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Putting \$100M where his mouth is

DESPITE the current political noise, the Philippines is the next best place to invest, according to one of the world's smartest investors—gauged by his investment performance—and he is putting his money where his mouth is.

Bill Lawton, chairman and chief investment officer of Seagate Global Advisors Llc. and a California-based investment company, also sees the adverse external conditions as possible opportunities for the Philippines; specifically, that the expected drop in asset prices in the wake of the US crisis is a buying opportunity to put some of the \$100 million he is raising for his new Philippines Fund to work at great levels.

Seagate's global macro fund is up over 16 percent this year, while the Standard & Poor's 500 is down over 10 percent and global markets are melting down.

Even more impressive is the fund he conceived and launched with a Chinese joint-venture partner in 2004 to invest in China. That fund is up over 1000 percent since its launch less than four years ago.

Lawton now believes that the Philippines is poised for an extended period of positive growth, and in the same way that Shanghai and China have been transformed over the past 10 years, Lawton believes Manila and the Philippines will be transformed in the next 10 years in a similar dramatic fashion.

Now, he sees the same opportunity in the Philippines as he saw in China. Recently named advisor to the Cebu Business Development Council, Lawton sees improvement in corporate governance and market transparency as critical to attract foreign capital.

He sees the external business environment in the US and global liquidity crises as short-term negatives and remains unbowed.

For all the apprehensions about the Philippines as a viable investment spot, Lawton prefers to be optimistic for several reasons. First of all, he says there has been a slow, steady improvement in the Philippines' macroeconomic situation that few are paying attention to or acknowledge.

Among others, that economic growth has been positive for 10 years, and accelerating to over 7 percent recently; the budget deficit has improved, and is close to being in balance; international reserves are over \$36 billion and at an all-time high; inflation and interest rates, while recently moving up a bit, are still close to international levels, and well below several years ago; the trade balance is positive; the Philippine peso has been on a tear.

He also cites the inflow of OFW remittances (\$14 billion this year), "representing the honest fruits of the labor of 8 million Filipinos abroad," as now a major contributor (10 percent) to the Philippines' GNP.

So, despite all the noise in local politics, the Philippines has put in a solid and improving economic performance that Lawton thinks will meet positive trends outside the islands.

Among these trends benefitting the Philippines are the growth of China and Asia;

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the spread of free-market economics; globalization; outsourcing; and increasing commodity prices.

Lawton also cites the Philippines's large, educated English-speaking population that understands and has a close cultural identity with the US and Europe but is located in the heart of Asia. The honest and hardworking OFWs represent a hidden asset that few countries have. These overseas workers provide monthly cash to the country, and represent a built-in business network from New York to Dubai. As China and Asia grow, tourists will flock to the clean sandy beaches of the islands. Call centers are moving from India to the Philippines due to the competitive cost and higher-quality service. Also, the bull markets in commodities and energy play to a Philippine strength, Lawton explains.

On the cost side, Lawton thinks the Philippines compares well with other locations. He recently bought a penthouse apartment in Fort Bonifacio for what he says is 10 percent of the cost of what it would have been in Hong Kong, and he points out that Manila had the lowest cost globally in an international comparison for the price of a large pizza at an international chain.

Detractors to Lawton's view say the country is unstable, and that corruption and Muslim separatists are a problem.

Lawton views this all positively as it fails to recognize what he sees coming, and is giving him a chance to build his organization in the country. He says the politics may be a bit messy, but that is democracy in action, and in the long run is the best form of government that Filipinos exercise with gusto. He is certain that continued positive economic growth will work to produce more jobs, lower unemployment, reduce poverty, and benefit all Filipinos, and that this will reduce tension in all parts of the country as lives improve.

Lawton saw this in Japan as he rose to be the chief investment officer of one of Japan's big four asset-management companies. In China, he was hired by the central bank in 1993 to help China set up its reserve-management operations. At that time the reserves were less than \$15 billion (and are now over \$1.3 trillion). He was called on to also advise the State Development Bank and a number of commercial and investment banks. Working from the inside, Lawton could see that China was ready to explode, which is why he started his successful China investment fund.