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Less is More

In what started as a U.S. subprime loan crisis which morphed into a global financial and economic crisis, it has not reached a point where the dreaded "D" word has to be used but meanwhile other "d" words have already been creeping into daily vocabulary - deleveraging, deglobalisation, deflation, devaluation, destruction of wealth, destruction of production capacity, deficit disorder and debt deflation.

Having experienced many years of continued growth, the expectation is now for the global economy to recover and resume its growth. This cannot be. Time is required to heal the global economy - like a patient who has suffered a stroke, the doctor will prescribe complete rest while laying off all other activities. Therefore, during this period of healing, there will be continued uncertainty - about the state of the global economy, the health of the global financial system, solvency of countries, state ownership, volatility of currencies, protectionism, increased regulations, inflation/deflation/stagflation, etc. But what is certain is that by the time the crisis has passed, economic activity may have to shrink to an equilibrium between demand and supply. In other words - *less is more*.

Already several *less is more* trends are emerging - banks who have received government bailouts may have to scale back activities, hedge funds and private equity firms are consolidating back to their area of specialisation, etc. This signals a back to basics approach to investment, prudent use of leverage and focus on areas of expertise. Returns will have to be adjusted for the risks. Past performance track records will have to be reset to take into account latest losses. Investors whose wealth have been destroyed will have to rebuild from a smaller base and will therefore be prepared to engage through smaller commitments. The essence of *less is more* is less investment more returns.

China's economic anomaly

The World Bank recently revised China's 2009 growth from 6.5% to 7.2% following the stimulus package to inject $585 billion into its economy to offset declines in industrial and export growth. This coincided with China's National Statistics Bureau's recent forecast of 8% growth for 2009. The World Bank attributed China's economy growth to three aspects - (i) positive fiscal policy, (ii) infrastructure and industry upgrade and (iii) increased domestic demand. Firstly, the fundamentals of China economy are still good. With healthy fiscal condition, sufficient foreign currency reserves, China government can implement positive fiscal policy. Secondly, there is still huge space of improvement in infrastructure and industry upgrade. Thirdly, the domestic demand can be further increased if the government can implement further policies.

Against increasingly positive macroeconomic backdrop, anecdotal data at micro level remain decidedly mixed.

China's Purchasers Manager's Index (PMI) for the manufacturing sector - accounting for more than 40% of the economy - which sank to a record low of 38.8 in November 2008 has been improving continuously to above 50 in March to 53.2 in June 2009. A reading above 50 means the sector is expanding, while a reading below 50 indicates an overall decline. Other parameters such as container shipping rates and electricity generation have increased since March 2009 but are still substantially below 2008 levels. Domestic auto sales topped 4.96 million units for first 5 months of 2009, up nearly 14.3% year on year, overtaking the United States for the first time to become the world's largest auto market.

OWW portfolio enterprise services businesses whose customers are corporations are expecting flat growth but due to price competition, will see reduction in margins. However, they still maintain positive profits given their well funded balance sheets which have no borrowings. OWW portfolio consumer services businesses continue to grow especially if target customers are the young generation ie. Gen Y. Some of these companies have effected price increases and are expecting double digit profit growth.

It is likely that China's business environment is expected to be erratic with some sectors faring much better than others. Being in these right sectors can produce a vastly higher return on investment.

Goodpack achieves growth despite global trade slowdown

Admist the global trade slowdown, Singapore listed Goodpack Limited, the world's largest provider of returnable and environment-friendly intermediate bulk containers (IBCs) packaging solutions has continued to achieve revenue growth of 11% while maintaining attributable profits of US$22M for the 9 months ended 31 March 2009. During this period, the company's cost savings programmes resulted in a fall in logistics and handling costs by 3% and at the same time increasing cash generation from operations to US$23M.

The company is in the midst of expanding into six product verticals for its IBCs applications, which may provide additional revenue streams in the future. It has also set up business development teams to target the Middle East and Russia.

Despite tough economic conditions, the company is increasing headcount, particularly in sales and marketing division, to spearhead their new initiatives. The company believes that their strategy of extending their customer base and geographical reach will position them better to weather global challenges and take advantage of the market recovery when it arises.

For Goodpack video click:
http://www.goodpack.com/ibcrental/video.html (English)
http://www.goodpack.com/gpcn/ibcrental/video.html (Chinese)
http://www.goodpack.com/ibcrental-jp/video.html (Japanese)

OWW portfolios continue to bag more awards

Emerio has been ranked 80th in the 2009 Global Outsourcing 100 rankings by the International Association of Outsourcing Professionals (IAOP). Emerio has the distinction of being featured on the list four years in a row, right from the time the award was incorporated in 2006. In addition it has been recognised as Best 10 Rising Stars in South East Asia and also in the Pharmaceutical and Technology (Hardware and Software) industries.

The IAOP ranking is an industry accepted list of the world's best Outsourcing companies and according to IAOP, for a company to be listed, it has to be an outstanding performer in terms of growth rate, client experiences, operation efficiency, business width and depth, as well as management maturity.

Pixelmetrix received the Engineering & Technology Emmy Award from the National Academy of Television Arts and Sciences (NATAS) for its DVStation Transport Stream Analysis products.

This award defines the automated compliance testing to the multi-channel transport stream standards as defined by the DVB and ATSC.

About OWW

OWW Capital Partners Pte Ltd ("OWW") (www.oww.com.sg), formerly known as OCBC, Wearnes & Walden Management (Singapore) Pte Ltd, was established by OCBC Bank, WBL Corporation and Walden International in 1991. In October 2006, the management team of OWW acquired WBL Corporation's interests and the company assumed its current name.

OWW focuses on expansion stage companies in the enterprise and consumer services sectors within the South East Asia and North Asia regions.

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