Alternatives

Bagan Capital eyes Myanmar deals with $75 million fund

By **Yvonne Chan** | 7 November 2012 (3 hours ago)

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Once-isolated Myanmar is opening up to foreign capital and creating a wealth of investment opportunities, says Bagan Capital, which is raising a private equity fund.

Myanmar's investment opportunities are broad, but deal quality is key

Bagan Capital, which believes Myanmar could be a potential private equity powerhouse, is raising a fund that will invest foreign capital in the once-isolated country.

The investment and advisory firm has set up the Myanmar Transition Fund with a target of $75 million. "We hope to do a first closing first or second quarter next year," says Bagan Capital founder and chief executive, Jeremy Kloiser-Jones.

"There are opportunities in many sectors," he says, although the quality of each deal is more important than any specific industry focus.

"In terms of the low-hanging fruit, the hotel and tourism sector is an obvious one because that's opening up and everyone's piling in. Hotels are getting more and more expensive."

The telecoms and financial services sectors are less crowded, but require on-the-ground deal sourcing, as does the power sector. "Only a quarter of the people in Myanmar have access to regular electricity," says Kloiser-Jones.

He set up the Hong Kong office of Bagan Capital in January this year after spending more than a decade in Asia at major banks including Macquarie Group, Lehman Brothers and JP Morgan.
Bagan Capital since has been building up resources in Myanmar, employing seven staff across its offices in the cities of Yangon, Nay Pyi Taw and Mandalay. Plans are underway to increase headcount in the coming months.

Its inception and growth comes alongside developments by the Myanmar government to reform the country's political and economic frameworks. Last week, president Thein Sein signed a foreign investment bill that passes an updated foreign investment law aimed at attracting capital from overseas.
On the fundraising side "investors are extremely interested", says Kloiser-Jones. "It's not every day that a country of 60 million people comes back to the fold of the global economy."

Interest in the Myanmar Transition Fund has so far largely come from Asian and European investors from the high-net-worth and family office arena. Institutional money will make inroads more gradually due to the "lingering effect of former sanctions" by countries in the West, says Kloiser-Jones.

Institutions and multilateral organisations are going through a process of changing their investment policies to permit investment in Myanmar, he notes. "Procedurally, these things take time, so naturally high-net-worth and family offices are more aggressively looking at our fund."

While investment in Myanmar entails risk, as it does in other frontier markets, those risks are offset by the potential returns, he argues.

"To encourage people to put money into Myanmar, we have to be able to look at deals and think that an IRR [internal rate of return] of 25-30% is within reach given that it's a newly emerging market," says Kloiser-Jones.

The government's move to embrace foreign capital will lead to an acceleration in inflows which will create bubbles, similar to those previously experienced in Vietnam and Thailand.

"Myanmar is definitely going to have its ups and downs. With the momentum today it's definitely going to be on an uptick," says Kloiser-Jones.

"I'm sure the road to the future will have bumps in it, but there will be significant returns available to those who are diligent, patient and find the right places to put their money."

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