

ASK THE PROFESSIONAL

Han K. Lee

Position: Managing director and chief investment officer of Prime Value Asset Management, an Australian equities investor he co-founded in 1998.

**What investments do you like at the moment?**

Global economic growth is still shaky and vulnerable to geopolitical or other shocks. Value and defensive stocks are likely to outperform. My preference is for stocks with reasonably high and sustainable dividends, with some growth potential as well.

What are you avoiding or selling?

Structural headwinds will have an adverse impact on the discretionary retail sector. Another group of companies likely to face a difficult time ahead are the highly geared firms that are reliant on bank loans. They are likely to face increasing spreads.

Tell us about your best single investment decision.

Buying Monadelphous, a mining services stock I have followed for the past 20 years. Not only were its investment fundamentals extremely attractive when we first bought it, the company is – in my view – one of the best managed publicly listed companies in Australia, if not the best. Management has a tendency to be short on promises but long on delivery.

Now describe the worst one and what you learnt.

Prime Value had, rightly, increased its cash holdings for some time before the global financial crisis. The index fell by half between late 2007 and early 2009 so we avoided the worst of it. The index then rose 60 per cent from March 2009's low to the high in March 2010. Our conservative stance meant we did not re-enter the market aggressively enough in early 2009.

Lessons learnt? It would be tempting and easy to say I should have had the courage to back my convictions by investing aggressively in early 2009. But in all honesty, I would probably do exactly the same again if faced with the same problem. The market could easily have gone the wrong way, with disastrous consequences for our investors. Hindsight is a wonderful thing!

Who is your investment hero and why?

I don't really have investment heroes. I have read investment literature written by investment academics and practitioners and found them extremely useful. The book that influenced me most in the practical sense is probably Graham, Dodd and Cottle's *Security Analysis*. Every investment practitioner must, of course, read and understand investment theories, including modern portfolio theory. However, you cannot create wealth by just reading investment books or articles.