

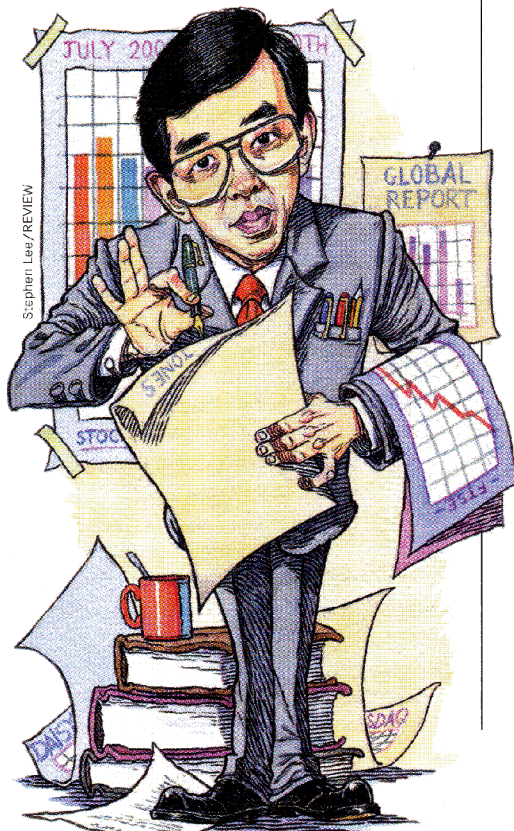
# 'Greed Breeds Greed'

*Don't expect the glory days of high-yielding, super-growth markets to return any time soon to the region, so instead focus on value investing*

**TAN TENG BOO** started warning investors in 2000 about the "enormous bubble" that was Nasdaq. In April this year, he predicted that the United States dollar would begin a steady decline. In fact, the gangling, bespectacled founder and chief executive of investment advisory company Capital Dynamics is respected in Kuala Lumpur as something of a prophet. Between 1998 and 2002, his funds returned 23% while the various indexes of the Kuala Lumpur bourse climbed 3%-5%. He recently spoke to Kuala Lumpur correspondent S. Jayasankaran. Excerpts:

#### **WILL EAST ASIA RELIVE ITS GLORY DAYS OF CONSISTENTLY ACHIEVING HIGH GROWTH EACH YEAR?**

Not in the next few years. I think we are entering a new and volatile phase. During those years [the early- and mid-1990s], Asia was mostly driven by investment spending. So was Japan and the U.S. But the only place where that's happening now is China.



Add to that the excessive capacity in the region and growth, going forward, will be volatile like Malaysia's was between 1999 and 2001, [when GDP growth vacillated between 6.6%, 8.3% and 1.1%]. That kind of volatility will be the rule rather than the exception.

#### **WHERE WOULD YOU PUT YOUR MONEY NOW?**

If you're talking equities, Malaysia. The U.S. dollar is in decline and the ringgit peg gives foreign investors an effective price discount—everywhere else in the region, currencies are appreciating against the U.S. dollar. The depreciating ringgit also helps exports, which helps growth. Valuations are relatively cheap and, more important, it's become a lot more transparent here.

#### **IS CHINA A THREAT OR AN OPPORTUNITY FOR THE REST OF ASIA?**

It's both. It has to be—any bull or bear market is both a threat and an opportunity. Let's not kid ourselves about China. Two hundred years ago, it was the world's biggest economy. It will get there again. I don't buy all the carping by commentators, especially in the Western media. They say China doctors its figures; that its electricity consumption which, reportedly, is falling, doesn't jive with high growth. You might be able to doctor for a few years, but for 20 years? And if Japan is in recession, how come its electricity consumption figures keep rising?

#### **DO EXAMPLES LIKE ENRON OR WORLDCOM SIGNAL THE FAILURE OF THE AMERICAN CAPITALIST OR CORPORATE MODEL?**

No, it merely signifies that there is no such thing as a Master of the Universe. People get obsessed with their share prices. In any kind of prolonged boom, it seduces them. Greed simply breeds greed. The same thing happened to the Japanese. It's human. So to imply that it equates with the failure of the American model is stretching it. What other model is there?

#### **HOW DOES ONE MAKE MONEY ON THE STOCKMARKET?**

The methodology would differ depending on the economy and the market. But essentially I'd stick to value investing of the sort preached by Benjamin Graham and Warren Buffet. Essentially, investing is about superior returns. This high-risk, high-return stuff usually ends with poor results. By its very nature, value investing has a huge margin of safety.

#### **ARE ANALYSTS OVERRATED?**

In the U.S., particularly, they are way overrated. But you also need investors to believe. Now there is a bad aftertaste—especially in the U.S. People have been turned off. On the other hand, analysts are vastly underrated in Malaysia.