

WALL Street Daily

The Best Emerging Markets for 2012

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We've all heard the virtues of scoring a hot IPO's shares before the company goes public. But how many times have you had the chance to know about an *entire market* before it goes public?

In today's issue, I'm highlighting a brand-new market that will begin trading in 2012 – one that offers some of the best prospects for returns in the world.

It's Cambodia. (Yes, Cambodia.)

Most people think about the country as either a tourist hotspot or a place of immense grief because of its bloody past. But I can assure you that it's much more than both of those things.

In fact, I believe Cambodia will be among the top performers in Asia for 2012 – both in terms of GDP growth, and the best stock market returns.

I make this assertion with firsthand experience.

Earlier this year, I traveled to Cambodia. What I witnessed was one of the most vibrant pre-emerging frontier markets in the world.

It's definitely off the radar of most investors, which makes perfect sense, given that there hasn't been a worthwhile investment route into Cambodia. Until now...

A Modern, Fast-Growing Frontier Market

While in Cambodia, I was amazed at the speed of modernization.

Every place I visited was wired for high-speed internet access. Before arriving at Siem Reab Airport, for example, I was able to buy and print out my visa online.

When I did arrive, the airport itself was one of the cleanest and most modern I've ever been through. And by far the most efficient as far as visa control is concerned.

Of course, Siem Reab is also where you can explore the fabulous ruins of Angkor Wat and Angkor Thom.

So what about the investment side? Well, in July, the Cambodian Stock Exchange opened.

As is always the case when a new market opens, it does so with very few listings.

You see, it takes a while for brokers and investment bankers to persuade companies to list on an exchange.

That being said, the companies that *do* list usually see their share prices shoot to the moon. Think of them as IPOs on steroids.

At the moment, there are no companies trading on the Cambodian market. But that's about to change – most likely in the first or second quarter of 2012.

With that in mind, there are three companies projected to hit the market first...

Cambodia's Best Stock Market Performer

Three state companies – Phnom Penh Water Supply Authority (PPWSA), Telecom Cambodia and Sihanoukville Autonomous Port – are currently preparing listings.

Several private companies, including Post Media – owners of The Phnom Penh Post – have also signaled their intention to list.

Of the three, I suspect that PPWSA will perform best. Why? Because if there's one rare commodity in Asia, it's clean water.

PPWSA has brought Cambodia's potable water standards to a level only seen in places like Singapore. Even better, as a utility, it offers investors good long-term prospects without the speculation.

Once it hits the exchange, though, the stock could experience abnormally high returns, as will all the early listers.

It's simply a question of supply and demand – there's hardly any supply and a lot of demand.

The Buzz is Building

Private equity firms are already lining up to invest in Cambodian companies, as are individuals.

Considering that the country's GDP is “officially” growing at greater than 6% (and prior to the global recession of 2008, annual GDP approached double digits), can you blame them?

Unofficially speaking, the rate is much higher, as much of the business in Cambodia is done on a cash basis or bartered.

So how do you invest?

~ Private Equity: [Leopard Capital](#). I met with Doug Clayton, who's on Leopard's investment committee, and the group is already investing in private deals. As such, this is one of the best options for getting your foot in the door early. Understand, however, that it *does* have minimum investment requirements. And your funds might be tied up for a while in private deals.

~ Cambodian Exchange: [Boom Securities](#). A Hong-Kong based company, Boom will likely be able to place trades for individuals on newly listed companies. It's an online brokerage firm that offers discount rates for Asian market trading.

Bottom line: We won't know how to proceed on the Cambodian Stock Exchange until it gets closer to actually listing stocks. I'll be monitoring the situation closely and update you as news develops.

Good investing,