# Six Filipino billionaire heirs rise with Duterte shift to China

Blake Schmidt

SEVEN decades ago in Manila, one of Henry Sy's first bonanzas was buying cigarettes off of American soldiers and selling them in the city plaza at a markup.

Now, heirs of the retail and property mogul behind Southeast Asia's largest fortune may have found a jackpot of their own: They're building a supermall in China that's almost the size of the Pentagon.

The project signals increased exposure to the world's biggest consumer market, in line with the foreign policy shift towards Beijing by President Rodrigo Duterte. Investors have come around to the tough-talking populist since his election last May, supporting a rally for Philippine equities and a surge for the stocks owned by Sy's SM Investments Corp as the company undergoes a generational shift. That's made billionaires of his six children, according to the Bloomberg Billionaires Index.

"Henry Sy was one of the more forward-looking and canny tycoons in the Philippines in that he paid attention to succession issues probably better than most," said Alejandro Reyes, a Manila-born visiting professor at University of Hong Kong's politics department. "The Philippines is an oligarchy where you have a limited number of families who benefit when the economy is doing very well, and who control an inordinate amount of the economy."

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Heir: Teresita Sy-Coson, vice chairperson of SM Investments Corp.

The heirs collectively have direct stakes of around 44 percent of SM, which has holdings in retail, property development, banking and logistics. The siblings - Teresita, Elizabeth, Henry Jr., Hans, Herbert, and Harley - have a combined net worth of USD10.7 billion, according to the index. Henry Sy, 92, is credited with the remainder of the clan's share of the conglomerate, held directly, with his wife and through family-owned holding companies.

The family's $17.6 billion fortune amounts to more than 5 percent of the island nation's annual GDP and has risen more than $3 billion since Duterte's victory, more than any in Southeast Asia, according to the Bloomberg index.

The conglomerate is viewed by investors as a proxy for the fast-growing Philippines economy, according to Frederic DyBuncio, who assumed the presidency of SM Investments in April. Indeed, logistics company 2GO Group Inc., which counts Sy's group among its largest stakeholders, has tripled in the past year, while property company SM Prime Holdings Inc., lender BDO Unibank Inc. and holding company SM Investments are each up more than 19 percent.

Teresita Sy-Coson, the eldest of the heirs, lauded Duterte in a recent interview with CNBC or his laissez-faire approach to the economy, even as he faces scrutiny for thousands of drug war killings that watchdog Human Rights Watch has called a calamity. She declined to comment on the family's net worth, and the family declined requests for additional comment sent through the holding company's investor relations department.

Teresita and her brother Hans have been in delegations that went with Duterte to China for talks with President Xi Jinping, a sign that the descendants of the conglomerate's China-born founder are well-positioned to benefit from the detente, Reyes said. Visits from Chinese tourists grew by more than one-third last year, a boon for the Sys' tenant at the City of Dreams Manila casino resort.

Seven of the group's more than 60 malls are in China. The conglomerate is building a residential project in Chengdu, with plans for Xiamen and Jinjiang, the latter being the birthplace of Henry Sy, who spearheaded the group's push into China. A supermall in the works in Tianjin would have more than 500,000 square meters of floor space, rivaling that of the Pentagon. It was designed like a blossoming flower to symbolize growth and new opportunities, according to the company's website. Still, China only accounts for about 2 percent of the group's total revenue.

The expansion in China brings the fortune back to the founder's homeland, and comes as Henry Sy attempts to execute an orderly handover of his wealth to a new generation, which includes the appointing of professional managers from outside the family. By involving all of his children as managers and giving them an ownership stake, he's been more proactive than some - even if he hasn't publicly designated a successor.

That transition was pushed forward in April when Henry stepped down as chairman of SM Investments and gave up a casting vote that gave him the power as a tiebreaker in cases of deadlock on the board. The company replaced him with longtime chief financial officer Jose Sio, who holds an MBA from New York University, and named 57-year-old DyBuncio, a former JPMorgan banker, to take over Harley's role as president.

"The family has learned to deal with decisions very professionally," said Corazon Guidote, senior vice-president for investor relations at SM Investments. She said that while the clan is handing management to professionals, each of the siblings still gets a vote on strategic decisions.

Even so, the odds may be against a smooth transfer, which remains a challenge for many of the world's richest families. Joseph Fan, a professor at the Chinese University of Hong Kong who studied 214 family-run firms in Taiwan, Hong Kong, and Singapore, found that their stock prices dropped by almost 60 percent on average in the eight years surrounding a change of power at the top.

"We have to wait and see how the relationships of his offspring evolve," Fan said in an e-mail response to questions about Sy. "The real test of the family's governance is typically when the founder approaches the end stage of life." **Bloomberg**

# Hong Kong steals Tokyo's crown as priciest Asian city for expats

HONG Kong overtook Tokyo as the most expensive city in Asia-Pacific for expatriates, and is second globally, according to consultancy firm ECA International. Thanks to the pound, London is now cheaper than Bangkok.

Hong Kong climbed to its highest position ever on the rankings. Tokyo maintained its No. 7 spot globally while Singapore fell to 24th place. London, at 132nd, is now cheaper than Thailand's capital, Rio de Janeiro and Buenos Aires. Luanda in oil-rich Angola climbed to the top spot.

"Over the past few years, the Hong Kong dollar has appreciated against most major currencies, owing to its peg to the U.S. dollar, which has pushed up the price of goods and services relative to those in locations whose currencies have weakened against the greenback," Lee Quane, a regional director for Asia with ECA, said in a statement yesterday.

While local prices have risen in Singapore, the city state's currency has weakened against counterparts over the past 12 months making relative costs cheaper than a year ago, Quane said. For Luanda, goods' costs -- already high due to poor infrastructure -- have risen as the Angolan kwanza becomes increasingly overvalued.

ECA conducts two surveys a year to help companies calculate cost-of-living allowances for expat employees. The surveys compare a basket of like-for-like goods and services bought from more than 460 locations worldwide, according to the company. The survey doesn't include rent, utilities, car purchases and school fees, which are tracked separately.

"Much of the movement in the rankings amongst Asian locations in the past 12 months has been strongly influenced by currency movements, with Yangon falling in the regional rankings on account of depreciation of its currency in the past year," said Quane.

An ECA survey published in May also found the value of expat pay and benefits packages continued to decline last year in both Hong Kong and Singapore. A package for a middle manager in Hong Kong, including salary, tax and benefits, has fallen 2 percent in U.S. dollar terms over the past five years to around USD265,500, while the typical package in Singapore dropped 6 percent to $235,500. **Bloomberg**

**Most Expensive Cities in the World**

| Country | Location | Global Ranking 2017 |
|---|---|---|
| Angola | Luanda | 1 |
| Hong Kong | Hong Kong | 2 |
| Switzerland | Zurich | 3 |
| Switzerland | Geneva | 4 |
| Switzerland | Basel | 5 |
| Switzerland | Bern | 6 |
| Japan | Tokyo | 7 |
| South Korea | Seoul | 8 |
| Venezuela | Caracas | 9 |
| Sudan | Khartoum | 10 |

## MACAU 11 IN ASIA-PACIFIC RANKING

**ACCORDING TO** the Cost of Living survey, Macau ranked as the 11th most expensive city for expatriates in the Asia-Pacific region, moving up one place from the previous year. That puts the MSAR slightly ahead of Guangzhou (13), Taipei (14) and Shenzhen (15), also beating out the South Korean city of Ulsan (12). According to the authors of the survey, it is less expensive for expats than Beijing (8), Busan (9) and Singapore (10). In the global index, Macau ranks as the 25th most expensive city in 2017.