2017 Asia-Pacific Business Outlook Conference

Principles and Strategies of Investing in High Growth Emerging Markets in South East Asia

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Lessons Learned

Patience / Perspective

- Investing in emerging markets is essentially long term. Although there is the occasional hockey stick growth, most sustainable businesses are built more slowly, constantly tweaking until one gets the formula right.
- Few exits other than trade sales - IPO markets cyclical.
- Hard to restart since bankruptcy law not well defined. Even without personal guarantees you are always on the hook. Reputation is critical.

Lessons Learned

Principle

- Do the right thing always. Just say NO. No Short cuts. Be patient. This is the right moral and most effective strategy. Eventually when they know you are true to your principles they will stop asking.
- Stay out of politics. Support the government and general trade and good business principles - level playing field, freer trade, transparency - but don’t take sides.

Lessons Learned

People

- People drive business. Recruit, empower, educate and encourage your management teams.
- Go local as quickly as possible.
- Understand the culture / environment / community in which you operate.

Lessons Learned

Partnerships

- Picking the right partner can be one of the most critical success variables.
- Do your due diligence.
- Understand there are few minority governance rights, redress through court system is not a viable option.

Lessons Learned

Un-Predictability

- Beware BLACK SWANS:

  Unpredictable, unexpected events (outliers) of extreme impact.

Rules of Investing

- Need to have effective control either solely or with like-minded investors.
- Corporate governance perspectives, minimal minority rights.

James Stockdale's Principles for Evaluating Leaders

- Ability to compensate
- Personal Integrity
- Emotional stability to deal with failure
- Leadership through teachership

Strategy

- Diversification
- Agricultural Exports
- Tourism
- Healthcare
- Communications / IT

Development Finance

- Grow principally through loans from developmental banks (IFC, export lending organizations).
- Very little cash flow related lending.
- Most debt financing is asset based. Because of smaller business base never completely off hook (really no bankruptcy procedure similar to Chapter II in US).
- Exits are normally from trade sales as IPO markets are limited in developing countries.
- Limitation on foreign ownership can create structuring issues.

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