CAPITAL PERSONAL FINANCE

Pheim reads the trends right

| BY EVELYN FERNANDEZ |

With a firm presence in Singapore and Malaysia, coupled with a string of accolades from its investment performance in the region, Pheim Asset Management is now branching further afield to manage foreign funds within the region.

Last week, Pheim launched the Pheim-Aizawa Asia Fund in Tokyo, Japan.

Launched in partnership with Japan's Aizawa Securities, the fund, which is mandated to invest in the Far East Ex-Japan region, aims to raise some US$20 million in cash, Dr Tan Chong Koay, Pheim's founder and chief executive officer, tells *The Edge*.

"It will be a small fund but it's not a bad start," says an optimistic Tan.

For Pheim, the new fund is another measure of its success, signalling a wider recognition for its fund management capabilities.

In January 2003, Pheim launched a similar fund for the New Private Bank (NPB) in Zurich called the NPB Asia Fund. The fund, established under the laws of Luxembourg, was mandated for investments in Malaysia, Singapore, South Korea, the Philippines, Thailand, Hong Kong, China, India, Taiwan and Indonesia. By the end of December 2003, the US$8.6 million held under the NPB Asia Fund had returned 46.3%, outperforming the Morgan Stanley Capital Index (MSCI) Far East Ex-Japan Index by 9.8%.

"With this level of performance, we've successfully broken into the Swiss market and now we will begin managing a fund in Japan," Tan says.

Closer to home, Pheim's three local unit trust funds — Pheim Emerging Companies Balance Fund, Dana Makmur Pheim and the Pheim Income Fund — also out-performed their respective benchmark indices.

Tan says the Emerging Companies Balance Fund out-performed the Kuala Lumpur Emas index by 7.48% in the one-year period between Jan 1 and Dec 31, 2003, while its syariah-based Dana Makmur fund exceeded the Kuala Lumpur Composite Index by 10.79% during the same period. Meanwhile, the Pheim Income Fund out-performed the one-year fixed deposit rate by 10.85%.

Comparing its performance numbers with those of its competition, Tan is quietly confident that its Malaysian unit trust funds will earn the top spots on the ranking tables of Lipper Asia Ltd and Standard & Poor's Micropal for 2003.

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ABDUL GHANI RAMLI/THE EDGE

While Tan is careful not to be arrogant, he is, however, visibly very proud of Pheim's success.

"There's no way the average fund manager can beat us in the long term," he says, while waving as if to dismiss the competition.

Indeed, Pheim's combined fund size grew from US$97.3 million at the end of 1998 to US$435 million at the end of last year. Pheim's Malaysian unit has also outperformed the benchmark index for nine years running since its inception in 1994.

For Tan, Pheim's success is based on its simple rules to investing. For starters, due to the volatility in Asian markets, Pheim does not believe in being fully invested at all times.

Instead, it trims its exposure to the equities markets when a market is nearing its peak to preserve capital and raises its stakes when a market is nearing the bottom of a cycle.

"It is all about reading the major trend cycles. You have to watch the swings and know when to get in and out," he asserts.

Assessing the performance of its three-unit trust funds, Tan explains that the success rate that Pheim achieved on its fixed income fund during 2003 was largely due to its accurate timing of the market and conservative approach.

"Most investors tend to look at bonds with a fixed mind-set and they forget the interest rate risk that comes with it. So, many lock in for the long term. But in an environment of rising interest rates, you don't want to be buying bonds for the long term," Tan explains.

"[At Pheim], we maintain a policy that we will not invest in bonds for more than a three-year period. In addition, we are allowed to invest up to 20% of the fund in the equities market, which boosted the performance of the fixed-income fund," Tan adds.

Success also depends on the ability to sense valuations, Tan says. So, looking ahead, with interest rates on the rise, the outlook for the bond market will not be that good.

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Monitoring the KLSE by just checking price movements and volumes traded in your daily newspapers does not give a complete picture of where money is going. Our Money Flows column is designed to show whether money is flowing in or out of the most actively traded stocks of the week. Track this column every week to be ahead in the market.

| BY ISA ISMAIL |

Investors continued to buy up stocks that were falling in value as the new year came around. Despite not showing significant improvement in the first three days of this year, investors found opportunities to take profit on gaining counters.

Total money inflow of the 20 stocks on the buying-on-weakness list below exceeded total money outflow of stocks on the selling-on-strength list by almost three times. For the week from Dec 31, 2003, to Jan 6, 2004, some RM61.46 million was spent on buying up stocks, while total money outflow was RM21.46 million.

Taking up half of the total money inflow in the table is Public Bank Bhd, which saw some RM31.36 million being spent on buying up its stock during the week in review. The country's fourth largest bank in terms of assets saw its share price fall five sen, or 1.82%, to close at RM2.70 last Tuesday.

Public Bank has been buying back its shares on the local bourse for the past two weeks. Last Tuesday, the bank announced that it had bought back 62.18 million shares at prices ranging from RM2.55 to RM2.83 between Dec 23 and 31.

Investors also bought up Tenaga Nasional Bhd shares as its price fell by as much as 15 sen from Dec 31 to Jan 6 to RM9.15. The national power company saw some RM10.51 million flow into its stock over the week.

Last month, Tenaga announced that it would have a 15% equity participation in US$1 billion water desalination project in Saudi Arabia. It also announced that it was still in the process of disposing of its 20% interest each in Segari Energy Ventures Sdn Bhd and Port Dickson Power Bhd.

Chemical Company of Malaysia Bhd saw some RM3.46 million flow into its stock during the week in review. The share price of the pharmaceutical and fertiliser manufacturer fell six sen to close at RM2.16.

The stock of Johor-based Binaik Equity Bhd was also bought up as its price fell three sen to RM2.29. The property developer saw some RM2.95 million flow into its stock over the week in review.

Meanwhile, investors took profit on cable and conductor maker FCW Holdings Bhd as its share price rose six sen, or 6.4%, to end at 92 sen last Tuesday. The counter saw some RM3.94 million flow out of its stock during the week in review.

Oil and gas outfit Scomi Group Bhd saw an outflow of some RM2.84 million due to profit-taking activities. The drilling fluids service provider saw its share price climb 30 sen, or 2.13%, to RM14.40. The company had announced that it had set up a 60:40 joint venture with Crest Petroleum Bhd to provide marine vessel transportation services.

Gaining 20 sen is Malaysia International Shipping Corp Bhd, which saw an outflow of RM2.57 million during the week in review. The national shipping company saw its share price rise 1.77% to close at RM11.50 last Tuesday.

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