



~ Ang Kok Heng

From The Desk of CIO

## We Are Value Investor

As a value investor, we definitely prefer to buy a good stock at lower valuation, i.e. lower price-to-earnings ratio (PE). As we manage to discover more value buys among the small and mid-cap stocks, the market has mistaken us as a mid-cap specialist. Many fund managers rely on the research works done by the broking firms which naturally focus on larger market capitalization stocks where the volume traded are higher but we have our internal research expertise to scout for under researched stocks.

The *Edge Financial Daily* recently termed us as the “mid-cap specialist” but in actual fact we are not. This is because we happened to invest more in the mid- and small-cap stocks.

In our quest to maximize the return on investment for our clients, we find more value buys among the mid- and small-cap space. I suppose the main reason is because most big funds are flocking to the bigger cap stocks and driving up the valuation to excessive level (see *Table 1*) while the small-cap stocks are ignored and hence cheaper in terms of valuation.

We are value investor and we do not discriminate a stock in terms of the size of their market capitalization. As long as the stocks meet our investment criteria, we will buy. Our main emphasis in stock selections are lower PE, strong earnings growth, strong recurring earnings, good profit visibility, progressive management, etc. For smaller cap stocks, we will buy in a smaller scale as they tend to be more volatile during a market downturn. As our asset under management is relatively smaller, we do not have the liquidity constraint as faced by the larger funds. However, if we are buying for longer term, liquidity is not a very important issue.

We are known in the market for our early pick for under-research and under-valued stocks. Some of our early picks were QL Resources, Malaysia Building Society, Yinson, etc (see *Table 2*). Our portfolios also have some undervalued big-cap stocks such as Maybank, Public Bank, Genting, Axiata, etc. Typically our portfolios are made up of about 1/3 in big-cap blue chips and 2/3 small- & mid-cap stocks.

### PM's call may spark mid cap stock rally

In *The Edge Financial Daily* Today 2013

Written by Ho Wah Foon of [theedgemalaysia.com](http://theedgemalaysia.com)  
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Long-time fund manager Ang Kok Heng, who manages RM1.4 billion worth of funds for Phillips Capital Management, said: "There are a lot of investment opportunities in mid cap stocks. Compared with big caps, many have high dividend yields, stronger valuations and growth potential."

Ang, who is also a mid cap spe... a minor rally for mid cap stocks... The EPF was buying into these... EPF CEO Datuk Shahril Ridza... invested about 20% in mid cap shares. "We might increase the percentage if the companies are good."

Ang, who is also a mid cap specialist, sees more market excitement ahead.

Source: *The Edge Financial Daily*

Stock	Mkt Cap (RM'm)	PE (x)
<b>Property</b>		
SP Setia*	8,433	16
UEM Land*	14,236	23
Glomac	907	9
Hua Yang	644	9
<b>Construction</b>		
Gamuda*	10,701	17
IJM*	7,985	19
Crest Builder	207	4
Kim Lun	563	12

Source: PCM & Bloomberg

\*Big-cap

Year	Mid-cap Stocks Purchased	Year	Mid-cap Stocks Purchased
2007	Kossan	2011	Asia Media #
	QL Resources		Benalec
	Wellcall #		Dialog #
2008	Axis Reit #	2011	Hap Seng
	Pantech		Kian Joo
2009	AEON #	2012	TRC Synergy
	AEON Credit #		TSH
	Mudajaya		Yinson
	Plenitude #		Datasonic
2010	RCE #	2012	LPI
	Cypark		MPHB
	Dayang		OCK
	MBSE		Padini #
	Salcon #		Prestariang
	Uli Corp #		Takaful

Source: PCM

For Phillip Capital Management Sdn Bhd

Nona Salleh  
Executive Chairperson

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