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Capital Dynamics spreads wings to Australia

By TEE LIN SAY

CAPITAL Dynamics Asset Management Sdn Bhd managing director Tan Teng Boo has added a gleaming feather to his cap by spreading his competitive wings to Australia. With that, Capital Dynamics (Australia) Ltd, based in Sydney, is the latest member in the Capital Dynamic's group of companies.

With an initial paid-up capital of A$500,000, it will offer fund management services to wholesale and retail investors and is expected to launch a retail fund – The i Capital International Value Fund – by end-March. Tan is targeting a fund size of A$50mil in the next 12 to 18 months.

The company obtained its full Australian Financial Services Licence (AFSL) in December last year.

"It's much simpler to obtain an AFSL targeted just for high net worth individuals. (But) I've always wanted to have a retail fund. This fund is for the moms and pops. We plan to approach our investors directly," he says.

Capital Dynamics (Australia) will invest in global equity markets, hoping to draw investors from Malaysia, Singapore, New Zealand and Australia. Like his i Capital Global Fund based in Singapore, this fund will also be limited to 12-15 stocks.

"You can do as much advertising as you like, but when people choose to invest with you, it boils down to trust. Whether you are able to deliver or not. Our approach for all our funds has been the same. We have no borrowings, no derivatives and no short-selling. We have no loading fees and we lock in our investors for the first 12 months. We always look for long-term investors," he says.

Meanwhile, the next stop for his fund management company, targeted in 3 years, is New York.

Tan says he is the first Asian-owned fund manager to have obtained the AFSL. He says this with visible pride.

Interestingly, Tan plans to publish newsletters in Singapore and Australia, writing on regional political systems and providing a new dimension to stock analysis.

Generally speaking, Tan is not as pessimistic as pundits who have predicted a "Great Depression". Instead, he says, it will be a "Great Recession".

"The main reason for the financial tsunami today is because of the Lehman Brothers collapse. The credit market totally collapsed as a result of the government not bailing them out," he says.

Tan says that in September 2008, huge financial institutions such as AIG, Fannie Mae, Freddie Mac, Merrill Lynch and Citigroup were rescued when they were nearing disintegration.

When the fiasco with Lehman Brothers happened, expectations were for the government to take action and save the bank. Nonetheless, no help came, and the bank was allowed to go bankrupt. That was when the carnage began.

"Banks were thinking: 'If the government does not rescue me should I fall, then I better not lend.' That was when fear set in, and the whole credit market collapsed," he says.

Tan says that if not for the Lehman Brothers episode, global markets would be enjoying a bull run now.

"Sure there were losses from the subprime market. But if the banks had been rescued, there would still be lending, and therefore positive economic growth. This would lead to fewer foreclosures and unemployment," he says.

Tan expects the US credit market will take a while before normalising.

"Right now everyone is so negative. And typically, when everybody is saying something will happen, it normally does not," he says.

Tan is still positive on China and sticks to his "Long Boom" theory where the world economy is at the beginning of a structural long boom perpetuated by the transformation of China.