


PHEIM ASSET MANAGEMENT

Strategies To Benefit From Crashes

4th December 2008, Kuala Lumpur
Organized by Asian Strategy & Leadership Institute (ASLI)

By Dr. Tan Chong Koay
Founder/Chief Strategist





**Crisis Creates Problems,
It Also Creates Opportunities.**

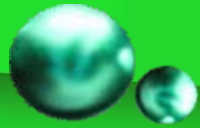




Past Crisis

1. Oil shocks – February 1973 to December 1974 (1 year & 11 months).
2. Iran-Iraq war – September 1980.
3. **Black Monday – 19 October 1987 to January 1988 (3 months +).**
4. U.S. recession – August 1990 to late 1992 (1 year +).
5. **Asian financial crisis – February 1997 to August 1998 (1 year & 6 months).**
6. **Tech bubble – February 2000 to June 2001 (1 year & 4 months).**
7. 911 terrorist attack in U.S. – September 2001.
8. SARS – April 2002.
9. **Sub-prime crisis – January 2008 to present.**



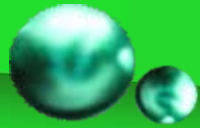


Past Crisis

Due to shortage of time, concentration will be on:

1. Black Monday – 19 October 1987 to January 1988 (3 months +), KLCI -52.5%.
2. Asian financial crisis – February 1997 to August 1998 (1 year & 6 months), KLCI -79.3%.
3. Tech bubble – February 2000 to June 2001 (1 year & 4 months), KLCI -45.4%.
4. Sub-prime crisis – January 2008 to present, KLCI -41.1%

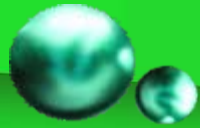




Recent Sub-prime Crisis

- Market of late has been driven by indiscriminate liquidation/selling.
- Forced liquidation directly caused by redemptions and panic selling makes market value drops substantially below intrinsic value and thus creates opportunities.
- This sharp decline and volatility provide opportunities to accumulate quality and undervalued stocks and outperform if investors have sound investment philosophy and process.





Pheim's Investment Philosophy

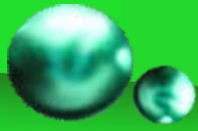
Core Investment Philosophy

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

A predominantly **VALUE INVESTOR.**

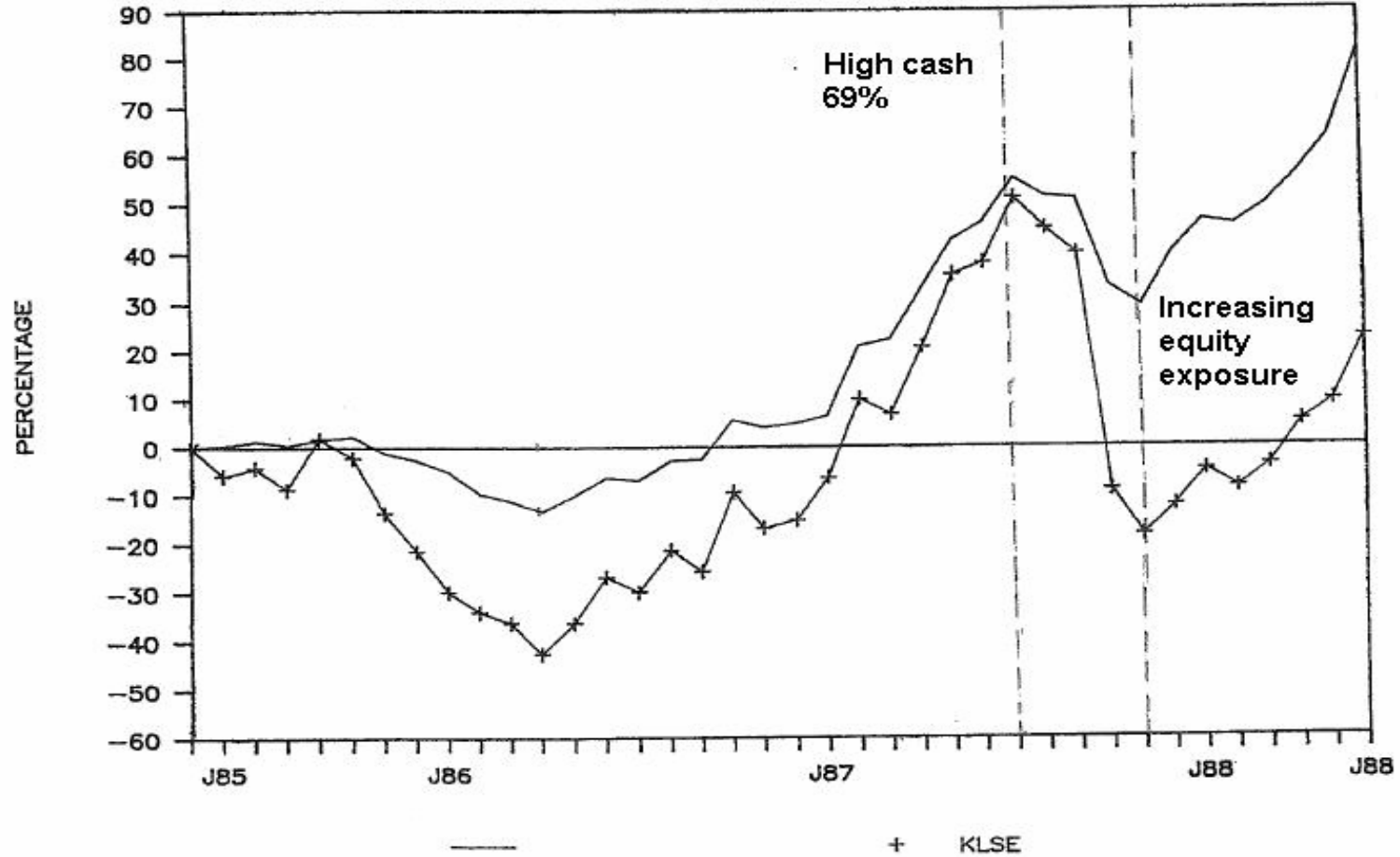
“Due to the volatility of Asian markets, **we do not believe in being fully invested at all times.** Rather, we seek to trim our equity exposure when we believe that the market is near its peak in order to preserve capital. Conversely, we seek to increase equity exposure when we believe that the market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





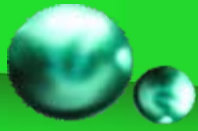
KLSE COMPOSITE INDEX

CUMULATIVE TWR SINCE FUND STARTED



What Happen During Crisis Periods?





KLCI Chart: Black Monday – Oct 1987

Black Monday



| Period | % Chg | Duration |
|-------------|---------|--------------|
| Bear Market | -52.5% | 3.5 Mths |
| Bull Market | +178.9% | 2 Yrs 3 Mths |





Black Monday – 19 Oct 1987 to Jan 1988

Plenty of Negative News,
and Government Actions

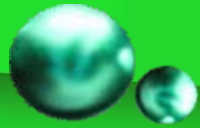




Media News

- Dow plunges 508.2 points in record crash – AWSJ (20 Oct 1987)
- Fed steps in to stem another Wall Street slide – NSTP (22 Oct 1987)
- Rebounds fail to quell worries of further falls – Business Times (22 Oct 1987)
- Panic selling pushes prices broadly lower – The Star (24 Oct 1987)
- Worst week in history of exchange – Business Times (26 Oct 1987)

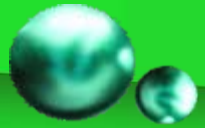




Media News

- Stock market crash brings back memories of the 1929 depression – NSTP (26 Oct 1987)
- Wall Street firms expect huge trading losses – The Star (28 Oct 1987)
- New York Stock Exchange Chief says market still imperiled – Boston Globe (1 Jan 1988)
- Factory orders report suggest softer economy – The San Francisco Chronicle (1 Jan 1988)



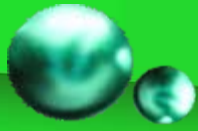


Media News

Over-bearish!

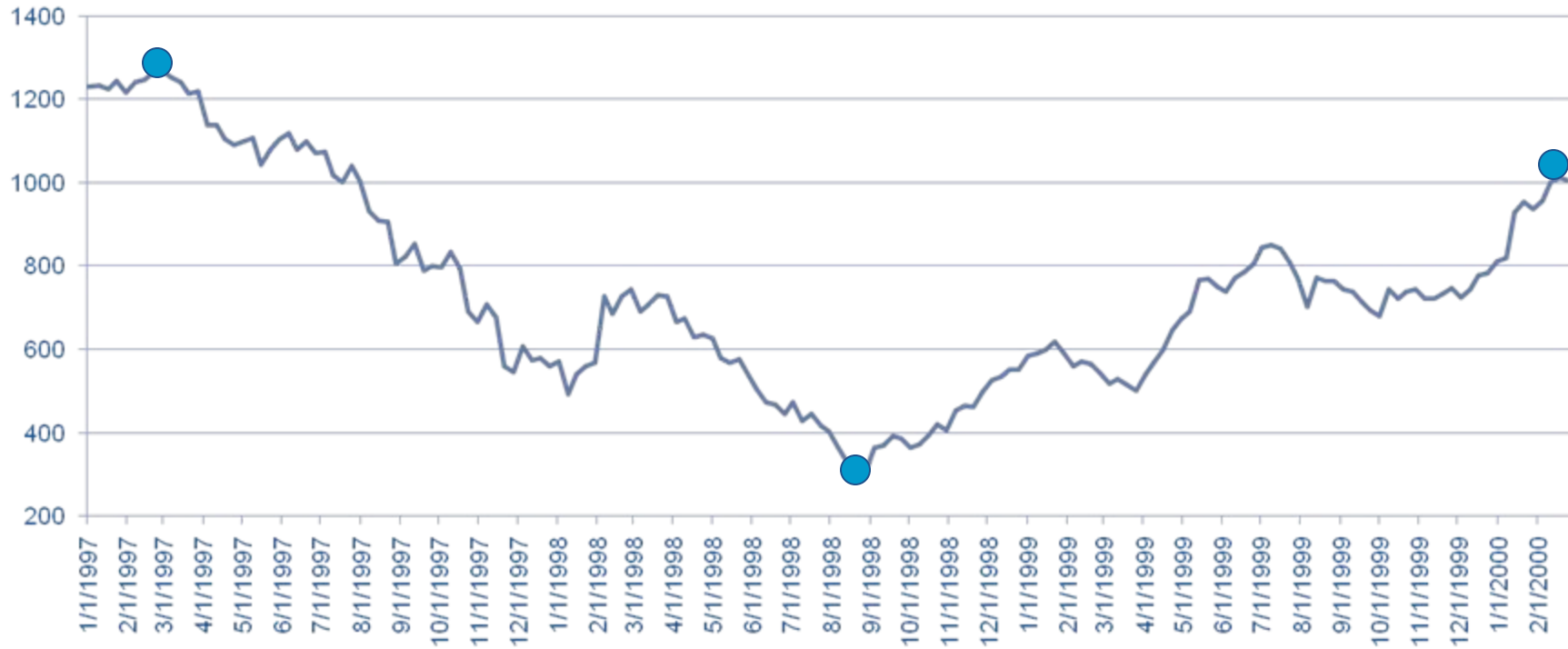
- Stocks show no interest in low rates – Philadelphia Daily News (15 Feb 1988)
- Economic clues pointing to trouble – Chicago Sun Times (3 March 1988)
- Confusion remains in market – Miami Herald (3 April 1988)





KLCI Chart: Asian Financial Crisis – Feb 1997

Asian Crisis



| Period | % Chg | Duration |
|-------------|---------|-------------|
| Bear Market | -79.3% | 1 Yr 6 Mths |
| Bull Market | +285.7% | 1 Yr 6 Mths |





Media News

- Stocks drop due to profit worries – Washington Post (31 Oct 1997)
- South Korea close to seeking IMF bailout – USA Today (21 Nov 1997)
- Stocks up but Asian woe is still contagious – The Washington Times (23 Nov 1997)
- Crisis spread beyond Asia – USA Today (1 Dec 1997)
- Asian fallout may hurt U.S – Chicago Sun Times (9 Dec 1997)
- Indonesia's economy meltdown shows that Asian Financial Crisis is only getting worse – Newsweek (19 Jan 1998)
- Thailand nationalizes 3 faltering private banks – The New York Times (7 Feb 1998)
- Economist warns China of massive problems ahead – Business Times (8 May 1998)





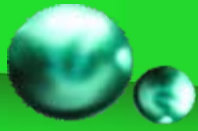
Media News

- Thrust of various policies to restore business confidence – The New Straits Times (24 July 1998)
- Asia tries to spend its way out of recession – The New Straits Times (3 Aug 1998)
- Malaysia sinks into recession – BBC News (27 Aug 1998)

Over-bearish!

- Asian economic crisis may ease after 2000 – Indian Express (8 Apr 1998)
- Mutual fund industry taking a wait and see attitude in 1999 – The New Straits Times (22 Dec 1998)





KLCI Chart: Tech Bubble – Feb 2000

Tech Bubble



| Period | % Chg | Duration |
|-------------|--------|-------------|
| Bear Market | -45.4% | 1 Yr 2 Mths |
| Bull Market | +46.0% | 11 Mths |

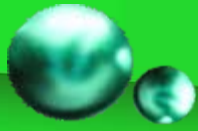




Media News

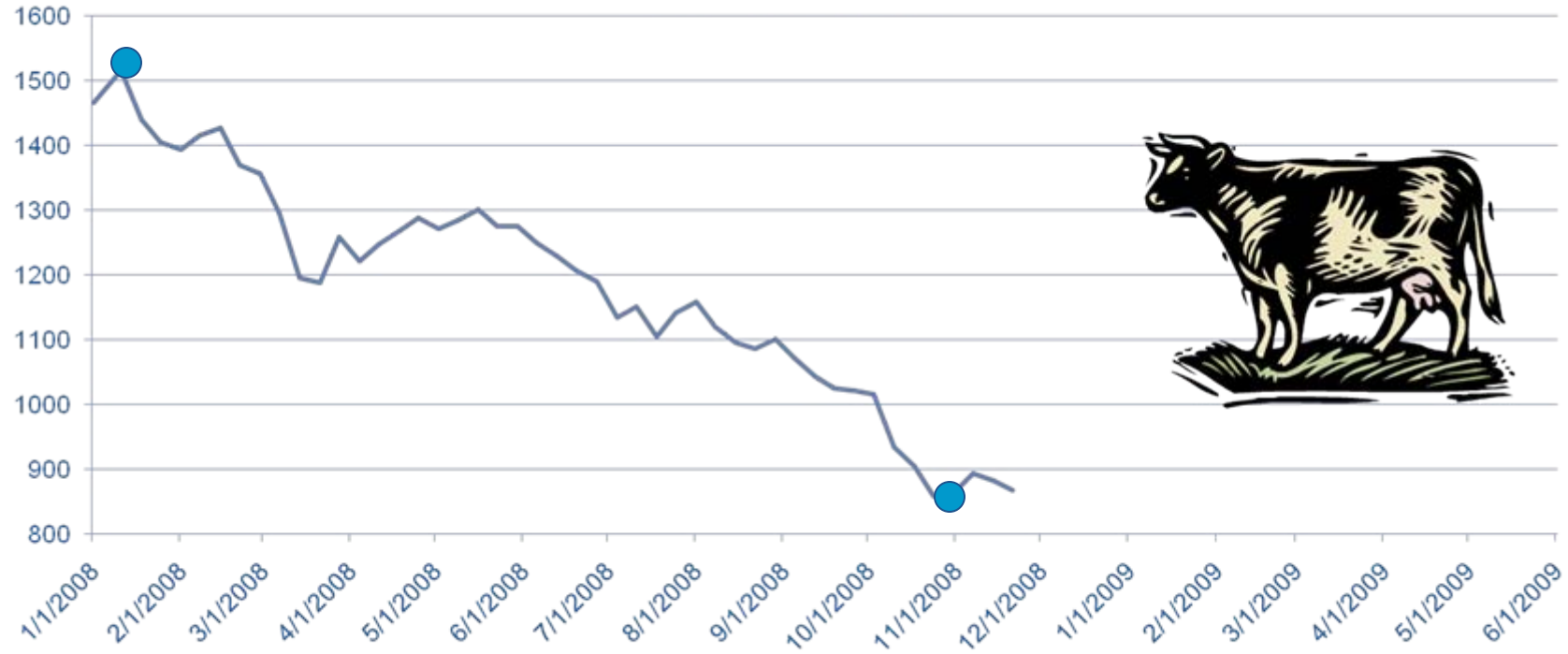
- Equities golden era are gone – The Seattle Times (20 April 2001)
- Is tech stock rally for real or is it another bubble – Saint Paul Pioneer Press (8 May 2001)
- Many Americans showing reluctance to invest in stocks – The Miami Herald (27 May 2001)
- Stock market scare send mix signals – The Patriot News (24 June 2001)
- Excess and tech slump may slump U.S maket hopes – Tribune Business News (29 June 2001)





KLCI Chart: Sub Prime Crisis – Jan 2008

Sub Prime in U.S



| Period | % Chg | Duration |
|-------------|--------|----------|
| Bear Market | -40.3% | 11 Mths |
| Bull Market | ? | ? |

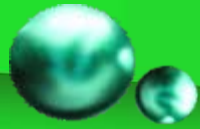




Media News

- U.S. to takeover AIG in USD85 bil bailout – The Wall Street Journal (16 Sept 2008)
- Washington Mutual is seized, Sold to JP Morgan, in largest failure in U.S. banking history – The Wall Street Journal (26 Sept 2008)
- Morgan Stanley may seek Wachovia bailout – Financial Express (19 Sept 2008)
- Bailout may not lift U.S. economy – The WSJ (30 Sept 2008)
- Demise of Lehman triggered a cash crunch around the globe – The WSJ (30 Sept 2008)





Media News

- Global economy looks even darker in IMF report – The WSJ (9 October 2008)
- Global fears drive steep drops in Asia, Europe indexes – The WSJ (13 Oct 2008)
- Asia's good times at risk – Time (13 Oct 2008)
- The bear that refuses to leave – The Edge Singapore (20 Oct 2008)
- It is not just financial crisis: higher taxes, energy costs and health spending also threaten growth – Newsweek Business (10 Nov 2008)





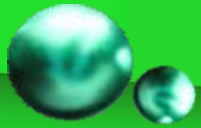
Media News

- Toxic Assets: Still no Takers – Business Week (1 Dec 2008)
- General Motors: Death of American Dream. How GM got it so wrong for so long – Fortune Magazine (8 Dec 2008)
- Can Citigroup Survive? – Fortune Magazine (8 Dec 2008)
- Iceland's three biggest banks are in receivership, the stock market lost 90% of its value and GDP could drop 10% in 2009 – Fortune Magazine (8 Dec 2008)



Observations & Perspectives





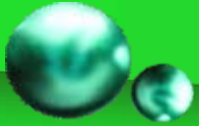
1. Some very experienced investors get panic and redeem investments near the trough.
2. Banks turn ultra conservative.
3. Many investors are confused and analysis is at the minimum.
4. Good shares are selling at bad prices.
5. Most investors take shorter term views.
6. Not all shares drop to the lowest at the same time.
Example: Many plantation shares in Indonesia dropped to the lowest point at end-October 2008.





Investment Is An Art





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

- Benjamin Graham

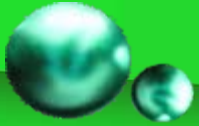




Success in stock market is based on principle of buying low and selling high.

- Sir John Templeton





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

- Dr Tan Chong Koay





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

- Dr. Tan Chong Koay

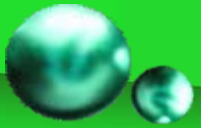




Equities will outperform cash when the market or shares are selling at great discounts.

- Dr. Tan Chong Koay

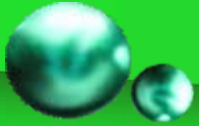




Keeping cash when the equity market is at the extreme low is not a good alternative, as chances of equities outperforming cash improve significantly.

- Dr. Tan Chong Koay





If you want to make money, you need to take calculated 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.

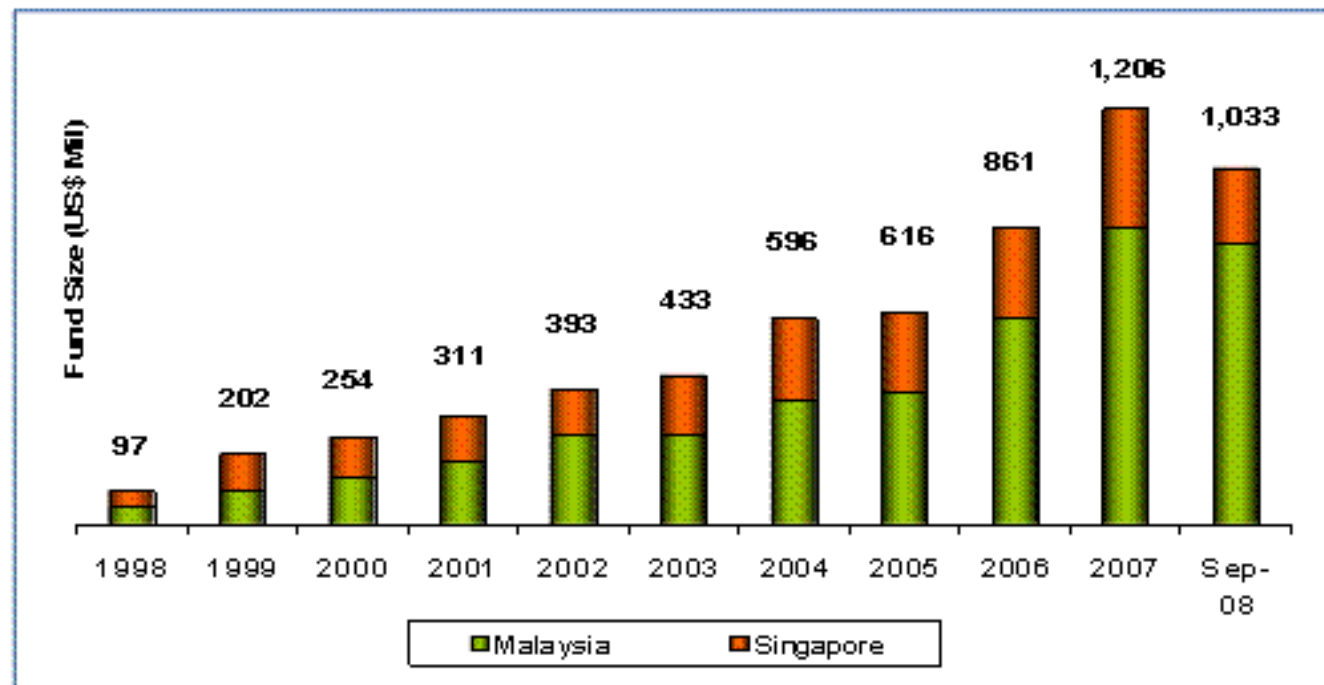
- Dr. Tan Chong Koay





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





Contact Details

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Appendix





Milestone (2005 – 2007)

| YEAR | MILESTONES |
|------|---|
| 2007 | <ul style="list-style-type: none">▪ Assets under management crossed US\$1 billion.▪ 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>▪ 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.▪ Pheim Malaysia was ranked 2nd for Best Overall Equity Managers by the largest mandate client for 5 consecutive years.▪ Pheim Asset Management Sdn Bhd was ranked 1st for Best 3-year Realised Return Equity Manager for 3 consecutive years. |
| 2006 | <ul style="list-style-type: none">▪ Named "Southeast Asia's Small-Cap King" by Bloomberg in August 2006. |
| 2005 | <ul style="list-style-type: none">▪ 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> |





Milestone (2003 – 2004)

| YEAR | MILESTONES |
|------|--|
| 2004 | <ul style="list-style-type: none">▪ Pheim Malaysia was named the Best Boutique House of the Year in Malaysia.▪ 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.▪ 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 & 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.▪ 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 18th and 11th 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. |
| 2003 | <ul style="list-style-type: none">▪ 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.▪ 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. |





Milestone (1994 – 2000)

| YEAR | MILESTONES |
|------|---|
| 2000 | <ul style="list-style-type: none">Assets under management crossed One Billion Ringgit (USD260 million) |
| 1999 | <ul style="list-style-type: none">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).Assets under management crossed 500 Million Ringgit (USD130 million) |
| 1998 | <ul style="list-style-type: none">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. |
| 1996 | <ul style="list-style-type: none">Malaysian Emerging Companies Growth Fund, managed by Pheim Malaysia, was ranked No. 1 by Micropal among offshore Malaysia Country funds for the second consecutive year. The Fund return was 44.4% versus 24.4% for the KLCI benchmark. |
| 1995 | <ul style="list-style-type: none">Dr Tan Chong Koay founded Pheim Asset Management (Asia) Pte Ltd and assumed the role of Chief Executive Officer/Chief Strategist. |
| 1994 | <ul style="list-style-type: none">Dr. Tan Chong Koay founded Pheim Asset Management Sdn Bhd and assumed the role of Chief Executive Officer/Chief Strategist. |





Milestone (1987 – 1993)

| YEAR | MILESTONES |
|------|---|
| 1993 | <ul style="list-style-type: none">▪ 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%. |
| 1992 | <ul style="list-style-type: none">▪ 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%. |
| 1990 | <ul style="list-style-type: none">▪ Dr. Tan Chong Koay joined John Govett (Asia) Pte Ltd as the first Director of Portfolio Investments. |
| 1987 | <ul style="list-style-type: none">▪ Dr. Tan Chong Koay was rated by William Mercer Zainal Fraser as the Top Manager for Retirement & Pension Funds in Malaysia. |



Thank you!

