

Yeoman Capital's CIO: we've got no time for a cash cushion

By Nick Tay of Citywire (www.citywire.sg) on 24 October 2013



While some investors are concerned about a cash drag on their portfolios, Yeo Seng Chong is facing the opposite problem.

Yeo, who is CIO and portfolio manager at Yeoman Capital Management, said he currently has a shortfall of cash and an abundance of investable ideas.

‘Over the near 16 years of our experience, we’ve always had more ideas than we’ve got cash,’ said Yeo, who runs the Yeoman 3-rights Value Asia fund.

Yeo’s approach is squarely focused on stock selection and portfolio construction, regardless of the macroeconomic outlook.

Noting that external conditions have already been priced in, Yeo said there’s no need to further discount macro conditions into stock prices.

‘We’re aware of what happens on the macro front, but like fishermen, we know what the weather is but we won’t stop fishing no matter the weather,’ he said.

Currently the portfolio consists of around 72 stocks, which are equal-weighted for diversification.

‘Of course the weight of individual stocks will vary as their prices fluctuate, but if we were to start a fresh portfolio afresh, we would start equally weighted in all our positions,’ said Yeo.

Finding the black sheep

Yeo said this approach to diversification is the least emotive, and reduces the impact of potential bias.

‘We’ve found an equal weighting is the best way to maintain an emotional even keel, and sometimes the black sheep will show the best performance. Just because you have a bias against the stock doesn’t mean it won’t perform well.’

His broadly diversified holdings across sectors are focused in five markets: Singapore, Malaysia, Thailand, Korea and Hong Kong. However, sectors he has generally avoided are insurance companies and banks.

‘We’ve found the complexity of balance sheets for banks and insurance companies is too difficult for us to clearly understand.’

‘There is some guesswork, some opacity involved. Manufacturers, distributors, retail, construction companies, and engineering companies are much clearer,’ said Yeo.

Yeo said he recently added he has recently found most opportunities in Malaysia, while he has reduced holdings in Singapore and Thailand.

Since the start of 2013 to end of September 2013, the Yeoman 3-Rights Value Asia fund has returned 15.96%. This compares to its benchmark, the MSCI AC FE x Japan, which rose 0.41% over the same period.