

# Bloomberg

## Cambodia Draws Interest of Jim Rogers, Private Equity

By Netty Ismail



May 14, 2008 (Bloomberg) -- Private-equity investors are venturing into Cambodia, as the nation that three decades ago abolished money under the Khmer Rouge seeks more than \$6 billion to rebuild itself.

Leopard Capital and Cambodia Investment & Development Fund are among those planning to put more than \$450 million in the second-poorest of 10 Southeast Asian nations. Cambodia Investment is getting advice from Jim Rogers, who predicted the start of the commodities boom in 1999, and Marc Faber, who forecast Asian assets would decline before the regional financial crisis in 1997.

“It's a country that's changed a lot and investors are finally waking up to that,” said Douglas Clayton, founder of Leopard Capital, who is based in Phnom Penh and is seeking to raise \$100 million. “Most people have an outdated perception of Cambodia; clearly the country has made significant progress.”

Prime Minister Hun Sen is relying on the country's oil and mineral resources to attract foreign investments and reduce Cambodia's dependence on clothing exports and tourism for growth as he prepares for an election in July. The funds will move money into banks, office buildings, luxury hotels, ports and other projects.

“Cambodia does have a lot of natural resources, it does have an ambitious population, and it does have some assets,” said Singapore-based Rogers, who co-founded the Quantum hedge fund with George Soros during the 1970s, and is now chairman of Rogers Holdings. “Most countries that come out of something like they have are inclined to be pretty safe for a while because they're trying to get money in.”

## **Economic Growth**

Leopard Capital's first planned investment, a housing project in Siem Reap, probably will generate a return of more than 60 percent a year, about three times the internal target for private-equity investments, said Clayton, who moved to Phnom Penh from Bangkok last June.

Clayton was a hedge fund manager at Knight Asia Group and head of CLSA Securities in Thailand before setting up Leopard Capital in 2007. Faber, publisher of the Gloom, Boom & Doom report, is a director at Leopard Capital.

Peter Brimble and Bradley Gordon, Clayton's former partners at Leopard Capital, are starting the \$100 million Cambodia Emerald fund this year to invest in tourism, agriculture, financial institutions, infrastructure and real estate.

The fund plans to close at least one deal before the end of the year, said Brimble, who's based in Phnom Penh. LR Global Partners in New York and London-based Kazimir Partners are investors in Cambodia Emerald, he said.

## **`Growth Era'**

Cambodia's economy expanded 9.6 percent in 2007, after growing by at least 10 percent during the previous three years, according to data compiled by the World Bank. About a third of the population live on less than 50 cents a day and 90 percent are in rural areas.

“Cambodia's in the beginning of a growth era,” said Julien Kinic, investment officer at Proparco, the private financing arm of the French Development Agency in Paris. “It's like Bangkok 20 years ago or Ho Chi Minh City 10 years ago,” he said, adding that Proparco plans to invest in one of the funds.

More than \$6 billion may be invested in Cambodia in the next three years mainly in oil and natural gas, infrastructure projects, real-estate development and agriculture, according to Cambodia Investment, which is run by Frontier Investment & Development Partners. Melbourne-based BHP Billiton Ltd., the world's largest miner, is among companies vying for exploration rights for iron ore, gold and other minerals.

## **`Seriously Lacking'**

“Cambodia is seriously lacking in human and investment capital,” said Marvin Yeo, co-founder of Frontier Investment, who will oversee the fund from Phnom Penh and Bangkok.

Yeo left his job as a financing specialist at the Manila-based Asian Development Bank this month to set up the fund, which plans to invest as much as \$100 million in hospitality, telecommunications, infrastructure, banks and agriculture in the next three months.

The nation has pitfalls, according to Transparency International, a private monitoring agency based in Berlin, which ranked Cambodia 162nd of 179 countries in its annual report on

perceptions of corruption last year. Cambodia also doesn't have a stock exchange, though one is planned to open in 2009.

### **July Elections**

The funds will need to compensate investors for the risks, said Kelvin Chan, a Singapore-based senior vice president at Partners Group, a manager of private equity and hedge funds. Private-equity investors in Asia made a return of about 67.5 percent last year, according to the Centre for Asia Private Equity Research in Hong Kong.

“Cambodia is too early for most investors,” said Chan, who declined invitations to invest in the funds. “Political stability, the rules and regulations must be in place.”

Cambodia has a non-investment grade rating of B+ from Standard & Poor's, two levels below neighboring Vietnam.

“I don't believe private equity will take off rapidly in Cambodia until there are very strong indications that private equity is a bankable model in Vietnam, which holds the key to investors' confidence in the Indochina region,” said Kathleen Ng, managing director at the Centre for Asia Private Equity Research in Hong Kong.

The government will continue its “market-oriented reforms” after general elections in July, S&P said in an April 4 report. The ruling Cambodian People's Party and the main opposition Sam Rainsy Party are “committed to the same pro-business, pro-growth policy platform,” according to Cambodia Investment.