Pheim takes equity fund award for fourth consecutive year

BY **ARIS RIZA NOOR BAHARIN**

FUND	Pheim Asia Ex-Japan Fund
AWARD	Equity Asia Pacific ex-Japan (Malaysia) (5 years)
FUND SIZE	RM6.3 million
FUND MANAGER	Pheim Asset Management Sdn Bhd

RETURNS FOR PERIODS ENDED DEC 31, 2023 (%)		
	1 year	-1.68
	3 years	-13.25
	5 years	23.84
	10 years	38.76

Pheim Asset Management Sdn Bhd continued its winning streak with the Pheim Asia Ex-Japan Fund (PAXJ) taking the Best Equity Asia Pacific Ex-Japan (Malaysia) award in the five-year category for the fourth consecutive year at the LSEG Lipper Fund Awards 2024.

Founder and chief strategist Dr Tan Chong Koay says the top contributors to the firm include two Indonesian stocks, Integra Indonesia and Bank Syariah Indonesia. In Malaysia, there were electronic manufacturing services provider Cape EMS Bhd, sustainable supply chain solutions provider L&P Global Bhd and offshore marine services provider Perdana Petroleum Bhd.

"In a nutshell, PAXJ's five-year return ended Dec 31, 2023, appreciated 23.85% versus the MSCI Asia ex-Japan Index's 19.51%, which is encouraging," he says, adding that the firm's winning stocks from 2019 to 2023 were Hibiscus Petroleum Bhd, Datasonic Group Bhd and Greatech Technology Bhd.

Tan proudly attributes the win to Pheim's practice of value investing, which focuses on growth, overlaid with its investment philosophy and strategy of "never being fully invested at all times".

He says the firm seeks stocks that are relatively cheap as opposed to their underlying intrinsic value, and expects the share prices to rise to more accurately reflect their true worth. Those are companies whose shares trade at low price-earnings ratios (PERs) and low price-to-book ratios (P/B).

"Thanks to our discipline and adherence to our investment philosophy, [we have] successfully weathered major crises and navigated through the volatile Asian/Asean market to produce a consistent long-term track record," says Tan.

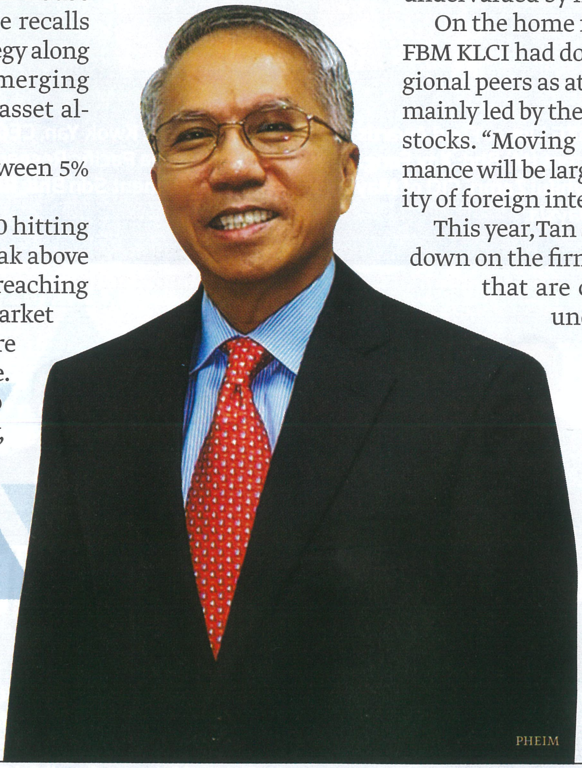
Looking at the data through its in-house research and personal experience, he recalls making small adjustments to its strategy along with the changing markets and emerging trends. This led to stock, sector and asset allocations being regularly reviewed.

Pheim's cash holdings varied between 5% and 10% last year.

Entering 2024, Tan sees the S&P 500 hitting fresh milestones with a first-ever break above the 5,000-point level, with valuations reaching new heights as well. He believes the market has priced in interest rate cuts far more than the US Federal Reserve's guidance.

"Judging from the resilient US job market and inflation figures in January, we think inflation is still sticky and is unlikely to come down to the Fed's 2% target in the near future. Should the rate cut not materialise as the market expects, we believe the US could experience some corrections and, hence, affect global markets," says Tan.

On China, he sees a few challenges ahead. Its economy, and the businesses in which PAXJ regularly invests, is going through several structural changes. These changes include its reduced reliance on the property sector, which has contributed more than 20% to its economy, and the outflow of foreign direct investment as multinational corporations reduce their reliance on Chinese manufacturing.



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"The resulting impact is on the outflow of foreign funds from the Chinese financial markets. On a positive note, the Chinese authorities are said to be taking measures to stabilise the Chinese financial markets, although details are scant at the moment. Chinese stocks are also undervalued by historical standards," he says.

On the home front, Tan points out that the FBM KLCI had done better than some of its regional peers as at early March this year. It was mainly led by the outperformance of large-cap stocks. "Moving forward, our market performance will be largely driven by the sustainability of foreign interest in local stocks," he says.

This year, Tan seeks to intensify and double down on the firm's strategy of seeking stocks that are cheap compared with their underlying value.

"We seek companies that have focused management, low debt-equity gearing, enjoy high margins and earnings growth, and whose shares trade at low PERs and low P/B. At times, we may apply a combination of value and growth strategies or put a greater focus on growth stocks to take advantage of market and business cycles." E