

The best performing Asia Pac small cap manager reveals secrets to success

By Nick Tay on 04/09/2013



The best performing Asia Pacific small cap and Citwyire AAA-rated [Linda Csellak](#) is clear about what she expects from her portfolio.

'The PE (of the portfolio) is always below the benchmark, and ROE is always above benchmark. I would be very disappointed if I ever checked and that was not the case,' said the head of Asia Pacific equities at Manulife Asset Management.

Csellak and her Asia equities team of specialists located across Hong Kong, ASEAN and Beijing have managed [Manulife Global Fund-Asian Small Cap Equity AA](#) since April 2010.

Over the past three years Csellak is the best performing manager in the Asia Pacific small cap equity sector posting returns of 67.64% while the average manager has returned 25.11%.

According to Csellak the bulk of performance has come from exposure to China, Taiwan and Hong Kong over the past year. 'We've been more focused on North Asia.

We reduced our Indonesia exposure, and we missed out the Philippines, but performance was made up for in other areas. So this hasn't affected us quite as much,' she added.

Big on north Asia

Despite having a bearish view on the macro situation in China, Csellak held more than 75% of its assets in China, Hong Kong, Taiwan and Korea based on end-June factsheets.

‘One of the reasons we had a big weight in China, even though I don’t like the macro, is the news we’re hearing from companies is much more positive, and these earnings have been coming through. There have been many more hits than misses in China and Hong Kong,’ said Csellak.

Another reason for the overweight in north Asia, said the Asia Pacific equities head, was valuations. ‘I’ve always been more valuations conscious, and it was very difficult to find southeast Asian stocks that met our valuations criteria. We have to get in at a low level to see good upside from a stock.’

Diversified return sources

According to Csellak, part of her process when constructing portfolios is an insistence on diversification. ‘No holding accounts for a large percentage of the performance of the fund, so I’m not reliant on that, but there’s a lot of conviction in every holding.’

‘The theory is with a number of stocks, you’ll get a number of multi-baggers that drive performance of the fund,’ she added.

One such stock was Sunny Optical Technology Group. ‘Sunny Optical was a camera module maker for Huawei and Lenovo, and that was an eight-bagger for us over two years. But we saw domestic competition pressures and we couldn’t see it doubling again, so we took some profit there,’ recalled Csellak.

Since the start of 2013 till July 2013, the Manulife Global Fund-Asian Small Cap Equity AA returned 9.11% against the benchmark MSCI AC Asia Pacific ex Japan Small Cap TR USD return of -1.89% in USD terms.