

The New Zealand Herald

US funds eye higher NZ returns

Wednesday October 24, 2007

By Adam Bennett



Stephen Nash

New Zealand's energy and technology firms are in the sights of big United States investment funds looking for high-growth overseas investment opportunities, investment banker Stephen Nash says.

Nash, vice-president of capital markets with San Francisco-based Merriman Curhan Ford, was in New Zealand talking to companies about US listing opportunities with OTCQX, a new alternative equity exchange modelled on London's AIM market.

The OTCQX market allows overseas companies' shares to be traded in the US by way of American depository receipts, which are usually several ordinary shares bundled together.

Firms require a local sponsor or "principal American liaison", a service offered by Merriman Curhan Ford.

The market was launched in March with six firms but now has 18, including several large companies such as the US\$60 billion (\$81 billion) British firm BG Group and US\$34 billion Wal-Mart de Mexico.

"We've seen some very large companies move into this market now, which I think significantly validates the opportunity for other companies that want to be able to access the US," Nash said.

OTCQX allows US trading of overseas companies' stock without the expense of a regular market listing. OTCQX-listed companies are not required to comply with the onerous Sarbanes Oxley legislation and regulatory functions are left to the companies' home exchanges.

OTCQX's "streamlined" listing process can cost firms already listed in home markets as little as US\$200,000, compared with about US\$3 million through traditional markets.

Nash says an OTCQX listing can boost total turnover of a company's stock and help lift its market capitalisation, largely because of the increasing interest in offshore investments shown by US investment funds. The value of such funds' holdings in offshore equities has risen 21 per cent to about US\$4.1 trillion in the past 12 months.

Nash says US institutions are increasingly looking outside the US as they seek "alpha" returns, or returns above market benchmarks.

"The alpha in terms of performance may be significantly better outside the US at this moment," Nash says.

"They've also seen a weakening US dollar and they're looking for other investments in other countries to help hedge some of the weakness there."

Nash says Merriman Curhan Ford is particularly interested in talking to New Zealand firms in alternative energy, technology and telecommunications sectors.

NZX head of markets Geoff Brown said there was nothing at present to prevent US institutions from investing in listed New Zealand companies through the NZX.

But Nash said that as a sponsor for OTCQX firms, Merriman Curhan Ford could help increase their profile through research reports and roadshows.

"Funds that otherwise wouldn't know what the company was doing, begin to pay attention to them because they are listed on this market and they have a sponsor like us that's willing to get them in front of the right institutional investors."