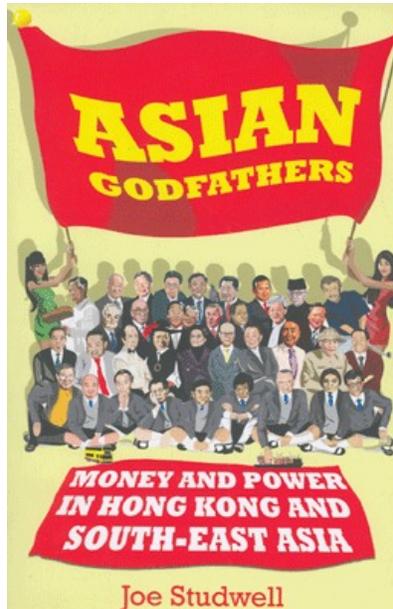


Asian Godfathers: Book Review

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I recently finished reading 'Asian Godfathers' by Joe Studwell. It is a must read for those conducting business in Asia.

The book is about a handful of Southeast Asian billionaires who came to dominate the domestic economies of their region. Prominent figures include: Daim Zainuddin, Ananda Krishnan, Robert Kuok, Mohammad Bob Hasan, Liem Sioe Liong, Lucio Tan, Henry Fok, Stanley Ho, Li Ka-shing and Thaksin Shinawatra.

It is complete with interesting anecdotes and explores the interrelationship between the politicians and the godfathers. Studwell also examines the core cash flow that drives the average godfather's empire.

While many have exploited the region's political landscape through bribes and lies, we have much to learn from them. They have risen to godfather status because of their unparalleled ability to understand the commercial angles of Southeast Asia.

For me, the biggest takeaway is to do your due diligence before investing in a public company in Asia. Godfathers often use the stock market to expropriate minority shareholders. This is done through complex financial engineering, timely release of insider information and opaque interplay between listed and private companies:

“Robert Kuok, whose listed businesses have a long track record of underperforming the broad indices of the markets in which they are traded, is a master. For many years he had a Singapore-listed dry bulk shipping company called Pacific Carriers Ltd (PCL), whose price and dividend performance were so appalling that the counter became known to traders as Please Cut Losses. In 2001 Kuok took PCL private at a hefty discount to its net asset value.”

The book made me appreciate the importance of investing alongside owner-managers with proven track records of creating shareholder value. The best managers eat their own cooking and think like owners in making business decisions. Or as Charlie Munger would say: *Never wrestle with a pig because if you do you'll both get dirty, but the pig will enjoy it.*