

MONEY MANAGEMENT

Tan Chong Koay sets the pace in Malaysia

He has been labeled a stock market contrarian, but top Malaysian fund manager Tan Chong Koay says that that's misleading. "I am a contrarian near the peak of a cycle," he allows, but deep down Tan is a fundamentalist, a strong believer in the teachings of that guru of modern securities analysis, the late Benjamin Graham. "He had simple rules," Tan observes. "A share has a value, and once it becomes overvalued, sell it."

By following such rules, Tan, chief executive officer of Pheim Asset Management, has consistently stayed ahead of the Malaysian money management pack. In 1992 the \$113 million, London Stock Exchange-listed Oriental Smaller Companies Fund (then called Malaysian Emerging Companies Fund), which Tan used to manage, came out first in mutual fund tracker Micropal's ranking of investment trusts in the Far East ex-Japan; the \$80 million Sesdaq Fund, another LSE listing that Tan ran, was the leader in 1993.

But Tan disagrees on at least one point with another U.S. market expert, retired Fidelity Magellan Fund manager Peter Lynch, who doesn't believe in predicting

turns in the market. Lynch's otherwise sensible view doesn't apply in Malaysia's notoriously volatile stock market, he says. "In this part of the world, you have no choice," he insists. "A fund should be fully invested near the bottom of the market and trimmed near the peak. But you should never be fully invested at all times."

Tan agrees that predicting market turns isn't easy, but in nearly two decades as a money manager, he has managed to time the Malaysian market perfectly. In 1987, for example, he sold 65 percent of the stocks in his portfolio in June and was sitting on a huge cash pile when the market crashed in October. Then, near the bottom, he bought.

Today Tan is managing 300 million ringgits (\$122 million) worth of funds, two thirds in Malaysian stocks and the rest in other Southeast Asian issues. The biggest block consists of the \$70.5 million, unlisted Malaysian Emerging Companies Growth Fund, which invests mainly in small- to medium-size Malaysian companies with a market capitalization of not more than \$200 million, although up to 30 percent may be in larger companies. At the start of the third quarter,

17.8 percent of the fund's assets were in construction and building materials stocks, 17.4 percent in property, 14.9 percent in manufacturing and 11.4 percent in finance. A bit more than 18.1 percent was in cash.

Tan's preference for growth stocks with low price-earnings multiples has served the fund well. Launched in June 1994, just as the market was souring, its net asset value was nevertheless up 28.3 percent a year later versus an increase of 7.7 percent for the Kuala Lumpur Stock Exchange composite index.

About 95 percent of Tan's growth-fund clients are institutional, and the rest are high-net-worth individuals willing to cough up not less than M\$5 million. More than half of his investors are foreigners. Tan aims to deliver returns that are at least 5 percentage points higher than the one-year deposit rate.

A motorcycle helped further Tan's interest in the stock market. In 1970, when he was 19, he was hit by one; he landed in the hospital but collected an insurance check for M\$14,000. A few years later the money helped pay for his first investment — in conglomerate Inchcape (now called Inchcape Timuran), whose share price had fallen to M\$2 following the loss of its Toyota franchise. In the next three months, the stock price recovered to more than M\$3, and Tan was bitten by the investing bug.

In Kuala Lumpur's investment fraternity, Tan is perhaps best known for having created the largest investment



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department in the country. In 1981 he was hired to form an investment unit at Arab-Malaysian Merchant Bankers — an arm of the Arab-Malaysian group, the huge financial concern owned by prominent Bumiputra businessman Tan Sri Azman Hashim. In seven years the department grew to more than 60 staffers.

In 1987 Tan designed the first unit

trust to invest in Malaysian government securities — Arab-Malaysian Gilts. It was floated in January and sold M\$100 million worth of units in the first two months. He was also appointed a director of Arab-Malaysian Consultant and adviser to the \$84 million Malaysian Fund, which is managed by Morgan Stanley & Co. and listed on the New

York Stock Exchange.

Tan became a founding member of Pheim Asset Management in January 1994. Now 45 years old and still a workaholic, he continues to search for ways to beat the market. And he still makes it sound simple: "When it's cheap, just buy. Don't listen to anyone but yourself." — **T.H. Chan**