

On the Frontier of investment

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New private equity fund targets Cambodia's still-developing agriculture sector



Photo by: Pha Lina

A woman sells rice, sometimes referred to as Cambodia's "white gold", at a market in Phnom Penh on Tuesday.

A PRIVATE equity fund run by Frontier Investment and Development Partners' is on track to raise US\$200 million to plough into the agricultural sector in Cambodia and Laos, according to its associate director Kwan Tuck Pong.

In contrast with earlier reports in London's Financial Times stating that the first close for the fund was due next month, officials told the Post that the company is holding out to raise its first \$50 million by September this year.

"More or less, we're on track [to reach \$200million] simply because we are very focused on agriculture. In the last six months or so there's been a lot of interest with regards to this sector in Cambodia," said Kwan Tuck Pong via phone on Wednesday.

Cambodia's agricultural sector has been regularly touted by the government as a key area for economic growth.

Cash crops such as rubber have attracted millions of dollars' worth of foreign

investment and, according to the Ministry of Agriculture, Cambodia plans to increase paddy yield by as much as 3 tonnes per hectare by 2012.

According to Frontier, managers looked at “many sectors” before deciding on agriculture as the focus for its first \$50 million – but Kwan Tuck Pong did not rule out expanding the fund’s focus in the future.

The fund is set to make investments worth between \$5 million and \$30 million, which must make up less than 20 percent of a single project.

According to Kwan Tuck Pong, Frontier is in the process of building confidence with potential local partners, which, he said, “takes time”.

But his positive outlook for the future of investment is shared by many fund managers currently operating in Cambodia – many of which have struggled to hit fundraising targets over the past two years.

The latest private equity fund to launch in Cambodia, Emerging Markets Investments (EMI), aimed to attract \$20 million by its first close at the end of 2009, but only raised \$10 million.

However, EMI managing director Joshua Morris was pleased with the result.

“We were satisfied with the amount that we raised. I think the latter months of 2008 and the whole of 2009 was a relatively difficult time with the developed markets undergoing a lot of financial strain. There wasn’t a lot of risk capital looking at more emerging markets like Cambodia,” he said.

As Morris moves forward in finding targets for EMI – which is set to invest \$250,000 to a maximum of \$2 million per company – other managers are considering their below-target fundraising not only as success, but as an opportunity for growth.

Leopard Capital’s Managing Director Douglas Clayton said he is pleased with its fund, which had originally aimed to earn \$100 million in Cambodia and now has interests in ACLEDA bank, Phnom Penh’s Kingdom Breweries and a seafood-processing plant near Sihanoukville.

“Leopard Capital raised \$34 million for Cambodia during the worst global financial crisis in eight decades, which depleted investor appetite for illiquid investments everywhere,” said Clayton.

“As it turned out, the reduced fund size carried some positives, as it allowed us to access some interesting [small to medium-sized enterprises] that would have been considered too small for a \$100 million fund.”

Meanwhile, other leading businessmen are considering their options in the Kingdom.

Cambodia Emerald, a private investment fund touted as being worth \$100 million when it launched in November 2007, was effectively put on hold as the global financial crisis hit in 2008.

“We postponed the fundraising efforts at the advice of several investors. It was a difficult but wise decision,” managing directors Brad Gordon and Peter Brimble said in an email Tuesday.

Both, however, say they have faith that Cambodia still offers opportunities, and they pointed out that New York seed investors, such as hedge fund LR Global Partners, did not want the fund to close completely.

“We believe strongly in the future of the country and have recently received positive encouragement about restarting our activities in the future from investors,” they wrote.