

Interview: Chris Tell and Mark Wallace from CapitalistExploits

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Chris Tell and Mark Wallace from **CapitalistExploits.com** have been **slogging it out in frontier markets for over a decade, and writing about them weekly for over 3 years now. I reached out to Chris recently to chat about their upcoming Meet Up in Phnom Penh April 24-26.**

Chris, clearly frontier markets is where the growth is. However, what led you to hone in on Asia?

Chris: Trial and error. I grew up in, and spent a lot of time in Africa. In general it's an extremely difficult place to operate in. Concurrently I was spending some time going back and forth to Asia. The clear progress being made across the entire Asian region was undeniable...in fact, it was incredible and I wanted a piece of it!

In short, I guess the answer to your question is that "the proof is in the pudding". The entire Asian region has been, and is becoming ever more attractive. In 20 years time Europeans and North Americans will be looking for work in Asia. The low-cost and low-wage centres of the world could quite easily be the United States and some European countries. Of course this would entail the collapse of the respective socialist structures in these countries, devaluation of the currencies and so forth.

This is in fact already happening. The skill base in Asia is rapidly rectifying a shortage problem. This is increasingly being done domestically and I fully expect the top universities in my lifetime to be Asian ones. The hunger and drive in the people, the strong work ethic, the propensity to save, these are all factors which have been, and I believe will continue to provide the growth going forward.

As investors we position ourselves and our capital to participate in growth stories. Asia is the most attractive growth story at present, and we are allocating our resources accordingly.

EmergingFrontiers: Chris, you came to Cambodia first 11 years ago. How has it changed since then?

You know I made mention of this in a recently completed complimentary frontier markets report which readers can access [here](#). The changes are unimaginable all across Southeast Asia, but Cambodia is a country which has been late to the game in this respect, so the changes are not as dramatic as its neighbors, Thailand and Viet Nam in particular.

This is exciting since I believe, like my friend Doug Clayton of Leopard Capital, that we have the opportunity to invest in a country not dissimilar to Thailand say 15 or 20 years ago. Therefore we can invest in Cambodia based on the thesis of mean reversion. This is a rare gift to an investor and one we fully intend to capitalize on.

Some changes that make the country attractive are advancements in respect to the rule of law. Cambodia is improving and strengthening the judiciary system. Unlike when I was first in the country where muggings were commonplace, today the threat to human life in Cambodia is very low; that certainly wasn't the case when I first visited. Security and tourist safety have drastically improved. Importantly, the ease of doing business is markedly better and this is so very important since it allows the poor to start and run small business. SME's are the lifeblood of any healthy, functioning economy and these are now beginning to proliferate the Cambodian economy. Some of these SME's will be tomorrow's multinational companies. The opportunity is very enticing.

EmergingFrontiers: CapitalistExploits.com has previously held successful Meet Ups in Mongolia and Fiji. As I mentioned a moment ago, you have one planned for April 24-26 here in Phnom Penh. What led you to choose Cambodia?

Chris: You know we're not conference guys. The locales for all our Meet Up events are provided to us by our readers, who suggest places to us based on their interests. As such, our Meet Ups are nothing like the typical conferences one might be used to, complete with suits and ties and a podium. These gatherings could more accurately be described as "due diligence trips" for investors looking for on-the-ground opportunities.

Since we spend our lives in this realm it makes a lot of sense to leverage that value for our readers. For this reason the numbers are kept very small and the venue intimate. We max out at 25 attendees. I have no particular interest in trying to befriend hundreds of folks in a few short days, as it results in a superficial experience for everyone.

EmergingFrontiers: Cambodia is certainly an interesting economy. Though, why wasn't either Laos or Viet Nam in the cards for a Meet Up? I'm sure your readers are intrigued by those places as well..?

Chris: Cambodia is in our book just a little more interesting. This is due to several critical elements. First, Cambodia is free of a lot of the bureaucracy one comes up against in markets such as Viet Nam and Laos, both of which are Communist countries. We therefore can deploy capital into companies without worrying about things like foreign ownership limits and repatriation of our capital.

Second, while Cambodia is growing at a rapid pace it is still relatively small compared to other economies in the region. This means that we can front run the large private equity firms that are not yet here due to lack of deal flow, which is mainly a case of an insufficient number of "large" deals. This will change in the coming years. Meanwhile, being in-country at present will allow us to follow the entry of the larger PE funds/firms

into the market and we'll be selling to them to generate liquidity for ourselves at that time.

Third, the domestic capital market has matured greatly with the opening of the Cambodian Stock Exchange in 2011. As it continues to mature over the coming years the exchange will be an additional avenue for the market to revalue companies and provide appropriate liquidity. Right now there are between 6-12 companies set to list on the Cambodian Stock exchange. It's a bit of a moving target depending on who you speak to, so let's assume that not all of them will list. The point is that the market here is priming for capital inflows and we are interested in getting in ahead of the crowd.

EmergingFrontiers: Cambodia is still off the radar of many institutional investors. How do you intend to go about putting capital to work? Will it be through the public or private markets?

Chris: As mentioned previously there are companies that will be seeking entry into the public market space and we'll be vetting these amongst others. For the most part we'll be focusing on our core strength of private equity. Like I said we want to be selling into the liquidity, but buying at substantial discounts beforehand. We find this is easier to do in private deals.

EmergingFrontiers: In all situations it is useful to have a professional network. You and Mark don't live in Cambodia so how did you go about establishing your on-the-ground network?

Chris: A professional network is the most valuable resource one can have. It is relatively easy to develop a network, but developing a reliable AND honest network is something altogether different (laughs). It pays to be discriminating. I've been living in Asia for at least half of every year for some time now, and during those periods I've been spending time developing those networks. Mark and I more recently brought on a very intelligent, driven young gentleman, Scott, whom our readers will recognize. Scott has been bedding down in Mongolia, and now Cambodia for months at a time in order to conduct due diligence and assist in building these networks.

EmergingFrontiers: Somewhat related to that last question about networks... You have a great group of speakers coming to this event, presumably some of them are part of your network in Cambodia. Can you share with us some of your presenters.

Chris: Our speakers are targeting key sectors that we feel are important. One of our presenters is Leopard Capital. Thomas Huger, CFO of Leopard and head of the Leopard Asia Frontiers Fund will be speaking about the latter, which invests in 28 frontier equities markets. Douglas Clayton, CEO of Leopard will be the keynote speaker on our evening river cruise. We have built a strong relationship with Leopard and believe them to be among the best operators in private equity in Cambodia.

We also speak to local entrepreneurs like Laurence Karatau, General Manager of Orange River Silk. Laurence has lived in Cambodia for nearly a decade and has worked with his daughter to create Orange River, the largest silk garment manufacturer and exporter in the country.

Then there is Rami Sharaf
, the Country manager of RMA Cambodia group of companies, and Bretton G. Sciaroni
, the Senior Partner at Sciaroni & Associates
, the most prestigious law firm in the country.

I'd be remiss to leave out Sung Bonna
, the President and CEO of Bonna Realty
. Mr. Bonna started out with a motor bike and a one room office and now runs one of the largest real estate firms in the country.

Daniel Mitchell
, the CEO and Managing Director of SRP International Group Ltd.
, an investment, and advisory firm focused on developing opportunities in the emerging markets of Asia is presenting.
He has over 19 years of business experience in Asia in the areas of international finance, business planning, and program management in the automotive, aviation, general manufacturing, timber, agriculture and renewable energy sectors.

We will also have presentations at the Cambodian Stock Exchange and Securities Commission, and much more. It's going to be a great event.

EmergingFrontiers: Chris, thanks for your time. We look forward to seeing you, Mark and Scott in Phnom Penh in a couple of weeks.

Chris: Thank you. If any of your readers want to register there are still a few spots left. The signup link is at: <http://www.capitalistexploits.at/cambodia-boots-on-the-ground-meet-up>