

Seagate Global Advisors

***Comments On Attracting Capital to the Philippines From the Perspective of an
International Investor in Today's Liquidity Crisis***

Presented to

The Institute for Solidarity in Asia

By

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- It is important to recognize the external environment that international investors are confronting
- US- Confronting the worst liquidity and asset crisis perhaps since the 1930's
- The slowdown in the US while less important than previously, will have an impact on Asia
- China- High growth that is starting to produce inflation that will require higher interest rates and a stronger currency to slow
- Japan- Still muddling along
- Europe- Will soon catch the same illness the US has and growth will slow
- Emerging markets doing well, but ultimately will re-couple
- The bottom line: When the big dog sneezes, everybody catches a cold in today's interconnected markets
- The current crisis will pass, and revert to more positive trends

- Despite the current crisis environment, there are still a number of longer term trends that remain very favorable for the Philippines
 - Growth of China and Asia
 - Spread of free market economics
 - Globalization
 - Outsourcing
 - Improving technology
 - Increasing demand for food, commodities and energy

- Fundamentals in the Philippines have improved steadily over the past decade
 - Fiscal budget improvement
 - International reserves over US\$36 Billion
 - Positive balance of payments
 - Converging inflation and interest rates
 - Decreasing unemployment
 - Overseas network of workers sending back hard earned money equal to around 10% of GDP
 - Strong currency (best performing Asian currency in 2007)
 - Inexpensive cost structure

- The Philippines has a number of attractive national factors that appeal to international investors
 - Large country with 90 million people
 - Hard working
 - Honest
 - Friendly
 - English speaking
 - Understands and appreciates the US, Europe and Asia
 - Educated
 - Religious
 - Resource rich
 - Located in the heart of Asia
 - Democracy
 - Competitive cost structure (cheapest pizza in the world)

- Poor public relations
- The Philippines is simply not on most investors radar screen
- For the few investors that are aware of the Philippines, many have a negative perception
 - Noisy politics
 - Antics of separatists
 - Corruption
 - Perceived lack of transparency
- The Philippines is simply not getting credit for all the positives

- Work to promote the view of the Philippines as a free and functioning democracy that tolerates dissent which makes the Philippines a safer place to invest, not less safe
- Place separatist threats in perspective and continue to reduce that threat
 - (I tend to believe high economic growth that spreads the benefits is the best way to accomplish this)
- Continue steady improvement on macro-economic level
- Lower taxes and costs of doing business in the Philippines
- Improve infrastructure
- Invest in education
- Improve market transparency and promote fair regulation of exchanges
- Improve public relations to get out the positive story about the Philippines in Asia and around the world
- ***Continue to improve corporate governance such as the work that the Institute for Solidarity in Asia is promoting!***