

Leopard Partner Spots Investment Opportunities

By TIM STURROCK THE CAMBODIA DAILY, 27 AUGUST 2009

Beating competitors to a developing country just before its economy takes off is a tactic Douglas Clayton saw make foreign investors rich in China and in Thailand; now it's a strategy he hopes to employ in Cambodia.

Mr Clayton, managing partner of the private equity fund Leopard Capital, arrived in Cambodia in 2007, opening a fund last year that so far has failed to meet expectations of \$100 million, raising so far a modest \$28.5 million.

Leopard is one of four private equity firms launched last year that proposed to invest a total of \$450 million in Cambodia, but it's the only one among them to announce that it has collected any money.

Mr Clayton says the economic crisis caused many investors to hold on to their cash and created a difficult climate for fund raising, but he believes that it is still a good time to invest in Cambodia

"I have learned in my career in Asia that the best time to invest is right before other foreigners discover it," he said Wednesday at his office near Phsar Boeng Keng Kang in Phnom Penh. He chalks up Leopard's relative success to hard work and being the first fund to announce their plans.

Mr Clayton first saw those opportunities in Asia as a USA Army officer stationed in South Korea in the early 1980s before he began working as a stock broker in 1986 in Hong Kong just as the economy in mainland China was beginning to open up to capitalism.

"I was in the early wave of foreigners able to go in," he said. "China then is like Cambodia is now. It was undeveloped, but you could find opportunity everywhere."

In 1989, he moved to Thailand, working on a six-month contract, and stayed for 17 years, eventually becoming director and chief investment officer of Knight Asia Group, a hedge fund.

"The best time to invest in Thailand was probably 20 years ago because the economy grew by about 10 to 15 percent a year for about five years in a row, and if you got in ahead of that you could make a fortune," he said.

And it's that experience that brought him to Cambodia.

His fund had set its goal in 2007 at \$100 million, but after raising \$27 million, closed to new investment in May. Clayton said they reopened it in July in the hope of raising money to tackle larger projects.

Leopard Capital coffers are currently suited to projects of between \$1 million and \$5 million, and so far the fund has devoted \$9 million to four projects, he said.

Those include a \$2 million investment in a 55.5 percent share of a new microbrewery, called Kingdom Breweries, which will seek out a niche market and gives tours and tastings.

Leopard also has a 4,000-hectare rice plantation in the works, and has loaned about \$1 million to an electric company in Kompong Cham province. Leopard also purchased three hectares of land in Siem Reap town, the only investment made before the global economic crisis began, he said.

Clayton said, despite the difficult fund raising, in some ways the fund benefited from the crisis because investments are cheaper and many half-finished projects are looking for investors in order to continue.

The fund is considering investing in food processing, possibly a rice mill, banking and microfinance, health care and simple manufacturing, he said.

The garment industry, he said, "opened the door" for manufacturing in the country by teaching workers and managers how factories work.

"The garment industry has trained a generation of people who worked in rice fields to come and work in factories," he said.

Still Cambodia presents some challenges compared to Thailand such as fewer educated people, he said

"One challenge is the human resource pool is very limited. But almost everything in Cambodia compares favorably with Thailand. The opportunities are much greater here," he said.

Clayton also brushed off the issue of corruption, noting that though smaller unofficial payments are more common in Cambodia, the government is pro-business.

"The laws may not be there but if you have a real problem you can get to a senior government official who can help solve your problem because they don't want you to walk out," he said.

He also said he hasn't heard the same negative stories of investors leaving projects behind in Cambodia out of frustration as he has heard of investors doing in China and Vietnam.

Clayton added that he genuinely likes Cambodia and the enthusiasm he sees in its people.

"I like the sense of possibility that I feel when I fly into Cambodia, and see so many things that will need to be done in the next few years."