

Investing during period of uncertainty

With governments around the world bailing out many of their major industries and launching massive stimulus programmes, the investment world continues to be fraught with uncertainty. Investors will continue to face a roller coaster ride while negotiating several unfamiliar conditions:

Global Deflation - Worldwide capacity has been built over decades to cater for the ever growing world wide consumption. However the US consumer has hit a brick wall and the whole world's production capacity has to shrink. This will result in deflation and profitability of businesses will be severely affected. Until demand/supply relationship is restored and deflation is no longer a threat, investors will continue to be risk adverse.

Currency volatility - Already there was a sharp appreciation of the USD as borrowers scrambled to repay USD loans. With the US government working the printing presses, there is a high risk of a disorderly fall in the USD. In the age of globalised trade, severe currency volatility can easily wipe out profits or even capital.

Impact of state ownership - For the first time, major industries in many developed economies are being bailed out concurrently by the state. As each country tries to nurse their economy back to health, globalization may take a back seat for several years. There will be uncertainty over each state's attitude towards risk, regulation, governance, free trade, executive compensation, etc and how they will eventually withdraw from these enterprises.

Once the collapse has bottomed and with regulatory frameworks and investor protection in place and clearer economic prospects, there will emerge this once in a lifetime opportunity to make investments which will yield super normal returns.

China Land Reform Opens Up New Investment Opportunities

The Chinese government announced in October 2008 its newest ruling on The Decision on Major Issues Concerning Rural Reform and Development. The cornerstone of this ruling is the decision on Land Reform, where farmers are now allowed to lease their farmland for up to 70 years, giving them greater freedom and rights over land use. Land ownership continues to belong to the state. This reform has several strategic implications.

Firstly, it encourages large-scale industrialization and modernization of the agricultural sector through land aggregation. Secondly, better and more efficient agricultural output enhances productivity, food security and self-sufficiency. Thirdly, the rural population can enjoy a higher income by leasing their land while having the freedom not be tied down to farming thus will be a constant source of low cost labour for China's urban workforce.

China has set aside an estimated US\$ 54-82 billion for rural development and infrastructure projects related to agriculture, rural areas and farmers. Private investment opportunities will be available in the following areas:

Agricultural industrialization - The agriculture industry in China is very fragmented, as the average farm plot is 1 mu (1 ha = 15 mu). There is thus tremendous opportunity for organizing large-scale farming businesses at a region or nation-wide level.

Food processing and distribution - Downstream food processing services and distribution support is lacking. A typical farm produce today passes through at least 3-4 layers of intermediaries before reaching the end-consumers.

Technology and innovation - China's agricultural industry can be improved by embracing technology and innovation and learning from the experiences of other large agricultural countries such as the U.S. and Brazil. Others enablers include automation, resource planning, information systems, R&D, training and skills development etc.

China has 10% of world's arable land and is supplying 50% of total global vegetable output. With the agriculture sector accounting for about 12.5% of GDP and 45% of its workforce, it is definitely exciting times for China as it moves to modernize its agriculture industry. Private equity investors should take note of this important development.

Resilience in adversity



Thailand has been through a lot in the second half of 2008. Apart from the financial and credit crisis emanating from the West that hit home across Asia in late 2008, Thailand has to endure severe domestic strife that culminated in 3 coalition governments over a four month period and gravely denting foreign investors' confidence in the process.

Asiasoft, an online gaming investee of OWW, with its headquarter in Bangkok, Thailand, has withstood very challenging macroeconomic conditions to report creditable 9 months results where it recorded 10.1% higher revenue than corresponding period last year. Leveraging on its deep market penetration in Thailand, Malaysia, Singapore and Vietnam, Asiasoft has benefited from growing popularity of online games in these countries by targeting customers (mainly youths) that are insulated from the financial crisis. As a result, Asiasoft continues to see steady average customer spends and growing customer base during the period.

Keeping a lead over its competitors in network investments and new games launches in the various markets, the group continues to adopt an expansionary stance for the immediate future and expect reporting growth for the full year.

Here Wego!



OWW investee, Wego Pte Ltd "Wego" is one of Asia Pacific's leading travel meta-search engines that searches across 100+ travel websites, facilitating price comparison that helps travelers find the perfect flight, hotel, or travel package.

Despite the global financial downturn, political unrest and natural disasters taking a toll on travel industry, Wego's monthly traffic has more than doubled in 2008 driven mainly by geographical expansion. The company has expanded beyond its key markets in Singapore and Malaysia to strengthen its Asia Pacific presence in Australia, Greater China, and India. Recent partnerships include Chinese online travel agency Ctrip, Indian online travel agency Cleartrip, Air China, Hainan Airlines and Oberoi Hotels, an Indian luxury hotel chain.

In addition, the partnership with News Digital Media has significantly broaden Wego's Australian footprint. Wego's travel search box is now accessible on all of News Limited's websites and travel editorial sites, including news.com.au/travel, dailytelegraph.com.au/travel, heraldsun.com.au/travel, couriermail.com.au/travel, adelaidenow.com.au/travel, perthnow.com.au/travel, the australian.news.com.au/travel. Wego has seen than 30% growth Australian traffic since the launch of Wego.com.au in July this year and seven million visitors a month.

Management remains cautiously optimistic that online travel and travel search will remain resilient in the face of the downturn as consumers switch from offline to online players for better value. This trend is consistent with other online travel industry players such as Wotif and Asiatravel.com saw 40% and 22% increase in revenues respectively in 2008.

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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