

Never Fully Invest at All Times

By: Dr. Tan Chong Koay, Founder and Chief Strategist of Pheim

Q: 2020 was a very uncertain year. What was the biggest challenge that the team were facing, and how did you overcome it? Was managing your emotions and making sound decisions one of the key challenges?

A: 2020 was indeed a very uncertain year as a result of the ravage to the world economies caused by Covid-19 pandemic, and governments world-wide have had to take extreme measures to control the spread of the pandemic, and to inject liquidities to keep their economies afloat. It was an extreme period, a crisis. From the perspective of a fund manager, it was a crisis that caused all stock prices to tumble. Markets gyrated in response to developments and newsflows. These brought attendant problems and challenges for fund managers as fund valuations plunged, and redemptions appeared. Fearing that the worst may yet to be, some investors might have decided to exit from their investments, even at depressed prices. As we all know, market psychology and investor sentiments and emotions will influence investment decisions, often resulting in markets over swinging to one side or the other. The challenge is trying to have a clear mind and be conscious of these elements at play.

Market exuberance and extreme pessimism can be very contagious, and play on human greed and fear. Having a wealth of experience, and having gone through many boom and bust cycles does help. However, as is commonly said, investment is more an art than science. This means it involves a judgmental call. As we watch the market and monitor our investment portfolios, we must always be mindful of the stock specific and market valuation data. This is the essence of Pheim's value investment strategy and its investment philosophy of "Never Invest Fully at All Times". As the Founder of Pheim with more than 45 years of experience in the fund management industry, I have put in pains-taking efforts in institutionalizing our own unique investment strategy and philosophy, and mentoring our investment team members in the art of carrying out our investment activities in adherence to our own investment strategy and philosophy.

A crisis brings problems, but also opportunities. The Covid-19 induced market crash caused substantial falls in stock prices and market gyrations. The severe price corrections that stocks suffered during the crash created good opportunities for investment. We took advantage of these opportunities and made some good investments. Hence, despite the temporary adverse effect on the performance of our funds caused by the crash, our portfolio performance subsequently recovered strongly following the market recovery. Another challenge was the possibility that some investors might seek redemption in a depressed market. That would have required us to sell good shares at unfavourable prices. We are lucky to have many investors have good understanding of Pheim's Investment Philosophy, and who are convinced of the benefit of investing or increasing their investment in a depressed market, and realizing or reducing their investment in a good market.

The key to overcome these challenges lies in, firstly, by emphasize in education and communication to get the investors understand on our philosophy and strategy, and secondly, further sharpening our stock and market calls through extensive in-house research to enhance specialized knowledge in specific companies; and identifying the significant triggering factors that cause stock prices to rise or fall, hopefully, enabling us to make better and more timely judgment.



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