

PHEIM ASSET MANAGEMENT

A philosophy for the long term

By Elizabeth Dooley

The Pheim ASEAN Fund was recognised as best performing ASEAN Equity fund in *Asia Asset Management's* 2015 Best of Best Awards for all 3-, 10- and 20-year periods.

Founded by Dr. Tan Chong Koay, who has more than 40 years of investment experience, Pheim Asset Management (Pheim) started with the simple goal of managing funds for those who have neither the time nor the professional resources needed to take care of their own financial wealth. As an equity specialist, Pheim targets clients who have long-term funds, including high net-worth individuals, corporates, pension or sovereign wealth funds. Funds from retail investors are pooled and managed through unit trusts.

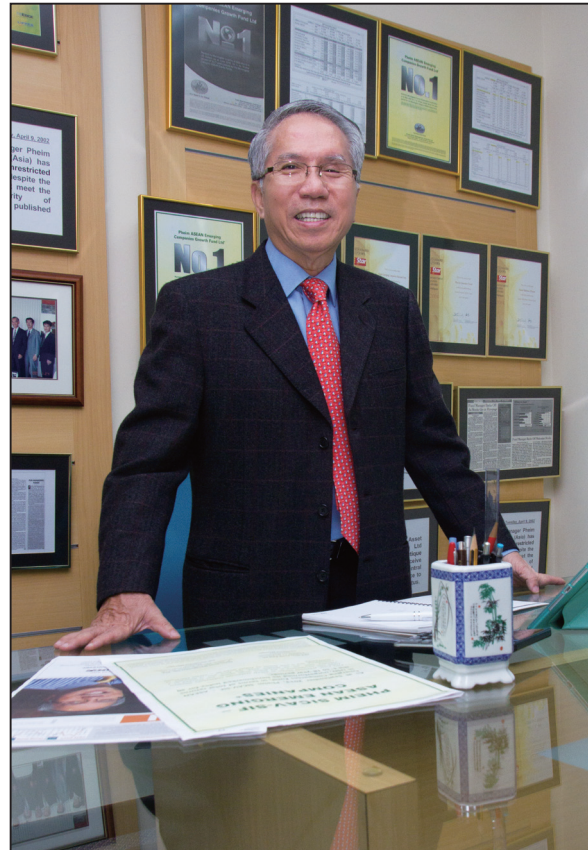
Pheim Asset Management Sdn Bhd (Pheim Malaysia) started operation in early 1994, Pheim Asset Management (Asia) Pte Ltd (Pheim Singapore) launching a year later. In a bid to enlarge its retail client base, Pheim Malaysia incorporated Pheim Unit Trusts Berhad in 2001.

When Pheim Malaysia opened its doors on January 4, 1994 the MSCI Malaysia Index stood at 465.67, its highest figure up to 2007, some 13 years later. Knowing that it would be extremely difficult to make money for clients when the market was at such high levels, many thought Pheim was set to fail. However, thanks to Pheim's investment philosophy of not being fully invested at all times and adhering to value investing Pheim lives to tell the tale of its success.

Long term track record

Pheim's investment team is acutely aware of the need to try hard to find a formula to manage the volatility of Asian markets and deliver a sustained performance to its clients. Rather than being fully invested at all times, in order to preserve capital the firm seeks to trim its equity exposure when it believes that the market is near its peak. Conversely, it seeks to increase equity exposure when it believes the market is near its bottom. Pheim Asset Management has survived for more than 22 years through practicing Pheim's philosophy of value investing and is now one of the oldest boutique asset management companies in Asia and today. Together Pheim Singapore and Pheim Malaysia has a combined AUM of US\$311m as at December 2015.

While Pheim has built an outstanding long term track record practicing its original investment philosophy and criteria, it did not come without challenges. Every asset management company needs to weather the storms of difficult and volatile crises. Two of the firm's oldest funds are now close to 20 years old, with Pheim's oldest Islamic fund now 13 years old. These three funds have given Pheim the opportunity to thrive in the long term, with some clients remaining since the launch of the fund.



Dr. Tan Chong Koay

The Pheim Sicav-Sif-Asean Emerging Companies Fund (Pheim Asean Fund), Pheim's first offshore flagship fund, was launched on February 3, 1995. It is now one of the oldest ASEAN equity funds. The Fund survived regional and global crises, including the Asian financial crisis of 1997/98, the bursting of the tech bubble in 2000, the US 9/11 disaster (2001), SARS (2003), the Global Financial Crisis of 2008/09 and the ASEAN Crisis (2013), and has come up top among peers. Indeed, on the fund's 20th anniversary on February 3, 2015, according to Lipper's calculation, the Pheim ASEAN Fund took the top position for all the 1- to 20-year periods among all Equity ASEAN of Lipper Global Classification under the International Offshore Universe in terms of total return in US dollars. For the 20-year period since the fund's launch, it recorded a return of 497.37%, outperforming the FTSE AW ASEAN Index's 44.56% by 452.81% and its top rival's record of 94.52% by 402.85%

Our largest Malaysia mandate from a government pension fund since April, 1997 registered more than 438% versus a client benchmark of 73%, outperforming by 365%.

Dana Makmur Pheim (Malaysia Balanced Islamic Fund)

	1-Year 01/01/2015 31/12/2015 %	3-Year 01/01/2013 31/12/2015 %	5-Year 01/01/2011 31/12/2015 %	10-Year 01/01/2006 31/12/2015 %
Dana Makmur Pheim	12.09	49.27	60.73	164.89
Benchmark	2.89	11.26	24.11	88.82
Pheim Outperformance Against Benchmark	9.20	38.01	36.62	76.07
Top Comparable Peer	9.78	24.41	41.76	127.68
Pheim Outperformance Against Peer	2.31	24.86	18.97	37.21

*Source: Lipper

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Past record has no indication of future performance.

The Dana Makmur Pheim, a Balanced Malaysia Islamic Fund scooped The Edge/Lipper Fund Awards for 3-, 5- and 10-year periods ending December 2015 in the Mixed Asset MYR Balanced Islamic category.

Swimming against the tides

Dr. Tan admits: "Although we manage to outperform the benchmark and peers in the long run practicing the Pheim Investment Philosophy, we are not free of setback. We have temporarily underperformed on various occasions. This is not a pure 'how to' formula. The process requires hard work, research and the ability to read the major trends. We certainly believe that the Pheim Investment Philosophy will do better than the philosophy that you must be fully invest at all times in the volatile Asian environment, and this is demonstrated by our long term track record"

"And whilst few will disagree that we live in challenging times where the macroeconomic outlook remains uncertain into 2016,

Pheim believes that market volatility will persist through much of the year as the major economies muddle their way through slumping commodity prices, deflation and divergent economic policies, tossing capital around that is in search of safe harbours. That being the case, Pheim sees tremendous opportunities in the Asia Pacific ex-Japan markets over the long term. Investors are able to diversify across currencies and economies and opportunities are seen in ASEAN's young population, gathering urbanisation and infrastructure needs for the movement of its people and the goods they produce and need. Valuations will become more compelling as the current sell-down exhausts itself and currencies stop depreciating after finding their level of competitiveness," he adds, noting that as a value investor, Pheim is well positioned for such times and will keep a look out for undervalued companies with good management and strong fundamentals.

"It is not easy to swim against the tide. With a good team supported by a proven investment philosophy, the chances are better," he concludes. ■

Dr. Tan's Bestselling Book

In 2015, Pheim's Founder and Chief Strategist Dr. Tan Chong Koay published his bestselling book, "Rising Above Financial Storms", detailing his investment philosophy based on his 40-year experience in fund management. Dr. Tan hopes to share his investing knowledge with others, including those just coming into the industry and the laymen who have interest in stocks investing. Dr. Tan believes that based on his long years of observation and research, Pheim's investment philosophy of not being fully invested at all times is an effective strategy in the volatile Asian environment. The book is available in most bookstores in Malaysia and Singapore and all profits from the sales are donated to charity.