

Levitt Capital likes Indonesia firms with reach

- * Distribution networks key in Southeast Asia's largest economy
- * Television advertising to boost branding needs
- * Avoid politically connected firms

By Michael Taylor

JAKARTA, Oct 21 (Reuters) - Indonesia's bullish investment outlook remains intact despite a recent run by foreign investors, with retail companies having growing distribution networks favoured, a U.S.-based wealth manager said on Friday.

Southeast Asia's largest economy is expected to grow more than 6 percent this year, boosted by commodities and huge consumer-spending power, but distribution is often a barrier for foreign firms, Robert Levitt, chief investment officer and founder of Levitt Capital Management (LCM) told Reuters. "The biggest challenge in the consumer side is distribution," said Levitt, whose fund invests in equities, commodities, currencies or fixed income and currently has assets of about \$500 million. "Everybody who wants to come to Indonesia wants to know how to distribute products."

Top picks for Levitt are retailers Mitra Adiperkasa <MAPI.JK>, Sumber Alfaria Trijaya (Alfamart) <AMRT.JK> and bread maker Nippon Indosari <ROTI.JK>. These companies are building their distribution platform as fast as they can and that will eventually help them expand revenue, said Levitt, who did not give a performance indicator for his fund.

Although distribution is crucial for retailers in the archipelago of 17,000 islands, where firms have to grapple with power shortages, lack of roads and ageing ports, branding is also a key to tap into a growing middle class market.

With this in mind, Levitt also likes leading media firms such as Surya Citra Media <SCMA.JK> and Media Nusantara Citra <MNCN.JK>.

"Branding here is done very differently than most other countries, because you have a lot of people using over the air television," said Levitt, an American who often visits poverty-stricken parts of Indonesia to find investment ideas.

"It's a natural spend money today, building a product line for the future," added Levitt, speaking from Yogyakarta, where he is studying bahasa Indonesian. "They (television firms) have control and the ability to brand any product."

Least-favoured Indonesian investments for Levitt, who splits his time between France and Southeast Asia, are those with large government contracts or who have senior members of their management team in politics.

"There are big companies, for example in the construction industry, that are heavily reliant on government contracts," said Levitt. "Those are the kinds of things that politically can become somewhat challenging."

Indonesia's stock market <.JKSE> is down about 2 percent this year but has held up better than most other Southeast Asian stock markets, as global economic and sovereign debt woes sent investors running to safety in recent months.

"This is the best market in the world," said Levitt, whose fund specializes in managing global portfolios for wealthy families, with \$3 million minimum initial investment. "There are other countries that have more growth but they also have more money.

"China at one time was a great place for foreigners because they needed foreign money, but today they don't really need foreigners," he added. "Indonesia is about the only equity market that we held throughout the market decline."

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