

Chilton Investment sets sights on western China

GENERAL FINANCIAL

Hedge fund plans office in Chengdu

Focus on region's 'jewels of companies'

By Andrew Wood
in Hong Kong

Chilton Investment Company is aiming to take the unusual step for a US hedge fund of opening an office in western China as part of its expansion strategy in the country.

The \$6.5bn hedge fund has a subsidiary in Hong Kong and is waiting for regulators to approve its application for an office in Beijing.

The new research office would be in Chengdu, about 1,600km west of Shanghai.

"The last 10 years has been about China's glimmering cities by the sea [in the east]," said Richard Chilton Jnr, the company's chairman and chief executive. "The next 10 years will be about the western

cities."

He said Chilton Investment Company had visited Chengdu and Chongqing this year and found many high-quality companies with limited access to capital.

"For most of them, we were the first western investors to visit," he said.

The situation reminded him of the US Midwest during the 1970s and 1980s when there were many under-researched businesses.

"We are early [compared with other foreign investors] but it's to find these little jewels of companies," Mr Chilton said. The company would be looking at investments in western Chinese companies listed in Shanghai, Shenzhen and Hong Kong, as well as privately held firms.

Mr Chilton said that managers in the region tended to be less entrepreneurial and internationally minded than their counterparts in the coastal regions to the east of China, where most foreign investment had been concentrated and where

companies were much more influenced by management practices from western countries.

He said the infrastructure in western China was much better than he had expected and he was encouraged that companies such as Intel had set up factories in Chongqing.

Mr Chilton expected the region would benefit from Beijing's attempts to spread the benefits of economic reform beyond the coastal region to create a balanced "harmonious society".

Ken Chiang, head of Chilton's Asian equities group and Hong Kong office, said: "A lot of investors have not really ventured beyond Shanghai and Beijing and they forget that western China has been a major industrial centre."

Chilton, which is based in Stamford, Connecticut, already has \$350m of investments in Asia.

The company, which was founded in 1992, uses long/short equity and debt hedge strategies.