Long-only fund Azure pins its hopes on Singapore stocks

Azure has a South-east Asia mandate but will focus on stocks in HK, China and Singapore. The Singapore portfolio will be tilted towards small and mid-cap stocks for now, says CEO Terence Wong. PHOTO: AIDAN LOO

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MONEY can still be made in Singapore stocks, said Terence Wong, the former RHB Research head who is now the CEO of Azure Capital.

"I have this wish, this ambition to really push the Singapore market. Given that I know the different (constituencies) of the stock market, I feel confident that I can do something," Mr Wong said in a media briefing on Tuesday morning.

Azure, a long-only fund, has a South-east Asia mandate but will focus on stocks in Hong Kong, China and Singapore.

Half the fund will be in blue chips and liquid mid-caps, and a sizeable component, 30 to 40 per cent, in smaller companies under S$2 billion of market capitalisation.

Singapore stocks will take up roughly 30 to 40 per cent of the fund. The Singapore portfolio will be tilted towards small and mid-capitalisation stocks at the moment, Mr Wong said. "I feel I have a good chance of making my best returns in Singapore."

The fund will be run by two portfolio managers, including himself, two analysts, and one non-investment person.

It was launched in late August, with seed money coming from some founders of Singapore-listed companies. Mr Wong is aiming to grow its assets under management to S$100 million by next October.

He said that given his connections to company management, fund managers and stock analysts, he will be able to find and capitalise on opportunities.

"Every week I visit between eight and 10 companies," said Mr Wong.

"I know 300 to 400 companies. Some of them I know well enough to be *kopi* (coffee) buddies ... I don't just do a screen. If I do that, I will miss out on turnaround situations."

Some companies might not be making money now, but it does not mean they are bad investments, he said.

Other opportunities Azure will look at include privatisations, special dividend situations, or policy changes, like the potential lifting of property cooling measures in Singapore.

One company he highlighted as a potential investment is a profitable manufacturer yielding over 6 per cent, whose cash is four-fifths of its market capitalisation. Another is a technology company trading at half its book value, which could be a privatisation candidate. He declined to name both.

Many people complain that the local market is a value trap and does not have liquidity.

But there is a "mouthwatering" 4 per cent dividend yield in the benchmark Straits Times Index, he said.

Meanwhile, a quarter of the market is trading below half of book value, and over two-fifths of the market is in a net cash position, he noted.

Mr Wong began his career as a tech analyst in 1999, promoting stocks like Horizon.com – which he termed his biggest mistake.

"I followed the crowd, I didn't go back to basics. I felt the guy (in charge) was doing the right things. Little did I know tech was new to everybody," he said.

Today, venture capitalists are similarly assigning enormous values to unprofitable startups.

"Generally the market, after a while, will become sane. There should be excess cash (that) should return to traditional businesses."