

ANYBODY NEED SOME SEED CAPITAL ?

When seed capital is plentiful, it could be an important indicator of:

- a. The final phase of bullish equity markets; and/or,
- b. A suggested indicator of future trends, away from one industry and into another, or others.

Certainly, increases in the amount of seed capital that is available at any particular time must follow a bullish phase, of one kind or another, or follow a period of financial indolence, for one reason or another.

In today's world, putting money in most banks is one guaranteed way to see an erosion of funds due to the fact that interest rates at most banks are, presently, effectively, negative vis-à-vis the increase in the cost of living.

The knowledge of the availability of seed capital, if nothing else, stimulates the thought processes of those who are willing to take risks.

As is well known, the greater the risk, the greater may be the profit.

Those who make seed capital available know this only too well.

It is said, also, that leaders, that is risk takers, are always in short supply whereas administrators are, always, plentiful and relatively cheap, and relatively cheap to keep.

But leaders are written in history books; petty bureaucrats rarely live beyond their years.

Those who apply for seed capital must be eternal optimists and must be willing and able to take substantial risks.

Some of the biggest successes in the world of commerce, over the past century, have been those people who are willing to take risks.

Bureaucrats, for the most part, are risk-averse and, if anything, crush learning, caring only to travel the road that is known to be safe and smooth.

As the world's economies recover from the recession that had its official roots in December 2007, surplus capital, some of which, no doubt, will be used as seed capital, will become more and more available.

Future trends will determine how that surplus capital will be spent.

There could well be a shift in direction in a number of economic trends, away from telecommunications and Information Technology and into, for instance, gerontological industries, biotechnology, etc.

Medical science has made magnificent strides throughout the 20th Century and this has resulted in people in the Western World, living longer than ever in the history of man.

In the 19th Century, it would have been almost unthinkable that the mean average for the life expectancy of the human population of a country, such as Japan, could be 86 years-plus for females and about 79 years for males.

But that is the reality of today.

What the morrow will bring is unknown, however, one can bet one's bootstraps that even greater strides will be made in the fields of biometry and biotechnology.

Viagra is an example of the above-mentioned because this discovery, which has the ability to achieve and maintain an erection in healthy males, having been patented by Pfizer Incorporated of the US, resulted in this company, raking in hundreds of millions of US dollars.

Within one year of the launch of Viagra in March 1998, more than 3.60 million prescriptions for the drug had been issued in the US, alone.

Pfizer Incorporated is the largest pharmaceutical company in the world, today; it invests, heavily, in research and development.

Aside from this arena, the hunt is on for a substitute for fossil fuels, especially now with the so-called '*green revolution*,' sweeping the world.

Various suggested substitutes have come to the marketplace, of late, from fuel cells to electrically powered vehicles to solar-powered vehicles.

The cost of perfecting a viable substitute for fossil fuels is very high, unbearably high for most small companies.

Enter, Stage Centre, the entity with the availability of seed capital.

When Sir Douglas Clague came to the British Crown Colony of Hongkong and determined to take on the big boys, specifically Jardine Matheson and Company Ltd, few people, at first, realised how successful he would become.

Lt Colonel Douglas Clague, as he was known in World War II, was a huge risk taker who succeeded where others failed.

He was the Founder of what came to be known as Hutchison International Ltd – now known as Hutchison Whampoa Ltd – and this charismatic, former hero of World War II fashioned a conglomerate in such a relatively short space of time that it shocked the staid business world of Hongkong of the 1970s.

In 1969, the profits of Hutchison International Ltd were about \$HK3 million.

By 1973, the profits had risen to \$HK27 million.

By purchasing established companies of the British Colony, one after another, and, then, floating them, along with other companies on The Hongkong Stock Exchange, Hutchison International Ltd was able to pay for the purchases – and, in the process, it built up a sizeable war chest, to boot.

As the coffers were enriched, so the conglomerate was able to apply the funds for other uses, one of which was the purchase of Anglo-Chinese Publications Ltd, the owner of the now defunct The STAR Newspaper.

The STAR had been the brainchild of the former Australian Bureau Chief of Reuters, Mr Graham Jenkins, who, himself, was an entrepreneur.

Mr Graham Jenkins's Anglo-Chinese Publications Ltd ran into financial difficulties and so Sir Douglas

funded the papers to the tune of about \$HK250,000 per month via the company, known as Everybody's Ltd, a subsidiary of Hutchison International Ltd.

Unable to meet the deadline for the repayment of a loan that had been afforded to Hutchison International Ltd by a then Swiss finance house, Hutchison International Ltd and its 350 or so subsidiaries and affiliates sank under its debts.

The Hongkong and Shanghai Banking Corporation executed a force majeure attack at an Extraordinary General Meeting of Hutchison International Ltd and, in the process, acquired control of the conglomerate at a cost of \$HK150 million.

Placing Mr William Wyllie as the head of Hutchison International Ltd with a mandate to cut costs and sell what assets could be sold, it was the end of the road of Sir Douglas.

But his foresight is unlikely, ever, to be forgotten.

That this Rhodesian-born hero of World War II overtraded and was very short of competent middle management at Hutchison International Ltd is legend, but, nevertheless, his name is written in the history books of the 416 square miles that is, today, the Hongkong Special Administrative Region (HKSAR) of the People's Republic of China (PRC).

The lone individual at The Hongkong and Shanghai Banking Corporation, who ordered the force majeure attack to be executed, Mr John Boyer, is long forgotten and ended up looking after the London Zoo.

He was a banker, but he was little else, during his entire lifetime.

Gone and forgotten.

The Spring of 2009

After the deepening recession that began in December of 2007 through to the spring of 2009, seed capital was in short supply.

The recession, at one time, looked as though it could rival the 1929 Great Depression, but it did not pan out that way.

Today, the situation appears to have been stabilised by the concerted efforts of a number of countries, all of which, used taxpayers' money to bail out their respective economies, one way or another.

One may, now, expect to see the re-emergence of start-up companies, some of which will, likely, be the '*Microsoft*' of years to come.

Mr Bill Gates, the Founder of Microsoft Incorporated, may, in the course of time, be knocked off his perch as the richest man on this planet.

It seems inevitable.

Between the first quarter of 2009 through to the third quarter, the availability of seed capital has increased by about 44 percent.

During this same period, investments in energy and energy related companies have increased by about 77 percent.

In addition to energy, seed capital is finding its way into medical technology and those with considerable

seed capital, looking for a home, are abandoning Information Technology, telecommunications and computer software start-ups.

Whether or not this trend will continue is dependent on a number of factors, but, for the time being, medical technology is in, Information Technology is out.

The 'fuel' to power future economic trends is going to be seed capital.

Of that, there can be little doubt.

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