

Never Fully Invest at All Times

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

Q: Have you implemented different strategies in reaction to the unprecedented event in year 2020, or made contrarian calls that would eventually lead you to outperform your peers?

A: As Asian markets tend to display greater cyclicity and price volatility, we believe that an active asset allocation strategy can add value to our investors. We constantly adjust our investment strategies to take into consideration economic, political and geopolitical changes and emerging trends in the new environment. However, value investing underpins our stock selection strategy. In practicing value investing, we prefer companies that have raising profits, low gearing, good management, and are trading at well below their intrinsic value. At Pheim, we may practice a combination of value investing and growth investing, depending on the situation. Pheim prefers to invest in companies that are undervalued and are growing at the same time.

When we sold shares near the market peak in January 2020 and early February 2020, we temporarily underperformed. When the market crashed from 12 February 2020 to 23 March 2020 due to the impact of the Covid-19 pandemic on the global economy, many industry legends had expected that the worst was yet to come. Based on my analysis of the situation and my experience with many market crashes over the last 45 years, I took a contrarian view and suggested that we should take the opportunity to buy into the market when most of the shares were hitting historical lows during the market crash – with many of the shares then trading way below their intrinsic values. We had cash at the time as we had taken profit on some shares before the crash, and were able to pick up many stocks at very attractive valuations in the months of March, April and May 2020.

As a result of monetary and unprecedented fiscal stimulus taken to lessen the economic impact of the pandemic, and government measures taken to contain the pandemic globally and domestically, the markets rebounded since March 2020 and the clock has been ticking on the rebound until recently. In the US, both the NASDAQ and DJIA have since surpassed their respective record highs achieved prior to the Covid-19 crisis. As at 31 December 2020, the NASDAQ and DJIA closed at 12,888.28 and 30,606.48, well above their pre-Covid record highs of 9,817.18 and 29,551.42 respectively. Asian markets have also recovered, though to a lesser extent. Our asset allocation decisions before and during the pandemic and our stock picks have contributed to our outperformance during this period.



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