the press it was reported that you were not just the director of the Pribaltiyskaya hotel, but also a co-owner...**

I don't know what your source is, but as I had spent more than seven years of my life turning a Post-Soviet guest house into a modern hotel complex, I did have the opportunity to benefit from the realization of interest on investments when I left the project.

On that note, I am now trying to follow this very principle in order to motivate managers and directors of all the companies we have invested in. A significant share of the payment to those working on the project is linked not to the process, but to the end result.

### **Over the first few years after the fund was set up you acquired and built nine hotels. According to research carried out by the Anti-corruption Foundation these hotels were built on lands owned by Russian Railways, and that they were financed through Russian Railways.**

I wouldn't call it research. Whenever there is a lot of information, if it is organised the right way it is always possible to signal out one aspect or another. Depending on the goal and the target audience, it is possible to paint entirely different pictures based on the same facts. I have a classic example. We have a hotel in Astrakhan (Park Inn by Radisson Astrakhan), which a certain esteemed admirer of my talents says is located next to the railway station. Indeed, it is. But it is just a part of the bus station complex. And we bought the space from the bus companies, not the railways. Why is not of interest to anyone, that this hotel is not just located next to, but actually in the same complex as, the bus station? There is a space that we bought through Zheldoripoteka when the company down-sized and sold off property and plots of land related to a certain famous corporation. So what?

**Well, perhaps the fact that you purchased them without a request for tender and at a suspiciously low price ...**

I was on the other side of the deal, and it was important to me that we did everything by the rules, which govern property sales. And that puts me at risk, of course. If they demanded a competition, then we participated. If they required an external assessment, then we obliged. And it was not us who requested the assessment. The seller had a list of certified appraisers, and it was in principle not important to us who carried it out.

**But this external assessment was a little strange. For example, the famous House with Lions, the historical palace in St Petersburg, where your Four Seasons hotel is now located, was acquired by the fund for 90 roubles per square metre...**

You see, if the Russian Society of Appraisers had made a claim against one of its members, that a serious breach of standards had been committed, that would be another story. If we had five comparable trades, and four out of five were significantly higher or lower, then we would also have something to talk about. In this specific case, I really do not see what there is to talk about.

Do you know what House with Lions represented as an investment at the time of assessment? Firstly, no one has the title deeds to it. It remains to this day a long-term rental. Secondly, this building, was, to put it mildly, not in the best state. In its post-war history it has been a root cellar, a school and a project institute. The wear on some of the fundamental supporting structures was over 80%. And there were limits on use. At that time nothing was being bought in Petersburg apart from residential properties. That is why we received that assessment.

**"We live in another part of London"**



Фото: stringer-news.com

**Whatever your opinion of Navalny's research may be, his data has already been passed on to the Investigative Committee...**

I suppose it also makes sense to ask them. I personally am not aware if the law enforcement authorities are interested in the operations of our management company or the companies in which we invested.

**Does your relationship with your father affect your business at all?**

According to existing norms I am a PEP, politically exposed person (In this case, the relative of politically significant person). It's a fact, and it brings with it certain disadvantages. But there are certain pluses, I don't deny it. Since the fund obtained AIFM status, anyone can investigate us, but I doubt anyone could carry out a more thorough investigation than the CSSF. Since they are much more serious than they would be if none of us were a PEP, they checked all our sources of financing, investors, and contacts against international standards of corporate management. We have similarly serious partners in all our hotel assets. For example, in the Regional Hotel Network, we benefit from our partnership with International Hotel Group, and of course their compliance (internal review service) assessed us fully, including risks associated with my affiliation with my father. So there you go, there aren't any risks.

**They say, you intend to sell hotels, and even buyers are named: VAO Intourist, part of AFK Sistema, headed by Vladimir Yevtushenko.**

We periodically exit projects in accordance with our strategy. For example, we decided to sell Agro-Alliance simply because the time to sell had come and we received a profitable offer. If incredible offers for our hotels appear, and they suit us, of course we will not refuse. But at the moment such offers are not really flying around. We work together with AFK Sistema on a very small hotel market, and so we are familiar with each other, we talk, and we know that they could take an interest in some of our projects. But we are far from reaching any concrete deals.

**That is to say, you won't be able to leave Russian business in the near future?**

We don't intend to. That would be strange, considering that we have a Russian mandate for the Growth Equities fund, and that the share of Russian assets makes up close to 80%. Therefore, as long as nothing cataclysmic happens, we will keep moving forward. Yes, we are growing our international portfolio. We now have investments in Vienna, Switzerland, and Italy, and I think we will have another project before the end of the year. In Russia we will be involved in at least one more asset. So we are growing in all directions.

**In the press your £23 million London Palace is often discussed, which you own alongside property in Austria, Switzerland, and Italy...**

I do not fully understand why this specific property has attracted such a whirlwind of interest. I actually do have some personal savings, and I do not invest all my resources into the development and growth of VIY Management. In today's market, which is characterised by low fixed income rates, fluctuation in the main stock markets of the developing world, and uncertainty in the American Stock Exchange, overexposure to alternative investments is a permissible and reasonable strategy, which I consider to be fairly low risk. The mansion in question was acquired precisely in order to close our position in European real estate, since I always prefer direct investments to various Real Estate Investment Trusts and similar investment vehicles. In relation to the current volatility in the London property market that has arisen after the Brexit referendum, I hope that in the near future interesting options will appear taking into account the current situation. Closing the position will not incur any personal difficulties for us, as we live in a different part of London in a different house.

**"My father has an enormous network of contacts"**

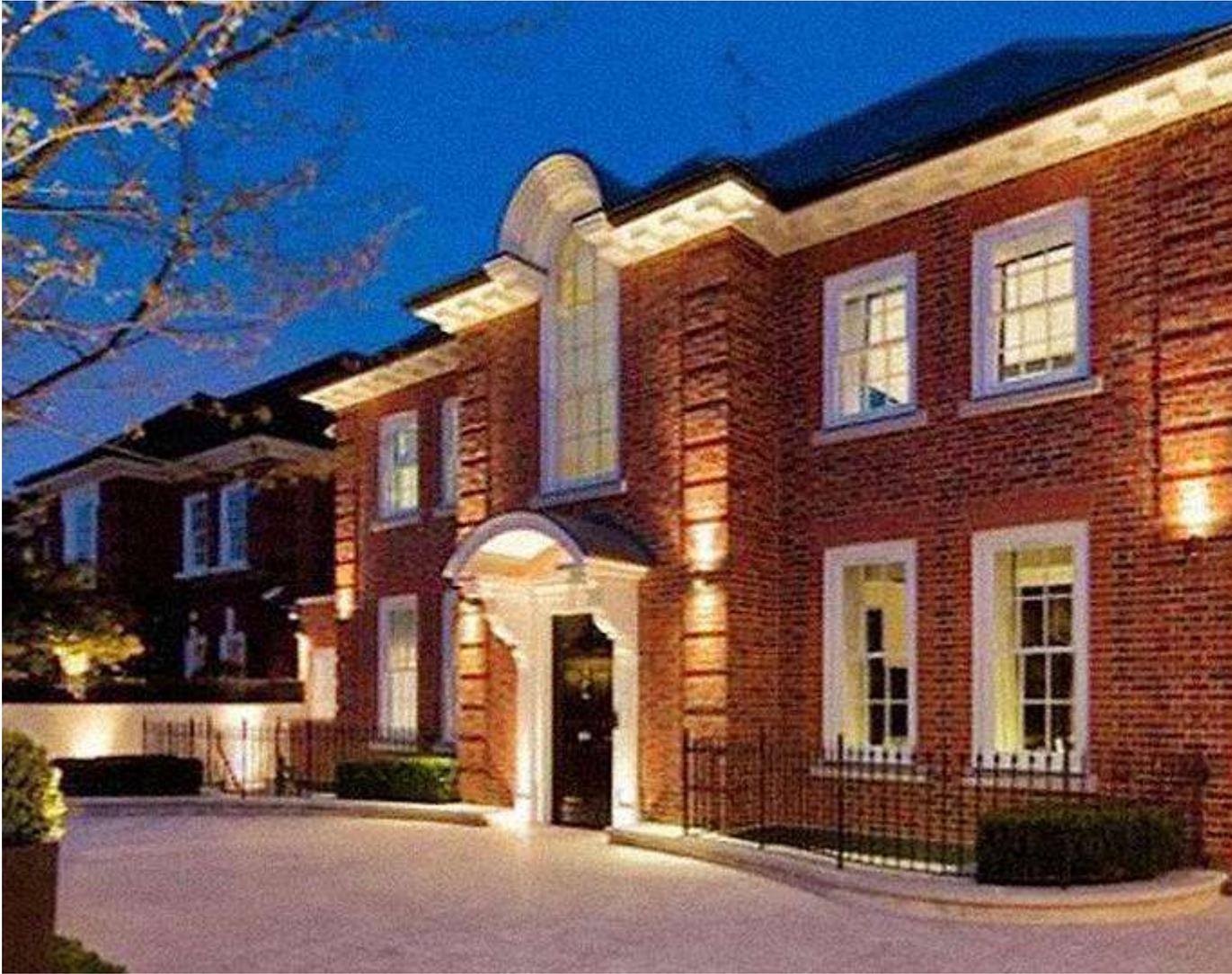


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**Let's go back to the question of Russian investments. You have in your hand a model of an enormous residential complex on the Rublevo-Uspenskiy highway. Do you intend to make it a reality?**

The model is representative of those times, when there was a high price on Moscow property. Fortunately, we did not manage to borrow money and amount debts on this project. Now we are at the planning permission stage, so it is a little easier. With other projects we have to move forwards. Here we have the possibility to pay closer attention to the market and not miss the moment where there is a sense that the downward trend has at least stabilised.

**In which other sectors do you intend to invest?**

At the moment we are very interested in sectors connected to public services. First and foremost, we are looking into healthcare and education. In the healthcare industry we currently have a minor stake in the clinic chain Family Doctor. We are definitely going to look into other companies in this sector. As far as education is concerned, it seems to us that there is a very good investment opportunity in short-term courses and online education platforms. At the moment we are examining two specific companies, one in the FMCG sector, and another in the agro-industry, which is based in the north-west.

**How do you select your investments? Do you use family ties to search for investment opportunities, or consult family contacts?**

We use classic methods of assessment. Of course, my father has an enormous network of contacts. And when you manage to make someone's acquaintance, interesting things can follow. But there is another side to it; when you use someone's list of contacts, certain theoretical situations can arise, which can affect what may or may not follow. Furthermore, in the sectors in which we work, it turns out that our team has a network of contacts, that is no worse, and we have managed to find interesting partners. It's a natural process of growth and evolution.

**To what extent does you and your father's views on politics and economics in our country differ from one another?**

Points of view... we don't talk about that very much. We don't see each other that much. If we have a family meeting, then the grandchildren are the priority, family matters. As they say, if you want to ruin a lunch, start a conversation about politics. But we talk after lunch. And it would be strange if we entirely agreed on such matters.

**What do you agree on?**

I don't really enjoy talking about politics, I mainly prefer to talk about economics. My father and I agree that it is impossible to build a normal business when the credit rate is 18%. And we also agree, I suppose, that being a part of a business which can service such debt, must be either illegal or unethical.

**And what do you disagree on?**

Well, I, for example, say that the money supply deficit tells of the delayed economic growth in our country, my father is not so fond of this reasoning. And I'm not so fond of the idea, that creating a hotbed for growth in certain sectors is a positive move for the national economy in the long term. And I think, that hoping that the financial system of a country, which comprises almost 5-7% of the world economy, can remain closed goes against common sense. Therefore, it is a fallacy to make plans, assuming a closed economy, and hoping that external shocks will have a limited effect. My father and I disagree in our views of how acceptable it is to use sovereign funds to cover gaps in current cash flows, or again, to finance government expenditure. But I think if you ask any randomly selected father and son, in which the son is 35-45, and the father is 65-75, the difference in views will be roughly the same.

**But your father and son relationship is not typical. What views does your brother hold?**

You ought to ask him that.

**Where does he work now?**

Again, you ought to ask him that.

**Did you have an argument?**

No. We take great pleasure in playing tennis together, but since Victor decided to leave our company we decided it's better not to talk about work.

### **Is he still working at Gunvor?**

He hasn't worked there in a hundred years. I know that for sure.

### **How has your social circle changed since your father's resignation?**

You know, I always try to divide people between those with whom it's pleasant and interesting to talk about work, and those with whom it's pleasant and interesting to talk with outside of work. And if I went mountain climbing with some people, who had a connection to the company in which my father worked, then we'll certainly go mountain climbing the following year. As far as crossing paths at work was concerned, I tried to keep a respectful distance, and today I also do not see at all why I should set up any new ties or business connections with them. It is possible that he could have made some changes, but I simply do not have the information to comment.

### **Are you involved in Vladimir Ivanovich's social work?**

Of course, I know about it, but I don't participate personally, as I have things that interest me to do in my free time, outside of my work and my family life. For example, the initiative for alternative investment market development, through the creation and development of alternative investment market actors in hedge funds, private equity, venture capital and other types of assets (NAIMA). In the same way, I've also become embroiled in this story of creating an alumni association for St Petersburg State University. This is what interests me, and it is what I do.

Details: <http://www.kommersant.ru/doc/3036024>