

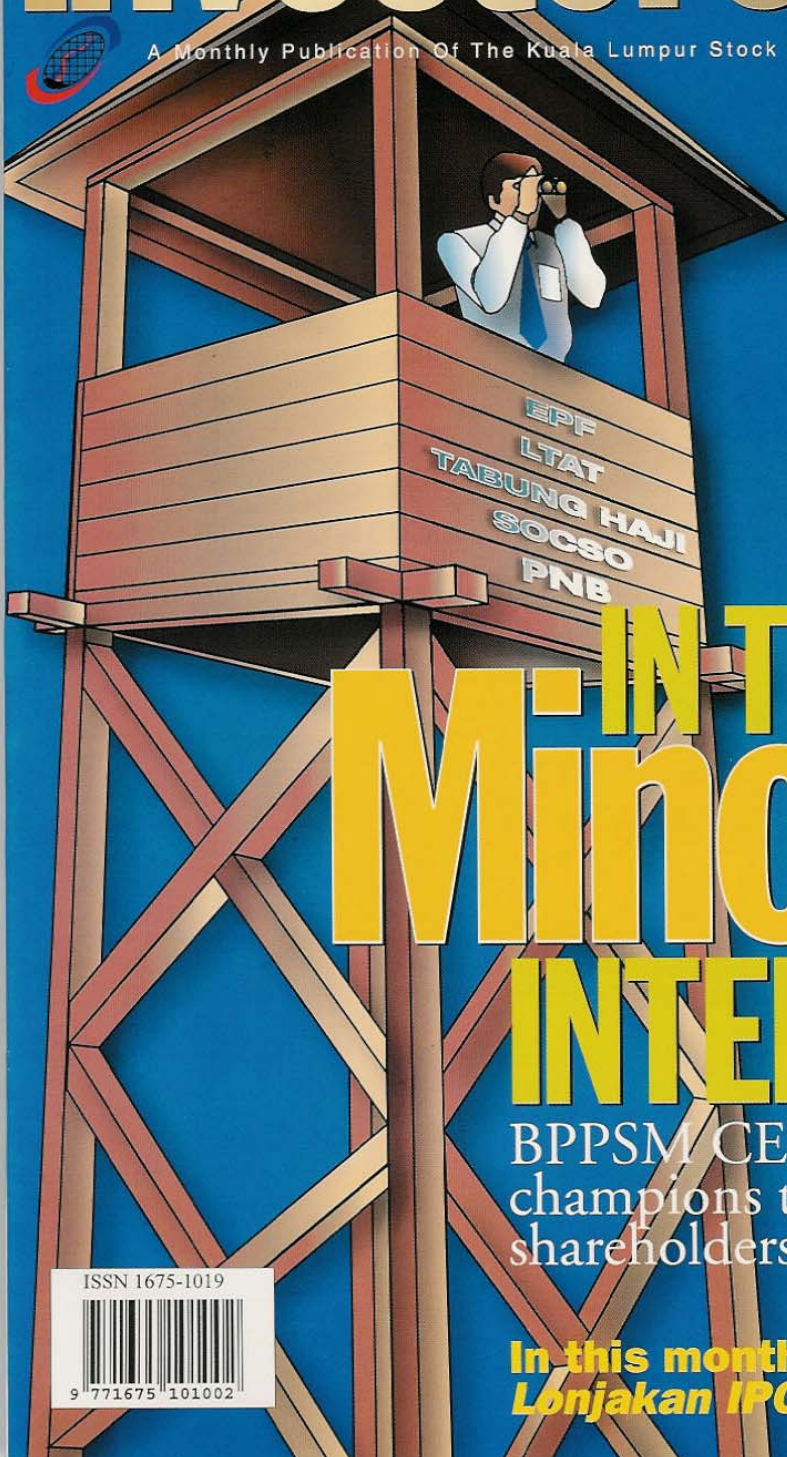
Trust In Pheim ● Fortune From Arowana ● Driving On EON

www.investorsdigest.com.my

# Investors Digest

A Monthly Publication Of The Kuala Lumpur Stock Exchange

Mid-February 2002



Traders Tool Box  
Buy when the *doji*  
drum tolls

Islamic Finance  
Sifting for syariah

## Spotlight

EON Managing Director  
Datuk Adzmi Wahab

# IN THE Minority INTEREST

BPPSM/CEO Yusof Abu Othman  
champions the cause of minority  
shareholders

ISSN 1675-1019



9 771675 101002

In this month's *Bursa Saham* column;  
**Lonjakan IPO**

# A MASTER TRUST FROM PHEIM

The launch of three new unit trust funds marks the start of a foray into retail territory for Pheim Asset Management

INVESTORS LOOKING FOR INVESTMENT opportunities in unit trusts have three more funds for consideration, swelling the industry's burgeoning ranks. If reputations count for anything, than the fact that its prime mover is Dr Tan Chong Koay should make investors sit up and at least ask for a copy of its Master Prospectus. Everywhere he goes, Tan's reputation as a successful and well-known asset manager precedes him. Having managed private funds with what even conservative observers describe as handsome returns, Tan is staking his reputation on the line by offering his services to the small retail investor. Needless to say, Tan who is Pheim Unit Trusts Bhd chief executive is upbeat about the prospects of the three newly-launched RM300 million unit trust funds. The three funds are incorporated in a Master Trust which was launched on January 28.

Investors rate Tan highly. He has a track record of reading the market correctly. He demonstrated his faith in the Kuala Lumpur Stock Exchange (KLSE) Second Board by picking up counters in 1995-1996. They saw him putting his money (his private clients' to be exact) where his mouth was by packing his portfolio with cheap but profitable companies listed on



*Dr Tan —his reputation as 'Second Board King' precedes him*

the Second Board. His judgement call proved correct. During that time, the Second Board experienced a bull run, surging 110% during the two-year period. It ended 1996 at 563 points making his investors very happy indeed.

Pheim made its name managing its Alliance Unit Trust Management Bhd's First Fund and Vision Fund. The former was ranked the top balanced income fund by Lipper Asia Limited in 1998, 1999 and 1998 to 2000 (three year performance). In

terms of growth funds managed, the increase to about RM700 million in Malaysia and the equivalent of about RM500 million managed by the Singapore office was above expectations.

Why did Pheim wait so long before venturing into the retail market? 'After outperforming the market for eight years, we now feel our track record is strong enough,' says Tan. Pheim is moving into a market that already has 35 unit trust management companies handling funds totalling some RM46.4 billion.

Tan believes the unit trust industry has strong growth potential and is upbeat about further expansion. He says the industry is being greatly aided by the release of restrictions for pension fund money held in the Employees' Provident Fund (EPF) to be invested in unit trusts.

Tan says asset managers must convince retail investors to look at unit trusts as a suitable investment alternative in the face of competing products and services. 'We need to persuade retail investors to invest in a basket of counters and leave the stock picks to professional and able people managing the funds,' he says.

Tan speaks from a position of authority for someone who has a track record of

making correct calls — so much so that his feat of outperforming the market in the mid-1980s by picking Second Board counters earned him the sobriquet 'Second Board King'. His technique was simple — look for small companies that have nearly zero borrowings, good management and tremendous growth potential. The bearish times did not dampen his enthusiasm as it gave him an opportunity to pick up really good counters at ridiculously low prices.

Tan also found a silver lining in the dotcom craze by moving in and out of favoured counters with impeccable timing which allowed him to get in when at the start of a good run and cashed out before it ended.

Tan likes to tell the story of how Pheim acquired Unisem at its IPO price of RM5.10 per share and cashed in when the price scaled RM40 each. Pheim did not stay at the tech stock party as the frenzy was just about to hit fever pitch and made very good money for his clients.

The three new funds are that have been launched are the Pheim Income Fund, the Pheim Emerging Companies Balanced Fund and the Pheim Dana Makmur Fund. The balanced fund and the Islamic Dana Makmur fund are targeted at investors with steady income and some prospects for capital appreciation in the long term. 'These funds are suitable for conservative equity investors as the asset allocation limit is up to 60% in equities and at least 40% in fixed income instruments. The Pheim Income Fund which is more suitable for risk-averse investors offers consistent income returns in the medium to longer term. The asset allocation limit is at least 80% on fixed income instruments and up to 20% on equities.'

Dr Tan says Pheim's investment philosophy aims to an active management approach based on rate anticipation and sector management strategies. It invests mainly in longer-term fixed income instruments when interest rates are at near peak levels so as to seek higher capital appreciation for unit holders. Conversely when interest rates are at very low levels, Pheim invests mainly in shorter-term fixed income instruments to capitalize on the rising interest rate cycle.

## Mericans In The Masterplan

The Merican family, Malek and son Omar are happy to own equity in Pheim which has notched impressive returns under the direction charted by Dr Tan

IT WAS BACK IN 1983 THAT Datuk Malek Merican and Dr Tan crossed paths. As Arab-Malaysian Merchant Bank managing director, Malek worked closely with the bright young head of the bank's Investment Services Department. Both shared the determined vision to make the AMMB Investment Services Department the most effective and active center of asset management. That was in line with the government's fledgling plans to develop the Malaysian capital market.

Malek gave his blessing when Tan opted to work in Singapore between 1988 and 1993 at the Investment Department of the DG Bank GZB (Asia) Limited and at John Govett (Asia) Limited. After gaining enough of an insight into international investment practices, Tan chose to come back to Kuala Lumpur to set up an asset management company. Tan looked no further than his old boss Malek to set up Pheim Asset Management Sdn Bhd. Malek and his son Omar agreed to take up the 30% bumiputera equity in the venture with Tan becoming chief executive.

Malek said Pheim Asset Management Sdn Bhd became immediately operational on January 4, 1994 after obtaining its license on December 9, 1993.

'Since then, Pheim has established a very impressive track record in terms of performance in managing funds, and in terms of growth of its funds managed,' says Malek. He adds that in terms of per-

Pheim's stature has grown with the participation of Sumitomo Life Insurance Company of Japan — one of the world's largest life insurance companies in the world — having acquired a 10% stake. In addition,



Father and son — Malek (right) and son Omar own the bumiputera potion of Pheim

formance of funds managed, Pheim has earned a number of creditable mentions and awards. 'Personally and at this time, I like best the assertion that Pheim has outperformed the KLSE CI benchmark for each of the eight years. There are a number of analysts who argue that many asset managers underperform their benchmark indices and that their services should be done away with. It is indeed refreshing to find that Pheim was able to outperform the KLSE CI for eight consecutive years,' he says.

Malek adds that when Tan was in AMMB, he was rated top manager for the retirement and pension funds in Malaysia by actuarial firm Mercer Zainal Fraser in 1987. Fund performance measurement company Micropal Limited ranked the Malaysian Emerging Companies Growth Fund, advised by Pheim, first among offshore Malaysia country funds in 1995, 1996 and 1995 to 1996 (two year performance). 

Sumitomo has entrusted US\$30 million to Pheim to manage. There's also a plan for Sumitomo Life and Pheim to look into an Asia-Pacific ex-Japan fund to be managed by Pheim. 