

Asian investors back native bands

JOE FRIESEN

Wednesday, March 11, 2009

Chinese and Korean investors are pouring \$200-million into a hedge fund focused on resource development on aboriginal land, further evidence of Asia's appetite for Canadian raw materials and a growing interest in business partnerships among aboriginal people.

The aboriginal-themed fund is described as an opportunity to cash in on the vast oil and gas, mineral and forestry wealth that lies in territory claimed by Canada's native people. It is the result of a trade mission to China last year led by Vancouver lawyer Calvin Helin, whose goal was to initiate nation-to-nation talks between aboriginal groups and Asian leaders in the hope they would spur investment.

He said the fund allows investors to buy into projects with the assurance that native groups will be partners, rather than opponents.

Recent Supreme Court of Canada rulings have emphasized the Crown's duty to consult and accommodate aboriginal people on development that occurs on their traditional territory, a process that can delay natural-resource projects for years.

But Mr. Helin said that won't be a problem if native bands are given significant roles, with seats on the corporate boards overseeing these projects and jobs for locals accustomed to high unemployment rates.

"It will allow aboriginal people to have equity in their own projects," he said. "In the past it may have been white business owners in Toronto extracting all the wealth, whereas this will give them a lot more control."

Native bands have also complained that their environmental concerns are not typically treated as a priority. Mr. Helin said that won't be the case with these investments.

"It's important to have aboriginal people within the corporate structures of whatever entity is developing the resource assets because they will make sure it's done responsibly," he said. "They have to live in the area long after the project is finished."

The fund will be split in two parts, both of which will be managed by Vancouver's RCI Capital Group.

John Park, chairman of RCI Capital, said the initial investment commitments come from institutions that manage Chinese and Korean sovereign wealth funds.

He will also be taking a road show to Japan, Taiwan and Singapore and expects to do at least \$500-million in business, largely because Canada's natural resources are attractive to Asians.

"They all come from emerging markets and can understand emerging market opportunities, such as in aboriginal communities in Canada, better than mainstream investors in Canada," Mr. Park said.

The fund will invest primarily, but not exclusively, in aboriginal projects, he said.

The structure of such deals could take many forms, he said, using the example of an unidentified B.C. band involved in a mining negotiation.

"The band is leveraging their consultation and accommodation rights to negotiate an equity position. The trouble is, the band doesn't have the funds to take that equity position.

"We hope to bridge those gaps by offering funds to those bands as a loan. Obviously, we're looking for a return, but our overall mandate isn't just maximizing investment dollars. It's to bridge corporate Canada and aboriginal Canada," Mr. Park said.

The group expects to raise \$2-billion in total from Asian and Canadian investors.

© 2007 The Globe and Mail. All rights reserved.

http://globefund.com/servlet/story/WISE_INVESTOR.20090311.weekly/GFWIStory