

## Capital Dynamics launches second global fund

Written by Tan Su-Yin  
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The dramatic drop in stock markets last year has led to the long-term approach of buy and hold being questioned. In an article in late April, The Wall Street Journal ran said that advisers are ditching the 'buy and hold' dogma in the face of massive losses.

For Capital Dynamic Asset Management Sdn Bhd's managing director Tan Teng Boo, the question is not whether to invest long-term but in finding companies that can be held long-term. The value investor seeks companies selling at an attractive discount from the intrinsic value. And in this market, he is rubbing his hands in glee. Tan says he has been steadily accumulating stocks over the past year. The iCapital Global Fund, a fund for high net worth investors that was launched in July 2007, now only holds 6% in cash, says Tan.

"We see a lot of prices which have bombed out although the company has not," he says. "I have never seen so much pessimism in so many places at so many levels of society in my life. The negative sentiment is a divergence from the economic numbers, which isn't as bad as those seen in the Depression. This is a springboard for a major rally."

To capitalise on the 'bargains' in the market, Capital Dynamics Australia Ltd has launched the iCapital International Value Fund, a global retail fund denominated in AUD. The fund invests in up to 42 markets, and has a minimum initial investment of AUD20,000. It has no entry and exit fee, and imposes a management fee of 1.5375% of the NAV, plus a 20.5% performance fee for performance above the hurdle rate of 6% pa.

Many economists maintain that global economic growth will be stunted due to the deleveraging of the US economy. Despite the continued growth in China's economy, its smaller relative size (about a third the size of the US economy) means that it cannot fill the vacuum left by the US. Tan, however, is more bullish.

"In 1929, when the US and UK faltered, the world had no alternative source of economic growth," he says. "Today, we have China, and it has an impact on other countries like Australia and South Korea, in what I call the China-led economic block. This size of the economy of these countries put together, rivals the size of the US economy."

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Despite the volatility in the market, Tan says he is still a long-term investor. “We bought into Parkson in 2002 when it was around 40 sen. It went to a peak of around RM10. If we had sold at 80 sen, we would have made 100% gains. The question is, if you sell, what are you going to reinvest in? The advantages of buying and holding is that if you have the right company, you don’t have to worry about reinvesting. Of course, at RM20, we would have sold because it would have been so overvalued. But a good company, managed well, has tremendous potential. If you buy and sell once in 10 years, you only have to be right twice. If I buy and sell every month, I have to be right 24 times a year. “