



## Private Equity Firm Bets on Asia's Frontier Markets



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As investors chase yields by investing in high growth emerging markets, private equity firm Leopard Capital is looking beyond traditional economic powerhouses like China and India, to less talked about frontier markets including Myanmar, Bangladesh and Cambodia based on their future growth potential.

“Myanmar will be one of the great investment stories of 2013, it’s changing very rapidly now. This is a country, for 50 years that missed out on the whole Asian miracle,” said Douglas Clayton, Founder & CEO of Leopard Capital, which is in talks to launch a fund there.

“It is going to catch up very rapidly as the reforms take place.... everything is being changed, (from) the foreign exchange regime to the foreign investment code, and so on,” he added.

Cayman Islands-based Leopard Capital was set up in 2007 to invest in “pre-emerging” markets. The firm’s consulting partners include veteran investors such as Marc Faber and Jim Walker.

In terms of investment opportunities in Myanmar, Clayton says the firm is looking at sectors which represent the “essentials of life” including power, Internet, agriculture and financial services.

However, he notes that the lack of a stock exchange in the country means that it is difficult for institutional and retail investors to gain exposure to the market now. According to [local media sources](#), Myanmar’s government has committed to developing a viable stock exchange in the country by 2015, and will start selling shares in state-owned enterprises this year.

### **Emerging Manufacturing Hubs**

In addition to Myanmar, Clayton says Bangladesh and Cambodia, both of which are emerging manufacturing hubs and have growing consumer markets, look attractive.

“Bangladesh is one of the cheapest places to manufacture in, and as China gets more expensive, factories are rapidly moving down into places like Bangladesh and Cambodia,” he said.

In Bangladesh, the potential lies in traditionally “Indian-dominated” sectors such as textiles, pharmaceuticals, technology and outsourcing, he said. “We have a chance to ‘relive’ the now foregone India play.”

According to Clayton, the best ways to invest in Bangladesh are via the stock market, the Dhaka Stock Exchange, which slumped over 35 percent in 2011, or private equity funds. Leopard Capital aims to grow its Bangladesh fund to \$50 million in the first half of this year.

In Cambodia, where the company manages the country’s first private equity fund worth \$34 million, sectors including financial services, consumer goods, power and telecom infrastructure and property, are the main focus, he said.

He said the 35 banks and 11 cell phone operators in Cambodia, most of which are international companies, illustrate the vast potential of the market.

While there is huge growth opportunity in these frontier markets, there are also risks to conducting business there, the most “daunting” being the lack of in-depth managerial experience within most of the local companies seeking capital, he said.

"Our team has to provide intensive operational support to help bring some portfolio companies up to international best practices," Clayton said.