

# PHEIM ASSET MANAGEMENT

## Why Asia Ex-Japan is attractive for Shari'ah investment

Islamic Funds World 2008, Dubai, 2<sup>nd</sup> November

Organized by Terrapinn

By Dr. Tan Chong Koay  
Founder/Chief Strategist





# Disclaimer

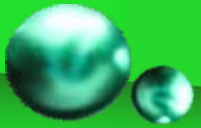
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# Asia Ex-Japan Has Bigger Population





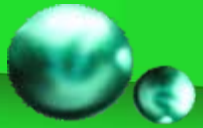
# Population and population growth: Asia Ex-Japan vs EU, US and Japan

Country	Population	Population growth(%)
World	6,677,563,921	1.16
European Union	491,018,677	0.12
United States	303,824,646	0.88
Japan	127,288,419	-0.14
China	1,330,044,605	0.63
India	1,147,995,898	1.60
Indonesia	237,512,355	1.18
Pakistan	167,762,040	1.80
Philippines	92,681,453	1.73
Vietnam	86,116,559	0.99
Thailand	65,493,298	0.64
South Korea	49,232,844	0.37
Malaysia	25,274,133	1.74
Taiwan	22,920,946	0.24
Singapore	4,608,167	1.14

Source: World Factbook, July 2008, <https://www.cia.gov/library/publications/the-world-factbook/rankorder/2119rank.html>

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# Asia Ex-Japan Has Younger Population





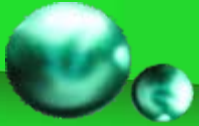
# Median Population Age: Asia Ex-Japan vs EU, US and Japan

Country	Median Age
World	27.5
European Union	~40.0
US	36.7
Japan	43.8
China	33.6
India	25.1
Indonesia	27.2
Pakistan	21.2
Philippines	23.0
Vietnam	26.5
Thailand	33.0
South Korea	36.0
Malaysia	24.6
Taiwan	36.0
Singapore	38.0

Source: World Factbook, 2008 est, <https://www.cia.gov/library/publications/the-world-factbook/fields/2177.html>; Median age for European Union calculated by average median age of Germany, France, UK, and Italy

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# Most Countries in Asia Ex-Japan Has Reserves Higher than that of USA





# Foreign Exchange and Gold Reserve: Asia Ex-Japan vs EU, US and JP

Country	Reserves of foreign exchange and gold (US\$)
European Union	563,000,000,000
USA	70,570,000,000
Japan	954,100,000,000
China	1,534,000,000,000
India	275,000,000,000
Taiwan	274,700,000,000
South Korea	262,200,000,000
Singapore	163,000,000,000
Malaysia	101,100,000,000
Thailand	87,460,000,000
Indonesia	56,920,000,000
Philippines	33,710,000,000
Australia	30,682,000,000
Vietnam	19,740,000,000
New Zealand	18,008,000,000
Pakistan	15,690,000,000

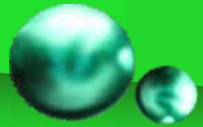
Source: World Factbook, 31 Dec 2007, <https://www.cia.gov/library/publications/the-world-factbook/rankorder/2188rank.html>;

Wikipedia, end 2007, [http://en.wikipedia.org/wiki/Foreign\\_exchange\\_reserves](http://en.wikipedia.org/wiki/Foreign_exchange_reserves)

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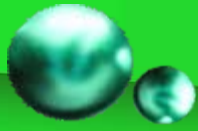




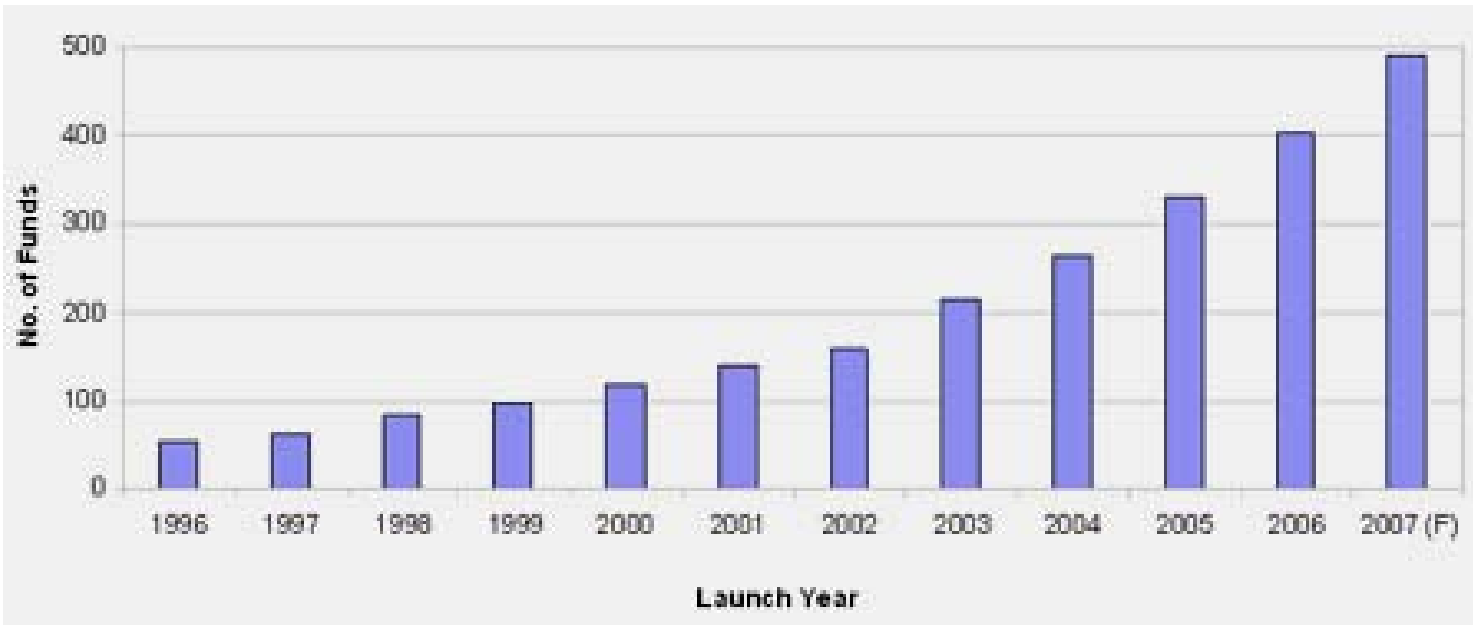


# Shariah-Compliant Funds in Asia Ex-Japan





# Number of Shari'ah-compliant funds increased 10 times in 11 years. Asset size reaches US 50-70bn



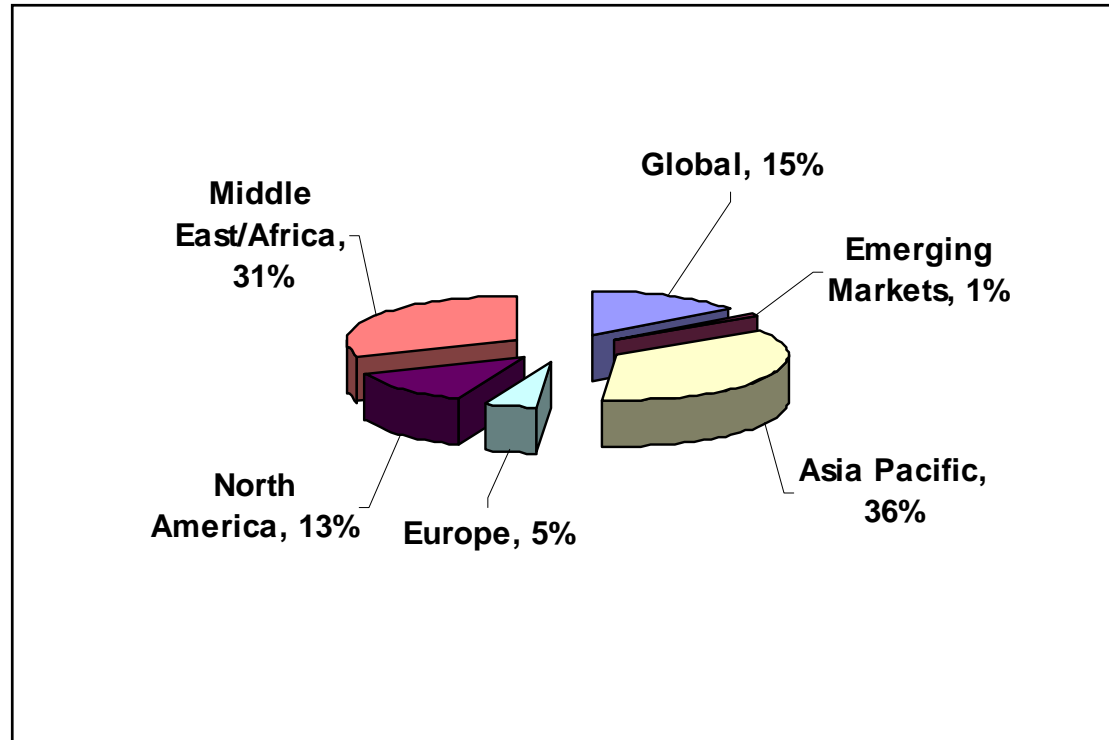
source: Eureka hedge Islamic Funds Database; 2007 July, [http://www.eureka hedge.com/news/07\\_july\\_EH\\_IFS\\_Key\\_Trends.asp](http://www.eureka hedge.com/news/07_july_EH_IFS_Key_Trends.asp)

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# Most number of Islamic funds invest in Asia Pacific and Middle East/Africa

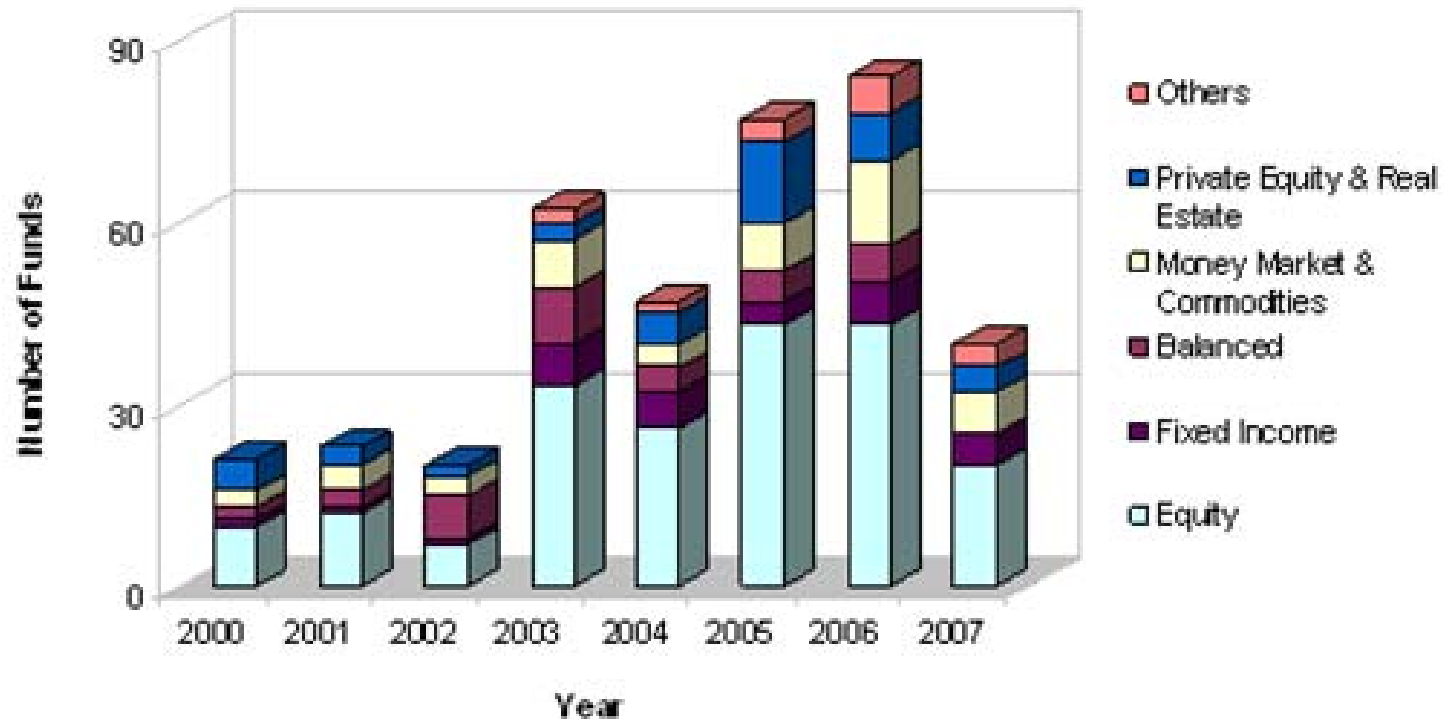


source: Eureka hedge Islamic Funds Database; 2007 July; [http://www.eureka hedge.com/news/07\\_july\\_EH\\_IFS\\_Key\\_Trends.asp](http://www.eureka hedge.com/news/07_july_EH_IFS_Key_Trends.asp)

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# Asset class: average 50% funds launched focused on Equity



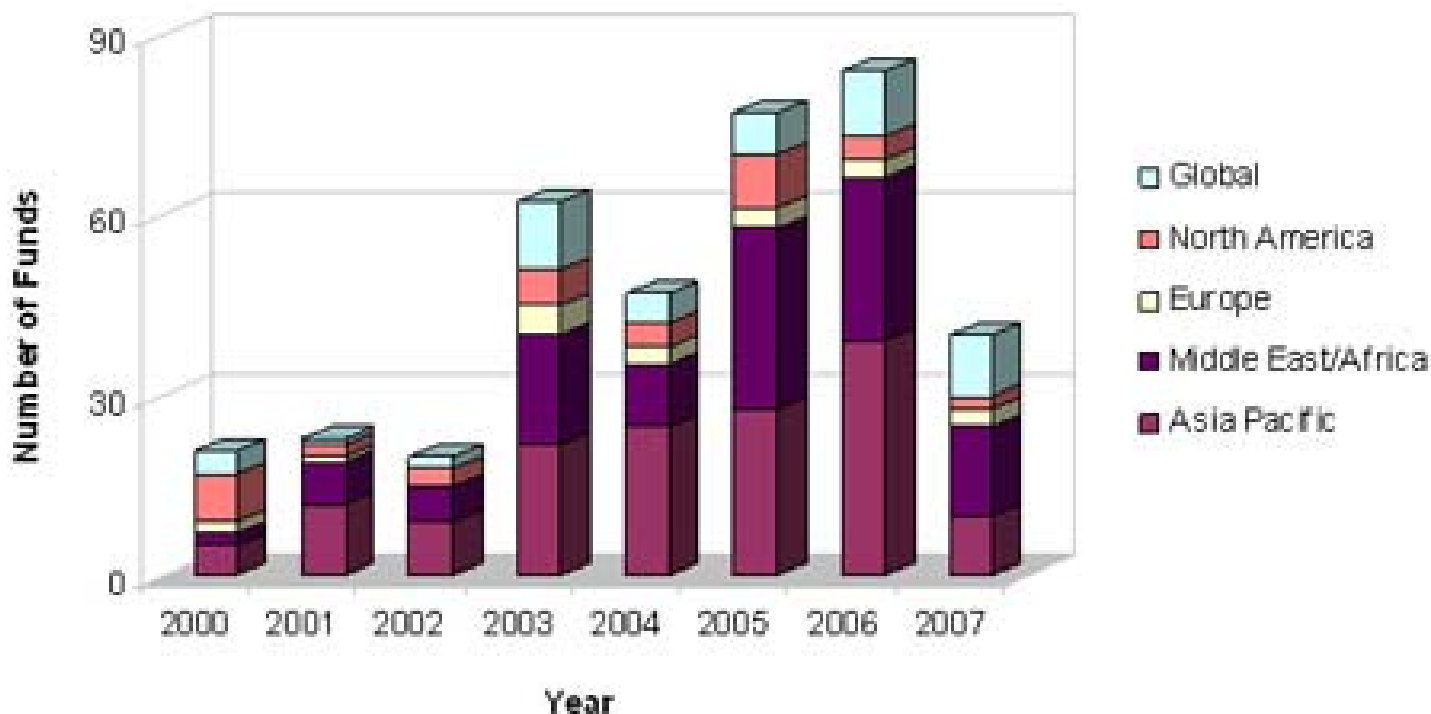
Source: EurekaHedge Islamic Funds Database; July 2007; [http://www.eurekaHedge.com/news/07\\_july\\_EH\\_IFS\\_Key\\_Trends.asp](http://www.eurekaHedge.com/news/07_july_EH_IFS_Key_Trends.asp); Data as of July 2007

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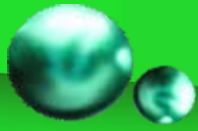
# New launches by country : Asia Pacific 2<sup>nd</sup> highest after Middle East/Africa



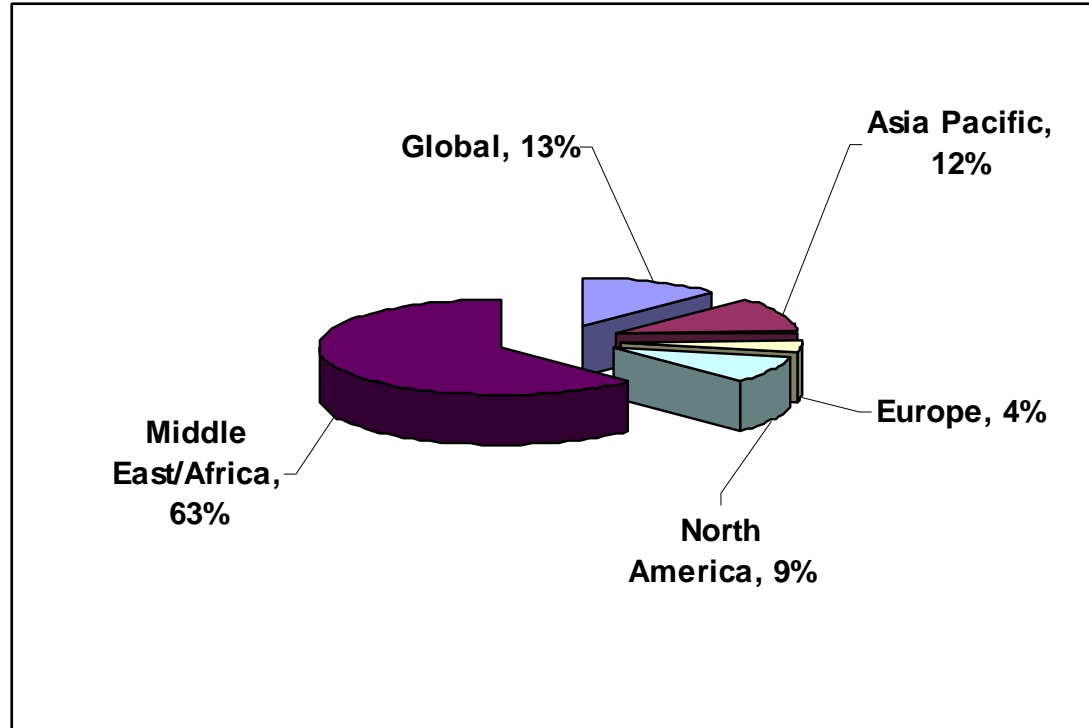
Source: EurekaHedge Islamic Funds Database; July 2007; [http://www.eurekaHedge.com/news/07\\_july\\_EH\\_IFS\\_Key\\_Trends.asp](http://www.eurekaHedge.com/news/07_july_EH_IFS_Key_Trends.asp); Data as of July 2007

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# Asset Size: Majority of Asset invested in Middle East/Africa



source: Eureka hedge Islamic Funds Database, 2007 July, [http://www.eurekaledge.com/news/07\\_july\\_EH\\_IFS\\_Key\\_Trends.asp](http://www.eurekaledge.com/news/07_july_EH_IFS_Key_Trends.asp)

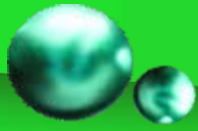
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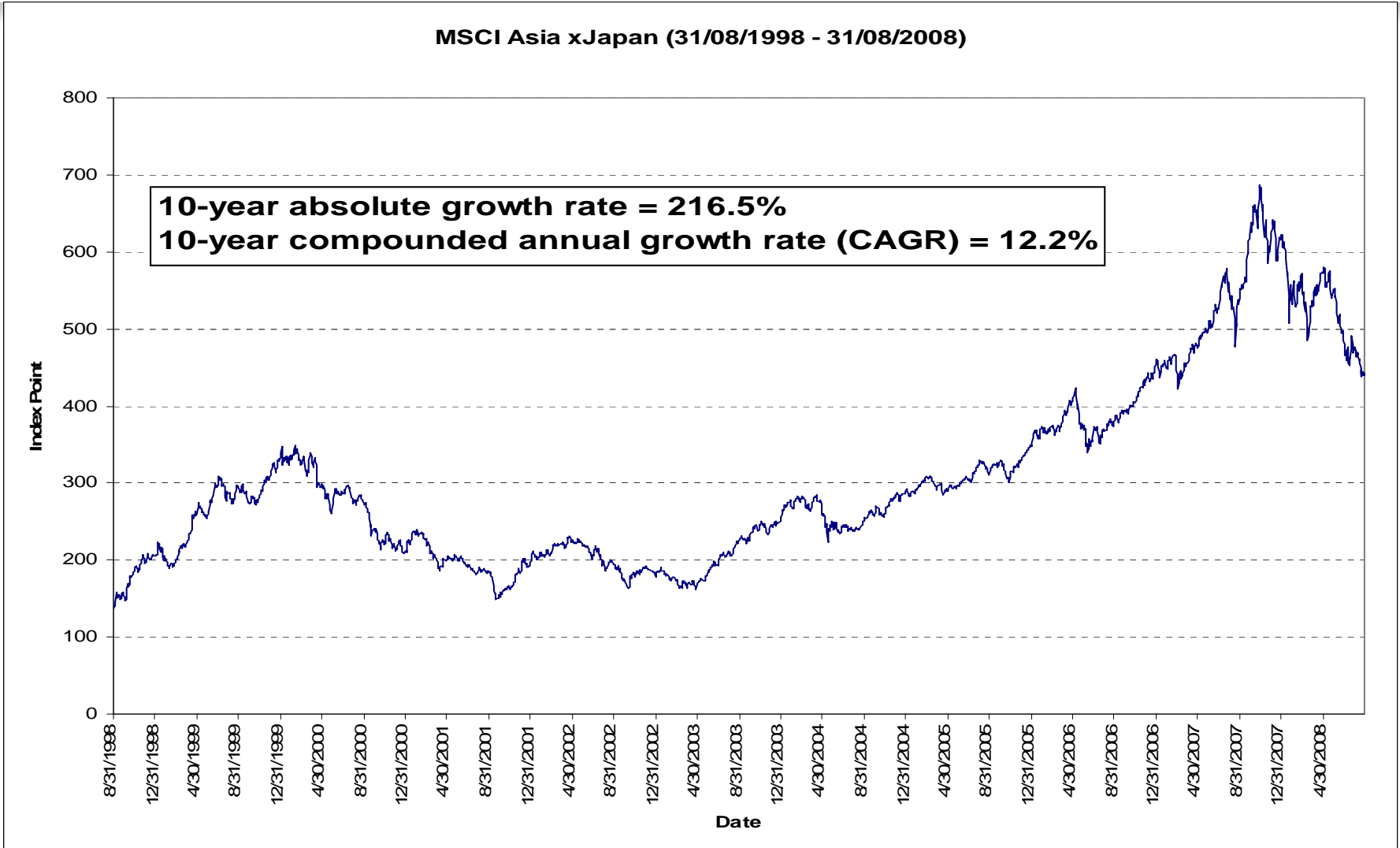


# Performance of Asia Ex-Japan Is Better Than Dow Jones Industrial Average (DJIA) and London (FTSE100) / Germany (Dax) Stock Indices

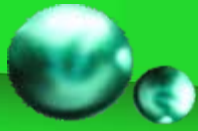




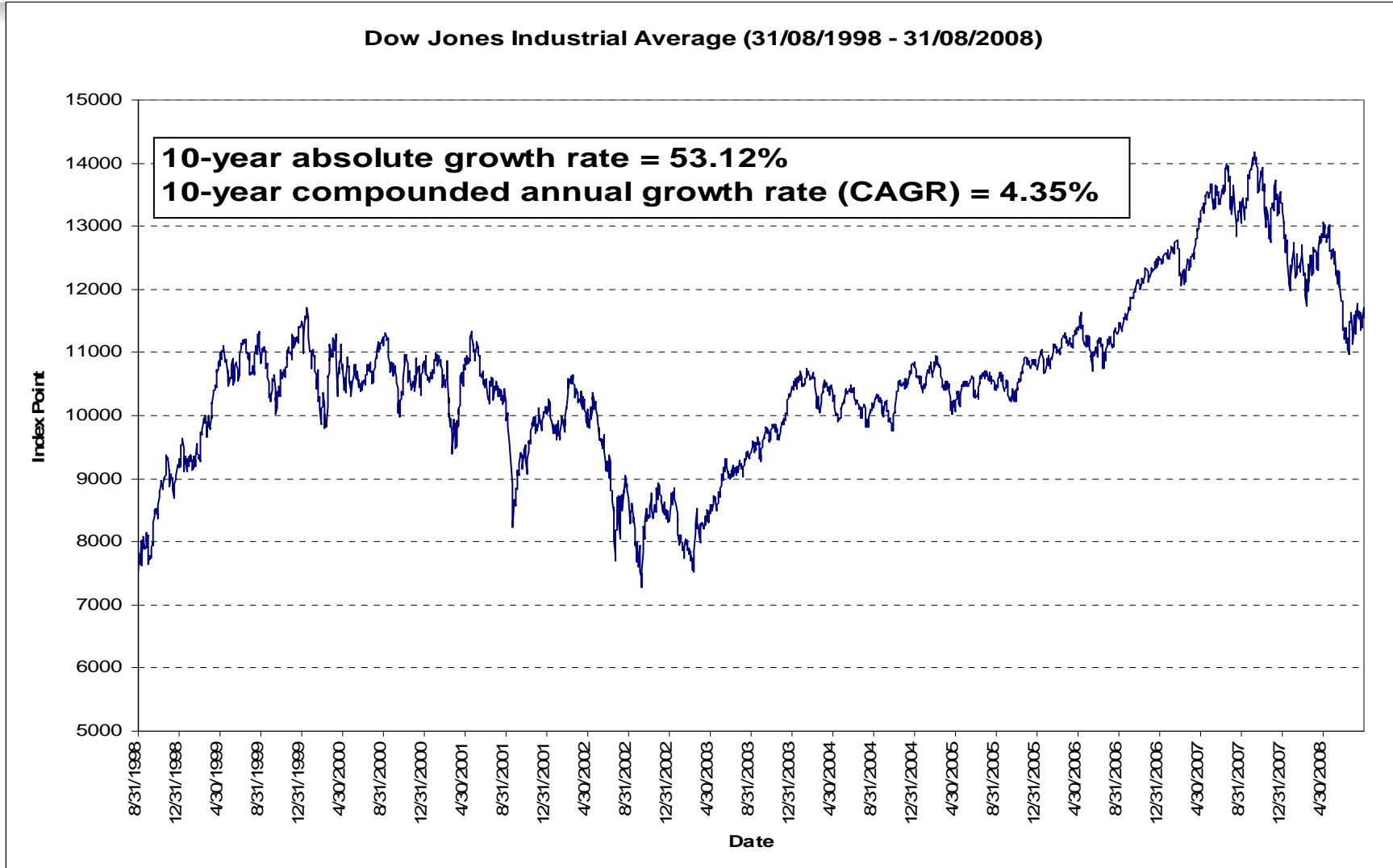
# MSCI Asia ex-Japan Index Chart (31/08/1998 – 31/08/2008)

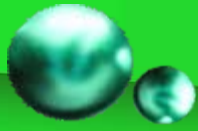




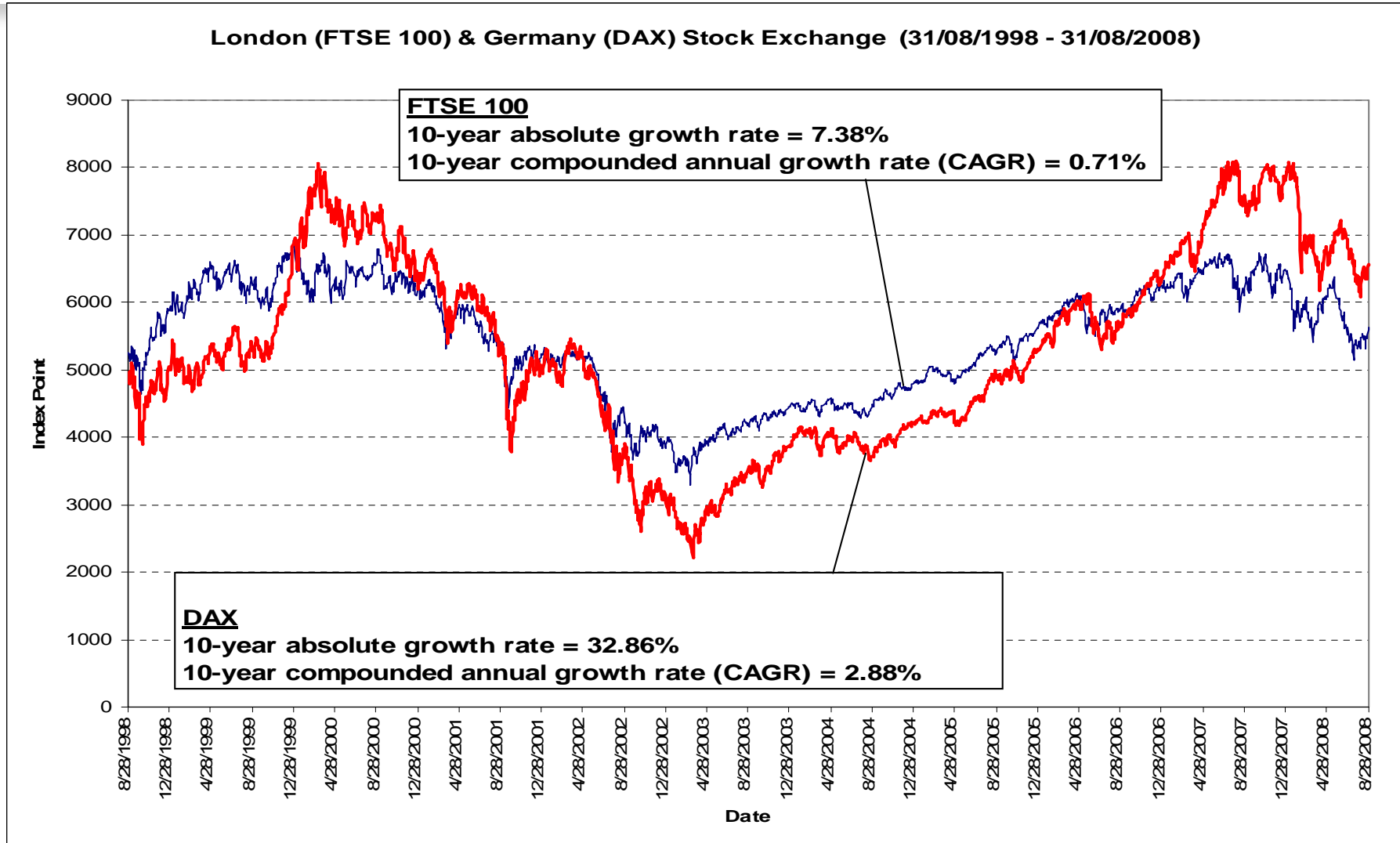


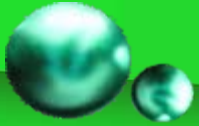
# Dow Jones Industrial Average (DJIA) Index Chart (31/08/1998 – 31/08/2008)





# London (FTSE 100) & Germany (DAX) Stock Index (31/08/1998 – 31/08/2008)



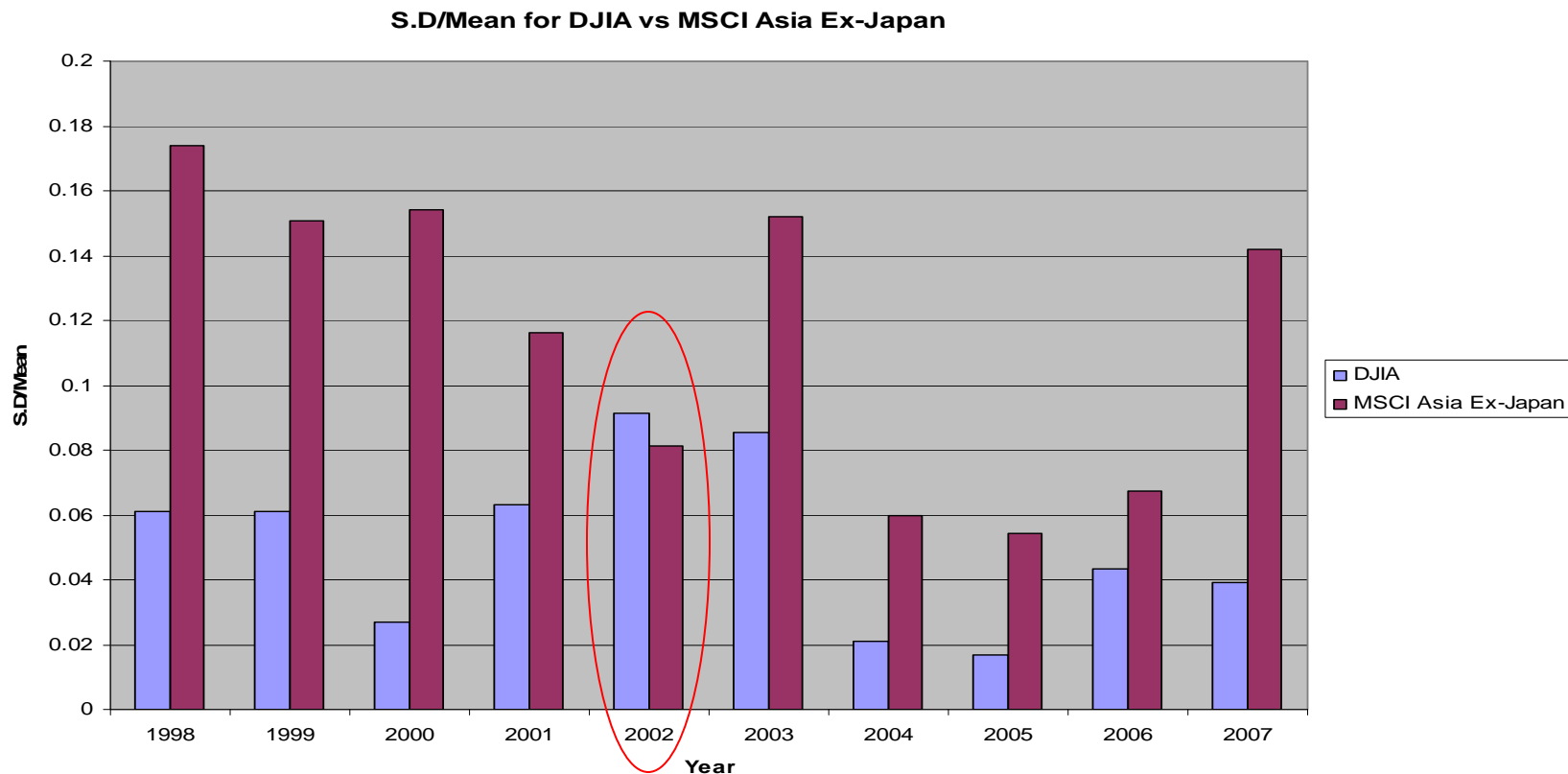


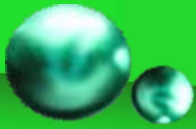
# Markets in Asia Ex-Japan Are More Volatile Than USA Most Of The Time





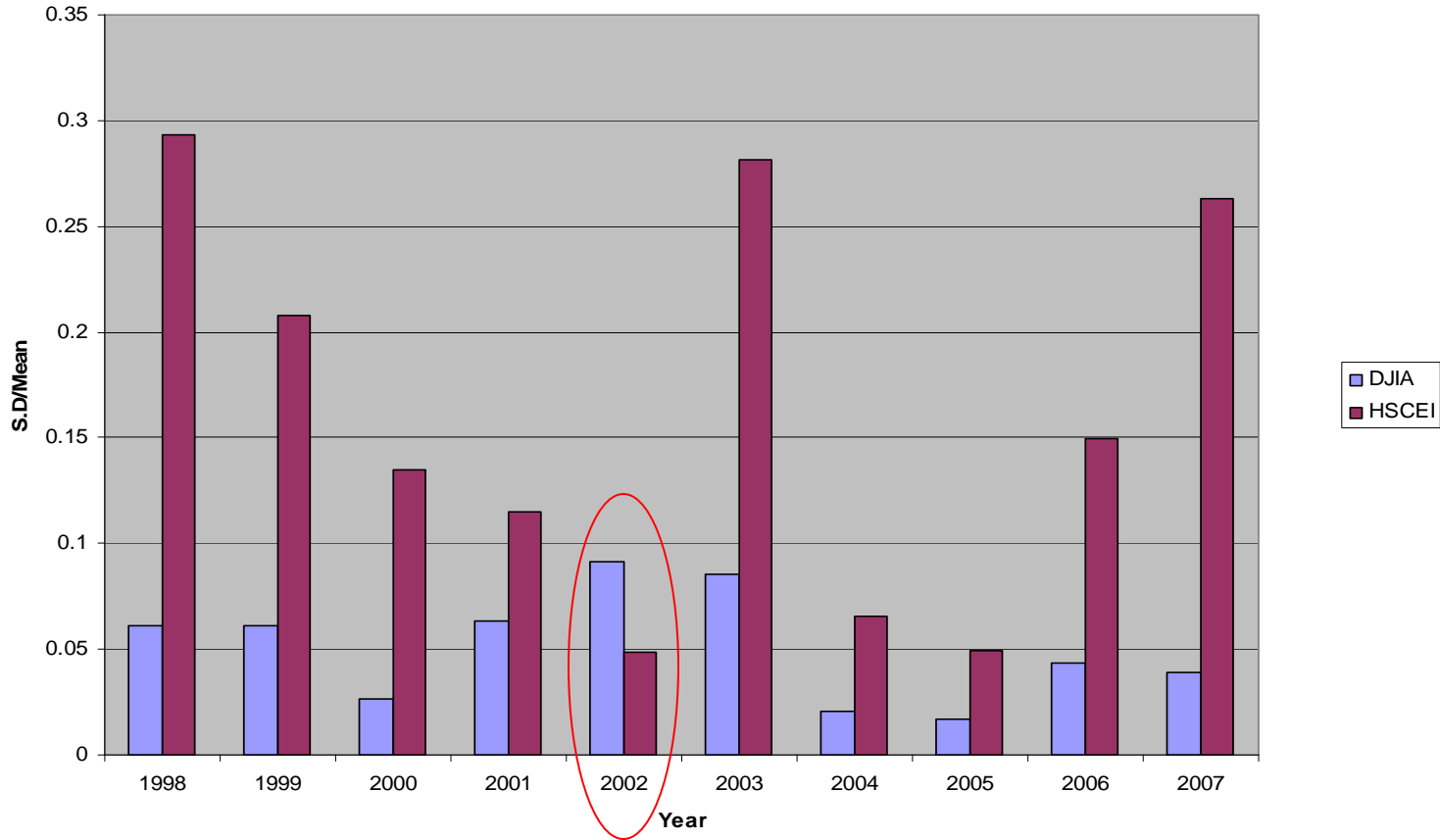
# S.D/Mean Comparison: DJIA vs MSCI Asia Ex-Japan, 1998-2007

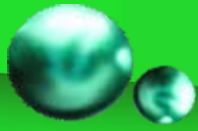




# S.D/Mean Comparison: DJIA vs HSCEI, 1998-2007

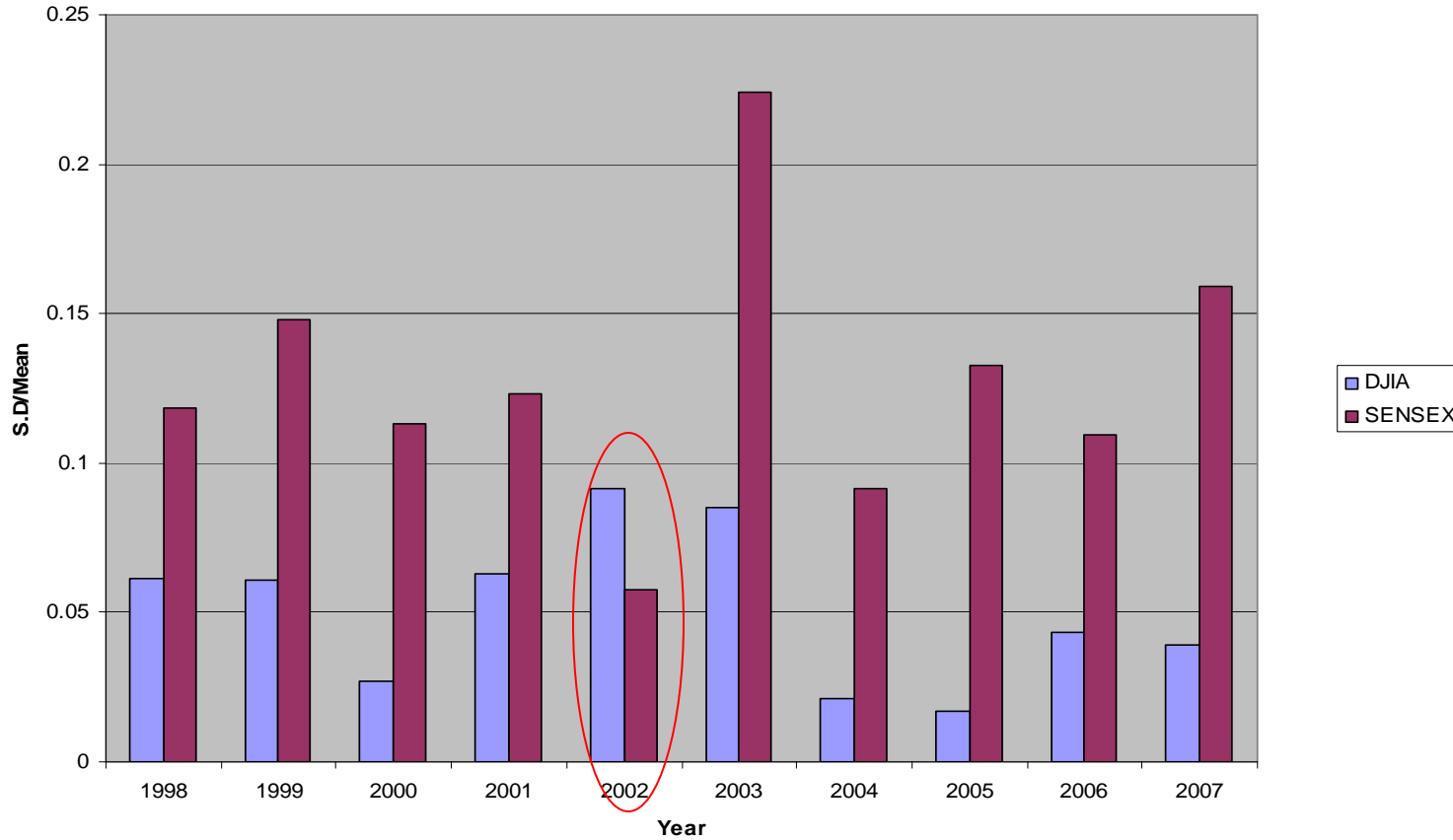
S.D/Mean for DJIA vs Hang Seng China Enterprise Index (HSCEI)

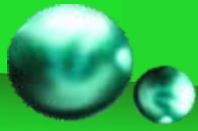




# S.D/Mean Comparison: DJIA vs SENSEX, 1998-2007

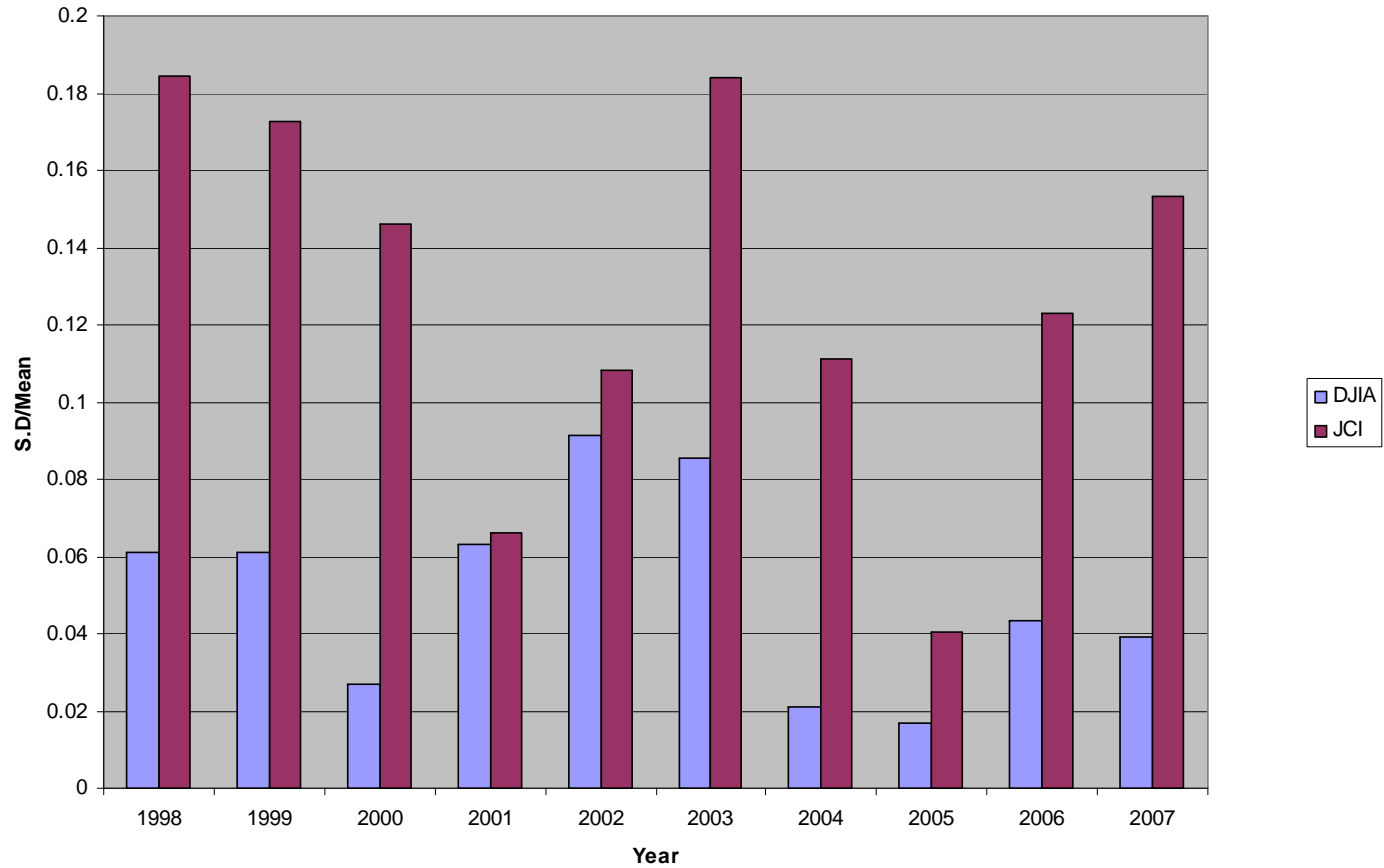
S.D/Mean for DJIA vs Bombay Stock Exchange (SENSEX)

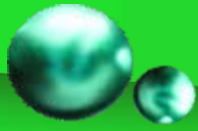




# S.D/Mean Comparison: DJIA vs JCI, 1998-2007

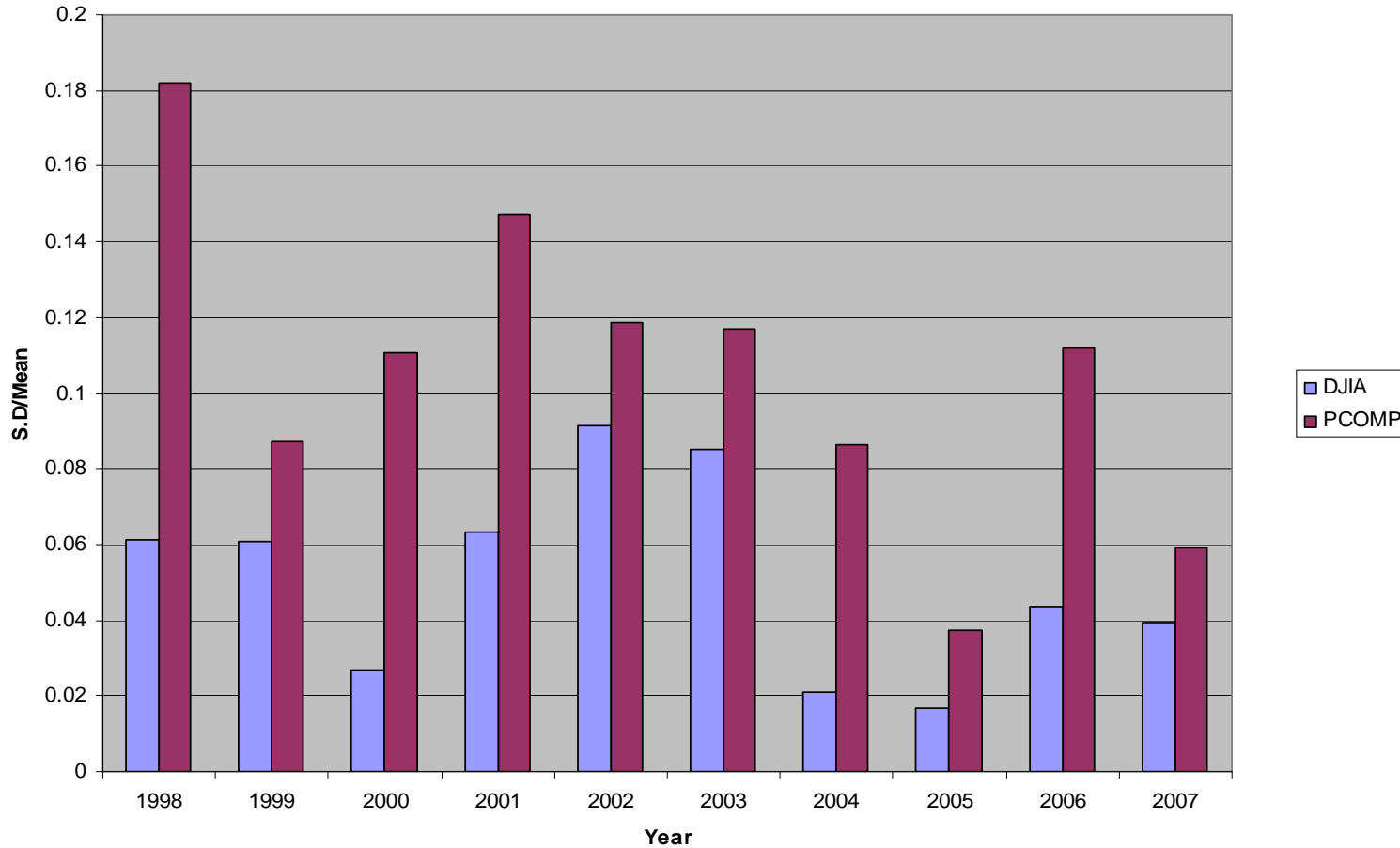
S.D/Mean for DJIA vs Jakarta Composite Index (JCI)





# S.D/Mean Comparison: DJIA vs PCOMP, 1998-2007

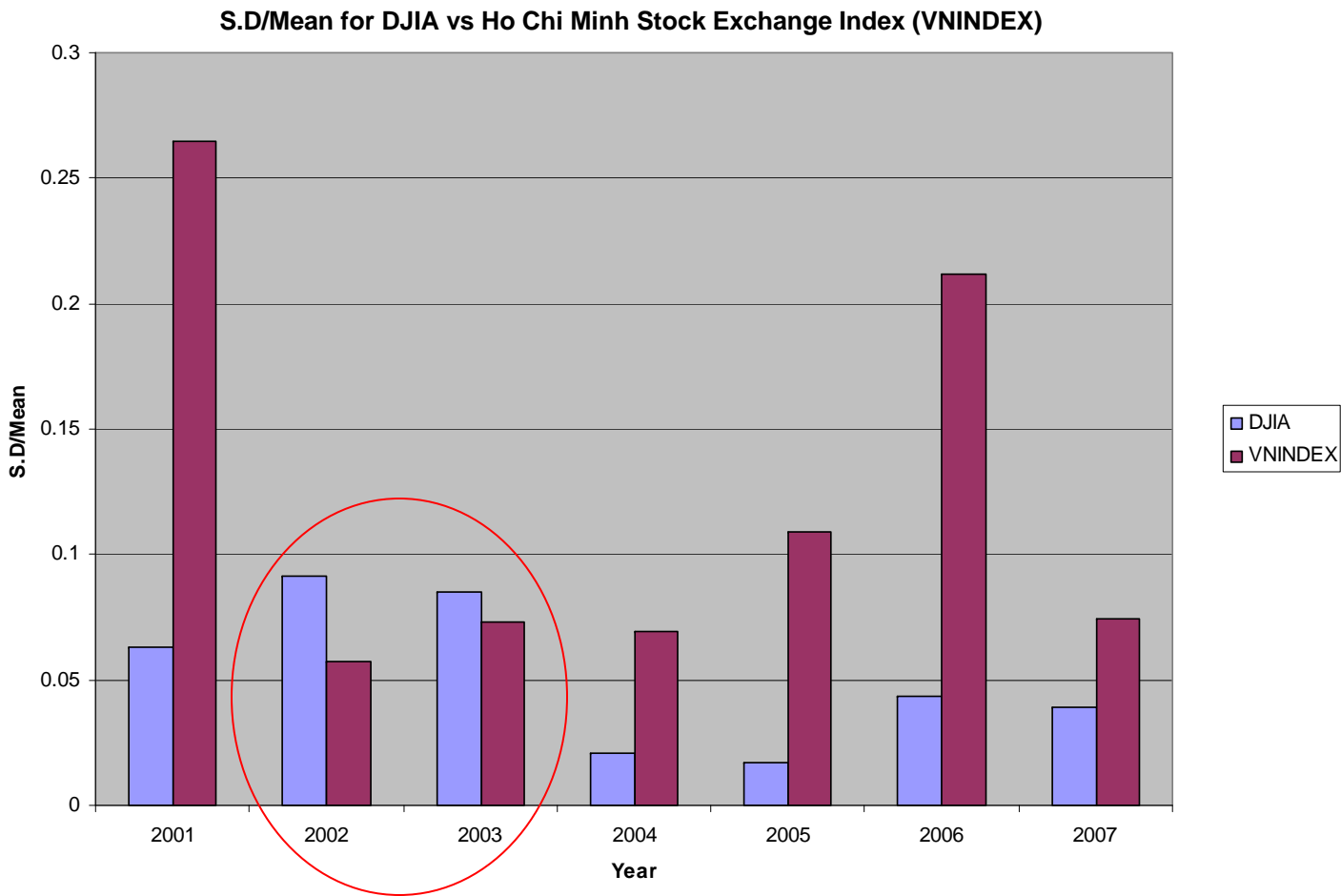
S.D/Mean for DJIA vs Philippine Composite Index (PCOMP)

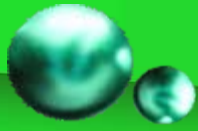






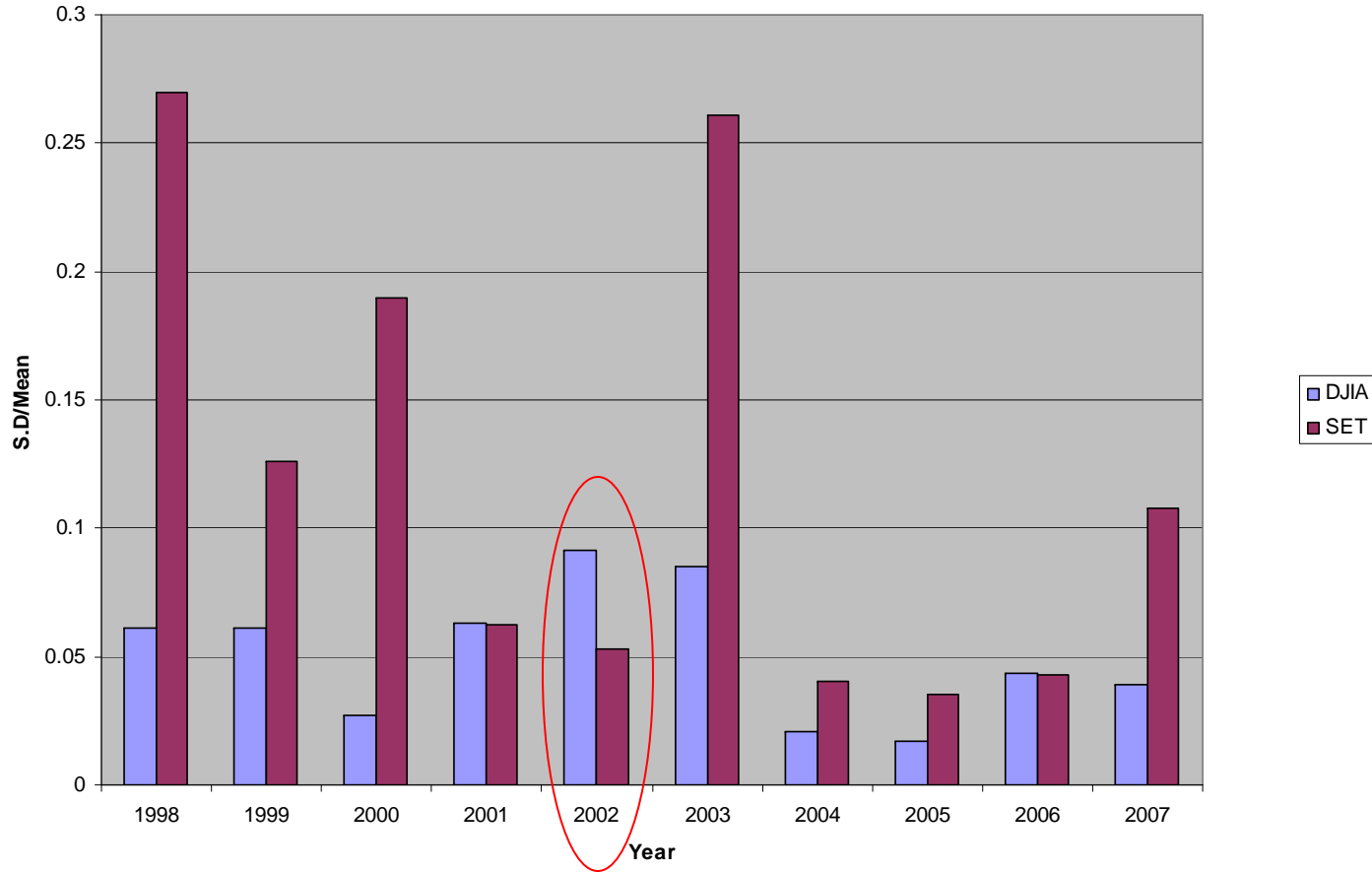
# S.D/Mean Comparison: DJIA vs VNINDEX, 2001-2007





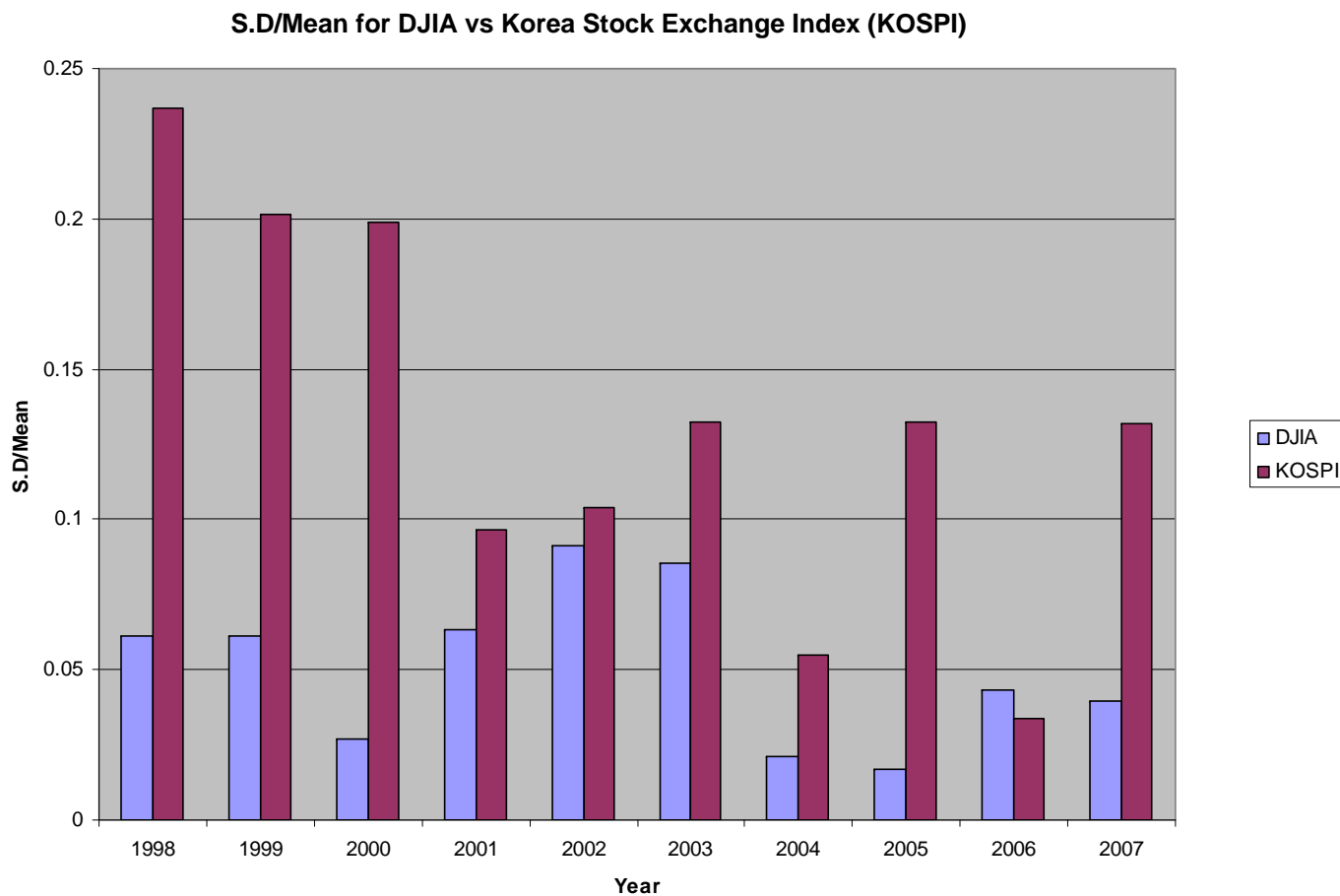
# S.D/Mean Comparison: DJIA vs SET, 1998-2007

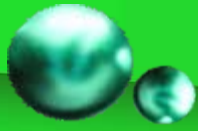
S.D/Mean for DJIA vs Thailand Stock Exchange Index (SET)





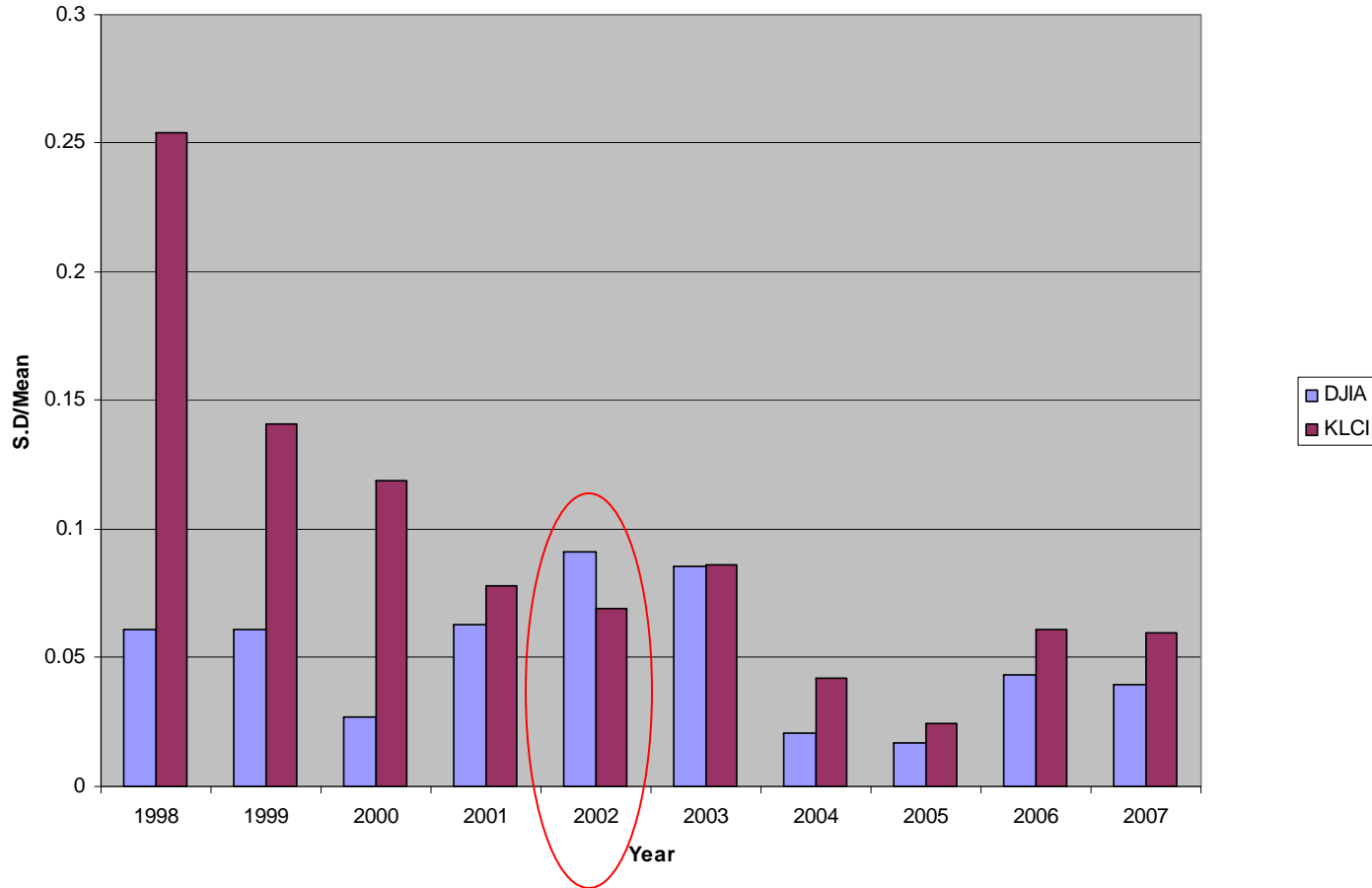
# S.D/Mean Comparison: DJIA vs KOSPI, 1998-2007

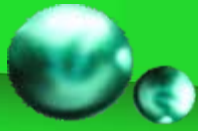




# S.D/Mean Comparison: DJIA vs KLCI, 1998-2007

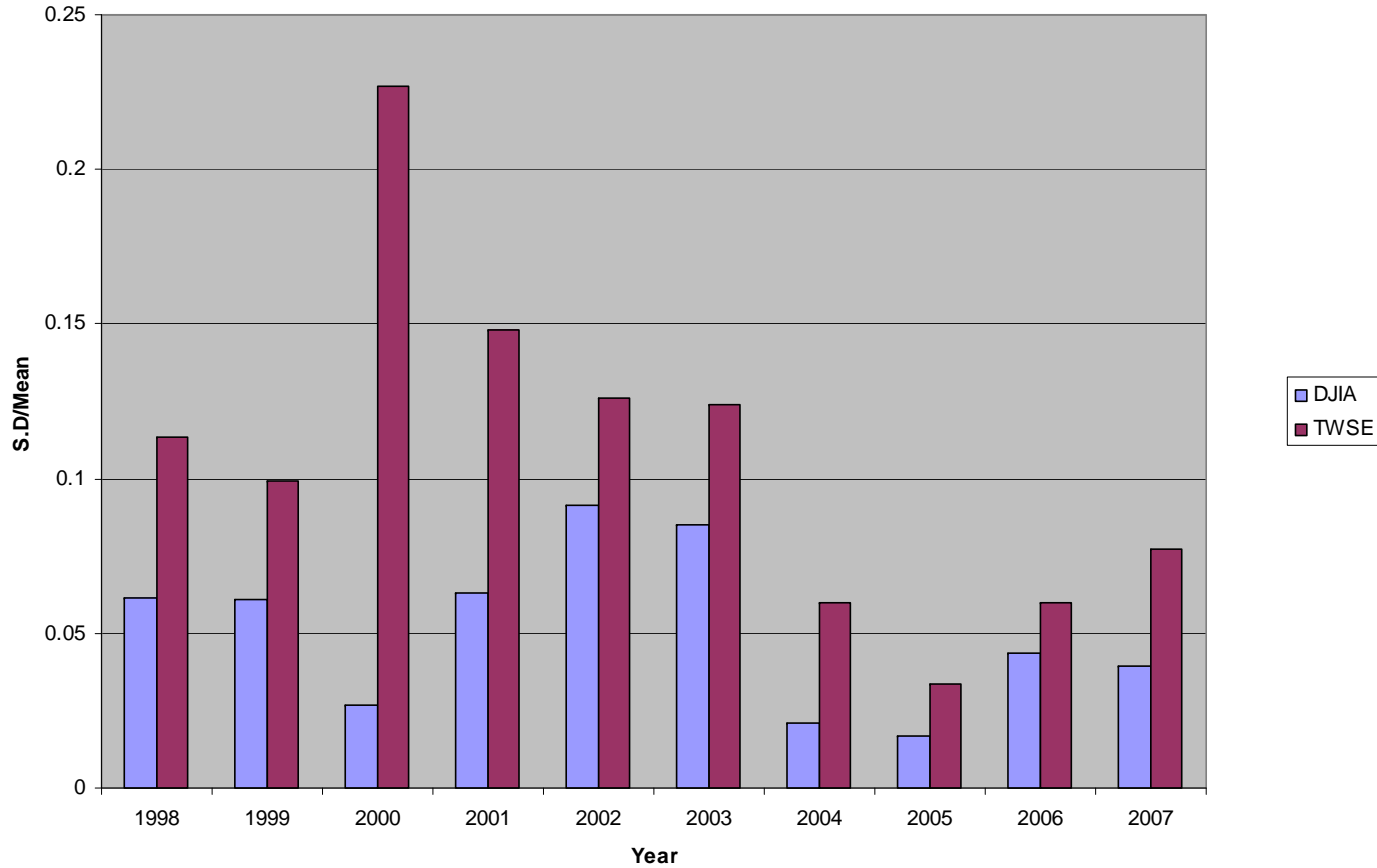
S.D/Mean for DJIA vs Kuala Lumpur Composite Index (KLCI)





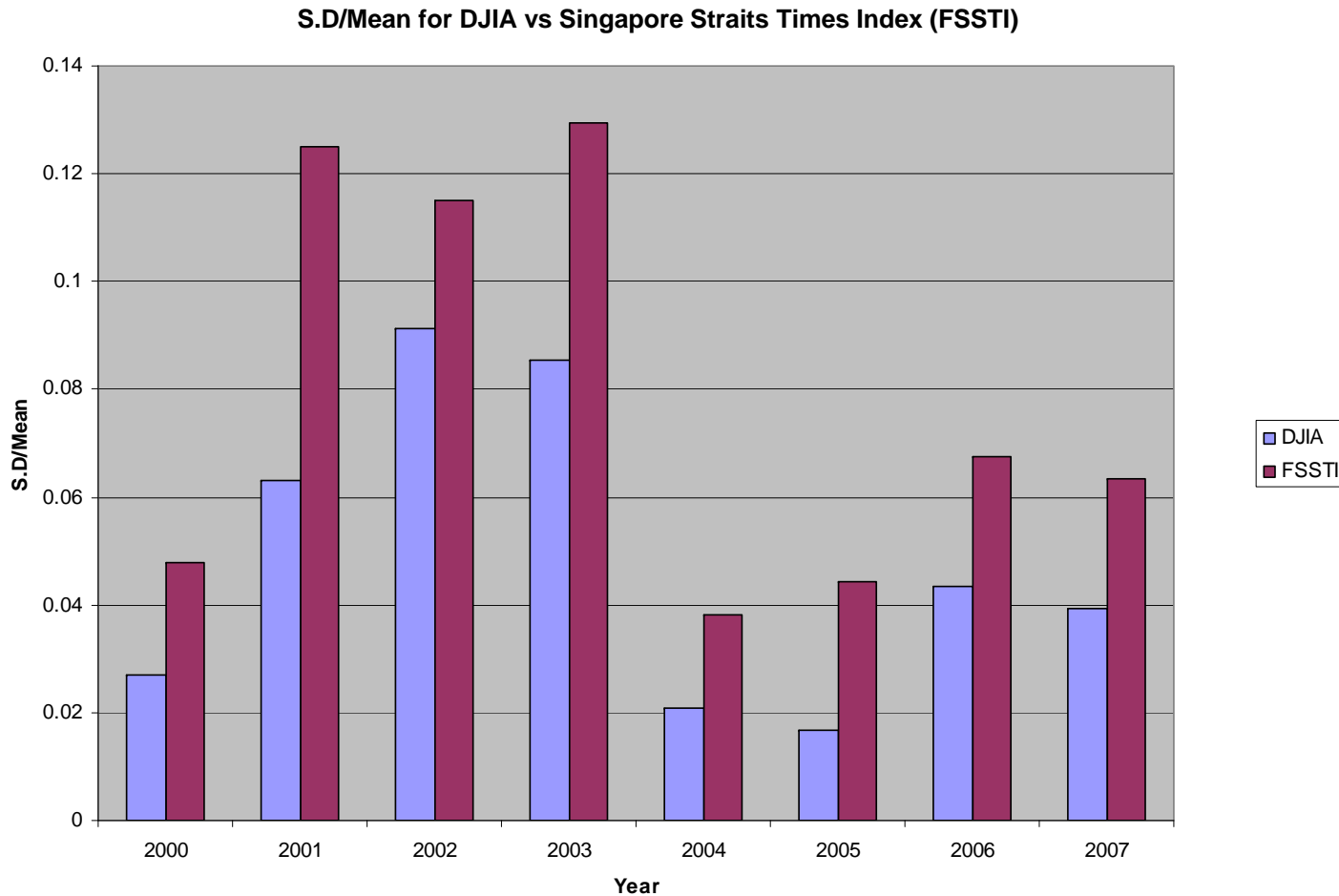
# S.D/Mean Comparison: DJIA vs TWSE, 1998-2007

S.D/Mean for DJIA vs Taiwan Stock Exchange Index (TWSE)  
S.D/Mean for DJIA vs TWSE





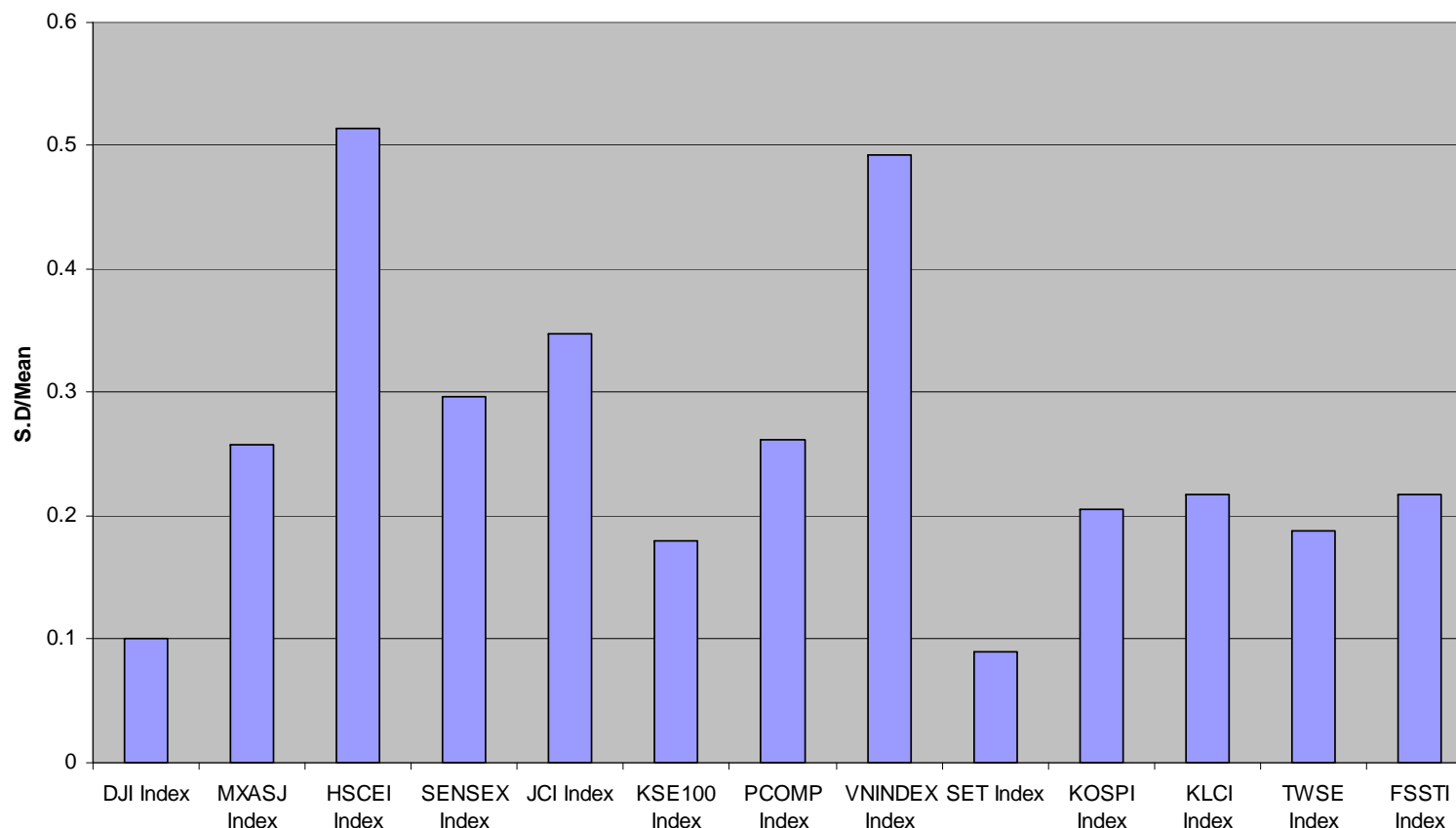
# S.D/Mean Comparison: DJIA vs FSSTI, 2000-2007

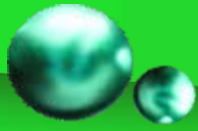




# S.D/Mean Comparison: DJIA vs Asia Ex-Japan Indexes, year 2005-2007 (3 years)

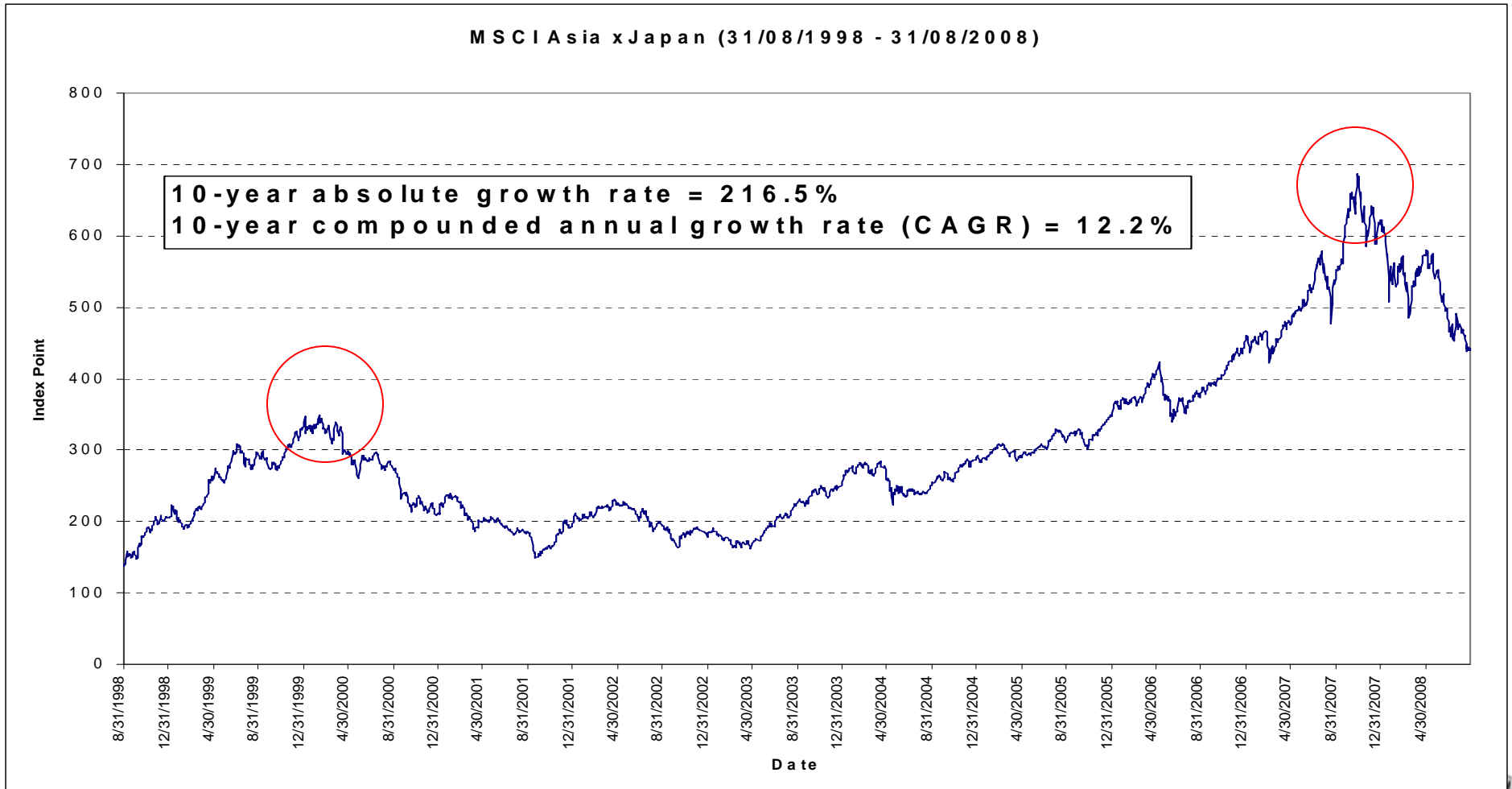
S.D/Mean Comparison for year 2005-2007





# Why some investors lose money in Asia Ex-Japan?

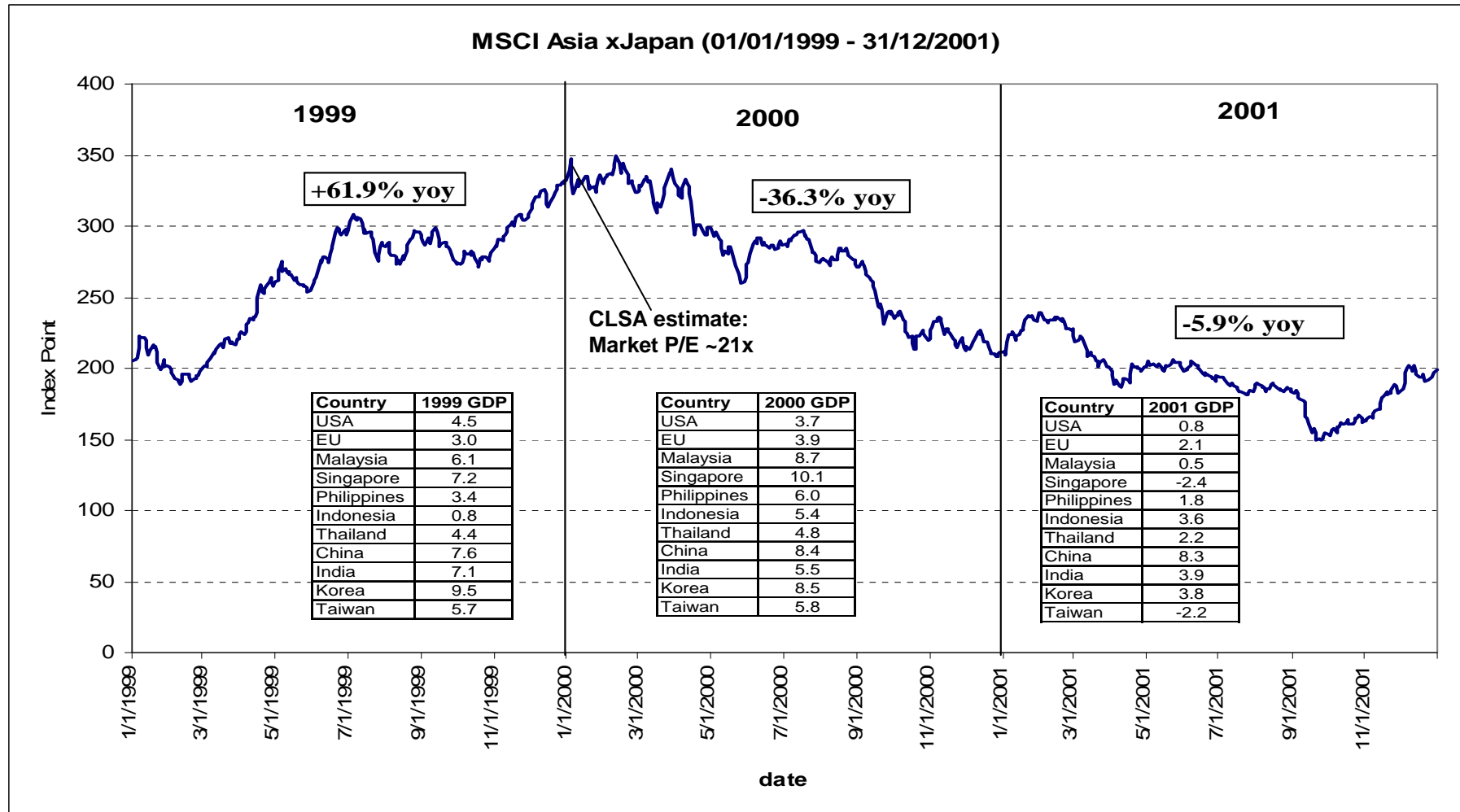
## 1. Importance of Value Investing – Stay fully invested at all times could cause huge losses.





# Why some investors lose money in Asia Ex-Japan?

## 2. Strong Economy = Good Market Performance? Not when the market is too high.





# Why some investors lose money in Asia Ex-Japan?

3 (a) Investment Philosophy – Should investors stay fully invested at all time?

3 (b) Investment Process:



3 (c) Research:

- (i) Economy
- (ii) Market
- (iii) Industry
- (iv) Company





# Why some investors lose money in Asia Ex-Japan?

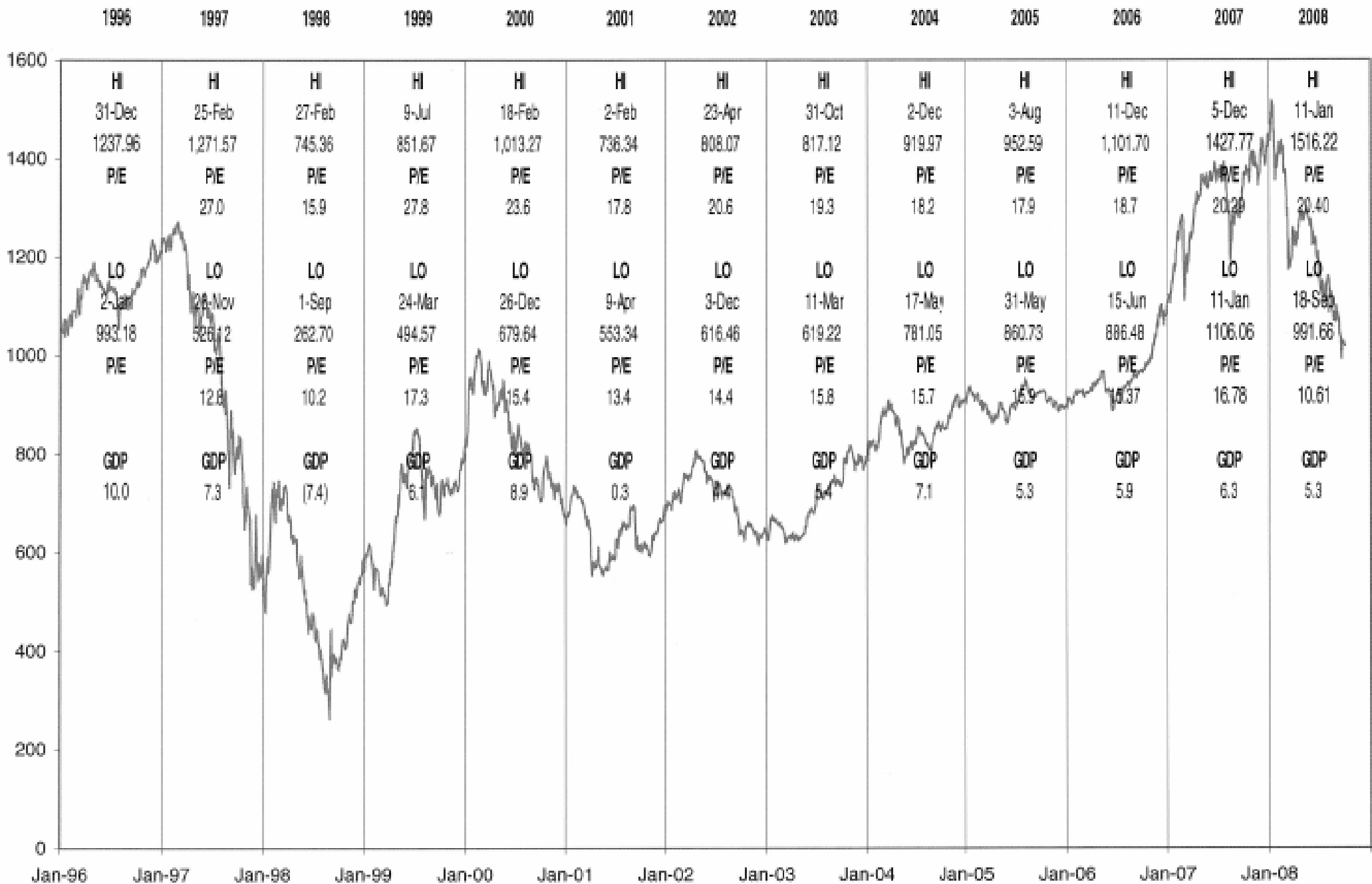
4. Track record of fund manager:
  - (i) Period of out-performance
  - (ii) Consistency
  - (iii) Commitment & discipline



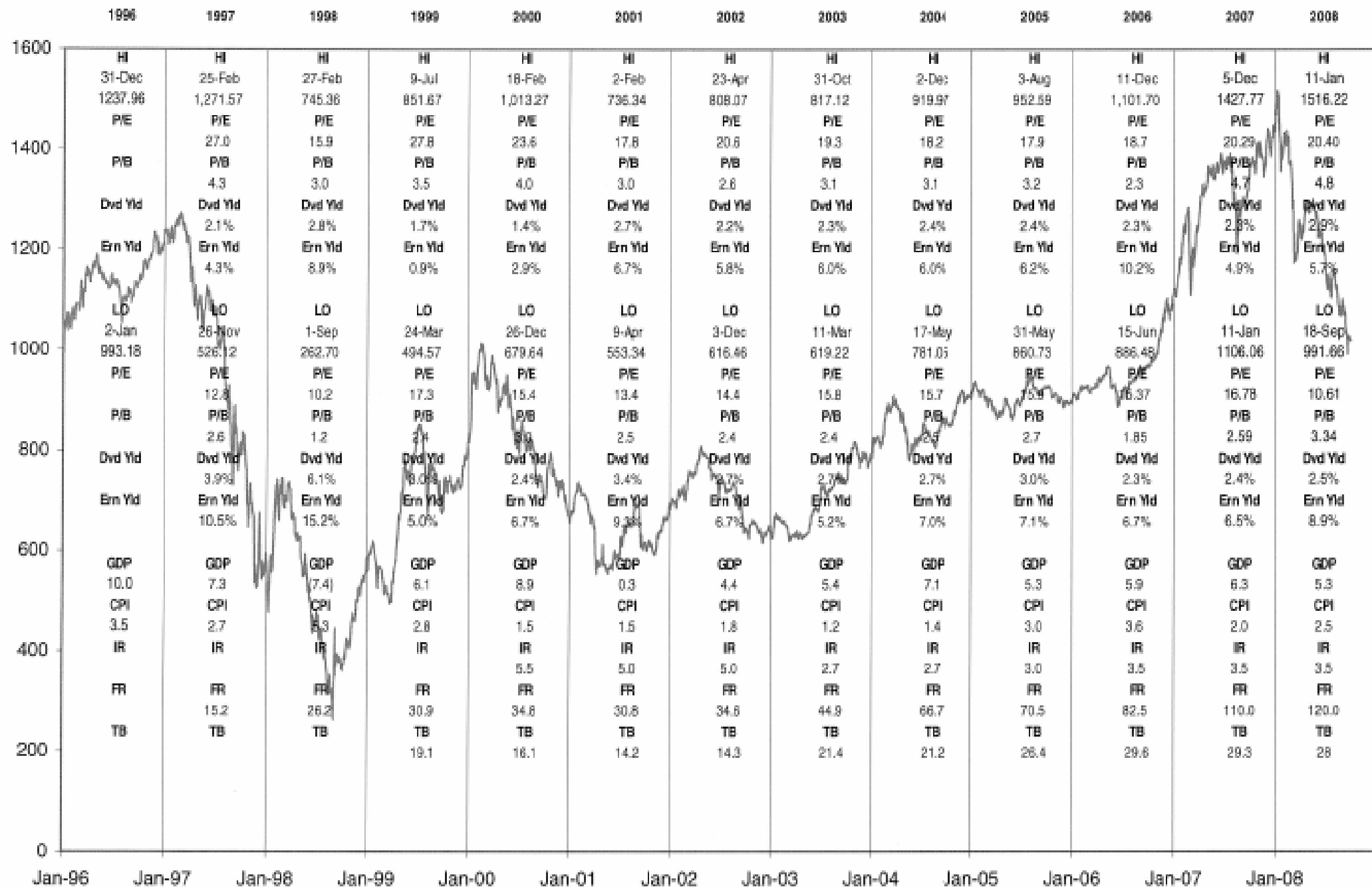
# Case Study



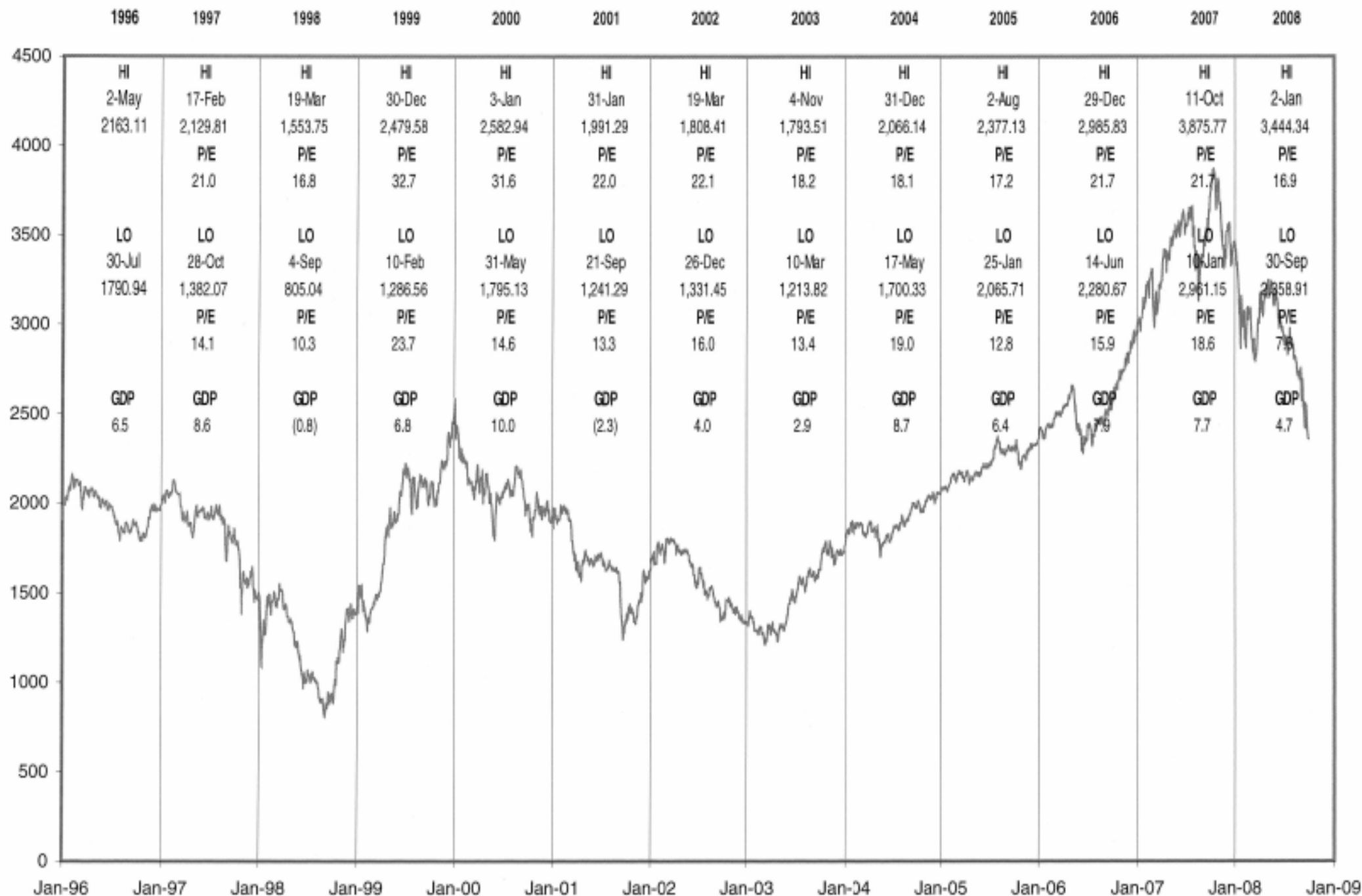
# MALAYSIA - KLCI



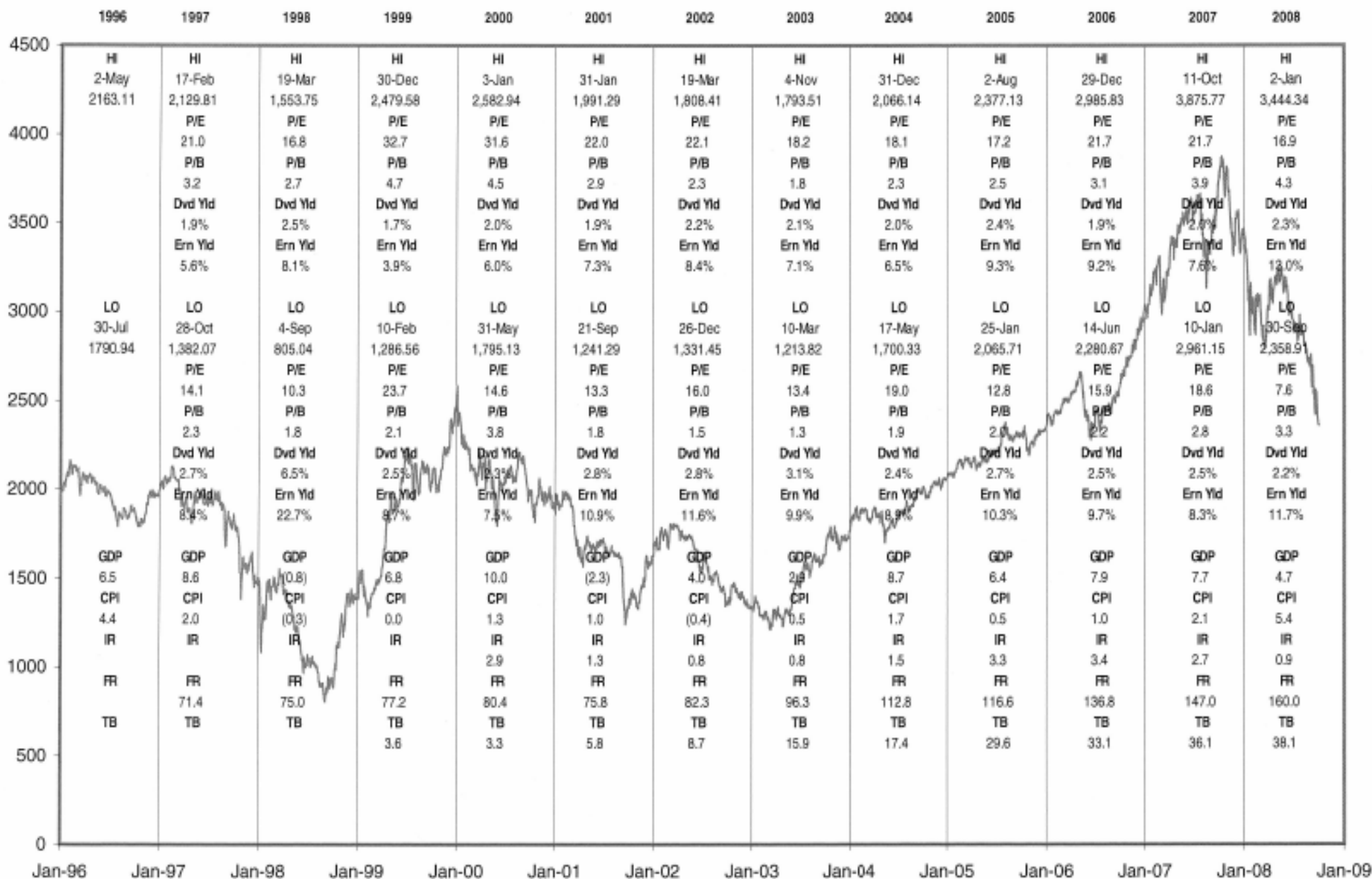
# MALAYSIA - KLCI



# SINGAPORE - STI



# SINGAPORE - STI







# Perspective & Observation

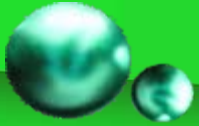




**Buy when most people, including experts, are pessimistic, and sell when they are actively optimistic.**

*- Benjamin Graham*





**During boom times, investors are generally over optimistic. When the trend reverses, investors are normally ultra pessimistic.**

*- Dr Tan Chong Koay*

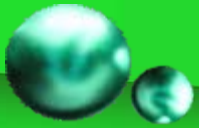




**One of the biggest problems during prolonged periods of declining market is no one likes to buy and temporarily underperform, even though the market is grossly under-valued.**

***- Dr. Tan Chong Koay***





**Very few, if not none, knows the lowest point.  
Buying near the lows is the best you can do.**

*- Dr. Tan Chong Koay*





**Success in stock market is based on principle of buying low and selling high.**

*- Sir John Templeton*





**The major benefit of buying during crisis period is:  
Good shares are selling at bad prices. Emotions  
overtake rationalities.**

***- Dr. Tan Chong Koay***



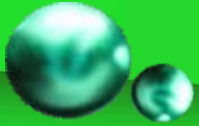


**If you have long-term funds and can withstand volatility and the market is at extreme low, you should increase your exposures and go towards fully invested.**

***- Dr. Tan Chong Koay***



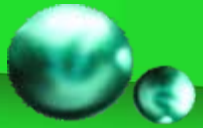




**Keeping cash when the equity market is at the extreme low is not a good alternative, as chances of equities outperforming cash improve significantly.**

***- Dr. Tan Chong Koay***

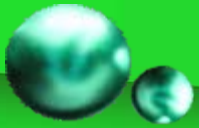




**If you want to make money, you need to take risks,  
and you do not want the market to function  
efficiently and perfectly.**

***- Dr. Tan Chong Koay***





**Think long term when the market is, in your opinion, low.**

***- Dr. Tan Chong Koay***





**Not fully-invested at all times.**

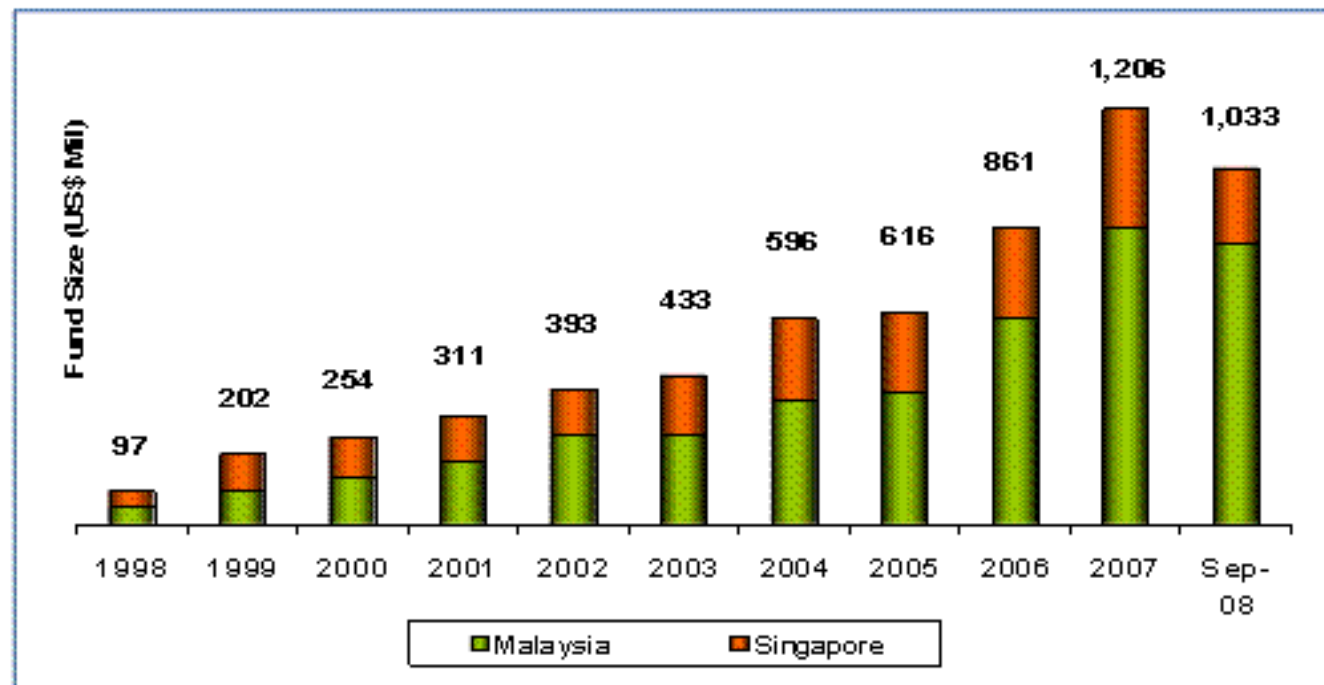
*- Pheim Asset Management Investment Philosophy*





# Background of Pheim Asset Management

1. Dr. Tan Chong Koay – Founder of Pheim Asset Mgmt SDN BHD Malaysia (since 1994), Pheim Unit Trusts BHD Malaysia (since 2002), and Pheim Asset Mgmt PTE LTD Singapore (since 1995).
2. Over US\$1bn of total asset under management (AUM).





# Background of Pheim Asset Management

3. Pheim Asset Management (Asia) Pte Ltd was the first boutique fund manager to receive approval from the central bank to upgrade its license to full investment adviser status in March 2002.
4. Funds are managed on a fully discretionary basis
5. Area of Expertise / Strength
  - Asia Ex-Japan
  - ASEAN (Association of Southeast Asian Nations)
  - Single Country Equity Funds
  - Islamic Funds
6. Client Base
  - 95% Institutions & Government Agencies as at October 2008
7. Unique & Proven Investment Philosophy and Process





# Investment Approach

## Core Investment Philosophy

Value Investor and **Not Fully Invested at All Times.**

A predominantly **VALUE INVESTOR.**

“Due to the volatility of Asian markets, **we do not believe in being fully invested at all times.** Rather, we seek to trim our equity exposure when we believe that the market is near its peak in order to preserve capital. Conversely, we seek to increase equity exposure when we believe that the market is near its bottom.”





# Milestone (2005 – 2007)

YEAR	MILESTONES
2007	<ul style="list-style-type: none"><li>▪ Assets under management crossed US\$1 billion.</li><li>▪ Dana Makmur Pheim (Balanced Islamic Fund) ranked No. 1 in terms of total return for 5-year period ending December 2007, under Lipper's Mixed Asset Balanced Islamic category (fund return of 102.1% versus benchmark return of 74.1%) <i>Source: Personal Money, Feb 2008</i></li><li>▪ Pheim Asset Management Sdn Bhd (Pheim Malaysia) outperformed the Benchmark 9 out of 11 calendar years for the largest client for Malaysia Mandate. Cumulatively, Pheim Malaysia outperformed the Benchmark every year for 11 calendar years.</li><li>▪ Pheim Malaysia was ranked 2nd for Best Overall Equity Managers by the largest mandate client for 5 consecutive years.</li><li>▪ Pheim Asset Management Sdn Bhd was ranked 1st for Best 3-year Realised Return Equity Manager for 3 consecutive years.</li></ul>
2006	<ul style="list-style-type: none"><li>▪ Named "Southeast Asia's Small-Cap King" by Bloomberg in August 2006.</li></ul>
2005	<ul style="list-style-type: none"><li>▪ Dana Makmur Pheim (Balanced Islamic Fund) ranked No. 1 in terms of total return for 3-year period under Lipper's Mixed Asset Islamic category (fund return of 33.88% versus benchmark return of 21.1%). <i>Source: Personal Money, March 2006</i></li></ul>







# Milestone (2003 – 2004)

YEAR	MILESTONES
2004	<ul style="list-style-type: none"><li>▪ Pheim Malaysia was named the Best Boutique House of the Year in Malaysia.</li><li>▪ Dana Makmur Pheim (Balanced Islamic Fund) won The Edge-Lipper Malaysia Unit Trust Fund Awards as the top fund for the second consecutive year in the Mixed Asset-Islamic/Syariah category for 1-year period.</li><li>▪ Pheim's ASEAN Emerging Companies Growth Fund, managed by Pheim Singapore with an ASEAN mandate, was ranked No. 1 amongst regional and international firms in the offshore Equity ASEAN category by Standard &amp; Poor in terms of returns for 5 consecutive 3-year and 5-year periods ending December of 2000, 2001, 2002, 2003 and 2004. The Fund return for the 5-year period ending December of 2004 was 67.85% versus 8.35% for the FTSE All World Series ASEAN USD Index.</li><li>▪ Pheim's The Vittoria Fund, managed by Pheim Singapore under a Far East Ex-Japan mandate, ranked well amongst regional and international firms in the offshore Equity Asia Pacific ex-Japan category in competition with about 190 other regional and institutional players. It was ranked 18<sup>th</sup> and 11<sup>th</sup> by Standard and Poor for the 3-year and 5-year periods ending 2004 respectively. The Fund return for the 5-year ending December 2004 was 47.55% versus 18.62% in MSCI AC Asia Pacific Ex-Japan USD Index.</li></ul>
2003	<ul style="list-style-type: none"><li>▪ As verified by Watson Wyatt Investment Consulting in conformity with the Level 1 verification of compliance in accordance with the AIMR Performance Presentation Standards (AIMR-PPS®), Pheim Singapore out-performed the respective benchmark every year for every Composite for 9 consecutive years (1995-2003) since inception.</li><li>▪ Similarly, Pheim Malaysia's Malaysian Composite (for the combined Malaysia mandated accounts) outperformed the KLCI benchmark every year for 10 consecutive years (1994-2003) since inception.</li></ul>





# Milestone (1994 – 2000)

YEAR	MILESTONES
2000	<ul style="list-style-type: none"><li>Assets under management crossed One Billion Ringgit (USD260 million)</li></ul>
1999	<ul style="list-style-type: none"><li>Pheim Singapore became one of the first two boutique fund managers in Singapore to be granted the Investment Adviser Boutique Fund Manager License by the Monetary Authority of Singapore (MAS).</li><li>Assets under management crossed 500 Million Ringgit (USD130 million)</li></ul>
1998	<ul style="list-style-type: none"><li>Dr. Tan Chong Koay was named the “Second Board King” by Bloomberg in Malaysia for his well-timed investments in small-cap companies in 1995/1996.</li></ul>
1996	<ul style="list-style-type: none"><li>Malaysian Emerging Companies Growth Fund, managed by Pheim Malaysia, was ranked No. 1 by Micropal among offshore Malaysia Country funds for <b>the second consecutive year</b>. The Fund return was 44.4% versus 24.4% for the KLCI benchmark.</li></ul>
1995	<ul style="list-style-type: none"><li>Dr Tan Chong Koay founded Pheim Asset Management (Asia) Pte Ltd and assumed the role of Chief Executive Officer/Chief Strategist.</li></ul>
1994	<ul style="list-style-type: none"><li>Dr. Tan Chong Koay founded Pheim Asset Management Sdn Bhd and assumed the role of Chief Executive Officer/Chief Strategist.</li></ul>





## Milestone (1987 – 1993)

YEAR	MILESTONES
1993	<ul style="list-style-type: none"><li>▪ The Singapore SESDAQ Fund, under the supervision of Dr. Tan Chong Koay till November 1993, was ranked top in a Micropal ranking of Far East Country Funds. The Fund return was +248.9%.</li></ul>
1992	<ul style="list-style-type: none"><li>▪ The Malaysian Emerging Companies Fund Ltd, managed by Dr. Tan Chong Koay in John Govett, was ranked top by Micropal in the category of Investment Trust in the one-year Far East Ex-Japan (Single) Sector. The Fund return was +33.12%.</li></ul>
1990	<ul style="list-style-type: none"><li>▪ Dr. Tan Chong Koay joined John Govett (Asia) Pte Ltd as the first Director of Portfolio Investments.</li></ul>
1987	<ul style="list-style-type: none"><li>▪ Dr. Tan Chong Koay was rated by William Mercer Zainal Fraser as the Top Manager for Retirement &amp; Pension Funds in Malaysia.</li></ul>





## Contact Details

### Pheim Asset Management (Asia) Private Limited

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**Telephone: +65-6227-9928**

**Facsimile: +65-6225-9912**

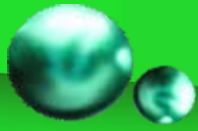
**Website: [www.pheim.com.sg](http://www.pheim.com.sg)**

**Email: [pheim@pheim.com.sg](mailto:pheim@pheim.com.sg)**

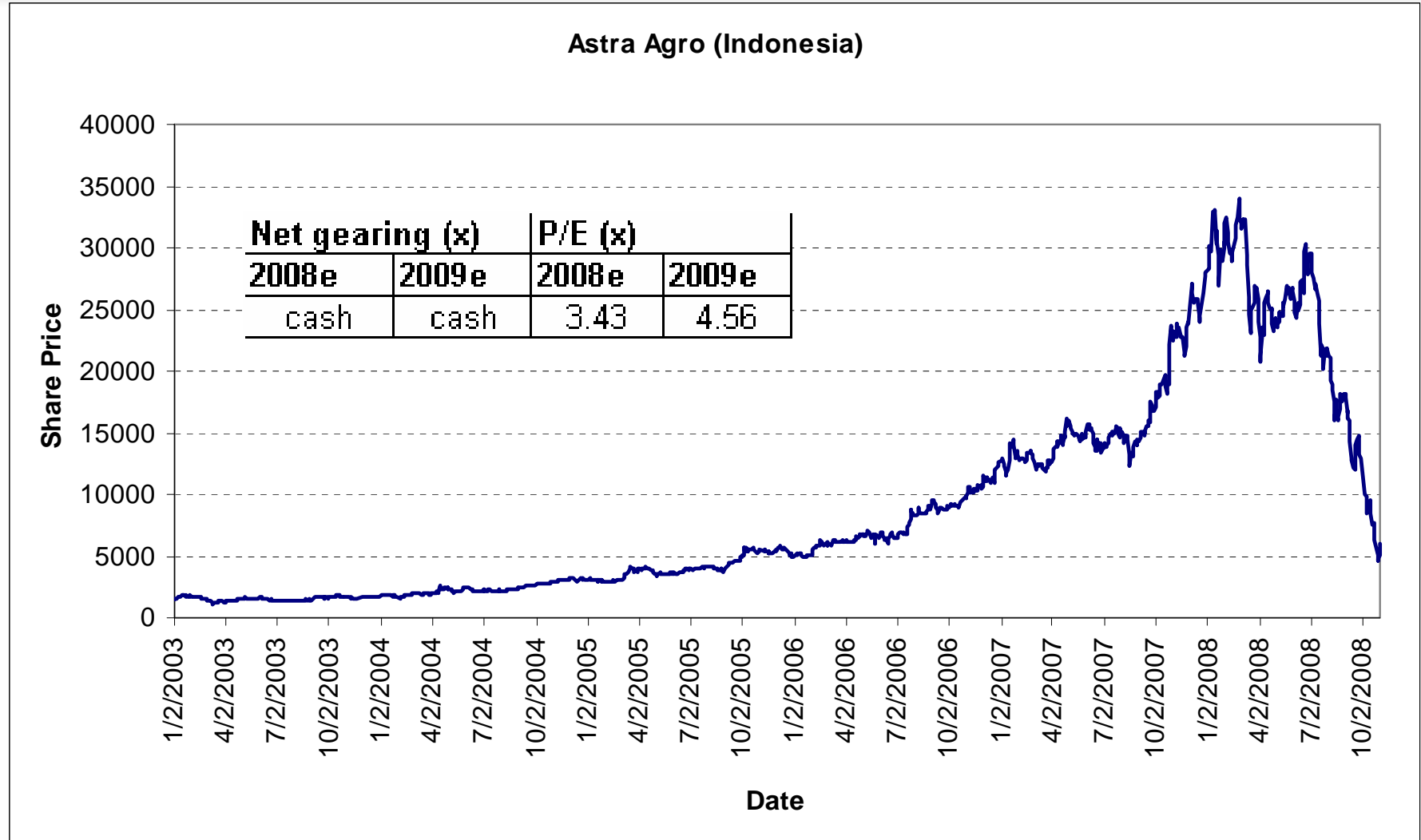


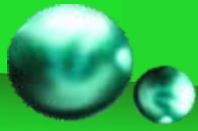
# Appendix



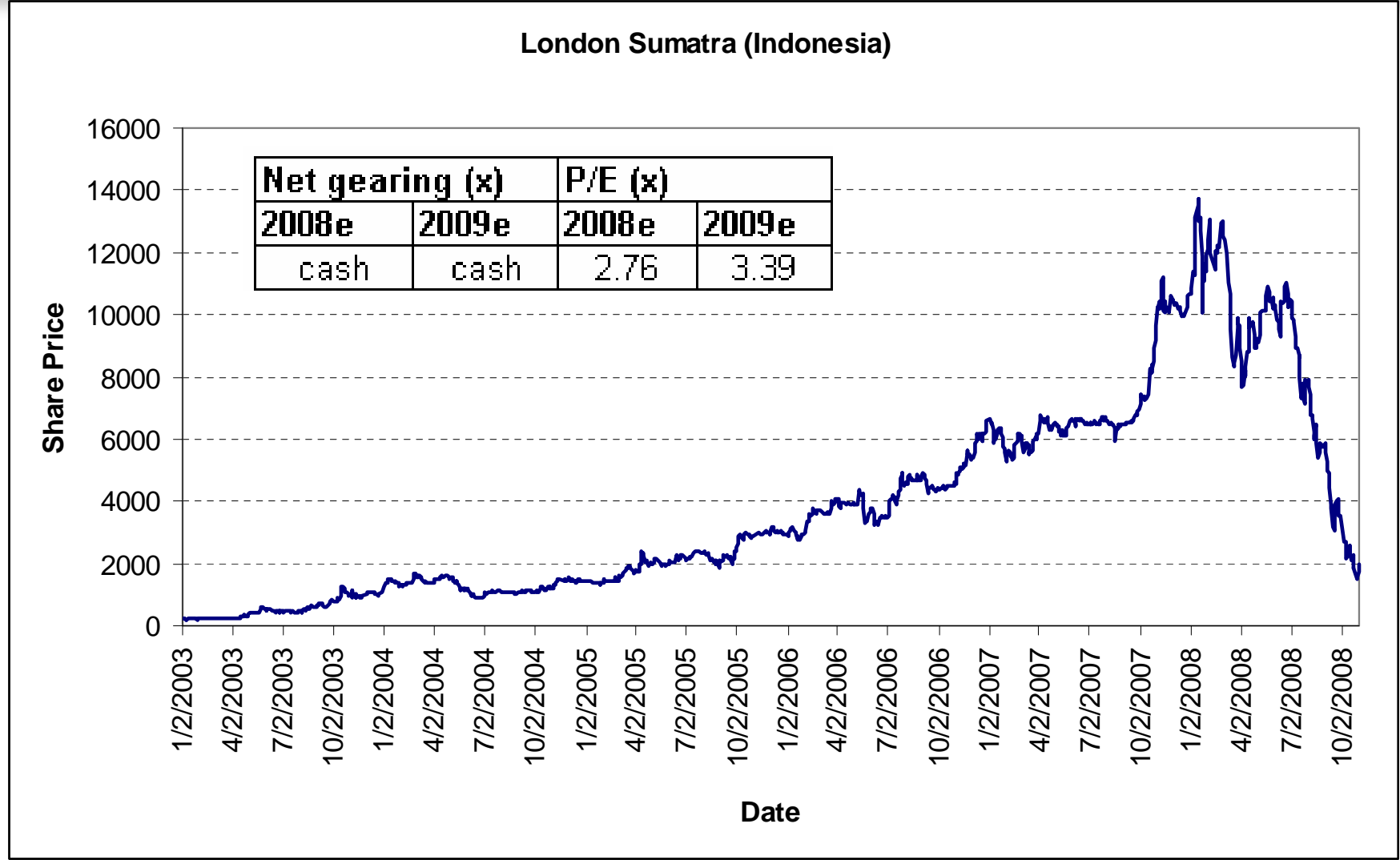


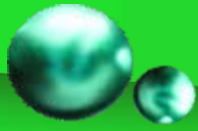
# Astra Agro (Indonesia)



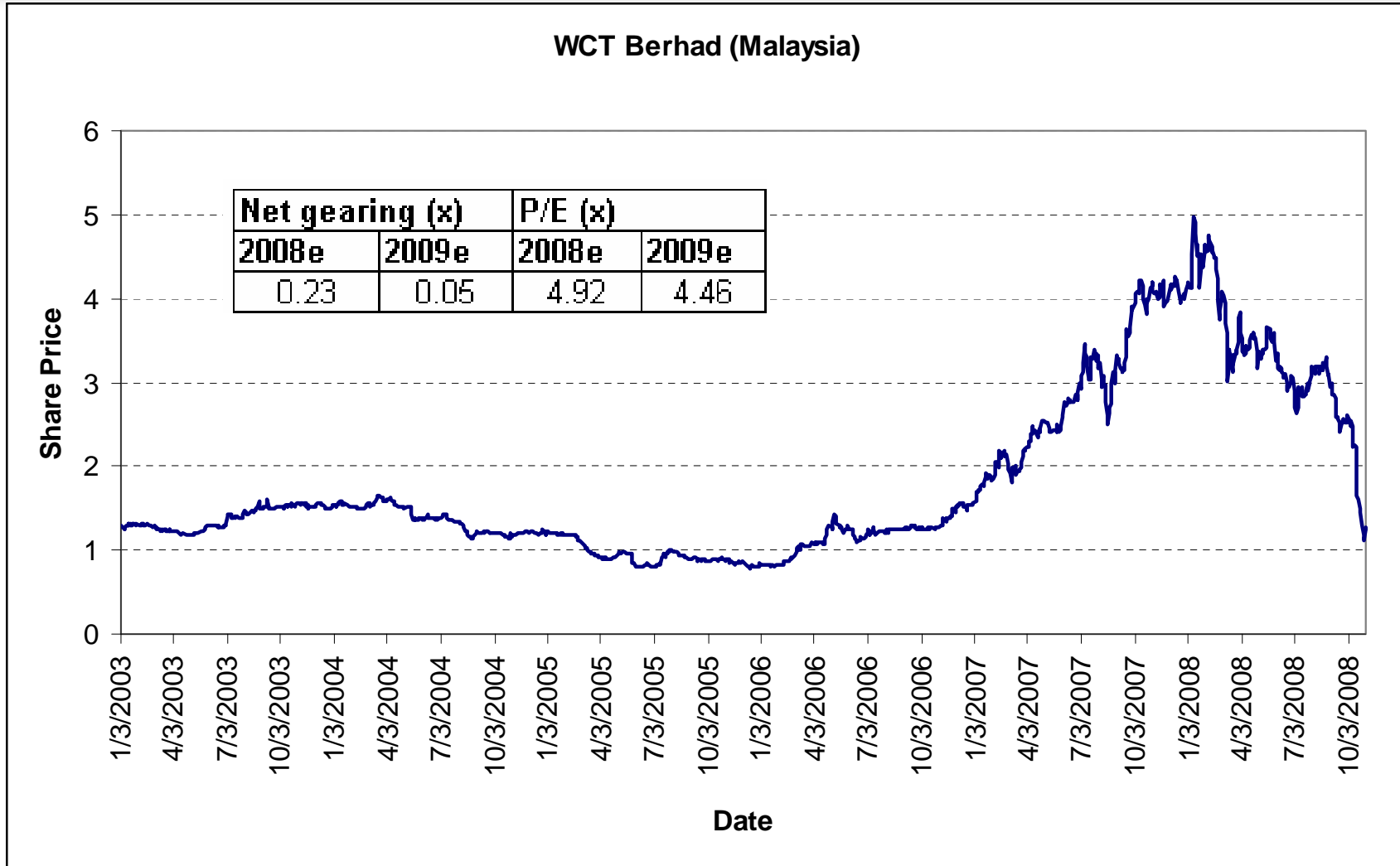


# London Sumatra (Indonesia)

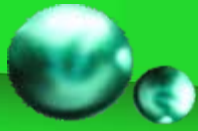




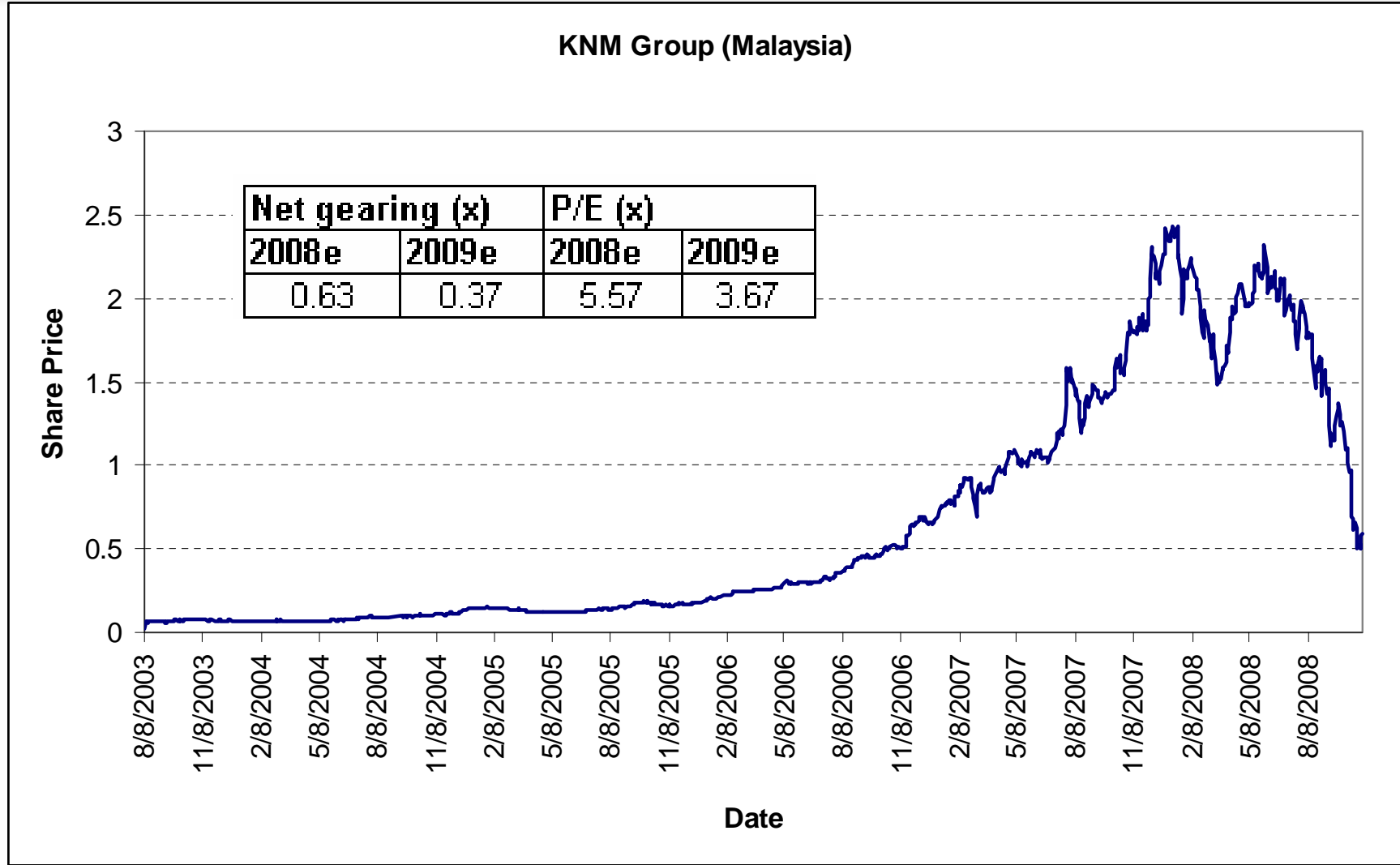
# WCT Berhad (Malaysia)

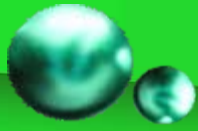






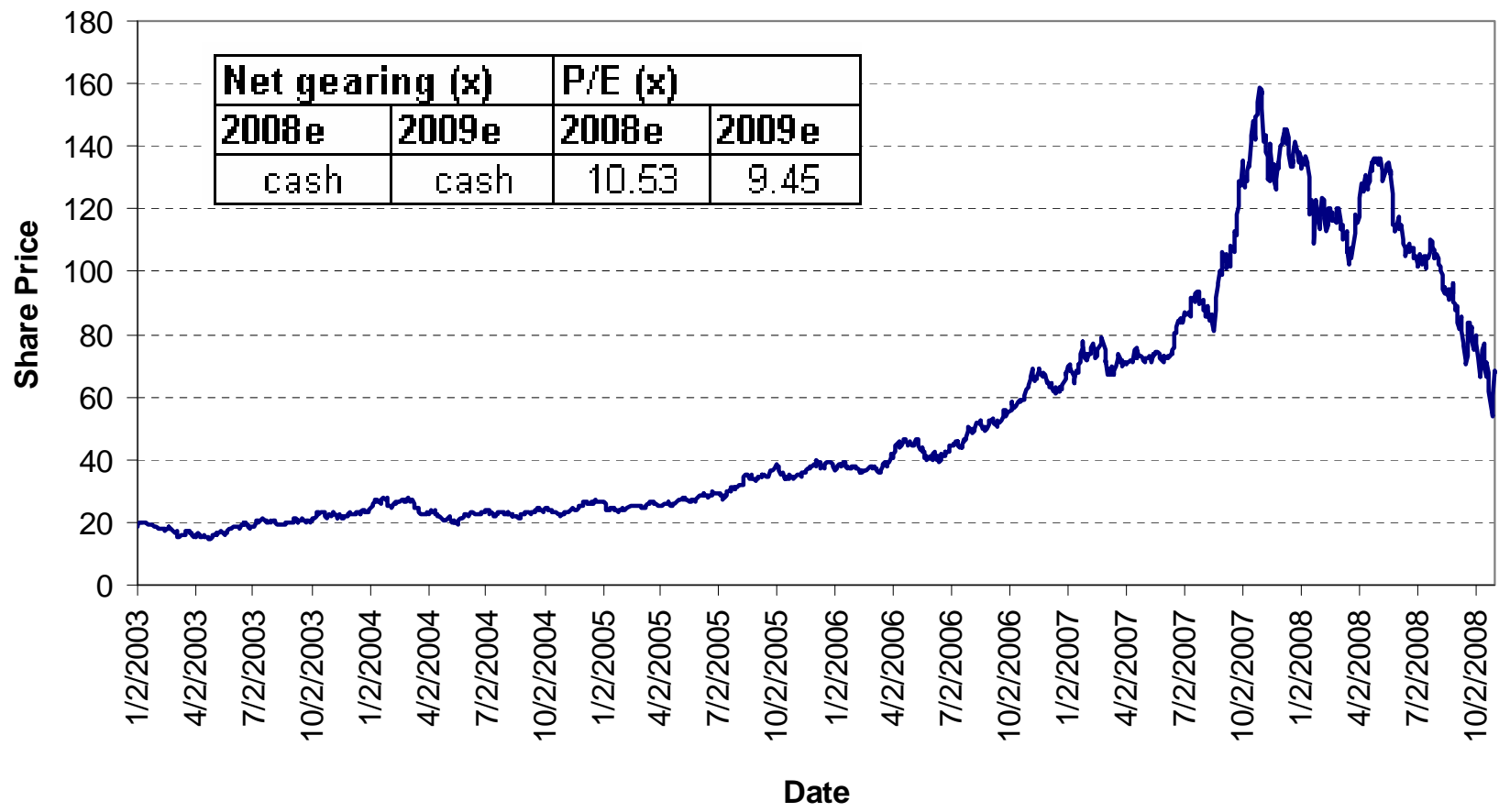
# KNM Group (Malaysia)

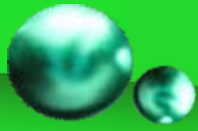




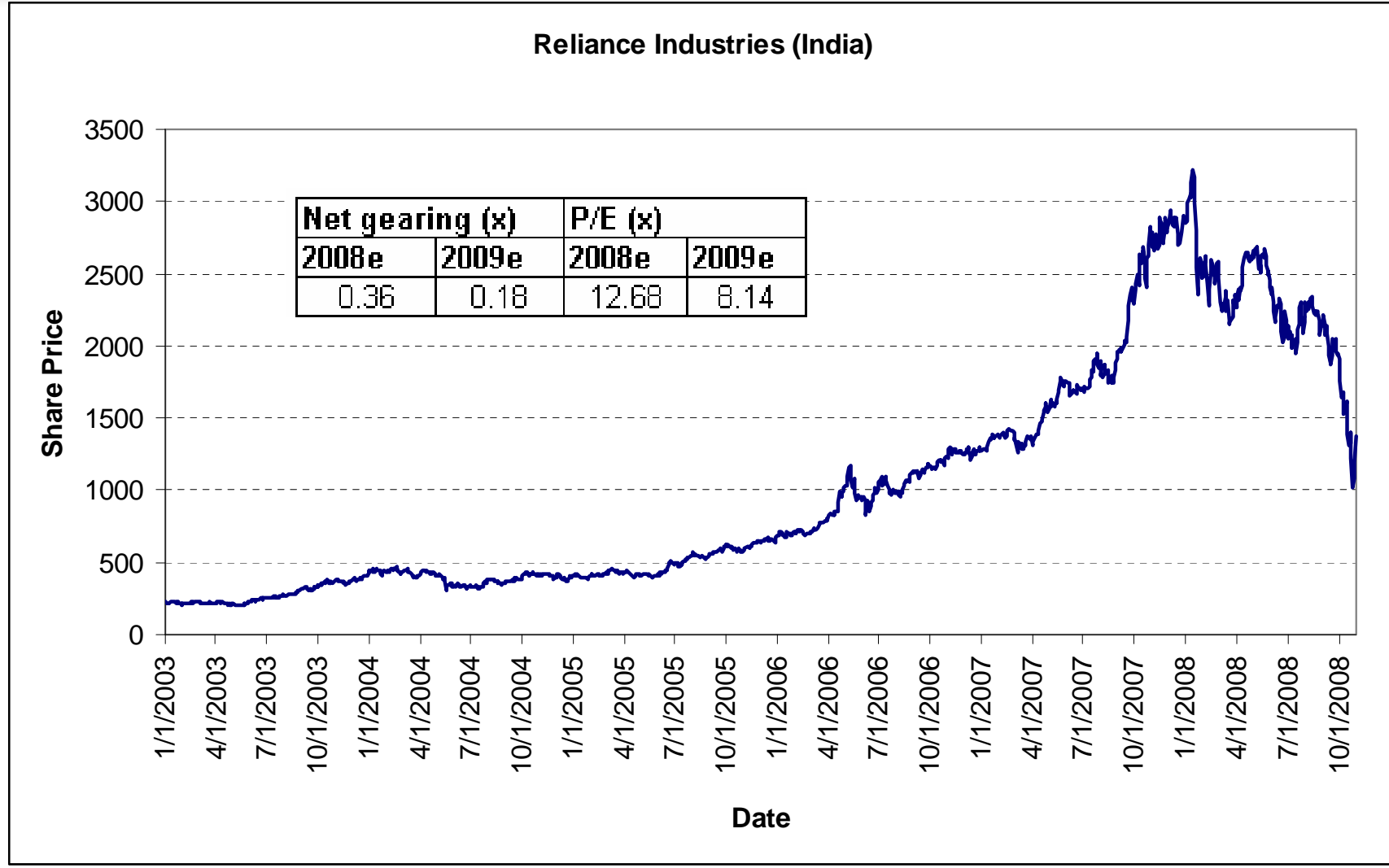
# China Mobile (HK/China)

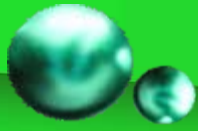
China Mobile (HK/China)



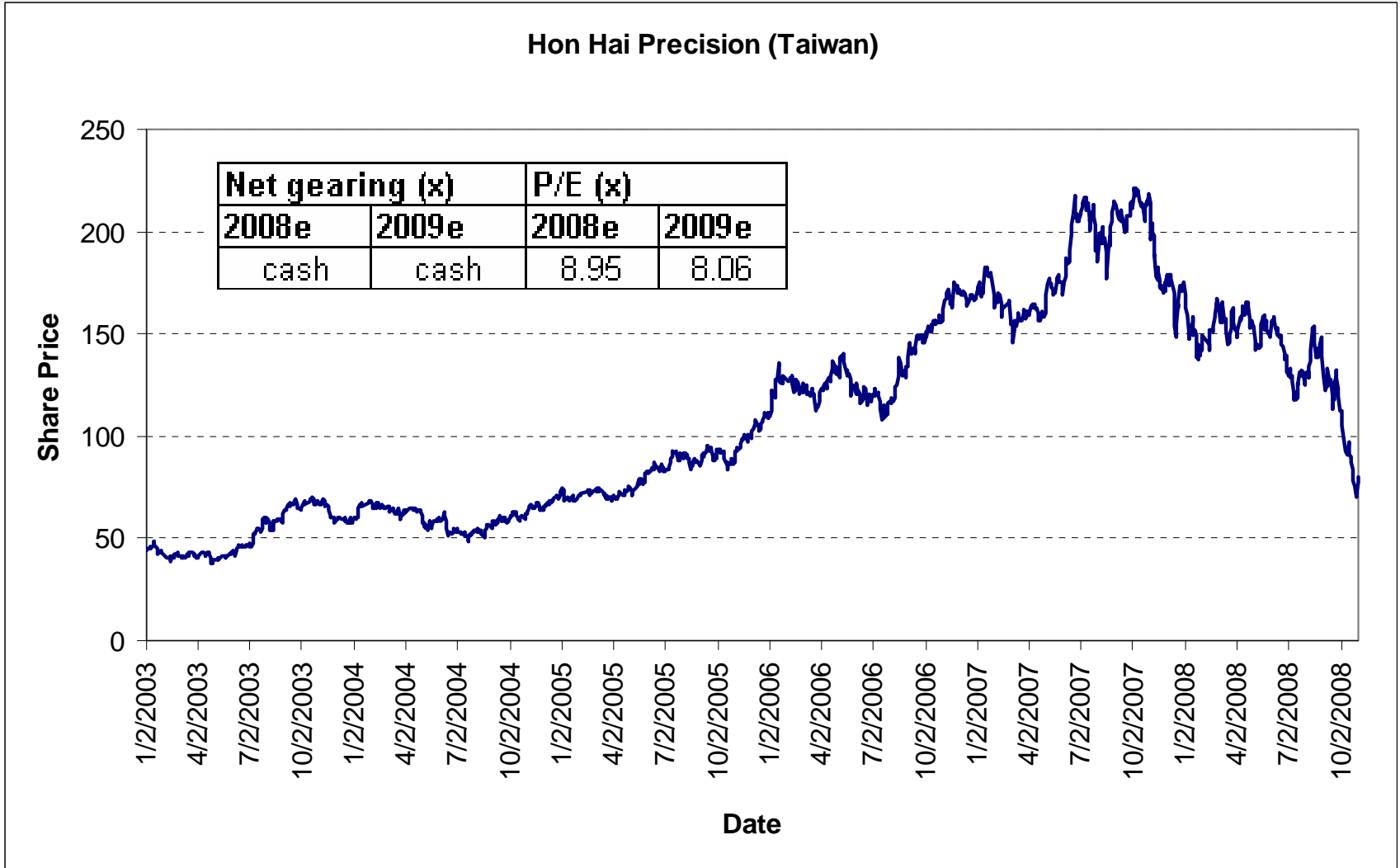


# Reliance Industries (India)





# Hon Hai Precision (Taiwan)



**Thank you!**





# Appendix

<b>COMPANY</b>	<b>31-Oct-08</b>	<b>3-Aug-09</b>	<b>% CHANGE</b>
ASTRA AGRO LESTARI TBK PT	6050	19150	216.53
PP LONDON SUMATRA INDONES PT	1960	6800	246.94
WCT BHD	1.27	2.85	124.41
KNM GROUP BHD	0.59	0.88	49.15
CHINA MOBILE LTD	67.8	82.25	21.31
RELIANCE INDUSTRIES LTD	1375.45	2017	46.64
HON HAI PRECISION INDUSTRY	69.57	114	63.86

