

Philequity Corner (June 29, 2009)
By Valentino Sy

Wisdom of our Sage at 88

Last June 30, Washington Sycip celebrated his 88th birthday. At 88 years old, he is still a guiding light for the Philippines and for Philequity. For us, at Philequity, the “W” in Washington stands for WISDOM and the “S” in Sycip stands for SAGE.

We are fortunate to have him as one of our directors. His advice often plays a key role in our successful investment strategies. He is a big help, always sharing us his wisdom, insights and experiences.

Warning from our sage

Long before the fall of Bear Stearns, the collapse of Lehman Brothers and the near systemic breakdown of the US financial system last year, Washington Sycip (who is a director of Philequity) already voiced his concern on the brewing financial crisis emanating from the US.

In one of our board meetings, Mr. Sycip expressed alarm on the proliferation of high-powered, multi-billion dollar hedge funds, particularly on the amount of leverage they use, their investments in derivatives and the increasing risk that these complex securities pose on the financial system. He called these hedge funds a bunch of “promiscuous Wall Street whores” who willingly engage in reckless deals to satisfy their greed.

Back then, most markets were still trading at all-time highs, but Mr. Sycip’s warning cautioned us to prepare for the market carnage that followed.

Prophecy comes true

Just before Lehman Brothers collapsed, he did mention in another Philequity board meeting, that the financial system was in dire straits. At that time, he just came from a meeting in Aspen, Colorado where central bankers, CEOs and top economists were really apprehensive of the financial system. Mr. Sycip told the board that a big bank, probably Lehman, would fail. In fact, he forewarned not only Philequity but also several banks in the Philippines about the impending financial Armageddon.

Little did we know that this will be prophetic. At that time, it was so far-fetched that the US government would let one of its major banks – one that even had a triple-A rating - to collapse, bringing the entire US financial system to a near standstill.

Our corporate conscience

Besides giving the board advice with regard to the economy and business, Mr. Sycip plays the role of corporate “conscience”. He is very conscious of corporate governance issues, making sure that corporate laws and rules are followed and practiced with the highest ethical and moral standards. He never fails to mention this to our board and he does the same in the countless corporations and business groups where he sits as a director or adviser.

He is well-respected for his integrity and independence and always makes sure that shareholders’ interest is paramount.

Mr. Sycip does not mince words when topics on education, population control and politics are discussed.

On education

If he had his way, he would pour huge amounts of money on basic education. “Education,” he says, “can be the most effective economic equalizer.”

He would often recall the public schools of his youth where the standards of instruction were high. Being a product of the public school system himself (attending Burgos Elementary and Mapa High School), he is greatly bothered by the state of public schools in our country today.

The Philippines is under-investing in basic education, he says. Thailand spends over six times what the Philippine government spends for educating its citizens, while Malaysia spends over 10 times more. Moreover, he notes the wide disparity in educational standards between the good but expensive private schools and the poorly equipped public schools.

But more than just lamenting the state of things, Mr. Sycip has been doing his humble share to address this problem. When he visited his alma mater Burgos Elementary School some time ago and learned that there were not enough chairs for the attending students, he made sure that the necessary chairs were donated. He continues to do this now, not only to his alma mater but to schools all over the Philippines.

When he went to the University of the Philippines to accept an honorary degree, he donated P1 million for every member of his family who had attended the university - P10 million in all. He suggested that the university look to its alumni for funding and that government funds be diverted to basic education, particularly to the lower income group.

Probably not known to many, he has also been quietly donating to educational institutions to support the education of poor but deserving students.

On population control

Mr. Sycip has always been clear on his stand on population growth. “Continued rapid growth is draining economic resources and slowing down economic growth,” he says. He laments the fact that the Catholic Church may be impeding economic growth because of its stand on population control.

Moreover, statistics show that the population problem is more pronounced in the lower income brackets, i.e. the poorest of the poor tend to have more children compared to the middle and upper income classes. “This further worsens the inequality problem.”

Mr. Sycip advocates a “consistent and long range” family planning policy, particularly promoting access to family planning education and methods, especially to the lower income levels of the society.

On politics

Perhaps the most controversial among Mr. Sycip’s statements is that Western-style democracy is a hindrance to economic development. He believes that economic growth should take precedence over democracy and not vice versa. He has always had high praises for Lee Kwan Yew.

Mr. Sycip often cites the rapid growth of East Asia which emphasized basic education, health care and economic freedom first. “As income level rises and poverty and hunger are no longer serious problems, political freedom follows. Elements of democracy come naturally with a growing middle class,” he says.

He also emphasizes the dilemma of corruption in the government, which hinders economic growth. We can feel his frustration when cases of corruptions are discussed. He does not favour any administration and voices his distress whenever cases of corruptions are cited.

Quintessential nationalist

Mr. Sycip's love for the Philippines is unparalleled. At 88, his passionate love for the country and his genuine concern for the Philippines and Philippine corporations make him the quintessential nationalist.

In fact, his willingness to sit in the board of numerous corporations in the Philippines is because of his love for country. This is also the reason why he is very opinionated when talking about education, population control, politics and other issues that are vital in achieving a more equitable and sustainable economic growth for the country and its citizens.

Behind Philequity's success

Whenever we are asked the secret behind Philequity Fund's impressive performance for the past 15 years, we would attribute this to the collective and diverse skill, expertise and wisdom of those in its board. But more importantly, we feel fortunate and very grateful that we have in our midst Mr. Sycip who has selflessly and untiringly extended to us his encompassing knowledge, experience and wisdom.

Shareholders' meeting

Philequity is holding the annual shareholders' meeting today 3:30 pm, at the Conservatory function room, The Peninsula Manila. This would be an opportunity for shareholders to hear the views of the fund managers, research analysts and directors.

For comments and inquiries, you can email us at info@philequity.net. You can also view our archived articles at www.philequity.net or www.yehey.com/finance.