

US asset manager considers investing in RP listed firms



Companies

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CARTICA Management LLC., an asset manager focused on emerging markets, may buy into companies listed in the local stock exchange as part of its strategy to invest in successful firms that are taking steps to improve their governance structure.

At the sidelines of a business forum in Makati City, Cartica managing director Mike Lubrano said the company is in talks with a number of public firms in the Philippines, just one of three countries the Washington-based fund advisor is targeting in the region.

"The strategy that we have is to invest in companies where the controlling shareholders and the management want to improve the governance both to be more efficient and also to get higher share prices," said Lubrano in an interview with the BusinessMirror. Cartica's approach is similar to that of a private equity fund that invests in public firms.

"We want to be able to work with these companies that want to have better corporate governance that is not just a window dressing," he said.

Cartica, which is also looking at Indonesia and Vietnam, is keen on the Philippines because of the opportunities presented here.

"We think this is a market where there's enough consciousness of corporate governance. Where the market understands that poorly governed companies underperform," he said. "At the same time there is still a great diversity among the companies in their behavior and standards."

He said firms being considered in the country are those consistent with strengths of the Philippine economy, namely companies focused on consumer markets.

"The Philippines is also attractive because it has weathered the [financial] storm very well. Also next year is an election year so it's a special thing," added Lubrano.

Governance investing also offers many choices, he said, noting that there are 68 listed companies in the Philippines with a market capitalization in excess of \$100 million. Cartica takes significant positions in these firms averaging from 10 percent to 26 percent, to get representatives on the target company's board of directors.

"We should have an agreement with other shareholders that governance will improve and this will send a positive signal to the market. It's a strategy that has worked in the past," explained Lubrano.

At present, Cartica is evaluating proposals by some firms, while it actively seeks out companies that fall under its strategy. "Then we give them a call," said Lubrano.

Likewise, he noted that family corporations present "good" opportunities despite the complex corporate challenges these entities present.

"On family businesses- we love them. Family businesses can have the family business edge. On the whole, they outperform non-family business and not just in terms of share value," Lubrano said.

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