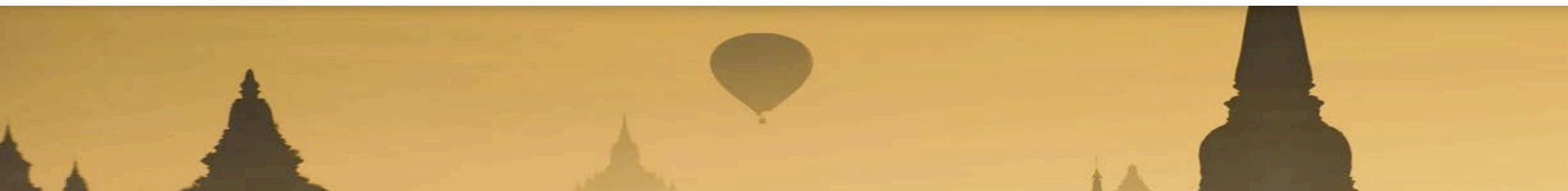




MYANMAR CAPITAL ADVISORS

Marshall Pacific Rim Business Forum
Infrastructure Opportunities in Myanmar
October 18th 2014
Yangon, Myanmar



MCA – What We Do

Creating value at each phase of the investment cycle.

Responsible
Investment

Helping
Companies
positively shape
the trajectory of
Myanmar's
Development.

Market Entry
Strategy

Developing and
executing
strategies that
proactively identify
sector and country
specific risks and
opportunities.

Partner Analysis
and Selection

Forging local
commercial
partnerships that
offer experience
and operational
capabilities above
and beyond
“brokers” and
“agents”.

Corporate
Sustainability

Helping companies
execute
investments – from
ongoing non-
technical risk
management to
establishing
product distribution
channels.



Investing Directly in Myanmar

Four Rivers

- A U.S.-owned business investing in Myanmar's future with offices in Yangon and New York
- Managing Director based in Yangon has two decades of Myanmar experience
- Shareholders include leading institutional investors, as well as some of the largest international family offices
- Advisory board includes highly relevant industry experts, entrepreneurs, and diplomats
- The four lead executives have extensive experience (15+ years each) as entrepreneurs in frontier and emerging markets. They have:
 - ✓ Successfully launched businesses in Myanmar, Russia, India, Iraq, and the UAE
 - ✓ Directly raised US\$ billions for emerging markets funds
 - ✓ Led and advised in deals worth hundreds of billions of dollars globally across many sectors
 - ✓ Senior-level experience leading international development efforts and working with governments
- Backed by Ergo, one of the world's leading emerging market consulting firms, Four Rivers has in-house capabilities to assess compliance, policy, and security risks, as well as conduct comprehensive diligence on key stakeholders
- Four Rivers has an unparalleled in-country network of relationships including current government figures, opposition leaders, former officials, leading civil society and key influentials across all major sectors



Four Rivers is joining with select and vetted local partners to create at least 3 separate operating companies. In addition to the boost from Myanmar interest, Four Rivers' discretion in choosing the correct partners and sectors and taking operational control of high quality assets can generate outsized returns



Sources for Today's Discussion

McKinsey & Company

McKinsey Global Institute



June 2013

Myanmar's moment:
Unique opportunities,
major challenges





Myanmar
Transport Sector Initial Assessment

Asian Development Bank



Research & Forecast Report
Yangon Office Market
2Q 2014

Accelerating Success.

Demand likely to outstrip new and quality office supply

Forecast Direction	
	2Q 2014 - 2Q 2015
New Supply	↑
Occupancy	↑
Rent	↑

Investment interest heightened towards the end of the second quarter with both developers and investors closely pursuing potential commercial deals in the office sector. The total supply pipeline is then only seen to further augment to now at 300,000 sqm.

Due to robust demand, occupancy rates in both the Inner City and Outer City areas are at all-time high while rates in Downtown Yangon, where all top-tier office buildings are located, have improved at a moderate pace. However, as the government grants more foreign business licenses, particularly in the banking industry, Colliers predicts that demand will outstrip the availability of top-tier office spaces in the medium term.

Meanwhile, Yangon's premium office rates remain the highest in the ASEAN region. Through unchanged QoQ, the forecast direction on the average rate is set to move upwards and reach the USD 100 per sqm mark in the next twelve months.

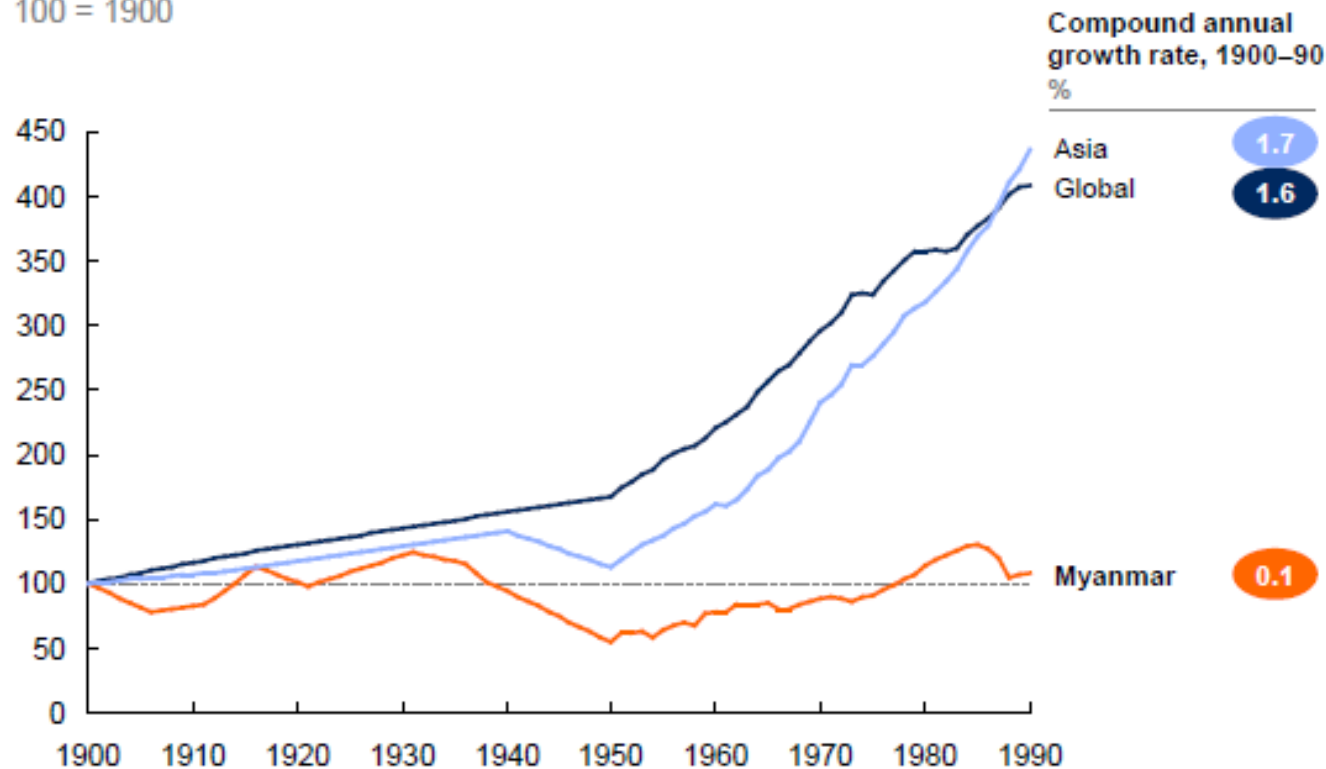
Colliers



Myanmar's Untapped Potential

In 1990, Myanmar's per capita GDP was close to its 1900 level, but during this period per capita GDP more than quadrupled in Asia and globally

Indexed per capita GDP (1990 PPP \$)
100 = 1900



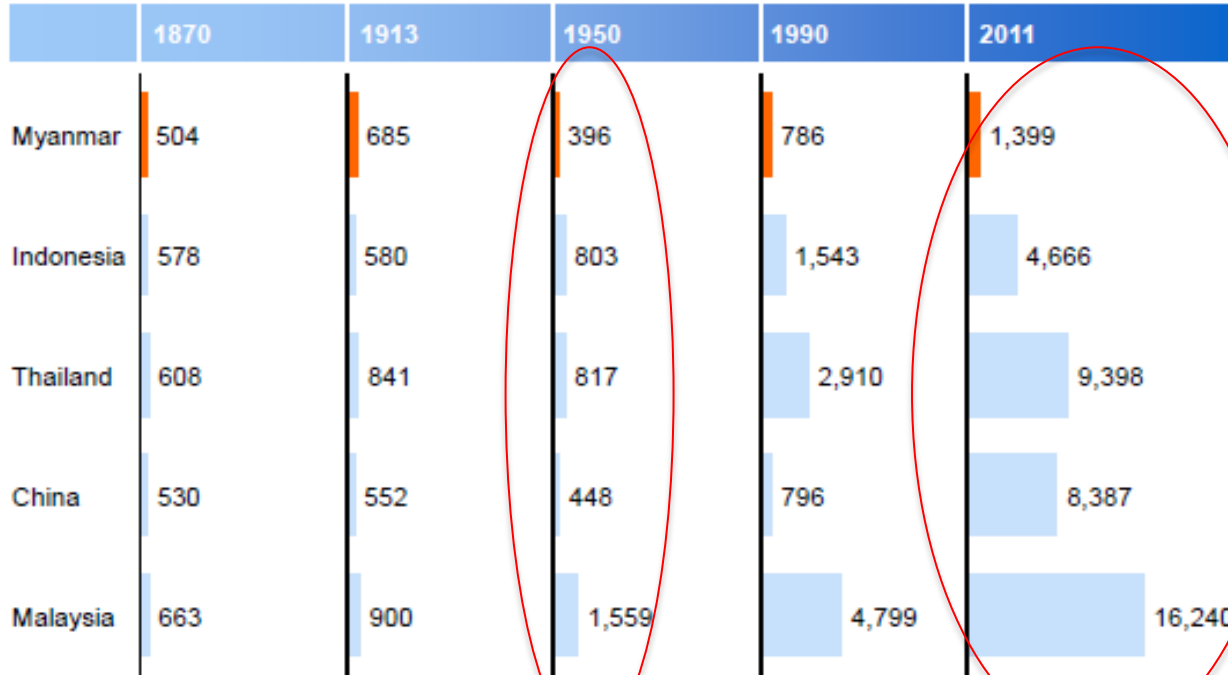
For decades Myanmar's economic growth was inhibited by domestic and international policies.



Myanmar's Untapped Potential

Myanmar's economy was on a par with other Asian economies until the early 20th century, after which it remained stagnant while Asia surged

Per capita GDP, purchasing power parity (PPP)
1990 International Geary-Khamis \$



SOURCE: 1870–1990 figures from Angus Maddison, *Historical statistics of the world economy: 1–2008 AD*; 1990 and 2011 figures are from the International Monetary Fund figures (PPP); McKinsey Global Institute analysis

With the support of the international community and foreign investors, Myanmar has the potential to join the success of its Asian neighbors.

Transportation Infrastructure

In the World Bank's 2014 Logistics Performance Index, Myanmar scored the lowest among Southeast Asian countries in overall logistics performance and quality of trade and transport-related infrastructure

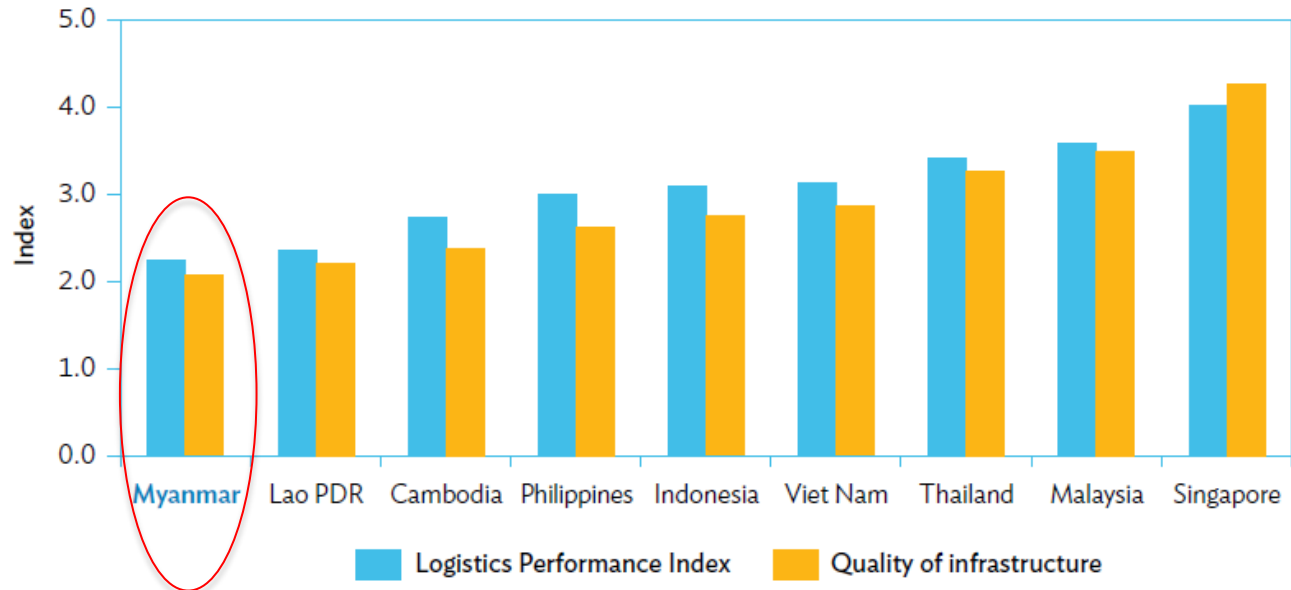


Table 4.6: Road Density and Paved Roads, 2004–2012

Year	Road Length (km)	Road Density (km/km ²)	% of Paved Roads
2004	90,713	134.1	24.4
2005	92,859	137.2	24.6
2006	104,058	153.8	23.0
2007	111,737	165.2	22.1
2008	125,355	185.3	20.4
2009	127,942	189.1	20.6
2010	130,050	192.2	20.9
2011	142,395	210.5	21.7
2012	148,690	219.8	38.9

km = kilometer, km² = square kilometer
 Source: Ministry of Construction, Public Works Department.

- Road transport is the dominant transport mode in Myanmar
- Myanmar's "road density" is low, about 2km of road per 1,000 people (ASEAN as a whole has 5X that amount)
- 40% of the road are paved
- Only 20% of the roads are paved to all-weather standard



Proposed Transport Master Plan

5 Key Elements:

- Better planning and coordination
 - Statistics, public participation and human capacity development
- Infrastructure development
 - Efficient rural and cross-border system, and integrated system
- Better environment, safety, security
- Institutional and regulatory development
 - Defining the role of each transport agency, improving regulations to increase investment
- Reasonable transport pricing and secured budgeting
 - Market oriented mechanisms

Transport Master Plan supported by the Japan International Cooperation Agency (JICA) with the ADB and World Bank also advising the Myanmar government

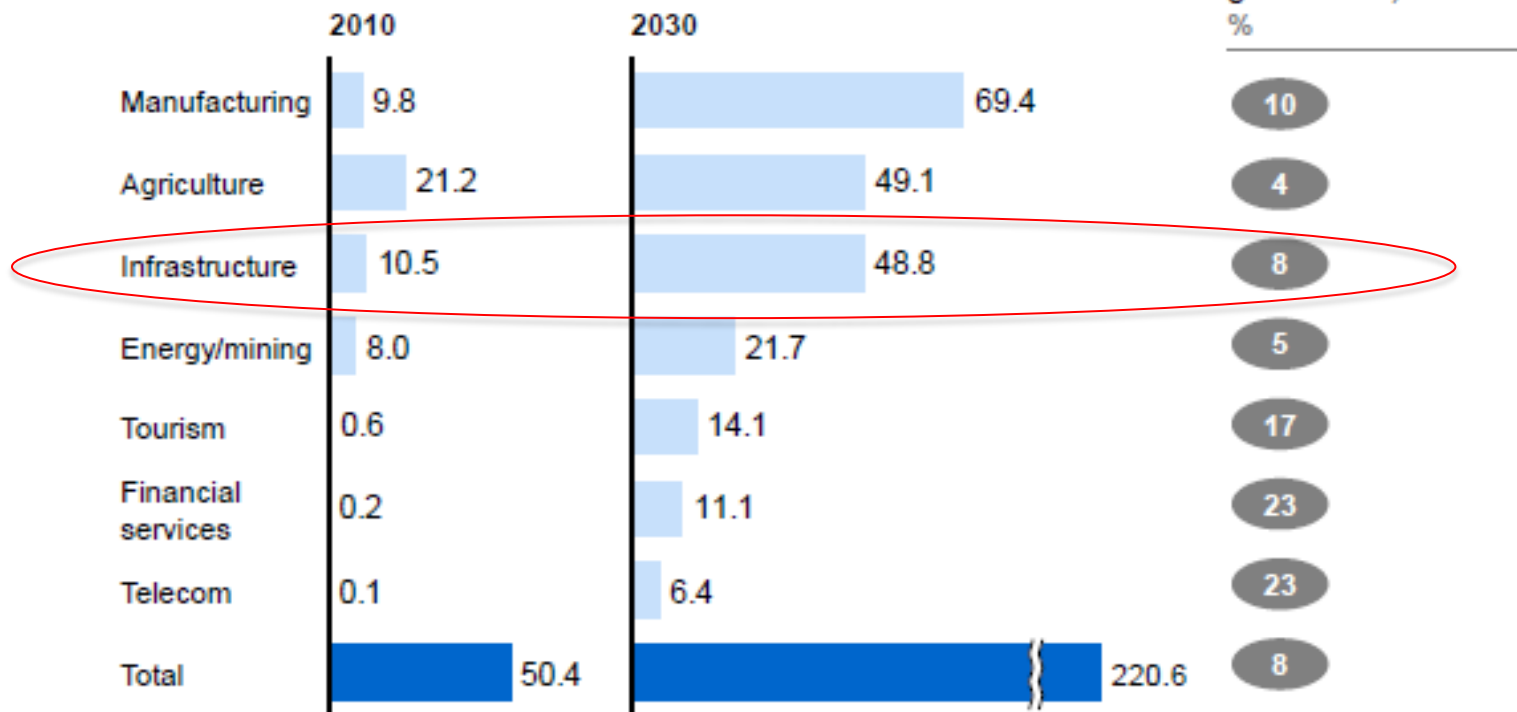


Infrastructure = Economic Growth

Seven sectors could generate more than \$200 billion of economic output by 2030

Real GDP sector sizing and potential¹
\$ billion, 2010 prices

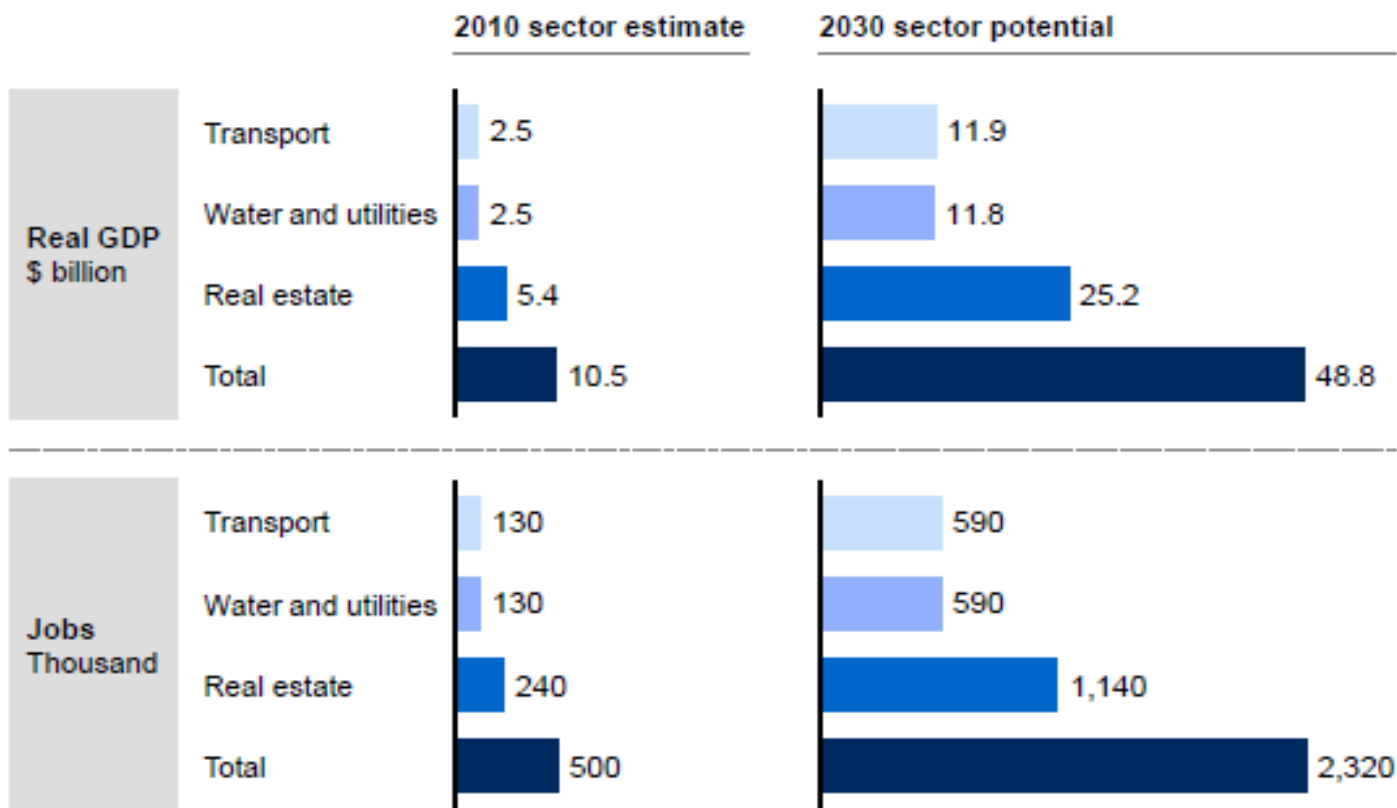
Compound annual
growth rate, 2010–30
%



¹ Our estimate of the GDP contribution of these seven sectors differs from government data on their GDP contribution in 2010 because we have analysed each sector bottom-up—for example, by identifying production data and multiplying it by market prices.

Infrastructure = Job Creation

The largest potential for growth and jobs between 2010 and 2030 in the infrastructure sector is in real estate

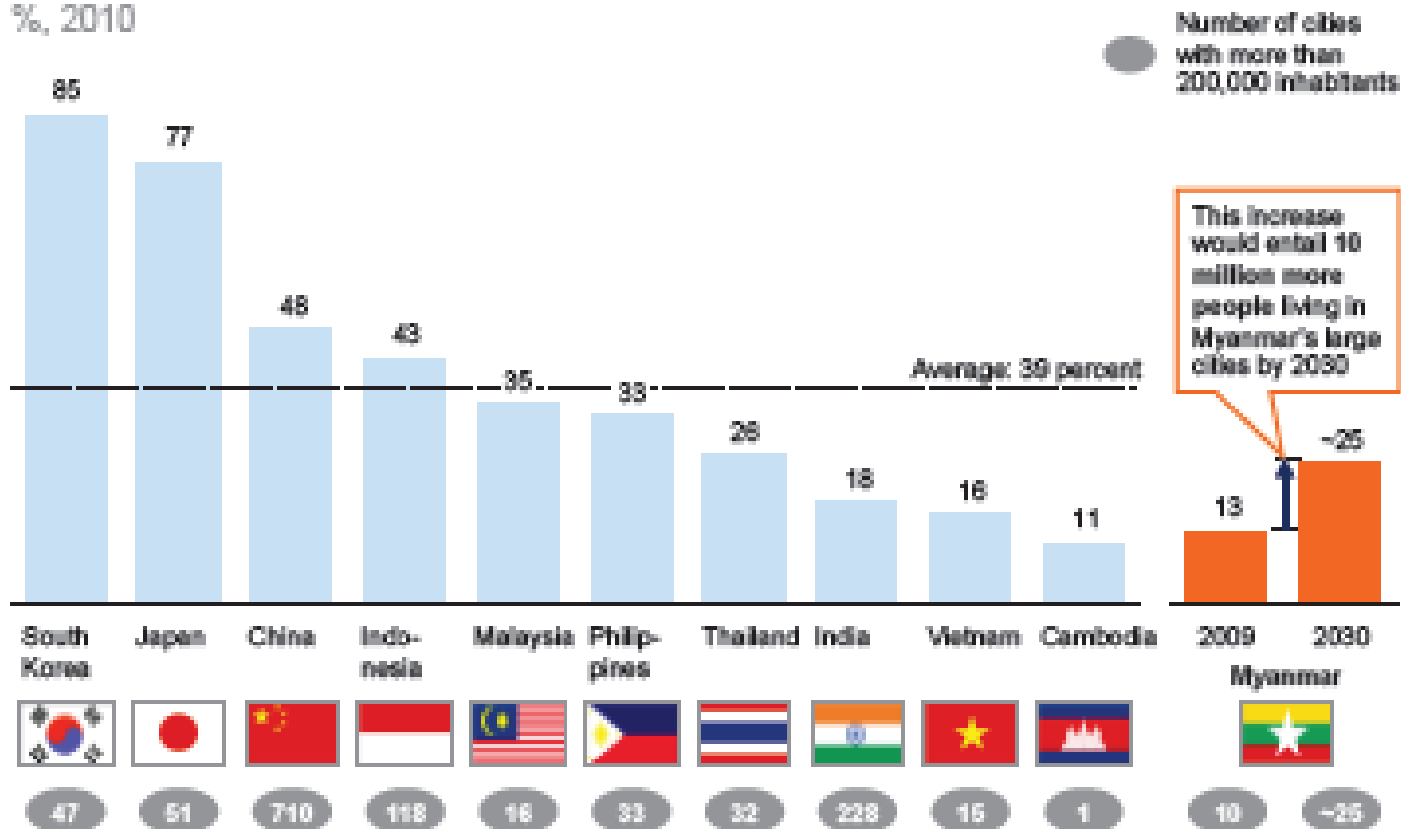




Urbanization = Infrastructure Requirements

Myanmar's population living in large cities with 200,000 plus inhabitants, could double from just 13 percent to one-quarter of the population in 2030

Share of country population living in cities of more than 200,000 inhabitants
%, 2010



Myanmar's cities are concentrated in the Delta and Dry Zone and cities close to Yangon and Mandalay are growing fastest.

NOTE: Share of country population living in cities of more than 200,000 is not the same as the urbanisation rate.

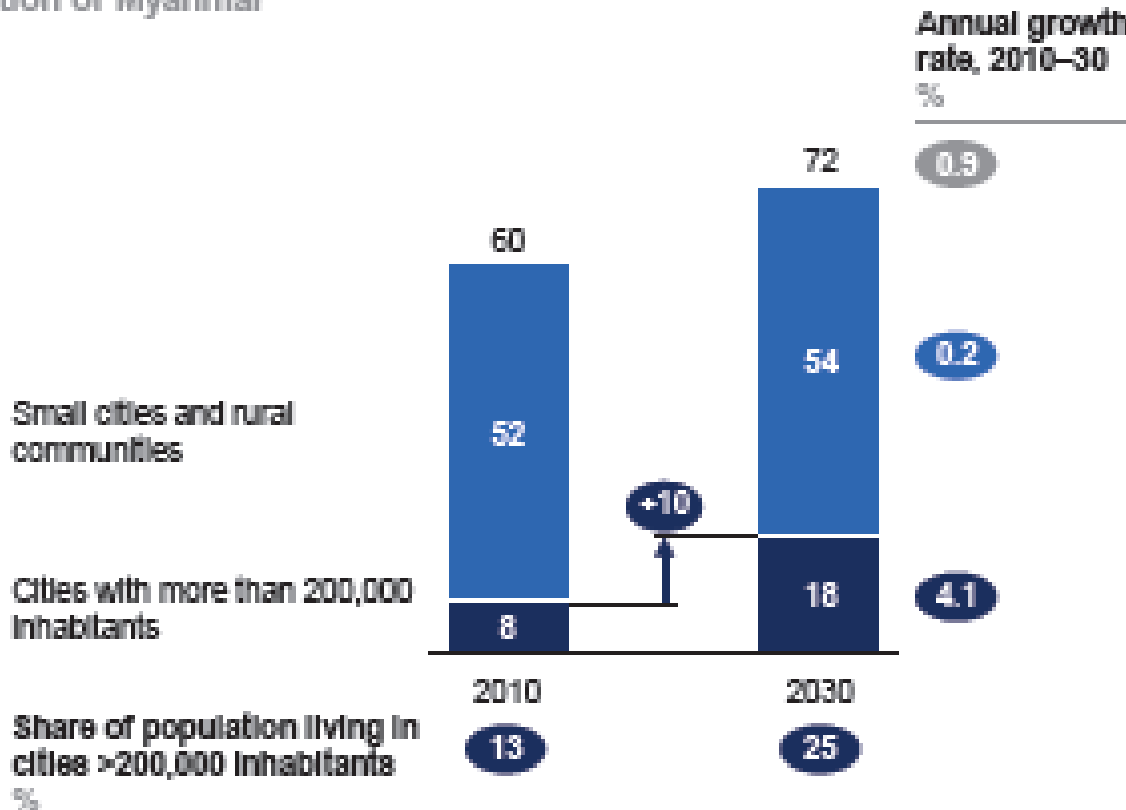
SOURCE: McKinsey Global Institute Cityscope 2.0 database; Department of Human Settlement and Housing Development, Ministry of Construction, Myanmar; McKinsey Global Institute analysis



Urbanization = Infrastructure Requirements

Between 2010 and 2030, ten million more people could live in Myanmar's large cities—equivalent to two cities the size of Yangon

Population of Myanmar
Million

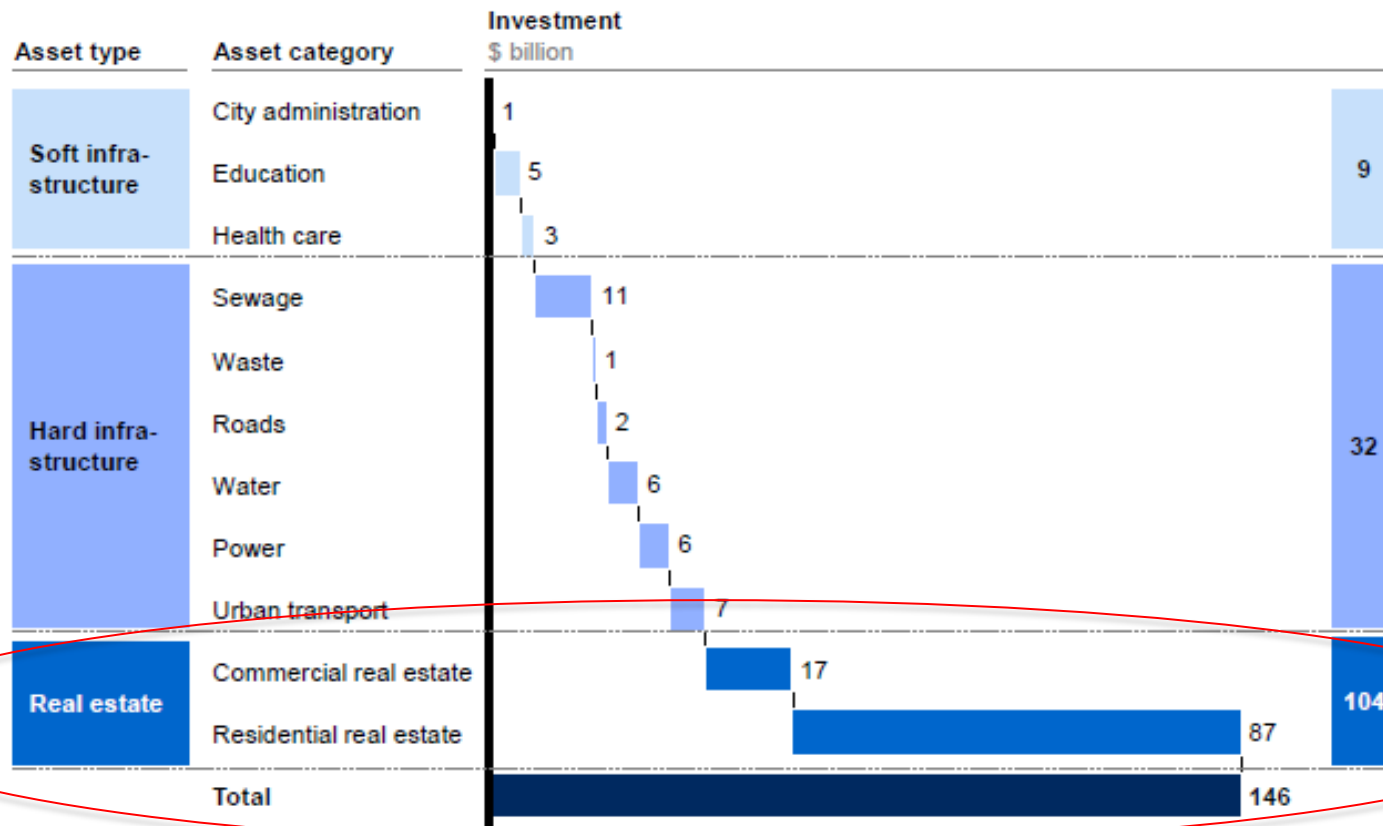


Real estate development is well underway in the cities of Yangon, Mandalay, Bagan and Inle Lake.

SOURCE: United Nations, World population prospects: The 2010 revision; national statistical offices; IHS Global Insight; The Conference Board Total Economy Database; Department of Human Settlement and Housing Development, Ministry of Construction, Myanmar; McKinsey Global Institute Cityscope 2.0 database; McKinsey Global Institute analysis

Urbanization = Infrastructure Requirements

Large cities would likely need to invest \$146 billion from 2010 to 2030 to upgrade infrastructure for existing population and new arrivals



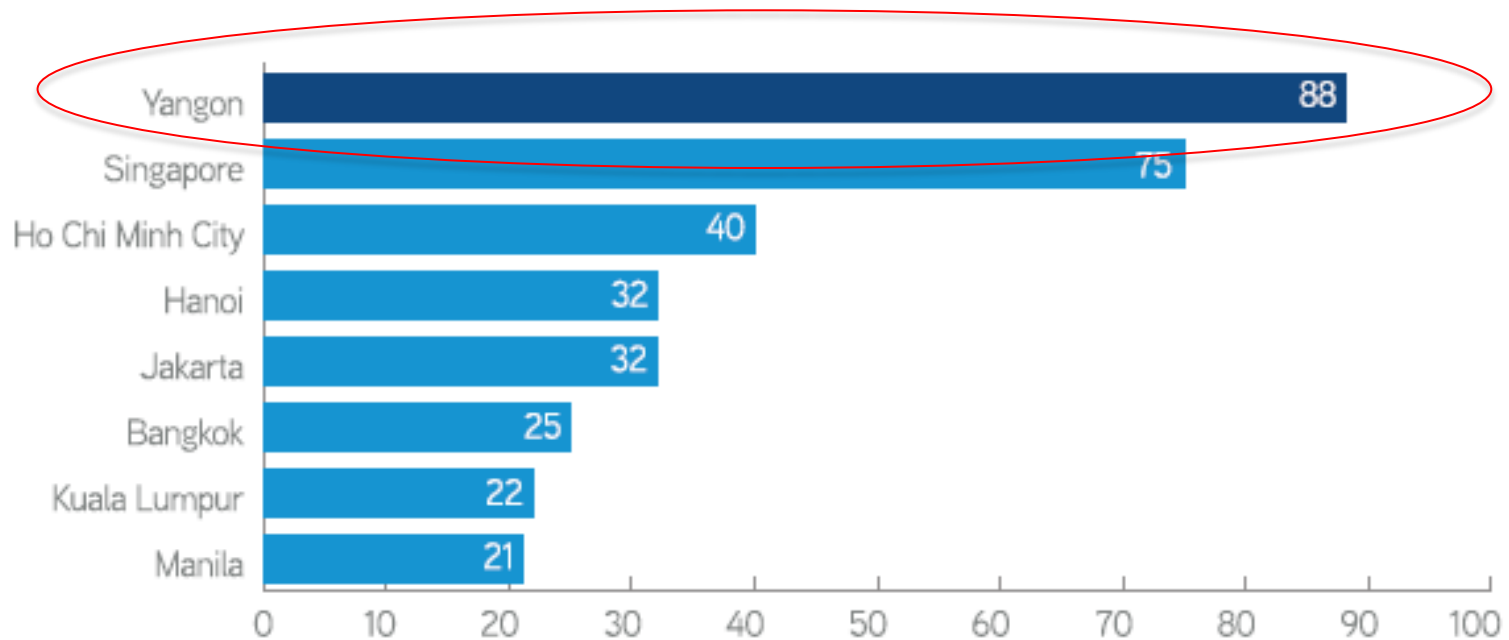
NOTE: Numbers may not sum due to rounding.

SOURCE: McKinsey Global Institute Cityscope 2.0 database; Pike Research; Japan International Corporation Agency; McKinsey Infrastructure Practice benchmarks per asset type; McKinsey Global Institute analysis



Why We Like Real Estate (1)

Regional Prime Office Rental Rates (USD/SQ.M./MONTH)

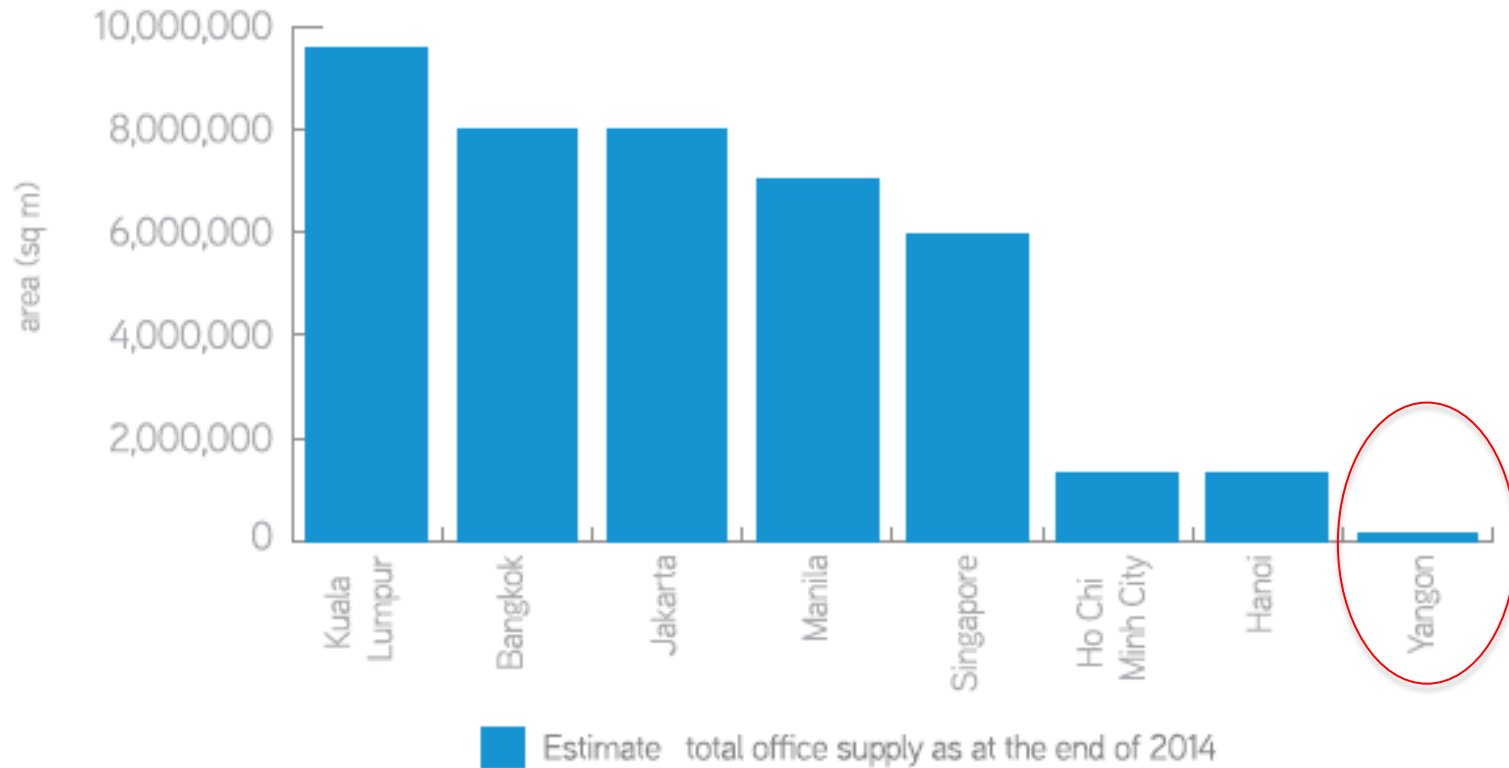


Source: Colliers International Myanmar



Why We Like Real Estate (2)

Regional Office Stock

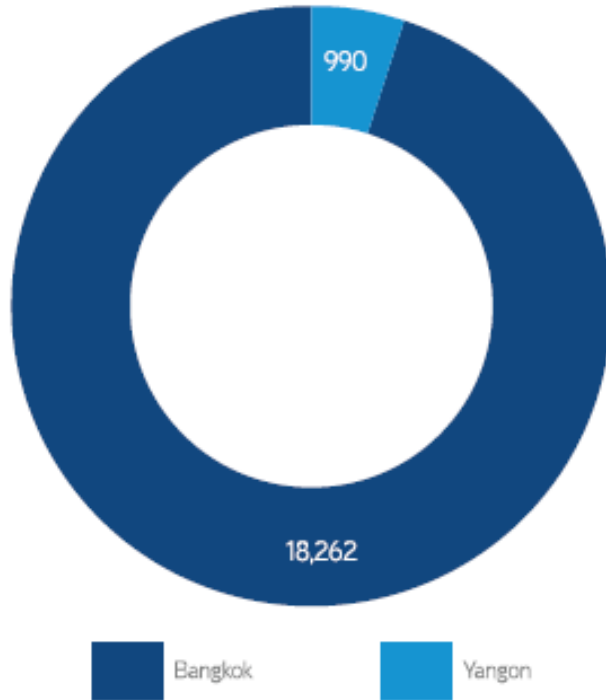


Source: Colliers International Myanmar

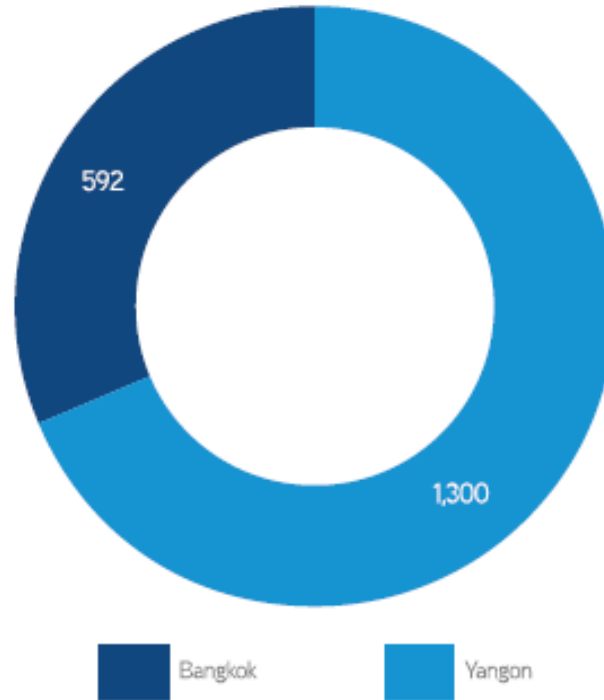


Why We Like Real Estate (3)

Yangon vs. Bangkok Services Residences Supply Stock



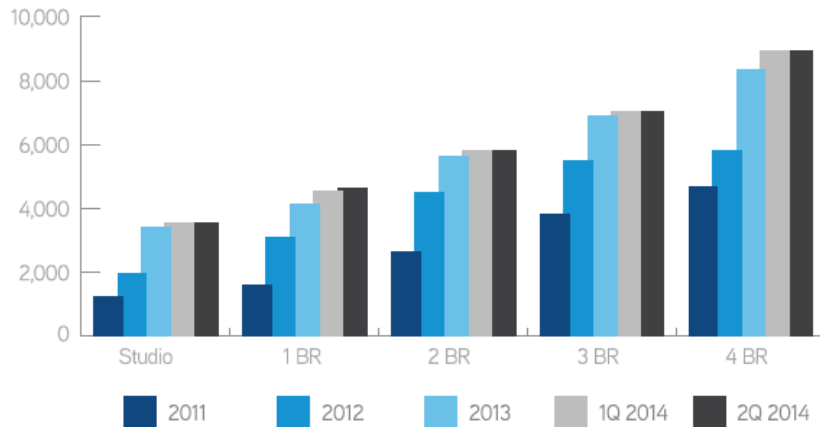
Yangon vs. Bangkok Services Residences Supply (Room) Pipeline





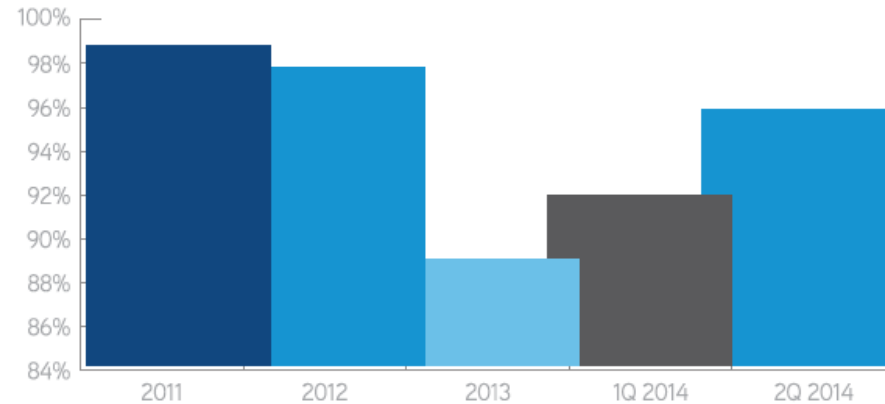
Why We Like Real Estate (4)

Average Serviced Apartment Rental Rate by Unit Type



Source: Colliers International Myanmar

Service Apartment Average Occupancy



Source: Colliers International Myanmar

- Serviced apartment occupancy rates are at 99%
- 1-BR rates at \$4.5K/mo. and 3-BR rates at \$7K/mo.
- Expatriates in the oil & gas, financial services, NGO/donor, IT/telecoms will continue to drive demand



Challenges of Investing in Real Estate

If Real Estate Investing is Easy...Everyone Would be Doing It!

- Due diligence on everything – people, land ownership, city government restrictions on height setback
- Land sales transactions have not been properly registered for decades – Office of Registration of Deeds and payment of taxes
- Land owners have high expectations of the value of their land
- Myanmar Investment Commission (MIC) process – straight forward yet still the full requirements are not documented 100%
- Joint Ventures vs. Build-Operate-Transfer models

Thank You!

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