
First Persia Fund Opens Iranian Stock Market to Foreigners

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First Persia Equity Fund Ltd., the only fund in which foreign investors can buy Iranian stocks, has opened its second-phase of subscription as it aims to raise 250 million euros (\$395 million).

"We are looking at one of the few remaining frontier markets out there," Stephen Austen, the fund's managing director, said in interview in Dubai. "Iran has one of the most diverse economies in the region and the government's privatization program will see most state companies sell shares on the stock exchange."

The First Persia fund was established in July 2007 with 34 million euros. It gained 2.5 percent since, outperforming Tehran's main index, known as TEPIX, every month, according to an e-mailed press release from fund.

The Tehran Stock Exchange, which opened in Feb. 1967, has more than 420 listed companies, according to the bourse's Web site. Companies listed on the exchange include industries such as mining, manufacturing, banking and real-estate with a combined market value of \$50 billion, Austin said.

"It's a very cheap market, but there are too many uncertainties over the short term such as the economic management and geopolitical risks," Bahrain-based Nomura Holdings Inc. analyst Tarek Fadlallah said in a telephone interview today. "Over the long term, Iran will be a fantastic place to invest." The potentials are huge for an economy that is rich in resources and has a highly educated workforce, Fadlallah added.

Shares listed in the TEPIX, which advanced 3.9 percent so far this year, trade at an average of 4 or 5 times earnings, Austen said. That compares to a multiple of 15 for the MSCI GCC Countries Index, a measure of more than 140 companies in six Persian Gulf states, including Saudi Arabia and the United Arab Emirates.

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