

# The Deal

VOICE OF THE DEAL ECONOMY

VOL. 5 NO. 38 DECEMBER 17—JANUARY 13 2008

MOVERS & SHAKERS



BY DAN SLATER AND AMY WU

## GO WEST, IN CHINA

Roughly 1,600 kilometers west of Shanghai, China's western region is known as remote and poor. But it's also rich with natural resources, including coal, calcium, natural gas and titanium and is largely undiscovered by most investors.

For Chilton Investment Co. LLC, a \$6.5 billion hedge fund based in Stamford, Conn., that spells opportunity. The firm recently announced plans to open a research office in the region as part of its China strategy.

"Western China is an area that has widely been overlooked," says **Ken Chiang**, a managing director and head of Asian equities for Chilton. "A lot of the challenges may come in the form of less exposure to international practices. However, it's had a strong heritage and you have leading companies based there."

These include Yunnan Baiyao Group Co. Ltd., a producer of traditional Chinese medicine, Di'ao Group, a large pharmaceutical company, and Tongwei Group, one of China's largest animal feed providers. The region also boasts several government-owned industrial, pharmaceutical and defense companies.

Chilton has already made one investment in the area, taking a significant stake in Shenji Group Kunming Machine Tool Co. Ltd. "We believe we only have to find one to two companies to justify our involvement there," Chiang says. He predicts GDP growth will exceed that of the country's eastern seaboard within 10 years.

Chilton awaits Chinese regulators' decision on an application for a Beijing office. It then plans to open its western office, in ei-

ther Chengdu, Chongqing or Kunming. The city of "Chengdu is where Shanghai was at 10 years ago, but the quality of life is better," Chiang says. And while he acknowledges that "political reform is still an area that needs to be addressed," he says investing in China is a "great opportunity."

Chiang, 46, joined Chilton in New York in 2006 from Merrill Lynch Investment Managers, where he had been a portfolio manager since 1991. He has been splitting his time between Hong Kong and New York since May. Since joining, Chiang has built Chilton's Asian exposure to about \$350 million.

A first-generation Chinese-American, Chiang visited Asia often as a child and says he's always had an itch to work in China. After graduating from Stanford University, he took a job with IBM Corp. But when plans to work for Big Blue in China fell through, he switched gears and earned an M.B.A. from the Wharton School of the University of Pennsylvania. Chiang then spent a year at Prudential Investment Management, followed by Merrill Lynch. It was for that firm that Chiang first visited western China 15 years ago. He returned for a vacation in 2004, and was awed by the area's transformation.

"The three-ring freeways in Chengdu could compare to any major freeway in California," he says.



AS FEATURED IN

The Deal

WWW.THEDEAL.COM

The Deal (ISSN 1545-9878) is published weekly except biweekly in January, July, August and December by The Deal, LLC.  
© 2007 The Deal, LLC. The Copyright Act of 1976 prohibits the reproduction by photocopy machine or any other means of any portion of this publication except with the permission of the publisher. The Daily Deal is a trademark of The Deal, LLC.