

## Eastern Promises

Invest in the west? Try again--investors see opportunity in the middle east.

By Farnoosh Torabi | [Entrepreneur Magazine - September 2008](#)

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Just a day into the launch of his online education resource, HotChalk, Edward Fields got a sign from the Middle East. "I got an e-mail from a father in Saudi Arabia searching for resources for his kid's teacher," says Fields, 47. "He had stumbled across HotChalk.com and wanted to know if they could use it." Fast-forward three years: Fields is investing his time, money and Silicon Valley business into the Gulf region. That father's request for improved education suggested to Fields that the Middle East, a region he'd perceived to be too conflict-laden and economically disparate, was a place that's actually on a prosperous economic rise. He couldn't afford to miss out. Hot-Chalk will soon have a subsidiary in Dubai, and Fields plans to finance a partnership with local investors this year.

Fields' take on the Middle East is right on the money, financial experts say. The region offers fertile ground for foreign investors for several compelling reasons, beginning with, of course, its oil riches. "[It's] providing them with a lot of capital to build out their economies and build opportunities for their citizens domestically, as well as foreign investors," says Tom Fyler, managing director of Middle East Invest LLC, a firm that helps individuals set up investment accounts in the Middle East.

Additionally, policymakers in the region are encouraging citizens to invest and start businesses, which is helping improve the quality of life, says Bracken White, chief investment officer of Makan Capital Group, a private equity firm with offices in the United Arab Emirates. "A great deal of investment is going into major infrastructure projects," says White, from new roads to bridges to buildings.

While Fields enters the Middle East market in full force, others can choose to dabble and place some investment dollars in the region. There are limitations, of course, as some Middle Eastern governments still shield themselves from foreign investment. But more and more, the region is opening its doors to the global market. "We're just at the beginning," says Steve Koinis, Makan's CEO and managing director. "We expect the boom to continue for the next 10 to 20 years."

"When investing in emerging [economies], it's best to invest in build-out [industries] like telecom, construction and banking," says Fyler. The challenge for Americans, however, is that aside from only a handful of Israeli companies listed on the New York Stock Exchange, there are barely any Middle Eastern companies trading publicly in the U.S. Another option is to buy shares of the SPDR S&P Emerging Middle East & Africa ETF (GAF). Top holdings include Israel's Teva Pharmaceuticals (TEVA) and Arab Bank (ARBK), and the fund boasts a 10.1 percent annualized return. There's also T. Rowe Price's Africa



& Middle East Fund (TRAMX), which has holdings in the UAE, Egypt, Qatar and other countries. "For the average investor, who isn't able to spend a lot of time in the region or investigate it in depth, [these funds] are a way to get exposure," says Todd Millay, managing director of Choate Investment Advisors.

In the meantime, for access to individual Gulf stocks, one can buy shares (via American Depositary Receipts) on the London Stock Exchange, where there are dozens more Middle Eastern companies listed. For full exposure, investors can set up local Middle East accounts through participating firms like Fyler's Middle East Invest. Last year, HSBC opened its own Middle East brokerage, which trades on the Abu Dhabi Securities Market and Dubai Financial Market.

*Farnoosh Torabi is a senior correspondent at [TheStreet.com](http://TheStreet.com) TV and author of You're So Money.*

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