

Flat ASX fertile ground for stock-pickers

Investors should disregard the index if they are to achieve outperformance in 2016, and instead utilise an active approach to source opportunities, says Prime Value Asset Management.

BY TAYLEE LEWIS

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Prime Value portfolio manager, ST Wong, said in flat and declining markets there are still good opportunities for investors who place an emphasis on company business models.

“The market will suit active approaches and we remain cautiously optimistic despite a difficult start to the year,” he said.

Mr Wong said the poor start to the year has created buying opportunities, but remains cautious going forward.

“Some stocks are more attractive but in conditions like these it's important to remain disciplined.

“We always invest with the knowledge that avoiding big mistakes can have a bigger impact on portfolio returns than picking the big winners,” he said.

He also argued that demographic change will be an important trend in 2016, and is likely to be a key driver within the Australian economy.

“We continue to watch China’s transitioning economy closely and are attracted to the well-established secular trends such as the expansion of the service economy and growing middle-class population.”

“At the same time, the investment lessons we have seen repeated through market cycles and clearly emphasised in 2015 means we will be vigilant to avoid companies whose business models we fail to understand,” Mr Wong said.