



Abhisit Vejjajiva, prime minister of Thailand



Marc Faber



December 2009
Adelbert Legasto, Bank of the Philippine Islands;
Thiranuch Thampimukvatana, Government Pension
Fund of Thailand; Ramon Maronilla, State Street
Global Advisors

Abhisit Vejjajiva and Marc Faber set contrasts

‘Cautiously optimistic’ is one way to describe the mood at *AsianInvestor’s* Southeast Asian Investor Forum in Bangkok; ‘riven by uncertainty’ is another.

By Joseph Marsh

The first two speakers at *AsianInvestor’s* Southeast Asian Investor Forum in December struck contrasting tones: one relatively optimistic, the other notably more downbeat.

Appropriate, perhaps, given that markets are in two minds over whether they are truly recovering or about to enter another ‘dip’. Appropriate, too, since the world is split between countries still mired in recession (such as the US and the UK), and those (such as China) that appear to have largely shrugged off the downturn.

Of course, it is not surprising that the opening keynote – given by Thai prime minister Abhisit Vejjajiva – was upbeat, nor that what followed from famed bear investor Marc Faber was full of gloom. Nevertheless, they set the tone for the rest of the event at Bangkok’s Mandarin Oriental Hotel, attended by a capacity crowd of over 250.

Abhisit’s speech touched on the importance of, and increasing shift towards, integration within Southeast Asia and the wider region, as well as the emphasis on infrastructure in the Thai government’s stimulus packages.

With regard to the financial sector.

Abhisit speaks of support for “the creative economy and the service sector” and of seeking “public-private partnership” on certain large projects.

The government also plans to liberalise financial services, increase competition in the sector, liberalise the securities business, reform the framework of securitisation for commercial collateral, streamline the tax system, develop the financial-product market and create a culture of savings and investment.

Lastly, Abhisit says the government is considering the creation of a Thai sovereign wealth fund.

Later in the day, Singha Nikornpun, president of Thailand’s Deposit Protection Agency, provided more detail about the country’s stimulus and infrastructure projects. Over 2009, 116.7 billion baht (\$3.5 billion) was spent on programs to help the poorer and less privileged sections of the population. And 1.43 trillion baht has been set aside for infrastructure investment over the period 2009–2012.

Singha says the economy is improving but concerns remain, including commodity price volatility, public debt worries and domestic political uncertainty.

Another challenge is the timing of exiting stimulus packages.

After Abhisit’s presentation, Marc Faber proceeded to live up to his sobriquet as ‘Dr Doom’. Citing numerous factors, from oil prices to stock markets to public debt, he says US expansionary monetary policies, with “artificially low interest rates”, have created “the credit bubble, the housing boom, the refinancing boom and the other problems we have today.

“The easy monetary policies have had a decided impact, because of higher costs for consumers and businesses due to higher oil prices,” Faber adds. “This crisis has not solved anything; we have less transparency than before.”

He envisages another, much larger crisis, in which not only does the banking system go bust, but several governments are unable to pay their obligations.

Faber was not the only speaker to highlight major concerns. Concentration risk was one issue raised by Christoph Michel, Hong Kong-based group chief risk officer at equity brokerage CLSA Asia-Pacific Markets. He was participating in a panel addressing the lessons learned – or not – from the financial crisis.



Charles Wong,
Conventry Capital

Carl Moss, Intech

Garry Hawker, Mercer

Dr. Pisit Leehtam, Provident Fund Association of Thailand;
Prime Minister Abhisit Vejjajiva; Jonathan Watkin, AsianInvestor

Fewer and larger players in the financial markets are now increasingly interconnected, which creates a concentration risk and increasing external costs, says Michel. In other words, the failure of one bank will have ever-higher costs for the entire economy. Ultimately, there is a risk that the world is going back to business as usual without addressing the fundamental weaknesses of the financial system, he adds.

On another panel, hedge fund managers were more upbeat, yet fully aware of the lessons learned from the past 18 months. Pre-crisis, a lot of funds focused on the asset side of the balance sheet, but never really focused on the funding side, says Kenneth Ng, Bangkok-based chief executive of NT Asset Management. The panelists agreed that managers will have to be more selective about the funds they accept in future.

But they also argued that Asia hedge funds are relatively better positioned than those in the US or Europe to raise capital in the months ahead. That's because they were "much more investor-friendly last year than those in the US or Europe in

terms of gating, side-pocketing and so on", says Annie Yangeksakul, Bangkok-based Asian consultant at \$3 billion New York multi-strategy fund Corbin Capital.

Another panel, entitled 'finding alpha', focused on the long-debated question of whether active or passive fund managers provide better performance. The consensus certainly now seems to be that it is not a question of selecting either active or passive, but of how to use each approach and how to combine them.

In fact, despite the big shift towards passive investing in the past year or so – witness the boom in exchange-traded funds – the institutional investors on the panel seemed to come down in favour of an active approach.

For example, Teresita Deveza, acting managing director at Bangko Sentral ng Pilipinas, suggests that the uncertain environment and financial conditions in Asia require more critical thinking and analysis, and are therefore more suited to an active approach.

As for the question of how long to wait before terminating a fund manager,

research firm Greenwich Associates research has found that Asian institutions tend to be quicker than those in more developed markets to fire managers. The panelists in Bangkok appeared to be relatively less quick in their decision-making.

Deveza says the Philippine central bank is not quick to terminate fund managers because it has a strict selection process and communicates with them regularly. "We are also 'active' investors," she says. "Every week we check the situation of our NAV [net asset value], fund managers' performance vis-à-vis the index, and the market outlook."

Meanwhile, Thailand's Social Security Office (SSO) may terminate a contract if a manager underperforms the benchmark for three consecutive years, says Win Phromphaet, a fund manager in the SSO's investment bureau. But the institution also looks at other issues, not just the performance number, he adds.

So, some sensible and well-balanced views were aired in Bangkok. The question, as ever, is: what actions will follow them? ■

Thank You!

We would like to thank our sponsors and more than 250 attendees for making this year's event a success:

Gold Sponsors:



Silver Sponsors:



Bronze Sponsor:



Fund Services Sponsor:



For further information relating back to this event or for information regarding upcoming conferences, please contact christopher.petersen@asianinvestor.net Tel. +852 3175 1961.