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Capital Dynamics: The first global Asian fund

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Why and how we need to go global

Malaysia has a population of just about 30 million, and this translates into a rather small market for Malaysian manufacturers and service providers. This is why it is crucial for Malaysian companies to look beyond our borders and into the regional and global markets if we want to be world beaters. Importantly, we also need to know how to do it.

Although Tan Teng Boo calls his Capital Dynamics investment company an aspiring global player, the fact is that the company has a presence in four international cities and invests globally. Kinibiz talks to the noted fund manager on the challenges of becoming Asia's first and only private global investment management company.



Tan Teng Boo

Tan Teng Boo, the chief executive officer and managing director of Capital Dynamics Global leads what he calls an aspiring global investment and fund managing company. The word aspiring might suggest that the company has not yet made tracks overseas. On the contrary, Capital Dynamics is in Sydney, Singapore, Hong Kong and Shanghai.

According to Tan, when he says aspiring he is referring to the fact that when compared to the large multinational companies, Capital Dynamics is still “very much in the garage”. More importantly, the term aspiring also defines the company’s “vision and mission which are very lofty,” Tan said.

Nonetheless, Capital Dynamics is not only a global company, but is also the first Asian global fund. Tan noted “if you look at the Asian fund managers, either from places like Hong Kong or Singapore, none of them have operations in so many countries. We are the first and only one.”

He adds that most Asian based funds tend to focus their investing activity in the continent or even more specifically in greater China.

“Our investing jurisdiction however is global, so that makes us very different from the other Asian fund managers,” he said. The company is also different from Western global funds in the sense that it is rare to find a global fund with an Asian perspective, Tan explained.

Tan started Capital Dynamics in 1988, with RM48,000 to invest. After 26 years, the investment company now manages around RM1 billion in various funds. This includes the RM140 million close-end fund, icapital.biz. Bhd which is listed on Bursa Malaysia.

Singapore was the obvious move, Sydney less so

Capital Dynamics’ first overseas expansion was into Singapore, which it saw as an obvious first step in the push to go global. For the company, establishing a presence in the city state made sense in terms of the amount of risk the company was willing to take on at that point.





“The risks were lower, because we are in some ways similar to Singaporeans. And so it was for us to get some experience, to get some idea of what it is like to operate outside Malaysia,” Tan explained.

After establishing operations in Singapore came the important question of where do we go next? According to Tan, the obvious choice was Hong Kong or some other Asian city synonymous with investing. But Capital Dynamics decided to make their next destination Sydney, Australia.

Tan said he is often asked why he chose Sydney, to which he often responds with “why not?” The retort often leaves many speechless, because they are unable to think of why I should not have gone to Sydney, he quips.

In his view however, the case for going to Sydney was rather straightforward. Tan points out that if he had gone to Hong Kong, he would have had to contend with high costs and a lot of competition. Comparing the two options at that time, Tan decided that the headwinds Capital Dynamics would face in both locations were similar.

However, the amount of opportunities offered to them was in Sydney’s favour. “We felt that the opportunities in Hong Kong were less than in Sydney. Hong Kong had seven million people, while Australia had 20 million plus people.”

But beyond population size, it was clear that Capital Dynamics had also closely studied the Australian market for other factors that would work in its favour. For example, Tan highlighted that Australians had super annuities or collective savings in the trillions.

Perhaps most importantly, there were no other Asian fund managers working in Australia at the time. In a nutshell, Sydney was a prime market to capitalise on, and Capital Dynamics was perfectly positioned to take advantage of it. .



Establishing a brand in a new market

When Capital Dynamics set up shop in Australia, they were also aware that after Singapore, Australia was the most preferred destination for Malaysians who had migrated. Given the strength of the Capital Dynamics brand in Malaysia, Tan chose to leverage upon that link.

“We wanted to fight battles that we could win, so we did not go into places (in Australia) where the Westpacs and the Macquaries were already established, We chose to go into areas where we would establish a niche area.



Given that Capital Dynamics was known well in Malaysia and Singapore, the company felt that its niche area was the Malaysians and Singaporeans who had migrated there. And so the company decided to establish a “beachhead” in this areas, Tan explained.

Studying the market and providing the right product

Admittedly, there is not always going to be a large diaspora of Malaysians and Singaporeans to leverage upon in every location Capital Dynamics moves into. So Tan emphasised that any potential market must be sizable enough to warrant expansion there.

Market conditions are also crucial, as is the product being offered to that locale. In Australia, Capital Dynamics noticed that investors were spending a lot to acquire advice that often did not help them in their investing decisions.

So it chose a different model, which was the direct distribution mode, allowing investors to skip paying for costly advice and come directly to the investing part. By offering this, Capital Dynamics managed cut down a substantial amount of transaction costs for its clients.



Staying on the right side of regulators

The reason the company was able to offer this service in Australia, is because it managed to obtain a full retail licence. Tan said that this was an achievement in itself, as it meant the company “could approach not only wholesale investors but also raise money from the mom and pops.”

He added that it was a point of pride for Capital Dynamics that they secured this licence in 2008, at the height of the financial crisis when regulators were being so protective over the interest of retail investors. Tan credits getting the licence to having the right counsel to help navigate through the process.



Tan believes that one of the biggest challenges for companies going overseas will be managing and dealing with regulators. He added that often even the supposed experts are confused over the processes.

“When we went into Australia, we consulted three to four of the largest law firms. And each one we spoke to, we got conflicting opinions,” Tan recalled. He added the team was so confused because they knew that not all the firms could be right, and not all could be wrong.

You must keep an open mind

But although the contradictory information and confusion was frustrating, it was an important learning experience for the team, said Tan. In fact he believes that it thought them two very important lessons.

The first lesson was that they should not give up when things get frustrating. The second was that they should never be closed minded when looking for partners in new markets. He said “we learnt that we had to be open minded enough to consider all kinds of possible solutions and to consider all kinds of alternatives.”

By keeping an open mind and not judging potential partners merely by size or reputation, Capital Dynamics eventually found the right legal partner. Tan said “someone suggested that we contact this one man show firm...a law firm with only two partners — either we were open minded or we were desperate — but we went to see them, and we got all the answers.”



People are the most important, and difficult to manage

Getting the right people into the right positions is one challenge, managing those people across several different places is equally difficult. Firstly, employment law can differ greatly from one country to the next.

More importantly, the attitude of workers also varies by from place to place. Tan recalled that when he first started his Sydney office, the mood of the country was positive and unemployment was low.



He recalled that simply trying to schedule interviews with prospective employees was hard, and how if you asked someone to come in on a Friday afternoon they would likely ask you to reschedule the interview.

Now however, things have changed in the Australian economy, with things not as upbeat as it used to be. The change has led to a difference in attitude and these days, interviewees are even willing to come in over the weekend.

Tan opined that “you got to be able to make sure your corporate policy is not changed, but at the same time you must be able to modify it or adapt it to local conditions. If you are going to take an approach where one size fits all, it is not going to work.”

He added that the first one to two years will be tricky, but that things eventually settle down as both parties adjust to each other.

You got to be up for a challenge

My advice to companies looking to go global is to be aware that it is challenging, and that they must be up for that. “I feel that I walk the Antarctic everyday, and when we did it (went overseas) there was no compass or road map,” said Tan.

He added that companies wanting to go global must be able to imagine themselves trudging through the Antarctic as well, and if they believe they can take control in a situation like that and overcome it – then they are ready to be global entrepreneurs.